



SEM-24-047 CMC Modifications Consultation paper 1/7/2024

SSE Response



INTRODUCTION

SSE welcomes the opportunity to respond to the SEM-24-047 Capacity Market Code Modifications Workshop 37 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 €1.3bn to the State's economy over the past three years. We have also awarded over €11.3 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 this coming winter and 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 TO CONSULTATION

Introduction

We welcome the opportunity to respond to this SEM-24-047 Capacity Market Code Modifications Workshop 37 Consultation Paper. This is a non-confidential response.

Response to each modification as follows:

CMC_06_24 Performance Securities for Extended Projects

This proposes an enduring mechanism to amend and align the timelines for posting performance securities for projects that have been granted an extension. Currently they are only aligned in certain auctions, so this would provide an enduring mechanism for all auctions.

SSE supports this Modification. It is a practical proposal which avoids unintended consequences. We agree that this should apply to all auctions as an Enduring Mechanism. We also agree with the proposal from the Workshop that all possible causes of delay should be captured in the scope of the proposal.

CMC_07_24 Treatment of Capacity Constraints of Varying Duration in Constrained Auction Solution

This mod seeks to amend how Exempt PQ pairs are treated in the resolution of constraints in an auction run. The proposal is introduced in the light of Intermediate Length contracts which can be five years. It proposes that contracts up to five years in duration should take precedence over longer term contracts, given that these contracts will resolve constraints sooner.

Two Options are proposed. Option 2 was discussed at the workshop. The mod has since been drafted on the basis of Option 1: For exempt PQ pairs, a total Net Social Welfare (NSW) calculation would be assigned to each offer being the product of the requested price, quantity and contract duration with one-year contracts being treated equivalently as today.

Per the mod proposal, Option 1 has been selected as it is the most feasible proposal to implement prior to the commencement of T-4 2028/29, and it has the advantage that bids can be prioritised based on their offer contract duration rather than their max contract duration so there is more scope to differentiate between five and ten years. As set out, Option 1 is the most pragmatic Option for this modification.

SEM-24-035 Intermediate Length Contract Decision paper decided that a one-year contract should be cleared in preference to out-of-merit New or ILC multi-year contracts to solve constraints. The rationale was that 5-year contracts should not be treated on a par with one-year contracts. SSE supports the principle that contracts up to five years in duration should take precedence over longer-term contracts, so long as the relevant shorter-term contracts functionally solve locational contracts.

The issue of capacity delivery for an ILC needs to be considered to ensure that the principle of this mod is realised. If the current CMC rules for capacity delivery, e.g. milestones, reporting,

continue to apply with no modifications for shorter ILC contracts, it may be overly optimistic to consider shorter term ILCs will always functionally resolve constraints sooner than ten-year contracted capacity.

CMC milestones and requirements are drafted with New Capacity in mind. The ILC proposal needs to be accompanied by a clear review of CMC milestone and delivery requirements (e.g. consents may not be as considerable, regular reporting should not be as onerous etc). This would ensure that feasible and achievable requirements are placed on brownfield sites with differing programme approaches and milestones than New Capacity.

The approach to Transmission Use of System charges for brownfield sites on an outage for refurbishment also needs clarification, as this may impact on the viability of an ILC. New greenfield capacity sites only pay TUoS when a project is energised. Existing sites that are taking the financial risk of not running during refurbishment, should not face continued TUoS charges, especially where they are competing in the same auction as new capacity but arguably providing a benefit against constraints sooner.

These are supplementary changes that should be addressed to ensure that the principle of this mod is realised for future ILC contracts.

It is also important to consider that Locational Capacity Constraints in the CRM now cover the whole of Ireland. Therefore, the ability to meet and solve locational constraints should be more targeted and subject to verification to support this approach for all capacity contracts in CRM.

CMC_08_24 Widening of Longstop Extension Process to Awarded Capacity for 2023/24 Auction

This mod seeks to extend the principles of J5.8.1 in SEM-23-101, a Decision on combined modifications relating to SEMC approval of Long Stop Dates and CQEDT for specific auctions, to allow projects which were awarded multi-year New Capacity to avail of extensions to the Long stop date and Capacity Quantity End Date and Time for all years.

SSE supports this modification to ensure that the principle is not limited to certain auctions. The proposal allows for enduring treatment of all auctions to address common issues which can arise in capacity projects.

CMC_09_24 Amendments to J.5.7 and J.5.8

For these Amendments, the changes to the Legal drafting are

- the addition of 'or' to correct errors in the legal drafting in J.5.7 and J.5.8. SSE supports this correction.
- the removal of a sentence from J.5.8.2. SSE supports this on the basis that it allows for an application for an extension to the Long Stop date and Capacity Quantity End Date and Time where SFC has been achieved but Min Completion has not yet been achieved.

