Baringa's Assessment of EirGrid's LDES Recommendations Paper

CLIENT: Commission for Regulation of Utilities

DATE: 6th November 2026



Contact

Nick Screen (Nick.Screen@Baringa.com)

Kristina Stone (Kristina.Stone@Baringa.com)

Molly Nesbitt (Molly.Nesbitt@Baringa.com)

Copyright

Copyright © Baringa Partners LLP 2026. All rights reserved. This document is subject to contract and contains confidential and proprietary information.

No part of this document may be reproduced without the prior written permission of Baringa Partners LLP.

Confidentiality and limitation statement

This report has been prepared by Baringa Partners LLP or a Baringa group company ("Baringa") for Baringa's client ("Client") and has been designed to meet the agreed requirements of Client only and not any other requirements including those of third parties. This report may not be altered or modified without Baringa's prior written consent. No warranty is given by Baringa as to the accuracy of the contents of this report. This report has been prepared on the date specified and the content may be subject to change over time. This report should not be regarded as suitable to be used or relied upon by any party other than Client unless otherwise contractually agreed by Baringa and Client. Any party other than Client who obtains access to this report or a copy of this report and chooses to rely on this report (or any part of it) will do so at its own risk. This report is not intended to be used as the basis for trading in the shares of any company or for undertaking any other complex or significant financial transaction or investment. To the fullest extent permitted by law, Baringa accepts no responsibility or liability in respect of this report to any other person or organisation other than Client unless otherwise contractually agreed by Baringa and Client. If any of these terms are invalid or unenforceable for any reason, the remaining terms shall remain in full force and effect. Nothing in this statement shall limit or exclude Baringa's liability for any liability which cannot be limited or excluded by law. Copyright © Baringa Partners LLP 2026. All rights reserved.

Contents

1 Introduction 5
2 Purpose and structure of this paper 7
3 Overview of EirGrid's Recommendations 8
3.1 Stated objectives of the procurement 8
3.2 Summary of EirGrid's Recommendations 9
4 Baringa's position in summary 11
4.1 Where we support EirGrid's recommendations 11
4.2 Where we consider there are outstanding issues to resolve 11
4.3 Our recommendations to the CRU 12
5 Operational mechanisms and Revenue Floor – risk of insufficient incentive to operate 14
5.1 Our overarching position 14
5.2 The gap between procurement scoring and operational delivery 14
5.3 Operational incentives and the Proposed Trading Non-Activity Scalar 15
5.4 Assessing the mechanisms as a package 16
5.5 Trading Envelope methodology and change control 18
5.6 Evidence we consider necessary 18
6 Procurement process – assessment weightings and procurement outcomes 20
6.1 Our overarching position 20
6.2 Basis and limitations of the assessment criteria weightings 20
6.3 The Deliverability Assessment 23
6.4 Procurement parameters and final volumes 24
7 Cross-cutting dependencies: The CBA and the LCOS methodology 26
7.1 The LCOS methodology 26
7.2 The Cost-Benefit Analysis 27
7.3 Monitoring and reporting 29
8 Baringa's view on EirGrid's Recommendations 31
8.1 Summary table 31

8.2 Procurement design and volume 33
8.3 Eligibility criteria 34
8.4 Benefits of co-locating LDES 34
8.5 Connection location and nodal assessment 35
8.6 The Trading Envelope model 35
8.7 Trading Envelope definition 36
8.8 Revenue Floor 36
8.9 Revenue sharing at 70:30 37
8.10 Non-compliance charges and the Trading Non-Activity Scalar 37
8.11 Scheme duration of ten years 38
8.12 Other services and revenue stacking 38
8.13 Qualification criteria 38
8.14 Tender criteria and assessment weightings 39
8.15 BAFO, grid connection assessment and Deliverability Assessment 39
9 Summary and conclusions 40
9.1 Where we consider the framework sound 40
9.2 Primary outstanding concern 40
9.3 Timing 41
9.4 Monitoring and future rounds 41

1 Introduction

LDES procurement is part of priority Action 6 under the Department of Climate, Energy and the Environment's (DCEE) Electricity Storage Policy Framework (ESPF), which calls for the immediate procurement of up to 500 MW of storage with a minimum four-hour import and export capability onto the transmission system. The ESPF sets out that this procurement is intended to complement emerging EU flexibility requirements, address the growing variability of wind and solar generation, and reduce renewable dispatch down and network constraints as Ireland moves towards its 80% renewable electricity target by 2030. EirGrid, as Transmission System Operator, published its consultation in October 2025 and submitted its Final Recommendations paper to the CRU in July 2026, setting out its proposed procurement arrangements for a CRU Decision. Following this decision, EirGrid will consult further on the contractual and detailed arrangements of the framework, ahead of procurement.

LDES is a source of flexibility that has the potential to reduce renewable dispatch down and redispatch, support system security, manage renewable variability and relieve local network constraints. The value of that flexibility grows as the renewable share of generation rises towards the 2030 target, and beyond. Whilst the system benefits are understood, deliverability remains a challenge for LDES. Feedback from industry indicates that uncertainty over future revenues makes it difficult to finance LDES projects on a purely merchant basis and that intervention is required if projects are to come forward.

EirGrid's recommendations are accompanied by two supporting documents: a Levelised Cost of Storage (LCOS) methodology prepared by independent consultants, which underpins the Revenue Floor bid limit, and a cost-benefit analysis intended to support the case for procurement.

There are a range of ways in which LDES can be procured and funded, and other jurisdictions have taken materially different approaches. In Great Britain, Ofgem has established a cap-and-floor regime for LDES, under which a floor provides downside protection, while revenues above a soft cap are shared between the project and consumers. In Italy, Terna's MACSE framework procures long-term storage contracts through central competitive auction, with the first auction held in September 2025.

EirGrid has developed these recommendations within the constraints of the context it is operating in, including limitations on scope and form of procurement approaches available to TSOs, the timelines set by Action 6, and the data and modelling available to it. Those constraints shape the framework that EirGrid has recommended. We note, however, that as the enduring framework is developed under Actions 7 to 10 of the ESPF, there may be merit in considering whether a scheme designed and administered by the Department (DCEE) or the CRU, drawing on EirGrid's technical input, would allow a wider range of design options than those available here (a question beyond the scope of this paper).

Baringa has supported the CRU throughout the lifecycle of the LDES procurement scheme to date, including in developing CRU positions on EirGrid's Recommendations paper. The CRU has now asked Baringa to provide an independent, critical assessment of those Recommendations, and our views in this paper should be read in that context. Many of the issues set out in this paper have been discussed with EirGrid as we have developed our positions. EirGrid has not, however, had the

opportunity to review or respond to this paper directly, and much of the evidence we set out as required in this paper has already been requested to support the next stages of framework development.

We have reviewed both supporting documents and address each in Section 7. In the case of the LCOS methodology, we have not analysed its inputs or modelling and do not express a view on its assumptions or outputs. Our assessment considers what the methodology means for the recommendations being made by EirGrid, and we set out those interdependencies in Section 7.1. On the cost-benefit analysis, we consider the extent to which it supports the case for the specific design choices the Commission is being asked to approve, which we address in Section 7.2.

We have not assessed whether an alternative scheme design, of the kind adopted in other jurisdictions, would better serve Ireland's objectives or market conditions. Nor do we express a view on whether the enduring framework should be designed and administered differently, which is a question for Actions 7 to 10 rather than for the CRU's current Decision and the one this paper relates to.

Action 6 sets a clear policy ambition to procure LDES on defined timelines. The decision on whether and how to proceed is one for the Commission, and our analysis is directed not at that question but at what the CRU should require in order to proceed with confidence, and the conditions we consider necessary to enable EirGrid to move to the next stage of procurement design.

Overall, our summary assessment is that the recommendations provide a credible basis for procuring and financing LDES capability but provide limited assurance that the capability procured will be converted into the system and consumer benefits that justify the intervention. Our primary concern is that the operational mechanisms, including the Trading Envelope, Revenue Floor and reconciliation period, and proposed Trading Non-Activity Scalar have not yet been shown to work together in a way that gives a contracted asset sufficient incentive to operate when this would benefit the system. We also identified a secondary core concern area regarding the lack of justification and evidence for the assessment criteria weightings which convert the proposed assessment criteria into a selection outcome, and which will therefore determine which projects are awarded contracts. Additional analysis provided by EirGrid on this matter demonstrates that the proposed weightings are based on evidence-informed judgement and provides a reasonable basis for their approval at this stage. However, it should be noted that the analysis is illustrative and does not establish that the proposed calibration is optimal or demonstrate how it will perform against the actual tender population. In particular, the Commission should recognise the cumulative advantage the framework may provide to projects using existing connections. These issues are considered alongside the accompanying cost-benefit analysis, which only partially supports the economic case and provides limited evidence for the specific design choices. We set out our position in full in Section 4, and our recommendations to the Commission follow from these two core areas.

2 Purpose and structure of this paper

This paper sets out Baringa's independent assessment of EirGrid's LDES recommendation and should be read in conjunction with EirGrid's Recommendations paper. It addresses two questions: whether EirGrid's recommendations are capable of delivering the stated objectives of the scheme, and whether the evidence provided is sufficient to demonstrate that they will.

The paper is structured as follows:

- **Section 3** provides an overview of EirGrid's recommended framework
- **Section 4** sets out Baringa's overall position and our recommendations to the Commission
- **Section 5** addresses the primary concern area: the operational mechanism and Revenue Floor
- **Section 6** addresses the secondary concern area**:** the procurement process
- **Section 7** addresses the cross-cutting dependencies: the LCOS methodology, the cost-benefit analysis and governance around the framework
- **Section 8** records our position on the individual EirGrid recommendations
- **Section 9** sets out our summary and conclusions

3 Overview of EirGrid's Recommendations

3.1 Stated objectives of the procurement

EirGrid's recommendations do not set out a single consolidated statement of objectives. The following is drawn together from the Recommendations paper's executive summary, assessment of key drivers and rationale given for individual design choices. We set them out here because they form the basis against which we assess whether the proposed framework is ready for approval.

Objective	As stated by EirGrid
Reducing renewable dispatch down	Described as the "core LDES procurement objective" and the "central objective" of the scheme, with avoided dispatch down volumes presenting "the primary objective of this procurement"
Minimising redispatch and supporting secure system operation	The Trading Envelope is intended to align asset operation with system needs "with the objective of minimising the need for redispatch", on the basis that unconstrained market signals may lead a contracted asset to take positions that exacerbate local constraints
Addressing the investment barrier	A "missing money" issue is identified, under which a lack of revenue certainty in existing markets is limiting development of new LDES projects. The Trading Envelope, Revenue Floor and Revenue Sharing arrangements are together intended to provide the revenue certainty investors have sought
Delivering the policy mandate	The procurement responds to Action 6 of the ESPF, requiring immediate procurement of up to 500 MW of LDES services, defined as storage capable of discharging to the transmission system for four hours or more, and supports delivery of the Climate Action Plan's electricity system targets
Balancing investment certainty against consumer value	The revenue mechanism is intended to balance support for investment with protection of consumer value. The Trading Envelope is described as striking a balance between consumer value, an investment signal to industry, and contribution to climate targets

Securing timely and deliverable provision	Eligibility and procurement criteria are designed to achieve contract award in 2028, with a Deliverability Assessment to establish whether providers can feasibly meet the Target Scheme Go-Live Date

3.2 Summary of EirGrid's Recommendations

EirGrid's recommendation comprises five broad categories. We use this category terminology consistently throughout the paper, and where we refer to a concern we identify the specific component rather than the category as a whole.

Category	EirGrid's Recommendation
Scheme scope and volume	• Procurement of up to 500 MW of LDES capability • Increased from the minimum volume of 201 MW originally consulted on, under an initial procurement round
Eligibility and qualification requirements	• A minimum duration of four hours • Symmetrical Maximum Export Capacity (MEC) and Maximum Import Capacity (MIC) • Minimum and maximum capacity thresholds • A round-trip efficiency requirement • A Connection Offer at qualification (and a connection agreement required by tender) • Final planning permission and evidence of land rights • Company-level requirements covering minimum financial turnover, relevant experience and cyber security compliance • Qualification operates on a pass or fail basis • Asset Health Management
Commercial arrangements	• A pay-as-bid Revenue Floor, capped by a maximum bid limit derived from a Levelised Cost of Storage (LCOS) methodology • Revenue Sharing of upside revenues on a 70:30 basis in favour of the asset owner • A ten-year service duration • Assessment of floor support against gross rather than net revenues

	• Annual reconciliation of financial consequences • Retained access to all SEM markets (subject to Trading Envelope compliance)
Operational framework	• A Trading Envelope imposing dynamic maximum import and export limits, set at 10am on the day before delivery • A Trading Non-Activity Scalar reducing floor support where cycling falls below expected levels • A non-compliance charge for breach of the Envelope • Annual reconciliation period
Procurement process and assessment criteria	• A staged competitive tender, comprising qualification, tender, a Best and Final Offer (BAFO) stage and a Deliverability Assessment • Bids are scored across three weighted criteria - Cost (50 points), Impact (30 points, divided between 20 for avoided renewable dispatch down and 10 for blocked hours) and Connection Method (20 points), with deliverability applied on a pass or fail basis at BAFO stage • The impact weighting was increased from 20 to 30 points following consultation, reducing the Connection Method weighting from 30 to 20

4 Baringa's position in summary

4.1 Where we support EirGrid's recommendations

Baringa supports the strategic rationale for the intervention, and we support a number of EirGrid's recommendations in full. LDES offers flexibility that the current system cannot otherwise access, and investors perceive the revenue streams that reward it as too uncertain over the investment horizon. Where a technology delivers system value the market does not reliably remunerate, we believe that intervention is justified in principle. The intervention taking the form of a competitively procured, market-based service is an approach we have seen in other jurisdictions and makes sense in EirGrid's operational context.

Within the constraints on EirGrid in designing the scheme, some of the building blocks are, in our view, reasonable proposals. The strategic case for a consumer-funded intervention is sound, and the increase in procurement volume to up to 500 MW is consistent with the policy objective. The Revenue Floor is a sensible response to the perceived 'missing money' issue preventing LDES investment, and its pairing with Revenue Sharing at 70:30 strikes a defensible balance between investor incentive and consumer protection. The ten-year scheme duration is shorter than respondents wanted but is appropriate for an initial round. Competitive, staged procurement is a standard approach and means that EirGrid can target projects delivering benefits in line with the stated objectives. The qualification and tender requirements are, for the most part, individually reasonable and appropriately exclude speculative projects. The ranking assessment categories (Cost, Connection Method, potential dispatch down, and blocked hours) are appropriate to support selection of the assets that should best meet the objectives of the procurement.

Section 8 sets out the reasoning behind each of these positions, to support the Commission in making its decision.

4.2 Where we consider there are outstanding issues to resolve

Our assessment is that EirGrid's recommendations provide a credible basis for procuring and financing LDES capability. Our principal outstanding concern is whether the operational mechanisms will work together to ensure that the capability procured delivers the system and consumer benefits underpinning the intervention. We have also identified limitations in the evidence supporting the procurement weightings. These limitations should be recognised by the Commission in considering its approval, but do not undermine the overall basis for EirGrid's recommendation.

First, the operational mechanisms have not been shown to work together in a way that gives a contracted asset sufficient reason to operate when beneficial to the system. At procurement stage, projects are scored on their theoretical potential to reduce renewable dispatch down and to remain available to provide wider system value, in line with the stated objectives. In operation, the Trading Envelope places import and export limitations on an asset, but does not require it to charge or discharge, even when doing so would benefit the system. The Revenue Floor, by design, has the

potential to weaken the commercial incentive to trade actively as the more effectively it de-risks the investment, the less commercial reason remains to operate, particularly when operating means degradation, network and other costs to the asset. Together, our view is that these create a risk that a contracted asset has (in certain circumstances) limited incentive to engage in the market, to earn revenues that reduce reliance on the Floor, or to deliver the system benefit on which the project was selected. EirGrid proposes to mitigate this risk through the Trading Non-Activity Scalar, but its benchmark of expected activity, calculation basis and calibration remain under development. As a result, we are not in a position to assess accurately whether it will drive enough of an incentive to mitigate the risks that the operational mechanisms pose when considered in tandem. This is addressed at Section 5.

Second, the Recommendations paper does not provide quantitative analysis supporting the proposed assessment criteria weightings. However, EirGrid has provided evidence demonstrating that the proposed weightings reflect evidence-informed judgement and illustrating how alternative weightings could affect project selection. In our view, this provides a reasonable basis for the Commission to approve the proposed weightings at this stage. However, it should be noted that the analysis is illustrative and does not establish that the selected calibration is optimal or demonstrate how it will perform against the actual tender population. A further consideration is the cumulative advantage that may be provided to projects using existing connections, as the same underlying connection benefit may be reflected through Cost scoring, Connection Method scoring and the Deliverability Assessment. Approval of the weightings should be made with a clear understanding of this limitation and of the resulting potential for the procurement to select an existing asset. This is addressed in Section 6.

4.3 Our recommendations to the CRU

Drawing these together, we make seven core recommendations to the Commission.

Recommendation 1. We do not recommend approving the Trading Envelope, Revenue Floor and annual reconciliation period, or Trading Non-Activity Scalar framework until EirGrid has provided evidence that these mechanisms, in particular the Trading Non-Activity Scalar, collectively incentivise contracted assets to operate in a manner that delivers the stated objectives of this procurement.

Recommendation 2. We recommend that the CRU require EirGrid to develop a formal change-control process, under which material changes to the Trading Envelope framework, and to other key elements of the framework that are to be managed outside of individual contracts, require CRU approval.

Recommendation 3. We recommend that the CRU require EirGrid to notify the CRU, following completion of the procurement process and before contracts are awarded, of the projects it intends to contract, the volume this represents, the expected cost to consumers, and its assessment of the value each project offers. This should include an explanation of how the assessment criteria and weightings affected the selected portfolio and the extent to which existing connection status influenced project selection. The CRU should retain the ability to intervene if the outcome departs materially from the basis on which the framework was approved.

Recommendation 4. We recommend that the CRU require EirGrid to publish the Deliverability Assessment criteria, methodology and governance arrangements and to engage with industry on them, before tenders are invited, so that bidders understand the basis on which a project may be excluded from the procurement.

Recommendation 5. We recommend that the CRU require EirGrid to publish the LCOS methodology and to engage with industry on the assumptions applied within it, so that the final Revenue Floor bid limit is informed by the views of likely eligible developers.

Recommendation 6. We recommend that the CRU require EirGrid to publish a rules-based Trading Envelope methodology before bids are submitted, setting out how Envelopes will be determined, the inputs and asset-specific characteristics taken into account, how technology differences are treated, the notice bidders will receive and what happens where forecasts change materially after issuance.

Recommendation 7. We recommend that the CRU require EirGrid to report on delivered dispatch down reduction, asset activity, Revenue Floor payments and Trading Non-Activity penalties, so that the efficiency of the design and realisation of benefits can be monitored, and any future potential procurement rounds can be designed on evidence.

We make these recommendations recognising that there are real risks in not proceeding with the framework at this stage. Deferring the intervention while alternative mechanisms are developed would delay LDES development at a point when Action 6 of the ESPF calls for immediate procurement, would risk undermining industry confidence in the route to market that has been signalled, and would leave renewable dispatch down at current levels for longer. We have therefore been deliberate in distinguishing the evidence that should be required before approval from the matters that can reasonably be resolved through EirGrid's forthcoming consultation on contractual arrangements.

Our recommendation is therefore to proceed with making a decision at this stage, allowing EirGrid to continue to the consultation on contractual arrangements, while requiring the specific evidence set out in Section 5 before the operational calibration is finalised. This allows the scheme to progress and provides a pathway to ensure decisions are rigorous and evidenced. Section 8 sets out in full what we recommend the Commission approves now, and what we believe is critical for EirGrid to evidence before fully approving the framework.

5 Operational mechanisms and Revenue Floor – risk of insufficient incentive to operate

This section supports recommendations 1, 2 and 6.

5.1 Our overarching position

Overall, we agree with the rationale for the Revenue Floor as the support instrument, the 70:30 sharing arrangement, the ten-year scheme duration and retained access to SEM markets, and we set out our position on each of those recommendations in Section 8. We also consider the Trading Envelope to be an effective mechanism, in principle, for preventing a contracted asset from taking positions that worsen system conditions, subject to the methodology concerns we set out in Section 5.5.

Our main concern is not with the individual mechanisms, but with how they operate together. While each has been justified individually, there is less evidence that, collectively, they provide sufficient incentive for a contracted asset to operate in a way that benefits the system. Our assessment is therefore that the Recommendations provide a viable support framework to enable LDES capability to be financed and built, but provide less assurance that, once built, it will operate in a way that delivers the intended system outcomes.

5.2 The gap between procurement scoring and operational delivery

Projects are selected in part on the basis of the potential system benefit they could bring. The Impact criterion, worth 30 of the 100 points available, scores each project on two modelled sub-criteria: the volume of renewable dispatch down the asset could potentially avoid at its node (20 points), and the number of hours the asset would itself be blocked, unable to charge or discharge because it is stuck behind a dispatch down event, either at full state of charge or with no dispatch down available to charge from (10 points). Fewer blocked hours scores more highly, on the basis that an asset which is less frequently blocked remains available for energy arbitrage and wider system value. The proposal to assess these elements is reasonable in line with achieving the stated objectives.

Both, however, are modelled potential benefits, not modelled specifically for the proposed asset design or location, rather than committed asset output. EirGrid is explicit that the Impact criterion assessment is not intended to represent actual commercial operation, does not incorporate market prices, and will not determine the Trading Envelopes subsequently applied in operation.

Two issues follow from this. The first is that the criterion assesses each project against modelled node-level conditions at a single point in time, rather than forecasting the benefit a specific project would deliver across the lifetime of the contract, and network conditions, renewable build-out and

dispatch down patterns will all change materially over a ten-year term. Our view is that a project-by-project lifetime assessment would be a better measure of the benefit consumers are being asked to fund. We recognise that it would require more resource than the standardised approach EirGrid has adopted, and that a standardised methodology has its own merits in maintaining transparency and consistency across a competitive procurement. For an initial round, the approach taken is reasonable.

The second issue is the more significant for our recommendations. Whatever basis the benefit is assessed on, whether a snapshot or a lifetime forecast, the operational framework does not require the asset to deliver that potential once operating. A project can be selected on the strength of its modelled potential to reduce dispatch down and then operate in a way that does not provide that benefit, without breaching any obligation under the Trading Envelope framework.

Instead, the Trading Envelope imposes dynamic maximum import and export limits. This approach is preventative rather than directional, as the Trading Envelope will constrain assets from taking positions that would worsen forecast system conditions, but it will not require the asset to charge, discharge or maintain a particular state of charge when doing so would benefit the system. The framework therefore relies on wider commercial incentives, rather than obligation, to convert the potential identified at procurement into delivered system benefit. This is a design choice resulting from EirGrid's position that contracted assets should retain autonomy over their trading decisions and full access to the market (subject to Trading Envelope compliance). It does however mean that the system benefit on which a project is selected, and for which consumers may pay through the Revenue Floor, depends on the asset choosing to operate in a way that the framework does not require. Whether the commercial incentives within the framework are strong enough to produce that behaviour is the question we examine in the following section.

5.3 Operational incentives and the Proposed Trading Non-Activity Scalar

5.3.1 The incentive gap

As set out in section 5.2, the framework design consulted on relies primarily on market signals to drive operational behaviour and deliver system value. The Revenue Floor is intended to mitigate the downside revenue risk identified as a potential barrier to LDES investment. However, the protection it provides may also reduce the commercial incentive for contracted assets to optimise their operation and pursue additional market revenues and hence provide the targeted system benefit. There is therefore an inherent trade-off between providing the revenue protection required to support investment and maintaining sufficient incentives for the supported capability to operate in a way that delivers the intended system benefits.

Two elements of the framework proposed by EirGrid are intended to maintain the incentive to operate. The 70% share of revenues an asset retains above its Floor is a genuine commercial incentive, and we support it on that basis in Section 8.9. The proposed Trading Non-Activity Scalar is the second. On the former, the value of retained upside depends on how often an asset expects to earn above its Floor at all, and the premise of the intervention is that merchant revenues are

insufficient and uncertain. The retained share of upside may therefore provide a weaker incentive in precisely the circumstances the Floor is designed for, which places significant weight on the latter incentive, the proposed Trading Non-Activity Scalar.

There is also an inherent cost associated with cycling. Under the proposed contract, degradation remains the asset owner's responsibility and is expected to be managed through oversizing, augmentation or replacement. The LCOS methodology treats degradation arising from cycling as a variable cost that scales with use. Absent an effective Trading Non-Activity Scalar, an asset that cycles less could preserve asset life and avoid degradation costs without an equivalent reduction in its Revenue Floor entitlement. The proposed Scalar is therefore intended to create an incentive to operate where the costs associated with degradation, together with the revenue protection provided by the Revenue Floor, may otherwise reduce the incentive to cycle.

5.3.2 What EirGrid has proposed

EirGrid proposes a Trading Non-Activity Scalar to address this. As currently proposed, it would apply where assets fail to demonstrate sufficient market participation or remain persistently inactive, with proportionate reductions applied to the Revenue Floor. EirGrid's stated intention is to ensure that LDES service providers remain active participants in the market and do not remain persistently at zero or otherwise inactive.

We note that the detailed methodology, including the structure of the proposed Scalar and the expected activity levels it will be assessed against, is to be developed and consulted upon through the forthcoming contractual arrangements consultation. No benchmark of expected activity, no calculation basis and no indicative calibration have been published at this stage. The proposed Scalar did not form part of the October 2025 consultation and has therefore not been tested with industry. As it stands, it is a proposed mechanism rather than a complete recommendation that the CRU, or Baringa, is in a position to assess.

The proposed Scalar is principally an indirect incentive rather than a payment for the outcome being procured. It is proposed to penalise inactivity by reducing the Floor where an asset's activity falls below an expected level, but it does not reward delivery as no payment is attached to avoided dispatch down, or to any other system outcome the framework is intended to secure.

5.4 Assessing the mechanisms as a package

Each of the Trading Envelope, the Revenue Floor, Revenue Sharing, the proposed Trading Non-Activity Scalar, the non-compliance charge and the reconciliation arrangements has been proposed and assessed on an individual basis. None of that establishes that they work together. The Trading Envelope constrains asset operation, the Revenue Floor provides downside protection, Revenue Sharing preserves an incentive to earn upside, the proposed Scalar penalises inactivity, and non-compliance charges penalise breaches. Quarterly settlement and annual reconciliation determine when the resulting financial consequences take effect. Their combined effect on asset behaviour and on project financeability has not yet been demonstrated, despite that combined effect being what determines whether the framework delivers its stated objectives.

The risk runs in both directions. Calibrated too weakly, the package will pay a Revenue Floor to assets that do little, and consumers will fund capability that is not converted into system value. Calibrated too strongly, the combined exposure to the Trading Envelope restrictions and Trading Non-Activity Scalar will undermine the revenue certainty the Revenue Floor was created to provide and may potentially incentivise uneconomic operation. This may result in the projects the scheme exists to enable not bidding into the process. The framework needs to strike a balance between these two outcomes, and no analysis has been provided to demonstrate where it lands.

The reconciliation period is also a key part of assessing whether the mechanisms work effectively as a package, because it determines when the consequences arising under the Revenue Floor and proposed Trading Non-Activity Scalar take financial effect. In its Recommendations paper, EirGrid proposed that the Revenue Floor top up would be paid quarterly if required, with financial consequences reconciled annually. Through further engagement, EirGrid has clarified at a high level that the annual reconciliation is intended to operate as a true-up of the quarterly settlements: the Trading Non-Activity Scalar would be applied to the asset's Revenue Floor entitlement in each quarter, and the resulting scalar-adjusted quarterly Revenue Floors would then be carried through into the annual reconciliation.

In our view, this clarification means that annual reconciliation does not, in itself, necessarily weaken operational incentives. However, that conclusion depends on the Trading Non-Activity Scalar working effectively and being applied through the quarterly settlement process. The Scalar must create a sufficiently material and timely consequence for inactivity in the relevant quarter, and that reduction in Revenue Floor entitlement must then be preserved through the annual reconciliation rather than averaged away or restored at year end. The reconciliation arrangements therefore cannot be assessed separately from the Scalar as appropriate incentives depend on an effective Scalar being applied quarterly and tracked consistently through to the annual true-up. Until the design and calibration of the Scalar demonstrate that this interaction will work in practice, the package as a whole cannot yet be shown to provide contracted assets with an appropriate incentive to remain active.

The challenges referenced above create a difficulty in making a decision on the framework as it currently stands. The Trading Envelope, Revenue Floor and annual reconciliation period, and Trading Non-Activity Scalar are being recommended now, but whether the framework delivers the system benefits that consumers will be funding depends substantially on the specific calibration of the scalar, which has not been defined, published or consulted upon. The CRU is therefore being asked to approve a framework that is heavily reliant on a mechanism yet to be designed.

This section is the basis for Recommendation 1: We do not recommend approving the Trading Envelope, Revenue Floor and annual reconciliation period, or Trading Non-Activity Scalar framework until EirGrid has provided evidence that these mechanisms, in particular the Trading Non-Activity Scalar, collectively incentivise contracted assets to operate in a manner that delivers the stated objectives of this procurement.

5.5 Trading Envelope methodology and change control

Several components of the operational framework will be developed after the Commission's decision on the EirGrid Recommendations paper. The Trading Envelope methodology, the calibration of the proposed Trading Non-Activity Scalar and the detailed non-compliance arrangements are all to be progressed through the contractual arrangements consultation.

We believe that the CRU should make two requirements as part of this. The first concerns what is published before bidding. Consultation responses asked for a rules-based framework setting out how Envelopes are determined, how often they change, what triggers a change and what protections exist for participants. We agree this is necessary. We don't expect bidders to be able to efficiently price the risk of an operational constraint whose bounds are unknown, and any uncertainty will likely be reflected in the Revenue Floor an asset bids, which consumers may fund.

The second concerns what happens afterwards. The Envelope methodology may need to evolve as operational experience develops, and that is appropriate. However, the Commission's final decision following the contractual arrangements consultation will be fixed, and once procurement is complete contracted parties will have priced against the framework as approved. Material changes should therefore require the Commission's approval rather than consultation alone. We would not expect such a process to create an expectation that the fundamental design is open to revision; it should govern incremental improvement to operational provisions.

This forms the basis for recommendation 2: We recommend that the CRU require EirGrid to develop a formal change-control process, under which material changes to the Trading Envelope framework, and to other key elements of the framework that are to be managed outside of individual contracts, require CRU approval.

This section is also the basis for recommendation 6: we recommend that the CRU require EirGrid to publish a rules-based Trading Envelope methodology before bids are submitted, setting out how Envelopes will be determined, the inputs and asset-specific characteristics taken into account, how technology differences are treated, the notice bidders will receive and what happens where forecasts change materially after issuance.

5.6 Evidence we consider necessary

Baringa advises the CRU **not to approve the operational package** in full at this stage. Specifically, we do not recommend approving:

- the Trading Envelope as an operative component of the support framework (we support it in concept, see Section 8.6);
- the Revenue Floor as an operative component of the support framework (we support it as an instrument, see Section 8.8);
- the Trading Non-Activity Scalar, whose benchmark, calculation basis and calibration have not yet been defined;
- the annual reconciliation period as the approach for implementing the Revenue Floor and Trading Non-Activity Scalar

The CRU should not approve the components listed above until EirGrid has demonstrated that the mechanisms collectively reward participation over inactivity, and that operating remains economically preferable to resting on the Revenue Floor wherever system value exists. This is the proposition on which the consumer case for the intervention rests, and in our view it cannot be established by justifying each mechanism separately, because the concern arises from how they interact.

We recommend that the CRU require the following from EirGrid before approving these components.

- **Trading Non-Activity Scalar** - We are aware that the Scalar is subject to further consultation. That consultation should set out the intended benchmark of behaviour, the calculation basis and an indicative calibration so that respondents and the CRU can assess whether the incentive is material enough to incentivise asset cycling behaviour
- **Annual reconciliation -** EirGrid should demonstrate that the Trading Non-Activity Scalar is effective, applied through quarterly settlement and preserved through the annual true-up, so that annual reconciliation does not dilute the incentive to remain active.
- **Above all, on the package as a whole**. EirGrid should provide an integrated assessment of the package rather than a set of separate justifications, covering the interaction between the Trading Envelope, Revenue Floor, Revenue Sharing, Trading Non-Activity Scalar, reconciliation, and their combined effect on both asset behaviour and project financeability. This is the central evidential gap, and it is the basis on which we recommend the CRU withhold approval.

We note that Baringa and the CRU have discussed these issues with EirGrid during the development of our positions, and that EirGrid has committed to providing further evidence in these areas and to considering the points raised. Our recommendation is therefore not to reject these components or delay the procurement, but for the Commission to require this evidence as a condition of approval. This would ensure that it is provided at a defined point and available to the CRU before the calibration is finalised.

6 Procurement process – assessment weightings and procurement outcomes

This section supports our Recommendations 3 and 4.

6.1 Our overarching position

Overall, we support the principle of a competitive procurement architecture, the staged structure, and the qualification and tender requirements. We also consider Cost, Impact and Connection Method to be sensible criteria against which to assess projects in pursuit of the stated framework objectives.

Our review of the Recommendations paper questioned whether the proposed weightings applied to those criteria were sufficiently justified. As the weightings determine which projects are awarded contracts, they are an important part of ensuring that the project selection process supports the outcomes the procurement is intended to achieve. In the Recommendations paper EirGrid provides justification supporting the change in the impact weighting from 20 points to 30 points following responses to the consultation. However, the wider calibration, covering the balance between Cost, Impact and Connection Method, the split within impact, and the Connection Method score itself, rested on qualitative reasoning within the Recommendations paper. Additional evidence provided by EirGrid demonstrates that the proposed weightings are based on evidence-informed judgement. We consider that this provides a reasonable basis for approving the proposed weightings at this stage. However, it should be noted that the analysis is based on fictitious projects and theoretical inputs and does not establish how the proposed weightings would perform against the actual expected tender population. It therefore does not demonstrate that the weightings will deliver the stated procurement objectives in practice or that they represent the optimal calibration to deliver on the stated objectives of the LDES procurement process. Our remaining concern in this area relates to the cumulative advantage provided to projects using existing connections, which may be recognised through Cost assessment, Connection Method assessment and Deliverability Assessment.

6.2 Basis and limitations of the assessment criteria weightings

The three primary assessment categories, Cost, Connection Method, and Impact are reasonable in principle in order to select projects which deliver the system and consumer benefits in line with EirGrid's stated objectives.

6.2.1 The primary weighting: 'Cost' 50 points, 'Impact' 30 points, 'Connection Method' 20 points

EirGrid consulted on a framework in which Connection Method carried 30 points and Impact carried 20. Following consultation, it has reversed the two, so that impact now carries 30 points and

Connection Method 20, with Cost unchanged at 50. EirGrid has provided the CRU with evidence supporting that change, and the analysis identified a specific risk that the Connection Method criteria, at 30 points, could have exerted sufficient influence to allow projects offering lower system impact to rank ahead of projects with greater potential to reduce dispatch down.

That evidence in the Recommendations paper explains EirGrid's rationale for swapping the weightings of those two categories. It does not, however, demonstrate that the revised calibration is the right one. EirGrid has since provided additional analysis testing different combinations of Cost, Impact and Connection Method weightings against a set of illustrative projects. The analysis demonstrates that the proposed weighting is based on evidence-informed judgement and provides insight into how changes in the balance between the criteria could alter project rankings and the selected portfolio.

EirGrid's rationale is that the overall balance of the weightings reflects the relative importance of cost, system benefit and connection method. The Impact criterion recognises expected system benefits and wider value through availability, while the Connection Method criterion recognises deliverability and infrastructure benefits. The substantial Cost weighting is intended to maximise value for consumers and encourage projects with efficient cost structures. The worked examples provided as evidence illustrate how alternative weightings could affect project selection and tested whether the resulting rankings were broadly aligned with the procurement objectives.

The analysis provided does not evidence that the proposed weightings will result in the optimal procurement outcome. It is based on fictitious projects and theoretical estimates of avoided dispatch down and availability and therefore cannot demonstrate how the weighting will perform against the actual tender population. In approving the proposed weighting, the CRU should recognise that this does not confirm that the weighting is optimal, but rather that EirGrid has provided a reasonable and proportionate basis for the proposed approach.

6.2.2 The Impact criterion: 20 points for avoided dispatch down, and 10 for blocked hours

Within the Impact criterion, EirGrid proposes to differentiate projects by reference to their modelled potential to avoid dispatch down and the number of blocked hours. Avoided dispatch down measures the volume of renewable generation an asset could absorb at its own node, and blocked hours measures how often the asset would itself be stuck behind a dispatch down event, unable to charge or discharge.

The weighting between the two has not been evidenced, however giving greater weight to avoided dispatch down is consistent with EirGrid's identification of this as the central procurement objective. The proposed split remains an evidence-informed judgement rather than a modelled estimate of the relative economic value of the two characteristics. This limitation should be recognised, but does not, in our view, prevent approval at this stage.

6.2.3 The Connection Method criterion: 20 points or zero

The Connection Method criterion awards the full 20 points to hybrid projects, whether new or existing, and to existing standalone projects. It awards zero points to new standalone projects. The Connection Method criterion itself is worth 20 points out of 100 in the primary weighting and it currently operates as a binary.

The effect of these weightings is significant. A new standalone project begins 20 points behind a comparable co-located or existing project, and Cost is the only remaining criterion carrying enough weight to close that gap. Overall, the differential means that the Connection Method criterion could materially influence project rankings. While EirGrid has provided a rationale for prioritising existing and co-located connections, the basis for the scale of the scoring differential has not been fully evidenced.

EirGrid's case for preferring existing and co-located connections rests on qualitative arguments based on improved delivery times, relief of network constraints, more efficient use of connection bays, avoided outages and wayleaves. These are real advantages, and we do not dispute the direction, however there is currently no analytical basis for the 20-point differential, and no demonstration that the differential is proportionate to the incremental benefit.

There is an additional problem, which consultation responses raised and which remains unanswered. The advantages being rewarded here may already be captured elsewhere in the framework. A project with an existing connection is likely to face lower capital costs, and therefore to bid a lower Revenue Floor and score better on the Cost criterion. It is also likely to be more deliverable, and therefore to perform better at the deliverability assessment. Rewarding the same underlying advantage a third time through the Connection Method criterion risks compounding this rather than recognising it and the impact of this has not been assessed.

The cumulative effect could provide a substantial advantage to existing assets and co-located projects. This may be an acceptable procurement outcome, particularly where it supports timely delivery and consumer value, but it should be explicit rather than incidental. In considering the weightings, the Commission should recognise that the framework could result in support being awarded to an existing asset, including one that is already relatively advanced or operational.

6.2.4 The likely shape of the procurement outcome

Taken together, the criteria above are likely to favour projects that use an existing connection, whether that is a storage asset already built and connected, or a new asset co-locating behind an existing generator's connection. That outcome is a result of the combination of criteria assessed in the framework rather than from any one of them.

This is not in itself a criticism. Favouring deliverable projects in an initial procurement targeting contract award in 2028 is a legitimate choice, and projects using existing connections may well represent good value for consumers. It is, however, a consequence of the design that the Commission should adopt knowingly rather than discover after the round has concluded.

A plausible outcome is that a consumer-funded intervention, designed to address a missing-money problem for long-duration capability that would not otherwise come forward, could direct support towards projects that are already built or relatively close to delivery. That does not necessarily represent a poor outcome: an existing asset may offer timely delivery and good value for consumers. However, the Commission should be aware that this is a plausible consequence of the scoring framework when approving the weightings and when reviewing the projects EirGrid proposes to contract. EirGrid's pre-contract notification should therefore explain the extent to which existing connection status influenced the selected portfolio and why the resulting projects merit support.

This section forms part of the basis for Recommendation 3: We recommend that the CRU require EirGrid to notify the CRU, following completion of the procurement process and before contracts are awarded, of the projects it intends to contract, the volume this represents, the expected cost to consumers, and its assessment of the value each project offers. This should include an explanation of how the assessment criteria and weightings affected the selected portfolio and the extent to which existing connection status influenced project selection. We suggest it would be prudent for the CRU to retain the ability to intervene if the outcome departs materially from the basis on which the framework was approved.

6.3 The Deliverability Assessment

We support the introduction of the Deliverability Assessment and the Best and Final Offer stage. Testing connection and wider project delivery risk before awarding long-term contracts is a reasonable protection, and it directly supports the stated objective of ensuring that procured capability is delivered within the timeframe the scheme requires. Without it, consumers would be exposed to the risk of long-term contracts being awarded to projects that are speculative or materially delayed.

Our concern is with how the assessment will be conducted. EirGrid will review each shortlisted project's connection programme, determine a Target Energisation Date, and apply that date as a pass or fail criterion against the Target Scheme Go-live Date. A project that fails is removed from the procurement. That is a significant discretionary judgement, and at present the methodology behind it has not been published.

Two features make this more material than it would otherwise be. First, the assessment was introduced following the consultation and has therefore not been tested with stakeholders. Second, unlike the qualification requirements which apply objective thresholds, it relies on a judgement about the realism of a project's delivery programme. The outcome is that a project either proceeds or is excluded, with no clear route back into the round.

In Baringa's view, approval of this assessment should be conditional on the publication of the assessment framework and methodology, the maturity criteria and evidence thresholds it will apply, the process to reach a Target Energisation Date, and how projects will be treated where delay arises from factors outside the developer's control. EirGrid should engage industry on this to ensure that these indicators represent a sufficiently objective and sensible way of assessing maturity.

This section is the basis for our Recommendation 4: We recommend that the CRU require EirGrid to publish the Deliverability Assessment criteria, methodology and governance arrangements and to

engage with industry on them, before tenders are invited, so that bidders understand the basis on which a project may be excluded from the procurement.

We note that Baringa and the CRU have discussed this requirement with EirGrid during the development of our positions, and that EirGrid has committed to providing further evidence in this area. We recommend that the Commission make that evidence a condition of approval, so that it is provided at a defined point and is available to the CRU before the calibration is fixed.

6.4 Procurement parameters and final volumes

Our review of the EirGrid Recommendations paper identified two aspects of the proposed procurement parameters that required further engagement and justification: the maximum project capacity threshold and the size of the shortlist progressing to the Deliverability Assessment.

The maximum project capacity threshold is intended to limit concentration and delivery risk by reducing reliance on any individual project to achieve the overall procurement volume. EirGrid has also explained that larger projects may be more difficult to accommodate in some areas of the network. Retaining the threshold would support distribution of the contracted volume across multiple projects and reduce the effect on the overall procurement if an individual project did not proceed or ultimately failed to deliver. On balance, we consider that this provides a reasonable justification for retaining the maximum project capacity threshold and recommend that it is approved.

We also sought further justification for the size of the shortlist progressing to Deliverability Assessment. EirGrid has explained that the proposed shortlist is intended to balance the need to maintain competition through the Best and Final Offer stage, provide sufficient capacity to accommodate attrition through subsequent assessments, and manage the practical and legal implications of progressing a larger number of projects. Shortlisted bidders would continue to face competitive pressure, as they would not know the outcome of the Deliverability and Grid Connection Assessments or whether they would ultimately be awarded a contract. We consider that this provides a reasonable basis for the proposed size of the shortlist and recommend that it is approved.

EirGrid's proposal is to procure up to a maximum of 500 MW. We support that volume but would encourage the Commission to treat it as a ceiling rather than a target. If the volume of projects reaching the Best and Final Offer stage is close to 500 MW, competitive tension at that stage will be limited, and procuring the full volume would mean contracting with projects that may not have succeeded in a genuinely competitive field. EirGrid should be required to demonstrate the level of competition achieved and the anticipated system and consumer benefit from the selected assets ahead of final procurement, and we consider that the CRU should be able to intervene if the proposed assets are not considered to deliver the intended objectives of the framework, or put consumer value at risk. We would also expect EirGrid to consult the Commission and seek approval before procuring any further phases of LDES, so that subsequent rounds are informed by evidence from the first.

This section forms part of the basis for Recommendation 3: We recommend that the CRU require EirGrid to notify the CRU, following completion of the procurement process and before contracts are awarded, of the projects it intends to contract, the volume this represents, the expected cost to

consumers, and its assessment of the value each project offers. This should include an explanation of how the assessment criteria and weightings affected the selected portfolio and the extent to which existing connection status influenced project selection. The CRU should retain the ability to intervene if the outcome departs materially from the basis on which the framework was approved.

7 Cross-cutting dependencies: The CBA and the LCOS methodology

This section supports Recommendations 5 and 7.

7.1 The LCOS methodology

EirGrid commissioned AFRY Management Consulting to develop the methodology underpinning the Revenue Floor bid limit. The LCOS paper was submitted to the CRU in August 2026. It sets out a methodology for determining the bid limit, not the bid limit itself. AFRY has built a bottom-up cost model and produced indicative values across a range of durations and commissioning years, based on information publicly available as of June 2026. The figures will be updated as part of the procurement process, and the final bid limit will be set closer to procurement.

AFRY is explicit that the choice of limit remains open. It notes that competitive outcomes in comparable schemes have come in materially below bottom-up cost estimates, and concludes that the choice between a bottom-up estimate, one implied by outcomes elsewhere, or a blend of the two, should be informed by the level of competition expected and taken closer to the start of procurement.

We have not assessed the inputs to the methodology and do not express a view on its specific cost assumptions or outputs. Our assessment considers its interactions with the recommendations and importance to the Commission's decision.

7.1.1 Why it matters to this decision

The LCOS methodology sits underneath several of the recommendations the Commission is being asked to approve, and it connects directly to the concerns set out at Sections 5 and 6.

Most immediately, it sets the ceiling on consumer exposure: the bid limit determines the maximum any project can be paid by the Revenue Floor per MW per year for a ten-year term, and it provides a backstop constraint on the level of Revenue Floor bids where competitive pressure alone does not result in lower bids. It is also relevant to the concerns raised about assessing Revenue Floor support against gross eligible market revenues. As set out at 8.8, the response to consultation concerns about costs borne by contracted assets are addressed through a combination of the approach to gross eligible market revenues and the treatment of relevant costs within the LCOS methodology, making the assumptions underpinning both particularly important.

It also impacts the incentive concern at Section 5. Where the Revenue Floor sits relative to what an asset can realistically earn determines how far the Revenue Floor dulls the commercial pull of market revenue, and it determines what the proposed Trading Non-Activity Scalar has to be worth: a reduction applied to a Revenue Floor is only a meaningful signal in proportion to the Revenue Floor. The Trading Non-Activity Scalar cannot be calibrated, and its adequacy cannot be assessed, without

knowing what it is being applied to. The methodology's treatment of cycling degradation as a variable cost is relevant for the same reason.

Finally, it interacts with the Cost criterion at Section 6. Where competition is strong, bids should fall below the limit and the tender does the work of protecting consumers. Where it is thin, the limit binds instead and becomes the mechanism controlling consumer cost. AFRY makes the same point from the other direction, noting that the choice of limit should be informed by expected competition, so the two questions cannot sensibly be settled separately. We would also note that the methodology is calibrated on lithium-ion, on the basis that the connection queue consists almost exclusively of lithium-ion projects, so the bid limit for a technology-neutral procurement derives from the cost structure of one technology.

7.1.2 Our assessment

None of the assumptions underpinning the methodology have been tested with the developers likely to bid. The methodology was issued to the CRU alongside the Recommendations paper, but has not been publicly shared, meaning the parties best placed to say whether it reflects what building and running these assets actually costs in Ireland have not been asked. AFRY notes that competitive outcomes in comparable schemes have come in materially below bottom-up cost estimates, and that the choice of limit should be informed by the level of competition expected and taken closer to procurement. The report doesn't present its bottom-up figures as the final answer.

The timing of this decision is in the Commission's favour. AFRY is explicit that the choice of limit should be taken closer to procurement, so there is a window now in which industry views can inform it. Once bids are submitted against a published limit, that window has closed and the figure is effectively settled for a ten-year contract term. Testing the assumptions before that point is a low-cost step that would materially strengthen the basis on which the limit is ultimately set.

This section is the basis for Recommendation 5: We recommend that the CRU require EirGrid to publish the LCOS methodology and to engage with industry on the assumptions applied within it, so that the final Revenue Floor bid limit is informed by the views of likely eligible developers.

7.2 The Cost-Benefit Analysis

EirGrid's Cost-Benefit Analysis (CBA) assesses the economic and system impacts of the proposed LDES procurement mechanism. The CBA compares expected system benefits and costs, including changes in production costs, renewable dispatch down, gas generation, carbon emissions, interconnector outcomes and the capital and operating costs of the additional storage capacity.

The assessment models 300 MW of additional LDES, comprising 15 fictitious 20 MW assets distributed across the transmission network. Separate sensitivities are modelled for four-hour and six-hour assets. The locations are intended to provide broad network coverage and do not represent specific projects or the expected outcome of the proposed procurement.

The CBA models three scenarios:

- **Scenario 1, counterfactual:** no additional LDES

- **Scenario 2, market-led operation:** LDES assets optimise their Day-Ahead Market position to maximise energy-arbitrage revenues, without Trading Envelope restrictions[1]; and
- **Scenario 3, system-optimised operation**: LDES charging and discharging are centrally optimised in PLEXOS to minimise system costs, as a proxy for the maximum potential benefit of effective operational coordination.

Importantly, EirGrid was unable to model the proposed scheme (in particular the Trading Envelope) and we do not believe that Scenario 3 is a good proxy.

The market-led cases deliver some physical benefits but produce negative socio-economic welfare of €24.2 million for four-hour assets and €30.6 million for six-hour assets. The system-optimised cases produce positive welfare of €63.9 million and €60.3 million respectively, alongside materially greater reductions in dispatch down and thermal generation. It is not surprising that an optimisation which takes full account of system costs (in particular in regard to location) creates a significantly better net welfare outcome.

These results do not, however, demonstrate the benefits of the proposed Trading Envelope. The system-optimised case assumes perfect foresight and central control of asset operation. EirGrid acknowledges that the Trading Envelope will instead define permitted operating ranges and will not require assets to adopt the system-optimal position. Actual outcomes are therefore expected to lie between the market-led and system-optimised cases, but the CBA cannot establish where.

Following CRU and Baringa queries, EirGrid estimated a potential lower-bound welfare outcome of €2.7 million for the four-hour case, based on approximately 31% alignment with system-optimised dispatch. This is helpful as an illustrative sensitivity, but EirGrid describes it as a simplified interpolation that should not be relied upon as representing actual service outcomes. It does not provide robust evidence that the proposed framework has a positive lower bound.

The CBA also does not validate the proposed procurement calibration. EirGrid confirmed that it cannot evidence the 50% Cost weighting because the modelled assets have common costs, and that connection method is not represented in the CBA. Supplementary analysis indicates that blocked hours capture a different characteristic from avoided dispatch down, but does not demonstrate that the proposed 20:10 split reflects their relative value.

Our conclusion is therefore that the CBA supports the potential value of LDES and the importance of operational coordination. It does not demonstrate that the proposed Trading Envelope, Revenue Floor and Trading Non-Activity Scalar will collectively realise sufficient benefit, nor does it support extrapolating the results from 300 MW to the proposed 500 MW procurement. This reinforces the need for the evidence identified in Section 5 before the detailed operational arrangements are approved.

[1] EirGrid have assumed that a "Follow PN" approach remains in place throughout the asset life. Baringa's view is that this will likely disadvantage the Market Led case compared to a future world where the TSOs take balancing actions on storage.

7.3 Monitoring and reporting

EirGrid's recommendations focus on the design of the procurement and the arrangements under which contracted assets will operate. They do not extend to reporting on what the procurement delivers once those assets are running, and we have not seen provision for measuring the dispatch down reduction achieved, the activity levels of contracted assets, the Revenue Floor payments made, or the operation of the Trading Non-Activity and non-compliance mechanisms. That is understandable given the scope of the Recommendations paper, but in our view it leaves a gap the Commission should close, and one that becomes more significant in light of the two dependencies discussed above.

The rationale for a ten-year scheme duration, which we support at 8.11, is that this is an initial procurement rather than an enduring framework, and that a shorter term allows the Commission to incorporate learning into subsequent rounds. That rationale depends on there being something to learn from. Without a reporting obligation, any future procurement will be designed on the same evidence base as this one, and the questions raised in this paper will remain unresolved.

The same point applies to the cost-benefit analysis. Where the benefits case has not been fully demonstrated in advance, the case for measuring what the scheme actually delivers is strong. Ex post reporting is the mechanism through which the Commission can establish whether consumer funding has secured the stated objectives of this framework.

Reporting would also test the assumptions on which several of the recommendations before the Commission rest. The Impact criterion scores projects on modelled potential to avoid dispatch down at their node; reporting on delivered dispatch down reduction would show how closely that modelling reflected outcomes. The proposed Trading Non-Activity Scalar is intended to ensure assets remain active; reporting on activity levels and on penalties applied would show whether it did so. The Revenue Floor is intended to operate as a backstop rather than a primary revenue source; reporting on Revenue Floor payments would show whether that proved to be the case.

We therefore recommend that EirGrid be required to report periodically to the Commission, and to publish that reporting where commercially appropriate, covering as a minimum:

- renewable dispatch down reduction delivered by contracted assets, compared against the potential modelled at procurement stage;
- the activity and cycling levels of contracted assets;
- Revenue Floor payments made, and revenues shared with consumers under the 70:30 arrangement;
- the application of the Trading Non-Activity Scalar and of non-compliance charges; and
- the operation of the Trading Envelope, including the frequency and extent to which it has constrained asset operation.

EirGrid will need to collect most of this information to settle the Revenue Floor, apply the Scalar and administer the non-compliance charge. The requirement is for it to be reported and made available

to the Commission in a form that supports assessment of the scheme, rather than held only for settlement purposes. The purpose of the reporting is to give the Commission a basis on which to act. It would allow the CRU to assess whether the framework is delivering the benefits that justified the intervention, and to identify early where it is not. It would inform the Commission's consideration of any further LDES procurement under Actions 7 to 10 of the ESPF, including whether the assessment criteria, the weightings and the operational mechanisms should be carried forward, adjusted or replaced. It would also show whether the framework performs in operation as EirGrid expects. Where it does not, the Commission would have the evidence to change the design for a subsequent round rather than repeat it.

This section is the basis for recommendation 7: we recommend that the CRU require EirGrid to report on delivered dispatch down reduction, asset activity, Revenue Floor payments and Trading Non-Activity penalties, so that the efficiency of the design and the realisation of benefits can be monitored, and any future procurement rounds can be designed on evidence.

8 Baringa's view on EirGrid's Recommendations

This section records our position on each of EirGrid's recommendations, in the order presented in their Recommendations paper. Where we do not recommend approval, the reasoning is set out in full at Sections 5 and 6 and is summarised here only by cross-reference.

We use three positions. **Approve** means we see no barrier to the Commission approving the recommendation as proposed. **Approve subject to** means the principle is sound but a defined condition should be attached for approval. **Do not approve at this stage** means the recommendation should not be approved in its current form, because a parameter capable of materially affecting procurement outcomes, operational behaviour or consumer exposure has not been evidenced.

8.1 Summary table

This table summarises: our position on each of EirGrid's recommendations, the relevant Baringa recommendations, where applicable, that follow from it, and where each is discussed in this paper.

EirGrid's Recommendation	Baringa Position	Relevant Baringa Recommendation	Relevant sections of this paper
Procurement Design and Volume	**Approve subject to** EirGrid notification of intended projects to contract at end of procurement as per Section 6.4	Recommendation 3	6.4, 8.2
Eligibility Criteria	**Approve**		8.3
Benefits of co-locating LDES	**Approve**		8.4 The Connection Method weighting issue is captured in 8.14
Connection location and nodal assessment	**Approve**		8.5

The Trading Envelope Model	**Do not approve at this stage** Approval dependent on operational mechanisms evidence as per Section 5.6	Recommendation 1	5.2, 5.6, 8.6
Trading Envelope Definition	**Approve subject to** a) Publication and industry engagement on the TE methodology b) Development of a change control approach with industry engagement and CRU approval	Recommendations 2 and 6	5.5, 8.7
Revenue Floor	**Do not approve at this stage** Approval dependent on: a) operational mechanisms evidence as per Section 5.6 b) annual reconciliation evidence as per Section 5.4 c) publication and industry engagement of the LCOS methodology as per Section 7.1	Recommendations 1 and 5	5.4, 5.6, 7.1, 8.8
Revenue Sharing at 70:30	**Approve**		8.9
Non-compliance charges and the Trading Non-Activity Scalar	**Approve the non-compliance charge subject to** a) The detailed arrangements being developed through the next consultation **Do not approve the Trading Non-Activity Scalar at this stage**	Recommendation 1	5.3, 5.6, 8.10

	Approval dependent on operational mechanisms evidence as per Section 5.6		
Scheme duration of ten years	**Approve**		8.11
Other services and revenue stacking	**Approve**		8.12
Qualification Criteria	**Approve**		8.13
Tender criteria and assessment weightings	**Approve** (with limitations recognised) The proposed weightings are based on evidence-informed judgement and can be approved at this stage. The Commission should recognise that the calibration is not a modelled optimal outcome and that the framework may provide a cumulative advantage to projects using existing connections.		6.2, 8.14
BAFO and Deliverability Assessment	**Approve subject to** a) Publication and industry engagement on the Deliverability Assessment methodology as per Section 6.3	Recommendation 4	6.3, 8.15

8.2 Procurement design and volume

EirGrid's recommendation: A phased, technology-neutral procurement framework, with an initial procurement of up to a maximum of 500 MW, delivered through a qualification system approach. The volume range was increased from the 201MW originally consulted on.

Baringa's position: Approve, subject to EirGrid notification to the CRU of the intended selected projects, following the procurement process and ahead of contracting, as per Section 6.4

Reasoning: LDES offers flexibility the current system cannot otherwise access, but the revenue streams that would reward that flexibility are perceived to be uncertain over the investment horizon, and industry feedback indicates that merchant financing is unavailable on acceptable terms. We support the increase in volume, which responds to consultation feedback that the original range was insufficient to meet policy goals.

We support treating the 500 MW volume as a ceiling rather than a target. Before contracts are awarded, EirGrid should notify the Commission of the volume it proposes to contract and provide sufficient information on the selected portfolio to demonstrate why the projects merit support. This would allow the Commission to consider the actual procurement outcome, including the selected portfolio, volume and cost, before support is committed for the ten-year term.

Our approval is for this initial round only. Any further procurement should be subject to lessons learned from the first round, a revised framework where appropriate, and separate CRU approval before it proceeds.

8.3 Eligibility criteria

EirGrid's recommendation: Retention of the core eligibility criteria: a minimum four-hour import and export duration, a MEC/MIC ratio of 1:1, minimum capacity of 20 MW for hybrid and 75 MW for standalone projects, a maximum of 100 MW, a minimum 75 per cent round-trip efficiency, asset health management, a Connection Offer at qualification and a Connection Agreement at tender stage, final planning consent and evidence of land rights.

Baringa's position. Approve

Reasoning. Taken together these requirements define a project capable of providing the service and are realistic about delivering it. The requirement for planning consent and land rights is an appropriate barrier to entry, protecting consumers from long-term contracts being awarded to projects that will not be built. We support in particular the change from requiring a Connection Agreement at qualification to requiring a Connection Offer, with the Agreement required at tender. Respondents argued that the original position was too high a barrier and we agree: the revised requirement preserves the deliverability test while avoiding the exclusion of otherwise viable projects progressing through the connections process, which matters for competition.

8.4 Benefits of co-locating LDES

EirGrid's recommendation: Recognise and incentivise co-location of LDES with existing connections, on the basis of improved delivery times, relief of network constraints and more efficient use of connection bays. A minimum of 30 MW of transmission-connected renewable generation is required for a site to qualify as co-located. MEC sharing is not permitted for this procurement, and co-located assets require separate metering and market registration.

Baringa's position: Approve. The scoring differential in the Connection Method weighting is addressed at 8.14.

Reasoning: The qualitative case for co-location is sound. Building on existing connections can improve delivery times, relieve network constraints and make more efficient use of connection bays, and the avoidance of outages and wayleaves is a real benefit. We also accept EirGrid's position that requiring MEC sharing would delay implementation for this initial round, and note that projects requiring full-site MEC can proceed through the normal connections process. The Commission should be aware, however, that the supporting evidence is entirely qualitative. Supporting the principle is defensible; supporting a 20-point scoring differential in the Connection Method weighting carries more risk, which is captured in a separate EirGrid recommendation, as per section 8.14.

8.5 Connection location and nodal assessment

EirGrid's recommendation: Evaluate and incentivise LDES capability using pre-existing ECP nodal constraint and dispatch down assessments, assessing tendering assets on their proposed MW and MWh capability at their proposed location within ECP-analysed nodes.

Baringa's position: Approve.

Reasoning: Incentivising deployment where assets can reduce renewable dispatch down and improve the utilisation of renewable generation is the mechanism by which the scheme delivers system value, and achieves the framework's stated objectives, and it is right that the assessment reflects location given the system benefit capability will vary substantially between nodes. We note consultation responses arguing for a zonal rather than nodal approach, and EirGrid's position that only nodal-level ECP data is available and that current ECP zones are not granular enough to meaningfully incentivise location. On the evidence available we consider the nodal approach reasonable for this initial round.

8.6 The Trading Envelope model

EirGrid's recommendation. Proceed with a Trading Envelope design as the operational framework, on the basis that it offers the greatest value to consumers in a market-led system while maintaining market access and revenue stacking opportunities.

Baringa's position. Do not approve at this stage. Approval should be dependent on demonstration that the Revenue Floor, the Trading Envelope, and the Trading Non-Activity Scalar adequately incentivise developers to cycle and participate.

Reasoning: As a mechanism, the Trading Envelope is capable in principle of preventing supported assets from taking positions that would worsen forecast system conditions, and it directly supports the framework's stated objectives. Our concern is with the fact that the Envelope is non-directional: it prevents harm without requiring an asset to act when the system would benefit. That places weight on the other mechanisms in the package, specifically the Trading Non-Activity Scalar, and the package has not been assessed as a whole.

8.7 Trading Envelope definition

EirGrid's recommendation. Define Trading Envelopes as dynamic, time-based import and export limits set by the TSO for each asset at 10am on the day before delivery, covering a 24-hour horizon, with maximum limits only and no minimum requirement or forced zero-crossing, remaining fixed after issuance.

Baringa's position. Approve, subject to the below:

- Publication and industry engagement on the Trading Envelope methodology as per Section 5.5
- Introduction of a change control approach as per Section 5.5

Reasoning: We do not disagree with the proposal of issuing the Trading Envelope at 10am D-1. Consultation responses were divided, with some arguing it provides insufficient notice and others that it is too early for conditions to be reliably forecast, and we do not consider there is sufficient evidence to direct a change. Our concern is that the methodology by which Envelopes will be determined has not been published, which means bidders cannot confidently price a ten-year Revenue Floor. Approval should follow publication of a rules-based methodology and the establishment of the change-control approach described at Section 5.5.

8.8 Revenue Floor

EirGrid's recommendation: A Revenue Floor determined through competitive pay-as-bid submissions, capped by a bid limit informed by an LCOS assessment undertaken by independent consultants, with duration-specific bid caps and annual ex-post assessment and true-up. Performance against the Revenue Floor is proposed to be assessed on gross market revenues.

Baringa's position: Do not approve at this stage. Approval should be dependent upon the below:

1. Demonstration of the Revenue Floor, the Trading Envelope, and the Trading Non-Activity Scalar adequately incentivising developers to cycle, see section 5.6
2. Demonstration that the annual reconciliation period provides a sufficiently effective and timely incentive for assets to remain active, see section 5.4
3. Publication and industry engagement on the LCOS methodology, see section 7.1

Reasoning: A Revenue Floor is sensible in principle. Industry has pointed to downside revenue risk as the principal obstacle to investment, and a Revenue Floor removes that risk while leaving the asset exposed to upside. It is also the cheaper instrument for consumers where the scheme succeeds: if market revenues materialise, the Revenue Floor is not called. We support capping the Floor by the Levelised Cost of Storage.

We also support assessing performance against gross market revenues (as defined in the EirGrid Recommendations paper). Respondents to the consultation argued that a gross measure leaves the asset exposed to costs it cannot recover. EirGrid clarifies the treatment of certain costs in the Recommendation paper, specifically that both market buy and sell positions are captured within the

eligible revenue calculation. This means that electricity purchased for charging is netted against market sales before the resulting eligible-revenue figure is compared with the Revenue Floor. Other operating and commercial costs are not deducted from eligible revenues and remain the asset owner's responsibility. The extent to which those costs can be recovered therefore depends on the Revenue Floor bid submitted by the developer and whether the LCOS-based bid limit adequately reflects the relevant cost base.

Our principal concerns are with the Revenue Floor's interaction with the mechanisms it operates alongside, as set out at Sections 5.4 and 5.6, and this cannot be assessed by considering the Revenue Floor on its own.

8.9 Revenue sharing at 70:30

EirGrid's recommendation: A revenue sharing ratio applied to revenues exceeding the Revenue Floor, set at 70:30 in favour of the LDES service provider.

Baringa's position: Approve.

Reasoning: Revenue sharing is the necessary counterpart to the Revenue Floor and should be recognised as a consumer protection in its own right: having underwritten the downside, consumers should participate in the upside. We support the 70:30 split. A lower share to the owner would weaken the incentive the design depends on, since with downside risk removed the retained upside is the principal remaining commercial reason to optimise operation and participate actively. A materially higher owner share would leave consumers funding a Revenue Floor while receiving little benefit when the asset performs well.

8.10 Non-compliance charges and the Trading Non-Activity Scalar

EirGrid's recommendation. Non-compliance charges applied where a contracted asset breaches its Trading Envelope import or export limits, and a Trading Non-Activity Scalar reducing the Revenue Floor where asset cycling falls materially below expected levels.

Baringa's position. Approve the principle of the non-compliance charge, subject to the detailed arrangements being developed through the next consultation. Do not approve the Trading Non-Activity Scalar at this stage. Approval dependent upon evidence that the Trading Non-Activity Scalar is calibrated to incentivise assets to cycle and works effectively alongside the Trading Envelope and Revenue Floor framework, as per section 5.6.

Reasoning. We support the principle of the non-compliance charges, but the detailed arrangements are still to be developed through the contractual arrangements consultation and so cannot be approved in full at this point. Similarly, further information is required on the Non-Activity Scalar. The Scalar is the primary mechanism intended to ensure that contracted assets remain active in the market rather than relying on the Revenue Floor, but its benchmark of expected activity, calculation basis and calibration have not been published. It did not form part of the October 2025 consultation and so has not been tested with industry. Sections 5.3 and 5.6 set out our position in full.

8.11 Scheme duration of ten years

EirGrid's recommendation. A scheme duration of ten years, reflecting the immediate procurement requirement and anticipated evolution of market arrangements.

Baringa's position. Approve.

Reasoning. The majority of respondents considered ten years too short, arguing that asset lives of twenty-five to fifty years make the support period inconsistent with project economics, and that longer contracts would improve financeability and reduce consumer costs. We understand that argument but support the ten-year term for this round. This is an initial procurement rather than an enduring framework, and a shorter term limits consumer exposure to a support design whose calibration is not yet fully demonstrated. It also creates a genuine learning point, allowing the Commission to adjust terms, weightings and the Revenue Floor methodology for a second round using evidence from operation.

8.12 Other services and revenue stacking

EirGrid's recommendation. Contracted assets retain full access to all SEM markets, subject to Trading Envelope compliance.

Baringa's position. Approve.

Reasoning. Developers should look to market participation first, with the Revenue Floor and share mechanism operating as a backstop rather than a primary revenue source. This preserves efficient market signals so far as a Revenue Floor mechanism allows and lets consumers share in market revenues through the sharing arrangement.

8.13 Qualification criteria

EirGrid's recommendation. A pass or fail qualification stage assessed against company-level criteria, covering minimum financial turnover, relevant experience in large-scale electricity or system services projects and cyber security compliance, and project-level technical requirements.

Baringa's position. Approve.

Reasoning. Qualification is a test of credibility and treating it as a threshold rather than a ranking keeps the competitive assessment focused on cost and system value. The company-level requirements are proportionate to the scale of the commitment being made, and the project-level requirements are consistent with the eligibility criteria we support at 8.3. On the basis of additional engagement with EirGrid we are satisfied that a sufficient number of projects should be capable of participating for the procurement to be meaningfully competitive.

8.14 Tender criteria and assessment weightings

EirGrid's recommendation. Tenderers are assessed against pass or fail eligibility requirements and then scored against three criteria: Cost (50 points), Impact (30 points, divided into 20 for potential avoided dispatch down and 10 for blocked hours) and Connection Method (20 points, awarding the full score to hybrid and existing standalone connections and zero to new standalone connections).

Baringa's position. Approve. The proposed weightings are based on evidence-informed judgement, and the additional analysis provides a reasonable basis for approval at this stage. However, the Commission should recognise that the calibration is not a modelled optimal outcome and that the Connection Method criterion may compound advantages already reflected through Cost and Deliverability Assessment.

Reasoning. Cost, Impact and Connection Method are sensible criteria: together they capture what consumers pay, the potential system benefit, infrastructure efficiency and aspects of project delivery. EirGrid's additional analysis illustrates how alternative weightings could affect project rankings and provides a reasonable basis for the proposed balance. However, the analysis uses fictitious projects and theoretical inputs and does not demonstrate that the calibration is optimal or how it will perform against the actual tender population.

A further consideration is that existing connection status may improve a project's Cost score, its position under the Deliverability Assessment and its Connection Method score. This cumulative effect may provide a substantial advantage to existing assets and co-located projects. The Commission should understand this possible outcome when approving the weightings and when reviewing the proposed contracted portfolio before contracts are awarded. See Sections 6.2 and 6.4.

8.15 BAFO, grid connection assessment and Deliverability Assessment

EirGrid's recommendation. The highest-ranked projects are shortlisted to a Best and Final Offer stage. At that stage, EirGrid reviews each project's Connection Programme and determines a feasible Target Energisation Date. A project fails the Deliverability criterion and is removed from the shortlist where its Target Energisation Date falls later than four months before the Target Scheme Go-Live Date. Projects passing the criterion may then submit a BAFO discount to their initial Revenue Floor offer, which determines the final offer used for ranking.

Baringa's position. Approve, subject to publication and industry engagement on the Deliverability Assessment methodology, see section 6.3.

Reasoning. Testing connection and wider project delivery risk before awarding long-term contracts is a reasonable protection and supports the objective of ensuring procured capability is delivered within the required timeframe. Our concern is with how the assessment will be conducted rather than whether it should exist. The determination of a Target Energisation Date is a significant discretionary judgement capable of removing an otherwise compliant project from the procurement, the methodology behind it has not been published, and the stage was introduced after the consultation closed so has not been tested with stakeholders.

9 Summary and conclusions

Baringa has conducted an extensive review of EirGrid's recommendations and set out seven recommendations for the Commission to consider in reaching its decision. There are a number of areas we consider the CRU can approve. There are also a number of outstanding areas which, as set out in this paper, require further work or evidence before we would recommend approving them in full.

9.1 Where we consider the framework sound

Action 6 of the ESPF sets the intent for the immediate procurement of LDES, and industry has identified uncertainty over future revenues as the obstacle to financing these projects on a merchant basis. The architecture EirGrid has chosen, a competitive, service-based procurement supported by a floor-and-share instrument and a staged tender, is reasonable for an initial round in line with the stated objectives.

The elements we consider ready for approval, subject where applicable to the qualifications set out in Section 8, are:

- **Scheme scope and eligibility:** the procurement design and volume, eligibility criteria, co-location approach, and connection location and nodal assessment;
- **Commercial arrangements:** the Revenue Floor in principle as the support instrument, Revenue Sharing at 70:30, the ten-year service duration, and retained access to SEM markets; and
- **Procurement process:** the qualification criteria, tender criteria and assessment weightings, and the BAFO and Deliverability Assessment arrangements.

9.2 Primary outstanding concern

Our remaining primary concern relates to the operational framework. The Trading Envelope, Revenue Floor and annual reconciliation, and proposed Trading Non-Activity Scalar arrangements have each been proposed on their own terms, but have not yet been shown to work together in a way that provides contracted assets with sufficient incentive to operate when this would benefit the system. The Trading Envelope constrains asset operation without directing desired behaviour, while the Revenue Floor may reduce the commercial incentive to earn market revenues. The proposed Trading Non-Activity Scalar is intended to counteract this effect, but its design and calibration have not yet been defined.

We therefore do not consider the Trading Envelope, Revenue Floor and annual reconciliation period, or proposed Trading Non-Activity Scalar ready for full approval as an integrated operational framework at this stage. Approval should be subject to evidence that these mechanisms collectively provide appropriate incentives for contracted assets to participate actively in the market and deliver the intended system benefits.

Section 8 sets out our position on each of EirGrid's recommendations in turn.

9.3 Timing

The Commission's decision requires a judgement between two considerations. On the evidence provided, several of these elements are not, in our view, ready for approval. Against that, Action 6 provides for immediate procurement, and renewable dispatch down will continue while the scheme is not in place. Withholding approval across the framework as a whole would be defensible, but would not serve the objectives the scheme exists to meet.

We do not consider that the recommendations we have set out need to delay the scheme. The calibration of the Scalar, the Trading Envelope methodology, the Deliverability Assessment and engagement on the LCOS methodology, are planned to be or can be progressed in parallel to the forthcoming contractual arrangements consultation, which provides a further point at which the Commission can approve those elements once developed.

We therefore recommend that the Commission proceed with making a decision on this stage, allowing EirGrid to continue to the consultation on contractual arrangements, while requiring the specific evidence set out in Section 5 before the operational calibration is finalised.

9.4 Monitoring and future rounds

This is an initial procurement framework and, in our view, should be treated as such by the Commission. This is reflected in the ten-year service duration and the procurement of up to 500MW. Learning from an initial round, however, requires measurement of what that round delivers, and the framework as proposed contains no such provision. We would encourage the Commission to require EirGrid to report on delivered dispatch down reduction, asset activity, Revenue Floor payments and Trading Non-Activity penalties. Without this, any subsequent procurement will be designed on the same evidence base as the first, and some of the questions raised in this paper will remain unresolved.