



Cross-Border Participation in the CRM Consultation

(SEM-25-071)

SEM Committee

Consultation Response

6th March 2026

BnM welcomes the opportunity to provide industry feedback to the SEM's consultation on auction designs for the participation of foreign units in the Capacity Remuneration Mechanism (CRM), to include, in the first instance, the future connection of the Celtic Interconnector between Ireland and France.

Underpinning our feedback are the following principles: Table 1

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| <p>A) Need to Ensure Security of Supply to Ireland; including urgent review of Auction Price Cap</p> <p>B) To ensure that Indigenous Capacity is not put at a disadvantage to imported capacity; critical to ensure that the cumulative impact of reform does not inadvertently weaken domestic investment signals or increase the risk of inefficient exit from the market</p> <p>C) Foreign unit auctions should take place only where reciprocal arrangements are in place</p> <p>D) To keep the Solution simple; Foreign Unit Auction participation Option 1: Standalone foreign unit auction offers the better solution – subject to:</p> <ul style="list-style-type: none"> i) Existing capacity price cap being applied to foreign unit participation ii) Appropriate de-rating methodology in determining the MEC volume to ensure it is not oversized iii) Indigenous units being allowed to backfill where a cleared foreign unit fails qualification after the cross-border element of the CRM has been run iv) Using BnM parameters choices in Table 1, Section C <p>E) See value in greater industry participation within the panel of technical experts to contribute towards appropriately effective demand curves.</p> |
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This response leads with three areas:

- 1) Security of Supply – Indigenous Supply**
- 2) In designing a CRM system across any I/C it is vital to ensure that Ireland's indigenous capacity is not put at an unfair disadvantage – its unique features must be adequately reflected in the design**
- 3) Keeping the Solution Simple – reflected in the table below; BnM recommendations**

1) Security of Supply – Indigenous Supply

Simple analysis shows that the Irish System is tight and is forecast to be tight for at very least, the next 10 years. Over this period our system is likely to be connecting with more than one Interconnector. Unlike many EU countries, Ireland is geographically isolated, with long undersea, relatively unprotected cable infrastructure. Geopolitical conflict and the vulnerability of Irish waters is firmly on the political agenda – given the network of ICT and Energy Interconnectors from Ireland and in Irish waters, but a solution to reduce risk will never be sound; there is currently only a very low level of surveillance & anything that might approach an adequate level of protection is currently very distant. This, among other issues, prompts **the need to secure indigenous generation on the Island of Ireland**.

A very important issue relating to Security of Supply is to **avoid oversizing the Maximum Entry Capacity in the context of Ireland**. The Demand curve needs to factor the Maximum Entry Capacity at a level below what would be the lower of the ‘standard de-rating factor for an I/C’ and the de-rating factor for the unit’s technology - to ensure that it is not oversized - given that it is possible that due to a pricing signal in France, that Celtic could be used to export during time of scarcity. The same rationale applies to any other future Interconnectors. So, while the development of MEC will include consideration of the Regional Coordination Centre (RCC) recommendations on the MEC on the basis of the European Resource Adequacy Assessment (ERAA) study, it needs to be cognisant of the preceding points.

More generally, it is **important to set the Demand Curve right (irrespective of consideration of the two foreign unit auction participation options presented)**. **Security of Supply requires real, not imaginary Capacity to fill gaps**. Experience shows that actual Capacity delivered falls well short of capacity volumes which were successful at auction. It is vital that appropriate Auction volumes are calculated by taking non-delivery into account. For Interconnection to Ireland, it is important that **incremental unreliability** of capacity to the island of Ireland, geographically detached from EU with exposed interconnection, **is factored and is appropriately derated**.

We note that in the just published All Island Resource Adequacy Assessment 2026–2035 that the ‘Secure assessment’ indicates ‘the system remains outside of standard with a deficit of around 200 MW increasing to over 400 MW in 2034’. We are very surprised that this perceived volume gap is so low – believing these volumes to be very understated and therefore encourage, notwithstanding current procedures, that due consideration is given to all projects which will terminate, as well as forecast demand. It is vital that plans do not underestimate the future capacity volume requirement and signal this appropriately to the market - as called

out in the EY report¹ - to avoid not signalling to the market the identification of a growing concern around a capacity deficit. **We believe there is value in increased transparency with increased industry participation within the panel of technical experts to contribute towards appropriately effective demand curves.**

We note to date the heavy reliance on Temporary Emergency Generation – and are conscious of its heavy cost to the Consumer. And now, in addition, we are very concerned that potential over-statement of MEC values for Celtic (and indeed for subsequent I/Cs) could exacerbate this volume supply gap.

Further, it is important that real, not theoretical capacity is backed up, eg

- in situations where some or all of the MEC (350 MW in the case of Celtic) is not taken up, that it should be backed up by Real Capacity for Security of Supply. This is not the case under some of the design options.

- also noting the risk highlighted where a cleared foreign unit fails qualification after the cross-border element of the CRM has been run, leaving no opportunity for another foreign unit to be awarded a CRM contract in its place. Again, such volumes need to be backed up by Real Capacity. There is a solution; Foreign unit auction participation Option 1 would allow indigenous units to provide this security by backfilling this ‘gap’ capacity in the auction solution.

Lastly – to protect the integrity of the CRM **we call for review of the Auction Price Cap as soon as possible – as set out in the next section B) – thereby** not inadvertently weakening domestic investment signals or increasing the risk of inefficient exit from the market.

2) In designing a CRM system across any I/C it is vital to ensure that Ireland’s indigenous capacity is not put at an unfair disadvantage – its unique features must be adequately reflected in the design

i) Absent from the Paper is indication of any **Reciprocal arrangements** which would permit indigenous participants to compete in foreign auctions. **Clarity on such arrangements is much needed ahead of decisions on this paper – to ensure equitable treatment.**

Clarity is also required on **whether foreign units** are allowed to participate in the SEM CRM on a **temporary basis or are locked-in** on an enduring basis as existing capacity. Greater transparency on this point would assist market participants in assessing long-term risk.

¹ SEM 22-054A Performance of the SEM Capacity Remuneration Mechanism June 2022

ii) **Ireland's landscape is somewhat unique** in terms of energy market cost **vs EU**. With twice the network length per customer vs EU – and three to four times the imperfections charges of UK/Germany, a total of 45% of Energy Costs in Ireland are not directly electricity costs, instead coming from transmission, distribution, capacity, imperfections and other costs.²

In addition, Ireland is extremely exposed to Supply Chain issues including rising costs and already uncontrollable supplier delays, exacerbated by geo-political events, being a small Island off an Island – relative geographic isolation vs mainland EU and US - with limited national buyer power.

There has been a significant ramping upwards of Capex costs for critical equipment and infrastructure, including transformers, switchgear, and gas turbines, etc, due to rising world-wide demand for generation, driven by the growth in AI, but importantly also due to local policy³ (eg, requiring datacentres to have their own on-site or proximate generation equipment scaled to match their MIC).

The combination of Energy Costs and Supply Chain costs bring to the fore the acute need for **a revised cost reflective Auction Price Cap/Existing Capacity Price Cap** – for Ireland – which is likely to be higher than for mainland EU countries. **The BNE** on which Auction and Existing Price Caps are based **is very far out of date** – and not reflective of real world, market tested costs that are/have been incurred by developers in recent years. Current BNE/Auction price cap values severely threaten the business case for New Capacity projects, significantly reducing investor/developer appetite for strong dispatchable generation projects which are capable of being delivered – and essential to provide Security of Supply, the journey to Net Zero decarbonisation and benefit to the Consumer.

This is the main reason that we believe **T-1 auctions (not any longer lead-time) are appropriate** and that the **price cap for such overseas participants in the CRM should be capped at the Existing Capacity Price Cap rather than the Auction Price Cap**.

In addition, to avoid market distortion and ensure equity between participants from Ireland and from foreign countries which have a Capacity contract outside of Ireland; foreign participants **should be permitted to offer only the incremental MW over and above those already secured in their domestic auctions, in to the Ireland auction**; with those

² Electricity Costs in Ireland – Drivers. Outlook and Potential Interventions; ESB 30/5/2025

³ In Ireland, the recent CRU Decision on New Electricity Connection Policy for Data Centres requires datacentres to have their own on-site or proximate generation equipment scaled to match their MIC – putting increasing pressure on supplies and supply channels – inevitably leading to increased cost as well as uncontrollable delays to the participant.

incremental MW to be derated using Irelands de-rating reliability – being primarily conscious of market distortion in the Energy Markets.

It is critical to ensure that the cumulative impact of reform does not inadvertently weaken domestic investment signals or increase the risk of inefficient exit from the market

3) **Keeping the Solution Simple – reflected in the table below; BnM recommendations**

Table 2

Parameter	SEMC - Minded to Position	BnM Position
Length of Contract	Foreign units limited to single year contracts	Option 1: Single-year contracts only
Participation in long-term auctions	No minded to position	Option 1: T-1 only
Market Reference Price and Strike Price	MRP based on SEM price	Option 1: MRP based on SEM price (same for Strike Price)
Application of the Existing Capacity Price Cap (ECPC)	Exclude foreign units from the application of the ECPC	Option 1: Yes, same as domestic; ie agreeing to apply the ECPC to foreign units
Application of the Unit Specific Price Caps (USPCs)	Exclude foreign units from the application of the USPC	Option 2: No, exclude foreign units (from application of the USPC)
Applicable Charges	No minded to position	Option 1: Same as domestic
Auction offer structures	No minded to position	Option 1: Option to bid inflexibly
Eligibility of distribution - connected foreign units	No minded to position	Option 2: Do not permit DSO-connected units
Secondary Trading	No minded to position	Option 1: Foreign units can trade with other foreign units in same market only
Minimum MEC to run foreign unit auctions	Only run if MEC is above a certain value	Option 2: Only run if MEC is above a certain value (to be determined)

Further comment on Parameters:

- Both Market Reference Price and Strike Price based on SEM price
- Not making sense for foreign unit eligibility for USPC given that its deployment is grounded in mandatory participation requirements for domestic units. Seeing as foreign participation is not mandatory, there is no justification for permitting foreign units to apply for USPCs.
- Not seeing sense in exposing Irish SoS to risks from inclusion of Distribution connected foreign units – requiring DSO to TSO AC – Convert to DC – then reconvert to AC in Ireland. Such capacity by its nature is likely to be less reliable than Transmission connected units.

Summary Comment on Design Option for Cross Border CRM Participation

Keeping the Solution simple, BnM believes that:

Option 1: Standalone foreign unit auction participation offers the better solution

– subject to:

- i) Existing capacity price cap being applied to foreign unit participation
- ii) Appropriate de-rating in determining the MEC volume
- iii) Indigenous units being allowed to backfill where a cleared foreign unit fails qualification after the cross-border element of the CRM has been run
- iv) Proposed BnM parameters choices in Table 2 above
- v) Reciprocal arrangements having been determined

To close, we refer back to table 1, page 1, highlighting our other feedback principles:

- A) Need to Ensure Security of Supply to Ireland; including urgent review of Auction Price Cap
- B) To ensure that Indigenous Capacity is not put at a disadvantage to imported capacity; critical to ensure that the cumulative impact of reform does not inadvertently weaken domestic investment signals or increase the risk of inefficient exit from the market
- C) See value in greater industry participation within the panel of technical experts to contribute towards appropriately effective demand curves.