

Public Consultation on day-ahead and within-day multipliers

Based on Article 13(3) of the Network Code on Harmonised Transmission Tariff Structures for Gas

PC_2020_G_19

1. Objective

Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas ('NC TAR') entered into force in 2017 and it has introduced a number of provisions on multipliers that are applicable for the calculation of short-term capacity products (quarterly, monthly, daily and within-day).

The NC TAR provides the possibility for the Agency to issue a recommendation to cap the multipliers used to calculate the reserve prices of day-ahead ('DA') and within-day ('WD') capacity products to 1.5.

The objective of this consultation is to gather views and information from stakeholders on the impact of DA and WD multipliers in order to assess the possibility of issuing a recommendation to limit the level of these multipliers

The provision foreseeing this possibility is laid out in Article 13(3) of the NC TAR:

"By 1 April 2023, the maximum level of multipliers for daily standard capacity products and for within-day standard capacity products shall be no more than 1,5, if by 1 April 2021 the Agency issues a recommendation in accordance with Regulation (EC) No 713/2009 that the maximum level of multipliers should be reduced to this level. This recommendation shall take into account the following aspects related to the use of multipliers and seasonal factors before and as from 31 May 2019:

- *changes in booking behaviour;*
- *impact on the transmission services revenue and its recovery;*
- *differences between the level of transmission tariffs applicable for two consecutive tariff periods;*
- *cross-subsidisation between network users having contracted yearly and non-yearly standard capacity products;*
- *impact on cross-border flows."*

The Agency invites stakeholders to express their views on the points referred to in Article 13(3) of the NC TAR.

2. Target group

This consultation is addressed to European associations, national associations, TSOs, shippers or energy trading entities, end-users and others.

3. Deadline

Please provide your response by **9 December 2020**, 23:59 hrs (CET).

4. Identification data and confidential information

Please indicate the following data:

Name:

Position held:

Phone number and contact e-mail:

Name and address of the company you represent:

Your country:

Other country, if not in the list above:

Please indicate, if your company/organisation is:

- European association
- National association

- TSO
- Shipper or energy trading entity
- End-user
- Other (e.g. Power Exchanges, Storage Operator etc.).

If other, please specify below:

Any confidential information should be marked clearly as such, including the word 'CONFIDENTIAL' in the subject of the e-mail, as ACER will not treat e-mails which contain only a general disclaimer (usually automatically added) as containing confidential information. If respondents want to claim confidentiality, they should provide an explanation of their confidentiality interests and a non-confidential version of their response for publication. For more details on this, please see the Rules of Procedure of the Agency (Article 9 of Decision No 19/2019 of the administrative board of the European Union Agency for the Cooperation of Energy Regulators of 11 December 2019)

Is your input into this consultation confidential?

- Yes
- No

5. Publication of responses and privacy

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the Agency's Guidance Note on Consultations and the specific privacy statement attached to this consultation.

6. Related documents

- [Regulation \(EU\) 2019/942](#) of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators.
- [Commission Regulation \(EU\) 2017/460](#) of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.
- ACER [Guidance Note on Consultations](#)
- Commission [Regulation \(EU\) 2017/460](#) of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

7. Background

Multipliers are used to set tariffs for short-term gas transmission capacity products in comparison with the reference prices applied to yearly capacity products. Article 13 of the NC TAR sets out that the level for DA and WD multipliers for standard capacity products shall be *no less than 1 and no more than 3. In duly justified cases, the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3.*

Overall, shippers use different capacity booking strategies taking into account their supply and demand portfolios, market dynamics and gas transmission tariffs both on yearly and short-term capacity products. For example, shippers may secure a certain amount of capacity with yearly capacity products while they cover the seasonal and short-term variations with short-term capacity products.

Multipliers can impact the gas market in various ways, depending on the balance between the short-term and the long-term:

On the first hand, relatively high multipliers on short-term products can deter network users from booking short-term capacity for trading or balancing purposes. On the other hand, high multipliers incentivises yearly bookings which are deemed favourable to TSOs revenue recovery and which allow shippers to flow gas across hubs even when spot market spreads are below the capacity reference price.

From a competition perspective, multipliers can also lead to different outcomes. They have a distributional effect, through the share of revenue recovered from users holding short-term or long-term capacity products. Multipliers can be set with the primary objective of avoiding cross-subsidisation between network users and enhancing the cost-reflectivity of reserve prices. In contrast, low short-term multipliers can be considered as a way to foster competition and to incentivise more dynamic booking strategies.

When setting multipliers, NRAs should consider these different interactions, as required by Article 28 of the NC TAR, to avoid a potential welfare loss for EU consumers.

8. Consultation topics and questions

For all the questions, **please provide supporting evidence**, which can include the identification of IPs where a referred event is relevant and/or a time period for the phenomena observed (how, when and for how long it applies). Supportive evidence can include data, tables and it can be accompanied by examples.

Factual evidence on the effects of the current provisions is highly relevant to evaluate their effectiveness and to assess whether a recommendation could lead to an improvement.

Topic 1: Changes in booking behaviour

1. What role do short-term capacity products (DA and WD) play in your capacity booking strategy (balancing activities, market arbitrage, supply profiling...)?

Multipliers in line with the TAR NC will be applicable in Slovakia from January 1, 2022. In the process of their determination the fact that majority of the Slovak transmission network is dedicated for gas transit through the territory of the Slovak Republic on the basis of long-term contracts, was taken into account. High transited gas volume is the incentive for network users to book their capacity on a long-term basis. Eustream is of the opinion that short-term capacity products (DA and WD) are usually used for balancing activities towards storages by network users and for a market arbitrage. Short-term capacity products play its role in a

market arbitrage between gas hubs to offset spreads between markets. We are of the opinion that a proper settlement of short-term capacity products is necessary in order to avoid undue cross-subsidies.

2. Have you observed that DA and WD multipliers impact booking behaviour and booking strategies (could be your own booking strategy or those of other market players)? For instance, have you observed that low DA and WD multipliers can shift contracted capacity from yearly capacity products to shorter-term capacity products?

- Yes
- No
- Other

2.1 Please explain your reasoning:

Eustream has not observed any impacts of multipliers on booking behavior or booking strategies as multipliers have not been changed yet. Multipliers in line with the TAR NC will be applicable in Slovakia starting from January 1, 2022 so Eustream has not experienced any significant changes resulting in justified conclusions on this topic. Eustream transits majority of gas volume based on long-term contracts. Having a high share of gas transit there is a tendency for long-term capacity bookings.

Topic 2: Impact on the transmission services revenue and its recovery

3. Have you observed that DA and WD multipliers impact transmission services revenue and its recovery? In particular, could low DA and WD multipliers induce under-recoveries of TSOs' revenues on a transitory basis (in most systems such under-recoveries are systematically rolled to next years by revenue reconciliation mechanisms)?

- Yes
- No
- Other

3.1 Please explain your reasoning:

By setting multipliers, a proper balance between TSO's revenues recovery and efficient network utilization should be determined, as well as in order to avoid cross-subsidies between long-term network users and short-term ones. Eustream transits majority of gas volume based on long-term contracts. Eustream has not observed any impacts of multipliers on transmission services revenue and its recovery as multipliers have not been changed yet. Multipliers in line with the TAR NC will be applicable in Slovakia starting from January 1, 2022 so Eustream has not experienced any significant changes resulting in justified conclusions on this topic.

Topic 3: Differences between the level of transmission tariffs applicable for two consecutive tariff periods

4. Have you observed significant changes in DA and WD multipliers in the 2016-20 period?

- Yes
- No

Other

4.1 Please explain your reasoning:

Multipliers for DA and WD in two consecutive regulatory periods (until 2017 and after 2017) have not been changed and thus Eustream could not have observed significant changes in DA and WD multipliers in the 2016 – 20 period. Multipliers in line with the TAR NC will be applicable in Slovakia starting from January 1, 2022.

5. Have you observed that changes in multipliers have led to changes in the tariffs applicable for other capacity products (e.g. yearly capacity product)?

- Yes
 No
 Other

5.1 Please explain your reasoning:

Please refer to the answer under the point 4.1.

Topic 4: Cross-subsidisation between network users having contracted yearly and non-yearly standard capacity products

6. Have you observed that DA and WD multipliers have placed or could place in the coming years excessive costs on short-term capacity compared to the costs recovered through yearly capacity products?

- Yes
 No
 Other

6.1 In the affirmative, how could it affect competition and market integration?

Eustream has not observed that DA and WD multipliers have placed excessive costs on short-term capacity as multipliers have not been changed yet. Multipliers in line with the TAR NC will be applicable in Slovakia starting from January 1, 2022. However, Eustream would like to warn about the excessive costs effect on a short-term capacity specifically for TSOs with a transit character. For example, TSOs with the revenue cap tariff methodology necessarily would cause a cross subsidy only, by reducing the short-term multipliers. When TSO reduces the tariffs for network users using a short-term capacity, network users with a booked long-term capacity would pay more consequently.

6.2 Please explain how you evaluate if costs for short-term bookings are excessive compared to yearly bookings and on what criteria you base your argument.

Theoretically, in case the increase of short-term bookings in an examined period [total sum of MWh] would lead to at least of 250% decrease [total sum of MWh] of yearly bookings it could be an impulse to reevaluate the setting of multipliers.

Topic 5: Impact on cross-border flows

7. Have you observed that DA and WD multipliers have impacted or could impact in the coming years cross-border flows? Consider, in particular, situations where high DA and WD multipliers may prevent the use of available cross-border capacity or where high multipliers for DA and WD capacity product may negatively affect the correlation between gas prices in neighbouring hubs.

- Yes
 No
 Other

7.1 Please explain your reasoning:

Eustream has not observed any impacts of multipliers on cross-border flows as multipliers have not been changed yet. Multipliers in line with the TAR NC will be applicable in Slovakia starting from January 1, 2022 so Eustream has not experienced any significant changes resulting in justified conclusions on this topic. The impact on cross-border flow is determined, in particular, by a price spread between the markets and its expected development. However, Eustream is of the opinion that short-term bookings could enhance the cross border flows in case the price spreads in neighbouring hubs in Austria, Czech Republic or Hungary would be increasing. Network users feasibly would sensitively react on spreads and short-term bookings would work to align these market incentives.

8. Have you observed that DA and WD multipliers can be a market barrier (for instance by granting an advantage to holders of long-term bookings)?

- Yes
 No
 Other

8.1 Please explain your reasoning:

Eustream has not observed that DA and WD multipliers can be a market barrier, as multipliers have not been changed yet. Multipliers in line with the TAR NC will be applicable starting from January 1, 2022. However, DA and WD multipliers could become a market barrier in case of their inappropriate setting (e.g. out of a proposed range by TAR NC). Eustream is of the opinion that the most of network users are ready to book the short-term capacity like traders searching for arbitrage, suppliers or transmitters optimizing the profile.

Conclusion

9. From your perspective, what would be the advantages and disadvantages of capping DA and WD multipliers at 1.5 across Europe?

Eustream is of the opinion that EU widely capping of DA and WD multipliers at 1.5 could cause significant revenue losses of TSOs especially with a mainly transit character of their networks. The establishment of multipliers should strike the right balance between the recovery of TSO revenues and the efficient use of the network, as well as in order to avoid cross-subsidisation between long-term network users and short-term ones. In view of the long-term signals for efficient investments in the transmission network, it should be noted that the low value of multipliers makes annual capacity products relatively unattractive. In the absence of clear signals for efficient investments, there is a risk of insufficient investments in the network. On the other hand, the high level of multipliers provides a signal for efficient investment in the network, and this is a measure aimed at preventing a lack of physical capacity. Significantly low DA and WD multipliers could jeopardize the role of TSOs resulting in under-recovery of revenues when a booking behaviour of network users would change dramatically. From Eustream perspective, it is necessary to take into account the local specifics of individual networks. For example, with a high share of transit, there is a tendency to book capacity on a longer-term basis, and a higher price differentiation is needed. At the same time, with the revenue cap, by reducing the short-term multiplier, it would necessarily cause a cross subsidy, when network users with a booked long-term capacity would pay more because a TSO reduced the tariffs for network users with a short-term capacity. Lowering the level of multipliers would automatically lead to an increase in reference prices in the calculations and under-recovery of TSO's revenues resulting in insufficient investments into a network. Based on these arguments, we strongly recommend maintaining the current level of the multipliers cap.

Thank you for your reply!

Contact

[Contact Form](#)