Contribution ID: 249c5871-65e6-4951-8e0e-a414ce14266f
Date: 09/12/2020 21:18:03

# 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:

[redacted]

Position held:

[redacted]

Phone number and contact e-mail:

[redacted]

Name and address of the company you represent:

Naturgy

Your country:

ES - Spain

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 considers 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 were 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…)?

> Short-term capacity products are used for adjusting capacity contracting in light of non-ordinary market opportunities, for balancing needs, to cover variable supply profiling etc

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 particular in the electricity sector, considering the low average number of running hours of gas fired generation and the wide availability of unused capacity, many players have reduced long term capacity contracts to reduce fix costs. Consumers with occasional large capacity demands associated to production processes might also be incentivized to adopt similar 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:

The Spanish gas system -relatively modern compared to other European gas systems- was largely sized to satisfy the gas demand of the generation fleet. The switch to short term bookings, mainly from CCGTs, definitely impacts on transmission services revenue, its predictability and its recovery. Short term capacity multipliers in Spain have impacted very much on the income recovery, increasing its volatility. If the recovery is not sufficient, tariffs will have to increase for the rest of gas consumers. The income balance system would be also endangered if industrial consumers increasingly switch to short term bookings.

## 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:

## 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?

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:

On the contrary to the suggested situations, considering the availability of cross-border and national capacity, and also considering a context of gas demand reduction or stabilization, a reduction of DA and WD multipliers might likely reduce long term bookings and have an impact on the income balance. As a consequence, capacity tariffs would have to rise, and some consumers would subsidize others which have contributed to the sizing of the gas system.

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:

On the contrary, the artificial rise of the cost of long-term gas capacity bookings -associated to stable gas consumers- as a consequence of an insufficient income recovery of users with volatile short term booking strategies might impact on market-to-market competition and even on fuel-to-fuel competition.

## Conclusion

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

The advantages would be rather limited to temporary capacity users, mainly electricity generation, or mere gas traders, at the expense of the rest of gas users and the predictability of income,

Thank you for your reply!

## Contact

Contact Form