



Consultation on Seasonal Multiplier Factors for Gas Transmission

9 May 2024



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, Markets and Consumer Protection, and Price Controls, Networks and Energy Futures. 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

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This paper seeks views on the proposal to maintain the current seasonal multiplier factors to be applied to non-annual entry capacity bookings in the postalised tariff from 1 October 2024.

We proposed to smooth the seasonal multipliers for Gas Year 24/25 in last year's consultation. We do not intend to proceed with the proposal to smooth seasonal multipliers following strong disagreement in the responses to the consultation.

This consultation is required by EU Regulation 2017/460 on Harmonised Transmission Tariff Structures for Gas ("TAR NC"), as amended for EU Exit.

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

We propose to maintain the current seasonal multiplier factors into gas year 24/25 so there would be no impact on customer tariffs.



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Acronyms and Glossary

CRU	Commission for Regulation of Utilities, which regulates gas in the Republic of Ireland
EU	European Union
EU(W)A	European Union (Withdrawal) Act 2018
FOIA	Freedom of Information Act
GMO NI	Gas Market Operator Northern Ireland
Ofgem	Office for Gas and Electricity Markets in Great Britain, regulates gas in Great Britain
PSA	Postalised System Administrator
SEM	Single Electricity Market
TAR NC	Network Code on harmonised transmission tariff structures for gas
UR	Utility Regulator



1. Introduction

Purpose of this Consultation

- 1.1 This consultation paper meets requirements within the EU Regulation on establishing a network code on harmonised transmission tariff structures for gas, known as TAR NC, which has been amended to facilitate the UK's exit from the EU. This consultation seeks views on seasonal multiplier factors which are applied to the postalised tariff for non-annual entry capacity bookings.

Tariff Network Code and EU Exit

- 1.2 EU Regulation 2017/460, known as the Network Code on Harmonised Transmission Tariff Structures for Gas¹ ("TAR NC"), was published on 17 March 2017 with the objectives of contributing to market integration, enhancing security of supply, and promoting interconnection between gas networks.
- 1.3 TAR NC was transposed into UK law under the European Union (Withdrawal) Act 2018² ("EU(W)A") and was amended in the Gas (Security of Supply and Network Codes)(Amendment)(EU Exit) Regulations 2019³ and the Gas Tariffs Code (Amendment)(EU Exit) Regulations 2019⁴ to remove inoperabilities.
- 1.4 Throughout the rest of this document, when we refer to TAR NC, we mean the TAR NC as incorporated in UK law and amended by the Gas (Security of Supply and Network Codes) (Amendment) (EU Exit) Regulations 2019 and Gas Tariffs Code (Amendment) (EU Exit) Regulations 2019.

Requirement for Annual Consultations

- 1.5 Article 28(2) of TAR NC requires us to carry out an annual consultation on the seasonal multipliers factors and to consider discounts for interruption and storage. Article 28(3) 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

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN>

² <https://www.legislation.gov.uk/ukpga/2018/16/contents/enacted>

³ <https://www.legislation.gov.uk/uksi/2019/531/made>

⁴ <https://www.legislation.gov.uk/uksi/2019/1393/contents/made>



- 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
- 1.6 Article 13 of the TAR NC sets limits on the multiplier factors which may be applied:
- a) Quarterly and monthly capacity products to have a multiplier of no more than 1.5
 - b) Daily and within-day capacity products to have a multiplier no higher than 3
- 1.7 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. This is outlined at paragraphs 2.7 and 2.8.

Next Steps

- 1.8 This consultation is seeking views on our proposal to maintain the current seasonal multiplier factors in Gas Year 2024 (from October 2024).

Following the consideration of responses from this consultation, UR will publish its decision for Gas Year 2024 and will inform the Postalised System Administrator (PSA) of the factors and discounts to be used in the postalised gas transmission tariff, which will become effective on 1 October 2024. We will also inform GMO NI that it may publish the Gas Product Multipliers and Time Factors Table⁵ at the same time.

Responding to the Consultation

- 1.9 We wish to encourage respondents to express their views to our proposal in chapter 5. Responses should be received on or before 6 June 2024,

⁵ [Tariffs | GMO Northern Ireland \(gmo-ni.com\)](https://www.gmo-ni.com/Tariffs)



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- 1.10 Our preference would be for responses to be submitted by e-mail.
- 1.11 As a public body and non-ministerial government department, we are required to comply with the Freedom of Information Act (FOIA). The effect of the FOIA may be that certain recorded information contained in the consultation responses is required to be put in the public domain. Hence, it is not possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat them as confidential. It is therefore important that respondents take account of this and in particular, if requesting that we treat their responses as confidential.
- 1.12 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018 (DPA)).
- 1.13 As stated in the GDPR Privacy Statement⁶ for consumers and stakeholders, any personal data contained within your response will be deleted once the matter being consulted on has been concluded though the substance of the response may be retained.
- 1.14 Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, we will ask respondents to supply a redacted version of the response which can be published.
- 1.15 This document is available in other accessible formats, such as large print, Braille, audio cassette and a variety of relevant minority languages if required. To request this, please contact John Wasson on 028 9031 6625 or email to Gas_networks_responses@uregni.gov.uk.

⁶ <https://www.uregni.gov.uk/privacy-notice>



2. Background

Background to the Factors

- 2.1 The TAR NC defines “multiplier” as the factor applied to the respective proportion of the reference price in order to calculate the reserve price for a non-annual standard capacity product. It further defines “seasonal factor” as the factor that reflects the variation of demand within the year which may be applied in combination with the relevant multiplier.
- 2.2 These factors are multiplied by the annual tariff for entry capacity to determine the tariff for a non-annual entry capacity product, for example monthly capacity or daily capacity.
- 2.3 Since their inception in 2015, we have followed a policy of aligning the seasonal multiplier factors with those offered in the Republic of Ireland. We consider that this alignment is beneficial to ensure there is no perverse pricing signal which affects the decisions of all-island electricity generators.
- 2.4 The seasonal factors have been set to incentivise suppliers to make more use of the network in the summer and shift demand away from the winter peak. They were set to provide a balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system.

Current Factors

- 2.5 Following last year’s consultation document, we decided to maintain the factors for 23/24 at the 22/23 rate. As part of last year’s consultation, we also carried out a review with a view to amending the factors for 24/25. We indicated that the review would:
 - a) Consider how to better reflect the actual seasonality of flow and to reduce the volatility caused by daily capacity variances in the winter period.
 - b) Evaluate if the increased volatility which accompanies high seasonal factors in winter is outweighed by the benefits of encouraging suppliers to choose to book capacity in the summer.
 - c) Consider if the seasonal factors have been effective in encouraging shippers to make more use of the network in the summer and shift demand away from the winter peak?
 - d) Ensure that any revised factors continue to provide a balance between facilitating short-term gas trade and providing long-term



signals for efficient investment in the transmission system

- e) Assess any impact on the use of capacity products as a result of the expiry of the Initial Entitlement of Entry Capacity.
 - f) Recognise that Respondents in previous years requested that proposed changes should allow sufficient time to prepare ahead of the tariff calculations.
 - g) Continue engagement with CRU around maintaining alignment with Rol.
- 2.6 The responses received from last year's consultation⁷ strongly disagreed with our proposal to smooth seasonal multipliers. As a result, we now propose to maintain the existing seasonal multiplier factors.

Consultation with Ofgem

- 2.7 We keep in regular contact with Ofgem to monitor any matters which affect both regions.

Consultation with CRU and Alignment with Rol

- 2.8 We also keep in regular contact with CRU particularly in recognition of our policy of all-island alignment.
- 2.9 Our decision in 2015 to align factors was based on the commercial link between the NI and Rol Networks made by the Single Electricity Market (SEM). Although the base charges between the two networks are different, there is potential for significant difference between the daily charges due to different seasonal factors.

⁷ <https://www.uregni.gov.uk/files/uregni/documents/2023-05/2023-05-11%20-%20Seasonal%20Multiplier%20Consultation.pdf>



3. Annual Consultation

3.1 Article 28(3) requires that we take into account the views of respondents regarding 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

Discount for Interruptible Capacity Charge

3.2 The TAR NC requires that discounts are offered in specific circumstances, particularly for interruptible capacity and for storage facilities. Article 16 specifies how to calculate the discount for an interruptible capacity charge.

3.3 The current postalised charges do not include an interruptible tariff, as only firm capacity is offered. The NI Gas Capacity Statement⁸ indicates that the NI Gas Network has sufficient capacity to meet forecasted demand for the next ten years.

3.4 Therefore, until this situation changes, we envisage that the tariff publications will state that no interruption has been forecast.

Discount for Capacity Charge for Storage

3.5 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.

3.6 As there are no storage facilities in NI, we do not propose to publish a storage discount for the Gas Year starting 1 October 2024.

⁸ <https://gmo-ni.com/publications#gas-statement>



3.7 As this must be consulted annually, this will be reviewed each year.



4. Aspects to Consider

4.1 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

4.2 As part of our proposal to smooth the seasonal element of the seasonal multipliers in last year's consultation⁹, we completed an analysis to demonstrate that the use of non-annual entry capacity products was influenced more by wind conditions than by the seasonal multiplier factors. This analysis culminated in us proposing to smooth the seasonal factors from 24/25. As part of our proposal, we sought views from respondents on the following questions:

- Do respondents agree with our proposal to smooth the seasonal multiplier factors?
- To what extent do respondents consider that smoothed seasonal multipliers might alter how shippers book annual and non-annual capacity and please provide evidence.
- Do respondents have any views on how to better manage the forecasting accuracy of non-annual capacity bookings?
- How do respondents consider the smoothing of seasonal multiplier factors might affect the year end reconciliation amount and what mitigations are available?
- Do Respondents consider there are any further elements that should

⁹ <https://www.uregni.gov.uk/files/uregni/documents/2023-05/2023-05-11%20-%20Seasonal%20Multiplier%20Consultation.pdf>



be considered?

- Is there any other evidence that UR should consider?

4.3 We received ten responses¹⁰ that were published alongside the decision paper¹¹.

4.4 The responses received outlined that the respondents were not in support of our proposal to smooth seasonal multipliers. The responses highlighted that:

- Respondents believed any proposal to smooth should only be progressed following consultation with CRU and implemented at the same time as CRU to maintain the alignment of factors with ROI.
- Respondents raised concerns that a misalignment caused by the smoothing of seasonal multipliers may affect the merit order within the SEM by creating different market rules depending on where the generation asset is located which could lead to market distortion.
- Respondents highlighted the smoothing of seasonal multipliers could potentially heighten volatility in the year-end reconciliation for gas suppliers.
- Respondents noted that any proposal should retain a commitment to maintaining high product multipliers as these incentivise longer term capacity booking.

4.5 Following our consideration of these responses, we are therefore offering an opportunity to comment on our revised proposal to maintain the current factors for gas year 24/25.

¹⁰ <https://www.uregni.gov.uk/publications/seasonal-multiplier-factors-gas-transmission-consultation-responses-0>

¹¹ [2023-08-14 Decision Paper on seasonal multiplier factors 23-24 final.pdf \(uregni.gov.uk\)](#)



5. Proposal

Conclusion

- 5.1 We propose to maintain our current factors into Gas Year 24/25. These factors continue to meet the requirements of the TAR NC (see paragraph 1.5).
- 5.2 We invite respondents to express a view on our proposal and any aspect of this paper. Details on how to respond to this consultation are set out in Chapter 1.



Current Factors

Capacity Product Multipliers for Input to Tariff Model					
Period	Annual Entry & Exit Capacity Products	Non-Annual Entry Capacity Products			
		Quarterly	Monthly	Daily	Within Day
Oct - Sept	1.0000				
Oct - Dec		0.3843			
Jan - Mar		0.8069			
Apr - Jun		0.1327			
Jul - Sept		0.0261			
October			0.1281	0.0064	0.0064
November			0.1281	0.0064	0.0064
December			0.1708	0.0114	0.0114
January			0.2989	0.0199	0.0199
February			0.3416	0.0228	0.0228
March			0.2562	0.0171	0.0171
April			0.1281	0.0064	0.0064
May			0.0097	0.0005	0.0005
June			0.0097	0.0005	0.0005
July			0.0097	0.0005	0.0005
August			0.0097	0.0005	0.0005
September			0.0097	0.0005	0.0005

Table 1 - Gas Product Multiplier and Times Factor Table

To find the annual total of the daily and within day factors, it is necessary to multiply each daily factor by the number of days in that month.

Total Multiplier Factors	Non-Annual Entry Capacity Products			
	Quarterly	Monthly	Daily	Within Day
Current Factors	1.3500	1.5000	2.7844	2.7844

Table 2 - Totals of Current Seasonal Multiplier Factors