



9th October 2019

## Seanad Special Select Committee on the Withdrawal of the UK from the EU

### Introduction

Senator Richmond, members of the Committee, thank you for inviting me back to participate in this hearing. I was glad to provide evidence to the Committee back in 2017, and I would like to commend the Committee for its report published subsequent to those sessions.

I am Stephen Wheeler, Country Lead for SSE in Ireland. SSE Plc is a FTSE top 40 company, headquartered in Scotland and active in the Irish market for 11 years. SSE Renewables is proud to be the largest renewable electricity developer on the island of Ireland, with plans for up to three offshore wind farms in the Irish Sea. We are also one of Ireland's largest energy providers, supplying around 700,000 customers on the island.

Over the last six years, SSE has contributed over €5bn to the Irish economy supporting over 4,700 jobs while contributing to the achievement of Ireland's energy and climate policy aims.

As the largest company by market capitalisation in the FTSE 100 whose revenues are derived solely from the UK and Ireland, SSE is intractably invested in the UK and Ireland continuing a collaborative and cooperative relationship after the UK formally leaves the EU. In addition, a number of our business activities are organised on an all-island basis. Brexit is not a deterrent to continued activity and investment in Ireland for SSE.

With that in mind, SSE has undertaken an extensive programme of Brexit-readiness. This includes for example, examining our own supply chain, GDPR requirements and communication with staff on issues such as freedom of movement and driving licence and insurance arrangements.

A no-deal Brexit would be a sub-optimal outcome for SSE and for the energy industry, given the uncertainties it creates for all businesses. However, we do not anticipate any impact on our strategy of operating and owning energy and related infrastructure in a sustainable way.

I am going to focus today on the material issues for our customers and our business across the island of Ireland.

### Our three priorities

When I last appeared at this Committee two years ago, I put forward three principles for prioritisation in the exit negotiations, which were reflected in the report of findings published by the Committee. The three principles, and priorities, have not changed, though the circumstances have, in particular the greater threat of a no-deal Brexit.

- **Firstly, the Single Electricity Market on the island of Ireland must be maintained in all Brexit scenarios, both immediately after the UK leaves the EU, and into the future.**
- **Secondly, the flows of electricity and gas between countries through interconnection should continue to support energy security and consumers.**
- **And thirdly, Ireland's commitment to tackling Climate Breakdown must be delivered on.**



## **1. The Single Electricity Market should be maintained**

The combining of the Northern Ireland and Ireland electricity markets into the Single Electricity Market, or SEM, has been a success.

As this committee found in its report in 2017, the maintenance of the SEM is a key component of the all-island economy.

The SEM has improved competition and provided the investment case for the construction of new and cleaner generation, providing the benefits of a larger, integrated electricity market. For customers, these benefits arise in the form of lower costs.

The Withdrawal Agreement negotiated by Theresa May's government allowed for the SEM to be retained intact. A statement by the NI and ROI regulators outlines that in a no-deal exit, the market would essentially be retained, although one element, Day Ahead Coupling between SEM and the UK's BETTA market, would be lost. The loss of day ahead coupling would be regrettable and will lead to reduced efficiency in flows over electricity interconnectors. SSE is fully convinced that retaining the rest of the market design, and working to replace day ahead coupling, is the best outcome for both Ireland and Northern Ireland. We would, however, consider any reduction in efficiency due to the loss of day ahead coupling to be minor in comparison to the overall benefits of the SEM.

But protection of the SEM is not only a priority for Day 1. Its continued existence will rely on ongoing collaboration between authorities in London, Belfast, Dublin and Brussels. Continued North-South cooperation between businesses and other bodies will be vital in enabling this to happen, with complementary frameworks needed to allow all sides to continue to trade and cooperate with one another.

We ask these authorities to provide for the maintenance of the SEM, both immediately after any form of Brexit, and on an ongoing basis. We also ask the Government to work closely within the EU, and with counterparts in the UK, to ensure the SEM, and the benefits it brings to consumers in Ireland, can be protected in all circumstances.

## **2. The flows of electricity and gas between countries through interconnection should continue.**

Our second priority is that electricity and gas should continue to flow over the interconnectors. Two years ago, I outlined the reasons why it was vital that flows of energy between the UK and Ireland must continue. As the committee recommended in its 2017 report, the facilitation of seamless interconnection is the preferred solution in all outcomes. Although there may be increased administration, SSE's expectation is that there will be no barrier in any Brexit scenario to prevent electricity and gas flowing day to day, including in the case of a supply emergency. In addition, tariffs on the flow of electricity and gas are not expected.

As ever, interconnection is one tool in the market, and a combination of it and domestic generation must be provided to ensure that security of supply is assured in all scenarios. New interconnection should be supported by clear cost benefit analysis for customers.

*North South Interconnector*



When I last appeared at this committee, I noted that the North South Interconnector project was currently before the courts. Whilst it is encouraging that it has now gone through the planning process in Ireland, the project is still facing delays in Northern Ireland. This project would address impediments to transporting energy within the SEM market, whereby the cheapest and greenest electricity cannot always travel to where it's needed, whilst also facilitating greater security of supply.

SSE supports this important piece of infrastructure, and the significant savings it will bring to customers on the island.

### **3. Maintain Ireland's commitment to tackling Climate Breakdown**

When I last spoke here I advocated that Brexit should not subsume all focus in these upcoming, crucial years. It is very welcome that, two years later, such ambitious and necessary plans have been formed to enable Ireland to tackle climate change, providing renewed confidence to renewable investment.

The Government's Climate Action Plan, published this summer, provides a welcome target of 70% of electricity from renewables by 2030. To achieve this target, the plan identifies a need for 3.5 GW of offshore wind energy, and a doubling of onshore wind energy to 8 GW. This plan builds upon the clear and ambitious recommendations of both the Citizen's Assembly and the Joint Oireachtas Committee on Climate Action.

The plan, and the targets within it, can provide a green light for renewables investment in Ireland. For this investment to be realised, the actions within the Climate Action Plan must be completed on time. This includes a significant level of facilitative frameworks and consents to deliver grid connections and system services to support a higher level of renewables. It also includes a timely implementation of the new Renewable Electricity Support Scheme, currently in design by the Department of Communications, Climate Action and Environment. It is critical that any Brexit outcome, including a no-deal exit, does not result in these actions being delayed, or a reduction in the outlined ambitions.

Ireland's offshore sector has had numerous false starts over the last decade. This Committee's 2017 report noted the opportunities which exist for the offshore generation of wind energy in Ireland. The Climate Action Plan has signalled a clear intention to ensure these developments now begin, setting up processes for offshore leases, connections as well as route to market. Early offshore projects such as SSE's Arklow Bank can make a significant contribution towards meeting Ireland's EU emissions targets, and it is critical they are facilitated and supported if this transition is to happen this decade.

With the delivery of this increase in renewables, and the complete phasing out of coal and peat in the first half of the decade, gas will have a critical role to play, with efficient gas generation providing the flexibility to support the renewables transition.

**Finally**, it is essential that the transition to a low-carbon economy is delivered cost effectively. This needs a strong overarching policy driver. The EU's Emissions Trading Scheme, or ETS, is designed to put a cost on carbon emissions in the electricity sector, as well as for other large demand users. In the case of a no-deal Brexit, the UK including Northern Ireland, will leave the ETS. The UK



Government has outlined its intention to replace the European Scheme with a replacement for the coming two years, with a view to aligning with the ETS in the future.

Authorities should assess ways to ensure that the ETS, and any replacement in Northern Ireland, maintain alignment to the greatest extent possible, in order to ensure that electricity generators in the SEM compete on a level playing field. Ireland should also take an active role at EU level in ensuring the EU ETS is on a pathway to delivering a robust carbon price. If this is not achieved, we should consider domestic measures to supplement the scheme.

The increase to Carbon Tax, as announced in yesterday's budget, should provide the same overarching signals to solid fuels, heating and transport. We support the announcement and welcome the commitment to use revenues on climate action measures, such as improved energy efficiency, as well as in support of a just transition for those particularly impacted.

## **Conclusion**

To conclude, SSE sees three energy priorities for Ireland as Brexit plays out – maintain the SEM; ensure flows of energy over the interconnectors continue; and deliver on plans for decarbonisation of energy in Ireland.

We expect these three priorities are deliverable, though effort will be required both in the near term, and on an ongoing basis. It is our view that the successful fulfilment of these three aims will represent a win-win outcome for consumers in Ireland and the EU as a whole, as well as the UK and particularly in Northern Ireland.

Energy customers want prices to be fair and Ireland requires cost-effective investment in energy infrastructure to decarbonise its economy and maintain security of supply. The imperative, and public demand, for decarbonisation has never been higher. Brexit, and the potential of a no-deal Brexit, must not distract from the fulfilment of these decarbonisation objectives, and the continued delivery of cost-effective energy for consumers. It is in that spirit that I have presented these three priorities today.

Thank you