



SEM-23-109 Workshop 34 Consultation

SSE Response



INTRODUCTION

SSE welcomes the opportunity to respond to SEM-23-109 Capacity Market Code Workshop 34 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 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

We see the logic of the proposed modification, CMC_24_23, as it would ensure that units engaged in the Exceptions Application process receive a Unit Specific Price Cap (USPC) decision before deciding whether to opt out of the capacity auction. Unlike CMC_20_23, this proposal would achieve this without changing section E.5.1.11 of the Capacity Market Code which prevents existing capacity from opting out of auctions on the basis of having their USPC application rejected.

Currently, a unit that has applied for a USPC will not receive a decision until after the capacity auction opt out deadline, exposing it to the uncertainty of the outcome of the Exception Application process with no recourse if it's not granted a USPC at the level required to cover its operational costs. If this unit does not

receive the necessary USPC, it can either operate at a loss for the duration of the capacity year or voluntarily terminate, thereby incurring penalties and skewing the capacity requirement volumes met by the auction. This is an exit barrier, which not only adversely affects security of supply but hinders decarbonisation efforts of the existing thermal fleet.

As we've seen in the TSO's latest Generation Capacity Statement (GCS), even with mitigating measures such as Temporary Emergency Generation, Ireland will likely continue to face capacity deficits in the near term (2025 and 2027) and will face deficits in the longer term out to 2032 if steps are not taken to de-risk the delivery of new capacity and incentivise existing capacity to remain available. According to 2023's GCS, 750MW of new capacity set to deliver during the period from 2023 to 2032 has terminated with several key existing generators having recently closed and 30% of existing thermal capacity being over 30 years old. Given this under-delivery of new capacity and the ageing nature of the existing thermal fleet, the system relies on existing thermal capacity more than ever for security of supply and should take measures to incentivise their continued availability wherever possible, such as removing unfair barriers to their ability to operate in the market economically.

While intermediate length contracts may provide a route to market for existing units investing in refurbishments or potentially repowering, the USPC process is still the only mechanism for existing conventional generators facing increasingly higher costs and decreased revenue streams (for example due to Annual Run Hour Limits or decreasing load factors due to higher wind penetration), to operate in the market economically. In the absence of a repowering policy and/or provisions in Best New Entrant methodology for units that are repowering with higher costs and levels of risk associated with novel technologies and additional services at sites (such as hydrogen conversion), the USPC process has an even greater role to play in maintaining the availability of ageing plants and facilitating the decarbonisation of the thermal fleet.

If approved, this mod would enhance transparency in the capacity auction process for existing units, allowing them to make informed decisions based on economic signals about whether to remain available in the short term or invest in decarbonisation and/or long-term availability.