

2025/26 Imperfections

Mid-Year Review

7 April 2026 (V2.0)



Contents

1. Summary	4
2. Background	6
3. Imperfections Costs	7
3.1. Imperfections cost 01 Oct 25 to 30 Sept 26	7
3.2. Projected imperfections costs for 01 Mar 26 to 30 Sept 26.....	8
4. Imperfections Revenue	9
4.1. Imperfections revenue 01 Oct 25 to 30 Sept 26	9
4.2. Projection of Imperfections Revenue for 01 Mar 26 to 30 Sept 26	10
5. 2024/25 K Factor to be included in the 2025/26 tariff - Actual K factor for Y-2	10
6. Conclusion	12

Revision	Date	Description
v1.0	20/03/26	Issued to RAs
V2.0	07/04/26	Re-Issued to RAs with correction in projected spending amount

COPYRIGHT © EirGrid/SONI

All rights reserved. No part of this work may be modified or reproduced or copied in any form or by means - graphic, electronic or mechanical, including photocopying, recording, taping or information and retrieval system, or used for any purpose other than its designated purpose, without the written permission of EirGrid/SONI.

1. Summary

EirGrid and SONI are Transmission System Operators (TSOs). In this role, we take actions to ensure supply of power and system security to customers across the system in real time. The cost of these actions is known as imperfections costs. These costs are paid for via revenue from suppliers recovered through Imperfections Charges.

The purpose of this report is to describe the analysis undertaken by the TSOs mid-way through the 2025/26 Tariff Year, analysing the imperfections costs against the revenue recovered for same. This review is prepared as per the decision in [SEM-25-053](#).

The TSOs reviewed 5 months of actual imperfections costs and revenue (01 October 2025 to 28 February 2026) and prepared a revised forecast of cost and revenue for the next 7 months of the tariff year (01 March 2026 to 30 September 2026).

The estimates we provide in this mid-year report are based on best available data at the point of preparation (10 March 2026). The formal 2025/26 K factor forecast, to be prepared in May 2026 will be based on the best available data at that time and as such will differ from the data set out in this report. This formal K-Factor submission may also take into consideration any re-settlement risks as communicated to the Regulatory Authorities.

Table 1 outlines our current projection of imperfections cost and revenue to 30 Sept 26.

25/26 Imperfections	Original (€m) ¹	Updated Forecast Outturn (10 March 2026) (€)	Difference
Projected Imperfections Costs	606.81	616.84	(10.03)
2024/25 K factor included in 2025/26 tariff ²	183.43	183.43	0.00
Total Imperfections Costs (A)	790.24	800.27	(10.03)
Imperfections Revenue (B)	790.24	799.70	9.46
Adjustment to reflect actual 2024/25 K factor outturn position against forecast ³ (C)			5.56
Forecasted MWCCF ⁴ Interest 2025/26			(1.70)
Overall Forecast Outturn Position ⁵ (Over-recovery of charges) = (A) + (B) + (C)			3.29

Table 1: 25/26 Tariff Year Projection of Imperfections Revenue and Costs to 30 Sept 26

¹ Original Numbers as per SEMC Decision SEM-25-053 - Table 1

² Note the forecast 2024/2025 K factor was a forecast under recovery of €183.43m and therefore is added to the Projected Imperfections Costs to calculate the overall forecast Imperfections Costs.

³ See section 5 for further details.

⁴ Market Working Capital Credit Facility. Refer to Section 5 for further details.

⁵ Where at the end of a tariff year period an Over Recovery is known/forecast it is subtracted from the revenue requirement in the following tariff year period. Where at the end of a tariff year period an Under Recovery is known/forecast it is added to the revenue requirement in the following tariff year period.

As shown in Table 1, it is predicted that the end of Tariff Year 2025/2026 position will be c.€3.29m over-recovery based on current analysis.

Note: The K Factor correction considers adjustments from previous years, where imperfection costs were more or less than we expected. In the case of projected costs, the difference is calculated as the original forecast costs minus the updated forecast costs and hence a positive number contributes to an anticipated over-recovery as a result of lower costs than originally anticipated. For the imperfections revenue the difference is calculated as the updated forecast minus the original forecast and hence a positive number contributes to an anticipated over-recovery as a result of more revenue forecast than originally anticipated.

Noting that as of today (5 months to the end of February) we are seeing an under recovery of c. €0.57m (Imperfections Actual Revenue €799.70m - Imperfections Actual Costs €800.27m)

Prediction of imperfections costs is an inherently uncertain process. The values above are based on the TSOs median estimate. There is a degree of uncertainty around projection of actual imperfections spend, and the potential range of this spend could be between c.€857.64m and c.€616.84m. This could give rise to an associated K factor between c.-€237.51m and c.€3.29m, see Table 2.

25/26 Imperfections €m	Assumed weekly spend going forward	Associated projected spend 01 Oct 25 to 30 Sept 26 (Including CEP)	Estimated K factor as of 10 Mar 26
High spend	19.00	857.64	237.51 under recovery
Median spend	11.12	616.84	3.29 over recovery

Table 2: 25/26 Tariff Year Projection of Range of Imperfections Costs to 30 Sept 26 and corresponding estimated K factor

In determining the projection for imperfection costs for the next 7 months, our approach has been to observe the range of recent historical costs in the past 5 months. This approach gives rise to two scenarios - high / median. A low scenario was not considered in this analysis given the current volatile nature of Imperfections drivers particularly with the forecasted trends in fuel prices driven by the war in Iran. As a result the TSOs are of the view that historical weeks of low Imperfections spend is not reflective of the future forecast horizon of the 2025/26 tariff year.

High - €19.00m per week

This is based on average of 5 highest imperfection weekly spend since Oct 25. It is premised on the basis that what has happened year to date will persist going forward considering the highest spend.

Median - €11.12m per week

This is based on average weekly spend of operations since Oct 25. It is premised on the basis that what has happened year to date will persist going forward.

Given the potential outturn volatility in Imperfections Costs for the remainder of the 2025/26 tariff year due to the uncertainty in the projection of fuel costs, the TSOs conclude that the Imperfections median spend forecast is the most prudent estimate of end of year costs. We note that the TSOs have not included any consideration for the known defect which RAs are aware of, the TSOs may seek to include the defect in the end of year k-factor for inclusion in the setting of the 2026/2027 Imperfections Charge.

Given this projection, the TSOs are not proposing a mid-year change to the Imperfections Charge factor at this time and on the basis of the above this would give rise to an estimated end of year K-Factor position of €3.29 m over-recovery (as set out in table 1).

2. Background

In the 2022/23 Imperfections Decision Paper ([SEM-22-45](#)) the SEMC decided that “*The RAs will liaise with the TSOs to develop a biannual review⁶ of the costs covered by the Imperfections Charge. Therefore, it would be appropriate to put in place a biannual review to build on the TSOs’ Quarterly Imperfections Costs Reports and the calculations the TSOs currently use to determine the within-year K-factor. The biannual review would aim to provide a comprehensive estimate of whether any given Tariff Year is likely to result in an Imperfections Charge over or under-recovery*”.

The purpose of this report is to comply with this SEMC decision. In addition, this report would be a natural point at which a change to the Charge Factor may be proposed.

The Trading and Settlement Code (as per Mod_13_22) states that: “*The Market Operator may, of its own accord or in response to a request from the Regulatory Authorities, make an additional interim reports to the Regulatory Authorities during the Year that reviews the recovery of costs or other matters as the Regulatory Authorities may request, that may result in, proposing revisions to the Imperfections Charge Factor in the event that the values as originally proposed are, in the opinion of the Market Operator or Regulatory Authorities, likely to either: (a) do not provide for the adequate recovery of anticipated costs and such under recovery is such that it is. (b) over provide for the recovery of anticipated costs and such over recovery is such that it is not appropriate to include as an adjustment in subsequent Years.*”

The Charge Factor is a Trading and Settlement Code mechanism which allows for adjustment of the Imperfections Charge if it is apparent that the variance between cost and revenue is of a level that would not be appropriate to include as an adjustment in subsequent years. It allows for an adjustment to the Imperfections Charge to a level which that may more accurately reflect costs to revenues. It is intended to enable the revenues required to be recovered within the given year and thus minimise the K-factor for the relevant Tariff Year.

The TSOs also publish a Quarterly Report (published on [EirGrid](#) and [SONI](#) websites). This reports on imperfections costs against the **original forecast costs**. For the sake of clarity, this Mid-Year Report compares cost against **revenue** while the Quarterly Report compares against the **original forecast cost**. The comparison of costs against revenue (rather than cost against forecast cost) ensures an accurate view of the net position rather than a one-sided cost-only position.

It should be noted that the analysis in this report is based purely on a cash-flow comparison of imperfections cost against imperfections **revenue**. This comparison is aligned with how the K factor is determined.

⁶ The title “biannual review” is now referred to as “Mid-Year Report” to reflect the intention that it is produced approximately at the mid-point (after 5 months of data) of the Tariff Year.

3. Imperfections Costs

3.1. Imperfections cost 01 Oct 25 to 30 Sept 26

We have estimated the imperfections costs up to 30 Sept 26.

This was done by combining:

- actual cost for 01 Oct 25 to 28 Feb 26,
- projected costs from 01 Mar 26 to 30 Sept 26 based on recent historic data.

25/26 Imperfections	1 Oct 25 to 30 Sep 26 (€m) as of 10 March 2026
Imperfections Actual Cost (01 Oct 26 to 28 Feb 26)	239.88
Imperfections Projected Cost (01 Mar 26 to 30 Sept 26)	339.96
CEP (Art. 12 of Reg(EU) 2019/943)	37.00
Total Imperfections Tariff Cost - Forecast for year end	616.84

Table 3: Imperfections Cost - Forecast for year end.

As shown in Table 4, we then compared these updated imperfections cost projection to the approved *ex ante* assumed revenue requirement (excluding the K Factor). This analysis suggests that the outturn costs may be higher than the original forecast by c.€10.03m. However, in assessing the likely outturn position, in terms of the forecast 2025/2026 K-factor, the forecast 2025/2026 revenues and the actual 2024/2025 K factor position must also be taken into consideration. This is addressed later in this paper in Section 4 and 5.

25/26 Imperfections	1 Oct 25 to 30 Sep 26 (€m) (10 March 2026)
Imperfections original Costs SEM-25-053	606.81
Imperfections revised forecast Cost	616.84
Total Delta	(10.03)

Table 4: Imperfections Cost - Forecast for 2025/2026 tariff year end.

3.2. Projected imperfections costs for 01 Mar 26 to 30 Sept 26

In determining the projection for imperfection costs for the next 7 months, our approach has been to observe, the range of recent historical costs. The profile of recent weekly spend is shown in Figure 1 below. As there is a degree of uncertainty inherent in the projection of imperfection costs, we have prepared a range of possible costs.

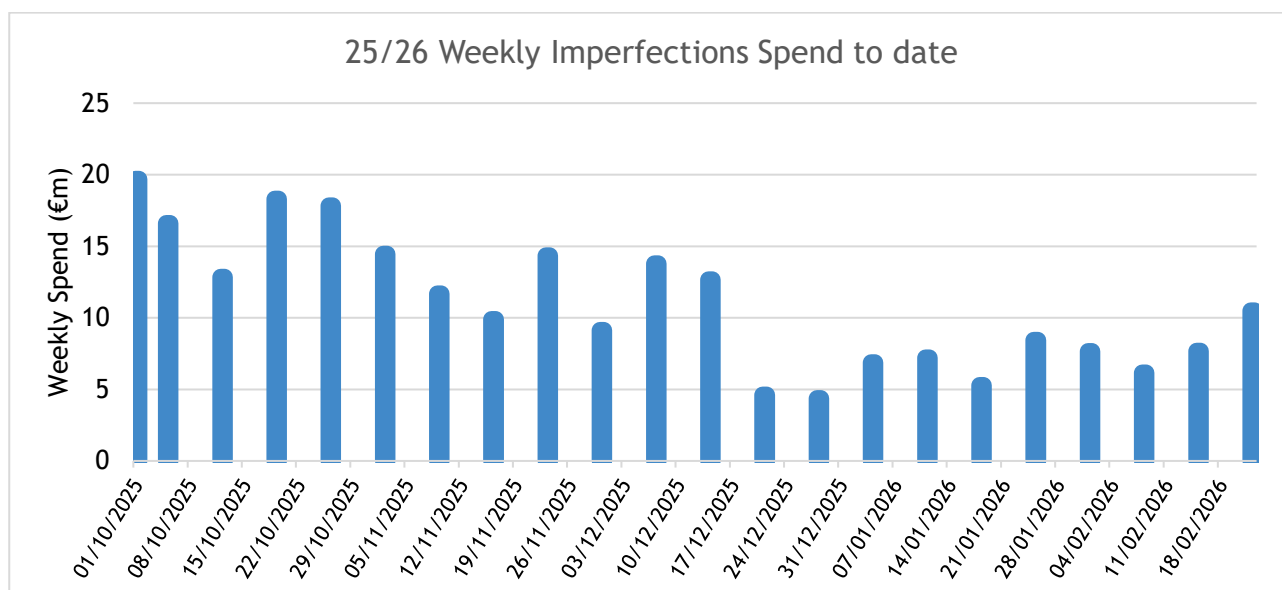


Figure 1: First 22 Weeks of Imperfection Cost for 25/26

High - €19.00m per week

This is based on average of 5 highest weekly spend since 01 Oct 25. It is premised that the network was operated in difficult conditions including high impactful generator forced outages.

Median - €11.12m per week

This is based on average weekly spend since Oct 25. This is premised that what has happened in past weeks will persist going forward. This data contains a mixture of high outlier data including high impactful forced generation outages and low outlier data including a drop in forecast fuel prices. It is considered that this is the best scenario to project future costs and somewhat account for the forecast high outlier expectation of fuel costs to come for the remainder of the tariff year.

The below is a high and median estimate of projected costs until 30 Sept 26.

Projected Imperfections Cost 01 Mar 26 to 30 Sept 26	€m per Week	Associated projected spend 01 Oct 25 to 30 Sept 26
High	19.00	857.64
Median	11.12	616.84

Table 5: Projected Imperfections Costs -01 Oct 25 to 30 Sept 26

Some of the factors which impact imperfections costs include wholesale fuel costs; levels of wind/solar; outages (of both generators and transmission network) and operational constraints. The actual imperfection costs will be a function of all these (and other) variables, with no single variable having dominant explanatory power.

In our view, historical data serves as the most reliable indicator for estimating imperfection costs over the next 7 months. As the actual imperfections spend is a function of a multitude of factors, with no single variable having dominant predictive power. Therefore, isolating any individual variable as the indicator, would lack meaningful context.

4. Imperfections Revenue

4.1. Imperfections revenue 01 Oct 25 to 30 Sept 26

The outturn imperfections revenue, recovered via the Imperfection Charge, up to 30 Sept 26 was estimated by combining actual revenue for 01 Oct 25 to 28 Feb 26 with our most recent projection of revenue from the 01 Mar 26 to 30 Sept 26 will be, shown in Table 6.

25/26 Imperfections Tariff Revenue	1 Oct 25 to 30 Sep 26 (€m) (10 March 2026)
Original Tariff Revenue Requirement (Includes K-factor of €183.43m as per SEM-25-053)	790.24
Imperfections Actual Revenue (01 Oct 25 to 28 Feb 26)	346.64
Imperfections Projected Revenue (01 Mar 26 to 30 Sept 26) Projection based on typical monthly energy profile	453.06
Imperfections Tariff Revenue - Forecast for year end	799.70

Table 6: Imperfections Revenue - Forecast to year end.

As shown in Table 7, we then compared our imperfections revenue projection to the *ex-ante* Approved Revenue.

25/26 Imperfections	1 Oct 25 to 30 Sep 26 (€m) (10 March 2026)
Original Tariff Revenue Requirement (Includes K-factor of €183.43m as per SEM-25-053)	790.24
Imperfections Tariff Revenue - Forecast for year end	799.70
Delta (i.e. Forecast minus Original)	9.46

Table 7: Imperfections Revenue Projection compared to Approved Revenue

Thus, we expect to collect more money (c.€9.46m) over the 2025/2026 tariff year period to fund imperfections costs, then originally envisaged would be collected. The driver for this currently forecast over recovery is due to the outturn demand on which charges are levied and recovered. The forecast demand employed to set the imperfections charges was 39,650 GWh. Actual demand as at the point of the Mid-Year review (estimated at 17,392 GWh based on meter readings at that point in time) and as reflected in the actual revenues received at the end of February is higher than the forecast would have envisaged.

4.2. Projection of Imperfections Revenue for 01 Mar 26 to 30 Sept 26

Our projection of imperfection revenue was based on a consideration of:

- Actual energy consumed between 01 Oct 25 and 28 Feb 26 (which as noted above is higher than what would have been anticipated based on the underlying forecast demand)
- Typical energy consumed by month (we assume 43% of energy is consumed between 01 Oct 25 and 28 Feb 26 and 57% is consumed between 01 Mar 26 and 30 Sep 26, based on the ratios from historic data).
- The meter data is subject to M+4 and M+13 resettlement. Our end of year position with respect to demand and revenue will always be different from actual initial figures and/or any projections we make in advance.

5. 2024/25 K Factor to be included in the 2025/26 tariff - Actual K factor for Y-2

The Imperfections Charge is calculated based on the projected Imperfections Costs for year Y inclusive of the forecast K factor which may be positive or negative. The k-factor is calculated based on the actual K factor for Y-2 and an estimated within year K factor for Y-1.

In terms of the tariff year 2025/2026 Imperfections Charge, as reflected in Table 8: K Factor included in 2025/26 tariffs., the K-factor applied in the Original 2025/2026 decision was €183.43m (i.e. an under-recovery). This reflected the net of the actual K factor for tariff year 2023/24 (an under recovery of €16.37m) and a forecast within year K-factor for 2024/2025 (an estimated under recovery of €167.06m)⁷.

Description	€m
Actual Y-1 Actual K Factor - 2023/24 K is an Under recovery	(16.37)
Estimate within Year K Factor - 2024/25 K Factor forecast under Recovery	(167.06)
Total Forecast Imperfections K Factor for inclusion in the 2025/26 tariffs (net under Recovery)	(183.43)

Table 8: K Factor included in 2025/26 tariffs.

The actual K-factor arising for 2024/2025 was lower than forecast, an under recovery of €161.0m. The delta between the forecast 2024/2025 K-factor and the actual 2024/2025 K-factor results and taking into account interest costs on the Market Working Capital Credit Facility (MWCCF) gives rise to an over recovery of €5.56m. The 2024/2025 tariff year net position will be taken into account when the TSOs calculate the K-factor to be applied to the 2026/2027 Imperfections Charge. However, it is important that this K-factor position is considered in the mid-year review. As to omit same would in this event would understate the TSOs forecast cash position at the end of the 2025/2026 tariff year period.

⁷ Ref. Table 3 of [SEM-25-053](#)

The MWCCF was drawn upon from February 2025. As per Section B.13.2 of the Trading & Settlement code the interest associated with this facility is recovered through Imperfections Charges. The Interest incurred related to 2024/25 was €0.5m. The forecasted interest for 2025/26 is €1.7m.

Description	€m
Actual outturn over/(under) recovery for 2024/25 (actual k-factor arising in year)	(161.0)
An estimated under recovery of €167.06m was included in calculating the tariff for 2025/26, this must be taken into account to arrive at what is left to be taken into account in setting the k factor for 26/27	167.06
MWCCF Interest 2024/25	(0.5)
2024/25 k-Factor to be included in 2026/27 tariff	5.56

Table 9: K Factor included in 2025/26 tariffs.

6. Conclusion

A summary of our projected end of 2025/2026 Tariff Year imperfections cost and revenue is shown in Table 10. We anticipate an over-recovery of c.€3.29m.

25/26 Imperfections	Updated Forecast Outturn 1 Oct 25 to 30 Sep 26 (€m) (10 March 2026)
Projected Imperfections Revenue	799.70
Less k-Factor (as per SEM-25-053)	(183.43)
Projected Imperfections Costs	(616.84)
Outturn 2024/25 k-Factor adjustment against forecast	5.56
Forecasted MWCCF Interest 2025/26	(1.70)
Overall Forecast Outturn Position⁸ - Over recovery for tariff year 2025/2026	3.29

Table 10: 25/26 Tariff Year Projection of Imperfections Revenue and Costs to 30 Sept 26

However, it should be noted that prediction of imperfections costs is an inherently uncertain process. The values above are based on the TSOs median estimate. There is a degree of uncertainty around projection of actual spend, and the potential range of spend could be between c.€857.64m and c.€616.84m, which could give rise to associated K-factor between c.-€237.51m and c.€3.29m.

25/26 Imperfections €m	Assumed weekly spend going forward	Associated projected spend 01 Oct 25 to 30 Sept 26	Corresponding Estimated k factor as of 10 Mar 26
High spend	19.00	857.64	237.51 under recovery
Median spend	11.12	616.84	3.29 over recovery

Table 11: 25/26 Tariff Year Projection of Range of Imperfections Costs to 30 Sept 26 with corresponding estimated K factor

The median spend forecast is a prudent assumption at this time and the resultant over-recovery k-factor of c.€3.29m is in the range of previous years variance. Further, the TSOs have not included any consideration for the known defect which RAs are aware of, the TSOs may seek to include the defect in an updated K-factor for inclusion in the setting of the 2026/2027 Imperfections Charge later in the year.

Based on this mid-year projection, the TSOs are therefore not seeking a mid-year change to the Imperfections Charge Factor for 2025/26 at this time.

⁸ Where at the end of a period an Over Recovery is known/forecast it is subtracted from the revenue requirement in the following period. Where at the end of a period an Under Recovery is known/forecast it is added to the revenue requirement in the following period.