

EirGrid and SONI Response to SEM-26-003

Options for the timings of upcoming Capacity Revenue Mechanism (CRM) auctions

24th February 2026

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1. Introduction

EirGrid holds licences as the independent electricity Transmission System Operator (“TSO”) and Market Operator (“MO”) in the wholesale trading system in Ireland. The System Operator for Northern Ireland (“SONI”) is the licensed TSO and MO in Northern Ireland. The Single Electricity Market Operator (“SEMO”) is a contractual joint venture between SONI and EirGrid and operates the Single Electricity Market (“SEM”) on the island of Ireland.

EirGrid and SONI, both as TSOs and MOs, are committed to delivering high quality services to all customers, including generators, suppliers and consumers across the high voltage electricity system and via the efficient operation of the wholesale power market. EirGrid and SONI therefore have a keen interest in ensuring that the market design is workable, will facilitate security of supply and is compliant with their mandated duties and will provide optimal outcomes for customers.

EirGrid and SONI have duties under licence to advise the Commission for the Regulation of Utilities (CRU) and the Northern Ireland Utility Regulator (UR), collectively referred to as the Regulatory Authorities (RAs), respectively on matters relating to the current and expected future reliability of the electricity supply. EirGrid and SONI have also been allocated responsibility for administering the Capacity Market Code (CMC) via respective TSO licences. This response is on behalf of EirGrid and SONI in their respective roles as TSO for Ireland and Northern Ireland (the System Operators or SOs).

2. EirGrid and SONI view on the consultation

EirGrid and SONI welcome the opportunity to respond to the SEM Committee’s (SEMC) Consultation Paper [SEM-26-003](#), (dated 20 January 2026) on options for the timings of upcoming Capacity Revenue Mechanism (CRM) auctions. The System Operators have considered both the operational implications for system adequacy and broader market design impacts associated with changes to the current auction schedule.

The System Operators note that, for longer term planning, introducing a T-5+ auction will be an important consideration for the next state aid notification for the CRM. The current state aid approvals that underpin the CRM arrangements expire in May 2028, and it is imperative that the necessary state aid approvals are sought and in place to enable CRM actions to take place post May 2028. Without an approved state aid framework, the System Operators will be unable to run Capacity Auctions after this date.

A clear adequacy “glide path” is also required to move from the current state aid approved auction cycles (T-4 and T-1) to the auction arrangements that will apply under a new notification. This glide path should support each delivery year in the 2030s by ensuring there is always a market mechanism capable of securing the new capacity needed to address adequacy risks, regardless of which state aid approval covers the delivery year.

The System Operators note the existing CRM timeframes make it difficult for medium to large-scale projects to deliver by the start of the relevant delivery year. Equally, it is recognised that some technologies can deliver within these timescales. Under the existing CRM guidelines, it is important that the benefits and risks of deviating from a Business-as-Usual approach, such as what is set out in Option 1(a) and 1(b) of the SEMC consultation, are fully considered.

The System Operators cannot support any option in which there is no market-based mechanism to secure new capacity for each delivery year under the current state aid approval. Under the existing framework, the T-4 Capacity Auction is the primary tool for delivering additional new capacity (this is one of the reasons why the CMC requires a T-4 auction for every delivery year). The System Operators therefore cannot support Options 1(a) or 1(b) for the following reasons:

- i. No T-4 Capacity Auction would be held for Delivery Years 2030/31 or 2031/32.
- ii. Removing the T-4 auction increases adequacy risks, noting that some technologies can deliver within the current T-4 timescales.
- iii. There is limited evidence that the Early Delivery Incentive will bring projects forward earlier, as it only applies from the 2028/29 Delivery Year onwards.¹
- iv. The Regulatory Authorities have not provided detail on what additional measures would be needed to manage potential worst case adequacy shortfalls in years where no T-4 auction takes place.

¹ <https://www.semcommittee.com/files/semcommittee/2024-05/SEM-24-037%20Decision%20Paper%20-%20Early%20Delivery%20Incentives.pdf>

As outlined later in this document, the System Operators are concerned that not holding a T-4 Auction may signal adequacy shortfalls are a substantially less likely going forward. This signal seems inappropriate considering Temporary Emergency Generation is currently in use in Ireland, a base case adequacy deficit exists in Northern Ireland for all the delivery years under consideration, and worst-case adequacy deficits could occur in Ireland depending on the trajectory of energy demand for residential customers and Large Energy Users. Furthermore, as noted above, the current state aid notification expires in May 2028, and subsequent Capacity Auctions can only occur once a new state aid application is approved. The System Operators acknowledge that adequacy concerns also exist under a Business-as-Usual approach. It is therefore important for the Regulatory Authorities to explore ways of improving the T-4 auction design to better reflect the delivery challenges faced by different technologies. The System Operators have set out other considerations for the Regulatory Authorities under the current state aid framework.

One option that the Regulatory Authorities could consider would be the running of concurrent T-4 auctions for two different Capacity Years. This could mitigate the adequacy risks of skipping a Capacity Year proposed in Option 1 (a) and 1 (b). Running concurrent auctions - one of which is 42 months in advance - the other one being 54 months in advance could allow for the qualification of medium-to-large projects without having to skip a Capacity year.

The System Operators note that this option would require a significant operational undertaking from both the Regulatory Authorities and System Operators. It would require careful planning to ensure one auction doesn't crowd-out another and to allow sufficient time for the System Operators to prepare to administer concurrent auctions. A concurrent auction approach could be a way to establish a system adequacy glide path for delivery years transitioning from the current to the future state-aid notification. The System Operators welcome the opportunity to discuss this further with the Regulatory Authorities. .

To support the SEM Committee's decision making, the System Operators' high-level assessment is structured around two core themes:

1. The implications of a Business-as-Usual (BAU) auction timetable, and
2. The implications of pursuing a non-BAU option.

3. The System Operators' response

3.1. Implications of a BAU Option

Under the BAU approach, future T-4 auctions would continue to operate within the existing 42-month delivery timeframe. This presents a complex balance of risks and benefits for system adequacy, and the System Operators see two distinct dimensions to this issue.

3.1.1. Long-term adequacy risk

A key challenge under the current BAU framework is that medium to large scale new capacity projects cannot reliably deliver their projects within a 42-month timeframe. Recent auction cycles have shown that typical medium to large scale projects require an extra 12 to 18 months after the start of the Capacity Year before they can achieve Substantial Completion as set out in the Capacity Market Code. As a result, this BAU approach increases the adequacy risk going forward, particularly as demand continues to rise and older assets retire. These risks are well established in the All-Island Resource Adequacy Assessment (AIRAA) 2026-2035 report.

In determining the appropriate auction timing options, the TSOs believe it is prudent to ensure that the latest secure resource adequacy assessments are fully considered, and that these assessments should form the basis for decisions on securing capacity to support the continued and sustainable operation of the power system. Under the All-Island Resource Adequacy Assessment 2026-2035 Secure scenario, Ireland is forecast to face adequacy deficits of around -150 MW in 2030 and at standard (0 MW) in 2031, while Northern Ireland is forecast to face deficits of approximately -160 MW in 2030 and -200 MW in 2031, as illustrated in Figures 1 and 2 respectively. These graphs also show worsening adequacy positions from 2032 onwards in both Northern Ireland and the island of Ireland reinforcing the need for more medium to large scale capacity delivery. The AIRAA 2026-2035 assessment also outlines how the high demand scenario could increase the deficit by a further 500 MW in Ireland and an additional 90 MW in Northern Ireland in both 2030 and 2031.

Furthermore, the auction volume setting process is a separate process, distinct from AIRAA, which determines how much capacity is required for a given capacity year. This process does account for plant delays and higher demand levels, however, for the T-4 29/30 auction, there has been no accounting for the possibility of not having new capacity in Winter 2030.

Overall, the TSOs are concerned that under Option 1(a) or 1(b), there is no market-based mechanism to secure new capacity for these time periods, and while there is a possibility that the mitigations outlined in the proposal may be sufficient, there is a reasonable risk of shortages if significant capacity delays or changes in demand materialise.

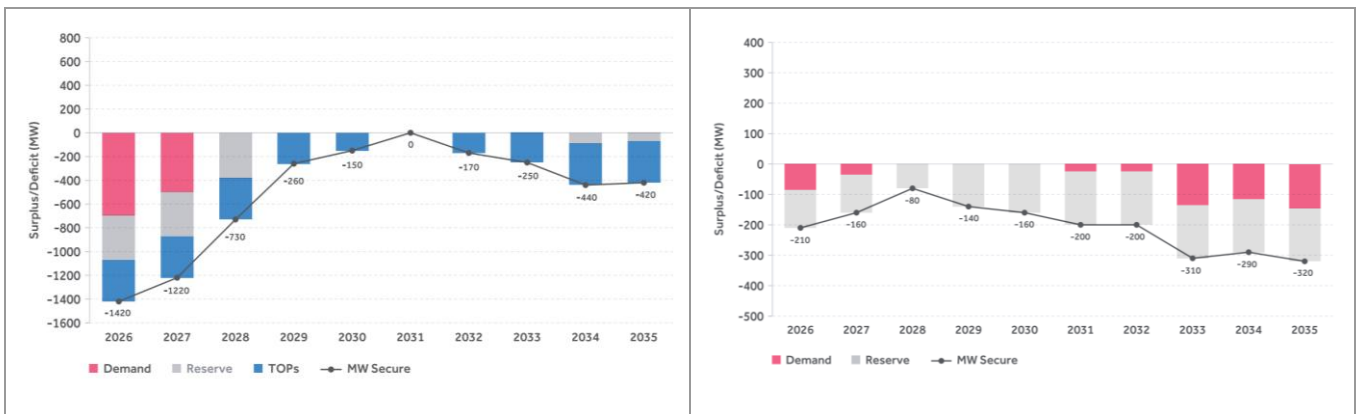


Figure 1 & 2: Secure Surplus/Deficit results for Ireland (L) and Northern Ireland (R) in terms of surplus (+) and deficit (-) of perfect plant.

3.1.2. Short-term adequacy support from deliverable technologies

Whilst the current 42-month delivery timeline presents challenges for medium to large assets, other technologies such as Demand Side Units (DSUs), short duration batteries and small gas turbines can all realistically deliver within the 3.5-year schedule. In the winter of 2030, where adequacy margins are expected to be stressed, these technologies may represent the difference between meeting and not meeting the required Loss of Load Expectation (LOLE).

3.2. Implications of Any Non-BAU Option

Any of the proposed non-BAU options introduces a different set of considerations for which the System Operators would not support.

3.2.1. Long-term adequacy benefits from extended timelines

The System Operators note that a key advantage of non-BAU options is the provision of longer delivery timeframes. An extension to a 54-month delivery window would enable medium to large scale assets to reliably achieve substantial completion within the desired Capacity Year. This extension would allow a broader range of technologies to participate, including large thermal generation units, long duration energy storage etc. In this sense, non-BAU options could strengthen the long-term adequacy position by facilitating investment in larger, more impactful projects that provide sustained contribution to security of supply over multiple years.

3.2.2. Reduced market-based procurement opportunities

If a T-4 auction is not held for a particular Capacity Year, the System Operators have fewer mechanisms through which capacity can be competitively procured. Should adequacy risks emerge for that delivery year, due to factors such as demand growth, delays to existing projects, or plant retirements, there is reduced flexibility for securing additional capacity through the CRM. The loss of a T-4 auction for a Capacity Year would remove the opportunity for participants to bring forward capacity that may have mitigated the immediate adequacy risks. This is particularly relevant for the 2030 period where both Ireland and Northern Ireland face tight adequacy margins, a highlighted in the AIRAA 2026-2035 report.

3.3. Recap of the short-term options proposed

The section briefly outlines three approaches proposed by the Regulatory Authorities in this consultation:

- Option 1(a): bringing forward a T-4 auction to extend lead times.
- Option 1(b): retaining the next T-4 auction with a two-year bridging contract; or
- continuing with the current auction schedule under a business-as-usual approach.

3.3.1. Option 1(a)

Option 1(a) proposes moving the T-4 auction for the 2031/32 delivery year to April 2027, creating the maximum allowable 54-month lead time between auction and delivery as set out in the Capacity Market Code.

This extended timeline allows for longer development periods to ensure that New Capacity is in place for the start of the Capacity Year. As no T-4 auction would occur for the 2030/31 Capacity Year, Existing Capacity (as defined in the Capacity Market Code) could receive two-year contracts covering both the 2030/31 and 2031/32 Capacity Years. The TSOs would have a concern that there is no market-based mechanism to secure capacity for the 2030/2031 Capacity Year. The TSOs do note that the EDIs mechanism allows for New Capacity to receive additional capacity payments if it can deliver in advance of the start of the Capacity Year.

3.3.2. Option 1(b)

Option 1(b) plans for the T-4 auction for the 2030/31 Capacity Year on or before March 2027, preserving the current 42-month lead time.

In this scenario, however, there would be no T-4 auction for the 2031/32 Capacity Year. The SOs note that this could provide industry time to replan their developments. Existing Capacity (as defined in the Capacity Market Code) that is successful in the 2030/31 Capacity Auction would be awarded two-year contracts that also cover the 2031/32 Capacity Year.

New Capacity can still avail of the EDI mechanism and receive capacity payments if it can deliver prior to the start of the 2031/32 Capacity Year.

3.3.3. Business as Usual

For the business-as-usual option, all future T-4 auctions would continue their current scheduling trajectory, resulting in approximately 42-month lead times. This maintains the existing auction cycle but does not address the issue of late delivery of New Capacity, as well as the qualification assessment of New Capacity being able to deliver by the start of the Capacity Year.

3.4. TSOs' Summary

One of the key challenges from the recent T-4 auctions has been the timely delivery of Awarded New Capacity. For large scale projects, commissioning often only occurs 12 -18 months after the Capacity Year in which delivery was originally expected. The late delivery of New Capacity significantly increases the complexity of managing the power system.

A four-year-ahead and one-year-ahead auction structure is a fundamental principle of the Capacity Market Code. Departing from this structure to reflect delivery challenges for medium- to large-scale new capacity carries system adequacy implications. While some technologies can deliver within existing (BAU) timelines, many medium- to large-scale units have not, resulting in roughly one in every 5 MW of new awarded capacity terminating its obligations to date. Of those that did not terminate, many required at least one extension approved by the Single Electricity Market Committee since the mechanism was introduced.

Given the difficulty of qualifying new capacity with longer lead times, the System Operators accept further work is necessary to optimise future auctions, so all technologies have a fair opportunity to deliver by the relevant delivery year. The proposed T-5 auction is therefore welcomed in the context of designing the future -CRM for the next state-aid application.

All three proposed options by the Regulatory Authorities falling under the current state-aid approval involve system adequacy considerations across both jurisdictions. The SEMC will need to balance these risks with the need to provide participants sufficient time to deliver new capacity. As currently set out, the System Operators cannot support Options 1(a) or 1(b). The System Operators have set out other considerations for Regulatory Authorities under the current state aid framework.

As stated in Section 2, further thought should also be given to running concurrent T-4 auctions for two different Capacity Years. One of which is 42 months in advance - the other one being 54 months in advance. Notwithstanding that this would be a significant operational undertaking by the Regulatory Authorities and System Operators, a concurrent auction approach could be a way to establish a system adequacy glide path for delivery years transitioning from the current to the future state-aid notification.

In line with our Transmission System Operator licence obligations, the System Operators will administrator future capacity auctions as decided by the SEMC.

3.5. Consultation Questions

1. Do you have a preference between the two options presented in this section?

TSOs' Response: The System Operators recognise that the SEM Committee is addressing a complex set of challenges, however as set out above, the System Operators do not support either Option 1(a) or Option 1(b), as they cannot sufficiently deal with any adequacy shortfalls due to the skipping of a Capacity Year.

2. Could the introduction of two-year contracts for Existing Capacity create any risks from a capacity availability perspective, that would result in less capacity being available than under the current approach of two one-year contracts?

TSOs' Response: As set out above, two-year contracts may help alleviate an adequacy risk, however this does not negate the System Operators concerns with Option 1(a) and 1(b).

3. Are there any solutions, other than two-year contracts for Existing Capacity, which should be considered by the SEM Committee to provide clarity to industry under Options 1(a)/1(b)?

TSOs' Response: As set out above, The System Operators do not support the implementation of Option 1(a) or 1(b).

4. Do any of the options outlined above create risks or benefits not covered in this consultation?

TSOs' Response: A four-year-ahead and one-year-ahead auction structure is a fundamental principle of the Capacity Market Code. Departing from this structure to reflect delivery challenges for medium- to large-scale new capacity carries system adequacy implications. Some technologies can deliver within existing (BAU) timelines. A change of the expected delivery year from 2030/31 to 2031/32 for the next capacity auction means those technologies may take longer to deliver than otherwise necessary, which heightens system adequacy risks. An Earlier Delivery Incentive might mitigate this risk; however, it remains less certain as it is the Applicant decision. Furthermore, the efficacy of the Early Delivery Incentive remains unknown currently as it will only apply to new capacity units from delivery year 2028/2029 onwards.

Options 1(a) and 1(b) move away from the legitimate expectation of a four-year-ahead Capacity Auction for every deliver year under the Capacity Market Code. To mitigate against legitimate expectation as a ground for judicial review, the System Operators ask the SEMC to set out the steps required to avoid this outcome in their Decision Paper if they decide on either Option 1(a) or 1(b).

5. Which option, out of Options 1(a), 1(b), and a “do nothing” do you consider to be best? If your response is dependent on the Decision taken for the longer-term, please state this and explain why

TSOs' Response: All three options attempt to balance system adequacy risks with the need to provide participants with sufficient time to deliver new capacity across both jurisdictions. As set out above, the System Operators do not support the implementation of Option 1(a) or 1(b). The System Operators have set out other considerations for Regulatory Authorities under the current state aid framework.

3.6. Longer Term Outcomes Consultation Questions

The System Operators note that the current CRM State Aid is due to expire in May 2028 and that there is no mechanism in place to extend the existing State Aid framework. The System Operators also note that the process for the renewal of the CRM State Aid for post May 2028 is under review as part of the broader CRM Development Programme. The System Operators stress the importance that there is a State Aid mechanism in place by 2028.

Should this not be in place by May 2028, there would be no mechanism in place for Ireland and Northern Ireland to procure capacity through this mechanism. This could have a knock-on effect for Capacity Years, particularly if Option 1(a) or 1(b) is implemented. This would create serious adequacy risks - particularly for winter periods. It is important that the RAs consider all possible mitigation plans that could be put in place to deliver new capacity for all Capacity Years in the 2030s in order to mitigate the risk of adequacy shortfalls, regardless of which state aid approval the delivery year is covered by.

6. Would moving to T-5 auctions be preferable to the current approach of T-4 auctions? Would some alternative auction schedule be preferred to T-5?

TSOs' Response: It is unclear to the System Operators why a transition from T-4 to T-5+ would not be provided for under State Aid approval. With due consideration of the above, the System Operators support the transition approach from the current BAU to the new longer lead times.

The System Operators consider that the lead time for Capacity Auctions should be based on evidence of how long it takes to deliver capacity from the Final Capacity Auction Results to Substantial Completion. Consideration needs to be given to the impact that the qualification criteria will have on how advanced projects are when entering the process. The System Operators also note that allowed delivery times should be aligned with the required delivery timelines. Medium to large scale projects without a connection offer/connection agreement, or planning permission for their grid infrastructure, by the Application for Qualification date of a relevant Capacity Auction struggle to meet 42 months delivery window. Extending the delivery time may facilitate more projects to qualify with longer and more complex implementations.

Running an auction 60 months prior to the delivery year may see an increase in the qualified new capacity for Capacity Auctions. Running a T-5 auction allows for sufficient time for the delivery of new capacity but also provides time for the refurbishment of existing capacity.

7. If moving towards T-5 auctions, how should the SEM Committee transition to this longer lead time? Responses could refer to proposals outlined in Options 1(a)/1(b) or other suggestions.

TSOs' Response: Similar to this current consultation, a consultation paper setting out the possible timelines for transitioning from a T-4 to a T-5 auction would be needed. Some of the options in the consultation can be similar to the options proposed in this consultation paper. As outlined above, and in this consultation, there are mechanisms that exist that can help mitigate the impact of changing the Capacity Year of an auction.

A clear adequacy "glide path" is also required to move from the current state aid approved auction cycles (T-4 and T-1) to the auction arrangements that will apply under a new notification. This glide path should support each delivery year in the 2030s by ensuring there is always a market mechanism capable of securing the new capacity needed to address adequacy risks. Regardless, of which state aid approval the delivery year is covered by.

8. Are there any wider considerations or market trends which would indicate that moving to a T-5 schedule is unnecessary or inappropriate in the longer-term?

TSOs' Response: Different technology classes have different delivery times. As such, the delivery time available for a particular auction would have a material impact on the extent that different

technology classes can compete. This is particularly true for investment in decarbonisation technologies. Given the importance of supporting low carbon development and avoiding locking in higher carbon intensity technologies, it underpins the necessity of affording longer delivery times. Adopting measures that allow for longer delivery times, a balance must be struck between any risks to system adequacy that may arise from the proposed options relative to the risks that would be present by adopting a BAU approach. It is the System Operators' view that system adequacy (and, critically, system adequacy that facilitates increasing levels of variable renewables) is better served by longer delivery times.

9. What impacts, if any, could moving to a T-5 auction have on clearing prices in the CRM, and therefore on consumer costs?

TSOs' Response: Moving to longer lead times increases the complexity of forecasting capacity requirements, as certainty tolerances around the forecast widen. This may impact consumer costs where too much or too little capacity has been procured for a particular Capacity Year. The Least Worst Regrets approach addresses this risk to a degree. If the consequences of insufficient capacity are fully considered, the costs of under-procuring are significantly higher than those of over-procuring. Given rising demand in the coming years from factors including economic growth, electrification of heat and transport, and new technology growth, the risk to the consumer of stranded assets (arising from over-procurement) is limited, whereas the risks associated with under-procurement would be more significant. As such, adopting a robust approach to setting auction quantities would likely mitigate risks to consumers associated with longer delivery periods.

Each auction takes place under different market conditions, which makes comparing clearing prices from one delivery year to the next challenging. Commentary on changes to the clearing price of CRM auctions resulting from switching from a T-4 to a T-5 auction is speculative. More projects may qualify under a T-5 auction than under a T-4 auction, as they have longer lead times to deliver, assuming no other changes to the qualification assessment from one delivery year to the next and an adequate pipeline of projects. Greater participation in an auction should increase its overall competitive tension. Higher competitive tension may lead to more competitive offers in a given auction. However, many factors influence a bidder's bid price year on year (such as supply chain inflation, interest rates, and market scarcity, etc). Increased competition from one capacity auction to another does not necessarily mean that clearing prices will change.

4. Other Considerations

The implementation of either Option 1(a), Option 1(b) will require a Capacity Market Code modification, as the Code in its current form obliges the TSOs to conduct a T-4 Auction for every Capacity Year.

The System Operators recognise that some Capacity may not be successful in the initial 54-month T-4 auction. To provide Participants with greater certainty that there will be additional opportunities to secure a capacity contract for the Capacity Year, Participants may benefit from early communication regarding a T-1 auction for the same Capacity Year.

In principle, the TSOs understand the objectives of the awarding of the two-year contract. However, further consideration is required on how this would operate in practice. Do Existing Units need to submit a 2-year offer into the auction with their bid, or is this awarded ex post? If the former, there may be implications for the auction clearing software. For example, for units above the Auction Clearing Price, do all units with 1 year offers clear before a two-year offer can be accepted?

Another important consideration is how adequacy assessments would be conducted under a two-year contract structure. If two-year contracts are to be implemented for all capacity, this would effectively freeze the de-rating factors for two years. There is a potential risk of under-procurement if the assumed value of the MW is overstated. This issue may require additional assessment and consultation before implementation.

A further consideration is the interaction between Capacity Market timings and the Large Energy User (LEU) policy framework. As LEU-related demand grows, capacity requirements may shift materially within a single auction cycle. Auction structures therefore need to remain responsive, ensuring procurement volumes can keep pace with changing LEU-driven demand. This will require closer alignment between LEU policy developments, connection assessments, and adequacy forecasting.

Consideration could be given to amending the qualification assessment date such that the assessment of the delivery of new capacity date could be the end of the Capacity Year rather than at the beginning of the Capacity Year. This would provide an additional 12-month delivery window without negating a T-4 auction for a Capacity Year. This may raise questions regarding unfair treatment of new capacity relative to existing capacity. This would require a modification for to E.7. of Capacity Market Code and would take time to implement.

Further thought should also be given to running concurrent T-4 auctions for two different Capacity Years. One of which is 42 months in advance - the other one being 54 months in advance. The System Operators note that this option would require a significant operational undertaking from both the Regulatory Authorities and System Operators and would require careful planning to ensure one auction doesn't crowd-out another. A concurrent auction approach could be a way to establish a system adequacy glide path for delivery years transitioning from the current to the future state-aid notification.