Energia Response to SEM-25-071

Options for Cross-Border Participation in the CRM

06 March 2026

Executive Summary

Energia welcomes the opportunity to respond to SEM-25-071 on options for cross-border participation in the CRM. Explicit cross-border participation is a significant development that merits careful consideration, as sub-optimal design and implementation could adversely impact security of supply.

In the table below, Energia sets out its positions on the key matters of principle discussed in sections 2 and 3 of the consultation paper. Energia's positions are based on two overarching principles that in our view should be applied when designing explicit foreign participation in the CRM. They are:

- A conservative approach to explicit cross-border participation should be adopted, at least while the relevant interconnector and foreign units lack a track record in the SEM. This applies particularly to the calculation of the Maximum Entry Capacity (MEC), and our position that MEC should be allocated in full, with domestic units procured to make up any shortfall in awarded foreign capacity relative to the MEC amount.
- Foreign units should be subject to the same conditions regarding qualification and participation as domestic units to ensure no undue discrimination, except in cases where foreign participation requires additional due diligence or conditions to address specific concerns regarding gaming or availability.

Principle	**SEMC Minded-to Position**	**Energia Position**
MEC Calculation	SO-design methodology following Coreso recommendation	MEC calculation should utilise conservative assumptions until relevant interconnection and contribution from foreign units have a track record in the SEM to assess.
De-Rating Curve Methodology to apply to foreign units.	The same de-rating curves methodology would apply to both domestic and foreign units.	The TSOs should check the availability of equivalent French units (e.g. through comparing French de-rating factors) and make adjustments to the CRM de-rating factors where there are concerns.
Qualification Process	No Minded-to Position.	Foreign units should be subject to a qualification process that is at least as robust as the process for SEM units prior to entering a CRM auction.
Auction Design	No Minded-to Position.	Energia's preference is for Option 2b, for foreign capacity units to participate in the single main auction with a single clearing price.
Procuring More Domestic Volume if Full MEC not met	No additional domestic unit volumes should be procured to make up any shortfall in awarded foreign capacity contracts.	Additional domestic unit volumes should be procured to make up any shortfall in awarded foreign capacity contracts.

The appropriate calculation of MEC is essential to preventing an overestimation of the capacity contribution of the Celtic Interconnector. Energia's view is that the SOs and the RAs will need to adopt a prudent approach to assessing the contribution of Celtic while it has no track record of availability during security of supply events in the SEM.

Energia strongly believes that if insufficient foreign capacity is procured in the CRM auction, the shortfall should be procured from available domestic capacity. Rather than the volume of foreign capacity procured being irrelevant to capacity contribution across Celtic, a shortfall in successful bids from foreign participants could signal a concern regarding their ability to generate during a SEM security of supply event. It would be prudent to ensure that the full capacity requirement is allocated to actual generators with the associated contractual obligations to be available during an RO event. Otherwise, there is a risk of a "hole in the hedge" issue emerging for consumers.

In the table below, Energia sets out its positions in relation to the parameters for foreign participation in the CRM auctions, based on the same principles as outlined above.

Parameter	**SEMC Minded-to Position**	**Energia Position**
Length of Contract	Option 1: Single-year contracts only	Option 1: Single-year contracts only
Participation in Long-Term Auctions	No Minded-to Position	Option 2: T-1 and long-term (if domestic units can be procured to meet an undersubscribed MEC).
MRP and Strike Price	Option 1: MRP based on SEM Price.	Option 1: MRP based on SEM Price.
ECPC and USPC applicability	Option 2: No, exclude foreign units.	Apply ECPC to foreign units.
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 2: 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 auctions	Option 2: Only run if MEC is above a certain value (to be determined).	Option 2: Only run if MEC is above a certain value (to be determined).

1 Introduction and Overarching Principles

Energia welcomes the opportunity to respond to this consultation on options for cross-border participation in the CRM. Energia is grateful to the RAs for granting an extension to the consultation deadline. Explicit cross-border participation will be a new feature of the CRM, and an extended response deadline has allowed participants to attempt to gain a more detailed understanding of the design options prior to responding.

Energia's response follows the structure as per Section 1.4 of the consultation paper by setting out the overarching principles that should apply to the design of cross-border participation prior to commenting on the issues raised and the minded-to positions in sections 2, 3 and 4 sequentially. Energia is mindful of SEMC's request to keep responses as concise and focused as possible given the tight timelines involved.

1.1 Overarching Principles

Section 1.1 of the consultation paper sets out the overarching legal context as per EU Regulation 2019/943, and the overarching principles by which cross-border participation is governed.

In formulating its response, Energia has been guided by two additional principles which Energia believes it would be appropriate for the SEMC to apply in the design of explicit cross-border participation in the CRM.

The first is that a conservative and prudent approach to explicit cross-border participation should be adopted while the relevant asset (in this case, the Celtic Interconnector) does not have a track record of historic availability in the SEM. This principle leads to Energia's position on the calculation of MEC, and that any MEC that is unallocated to foreign units should be made available to domestic units in the CRM.

The second principle is that foreign participants should be subject to the same qualification requirements and parameters as domestic units to ensure no undue discrimination, unless there is a clear rationale as to why foreign units require additional conditions or requirements such as the prevention of gaming, or concerns regarding availability.

Energia's view is that these principles are key in protecting security of supply and the interests of consumers as explicit cross-border participation is introduced. While the principles at the EU-level are important and need to be respected, it is appropriate to apply additional principles for a small-island system such as the SEM which has different needs and security of supply considerations compared to meshed continental systems in Europe.

2 High-level implementation considerations

2.1 Maximum Entry Capacity (MEC) Calculation and de-rating curves

The prudent calculation of MEC is fundamental to the design of explicit cross-border participation in the CRM. As noted in the consultation paper, if MEC is set too high then it could lead to an overestimation of capacity adequacy that would present risks to security of supply and increased costs to consumers. This risk is especially prevalent if the SOs are seeking to estimate the availability of Celtic over four years ahead of the relevant Capacity Year and is another reason for a prudent approach to be taken.

This section of Energia's response covers several factors that need to be considered when calculating Celtic's MEC.

2.1.1 Availability of Celtic

The consultation paper states that in calculating the MEC, one factor that is included is the risk of transmission infrastructure outages for the relevant interconnector. For the first auctions where explicit cross-border participation is active the Celtic Interconnector will not have a track record upon which to assess its historic availability. This should be reflected in a prudent estimation of likely availability until such a time as a track record for Celtic can be assessed.

2.1.2 Connection Point of Celtic

Another factor specific to Celtic that should be taken into account in the assessment of MEC is its SEM connection point and the impact of local constraints during a security of supply event.

Energia notes that in the consultation paper on the parameters for the T-4 29/30 CRM auction (SEM-25-021) the SOs proposed a new LCCA in Cork Harbour due to "concerns that if additional capacity is procured in the Cork Harbour area, there may be significant portions of the Capacity Year where they [the SOs] cannot operate all of the Awarded Capacity as it would exceed the limits of the power system in the area".

In assessing the MEC of Celtic, the SOs should assess the impact of a 700MW infeed connecting into the Knockraha substation and the knock-on impacts this would have on constraints, including in the Cork Harbour area, and the ability to get power to where it is needed during a security of supply event. When there are local constraints, it may still be possible to accommodate the import, but at the expense of reducing other generation resources in the area, thus reducing the effective capacity contribution of Celtic.

If there is the potential that the Celtic Interconnector increases the risk of being unable to operate all Awarded Capacity in and around its connection point, this should be reflected in the MEC calculation to provide a true reflection of the best expectation of contributions from the connecting market during local system stress events in the given delivery year.

Furthermore, the MEC should also take account of the ability of the RTE transmission network in France to supply exports at times of "security of supply shock" (SEM's term) in Ireland - particularly as this may occur at times of high winter demand in Ireland, which would likely coincide with high local demand in the Brittany region where the French system has been historically relatively weak.

2.1.3 Usage of the ERAA to calculation the MEC

Energia notes that the calculation of the MEC will be informed by the recommendation of the Regional Coordination Centre based on the European Resource Adequacy Assessment (ERAA).

The ERAA has frequently overestimated security of supply in Ireland relative to EirGrid's more realistic and local assessment in the Generation Capacity Statement and the succeeding All-Island Resource Adequacy Assessment (AIRAA).

Furthermore, if the SOs are seeking to calculate the MEC of Celtic in four years' time then the risk of an inaccurate forecast from the ERAA is even greater.

It is important that any recommendation for MEC that is based on the ERAA is supplemented with analysis from the AIRAA, and accounts for any potential inaccuracies arising from the ERAA due to it being a higher-level assessment without the benefit of the local knowledge of the SEM's constrained system.

2.1.4 Consultation on the enduring MEC methodology

Given the importance of the MEC calculation, the TSOs should undertake a detailed consultation process in developing the enduring methodology to allow for scrutiny from the relevant stakeholders. Energia notes that existing values have been estimated for the Celtic Interconnector for capacity years from T-4 27/28 onwards. In consultation on the MEC, it would be appropriate for the SOs to set out the reasons for any divergence between the results of the proposed MEC calculation, and the reserved capacity for the prior auctions, and the values assumed for interconnection in the existing technology specific de-rating factors.

2.1.5 Application of De-Rating Curves

One further design consideration set out in Section 2.1.1 of the consultation paper is the minded-to position that the de-rating curve methodology should apply to both domestic and foreign units, depending on the technology class. The consultation notes that the TSO should consider any updates required to the de-rating curves to accommodate foreign capacity.

The CRM de-rating curves are based on the historic availability of each production class in the SEM. However, the historic performance of a technology in the SEM may be very different to the performance of the same technology class in a foreign market. The risk is that the expected capacity contribution of foreign technologies could be over-estimated by applying the SEM-specific de-rating curves, leading to an over-estimation of capacity procured.

Rather than seeking to adjust the SEM-specific curves to accommodate foreign capacity, where the TSOs have reason to believe that the availability of foreign capacity is less reliable than would be assumed by the SEM de-rating curves, an adjustment should be made in the de-rating factor to apply to the foreign capacity. This could be based on the TSOs' own analysis of foreign availability, or based on the de-rating curves applicable in the foreign capacity mechanism.

2.2 Qualification Process

Energia is concerned by the proposal that foreign units would be able to qualify to bid in the CRM through a pre-qualification process based on self-declaration, and subject only to full qualification after having cleared in the relevant CRM auction. Energia's view is that this is contrary to the CMC Objective of non-discrimination, as all domestic units are expected to qualify prior to participating in a CRM auction.

The SOs and the RAs ultimately have less information regarding the French system and generating units, and therefore at least an equal level of scrutiny should be applied to those seeking to participate in CRM auctions to assess their reliability. The proposal to allow foreign units to qualify for Irish CRM auctions without having gone through a full qualification process falls short in this regard.

Energia acknowledges the RAs' concern regarding the potential for a significant administrative burden should a disproportionately high number of foreign units seek to qualify for a relatively small requirement. Energia's view is that, as referenced in the consultation paper, the data sharing framework between the SEM and the French SOs could assist in streamlining the process. Specifically, the framework could identify which (if any) criteria for qualification for the Irish CRM can be taken to have been met through qualification for the French CRM, and which require a SEM-specific assessment.

3 Foreign unit participation auction design

3.1 Adjustment of the domestic SEM demand curve if full cross-border demand is not met

Energia disagrees 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 existing CRM is designed that if there are sufficient competitive bids in the auction relative to the demand for capacity, contracts will be awarded to meet the capacity requirement with fixed capacity payments being made to generators and in return generators being subject to RO payments at times of scarcity to incentivise availability.

The proposal to not procure additional domestic volumes in the event that the MEC is undersubscribed by foreign units is a clear break with this design. Furthermore, it risks creating a "hole in the hedge" issue whereby suppliers do not receive compensation during an RO event.

The capacity payments paid to generators are intended to support their continuing economic viability and ensure their continued operation in the market to safeguard security of supply. In theory, the same should apply to French units in receipt of capacity payments, in that they are necessary to support their continued operation.

However, in the consultation paper, the SEMC expresses indifference to the amount of capacity actually awarded to foreign generators relative to the MEC, implying that CRM payments have no impact on their commercial viability and thus availability to generate during an RO event. On this basis it is not clear what capacity payments to foreign generators are for and how they represent value for money for SEM consumers.

Rather than being irrelevant to the amount of capacity that is available from the Celtic Interconnector, the failure to award the full MEC to foreign participants may signal a wider issue with French units being available during RO events in the SEM. This being the case, it would be appropriate for SEMC to allow for domestic generators to bid for any shortfall that arises from the auction for cross-border capacity.

If an undersubscription of foreign capacity occurs, it would be prudent for the RAs and the SOs to further investigate whether this has the potential to be of detriment to security of supply or signals a wider market issue that needs to be resolved. In the meantime, the default should be that the auction procures additional domestic capacity in the event of an undersubscription from foreign participants. This will ensure that the capacity requirement is actually met by contracts which place obligations on generators and in return provide financial support for their continuing availability.

Finally, if unallocated MEC is not made available to domestic units, it creates a potential for a “hole in the hedge” issue to emerge following an RO event. With no participant responsible for paying back the difference between the Strike Price and the Market Reference Price, there will be less protection for suppliers and ultimately consumers in the event of a significant price spike. On this basis it would be prudent to ensure that where possible capacity obligations are always allocated to generators with the associated contractual responsibilities.

3.2 Options for foreign unit auction design

Energia’s view is that it may be simpler from an administrative perspective for foreign participants to participate in the main CRM rather than running two separate auctions in full. Under Option 1, there would need to be considerations regarding whether the two auctions are run sequentially or simultaneously. The timing of the release of the results of each auction would also need to be considered.

One consideration for Option 2 is how foreign units that qualify for the main CRM auction are restricted in their bids. For example, a foreign unit could bid a low price to clear the qualification auction but were they not to be constrained by the price that they had bid into the qualification auction then they could subsequently bid much higher in the actual auction.

This risk would be especially prevalent if qualified foreign participants had the knowledge that only sufficient foreign units had qualified to meet MEC and therefore competition in the main auction to meet MEC was limited. This presents a significant risk of gaming that SEMC would need to address by carrying through a participant’s bid in pre-qualification to what it is allowed to bid in the actual auction.

With regard to whether it would be preferable to have a single clearing price or market-specific clearing prices, Energia is in favour of a single clearing price (Option 2a). The consultation paper assumes that under Option 2b the foreign auction is likely to clear at a lower price than the domestic auction. Given that there is much uncertainty regarding the design, parameters, the type and number of participants with regard to foreign participation in the CRM, Energia does not believe that this can be asserted with confidence.

On that basis, it would be preferable for foreign units to participate in the same auction with the same clearing price as domestic units. This also better aligns with Energia’s view that domestic units should be able to compete for unallocated foreign MEC, as it allows for the final capacity allocation for a given auction to be decided upon in one auction under one clearing price.

4 Parameters for foreign participation

Energia’s positions on the parameters for foreign participation, as listed in the consultation paper, are set out below.

4.1 Length of Contract

Energia agrees with SEMC’s minded-to position that it is prudent to allow foreign units to bid for single-year contracts only, based on the difficulty in forecasting MEC for a multi-year period. In the SEM, multi-year contracts are available only to units that exceed an investment-rate threshold. It would be difficult to apply this to a foreign unit, that may also be benefiting from a multi-year contract to support their investment in their own jurisdiction.

4.2 Participation in Long-Term Auctions

Energia's view is that Option 2, to allow participation in T-1 and long-term auctions, is preferable if domestic units can be procured in the event that MEC is not met by foreign units. This is because there will likely be more competition for the undersubscribed MEC by domestic units in the larger T-4 auction.

There is a risk that if the MEC is held back for a T-1 auction, there is less of an ability for domestic participants to bid for any shortfall. Holding MEC back for a T-1 that cannot be reallocated to domestic units in the event of under-subscription also increases the risk of gaming by foreign participants.

In the event that domestic capacity is not to be procured to meet an undersubscribed MEC, it may be preferable to limit participation by foreign participants to the T-1 auction, as the MEC to be allocated will be calculated closer to the start of the relevant capacity year, and the benefits of greater liquidity in terms of domestic units at a T-4 auction would not apply.

4.3 MRP and Strike Price

Energia agrees with SEMC's minded-to position that Option 1 is appropriate for the reasons set out in the consultation paper. Option 1 bases a foreign participant's obligations on their ability to be available during a security of supply event in Ireland, which is consistent with the purpose of the CRM. Option 1 also better protects the consumer from a "hole-in-the-hedge" issue emerging by ensuring that liabilities from CRM contract holders align with high prices in the SEM.

4.4 ECPC and USPC Applicability

Energia's view is that it would not be appropriate to apply USPC to foreign units as it would require the RAs to undertake detailed assessment of generator net capital, revenue, and operating costs in a market that it is not familiar with.

However, Energia's view is that ECPC should apply to foreign units. To not apply ECPC would allow foreign capacity greater flexibility in their bidding than domestic participants, which would be contrary to the principle of non-discrimination.

It is not clear that market power will not be an issue in terms of foreign participation in the CRM, especially if there are a small number of foreign units that seek to participate in the CRM. In this scenario, ECPC could be useful in preventing gaming by non-domestic participants. On that basis, the application of ECPC is the better approach and provides protection for consumers.

4.5 Applicable Charges

Energia supports Option 1, that all of the charges that are applicable to SEM units in the CRM should be applicable to foreign units, in line with the principle of non-discrimination.

Energia is concerned that under Option 2 foreign units could be exempt from difference charges if there is a transmission outage in the foreign market or issue with the transmission infrastructure. The risks of a transmission outage in the foreign market are outside of the control of any domestic SEM stakeholders, and therefore it seems inappropriate that the risk from a foreign transmission outage should sit with the SEM consumer.

4.6 Auction Offer Structures

Energia supports Option 1 in allowing foreign participants to bid inflexibly. This aligns with what is allowed for SEM participants. Energia's view is that if there is a subsequent shortfall in the allocation of the MEC, then this should be allocated to domestic units.

4.7 Eligibility of Distribution-connected foreign units

Energia is in favour of Option 2, that foreign DSO-connected units should not be permitted to participate in the CRM. As set out in the consultation paper, the SOs will not have the necessary information to validate performance and availability of DSO-connected units during security of supply events.

4.8 Secondary Trading

Energia supports Option 2 in allowing foreign participants to secondary trade with foreign and domestic participants. This would allow domestic units to take up capacity that a foreign unit is not able to fulfil. It also allows for greater liquidity for foreign units in the secondary trading market, as there may be a limited number of units in the foreign market that have qualified for the CRM and are therefore eligible to secondary trade.

As sellers of secondary trades, foreign units should be limited by the MEC calculation for the relevant capacity year to ensure that there is not an overreliance on foreign units in relation to the capacity of the interconnector.

4.9 Minimum MEC to run auctions

Energia supports Option 2 for the reason set out in the consultation paper. If there is insufficient MEC, then the running of a foreign capacity auction which places onerous administrative requirements on the SOs and RAs is clearly not in the interests of consumers.

5 Conclusion

Energia thanks the SEMC for the opportunity to respond to this important consultation on cross-border participation in the CRM. Energia has set out its view on the planned design of cross-border participation in the SEM. Energia's positions are based on the principles that a conservative approach should be taken to explicit foreign participation in the CRM, and that the same conditions and requirements should be set for foreign units as domestic ones unless there are specific concerns regarding availability or gaming that require additional mitigation.

Energia is open to engaging bi-laterally on any aspect of its response and looks forward to continuing to work with all relevant stakeholders on the detailed implementation of cross-border participation.