

Written evidence submitted by SSE plc, relating to the operation of The Windsor Framework

[OWF0011]

SSE is UK-listed energy infrastructure company headquartered in Perth, Scotland - and has a growing presence in international markets. We develop, build, operate and invest in world-class electricity infrastructure that is vital to the clean energy transition, including onshore and offshore wind, hydro power, electricity transmission and distribution networks, power stations, carbon capture and hydrogen storage, solar and batteries, as well as providing energy products and services for businesses and customers. SSE could invest more than £40bn in the next decade, assuming a supportive policy environment.

SSE is a FTSE-100 company headquartered in Scotland. We develop, own, and operate low-carbon energy infrastructure and businesses needed in the transition to net zero. This includes onshore and offshore wind, hydro power, electricity transmission and distribution networks, alongside providing energy products and services to customers.

Since entering the Irish energy market in 2008, we have invested significantly in our Irish and Northern Irish businesses, with over £0.5bn invested in Northern Ireland to date and where we currently employ 400 full time employees.

Today, SSE provides electricity and natural gas to over 350,000 homes and businesses across Northern Ireland through SSE Airtricity.

Meanwhile, through SSE Renewables we are developing Northern Ireland's sustainable energy infrastructure, helping to create a greener economy and secure Northern Ireland's energy future. We are currently Northern Ireland's largest producer of green energy with 117MW of wind energy installed across our three sites including Slieve Kirk Wind Park in Co. Derry/Londonderry, Northern Ireland's largest windfarm. In addition to our renewable generation assets, SSE owns and operates approximately 1.3 GW of dispatchable generation in the SEM, providing vital security of supply.

SSE is committed to sustainability, as most recently demonstrated through our Net Zero Transition Plan (March 2022), which sets out the key actions we are taking to drive progress toward our net zero ambitions, including interim science-based targets aligned to a 1.5°C pathway. We have built the largest renewable electricity portfolio in the UK and Ireland and in 2020 committed to achieve net zero greenhouse gas (GHG) emissions across all operations by 2050 at the latest, covering scope 1, 2 and 3 GHG emissions

SSE welcomes the opportunity to respond to the Call for Evidence on the operation of the Windsor Framework. Our views on the key elements of energy cooperation between Great Britain, Northern Ireland and the Republic of Ireland are outlined below.

Safeguarding the Single Electricity Market

In that context, SSE underlines the value of safeguarding the Single Electricity Market (SEM) and would like to re-affirm its value as an integral component of cross border cooperation under the Framework and has contributed positively to energy security, sustainability, and the economy of Northern Ireland.

SSE appreciates that the SEM is not under direct examination but its continuation, as confirmed in the annexes of the Windsor Framework, and is a pivotal outcome of the Good Friday Agreement.

The SEM offers several key benefits to Northern Ireland, including:

1. Increased Efficiency and Economic Benefits

By integrating the electricity markets of both jurisdictions, SEM market increases economies of scale and scope for the industry. This leads to pooling of demand and supply across a broader market which when combined, leads to benefits for Northern Ireland customers.

2. Energy Security and Cross-Border Trade

The SEM enables the allocation of electricity generation resources across a shared wholesale market. As an example, the SEM facilitates a coordinated approach to the Capacity Market in Northern Ireland and the Republic of Ireland which allows developers to consider investment opportunities across a wider market. The SEM supports a diverse energy mix including the integration of intermittent renewables and the development of the necessary system balancing services.

3. Market Transparency and Regulatory Alignment

The SEM provides greater market transparency, which can improve decision-making for investors. Price signals and market mechanisms are clear, which supports informed generation decisions. The SEM helps streamline regulation between the two regions, making it easier to manage electricity wholesale market. This reduces administrative complexities and ensures that both jurisdictions are working toward common goals in energy policy.

The SEM reinforces the focus on shared cooperation across the island of Ireland which is something that needs to be taken account of when considering the benefit and operation of the Windsor Framework.

The continued support of the SEM will be vital in addressing future energy challenges and attracting the clean energy investment needed for Northern Ireland to meet its obligations under the Climate Change Act, 2022.

Linking the UK and EU Emissions Trading Systems

Ensuring the continued efficient operation of the SEM will require careful consideration of the EU Carbon Border Adjustment Mechanism (CBAM). As it currently stands, the EU CBAM is due to apply on electricity imported into Northern Ireland from Great Britain starting from 2026, which has introduced uncertainty and is having implications for investment and trading in the SEM.

SSE recommends that the UK Government initiates the linking of the UK and EU ETS as soon as feasible. Aligning the two carbon markets would provide certainty on the price of

electricity and consequently promote investment in renewable energy sources. Consideration of ETS linking is provided for within the EU-UK Trade and Cooperation Agreement (TCA) and with the right political will, we believe that significant progress could be made in delivering the linking by COP30 at the end of 2025.

Aligning strategic energy infrastructure plans

Further on the topic of future energy cooperation, SSE welcomes the UK rejoining the North Seas Energy Cooperation (NSEC) initiative as an observer, and positive movement on improving EU-UK relations with the EU-UK Summit in the Spring. From an energy relationship perspective, SSE sees the upcoming North Seas Summit in Hamburg in the Autumn as an important moment to strengthen EU-UK energy cooperation ahead of the EU-UK TCA in 2026.

Looking ahead, SSE would welcome closer cooperation between Republic of Ireland, Northern Ireland and Great Britain on strategic energy infrastructure plans, to help unlock the renewable energy resources across the North Seas and support European energy security and industrial competitiveness.

To facilitate this, the upcoming Strategic Spatial Energy Plan (SSEP) for Great Britain should consider the infrastructure requirements of Northern Ireland and by extension the Republic of Ireland, and likewise the UK should be considered within ENTSO-E's Offshore Network Development Plans (ONDPs) and upcoming hydrogen plans from ENNOH. This will help to efficiently support the delivery of a clean power system in NI, ROI and GB and the decarbonisation of other sectors.

SSE appreciates the opportunity to provide input on this important issue and we welcome any additional comments or questions to our submission should they arise.

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