SEM-24-052 CMC Modifications Consultation paper 22/7/2024

SSE Response

INTRODUCTION

SSE welcomes the opportunity to respond to the SEM-24- Urgent 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

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CMC_10_24 Introduction to Intermediate Length Contracts

This proposes the approach to implement the May 2024 policy decisions on Intermediate Length Contracts. This allows both Existing and New Capacity to apply for a contract length of up to 5 years with thresholds on investment rate, emissions and run-hour limits demonstrated. This will be relevant for future auctions starting with the T-4 2028/29 Auction.

This is a complex modification with several varied changes to 13 sections of the CMC and changes in the Glossary. It should be ensured in advance of the next auction that there are no errors and no potential negative impact from each proposed change to current CMC rules and that consistency is maintained throughout the CMC.

E.5.1.1(a) SSE agrees with the proposal for participants to be able to seek approval for exceptions. However, included in these changes are two removals of references to 10 capacity years. This is replaced with 'the number of capacity years specified in the Initial Auction Information Pack', and 'the Maximum Capacity Duration approved by the Regulatory Authorities'. As the maximum capacity duration is currently 10 years, this seems unnecessary. SSE suggests that the reference to 10 capacity years should be retained or consulted on.

G.3.1.9 and J.6.1.1. On the Long Stop Date for ILCs, SSE believes that a unit with an ILC could experience delays so it should be able to apply for an extension to its Long Stop Date. If the contract is for a refurbishment, this is presumably considered to be New capacity after substantial completion so it should be able to apply for an extension to its LSD as for New Capacity.

J.2.1.1. On references to Milestones for refurbished capacity:

CMC milestones and requirements are drafted with New Capacity with a maximum capacity year duration in mind. Capacity delivery for an ILC needs a clear review of CMC milestone and delivery requirements (e.g. consents may not be different, regular reporting may not need to 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.

Also, the approach to Transmission Use of System charges for brownfield sites on an outage for refurbishment 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 which do not pay TUoS until energisation.

Lastly, it is unclear how an ILC project will be signalled and whether there will be time for adjustments ahead of Qualification at an auction in case an ILC exception is unsuccessful. As participation in CRM auctions is compulsory for existing sites, not knowing how units can remain

supported by CRM contracts if they choose the route of ILC and are unsuccessful places a large amount of commercial risk on these units. Existing sites have remained in the SEM for a considerable amount of time and represent a commitment to the market.

We understand the intent of ILCs is to positively encourage existing sites to remain, modernise, better optimise their stations or to decarbonise. Therefore, this uncertainty must be clarified. We note there was a previous modification proposal to ensure that exemption applications were approved prior to Qualification so that sites could better judge how they could participate in the auction if they were unsuccessful with their exemption application. We believe such an approach for ILC would equally be useful, although we believe this modification was rejected.

M.15: The proposal for the inclusion of Section M.15 to mitigate unforeseen scenarios for the 2028/29 auction is questionable. It could allow for further changes without any consultation. SSE's preference would be for an urgent Modification proposal to address any exceptional change proposal. This would provide industry with more certainty and allow for participants to be clearly notified with a say in the proposal.

In general, whilst we remain supportive of the provision of ILCs in the CRM, we consider there are logistical and programme uncertainties and potential CMC conflicts that could place significant risk on units wishing to avail of this mechanism. We have referenced examples around project milestones and timetabling of this process around Qualification. But a careful review of the end-to-end process and interactions with what are currently expectations and provisions reserved for New Capacity, must be completed to ensure that this provision can be properly executed and can result in optimised generation for the SEM. This should also include relevant existing modifications that are under consideration e.g. CMC_02_24; CMC _24_23; CMC_03_24; CMC_05_24; CMC_25_23.

CMC_10_24 Implementation of Early Delivery Incentives According to SEMC Decision SEM-24-037

This proposes to implement the decision to allow a market participant to receive payment for early delivery for multi-year capacity for all future auctions. The mod includes largely similar changes in Appendix F, Section F.9.1, changes to IAIP and FAIP and a change to the Max Capacity Duration definition. SSE agrees to these changes which are in line with the Decision Paper SEM-24-037 in relation to Early Delivery Incentives in the CRM, assuming they are all consistent with CMC and that there are no errors.

In principle, we are supportive of this modification.