



SEM-23-044 CMC Working Group 31 Modification Consultation Paper

SSE Response

Introduction

SSE welcomes the opportunity to respond to this consultation SEM-23-044 seeking views on the CMC Working group 31 Modification Consultation Paper.

For the avoidance of doubt, this is a non-confidential response.

Who we are

SSE is the largest renewable energy developer, operator, and owner in Ireland's all-island Integrated Single Electricity Market. Since entering the Irish energy market in 2008, SSE Group has invested significantly to grow its business in Ireland, with a total economic contribution of €3.8bn to the State's economy over the past five years. We have also awarded over €9 million to communities in the past 10 years as part of our community benefit programme.

SSE is building more offshore wind energy than any other company in the world right now. We are currently constructing the world's largest offshore wind energy project, the 3.6 GW Dogger Bank Wind Farm in the North Sea, a joint venture with Equinor and Eni. This is in addition to Scotland's largest and the world's deepest fixed bottom offshore site, the 1.1 GW Seagreen Offshore Wind Farm in the Firth of Forth, a joint venture with TotalEnergies, which reached first power in recent weeks. In the most recent Scotwind process, SSE Renewables was awarded the rights, along with partners Marubeni Corporation (Marubeni) and Copenhagen Infrastructure Partners (CIP), to develop what will become one of the world's largest floating offshore wind farms off the east coast of Scotland.

We plan to bring our world-leading expertise in offshore wind energy to Ireland with plans to deliver over 3 GW of offshore wind energy in Irish waters, starting with our Arklow Bank Wind Park Phase 2 project off the coast of Co. Wicklow.

Through our SSE Thermal business, we continue to provide important flexible power generation. SSE's power station Great Island is Ireland's newest combined cycle gas turbine (CCGT) power station and one of the cleanest and most efficient on the system, generating enough electricity to power half a million homes. The acute need for flexible generation in Ireland has been demonstrated over the last twelve months, with EirGrid's most recent generation capacity statement showing that a shortfall in generation capacity was a significant risk for a number of winters to come, resulting in emergency measures being implemented by the CRU and Government.

While existing power stations continue to play a critical role on the system, SSE view the future of dispatchable thermal generation as being abated thermal, with Carbon Capture and Storage, hydrogen or other low-carbon fuels being the primary options. SSE have over 5 GW of zero and low carbon thermal under active co-development in the UK.

We will continue to evaluate opportunities to bring our expertise and investment in decarbonised flexible generation to Ireland, but it is vital that the state, Regulator and TSO provides an appropriate investment landscape to unlock such developments.

SSE Response

The Consultation Paper consists of 5 modifications which we respond to below.

CMC_10_23 Mitigation of Impact on Participants relating to 3rd Party Gas Connection Delays

This Mod focuses on third-party delays relating to limitations around gas connections which are not attributable to the participant. The application of extension to third party delays relating to gas and electrical connections which was the basis of the proposed modification CMC_14_22 was not incorporated into the combined modification which formed the primary basis of the consultation.

This proposal would result in the extension of the Long Stop Date and the Capacity Quantity End Date of New Capacity in instances where Substantial Completion has been delayed because of the delivery failure of a third-party.

SSE agrees with this for instances which are clearly within the control of the Gas Connection parties and governed. There should be proper controls in place to ensure no perceived risk of abuse of this provision. This could benefit from the use of an independent Technical Expert to ensure that there is some rigour around establishing any claims that a third party was responsible for third party delays. This could also be used to address third party delays around electrical connections as was proposed in the previous mod.

CMC_11_23: Amendment to Drafting Introduced Under Modification CMC_15_22

This relates to delays to the planning process arising from third party challenges in Northern Ireland which were not covered under previous Consultation CMC_15_22 concerning the Introduction of new Remedial Action to enable extension due to Planning and Permitting Delays.

SSE agrees that there should not be jurisdictional inconsistencies and there would be merit in addressing these potential delays due to NI legislation and ensuring that third parties cannot obstruct planning permission in NI due to these Articles.

CMC_12_23: Facilitation of Unit Specific Price Caps for Existing Capacity in Excess of the Auction Price Cap

This modification proposes to enable participants with Existing Capacity to apply for a Unit Specific Price Cap (USPC) in capacity auctions which exceeds the Auction Price Cap (APC).

SSE does not agree with the use of USPC in this manner. This could have knock-on effects to the auction process. Also there are other areas where the retention of existing capacity and security of supply can be addressed.

Revenues earned by System Services providers should be increased. The Ancillary Services pot is assumed to be the existing DS3 pot which has remained at a fixed value, with reduced tariffs for service providers. The recent V1.1 Shaping our Electricity Future Roadmap refers to System services playing a key role in managing the resilience of the power system and there should be appropriate system service framework to support investment in required capability. As V1.1 states, 'attracting investment and procuring sufficient volumes of system services capability from both existing service providers and new prospective providers, will be critical to meeting the decarbonisation targets.'

Also the lower load factors of existing conventional generators is an issue which needs to be addressed as these generators are still required to address the security of supply.

Price caps are not the ideal way to address the costs of capacity. We favour price caps by exception as recommended by the EY review of the CRM. They are not used in GB with the exception of outliers where it is considered that reasonable costs of capacity have not been used. We can see in GB that clearing prices remain lower than those experienced in the SEM CRM.

CMC_13_23: Min Completion Prior to Long Stop Date

This modification proposes that where capacity achieves Minimum Completion after the beginning of the Capacity Year and the participant acknowledges that Substantial Completion will not be achieved, the System Operator can reduce the Awarded Capacity and will terminate the remainder before the Long Stop Date. The proposal would amend the CMC rule whereby if Minimum Completion has been obtained but Substantial Completion has not, the participant has to wait until the Long Stop Date to receive their capacity payment.

Although this proposal has some merit when capacity is needed for security of supply, it is not an ideal solution as this capacity should be delivered per the awarded capacity which was won in the auction. It is not the correct signal to send for future auctions, so this should only be used as an exception.

It is also presumably unlikely to be used by many participants as any chance of making the long stop date would be preferable to maximise capacity payments.

Also it should be clarified if participants could revise their position after they had been awarded Minimum Completion and if the TSO would review that decision.

CMC_14_23: Locational Capacity Constraint Violation Criteria

The previous Mod CMC_08_22 introduced LCC Maximum limits applicable to Locational Capacity Constraint Areas. SSE and other industry participants strongly rejected this modification; however, it has been approved.

CMC_14_23 relates to the ability to accommodate the maximum capacities in those locations. However, it is not a logical extension necessitated by the previous modification. It is rather a proposal to further seek to solve a transmission issue via the capacity market.

SSE supports the EAI response to the modification. As per that response, this proposal should be rejected by the RAs as:

- Ireland's security of supply outlook is very serious and there remains a genuine risk to system adequacy in future years. Eirgrid's recent V1.1 Shaping our Electricity Future Roadmap referred to the risk of capacity shortfalls, stating 'In the short term, there is an urgency to address the risk of security of supply'.
- If future capacity auctions were to breach the minimum LCC requirements, this would further exacerbate the security of supply position and significantly increase the risk of loss of load in Ireland.
- The design of the capacity market was established with a protected minimum LCC requirement. There should not be any consideration that the minimum requirement would be relaxed.
- If approved, CMC_14_23 would give discretion to determine which of the LCC maximum and minimum capacity requirements were breached. The Price Quantity pairs would be set outside of a published and agreed methodology and would not be subject to consultation.

- Both the setting of a max LCC under the previous CMC_08_22 and this proposed CMC_14_22 are seeking to resolve essentially a transmission issue. While we understand that there are issues with Planning standards which impact on technical feasibility, it is not a generator's commercial or operation risk whether capacity is at sufficient levels in a constrained area.