SEMC

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Submitted via email to: crmsubmission@cru.ie & crmsubmissions@uregni.gov.uk

Re: Options for Decarbonisation of the existing CRM design

Introduction

Energy Storage Ireland (ESI) is the representative industry association for companies active in the development and deployment of energy storage across Ireland and Northern Ireland. Our mission is to promote the role of storage in delivering Ireland's decarbonisation objectives and to work collaboratively with policymakers, regulators and system operators to enable the timely and efficient development of storage on the island.

We represent over 80 companies spanning the full storage value chain. Our members collectively operate more than 1 GW of grid-connected storage today, with a further 10 GW of projects progressing through development. Energy storage will play a central role in facilitating higher penetrations of renewable generation and in supporting delivery of national renewable electricity targets. Storage assets can participate across the energy, capacity and system services markets to provide wholesale cost reductions, lower CO_2 emissions, and the flexible operational support required to manage the grid at high levels of variable renewables.

We would like to thank SEMC for the opportunity to provide feedback on the Options for Decarbonisation of the existing CRM design. The proposals represent an important step in aligning the CRM with evolving EU State aid requirements and wider decarbonisation objectives across the Single Electricity Market. As a zero-emissions, flexible technology that directly supports system adequacy and renewable integration, energy storage must be explicitly and appropriately recognised within any decarbonisation mechanism applied to the CRM. Measures introduced under this workstream should ensure that storage is not only accommodated within the framework, but that its contribution to security of supply and carbon reduction is properly valued and reflected in investment signals.

ESI does note however that careful attention must be paid to the detailed design, proportionality, and timing of any measures introduced, particularly given the limited number of remaining auctions under the current CRM State aid approval and the parallel work underway on the future CRM design post-2028.

Our response focuses mainly on the green bonus and green scaler aspects of this consultation. ESI does not hold strong views on the two supporting proposals relating to emissions data publication and decarbonisation declarations. These measures are broadly reasonable and proportionate, provided they do not introduce unnecessary administrative burden or confidentiality concerns. However, their overall impact is likely to be limited relative to the choice and design of the principal decarbonisation mechanism.

Green Bonus

While the Green Bonus conceptually recognises the value of lower-carbon capacity, ESI considers that, as currently proposed, it is unlikely to materially influence investment decisions for energy storage projects.

The provision of a single additional year of contract duration for new ten-year or refurbishing five-year capacity offers limited incremental value to storage projects. From a financing and net present value perspective, an additional year at the tail end of a contract does not materially improve project economics, particularly when discounting is applied. As such, it does not meaningfully offset other structural challenges faced by storage in the CRM, including derating factors and uncertainty around future revenue stacking opportunities.

Furthermore, the binary nature of the Green Bonus risks treating all qualifying technologies equally once a threshold is met, regardless of their relative emissions performance. Unless the emissions threshold were set at an extremely low level potentially one that only zero-emissions technologies such as storage could meet the mechanism is unlikely to provide a targeted or proportionate incentive for genuinely low-carbon capacity.

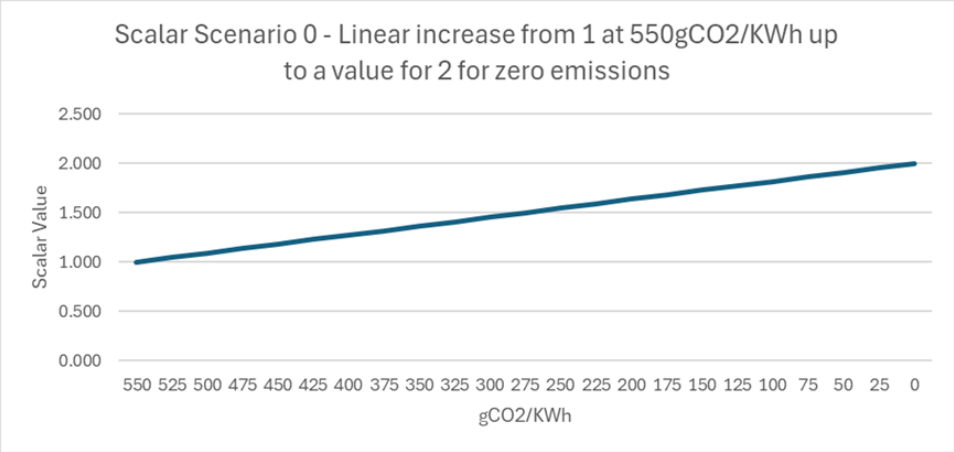
Green Scalar (Preferred Option)

ESI considers in principle the Green Scalar to be a more effective, flexible, and forward-looking mechanism for incentivising decarbonisation within the CRM and therefore the preferred option of the two principal proposals.

By applying a multiplier to capacity payments as a function of carbon emissions intensity, the Green Scalar provides a clear and continuous investment signal that rewards progressively lower-carbon technologies. Unlike the Green Bonus, it avoids a binary “pass/fail” threshold and instead recognises incremental improvements in emissions performance relative to the 550gCO_2/kWh benchmark.

For storage in particular, the Green Scalar has the potential to materially improve the commercial viability of CRM participation, provided that storage is appropriately treated as a zero-emissions technology for the purposes of the scalar. In such a scenario, the scalar could directly address some of the existing disadvantages faced by storage in the CRM and better reflect its contribution to security of supply and decarbonisation objectives.

The effectiveness of the Green Scalar will, however, be highly sensitive to its detailed calibration. The slope, upper bound, and functional form of the scalar will be critical. By way of illustration see the below graph, a scalar that increases from 1.0 at 550gCO_2/kWh to a materially higher value at or near zero emissions could significantly enhance the revenue certainty for storage assets and send a meaningful long-term signal to investors. ESI therefore strongly emphasises that the design parameters of the scalar are at least as important as the choice of mechanism itself.



Timing and Implementation Considerations

Notwithstanding the relative merits of the Green Scalar, we have concerns that premature implementation of either principal measure, without sufficient development and consultation on detailed design, could create unintended consequences and regulatory risk. In this context, ESI considers that the Regulatory Authorities should continue to develop and refine decarbonisation measures in a timely manner in consultation with industry.

Conclusion

In summary, ESI supports the direction of travel towards a lower-carbon CRM and considers in principle the Green Scalar to be the more effective of the two principal options under consultation. Energy storage must be explicitly and appropriately recognised within any CRM decarbonisation mechanism, ensuring its zero-emissions profile and system flexibility contribution are properly reflected in investment signals and outcomes. The success of any such measure will depend on detailed design choices and appropriate timing. ESI would therefore encourage the SEM Committee to prioritise further development of these proposals within the wider CRM reform programme, ensuring that any eventual implementation is robust, investable, and aligned with long-term decarbonisation and security of supply objectives.

Kind Regards,

Bobby Smith
Head of Energy Storage Ireland