

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...)?

Not applicable.

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:

It is difficult to say that multipliers in isolation are decisive to determine the level of bookings. We distinguish three types of changes in booking behaviour.

1) Changes in booking behaviour due to booking optimisation

A natural effect of optimisation strategies is that shippers increasingly book short-term products, however most shippers book the baseload and adjust with short-term products to follow seasonal variations in demand. The tendency to favour short-term bookings is clear for many TSOs.

For example, one TSO in Germany experienced a doubling of WD bookings since 2020 and the introduction of hourly bookings. Setting multipliers to facilitate short-term booking optimisation should not be at the detriment of TSOs ensuring that the costs of the peak-load capacity level are paid for.

In Austria, bookings of short-term products have increased significantly over the last years. One reason is that multipliers have been lowered for the regulatory period 2017-2020. Shippers increased structured booking and therefore NRA decided to set higher multipliers from 2021 onwards, which is of importance for revenue recovery.

The French-Belgium IP Taisnières B on the GRTgaz network is another example of optimisation in relation with multipliers, with a 30% drop in yearly bookings since October 2019 after the end of long-term bookings. Yearly bookings are now complemented with daily bookings profiled to daily flows. In 2020, daily bookings represented up to 78% of yearly bookings, whereas daily flows did not change significantly. This new booking behaviour can be interpreted as an optimisation result based on the tariff for short-term bookings and it is likely that lower DA and WD multipliers will further reduce yearly bookings. This shift from yearly capacity products to shorter-term capacity products is still limited today. But when long-term bookings expire, short-term bookings will replace them and there will be an issue for revenue recovery if multipliers are not adequate (i.e., too low compared to yearly products).

2) Changes in booking behaviour due to shift in peak-load

The shift in peak-load has a big role on the share of short-term bookings. Especially for storages and IPs, in contrast to transit routes, there is an arbitrage between markets and between hours in the gas day. Multipliers should be adapted to specific patterns observed for each TSO, which means that the allowed range for multipliers should be wide and/or be left for a decision at the national level.

3) Changes in booking behaviour due to national regulatory shortcomings regarding multipliers

Regulatory decisions on multipliers may influence the behaviour of network users regarding the booking of products with specific durations. In the last two years, in the annual yearly auctions at the Pirineos IP between France and Spain, the auction moved to the next bidding round due to high demand. Then, demand was low and only a small amount was booked at the next round (1 kWh/h in July 2020 and 2 kWh/h in July 2019). This resulted in the auction closing at a premium and the point was defined as congested in ACER's CMP report. On the French side, the multiplier is defined by the NRA according to the result of the yearly

auctions. Because of the labelled congestion, the short-term multiplier was set at a low level, and shippers could buy short-term products at very cheap prices. It shows that DA and WD multipliers can impact booking behaviour and booking strategies.

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:

From ENTSOG's perspective, it mostly depends on the TSO's regulatory regime.

Lower multipliers could result in adjustments in the reference prices, which could then result in cross-subsidies among network users.

For a non-price cap regime, the multiplier will likely induce some cross-subsidies among points (unless the multipliers are the same at all points); also, there is an impact on cash-flows via the regulatory account (if it is settled over a few years), but the design of the regulatory account varies from MS to MS. Even in non-price cap regimes, depending on the national regulations, the regulatory account may not fully cover under-recoveries caused by short-term bookings favoured by low multipliers.

For a price cap regime, and especially in case the probability of congested networks is low, there is an inherent risk coming from shifting booking patterns for TSO revenue recovery in case multipliers are set too low. Since there is no regulatory account in a price cap regime, reduced bookings imply a loss of revenues for the TSO.

Some TSOs still have significant long-term bookings in their portfolios, therefore it is difficult for them to assess the impact of multipliers on the distribution of long-term and short-term bookings, and the impact on revenues.

Other TSOs have already noticed a significant shift to short-term bookings since the reduction of the multipliers, based on TAR NC implementation.

For some TSOs, the shift in bookings does not translate into a reduction in revenues but is rather based on the level of multipliers (the chosen multipliers facilitate both booking optimisation by users and revenue recovery by TSOs). The NRA should assess the specific situation in each MS and set the multiplier, according to TAR NC rules.

In the Netherlands, TSO Gas Transport Services (GTS) notes that the TAR NC implementation has modified several parameters at the same time which makes it impossible to isolate the impact of changes in multipliers on bookings and revenues. However, GTS estimates that, in coming years, tariffs should mainly be affected by variations in allowed revenues and due to changes in long-term commitments, rather than by multipliers. Nevertheless, GTS strongly supports the status quo on its multipliers, i.e., 1.75 for both DA and

WD products, because these values ensure that the hierarchy of multipliers, hence the right incentives, are kept with quarterly and monthly products, whose multipliers are respectively 1.25 and 1.50. A potential cap at 1.50 decided by ACER would: 1) require reduced quarterly and monthly multipliers, which would go beyond ACER's remit in Article 13 of TAR NC, 2) also justify resetting the Dutch seasonal factors, and 3) go against the national agreement to keep the defined values until the end of 2024. GTS underscores that tariff predictability and stability are key ambitions set out in the recitals of the TAR NC.

There are no ideal values for multipliers, and they should be debated in each MS between NRAs, TSOs and market participants.

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:

The TSOs have observed that there is a general trend to increase short-term multipliers, due to the shift in bookings. A comparison of the multipliers which will apply as of 1 January 2021 with multipliers collected as of 1 October 2017 by ENTSOG for the First Tariff Monitoring Report shows a convergence in levels of multipliers for each category of multipliers among EU MSs.

For DA multipliers, apart from a few MSs where multipliers did not change, a short majority of the remaining MSs reduced the multipliers, and almost half of the remaining MSs increased multipliers; the average of DA multipliers in Europe slightly increased but the range of DA multipliers narrowed, with multipliers closer to one another across the EU.

For WD multipliers, apart from a few MSs where multipliers did not change, half of the remaining MSs increased multipliers, half reduced them; the average of WD multipliers slightly increased but the range of WD multipliers narrowed, with multipliers closer to one another across the EU.

If the caps for multipliers were reduced to 1.5 for DA and WD multipliers, the levels applicable as of 1 January 2021 in EU MSs would be outside the allowed range in most MSs for DA and even more for WD multipliers.

For ENTSOG, the rationale behind the lowering of the cap is unclear and deserves some justification other than saying that 1.5 is half the value of 3.0 used until now in the TAR NC. The impact of reducing DA and WD multipliers on quarterly and monthly multipliers, and regarding the need to adjust reference prices, should be taken into consideration.

More in details, and based on data to be valid on 1 January 2021 and collected by ENTSOG from TSOs in 22 EU MSs, ENTSOG observes the following results:

- 1) 14 MSs show DA multipliers strictly above 1.5 and 18 MSs show WD multipliers strictly above 1.5.
- 2) the average DA and WD multipliers are respectively 2.09 and 2.34.
- 3) these average DA and WD multipliers have both increased compared to 2017, when ENTSOG prepared

the First TAR Monitoring report, from 2.02 and 2.17 respectively.

4) there is a clear convergence in multipliers since 2017, with reduced standard deviations for DA and WD multipliers (from 0.95 to 0.60 and from 1.18 to 0.82 respectively), and

5) the average upward adjustment of multipliers between 2017 and 2021 was larger than the average downward adjustment, both for DA and WD multipliers, and it supports the idea that multipliers converged slightly upwards on average.

These evolutions are also visible when comparing results in the First and Second TAR Implementation and Effect Monitoring reports by ENTSOG, which were published respectively in 2018 and 2020.

[Placeholder for a picture. Survey tool does not allow picture upload, please check PDF version sent to ACER]

[Placeholder for a picture. Survey tool does not allow picture upload, please check PDF version sent to ACER]

ENTSOG believes that the current multipliers strike a balance between conflicting objectives such as convergence in multipliers across the EU, revenue recovery by TSOs, securing long-term bookings by some users, and facilitation of short-term trading. Besides, we are not aware of a clear willingness from NRAs to move away from current values to reach a little justified target of 1.5, a value which would make it harder to balance the conflicting objectives mentioned above.

To conclude on this question, the justification for 1.5 seems elusive and this value may appear as a number without a clear rationale. We recognise that different caps may be justified for DA and WD multipliers, but we do not support the idea that 1.5 is adequate for either type of products, simply because it is too low for most TSOs today and because a clear demonstration in favour of this reduction has not been made.

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:

For a TSO, lower multipliers will likely lead to the need to increase the reference prices. There are causal effects between multipliers and reference prices. For TSOs under a non-price cap regime, the trend towards increased short-term bookings makes it necessary to increase the share of revenues collected from yearly bookings to compensate for this trend, by raising reference prices for yearly products. An annualised approach, by considering revenues to be collected through products of all durations (yearly and short-term), needs to be used to estimate the value of revenues collected from every type of products.

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?

There are in our view two aims with multipliers, in a price-cap regime to ensure revenue recovery and in non-price cap to minimise cross-subsidies between short-term and long-term users. In most cases, the current multipliers do not therefore affect competition and market integration. The NC TAR tries to tackle the issue of market integration since NRAs need to consult on multipliers (Article 28).

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.

Results from the booking platforms indicate that short-term products are more booked than yearly products. It is evident that short-term bookings play a vital role in shippers booking strategies. Operational costs related to dispatching and contract management may be impacted by the level of multipliers. A high number of contracts means that also invoicing processes need to be up-to-date. Higher investments in automated processes, digitalisation and invoicing systems are mandatory. For non-price cap regimes, an excess in short-term booking can harm the stability of the tariff which is often seen as a relevant criterion by the NRA.

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:

In general, multipliers do not have an impact in cross-border flows. However, in specific situations this may be the case. DA and WD multipliers have mostly an impact on trading and hub-to-hub adjustments.

Traders apply trade-offs on a daily basis. Any change in multipliers should be substantiated by real evidence that it will not deter market integration and should be made simultaneously with an assessment of the tariff. The sensitivity of multipliers depends on the level of the reference price. Some TSOs indicate they have little data for or against the changes due to the large share of long-term products in their portfolio.

At the Austrian IP Exit Mosonmagyaróvár to Hungary, the market is willing to pay high auction premiums for yearly products, which exceed by far the multipliers of DA/WD products. This is evidence that regulated tariffs (including multipliers) do not hinder trades.

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:

In well-functioning markets, the multipliers are factored into the price of the commodity. Shippers have the opportunity to participate in the capacity auctions and make their choices not just in terms of yearly and short-term products, but also via the secondary market. Suppliers who just entered a given market can buy the commodity at the hub, without the need to book capacity at the IP. Current multipliers are not a market barrier, since shippers are free to buy commodity at the hub or accept to pay for the multiplier at the IP, when buying/selling the commodity at the neighbouring hubs. For many TSOs where long-term contracts are still significant, the effect of multipliers cannot yet be fully assessed.

Conclusion

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

We think the current levels for multipliers are not an issue, and they should not be adjusted just because the TAR NC mentions this possibility.

ENTSOG believes that the current multipliers strike a balance between conflicting objectives such as convergence in multipliers across the EU, revenue recovery by TSOs, securing long-term bookings by some users, and facilitation of short-term trading.

There is a hierarchy of multipliers from quarterly to WD, and any adjustment by ACER on DA and WD multipliers would necessarily imply a readjustment of quarterly and monthly multipliers. Where applicable, seasonal factors would also require an adjustment. Therefore, ENTSOG would like to warn against the wide impact of this possible recommendation by ACER.

Any amendment of the TAR NC must follow the process set out in Article 7 of Regulation (EC) No 715/2009. We do not believe that ACER's recommendation is sufficient to have the TAR NC amended.

Since the TAR NC gives exceptional prerogatives to ACER on multipliers, which has the potential to strongly impact the internal gas market, ENTSOG considers that our analyses and concerns highlighted in this response should be duly taken into consideration when ACER decides whether to issue this recommendation.

Thank you for your reply!

Contact

[Contact Form](#)

