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

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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:

EnBW Energie Baden-Württemberg AG
Durlacher Allee 93 · D-76131 Karlsruhe

Your country: DE - Germany

Other country, if not in the list above:

Please indicate, if your company/organisation is:

☐ European association
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

- 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 \textit{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, \textbf{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.

\textbf{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…)?

\begin{quote}
We currently trade and transport gas in all established and advanced gas markets in Europe, all of which, with the exception of the Netherlands, have multipliers of less than 1.5 for DA bookings. The Netherlands is only slightly above this value at 1.75.

In contrast, we are not active in emerging hubs. One reason for this is that, with higher multipliers for DA, it is difficult to compete with the long-established players there, who can transport more cheaply on the basis of
\end{quote}
their legacy long-term capacity contracts.

The use of DA capacity contracts forms the basis of our portfolio strategy. Capacity bookings on a monthly, quarterly or annual basis are only made if we are absolutely sure that we will use them on enough days.

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 cannot be denied that a shift from long-term to short-term bookings has already taken place and will continue to take place at many border points. From our point of view, the increased competition that has resulted from this is both the consequence of lower multipliers and the cause of the further shift.

However, this does not apply to the WD multipliers. As we have daily balancing in Europe due to the NC BAL, there are no different prices for the individual hours of a gas day. If the booking of DA capacities is in the money for one hour of the gas day, this also applies to all other hours. Therefore, in our view, there is no shift from DA to WD.

The only reason for booking WD capacities is the availability of new information that was not known the day before. This includes new measured or forecasted values for WDM Load or within-day updates of NDM Loads which require a rebalancing of the own portfolio, but also significant changes (e.g. force majeure messages).

**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:

Since most of the shift towards DA bookings has already taken place, we believe that most TSOs have already adjusted their tariff calculations.

We are not aware of any instances where TSOs or regulators have linked under recoveries specifically to the level of day-ahead and within day multipliers.
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:

Apart from the original introduction of multipliers within the framework of the NC TAR, we had a negative perception in particular of the increase of the WD multiplier in Germany from 1.4 to 2.0 as of 01.01.2020.

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:

It is difficult to attribute a changed tariff level to exactly one cause. For example, despite the increase of the WD multiplier in Germany, the tariff for annual capacities also rose on 1 January 2020.

But as previously stated, we are not aware of any instances where TSOs or regulators have linked under recoveries specifically to the level of day-ahead and within day multipliers.

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?

High day-ahead and within day multipliers have, or could, place excessive costs on short term capacity compared to costs recovered through yearly capacity. But if short term capacity is too expensive it will not be booked, so any resulting under recovery will mean more cost is attributed to yearly capacity in future, through tariff increases.
So in our view, multipliers of 2 to 3 in countries like Slovakia cement old structures and do not provide for more competition and for more liquid markets.

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.

Whilst multipliers are not the only relevant factor as to why emerging and illiquid markets struggle to develop it is no coincidence that these markets are typically ones where day-ahead and within day multipliers are set at the upper end of the NC TAR range. As liquidity typically starts to develop from shippers balancing their portfolios and responding to TSO balancing actions, high day-ahead and within day multipliers impede this, which limits the scope for forward trading to develop. A good basis for evaluating whether the costs of short term capacity booking are excessive or not is to assess the short term spreads between connected markets, how much short term capacity is being sold and how liquidity develops in markets with multipliers outside the 1 to 1.5 range.

**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:

High day-ahead multipliers influence day-ahead spreads between markets, but shippers will not trade location spreads and book day-ahead capacity unless this is profitable. High day-ahead multipliers discourage location spread trading, which makes spreads higher than they need be and increases volatility, due to low liquidity. Ultimately, this is detrimental to efficient price setting in both interconnected markets.

High within day multipliers reduce balancing efficiency as the cost of addressing imbalances becomes higher. Also, the time it takes for imbalances prices to rise to a level where within day capacity becomes profitable delays trading activity to resolves imbalances.

In the result, there is correlation between the classification of European hubs according to the ACER Market Monitoring Report and the level of the multipliers in these countries.

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:
High day-ahead and within day multipliers, compounded by seasonal factors, can be a market barrier and a benefit to dominant incumbents with legacy capacity bookings. Legacy capacity bookings represent a sunk cost, so the marginal cost of flowing gas from/to a lower/higher priced interconnected market is lower for a dominant incumbent than for a new entrant.

For us, therefore, the level of the DA multiplier is a decisive factor in determining whether we enter a new market as a shipper.

**Conclusion**

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

Limiting the DA multiplier to 1.5 would, in our view, reduce the market entry barrier to emerging hubs and provide more competition and liquidity there.

A limitation of the WD multiplier would facilitate the balancing out of new within-day information in all markets and at the same time provide additional revenues for TSOs.

The current multipliers of 1.4 for DA and 2.0 for WD products in Germany are a good example of how the balance between cost recovery and the need for liquid markets can be maintained.

A further reduction of the WD multiplier from 2.0 to 1.5 would not change this balance in Germany, but a general reduction of the limit from 3.0 to 1.5 would be an important step for the still developing gas markets.

Thank you for your reply!

**Contact**

[Contact Form](#)