



**Single Electricity Market
(SEM)**

**SEM Tariffs and Charges to apply from 1 October
2026 – 30 September 2027**

**Decision Paper
SEM-26-52**

18 August 2026

EXECUTIVE SUMMARY

As required under Trading and Settlement Code Part B, a number of market parameters require approval by the SEM Committee each year. This document includes the SEM Committee decisions for the following four Tariffs/Charges and one Conversion Rate:

- Supplier Capacity Charge Price
- Difference Payment Socialisation Multiplier
- Residual Error Volume Price
- Currency Cost Price and Currency Adjustment Charge Factor
- Annual Capacity Charge Exchange Rate

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1. Introduction

This paper provides a short description and review of the Single Electricity Market Operator (SEMO), submissions in relation to the following:

- Supplier Capacity Charge Price
- Difference Payment Socialisation Multiplier
- Residual Error Volume Price
- Currency Cost Price and Currency Adjustment Charge Factor
- Annual Capacity Charge Exchange Rate

The above market parameters are required to enable the Market Operator (MO) to calculate and issue Credit Cover Requirements to participants. Participants are then required to ensure that adequate Credit Cover is in place before 1 October 2026.

This paper also sets out the final values approved by the SEM Committee (SEMC) for each of the above items for the Tariff Year 1 October 2026 until 30 September 2027.

2. Supplier Capacity Charge Price

The Capacity Remuneration Mechanism (CRM) awards capacity determined via an auction process. Payment under the CRM is funded through a Capacity Charge that is socialised across all suppliers on a monthly basis, based on their daytime demand profile.

The MO submitted a proposal for this tariff on 31 July 2026. The RAs reviewed the submission for consistency, analysing the results of two Capacity Auctions and the associated Multi-Year Reliability Options for the relevant Capacity Year to determine the total capacity amount, net of terminations and delayed capacity. A Y-2 K-factor adjustment for under-recovery was then applied

This is outlined in Table 1 below:

Metric	Value (€)
Total (Annual) Capacity Amount for 2026/27	796,957,312
Y-2 K-Factor Over recovery	(48,787,271)
Total	748,170,041

Table 1: Amounts included in Supplier Capacity Charge for Capacity Year 2026/27

The SEMC approve the MO proposed Supplier Capacity Charge Price tariff of €24.53/MWh.

3. Difference Payment Socialisation Multiplier

The Difference Payment Socialisation Multiplier relates to the Capacity Market. The purpose of building up the fund through a tariff is to ensure suppliers are fully hedged against high price events in cases in which there is not enough contracted capacity to cover sufficient difference payments for the pricing event. This is separate to the Supplier Capacity Charge itself.

If inadequate funds have been built up at a point where difference payments need to be drawn from the fund, the Market Operator may use the over recovery of other charges to cover difference payments. Otherwise the Market Operator has the right to “suspend and accrue” until funds are sufficiently built up again.

SEMO submitted a proposal for this multiplier on 31 July 2026

The current best estimate of this fund by September 2026, as provided by SEMO, is €19.59 m. SEMO have proposed to maintain the fund at €20m, recovering the estimated excess of €410,000 via a Difference Payment Socialisation Multiplier of 0.05% for the Tariff Year 2026/27.

The estimated Capacity Difference Socialisation Fund at the end of Tariff Year 2025/26 and the excess to be recovered in 2026/27 is outlined in Table 2 below:

Estimate of Capacity Difference Socialisation Fund	€
Estimated value of fund in Tariff Year 2025/26 (see table above)	19,590,000
Estimated balance to recover in Tariff Year 2026/27	410,000
Estimated Socialisation Fund Value at end of 2026/27 Tariff year	20,000,000

Table 2: Estimate of Capacity Difference Socialisation Fund

SEMO propose to review the value of the fund again during the next tariff setting process in 2027/28.

The SEMC are content with the approach and methodology used in the submission and approve the multiplier of 0.05%.

4. Residual Error Volume Price

Residual Error Volume Price (REVP) relates to differences between actual and anticipated metered volumes, that can swing in both positive and negative directions.

The concept and principles applied to REVP in I-SEM are similar to those previously applied in the SEM. As part of the I-SEM design, participants wanted to reduce weekly billing volatility associated with REVP and requested the introduction of a tariff arrangement. Thus, the key difference in REVP between SEM and I-SEM is the manner in which costs are recovered, where it has moved from a recovery in close to real time in SEM, to a tariff arrangement in I-SEM.

SEMO submitted a proposal for this Tariff on 20 July 2026.

Residual Error Volume Price relates to meter differences (difference between Loss-Adjusted Metered Generation Supplied and Loss Adjusted Metered Demand). The table below details the final resettled meter differences for the first six years of I-SEM, as provided by the MO. To predict the volumes for 2026/27, the average of the 6 years was deemed the best estimate.

Tariff Year	Loss Adjusted Meter Differences (MWh)
2018/19	414,100
2019/20	121,508
2020/21	97,755
2021/22	-185,084
2022/23	137,681
2023/24	-1,133
Average	97,471

Table 3: Final Resettled Meter Differences

In their submission, the MO acknowledged prices in the I-SEM market have varied considerably since the start of I-SEM. An average of the prices for the 12 months from 1 June 2025 to 31 May 2026 was deemed a reasonable estimate of price for 2026/27 on the basis that it covers the impact of winter and summer. This price is €113.69 per MWhr.

Using the average price as proposed by the MO results in a residual error volume cost of €11,081,506 for the 2026/27 Tariff Year, as shown in Table 4 below:

2026/27	Loss Adjusted Meter Differences - 6-year average (MWh)	2025/26 Average Price € / MWh	€
6 year Average	97,471	113.69	11,081,506

Table 4 - Proposed REVP K Factor for 2026/2027

In their submission, the MO outlined an All-Island SEM Demand forecast value of 42,160 GWh for Tariff Year 2026/2027. They also outlined the overall average annual NIEP for calendar year 2025 in SEM at 38.58% (2024: 41.14%).

The Residual Error Volume Charge Price is calculated based on the estimate of the Residual Error Volume cost amount and taking into account the K factor arising from previous years, as applicable.

	2024/25 €
Residual Error Volume Charges received	- 28,597,091
Imbalance Component Charges received	1,918,016,915
Imbalance Component Payment	- 1,931,158,427
Residual Error/Imbalance over/(Under) recovery	-41,738,603
Y-2 included re prior years	51,654,470
Total K Factor to apply in 2026/2027 Tariff	9,915,868

Table 5 - Proposed REVP K Factor for 2026/2027

SEMO's submission, using the components as detailed above, proposes a Residual Error Volume Charge Price (PREVy) of 0.07 €/MWh for Tariff Year 2026/2027 as detailed in Table 7 below:

Tariff Year 26/27 – 1 October 2026 to 30 September 2027	
Estimated Residual Error Volume cost 26/27 (€)	11,081,506
K Factor to return Actual Over Recovery 2024/2025	-9,915,868
Residual Error Volume cost 26/27 (€) including K Factors	1,165,639
Forecast NIEP demand (MWh)	16,265,328
Residual Error Volume Price (PREVy) €/MWh	0.07

Table 6 - Proposed REVP for 2026/2027

The SEMC are content with the approach and methodology used and approve the proposed tariff of 0.07 €/MWh for Tariff Year 2026/2027.

5. Currency Cost Price and Currency Adjustment Cost Factor

As the Single Electricity Market operates via two currencies, variation can occur in incoming and outgoing amounts in the market over the year. This variation is covered through the Currency Adjustment Charge.

The concept and principles applied to currency costs in the old SEM are similar in the new market. However, the mechanism for the recovery of these costs in the Balancing and Capacity Markets has changed. As part of I-SEM design, a tariff arrangement was introduced which reduces weekly and monthly billing volatility associated with currency as seen by suppliers. Therefore, recovery of costs have moved from close to real time in the old SEM to a tariff arrangement in I-SEM.

The MO submitted a proposal for this tariff on 02 July 2026 and the RAs have reviewed the submission.

The MO currently estimates the actual, 2026/27, Capacity and Balancing Market FX exposure against the business out-turning (excluding any applicable K factor) at a c. €1.4, noting that FX rate movements are unpredictable, and any variation will be accounted for through that K Factor. There is an underlying assumption of a stable economic environment, whereby no economic shocks would give rise to significant FX rate fluctuations.

SEMO considered it reasonable to estimate the Currency Cost Amount (excluding any applicable K Factor) at €1.4m for the 2026/27 Tariff Year. Their submission also outlined a 2024-2025 K Factor under recovery amount of €1,025,317 which needed to be considered within the 2026/27 tariff.

The SEMC approve the MO proposed tariff of €0.06/MWh for the Currency Cost Price and Currency Adjustment Charge Factor of 1.000 for the 2026/2027 Tariff Year.

6. Annual Capacity Charge Exchange Rate

The purpose of the Annual Capacity Charge Exchange Rate is to translate, where required, the Annual Capacity Charge from Euro (€) to Sterling (£) for billing purposes.

An Annual Capacity Payment Exchange Rate for Capacity Year 2026/2027 (which commences at 23:00 on 30 September 2026 and ends at 23:00 on 30 September 2027) was published recently within the T-1 2026/2027 Final Auction Information Pack (FAIP) in April 2026. The FAIP rate was fixed at €1 = £0.8768 following SEM Committee approval.

SEMO noted in their tariff submission that it had considered using other exchange rates or a blended exchange rate for 2026/27 as there is one other auction relevant to this period. However, as the T-1 auction for 2026/27 is the most recent auction they believe the exchange rate used in this auction is the most relevant to use.

Following that consideration, the MO has proposed the Annual Capacity Charge Exchange Rate is set equal to the Annual Capacity Payment Exchange Rate of €1 = £0.8768 as approved for the recent T-1 2026/2027 Capacity Auction, meaning that

both Capacity Payments and Capacity Charges related to the T-1 Capacity Auction will be billed using the same exchange rate during the Capacity Year

The SEMC approve the MO proposed Annual Capacity Charge Exchange Rate of €1 = £0.8768