Answer to the Cross-Border Participation in the CRM Consultation from SEM (25-071)

Preliminary elements and position of CRE

The Celtic Interconnector, expected to go-live in 2028, is a 700-MW electrical link between France and Ireland, developed by the two transmission system operators, RTE on the French side and EirGrid on the Irish side.

The project is part of a European strategy to increase the resilience of the continental power system and to strengthen electricity solidarity. Importantly, it also enables Ireland to access the integrated European electricity market following the United Kingdom's withdrawal from the European Union.

Since both Ireland and France have implemented capacity remuneration mechanisms (CRMs), and in light of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity — which states that "*Member States shall ensure that foreign capacity capable of providing equivalent technical performance to domestic capacities has the opportunity to participate in the same competitive process as domestic capacity*" — the Celtic Interconnector paves the way for mutual support in the event of unforeseen circumstances or critical periods affecting security of supply.

CRE therefore reaffirms its intention to intensify discussions with its European counterparts, particularly Ireland, with a view to implementing cross-border participation within the framework of each CRM. CRE's response to the consultation launched by the SEM on this topic sets out its initial analyses.

CRE reiterates that its response is informed by the extensive discussions that took place during the design of the new French CRM and reflects the French context. Nevertheless, the conclusions may apply by analogy to the Irish situation.

CRE would also like to emphasise the importance of interconnectors for security of supply, accounting for more than 10 GW of certified capacity in recent years, particularly given France's central position in the European grid. The energy crisis has demonstrated the significant insurance value provided by French interconnections. CRE has published a detailed analysis of these lessons[1].

It should be made explicit that the responses provided cannot be interpreted as binding the CRE Board.

[1] https://www.cre.fr/fileadmin/Documents/Rapports_et_etudes/2024/Rapport_Interconnexions_CRE-en.pdf

CRE's answer follows the outline of the SEM consultation. In the following table, CRE's position for the new French CRM design appears in bold:

Principles	Option 1: Standalone foreign unit auction	**Option 2:** **Pre-auction for foreign units and main auction**
Auction structure	Separate auction for foreign units; domestic CRM auctions are run independently	**Foreign units participate in a pre-selection auction before participation in the main CRM main**
Competition	Foreign units compete only with other foreign units in their jurisdiction	**Foreign units compete with domestic units in the main CRM auction after pre-selection**
Impact on demand curve	Domestic CRM demand curve adjusted downward to reflect foreign volumes procured separately	**No adjustment for the demand curve; foreign units enter main auction after pre-selection**
Clearing price	Each auction clears at different prices (foreign vs. domestic)	**Clearing in foreign auction does not guarantee CRM contract; final clearing depends on design of the main auction**
Risk for foreign units	Guaranteed participation if cleared in foreign auction	**May be pushed out of merit by domestic units in main auction if they are too expensive**

Parameters	Option A:	Option B:
Length of contract	**Single-year contracts only**	Multi-year contracts
Participation in long-term auctions	T-1 only	**T-1 and long-term**
Market reference price (MRP) and strike price	MRP based on SEM price	MRP based on home country price
Application of existing capacity price cap (ECPC) and eligibility for a unit specific price cap (USPC)	**Yes, same as domestic**	No, exclude foreign units
Applicable charges	**Same as domestic**	Bespoke charges in addition to domestic
Auction offer structures	Option to bid inflexibly	**Disallow inflexible offers**
Eligibility of distribution-connected foreign units	Permit DSO-connected units	**Do not permit DSO-connected units**
Secondary trading	Foreign units can tard with other foreign units in same market only	**Foreign units can trade with both foreign units in their own market and domestic SEM units (and vice versa, up to the MEC)**
Minimum MEC to run auction	Always run if MEC is non-zero	**Only run if MEC is above a certain value (to be determined)**

1. Design of the French CRM

1.1. Reminder on the design of the new French CRM

Article 19 of the 2025 Finance Act reformed the French CRM, which is in place until 2026. The new CRM is governed by Articles L. 316-1 to L. 316-13 and R. 316-1 to R. 316-42 of the French Energy Code. In a decision dated December 22, 2025 (SA.117564), the European Commission authorised the new French CRM for a period of ten years, from November 1, 2026, to March 31, 2036.

The French CRM takes the form of remuneration granted to operators of generation, storage, or demand response capacities (hereafter “capacity operators”), introduced to ensure compliance with the French reliability standard at the lowest cost. The reliability standard is set at two hours (decree of August 5, 2022 relating to the electricity supply security criterion mentioned in Article L. 141-7 of the Energy Code).

The introduction of a CRM is conditional upon the identification of difficulties in matching capacity supply and electricity demand during periods of tension, based on the French national resource adequacy assessments, a multi-year forecast balance sheet drawn up each year by the French TSO, RTE, under Article L. 141-8 of the Energy Code, and on European-level adequacy studies referred to in Article 23 of the Electricity Regulation.

The new French CRM is centralised and the capacity required to ensure security of supply is contracted by RTE. The Minister responsible for energy sets an administered demand curve, on the proposal of the CRE, based on a report from RTE (Article L. 316-4 of the Energy Code).

The remuneration paid to capacity operators in return for their availability commitments is financed by a CRM cost allocation tax (Articles L. 316-2 and L. 316-6 of the Energy Code). This tax is paid by contributors, i.e. electricity suppliers for resale to end consumers, large consumers and network operators for their losses, sourcing directly from the markets (Article L. 322-8 of Taxes on goods and services Code, hereinafter “CIBS” for *Code des impositions sur les biens et services*).

The unit amount of the tax is set by the CRE based on its best estimate of electricity consumption during periods of high demand (Article L. 322-13 of the CIBS) and is distributed among all contributors based on their consumption during that period (Article L. 322-15 of the CIBS).

RTE plays a central role in the operation of the new French CRM, in certifying capacities on the public transmission network (Articles L. 316-8 and L. 321-16 of the Energy Code), organizing competitive selection procedures (Article L. 316-6 of the Energy Code), recording and collecting the proceeds of the tax (Article L. 321-17 of the Energy Code), ensuring the payment of remuneration to operators, calculating the differences and, where applicable, recovering the financial penalties applied to operators (Article L. 321-16-1 of the Energy Code).

By Decree No. 2025-1441 of December 31, 2025, the Government clarified the terms and conditions for implementing the legislative provisions contained in the Energy Code (Articles R. 316-1 et seq. of the Energy Code). This decree clarified the principles for assessing and defining generation, storage, and demand response capacity requirements, cross-border contributions to French security of supply, capacity certification, capacity selection procedures, financial penalties and payments, and finally the multi-year contracting mechanism.

Article R. 316-2 of the Energy Code provides that an order issued by the Minister responsible for energy, on the recommendation of RTE and after consultation of the CRE, shall specify the rules governing the CRM that supplement and clarify the regulatory framework of the new CRM. This provision provides that these rules, which must be transparent and non-discriminatory, shall specify the provisions relating:

- the delivery periods and the period of tension on the electricity system;
- the capacity certification;
- the monitoring of the effectiveness of availability commitments;
- the participation of capacities in the capacity selection auctions organised by RTE, as well as the procedures for transferring availability commitments at the end of the auction;
- the collection of the tax from contributors, in particular the determination of the quantities of electricity consumed during the period of tension on the electricity system;

- the payment of capacity remuneration to certification perimeter holders;
- the participation in the French CRM by interconnected participating Member States.

Pursuant to Article R. 316-2 of the Energy Code, RTE referred a draft set of rules for the CRM to the CRE for its opinion, on which the CRE issued an opinion. The minister responsible for energy has not yet issued the final decree on these rules.

1.2. Agreements between TSOs

In accordance with Article 26 of Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019 on the internal market for electricity and ACER Decision No. 36/2020 of December 22, 2020 “Technical specifications for cross-border participation in capacity mechanisms”, Article R. 316-6 of the French Energy Code provides that an agreement must be signed between the TSOs concerned to allow the direct participation of capacities located on the territory of another Member State in the French CRM (in-depth cross-border participation). This agreement is signed after both approvals by the CRE and the Minister responsible for energy.

Once an agreement has been concluded with a TSO in a directly interconnected Member State, the direct participation of capacities located in the territory of that Member State in French CRM auctions will take effect within a maximum of six months from the signing of the agreement by the two TSOs (Article C.4 of the draft rules).

Article R. 316-7 of the Energy Code provides that the agreement shall cover:

- the agreement in principle on the participation in the French CRM of all or part of the capacities located on the territory of the interconnected participating State;
- the certification processes for capacities located on the territory of the interconnected participating State;
- the procedures for monitoring the availability of capacity located on the territory of the interconnected participating State;
- the procedures for recovering the costs of certification and monitoring of capacity, as well as the level of these costs;
- the procedures for allocating the capacity congestion rent between TSOs;
- the procedures for handling capacity located on the territory of an interconnected participating State that already participates in one or more other CRMs and wishes to participate in the French CRM.

The share of revenue from capacity congestion rent allocated to RTE is used in accordance with the terms defined by the CRE in order to contribute to the achievement of the objectives set out in Article 19 of Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019 on the internal market for electricity.

RTE is expected to submit a draft agreement with Elia to the CRE for approval in the near future allowing Belgian capacities to participate in the French CRM. According to CRE's understanding, and in compliance with the European Commission’s state aid decision, this initial agreement will lay the foundations for a standard agreement model, which can then be used as a starting point for future discussions with TSOs, including Ireland.

1.3. Maximum Entry Capacity (MEC) calculation

In accordance with Article R. 316-5 of the Energy Code, the overall value of cross-border contributions to French security of supply and the coefficients for distributing this overall value among the States interconnected to the French grid are calculated by RTE in a configuration report based on a probabilistic adequacy study of electricity imports in the event of a shortage in France, taking into account the observed functioning of European energy markets under stressed conditions.

2. Foreign unit participation auction design

Principles	Option 1: Standalone foreign unit auction	**Option 2:** **Pre-auction for foreign units and main auction**
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Competition	Foreign units compete only with other foreign units in their jurisdiction	**Foreign units compete with domestic units in the main CRM auction after pre-selection**
Impact on demand curve	Domestic CRM demand curve adjusted downward to reflect foreign volumes procured separately	**No adjustment for the demand curve; foreign units enter main auction after pre-selection**
Clearing price	Each auction clears at different prices (foreign vs. domestic)	**Clearing in foreign auction does not guarantee CRM contract; final clearing depends on design of the main auction**
Risk for foreign units	Guaranteed participation if cleared in foreign auction	**May be pushed out of merit by domestic units in main auction if they are too expensive**

The SEM considers two options for cross-border capacity participation: standalone foreign unit auctions and foreign unit auctions that act as a pre-selection mechanism.

Under the standalone foreign-unit auction option, a separate auction is held for foreign units, distinct from the CRM auction for domestic SEM units. The volume of the domestic auction is adjusted to take into account the volume procured through the foreign-unit auctions. As a general rule, this option results in two price signals. A sub-option would be to cap the foreign-auction price at the domestic price, ensuring that foreign units do not receive higher remuneration than domestic ones.

Under the pre-selection mechanism option, clearing in the foreign-unit auction does not guarantee that units will be awarded CRM contracts. It only grants them the right to participate in the main auction, where foreign units compete directly with domestic ones.

In the French CRM, in accordance with Article R. 316-9 of the Energy Code, RTE organises a selection of certified cross-border capacities through a pre-auction held before each main auction for a delivery period for each participating State interconnected with France where the in-depth cross-border participation procedure applies. This approach is therefore closer to the second option considered by the SEM. RTE selects capacities within the MEC limit, eventually subject to adjustments to account for capacities benefitting from public support (see below). The pre-selection of capacity by RTE does not constitute a capacity contract. If the volume of capacity selected during the cross-border pre-auction is lower than the MEC, the difference is implicitly (i.e. for free) reflected in the determination of the demand curve.

The preselected capacities of the interconnected participating State are admitted to the main auction organised by RTE (Article R. 316-7 of the Energy Code). Pre-selected offers are included in the main auction without the possibility of modifying the parameters of the offer submitted during the cross-border pre-auction (Article R. 316-11 of the Energy Code). The selection of the capacity of the interconnected participating State by RTE during the auction constitutes a contractual agreement in the form of an availability commitment.

CRE emphasises that, within the French CRM, a normative consideration of capacities located within the territory of an interconnected participating State may be applied to capacities benefiting from support from that State, when such support produces effects equivalent to a contract for difference (Article R. 316-10 of the Energy Code). The methodology used to account for those capacities, if implemented, still needs to be discussed with stakeholders.

2.1.1. Analysis from CRE on the design auction

CRE agrees with the SEM's analysis and considers all the options presented in the consultation to be relevant. Regarding auction design, CRE considers standalone auctions with separate clearing prices to be appropriate for relatively homogeneous services or situations (where separate auctions would lead in practice to similar outcomes) or when there is a strong rationale for significantly different incentives and price signals.

CRE sees no reason to expect capacity prices to differ fundamentally between Irish and French units when they serve the same purpose. On the contrary, a pre-auction process, with most units competing against each other within a single framework, may be more appropriate when services or situations are heterogeneous. It is CRE's view that services provided by domestic and foreign units may significantly differ in terms of their contribution to French security of supply, the state of competition, and their exposure to missing-money issues, for reasons exposed below. CRE therefore supports a single framework to determine which units are needed to minimise auction costs and to make the mechanism more transparent. This approach represents a trade-off between several objectives:

1) ensuring well-functioning capacity markets that generate appropriate and reasonably stable capacity prices,
2) limiting transfers between consumers and producers and keeping the cost of the mechanisms low,
3) mitigating windfall effects, and
4) encouraging cross-border participation.

In situations of scarcity, imports are limited by physical interconnection capacity. Even if many foreign producers are available, only the most competitive units may be selected to participate in a domestic capacity market. However, from an economic perspective, competitive units first serve domestic demand until it is met, following merit-order logic. Only if additional demand arises for exports do more expensive units start producing. The existence of CRMs in directly interconnected States alters this paradigm: the cheapest units receive a capacity payment even though their ability to export is made possible by their more expensive counterparts. CRE considers that this creates a risk of windfall profits for these capacities and that units participating in foreign CRM are not the most exposed to missing money issues.

Competition would also depend heavily on bidding-zone configurations and on the hysteresis effects associated with pre-existing units from before market liberalisation. This creates an inherent uneven playing field that will gradually diminish over time but remains significant today, particularly in France regarding nuclear and hydropower technologies. As a result, large discrepancies in missing-money levels persist both within and between bidding zones.

For reasons of transparency, to maximise competition between heterogeneous capacities, and to improve price formation and clarity, CRE favours the option of holding both a pre-auction and a main auction in the French case.

2.1.2. Additional considerations in the auction design

On capping foreign units' remuneration

The French design offers an alternative to the SEM option of setting market specific clearing prices. In the new French CRM, foreign units necessarily receive a lower price for their availability than domestic units. Foreign units compete with domestic units, and only the cheapest are selected. However, when they are selected, they receive the pre-auction clearing price rather than the main auction clearing price. In practice, either a foreign unit is marginal and the general clearing price (i.e., the pre-auction clearing price) applies to all units, or a domestic unit is marginal and two separate clearing prices emerge: a higher one for domestic units and a lower one for foreign units.

CRE supports a CRM design for France in which the remuneration granted to foreign capacities does not exceed that awarded to domestic capacities.

On transparency

Pre-auction and main auction are run quasi-simultaneously, without the possibility of modifying bids. CRE considers this feature particularly effective in preventing strategic bidding and the exertion of market power for two reasons. First, if market participants were allowed to change their bids, they might be tempted to bid low in order to be selected for the main auction (potentially below their actual missing-money level, if any) and thereby exclude competitors, and then raise their bids once in the main auction. Second, any information revealed by the pre-auction clearing could be used strategically by domestic units—for example, indications that the auction is undersubscribed or that foreign units are not very competitive. CRE considers that such information does not reflect the fundamental state of the market or the security-of-supply situation but could instead be used strategically. Running the auctions quasi-simultaneously therefore helps mitigate the strategic behaviour associated with sequential auctions and reduces the risk of amplifying market-power effects.

Once the clearing of the main auction is determined, the volumes and prices from both the pre-auction and the main auction are communicated to the market for transparency, providing signals about the state of security of supply while, of course, withholding unit level information such as individual bids. This enables market participants to gain experience for future auctions.

CRE favours, for the French CRM, a framework in which the pre-auction and main auction are run quasi simultaneously in order to mitigate strategic behaviour.

On reprocuring undersubscribed cross-border volumes

Regarding the procurement of additional volumes when the full MEC is not met, CRE's position is aligned with that of the SEM. CRE considers that cross border flows will, on average, be available regardless of whether domestic capacities have secured a contract. Procuring additional volumes would therefore result in double counting. For reasons related to overall mechanism costs, CRE believes that implicitly taking these volumes into account by withdrawing them from the main auction is the most appropriate solution. This approach maintains an equivalent contribution to security of supply while minimising costs for consumers.

In the French CRM, because the pre-auction and main auction are quasi-simultaneous, the qualification ("*certification*") of both foreign and domestic units must be complete and valid beforehand. There is therefore no risk of units failing to qualify in time and leaving part of the MEC unprocured. It however increases the administrative burden of qualifying foreign capacities for the TSO and CRE. The risks of pre-auction undersubscription and of foreign units being non-competitive remain, although the potential implicit consideration of supported capacities is likely to mitigate both risks.

CRE supports a French CRM design in which non-procured foreign volumes are implicitly considered in the mechanism.

On the shape of the demand curve and the state of competition on cross-border auctions

CRE also notes that the demand curve in the French standalone auction is inelastic, given that the SEM assumes there is no additional adequacy benefit from procuring above the MEC. Under this assumption, consumers would not benefit from acquiring additional capacity, even at a lower price. CRE agrees with this rationale but acknowledges that it overlooks uncertainty in technoeconomic parameters and in power market mitigation effects. Although these parameters are, in practice, the output of complex probabilistic models, there are inherent and unavoidable biases and imprecision in quantitatively forecasting the MEC. The actual MEC may therefore be higher or lower than the modelled estimate, and a sloping demand curve could offer a way to reflect this parameter uncertainty, rather than relying on a simple offset of the MEC value (as is done, for example, with cost of new entry values). Furthermore, the level of competition in relatively low volume cross border capacity auctions is uncertain, and a sloping demand curve could help mitigate strategic bidding by incumbent players, which would otherwise be detrimental to social welfare.

For this reason, the French design includes a feature aimed at maximising competition in the cross-border pre-auction. Units benefiting from support schemes (i.e., units that should in principle face no missing-money problem) may be integrated implicitly into the pre-auction, subject to a methodology yet to be defined. This feature could ensure that units with low or no incentive to participate in

cross-border auctions—particularly those connected to the distribution network—are nevertheless taken into account.

CRE continues to examine, for the French case, both elastic and inelastic demand curve options for foreign pre-auctions, and will further assess the expected degree of competition as well as the measures that may be required should this level be insufficient.

3. Parameters for foreign participation

3.1. Length of Contract

Parameters	Option A:	Option B:
Length of contract	**Single-year contracts only**	Multi-year contracts

The French CRM does not allow foreign units to be eligible to a long-term contract. Contracts offered to capacity operators located in another interconnected Member State are only annual, excluding the granting of multi-year contracts (Article R. 316-36 of the Energy Code).

As noted by the SEM, the MEC and the availability of interconnectors may be difficult to forecast over the long term. CRE agrees with the SEM on the fact that calibrating long-term contracts is a particularly complex task, especially for foreign capacities. The MEC value depends on country-level consumption forecasts and on the deployment of technologies in Europe—whether driven by markets or by support schemes (including the CRMs themselves). This is especially true given the ongoing transition toward a carbon-free power system, which will profoundly transform power-market dynamics and consumption patterns.

CRE also notes that the contribution of new technologies such as storage systems may depend heavily on their future level of penetration and on the future scarcity landscape. Compared with conventional power plants, storage systems face the additional constraint of needing to recharge between scarcity periods, which may in turn increase the duration or frequency of scarcity events. CRE concludes that the marginal contribution of storage to security of supply is decreasing, implying a growing mismatch between remuneration and actual contribution to security of supply when contract terms are fixed or based on forecasts.

CRE was in favour of regulating long-term contracts. The French CRM therefore includes upper limits for contracts of different durations to ensure that there is no risk of domestic oversubscription and to avoid undue long-term costs being borne by consumers for capacity that may not be needed in the future.

In the current state of energy and capacity markets, CRE considers that long-term contracts for foreign units are not necessary and would largely generate windfall effects, as most investment decisions do not factor French CRM revenues into their business plans. For the French case, CRE therefore aligns with the position of the SEM.

3.2. Participation in long-term auctions

Parameters	Option A:	Option B:
Participation in long-term auctions	T-1 only	**T-1 and long-term**

Under the French CRM, capacities located in an interconnected Member State may participate in T-4 and T-1 auctions (Article R. 316-9 of the Energy Code). For each auction, where the in-depth cross-border participation procedure applies and the total volume of pre-selected capacities of the interconnected participating State is less than the MEC, the demand curve is adjusted downwards to take account of this difference (Article F.2.1 of the draft rules). Where applicable, this difference is added to the demand curve for the subsequent auction (T-1) relating to the same delivery period.

The French CRM relies on two auctions, with the main auction taking place at T4. The T1 auction is better suited to accommodating DSR, whose visibility is more limited over time, and serves as a safety

net in case any significant change occurs in the security of supply situation in France between T4 and delivery. Based on this logic, it would have been inconsistent not to allow cross border capacities to participate in T4, given that they represent, for example, around 14 GW out of the 79 GW to be procured for winter 2026–27.

CRE acknowledges, however, that the French CRM does not include a safeguard mechanism to prevent overestimating MEC values four years ahead. In principle, the full MEC could be procured from foreign capacities even if the corresponding interconnector later proves unavailable: foreign units would technically be available but unable to contribute due to external events beyond their control. These units would nonetheless have to be remunerated, while additional capacity would need to be procured at T-1 to compensate for the lost interconnection capability. This would lead to a suboptimal allocation.

To account for this asymmetric risk, CRE would need to reflect in its recommendation to the Minister—regarding the procurement volumes for domestic and foreign capacities—the possibility that an interconnector enabling “in-depth” participation may not be available and would therefore apply precaution in the proposed values.

Without expressing a view on whether foreign units should participate solely in T1 or in both T1 and T4, CRE recommends the introduction of a design feature aimed at reducing the risk of over-contracting.

3.3. Market Reference Price

CRE has no experience in designing a reliability option scheme, as this option was quickly dismissed during the development of the French CRM. CRE is therefore unlikely to be able to provide relevant insights on this topic.

3.4. Existing Capacity Price Cap and Unit Specific Price Cap

Parameters	Option A:	Option B:
Application of existing capacity price cap (ECPC) and eligibility for a unit specific price cap (USPC)	**Yes, same as domestic**	No, exclude foreign units

In the French CRM, the availability commitment for capacity in each interconnected participating State is remunerated up to the lower of the pre-auction clearing price and the intermediate remuneration cap price (Article R. 316-11 of the Energy Code and F.1.3 of the draft rules).

CRE strongly advocated for a price cap to mitigate market power and limit the inframarginal rents of technologies that are, in practice, de facto monopolies and whose investment decisions are not sensitive to capacity market incentives. This measure also appeared necessary in a highly concentrated market where around 90% of fully dispatchable capacity is operated by the incumbent, as well as in the context of the end of the nuclear regulation mechanism (ARENH – regulated access to historical nuclear energy), which would otherwise have led to a significant increase in French CRM costs for consumers.

Neither the law nor the draft rules prevent foreign capacities from submitting a demand that derogates from the French intermediate price cap. However, in practice, CRE anticipates that very few, if any, foreign capacities would be able to demonstrate their eligibility. Consequently, the additional administrative burden of reviewing business plans for foreign units would be negligible compared with the expected volume of demand files from domestic units, even if cost structures may differ.

CRE favours, in the French case, the introduction of a price cap applying to both domestic and foreign capacities, given the uncertain level of competition in an optional auction for foreign capacities.

3.5. Applicable charges

Parameters	Option A:	Option B:
Applicable charges	**Same as domestic**	Bespoke charges in addition to domestic

Under the French CRM, capacity located in another interconnected Member State participating in the French CRM and domestic capacity are subject to the same financial settlement of availability imbalances and identical penalties.

CRE understands the SEM's concern regarding the gaming risks associated with dual participation. CRE emphasises the importance of specific data-sharing arrangements, as part of the TSOs' agreement, concerning the availability of capacity units. This is essential to ensure that consumers pay only for capacity that is actually available and to avoid any risk of double payment.

However, CRE points out that if capacities are required to deliver for multiple CRMs at the same time, this would imply that scarcity periods occur concurrently across systems. Yet the probabilistic calculation of MEC should already account for this possibility and reduce the corresponding contribution of cross-border capacities. Therefore, CRE understands MEC values to represent the volume of units that can participate in multiple CRMs simultaneously.

Furthermore, assuming that each country has a robust ability to monitor the delivery of units with respect to their commitments, CRE considers that units participating in multiple CRMs face double remuneration only insofar as they also face double penalties. CRE therefore views this primarily as an issue of ensuring proper monitoring and verification of delivery, rather than a gaming risk. In the absence of clear evidence of such practices, and given the lack of operational experience on this topic, CRE is inclined not to apply stricter rules to units participating in multiple CRMs than those mentioned in ACER's 2020 methodology[2], to avoid unnecessary disputes regarding the ability of operators to engage in CRMs in other Member States.

For the French case, CRE supports applying identical financial settlements and penalties to domestic and foreign units, on the condition that both the domestic and foreign TSOs can reliably monitor delivery relative to committed capacity. Any limitation in this regard could challenge this conclusion.

3.6. Auction offer structures

Parameters	Option A:	Option B:
Auction offer structures	Option to bid inflexibly	**Disallow inflexible offers**

In the French CRM, orders/offers for capacities located in interconnected Member States may only contain divisible volumes (Article F.2.5.3 of the draft rules).Given the uncertain level of competition in cross-border auctions, and considering that MEC values are of the same order of magnitude as the largest French units, allowing inflexible offers could create opportunities for gaming. For example, an actor could discourage foreign participation by submitting inflexible zero bids for several consecutive years to weaken competition, and then sharply increase its bids once competitors are no longer willing to incur participation costs. Such behaviour could also significantly distort the procured volume.

Conversely, based on its knowledge of the French market, CRE considers the risk of reduced participation by units with lumpy investment or fixed-cost structures to be negligible.

CRE favours, in the French case, foreign bids being fully divisible.

[2] ACER Decision on technical specifications for cross-border participation in capacity mechanisms: Annex I, Article 19

3.7. Eligibility of Distribution-connected foreign units

Parameters	Option A:	Option B:
Eligibility of distribution-connected foreign units	Permit DSO-connected units	**Do not permit DSO-connected units**

The eligibility of capacity connected to the distribution network of the interconnected participating State in the French CRM is not included. Only capacity connected to the public transmission network in an interconnected participating State is eligible to participate in the French CRM (Article R. 316-5 of the Energy Code and Article M.3.1.1.1 of the draft rules for Belgium).

CRE shares the concerns that arose during the implementation of the Belgian CRM. Allowing the participation of DSO-connected units would appear cumbersome from a data-sharing and verification standpoint, while offering only a limited contribution to the French CRM (as DSO-connected units are predominantly renewable plants with substantial derating factors). Moreover, decentralised sites may not be particularly engaged in or motivated by capacity revenues. CRE therefore notes that the main contributors are connected to the TSO.

The French CRM makes it possible to implicitly consider publicly supported units (not necessarily limited to the distribution network, but including most decentralised or renewable plants). This ensures that their volume is not lost and helps maintain an appropriate level of “participation” and therefore competition. Since these capacities are already supported, the issue of non-discrimination is limited. A question nevertheless arises for capacities that have recently exited or are nearing the end of their support schemes. Their number remains small for now, but this could become a growing concern in the future.

For the French case, CRE supports a framework allowing the participation of all foreign capacities, while recognising that enabling DSO connected capacities to participate is operationally challenging and that, given the economic frictions involved, the costs of such participation may outweigh the social benefits.

3.8. Secondary Trading

Parameters	Option A:	Option B:
Secondary trading	Foreign units can tard with other foreign units in same market only	**Foreign units can trade with both foreign units in their own market and domestic SEM units (and vice versa, up to the MEC)**

In the context of the French CRM, the availability commitment to provide cross-border capacity is transferable between operators once it has been awarded in the main auction (Article R. 316-12 of the Energy Code). Bids accepted in the cross-border pre-auction process are not transferable. The transfer or acquisition of a cross-border capacity availability commitment is carried out within the limits of the MEC allocated to the interconnected State from which the capacity originates.

As the cost of the CRM is determined immediately after the auction clearing, the design of the secondary market has no effect on the overall cost, except through the way market participants anticipate risks when submitting their bids. CRE considers this option to be the most effective for ensuring market liquidity, as it enables participants to trade more easily and therefore to reduce their bids overall. CRE also considers that maintaining the exact level of contracted foreign volumes for a given delivery year is not particularly critical at this stage, provided that the total volume remains capped by the MEC so as to avoid remunerating actors that do not contribute to security of supply.

CRE also considers that allowing secondary trading with all market participants is the design that most closely mirrors the primary market (i.e. pre-auction followed by a main auction). In the main auction, all units compete against one another without segmentation. The French CRM’s secondary trading arrangements replicate this structure.

CRE finds the proposal to consider TSOs as notional foreign-unit sellers on behalf of consumers interesting and novel but has not investigated this option.

For the French case, CRE supports a non-segmented secondary market, in order to promote consistency and liquidity.

3.9. Minimum MEC to run foreign unit auctions

Parameters	Option A:	Option B:
Minimum MEC to run auction	Always run if MEC is non-zero	**Only run if MEC is above a certain value (to be determined)**

Under the French CRM, an explicit threshold has been established. In accordance with Article R. 316-5 of the Energy Code, the draft rules for the CRM provide a threshold of 50 MW of cross-border contribution to security of supply for countries interconnected to the French grid, below which their contribution is implicitly taken into account in determining the demand curve, in the form of a reduction in capacity requirements for a given delivery period, without remuneration (Articles C.1.2 and ANN-IV of the draft rules).

CRE understands that the 50-MW threshold replicates the choice made in the Belgian CRM. Without further analysis, CRE considers this value reasonable, although difficult to quantify objectively. However, it makes sense for CRE to balance the administrative costs of running a pre-auction- (which can amount to several million euros) against the social benefits of allowing foreign participation, which could, for example, be approximated by the total (private) remuneration paid to foreign units[3].

CRE considers the introduction of a threshold to be a relevant design choice, supported by qualitative economic considerations. However, it also notes that the social economic benefits are negligible compared with many other design elements. CRE therefore concludes that both options are relevant.

For the French case, CRE supports setting a minimum contribution threshold as a condition for organising a pre-auction, for practical and operational reasons.

[3] Assuming a capacity price of 20 k€/MW, administrative costs of 1 M€ would be offset by 50 MW of participating capacity, if the social value is assumed to equal the private value.