

Industry Update on Transmission Tariffs for Gas Storage

January 2014

Background

The Commission for Energy Regulation (CER) and the Utility Regulator (UR) published a [consultation paper](#) on transmission tariffs for storage in June 2011. The consultation paper proposed the concept of a 'combined product' with the aim of facilitating GB shippers accessing all-island storage facilities with tariff levels competitive with those applying to GB shippers at GB facilities.

Under the combined product shippers would pay a single tariff that would allow them to bring gas from Moffat into an all-island gas storage facility and returned (virtually) to Moffat.

The CER and UR have continued to work on the development of the combined product since the publication of the consultation paper and wish to update industry with the latest developments that are under consideration.

Latest Developments

The thinking behind our consultation on the combined product recognised the issues of multiple transmission tariffs that storage facilities face. The CER and UR recognise that there are regulatory barriers to cross border usage of storage that would not be an issue in a single gas market with a single entry/exit tariff regime.

This is something which is also being considered at a European level through the recent Council of European Energy Regulators (CEER) [interim report](#)¹ which was discussed at the October 2013 [Madrid Regulatory Forum](#). The discussions considered a European policy option of promoting cross border access to storage including use of discounted tariffs.

The CER and UR are seeking to reduce or even eliminate these regulatory barriers to achieve a regime which is consistent with a more harmonised European gas market. The arrangements on how to achieve this are currently being progressed by the CER and UR.

The CER and UR are keen to ensure there is a secure link to the GB gas hub (National Balancing Point, NBP) for both jurisdictions and we do not see

¹ CEER interim report on 'Changing storage usage and effects on security of supply', November 2013
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significant merit in developing separate hubs. As part of this strong link with NBP we would like to improve the regulatory arrangements so that there are fewer barriers to trade and investment between the adjacent systems. We consider that it is possible to pursue such improvements without moving to a single entry exit regime between the UK and Ireland.

In light of the work that we have already done and recognising the shared goals with our European partners we are committed to removing regulatory barriers and put in place a tariff regime which facilitates the use of storage facilities on a cross border basis. This should lead to a tariff regime which applies costs to storage on the same basis as if there was a single entry exit system across UK and Ireland.

This work will require collaboration with all three National Regulatory Authorities (NRAs) in the jurisdictions (CER, UR and Ofgem). The CER and UR will also work with our Departments and our European colleagues to progress this issue and aim to have arrangements in place by 2015. We plan to report on progress in May 2014.

Framework Guidelines

Any proposed arrangements should also be in line with the adopted Framework Guidelines (FGs) on Tariffs. The FGs on Tariffs state that the NRAs shall minimize any adverse effect on cross-border flows for storage when setting or approving tariffs for entry and exit points from and to storage facilities.

The FGs on Tariffs also state that NRAs, when setting or approving tariffs for entry and exit points from and to storage facilities, shall also consider the benefits which storage facilities may provide to the transmission system and the need to promote efficient investments in networks.

The CER and UR will continue to work with European colleagues on the application of the FG on Tariffs and the development of the Tariff Network Code with regards to the arrangements that are being considered for all-island storage.