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Submission to:

“CRM 2.0: Consultation on Design Options for proposed amendment to SEM Capacity Remuneration Mechanism”

https://www.semcommittee.com/files/semcommittee/2026-07/sem-26-037-consultation-crm-design-options_v200.pdf

Deadline: 4 September 2026 5pm

Submitted to CRMsubmissions@cru.ie and crmsubmissions@uregni.gov.uk

Summary

The capacity mechanism aims to support energy security when wind/solar energy is scarce, but should not continue to support fossil fuel infrastructure, and should not subsidise large energy users at the expense of households and communities. An ideal way to support energy security is through community level batteries, or other community owned energy storage infrastructure, which should be specifically targetted for supports.

The Capacity mechanism should support community-owned energy storage

- Capacity mechanism should pro-actively support community owned batteries and other community-owned energy storage infrastructure. Local community-owned energy storage has multiple benefits including
 - Local economic benefits, channelling capacity mechanism payments to local communities rather than fossil gas plants or large energy users. This will also allow communities to generate revenue through charging/discharging to time of use tariffs, particularly after energy sharing is introduced.

- Community batteries can support the grid and ESB networks / NIE networks in the context of local grid constraints, and reduce the scale of grid upgrades needed for the energy transition
- Local buy-in to the energy transition
- Increased awareness in households and communities of energy issues through knowledge and awareness of when their community battery is charging and discharging, and when renewables are plentiful or scarce.
- If community owned batteries are paired with “Community support centres” ie a community building which acts a centre in emergency situations, this can provide local power resilience and services to the community during grid disruptions, which will be increasing in frequency due to climate change.

The capacity mechanism should not support fossil fuel infrastructure or subsidise large energy users

- Fossil fuel infrastructure should not be eligible for capacity mechanism supports
- Carbon capture and storage (CCS), so called “hydrogen ready” infrastructure, and hydrogenated vegetable oil (HVO) ie palm oil, should not be eligible for capacity mechanism supports
- Demand Side Units (DSUs) (such as data centres and other large energy users)
 - should not be eligible for capacity mechanism supports if they have on-site fossil fuel generators; and
 - should not be eligible for capacity payments for availability to reduce grid demand from a baseline (ie being paid to be available to reduce demand from the grid from a normally high level, ie being paid more the more the DSU normally consumes from the grid - in effect a subsidy for high consumption of grid electricity by large energy users)
- Capacity mechanism supports should be provided *only* for availability to export to the grid during scarcity periods, from energy storage assets

Capacity mechanism charges should be equitable

- Households, particularly vulnerable households, and community organisations, should be exempted from capacity mechanism charges
- Large energy users (including data centres) should face full, high, unsubsidised prices for electricity at all times, particularly peak and scarcity times, and should face full capacity charges

1. Do stakeholders agree with the proposal to adopt a T-5 timeframe as the standard for main capacity auctions under CRM 2.0? Please include supporting rationale

The proposal to provide gas plants with 5 year Capacity Remuneration Mechanism (CRM) contracts is to be strongly rejected, as this could lock consumers into expensive, long-term

subsidies for fossil fuel infrastructure. These polluting plants would then be locked into the country's power system for their full economic lifetime of 25-30 years.

Ireland's capacity market has been playing a central role in maintaining the share of gas in Ireland's power mix. To meet the national 80% renewables target and ensure that Ireland meets its legally binding emission reduction targets under EU and national law, the Irish government should **commit to phase out fossil gas plant payments via the capacity mechanism and re-direct funding into clean, fossil-free options, including community owned batteries and energy storage.**

8. Is there a risk of incentivising CMUs to over-declare availability, and should additional testing be introduced to mitigate this?

Testing which involves advance notice of test times being arranged with Capacity Market Units (CMUs) is not robust, as CMUs can simply be set up to perform for the test, and then not be available during actual scarcity periods. In particular, Demand Side Units (DSUs) such as large energy users including data centres can simply maximise their consumption of power and then drop that power during testing, to get higher CRM payments on an ongoing basis. Payments to DSUs for being available to drop their demand from the grid involves paying more the more the large energy user consumes normally (pay more for higher baselines), and therefore subsidises over-consumption of power by large energy users. Capacity payments should only be for availability to export to the grid from energy storage assets (not using on-site fossil fuels), and should not be paid for simply being available to temporarily reduce what large energy users normally consume.

11. Do stakeholders agree that a unit-specific DRF methodology should apply to all technology classes? If not, which technologies should be excluded and why?

De-rating means reducing CRM payments due to likelihood of the capacity not being available during scarcity periods. Currently the de-rating factors favour fossil fuel over energy storage - simply by being a fossil fuel asset, the payments are discounted less than for energy storage.

If de-rating factors are applied at all, they should be based on the actual availability of the assets during scarcity periods, and not be set to fixed values based on technology type in ways that favour fossil fuels. For a long time, batteries and energy storage have received unfavourable treatment in the capacity mechanism in Ireland. The goal of changing this to ensure that energy storage has better access to the capacity mechanism is to be supported.

13. Do stakeholders agree that capacity charges should be more strongly targeted at periods of system scarcity? Please provide rationale.

Those who contribute the most to capacity concerns should pay the cost. However, a socially just approach is needed, which is focused on those most able to pay, and those who contribute to overall capacity concerns – with safeguards to ensure that households and communities are not left with higher bills.

Energy demand in Ireland is projected to spiral as more and more data centres seek to come online. Ireland currently hosts 82 operational data centres, with 14 more under construction and planning approval granted for an additional 40, predicting a 65% growth in the sector in the coming years. The percentage share of total metered electricity consumption used by data centres rose to 23% in 2025.

Data centres make the peak significantly higher than it would otherwise be. They *always* contribute to peak demand, precisely because of their constant demand profile. The absence of large hourly fluctuations does not negate the constant baseload of data centre demand -- in fact, a constantly high baseload leads to excessive demand at times when society also requires energy at peak times.

It would be unjust if other consumers such as households and communities were identified as the responsible party for 'peak demand', and asked to cover costs – particularly given the existing subsidisation of data centres by the Irish public.

It is appropriate to incentivise the move away from peak demand to non-peak times through ensuring that large energy users face high, non-subsidised, electricity prices during peak periods.

Households and communities should be supported in this shift through the design of time-of-use tariffs which protect vulnerable households who are unable to shift demand, while supporting (through support for open-source home energy management software and requiring interoperability from the manufacturers of heat pumps, electric vehicles etc) and incentivising (through dynamic time of use tariffs) households who are able to shift demand, to do so, as well as providing support for community-owned batteries to facilitate energy sharing between households who have more ability to be flexible and households who have less ability to be flexible, within a community. Applying capacity mechanism charges to households and communities in line with their peak demand is not the appropriate, effective or fair way of supporting this shift.

16. Should capacity charges vary across consumer categories? If so, on what basis should differentiation be applied?

The suggestion of introducing varying charges across different consumer categories is to be welcomed - with a focus on the most energy-intensive industries. Households and community organisations should be excluded from additional capacity charges, with the focus instead on energy intensive industries.

If this approach is not taken and guardrails are not put in place, there is a strong possibility that household energy bills could increase in a manner which is socially and morally unacceptable. With Irish annual household energy bills having already increased by over €600 since 2020, families and communities can ill-afford further price hikes.

18. Do stakeholders agree that provision for a Green Sclar should be included in the CRM 2.0 State aid application, but not implemented at this stage?

A Green Sclar scheme which supports energy storage including batteries, and with targetted supports for community owned batteries and energy storage, can be implemented immediately.

The consultation paper references Carbon Capture and Storage (CCS), hydrogen-readiness and hydrogenated vegetable oil (HVO) in the context of the Green Sclar.

It is important to note that CCS, even after 20+ years of investment, has shown little real world impact. Potential future leaks of captured CO₂ mean capture can be ineffective. It does not make sense to subsidise release of carbon and capture of it, rather than simply supporting technology which does not release carbon in the first place. CSS should not be included in the Green Sclar scheme, and fossil fuels, whether or not CSS installed, should not be included in the capacity mechanism generally.

Hydrogenated vegetable oil (HVO) should also be excluded from the scheme on the basis that it comes from palm oil from deforested areas of the global south, whether directly or indirectly (via over-use of palm oil in restaurants/take-aways).

‘Hydrogen readiness’ (that gas plants can receive the bonus for incorporating equipment that is capable of burning a blend of up to 30% volume hydrogen) should not qualify a fossil fuel asset for the capacity mechanism or the green scalar. This risks long-term fossil fuel dependency and exaggerates the role hydrogen can and should play in decarbonised electricity systems.

The CRU should exclude data centres', and other large-energy users', on-site fossil generation from accessing the capacity market via demand side flexibility contracts. This generation is inefficient and carbon-intensive.

It is also inequitable to pay large energy users to temporarily reduce demand from a high baseline, with higher baselines being rewarded. The Capacity Remuneration Mechanism and the green scaler should only be accessible to units which are capable of exporting to the grid from energy storage assets and which do not generate electricity on-site using fossil fuels, whether or not CSS is used, or generators are "hydrogen ready", and with targetted supports for community owned energy storage.

22. Do stakeholders agree with the proposed eligibility criteria (zero/near-zero emissions and positive value of avoided emissions relative to cost)? Are there additional or alternative criteria that should be considered?

The CO₂ threshold should be set at a level where gas plants cannot access the bonus for being 'low carbon'. Additional factors should include:

- A full lifecycle analysis of emissions from plants, including including methane considered in the threshold
- Exclusion of so-called 'hydrogen ready' plants
- Exclusion of carbon capture and storage (CCS) plants
- Exclusion of hydrogenated vegetable oil (HVO) - HVO produced from palm oil and other food crops should be excluded because of its high life-cycle emissions, including from indirect land use change (ILUC).

Local community-owned energy storage, which is not coupled with fossil fuel generators, should be targetted for supports.