

FERA Response on SEM-26-003 Options for the timings of the upcoming CRM auctions

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FERA's members operate in the Demand Side Response sector of the electricity industry and perform a significant role in supporting the operation of the I-SEM balancing market and facilitating the continuous introduction of renewables. The FERA members have together a registered capacity above 160MW, which carries a significant contribution to system support and stability.

Our members have been operational since 2014 and have client sites right across the island of Ireland and thus operate in both jurisdictions.

Their portfolios include Demand Response through turning equipment off, as well as behind the meter generation. They utilise diesel and HVO, along with gas cleanup capabilities. Some members operate AGUs and others have actual Generation stations.

FERA welcomes the opportunity to provide feedback on SEM-26-003.

We recognise that the SEM Committee is seeking to ensure that CRM auctions are conducted in a timely and orderly manner, particularly in light of State aid constraints and the potential transition towards a revised CRM design. We also acknowledge that the longer-term consideration of T-5 auctions under the CRM Development Programme is intended to address industry concerns regarding delivery timelines.

However, the prospect of a future transition to T-5 auctions does not justify limiting available lead time in the interim, where the Capacity Market Code already provides flexibility. Section D.2.1.5(d) of the CMC explicitly permits up to fifty-four months between the Auction Run Start and the relevant Capacity Year. This provision should be fully utilised before introducing bridging mechanisms or structural deviations from the standard auction framework.

Options 1a and 1b introduce additional complexity and potential delivery risk, particularly in circumstances where a Capacity Year would not be underpinned by a dedicated T-4 auction for New Capacity. Instead, these options rely on two-year contracts for Existing Capacity and Early Delivery Incentives (EDIs) for New Capacity. In FERA's view, this represents a less robust approach than simply exercising the full 54-month window already available under the Code.

Question 1: Preference Between Options 1a and 1b

FERA does not support either option. While increasing lead times is a legitimate objective, both options create a delivery year that is not supported by a standard competitive procurement process. This represents a material departure from a core CRM design principle: that each Capacity Year should be secured through a transparent auction with clear obligations and liabilities.

The reliance on bridging contracts and incentive-based mechanisms does not provide the same certainty as competitively procured capacity obligations.

Question 2: Risks Associated with Two-Year Contracts for Existing Capacity

Two-year contracts for Existing Capacity would mandate delivery in a year that has not been competitively auctioned, while New Capacity would only be incentivised, rather than obligated, to deliver early.

Security of supply in the unauctioned year would effectively be assumed rather than competitively procured. EDIs are incentive-based instruments and do not guarantee delivery in the same manner as a standard capacity award.

From a capacity availability perspective, this introduces avoidable risk relative to the current approach of two one-year auctions.

Question 3: Alternative Solutions Under Options 1a/1b

A simpler and more proportionate solution would be to ensure that the 2030/31 auction delivers a full four-year lead time by opening qualification materially earlier (for example October 2026, or earlier if feasible). The SEM Committee should also consider increasing contract duration for Existing Capacity were justified by adequacy requirements. Longer-duration contracts for Existing Capacity would, Reduce exit risk; Provide stronger investment and life-extension signals; and Support security of supply. This approach strengthens the existing framework rather than creating interim exceptions.

Question 4: Additional Risks or Benefits

Both Options 1a and 1b appear to assume that Existing Capacity awarded extended contracts will remain available and that any shortfall can be mitigated through EDIs or subsequent auctions.

However, EDIs do not create firm delivery obligations. If Existing Capacity fails to deliver in a bridged year, it is unclear how that risk is explicitly assessed or mitigated. Security of supply should not rely on assumed delivery outside of a standard auction framework. Each Capacity Year should be underpinned by a clear, competitive procurement process.

Question 5: Preferred Option (1a, 1b, or Do Nothing)

FERA does not consider Options 1a or 1b to be preferable to maintaining a standard auction structure. In the immediate term, the priority should be restoring consistent delivery of at least four years' lead time, something that has not been achieved reliably in recent years. This could be accomplished through earlier qualification and auction scheduling for the 2030/31 delivery year, using the flexibility already provided within the current CMC.

The question arises as to why the full 54-month provision has not been utilised to date.

Question 6: Moving to T-5 Auctions

FERA supports, in principle, a move to T-5 auctions. The CRM has not consistently delivered even four years of lead time, undermining investor confidence and planning certainty. A T-5 structure would:

- i. Provide more durable long-term investment signals;
- ii. Better reflect development timelines and asset life considerations;

Question 7: Transition to T-5

Any transition should be simple, transparent, and implemented as part of an enduring CRM redesign rather than through temporary bridging mechanisms. Longer-duration contracts should not be limited to New or refurbished capacity. Existing Capacity plays a critical role in maintaining adequacy and faces ongoing investment and refurbishment decisions. Providing access to longer-duration contracts would reduce exit risk and strengthen system resilience. Transition arrangements that create unauctioned Capacity Years should be avoided.

Question 8: Wider Considerations

Key structural trends support longer lead times:

Increasing system complexity and renewable penetration;

Greater operational uncertainty;

The risk of premature exit of Existing Capacity absent longer-term certainty.

These factors argue in favour of longer lead times and broader access to longer-duration contracts, rather than narrowly targeted or temporary mechanisms.

Question 9: Impact of T-5 on Clearing Prices and Consumer Costs

If well designed, T-5 auctions could reduce overall consumer costs by: Lowering risk premiums;

Improving investment efficiency; and Reducing the need for corrective procurement close to delivery.

Extending longer-duration contracts to Existing Capacity would enhance competition and reduce clearing prices by enabling efficient assets to remain in the market on a stable footing.

FERA welcomes further engagement on any of the above comments.

Yours sincerely,



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Vice Chair

FERA