



SINGLE ELECTRICITY MARKET COMMITTEE

FASS: EirGrid & SONI TSO Licence Modifications Consultation Paper SEM-26-58

15 September 2026

EXECUTIVE SUMMARY

The SEM Committee is consulting on changes to the EirGrid and SONI TSO licences to give effect to changes to the procurement of All-Island System Services products through the Future Arrangements for System Services (FASS) Project. These proposed changes include the introduction of respective conditions to give effect to a System Services Code (SSC) which is being introduced to govern the commercial arrangements for All-Island System Services products. There are also proposed amendments to, or introduction of, conditions which will clarify the basis for procurement of All-Island System Services products, to improve alignment with EU law.

The suite of All-Island System Services products means any Ancillary Services which have been determined by the SEM Committee to be subject to All-Island procurement processes, and which will be defined as such in the System Services Code.

The TSOs will periodically be carrying out product reviews for both balancing capacity and Non-frequency All-Island System Services products, and these definitions will be updated pending SEM Committee decision on any product review.

The SEM Committee commenced work on the FASS project in 2020. The reason for the establishment of this project was to introduce a procurement framework which complied with European Network Codes, and the EU Clean Energy Package. The SEM Committee set out its interpretation of how the European requirements should be implemented through the High-Level Design (HLD) Decision Paper (SEM-22-012). In particular, the HLD set out a framework to ensure that Ireland and Northern Ireland complied with the need to procure frequency based Ancillary Services through market-based means.

The HLD also confirmed the need for a robust governance framework to give effect to new market arrangements for the procurement of All-Island System Services. The HLD Decision Paper included the establishment of a dedicated code detailing the market rules for the new framework (the SSC). The decision set out that the SSC would be maintained by the TSOs, subject to regulatory approval and oversight. Licence modifications are now required to introduce obligations on the TSOs to give effect to the SSC and the governance arrangements established under it.

The SSC will supplement the Grid Codes in both Ireland and Northern Ireland. The Grid Codes define the minimum technical requirements for system security for each jurisdiction. The SSC will define the commercial rules for procurement of these products and how the TSOs will operate the markets and procurement frameworks for both balancing capacity and non-frequency All-Island System Services. By consolidating these arrangements into a single code, overseen by the Regulatory Authorities (RAs), the SSC will replace all existing rules, documents and contractual frameworks for All-Island System Services¹ with a single coherent, enforceable framework.

To ensure that the requirements under EU regulations, and the framework to interpret these requirements set out under the FASS HLD Decision, are implemented appropriately,

¹ Under the current framework these are governed by the System Services Regulated Arrangement Contracts, the DS3 Market Ruleset and the DS3 Protocol Document.

the SEM Committee considers there to be a need to introduce licence modifications to the respective TSO licences which will:

- introduce the SSC and provide a duty on the TSOs to maintain it subject to a formal modifications process;
- introduce robust requirements to ensure procurement of All-Island System Services is done through transparent, non-discriminatory and market-based procedures; and
- introduce scope to derogate from the requirement for market-based procurement for Non-frequency All-Island System Services where there is clear evidence that it would be economically inefficient to introduce competitive procurement.

The role of the RAs is central to this framework. The SEM Committee will be the decision-making body in relation to the SSC and any subsequent modifications to it. As the SSC is an All-Island governance framework, its implementation requires both All-Island policy decisions by SEM Committee and jurisdictional licence modifications by the RAs under their respective statutory powers. Following consideration of responses to this consultation and any subsequent SEM Committee decisions, the RAs will implement those decisions through the relevant statutory licence modification processes in each jurisdiction, oversee compliance with the SSC, and enforce the associated TSO licence conditions. For clarity, this consultation is not a statutory consultation, it is an overarching policy consultation to inform the formal statutory consultations, which will follow thereafter. The RAs will ensure that procurement is carried out in a way that protects consumers and promotes competition and oversee the balance between system security and economic efficiency, through its powers of enforcement of the associated TSO licence conditions. This aligns with their statutory duties and ensures accountability in the governance of System Services.

Contents

EXECUTIVE SUMMARY	2
INTRODUCTION	5
1.1 Objective and assessment criteria	6
1.2 Drafting Practices	7
1.3 Document Structure	7
2. FASS REGULATORY FRAMEWORK.....	8
2.1 Hierarchy/Priority of the System Services Code	11
3. LICENCE CONDITIONS	12
3.1 Proposed Licence Modifications	12
3.1.1 Modification of Condition 1 of EirGrid and SONI TSO Licence.....	12
3.1.1 Addition of new System Services Code condition	13
3.1.2 Modification of Condition 11 of EirGrid TSO Licence	13
3.1.3 Modification of Condition 29 of SONI TSO Licence	14
3.1.4 SONI TSO Licence Condition 42	15
3.1.5 Amendment to SONI TSO Licence Annex 1 – Charging Restrictions	15
3.2 Generator Licences	16
3.3 Supplier Licences	16
4. NEXT STEPS	17
5. APPENDICES	18
5.1 APPENDIX 1 (Licence Modifications).....	18
5.1.1 Modification of Condition 1 of EirGrid and SONI TSO Licence.....	18
5.1.2 New System Services Code Licence Condition	18
5.1.2 Modification of Condition 11 Of EirGrid TSO Licence	20
5.1.3 Modification of Condition 29 Of SONI TSO Licence.....	22
5.2 APPENDIX 2 (Hierarchy/Priority of the System Services Code)	25

INTRODUCTION

The FASS project was formally launched by the SEM Committee in July 2020 with the publication of a Scoping Paper (SEM-20-044) for public consultation. The project has had three phases; Phase I, the scoping phase, concluded in 2021 (SEM-21-021); Phase II, the high level design phase, concluded in 2022 (SEM-22-012); and Phase III, detailed design and implementation, is currently ongoing and will conclude at Day-Ahead System Services Auction go-live. After Day-Ahead System Services go-live there will be further implementation work, as has been set out in SEM Committee decisions during the detailed design phase.

The High Level Design Decision Paper (the “HLD”) determined the high-level framework for the competitive procurement of System Services and the System Services Market. This framework was established in order to ensure compliance with EU requirements to introduce competitive frameworks for the procurement of balancing capacity and ancillary services. The competitive procurement of balancing capacity and Ancillary Services will provide benefits to consumers and provide efficient signals for investment. This will be essential to enable a secure electricity system with high levels of renewable generation.

Since the TSO licence conditions relating to Ancillary Services were last amended the relevant EU law has changed. Therefore, in order to ensure compliance with the current legislative framework and to implement the SEM Committee’s HLD, modifications to EirGrid’s and SONI’s existing TSO Licence Conditions will be required. These modifications will ensure there are clear requirements placed on the TSOs to procure All-Island System Services through market-based procedures, unless it is economically inefficient to do so. A new licence condition will also be required to give effect to the System Services Code (“SSC”) and require the TSOs to comply with it and maintain it.

The purpose of this paper is to seek the views of stakeholders on the proposed new System Services Code Licence Condition, a new All-Island System Services condition for the SONI TSO Licence and a modification of the EirGrid TSO licence for Economic procurement of All-Island System Services required to enable the establishment of the System Service Market. The proposed modifications which are the subject of this consultation paper have been drafted and are being consulted on by SEMC.

Drafts of the proposed modifications to the TSO’s licence conditions, including the full text of the proposed System Services Code Licence Condition are provided in the appendices to this document. This consultation paper aims to seek views on the SEM Committee, and Regulatory Authorities, approach to the overarching governance framework, enforcement and licence changes, that are required to support the implementation of the System Services Market. For clarity, this consultation is not a statutory consultation, it is an overarching policy consultation to inform the formal statutory consultations, which will follow thereafter. The consultation will be open for a period of six weeks.

1.1 Objective and assessment criteria

The SEM Committee's objective for FASS is to deliver a competitive framework for the procurement of System Services that ensures secure operation of the electricity system with higher levels of non-synchronous generation. The SEM Committee established a set of criteria in SEM-21-021 against which the FASS framework should be assessed. The proposed regulatory framework has been developed with these criteria in mind and is considered to support their achievement.

The proposed framework is designed to deliver consumer value by providing for market-based procurement of System Services where this can secure competitive outcomes, while taking account of system requirements and market power. The proposed licence modifications and System Services Code establish clear obligations and governance arrangements for the TSOs, supporting transparent and economically efficient procurement.

The framework supports European compliance and system need by providing a regulatory basis for the procurement of the System Services required to maintain secure operation of the electricity system, while reflecting the relevant legislative and regulatory requirements. The SSC complements the existing statutory, licence and Grid Code framework and provides the governance framework for the procurement of designated All-Island System Services.

The proposed arrangements support alignment and accuracy by establishing a common All-Island framework for System Services while retaining the jurisdictional licence arrangements required in Ireland and Northern Ireland. The framework is intended to ensure that the volume and nature of services procured reflect the requirements of the system as accurately as possible, while supporting appropriate alignment between the energy, capacity, and System Services markets.

The framework is intended to provide an adaptable and simple basis for future procurement and governance of System Services. The SSC provides defined governance and modification arrangements which can accommodate future system and policy changes, while establishing a clear and transparent framework for market participants.

The proposed arrangements also enable the energy transition by supporting the operation of the electricity system as levels of non-synchronous generation increase and by taking account of relevant policy developments in Ireland, and Northern Ireland. By establishing clearer and more enduring arrangements for the procurement and governance of System Services, the framework also provides greater clarity for investors regarding the arrangements under which System Services will be procured.

Finally, the proposed framework supports transparency through defined governance arrangements, clear TSO responsibilities, and regulatory oversight, together with transparent procurement requirements and processes.

1.2 Drafting Practices

In Ireland and in Northern Ireland separate and distinct licence modification processes exist based on jurisdictional legislation, namely Section 20 of the Electricity Regulation Act (1999) (“the Act”) in Ireland and Article 14 of the Electricity (Northern Ireland) Order 1992 in Northern Ireland. These respective statutory provisions outline the individual mechanisms for a statutory consultation on any licence change in each jurisdiction, to include the timeline for submission of responses or representations and the manner in which licensees should be notified of proposed licence changes.

The proposed modifications to the TSOs’ licence conditions have been drafted so as to be consistent with the drafting approach applied to the respective licences. Therefore, while the conditions in each TSO’s licence are broadly equivalent in terms of giving effect to the establishment of the System Services Market, the precise drafting in the respective conditions will differ.

1.3 Document Structure

Sections 1 and 2 set out the Executive Summary and Introduction of the paper.

Section 3 highlights the proposed structure of the FASS Regulatory Framework.

Section 4 sets out the proposed draft modifications to the TSOs’ licence conditions which the SEM Committee considers are required to implement the FASS project, including the new SSC Licence Condition.

Section 5 sets out next steps including how stakeholders can respond to the Consultation.

2. FASS REGULATORY FRAMEWORK

The HLD and the suite of SEM Committee decision on the detailed design set out the framework for the System Services Market. The SSC will set out detailed arrangements and obligations for the administration of and participation in the System Services Market. All-Island System Services will be procured by the TSOs through the System Services Market. Any ancillary service that falls outside the designation of an All-Island System Service can, if necessary, be procured by the TSOs through a separate framework approved by the relevant Regulatory Authority (an example of such a service is Blackstart).

All-Island System Services cover the Balancing Capacity services, also known as the reserve services, other frequency services, and the non-frequency services² (also known as the “non-reserve” services). EU legislation provides for both Standard Products and for Specific Products for Balancing Capacity and Balancing Energy. It is noted that Balancing Energy products are out-of-scope for the FASS programme. The HLD provides for a Product Review to be carried out by the TSOs. The TSOs have carried out a review on the Balancing Capacity Services (reserves) and on the Non-Frequency Ancillary Services (also known as the “non-reserves”). The products approved by the SEM Committee through those processes are collectively All-Island System Services. The review of the Non-Frequency Ancillary Services is still ongoing and there is a further review of the Balancing Capacity Services due to be carried out to introduce the Standard Products.

The System Services Market covers procurement of services through three frameworks covering different time horizons; the day-ahead procurement of services through the DASSA (Day-Ahead System Services Auction), the pre-day-ahead³ procurement through the LPF (Layered Procurement Framework), and long-term procurement through the FCF (Fixed Contracts Framework).

At the core of FASS is the responsibility of the TSOs to maintain system security and for All-Island System Services products to be procured through transparent, non-discriminatory and market-based procedures, in line with the relevant statutory requirements. The former is an established duty that already requires the TSOs to secure all services necessary for the safe and reliable operation of the electricity system and to do so in a way that is economically efficient. For the latter requirement, the SEM Committee consider there to be a need to introduce language within the TSO licences, aligned with language used in EU legislation, to ensure this requirement is enforceable, implements the HLD and is consistent with the existing legislative framework. In this way, the governance framework strengthens the link between the TSOs’ operational role and the market-facing arrangements that provide the services needed to keep the system stable in an efficient manner that is in customers’ long-term interest.

In line with EU law, the TSO is responsible for drafting and proposing the terms and conditions or methodologies for the procurement of Ancillary Services. In the context of

² It is noted that the legislation provides for the possibility of a derogation from the obligation to procure these services through market-based mechanisms; any arrangements stemming from any such derogation are also considered to form part of the arrangements for the System Services Market.

³ Contracts can be up to 12 months in advance, or six-months in the case of Balancing Capacity.

FASS it does this through leading on the detailed design elements of market design and leading on drafting of the SSC. The SEM Committee, acting in line with the statutory authority of the CRU and UR, is the ultimate decision maker on the terms and conditions or methodologies. It may approve or revise any proposals where necessary in order to ensure they are in line with the purpose of EU legislation, and to ensure the proper functioning of the market.

The CRU and UR retain the statutory powers under the Electricity Regulation Act 1999 in Ireland and the Electricity (Northern Ireland) Order 1992 in Northern Ireland to modify licence conditions, enforce licence obligations, and ensure compliance with statutory objectives of efficiency, transparency, and consumer protection. The proposed modifications are designed to ensure that there is clear and enforceable regulatory oversight of the FASS arrangements through the TSOs' licence conditions.

The FASS HLD Decision set out the high-level market and governance design decisions for the new arrangements, including the requirement for the development of the SSC and the need for market-based procurement of System Services. The SSC was created to codify market-facing arrangements, establish transparent and standardised qualification and procurement processes, and provide ongoing regulatory oversight of procurement and market access. The HLD represents the SEM Committee's interpretation, following public consultation, on how to best implement existing obligations under the Electricity Balancing Guideline, Regulation 2019/943 and Directive 2019/944 the System Operation Guideline and Network Codes.

The statutory basis for electricity licensing in Ireland is found in the Electricity Regulation Act 1999, which in Section 14 empowers the CRU to grant licences for generation, transmission, and supply, thereby establishing the legal foundation for binding obligations on market participants. A licence granted by the Commission shall be subject to modification in accordance with Section 19 of the Act. Section 33 of the Act requires the preparation of the Grid Code, ensuring that technical standards are embedded in law. This primary legislation is complemented by S.I. No. 445/2000, which further transposes EU internal market requirements into Irish law. Regulation 5 establishes the requirement for a licence to operate the transmission system, setting out the legal basis under which a transmission system operator may be authorised. Meanwhile, Regulation 8 outlines the core functions of the TSO, including the obligation to operate the system in an efficient, secure, and non-discriminatory manner. These provisions, alongside others such as Regulation 25, reinforce the requirement for licensees to comply with the Grid Code and related technical and operational standards. Article 40 of Directive (EU) 2019/944, provides that TSOs shall be responsible for securing all necessary Ancillary Services to maintain operational security. These provisions enshrine the principle that Ancillary Services form part of the TSO's duties to maintain a secure and efficient transmission system.

In Northern Ireland, a similar statutory framework is provided by the Electricity (Northern Ireland) Order 1992 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007. Article 10 of the 1992 Order authorises the grant of licences for generation, transmission, and supply while Article 11 sets out the type of conditions that can be

included in a licence, and Article 11A, the conditions that must be included to comply with EU law. Article 12 sets the general duties of transmission licence holders, including the requirement to operate efficient, coordinated, and economical systems. Article 14 empowers the Utility Regulator to modify licence conditions.

Building on these legislative foundations, the TSO licences in both jurisdictions contain explicit obligations relating to System Services. Condition 11 of the EirGrid TSO licence requires the procurement of assets and Ancillary Services in an economical manner, having regard to system needs. Similarly, Condition 29 of the SONI licence requires the contracting of system support services in quantities and forms necessary to discharge statutory and licence obligations, emphasising system need, economical purchasing and competition. These provisions demonstrate that the TSOs already have clear duties to procure Ancillary Services, however, these duties are required to be updated to align explicitly with EU legislation with regard to procurement through transparent, non-discriminatory and market-based procedures.

The Grid Codes are established under Section 33 of the Electricity Regulation Act 1999 in Ireland and Condition 16 of SONI's licence in Northern Ireland. The Codes define Ancillary Services and the minimum performance standards for generators, in areas which include frequency response, reactive power, fault ride-through, and data registration processes.

The final component of the FASS Regulatory Framework will be the System Services Code. This new code will sit beneath the Grid Code, translating its technical requirements into commercial and operational rules for procurement, participation, settlement, compliance, and dispute resolution. It will consolidate what are currently fragmented arrangements into a single, transparent, and enforceable framework. The SSC will be maintained by the TSOs but any modifications will be subject to SEMC approval, following consultation with the Code Panel and a period of public consultation), ensuring accountability and regulatory alignment. Given its function as the commercial expression of system security requirements already defined in the Grid Code, it is appropriate for the SSC to sit directly beneath it in the code hierarchy and above the market-facing codes such as the Trading and Settlement Code (TSC) and the Capacity Market Code (CMC).

Together, these elements of the legislation, the TSOs' licence conditions, the Grid Codes, the SSC and SEMC governance, will form a coherent regulatory framework for System Services. The Grid Codes define the minimum technical standards, while the SSC will set out the commercial arrangements for delivering All-Island System Services products. The TSOs will be licensed to maintain and apply both codes and the RAs will provide independent oversight of TSO's compliance with the Codes to safeguard efficiency and consumer interest. The FASS regulatory framework codifies and clarifies existing obligations, ensuring transparency, efficiency, and accountability, while strengthening the TSOs responsibilities.

2.1 Hierarchy/Priority of the System Services Code

The FASS HLD Decision required the TSOs to develop the SSC. The intended purpose of the SSC is to define the commercial rules for procurement of both balancing capacity and non-frequency All-Island System Services and how the TSOs will operate the markets and procurement frameworks for these products. This will support the TSOs in ensuring that there is sufficient provision of System Services at all times to safely operate the transmission system. Safe system operation and commercial activities across the different markets within the SEM are defined in existing documentation. The SSC will need to be factored into the wider hierarchy of statutory and market codes, ensuring clarity on how obligations interrelate and highlighting system security and system need as the priority. The SSC will need to ensure that the procurement of services is aligned with system needs, as directed by the Grid Codes, and is carried out transparently and efficiently in line with policy direction.

Given this role, the SSC should be positioned beneath the Grid Codes in the code hierarchy, reflecting its function as an implementation and commercial mechanism. It should also sit above market-facing codes (e.g., TSC, CMC) which rely on the secure operation of the system enabled by ancillary services.

The Grid Codes will continue to sit at the apex of the technical governance framework, as these provide the statutory basis for defining the minimum standards and requirements necessary to ensure system security in Ireland and Northern Ireland respectively. The SSC will provide the structured arrangements through which the TSOs procure All-Island services, monitor compliance, remunerate providers, and resolve disputes.

The SSC should be placed above other market-facing codes, such as the TSC and the CMC. These codes depend upon the secure operation of the transmission system, which in turn is facilitated by the availability of System Services. Placing the SSC above these codes ensures that the procurement and delivery of services needed for secure operation takes precedence over financial settlement, and capacity allocation. This hierarchy is consistent with the approach taken in other energy market frameworks, where technical standards are defined at the highest level, procurement frameworks sit immediately beneath, and financial or market-facing codes follow thereafter. It provides clarity to market participants on the precedence of obligations, ensuring that in the event of any conflict between codes, those provisions directed at maintaining system security through System Services will prevail.

Modifications to other codes may be required to ensure that the hierarchy and priority of the System Services Code is consistently reflected across the SEM.

The licence modifications proposed under FASS therefore explicitly confirm this order of priority, resolving any ambiguity as to the relationship and precedence of obligations between the SSC, the Grid Codes, and other codes. This reinforces the principle that system security is paramount, that Ancillary Services procurement is an operational necessity, and that commercial arrangements must be aligned with, and directly subordinate to, the technical standards defined in the Grid Codes.

3. LICENCE CONDITIONS

This section sets out proposed draft license modifications to the respective TSO licenses. This consultation does not represent the jurisdictional modifications procedure that is required to be followed before a license modification may be given effect to under either Section 20 of the Electricity Regulation Act 1999 or Article 14 of the Electricity (Northern Ireland) Order 1992 but, rather, is an overarching policy consultation to inform the formal statutory consultations which will follow the SEM Committee's review of the outcomes of this consultation.

3.1 Proposed Licence Modifications

A number of modifications to the TSOs' licence conditions will be required to give effect to SEM Committee's decisions on the FASS design and to ensure compliance with EU law. These include updated definitions under Condition 1 of the respective licences, and further modifications required to give effect to the SSC and to ensure alignment with the EU requirements for the market-based procurement of Ancillary Services. These are detailed below.

The SEM Committee anticipates that, given the SSC will contain comprehensive commercial arrangements which will govern the procurement of All-Island System Services, no further licence modifications will be required to give effect to FASS, however that does not preclude the CRU or the UR from recommending further relevant modifications if a need becomes apparent.

A detailed mapping exercise was undertaken to identify and finalise the legal drafting of the proposed licence modifications. This process involved a comprehensive review of existing licence conditions, Grid Code provisions, and relevant EU legislation to ensure consistency with current market design and operational requirements. All the proposed licence modifications will be subject to the statutory consultation process, as set out in Article 14 of the Electricity (Northern Ireland) Order 1992 and Section 20 of the Electricity Regulation Act 1999.

To facilitate effective implementation and stakeholder engagement, the RAs' approach to introducing the licence modifications is designed to ensure regulatory clarity, operational readiness, and alignment with broader SEM Committee policy objectives.

3.1.1 Modification of Condition 1 of EirGrid and SONI TSO Licence

The proposed modifications outlined in the table below reflect modifications to Condition 1 of both the SONI and EirGrid Licences. These modifications constitute new definitions of All-Island System Services and System Services Code and amendment of the Ancillary Services definition in order to align with EU law and the SEM Committee HLD.

“Ancillary Services”	means a service necessary for the operation of a transmission or distribution system, including balancing and non-frequency ancillary services, but not including congestion management. ⁴
“All-Island System Services”	means any Ancillary Services which have been determined by the SEM Committee to be subject to All-Island procurement processes and which are defined as such in the System Services Code.
“System Services Code”	means the code of that name referred to in Condition 6B [EIRGRID TSO Licence] / Condition 45 [SONI TSO Licence].

3.1.1 Addition of new System Services Code condition

Under the FASS HLD Decision paper, the SEM Committee set out the need for a robust governance framework to give effect to new market arrangements for the procurement of All-Island System Services. This included the establishment of the SSC code detailing the market rules for the new framework. The decision set out that the SSC would be maintained by the TSOs, subject to regulatory approval and oversight. Licence modifications are now required to introduce obligations on the TSOs to give effect to the SSC.

The SSC will define the commercial rules for procurement of these products and how the TSOs will operate the markets and procurement frameworks for both balancing capacity and non-frequency All-Island System Services. By consolidating these arrangements into a single code, overseen by the Regulatory Authorities (RAs), the SSC will replace all existing rules, documents and contractual frameworks for All-Island System Services with a single coherent, enforceable framework.

To ensure that the Code is implemented appropriately, and to ensure the TSOs have the necessary powers to enforce the Code, the SEM Committee considers there to be a need to introduce a new condition to the respective TSO licenses.

3.1.2 Modification of Condition 11 of EirGrid TSO Licence

Condition 11 of the EirGrid TSO Licence currently obliges the Licensee to procure assets, services, and Ancillary Services in a manner that is economical, reliable, diverse, and timely. While this condition provides a solid foundation for procurement, it does not fully reflect statutory requirements⁵ to procure both balancing ancillary services and non-frequency ancillary services through transparent, non-discriminatory and market-based

⁴ Article 2(48), Directive (EU) 2019/944

⁵ Article 40, Regulation (EU) 2019/944 and S.I. 227/2022

procedures. The statutory instrument also provides that the TSO may seek a derogation for the market-based procurement requirements for non-frequency Ancillary Services if it is more economically efficient than market-based procurement.

This provision already establishes that the TSO must procure services not only on the basis of cost efficiency, but also with reference to the secure and reliable operation of the transmission system. Regulation 8 of S.I. No. 445 of 2000 requires the TSO to ensure the availability of all Ancillary Services necessary for the safe, secure, and economic operation of the transmission system. Section 14(11) of the Electricity Regulation Act 1999 reinforces this by giving the CRU powers to monitor and enforce compliance with obligations relating to system security.

It is therefore important that Condition 11 is read, in the context of the procurement of ancillary services, in terms of ensuring this is done to both ensure system security and to procure through market-based means insofar as possible. There is therefore a requirement for the TSOs to consider the consumer cost to procure Ancillary Services and system security when operating the market, and in developing the methodologies to determine the volumes, locations, and design of the products.

The proposed amendments to Condition 11 explicitly embed this principle by clarifying that the TSO's procurement of Ancillary Services must prioritise system needs, while applying competitive, transparent, and non-discriminatory processes wherever appropriate. Also, it clarifies the scope of the existing duty by distinguishing between the procurement of physical assets and the procurement of ancillary services. Physical assets will continue to be procured on the basis of economic efficiency, but Ancillary Services will be explicitly tied to the requirements of system security and market-based procurement. This reflects the fact that Ancillary Services are not discretionary but essential, and that their procurement must be guided by both technical necessity and cost considerations.

In doing so, the amendments align procurement practices with both the commercial and procedural framework of the SSC and the broader regulatory objectives set by the SEM Committee. This ensures that System Services are delivered efficiently and reliably, while still encouraging market participation and investment by third parties, including renewable generators, storage operators, and aggregators.

3.1.3 Modification of Condition 29 of SONI TSO Licence

Condition 29 of the SONI Transmission System Operator Licence governs the economic purchasing of System Support Services. It requires the Licensee to contract for such quantities and types of services as are necessary to enable it to discharge its obligations under the Electricity (Northern Ireland) Order 1992, the Energy (Northern Ireland) Order 2003, the SEM Order, and the SONI Licence. In doing so, the Licensee must procure these services from the most economical sources available, while having regard to diversity, reliability, and timeliness of delivery, and must avoid conduct that would restrict or distort competition in the provision of such services.

With the decision to introduce a standalone All-Island System Services Charge, there is a need to modify SONI's TSO License which governs the procurement of ancillary services, including System Services, by the Licensee, by reference to the same obligations as Condition 29. There is also a need to enable regulatory governance of the method of procurement for ancillary services, as set out in EU legislation. Given the establishment of a standalone System Services charge, the costs associated with System Services will no longer be recovered through the System Support Services Charge. The UR considers it appropriate, therefore, to modify Condition 29 to cover the requirements around the procurement of Ancillary Services through market-based procedures.

These provisions reflect the same underlying principles as Condition 11 of the EirGrid licence: the TSO must ensure that all services required for the secure and efficient operation of the transmission system are available and procured through market-based means unless there is evidence that it is more economically efficient to procure non-frequency Ancillary Services through non-market-based measures and a derogation is granted by the Utility Regulator. It also ensures alignment with the EU regulations, allowing System Services to continue to be procured on an All-Island basis.

3.1.4 SONI TSO Licence Condition 42

The Regulatory Authorities acknowledge work is ongoing with SONI regarding the FASS programme, System Services Code and compliance with Licence Condition 42.

3.1.5 Amendment to SONI TSO Licence Annex 1 – Charging Restrictions

Under Annex 1, of SONI's TSO licence, revenue for a particular period is calculated based on a t-2 approach, whereas, under the FASS arrangements, it is proposed that revenue will be recovered on a t-1 basis. In order to account for this difference in treatment, the UR may consider removing system services out of the At term, within the Annex and provide a separate FASSt term for the auction costs, outside of the core SSS revenue, in much the same way as CAIRt (Moyle) or CEpt (Clean Energy Package) works.

3.2 Generator Licences

The obligations on generators in relation to System Services are already firmly established in both jurisdictions, through legislation, licence conditions, and the Grid Code. However, the RAs are currently considering whether accession to the System Services Code should be made mandatory for any, some, or all providers which may require modification to the generator licence.

3.3 Supplier Licences

The requirement to modify supplier licences to give effect to the FASS Supplier Charge is currently under review. There may be a requirement to introduce a clause which would obligate suppliers to pay the Supplier Charge, or alternatively the Supplier Charge may be categorised as an element of the Network Charges and fall within that condition. This alternative process wherein the TUoS framework is the legal basis for levying the Supplier charge through Supplier TUoS Agreement(s) specifically covering Other Charges, in addition to Use of System Charge was recommended by SONI and EirGrid during the FASS Charge consultation process⁶.

⁶ [FASS-Charge-Consultation-Paper-July-2024-EirGrid.pdf](#)

4. NEXT STEPS

The SEM Committee welcomes comments in relation to the proposals set out in this paper. The consultation will be open from 15 September 2026 to 27 October 2026. Following this, the SEM Committee will publish a decision and the CRU and the UR will respectively commence the formal licence modification procedures for each jurisdiction, which will include further statutory consultation windows for each. Ultimately the respective RAs will make the final licence modification decisions for each jurisdiction, having consideration for the statutory processes and the feedback received through this policy consultation.

Should stakeholders have any queries or comments, please contact Harry Enwereonu (henwereonu@cru.ie) or Bronagh McKeown (bronagh.mckeown@uregni.gov.uk).

5. APPENDICES

5.1 APPENDIX 1 (Licence Modifications)

5.1.1 Modification of Condition 1 of EirGrid and SONI TSO Licence

Condition 1 [EIRGIRD] / Condition 1 [SONI] Interpretation and Construction

"All-Island System Services" means any Ancillary Services which have been determined by the SEM Committee to be subject to All-Island procurement processes and which are defined as such in the System Services Code.

"Ancillary Services" means a service necessary for the operation of a transmission or distribution system, including balancing and non-frequency ancillary services, but not including congestion management.

"System Services Code" means the code of that name referred to in Condition 6B [EIRGRID TSO Licence] / Condition 45 [SONI TSO Licence].

5.1.2 New System Services Code Licence Condition

Condition 6B [EIRGIRD] / Condition 45 [SONI] System Services Market

1. The Licensee shall enter into and, in conjunction with the [Ireland or Northern Ireland] System Operator, at all times administer and maintain in force, the System Services Code, being a document which:
 - a. has been approved by the [Commission or Authority];
 - b. makes provision in respect of the System Services Arrangements described in paragraph 3;
 - c. is designed to facilitate achievement of the objectives set out in paragraph 4;
 - d. contains modification procedures which provide that any modifications to the System Services Code (but not, necessarily, to the Agreed Procedures) must be subject to the prior approval of the [Commission or Authority] and which enable the [Commission or Authority] to propose amendments in order to approve the proposed modifications to the terms or conditions or methodologies of the System Services Code;
 - e. adopts, on the date of such designation, as the System Services Code the document designated as such by the [Commission or Authority] for the purposes of this Condition; and
 - f. on an on-going basis reviews and proposes such modifications to that document (in accordance with the modification provisions therein) as would be necessary to ensure that that document meets the requirements of this paragraph 1.

2. The Licensee shall comply with the System Services Code insofar as it is applicable to it as the holder of a licence granted under [Section 14(1)[e] of the Act or Section 10(1)[b] of the Order].
3. The System Services Arrangements referred to in paragraph 1(b) are arrangements required to ensure the secure and stable operation of the All-Island Transmission System including (without limitation) rules and procedures for the governance, settlement and procurement of All-Island System Services and the establishment and maintenance of any framework for the economic and efficient procurement of sufficient All-Island System Services.
4. The objectives referred to in paragraph 1(b) are:
 - a. to facilitate the efficient discharge by the Licensee of the obligations imposed on it in relation to the procurement of All-Island System Services under [Condition 11/Condition 29] of this licence, and to facilitate the efficient discharge by the [Ireland or Northern Ireland] System Operator of similar obligations imposed on it by its Licence;
 - b. to facilitate the efficient, economic and coordinated operation, administration and development of the System Services Markets and the provision of adequate All-Island System Services in an efficient and economic manner;
 - c. to facilitate the participation of undertakings including electricity undertakings engaged or seeking to be engaged in the provision of System Services in the System Services Markets;
 - d. to promote competition in the provision of All-Island System Services within the System Services Markets;
 - e. to provide transparency in the operation of the System Services Markets;
 - f. to ensure no undue discrimination between persons who are, or may seek to, become parties to the System Services Code and participate in the System Services Markets; and
 - g. through the development of the System Services Markets, to promote the short-term and long-term interests of consumers of electricity with respect to price, quality, reliability, and security of supply of electricity across the Island of Ireland.
5. The Licensee shall provide to the [Commission or Authority] such information as the [Commission or Authority] may request concerning the System Services Code or any aspect of its operation.
6. The Licensee shall provide to the [Commission or Authority], upon request, such information as the [Commission or Authority] may reasonably require in relation to the

assessment, determination and procurement of system services, including information relating to identified system needs, the volumes of system services procured or to be procured, and the basis and methodology upon which such needs and volumes have been determined

Coming into Effect

7. The provisions of this Condition shall come into effect on such day, and subject to such transitional arrangements, as the [Commission or Authority] may by discretion appoint. Different days may be so appointed for different provisions and for different purposes.

Definitions:

8. In this condition:

“Agreed Procedures” means the detailed procedures that form part of the System Services Code, but which are subsidiary to the main provisions of the code, as (subject thereto) such expression is defined in the code;

“System Services Arrangements” means the arrangements relating to the governance, settlement and procurement of All-Island System Services at paragraph 3 of this licence condition.

“System Services Markets” means the regulated competitive frameworks, approved by the [Commission or Authority] for the purposes of this condition, for the economic and efficient procurement of All-Island System Services to include all procurement mechanisms as set out in the System Services Code.

9. This condition is specified as a standard of performance in connection with the provision of electricity supply services, in accordance with Regulation 26(1) of SI 60 of 2005.

5.1.2 Modification of Condition 11 Of EirGrid TSO Licence

Condition 11. Economic Procurement of Assets, Services and Ancillary Services

1. The Licensee shall procure such assets and services, and such quantities and types of Ancillary Services as may be necessary and appropriate to enable the Licensee to discharge its obligations under the Act, SI 445 of 2000, SI 60 of 2005, the Single Market Regulations and this Licence.
2. In procuring assets, services and Ancillary Services pursuant to paragraph 1, without prejudice to the Infrastructure Agreement and System Operator Agreement, the Licensee shall procure such assets, services and Ancillary Services from the most economical sources available to it having regard to the quantity and nature of the assets, services and Ancillary Services required to enable it to discharge its obligations under the Act, SI 445 of 2000, SI 60 of 2005 and this Licence and to the diversity,

number, timeliness of delivery and reliability of such assets, services and Ancillary Services. Where appropriate, taking into account the quantity, nature and cost of Ancillary Services, the Licensee shall make arrangements for such contracting in cooperation with the Northern Ireland System Operator.

3. This Condition shall not extend to prescribing the manner or circumstances in which the Licensee shall at any time call for the delivery of assets and services under any contract or arrangement entered into pursuant to paragraph 1.
4. Any provision of assets, services or Ancillary Services:
 - a. to the Licensee by any affiliate or related undertaking of the Licensee; or
 - b. by the Licensee to any affiliate or related undertaking of the Licensee, shall be on arms-length terms.
5. Any provision of assets, services or Ancillary Services of a material nature by the Transmission System Operation Business to any Separate Business of the Licensee, or by any Separate Business of the Licensee to the Transmission System Operation Business shall (insofar as possible given that they are a single legal entity) be undertaken on arms-length terms (or such other specific terms as agreed in advance in writing by the Commission); and:
6. where such Separate Business is the Market Operation Activity and / or the NEMO Activity, the cost of such provision shall be apportioned between the Transmission System Operation Business and the Market Operation Activity and / or the NEMO Condition (as appropriate) at cost; and
7. where such Separate Business is not the Market Operation Activity and / or NEMO Activity, the cost of such provision shall be apportioned between the Transmission System Operation Business and such Separate Business at a commercial rate.
8. Any question arising as to materiality shall be determined by the Commission for the purposes of this Condition.
9. The Licensee shall procure All-Island System Services through System Services Markets and in accordance with the requirements set out in Regulation 8 of SI 445 of 2000.
10. The Licensee is prohibited from procuring Non-frequency All-Island System Services through non market-based means, unless the Commission has assessed that market-based provision of Non-frequency All-Island System Services is economically not efficient and has granted a derogation.
11. In procuring Ancillary Services other than All-Island System Services, the Licensee shall procure such services through processes approved by the Commission and in accordance with the requirements set out in Regulation 8 of SI 445 of 2000.

12. This condition is specified as a standard of performance in connection with the provision of electricity supply services, in accordance with Regulation 26(1) of SI 60 of 2005.

Definitions

In this Condition:

“Non-frequency All-Island System Services”	Means the subset of All-Island System Services as categorised under the System Services Code
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5.1.3 Modification of Condition 29 Of SONI TSO Licence

Condition 29. Economic Purchasing of System Support Services

1. The Licensee shall contract for the provision of such quantities and types of System Support Services at any time available as may be appropriate to enable it to discharge its obligations under the Order, the Energy Order, the SEM Order and the Licence (including Conditions 20 and 21). Where appropriate, taking into account the quantity, nature and cost of the System Support Services in question, the Licensee shall make arrangements for such contracting in co-operation with the Republic of Ireland System Operator.
2. In contracting for the provision of System Support Services pursuant to paragraph 1, the Licensee shall purchase or otherwise acquire System Support Services:
 - (a) from the most economical sources available to it, or available to the Republic of Ireland System Operator, having regard to:
 - (i) the quantity and nature of the System Support Services required to enable discharge of its obligations under the Order, the Energy Order, the SEM Order and the Licence (including Conditions 20 and 21); and
 - (ii) the diversity, number and reliability of such System Support Services at that time available for purchase or other acquisition;
 - (b) in a manner which does not prevent, restrict, or distort competition in the availability of, or in any of the markets for, System Support Services, to the detriment of electricity consumers; and
 - (c) in accordance with the Procurement Principles and Procurement Procedures established and published pursuant to paragraph 4.

3. This Condition shall not extend to prescribing the manner or circumstances in which the Licensee shall at any time call for the delivery of System Support Services under any contract entered into pursuant to paragraph 1.
4. The Licensee shall, no later than the date specified in a direction issued by the Authority for the purposes of this paragraph 4:
 - (a) following consultation with persons from whom it may purchase System Support Services, prepare, submit to the Authority for approval and have approved by the Authority, a document that sets out the principles and criterion the licensee will follow in establishing procurement processes and procedures for the purchase or acquisition of all System Support Services, excluding Fuel Switching Services, that meet the requirements of paragraphs 2(a) and (b) (the **Procurement Principles**);
 - (b) establish and at all times have in force, implement and comply with such procurement processes and procedures as will facilitate the licensee's compliance with the requirements of paragraph 2(a) and (b) for the purchase or acquisition of all System Support Services, excluding Fuel Switching Services, (the **Procurement Procedures**); and
 - (c) publish on its website, and send free of charge to any person requesting, an up to date copy of the Procurement Principles and the Procurement Procedures.
5. The Licensee shall contract for the provision of such quantities and types of the subset of Ancillary Services determined by SEM Committee to be subject to All-Island System Services procurement processes and defined under the System Services Code through System Services Markets, at any time available as may be appropriate to enable it to discharge its obligations under the Order, the Energy Order, the SEM Order and the Licence (including Conditions 20 and 21).
6. In contracting for the provision of All-Island System Services pursuant to paragraph 5, the Licensee shall purchase or otherwise acquire All-Island System Services:
 - (a) from the most economical sources available to it, or available to the Republic of Ireland System Operator, having regard to:
 - (i) the quantity and nature of the All-Island System Services required to enable discharge of its obligations under the Order, the Energy Order, the SEM Order and the Licence (including Conditions 20 and 21); and
 - (ii) the diversity, number and reliability of such All-Island System Services at that time available for purchase or other acquisition;
7. In procuring All-Island System Services pursuant to paragraph 5 and paragraph 6, the Licensee shall procure Balancing Capacity System Services, on an all-Island basis in co-ordination with the Republic of Ireland System Operator, subject to the following:

- (a) transparent, non-discriminatory and market-based procedures:
- (b) the participation of all qualified electricity undertakings and market participants, including –
 - (i) market participants offering energy from renewable sources;
 - (ii) market participants engaged in demand response;
 - (iii) operators of energy storage facilities, and
 - (iv) market participants engaged in aggregation.

8. Licensee is prohibited from procuring Non-frequency All-Island System Services through non-market-based means, unless the Authority has assessed that market-based provision of Non-frequency All-Island System Services is economically not efficient and has granted a derogation.
9. In procuring System Support Services and Ancillary services other than All-Island System Services, the Licensee shall procure such services through processes approved by the Authority and in accordance with the requirements set out in Paragraph 7(a).

Note: Fuel Switching Services from paragraph 5 onwards under Condition 29 of the current licence will remain, with the numbering for this section starting from “10.”.

Definitions

In this Condition:

“Balancing Capacity System Services”	means a subset of All-Island System Services as categorised under the System Services Code.
“Non-frequency All-Island System Services”	Means the subset of All-Island System Services as categorised under the System Services Code
“Agreed Procedures”	means the detailed procedures that form part of the System Services Code, but which are subsidiary to the main provisions of the code, as (subject thereto) such expression is defined in the code.

5.2 APPENDIX 2 (Hierarchy/Priority of the System Services Code)

In the event of any conflict between any Party's obligation pursuant to any Legal Requirements and the Code, such conflict shall be resolved according to the following order of priority:

- a) requirements under Applicable Laws;
- b) any applicable requirement, direction, determination, decision, instruction or rule of any Competent Authority;
- c) the applicable Licence;
- d) the Grid Code applicable to the relevant Providing Unit concerned;
- e) the Metering Code applicable to the relevant Providing Unit concerned;
- f) the System Services Code
- g) the Capacity Market Code
- h) the Trading and Settlement Code;