

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

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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...)?

GNI have both DA and WD products available to its customers and for both products the same daily multipliers apply.

The larger customers utilise the short-term products to optimise their capacity bookings and supplement annual/longer term bookings and to minimise their costs thus optimising their commercial strategy and availing of flexibility in their bookings.

For security of supply reasons, the Short-Term Products are not available to smaller temperature sensitive domestic and medium sized commercial customers who are obliged to book exit capacity for 1 in 50 peak conditions

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:

Yes, the level of Short-Term multipliers can have a significant impact on the level of capacity booked as market players will use the DA and WD products to optimise their commercial strategy.

Shippers on our network will take an assessment of the level of volatility of their portfolio demand and seek to strike an appropriate balance between having appropriate levels of long-term bookings and maximising capacity utilisation.

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:

DA and WD multipliers do impact transmission services revenue and its recovery and create under and over recovery which leads to tariff volatility.

It is critical that multipliers are designed in such a manner that revenue recovery is connected to the cost drivers of each individual network and that they result in a fair distribution in the recovery of costs both over time and individual customers bases.

If multipliers are set too low, they can result in sectors such as power stations, paying proportionately less costs than other customer groups who have security of supply requirements because they are vulnerable to temperature variances.

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:

The multipliers applicable to GNI's system were updated in 2018 when the tariff methodology was being reviewed. The overall multipliers were updated with pricing for quarterly products introduced for the 19/20 gas year.

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:

The introduction of Short-Term products resulted in the reduction of bookings for the yearly capacity product.

This resulted from Shippers optimising their capacity bookings and reducing their overall level of annual product, so tariffs needed to increase as a result. We have found that the larger customers have a greater capability of using DA and WD capacity products and thus they can therefore shift the recovery of costs onto the smaller customers which results from increasing tariffs. This occurs while the TSO's revenue remains the same.

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?

Applying a cap on multipliers could affect competition and market integration as it could provide an advantage to incumbents and larger market participants who have the advantage of availing of the flexibility

over those customers who are unable to access the flexibility available but are paying higher tariffs for the annual capacity products.

We replied a no to the above question as it is our observation that the residential, smaller customers and medium enterprise sectors tariffs and revenue distribution would be greater if DA and WD multipliers were to be lower. These sectors need to book for their peak day (therefore booking an annual product) and those customers who do not have the flexibility to book short-term product would pay more than those who have the flexibility to book short-term and therefore achieve greater benefits overall from having the option of DA and WD products available to them.

Therefore, it is very important that each NRA, in conjunction with the TSO, has the flexibility to set the multipliers in a manner which seeks to avoid cross subsidisation between market sectors and in a way that results in a fair distribution of costs across all customer groups while promoting market competition.

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.

When reviewing the cost of DA and WD short term capacity GNI analyses the revenues received from the different customer sectors and compares that with each customer groups utilisation of the network.

In the event one customer group has a larger utilisation but pays a smaller proportion of the costs then the multipliers need to be adjusted to ensure a balanced revenue recovery relative to costs and utilisation. In essence the question is not only are the multipliers too high or too low the question must be; do they generally deliver a fair apportionment of generally fixed networks costs across different classes of users of the network?

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:

Ireland is a Member State which is at the “end of the pipes” where gas will flow regardless as opposed to a MS that is heavily interconnected, with more competition between entry points and cross border flows

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:

GNI's network is very competitive where there are currently 30 shippers who supply gas to c. 705,000 customers. In addition to Short Term Products (DA,WD) it facilitates Entry Capacity Trading and supports a gas Trading Platform for its suppliers which allows its Shippers to actively trade gas. GNI have not observed any market barriers as a result of the level of multipliers applied to DA and WD products.

Conclusion

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

Capping the multipliers at 1.5 would invariably increase the annual tariffs and consequently increase costs for residential, medium and small businesses along with customers who are unable to avail of the short-term products. For some customers capping the multipliers at 1.5 would reduce costs and improve flexibility but the cap would also result in cross subsidisation of those customers by those, sometimes competing, customers who are unable to avail of the same flexibility. The result being that while some customer groups would benefit from a cap, other customer groups who do not have the option or flexibility to utilise short-term products could see proportionally higher costs and pay a higher proportion of relatively fixed cost to operate a gas network.

The closer monthly and daily multipliers would move to 1.0, the less incentive there would be for system users to book long term capacity products. Whilst this would provide a more efficient outcome for the user at hand, it would mean only paying for using the network when the needs arises, but as with other utilities, a gas network operator faces operational costs which in many cases are fixed in nature e.g. cost of a 24-7 grid control function and those costs are not zero or decline if a system user isn't actively flowing gas through the network.

Any subsequent move from annual to short-term as a result of the cap would also likely lead to higher tariffs along with higher volatility (under/over-recoveries) which would ultimately result in greater uncertainty for all market participants and thus damage competition.

Therefore, for the reasons set out above GNI feels that the level of multipliers is best left to the NRA to manage, in conjunction with the TSO, due to the complexities and local conditions involved.

I hope you will consider our response and we are happy to engage further with ACER on this matter.

Thank you for your reply!

Contact

[Contact Form](#)