



**Single Electricity Market  
(SEM)**

**SEMO Revenue Requirement for  
2024/25**

Information Paper

**SEM-24-058  
21 August 2024**

## EXECUTIVE SUMMARY

On 27 June 2024 SEMO submitted its 2024/25 revenue requirement of €33.173m and the 2022/23 K-Factor which represents the final adjustment to close out that year. The K-Factor submission was for €4.679m of an over-recovery (in March 2024 prices). Combining these two elements SEMO's revenue requirement submission totaled €28.494m.

The RAs have reviewed SEMO's submission and calculations. Following engagement with SEMO, the final revenue requirement for the purpose of calculating tariffs is set out in Table 1 below for the period from 1 October 2024 to 30 September 2025.

Category	€m (March 2024 prices)
2024/25 SEM Revenue (as per Proxy Decision)	30.842
2022/23 SEM K-Factor (over-recovery)	(4.679)
<b>Total Revenue Required for 2023/24 Tariffs</b>	<b>26.162</b>

**Table 1**

SEMO submitted a revenue requirement for 2024/25 of €33.173m based on its Business Plan submission for the new Price Control which will cover the period 01 October 2024 to 30 September 2029. The RAs approved revenue requirement for 2024/25 of €30.842m is an estimated value in advance of a decision on the new Price Control. The revenue requirement will be updated once the price control has been determined and any correction made through the 2024/25 K-Factor as part of the 2026/27 revenue requirement. This is outlined further in Section 2.1.

SEMO submitted a 2022/23 SEM K-Factor, identifying an over-recovery of €4.679m, which will reduce the Total Revenue Required for 2024/25 tariffs. Following a review of the submission, the RAs have accepted the K-Factor over-recovery figure. This is outlined further in Section 2.2.

SEMO tariffs will be calculated using the above approved revenue requirement and published by SEMO.

The revenue requirement for 2024/25 and other figures in this information paper are in March 2024 prices, unless stated otherwise.

## Contents

1. Introduction .....	4
1.1 Background .....	4
2. SEMO 2024/2025 Revenue Requirement.....	4
2.1 2024/25 SEM Revenue Requirement.....	4
2.2 SEM-21-073 2022/23 SEM K-Factor.....	5
2.3 Total Revenue Requirement for 2024/25.....	7

# 1. Introduction

---

## 1.1 Background

The SEMO revenue requirement outlined in this information paper covers the period from 1 October 2024 until 30 September 2025. This includes the 2022/23 K-Factor and forecasted 2024/25 revenue allowance for the SEM.

Further information on the 2024/25 SEM Revenue Requirement is provided in Section 2,1 and further information on the 2022/23 K factor is provided in Section 2.2 below.

## 2. SEMO 2024/2025 Revenue Requirement

---

### 2.1 2024/25 SEM Revenue Requirement

The SEM Oversight Committee (SEMOC) has approved the RA's recommendation for SEM Revenue Requirement for the purpose of setting tariffs for the period 01 October 2024 to 30 September 2025. The final revenue requirement is €26.162m for the Year 1 of the new price control period, in March 2024 prices.

This is based on Total Opex and Finance costs set out in Table 2.

SEM Revenue Requirement (€m)	Tariff Year 24/25 €m
Total Opex	21.597
Total Finance (Depreciation, WACC return, Margin, Parent Company Guarantee)	9.244
Total Revenue (March 2024 monies) before K-factor	30.842

**Table 2**

SEMO submitted a revenue requirement for 2024/25 of €33.173m based on its Business Plan submission for the new Price Control which will cover the period 01 October 2024 to 30 September 2029. The RAs approved revenue requirement for 2024/25 of €30.842m is an estimated value in advance of a decision on the new Price Control. The revenue requirement

will be updated once the price control has been determined and any correction made through the 2024/25 K-Factor as part of the 2026/27 revenue requirement.

The key issues considered and adjustment made to the submitted revenue requirement were:

- i) The general opex submitted by SEMO was reduced pending the outcome of the current price control decision. The allowed opex for 2024/25 is higher than the previous price control allowance to reflect the increased workload of developing and maintaining the Single Electricity Market.
- ii) An additional opex allowance was included in respect of IT services which were previously procured as capex.
- iii) The allowance for depreciation and WACC return is based on a move from financial asset additions as assets are commissioned to additions as incurred. This is consistent with our decisions on SEMO-px and will be considered further in the price control decision.
- iv) The margin recovered on pass through costs has been reduced from that requested by SEMO with the margin rate consistent with the last year of the previous price control.
- v) Following detailed verification, a capex allowance of €446k has been included for expenditure on Release G in FY 2020/21. This was first requested in the 2023/24 tariff year. The allowed expenditure has been added in the 2022/23 tariff year with the appropriate revenue allowance captured through the K-factor and included in future depreciation and WACC return calculations.

---

## 2.2 SEM-21-073 2022/23 SEM K-Factor

The 2021-2024 SEMO Price Control (SEM-21-073) built upon the implementation of the new SEM arrangements which began under the previous price control (SEM-18-003). 2022/23 represents the fifth year of the current SEM.

The 2022/23 SEM K-Factor is detailed in Table 3 below and shows an over-recovery of €4.679 m<sup>1</sup>, against the actual 2022/23 SEM tariff revenue.

The total revenue requirement for 2022/23 was €11.803m while €16.343m was recovered through tariffs for the period.<sup>2</sup>

---

<sup>1</sup> 2022/23 K-factor in March 2023 prices

<sup>2</sup> Both figures in March 2023 prices as per the table below.



Annual K-Factor Calculation for 2022/23		
Entitlement	Approved Revenues as per SEM-21-073 and adjusted under SEM-22-046 €'000's	Indexed to Mar 23 €'000's
	2022 Monies	2023 Monies
Internal OpEx Allowance	12,928	13,947
Depreciation	6,704	4,539
Margin	563	383
Parent Company Guarantee	300	300
Return on RAB	803	483
KPIs		225
Y-2 New SEMO K factor over recovery	(4,320)	(4,661)
FX (Profit)/Loss		282
Accession/Participation Fee Income		(212)
Market Bank Interest (Income)/expense		(3,388)
FX Adjustment		(94)
<b>Total Entitlement</b>	<b>16,978</b>	<b>11,803</b>
<b>Total Recovered on Tariffs</b>		<b>16,343</b>
<b>K Factor Over/(Under) recovery</b>		<b>4,539</b>

**Table 3**

The key drivers for the over-recovery are actual depreciation and WACC return being lower than forecast due to reduced actual capital expenditure than expected during the 2022/23 financial year.

The 2022/23 SEM K-Factor, shown in Table 4 below, is an over-recovery of costs which will be deducted from the revenue requirement for the 2024/25 tariffs. The value of the over-recovery in Table 4 (€4.539m in March 2023 prices) has been adjusted to March 2024 prices by the application of indexation as set out in the SEM-21-073 price control.

Category	€m (March 2024 prices)
2022/23 SEM K factor (over-recovery)	4.679

**Table 4**

---

## 2.3 Total Revenue Requirement for 2024/25

Category	€m (March 2024 prices)
2024/25 SEM Revenue (as per proxy)	30.842
2022/23 SEM K-Factor (over-recovery)	(4.679)
<b>Total Revenue Required for 2024/25 Tariffs</b>	<b>26.162</b>

**Table 5**