



SEM Consultation on The Generator Financial Performance Reporting Framework

SSE Response

Document Classification | **Non-Confidential**



Introduction

SSE welcomes the opportunity to respond to the SEMC consultation on The Generator Financial Performance Reporting Framework. 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.

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This response considers the recommended changes to the Generator Financial Performance Reporting Framework. We have only provided responses to questions which are applicable to SSE.

Questions

The most recent version of GFPR template used for data gathering from generators is included in Appendix A. Do the stakeholders have any suggestions for enhancing the data gathering process for GFP report? This can include any views on the inclusion of additional revenue and cost elements or detracting of any revenue and cost elements of generation companies currently included in the GFPR template.

SSE welcomes an enhanced guidance sheet with detailed examples of what is expected in each field. For instance, this document should include a plain English explanation of acronyms as this would aid in the completion of the template. Regarding the current data gathering process, we would advocate for the ability to report all units in the same spreadsheet tab. Many licensed entities have several units licenced in the schedules of their licence and being able to keep all units in the same sheet allows for better coherent reporting. In comparison to separate tabs or sheets which increases likelihood of error and increased burden. Furthermore, in reference to ancillary services revenues, at present we generally only have DS3 revenues. However, in the future there will be auction based system services alongside separate contractual system services. Due to this there may be a need to rename this field to account for future revenues.

The RAs are of the view that GFP Reports should have a focus on revenues earned by the generators through various revenue streams available in the SEM and operating costs of the generators. This is to avoid any distortions to the figures due to commodity and power hedges as well as derivative valuation movements included by the generators in the profits. Do the stakeholders have any view on this?

SSE suggests separate reporting fields for hedges and commodities/derivatives. Currently, we can report several within CfDs, currently it is unclear where we should report these. To note centralised costs such as interest are not split out by unit because they are paid centrally per licensed entity and SPV.

Are there any type of market participants that are currently not covered by the GFPR framework that should be included in future in your view?

SSE requests that this reporting requirement is extended to batteries or those that are distribution connected and dispatchable by the TSO and participating in the SEM. As the system evolves it is important these are included in the reporting requirement. A similar arrangement should be put in place for DSUs if they are not already included.

Any other general comments on the GFPR process and the template?

Whilst SSE recognises the SEMC's concerns, it is important to be clear that all companies have discretion to utilise differing accounting methodology so long as they are in line with standard accounting practices and are approved by independent auditors. It is not inherently a sign of less transparency if accounting practices are not similar across companies.

It would be worth considering the learnings from submissions made under the Revenue Cap requirement and for the regulator to set clear expectations of what they are seeking. As previously mentioned, this could be aided through a detailed guidance note.

It is our view that the genesis of GFR is to understand on a snapshot basis, the economic health of generating units based on market activity and other revenue streams, against better granularity of operating costs. However, issues such as reducing load factors, hedging, and levels of curtailment and constraint affecting economic performance of generators are not reflected in this current framework. There are also numerous financial reports submitted to other agencies that would be at the disposal of the RAs to be able to better analyse market economics and market activities. It is also important for the RAs to take a proportionate approach to regulatory burden. This spreadsheet is one of many reporting submissions during a financial year. We would not advocate for there to be increased burden.