

**Proposal to CER on  
Indicative 16/17 Annual  
& Quarterly Tariffs at Moffat**



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## 1 Introduction

The CAM (Capacity Allocation Mechanisms) Network Code (Regulation EU 984/2013) was implemented on 1 November 2015. One of the key features of the CAM Network Code includes having a suite of 'standard capacity products' being offered at interconnection points in the form of annual (up to 15 years ahead), quarterly, monthly, day ahead and within-day capacity products. This paper proposes indicative 16/17 Tariffs and Quarterly Prices for the Interconnection Point at Moffat.

The first CAM Auction dates for annual and quarterly capacity products are due to take place in March and June 2016 respectively. To ensure compliance with the CAM Network Code GNI must publish 2016/17 indicative annual multipliers and quarterly multipliers for the Moffat Interconnection Point and propose to publish prices in early February '16 so that parties are aware of both the indicative 16/17 prices and the Quarterly Multipliers in advance of the annual auction in March '16.

This report examines the current status on the annual prices and quarterly multipliers and proposes indicative values for 2016/17.

## 2 Annual Tariffs

### 2.1 Current Status

The formal annual tariffs for 16/17 will be calculated and consulted on in July/August '16 as normal and published by the CER in August '16 as per previous years.

### 2.2 Indicative Tariff Proposal

To meet the requirements for the March 16 Auction GNI proposes using the current 15/16 Moffat Entry Tariff as an indicative 16/17 tariff for Moffat. At this time there is considerable uncertainty around supply and demand scenarios for 16/17 and the impact of Inflation and the K-factors are unknown so estimating a specific 16/17 tariff would be very difficult and could prove to be inaccurate. Therefore, GNI advises adopting a more prudent approach and proposes using the 15/16 tariff as an indicative 16/17 tariff.

### 3 Quarterly Tariff Development

#### 3.1 Introduction

GNI currently has four short-term product types available including Annual, Monthly, Daily and Within-in Day. Compliance with the CAM Network Code requires a quarterly product to be added to the existing product portfolio at Moffat. GNI has commenced the development of Quarterly Products and has also commenced the process of developing Quarterly Product Prices.

#### 3.2 Current Status

Currently GNI is in the process of identifying the options to be considered for the development of Quarterly Product prices with a view to identifying an option that is robust and enduring. It is estimated that this process, including consultation with the industry will take 6 to 9 month and will be concluded in Q4 2016. As an interim GNI propose two approaches: interim Quarterly Prices to be put in place in Q1 2016 and long term prices to be concluded in Q4 2016.

#### 3.3 Interim 16/17 Proposal

GNI proposes the following short term proposal as an interim solution for 16/17. Quarterly prices, for each quarter, will be the sum of the current monthly tariffs for the three months in the quarter. These prices are outlined in the table below and demonstrated in the examples that follow.

Table 3.1 GNI Proposed Quarterly Multipliers for Gas Year 16/17

**Proposed Quarterly multiplier factors rounded to 6 decimal places**

2016 Q4	2017 Q1	2017 Q2	2017 Q3	Total
<b>0.441176</b>	<b>0.926471</b>	<b>0.152353</b>	<b>0.030000</b>	<b>1.550000</b>

#### Examples

**How much are quarterly Moffat Entry Capacity charges in the period October 2016 – September 2017?**

(a) How much does a MWh of short term Moffat Entry capacity cost for 2017 Quarter 1?

$$€367.786 \times 0.926 = €340.743 \text{ per MWh}$$

(b) How much does a MWh of short term Moffat Entry capacity cost for a 2017 Quarter 3?

$$€367.786 \times 0.030 = €11.034 \text{ per MWh}$$

### 3.4 Enduring Long term Proposal – Post 2016

GNI are proposing to embark on a process of developing quarterly tariffs. Currently the present monthly and daily tariffs are multiples of the annual tariff with:

- Annualised monthly tariff: 1.55 times annual tariff.
- Annualised daily tariff: 2.91 times annual tariff.
- Annualised within-day tariff: 2.91 times annual tariff

Quarterly tariffs will need to be developed and assessed within the context of the current multipliers with a view to producing a set of prices such that they are used where genuinely required.

GNI has commenced preliminary analysis to establish what these values could be. A number of different options are being examined to determine how the quarterly prices could be calculated. Analysis to be concluded would involve an assessment of options such as the sum of the monthly prices per quarter, daily prices per quarter and daily prices per quarter multiplied by a variable (multiplier).

It is clear from these early stages of analysis that establishing suitable quarterly price multipliers will involve an in-depth level of analysis, further development of a methodology and MS Excel spreadsheet development to execute scenario analysis. GNI also wish to examine and review other EU countries to compare their approach to the calculation of quarterly prices and also engage in consultations with industry.

It is envisaged that a six to nine month period will be required to carry out this work in order to establish a robust set of quarterly prices. Given the current time constraints for the March 16 Annual Auctions and that quarterly product prices for 16/17 should also be available prior to the annual auction GNI is proposing that an interim solution be adopted for 2016/17. GNI will then undertake the necessary work with the aim of establishing an enduring set of quarterly prices that will be implemented by the end of 2016.

## 4 Proposal Summary and Way Forward

Indicative annual and quarterly prices must be established in order to comply with EU regulations.

Proposal For 16/17 Indicative Annual tariffs at Moffat:

- GNI proposes 15/16 annual tariffs are used as indicative 16/17 annual tariffs.
- The 16/17 actual tariff will be calculated in the normal timeframe.

Proposal For 16/17 Quarterly auctions at Moffat:

- GNI proposes that 16/17 quarterly prices at Moffat will be the sum of the current monthly tariffs per quarter.

GNI will throughout 2016 establish enduring quarterly prices. This will involve significant analysis and consultation with industry.