EirGrid and SONI Response to SEM-25-071

Framework for Explicit Cross-Border Participation in the Capacity Remuneration Mechanism

6 March 2026

Executive summary

This response is on behalf of EirGrid and SONI both as the System Operators jointly responsible for the operation of the Capacity Remuneration Mechanism (CRM) but also more broadly in our roles as Transmission System Operators (TSOs) for Ireland and Northern Ireland respectively.

The TSOs support the implementation of efficient cross-border arrangements that maintain adequacy and deliver consumer value in compliance with legislation. The TSOs are committed to proactive and constructive engagement with the SEM Committee (SEMC) on this important programme of work and would welcome further engagement on the matters raised in this consultation response.

High-level implementation considerations

The TSOs welcome the opportunity to respond to the SEMC Consultation on Cross-Border Participation in the CRM (SEM-25-071) but wish to note the challenges in addressing design and implementation questions while high-level policy direction remains outstanding, and in the context of wider reforms.

The TSOs require a holistic programme to manage the integration of cross-border participation in the context of broader developments in the CRM (including decarbonisation (SEM-25-070) and application for State Aid). The TSOs caution against locking in decisions on detail at this stage without consideration of other CRM reforms that are underway.

The TSOs expect that integrating cross-border participation would take a considerable amount of time, noting also that cross-border participation depends on Celtic go-live and believe that a holistic programme is essential to anticipate and consider any changes or amendments that could be in the pipeline and to ensure the most efficient and effective implementation pathway.

In addition, EirGrid has some concerns that certain aspects of the consultation do not consider the operation of the Celtic Interconnector. The complexities of the arrangements in Ireland and Northern Ireland will compound the challenges of implementing cross-border participation in the CRM. Specifically, a distinction must be drawn between EirGrid and SONI as TSOs jointly operating the capacity market and EirGrid and RTE respectively as operators of the Celtic interconnector.

It is thus important to clarify the arrangements around the Celtic Interconnector to remove the potential for conflation of a range of matters as this policy and framework around Cross-Border Participation are further developed and set out. EirGrid plc is currently developing the Celtic Interconnector, with Réseau de Transport d'Electricité (RTE) the TSO for France, under its TSO licenced functions. EirGrid plc and RTE will ultimately own their respective share of the interconnector, and the post development period will be governed under a Joint Operating Procedure

(JOP) between EirGrid plc and RTE. It should be recognised however that under the expected regulatory framework in Ireland, EirGrid plc's operation of its share of the Celtic Interconnector will be under an Interconnector Licence. In considering the proposals around the implementation of Cross-Border Participation, it will be essential that the regulatory structures around Celtic in Ireland are considered and reflected.

Incorporating cross-border capacity into a market that relies on centralised dispatch presents inherent challenges, particularly given that much of the EU electricity market framework is built around the assumption of self-dispatch. Under self-dispatch, generators independently decide their operating positions, and cross-border capacity is integrated through market coupling mechanisms that align with this decentralised model. In contrast, SEM's centralised dispatch system requires the TSO to optimise generation and flows based on systemwide considerations, meaning that EU rules cannot always be applied directly without interpretation or adaptation. As a result, implementing cross-border capacity allocation in the SEM will require careful consideration to ensure compliance with EU requirements while preserving the integrity and efficiency of centralised dispatch. We believe that this structural difference should be explicitly recognised and considered in any future regulatory design or capacity allocation methodologies.

The TSOs emphasise the need to consider cross-border participation as one component part of a wider programme of CRM reform. In that context, the TSOs are able to offer a preliminary assessment based on observed practices across Europe on the specific elements of this consultation but would need to complete a holistic impact assessment of these elements within the context of a detailed CRM Development Programme.

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1 Introduction

1.1 EirGrid and SONI as joint operators of the Capacity Market

EirGrid holds licences as the independent electricity Transmission System Operator (TSO) and Market Operator (MO) in the wholesale trading system in Ireland. The System Operator for Northern Ireland (SONI) is the licensed TSO and MO in Northern Ireland.

EirGrid and SONI, both as TSOs and MOs, are committed to delivering high quality services to all customers, including generators, suppliers and consumers across the high voltage electricity system and via the efficient operation of the wholesale power market. EirGrid and SONI therefore have a keen interest in ensuring that the market design is workable, will facilitate security of supply and is compliant with their mandated duties and will provide optimal outcomes for customers.

EirGrid and SONI have duties under licence to advise the Commission for the Regulation of Utilities (CRU) and the Northern Ireland Utility Regulator (UR), collectively referred to as the Regulatory Authorities (RAs), respectively on matters relating to the current and expected future reliability of the electricity supply. EirGrid and SONI have also been allocated responsibility for administering the Capacity Market Code (CMC) via respective TSO licences. This response is on behalf of EirGrid and SONI both as the System Operators jointly responsible for the operation of the Capacity Market but also more broadly in our roles as Transmission System Operators (TSOs) for Ireland and Northern Ireland respectively.

1.2 EirGrid as entity responsible for developing the Celtic Interconnector

EirGrid plc is currently developing the Celtic Interconnector, with Réseau de Transport d'Electricité (RTE) the TSO for France, under its TSO licenced functions. EirGrid plc and RTE will ultimately own their respective share of the interconnector, and the post development period will be governed under a Joint Operating Procedure (JOP) between EirGrid plc and RTE. It should be recognised however that, under the expected regulatory framework in Ireland, EirGrid plc's operation of its share of the Celtic Interconnector will be under an Interconnector Licence. This response therefore considers items related to the Celtic Interconnector from EirGrid's perspective as the TSO responsible for the development in Ireland. For the avoidance of doubt, comments related to the Celtic Interconnector are from EirGrid only, and do not represent the views of SONI.

2 High level implementation considerations

The SEMC has asked respondents to consider high-level implementation considerations relating to the overall programme of work, Maximum Entry Capacity (MEC) calculation and derating curves, TSO agreement, and the qualification process. This section sets out the TSO feedback on these items, noting the proposed actions for the TSOs and any proposed timeframe.

Prior to addressing the issues raised in the consultation paper, the TSOs wish to highlight a fundamental challenge to implementation of cross-border participation in the CRM. Incorporating cross-border capacity into a market that relies on centralised dispatch presents inherent challenges, particularly given that much of the EU electricity market framework is built around the assumption of self-dispatch. Under self-dispatch, generators independently decide their operating positions, and cross-border capacity is integrated through market coupling mechanisms that align with this decentralised model. In contrast, the centralised dispatch system for the SEM requires the TSO to optimise generation and flows based on systemwide considerations, meaning that EU rules cannot always be applied directly without interpretation or adaptation. As a result, implementing cross-border capacity allocation in the SEM will require careful consideration to ensure compliance with EU requirements while preserving the integrity and efficiency of centralised dispatch. We believe that this structural difference should be explicitly recognised and considered in any future regulatory design or capacity allocation methodologies.

2.1 Overall programme of work

	SEMC timeframe
Develop coordinated programme to cover RA and TSO tasks including CMC modifications, qualification process changes and MEC calculation.	Not provided.

The TSOs strongly support the development of an overall holistic programme of work. The programme should include high-level design, detailed design, rules development, systems and process implementation, and development and implementation of TSO agreement(s) and be set out, cognisant and having considered any changes or amendments that could be in the pipeline for the CRM and power markets. The TSOs acknowledge that IT considerations and detailed implementation are out of scope of this consultation paper but note that the time and cost of IT implementation can be considerable. It is difficult to estimate the impact that tendering, procuring, designing and implementing any new or updated auction platforms and IT tools will have on the timeline as these items are out of scope of this consultation.

The TSOs are preparing an initial view of what systems may be impacted by this programme of work. The assessment addresses each stage of the Capacity Market process, these being auction definition, registration/qualification, auction, secondary trading and settlement. At a high level, the inclusion of cross-border capacity providers does not change the fundamental functional flow of the process. However, significant changes will be required to some stages of the process.

CMC modifications can take a considerable amount of time to develop and approve and often require many iterations as participants identify issues during impact assessment. Changes required to enable cross-border participation are likely to be very significant and will require major changes. However, an estimate of timing is not possible until fundamental policy principles are clarified. TSO feedback on timing of qualification process and MEC calculation can be found in sections 2.3.1 and 4.7 respectively. As part of the development of the overall programme of work, TSOs will support the SEMC with IT impact assessment after the high-level auction design decisions have been made.

2.2 Maximum Entry Capacity Calculation and derating curves

SEMC Requirement	SEMC timeframe
Develop enduring methodology for calculating MEC.	By Q3 2026.
Consider if any updates to derating curves methodology are required to accommodate foreign capacity providers.	Not provided.

2.2.1 Maximum entry capacity (MEC)[1]

To be able to make an estimate of a delivery timeframe for a MEC methodology, TSOs would need to better understand the rationale behind the proposed timeframe. The TSOs would like to emphasise the extensive programme of work that the relevant teams are undertaking and highlight the trade-offs that may be required among competing priorities should the proposed Q3 2026 timeframe be pursued. TSO resources are already actively engaged on agreed pieces of work under PR6 and SONI workplans and have not allocated resources for the development of a MEC methodology by Q3 2026.

The TSOs' view is that at this stage of consultation, there is a significant level of uncertainty around the full design and implementation. Decisions regarding implementation and design will determine the methodology and the timeline, as solutions are dependent on how cross-border units are integrated into the domestic auction. Further, the TSOs would like to note the risks of 'locking in' detailed design decisions at an early stage, prior to decisions on key high-level policy items.

2.2.2 Derating curves

It is important to note that deratings are not calculated within the Resource Adequacy Assessment for the SEM. Derating curves in the SEM are calculated by the TSOs through a separate process. Further information and more progressed decisions

[1] Note the common usage of 'MEC' as 'maximum export capacity,' compared to the usage here as 'maximum entry capacity.' Care should be taken to reduce confusion between these acronyms.

regarding auction designs are required before a full assessment of timeline and implementation can be made within a holistic CRM Development Program.

The TSOs consider that the consultation paper does not address the magnitude of change that the transition to unit-specific derating represents. The intention of the SEMC regarding applicability of unit-specific derating to cross-border units should be clarified.

2.3 TSO agreement

SEMC Requirement	SEMC timeframe
Commence developing the relevant processes between SEM TSOs and RTE. Engage directly with RTE on operational matters.	No date provided, but 'critical path.'

While the TSOs are supportive of the SEMC requirement outlined in the consultation paper to commence engagement with RTE on developing relevant processes, further clarification is needed. Article 26 of EU Regulation 2019/943[2] provides that "Member States may require foreign capacity to be located in a Member State that has a direct network connection with the Member State applying the mechanism." In the absence of a clear policy direction on whether this will be required, the TSOs request clarification of whether agreements with other foreign TSOs, in addition to RTE, could be necessary.

We refer to our broader comments regarding the need for clarity on fundamental policy questions. The TSOs consider that any agreement with foreign TSOs should include provision for real-time data sharing (including metering data to verify availability during stress events), availability monitoring, and penalties applicable to foreign participants (including for non-performance). The TSOs estimate that each new TSO-TSO agreement could take 18+ months to develop, noting that the legal framework and negotiation process will have to be developed from scratch. Any agreement regarding the operation of the capacity market will require input from the technical, finance, regulatory and legal teams of both SONI and EirGrid.

2.3.1 Qualification process

SEMC Requirement	SEMC timeframe
Commence developing a qualification framework for cross-border units with regard to the overall principles set out in the consultation paper.	Not provided.

Noting that 'detailed implementation' is specifically excluded from the scope of this consultation paper, this section calls for comment on the 'detailed qualification process for foreign participation' and calls out the qualification process as an 'important practical implementation consideration, which requires careful

[2] Regulation - 2019/943 - EN - EUR-Lex

consideration and planning.' The TSOs agree with this assessment and submit that a proper assessment of the qualification process cannot be undertaken at this stage.

In addition to the design uncertainties that remain outstanding, fundamental questions around policy intent must be resolved before the qualification process can be addressed. For example, the TSOs invite further consideration of whether qualification in another capacity market entitles units to participate in the SEM, akin to NEMO passporting.

3 Foreign unit participation auction design

The SEM Committee proposed two high-level auction design options:

1. Standalone foreign unit auctions, separate from the CRM auction held for domestic SEM units.
2. Foreign unit auctions that act as a pre-selection mechanism for participation in the ‘main’ CRM i.e. an auction where both foreign and domestic units compete.

The TSOs note that Option 2 seems to be in line with international practice. Option 2 may be more technically and financially viable (due to pre-selection) and economically efficient (as competition is facilitated in the main auction). While there is a delivery risk under both options, it may be that pre-selection of foreign units minimises this risk. Further, as the optimal mix of cross-border and domestic capacity is dynamic, separate auctions risk fragmenting market liquidity and reducing competition.

The TSOs would need to impact assess “2a” versus “2b”, considering operability and potential knock-on effects on markets.

3.1 Other auction design considerations

3.1.1 REMIT and transparency obligations

The TSOs note that there is a general obligation contained in EU Regulation 2014/1127 & 2024/1106 (REMIT) to report inside information if it is precise, not public, price sensitive, and if it relates to the wholesale energy products (including contracts traded in capacity markets). The REMIT Implementing Regulation also contains a specific obligation to report information about transactions relating to capacity mechanisms on an annual basis. Cross-border units in the Capacity Market must be registered in the Balancing Market and would be required to fulfil REMIT obligations for balancing data. The Capacity and Balancing platforms report on behalf of market participants, and this reporting would include both cross-border and domestic units participating in these platforms.

3.1.2 Interaction with Celtic revenue

As noted in the Executive Summary, in considering the proposals around the implementation of Cross-Border Participation, it will be essential that the regulatory structures around Celtic in Ireland are considered and reflected, noting that it is expected that EirGrid plc’s operation of its share of the Celtic Interconnector will be under an Interconnector Licence.

This is relevant to matters such as that set out in Section 3.3 of the Consultation Paper related to Interaction with Celtic Revenue. While the principle under the EU Regulations etc is recognised, any SEMC decisions will need to be nuanced to reflect the Interconnector regulatory approach in Ireland.

The financial parameters relating to the Celtic Interconnector, including cost sharing of any income, e.g. *inter alia* congestion and financial transmission right (FRT) income arising from its operation between EirGrid plc and RTE, require consideration. As the SEMC note, congestion income on the Celtic interconnector is to be shared 50:50 between EirGrid and RTE. Should new revenue streams emerge EirGrid and RTE will engage accordingly to determine appropriate sharing arrangements. Furthermore, reflecting the expected regulatory framework in Ireland statements such as “revenue shall accrue to the TSOs concerned” should be interpreted to mean RTE and EirGrid plc, in its capacity as the licensed Interconnector Operator for its share of the Celtic Interconnector.

This may seem a relatively small clarification, but it will be important as rules and frameworks develop that the different licensees’ roles and obligations are considered.

3.1.3 Interaction with qualification process

At the qualification stage of the auction process, units apply to participate in the capacity auction. The TSOs review qualification data to determine whether a unit is qualified to participate. These fundamental steps will remain, but the auction platform and tools that support the qualification processes (inputs, clarifications and outcomes) will need to be amended to facilitate data from cross-border units and the TSOs. The scope of the amendments required is potentially significant, but as noted above, a true estimate cannot be made until underlying policy drivers are clarified.

3.1.4 Procurement of additional domestic unit volumes

The TSOs agree with the SEMC’s minded-to position that no additional domestic unit volumes should be procured to make up any shortfall in awarded foreign capacity contracts relative to the MEC. The TSOs consider that a decision on details such as this is not required at this time. Instead, prioritising the resolution of key policy questions would enable stakeholders to engage more effectively and holistically with the overall proposal.

4 Parameters for foreign participation

4.1 Length of contract

The minded-to position of the SEMC is that cross-border units are limited to single year contracts. The TSOs support this view and seek to emphasise the risks of cross-border units receiving multi-year contracts.

The TSOs consider that single year contracts for cross-border capacity would balance the concerns of security of domestic supply with the objectives of cross-border participation. Granting multi-year contracts to cross-border units could dampen the investment signals for building new domestic capacity. To ensure confidence in security of supply in the event the interconnector is out of service, multi-year contracts should be reserved for assets that physically reinforce the grid in Ireland and Northern Ireland.

4.2 Participation in long-term auctions

The SEMC has not put forward a minded-to position regarding participation in long-term auctions and a full impact assessment would be needed given the physical interconnection risk outlined above.

4.3 Applicable charges

The SEMC has not put forward a minded-to position regarding applicable charges. The view of the TSOs is that both proposed options might be unfeasible, and more consideration is required on this matter. While the preferred principle would be that applicable charges do not discriminate between domestic and cross-border units, in practice this may be impossible. Both proposed options for this parameter face the same challenge, as both require the use of domestic charges as the baseline. Many data inputs required to calculate the charges might simply not be available from cross-border units:

- **Quantities:** Cross-border units do not produce bid/offer acceptance quantity values or unit-specific ex-ante quantities. Power exchanges across Europe typically produce a traded quantity (i.e. not QEX) at a portfolio level. Values for individual units would need to be derived but have no obvious source.
- **Transmission Loss Adjustment Factors:** Cross-border units in France have no loss factors, which is required in the current settlement equations. Nodes are used to calculate TLAFs for bidding, however, there are no nodes in cross-border markets (i.e. in France).

Capacity payments and charges are expected to be unchanged as a result of cross-border participation. Different payments and charges will be significantly affected under both ‘applicable charges’ scenarios.

A regulatory decision would be required to confirm the appropriateness of applying a difference charge to cross-border units that do not have access to the SEM imbalance price.

4.4 Auction offer structures

The SEMC has not put forward a minded-to position regarding auction offer structures. The provisional preferred view of the TSOs is to disallow inflexible offers and not provide an option to bid inflexibly. Disallowing inflexible offers could reduce the computational complexity of optimising cross-border flows, therefore reducing the cost of running the auction. This would need to be fully assessed.

4.5 Eligibility of Distribution-connected cross-border units

The SEMC has not put forward a minded-to position on eligibility of distribution-connected cross-border units. The provisional preferred view of the TSOs is that DSO-connected units are not permitted, due to lack of operational visibility and inability to verify physical delivery across-borders, pending a full assessment. Participation should be limited to units where the foreign TSO can provide robust guarantees of availability and metering data, as per the TSO-TSO agreement.

The TSOs acknowledge, however, that in practice it may be difficult to prevent the participation of DSO-connected units. Furthermore, as DSO-connected units in the SEM are permitted to participate in the SEM capacity market, prohibiting cross-border DSO-connected units may breach non-discrimination requirements.

4.6 Secondary Trading

The SEMC has not put forward a minded-to position regarding secondary trading. The preferred view of the TSOs is that cross-border units only be permitted to trade with other cross-border units in the same market. Trading between domestic and cross-border units undermines physical locational signals and risks system security in constrained zones. The TSOs believe it poses an unacceptable risk of non-delivery to allow domestic capacity to be traded for foreign capacity that is located behind the Celtic Interconnector. Obligations should only be tradable between units that are physically capable of meeting the same technical delivery requirements and within the same constraints.

Regardless of the SEMC decision on this parameter, some changes at the 'secondary trading' stage of the Capacity Market process would be required, including:

- Additional secondary trading rules to implement the SEMC decision,
- Potential changes to publication requirements, and
- Potential changes to REMIT/Transparency reporting.

4.7 Minimum MEC to run foreign unit auctions

The minded-to position of the SEMC is that foreign unit auctions would only run if MEC is above a certain value. The TSOs support this view and recommend that a threshold (e.g. 50-100MW) is required to justify the administrative burden of running an auction.