



Consultation on Short Term Exit Capacity Products in the NI Gas Transmission System

Stakeholder Event

04/05/2022



Agenda

10.00 – Welcome - Roisin

10.05 - Project Overview – Emma

10.10 - Gas Scenario Analysis - Emma

10.20 - Electricity Price Impact – Roisin

10.25 - Consequences Jillian

10.35 - Consultation Questions Jillian

10.45 - Stakeholder Questions/ Next Steps / UR Close Roisin



Project Overview



Project Overview

Consultation on Short Term Exit Capacity Products in the NI Gas Transmission System

Consultation to seek your views on key areas including-

1. Whether to introduce short term exit products.
2. Which short term exit products to introduce.
3. How to deal with exit capacity overruns.



Project Background

1. 2015 EU Network Code on CAM Short Term Capacity at NI Entry Points.
2. 2016 “Exit Review” concluded any change at Exit would be considered post ISEM 2018
3. 2022/23 UR Forward Work Plan
4. No legal requirement for Short Term Capacity at NI Exit Points



Drivers for a review of the current exit regime in NI

1. Follow up from 2016 Exit Review.
2. Request for flexibility for gas fired generation following the increase in renewable electricity.
3. Potential SEM alignment – Short Term Exit products are already available in ROI.



Gas Scenario Analysis

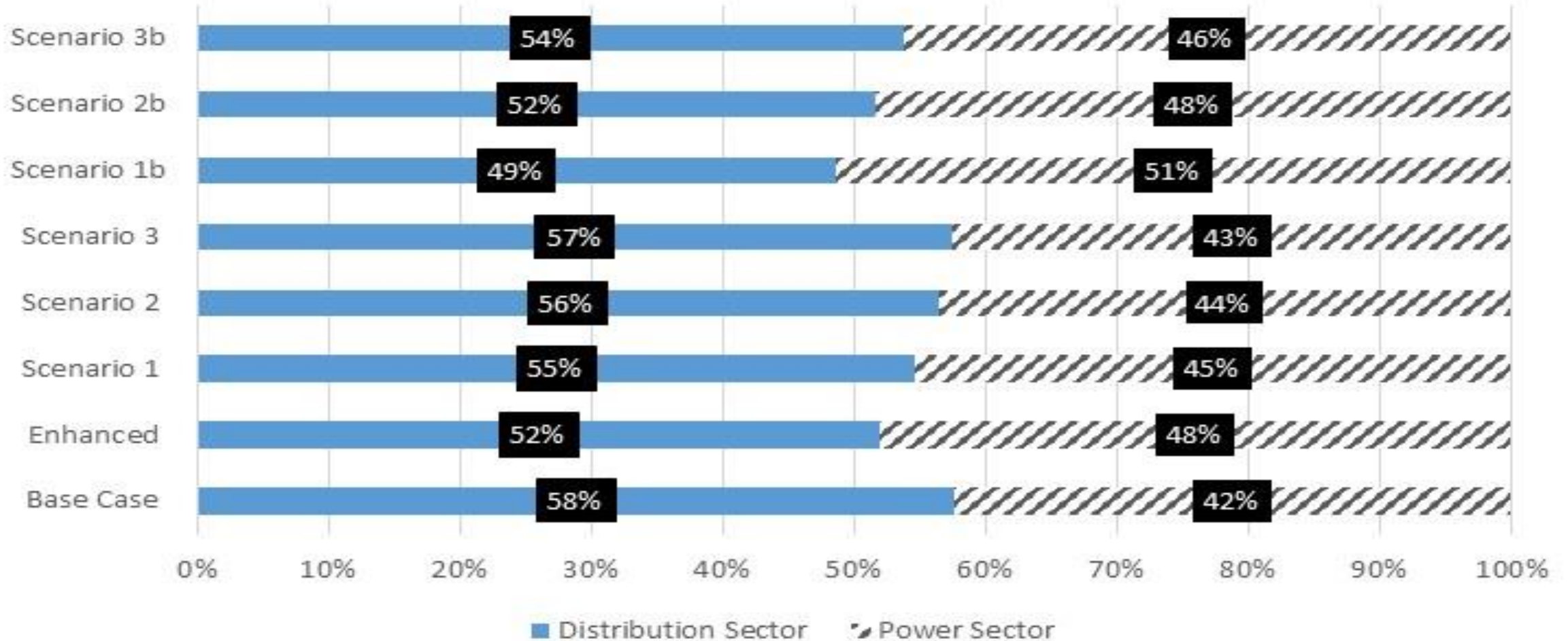


The key findings from the gas scenario analysis are:

1. Additional capacity, if booked, should lead to reduction in gas transmission tariffs.
2. Inaccurate short term exit capacity forecasting would have an impact on the year end reconciliations.
3. DNO costs may increase, and power sector decrease if power effectively optimise their capacity booking as a result of additional flexibility.
4. Smoothing Seasonal Multipliers may blunt the impact on suppliers from inaccurate forecasts

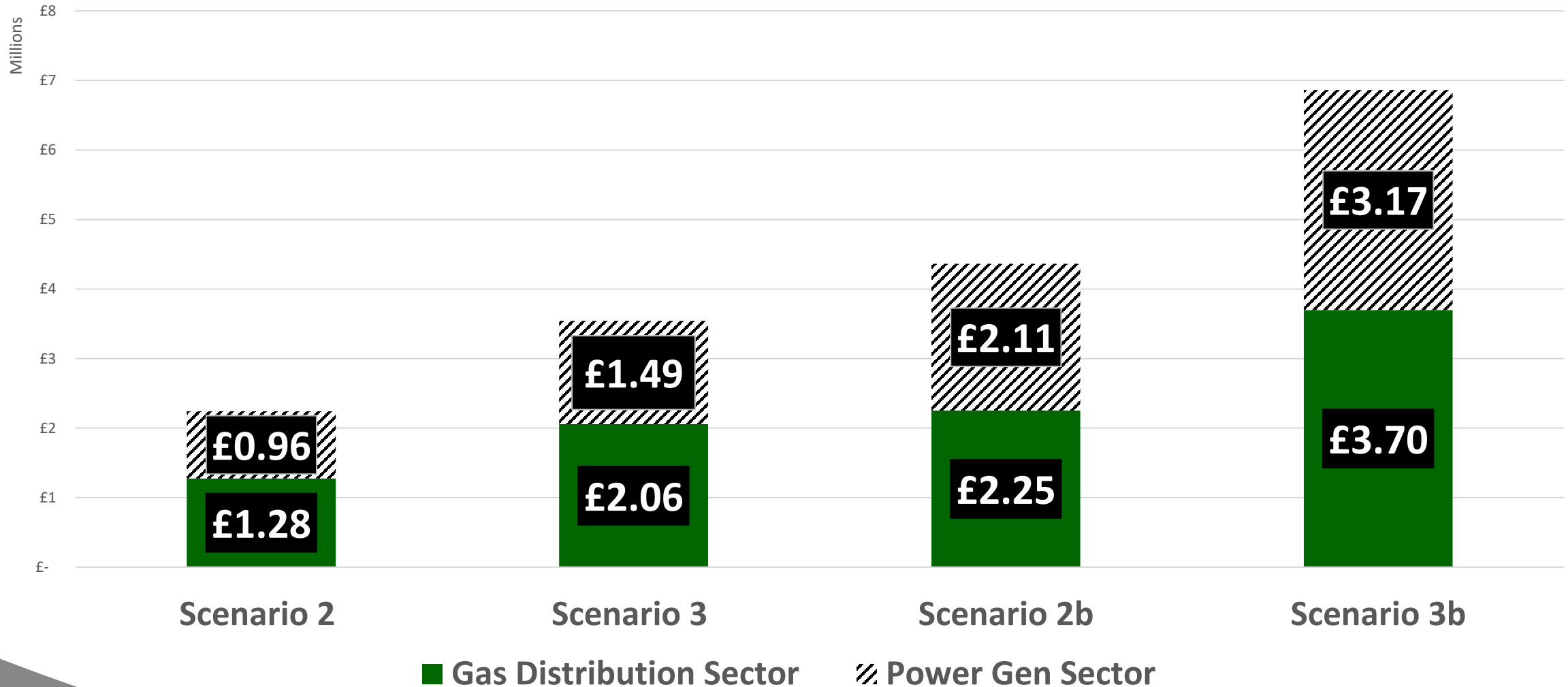


Reconciled Cost Allocation





Reconciliation payments by sector (£Million)





Impact of Smoothed Seasonal Multipliers



Electricity Price Impact

We have considered:

- Potential impact of the gas ratchet arrangements
- Potential impact of short-term capacity at exit on SEM

We note the following:

- Removal of the ratchet could help level the playing field in the SEM
- The potential impact that short term exit capacity products could have on prices in the SEM dependent on a number of factors
- Outlined a number of these in section 4 of the paper
- Welcome further information from stakeholders to help refine our analysis



Consequences



Potential Consequences:

- Cost Recovery Between Power and Distribution Sectors
- TSO revenue recovery arising from volatility in end of year reconciliation
- Volatility of end of year reconciliation - Shippers
- Overrun mechanism to replace the Ratchet mechanism
- 1 in 20 capacity booking Obligation
- Capacity Booking Responsibilities
- Seasonal Multiplier Factors
- Improving accuracy of forecasts

- Possible Mitigations – for example Buffer account



Consultation Questions



Consultation Questions

1. Merits of introducing short term exist capacity products.
2. Gas Scenario analysis
3. Impact on prices in the SEM
4. Ratchet mechanism
5. Cost recovery between power and distribution sectors
6. Volatility risks
7. 1 in 20 obligation and capacity booking
8. Other:

Process step	Indicative timing if UR decides to implement short term exit products
Consultation Closes	9 June 2023
Policy decision on whether to introduce short term exit products and whether to smooth seasonal multipliers for GY24	September 2023
If needed, decision (following consultation) on any licence modifications needed to implement the policy decision	December 2023
If needed, implementation phase, including any required system changes and code modifications - allsubject to policy decision	Up to end September 2024
Earliest implementation date for any policy decision to introduce short term exit	1 October 2024



Stakeholder Questions?