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24th July 2026

**Subject: Network Imperfections Charges October 2026 – September 2027, Consultation, SEM-26-29**

Dear MMG and All-Island Regulation teams,

Bord Gáis Energy (BGE) welcomes the opportunity to respond to this Consultation on proposed all-island Imperfection Charges for tariff year 2026-2027.

## 1. Minimisation of Imperfections Charges in the Medium to Long-Term

BGE is supportive of actions being taken in SEM to reduce Imperfections costs such as the reduction of transmission constraints, lowering of minimum number of conventional units and trials to reduce system inertia. North-South constraints remain a critical driver however and, while we recognise the Regulatory Authorities' (**RAs**) assertion that the second North-South interconnector should help alleviate the impact of these constraints in time, we believe that urgent consideration should be given to addressing, in the near term, the disproportionately large share of total Imperfections Costs attributable to generation units in NI.

### a. Address the disparity in approach to gas exit capacity Ireland/Northern Ireland

Specifically, we urge the RAs to undertake assessment and consultation regarding the difference between gas exit capacity charging in Ireland (where annual, monthly and daily gas exit capacity products are available) versus Northern Ireland (where only annual gas exit capacity products are available) and the distortionary effect of this in driving up imperfection costs for all-island consumers. The extent to which this impact is materialising was recently demonstrated in a publication by Paul Deane of UCC illustrating that >60% of imperfections payments were paid to NI based generation units. While gas capacity charging is applied on a jurisdictional basis, the matter is fundamentally within the remit of the SEM Committee and both Ireland and Northern Ireland RAs given: the SEMC's objective in promoting effective competition in SEM; their need to have regard to transparent SEM pricing and fair cost allocation across all consumers, and; the respective jurisdictions' Electricity Acts requirement for cooperation between the two RAs in managing the SEM including promotion of competition and protecting consumers.

In summary, due to the lack of access to short-term exit capacity products for NI gas-fired electricity generators, the cost of annual gas exit capacity is reflected in balancing market complex bids. Under NI's gas capacity "ratchet" mechanism, any upward daily adjustment increases the annual booking for that day and applies the higher volume for the rest of the year, with no option to reduce it. This can leave unused annual gas capacity and unnecessarily increase complex bid costs passed to consumers through imperfections charges.

Urgent analysis of rising imperfections cost drivers, initially focused on the gas exit capacity charging disparity, is needed to mitigate high year-on-year charges in the medium term. We support pragmatic, targeted and proportionate measures that can deliver immediate benefits from the point of implementation.

### b. Imperfections costs and recovery periods

While the proposed Imperfections Charges are only ~€6m higher than the 2025/26 forecast, recent trends show that outturn Imperfections costs can vary materially. Additionally, while the ~€13m K-factor for 2026/27 is relatively low by historical standards, BGE believes further consideration should be given to spreading it over up to five years to help reduce year-on-year volatility in Imperfections Charges and provide greater stability and predictability for both suppliers and consumers.

## 2. TSO modelling, reporting and key forecast costs

With respect to the TSOs' modelling and reporting processes and key forecast costs, our concerns relate to the 4 following areas:

**a. Interconnector flows and Renewable capacity profiles**: the Consultation notes the effect of these factors as having a x3 times greater impact increasing Imperfections Costs than the impact of demand in Tariff Year 2026/27. Moreover, Greenlink interconnector is flagged as a driver of increased imperfections due to other units needed for system security having to be constrained on as they are being displaced in the day-ahead market (DAM) and thus not clearing DAM.

Furthermore, the **supplementary modelling** references interconnector counter trades as being €6m higher than 2025/26 (to ~€22m) due to increased system security requirements driving countertrading

These points indicate that future interconnection policy should consider both the potential for higher imperfections costs and the need to deliver value for money for consumers funding island-based capacity schemes such as RESS, the Capacity Market, LDES and LCIS. BGE therefore requests that the 2027 Imperfections modelling include an informed estimate of the Celtic Interconnector's potential inflationary impact on Imperfections Costs once operational, with the results reflected in the 2027 consultation. More broadly, we urge the RAs to factor these considerations into future interconnector policy development.

**b. Interconnector Net Transfer Capacity Restriction:** Regarding the costs attributed to the Interconnector Net Transfer Capacity Restriction of ~€57m, we welcome the perspective that such costs are "expected to be limited" in future. Where they do arise however and are planned to be dealt with via the K-factor, we request that the mid-year review of Imperfections should report on the status of these costs and more regularly where warranted.

**c. Transmission outages:** BGE would welcome further commentary in the decision paper on the risk the TSOs flag of underestimating the transmission outage cost forecast which may need to see thermal units being restricted during times of high renewables. The timing as to when we will know the extent of deviation from the estimate, as well as the affected transmission areas and units, would be insightful.

**d. Commercial Offer Data (COD)** – BGE welcomes the effect of the TSOs change in approach to assessing COD in terms of increased granularity and dampening of intraday variations which have led to a large deflationary effect on forecast Imperfections Costs in 2026/27.

We hope that you find the above comments, suggestions and requests helpful. Please do not hesitate to contact us if you wish to discuss any of the above.

Yours faithfully,

Julie-Anne Hannon

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***{By email}***