Moyle Interconnector Limited
First Floor, The Arena Building
85 Ormeau Road, Belfast, BT7 1SH
t | +44 (0) 28 9043 7580
f | +44 (0) 28 9024 9673

mutual-energy.com

SEM Committee
Via Email

06 March 2026

Dear SEM Committee,

This response to the consultation paper 'Cross-Border Participation in the CRM' is on behalf of Moyle Interconnector Limited ("Moyle"). Moyle owns and operates the 500MW HVDC Interconnector between Scotland and Northern Ireland, on the SEM-GB border.

We understand that explicit cross-border participation in the SEM capacity market is required to comply with Article 26 of EU Regulation 2019/943 as part of the reintegration of the SEM with the European Internal Electricity Market for the commencement of operation of the Celtic Interconnector.

SEM-GB border out of scope

We note from the consultation paper that "arrangements regarding the continued participation of SEM-GB interconnectors in the CRM are therefore out of scope" and we understand this is the intention. However the paper also states that the SEM Committee has adopted "a principles-based approach in its consultation on cross-border participation, with the intention that these principles apply equally to the current and any evolution of the CRM designs" which could imply that the arrangements being consulted on will potentially apply to the SEM-GB border as part of future CRM designs, for example if the UK were to re-enter the EU's Internal Energy Market.

Our response is prepared on the basis that the consultation and proposed design of explicit cross border participation is not and will not be applicable to the SEM-GB border and we want to ensure that should consideration ever be given to such requirements applying to the SEM-GB border there is a separate consultation process and opportunity for stakeholders to express views regarding the appropriateness of this. This current consultation should not be taken as sufficient to apply any such obligations on the SEM-GB border in the future.

That said, in the section below we have outlined why we consider implicit participation of foreign capacity via direct interconnector participation to continue to be a more appropriate mechanism to facilitate cross border participation on the SEM-GB border.

Limited contribution of foreign participants to security of supply

The capacity market should be designed to provide an effective safeguard, in terms of security of supply, to SEM customers who ultimately pay the cost of this market and we consider the existing SEM-GB arrangements, with direct interconnector participation (implicit participation of foreign capacity), achieve this more effectively than explicit cross border participation.

With SEM-GB interconnector capacity made exclusively available for allocation in coupled intraday auctions between SEM and GB, market participants access these auctions via power exchanges only and have no mechanism to register on any SEM-GB interconnector for capacity allocation. Therefore a cross border generator may only potentially influence interconnector flows through participation in various market timeframes to influence the local market price, it cannot have a direct impact on interconnector flows, therefore there is no guarantee that such participation either reduces costs or improves security of supply in the remote market. The outturn market price and interconnector flow will be determined by the balance of supply and demand in that market as a whole, the availability of interconnector capacity and the flow of the interconnector scheduled accordingly, so it is difficult to see the security of supply value in targeting capacity agreements at a limited number of specific market participants. A specific generator on the other side of an interconnector is unable to provide the same value to security of supply to a bidding zone as a domestic unit.

On the other hand with implicit participation the maximum entry capacity (or interconnector derating) is set at a level based on the full resources available in the remote market so reflects the benefit of the entire foreign fleet rather than a specific unit that has been awarded a capacity contract so it is much more reflective of the security of supply benefit to the domestic market.

EU Implementation Challenges

We understand there have been significant challenges and complexities with the implementation of explicit cross border participation in capacity markets across Member States to date and note the recent recommendations to relax the requirement for explicit and tolerate implicit participation as it is simpler to implement and achieves comparable results. This further supports the position that the SEM-GB border should continue with implicit participation especially when explicit participation is not obligated on this border.

The following section outlines our views on the specific options and parameters set out in the consultation:

Interconnector Revenue

The consultation paper provides very limited information on the proposed remuneration that interconnectors would receive for facilitating foreign participation in the SEM capacity market other than noting that where revenue arises as a result of the allocation of entry capacity to foreign units it will accrue to the TSOs concerned and sharing arrangements will be on a 50/50 sharing basis and covered by the SEM TSO and RTE agreement. No information is provided on the method by which revenue arises as a result of the allocation of entry capacity to foreign units i.e. will foreign participants be required to purchase a sufficient amount of "access tickets" via auction that serve as a "reservation" on an interconnector to allow them to participate in the capacity market as is the case in France? The availability of the interconnector is crucial to providing real security of supply benefit from the foreign unit so it is important that it is incentivised therefore we consider that it is necessary to consult on and develop such arrangements for allocation of MEC and derivation of interconnector revenues at this stage.

In addition, the consultation notes that the Celtic interconnector is under a RAB regime so as such its final revenue is unaffected by any revenues linked to the direct French unit participation in the SEM CRM but this is not the case for all SEM interconnectors and therefore further consideration would need to be given to these arrangements, particularly should they apply at a later stage to the SEM-GB border and 'non RAB' interconnectors, to ensure unintended consequences do not arise such as additional costs to SEM consumers.

Auction Design Options

Of the auction design options outlined in the consultation paper we would favour option 2, foreign unit auctions that act as a preselection mechanism for participation in the main CRM. We consider that this option should provide the most cost effective outcome as foreign units only clear when they are cheaper than the marginal unit in the CRM and if domestic units are cheaper they would displace foreign units from the merit order.

In the absence of a proposed remuneration mechanism for interconnectors it is difficult to fully comment on which of the sub options most accurately attributes value to the interconnector and incentivises availability. We reserve the right to comment further on this should the design be proposed for the SEM-GB border but at this stage we tend to consider sub-option 2b (Market-specific clearing prices are set by the most expensive unit that has cleared each market) to be preferable as this option should allow for the value of the interconnector providing access for foreign participants to be appropriately rewarded in line with established principles around the derivation of congestion rents i.e. the interconnector owner can earn the market spread via implicit allocation.

Parameters

Length of contract – we agree with the SEMC minded to position to limit foreign units to single-year contracts to reduce the risk of consumers paying for foreign units that cannot provide system security to SEM.

Participation in long-term auctions – we consider option 2, allowing foreign units to participate in T-1 and long term auctions, to be the most appropriate option to enhance participation and lower the cost of securing adequacy. If only one year contracts are permitted in long term auctions then MEC would only need forecasted up to 5 years in advance so this should reduce the risk of inaccurate long term forecasting error and is in line with existing arrangements.

Market Reference Price (MRP) and Strike Price – we agree with the SEMC minded to position of setting the MRP based on the SEM price to ensure alignment of foreign and domestic units on the incentive to deliver during times of system stress in SEM.

Application of the Existing Capacity Price Cap (ECPC) and Unit Specific Price Caps (USPC) –we note the challenges around the application of the USPC to foreign units but understand that the ECPC could be applied consistently across domestic and foreign units with minimal administrative burden so we consider that this would be an appropriate measure to protect consumers from excessive prices.

Applicable Charges – we consider that option 1, charges for foreign units being the same as for domestic units, should be sufficient provided data sharing on cross-border units availability can be established between the TSOs. The consultation notes that it is common for Member States to apply the same charges to cross-border and domestic capacity providers so this would also support harmonisation. We note that the SEMC has major concerns in regard to gaming and double payments and consider this to be an issue that needs to be addressed at a European level.

Auction offer structures – we consider that option 2, disallow inflexible offers by foreign capacity, seems most appropriate to increase the likelihood that the MEC is procured.

Eligibility of distribution-connected foreign units – we consider it to be most appropriate to implement option 1 that permits DSO connected units to participate as this should increase competition and access to viable capacity resources. A de minimus threshold could be set in relation to the capacity provided by distribution units to ensure the administrative burden does not outweigh the benefit of this broader participation.

Secondary Trading – we consider that option 2, allowing foreign units to secondary trade with both foreign units in their own market and domestic SEM units, would be the preference to increase participation and minimise any risk premium bid in by providers but this should be implemented in a way that continues to enforce the MEC limit.

Minimum MEC to run foreign unit auctions – we consider option 1 to always run foreign unit auctions if the MEC is non-zero to be the more appropriate option. However, if option 2 is chosen as the outcome the value below which auctions are not run should be set at a low level e.g. 5MW, as we do not see that the administrative costs of running auctions once the arrangements are in place to be material enough to outweigh the benefit of increased competition.