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Re: SEM-25-071 Cross-Border Participation in the CRM

Bord Gáis Energy (BGE) welcomes this opportunity to respond to the RA's consultation on '*Cross-Border Participation in the CRM.*' We acknowledge the requirement for cross border participation in capacity markets is mandated under Article 26 of EU Regulation 2019/943[1]. **However, we do have fundamental concerns about the double counting of adequacy contributions by units holding capacity contracts in multiple jurisdictions** - there is a risk of coincident scarcity being underestimated in the determination of MEC, based on the existing methodology for Derating Factors for GB Interconnection, and this could undermine the level of adequacy that the CRM delivers.

Our High-level position on the SEMC's proposal is as follows:

1. **Avoidance of double counting of volumes DRFs:** It's not possible for the same MWs to provide adequacy in two jurisdictions concurrently. Only the volumes in excess of a unit's domestic Net-Derated volume should be eligible for participation in foreign auctions. *(see Figure 2)*
2. **Need for simultaneous implementation of reciprocal cross border arrangements:** The ability to participate in cross border capacity markets must apply for participants on both sides at the concurrently. Failure to do so would give participants with dual access a competitive advantage over those with only domestic access, resulting in market distortion.
3. **Foreign Auction Participation Option 2:** Foreign units must participate in the main CRM auction, rather than allowing them to participate in a ringfenced foreign only auction with a different price and competition profile. A ringfenced foreign capacity auction would create market distortion, and risks inefficient outcomes and higher prices in the event of limited foreign participation.
4. **Foreign Auction participants should be bound at ECPC and ineligible for USPCs:** Participation for foreign units in the CRM is not mandatory, therefore there is no justification for these units needing a USPC. However, allowing foreign units to not be bound by ECPC would be discriminatory toward existing domestic units and could result in higher auction prices.
5. **Market Reference Price (MRP) must be the SEM Day Ahead Price:** Foreign units must face the same availability requirements and delivery incentives as domestic units. Tying the Reliability Option (**RO**) to a local price rather than the SEM Day Ahead Price for foreign units, would create misaligned incentives which risk undermining the consumer protection the RO provides in the SEM.
6. **Non-equivalence between Adequacy contribution of dispatchable domestic generators and foreign interconnector flow dependant generation:** Domestic units contribution to adequacy is based on availability. When it comes to foreign units, it is based on their availability, the physical availability of the interconnector, and the price-based flow direction of the interconnector. The scenario in which interconnectors are physically available, but not available to import due to price differentials must be accounted for.

[1] EU Regulation 2019/943

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Comment on MEC

It is important that MEC accurately reflects the adequacy contribution of interconnected markets during periods of Irish Scarcity. Our view is the current DRFs for GB Interconnection are not consistent with actual scarcity contribution, underestimate the impact of coincident scarcity, and should be reassessed annually. Take Figure 1 below which displays the highest 1000 hourly I-SEM Day Ahead Prices across the period of Jan 2021 to Dec 2025**. These 1000 hours represent a good proxy for the 1000 hours of greatest scarcity across this period. For 67.3% of these periods, the GB Price Day Ahead price was higher than I-SEM price** meaning there was coincident scarcity and the Interconnectors would be set to export to GB. While GB-IE flows are determined based on IDA1 and can change as real time approaches, the Day Ahead spread provides the best reflection on likely Interconnector flows.

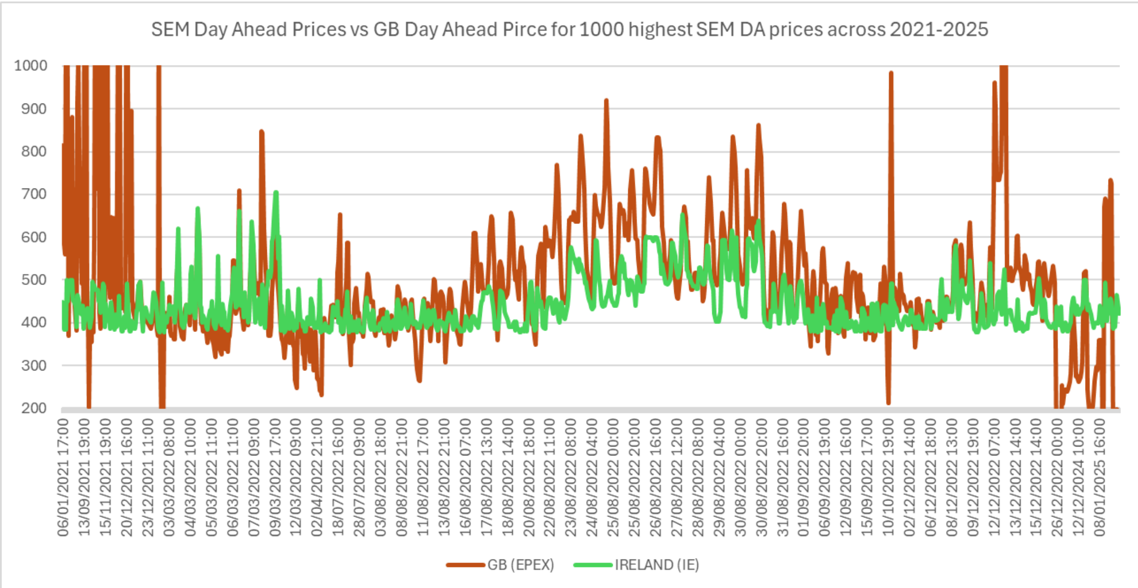

Figure 1: Comparison of SEM - GB Day Ahead Prices for the 1000 highest SEM DA hourly prices across the 5 years form Jan 2021 to Dec 2025 (Source: Enappsys)

Furthermore, estimates of cross border availability must be based on actual declared capacity for cross border exchange, not just availability. CRE The French regulator published a report on *'Implementation of the minimum threshold of 70% of interconnection capacity for electricity exchanges at French borders: review of the year 2024'*[2]. The findings were **that France did not achieve 100% compliance with the EU requirement to make a minimum threshold of 70% of interconnector capacity available for cross-border exchanges, for any of its interconnected regions**. The performance was particularly poor with the Core region where it only complied with the 70% threshold across 71% of the year. To phrase it from another perspective, **in calendar year 2024, 29% of the time France made less than 70% of its interconnected capacity with the Core region available for cross border exchanges.**

While our understanding is the TSO will not be consulting on the MEC methodology this is something we believe should be consulted on, and we ask as a minimum for full transparency in the approach taken by the TSO.

[2] [Implementation of the minimum threshold of 70% of interconnection capacity for electricity exchanges at French borders: review of the year 2024]()

Comment on Dual capacity market obligations

Where a foreign unit participates in both its own domestic CRM and the SEM CRM, it is essential that no double counting of adequacy occurs. As illustrated in the Figure 2 below, if a foreign unit has 100 MW of installed capacity and 85 MW of de-rated capacity committed to its domestic market, only the genuinely incremental capacity *(in this case 15 MW),* can be considered available to the SEM CRM. That incremental volume must then be subject to the appropriate SEM de-rating factors to ensure that adequacy contributions are assessed on a consistent and technically robust basis across both markets.

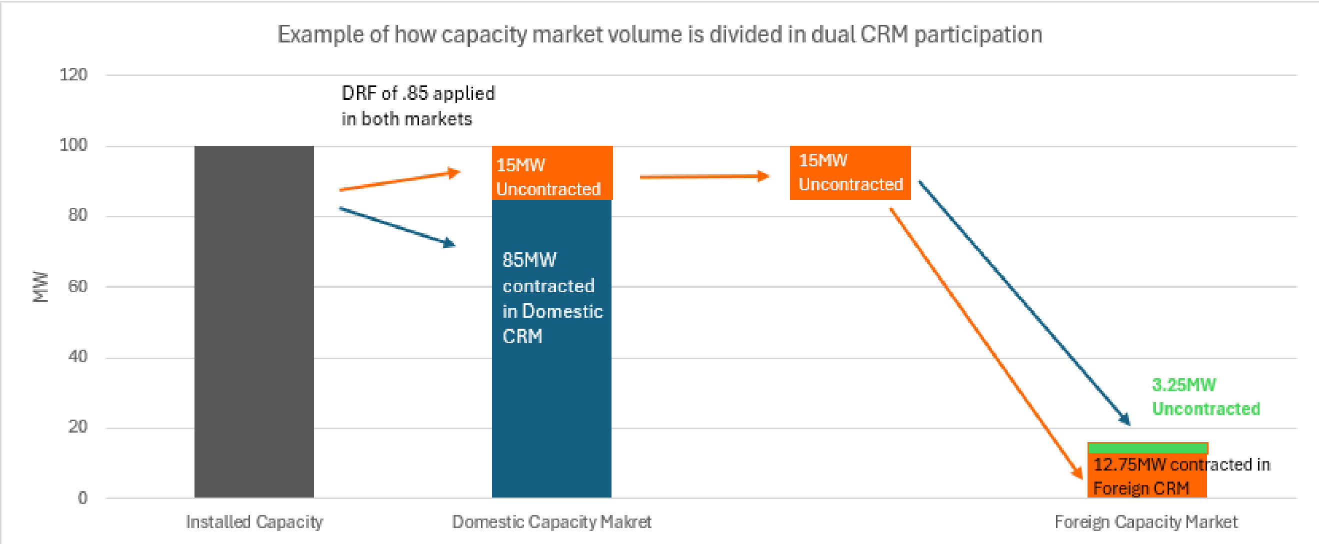

Figure 2: Illustration of an approach of capacity market Deratings that avoids double counting

Foreign unit participation auction design

Option 1: Standalone foreign unit auctions

It is essential that the design of any foreign-unit participation mechanism remains fully consistent with the requirements of EU Regulation Article 26, which mandates that foreign capacity must participate in *'the same competitive process as domestic capacity'*. Standalone foreign-unit auctions fall short of this requirement. Ringfencing capacity for foreign units, and enabling them to clear at a separate and potentially higher price, creates an uneven competitive framework, weakens auction efficiency, and risks displacing more cost-effective domestic resources.

Moreover, if a standalone foreign auction fails to procure the required volume, the resulting shortfall must be incorporated into the domestic demand curve. This is not a discretionary policy choice as stated in 3.1.1 of the consultation, but rather a fundamental adequacy necessity to ensure the system procures the full capacity requirement. **For these reasons, BGE does not support Option 1 and considers it inconsistent with both the intent of Article 26 and the principles of a well-functioning, competitive CRM.**

Option 2: Foreign unit auctions that act as a pre-selection mechanism

BGE is supportive of Option 2, whereby foreign-unit auctions operate solely as a pre-qualification mechanism and foreign capacity clears in the main CRM auction only when it is more cost-effective than the marginal domestic unit. This structure promotes efficient outcomes, avoids discriminatory treatment, and enhances competitive pressure within the CRM.

We acknowledge Option 2A, as the most efficient market-based solution. While we understand the RAs' concern that lower-priced foreign units could earn high inframarginal rents relative to the CRM clearing price, this outcome reflects the fundamental design of the CRM and the established price-setting mechanics. Furthermore, our view is the quantum of impact to the wider market will be limited given the volumes involved. (*Based on the most recent T-4 cleared volume*[3] *and MEC of 350MW, these volumes would constitute less than 6% of total cleared volume*). On balance, the efficiency benefits outweigh these concerns.

Regarding Option 2B, we are however concerned that introducing a segregated participation framework risks contravening Article 26, which requires foreign capacity to participate on a non-discriminatory basis and face the same competitive process as domestic resources. In addition, introducing such an intervention could set a harmful precedent for further structural adjustments in the future that may undermine regulatory certainty and weaken long-term investment signals.

On this basis, **BGE considers Option 2A to be the most appropriate and balanced approach.**

Other considerations related to auction design

Interaction with the qualification process

It is important that the sequencing of qualification activities supports an efficient and transparent procurement process. In this regard, both qualification and the pre-qualification auction for foreign units should be run in advance of the domestic qualification and auction, to avoid the need for making post auction adjustments in order to meet the overall capacity requirement.

Should more domestic unit volumes be procured if the full MEC is not met?

Yes, the full auction requirement must be met to maintain system adequacy. Implementing 'Option 2', where foreign unit auctions are used as a selection mechanism for competing in the main auction, will eliminate this risk. If the full MEC does not 'pre-clear' to participate in the main CRM, the shortfall will be filled by domestic units.

Parameter Decisions

4.1 Length of Contract

BGE agrees with the RAs' minded position under Option 1 to limit foreign participation to one-year contracts. As noted, it is not feasible to forecast Maximum Entry Capacity on a multi-year basis with sufficient accuracy, and a one-year limit is therefore the only pragmatic approach.

BGE is firmly opposed to Option 2. The purpose of multi-year contracts within the SEM CRM is to provide investment certainty for new or refurbishing units within the All-Island market. Extending this investment mechanism to support the development of overseas generation is not aligned with the policy intent of the CRM and would represent a fundamental misapplication of the framework.

In addition, the procedural implications of Option 2 would be significant. The RAs would be required to assess Exception Applications from foreign generators, introducing multiple layers of additional complexity into an already resource-intensive process. For example, assessing Net Going-Forward Costs for foreign units would necessitate modelling and making judgements on French Ex-Ante, Balancing, System Services and Capacity market outcomes—an approach that is neither proportionate nor consistent with the design principles of the CRM.

4.2 Participation in long-term auctions

BGE considers Option 1 to be the appropriate approach and supports restricting foreign capacity from participating in T-4 auctions. Forecasting the MEC at the T-4 stage introduces material uncertainty regarding coincident adequacy conditions and interconnector performance. Long-term forecasts are not sufficiently robust to support multi-year

[3] FCAR T-4 2028/29

forward procurement. Limiting foreign participation to the T-1 timeframe materially reduces the risk of inefficient long-term over-procurement and ensures that foreign capacity only competes when system conditions and interconnector capability are sufficiently certain.

4.3 Market Reference Price

BGE supports the SEMC's minded position that the Market Reference Price (MRP) should be set to the SEM Day-Ahead price. Selecting any alternative benchmark price would undermine the fundamental purpose of the Reliability Option and would, in effect, confer preferential treatment on foreign capacity.

The RAs should not be concerned that exposure to basis risk may lead foreign units to bid higher capacity prices**. Prices that reflect basis risk are simply reflective of the true costs associated with participating in a foreign capacity mechanism.** By contrast, Option 2 would artificially reduce risk for foreign units, effectively subsidising them to bid lower, which would be counterproductive and distort competitive outcomes.

Furthermore, adopting Option 2 would introduce a clear risk of misaligned incentives during SEM system stress events, weakening the effectiveness of the Reliability Option framework and undermining the integrity of the CRM.

4.4 Existing Capacity Price Cap and Unit Specific Price Cap

BGE's preferred alternative is that the Existing Capacity Price Cap (ECPC) should apply to foreign units, while excluding those units from the ability to seek a Unit-Specific Price Cap (USPC). Participation in the CRM is mandatory for existing SEM capacity units. Units that intend to retire, decommission, or otherwise become unavailable must submit an Opt-Out Notification to the System Operators and obtain approval in accordance with Section E.3 of the CMC. As a result, where the SOs deem a unit necessary for security of supply, it must participate in the CRM. For such units, if the ECPC is insufficient to recover their missing money, they would otherwise be compelled to operate at a loss. The USPC mechanism exists to allow these units to bid in a cost-reflective manner when their Net Going-Forward Costs (NGFC) exceed the ECPC.

This logic of the requirement to bid at a USPC does not apply to foreign units, for whom CRM participation is entirely optional. Where a foreign unit considers that its NGFCs exceed the ECPC, it faces no obligation to participate and can simply elect not to participate in the auction.

The comparison with the Polish market referenced in the consultation is not relevant in the context of High-Level Option 2, which proposes a separate pre-qualification auction for foreign units which then participate in the main CRM auction. These Foreign units which clear in a standalone pre-qualification auciton would no longer face the domestic competition referenced in the consultation in the main CRM and if were exempted from ECPC would be free to bid without the constraints which apply to existing SEM units. **Allowing existing foreign capacity to bid above the ECPC, while restricting existing domestic units to the ECPC, would be discriminatory and incompatible with the requirements of Article 26,** which mandates non-discriminatory and equivalent competitive treatment for foreign capacity.

4.5 Applicable Charges

Our view is that the charges for foreign units should be the same as those for domestic units.

4.6 Auction offer structures

BGE considers that High-Level Option 2 which prohibits inflexible offers from foreign units should be adopted. Selecting High-Level Option 2—foreign unit participation in the main CRM auction combined with the application of the Existing Capacity Price Cap (ECPC), - fully removes the concern that prohibiting inflexible offers might *"reduce participation from foreign units and raise costs in a foreign-only auction."* Under Option 2, there is no ring-fenced foreign auction, and therefore this risk does not arise.

4.7 Eligibility of Distribution-connected foreign units

BGE considers that distribution-connected foreign units should not be eligible to participate, consistent with the approach adopted in the Belgian CRM. This position is based on concerns regarding the ability to verify availability and actual delivered output from such units, as well as the increased exposure to local network congestion, which may materially affect their capability to deliver capacity during system stress events.

4.8 Secondary Trading

BGE supports Option 2, and considers that secondary trading should be permitted between foreign units within their own market and domestic SEM units, as this will enhance liquidity for all participating capacity.

4.9 Minimum MEC to run foreign unit auctions

BGE agrees with the SEMC's minded position under Option 2, namely that foreign-unit auctions should only be conducted where the MEC exceeds a defined minimum threshold. We note that in SEM-26-003[4], concerning the timing of upcoming CRM auctions, the SEMC highlighted that *"the resourcing implications of holding two auctions either in short succession or simultaneously would render such an option unfeasible."* In light of these stated resourcing constraints, BGE considers that a 50MW threshold as referenced in the consultation would be suitable.

Instead, we suggest that consideration should be given to a higher threshold and that for precedence regard could be had to the traditional rule that stood for several previous T-4s whereby ~2% of volumes were withheld for T-1s for DSU participation. **For example, a possible minimum threshold could be 2% of the volumes of the T-4 requirement**. We do not propose however that any volumes are withheld from T-4s to T-1s for foreign capacity.

Summary

In summary, BGE would like to reiterate our high-level messages – **Cross border participation in the CRM should be designed in a way that complements, rather than undermines, domestic investment signals and security of supply.** The accommodation of foreign generation in CRM Auctions must be carefully designed to avoid market distortion. MEC calculation must consider the likelihood of coincident scarcity, and interconnector capacity made available for cross border transmission, rather than technical availability.

Finally, it is critical that cross border participation should only proceed provided reciprocal arrangements are in place for Irish Generation to participate in the French capacity market. Any misalignment in timings on this will create asymmetry and market distortion. Clarity on reciprocity and alignment of timelines is essential to maintaining investor confidence, market integrity, and system adequacy.

If you wish to discuss any of the consultation response in further detail, please do not hesitate to contact me.

Yours sincerely,

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[4] SEM-26-003