

Public Consultation on day-ahead and within-day multipliers

Based on Article 13(3) of the Network Code on Harmonised Transmission Tariff Structures for Gas

PC_2020_G_19

1. Objective

Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas ('NC TAR') entered into force in 2017 and it has introduced a number of provisions on multipliers that are applicable for the calculation of short-term capacity products (quarterly, monthly, daily and within-day).

The NC TAR provides the possibility for the Agency to issue a recommendation to cap the multipliers used to calculate the reserve prices of day-ahead ('DA') and within-day ('WD') capacity products to 1.5.

The objective of this consultation is to gather views and information from stakeholders on the impact of DA and WD multipliers in order to assess the possibility of issuing a recommendation to limit the level of these multipliers

The provision foreseeing this possibility is laid out in Article 13(3) of the NC TAR:

"By 1 April 2023, the maximum level of multipliers for daily standard capacity products and for within-day standard capacity products shall be no more than 1,5, if by 1 April 2021 the Agency issues a recommendation in accordance with Regulation (EC) No 713/2009 that the maximum level of multipliers should be reduced to this level. This recommendation shall take into account the following aspects related to the use of multipliers and seasonal factors before and as from 31 May 2019:

- *changes in booking behaviour;*
- *impact on the transmission services revenue and its recovery;*
- *differences between the level of transmission tariffs applicable for two consecutive tariff periods;*
- *cross-subsidisation between network users having contracted yearly and non-yearly standard capacity products;*
- *impact on cross-border flows."*

The Agency invites stakeholders to express their views on the points referred to in Article 13(3) of the NC TAR.

2. Target group

This consultation is addressed to European associations, national associations, TSOs, shippers or energy trading entities, end-users and others.

3. Deadline

Please provide your response by **9 December 2020**, 23:59 hrs (CET).

4. Identification data and confidential information

Please indicate the following data:

Name:

Position held:

Phone number and contact e-mail:

Name and address of the company you represent:

Your country:

Other country, if not in the list above:

Please indicate, if your company/organisation is:

- European association
- National association
- TSO
- Shipper or energy trading entity
- End-user
- Other (e.g. Power Exchanges, Storage Operator etc.).

If other, please specify below:

Any confidential information should be marked clearly as such, including the word 'CONFIDENTIAL' in the subject of the e-mail, as ACER will not treat e-mails which contain only a general disclaimer (usually automatically added) as containing confidential information. If respondents want to claim confidentiality, they should provide an explanation of their confidentiality interests and a non-confidential version of their response for publication. For more details on this, please see the Rules of Procedure of the Agency (Article 9 of Decision No 19/2019 of the administrative board of the European Union Agency for the Cooperation of Energy Regulators of 11 December 2019)

Is your input into this consultation confidential?

- Yes
- No

5. Publication of responses and privacy

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the Agency's Guidance Note on Consultations and the specific privacy statement attached to this consultation.

6. Related documents

- [Regulation \(EU\) 2019/942](#) of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators.
- [Commission Regulation \(EU\) 2017/460](#) of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas.
- ACER [Guidance Note on Consultations](#)
- Commission [Regulation \(EU\) 2017/460](#) of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

7. Background

Multipliers are used to set tariffs for short-term gas transmission capacity products in comparison with the reference prices applied to yearly capacity products. Article 13 of the NC TAR sets out that the level for DA and WD multipliers for standard capacity products shall be *no less than 1 and no more than 3. In duly justified cases, the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3.*

Overall, shippers use different capacity booking strategies taking into account their supply and demand portfolios, market dynamics and gas transmission tariffs both on yearly and short-term capacity products. For example, shippers may secure a certain amount of capacity with yearly capacity products while they cover the seasonal and short-term variations with short-term capacity products.

Multipliers can impact the gas market in various ways, depending on the balance between the short-term and the long-term:

On the first hand, relatively high multipliers on short-term products can deter network users from booking short-term capacity for trading or balancing purposes. On the other hand, high multipliers incentivises yearly bookings which are deemed favourable to TSOs revenue recovery and which allow shippers to flow gas across hubs even when spot market spreads are below the capacity reference price.

From a competition perspective, multipliers can also lead to different outcomes. They have a distributional effect, through the share of revenue recovered from users holding short-term or long-term capacity products. Multipliers can be set with the primary objective of avoiding cross-subsidisation between network users and enhancing the cost-reflectivity of reserve prices. In contrast, low short-term multipliers can be considered as a way to foster competition and to incentivise more dynamic booking strategies.

When setting multipliers, NRAs should consider these different interactions, as required by Article 28 of the NC TAR, to avoid a potential welfare loss for EU consumers.

8. Consultation topics and questions

For all the questions, **please provide supporting evidence**, which can include the identification of IPs where a referred event is relevant and/or a time period for the phenomena observed (how, when and for how long it applies). Supportive evidence can include data, tables and it can be accompanied by examples.

Factual evidence on the effects of the current provisions is highly relevant to evaluate their effectiveness and to assess whether a recommendation could lead to an improvement.

Topic 1: Changes in booking behaviour

1. What role do short-term capacity products (DA and WD) play in your capacity booking strategy (balancing activities, market arbitrage, supply profiling...)?

Question more relevant to shippers than to TSO, therefore we provide no answer.

2. Have you observed that DA and WD multipliers impact booking behaviour and booking strategies (could be your own booking strategy or those of other market players)? For instance, have you observed that low DA and WD multipliers can shift contracted capacity from yearly capacity products to shorter-term capacity products?

- Yes
- No
- Other

2.1 Please explain your reasoning:

In Lithuania we observe several factors impacting shift from annual towards short-term transmission capacity products:

- the market becomes more mature, market players get used to using more various instruments than before; among those is formation of their products' portfolio out of products of different periods;
- after LNG terminal started operating (2015), sources of gas became diversified, it is not supplied from a single source anymore; therefore, at entry points exclusively short-term products are being used allowing shippers to quickly shift from one source to another; annual bookings are relevant only for Domestic Exit and non-EU transit flows (from Belarus to Kaliningrad region);
- reduction of (multiplier*seasonal factor) ratio for short-term products, having in mind absence of risk of congestion in Lithuania, even more stimulates the shift from booking yearly towards short-term capacity products.

All the aforementioned factors led to evident shift from annual towards short-term bookings at Entry and Exit points where long-term capacities historically had been booked, and this shift coincided with the decrease in multipliers in 2020, when Amber Grid put an effort to fully harmonize the multipliers at non-IPs with the provisions of TAR NC (although, according to Art 2.1 of TAR NC, Chapter III incl. Art. 13 and Art. 15 is applicable only to IPs). Amber Grid had prepared graphical charts regarding the switch from long-term to short-term products, but there was no technical possibility to attach them nor include into the online-survey directly, therefore data is provided in numeric figures only:

Annual

MWh/day/year

	y2016	y2017	y2018	y2019	y2020
LT Domestic Exit	94.118	85.381	86.319	88.311	78.133
Kotlovka Entry	67.350	65.700	5.200	5.000	1.350
Klaipėda Entry	88.416	24.500	16.500	6.000	7.200

Daily

MWh/day

	y2016	y2017	y2018	y2019	y2020
LT Domestic Exit	1.392.536	811.933	1.197.642	486.027	1.815.425
Kotlovka Entry	261.214	645.760	1.778.458	1.456.970	6.111.255
Klaipėda Entry	478.992	2.349.341	2.015.743	4.814.581	4.135.287

Monthly

MWh/day/month

	y2016	y2017	y2018	y2019	y2020
LT Domestic Exit	14.767	15.910	10.185	8.115	70.265

Kotlovka Entry	9.623	25.773	56.585	51.100	128.385
Klaipėda Entry	21.465	29.360	39.000	82.590	106.400

Quarterly LT
MWh/day/quarter

	y2016	y2017	y2018	y2019	y2020
LT Domestic Exit	196	1.092	0	1.039	10.346
Kotlovka Entry	1.832	2.115	138.800	77.500	24.500
Klaipėda Entry	0	75.000	40.000	133.000	158.500

The level of multipliers at Kiemenai was lowered for tariff year 2019 to meet the requirements of Art. 13 of TAR NC. It is important to mention that at Kiemenai IP (the only IP in Lithuania) the bookings have always been and currently remain only short-term (mainly daily). Therefore, as the provisions of Chapter III (incl. Art. 13 and Art. 15) are applicable only to IPs (not to any Entry or Exit points), a decrease in cap on multipliers will not result in any shift towards short-term bookings to a higher extent at Lithuanian IPs than it is now.

Topic 2: Impact on the transmission services revenue and its recovery

3. Have you observed that DA and WD multipliers impact transmission services revenue and its recovery? In particular, could low DA and WD multipliers induce under-recoveries of TSOs' revenues on a transitory basis (in most systems such under-recoveries are systematically rolled to next years by revenue reconciliation mechanisms)?

- Yes
 No
 Other

3.1 Please explain your reasoning:

Despite the evident shift towards short-term products, there is no evidence of under-recovery of collected revenue due to that shift. It must be noted that, facing the shift towards short-term bookings, Amber Grid introduced the methodological change described in the answer under Topic 3, "Have you observed that changes in multipliers have led to changes in the tariffs applicable for other capacity products (e.g. yearly capacity product)?", which at least partly prevents total revenue from under-recovery. However, the methodological change, in combination with the decrease in multipliers, pushes up the price of annual product.

Topic 3: Differences between the level of transmission tariffs applicable for two consecutive tariff periods

4. Have you observed significant changes in DA and WD multipliers in the 2016-20 period?

- Yes
 No
 Other

4.1 Please explain your reasoning:

In Lithuania differentiation is made between IPs, where no clear seasonality pattern can be tracked, and Domestic Exit, where seasonality is very clearly expressed: only multipliers are applied at IPs (from y2019), and both multipliers and seasonality factors are applied at Domestic Exit.

For daily products the overall multiplier, applied to 1/365 of the annual price at Kiemėnai IP (the only IP in Lithuania) changed from 2,1-5,7 (warm season-cold season; multiplier*seasonal factor) in y2016 to 1,5 (flat throughout the year, without any seasonality factor) in y2020. The change was based on the intention to enhance cross-border flows, as all gas throughout IP is transported using short-term capacity products (mainly daily), therefore short-term products' prices matter the most for the shippers. Also, the methodological shift was impacted by the provisions of TAR NC.

In 2020 Amber Grid put an effort to fully harmonize the multipliers at non-IPs with the provisions of TAR NC (although, according to Art 2.1 of TAR NC, Chapter III incl. Art. 13 and Art. 15 is applicable only to IPs). For daily products the overall multiplier (multiplier*seasonal factor), applied to 1/365 of the annual price at Lithuanian Domestic Exit point, changed from 2,4-6,4 (warm season-cold season) in y2016 to 0,8-5,8 (warm season-cold season) in y2020. Thus, annual average of the multiplier changed from 3,8 in y2016 to 3 in y2020 or decreased by 21 %.

Seasonality of gas flows in Lithuanian national consumption (and, therefore load of transmission system) is well expressed:

Overall gas flows seasonality at Lithuanian Domestic Exit in 2019

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total											
13%	10%	10%	8%	7%	6%	6%	5%	7%	9%	9%	11%
100%											

Overall gas flows seasonality, excluding industrial (fertilizers' producer) at Lithuanian Domestic Exit in 2019

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total											
17%	12%	11%	7%	5%	3%	4%	4%	5%	9%	10%	13%
100%											

In Amber Grid's opinion, it is essential to keep a significant daily multiplier at Lithuanian Domestic exit (and, possible, entry) points – i. e. at least 3, or even go higher in the future, as the reduction of the multiplier would further push the price of annual product up and increase cross-subsidies between seasonal and all-year-round capacity users.

Also, please, see the answer under Topic 3, "Have you observed that changes in multipliers have led to changes in the tariffs applicable for other capacity products (e.g. yearly capacity product)?" and the answer under Topic 6 "Conclusion".

5. Have you observed that changes in multipliers have led to changes in the tariffs applicable for other capacity products (e.g. yearly capacity product)?

- Yes
- No
- Other

5.1 Please explain your reasoning:

In our opinion, a reduction of the daily multiplier would further push the price of annual product up. Although, facing the shift from annual to short-term bookings from market participants' side, Amber Grid from 2019 adjusted its tariff derivation methodology (the essence of the change is that annual reference prices are derived not only from projection of long-term bookings, but from pooled annualized short-term bookings and yearly bookings together), the methodological adjustment might be not enough to outweigh further increasing share of short-term bookings. While preparing calculations Amber Grid noticed that lower multipliers directly influence the annualized capacity level – it becomes lower, which results in higher price of annual product. And the increase of annual products' price is undesirable for those users who keep constant gas flow pattern and book annual product – one might consider that system users booking annual products are covering higher part of the costs, taking them over from short-term bookers.

Topic 4: Cross-subsidisation between network users having contracted yearly and non-yearly standard capacity products

6. Have you observed that DA and WD multipliers have placed or could place in the coming years excessive costs on short-term capacity compared to the costs recovered through yearly capacity products?

- Yes
- No
- Other

6.1 In the affirmative, how could it affect competition and market integration?

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6.2 Please explain how you evaluate if costs for short-term bookings are excessive compared to yearly bookings and on what criteria you base your argument.

While deriving reference prices, costs are not separated between yearly and short-term products. Maybe the question is more addressed to shippers, not to TSOs.

Topic 5: Impact on cross-border flows

7. Have you observed that DA and WD multipliers have impacted or could impact in the coming years cross-border flows? Consider, in particular, situations where high DA and WD multipliers may prevent the use of available cross-border capacity or where high multipliers for DA and WD capacity product may negatively affect the correlation between gas prices in neighbouring hubs.

- Yes
- No
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Other

7.1 Please explain your reasoning:

High multipliers may influence cross-border flows only in cases of very marginal commodity price differences between hubs.

Commenting on the situation in Lithuania - Amber Grid, seeking to enhance cross-border flows, does not apply daily multipliers higher than 1.5 at IPs. Cross-border flows are not expected to change due to reduction of the cap from 3 to 1.5.

8. Have you observed that DA and WD multipliers can be a market barrier (for instance by granting an advantage to holders of long-term bookings)?

- Yes
 No
 Other

8.1 Please explain your reasoning:

Recent developments proved that transmission price is not so significant, as differentials between commodity prices depending on the source.

Conclusion

9. From your perspective, what would be the advantages and disadvantages of capping DA and WD multipliers at 1.5 across Europe?

From Amber Grid's prospective, it would not have disadvantages if DA and WD multipliers would be capped at 1.5 level at IPs, i.e. at those where seasonal pattern is not observed.

However, for the IPs where seasonality has a clear pattern, the cap should be either left higher (e. g. 3, as now in Art. 13 of TAR NC), or removed at all, because setting of highly seasonal tariffs encourages using the transmission system at off-peak and decreases cross-subsidies between year-round network users and those that have volatile capacity booking pattern.

Amber Grid will make case by case decisions regarding daily / within-day multipliers at entry or exit points not falling under Art. 13 and 15 of TAR NC, but highly likely their average will remain no less than 3 in the future.

Thank you for your reply!

Contact

[Contact Form](#)

