



**DEPARTMENT OF COMMUNICATIONS, CLIMATE ACTION AND ENVIRONMENT**

**SSE RESPONSE TO**

**Public Consultation on Electricity Support Schemes: Transitioning to I-SEM Arrangements Proposed Decision**

**JANUARY 2018**

## About SSE

SSE owns and operates 2,061MW of generation capacity in Ireland, 768MW of which is from its portfolio of 28 onshore wind farms, making SSE the largest generator and provider of renewable energy in the all-island Single Electricity Market. In 2015, SSE commissioned Ireland's newest and one of its cleanest power plants, the 464MW CCGT (combined cycle gas turbine) power station at Great Island, Co. Wexford, which is generating enough greener energy to power over half a million Irish homes<sup>1</sup>.

SSE is also a leading developer and operator of offshore wind energy. We have invested over £1bn so far in developing 871MW<sup>2</sup> of offshore wind farms now in operation in waters around Great Britain. SSE has plans to develop over 9,000MW of offshore wind farms, including the 588MW Beatrice project currently under construction and the circa 500MW Arklow Bank Wind Park which is at development stage.

In addition, SSE has jointly developed Ireland's largest and best performing wind farm, the 169MW Galway Wind Park, which has now entered commercial operation. Jointly developed and constructed by SSE and Coillte at a total investment cost of over €280m, Galway Wind Park will be Ireland's highest producing wind farm and is forecast to produce almost 600GWh of green energy each year – enough renewable energy to power 140,000 average-sized Irish homes including the equivalent of all of the 112,000 homes in Galway city and county.<sup>3</sup>

As Ireland's largest wind farm, Galway Wind Park will make the biggest single contribution of any renewable energy site towards greening national energy supply and decarbonising power generation across the island of Ireland. In a typical year, the

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<sup>1</sup> 232,725 tonnes of CO<sub>2</sub> emissions offset based on projected annual energy output of 592,176MWh and average CO<sub>2</sub> emissions in the Single Electricity Market of 0.393t/MWh (latest All Island Project Fuel Mix Disclosure, published 2016).

<sup>2</sup> Including Joint Venture Developments.

<sup>3</sup> Homes powered based on typical annual consumption of 4,200 kWh (Commission for Regulation of Utilities, 1 October 2017) and 1-year average forecast capacity factor of Galway Wind Park; quoted figures are for guideline purposes – actual future performance may vary. Equivalent homes in Galway city and county based on 112,054 housing stock recorded in Census of Population 2016, Central Statistics Office.

green energy produced at Galway Wind Park will offset over 230,000 tonnes of harmful CO2 emissions. The project was named Green Project of the Year at the 2017 Irish Construction Industry Awards.

## **Response**

SSE welcomes the opportunity to respond to the DCCAE proposed decision on Electricity Support Schemes: Transitioning to I-SEM Arrangements. With the new wholesale market implementation well underway clarity on how the support scheme will transition to I-SEM is to be welcomed. This should provide both investor certainty and a clearer picture of the impact of the decision on the Public Service Obligation and end-consumers.

We note the acknowledgement of the industry and stakeholder engagement process facilitated by the Department, that took place following publication of the initial Options Paper. This engagement process ultimately laid the foundation for this Proposed Decision Paper, which puts forward options that seek to address the concerns and consideration's raised.

The Option favoured by the Department in the proposed decision is Option B/the Blended approach. Taking into account changes in the wholesale market which includes the introduction of balance responsibility obligations imposed on for market participants in the I-SEM, and the Departments position on the status of the original REFIT support, we believe this Option strikes an optimal balance between risk exposure and revenue certainty. In relation to PPAs, we welcome the provision included to facilitate changes where the continued operation of the project requires them.

However, there is a need for clarity on the following aspects of the Blended approach before the final decision is made:

- Confirmation of the 'period' defining the reference price. Given that the Day Ahead Market (DAM) and Balancing Market (BM) period are 1 hour and 30-minute respectively, clarification on what 'period' will be used is needed. SSE would favour a 30-minute period;
- Assurance that any future amendments to the proposed blend would be consulted on robustly with industry;
- Notification of the 'R' Factor methodology to be used to implement the change in approach. Put simply, it would be useful to have a set of formulae for the application of the decision paper to ensure there is no misinterpretation.

Providing certainty for market participants is fundamental to investor confidence and future investment in Ireland. While the new market design could not facilitate the continuation of the existing REFIT methodology, retrospectively adjusting policy decisions should be avoided where possible so that the investment basis for development endures for the lifetime of a project.

## **Conclusion**

SSE believe the proposed decision is acceptable given that DCCAE does not accept the original REFIT decision provided an enduring guarantee. It also supports the policy shift towards balance responsibility and increasing market liquidity which should deliver lower market prices in the medium term.

## Further information about SSE in Ireland

SSE is Ireland's second largest energy utility and the country's leading developer and investor in cleaner energy infrastructure. It is part of SSE plc, a UK-listed, FTSE 100 company and the broadest-based energy utility on the London Stock Exchange. Since 2008, we have invested over €2 billion in the development of Ireland's sustainable energy infrastructure, helping to green our economy and secure our energy future.

SSE's retail arm, SSE Airtricity, is proud to be Ireland's largest provider of 100% renewable energy to all its home and business customers and the second largest energy provider on the island of Ireland, supplying greener electricity, natural gas and essential services to around 800,000 homes and businesses. Its street lighting division SSE Airtricity Utility Solutions is Ireland's largest public lighting contractor responsible for the maintenance of over 250,000 street lights across the country.

Since 2010, SSE has contributed over €5bn to Irish Gross Domestic Product (GDP), demonstrating the scale of economic activity that SSE's operations support across Ireland. In the last year, SSE's Irish operations have contributed almost €800m to GDP, equivalent to 0.4% of the country's entire GDP and supporting over 4,700 jobs regionally and nationally. In direct capital expenditure, SSE has invested over €2bn since 2008 in the developing new and cleaner energy infrastructure for Ireland.

SSE is Ireland's largest single contributor of funding to rural communities from wind energy. Since 2008, SSE's Community Funds have provided voluntary funding totalling over €5million to over 2,100 groups near SSE wind farms in regional Ireland supporting community-led energy efficiency and sustainability projects. To view the report in full, click on the link here:

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As the largest company by market capitalisation in the FTSE 100 whose revenues are derived solely from the UK and Ireland, SSE plc is committed to continuing to invest in new renewable energy development to help Ireland meet its 40 per cent renewable energy generation targets by 2020. SSE produces more renewable energy supply in the SEM than any other company, making it the most significant contributor towards Ireland's current performance level of 27 per cent of electricity generation from renewable sources. We will continue to play a leadership role with policy makers and regulatory authorities as we set our low carbon ambition for 2030 and 2050.