



**Network Imperfections Charges
October 2026 – September 2027**

and

**Reforecast Report
October 2024 – September 2025**

Decision Paper

SEM-26-46

28 August 2026

EXECUTIVE SUMMARY

This decision paper sets out the SEM Committee's (SEMC's) decision on the 2026/27 network imperfections charges.

1 Introduction

What are network imperfections charges?

- The purpose of the network imperfections charge is to ensure that the Transmission System Operators (TSOs) can recover their forecast total costs for operating a secure and reliable electricity system.
- The charge is set following an annual review process. This involves forecasts provided by the TSOs and a consultation on proposed imperfections charges. The SEMC considers both the TSO submissions and consultation comments before approving the annual network imperfections charges. Given the annual charge is based on a forecast, the overall charge for each year includes an adjustment (called the K factor) which adjusts the difference between forecast and actual costs in the preceding periods.

The network imperfection charge covers:

- managing the costs that arise given the transmission system (the wires) cannot always deliver the efficient outcomes from the electricity market; and
- the operational requirements of the electricity system to keep the system secure (e.g. minimum number of generating units on requirements, local Security of Supply (SoS) requirements in Dublin and Northern Ireland).

These costs are a normal feature of all electricity systems because, in practice, no transmission system can transport electricity perfectly to every location at all times. In other words, some level of network imperfections are always expected, for example the cost of removing a constraint might be greater than the cost of “living with” the constraint.

These costs have been increasing across Europe in recent years, driven by factors such as increased fuel costs for natural gas and the increasing complexity of operating a system with high levels of renewable electricity.

2 Network Imperfections: The Headlines

The cost of network imperfections for 2026/27 will reduce

The network imperfections price, for next year (2026/27) of €18.81/MWh will reduce from the current price of €19.93/MWh (2025/26).

For a typical residential customer in Northern Ireland the annual cost of network imperfections is estimated to be £3.07 lower.

For a typical residential customer in Ireland the annual cost of network imperfections is estimated to be €4.69 lower.

But underlying costs are increasing

The underlying cost drivers have however increased compared to 2025/26. The total cost of network imperfections remains high, with the cost estimated at €793.23 million for the year 2026/27.

The underlying cost drivers include natural gas prices, and consequently electricity prices, which have increased significantly since February of this year - following the events in the Persian Gulf. As the price of electricity rises the cost of network imperfections themselves also rise.

The amount (or volume) of network imperfections also continues to increase. Key to this is when renewable generators are available to produce low cost and low carbon electricity, but the system operator tells them to reduce their output or not generate. This is often called renewable dispatch down.

The steps being taken to control network imperfection costs

While some drivers of Network Imperfection Costs including commodity prices, are outside the direct control of the Regulatory Authorities (RAs) and TSOs, decisive action is being taken to address those costs that can be managed. The SEMC and the TSOs are actively implementing an extensive programme of work aimed at improving system operation, facilitating the efficient integration of increasing levels of renewable generation, and reducing the drivers of Network Imperfection Costs. Through continued collaboration and prioritisation of these measures, the SEMC expects to see sustained progress towards a more secure, efficient electricity system, delivering long-term benefits for consumers in Ireland and Northern Ireland.

The RAs and TSOs are taking steps to reduce these costs over time such as:

i. Investing in the electricity network

Firstly, network capacity is being increased through strategic transmission investment in the price controls set by the RAs for the network operators in Ireland and Northern Ireland. This will reduce the amount of network imperfections by increasing the capacity of the system (mainly the wires) to transport electricity from where it is generated to where it is consumed.

This includes delivery of the North South Interconnector (NSIC) where construction is underway. This will allow a greater amount of electricity to be transported between Ireland and Northern Ireland, will significantly reduce the level of network imperfection costs arising currently in Northern Ireland and will make it less costly to securely operate the system across the island.

ii. Pro-active electricity system operation

The RAs and TSOs are actively taking steps to reduce renewable dispatch down through the well advanced SONI Action Plan on Dispatch Down in Northern Ireland and the EirGrid Action Plan on Dispatch down which is under development.

Among the measures included are reducing the number of fossil fuel generation units that are maintained on at all times, known as Minimum Units On. Currently no matter how much renewable generation is available, a minimum number of fossil fuel generators are kept running 24/7. The TSOs have plans to reduce this number to allow more of the available renewable generation to reach customers. The SEMC expects that the provision of Low Carbon Inertia Services will facilitate a timely reduction on the level of network imperfections driven by this.

There is currently a maximum amount of renewable electricity that can be securely accepted onto the system at any point in time, this is current set at a maximum of 75% renewable electricity at any time (in the industry this is known as the SNSP limit). The TSOs are working to increase this limit to allow more renewable electricity to reach customers.

iii. Increasing system flexibility

At times the amount of available renewable generation can be greater than the demand for electricity at that time, increasing flexibility in demand allow more renewable electricity to reach customers. Flexibility can involve storing energy as heat, storing electricity in batteries; it can mean customers increasing their consumption at times of high renewables and reducing their demand at times of low renewables. The SEMC and TSOs have implemented several changes to the markets to facilitate storage both to allow batteries to trade more effectively in the market and in supporting 986 MW of new storage facilities through the capacity market. The SEMC is reducing barriers to flexible demand side participation in the market through the ongoing DSU energy payments workstream.

iv. Strengthening market reporting and monitoring

The SEMC continues to strengthen market monitoring, transparency and compliance arrangements, including better reporting of the causes of network imperfections to make it easier to identify solutions.

v. Market monitoring

The SEMC monitors market activities, and the RAs take enforcement action to ensure that costs bid into the market reflect efficient costs. The recent consultation on the Bidding Code of Practice (BCOP) is an example of the RAs work in this regard.

Collectively these measures are intended to reduce system constraints, enhance security of supply, support the transition to a lower-carbon electricity system and help mitigate the impact of network imperfection costs on consumers. The RAs will continue to proactively engage with the TSOs to progress a programme of market, operational and network reforms aimed at reducing future network imperfection costs while maintaining a secure and reliable electricity system. Further information can be found in Section 3.2.

Summary of network imperfection charges:

Following a review of the TSOs' submission and with consideration of comments received during the consultation process, the SEMC has decided:

- To approve the TSOs' total forecast cost provision for 2026/27 of €141 million for potential payments associated with Article 13 of Regulation (EU) 2019/943. The €141 million provision is comprised of: €98 million for an under-estimation of the potential payments for 1st January 2020 – 30th September 2026; plus €43 million forecast costs attributable to Tariff Year 2026/27.
- To approve the TSOs' collection of the €56.68 million revenue requirement relating to the recovery of such historic NTC compensation costs, *subject to* the RAs receiving formal confirmation from the TSOs that an independent verification and audit process has been completed in advance of any monies issued; and
- To discount pumped storage costs by €3.6 million.

Taken together, such decisions reduced the overall Network Imperfections Costs by €3.69 million (1%) from €796.92 million to €793.23 million, giving a Network Imperfections Tariff of €18.81/MWh, as shown in Table 1 below.

	SEMC Decision Tariff Year 2026/27	TSOs' Proposed Costs Tariff Year 2026/27	Difference	Difference %
Total Imperfections Charge (incl. Art. 13 of Reg (EU) 2019/943 & Interconnector Net Transfer Capacity Restriction Costs)	€806.45	€810.14m	-€3.69	-1%
K-factor	-€13.22m	-€13.22m	-	-
Total Network Imperfections Costs	€793.23	€796.92m	-€3.69m	-0.4%
Network Imperfections Price (€/MWh)¹	18.81	18.90	-0.09	-0.5%

Table 1: 2026/27 SEMC Decision Network Imperfections Costs compared to TSO submitted Network Imperfections Costs

¹ Based on estimated metered demand 42,160 GWh in the SEM for 2026/27, as estimated by the TSOs

POTENTIAL CONSUMER IMPACT

Suppliers pay network imperfections charges to the TSOs. While it is ultimately a commercial decision for individual suppliers whether, and to what extent, these costs are passed through to customers, Network Imperfection Charges represent a material cost within the electricity supply chain and therefore have the potential to directly influence consumer bills. For the first time, and as requested by the SEMC, the TSOs included a customer impact assessment as part of their submission. This assessment provides greater transparency on the potential implications of Network Imperfection Charges for domestic consumers and re-emphasises the importance of controlling and mitigating these costs wherever possible, in the public's best interests.

Table 2 below outlines the potential consumer impact of the 2026/27 TSOs' original proposed costs and the SEMC's approved costs, versus the 2025/26 approved costs. **Assuming suppliers pass through the full cost to consumers, the SEMC's decision would result in downward pressure on the annual electricity bill of approximately £3.07 for customers in Northern Ireland and €4.69 for customers in Ireland relative to 2025/26 approved costs.**

	Aggregate Network Imperfections Charge (€m)	Network Imperfections Price (€/MWh)	EAB IE (€)	Monthly IE (€)	EAB NI (£)	Monthly NI (£)
Original Forecast Proposed by TSOs in 26/27	796.92	18.90	79.39	6.62	52.02	4.33
SEMC Decision in 26/27	793.23	18.81	79.02	6.59	51.78	4.32
SEMC Approved Tariff Year 25/26	790.24	19.93	83.71	6.98	54.85	4.57
Difference between 26/27 & 25/26 Approved Costs	-1.12	-1.12	-4.69	-0.39	-3.07	-0.25

Table 2: Potential Consumer Impact of SEMC's approved Network Imperfections Charge in 2026/27

Figure 1 below provides an overview of the trend of historically approved network imperfections charges since the 2017/18 Tariff Year. For 2026/27, the SEMC has

approved network imperfections charges of €793.23 million, compared to the TSOs' original proposed costs of €796.92 million. While the reduction relative to the TSOs' proposal is modest, the SEMC remains committed to working closely with the TSOs to prioritise and implement measures that reduce Network Imperfection Costs. Notwithstanding the increasing underlying cost pressures, the consumer impact for 2026/27 is mitigated by higher forecast demand, the deflationary effect of the K-Factor adjustment, and the SEMC's decision to disallow a proportion of costs associated with pumped storage units. These factors have helped offset underlying cost increases and reduce the burden that would otherwise potentially fall on electricity consumers.

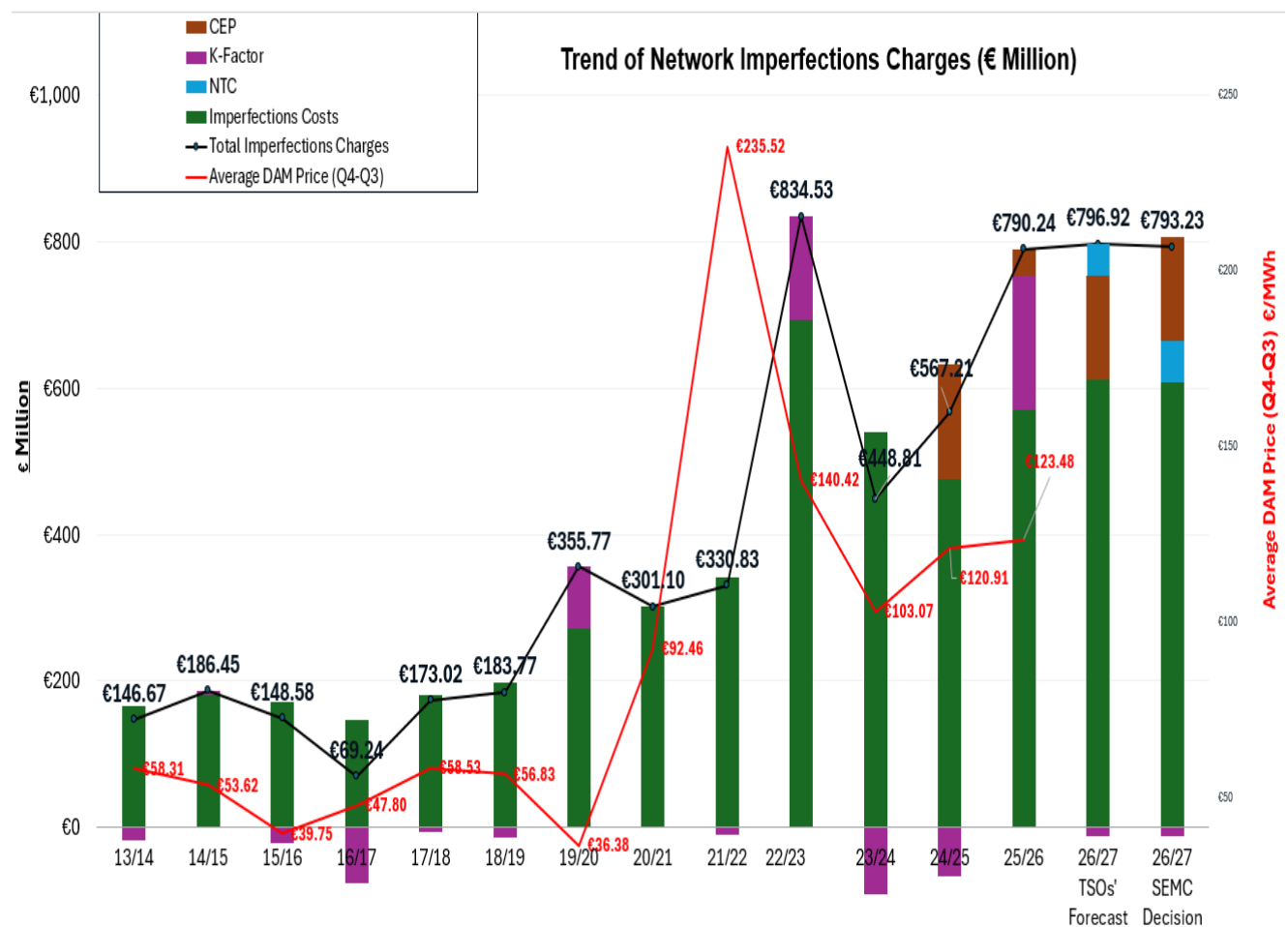


Figure 1: Historic Trend Comparison of Imperfections Charges

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1. INTRODUCTION

This paper sets out the SEM Committee's decision on the Tariff Year 2026/27 Network Imperfections Charge and Network Imperfections Price.

Under the Trading and Settlement Code, network imperfections charges are levied on the Loss-adjusted Metered Quantities of Supplier Units. These charges are intended to recover the expected cost of Dispatch Balancing Costs (DBC's), Fixed Cost Payments and Charges, and any other imbalances between Trading Payments, Trading Charges, Capacity Payments and Capacity Charges in the upcoming Tariff Year.

DBC's form the largest component of Network Imperfections costs, and result from network constraints and the resulting compensation paid to generators for re-dispatch. These costs result from a combination of offer and bid prices of the re-dispatched generation, and the volumes of re-dispatched generation, resulting from how successfully the TSOs manage network constraints.

Section F.12 of the Trading and Settlement Code² requires SEMO to propose values, for approval by the RAs, of the Network Imperfections Price (PIMPy) and Network Imperfections Charge Factor (FCIMPy), which are used in the calculation of network imperfections charges. The Trading and Settlement Code also requires that SEMO sets out relevant research and analysis justifying the values proposed.

The TSOs identified wholesale fuel and carbon prices, changes in renewable generation levels, interconnector flows and generator and transmission outages as key drivers of the TSOs forecast network imperfections charges for Tariff Year 2026/27, with these factors increasing operational constraints and redispatch requirements across the system. The inclusion of a provision for potential payments to market participants under Article 13 of Regulation (EU) 2019/943 and historic liabilities in respect of the Interconnector Net Transfer Capacity Restriction (NTC) are other significant drivers of forecast costs.

² [Trading and Settlement Code](#) Part B, April 2017

Commercial Offer Data (COD) had the largest deflationary effect on forecast Network Imperfections Costs in 2026/27. The TSOs revised the methodology they use to estimate the impact of COD on Network Imperfections Costs and this subsequently improved accuracy and resulted in a reduction in costs associated with COD in 2026/27.

During the 2025/26 network imperfections charges consultation process, NERA was engaged by the RAs to provide support in relation to the review of the TSOs' modelling to set the Network Imperfections Charge for Tariff Year 2025/26. NERA reviewed the reports pertaining to the Network Imperfections Charge that are published by the TSOs and the modelling work that underpins their proposal and provided RAs with recommendations for future implementation. Some of the measures include at a high level, inter-alia, the following:

- Reporting: Expansion of the analysis of costs in order to increase the transparency between mapping historical and forecast cost elements; and
- Modelling: Alignment of assumptions between models, consideration of the use of historical data as an input for future conditions, forward looking changes to modelling analysis undertaken, and improvements to the thermal supplemental model.
- Engagement between the RAs and TSOs progressed in recent months and improvements to the modelling and reporting as recommended by NERA was implemented, where feasible and practical. The TSOs addressed the recommendations within their submission.
- Since the commencement of the consultation process, the RAs continued to engage with the TSOs regarding aspects of their submission(s). The TSOs' response to the issues raised during this engagement is outlined in Section 3.

The SEM Committee notes the increasing trend in network imperfections charges is not just unique to SEM, it is observed across Europe. These costs, which arise from the need to balance supply and demand in real-time, have been driven by several factors, including the integration of renewable energy sources and the variability they introduce.

For example, in Great Britain (GB), National Energy System Operator (NESO) has identified transmission constraints arising from the rapid growth of renewable generation and the pace of network development as a key driver of increasing balancing costs, with constraint costs expected to remain a significant component of system operation costs through to 2030.

The experience in GB demonstrates that rising constraint and balancing costs are a common challenge in power systems with increasing levels of renewable generation. NESO³ has reported that balancing costs are expected to increase through to 2030, with network constraints becoming the main driver of those costs as renewable generation connects more quickly than transmission infrastructure can be delivered. Analysis by Electric Insights⁴ found that balancing costs rose by approximately 30% between 2022 and 2024 despite wholesale electricity prices falling significantly over the same period. Constraint payments accounted for around 60% of total balancing costs during 2024, reflecting the growing need to curtail generation in constrained areas and increase generation elsewhere on the network to maintain system security. NESO has forecast that balancing costs will remain above £10/MWh until at least 2026, around five times higher than average levels observed during the 2010s.

Similarly, in Germany, congestion management measures cost approximately €522 million in the third quarter of 2024 alone⁵ highlighting the continued need for redispatch actions to manage power flows between regions with high level of renewables and major demand centres.

In Australia, severe transmission outages in February 2024 resulted in approximately 2,500 MW of generation being unable to participate in the market, creating significant network constraints and requiring additional balancing actions to maintain system security. The loss of transmission capacity restricted imports between regions, increased

³ [NESO Balancing Costs and Future Forecast 2024](#)

⁴ [Forecasts and rule changes drive higher balancing costs | Q3 2024 Quarterly Report | Electric Insights](#)

⁵ [Germany's needs and costs for grid management down in 2024 – network agency | Clean Energy Wire](#)

reliance on more expensive local generation, and drove sharp increases in both wholesale electricity prices and Frequency Control Ancillary Services (FCAS) costs. The Australian Energy Regulator⁶ identified network constraints and reduced interconnector capability as key contributors to these additional system costs.

These examples demonstrate that constraint, redispatch and balancing costs are a common feature of modern power systems and reinforce the importance of continued investment in network infrastructure, system flexibility and market arrangements to support renewable integration while maintaining security of supply at least cost to consumers.

⁶ [Australian Energy Regulator \(2024\), AER reports on February 2024 high electricity and FCAS price events \(5 April 2024\).](#)

2. OVERVIEW OF TSOs' TARIFF YEAR 2026/27 NETWORK IMPERFECTIONS CHARGE SUBMISSION

The TSOs originally forecast an Imperfections Cost of €810.14 million for Tariff Year 2026/27 (includes a €141 million provision for potential payments associated with Article 13 of Regulation (EU) 2019/943 and €56.58 million for costs associated with Interconnector NTC restrictions). With the addition of the negative K-factor element of €13.22 million, the TSOs proposed a total Network Imperfections Charge of €796.92 million, equivalent to a Network Imperfections Price of €18.90/MWh⁷. This represents a 0.85% increase from the €790.24 million of total network imperfections charges allowed for Tariff Year 2025/26.

Following detailed consideration of the TSOs' submission, the SEM Committee has decided to disallow €3.6 million of the TSOs' submitted Network Imperfections Costs. This brings the total down to €793.23 million. The reduction is in relation the revising downward of costs associated with the dispatch of pumped storage units. Further information can be found in Section 3.

2.1 DISPATCH BALANCING COSTS (DBC's)

DBC's include Constraint Costs, Uninstructed Imbalance Payments and Generator Testing Charges. Such costs contributed to the majority of the TSOs' forecast costs for Tariff Year 2026/27⁸.

2.1.1 DBC - CONSTRAINT COSTS

Constraints costs arise when a TSO instructs one or more generators to increase or decrease output relative to their intended or scheduled generation in order to manage issues such as limitations in the transmission system's capacity to transmit power. The

⁷ Based on a TSO estimated total demand of 42,160 GWh in the SEM for 2025/26, as forecast by SEMO.

⁸ In order to increase transparency regarding DBCs, the SEM Committee introduced reporting requirements for the TSOs. The TSOs provide quarterly updates on the levels of Constraint Costs, drivers behind Constraint Costs, mitigating measures being taken and other information or commentary that the TSOs believe will aid transparency in this area. These Quarterly Imperfections Costs Reports are available on EirGrid's and SONI's websites.

TSOs are required to compensate generators for deviating from their generation schedules, in accordance with Offer Prices and Bid Prices for each generator.

The TSOs forecast Constraint Costs for the upcoming Tariff Year, using a combination of a PLEXOS model and supplementary modelling. For 2026/27, the TSOs estimate 'PLEXOS Modelled Constraints' to be €525.68 million, compared to €529.56 million for Tariff Year 2025/26.

The TSOs undertook a Take One Out at a Time (TOOT) analysis to examine the factors contributing to the difference between the 2025/26 and 2026/27 forecast models. The TSOs state that the purpose of the analysis was to “determine the approximate scale of each input change relative to the final model” and allow the TSOs *“to see how each individual factor relatively affects costs in comparison to another input that is passed through the same analysis”*. *This methodology involved starting with the final 2026/27 forecast model and then “taking out one input at a time and replacing it with what was in the previous 2025/26 forecast model”*. The analysis compares the relative impact of changes in forecast inputs, including wholesale fuel and carbon prices, renewable generation, interconnector flows generator outages, transmission outages, demand, operational constraints and commercial offer data. The TSOs note that *“due to the significant interdependency between input data it is not possible to definitively determine the quantitative impact of individual component to Imperfections costs”*. The TOOT results should therefore be interpreted as an indication of the relative influence of changes in forecast assumptions between the 2025/26 and 2026/27 models, rather than as a definitive attribution of forecast Network Imperfection Costs to individual drivers.

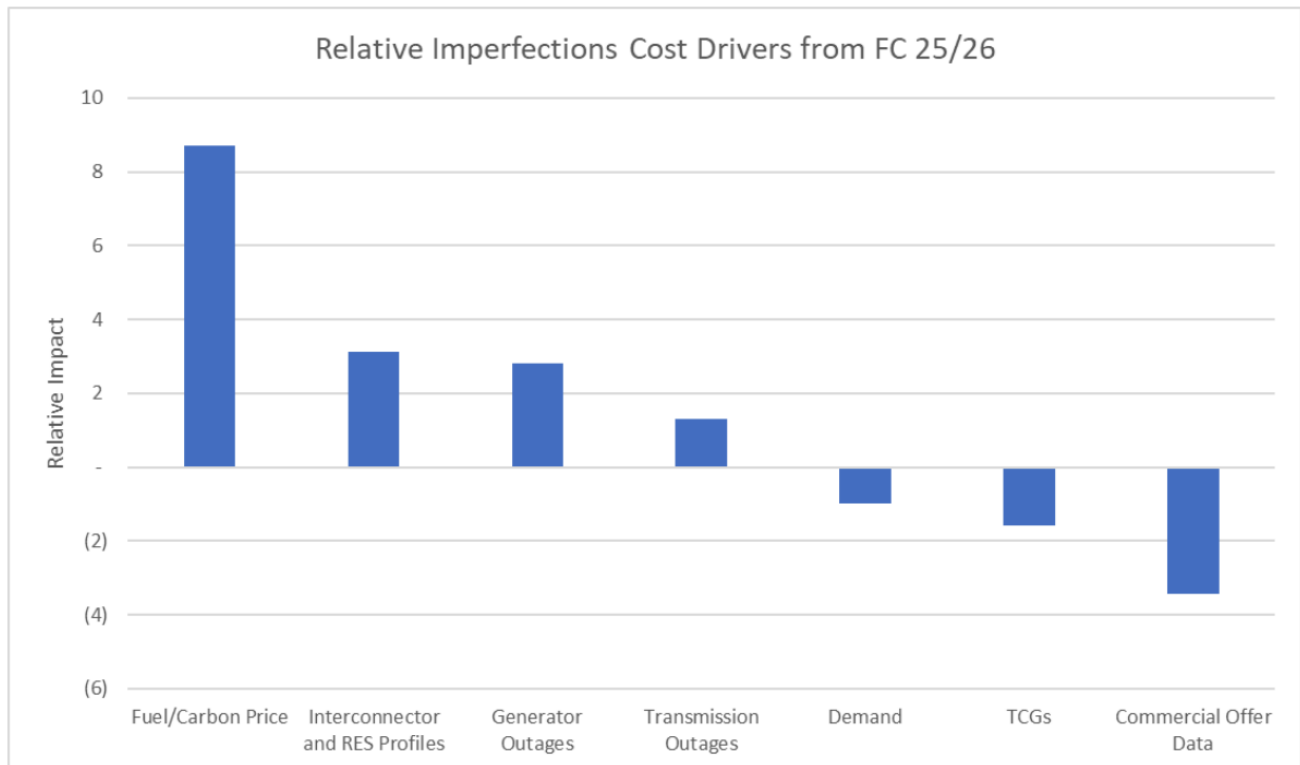


Figure 2. The key drivers of the change in the TSOs' forecast 2026/27 PLEXOS Network Imperfections Costs relative to 2025/26
(ref. TSOs' network imperfections charges Forecast Tariff Year 2026/27 report)

'Supplementary Modelled Constraints' are costs not captured in the TSOs' PLEXOS modelled costs. For Tariff Year 2026/27, the TSOs forecast the supplemental modelled costs to be €86.78 million, 9.5% higher than the previous tariff year's forecast of €79.25 million.

For Tariff Year 2026/27, the TSOs did not include a provision for costs associated with Uninstructed Imbalance Charges and Testing Charges.

2.1.2 DBC - UNINSTRUCTED IMBALANCES

Uninstructed Imbalances occur when a generator deviates from the output it has been instructed by the TSOs to generate at. To balance the system the TSOs must redispatch other generators which incurs additional costs. The forecast for Uninstructed Imbalances is zero in the TSOs' network imperfections charges submission for Tariff Year 2026/27 as the TSOs note they are *"not accounted for due to its difficulty to forecast and relatively marginal size."*

2.1.3 DBC - TESTING CHARGES

As a testing generator unit typically poses a greater risk of tripping, additional operating reserve is required to ensure system security is not compromised, giving rise to increased system operating costs. In 2026/27, the TSOs have not included specific DBC provisions for new units that will be under test before they are commissioned or units returning from a significant outage. The TSOs note such costs are “*not accounted for due to it’s difficulty to forecast and relatively marginal size [Recognised that charge will likely under-recover Imperfections cost and the differences will be managed through K-Factor]*”. The TSOs add that as part of the 2027 Participant Testing Tariff Consultation, it is their intention to *propose an approximation methodology in which the Imperfections Costs associated with participant testing can be estimated and if agreed this approach can be used in future Imperfections submissions to account for the forecast costs above charges*”.

2.2 FIXED COST PAYMENTS

Fixed Cost Payments comprise Make Whole Payments, Recoverable Start Up Costs and recoverable No-Load Costs. The TSOs have assumed that these costs have been largely estimate within the PLEXOS Model and no provision is included in their forecast.

2.3 OTHER SYSTEM CHARGES

Other System Charges (OSC) include Generator Performance Incentive Charges, Short Notice Declaration Charges and Trip Charges. OSC are charges levied outside the SEM by the TSOs. The TSOs did not include a provision for OSC for Tariff Year 2026/27.

2.4 ARTICLE 13.7 COSTS

A significant cost driver in the TSOs' 2026/27 network imperfections charges Forecast is the inclusion of a provision for potential payments to market participants under Article 13 of Regulation (EU) 2019 / 943 (€141 million).

For context, the SEMC Decision ([SEM-22-009](#)) was challenged in the High Court in two sets of proceedings and judgment, covering both proceedings, was delivered on 10 November 2023 (the "First High Court Judgment"); a further judgment was delivered on 1 July 2024 (the "Second High Court Judgment"); and an ex tempore ruling delivered on 10 July 2024 (together the "High Court Judgments"). The High Court quashed the SEMC's decision and made various declarations, with a stay placed on the High Court orders until the Hearing of the appeal. The CRU, as the Respondent, issued appeals in both cases on 8 August 2024. The matter was heard by the Supreme Court in December 2024, and the Court made a preliminary reference to the Court of Justice of the European Union ("CJEU"). After the CJEU has delivered its judgment, the case will return to the Irish Court, which must apply the CJEU's judgment to resolve the case before it. The matter is expected to return to the Supreme Court for their consideration in 2026.

The TSOs seek a provision of €141 million for potential payments to participants under Article 13 of Regulation (EU) 2019/943. The €141 million provision is comprised of;

- €98 million for an under-estimation of the potential payments for 1st January 2020 – 30th September 2026; plus
- €43 million forecast costs attributable to Tariff Year 2026/27.

The TSOs state a provision is sought *"to ensure sufficient funding to meet any potential liability, without prejudice to the ongoing judicial review process"*.

The TSOs state that the provision is being sought to ensure sufficient funding is available to meet any potential liability, without prejudice to the outcome of the proceedings. The proposed provision comprises €98 million in respect of historical potential liabilities

accrued between 1 January 2020 and 30 September 2026 and €43 million relating to forecast costs for Tariff Year 2026/27.

In previous tariff years, the SEM Committee adopted a phased approach to the treatment of these potential costs. For 2024/25, the SEM Committee approved a provision of €158 million, comprising estimated historical liabilities and forecast costs.

For 2025/26, the TSOs sought a provision of €91 million, comprising €37 million in forecast Article 13 costs for 2025/26 and €54 million relating to the under-estimation of potential historical liabilities accrued between 1 January 2020 and 30 September 2025. However, having regard to the already elevated level of Network Imperfections Costs and the potential impact on consumers, the SEM Committee approved only the €37 million forecast provision and did not approve recovery of the €54 million historical liability provision at that time. The SEMC noted at the time that any historical liabilities not recovered through the 2025/26 tariff may need to be considered in future tariff years, subject to the outcome of the ongoing legal proceedings.

In light of the ongoing legal process, the SEM Committee, without prejudice, considers it appropriate to provide for both the forecast 2026/27 Article 13 costs and the historical potential liabilities identified by the TSOs.

2.5 INTERCONNECTOR NET TRANSFER CAPACITY (NTC) RESTRICTION COSTS

For the first time, a provision for costs associated with Interconnector NTC restrictions was included in the TSOs' submission. Such costs relate to Moyle Interconnector Ltd. seeking compensation for the TSOs periodically implementing NTC reductions on the SEM-GB interconnectors in order to maintain security standards. The submission also reflects an anticipated claim by EirGrid Interconnector DAC (EIDAC) for NTC reductions imposed on the East West Interconnector (EWIC).

The TSOs included a €56.68 million revenue requirement within the 2026/27 Imperfections Charge forecast relating to the recovery of historic NTC compensation

costs. The TSOs note *“additional costs arising in respect of NTC reductions from future actions are currently expected to be limited; where such costs arise, it is anticipated that they would be addressed through the applicable K-factor reconciliation processes, in accordance with the Trading and Settlement Code”*.

The SEM Committee considers it appropriate for the TSOs to conduct an independent verification process of their estimated revenue requirement. This process will provide assurance on the robustness of the methodology and accuracy of the proposed costs for both EWIC and Moyle. In line with this approach, any cost recovery will be subject to the satisfactory completion of the verification process and confirmation of the final validated amounts.

2.6 K-FACTOR

The K-factor has two parts: the actual under or over-recovery for the previous Tariff Year (2024/26), and a within-year estimated under or over-recovery for the current Tariff Year (2025/26). The SEM Committee has decided that the total -€13.22 million negative K-Factor adjustment, which includes a €9.46 million within year over recovery amount, will be recovered in full in Tariff Year 2026/27.

Differences between Network Imperfections Costs and network imperfections charges paid by suppliers lead to a surplus or shortfall over the Tariff Year. The TSOs refund any surplus or recover any shortfall through an adjustment to the Network Imperfections Price in the following Tariff Year. Table 3 shows the TSOs submitted actual K-factor for Tariff Year 2024/25 and their within-year forecast for 2025/26.

Item	€ million
Actual Over-Recovery in 2024/25	5.56
Estimated Over-Recovery in 2025/26	9.46
Forecasted MWCCF Interest in 2025/26	(1.8)
Total K-factor (Negative, Over-Recovery) to be applied in 2026/27	(13.22)

Table 3. TSOs' K-factor calculation for 2026/27

In calculating the K-Factor for Tariff Year 2026/27 as shown above, the TSOs considered two factors for the within year K-Factor for 2025/26: Estimated Outturn Expenditure and Estimated Outturn Revenue. The within year K-Factor for 2025/26 Estimated Outturn Expenditure resulted in €0 difference and no net over or under recovery, whilst the Estimated Outturn Revenue estimated an over recovery of €9.46 million. Combined, these figures resulted in an estimated over recovery of €9.46 million for 2025/26. In terms of the 2024/25 actual over recovery calculation, the TSOs note this is comprised of a €167.06 million under recovery for 2024/25 (which was included when setting the 2025/26 tariff), plus an actual €161 million K-Factor under recovery arising from the 2024/25 year. There was also an inclusion of a cost provision for MWCCF Interest accrued in 2024/25 amounting to €500,000. These factors combined results in an outturn over recovery of €5.56 million for Tariff Year 2024/25 to be included in the 2026/27 forecast calculation. For the first time, the forecasted interest associated with the Market Working Capital Credit Facility (MWCCF) is included as part of the K-Factor calculation. The TSOs note the forecasted interest is €1.8 million.

2.7 DEMAND SIDE UNITS (DSUs)

The TSOs have excluded costs associated with DSU Energy Payments from their 2026/27 forecast submission. The TSOs did not account for these costs “*due to its difficulty to forecast and relatively marginal size [Managed through the K-Factor]*”. The provision of costs associated with DSU payments was also removed from the TSOs’ forecast of network imperfections charges for Tariff Year 2025/26 and 2024/25.

3. KEY COMMENTS RECEIVED

In the Consultation Paper, the RAs sought stakeholders' views of the following:

- The TSOs' forecasts of costs and assumptions for Tariff Year 2026/27. In particular, stakeholders' views of the inclusion of the following costs:
 - i. inflationary cost drivers such as;
 - wholesale fuel and carbon prices;
 - increased renewable capacity and interconnector imports; and
 - generator and transmission outages;
 - ii. Provision of costs attributed to the Clean Energy Package Article 13(7) (€141 million);
 - iii. Provision of costs attributed to Interconnector Net Transfer Capacity Restriction (€56.68 million);
 - iv. The TSOs' modelling and reporting of Imperfections costs and drivers; and
 - v. Additional actions the TSOs/RAs could take to minimise Imperfections Charges (€810.14 million) for the upcoming tariff year and in the medium/long term

The RAs received nine consultation responses. Table 4 below lists the respondents. Their submissions can be found appended to this Decision Paper.

Respondent		
Bord Gáis Energy	Mutual Energy (on behalf of Moyle Interconnector Ltd)	SSE
Energia	Net Zero Energy	Dr Paul Deane
Flogas Energy	Power NI	Wind Energy Ireland

Table 4: List of respondents

The comments received are categorised as follows:

- **Section 3.1:** outlines the feedback received regarding the overall level of network imperfections charges, individual cost drivers and the consumer impact;

- **Section 3.2:** provides an overview of the feedback received regarding actions the TSOs/RAs could take to minimise Imperfections Charges (€810.14 million) for the upcoming tariff year and in the medium/long term;
- **Section 3.3:** focuses on the comments received regarding the transparency and reporting of Network Imperfections Costs;
- **Section 3.4:** details stakeholder's feedback of the TSOs' modelling and forecasting of Network Imperfections Costs;
- **Section 3.5:** focuses on the comments received regarding the potential payments to participants under Article 13 of Regulation (EU) 2019/943;
- **Section 3.6:** details stakeholder feedback on the costs attributed to the Interconnector Net Transfer Capacity Restriction Costs; and
- **Section 3.7:** outlines the feedback received regarding the K-Factor Adjustment.

3.1 INDIVIDUAL COST DRIVERS OF NETWORK IMPERFECTIONS CHARGES & THE IMPACT ON THE CONSUMER

The Consultation Paper requested stakeholders' views on the TSOs' forecasts of costs for Tariff Year 2026/27. In particular, stakeholders' views of the costs attributed to wholesale fuel and carbon prices, increased renewable capacity and interconnector imports, and generator and transmission outages was requested. The following section focuses on comments received regarding the increase in costs observed, the impact on the consumer, individual price drivers of the TSOs' forecast, amongst other aspects.

Comments Received

Several respondents commented on the forecast magnitude of costs observed and the potential impact of costs on the consumer.

Two respondents, SSE and Power NI, noted their significant concerns regarding the potential impact on consumers. Power NI believes the RAs should adopt a pragmatic approach and consider spreading the costs over multiple years to mitigate the impact on consumers where possible. Wind Energy Ireland noted its recognition that Imperfections Charges have become an increasingly significant component of electricity system costs

and that reducing these costs will be important in delivering an affordable, secure and low-carbon electricity system. SSE suggested that the presentation of the estimated impact on consumers was misleading as Imperfections Costs are increasing and the description of the impact on bills misrepresents the extent of costs incurred by consumers. Both respondents also commented on the timeliness of the Network Imperfections Charge decision. SSE suggests that that September publication timeline means suppliers must consider Imperfections Costs following the October application timeframe. Power NI referred to customer notification licence conditions and suggested that this increases the risks placed on suppliers and limits tariff transparency.

One respondent (Net Zero Energy) noted the upward trajectory of Network Imperfections Costs and noted that the *“current system of management of the Imperfections Charge is inadequate, resulting in an entirely avoidable burden on consumers”*. The respondent suggested that these costs are *“shocking”* and have increased three-fold in the past ten years. The respondent suggests that the lack of zero carbon sources of inertia is costing consumers and impacting emission levels and that a solution is to build non-fossil fuelled sources of independently dispatchable inertia sources. They also urged EirGrid to provide clarity on the intention to source all system services from zero-carbon sources by 2030.

Three respondents (Bord Gáis Energy, Energia and Mutual Energy) commented on the TSOs’ cost provision associated with Interconnector Capacities and/or Renewable Energy Sources (RES). Energia and Bord Gáis Energy referred to the potential effect that increased interconnection is having on Imperfections Costs due to other units that are required for system security requirements. Bord Gáis Energy referred to the TSOs’ finding that interconnector counter trades would increase Imperfections costs by a further €6 million more compared to the 2024/25 backcast model outputs. Furthermore, Bord Gáis Energy requested the 2027 Network Imperfections Charge submission includes an informed estimate of the Celtic Interconnector’s potential inflationary impact on Imperfections Costs once it is operational. Bord Gáis Energy urged RAs to consider the potential for increased Imperfections Costs and the need to deliver value for money for consumers that are funding island-based capacity schemes as part of future

interconnection policy development. Energia referred to their response to CRU's consultation on the Initial Project Assessment of the MaresConnect Interconnector and re-emphasised the importance of an economic assessment for any further interconnection, including detailed constraint and imperfections modelling. Energia also referred to the revenue requirement relating to the recovery of historic NTC compensation costs and suggested that this highlights the need for a comprehensive assessment of Imperfections Charges within any Interconnector cost-benefit analysis exercise.

Mutual Energy, responding on behalf of Moyle Interconnector Ltd, also provided feedback on the proposed costs associated with interconnection. Mutual Energy queried the Consultation Paper statement that interconnector imports are referred to as an inflationary cost driver and suggested that while a correlation between higher Interconnector imports and costs may be observed, it is a symptom of wider market conditions. The respondent further suggested that a driver behind higher ex-ante prices and increased Imperfections Costs attributed to Interconnector Imports is ultimately increased demand in the Greater Dublin Area. Mutual Energy referred to a statement from the Consultation Paper that interconnector flows and renewable capacity when combined have the second greatest inflationary impact on the PLEXOS model, adding it is unclear what the locational impact of demand is and why interconnector flows and renewable capacity updates are aggregated within the analysis. The respondent also suggests the impact of demand does not seem like an appropriate metric to compare the impact of the factors.

One respondent, Bord Gáis Energy, commented on Transmission Outages as a key driver of Network Imperfections Costs. The respondent requested further commentary on the TSOs reference to underestimating transmission outage cost forecast which may require the restriction of thermal units during times of high renewable generation. Another respondent (Flogas Energy) noted that fuel costs, generator availability and transmission outages can increase Imperfections Costs and asserted that additional transparency should be provided on the contribution of each driver to forecast cost increases.

One respondent, Bord Gáis Energy, referred to Commercial Offer Data (COD). The respondent welcomed the impact of the TSOs' revised approach to assessing COD which provides greater granularity and reduction of intraday variations, consequently leading to a reduction in Imperfections Costs.

Dr Paul Deane referred to the inherent uncertainty surrounding the primary drivers of Imperfections Costs and noted that it not always possible to map a direct TSO action to a market consequence *“with multiple interdependencies and overlapping constraints”*. The respondent suggested that it would be helpful if future assessments could provide information, of the potential reduction in volume and costs that could be achieved through; enhanced operational policy changes, technology investments and reductions in minimum generation requirements for units in Northern Ireland. The respondent also suggested it would be useful to understand the impact that the North South Interconnector could have on final consumer bills and Imperfection Costs.

RAs' Response

The RAs acknowledge the range of comments made by market participants.

The RAs are acutely aware of the increasing trend and the magnitude of costs associated with network imperfections charges, and the consequent impact this has on the consumer. The RAs note a respondent's view that the presentation of the estimated impact on consumers was misleading and the description of the impact on bills misrepresents the extent of costs incurred by consumers. The RAs clarify that Table 2 of this Decision Paper presents the impact that the Network Imperfections Charge will have on consumer bills if passed on by Suppliers. Furthermore, for the first time, the RAs engaged with the TSOs to develop a consumer impact assessment, and this was included as part of the TSOs' submission. The inclusion of this assessment has enhanced transparency regarding the effect of these costs on consumers. The RAs note some respondents' suggestion that there may be merit in recovering the Imperfections Costs over a longer time frame. The RAs consider this matter to be outside the of scope for this current consultation but may consider the views expressed as part of future reviews recognising that while spreading costs over multiple years could improve short-term price

stability and predictability for consumers, such an approach may also defer the recovery of costs, resulting in consumers bearing these costs over a longer period and potentially increasing the risk of higher charges in future years.

The RAs acknowledge the comments made by market participants regarding the timeliness of the Network Imperfections Charge decision. The RAs will take these views into consideration when engaging with the TSOs and market participants about the timeframe for future reviews and publications of tariff components. The RAs note, however, that Network Imperfections Costs are becoming increasingly material in value and more complex in nature, reflecting the evolving characteristics of the grid and the range of factors that influence these costs. As such, sufficient time must be allowed for the TSOs to prepare and submit robust forecasts, for the RAs to undertake a thorough review and assessment of those submissions, for stakeholders to provide informed feedback through the consultation process, and for the SEM Committee to fully consider the information before reaching a decision. The RAs therefore seek to balance the timely publication of tariff decisions with the need for appropriate regulatory scrutiny and stakeholder engagement.

The RAs note the respondents' suggestion that the lack of zero carbon sources of inertia is increasing costs for consumers and adversely affecting emission levels. The LCIS Phase 1 projects are progressing, and Phase 2 procurement is underway. The LCIS programme is expected to deliver around 24,000 MVA.s inertia by 2030. Delivery of LCIS Phase 1 projects will help facilitate additional renewable generation on the system and contribute to respective emissions targets. EirGrid and SONI's strategic plan to minimise constraints on the system and procure system services through zero carbon sources is documented through their published Operational Policy Roadmap.

In relation to comments made regarding the consideration of Imperfections Costs as part of future interconnection policy, the RAs note that, as stated in CRU's 2018 Electricity Interconnection policy in its assessment of electricity interconnectors, it includes consideration of the impact of each proposed project both in terms of its socio-economic benefits as well as its costs under a range of different scenarios and sensitivities. In its

policy, it is noted that economic considerations are only one piece of information used in the decision-making process and are complemented by information on qualitative, equity and distributional impacts as well as strategic issues. Accordingly, the CRU assesses projects on a case-by-case basis and takes a fair and balanced decision based on all information available. . Furthermore, the CRU's assessment follows the most recent ENTSO-E guidance on Cost Benefit Analysis (CBA) and the Ten-Year Network Development Plan (TYNDP) framework. The CRU relies on the Transmission System Operator, EirGrid, to provide information on connection and deep reinforcement costs associated with the proposed project, as well as any information on any system impacts that the interconnector may have. Where required the CRU will seek any additional analysis necessary to fully understand the impact an additional interconnector may have on the network. The CRU remains satisfied that its existing Electricity Interconnection Policy provides a robust basis for assessments and does not intend to review or amend its policy at this time.

The RAs sought clarity from the TSOs on the risks of underestimating the transmission outage forecast. The TSOs in response noted their obligation to submit their annual Imperfections forecast four months before the start of the Tariff Year *“using the best representation of all input data possible”*. The TSOs add *“Annual Transmission Outage Programs are highly dynamic and are continuously modifying as the TSOs and Asset Owners respond to unforeseen system faults, modified capital work project requirements and extensions and the assessment of corrective maintenance requirements”*. The TSOs note their confidence that the forecast provided is the *“best available given the information available at the time of the submission but do not provide forecast or forecast updates on a category level”*.

The RAs note a respondent's suggestion that additional transparency should be provided on the contribution of each driver to forecast cost increases and sought feedback from the TSOs. The TSOs state *“the TSOs work to develop an optimum Imperfections forecast for the upcoming tariff year taking all the uncertainty present in the input data at the time of the forecast”*, *“The TSOs have included a customer impact assessment on this*

optimum forecast” and that “the requirement to carry out and present a range of sensitivity analysis would not be possible within the current process timelines”.

In relation to comments made regarding consideration of the impact of demand of the Greater Dublin Area on Imperfections Costs, the TSOs confirmed *“the forecast demand is modelled at the precise location where the demand is expected to be on the system”*, adding that *“increased demand increases market prices but reduces imperfections costs in the context of the existing and forecast operational security requirements expected to be in place for 2026/27”*. The TSOs further comment that such statement *“is agnostic to the location of the demand”, “The Minimum Units On (MUON) requirements are the most significant imperfection cost drivers currently on the system”*.

Following feedback received from a respondent, the RAs sought clarity from the TSOs on the reason for demand being used as the base metric comparison and the rationale for aggregating the impact of interconnector flows and RES capacity updates. With regard to the demand query, the TSOs state that they *“chose to present all imperfections forecast drivers from the TOOT analysis normalised to the parameter that had the smallest change impact, i.e. demand”* as it was the *“most straightforward way to demonstrate the relative impacts of other drivers”*. In relation to the interconnector flows and RES capacity update query, the TSOs state that *“the availability of RES has a significant influence on the outcome of interconnector profiles”*, and *“to analyse these parameters separately through the TOOT analysis would not provide any valuable insight as a mismatch would be created between heavily correlated parameters which would report unrealistic, exacerbated costs”*.

The RAs note a respondent’s suggestion to provide information on the potential reduction in costs and volumes that could be achieved through enhanced operational policy changes, technology investments and reductions in minimum generation requirements for units in Northern Ireland. The respondent also suggested that it would be useful to understand the impact that the North South Interconnector could have on final consumer bills and Imperfection Costs. The RAs sought clarity on these queries and the TSOs stated *“this exercise requires the TSOs to forecast overall Imperfections Costs for the*

2026/27 tariff period, no consideration is required for measures not occurring within the tariff period”.

Regarding Pumped Storage Costs, analysis conducted by the RAs confirmed that the TSOs are using the sum of the latest historic CPREMIUMS and CDISCOUNT payments in their forecast cost calculations attributed to pumped storage units. The TSOs' forecast costs associated with pumped storage units for Tariff Year 2026/27 are €18.97 million. The TSOs' provision is based on 10/12's of the actual CPremium and CDiscount payments that pump storage units received in the last 12 months from the 1 May 2025 until the 30 April 2026. This accounts for the fact that the full pumped storage site is scheduled to undertake a simultaneous outage of all units for 2 months within the 2026/27 forecast horizon. The RAs note that payments to pumped storage units decreased by 38% and 20% in Quarter 1 and Quarter 2 2026 respectively, by comparison to the same quarters in 2025. With consideration of this and cognisant of the outage. The RAs also note the latest 2027 committed outage plan published by SEMO⁹ shows two of the four pumped storage units forecast to be on a scheduled outage from 1st March – 30th April 2027 and two other units on a scheduled outage from 1st March – 30th November 2027. Cognisant of the above, the RAs devised an alternative method that takes a more granular approach and accounts for the significant outages at specific units. The average monthly cost per unit was calculated from May 2025 – April 2026. The RAs sum the average cost per unit across the applicable timeframe that they would be online during tariff year 2026/27 (e.g. 5 months and 10 months). This alternative method accrues a total cost of €15.29 million, representing a saving of approximately €3.6 million.

SEM Committee Decision

The SEM Committee has considered comments made by all stakeholders.

Given the magnitude of costs associated with network imperfections charges, and cognisant of the current and future impact on the consumer, the SEM Committee

⁹ [TSO Responsibilities](#) | [Publications](#) | [SEMO](#)

considers the Consumer Impact Assessment to be an essential element of the TSOs' submissions as it enhances transparency regarding the effect of these charges on consumers and is in the public's best interests. The SEM Committee requests that the TSOs continue to work with the RAs to further develop the consumer impact assessment for inclusion in future Network Imperfections Charge forecast submissions.

Furthermore, the SEM Committee requests the TSOs to engage with the RAs in order to develop the presentation and analysis of the key cost drivers. The potential reduction in volume and costs that could be achieved through; enhanced operational policy changes, technology investments and reductions in minimum generation requirements for units in Northern Ireland should be considered. An understanding of the impact that the North South Interconnector could have on final consumer bills and Imperfection Costs should be considered as part of the 2027/28 process.

Based on updated analysis and modelling undertaken by RAs, the SEMC has decided to discount pumped storage costs by €3.6 million (i.e., from €18.97 million to €15.29 million).

3.2 ACTIONS THE TSOS/RAS COULD TAKE TO MINIMISE NETWORK IMPERFECTIONS CHARGES IN TARIFF YEAR 2026/27 & IN THE MEDIUM TO LONGTERM

The RAs requested stakeholders' comments on potential actions the TSOs/RAs could take to minimise network imperfections charges for the upcoming tariff year and in the medium to longer term.

Comments Received

The majority of respondents provided comments on potential actions the TSOs could take to minimise network imperfections charges for the upcoming tariff year and in the medium to long term timeframe.

Energia emphasised it is crucial the System Operators (SOs) have strong incentives to reduce Network Imperfections Costs and suggested there must be sufficient pressure

under Price Control framework incentives on the SOs to progress wire and non-wire solutions. The respondent noted their support of the delivery of SONI's Dispatch Down Action Plan that sets out a range of actions that SONI commits to taking in the Short, Medium and Long Run to reduce Dispatch Down and encourages the urgent publication of EirGrid's comparable plan. Net Zero Energy suggested the SO and SEM Committee should focus on developing and managing a programme of work to remove system operational constraints. The respondent requested SEMC to provide a more comprehensive analysis of the mitigation options for Imperfection Costs and enhance EirGrid's Multi Year plan for the reduction of Imperfections Costs to include defined targets for costs and emission reductions.

Flogas Energy suggested several actions to take over the medium to long run to reduce Imperfections Costs. The respondent suggests the focus should be on the delivery of the North South Interconnector, reducing transmission constraints and network congestion, utilising flexibility services market incentives for efficient behaviour, review of operational policies and System Services requirements, and a reduced reliance on *"costly out of market dispatch actions"*. Flogas Energy also suggest the benefits of RES should not be offset by increasing balancing and constraint costs and that infrastructure, operational processes and market arrangements will need to evolve to ensure costs reduce overtime.

Bord Gáis Energy focused on the jurisdictional aspect of Imperfections Costs and suggested the North-South constraints are a critical driver. The respondent believes urgent consideration should be given to addressing this in the short run, due to the *"disproportionately large share of total Imperfections Costs attributable to generation units in NI"*. The respondent urged RAs to undertake an assessment and consultation regarding the difference of gas exit capacity charging costs in Ireland (whereby annual, monthly and daily gas exit capacity products are available) compared to Northern Ireland (whereby annual products only are available, no SR products). Bord Gáis Energy suggests the difference has a *"distortionary effect"* in increasing Imperfections Costs for All-island consumers. The respondent suggests urgent analysis of the increasing Imperfection Cost drivers, with a focus on gas exit capacity charging disparities is required.

One respondent, Energia, referred to the development of flexibility support schemes, such as Long Duration Energy Storage (LDES) and encouraged the development of such schemes to address system needs. The respondent suggests the design of the scheme in Northern Ireland is *“lagging significantly behind the pace required”* and it is vital schemes intended to address constraints are designed appropriately to deliver the greatest system benefit and be value to consumers. Energia noted their response to Eirgrid’s LDES procurement mechanism consultation and suggest several elements in the design were suboptimal and could be counterproductive to procuring storage assets in the most effective locations.

Another respondent, Net Zero Energy, suggested the SEM Committee and SO should be focused on actions the TSOs can take to minimise Imperfections Charges and that current actions are not being progressed with the speed warranted. Their response focused on Low Carbon Inertia Services (LCIS) and referred to previous research and potential benefits associated with zero carbon system services. The respondent believes EirGrid are *“only getting a fraction of the value by way of reserve requirements coming from batteries (or other zero Carbon sources) until it manages to remove other constraints causing conventional units to be constrained on”*. The respondent suggests a lack of zero carbon sources of inertia on the grid is costing consumers and increasing emissions. They referred to the LCIS Phase 1 auction and suggest it will deliver half of the volumes of inertia requirements in 2030. They also request LCIS phase 2 is progressed without delay.

Dr Paul Deane suggests there is insufficient information presented in the consultation to determine what additional actions the TSOs could take to minimise Imperfection Charges and notes work is underway to reduce Imperfection Costs. The respondent believes not enough attention and resources is being given to understanding and evaluating options that could reduce the volume of imperfections.

Wind Energy Ireland referred to its ‘System Costs Working Group’ that will analyse, track and ultimately identify opportunities to reduce system-level electricity costs associated with the deployment of wind generation and energy storage.

RAs response

The RAs agree with respondents that constraints need to be closely managed by the TSOs to ensure the Network Imperfections Price borne by consumers remains reasonable.

Under the PR6 Regulatory Framework (active from 2026-2030), the Imperfections & Constraints incentive aims to encourage EirGrid to reduce constraints and curtailment. As part of the incentive, EirGrid is required to develop a methodology for mapping imperfection costs and redispatched volumes to drivers. To receive a reward, EirGrid will need to demonstrate the volume of redispatch reduced as a result of constraints being relived and/or curtailment being reduced and will need to demonstrate the approximate consumer savings. Further detail is provided in the CRU's PR6 Regulatory Framework Final Determination ([CRU2025197](#)) and User Guide ([CRU2025200d](#)). Furthermore, later this year, EirGrid will publish a Renewable Dispatch Down Action Plan, which will set out a broad programme of work underway across EirGrid to help reduce renewable dispatch down where possible. This will follow significant engagement with industry and stakeholders through a joint Dispatch Down working group.

More generally, the RAs note that imperfection costs are driven by a range of factors, including generation availability, system security requirements, transmission constraints and participant bidding behaviour. During 2025, prolonged outages at key generating units in Northern Ireland materially reduced generation availability and increased the requirement for out-of-merit dispatch actions to maintain system security, contributing significantly to increased constraint costs and imperfection charges. The RAs are also considering a consultation on amendments to the Bidding Code of Practice (BCOP), including measures intended to enhance transparency and consistency in the formulation of Commercial Offer Data.

In relation to LDES, the CRU will consider industry responses to EirGrid's LDES consultation alongside its consideration of the EirGrid Recommendations Paper. Regarding LDES in Northern Ireland, as set out in the Energy Strategy Action Plan 2026,

the Department for the Economy has committed to publishing an Energy Storage Policy Statement by the end of 2026¹⁰. The Utility Regulator, as Designated Entity, is currently drafting the first iteration of Northern Ireland's Flexibility Needs Assessment report. As per Regulation 2019/943, respective Member States are tasked with defining a national objective (Article 19f) for non-fossil flexibility, with consideration to be given on non-fossil flexibility support schemes (Article 19g). With regard to LCIS, the Regulatory Authorities are working with respective stakeholders to ensure LCIS Phase 1 is delivered at pace. Delivery of LCIS Phase 1 projects will help facilitate additional renewable generation on the system and contribute to respective emissions targets. The SEMC published their Decision ([SEM-26-011](#)) regarding LCIS Phase 2 procurement in March 2026, with the TSOs progressing next steps.

SEM Committee Decision

Notwithstanding the work EirGrid are currently carrying out as part of the Price Review 6 Electricity Networks process, the improvement in TSOs reporting, and the implementation of the Mid-Year Review, the SEM Committee has decided that the RAs should continue to engage with the TSOs regarding the progress to achieve key network imperfections charges related incentives. The SEM Committee understands the challenges of the impact that volatility has on consumers and industry alike.

The SEM Committee notes the RAs and TSOs have been engaged in a number of actions to help mitigate/control Network Imperfections Costs. Some of these actions relate to the following:

North South Interconnector (NSIC): The delivery of the second NSIC will reduce system constraints and thus reduce Network Imperfections Costs and will also improve security of supply, while also contributing to decarbonisation objectives.

¹⁰ <https://www.economy-ni.gov.uk/sites/default/files/2026-05/Energy%20Strategy%20-%20The%20Path%20to%20Net%20Zero%20Energy%20-%20Action%20Plan%202026.pdf>

Action Plan on Dispatch Down: In 2024, SONI undertook an action plan to reduce renewable dispatch down in Northern Ireland, EirGrid are undertaking a similar review in Ireland in 2025. The combination of these reviews and subsequent action plans should reduce Network Imperfections Costs across the SEM.

Network investment: In addition to the NSIC, both RAs have approved extensive network investment to modernise and increase the ability of the system to transmit electricity (and reduce constraints).

Bidding rules: In March 2024, the SEM Committee (SEMC) published a note reminding market participants of the requirement to meet the BCOP bidding rules. The SEM RAs are actively considering enhancements to the bidding rules in the SEM.

All Island Programme: The SEM Committee has an extensive All Island Programme of work (covering Interconnection, Future Arrangements for System Services, and Scheduling and Dispatch programme) to enhance flexibility within the SEM which will allow more effective delivery of renewable electricity to customers (SEM-24-034).

Quality of Reporting of Constraints and Curtailment: As part of the SEMC Network Imperfections Charge 2022/23 Decision Paper (SEM-22-045), SEMC requested the TSOs to develop an enduring method for monitoring Network Imperfections Costs within the Tariff Year in the form of a biannual review. The RAs continue to engage with the TSOs to improve the reporting, readability, and forecasting of network imperfections charges. Better and earlier identification of costs and the drivers will allow better targeted actions to be taken sooner.

TSO Operational Roadmap: The SEM RAs are working with the TSOs to deliver on their operation roadmap in an expedited manner. This should help to reduce renewable dispatch down and thus curtailment costs in particular.

Incentives: SONI's Forward Work Plan for 2025/26 states that it will continue to take steps to minimise dispatch balancing costs, with the KPI on Imperfections Costs to be reported on in their 2026 Performance Report. In addition, as part of the upcoming SONI Price Control (SRP27), the KPIs for this period are currently being reviewed. The current price control framework "Price Review 5"⁴ financially incentivises EirGrid to deliver on actions outlined in its multi-year plan. As part of this process the CRU have put in place mechanisms to improve and incentivise reporting of Network Imperfections and network constraints. Under the PR6 Regulatory Framework (active from 2026-2030), the Imperfections & Constraints incentive aims to encourage improvements in the quality and transparency of reporting on imperfection costs and measures to reduce those costs. This includes (but is not limited to) a requirement for EirGrid to develop a methodology for mapping imperfection costs and redispatched volumes to drivers, and to quantitatively estimate the impact of mitigation measures on imperfection costs. The CRU will continue to monitor the quality of reporting on imperfections throughout the PR6 period.

The SEM Committee will consider the outcome of the RAs consideration of a consultation on amendments to the Bidding Code of Practice (BCOP). While the design of gas transmission charging arrangements falls outside the scope of the imperfection charge process, the SEM Committee will continue to monitor developments and engage, where appropriate, with CRU and Utility Regulator colleagues on matters relating to gas transmission charging arrangements and any potential implications for the SEM.

3.3 THE TSOS' TRANSPARENCY AND REPORTING OF NETWORK IMPERFECTIONS COSTS AND DRIVERS;

During the consultation period, the RAs requested stakeholders' comments on the TSOs transparency and reporting of Network Imperfections Costs and Drivers.

Comments Received

The majority of respondents provided feedback on the transparency and reporting of Network Imperfections Costs and drivers.

Flogas Energy and Energia welcomed the Consumer Impact Assessment. Energia suggest the improved transparency is positive and aids the understanding of the practical implications of changes in forecast costs. The respondent encourages the continued development of features that enhance transparency and accessibility.

Three respondents (Flogas Energy, Net Zero Energy and Power NI) commented on the transparency of costs and key drivers of Imperfections Charges. Flogas Energy and Power NI believe greater transparency should be provided on the sensitivity of the forecast costs and bill impacts. Power NI notes improvements in transparency are required to enable suppliers to independently monitor the drivers of these costs throughout the tariff year. Flogas Energy suggests that the presentation does not provide stakeholders with a complete picture of the underlying cost trajectory facing suppliers and consumers which is of concern. Flogas Energy emphasise the consultation paper proposes a lower tariff supported by a K-factor adjustment and higher demand; however, the underlying fundamental Imperfection Costs have increased. Flogas Energy suggest improvements to transparency in reporting should clearly distinguish between; underlying imperfection costs, 'provision' costs, K-Factor adjustments, historic liabilities, demand related tariff impacts and customer bill impacts. Furthermore, Flogas Energy suggests a greater emphasis on cumulative customer impacts and more holistic approach should be considered to account for the effect of market reforms on suppliers and consumers and a *"joined up assessment would improve stakeholder understanding of how costs reflected in bills"*.

Power NI referred to the impact that outages within a relatively small generation fleet can have on system security costs. The respondent suggests where outages and local constraints give rise to market power concerns, bidding behaviour should be subject to robust monitoring, appropriate market rules, and effective enforcement to protect consumers.

Net Zero Energy suggest the consultation paper lacks detail of analysing the costs and key drivers and requests the SEM Committee and RAs enforce clear, binding metrics on the TSOs. The respondent refers to zero-carbon inertia acceleration, aggressive

constraint reduction and emissions reporting compliance, and suggests a joint taskforce is established, comprised of a working group of Industry, RAs and TSOs that are tasked with tracking, modelling and executing the operational roadmap to reduce Imperfections Costs.

SSE welcomed NERA's recommendation for additional transparency from the TSOs on how outcomes are calculated and suggest further improvements to include a scorecard update in the consultation process and final decision. SSE suggests this would allow industry to track progress against targets and initiatives being implemented by the TSOs.

Dr Paul Deane provided several comments in relation to reporting and the transparency of network imperfections charges. The respondent suggested the consultation papers have recurring questions and queries relating to modelling assumptions and methodologies and that *"it would be more efficient and effective to make the underlying model available"*, as this *"could improve transparency, reduce repetitive queries, and allow more resources to investigating and quantifying solutions rather than repeatedly addressing questions on modelling assumptions"*. The respondent queried if modelling resources within the TSOs could be better utilised in quantifying the monetary impact of solutions rather than *"further improving our understanding of the problem"*. Dr Paul Deane suggests that Imperfections Charges should be reported by jurisdiction and suggests that relative to its size, *"the Northern Ireland system appears to have a disproportionately large impact on Imperfection Costs"*. The respondent also provided analysis to provide context and suggests this concentration and magnitude of Imperfection Charges *"point to the need for investment in the Northern Ireland system, both in infrastructure and in stronger physical connections to the wider all-island system. It also highlights the need for improvements in operational policies across the full system"*.

RAs' Response

The RAs acknowledge all comments and suggestions made by stakeholders. The RAs note the ongoing work and engagement with the TSOs over the previous Tariff Years and that the report of Network Costs has evolved in response to stakeholder feedback. The RAs acknowledge further improvements are required while noting that Network

Imperfection Costs are driven by a wide range of increasingly complex technical, operational and market factors. As such there is an inherent balance between providing information that is sufficiently detailed and robust to accurately reflect these complexities and presenting that information on a concise and accessible format. While increase transparency is a key objective the RAs consider that reporting should remain practical and focused on the on the information relevant to stakeholders.

To support transparency and accessibility for consumers and other stakeholders, the SEM Committee has developed a concise explainer note that sets out, in plain English, the purpose of this decision, the key drivers underpinning it, and its expected impact on electricity consumers. The explainer is intended to complement the technical decision paper by presenting the main findings in a clear and accessible format. This approach helps ensure that consumers and non-specialist stakeholders can readily understand both the rationale for the decision and its practical implications.

The RAs will continue to further engage with the TSOs regarding the reporting and transparency of Network Imperfections Costs, as well as specific requests made by market participants to determine the feasibility of increasing the transparency of the TSOs' analysis of costs and key drivers.

A key aim of the PR6 Imperfections & Constraints incentive is to improve the quality and transparency of reporting on imperfection costs. This includes (but is not limited to) a requirement for EirGrid to develop a methodology for mapping imperfection costs and redispatched volumes to drivers, and to quantitatively estimate the impact of mitigation measures on imperfection costs. Further detail is provided in the CRU's PR6 Regulatory Framework Final Determination ([CRU2025197](#)) and User Guide ([CRU2025200d](#)). EirGrid's annual reporting against the Imperfections & Constraints incentive in the PR5 period (2021-2025) lacked quantification. Under the PR6 Regulatory Framework (active from 2026-2030), the Imperfections & Constraints incentive aims to encourage improvements in the quality and transparency of reporting on imperfection costs and measures to reduce those costs. This includes (but is not limited to) a

requirement for EirGrid to develop a methodology for mapping imperfection costs and redispatched volumes to drivers, and to quantitatively estimate the impact of mitigation measures on imperfection costs. The CRU will continue to monitor the quality of reporting on imperfections throughout the PR6 period.

The RAs note the comment made regarding the standard of the analysis conducted within the Consultation Paper and the RAs intend to consider this feedback in the development of future network imperfections charges Consultation papers. The RAs will consider the development of a working group to be established and are of the view that this form of collaboration between stakeholders may be beneficial with the ultimate objective of lowering Network Imperfections Costs, thereby benefitting the consumer.

The RAs recognise that generator outages, particularly in areas subject to local network constraints, can increase balancing actions and associated Imperfections Costs. Where outages result in tighter market conditions or increased dependence on a limited number of units, the MMU assesses market outcomes and participant behaviour through its ongoing market monitoring activities. The Market Monitoring Unit (MMU) routinely monitors Commercial Offer Data (COD) and conducts inquiries where there are reasonable grounds to consider that bids or offers may not be consistent with applicable market rules or regulatory requirements. Where concerns are identified, the MMU may undertake further analysis and, where appropriate, engage with relevant participants or refer matters to the Regulatory Authorities for consideration. The RAs have published a consultation on amendments to the Bidding Code of Practice (BCOP), including measures intended to enhance transparency and consistency in the formulation of COD. The outcome of that process will be considered by the SEMC in due course. The RAs remain focused on ensuring that market participants comply with their obligations and that market outcomes remain consistent with the efficient operation of the SEM.

SEM Committee Decision

The SEM Committee has considered comments made by stakeholders. Given the significance of costs associated with network imperfections charges, and its impact on

current and future consumers, the SEM Committee reiterates their position and deems it essential that the TSOs increase the transparency of forecast and actual costs associated with network imperfections charges on a publicly available platform, on a real time basis.

Additionally, the SEM Committee reiterates the importance of transparent reporting on the TSOs' measures to reduce such costs to ensure that consumers' money is being used in an efficient manner. The SEM Committee has decided that the RAs should continue to engage with the TSOs regarding improvements to Network Imperfections reporting and the transparency of costs. The SEM Committee requests the TSOs to enhance the development of a consumer impact assessment that outlines the scale of potential bill increases in their future Network Imperfections Charge forecast submissions.

3.4 THE TSOs' MODELLING AND FORECASTING OF NETWORK IMPERFECTIONS COSTS

The consultation requested stakeholders' comments on the TSOs' modelling of costs and assumptions for Tariff Year 2026/27. The section below focuses on comments received specifically regarding the TSOs' modelling and forecasting approach.

Comments Received

Four respondents provided feedback on the TSOs' modelling and forecasting approach.

Three respondents (Energia, Flogas Energy and Dr Paul Deane) acknowledged the complexity of forecasting network imperfections charges and recognise several factors are outside the control of RAs and the TSOs. Dr Paul Deane suggests the TSOs' forecasts appear reasonable and advises that more modelling or additional scenarios do not necessarily lead to better outcomes or lower prices, rather, TOOT analysis tends to be "best at identifying primary drivers but loses value when there are multiple overlapping drivers". Flogas Energy believe greater transparency should be provided on the sensitivity of the forecast costs and bill impacts. Energia suggests a number of the drivers are structural in nature and likely to persist over a number of years.

Energia recommend forecasting over a longer period and ‘smoothing’ the cost recovery across multiple years, and suggest this approach aligns with a National Energy Affordability Taskforce (NEAT) priority is consistent with the gas tariff approach and could help short run fluctuations, improve predictability for suppliers and stability for consumers. Power NI noted their concerns that volatility in centrally levied market charges can lead to customer impacts and contribute to tariff instability and emphasised its significance in Northern Ireland, “*where regulated tariff arrangements require careful planning and adherence to established approval processes*”. Power NI encourage the RAs to place “*greater emphasis on forecast accuracy, enhanced in-year monitoring, timely identification of material deviations, and transparent reconciliation through the K-factor mechanism*”.

RAs’ Response

The RAs acknowledge all comments and suggestions made by market participants. The RAs acknowledge amendments to modelling methodology should be considered by the TSOs. Nevertheless, the RAs note the complex task that the TSOs have in modelling network imperfections charges. The RAs will continue to further engage with the TSO regarding improvements that could be made to their modelling approach.

The RAs note a respondents’ suggestion that there may be merit in carrying out multi-annual calculation of network imperfections charges, similar to the gas tariff setting process. The RAs consider this out of scope for the current consultation but may consider the views expressed in the future as this process could potentially increase price certainty for consumers.

The RAs requested feedback from the TSOs based on respondents’ comments that greater transparency should be provided on the sensitivity of the forecast costs and bill impacts. The TSO state that “*the TSOs’ view is that any alternative scenario presented would be suboptimal and should not be considered for setting the Imperfections tariff and*

therefore will have no impact on customer bills. The requirement to carry out and present a range of sensitivity analysis would not be possible within the current process timelines”.

SEM Committee Decision

The SEM Committee has considered comments made by stakeholders. The SEM Committee also requests RAs to engage with the TSOs to consider the suggestions made by respondents in terms of forecasting network imperfections charges.

3.5 THE TSOs’ PROVISION FOR POTENTIAL COSTS ASSOCIATED WITH ARTICLE 13 OF REGULATION (EU) 2019/943

A significant driver in the proposed forecast network imperfections charges for Tariff Year 2026/27 is the inclusion of a provision for potential payments to market participants under Article 13 of Regulation (EU) 2019/943. The TSOs forecast the potential costs associated with the TSOs’ interpretation of the High Court Judgments is €141 million. The Consultation Paper requested stakeholders’ comments on the TSOs’ potential costs associated with Article 13 of Regulation (EU) 2019/943.

Comments Received

One respondent (SSE) provided views on the provision of costs associated with Article 13 of Regulation (EU) 2019/943. SSE suggest if the proposed costs are approved, it would represent €236 million already collected, adding they have concerns there is no defined or committed mechanism for the timely distribution of funds. SSE state it is imperative that the TSOs have a robust process to distribute revenues as soon as proceeding conclude and suggest there is a disconnect between revenue collection and compensation delivery. SSE encourage the RAs to ensure a process is developed, approved and implemented as soon as practicable with no delay.

RAs’ Response

The RAs acknowledge the comments made by market participant regarding the TSOs’ potential costs associated with Article 13 of Regulation (EU) 2019/943. Cognisant of the comments made, the CRU, as the Respondent, has issued appeals in both cases on 8

August 2024. The matter was heard by the Supreme Court in December 2024, and the Court made a preliminary reference to the Court of Justice of the European Union (“CJEU”). After the CJEU has delivered its judgment, the case will return to the Irish Court, which must apply the CJEU’s judgment to resolve the case before it. The matter is expected to return to the Supreme Court for their consideration in 2026.

The RAs note the process for the distribution of the revenue collected is pending the outcome of the legal proceedings, with decisions expected both from the CJEU and the Supreme Court. Once more clarity is provided on the situation, engagement will be undertaken to develop an appropriate process as soon as practicable.

SEM Committee Decision

The SEM Committee considered including a provision in 2024/25 and 2025/26 was in the best interests of consumers to limit the potential future impact on consumers in future years.

Notwithstanding and without prejudice to the outcome of the ongoing legal proceedings, the SEM Committee has decided to include the potential costs associated with the High Court Judgments of €141 million in the Network Imperfections Charge for tariff year 2026/27. The SEM Committee’s decision to incorporate the provision of such costs is to continually preserve the public’s best interest and limit the potential impact on the consumer in future years. By continuing to collect the money in the upcoming tariff period, it will effectively smooth out potential costs over a longer period of time and will help reduce the impact of higher charges on customer bills in subsequent years. In the interest of transparency and for clarity, this decision by the SEM Committee has been taken in the event that the appeal process is unsuccessful.

3.6 THE TSOs' PROVISION OF COSTS ASSOCIATED WITH THE INTERCONNECTOR NET TRANSFER CAPACITY RESTRICTION COSTS;

Another significant driver in the proposed forecast is a provision for costs associated with Interconnector NTC restrictions is included in the TSOs' submission. Such costs relate to Moyle Interconnector Ltd seeking compensation for the TSOs periodically implementing NTC reductions on the SEM-GB interconnectors in order to maintain security standards. The submission also reflects an anticipated claim by EirGrid Interconnector DAC (EIDAC) for NTC reductions imposed on the East West Interconnector (EWIC).

The TSOs have included a €56.68 million revenue requirement within the 2026/27 Imperfections Charge forecast relating to the recovery of historic NTC compensation costs. The Consultation Paper requested stakeholders' comments on the TSOs' costs.

Comments Received

Six respondents provided divergent views on the recovery of historic NTC compensation costs.

Four respondents (Bord Gáis Energy, Net Zero Energy, Power NI and Flogas Energy) refer to the inclusion of such costs as part of the Network Imperfections Charge and the potential future costs associated with such compensation costs.

Energia suggest the liabilities demonstrate the need for a comprehensive consideration of Imperfections Charges in Interconnector Cost-Benefit Analysis. Bord Gáis Energy welcomes the perspective that costs are '*expected to be limited*' in the future and request where they arise and included within the K-Factor, the Mid-Year Review report should outline the status of the costs. Flogas Energy suggest the cost provision reflects uncertainty of any future compensation and SO requirements and emphasis that provisions of this nature represent a growing proportion of Imperfections Costs. Flogas Energy encourage the TSOs and RAs to review the treatment of provision-based costs and explore alternative mechanisms to recover costs rather than to take the "*easy option of including them within imperfections and to provide clear justification where material allowances are included within annual tariff forecasts*". Net Zero Energy suggests the

inclusion of this item “*highlights the escalating financial liability of delaying clean dispatch solutions*” and note a significant amount of total costs this year is related to legal compensation the capital would be “*better deployed in accelerating zero-carbon system services procurement*”.

Power NI note their concerns regarding the transparency of costs and given the materiality and historic nature of these costs, they believe “*a significantly higher level of transparency is warranted than is currently provided*”. Power NI also suggest that such costs should not be recovered within a single year but should be apportioned over multiple years. The respondent requests that any future compensation costs be reported separately and supported by sufficient information to enable suppliers to monitor the underlying cost drivers throughout the year.

Conversely, Mutal Energy welcome the recovery of costs via Network Imperfections and suggest historically actions to support the all-island system is appropriately recovered on all-island basis. The respondent notes although the costs put upward pressure on Imperfections Costs, the historic actions that are now being compensated have meant the TSOs countertraded less than they otherwise would have since 2021. Mutual Energy refers text within the Consultation Paper that states the costs from NTC restrictions were enacted to “*maintain system security particularly in managing stability risks on the SEM-GB ICs*”. The respondent states they are not aware that any restrictions were enacted to manage stability risks on Moyle or other Interconnectors, rather their understanding is they were used to maintain System Services on the all-island system via the management of operating margins.

RAs’ Response

The RAs acknowledge the comments made by market participants regarding the TSOs’ costs associated with Interconnector NTC restrictions.

The RAs and TSOs will consider the inclusion of data pertaining to NTC compensation costs in future Mid-Year Review Reports. The TSOs clarified that NTC restrictions were

enacted on SEM-GB Interconnectors to maintain system security standards by ensuring that operating margins remained sufficient.

Regarding potential future costs, the TSO's confirmed it does not forecast conditions in the future in which Interconnector NTC restrictions will be required. The TSOs note *"All system activity will be organised in a manner that will not require Interconnector NTC restrictions. The TSOs will also maintain a highly co-ordinated procedure with NESO that will manage this risk within the balancing market and prevent the need to act Ex-Ante. It is possible for simultaneous system security risks to be present in SONI/EirGrid and NESO in the future due to unplanned/unforeseen events. Should this occur Interconnector NTC restrictions will be taken as an action of last resort as per SEM Committee direction"*.

The RAs will continue to review all costs associated with Network Imperfections and note reporting requirements are in place for the TSOs to provide the Regulatory Authorities with details of any such reductions, including their materiality and frequency. This reporting framework allows the RAs to monitor the application of the arrangements and ensure that reductions in Net Transfer Capacity are being minimised and used only where necessary.

SEM Committee Decision

Regarding the inclusion of costs as part of the network imperfections charges, in March 2024, the SEM Committee published a paper on Compensation Arrangements for Net Transfer Capacity (NTC) Reductions ([SEM-24-025](#)). This clarified the circumstances under which interconnector owners are entitled to compensation when the System Operators reduce NTC. The SEM Committee issued a further update to this decision in response to a request seeking clarification of its legal status, specifically in relation to compensation payable by Transmission System Operators (TSOs) to interconnector owners for unallocated capacity. This update can be found here: [Update to SEM Decision](#)

SEM – 24-025 “Compensation Arrangements for Net Transfer Capacity Reductions”
dated 28 March 2024

Subsequent to this update, the SEM Committee wrote to the TSOs on 21 January 2026, setting out that, at the December 2025 SEM Committee meeting, it was determined that compensation should be made on an all-island basis and that Imperfections Charges are the most appropriate vehicle for this process. As per the December 2025 SEMC meeting minutes, Agenda Item 5 - *“The Committee discussed key aspects of NTC reductions compensation issue. The Committee decided that NTC reductions compensation for relevant interconnectors should be recovered on an all-island basis through the imperfections charge”*.

Following the decision, the SEM Committee requested that the TSOs progress any potential Trading and Settlement Code modifications necessary in order to process the NTC compensation payments through the imperfections tariff for the 2026-27 tariff year. To meet this request A trading and settlement code modification was presented by the TSOs on the 18th of June 2026 and it was voted in favour by all industry representatives. A copy of the meeting minutes was published on the SEMO website.

The SEM Committee has decided to apply the TSOs’ €56.8 million cost in full, *subject to* the Regulatory Authorities receiving formal confirmation from the TSOs that an independent verification and audit process has been completed in advance of any monies issued. This process will ensure the validity of the methodology and calculation of the proposed costs for both EWIC and Moyle and will be requested of the TSOs as part of the decision process.

3.7 THE K-FACTOR

The Consultation Paper included information on the TSOs' K-Factor estimate (€13.22 million) which is projected to be significantly lower for Tariff Year 2026/27 by comparison to the previous Tariff Year (€183.43 million).

Comments Received

Two respondents commented on the TSOs' K-Factor estimation. Both respondents noted the low value of the K-Factor. Energia welcomed that despite the geopolitical developments referred to within the Consultation Paper, there was no significant upward K-Factor adjustment. Bord Gáis Energy believe that although the value of the K-Factor was low by historic standards, further consideration should be given to spreading the adjustment over multiple years, for example 5 years. to reduce year-on-year volatility of network imperfections charges. Bord Gáis Energy suggest this would provide greater stability and predictability for suppliers and consumers.

RAs' Response

By contrast, for Tariff Year 2026/27, the TSOs estimate a K-Factor over recovery amount of €13.22 million. This amount consequently reduces the total Network Imperfections Charge amount that impacts both suppliers and consumers. As a result, the RAs did not consider partially recovering the K-Factor over one or more Tariff Years.

SEM Committee Decision

The SEM Committee acknowledges the comments made by stakeholders. The SEM Committee has decided not to defer the recovery of the Network Imperfections Charge K-Factor for Tariff Year 2026/27. The deferral of the proposed K-Factor over recovery of €13.44 million would negatively affect both suppliers and consumers, as it would prevent them from benefiting from a reduction in the overall Network Imperfections Charge during the relevant 2026/27 period.

4. SEM COMMITTEE DECISIONS

Following the consultation process, the SEM Committee has made the following decisions in relation to the Network Imperfections Charge:

1. The Tariff Year 2026/27 Network Imperfections Charge will be €793.23 million, compared to the TSOs' original submission of €796.92 million.
2. The €13.22 million K-Factor adjustment will be applied in full and wholly recovered in Tariff Year 2026/27.
3. The TSOs' provision of costs associated the Article 13 of Regulation (EU) 2019/943 forecast for Tariff Year 2026/27, amounting to €141 million will be included.
4. The TSOs' provision of costs associated with the recovery of historic Interconnector NTC compensation costs, amounting to €56.68 million will be included, *subject to* the Regulatory Authorities receiving formal confirmation from the TSOs that an independent verification and audit process has been completed in advance of any monies issued.
5. The Network Imperfections Price to be charged to suppliers is €18.81MWh¹¹.
6. The Network Imperfections Charge Factor (FCIMPy) will be set to 1 for the period of 1 October 2026 to 30 September 2027, subject to any alterations following the Mid-Year Review process.
7. The RAs remain firmly committed to sustained and proactive engagement with the TSOs and expect tangible progress on strategic reforms and critical investment programmes. Prioritising these actions is essential to improving system operation, and

¹¹ Based on estimated metered demand 42,160 GWh

facilitating the efficient integration of renewable generation. The actions will contribute to the efficient management and ultimately reduce the scale of future Network Imperfection Costs for consumers.