

**MOTIVATED DECISION ON MULTIPLIERS, SEASONAL FACTORS
AND DISCOUNTS**

ARTICLE 28(2) OF TAR NC

June 2023

This document is prepared for printing on both sides.

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1 MOTIVATED DECISION ON MULTIPLIERS, SEASONAL FACTORS AND DISCOUNTS

Article 28(2) of Commission Regulation (EU) 2017/460, establishing a network code on harmonised transmission tariff structures for gas (hereafter: TAR NC), mandates to conduct every tariff period a consultation with the national regulatory authorities of all directly connected Member States. The consultation must cover multipliers, seasonal factors and the discounts set out in Articles 9(2) and 16 of the TAR NC. With the exception of the discounts set out in Article 9(2), this consultation is limited to Interconnection Points (IP) only, as required by the TAR NC, unless the national regulatory authority decides to extend the scope of Chapter III 'Reserve prices', from the TAR NC, to non-IPs. The only IP of Portugal is the Virtual Interconnection Point (VIP) Iberico.

ERSE, the Energy Services Regulatory Authority, sent on 5 April 2023 to the National Commission of Markets and Competition ('CNMC') a consultation on discounts, multipliers and seasonal factors, as required under article 28(2). On 25 April 2023, ERSE received CNMC's response, indicating that it had no comments. On 28 April 2023, ERSE also received the responses of the stakeholders that are consulted for the purpose of the proposal of tariffs and prices for the next gas year, which includes the topics covered under article 28(2). Having due regard of the response of CNMC, as well as the responses of the other stakeholders, ERSE publishes hereby its motivated decision on the issues covered by article 28(2). Given the absence of comments, ERSE's decision is identical to the proposal in the consultation.

1.1 MULTIPLIERS

The level of multipliers at VIP Iberico must comply with Article 13 of the TAR NC: for quarterly and monthly products they shall be no less than 1 and no more than 1,5; for daily and within-day products, they shall be no less than 1 and no more than 3¹.

Multipliers for quarterly, monthly and daily products have been constant since gas year 2013-2014. The multiplier for the within-day product has been constant since gas year 2016-2017. ERSE maintains the same multipliers for gas year 2023-2024.

¹ In duly justified cases, the level of the respective multipliers may be less than 1, but higher than 0, or higher than 3.

Table 1 - Multipliers for non-yearly standard capacity products at VIP Iberico, gas year 2023-2024

MULTIPLIERS OF THE TRANSMISSION TARIFF	
Entry points and exit points	
VIP Iberico	
Quarterly product	1,3
Monthly product	1,5
Daily product	2,0
Within-day product	2,2

Article 28(3)(a) of the TAR NC refers five criteria to take into account by the national regulatory authority when adopting its decision². ERSE considers that the current level of multipliers meets the five criteria for multipliers.

The first criterion, of a balance between short-term gas trade and long-term signs for efficient investment, is satisfied as market agents reserve capacity at VIP Iberico in the various horizons of capacity products, with a significant value for the annual horizon before the covid-19 pandemic. The multipliers for non-yearly standard capacity products should represent a balance between two opposite objectives. On the one hand, multipliers should be high enough such that long-term bookings are not discouraged as investments in transmission assets have a long-term perspective. On the other hand, multipliers should be low enough to avoid the creation of barriers for short-term bookings, which would hamper flexibility and the entry of new players into the market. Moreover, multipliers should increase as the duration of the product type decreases, encouraging capacity bookings that give greater predictability to the management of the system.

The second criterion, of the impact on revenue recovery, is ensured through the stability of the multipliers, which has allowed ERSE to estimate the use of VIP Iberico in the various time horizons with greater certainty, mitigating the risk of revenue deviations due to changes in multipliers.

In view of the third criterion, cross-subsidization between network users is avoided as the same multipliers are applied for the two supply entry points of the Portuguese system, represented by VIP Iberico and the LNG terminal in Sines. Since the same multipliers are applied for capacity products with the same duration

² The criteria are: (i) the balance between facilitating short-term gas trade and providing long-term signals for efficient investment in the transmission system; (ii) the impact on the transmission services revenue and its recovery; (iii) the need to avoid cross-subsidisation between network users and to enhance cost-reflectivity of reserve prices; (iv) situations of physical and contractual congestion; (v) the impact on cross-border flows.

across these two entry points, in the event of greater short-term volatility it is not expected that multipliers will be a determinant factor for gas supply to consider one specific entry point over the other.

In the fourth criterion, on situations of physical and contractual congestion, this situation is not applicable to Portugal since physical congestion has never been recorded at VIP Iberico, nor the application of risk premia in capacity auctions.

Finally, in the criterion related to cross-border flows, multipliers are considered to be neutral for cross-border flows, since the same multipliers are applied in both directions of VIP Iberico and on the other supply entry point (i.e. LNG terminal) of the Portuguese system.

1.2 SEASONAL FACTORS

Seasonal factors have not been applied at VIP Iberico, and are not going to be applied in gas year 2023-2024.

1.3 DISCOUNTS

The TAR NC requires consulting on discounts pursuant to Article 9(2) and Article 16.

Article 9(2) foresees the possibility to apply discounts at entry points from LNG facilities and at entry points from and exit points to infrastructure developed with the purpose of ending the isolation of Member States. The Portuguese tariff code does not establish such discounts for transmission tariffs. As such, said discounts will not be applied in gas year 2023-2024.

Article 16 of the TAR NC establishes the rules for discounts applied to reserve prices for standard capacity products of interruptible capacity. Until gas year 2020-2021 the Portuguese tariff code defined that the ex-post discount, pursuant to Article 16(4), would be applied by default to VIP Iberico as long as there was no interruption of capacity due to physical congestion in the preceding gas year³. Following the Tariff Council⁴ and TSO's concerns towards the ex-post discount, ERSE proposed in the 2021 regulatory review⁵

³ Should this occur then an ex-ante discount would be applied.

⁴ The Tariff Council is a collegiate body composed of different stakeholders (regulated companies, consumer associations, among others).

⁵ Consultation process from 19 January 2021 to 2 March 2021. Documentation available (in Portuguese) at ERSE's [webpage](#).

a more flexible framework for the discount applied to interruptible capacity. Under the new framework ERSE selects for every tariff period which discount to apply (ex-ante or ex-post), having to submit this choice to the Tariff Council, together with the overall tariff proposal for the next tariff period. Consequently, this information would also need to be submitted to CNMC, following the consultation requirements under Article 28(2) of the TAR NC.

In what regards gas year 2023-2024, ERSE maintains an ex-ante discount at VIP Iberico. This decision is grounded on the responses received during the regulatory review in early 2021. The TSO and the Tariff Council, which includes several stakeholders, have advocated for the use of the ex-ante discount. According to the TAR NC, the discount applied to interruptible capacity must be computed according to Article 16, with the percentage discount resulting from the following expression:

$$\text{Discount}_{\text{ex-ante}} = \text{Pro} \times A \times 100\% ,$$

where **Pro** is the probability of interruption and **A** is the adjustment factor, applied to reflect the estimated economic value of the type of standard capacity product for interruptible capacity.

Following a study presented by the TSO, which has to present to ERSE a proposal for the probability of interruption (**Pro**) and the adjustment factor (**A**), ERSE adopts the values presented by the TSO for these parameters, leading to the ex-ante discount presented in Table 2.

Table 2 - Ex-ante discounts for standard capacity products for interruptible capacity at VIP Iberico, gas year 2023-2024

		Probability of interruption	Adjustment factor	Ex-ante discount
		Pro	A	Discount _{ex-ante}
Entry point	Daily product	4,6%	1	4,6%
	Within-day product	4,6%	1	4,6%
Exit point	Daily product	4,6%	1	4,6%
	Within-day product	4,6%	1	4,6%

Some additional remarks are due. First, the probability of interruption (**Pro**) indicated in Table 2 is not an estimate of the likelihood of an interruption at VIP Iberico. The **Pro** factor represents the **likelihood of an interruption of the product for interruptible capacity**. Notice that interruptible capacity is only offered at VIP Iberico once firm daily capacity is totally booked. Therefore, in order for interruptible capacity to be offered

there must exist contractual congestion at VIP Iberico, with interruptible capacity corresponding to the idle capacity of the network users who booked firm capacity. Thus, even if one admits that currently the probability of observing an interruption at VIP Iberico is close to 0%, once interruptible capacity is offered due to contractual congestion, the probability of interrupting a product for interruptible capacity will be larger than that value. ERSE considers that probability to be equal to 4,6%, following a study prepared by the TSO (*'REN Gasodutos'*)⁶.

Secondly, due to the absence of concrete data on the interruption of interruptible capacity at VIP Iberico, the TSO has developed a theoretical model to obtain an estimate for the **Pro** factor. Since that model does neither distinguish daily from within-day products, nor the entry from the exit direction, the current analysis presents the same estimate for all products presented in Table 2.

Thirdly, this year's analysis by the TSO led to a probability of interruption (**Pro**) at VIP Iberico of 4,6%, identical to the value in gas year 2022-2023.

⁶ Available under the transparency requirements for transmission tariffs, according to article 29 of TAR NC, at ERSE's [webpage](#).