SEM-21-055 CAPACITY MARKET CODE MODIFICATIONS WORKING GROUP 19 CONSULTATION PAPER

SSE Response

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For a better world of energy

INTRODUCTION

SSE welcomes the opportunity to comment on the Capacity Market Code modifications discussed at working group 19, SEM-21-055. For the avoidance of doubt, this is a non-confidential response.

As you can see in our response below, SSE is supportive of several of the modifications below. We have also raised some queries regarding a few of the modifications. We have contributed to and support the separate response from EAI regarding CMC 11_21.

WHO WE ARE

At SSE we're proud to make a difference. From small beginnings we've grown to become one of Ireland's largest energy providers, supplying green electricity and natural gas to over 700,000 homes and businesses on the island. We are driven by our purpose: to provide energy needed today while building a better world of energy for tomorrow.

Since entering the Irish energy market in 2008 we have invested significantly to grow our business here, with a total economic contribution of €3.8bn to Ireland's economy over the past five years. We own and operate 890MW of onshore wind capacity across the island (including Northern Ireland's largest, Slieve Kirk Wind Park), offsetting over 700,000 tonnes in carbon emissions annually. Our portfolio includes Ireland's largest onshore wind farm, the 174MW Galway Wind Park, which was jointly developed with Coillte. We also own and operate the Great Island Power Station, Ireland's newest gas station and a strategic asset for Ireland's security of electricity supply.

As a leading developer of offshore wind energy in Great Britain, we believe offshore wind has the potential to transform Ireland's response to climate change. SSE is currently progressing the development of a consented offshore windfarm off the coast of Co. Wicklow - Arklow Bank Wind Park Phase 2. We also have plans to progress projects at Braymore Point and in the Celtic Sea.

SSE are proud to be a Principal Partner for COP26 – the 26th United Nations Climate Change Conference of the Parties – where world leaders will be seeking a more ambitious climate change agreement. We look forward to continuing to work with the UK government and other stakeholders to support the delivery of a successful and impactful COP in Glasgow next November.

SSE RESPONSE

We have provided comments under each of the modifications presented in the consultation. We have contributed to and support the position of the EAI in relation to CMC 11_21.

CMC 05_21 SUBSTITUTION OF CANDIDATE UNITS

We find this modification quite confusing, especially when we consider the provisions under J.5. The proposal seems to be based on a specific possible solution to allow for multiple units to solve a single CMU delivery issue. This would appear far too specific a solution to suit any but the most particular of projects.

We consider that if there is a concern regarding delivery that is not covered by the provisions of J.5 which also include a specific process regarding TSO and RA review and approval, the specific upstream causes that may lead to non-delivery or this risk, should be considered. We would also consider that the difference between one CCGT and another model is not very material. But we would consider that a difference in units that may change the specific characteristics at pre-qual would be an issue. In addition, as referenced in a recent consultation regarding NOx emissions for new capacity, this would be also something that could change as a result of this modification, that does not appear to have been considered. Therefore, we would consider this modification is unclear in what it is trying to resolve for the benefit of any new capacity, rather than particular capacity that seem only able to resolve delivery through aggregation under the same CMU.

Separately, on the matter of allowing these parties to aggregate under the same CMU, we would be in favour of aggregation broadly and feel it is clearly an objective under the Clean Energy Package. However, if aggregation were progressed it would need to be for the benefit of all units, rather than only particularly units and/or new capacity. Aggregation being provided would provide a useful hedge to encourage scarcity pricing at times when appropriate since generator unit-level issues are removed through aggregation. We also would support the fact that aggregation may help to produce a useful investment signal, but it would need to be with clarity on other areas of CRM design such as clarity during pre-qualification and as above—where it were retrospectively applied due to delivery issues—we would have the concerns above.

CMC 06_21 NIRO AND THE CRM: COMPLIANCE WITH STATE AID APPROVAL

We would support the position to approve this modification.

CMC 07_21 REDUCED APPLICATIONS FOR QUALIFICATION

We would support the position to approve this modification. We greatly appreciate alleviating of this administrative burden for units under the specified circumstances.

CMC 08_21 EX-POST VERIFICATION OF COMPLIANCE WITH THE CO_2 LIMITS

We would support compliance with requirements regarding validation of emissions and clarity regarding requirements in accordance with EU requirements and expectations.

CMC 09_21 ADDITION OF TIME FOR RAS CONSIDERATION OF SFC EXTENSION REQUEST

We understand this modification to provide more clarity to the industry and provide a clear timeline for the RAs to assist in their decision making. On that basis we support the position to approve this modification.

CMC 10_21 MODIFICATION TO THE PROVISIONS FOR MARKET REGISTRATION OF DEMAND SIDE UNITS

From our reading of this modification, which we outline below, we would consider that this modification creates an unfair approach between other candidate units and those that are DSUs. Therefore, our initial view is that this modification should not be considered for approval. As a minimum we would recommend this modification should be considered further at a working group, especially as the rationale for this is still unclear.

The modification appears to seek greater flexibility for DSUs for a four-year advance timeframe to assist them to better manage commercial contracts they hold with customers. We would point to recent consultations that signalled the discomfort that the RAs had with any overestimation of capabilities ahead of time, such as the potential for new capacity to apply for capacity contracts on the basis of inaccurate running hours that did not take account of NOx emissions effectively. Therefore, we would not appreciate this modification seeking to apply a similar approach to a different activity, on the basis of the issue RAs have already signalled regarding certainty of operation and delivery.

Furthermore, we would like it to be reflected on that the DSR approach so far in the capacity market has not resulted in any specific load response, as evidenced by the SEMC Scarcity Pricing consultation. We would rather consider that structurally, how DSUs are accommodated and incentivised in the CRM and the SEM as a whole should be reflected on before additional flexibility only for their benefit, should be provided. We would be worried that this additional flexibility could have a negative impact on generation providers participating in future CRMs.

Finally, we would not be comfortable with these proposals since they could undermine the concept of short-term capacity as provided for in T-1 auctions. Should factors change with a DSU's customers, this should be something they can capture through T-1 auctions, not future looking flexibility within T-4 auctions.

CMC 11_21 EXTENSION OF ASTN ARRANGEMENTS

We are in favour of any additional measures to enhance secondary trading provisions in line with industry expectations for this mechanism post-SEM go-live. Provision of sales over de-rated capacity was a part of the expected secondary trading mechanism which was paused until post-SEM go-live. This process has been far too long in implementation and has encountered resistance at several stages which we consider is surprising given this was an expected Day 1 project. Furthermore, we are not impressed with the fact that it has taken industry pushing for this change at every point, rather than as above, this was Day 1 issue and therefore, it would have been realistic to expect this to be implemented without delay by SEMO.

Given the expected system issues arising in Winter 2021-22 and the very great degree of interest in seeking to encourage necessary scarcity pricing to encourage response both from generation and demand, it is imperative that this can be matched by a measure to allow generation to manage its risk. It is not acceptable to leave parties exposed at times of stress pricing, in a central dispatch that still has the ability to levy RO payments on parties that are contracted but not dispatched by the TSO. This is a frequent but "unhedgeable" decision, since it is outside the control of the generator whether their generation is taken, and whether it is dispatched once contracted.

We note the two caveats provided in the minded to position. We are not in favour in either of these measures because they defeat the purpose of this proposal and otherwise will likely frustrate a mechanism that as mentioned, was meant to have already been in place. We also consider that the separate system related issue of notice period is separate from the overriding need for this modification which is to allow for secondary trades above de-rated capacity, as soon as possible and particularly in time for Winter 2021-22.

The first caveat proposed is relating to setting a limit to the trades above de-rated capacity, at 70 days. We note this is based on the application of this threshold elsewhere and on the basis of analysis of outages pre-SEM (2014-2016). We would question the rationale for placing a limit on trades, particularly based on outdated data. In our view, the inclusion of the 70 day limit (which we note is outlined in SEM-16-022) highlights that there is some resistance or unarticulated concern regarding a mechanism that was expected to already have been well-implemented and in operation well before now. This is unacceptable and if implemented as recommended by the SEMC, could reinforce the strong level of exit signals in the CRM, and the shortage of clear entry signals, at a time when a capacity shortfall is clearly at risk. Finally, we would consider that the instances of such trades would be during specific and limited circumstances, when reflecting on the limited circumstances that the current interim secondary trade mechanism has been used. Therefore, again highlighting that it seems unreasonable to include a limit on this activity.

On the point of shortening the notification period, whilst we agree with Energia that this should be considered to be shortened, we would not want deliberation on this separate point to hold up the delivery of secondary trading above de-rated capacity. Therefore, we would recommend that the first part of this modification, as drafted, is implemented as soon as possible. The latter element can be developed as quickly as systems allow.