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Utility Regulator  
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27<sup>th</sup> February 2019

## **Consultation on Seasonal Multiplier Factors for Gas Transmission**

Dear Jillian,

GMO Northern Ireland (GMO NI) is grateful to have the opportunity to respond to this consultation as the single gas market operator for the transmission network in Northern Ireland, a collaboration of the four Transmission System Operators (TSOs).

### **Multiplier and Seasonal Factors**

GMO NI support the need to comply with the Network Code on Harmonised Transmission Tariff Structures for Gas ("TAR NC"). Therefore, support the requirement to adjust the multiplier and seasonal factors in order that they fall within the bounds set by the TAR NC.

Multiplier and seasonal factors have been applied in Northern Ireland since October 2015 when short-term entry products were introduced, therefore, we think there should now be sufficient historical data to carry out a full impact assessment of these factors. It would be in the interests of all stakeholders that a full analysis of the use of short-term products is carried out, including explanations of any impact of the factors on the following points set out in Article 28(3) of the TAR NC;

- 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

We do not believe there is a clear understanding of the impact of the level of the multipliers on each consumer group or a clear rationale as to why the multipliers are set at the suggested levels.

The factors don't appear unreasonable as they are consistent with the TAR NC ranges and don't move dramatically from existing levels. There is also merit in the Utility Regulator's approach to have factors consistent with the ROI. However, we would strongly encourage analysis as to the impact of these factors on all stakeholders as this would provide more transparency and support around the levels proposed and their appropriateness for the Northern Ireland gas transmission network.

We also note the potential, depending on ACER's recommendation by 1 April 2021, to reduce the daily and within-day multiplier ranges within the TAR NC to no more than 1.5 by April 2023. In the event that ACER recommends reducing this range, a full assessment of the implication of such changes against the aspects set out in Article 28(3) would allow for much more transparent decision making and would indeed be required in order to address any potential adverse consequences on all stakeholders. From a TSO perspective it would be vital that there is detailed analysis on the impact of such changes on the monthly revenue recovery.

We also note the importance of managing any transition in the factors in a way that minimises the uncertainty and volatility associated with tariffs.

#### **Discounts to Capacity Charges**

We agree that no interruption has been forecast and this can be stated in tariff publications for GY19.20.


We note that GMO NI publish the VRF Exit Capacity tariff as determined by the Utility Regulator and this can be interrupted.

#### **Inter TSO Compensation Mechanism**

We agree that the current postalisation arrangements meet the requirements of an inter-TSO compensation mechanism under the TAR NC.

Should you wish to discuss any aspect of our response please do not hesitate to contact me.

Yours sincerely



Claire Stewart  
Finance Manager