



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

**Information Paper: Update to CER Decisions on
Transmission Exit Capacity Transfers & Short Term
Tariff Analysis**

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RESPONSES TO:	Jerry Mac Evilly (jmacevilly@cer.ie)

The CER for Energy Regulation,

The Exchange,

Belgard Square North,

Tallaght,

Dublin 24.

www.cer.ie

Abstract:

In this Information Paper, the CER provides an update on previous decisions taken in relation to analysis on short term capacity products and in relation to the price of exit capacity transfers. It is set out in this paper that a consultation process on short term capacity issues detailed in CER/10/166 will **not** be progressed this year. It is also noted that the floor price of exit capacity transfers will **not** be increased for 2011/12 as originally stated in CER/10/089.

Target Audience:

Gas Customers, Suppliers, Shippers and Producers

Related Documents:

[Decision Paper on BGN Short-Term Tariff Analysis 2010 \(CER/10/166\)](#).
Published on the 16th of September 2010.

[Consultation Note on BGN Short Term Tariff Analysis 2010 \(CER/10/134\)](#) Published on the 5th of August 2010.

[BGN Short-Term Tariff Analysis Paper \(CER/10/132\)](#) Published on the 5th of August 2010.

[Decision on Transmission Exit Capacity Transfers in the Gas Market \(CER/10/089\)](#) Published on the 17th of June 2010.

For further information on this paper, please contact Jerry Mac Evilly (jmacevilly@cer.ie) at the CER.

1.0 Background Information

1.1 CER Decision on Transmission Exit Capacity Transfers in the Gas Market

In June 2010, the CER published a Decision Paper on Transmission Exit Capacity Transfers in the Gas Market (CER/10/089). In this paper the CER examined the price of BG Energy exit capacity transfers (also referred to as 'secondary capacity') and decided, *inter alia*, that the floor price of secondary capacity for 2011/12 would be increased from 80% to 90% of the average cost of annual strip. It was also noted that the floor price for the shoulder and winter months would increase to greater than 80% and 110% respectively.¹ The level for the summer price was not decided upon.

As part of this decision, the CER committed to carrying out a consultation on the current short term capacity tariff which would focus on the potential for reducing short term capacity prices in order to provide greater flexibility to shippers, while also ensuring that sufficient incentives remain for the booking of annual firm capacity.

1.2 Decision on Bord Gáis Networks Short Term Tariff Analysis 2010

A review of the short term capacity tariffs was carried out by BGN in July 2010 (CER/10/134) having taken into account the modifications to secondary capacity transfers set out in the Decision Paper. The BGN analysis proposed to retain the existing methodology and to change the monthly percentages in the winter and shoulder months. This approach was put forward so as to reduce the overall level of tariffs in order to encourage take up of the short term products.

The CER agreed with the BGN proposals as it was considered that this would give shippers the ability to optimise their capacity booking portfolios whilst ensuring that sufficient incentive remains to book firm annual capacity. This was set out in the CER decision paper (CER/10/166).

The CER noted in Section 4 of the Decision Paper CER/10/166 that as part of a further consultation on short term capacity products, the following areas would be examined:

- Analysis of the differentials between sets of multipliers for winter, shoulder and summer months;
- Impact of various reductions in monthly percentages, in particular for the summer months;
- Benefits that may be experienced by shippers within their booking portfolios;
- The potential for fuel switching to gas from other fuels (and avoiding the opposite) and how this might be affected by short term tariffs.

¹ Secondary capacity purchased from BG Energy is priced relevant to the cost of primary capacity and these percentages refer to the equivalent primary capacity cost.

Information paper (CER/11/131):

Update to Decisions on Transmission Exit Capacity Transfers & Short Term Tariff Analysis, 18 July 2011

BGN have commenced analysis on the differentials between multipliers in the winter, shoulder and summer months, as well as on the impact of various reductions in monthly percentages, in particular for the summer months.

2.0 CER Update on Decisions CER/10/089 and CER/10/166

The CER has decided that a consultation process on the issues set out in CER/10/166 will **not** be progressed and published this year on account of the volume of CER and CAG consultation papers that are currently ongoing and also given that the RAs will soon consult on the harmonisation of short term capacity products in Ireland and Northern Ireland as part of CAG.

In light of this decision, the CER has also decided that the floor price of exit capacity transfers will **not** be increased for 2011/12 as originally set out in section 6.1.1 of CER/10/089. Therefore, the floor price of exit capacity transfers will remain at 2010/11 levels for the 2011/12 gas year (see section 3 below).

In relation to both the analysis scheduled for short term capacity and the noted increase to the floor price of exit capacity transfers, it should be noted that the position of the CER on these issues as set out in the relevant Decision Papers remains the same. The only changes to be taken into account are that the further consultation on short term capacity issues will take place in the subsequent gas year and that the stated increase to the floor price of exit capacity transfers will not take place.

3.0 Overview of Current Short Term Capacity Multipliers and Current Floor Price of Exit Capacity Transfers

Floor Price of BG Energy Exit Capacity Transfers in light of update in Section 2:

	Summer	Shoulder	Winter	Average
Current Price²	50%	80%	110%	80%
October 2011	50%	80%	110%	80%

Current short term capacity tariff multipliers³:

Short Term Multipliers⁴	Monthly	Daily
October	13.2%	0.66%
November	13.2%	0.66%
December	17.6%	1.18%
January	30.9%	2.06%
February	35.3%	2.35%
March	26.5%	1.76%
April	13.2%	0.66%
May	8%	0.40%
June	8%	0.40%
July	8%	0.40%
August	8%	0.40%
September	8%	0.40%
Sum over year*	190%	342%

*Any difference in the total is due to rounding.

² Secondary capacity purchased from BG Energy is priced relevant to the cost of primary capacity and these percentages refer to the equivalent primary capacity cost.

³ See the CER Decision Paper on Bord Gáis Networks Short Term Tariff Analysis 2010 (CER/10/166).

⁴ The multipliers show the prices for monthly and daily capacity products at entry and exit as a percentage of annual tariffs.