

Determination on seasonal multipliers used in the calculation of short term entry capacity tariffs

19 June 2015



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; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference

Act with integrity.

Abstract

This paper sets out our final determination of the seasonal multipliers that will be applied when setting gas entry capacity tariffs from 1 October 2015.

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

The changes are necessary to ensure compliance with the European Gas Regulation.

Contents

- 1. Introduction..... 3
 - Purpose of this paper 3
 - Next Steps 4
- 2. Summary of Responses 5
- 3. Determination of Seasonal Multipliers 9
 - Monthly and Daily Capacity Products 11
 - Quarterly Capacity 12
 - Within Day Capacity 13
- 4. Virtual Reverse Flow charge 14

1. Introduction

Purpose of this paper

- 1.1. The Utility Regulator published a [‘Conclusions’](#) Paper on the introduction of entry charges into the Northern Ireland postalised regime for gas’ on 5th February 2015. We indicated that we would establish the level of seasonal multipliers to be effective from 1 October 2015 during the tariff calculation process in June and July 2015. We envisage that these seasonal multipliers will apply until the Network Code on Tariffs is implemented in Northern Ireland.
- 1.2. The February Conclusions paper also indicated that we would review the appropriateness of applying the seasonal multipliers applicable in Republic of Ireland to the Northern Ireland regime in order to minimize the impact of any divergence on the Single Electricity Market (SEM).
- 1.3. We published a consultation paper on [seasonal multipliers](#) on 29 April 2015. This consultation closed on 10 June and generated four responses from interested parties. In addition to the main topic of setting seasonal multipliers the consultation paper addressed the issue of setting the tariff for the Virtual Reverse Flow product at entry in a way that was compliant with the Regulations.
- 1.4. This paper provides a summary of the responses received, addresses the issues raised by interested parties and sets out our

final determination on seasonal multipliers and the Virtual Reverse Flow tariff.

Next Steps

1.5. The seasonal multipliers set out in this document will be used to set entry capacity tariffs effective from 1 October 2015. The tariffs themselves will be published by the Transmission System Operators by 4 August 2015.

2. Summary of Responses

Question 1: Are respondents content with our approach to setting monthly and daily entry capacity tariffs?

Summary of Responses

2.1. All four respondents, firmus, GNI (UK), MEL and enegia, supported the proposal that the seasonal multipliers applicable in the Republic of Ireland should be applied from 1 October 2015 until such time as the European Network Code on Tariffs came into force. All four respondents commented that these seasonal multipliers should be kept under review. One respondent, GNI (UK), referred to the possible impact on the volatility of TSO revenues as a result of introducing short term entry capacity products, as a reason for any future review. Another, enegia, commented that any change in seasonal multipliers applicable in the Republic of Ireland should be replicated in Northern Ireland.

2.2. One respondent, enegia, suggested that having shorter term capacity products that had a higher cost than the annual product might be a barrier to in year switching of customers between suppliers. Many contracts between suppliers and gas consumers having renewal dates other than 1 October each year.

2.3. One respondent, GNI (UK), stated that a similar regime of short term

products and tariffs should be provided at exit at an appropriate point in the future.

Utility Regulator's Response

2.4. We welcome the broad support for our proposals. We recognise that the Northern Ireland gas industry is moving into a new era as a result of the introduction of entry capacity and auctions. Also, as these are new products our approach to multipliers will need to be kept under review.

2.5. We do not accept that that our proposal will have any adverse impact on customer switching. While some short term products have higher unit rates than annual products, others such as capacity over the summer months have substantially lower unit rates. The network code modifications¹ that we have approved to introduce entry capacity and auctions provide for both a secondary entry capacity market, and the creation of a Northern Ireland Balancing Point where network users can trade gas. These measures provide network users with considerable flexibility as to how they secure gas to meet the needs of their changing customer portfolio. In addition there appears no reason why the contract between a supplier and an end consumer should not include provisions that mean that should that consumer switch supplier an appropriate amount of booked entry capacity switches with them.

¹ PTL Code Modification Number 28 and GNI (UK) Code Modification Number 14

2.6. In our [Conclusions](#) Paper on the introduction of entry charges into the Northern Ireland postalised regime for gas, published on 5th February 2015 we stated that we would conduct a review the capacity products to be made available at exit during 2016.²

Question 2: Are respondents content with our approach to setting quarterly and within day entry capacity tariffs?

Summary of Responses

2.7. Only two respondents, MEL and GNI (UK) provided a specific response to this question. One respondent, MEL, supported the proposal that daily and within day multipliers should be the same. But MEL questioned why quarterly multipliers were not lower than the sum of the relevant multipliers, as this would encourage the purchase of longer term capacity products, one of the objectives of multipliers. Conversely GNI UK supported the setting of the quarterly multiplier but questioned the equalisation of the daily and within day multipliers.

Utility Regulator's Response

2.8. We do not consider that the difference between quarterly and monthly entry capacity products or between daily and within day products is sufficient to justify the establishment of different seasonal multipliers at this point in time. However we recognise that as these are new products our approach to multipliers will need to be kept

² Conclusions Paper paragraph 2.29

under review.

Question 3: Are respondents content with our approach to setting the Virtual Reverse Flow capacity tariff?

Summary of Responses

2.9. MEL and GNI (UK) provided a specific response to this question and both supported our proposal. The latter stated that the proposal was in line with the draft European Network Code on Tariffs. That respondent also stated that the tariff should be kept under review to ensure that it recovers the actual administrative costs of providing the service.

Utility Regulator's Response

2.10. We welcome the support expressed for this proposal.

3. Determination of Seasonal Multipliers

3.1. This section sets out our determination of the seasonal multipliers to be applied to each non-annual capacity product from 1 October 2015.

3.2. It should be noted that before reaching this determination we have also taken account of discussions with the Commission for Energy Regulation (CER) as to the seasonal multipliers they may apply from 1 October year 2015. The CER has not yet established the multipliers they intend to apply from 1 October but they agree that a coordinated approach would be preferable north and south. The seasonal multipliers set out in this determination therefore replicate those seasonal multipliers currently effective in the Republic of Ireland. They should not be taken as an indication of the Commission's settled view on any multipliers that might be effective from 1 October 2015.

3.3. The tariff for any of the non annual capacity products is calculated by multiplying the annual tariff by the appropriate seasonal multiplier.

3.4. If the annual capacity tariff was £1 per kWh/day then over a year £365 would be payable for a kWh of capacity. In respect of monthly capacity in January the tariff would be £112.785 per kWh. The tariff per kWh/day in January would be £112.785 divided by 31 (the

number of days in January), i.e £3.638.

3.5. Similarly the tariff for monthly capacity in July would be £3.65 per kWh or £0.117 per kWh/day.

Monthly and Daily Capacity Products

3.6. With effect from 1 October 2015 the following monthly and daily seasonal multipliers in Table 1 below should apply.

Table One - Seasonal multipliers for short term capacity tariffs from 1 October 2015

Month	Capacity Product	
	Monthly	Daily
October	13.2%	0.66%
November	13.2%	0.66%
December	17.6%	1.18%
January	30.9%	2.06%
February	35.3%	2.35%
March	26.5%	1.76%
April	13.2%	0.66%
May	1.0%	0.05%
June	1.0%	0.05%
July	1.0%	0.05%
August	1.0%	0.05%
September	1.0%	0.05%
Annual	155%	289%

Quarterly Capacity

3.7. With effect from from 1 October 2015 the following quarterly seasonal multipliers should apply.

Table Two - Seasonal multipliers for quarterly capacity tariffs from 1 October 2015

Quarter	Adjustment
October - December	44.0%
January - March	92.7%
April - June	15.2%
July - September	3.0%
Annual	155%

Within Day Capacity

3.8. With effect from 1 October 2015 the following within day seasonal multipliers should apply.

Table Three - Seasonal multipliers for within day capacity tariffs from 1 October 2015

Month	Within Day
October	0.66%
November	0.66%
December	1.18%
January	2.06%
February	2.35%
March	1.76%
April	0.66%
May	0.05%
June	0.05%
July	0.05%
August	0.05%
September	0.05%
Annual	289%

4. Virtual Reverse Flow charge

4.1. We have determined that effective that from 1 October 2015 the Virtual Reverse Flow capacity tariff should be 0.0001 pence per day per Kwh.