



Consultation on Seasonal Multiplier Factors for Gas Transmission

30 March 2022



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This paper seeks views on the proposed seasonal multiplier factors to be applied to non-annual entry capacity bookings in the postalised tariff from 1 October 2022.

This consultation is required by EU Regulation 2017/460 on Harmonised Transmission Tariff Structures for Gas ("TAR NC"), as amended for EU Exit.

We propose to maintain the current factors into Gas Year 22/23.

Audience

This document is likely to be of interest to regulated companies in the energy industry, government and other statutory bodies and consumer groups with an interest in the energy industry.

Consumer impact

We do not propose to make any amendments to the seasonal multiplier factors so there would be no impact on customer tariffs



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Acronyms and Glossary

CRU	Commission for Regulation of Utilities, which regulates gas in the Republic of Ireland
EU	European Union
EU(W)A	European Union (Withdrawal) Act 2018
FOIA	Freedom of Information Act
GMO NI	Gas Market Operator Northern Ireland
Ofgem	Office for Gas and Electricity Markets in Great Britain, which regulates gas in Great Britain
PSA	Postalised System Administrator
SEM	Single Electricity Market
TAR NC	Network Code on Harmonised Transmission Tariff Structures for Gas
UR	Utility Regulator

1. Purpose of this Paper

- 1.1 This consultation paper meets requirements within the EU Regulation on establishing a network code on harmonised transmission tariff structures for gas, known as TAR NC, which has been amended to facilitate the UK's exit from the EU. This consultation seeks views on seasonal multiplier factors which are applied to the postalised tariff for non-annual entry capacity bookings.

Tariff Network Code and EU Exit

- 1.2 EU Regulation 2017/460, known as the [Network Code on Harmonised Transmission Tariff Structures for Gas](#) ("TAR NC"), was published on 17 March 2017 with the objectives of contributing to market integration, enhancing security of supply and promoting interconnection between gas networks.
- 1.3 TAR NC was transposed into UK law under the [European Union \(Withdrawal\) Act 2018](#) ("EU(W)A") and was amended in the [Gas \(Security of Supply and Network Codes\)\(Amendment\)\(EU Exit\) Regulations 2019](#) and the [Gas Tariffs Code \(Amendment\)\(EU Exit\) Regulations 2019](#) to remove inoperabilities.
- 1.4 Throughout the rest of this document, when we refer to TAR NC, we mean the TAR NC as incorporated in UK law and amended by the Gas (Security of Supply and Network Codes)(Amendment)(EU Exit) Regulations 2019 and Gas Tariffs Code (Amendment)(EU Exit) Regulations 2019 .

Requirement for Annual Consultations

- 1.5 Article 28(2) of TAR NC requires us to carry out an annual consultation on the seasonal multipliers factors and to consider discounts for interruption and storage. Article 28(3) requires that we take into account the views of respondents in the following aspects:
- The balance between facilitating short-term gas trade and providing long term signals for efficient investment in the transmission system
 - The impact on the transmission services revenue and its recovery
 - The need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices
 - Situations of physical and contractual congestion
 - The impact on cross-border flows

- The impact of the seasonal factors on facilitating the economic and efficient utilisation of the infrastructure
- The need to improve the cost-reflectivity of reserve prices

1.6 In addition to considering the responses to this consultation, we are required to consider the positions of directly connected Member States countries and the other national regulatory authority. This is outlined at paragraphs 2.6 and 2.7.

Next Steps

1.7 Information about how to respond to this consultation is in section 4.

1.8 Following consideration of the responses from this consultation, UR will publish its decision and will inform the Postalised System Administrator (PSA) of the factors and discounts to be used in the postalised gas transmission tariff to be published on 31 May, which will become effective on 1 October 2022. We will also inform GMO NI that it may publish the [Gas Product Multipliers and Time Factors Table](#) at the same time.

2. Multiplier and Seasonal Factors

Background to the Factors

- 2.1 The TAR NC defines “multiplier” as the factor applied to the respective proportion of the reference price in order to calculate the reserve price for a non-annual standard capacity product. It further defines “seasonal factor” as the factor that reflects the variation of demand within the year which may be applied in combination with the relevant multiplier.
- 2.2 These factors are multiplied by the annual tariff for entry capacity to determine the tariff for a non-annual entry capacity product, for example monthly capacity or daily capacity.
- 2.3 Since their inception in 2015, we have followed a policy of aligning the seasonal multiplier factors with those offered in the Republic of Ireland. We consider that this alignment is beneficial to ensure there is no perverse pricing signal which affects the decisions of all-island electricity generators.
- 2.4 The seasonal factors have been set to incentivise suppliers to make more use of the network in the summer and shift demand away from the winter peak. They were set to provide a balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system.

Factors Maintained for 2021/22

- 2.5 Last year, we decided to maintain the factors at the 2020/21 rate and indicated that we intended these to further maintain them into Gas Year 22/23. We indicated that we intended to carry out a review with a view to amending the factors for Gas Year 23/24. We indicated that the review would:
 - a) Consider how to better reflect the actual seasonality of flow and to reduce the volatility caused by daily capacity variances in the winter period.
 - b) Evaluate if the increased volatility which accompanies high seasonal factors in winter is outweighed by the benefits of encouraging suppliers to choose to book capacity in the summer.
 - c) Consider if the seasonal factors have been effective in encouraging shippers to make more use of the network in the summer and shift demand away from the winter peak?
 - d) Ensure that any revised factors continue to provide a balance

between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system

- e) Assess any impact on the use of capacity products as a result of the expiry of the Initial Entitlement of Entry Capacity.
- f) Recognise that Respondents in previous years requested that proposed changes should allow sufficient time to prepare ahead of the tariff calculations.

Consultation with Ofgem

- 2.6 Ofgem (Office for Gas and Electricity Markets) in Great Britain has published its Article 28 consultation¹ on the basis of maintaining its current factors. We keep in regular contact with Ofgem to monitor any matters which affect both regions.

Consultation with CRU and Alignment with RoI

- 2.7 We also keep in regular contact with CRU particularly in recognition of our policy of all-island alignment.
- 2.8 Our decision in 2015 to align factors was based on the commercial link between the NI and RoI Networks made by the Single Electricity Market (SEM). Although the base charges between the two networks are different, there is potential for significant difference between the daily charges due to different seasonal factors.

Conclusion

- 2.9 As indicated last year, we propose to maintain our current factors into Gas Year 22/23. These factors continue to meet the requirements of the TAR NC (see paragraph 1.5).

¹ <https://www.ofgem.gov.uk/sites/default/files/2022-02/20220105%20Article%2028%20Consultation%20Notice.pdf>

Capacity Product Multipliers for Input to Tariff Model					
Period	Annual Entry & Exit Capacity Products	Non-Annual Entry Capacity Products			
		Quarterly	Monthly	Daily	Within Day
Oct - Sept	1.0000				
Oct - Dec		0.3843			
Jan - Mar		0.8069			
Apr - Jun		0.1327			
Jul - Sept		0.0261			
October			0.1281	0.0064	0.0064
November			0.1281	0.0064	0.0064
December			0.1708	0.0114	0.0114
January			0.2989	0.0199	0.0199
February			0.3416	0.0228	0.0228
March			0.2562	0.0171	0.0171
April			0.1281	0.0064	0.0064
May			0.0097	0.0005	0.0005
June			0.0097	0.0005	0.0005
July			0.0097	0.0005	0.0005
August			0.0097	0.0005	0.0005
September			0.0097	0.0005	0.0005

Table 1 - Gas Product Multiplier and Times Factor Table

2.10 To find the annual total of the daily and within day factors, it is necessary to multiply each daily factor by the number of days in that month, as illustrated in Table 2.

Total Multiplier Factors	Non-Annual Entry Capacity Products			
	Quarterly	Monthly	Daily	Within Day
Current Factors	1.3500	1.5000	2.7844	2.7844

Table 2 - Totals of Current Seasonal Multiplier Factors

3. Aspects to be Considered

3.1 Article 28(3) requires that we take into account the views of respondents in the following aspects:

- The balance between facilitating short-term gas trade and providing long term signals for efficient investment in the transmission system
- The impact on the transmission services revenue and its recovery
- The need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices
- Situations of physical and contractual congestion
- The impact on cross-border flows
- The impact of the seasonal factors on facilitating the economic and efficient utilisation of the infrastructure
- The need to improve the cost-reflectivity of reserve prices

3.2 We consider that the elements within each of these aspects are unchanged since last year's consultation² and that seasonal multiplier factors provide benefits to the shippers which use them and also to the shippers which do not use them.

- a) The factors provide a method for Users to top up their capacity bookings on a short-term basis.
- b) The factors provide a price signal to incentivise Users to use gas in the summer rather than winter, if the User has a choice.
- c) The extensive use of non-annual entry capacity products can increase total revenue, which would reduce annual capacity prices for all shippers.

Discount for Interruptible Capacity Charge

3.3 The TAR NC requires that discounts are offered in specific circumstances, particularly for interruptible capacity and for storage facilities. Article 16 specifies how to calculate the discount for an interruptible capacity charge.

3.4 The current postalised charges do not include an interruptible tariff, as only firm capacity is offered. The [NI Gas Capacity Statement](#) indicates that the NI

² <https://www.uregni.gov.uk/consultations/consultation-seasonal-multiplier-factors-gas-transmission-0>

Gas Network has sufficient capacity to meet forecasted demand for the next ten years.

- 3.5 Therefore, until this situation changes, we envisage that the tariff publications will state that no interruption has been forecast.

Discount for Capacity Charge for Storage

- 3.6 In order to prevent the double charging of gas to and from any storage facilities, Article 9 of the TAR NC requires that a discount of at least 50% should be applied to capacity charges for storage facilities.
- 3.7 As there are no storage facilities in NI, we do not propose to publish a storage discount for the Gas Year starting 1 October 2022.

4. Responding to the Consultation

- 4.1 This is an open consultation paper. We invite respondents to express a view on our recommendations and any aspect of the paper. Responses should be received on or before 12 noon on 4 May 2022, addressed to:

Jillian Ferris
Networks Directorate
Utility Regulator
Queens House
14 Queens Street
Belfast BT1 6ER

Gas_networks_response@uregni.gov.uk with cc to
jillian.ferris@uregni.gov.uk

- 4.2 Our preference would be for responses to be submitted by e-mail.
- 4.3 Your response may be made public by the Utility Regulator. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'
- 4.4 If you want other information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential
- 4.5 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018 (DPA)).
- 4.6 As stated in the GDPR Privacy Statement³ for consumers and stakeholders, any personal data contained within your response will be deleted once the matter being consulted on has been concluded though the substance of the response may be retained.
- 4.7 This document is available in other accessible formats, such as large print, Braille, audio cassette and a variety of relevant minority languages if required. To request this, please contact Jillian Ferris, either 028 9031 1575 or email to Gas_networks_responses@uregni.gov.uk.

³ <https://www.uregni.gov.uk/privacy-notice>