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ASSOCIATION
OF IRELAND

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By Email to: Gas_networks_responses@uregni.gov.uk
CC: john.wasson@uregni.gov.uk & emma.todd@uregni.gov.uk

Date: 09/06/2023

RE: Consultation on Short Term Exit Capacity for Gas Transmission in Northern Ireland & Consultation on Seasonal Multiplier Factors for Gas Transmission

Dear John & Emma,

The Electricity Association of Ireland welcomes the opportunity to respond to the UR consultations on the introduction of short-term exit capacity products in Northern Ireland, and the smoothening of seasonal multipliers in Northern Ireland. Our response to both consultations is detailed in this letter due to their common advocacy points on policy alignment.

The EAI agrees that now is an appropriate time to consult on both topics with the introduction of a new gas generator operating in NI.

Short Term Exit Capacity Products

The EAI advocated for the inclusion of short-term exit capacity products in Northern Ireland, in its response to the previous call for evidence on this topic. As part of a multi-jurisdictional regulated wholesale market, generators in SEM (Single Electricity Market) should have a choice to purchase the same suite of regulated products irrespective of location. Alignment within SEM is the first step to ensuring that all island electricity Market integrates with the European Electricity Market upon the completion of the Celtic Interconnector and will support security of supply in Northern Ireland by avoid competitive distortions between new generation capacity project in the respective jurisdictions.

A decarbonised future powered by electricity.

Electricity Association of Ireland

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The ability to book daily and monthly exit capacity also supports increased renewables on the system. As we achieve targets of 80% renewable production, gas generators will be needed less frequently to meet demand, requiring less exit capacity. Having a suite of products which acknowledges this change is important to ensure that gas generators are proportionately charged for use of the system as opposed to the ratchet mechanism currently in place.

As the decarbonisation transition accelerates over the period to 2030 having access to short term exit capacity product will allow gas fired generators to book exit capacity and reflect that cost in the prices that are offered to the electricity transmission system operator through the Balancing Market. This is important as it ensures that unit commitment decisions are made efficiently. Offering flexibility in management of exit capacity costs allows for generators to exercise control over costs in this area, reduce them where possible and lessen the impact of distribution costs on customer tariffs.

Seasonal Multipliers

Seasonal multipliers are an established aspect of the market in both NI and ROI, with annual consultation on the value of the multipliers. The EAI wish to see this continue, the annual review and consultation process increases transparency and contributes to enhancing investor certainty of cost estimates. We agree that the current rate of seasonal multipliers should be maintained for the 23/24 year; however, we do not feel that seasonal multipliers should be smoothed from 24/25.

EAI are concerned that a smoothing of the seasonal factors would lead to a divergence between Northern Ireland and the Republic of Ireland on a part of the gas market framework that is and has been aligned for some time. As the consultation states, the removal of seasonal multipliers may affect the merit order within SEM by creating different market rules depending on where the generation asset is located. Sufficient consideration needs to be given to the fact that in an all-island market, aligned and consistent seasonal multipliers across the SEM will more likely lead to efficient outcomes for customers. We see this as a matter of significant importance, and we are concerned that no detailed analysis or information has been provided to understand the impact of this change on SEM in the consultation. EAI therefore call for the proposal to smooth the seasonal multipliers to be rejected in order to avoid creating an unnecessary competitive distortion between the two jurisdictions and instead retain alignment on their application.

We look forward to engagement on these issues and to receiving a response to this communication.



Yours Sincerely,

A handwritten signature in grey ink, appearing to read 'Jason Herbert', written in a cursive style.

Jason Herbert

Electricity Association of Ireland (EAI)