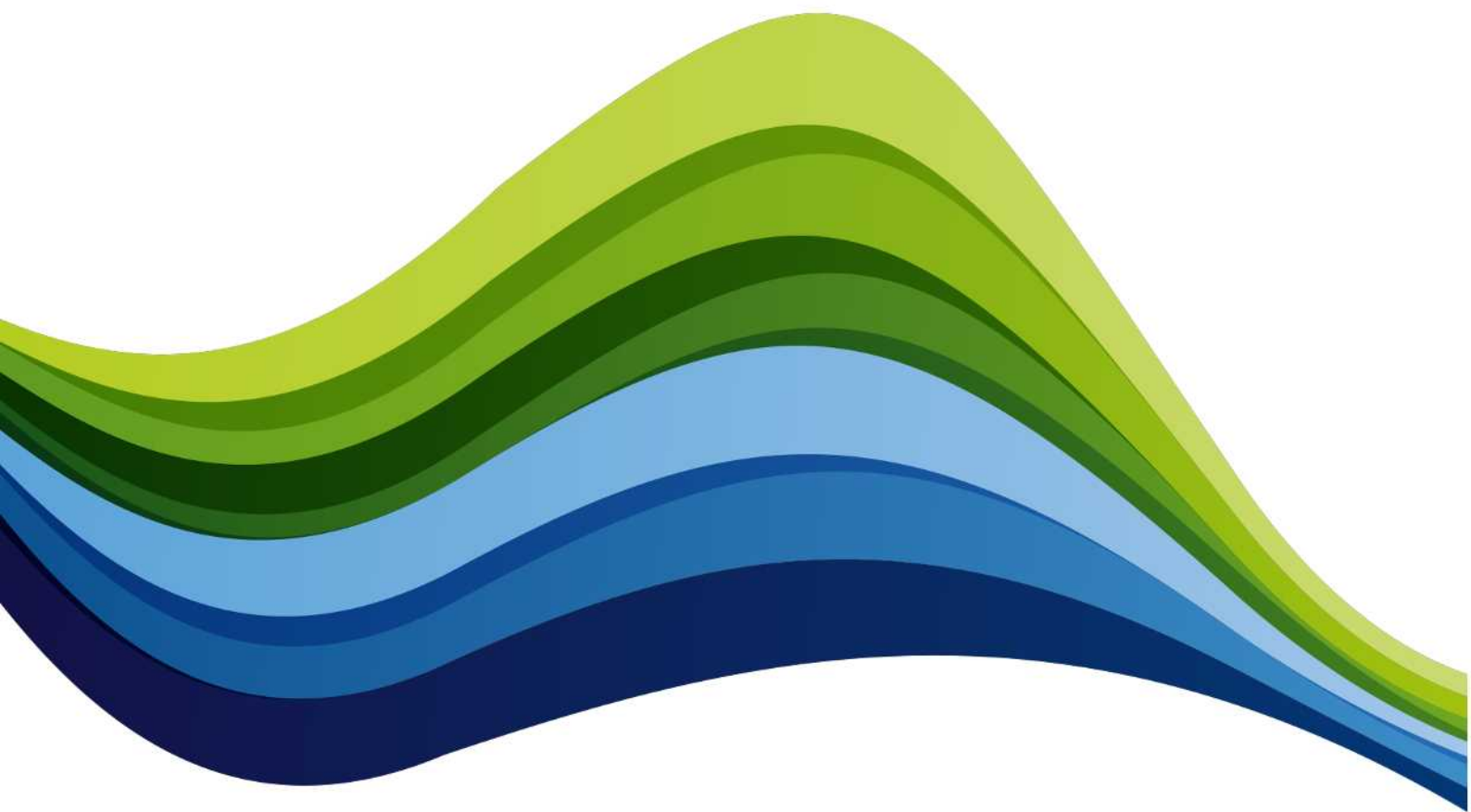

**Dublin Security of Supply: Locational Scarcity Scalars
for System Services in the Dublin Region**

CRU 19/011



Introduction

SSE welcomes the opportunity to comment on the “*Dublin Security of Supply: Locational Scarcity Scalars for System Services in the Dublin Region*”. For the avoidance of doubt, this is a non-confidential response.

We consider it is an important consideration to ensure that remaining units are adequately incentivised to provide the System Services needed in the region. However, as outlined below, we do not consider that increased payments for System Services could constitute a sufficient incentive to encourage new entry in a region that is subject to significant constraint in the absence of the network reinforcement needed to alleviate this.

Finally, we would want to ensure that there is sufficient clarity on this intended change in scalars, as related to the T-4 awarded capacity and contracts.

SSE Response

SSE has provided its comments against each of the consultation questions posed by the CRU.

CRU consultation questions

Questions	SSE potential response
<p>Question 1: Do you have any views on the CRU’s objectives and principles in relation to introducing locational signals to Dublin via the System Services Locational Scarcity Scalars?</p>	<p>We believe it is sensible to provide for additional payments in Dublin for system services, given the shortfall in system services procured in the last auction.</p> <p>However, we find it unusual that the system services proposal, links to long term investment signals. System services alone, would not form the basis for new entry into the market, therefore, whilst the long timeframe from planning is useful in terms of transparency, it will unlikely influence any decisions for new generation solely seeking to capitalise on system services benefits in Dublin.</p>
<p>Question 2: Do you have any general comments on the CRU’s proposals, including the CRU’s objectives, to adjust the Locational Scarcity Scalars above one for providers in the Dublin Region? Are there any other specific considerations or conditions that the CRU should take into account in its proposals?</p>	<p>We appreciate that this helps to facilitate current locational and capacity issues to a minor extent by encouraging existing units to remain in Dublin and rewarding the system services they can provide, appropriately to ensure the right amount is provided in Dublin.</p> <p>However, this should not take away from the fact that there is a great need for network reinforcement in Dublin to continue to be fast-tracked and well-progressed (as referenced in CRU 18/228), ahead of the deadline for T-4 generation.</p> <p>The guidance in CRU 18/228 is equally vague as to the timescales and approach that should be taken by EirGrid to remedy the need for the cross-country networks to address the issues in the Dublin</p>

	<p>region. Therefore, we still want to ensure that system services being enhanced in this manner, does not take away from the need for this infrastructure development to be hastened.</p>
<p>Question 3: Do you have any comments on the CRU’s proposals to adjust the Locational Scarcity Scalars for the above services? Are there other considerations the CRU should take into account in determining the appropriate services?</p>	<p>We cannot see that there are any other appropriate services that should be included in those specific services benefitting from higher scalars.</p>
<p>Question 4: Do you have any views on the CRU’s proposal to set the Locational Scarcity Scalar values for a five-year period on an ongoing annual basis?</p>	<p>See our comment in Question 1. It is reasonable and provides certainty to provide this level of notice and have annual review of the figure—but not for the signal of long-term investment in terms of entry.</p>
<p>Question 5: Do you agree with the CRU’s proposals in relation to the payment basis for the System Services Locational Scarcity Scalars?</p>	<p>We have no comment on this directly. However, we would welcome greater clarity as to how the CRU arrived at this specific figure to fund these payments and how transparent will be the signalling of the payments being adjusted year on year, following the first year of setting the level.</p>
<p>Question 6: Do you have any views on how additional revenues received by providers from the application of the Locational Scarcity Scalars should be considered in relation to the CRM and the calculations of a unit’s Unit Specific Price Cap (USPC)?</p>	<p>We note the reference to the USPC and the facilitation of the increase of funding under the D-TUoS. We would consider that the application of inflation under both of these mechanisms should be considered to ensure there is no conflict or double-counting.</p> <p>We would welcome some scenarios to illustrate how the CRU considers the USPC will interact with this change in scalars in the Dublin region.</p>
<p>Question 7: Do you have any further comments or are there any other considerations the CRU should take into account in its proposals?</p>	<p>SSE would welcome greater clarity on the timelines associated with this proposed change and whether it will apply for T-4 contracts. The current consultation provides the following detail below, which does not provide sufficient clarity.</p> <p><i>“If it is the case that the CRU decides to proceed with its proposals, then it will direct EirGrid to explore options for adjusting the Locational Scarcity Scalars in line with the conditions set out in section 3. The scalar values, as proposed by EirGrid, will be subject to CRU approval. The CRU will work with EirGrid and aims to implement the proposed changes in Q2 2019.”</i></p>