Energia Response to SEM-26-29

Network Imperfections Charges October 2026 – September 2027 and Reforecast Report October 2024 – September 2025 Consultation Paper

24 July 2026

1 Introduction

Energia welcomes the opportunity to respond to SEM-26-29 on network imperfections charges for October 2026 – September 2027 and the reforecast report for 2025/26. Energia is a vertically integrated utility that owns over 1GW of flexible and renewable generation and serves almost 900,000 customers as a supplier across the island of Ireland. Energia is open to engaging with SEMC on any aspect of its response.

2 Imperfections Charges for Tariff Year 2026-27

Energia notes the forecast Network Imperfections Charge of €796.92m for tariff year 26/27, representing a marginal increase from the €790.24m approved for 25/26 in SEM-25-053.

Energia welcomes that in spite of the geopolitical developments referenced in the consultation that impacted prices during 25/26, there is no significant upwards K-factor adjustment projected for this year. Energia also welcomes that SEM-26-029 does not contain any proposed fundamental changes to market-design as was included in last year's consultation paper, and instead the focus is on utilising existing tools and addressing long-term drivers of imperfections.

Energia also welcomes the inclusion of a Customer Impact Assessment within the TSOs' submission. Improved transparency regarding the impact of imperfections charges on consumer bills is positive and aids understanding the practical implications of changes in forecast costs. Energia encourages the continued development of features which enhance transparency and accessibility for these forecast submissions.

2.1 Imperfections and interconnection

Interconnector imports are identified by the TSOs as a significant inflationary driver of imperfection costs in the 26/27 tariff year. Increased interconnector imports result in a greater volume of generation dispatched to satisfy system security requirements and also increases the dispatch down of indigenous renewable generation. Energia notes that interconnector flows were similarly identified as a significant driver of an increase in imperfections costs in the imperfections forecast for tariff year 25/26, indicating the endurance of interconnectors as a material and enduring cost driver.

As additional interconnection into the SEM is considered, it is essential that the associated impacts on constraint costs, dispatch balancing costs and wider imperfections charges are robustly modelled, quantified and incorporated into the socio-economic welfare analysis for additional interconnection.

In its response to the CRU's consultation on the Initial Project Assessment for Mares Connect Limited, Energia presented a report from NERA identifying how these costs could be modelled and that these costs could potentially run to the hundreds or even billions of euros. This emphasises the importance of fully accounting for imperfections costs in any economic assessment of further interconnection.

The need for comprehensive consideration of imperfection charges on interconnector cost-benefit analysis is further reinforced by the inclusion in this year's forecast of a €56.68m allowance associated with interconnector Net Transfer Capacity restrictions.

The relationship interconnector flows and imperfection charges are demonstrably material and can create significant consumer liabilities. Accordingly, Energia

emphasises the importance of detailed constraint and imperfections modelling in any assessment of further interconnection.

3 Potential actions to minimise Imperfections Charges

The consultation welcomes stakeholder feedback on actions the TSOs/RAs could take to minimise imperfections charges for the upcoming tariff year and in the medium to long term timeframe.

3.1 Multi-year forecasting to smooth volatility

Energia notes that over recent years imperfection charges have exhibited significant year to year volatility, from €448.81m in 23/24 to €790.24m in 25/26.

The consultation acknowledges that a range of factors can lead to significant variations in annual imperfections costs, including wholesale fuel prices, renewable generation profiles, and generator or transmission outages. Energia recognises that several of these factors are outside the direct control of the TSOs and RAs. Nevertheless, a number of these drivers are structural in nature and are likely to persist over a number of years.

To that end, Energia considers that there would be merit in exploring a multi-annual forecasting and recovery framework for imperfections charges. Forecasting over a longer horizon and smoothing cost recovery across multiple years could help reduce the impact of short-term fluctuations, improve predictability for suppliers thus smoothing cost recovery and providing greater stability in customer bills. This would be consistent with the approach already taken in the case of gas tariffs and would also align with the key priority of the National Energy Affordability Taskforce, i.e. tackling affordability.

Energia therefore encourages the RAs and TSOs to assess the feasibility of a multi-annual approach to forecasting imperfections.

3.2 Reducing imperfection charges

It is crucial the SOs have sufficiently strong incentives to reduce imperfections. Full implementation of Article 13 of the EU Clean Energy Package Electricity Regulation, including the cost of foregone financial support, would recognise the true cost to generators of system constraints and provide greater incentives on the SOs to resolve those constraints. There must be sufficient pressure, in the form of price control incentives, on the SOs to progress wire and non-wire solutions.

Energia welcomes SONI's Dispatch Down action plan for Northern Ireland, which sets out a range of actions that SONI commits to taking over the short, medium and long term to reduce dispatch down and subsequently the cost of imperfections.

These measures range from facilitating technology such as Synchronous Condensers and Long Duration Energy Storage, actions to reduce operational constraints such as reducing the minimum number of conventional units, and the physical delivery of new infrastructure including the second North-South tie-line.

Energia supports SONI's Dispatch Down action plan and notes that EirGrid is currently developing a comparable action plan for Ireland. Energia encourages the publication and urgent publication of this plan, as addressing the underlying physical and

operational constraints on the system represents an effective and enduring means of reducing imperfections costs.

3.3 Long Duration Energy Storage

It is vital that schemes intended to address network constraints are appropriately designed so that they deliver the greatest possible system benefit and represent value for consumers. In Energia's response to EirGrid's November 2025 consultation on a Long Duration Energy Storage (LDES) procurement mechanism, several elements of the proposed design were identified as sub-optimal and, in some cases, potentially counterproductive to the objective of procuring storage assets in locations that would most effectively alleviate network constraints.

Notably, the proposed use of constraints analysis at a nodal level risks undervaluing projects capable of delivering significant, if not greater, system benefits. A zonal assessment, based on ECP areas, would better capture the network and operational value of prospective projects, while reducing the risk of procuring stranded assets that subsequently become constrained by the very network limitations they are intended to address.

Energia's response also emphasised the importance of incorporating an appropriate investment rate-threshold to ensure that support is directed towards projects that provide genuine additionality and deliver meaningful system benefits. Without ensuring such additionality, there is a risk that the LDES procurement would be undercut by existing assets and fail to contribute materially to the alleviation of constraints and reduction of imperfections costs.

As the RAs and TSOs consider measures to reduce imperfections costs, Energia encourages the development of LDES, and other flexibility support schemes, appropriately designed to address system needs in both Ireland and Northern Ireland (noting that the design of any such LDES scheme in Northern Ireland is lagging significantly behind the pace required). The efficient design of such schemes will be critical to facilitating investment in the mitigation of network constraints, and ultimately the reduction of imperfections costs.