



Energy for  
generations

# **ESB GT response to NI GMO VRF Product and Tariff Methodology Consultation**

**10/01/2025**



## 1. INTRODUCTION

ESB Generation and Trading (ESB GT) welcomes the opportunity to respond to the NI GMO virtual reverse flow (VRF) product and tariff methodology consultation. This consultation is timely in the context of the potential for biomethane production and transportation in the gas system in Northern Ireland as highlighted by the Department of the Economy's call for evidence on biomethane production in May 2024. The utilisation of virtual reverse flow as a route to market for Northern Irish biomethane producers to monetise the value of their product under the Renewable Transport Fuel Certificates and thereby supporting the further development of this industry in Northern Ireland highlights the value in maximise the flexibility in the operation of the gas system and relate market arrangements. ESB GT supports the NI GMO's initiative in undertaking this consultation process and looks forward to continuing to work towards increasing the flexibility available to gas market participants in Northern Ireland

## 2. CONSULTATION QUESTIONS

### ***What are your views on the proposed dynamic method for determining the available VRF IP Exit Capacity?***

ESB GT supports the proposed dynamic method for determining the available VRF IP Exit Capacity. The proposal that at the Day Ahead stage the Transporter will typically base the PRISMA Daily Interruptible VRF IP Exit Capacity Auction on a minimum summer demand level is pragmatic and in the context of the historic appetite for VRF in the market should ensure sufficient VRF auction capacity is available to meet market requirements in the near term.

It is appropriate for the Transporter to retain discretion over the available VRF auction capacity on any given day with a view to ensuring the available VRF auction capacity is as close as practicable to the expected physical forward flow. It would be helpful if the Transporter were to disseminate to the market the operational factors and any related assumptions that resulted in the Transporter deviating from a minimum summer demand level.

### ***What are your views on the proposed approach to separating the registration application process and assessing the requirement for a VRF service at South North IP VRF Exit Point?***

ESB GT supports the proposal to adopt a wait and see approach in relation to progressing applications for registration at the South North VRF IP Exit Point further we consider the monitoring period of 60 days as reasonable to establish the sufficiency of a forward to justify the development of the related IT systems and processes.

Noting the need of implementation to be undertaken in conjunction with the Adjacent Transporter it would be welcome if the proposed approach could be agreed in advance between both the relevant Transporters and Regulatory Authorities.

***Do you have any concerns over the methods for offering and allocating VRF IP Exit Capacity before and during the Gas Flow Day?***

ESB GT supports the proposal to offer the VRF IP Exit Capacity as a daily product as both the day ahead stage on an unbundled basis on PRISMA and within day via the over nomination procedure. As the market for VRF capacity develops there maybe a case to offer longer duration products.

ESB GT suggests that within the over nomination procedure, in a scenario where there is insufficient available capacity to fulfil all over nomination at a given hour bar rather than the proposed approach to pro-rata the available capacity between all over nominations received. Instead, shippers that hold day ahead VRF capacity would be allocated capacity first in proportion to their day ahead capacity holding with any remaining capacity allocated to shippers without day ahead capacity on a pro rata basis. This proposal would help to incentivise shippers to participate in the day ahead process which should support the Transporters operational planning processes.

***Do you have views on the proposed approach to the interruption of VRF IP Exit Capacity?***

ESB GT welcomes the clarity provided in the consultation paper on the circumstances that could result in the interruption of VRF IP Exit Capacity. Where interruption was to be required, it would be helpful if the Transporter committed to publishing to the market the reasons for the interruption. This would allow the market to build a better understanding of the challenges faced by the Transporter and an assessment of the risk of further interruptions in the future.

ESB GT supports the proposal to apply a 'last in, first out' approach to the application of interruption to VRF capacity. As noted above, it is considered that this approach will incentivise participation in the day ahead process.

***What are your views on the relevant considerations for setting the tariff for VRF IP Exit Capacity? Are there any other considerations you would like to raise?***

*ESB GT believes that the consultation gives a thorough review of the relevant considerations for setting a tariff for VRF IP Exit Capacity. ESB GT supports the further development of the approach tariff setting so as to align more closely with the requirements under the TAR-NC (as transposed into UK legislation).*

ESB GT agrees with the proposal for an ex-ante rather than ex post discount to be applied in tariff setting given the level of VRF capacity utilisation on the system to date and the assessed low likelihood of interruption.

ESB GT requests clarity on the treatment of VRF IP Exit Capacity within the Year-End Postalised Charge. While the previous tariff was a fixed value of 0.0001 pence per day per kWh given that the proposed revised tariff will be discounted against the standard reserve price for the daily forward flow capacity product it would seem to follow that there would be calculate actual year-end postalised charges with related reconciliation payments for shippers utilising VRF capacity. This is

considered to be important given the proposal that the Transporter would include forecast VRF capacity bookings and flows in the calculation of tariffs.

***Do you support the proposed level of discount? If not, what level would you propose and why?***

ESB GT supports the proposed level of discount as it aligns with the values applied in adjacent systems and reflects a meaningful discount to the nominal tariff. As noted with the consultation the annual review and consultation process will provided for changes in market or system conditions to be reflected in level of discount applied in the future.

***Do you have any other relevant views or comments?***

No additional comments at this time.