

Jillian Ferris
Networks Directorate
Utility Regulator
Queens House
14 Queens Street
Belfast
BT1 6ER

13th April 2021

Consultation on Seasonal Multiplier Factors for Gas Transmission 2021

Dear Jillian,

GMO NI welcomes the opportunity to respond to this Consultation and give its views on behalf of the Transmission System Operators of Northern Ireland.

Question Responses

6.2. Do Respondents consider that the end of the Initial Entitlement of Entry Capacity will increase the uptake of non-annual entry capacity products?

Yes, it does not make commercial sense to hold one large annual entry capacity booking when a Shipper can now optimise their bookings free of the initial entitlement with the addition of other shorter-term products where demand requires. This is reflected in the booking activity across all types of Shipper this current Gas Year.

6.3. What would encourage large gas Users to increase their usage of non-annual entry capacity products? Do Users who do not use such products nevertheless support the use of seasonal multiplier factors as a way of reducing the annual tariff?

We believe this question to be more applicable to Network Users rather than ourselves as an Operator so we will decline from answering.

6.4. Do Respondents consider that increased uptake of non-annual entry capacity products could increase the volatility of the year end reconciliation amount, and if so, how this might be detrimental to any network users?

This is certainly the case given the breakdown of the constituent elements of the annual reconciliation over the past few years since short term entry products were introduced. Increased uptake of non-annual entry capacity will only add to the volatility observed in years so far. The current seasonal factors undoubtedly accentuate the difference between forecast

and actual short term capacity bookings in Winter, translating to larger monetary amounts in the reconciliation. Where this could potentially be detrimental to Network users is in a scenario whereby a year occurs in which significantly more Winter short-term products are forecast than actually booked. If the under-usage is not balanced out elsewhere in the reconciliation, then large reconciliation payments will be due from Shippers at year end. The reconciliation volatility would be further exacerbated if the same factors apply if/when short term exit products are introduced. This point should be considered in conjunction with the Review of Exit Capacity Products workstream and associated consultation.

6.5. Do Respondents agree with our recommendation that the maximum level of multiplier for daily capacity products will not be reduced from 3 to 1.5 from April 2023?

At this moment in time, we agree with the decision to keep the maximum limit at 3. We acknowledge that it is just a limit and the flexibility remains to recommend changes to it in future.

6.6. Respondents are asked to provide their views on maintaining the same seasonal multiplier factors into Gas Year 21/22. Specifically, do Respondents consider that there is any issue with not amending the factors to match the CRU proposal and maintain alignment with RoI?

We agree that a change for Gas Year 21/22 should not be contemplated whilst we are already in the midst of the tariff setting process for that same year. We would therefore consider it too late to be introducing large changes even in the interests of alignment with new CRU factors. Given the consultation commitment to conduct an extensive review ahead of Gas Year 22/23; with a full Gas Year experienced post initial entry capacity entitlements; and bolstered by the responses to this consultation we believe that the current factors should be maintained for 21/22 with the aim of introducing any necessary changes in 22/23. We also welcome the earlier timescales proposed for the 2022 review which will be vital to implement adjustments well in advance of the tariff setting process.

6.7. Ahead of the Review in 2022, we are interested in Respondents' views on whether seasonal factors encourage capacity bookings away from the winter peak. To what extent do the seasonal factors influence the booking of short term capacity? To what extent can Users shift capacity bookings from winter to summer? Do Respondents agree that the review in 2022 should consider smoothing the seasonal factors more evenly over the year?

We can only conclude without further input from Shippers that there appears to be limited ability for demand to be shifted from Winter to Summer. The majority of distribution demand obviously can't be shifted. Presumably if Power Generation Shippers could avail even more of the much cheaper Summer tariffs then it would already be evident in bookings and volumes. Power Station usage is much less marked between seasons, but we can't comment on how much usage is attributable to the seasonal factors. We agree that the intention to highly incentivise Summer use of the Network is less important if Shippers are largely constrained so a more smoothed profile may be warranted (but of course weighed against other considerations).

6.8. Do Respondents consider there are any further elements that should be included in the review in 2022?

The review should also seek to establish how anticipated changes in the gas market might affect the need to make future adjustments and pre-empt these developments for factors

and multipliers that are stable for as long as possible. Exit capacity arrangements have been mentioned but Biomethane arrangements should also be prominent in considerations.

6.9. Do Respondents agree that the proposed factors meet the aspects outlined in Article 28(3) of TAR NC?

Yes, the proposed factors take into consideration the aspects outlined in Article 28(3) of the TAR NC. However, the more pertinent question the 2022 consultation should seek to address regarding these aspects is; what is the clear objective for the use of factors in Northern Ireland going forward? Answering it will involve establishing which aspects should be prioritised to achieve the optimal outcome. For example, changing the seasonal factors to facilitate a perceived better balance of long-term investment and short-term gas trade will have an impact on some of the other considerations such as TSO revenue recovery. Those impacts would need to be fully assessed and understood to ensure there are no adverse consequences to changes.

6.10. Respondents are requested to provide any views they may have on either the interruption discount or the storage discount.

We agree that no interruption has been forecast and this can be stated in tariff publications for Gas Year 21/22 although we publish an interruptible VRF Exit Capacity tariff as determined by the Utility Regulator. We also agree as in previous years that as there are no storage facilities in Northern Ireland yet then there is no need to publish a storage discount.

I would be happy to discuss any aspect of our response should you wish.

Yours sincerely



Peter Carey
Senior Commercial Analyst