PRESS RELEASE

ERSE launches public consultation on electricity system regulation charges

ERSE – the Energy Services Regulatory Authority – today opened a public consultation on amendments to the System Regulation Charges (ERS) regulatory framework within the National Electricity System (SEN), with the aim of limiting the level and volatility of these system regulation costs.

ERS are costs that are levied primarily on electricity demand and arise from the overall technical management of the SEN to ensure secure and reliable conditions, a function performed by REN – Rede Eléctrica Nacional, S.A., in its capacity as the global manager of the SEN (GGS).

This initiative aims to respond to the growth and volatility of these costs, in particular those arising from the resolution of technical constraints on the day-ahead market programmes, largely as a result of security measures adopted by the GGS, following the 'Iberian blackout' of 28 April 2025 and those resulting from the severe damage caused to the electricity networks by Storm *Kristin* on 28 January 2026. The aim is thus to protect electricity suppliers and end consumers from the unpredictability of this very short-term segment of the electricity market.

The explanatory document put out for public consultation outlines the recent evolution of the SEN's technical and operational management costs, driven by the GGS's need to activate *backup* power plants (combined-cycle gas turbine power plants) to balance growing non-dispatchable renewable generation, setting out proposals for regulatory amendments to the Manual of Procedures for Global System Management in the Electricity Sector (MPGGS) and the Electricity Sector Tariff Regulation (RT SE).

The main pillars of the proposed regulatory amendments are as follows:

1. **Redesign of the mFRR Band market:** It is proposed to create a specific lot within the Manually Activated Frequency Restoration Reserve Band (BmFRR) dedicated to generation assets with firm capacity (conventional thermal). The aim of this MPGGS amendment is to ensure predictable availability and reduce reliance on the more costly technical constraint resolution mechanism in the Daily Base Operating Programme (PDBF), given its proximity to real time.
2. **Innovative Risk Hedging Mechanism:** Successful bidders in the BmFRR auction scheme which hold conventional generation assets will, in return for providing the BmFRR service, be required to make part of that contracted capacity available in a new forward hedging product traded via OMIP. This will enable demand-side market participants to hedge part of their risks relating to ancillary service costs in advance.
3. **Partial Integration into Network Access Tariffs (TAR):** Since technical constraints depend on the management and operation of electricity networks, ERSE proposes to integrate, through an amendment to the RT SE, up to 40 % of the charges envisaged for the resolution of Technical Constraints in the PDBF into the Global System Use (UGS) tariff component. The measure will be phased in, starting in the final quarter of 2026 with the inclusion of 25 % of the estimated charges.
4. **Optimisation of gas tariffs for activations in the electricity ancillary services market:** To prevent the multipliers applied to daily/monthly gas contracts for combined-cycle power plants from driving up bids in the ancillary services market, the activation of these generation assets to resolve technical constraints in the PDBF will henceforth be subject to the ‘long-use’ gas tariff (which is cheaper as it has no multiplier). To ensure neutrality and prevent cross-subsidies between the gas and electricity sectors, the GGS will financially compensate the gas transmission system operator (REN Gasodutos, S.A.).
5. **Dynamic Management Pilot Project with the GGS:** ERSE has formally requested that the GGS submits, during the period of this public consultation, a proposal for a pilot project to implement advanced tools for the probabilistic and stochastic characterisation of power flows, moving away from the current model, which is strictly deterministic.

ERSE considers that this diversified and coordinated package of regulatory responses, designed within the scope of its powers, will contribute to the stabilisation of final electricity costs, without jeopardising the economic sustainability of regulated activities in the electricity and gas sectors.

The public consultation will run from 10 July 2026 to 10 September 2026.

[Access the Public Consultation]

Lisbon, 10 July 2026