DECISION ON HARMONISED TRANSMISSION TARIFFS FOR GAS

26 JUNE 2025

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Utility Regulator

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 and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls; Networks and Energy Futures; and Markets and Consumer Protection and Enforcement. 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

ACCOUNTABLE: We take ownership of our actions.

TRANSPARENT: Ensuring trust through openness and honesty.

COLLABORATIVE: Connecting and working with others for a shared purpose.

DILIGENT: Working with care and rigour.

RESPECTFUL: Treating everyone with dignity and fairness.

ABSTRACT

This paper sets out our decisions following a consultation on potential changes to the Northern Ireland gas transmission charging regime, in compliance with the Harmonised Transmission Tariffs for Gas, the Tariff Network Code (TAR NC).

We consider that the current gas transmission tariff regime continues to comply with the TAR NC, and we are not making any changes to Reference Price Methodology, the discounts to capacity charges, the allowed revenue of TSOs, the capacity/commodity split, the view on transmission and non-transmission tariffs, the multiplier and seasonal factors, and the dissemination of related documents at this time.

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

This decision paper is necessary to ensure compliance with European Gas Regulation, the Tariff Network Code. The Gas Regulation was transposed into UK law with several amendments in 2019 as part of the EU withdrawal Act 2018 and we are required to consult and decide on the implementation of the TAR NC every five years.

As we are making no changes, there will be no impact on consumers.

Contents Page

Executive Summary

In February 2025, the Utility Regulator (UR) published a consultation to meet the requirements of EU Regulation 2017/460 on Harmonised Transmission Tariffs for Gas, the Tariff Network Code (TAR NC).

The consultation paper summarised the aspects of the TAR NC that had been decided on following the previous consultation in 2018[1] and we did not consider that any of these decisions need to be revisited or amended.

This paper outlines those decisions, and the feedback received from the consultation.

Additionally, based on the consultation response received, we are minded to review any areas of our decisions if developments occur that may necessitate future changes, consistent with other regulatory regimes.

1 Consultation on Harmonised Transmission Tariff Structure for Gas - June 2018

1. Introduction

Regulation 2017/460 – Network Code on Harmonised Transmission Tariff Structures for Gas ("TAR NC")

1.1 The European Union (EU) adopted the third legislative package in July 2009 to further the development of the Single European Gas Market. A key element of the third legislative package for gas is Regulation (EC) 715/2009 ("the Gas Regulation") which mandates the development of European Network Codes ("EUNCs") covering areas such as tariffing, capacity allocation and interoperability in each member state.

1.2 The Network Code on harmonised transmission tariff structures for gas, which is abbreviated to "TAR NC" was published on 16 March 2017[2] with the objective of contributing to market integration, enhancing security of supply and promoting interconnection between gas networks.

1.3 It sets out rules on the application of a reference price methodology, the associated consultation and publication requirements as well as the calculation of reserve prices for standard capacity products.

1.4 We undertook a consultation on the requirements to comply with the TAR NC and published the subsequent Decision Paper in 2018. Under Article 27, we are required to consult on its implementation every five years.

1.5 In the intervening years since the publication of our original decision, the Gas Regulation has been transposed into UK law, as part of the EU withdrawal Act 2018.

1.6 We published the five year follow up consultation on 28 February 2025. The consultation paper reviewed the current methodologies which comprise the gas transmission charging regime in NI as required by the TAR NC and considered if any changes should be proposed.

1.7 The consultation period ended on 28 March 2025, and we received one response.

Purpose of this paper

1.8 This paper outlines our decisions and responds to the consultation response.

2 COMMISSION REGULATION (EU) 2017/460

Overview of decisions

1.9 We consider that the requirements within this regulation continue to be delivered by the Northern Ireland postalised tariff regime and by the capacity commodity split following the previous consultation on the TAR NC. We outline our decisions across the relevant areas in the sections below.

Structure of this paper

1.10 The paper has the following sections:

- Section 2: Consultation Responses
- Section 3: Reference Price Methodology
- Section 4: Potential discounts to capacity charges
- Section 5: Indicative reference prices
- Section 6: Cost allocation assessment
- Section 7: Allowed Revenue of TSOs
- Section 8: Commodity-based Tariffs
- Section 9: Transmission and non-transmission tariffs
- Section 10: Multiplier and Seasonal Factors
- Section 11: Publication Requirements
- Section 12: Conclusion

1.11 Each section consists of a brief overview of the consultation area, and our decision for that aspect.

2. Consultation Responses

Overview

2.1 The consultation received one response from GMO NI.

2.2 GMO NI was overall satisfied with our proposals to maintain the TAR NC areas as addressed in the consultation. They raised two points that do not, and are not intended to, change our proposals to maintain the aspects of the TAR NC outlined in the consultation, rather, they are points for future consideration.

2.3 Their first point relates to seasonal factors and product multipliers:

2.4 "...Recent years has shown the swing from positive to negative in the end of year revenue positions...the heavy utilisation of daily capacity products during a 3-4 month window has driven a significant over recovery to set the basis for the tariff review. GMO NI would welcome a more comprehensive analysis of these parameters to explore what options are available for updating them to address revenue volatility but also consider in detail the wider interactions with the electricity sector, whilst adhering to requirements under the Tariff NC."

2.5 Their second point relates to transportation tariffs relevant to the energy transition.

2.6 "As part of policy developing, the tariffing of renewable gases can be an aid alongside other main incentives in increasing the uptake of these gases onto and through the gas network in the near term. ...tariffing will play an important role in ensuring costs are recovered in a fair and cost reflective way which also negates spiralling tariffs for less utilised infrastructure, and therefore foresight and industry engagement will be required to ensure appropriate tariffing arrangements are in place which accommodate the desired effect."

2.7 These further suggestions were made for analysis that could be undertaken as part of future reviews, we are open to these new proposals and will give them consideration when made.

3. Reference Price Methodology

Overview

3.1 The Reference Price Methodology ("RPM") means the methodology applied to the part of the transmission services revenue to be recovered from capacity-based transmission tariffs.

3.2 A general requirement is to apply the same RPM at all the entry and exit points within the system. For a multi-TSO entry-exit system, the same RPM should be applied by all TSOs.

3.3 The TAR NC specifies the requirements for an RPM in Article 7[3]:

- Enabling network users to reproduce the calculation of reference prices and their accurate forecast.
- Taking into account the actual costs incurred for the provision of transmission services, having taken consideration of the complexity of the transmission network.
- Ensuring non-discrimination and preventing undue cross-subsidisation including by taking into account the cost allocation assessments set out in Article 5.
- Ensuring that significant volume risk related particularly to transports across an entry-exit system is not assigned to final customers within that entry-exit system.
- Ensuring that the resulting reference prices do not distort cross-border trade.

3.4 In regard to these requirements, the postalised regime is transparent in that GMO NI publishes a simple spreadsheet alongside the annual tariff to allow users to replicate the tariff calculation.

3.5 Postalisation uses a postage stamp methodology so that shippers are charged the same entry and exit charges regardless of the distance travelled. This has encouraged consumers to connect right across the network and ensures non-discrimination.

3.6 And as there are no cross-border trades, so we do not need to make specific arrangements to prevent distortion.

3 EU Regulation 2017/460

Our decision

3.7 We consider that the postalised tariff regime continues to meet the requirements of a Reference Price Methodology in the TAR NC and we are not changing it at this time.

4. Potential discounts to capacity charges

Overview

4.1 The TAR NC requires that discounts are offered in specific circumstances, particularly for interruptible capacity and for storage facilities.

Discount for Interruptible Capacity Charge

4.2 The current postalised charges do not include an interruptible tariff, as only firm capacity is offered. The NI Gas Capacity Statement[4] indicated that total annual gas demand in aggregate is expected to reduce over the 10-year period by 21.4%.

4.3 However, the expected peak day capacity, is set to increase by 10.1%, primarily due to growth in distribution demand which is expected to grow by 14.6%.

4.4 The NI Gas Capacity Statement has indicated that during the 10-year period, Moffat could become congested and the demand on the SNIP and BTP sections of the NI network (i.e. the demand on the network upstream of Carrickfergus) could exceed the capacity of the Moffat IP Entry.

4.5 Therefore, we will continue to monitor this situation, for now, however we envisage that, at present, the tariff publications will state that no interruption has been forecast.

Discount for Capacity Charge for Storage

4.6 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 and Article 28 requires that we consult on this matter annually.

4.7 As there are no storage facilities in NI, we are not publishing a storage discount for the Gas Year starting 2025.

4.8 At present, we are not aware of any imminent projects, however we will continue to consult annually on this matter as part of the seasonal multiplier consultation.

4 Northern Ireland Gas Capacity Statement 2024-25

Our decision

4.9 Presently, postalised charges do not include an interruptible tariff, the NI Gas Network is projected to meet forecasted demand for the next ten years, and there are no active Gas storage facilities in NI. In view of this, we are not changing our approach to discounts to capacity charges.

5. Indicative reference prices

Overview

5.1 Article 26(1)(a)(iii) of the TAR NC requires that we provide indicative reference prices which are subject to consultation. As the reference price is equal to the reserve price for yearly firm capacity, it is available in the forecast postalised tariff[5], for 24/25 and with the forecast tariff for next year[6] which are published by the GMO NI. These indicative reference prices are calculated following the postalised tariff formula.

Table 1 – Indicative Reference Prices for 24/25

Forecast Postalised Capacity Charge for 24/25	ppkWh per day booked
Annual Entry Capacity Charge	0.45647
Annual Exit Capacity Charge	0.45647

5.2 The indicative reference prices have been prepared according to the requirements of the TAR NC; we are not amending these from the published charges.

5 Postalised Tariff Explanatory Note Forecast 2024/25 – 2028/29
6 GMO NI Current and future tariffs

6. Cost allocation assessment

Overview

6.1 Article 26(1)(a)(iv) of the TAR NC requires that we consult on the result and components of a cost allocation assessment on the transmission services revenue to be collected through capacity and commodity charges, as set out in Article 5.

6.2 We are required to indicate the degree of cross subsidisation between intra-system and cross-system network use based on the RPM. Cross-system means transporting gas within an entry-exit system to customers connected to another entry-exit system, while intra-system is where gas is transported to customers within the same entry-exit system. We are required to ensure that the volume risk of transporting across a cross-system does not get assigned to the customers within (intra) that entry-exit system. As all gas flows into the NI transmission network are used within NI (an intra-system), and none passes through NI to exit elsewhere, this is not an issue.

6.3 As this has not changed, we refer the section in the previous consultation, to demonstrate the level of any cross-subsidisation by following a set of formulae and providing justification if the cost allocation ratio exceeds 10%.

Our decision

6.4 The state of the intra-system/cross-system split has not changed since the 2018 consultation. There is still no cross-system usage and as such no degree of cross subsidisation between intra-system and cross-system network use. This continues to comply with TAR NC.

7. Allowed Revenue of TSOs

Overview

Target revenue

7.1 To meet the requirement in Article 26 (1)(a)(i), which references Article 30(1)(b), the Allowed Revenue for each TSO and the indicative transmission service revenue (which is also known as Postalised Allowed Cost and is calculated as the sum of the Allowed Revenues) are both published[7] by the GMO NI as part of the postalised tariff process. The Explanatory Note[8], which is prepared by the Utility Regulator and published by GMO NI, displays the previous year's revenue alongside the current year's revenue.

Entry-exit split

7.2 As outlined in the consultation paper on the introduction of entry charges in October 2014[9], it is our view that an ex-ante entry-exit split is not in keeping with the current postalised system and therefore the entry-exit split should continue to be an output from the reconciliation process. This continues to be our view, and we consider that this complies with the TAR NC.

Intra-system network use

7.3 There is currently no cross-system network use in NI.

Our decision

7.4 We consider that the current RPM continues to meet the requirements of the TAR NC in regard specifically: the indicative allowed and/or target revenue of the TSOs and the transmission service revenue, the capacity commodity split, the entry-exit split, and the intra-system/ cross system split.

7.5 Our decision is to maintain this approach.

7 GMO NI Standardised Section for TSO 2024
8 Postalised Tariff Explanatory Note Forecast 2024/25 – 2028/29
9 Consultation on the introduction of entry charges into the Northern Ireland postalised regime for gas - October 2014

8. Commodity-based Tariffs

Overview

8.1 The capacity commodity split was amended as a result of the original consultation on TAR NC from 75:25 to 95:5. The current split remains 95:5 and continues to comply with the TAR NC as it meets the requirement for the transmission services revenue to be recovered by a capacity-based transmission tariff with the exception of a flow-based charge to recover costs driven by the flow of gas.

8.2 Article 4(3) sets out the criteria to allow part of the transmission services revenue to be recovered through a commodity based transmission tariff. Where such a tariff is used, we are obliged, under Article 26(1)(c)(i) to set out:

- The manner in which it is set
- The share of the allowed or target revenue forecasted to be recovered from such a tariff
- The indicative commodity based transmission tariff

8.3 Article 4(3) sets out the criteria which must be met for a flow-based charge. It must be:

- Levied for the purpose of covering the costs mainly driven by the quantity of gas flows
- Calculated on forecast or historical flows, and be the same at all entry points and exit points
- Expressed in monetary terms or in kind

8.4 The flow-based charge within our transmission revenue is related to the cost of gas at the compressor in Scotland, which is a variable amount driven by the quantity of gas flows.

8.5 The indicative commodity based tariff is published, as part of the tariff publication, which takes place by 31 May in the year preceding the gas year in which it will apply[10]. The information published includes an explanation of how the tariff has been set and the amount of allowed revenue to be recovered from the commodity element.

10 GMO NI Standardised Section for TSO 2024

Our decision

8.6 We are satisfied that the capacity commodity split of 95:5 reflects the proportion of flow-based costs within the transmission revenue and are maintaining this approach at this time.

9. Transmission and non-transmission tariffs

Overview

9.1 Article 4 of the TAR NC requires that services must be considered to be either transmission or non-transmission, and sets out the circumstances under which the services must be defined as transmission services, as follows:

- The costs of such service are caused by the cost drivers of both technical or forecasted contracted capacity and distance; and
- The costs of such service are related to the investment in and operation of the infrastructure which is part of the regulated asset base for the provision of transmission services.

9.2 Article 4(4) then offers the option of attributing a service, which does not meet the criteria above, to non-transmission. In that case, the cost of that non-transmission service would be recovered through a separate tariff and, if it benefits all network users, then the costs must be recovered from all network users.

9.3 The postalised regime recovers the required revenues of the TSOs through transmission charges only at present. That means that, effectively, the service provided by TSOs is classified as a transmission service. We consider that the service provided by the TSOs does meet the criteria outlined in paragraph 9.1, in that the costs are driven by the technical capacity and are part of the regulated asset base.

Our decision

9.4 We will continue to classify all services as transmission services.

10. Multiplier and Seasonal Factors

Overview

10.1 Article 13 of the TAR NC sets limits on the multiplier factors which may be applied:

- Quarterly and monthly capacity products to have a multiplier of no more than 1.5
- Daily and within-day capacity products to have a multiplier no higher than 3.
- The arithmetic mean of the seasonal factors shall be within the same range of the respective multipliers outlined above.

10.2 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.

10.3 Although the NI gas transmission network is physically connected to the networks of GB and RoI, at South West Scotland, and through the South North Pipeline, the networks are not fully inter-connected. However, the Single Electricity Market operates across the island of Ireland, which means that gas-fired power generators can effectively compete for electricity generation contracts across Ireland. For this reason, we consider it beneficial to maintain alignment with the Commission for Regulation of Utilities (CRU) with respect to the seasonal multiplier factors where possible.

10.4 Article 28(3) of the TAR NC 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

10.5 We consider that the current seasonal multiplier factors do deliver a balance between facilitating short term gas trade while providing long term signals for investment.

Our decision

10.6 Since the 2018 publication of our decision on the TAR NC, we have published consultations and subsequent decisions on the Seasonal Multiplier Factors annually. As this continues to comply with the TAR NC, we will maintain this approach.

11. Publication Requirements

Overview

11.1 To meet the objective of increasing the transparency of transmission tariff structures, Articles 29 and 30 of the TAR NC set out the information which must be published both before the annual yearly capacity auction and before the tariff period.

11.2 In summary, these include publishing information on the reference price methodology, the required transmission services revenue, the ratios including capacity commodity split, entry exit split and intra-system/ cross-system split. There are also specific requirements for publication of information with respect to the change from year to year and a forecast for the remaining years in the regulatory period. There is a requirement to publish a simplified tariff model which allows network users to calculate the transmission tariff for the current period and to estimate its evolution beyond that period.

11.3 Much of this information continues to be published by GMO NI through the postalised tariff regime, specifically:

- The Forecast Tariff Publication[11] shows entry and exit capacity charges including non-annual entry products, the commodity tariff and a forecast tariff for the current year and the next four years.
- The Explanatory Note prepared by UR shows the component elements of the tariff including the component parts of allowed revenue, commentary on capacity and commodity forecasts and comparison to previous year's forecasts and tariff.
- The Explanatory Note is accompanied by a simplified tariff model which is an Excel spreadsheet showing the inputs and the calculations involved in the postalised tariff.
- The Charging Methodology Statement[12] sets out how charges are calculated.
- Quarterly updates[13] provide data on actual capacity and commodity to provide a forecast towards the Postalisation Reconciliation Explanatory Note[14].

11 Postalised Tariff Explanatory Note for Gas Year 2024/25
12 Charging Methodology Statement 2024-25
13 GMO NI Tariff Publications
14 Postalisation Reconciliation Explanatory Note 2022-23

11.4 There are other publications that provide further information, specifically:

- The annual Gas Capacity Statement which provides users of the gas transmission network with an assessment of the ability of the transmission network to deliver gas over a number of potential scenarios within the next ten years. It contains information on the parameters which need to be justified for the RPM.
- The GDNs publish the transmission tariffs[15] as they will apply in their distribution area.
- The seasonal multiplier factors[16] are published by UR annually.

11.5 Article 31 of the TAR NC states that it is sufficient to have a link to the relevant documents on a suitable website. GMO NI maintains a transparency table on its website.

Our decision

11.6 The publication requirements continue to be met by the ways outlined above and we are not changing how publications are disseminated.

15 Phoenix Transmission Exit Capacity Charge Statement Oct 24 to Sep 25 and feDL Exit Capacity Charge Statement GY 2023-2024 and Evolve Forecast Network Capacity Statement for Gas Year 2024/25

16 Decision Paper on seasonal multiplier factors 24-25

12. Conclusion

Our decisions

12.1 Largely, the decisions made following the original consultation are still in place five years on, and there have been few, if any, changes in these areas.

12.2 At this time, we are maintaining the current Reference Price Methodology, the discounts to capacity charges, the allowed revenue of TSOs, the capacity/commodity split, the view on transmission and non-transmission tariffs, the multiplier and seasonal factors, and the dissemination of related documents.

12.3 This is in line with Ofgem's recent decision paper on the TAR NC[17], where respondents favoured maintaining the current level of multipliers, seasonal factors, and discounts.

12.4 We are mindful of the direction CRU will take on its own consultation and note that we will review our approach in view of any changes they may make.

12.5 Finally, based on the consultation response received, we are minded to review any areas if developments occur that may necessitate future changes, consistent with other regulatory regimes.

17 Ofgem Decision Letter TARNC