

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:

- AT - Austria
- BE - Belgium
- BG - Bulgaria
- HR - Croatia
- CY - Cyprus
- CZ - Czechia
- DK - Denmark
- EE - Estonia
- FI - Finland
- FR - France

- DE - Germany
- EL - Greece
- HU - Hungary
- IE - Ireland
- IT - Italy
- LV - Latvia
- LT - Lithuania
- LU - Luxembourg
- MT - Malta
- NL - Netherlands
- PL - Poland
- PT - Portugal
- RO - Romania
- SK - Slovak Republic
- SI - Slovenia
- ES - Spain
- SE - Sweden

Other country, if not in the list above:

Norway

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...)?

The short-term capacity products (DA and WD) is mainly used for balancing purposes or to capture daily or within-day market arbitrage.

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:

Equinor mainly does long-term capacity booking with a smaller but stable share of daily/WD capacity. Equinor will always try to secure daily entry capacity towards the markets with the highest need for the gas independently of the applicable multiplier.

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:

When deciding on tariffs, the goal must be that the tariff setting methodology is based on the underlying principle of cost reflectiveness. In that respect, the multipliers serves as an important tool for the fair distribution of system costs.

It is the long-term bookings that provide the stability and predictability of the gas system and secure the revenue for the TSO's. Long term bookings provide long-term signals for efficient investments in the transmission system and the long-term bookings assure load flows to the system and helps bring down the overall system cost.

Even though short term bookings serves as an important element to facilitate short term gas trade, It's important that the multiplier is set at such a level that it avoids cross-subsidization between network users and that it enhances cost-reflectivity of reserve prices.

GTS indicated (9 March 2020) a 2% yearly reference tariff increase for 2021 due to declining capacity sales (-2%). The decline in capacity sales is mainly a consequence of the expectation that shippers with expiring long-term contracts will switch to short term capacity bookings. This would indicate that the current multiplier of 1.8 for Daily and Within day capacity in the Netherlands is insufficient to cover the loss in revenue for the TSO. By capping the DA/WD multiplier at 1.5, the situation in the Netherlands would have been even worse and captive long-term capacity holders would need to cross subsidize the short- term capacity users.

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:

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:

By limiting the TSO's ability to use the appropriate and sufficient tools for the correct allocation of system cost between the different system users there is a high risk that the suggested cap on multiplier of 1.5 could lead to changes in the tariffs applicable for other capacity products.

Assuming that the TSO's will be entitled to an unchanged regulated revenue after a change in the multipliers, any discounts to the multipliers for short term capacity products would have to be recouped on a higher reference tariff from the rest of the system users.

We have calculated a scenario where the TSO's total revenue is unchanged (100) and the share of short-term booking is unchanged. In a situation where the share of short-term bookings is 40%, the decrease in multipliers from 3.0 to 1.5 would imply a 50% increase in the reference price (tariff level 55,55 -> 83.33) for the system users. This would lead to a push for more short-term bookings with the spiraling effect on increased reference prices for the system users and less transparency for the TSO's

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?

Multipliers are tools for correct allocation of system costs and could within the existing framework be set freely between 1 and 3 and in duly justified cases by less than 1 or higher than 3 for daily and within-day standard capacity products. With this flexibility for the TSO's it is highly unlikely that the correct application of multipliers within the existing framework should lead to excessive costs on short-term capacity compared to the costs recovered through yearly capacity products.

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.

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
- Other

7.1 Please explain your reasoning:

There are several factors that would potentially impact the cross-border flows. The most important factor for a net importing country would be to secure stable and predictable flows to the market by ensuring low entry cost for the large baseload volumes that bring physical gas into the market. Stable physical flows ensure a stable price level, low volatility and reduced need for balancing costs.

A sufficient flexible tool for setting the correct DA and WD multipliers is important to avoid cross subsidization and under recovery of system costs. An increase in the reference price for the system users because of under recovery of system cost would for a net importing country result in increased entry and exit cost for existing capacity holders with the subsequent result that domestic prices must increase to remain competitive in relation to neighboring countries. Higher exit cost would also make transit flows less attractive with the consequence that there will be less volumes to share the total system cost.

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:

Conclusion

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

Capping the DA and WD multipliers at 1.5 across Europe would severely limit the NRA and TSO's ability to apply multipliers as a tool for setting cost reflective tariffs. This could lead to cross subsidization between long term (yearly, quarterly and monthly) and short term (Daily/WD) system users in the cases where the 1.5 factor is not sufficient to allocate the correct system cost.

In our view there would not be any advantages by capping the multipliers at 1.5 across Europe, only a limitation. Maintaining the possibility to apply a higher cap than 1.5 would give the NRA's/TSO's the correct toolbox to assure that the tariff setting methodology is based on the underlying principle of cost reflective tariffs.

Any effect of limiting the cap on DA/WD multipliers at 1.5 must be substantiated by figures, reports or other substantiations.

Thank you for your reply!

Contact

[Contact Form](#)