

# 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

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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

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

## 3. Deadline

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

## 4. Identification data and confidential information

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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

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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

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- [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

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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

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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

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

The STP (short-term capacity products) on Slovenian market are gaining more significant role in the last years. Since the expiration of the long-term contracts for the supply for domestic market, shippers started to optimize the bookings according to their day-to-day use. We observe significant efforts of the shippers and network users to book capacities according to their needs. We also observe the increasing importance of the

DA and WD products for the balancing activities. All this makes the capacity booking planning for the TSO more and more challenging and complex, increases use of additional software with maintenance costs etc. (also weather has a huge impact on the bookings).

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 2016, yearly average short-term DA and WD contracted capacities represented 14 % and yearly average long-term contracted capacities represented 67 % of all contracted capacities. From 2017 to 2020 percentage of yearly average short-term DA and WD contracted capacities in regards to all contracted capacities has been growing. In 2020, yearly average short-term DA and WD contracted capacities will represent substantially more that is 33 % and yearly average log-term contracted capacities will represent 48 % of all contracted capacities. Considering the provided data, lower DA and WD multipliers could additionally change network users booking patterns. Additional trade-off between booking short-term and long-term bookings, can cause uncertainties in using the right forecasts and estimations of transmission capacity bookings for calculating tariffs, which can consequently lead to under-recoveries.

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

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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:

Low DA and WD multipliers can induce additional revenue under-recoveries. For a TSO under a non-price cap regime, the trend towards short-term bookings and the need to obtain the allowed revenue increases the need to increase the reference price. Low DA and WD multipliers could induce cross-subsidisation among domestic and interconnection points and discrimination of network users with base-load or peak-load booking patterns. Due to potential decrease of DA and WD multipliers, the domestic users with yearly base line demand could take the burden of under recovery.

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

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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:

Since the implementation of the TAR NC requirements, the multipliers have decreased and the yearly reserve price has increased. The tariff for entry point Ceršak in 2020 in regards to 2016 has increased for 2.7%, whereas applicable DA and WD multipliers in 2020 in regards to 2016 have decreased for 12,0 % and 10,4 %. The provided data implies, that the difference between the reserve price and STP tariffs is decreasing, therefore the long term bookings are decreasing. Capacity booking depends on the daily market conditions and the daily demand.

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 TSO, lower multipliers have led to under-recoveries, and caused the need to increase the reference prices. There are causal effects between multipliers and reference prices. When there is a trend towards increased short-term bookings, TSOs under a non-price cap regime, has to increase the share of revenues collected from yearly bookings. An annual approach 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

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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?

If multipliers are very low, there will be revenue recovery issue for future years, therefore intertemporal issues among users could occur: some users in the future will need to foot the bill for the current users.

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.

For TSO 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.

## Topic 5: Impact on cross-border flows

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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:

Decreasing the multipliers additionally increases the short-term capacity bookings and additionally decreases the interest in long-term bookings by the network users. Decreased long-term bookings increase the uncertainty of the TSO revenues and with this the risk of new investment decisions. Decreased long-term bookings would also decrease the stable and secure supply of gas.

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:

Shippers have all the opportunity to participate in yearly auctions and can make their choices in terms of yearly and short-term products. 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 barrier.

## Conclusion

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

### Advantages

For Slovenian TSO we do not see any advantage in current situation.

### Disadvantages

It would be a one-size-fits-all which does not correspond to local situations in each MS. There could be an issue for revenue recovery. Adjusting reference prices because of multipliers capped to low values would set off issues regarding the treatment of users at different points and future periods (intertemporal issue). Low DA and WD multipliers could induce cross-subsidisation among domestic and interconnection points and discrimination of network users with base-load or peak-load booking patterns. Due to potential decrease of DA and WD multipliers, the domestic users with yearly base line demand could take the burden of under recovery.

Thank you for your reply!

## Contact

[Contact Form](#)