



SEM Committee

SEM-25-071: Consultation on Explicit Cross-Border Participation in the CRM

Electricity Association of Ireland

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A decarbonised future powered by electricity.

Electricity Association of Ireland

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The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities. Our members have a significant presence in Ireland, Northern Ireland and Great Britain across the sector value chain. We represent the interests of the all-island market in all relevant jurisdictions, including the EU via our membership of the European electricity representative body Eurelectric.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

Our ambition is to contribute to the realisation of a net-zero GHG emissions economy by 2050 or sooner, in order to limit the impact of rising temperatures. Electricity offers opportunities to decarbonise the Irish economy in a cost-effective manner.



Introduction

The Electricity Association of Ireland (EAI) welcomes the opportunity to respond to this consultation on the implementation of explicit cross-border participation in the Capacity Remuneration Mechanism (CRM). EAI recognises that implementation is required pursuant to Article 26 of Regulation (EU) 2019/943 and therefore does not question the legal necessity of the exercise.

However, the SEM remains in a structurally tight adequacy position, and recent adequacy assessments and capacity procurement outcomes demonstrate the continued importance of preserving robust domestic investment signals. In this context, the design of cross-border participation must ensure that foreign capacity complements, rather than undermines, the SEM's adequacy framework, consumer protection objectives, and long-term investment case.

1. High-Level Implementation Considerations

EAI's overall position is that the impact of foreign generation on indigenous generation should be limited as far as possible within the bounds of EU legal obligations. The SEM remains heavily reliant on domestic flexible and dispatchable capacity, and the CRM plays a critical role in sustaining that capacity. Cross-border participation must therefore be designed in a way that complements, rather than undermines, domestic investment signals and security of supply.

At a foundational level, EAI considers that cross-border participation should proceed only where reciprocal arrangements are in place. Enabling French generators to participate in the SEM CRM while Irish generators are not afforded an equivalent opportunity to participate in the French CRM creates an inherent asymmetry and distortion. EU regulatory obligations apply in both directions, and implementation should reflect that principle. Clarity on reciprocity and alignment of timelines is essential to maintaining investor confidence and market integrity.



More broadly, the consultation appears to assume that markets operate in an equivalent manner across jurisdictions. In practice, significant asymmetries remain between the SEM and neighbouring markets, including differences in Reliability Option design. These asymmetries increase the risk that foreign participation may undermine, rather than reinforce, the SEM's adequacy framework. Design choices must explicitly recognise these structural differences rather than assume equivalence.

We also reiterate concerns raised in our [Interconnection Position Paper](#) regarding the limitations of interconnection as a security-of-supply tool. The likelihood of coincident scarcity across north-western Europe remains material, particularly during correlated weather events. In the absence of a Reliability Option framework in France, interconnectors may export during periods of SEM system stress if price signals dictate, potentially exacerbating adequacy concerns. It is therefore essential that cross-border participation arrangements do not implicitly assume firm availability during SEM stress events without robust supporting evidence.

In this context, the calculation of the Maximum Entry Capacity (MEC) becomes critical. MEC must be conservatively estimated and must fully account for derating factors and coincidence risk. If a foreign unit has 100 MW installed capacity with 85 MW derated in its home market, only the genuinely incremental capacity beyond its domestic adequacy obligation can be considered available to the SEM, and that incremental volume must itself be subject to appropriate derating. The methodology must transparently demonstrate how dual obligations are reconciled.

The initial calculation of MEC for the Celtic Interconnector should reflect its lack of historic performance data. It should also account for the impact on security of supply of any grid constraints that may limit the ability of power entering the system via the interconnector to be delivered to areas with demand across the SEM. In particular, the Celtic Interconnector will connect into the Cork area, where there is already a high concentration of generation and existing network constraints. During periods when multiple generation sources are operating



simultaneously, these constraints may limit the ability to transfer power from the region to other parts of the system, thereby reducing the effective contribution of the interconnector to security of supply. Reflecting these grid constraints shows the necessity of basing the MEC on national resource adequacy projections, rather than relying on the more high-level ERAA.

Further, it is important in situations where some or all of the MEC is not taken up by foreign participants, that it should be procured from eligible domestic participants for Security of Supply. This is not the case under some of the design options and EAI would strongly oppose this.

Likewise, we note the risk highlighted under one of the proposals in relation to a two-step approach to qualification. Specifically, where a cleared foreign unit fails qualification after the cross-border element of the CRM has been run there, leaving no opportunity for another foreign unit to be awarded a CRM contract in its place. While there is a need to ensure the implementation of cross-border participation does not result in a disproportionate administrative burden, this needs to be balanced against ensuring integrity of the auction process and ultimately ensuring security of supply is maintained.

It is noted that TSOs have already reserved volumes in the 2028/29 T-4 auction to account for anticipated Celtic participation. However, Celtic is currently forecast to come online in Spring 2028 and will therefore not contribute meaningfully to Winter 2028/29 security of supply. Reserving volumes in advance of confirmed operational readiness risks suppressing domestic investment signals unnecessarily. EAI considers that such reserved volumes should be released to the T-1 auction.

Finally, EAI notes that the range of design options presented is complex relative to the likely scale of benefit, particularly given conservative MEC volumes. Implementation should remain proportionate, avoid unnecessary structural complexity, and prioritise simplicity where possible.



2. Foreign Unit Participation and Auction Design

2.1. Length of Contract

The EAI support the SEMC's minded to position to limit foreign units to single-year contracts.

2.2. Participation in Long-Term Auctions

EAI's position is that foreign participation should be limited to T-1 auctions only. Given the uncertainty around coincident adequacy conditions and interconnector performance, longer-term forecasting is not sufficiently robust. Restricting foreign participation to T-1 materially reduces the risk of inefficient long-term over-procurement and protects domestic investment signals.

2.3. Market Reference Strike Price

EAI supports the SEMC's minded to position to base the MRP for foreign units on the SEM price.

2.4. Application of the Existing Capacity Price Cap (ECPC) and Unit Specific Price Caps (USPCs)

The EAI does not support the SEMC's minded to position to exclude foreign units from both the application of the ECPC and USPCs. Our position is that the ECPC should apply to foreign units, but foreign units should not be eligible to apply for USPCs.

The ECPC functions as a market power mitigation measure and protects auction integrity. There is no justification for exempting foreign units from this discipline. However, the rationale for USPC eligibility in the SEM was 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.

2.5. Applicable Charges

EAI has no current position.

2.6. Auction Offer Structures

EAI has no current position.

2.7. Eligibility of Distribution-Connected Foreign Units

EAI's position is that distribution-connected foreign units should not be permitted to participate for the reasons as set out in the consultation paper regarding the difficulty in verifying availability and actual generation.

2.8. Secondary Trading

EAI has no current position.

2.9. Minimum MEC to Run Foreign Unit Auctions

EAI supports the RA's minded-to position but notes that for a T-1 auction process, the quantities to be procured in the auction may be relatively low compared to a T-4 process. As such, any minimum threshold would need to be appropriately parameterised.



Additional Considerations:

We recognise that the context of this consultation, along with several other publications, is ensuring compliance of the SEM CRM with State aid requirements ahead of the 2027 application. However, as structural and design changes are introduced to the CRM framework, it is important that core economic parameters are reviewed in parallel. In particular, price caps and related calibration inputs — including the assumptions underpinning the Best New Entrant (BNE) — must remain reflective of prevailing market realities.

There has been a material increase in the cost of critical equipment and infrastructure, including transformers, switchgear, and gas turbines, alongside significant supply chain pressures. These pressures are being compounded by sustained demand growth from large energy users and policy developments requiring on-site generation capacity to scale in line with Maximum Import Capacity (MIC). In this environment, static or outdated cost benchmarks risk underestimating true investment and operating costs.

Recognising that multiple changes to the CRM are currently being implemented to meet State aid requirements, it is essential 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. Existing units must remain adequately incentivised to continue operating, repowering, and refurbishing where necessary to support system adequacy.

Accordingly, EAI submits that, alongside the implementation of cross-border participation and related reforms, there should be a timely review of price caps and associated cost assumptions to ensure that CRM parameters remain dynamic, fit for purpose, and aligned with real-world cost trajectories. This will help ensure that compliance-driven reforms do not unintentionally undermine the long-term resilience of the domestic generation fleet.



Conclusion

Once again, we welcome the opportunity to respond to this consultation and appreciate the level of work that has been undertaken in its preparation. We appreciate your consideration of our views and should you require any clarification or have questions, please do not hesitate to contact these offices.

Yours sincerely,

Alex Murphy

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