SEM-23-015 Directed Contracts Primary Window Subscription.

SSE Response

Introduction

SSE welcomes the opportunity to respond to SEM-23-015 Directed Contracts Primary Window Subscription. 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 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

Question 1: Do you agree that the proposed amendments to the duration of the DC Primary Subscription Window should become an enduring arrangement? If you agree or disagree, please set out your rationale.

We note that the proposal is for an extension of the duration window to 6 days. As mentioned in the paper, it has proven necessary on specific occasions for temporary extensions to the Subscription Window. This additional time is valuable for market participants to be able to prepare and react. We know that the previous 3-day time window could prove to be a barrier as participants could be "timed out" in a very short space of time.

We welcome the increased duration of the Subscription Window on an enduring basis. We consider it strikes the right balance between providing for more participation whilst maintaining the principle of this mechanism. We would agree with the rationale presented by the SEMC for this increased duration in helping to mitigate effects of volatility on suppliers and securing of credit cover by suppliers.

Question 2: Do you agree that market participants should be obliged to participate during each day of the Primary Subscription Window in a given DC Round, i.e., suppliers would be eligible to purchase only 1/6th of their allocated volumes during each day of the six-day Primary Subscription Window? If you agree or disagree, please set out your rationale.

As per the consultation paper, it is pointed out that suppliers can enter the Subscription Window at any stage:

"…there is currently no obligation for any eligible supplier to avail of the option of a six-day Primary Subscription Window. It is entirely at each supplier's discretion as to which day(s) they choose to participate in any given DC Round."

We do not agree therefore, that there is any rationale for participation to now be mandated for each day of the Subscription Window. Requiring suppliers to purchase only 1/6th of allocated volumes per day creates unnecessary burden and defeats the benefit of having an extended duration in the first place. It also depresses the benefit of flexibility, that additional days in the duration window is seeking to provide.

For instance, the ability to manage risk flexibly in having more time to be able to secure credit cover is lost, if a supplier is then also mandated to only purchase a sixth of their volumes each of the 6 days of the Subscription Window.

In effect this proposal means that the benefit of being able to enter the Subscription Window at whatever stage in the timeframe is now replaced by a sixfold increase in the number of contracts to be checked, signed, reported, and settled as a result of a mandated purchases of 1/6th of volumes, daily. Not to mention the additional burden for ESB to receive six sets of submissions from all participants. Furthermore, it is also worth noting that the volumes allocated to smaller suppliers is already quite small. Dividing allocated volumes into 6 daily smaller purchases of an already small allocated volume, seems needless.

We note one rationale for these proposals is to assist ESB to better hedge price volatility. All suppliers face the same commodity price volatility. We would not be supportive of mandating 1/6th of allocated volumes when all suppliers face this same risk.