



## **Energia Response to SEM-26-003**

Options for the Timings of Upcoming CRM Auctions

**24 February 2026**

## **Introduction**

Energia welcomes the opportunity to respond to consultation paper SEM-26-003 on timings for the upcoming CRM auctions. Energia has participated in auctions since the inception of the CRM and is well placed to respond to the questions set out in the paper.

Energia's position is that of the options set out in the paper, Option 1b is the preferred option as it should allow for greater participation, competition and delivery of New Capacity for the 2031/32 capacity year and is therefore in the interests of consumers. Energia expands on this position in response to questions 1-5 related to the shorter-term outcomes, and question 1 in particular.

On the longer-term outcomes, Energia is supportive overall of moving towards T-5 auctions as part of the CRM Development Programme to allow more time for the delivery of New Capacity. Energia sets out a range of considerations regarding comparable markets, general market trends, qualification criteria and implementation plans that would need to be considered as part of this workstream.

Energia thanks the SEMC for the opportunity to respond to this consultation and is open to engaging bi-laterally with the RAs on any aspect of its response.

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

The choice between Option 1a and Option 1b is a matter of whether it is better to move to longer-lead times, which all parties are agreed are desirable, sooner rather than later.

In the comparative assessment in section 2.2 of the consultation paper, SEMC has already identified that Option 1a allows for a faster transition to longer lead times, while Option 1b allows for additional time for implementation which would be less disruptive to near-term planning for the RAs, TSOs, and Market Participants.

The consultation paper also notes that the most recent AIRAA identifies 2032 as the year with the highest capacity deficit, and as such is the year most likely to require New Capacity and therefore it may be most beneficial to retain a specific auction for the 2031/32 capacity year. This would imply a preference for Option 1a, as under Option 1b no auction is held specifically for 2031/32.

Energia's view is that Option 1b is the better option in terms of facilitating the participation of New Capacity, promoting competition, and promoting the interests of consumers of electricity with respect to price, quality, reliability and security of supply of electricity across the island of Ireland. This is particularly the case for capacity seeking to deliver from 2031/32 onwards.

The primary reason for this view is that under Option 1a, a participant seeking to build New Capacity for 2031/32 would have to qualify for the relevant auction by the end of Q3 2026, following the convention that the qualification application deadline is approximately 6 months prior to the capacity auction taking place.

There are likely to be relatively fewer participants that will be in a position to qualify New Capacity for 2031/32 were the auction to be brought forward at short-notice as proposed in Option 1a. This could have a detrimental impact to both capacity

adequacy and competition, and as such to the short-term interests of consumers of electricity across the island of Ireland.

The lack of participants ready to qualify New Capacity for the T-4 2031/32 auction under Option 1a would be in part dependent upon the qualification criteria in place for that auction. The signalling received by market participants to date has been that qualification criteria is to be tightened for auctions going forward, consistent with the desire to ensure that New Capacity delivers on time. Specifically:

- The CRU Direction for the T-4 29/30 auction (CRU202437) which required planning permission to have been granted by the qualification application deadline for the SOs to award a connection offer to successful CRM applicants. Previous directions only required evidence of a planning application having been submitted.
- The ECP GSS publication by the CRU (CRU20241010) which stated that it was anticipated that Security of Supply Grid Directions to EirGrid will not be issued for the purposes of a T-4 2031/32 auction or beyond.
- Modification CMC\_08\_25 from the System Operators, still under consideration by the RAs, that would put the requirement for a grid connection, a gas connection, and approved planning permission prior to qualification in the body of the CMC (noting that the requirement for a grid connection agreement, and as such planning, already exists absent a direction from the RAs).

Therefore, it would be reasonable to expect, and consistent with previous communications, that for the T-4 31/32 capacity year applicants will require at least planning permission and a grid connection to qualify for the auction.

If Option 1a is selected, then the number of applicants that will have the necessary permissions in place to qualify for a capacity year that is five years in the future at the time of qualification is likely to be limited. This could lead to a sub-optimal outcome in that auction where either the requirement is not met, or the requirement is met at a higher price than would otherwise have been the case due to a lack of competition.

However, if Option 1b were selected, then participants interested in qualifying for the 2031/32 capacity year would have another year to receive the required consents and could still deliver for that capacity year via Early Delivery Incentives (EDIs) as set out in the consultation paper.

Those seeking to deliver in 2030/31 should be relatively indifferent as under either option they will have the opportunity to enter an auction and deliver for that year in Q1 2027. Those seeking to deliver in 2032/33 should also be indifferent, as the auction to deliver for that year will take place in Q1 2028 under either option.

The only year for which the choice of an option makes a meaningful difference is 2031/32, and Energia's view is that while Option 1a holds that auction for that delivery year sooner, Option 1b would allow for more competition and more viable projects to compete to deliver New Capacity for that capacity year.

While under Option 1b New Capacity seeking to deliver in 2031/32 would not have to deliver contractually until 2032/33, were the Early Deliver Incentives to be effective then participants would be incentivised to deliver as early as possible. Energia's view is that if the concern is to ensure New Capacity is delivered for 2032, Option 1a is less likely to result in multiple competing projects that can deliver for that delivery year.

As such, Option 1b is the preferred option.

## **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?**

Energia is not aware of any reason that the introduction of two-year contracts for Existing Capacity would create risks from a capacity availability perspective.

All existing dispatchable generators are required to participate in capacity auctions other than units that plan to close before the end of the relevant capacity year. Therefore, unless the RAs are aware of capacity that intends to close during the two-year capacity period that would prevent it from taking on a two-year contract as opposed to one or two one-year contracts, the same level of Existing Capacity should be available regardless of whether it is a two-year contract or two one-year contracts.

Even in this scenario, a unit with an intention to close during the two-year period could bid for a single year contract at the relevant T-1 auction.

## **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 1a/1b?**

To avoid skipping an auction while not holding auctions simultaneously or in short succession, a middle ground could be considered. Holding auctions six months apart would allow the CRM cycle to return to four-year timelines without skipping an auction. For example, the T-4 30/31 auction could be held in Q1 2027 as planned, with the T-4 31/32 auction being held in Q3 2027, and auctions being held annually thereafter.

There is precedent for this approach, as SEMC allowed for a similar timeline for the T-4 26/27 and T-4 27/28 auctions that were both held in 2023 (March and October respectively). While limited New Capacity was successful, particularly for the T-4 27/28 auction, significant volumes of New Capacity did qualify for the auction, and changes were subsequently made to parameters for future auctions (e.g. increased APC) to encourage bids from New Capacity.

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

While capacity seeking to refurbish with incremental capacity can be incentivised by EDIs, it is not clear what impact the proposals may have on Existing Capacity seeking to refurbish without incremental new capacity.

For example, under Option 1a were a unit seeking to refurbish from 2030/31 and bid for a 5-year contract on that basis, it would not be able to secure a 5-year contract until the start of 2031/32. This would therefore push a planned refurbishment back a year, leading to a less reliable fleet of Existing Capacity overall as beneficial refurbishments

to specific units would have been delayed. This may be further reason to prefer Option 1b, so as not to disrupt any plans for refurbishment of Existing Capacity that may be under way.

A further consideration that is not considered is how the options in this paper interact with the stated intention in open consultation SEM-25-070 to implement decarbonisation measures in the existing CRM for the auction after the T-4 29/30 auction.

Energia's view, to be set out in response to that paper, is there would not be time to do the detailed consultation and assessment work required on implementing the principal options set out in that paper prior to the next T-4 auction while allowing participants sufficient time to plan their bids accordingly for those new incentives to have any impact.

If the RAs are considering changes to auction timelines in the short-term to facilitate longer lead times, it would be better from the perspective of the RAs, SOs, and Market Participants, not to simultaneously attempt to quickly implement further decarbonisation measures, and therefore that implementation of any such measures should form part of the CRM Development Programme ahead of State aid renewal.

**5 Which option, out of Options 1a, 1b 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.**

As set out in our response to Question 1, Energia considers Option 1b to be best as it facilitates an orderly transition to longer-lead times that will best enable participation, competition and delivery of New Capacity for the 2031/32 capacity year.

**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?**

Energia would be supportive of a move to T-5 auctions being considered as part of the CRM Development Programme. Detailed consideration of this proposal would involve the exploration of the trade-offs outlined in the EY Review of allowing greater participation and likelihood of delivery versus the increased uncertainty from having to set capacity requirements further into the future.

**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 1a/1b or other suggestions.**

Under either option set out in the consultation paper, the T-4 32/33 auction would take place in Q1 2028. There would then be the option to hold a T-5 33/34 auction in Q3 2028 were the resources available.

Alternatively, were the resources not available in 2028 considering that it is the year in which a new State aid application will need final approval, planning could be undertaken for two CRM auctions in 2029 (T-4 33/34 and T-5 34/35).

Were there no appetite for two auctions to be held in the same year, the alternative would be to run a similar process as is being considered in this consultation paper and skip a capacity year while relying on Early Delivery Incentives for New Capacity and two-year contracts for Existing Capacity. SEMC would have the advantage of being able to lean upon the experience if either Option 1a or Option 1b were chosen in this instance, and for that purpose a “lessons-learned” exercise in the aftermath of either option being chosen would be advised.

## **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?**

It would be useful to do a comparative analysis of capacity markets across Europe to understand whether there is any existing precedent for T-5 auctions. Energia’s understanding is that most existing or approved CRMs operate to a T-4 timeline for their long-term auctions. It would be interesting to understand whether there is a particular reason that diverse markets have coalesced around this timeline.

A related consideration is whether moving to a T-5 timeline would have any implications for explicit cross-border consideration in the CRM, as is currently under consultation via SEM-25-071. There may be benefits of aligning the Irish CRM timelines with those of other participating markets, and it would be consistent with the direction of travel as set by the EU for more alignment between capacity markets. However, were there to be good reason that T-5 would be appropriate for SEM (e.g. longer average delivery timelines), then alignment with timelines in other EU markets would not be good reason to prevent moving to a T-5 cycle.

With regards to general market trends, in the original design of the CRM (as per decision paper SEM-16-022), most participants were in agreement that four years was an appropriate length of time to allow for the delivery of New Capacity. However, there have been significant developments in both the domestic context (increased grid bottlenecks, ongoing Judicial Reviews, and planning delays) and the global context (increased competition and delays in supply chains) that would warrant a review of whether this remains the case.

Furthermore, the experience of the capacity market thus far strongly suggests that a majority of New Capacity projects are failing to deliver within the four-year timeline, even accounting for the fact that auctions have always been held with less than four-years to the delivery date. All of this suggests there is merit in considering a move to a T-5 schedule.

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

Theoretically were a move to T-5 auctions to allow for more participation in capacity auctions as there is more confidence from a wider range of participants in their ability

to deliver New Capacity, then moving to a T-5 auction could reduce clearing prices in the CRM.

However, a move to a T-5 auction schedule in isolation may not have such a positive impact on consumers, as it would need to be considered as part of a wider review of qualification and delivery arrangements. Specifically, the qualification requirements and termination payments would need to be set at such a level as to deter speculative bids that would be unlikely to deliver and ultimately raise the cost of security of supply as was seen at the initiation of the existing CRM.

There may also need to be a review of implementation milestones to ensure that these are currently set in the right place. For example, the requirement to have all necessary consents in place 18 months following the award of a CRM contract, including consents that can take considerable time to come through such as from the Environmental Protection Agency, may not be compatible with longer lead-times on CRM auctions.

Therefore, as part of the process for considering moving to a T-5 auction schedule, consultation should be undertaken not just with market participants but also with the relevant consenting authorities to ensure that implementation plans and the associated timelines as required in the CMC remain appropriate and realistic.