# Decision Paper on Seasonal Multiplier Factors for Gas Transmission

June 2024

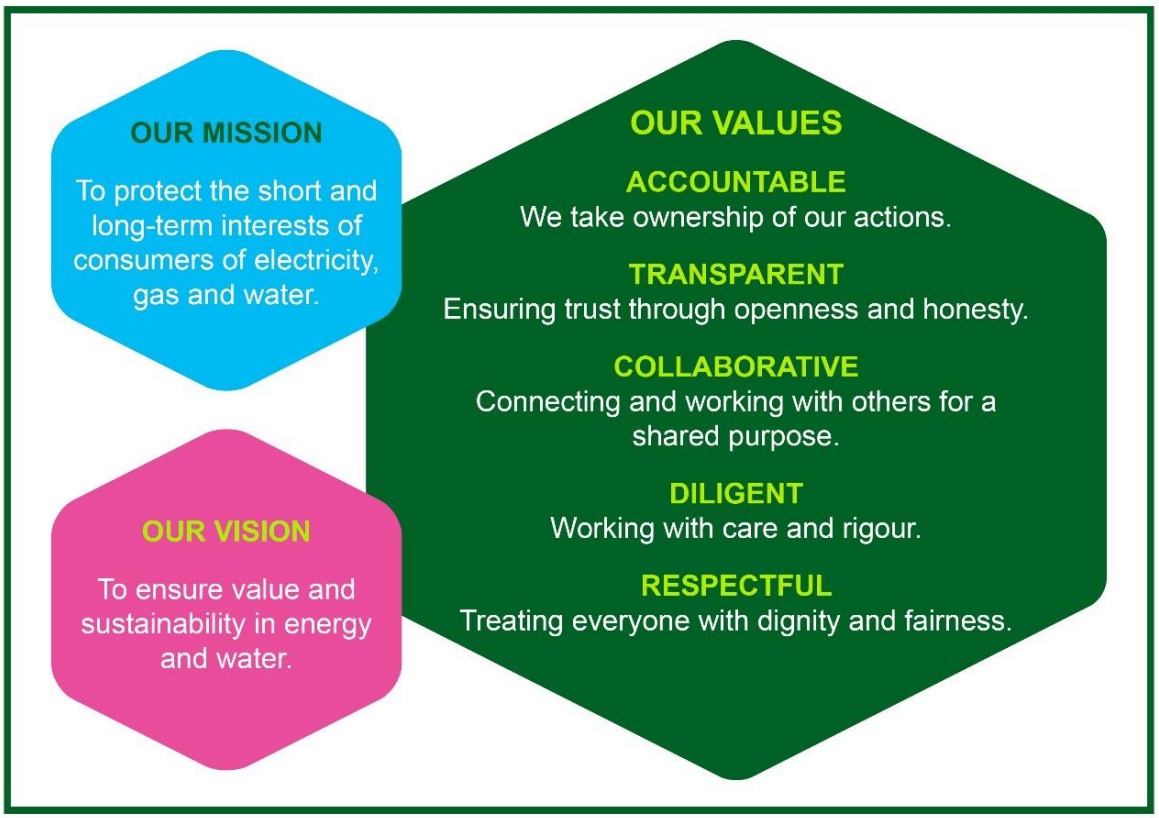
# About the Utility Regulator

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 Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



## Abstract

This paper outlines our decision following our consultation on the seasonal multiplier factors to be applied to non-annual entry capacity bookings in the postalised tariff from 1 October 2024.

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

As proposed, we have decided to maintain the current factors into the gas year 24/25.


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

# Contents page

# 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 |
| GMO NI | Gas Market Operator Northern Ireland |
| GNI | Gas Networks Ireland |
| Ofgem | Office for Gas and Electricity Markets in Great Britain, which 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. Purpose of this Paper

1.1 This decision paper follows our consultation[1] which 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. The consultation sought 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 Gas[2] ("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 2018[3] ("EU(W)A") and was amended in the Gas (Security of Supply and Network Codes)(Amendment)(EU Exit) Regulations 2019[4] and the Gas Tariffs Code (Amendment)(EU Exit) Regulations 2019[5] 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://www.uregni.gov.uk/files/uregni/documents/2024-05/2024-05-09%20%20Seasonal%20Multiplier%20Consultation.pdf
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0460&from=EN
[3] https://www.legislation.gov.uk/ukpga/2018/16/contents/enacted
[4] https://www.legislation.gov.uk/uksi/2019/531/made
[5] 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 There were 4 respondents to the consultation as listed below.

- Gas Networks Ireland (GNI)
- Mutual Energy (MEL)
- ESB Generation and Trading (ESBGT)
- Gas Market Operator Northern Ireland (GMO NI)

1.7 We have considered those responses, as summarised in section 5.

1.8 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.

1.9 Our decision is outlined in section 5.

1.10 We will publish this decision 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 Table at the same time.

# 2. Multiplier and Seasonal Factors

## 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.

## Review of Seasonal Multiplier Factors

2.5 Following last year’s consultation document, we initially proposed to maintain the seasonal multipliers for gas year 23/24 before smoothing the seasonal multipliers for gas year 24/25.

2.6 Respondents did not support the proposal to smooth seasonal multipliers. After considering the responses, we decided to maintain the factors for gas year 24/25.

## Consultation with Ofgem

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

## Consultation with CRU and Alignment with RoI

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 RoI 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.

2.10 CRU have published their decision[7] for gas year 24/25. CRU has decided to maintain the existing seasonal multiplier factors.

[7] https://www.cru.ie/publications/28030/

# 3. Aspects Considered

3.1 Article 28(3) requires that we take into account the views of respondents in the following aspects, each of which were explored. These are:

- 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

3.2 We concluded that the elements within each of these aspects remain unchanged since last year's consultation[8] and that seasonal multiplier factors continue to provide benefits to the shippers that use them and also to those that don't.

a) The factors provide a method for users to top up their capacity bookings on a short-term basis.

b) The factors provide a price signal to incentivise users to use gas in the summer rather than winter if the user has a choice.

c) The extensive use of non-annual entry capacity products can increase total revenue, which would reduce annual capacity prices for all shippers.

## Discount for Interruptible Capacity Charge

3.3 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. 3.4 The current postalised charges do not include an interruptible tariff, as only

[8] https://www.uregni.gov.uk/files/uregni/documents/2023-08/2023-08-14%20Decision%20Paper%20on%20seasonal%20multiplier%20factors%2023-24%20final.pdf

firm capacity is offered. The NI Gas Capacity Statement[9] indicates that the NI Gas Network has sufficient capacity to meet forecasted demand for the next ten years.

3.5 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

3.6 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.

3.7 As there are no storage facilities in NI, we do not propose to publish a storage discount for the Gas Year starting 01 October 2024.

[9] https://gmo-ni.com/publications#gas-statement

# 4. Responses

## Respondents

4.1 There were 4 respondents to the consultation:

- GNI
- MEL
- ESB GT
- GMO NI

## Summary of Responses

4.2 The respondents were all supportive of the proposal to maintain the seasonal multiplier factors for gas year 24/25.

4.3 Both ESB GT and GNI (UK) agreed with the decision as it ensured the seasonal multipliers remain aligned with CRU and the Republic of Ireland and continues the alignment of transmission tariff parameters across the SEM arrangements.

4.4 GMO NI suggested that in future years, the seasonal factors consultation is carried out in advance of the tariff setting process each year to ensure there is a considered forward outlook approach enabling any proposed updates to the factors being able to be incorporated in the following gas year.

# 5. Decision

## Consideration of Responses Received

5.1 We welcome the responses that we have received. We recognise that there was agreement amongst the respondents that seasonal multipliers should remain unchanged for Gas Year 24/25.

5.2 We note that respondents want to ensure that we remain aligned with CRU and the Republic of Ireland.

## Decision

5.3 After considering the responses received, we have decided to proceed with maintaining the seasonal multiplier factors for Gas Year 24/25.

| 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, as illustrated in Table 2 – Totals of Current Seasonal Multiplier Factors**

| 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 Factor**

# 6. Annexes

ESB - https://www.uregni.gov.uk/files/uregni/documents/2024-06/ESB%20GT%20Response%20to%20Seasonal%20Multiplier%20Factors%20for%20Gas%20Transmission%20Consultation.pdf

GMO NI - https://www.uregni.gov.uk/files/uregni/documents/2024-06/GMO%20NI%20Response%20to%20Seasonal%20Factors%20Consultation%206th%20June%202024.pdf

GNI - https://www.uregni.gov.uk/files/uregni/documents/2024-06/GNI%20%28UK%29%20Response%20to%20Consultation%20on%20Seasonal%20Multiplier%20Factors%20for%20Gas%20Transmission%2006.06.2024.pdf

MEL - https://www.uregni.gov.uk/files/uregni/documents/202406/MEL%20Response.pdf