

127 Baggot Street Lwr.
Dublin, D02 F634

Date: 13th of April 2021

By email to: Gas_networks_responses@uregni.gov.uk

Cc to: jillian.ferris@uregni.gov.uk

RE: UR Consultation on Seasonal Multiplier Factors for Gas Transmission

Dear Jillian,

On behalf of the members of the EAI Gas Working Group, I am writing to you in response to the consultation on seasonal multiplier factors for gas transmission. As the representative group for generators operating in the Single Electricity Market (SEM), the Electricity Association of Ireland (EAI) represents some of the largest gas shippers and users on the island of Ireland.

To begin, the EAI and its members welcome the decision by the Utility Regulator to maintain the current seasonal multiplier factors for the Gas Year 2021/2022. We welcome that UR has been clear in its aims to base any adjustment to seasonal factors and multipliers on data analysis, which can only be conducted following the conclusion of the 2020 Gas Year. We agree with the need for there to be an annual review, as mandated under the TAR NC, however, we would like to highlight our belief that changes should not be implemented every year and full industry engagement is required in review processes and prior to any change over a period of time, as outlined below. The annual review and consultation process should overall increase transparency and contribute to enhancing investor certainty of cost estimates. EAI believes that plenty of notice for tariff changes needs to be given to industry and that changes to tariff frameworks should be incremental and communicated to the industry at least 1 year, and ideally 2 years, ahead of any change to allow for amendments to commercial arrangements and longer-term user contracts.

We would caution against any divergence in approach on seasonal factors between CRU and UR. We recently responded to the CRU's consultation on their Gas Transmission Tariff Methodology (see response copied in email). In this communication we welcomed the evidence-based approach to the proposals but raised concerns regarding the data used in the analysis, as well as asking for greater transparency with data in future consultations. We also stated our belief that any changes should facilitate a well-managed transition to a new tariff structure with the industry. We have asked CRU that any amendments they are considering

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implementing should not take effect until at least gas year 2022/2023. In the interest of tariff stability, we believe it is pertinent to consider the consequences of sudden tariff changes.

We are concerned that implementation of amendments to tariffs in October 2021 as proposed by CRU would lead to divergence between Northern Ireland and the Republic of Ireland on a part of the gas market framework that has been aligned for some time and where alignment is a stated policy intention. For the continued efficient operation of SEM, it would be preferable to continue alignment on seasonal factors in the interim and urge UR to take this into account in future work in this area.

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

Yours Sincerely,

Electricity Association of Ireland (EAI)