Summary of Consultation Responses

VRF Product and Tariff Methodology Consultation

Version 1.0

August 2025

GMO Northern Ireland

Executive Summary

This document summarises the responses received to the VRF Product and Tariff Methodology Consultation, which sought stakeholder feedback on proposed changes to the approach for determining and offering Virtual Reverse Flow (VRF) capacity at Interconnection Points (IPs) and the associated tariff methodology.

Key areas covered include a dynamic method for calculating available VRF capacity, the proposed approach to its application at the South North IP, the structure and timing of capacity offerings, interruption procedures, and the proposed tariff structure.

Respondents broadly supported efforts to increase VRF capacity availability and improve alignment with EU network codes as transposed into UK legislation (TAR-NC and CAM), but raised concerns regarding cost implications, IT system readiness, capacity predictability, and the potential impact on the emerging biomethane sector in Northern Ireland. Several responses called for greater clarity, further stakeholder engagement, and a phased approach to tariff reform.

In response, the Transporter proposes to:

1) proceed with developing the necessary IT Systems functionality for CAM-related changes to introduce a dynamic process for determining the amount of available VRF IP Exit Capacity, and implement these as soon as possible subject to approval of the expenditure and regulatory approval of the necessary Code changes;
2) in the interim, consider whether a fixed increased amount of daily VRF Capacity could be made available;
3) delay the introduction of tariff changes to allow for further alignment with evolving biomethane policy.

This balanced approach aims to enhance system capability and compliance while supporting market development and stakeholder concerns.

Matter/Subject	Comments	GMO NI Response
Determining Available VRF IP Exit Capacity	ESB supports the proposed dynamic method to determine VRF capacity as it should ensure sufficient capacity is available to meet the market requirements. ESB think it would be helpful for the Transporter to share operational factors and assumptions that have led to the Transporter deviating from the minimum summer demand level. Evolve understands the benefit of the changes being proposed about increasing the availability of VRF capacity. Phoenix supports the method of determining VRF capacity highlighting that it mitigates the need for additional infrastructure. It also states that with the increasing congestion on the Scotland to Northern Ireland Pipeline resulting in the use of the Entry Point Switching Agreement, maximising biomethane injection will be advantageous to the NI gas market. Increasing the VRF capacity at Moffat is also supported. FEN agree that the current capacity arrangements should be reviewed. This is on the basis that a recent RFI completed by biomethane producers indicated a maximum of 951GWh per annum of biomethane may be injected into the network by 2026 should all respondents connect to the network. FES welcome the increase in capacity and the positive impact it will have towards improving the renewable gas market for all involved. However it is concerned	The Transporter welcomes the support expressed for the process for determining the available capacity. The request for sharing of operational factors and assumptions is noted and will be considered as part of implementing the procedures. In most cases, deviation from the summer minimum is likely to be upwards rather than downwards. Whilst it is unlikely that any detailed provision of information would be appropriate, it may be possible to provide regular information to Shippers in relation to how any deviation from summer demand levels is being dealt with by the Transporter. Whilst recognising the relevance to biomethane producers and their Shippers, it should be noted that the proposals are not aimed at the renewable gas market, but at achieving a greater degree of compliance with the TAR-NC and CAM, as transposed into UK legislation. The Transporter notes that interest in the amount of VRF capacity available has not come solely from the Shippers of biomethane producers. In relation to the dynamic method being used during a Gas Flow Day, firstly it reflects the central dependency on there being forward flow

Matter/Subject	Comments	GMO NI Response
	that the requirement for a dynamic method for calculation based on forward flow and demand may introduce uncertainty and fluctuations when the market requires stable and predictable capacity.	nominations. Secondly, it is designed to maximise the offer of VRF capacity each day, since within day the restriction on the amount is primarily the level of forward flow nominations which are actually received, rather than being artificially capped at any given level, during the day. For the Day Ahead VRF IP Exit Capacity Auction, because this takes place before forward flow nominations are received, it is necessary to define a capacity quantity which can be reliably depended upon, hence the summer minimum demand basis. As illustrated by the light blue lines in Fig.1 in the consultation, a summer minimum daily demand of say between 10,000 and 20,000 MWh/day is an order of magnitude bigger than the current maximum VRF quantity of 1,228 MWh/day.
	FEN suggest the over-nomination process could also introduce congestion, competition, delays, and reductions.	The proposed arrangements should therefore materially increase the amount of VRF capacity available, both at the day ahead stage, and then further during the Gas Flow Day. The over-nomination process has been designed to be as effective as possible for Shippers and to maximise the capacity offered. In the unlikely event it was needed, the timescales for interruption are aligned with the hourly nominations matching process, which all Shippers already have to work with, adjusting their portfolios to remain balanced. The NIBP trading platform also supports this process.

Matter/Subject	Comments	GMO NI Response
	FES also raises a concern that the IT system that would be required to facilitate this may also introduce integration, maintenance, and capacity allocation issues.	This should provide very high levels of confidence in the availability of capacity, for Shippers wishing to make use of the service. The need to develop the IT systems is set out in the paper, to ensure that they operate smoothly and that any integration issues are eliminated. Allocation issues are not expected, given there should be plentiful VRF capacity available.
Application at South North for VRF	ESB supports the "wait and see" approach towards progressing applications for South North VRF and regard the 60 day period as reasonable justification. Agreeing the approach for implementation of South North application between the Relevant Transporters and Regulators would be a good approach. FEN state that the "wait and see" approach and monitoring of forward flow nominations for 60 days is a "cumbersome and lengthy" approach. FEN are concerned that early expressions of VRF will not provide enough data to trigger IT system development and changes resulting in a delay for Shippers wishing to trade biomethane in ROI. It suggested a better mechanism for forecasting future demand at the South North would be to engage with biomethane producers and Shippers. FES understand the need for forward flow nominations to make VRF available. It suggests that Shippers who will apply for VRF exit capacity will be different to those applying for entry capacity and that this will make it difficult for those wishing to use VRF	The NI Transporter will seek further discussion and agreement with both the Adjacent Transporter and the Regulators in relation to the proposed approach to offering VRF service at the South North IP. This discussion will extend to the proposed "60 days" approach and whether or not any other engagement with interested parties should be sought. It is noted that no dedicated biomethane Shippers have responded to this consultation, and the NI Transporter already runs a 5-year forecast capacity and commodity process. Shippers can obtain information about nominations at the South North IP from the ENTSOG Transparency Platform. The Transporter needs to balance efficient expenditure on IT systems (in the interests of all Shippers and NI consumers) with the demand for those systems.

Matter/Subject	Comments	GMO NI Response
	to gauge the likelihood of forward flow to facilitate the level of VRF they require. FES also suggests that the 60-day forward flow forecast period and the 12-month lead time for IT development would result in impacting delays for Shippers and the market. Instead, it suggests pre-planning the required IT system, more clarity on the monitoring phase, a possible interim solution to avoid delays and potentially an alternative approach to overcome the mentioned challenges.	The scope to operate an interim solution will also depend on the support and agreement of all parties, but the NI Transporter will consider this possibility
Offer and Allocation of VRF IP Exit Capacity	ESB supports the offering of VRF as a daily product both day ahead and unbundled as well as within day via the over-nomination procedure. ESB believes there may be a case to provide a longer duration product as the market develops. ESB suggest that Shippers could be incentivised to book day ahead products by offering over nomination products first to those with day ahead products also. It suggests this would solve any issues which may arise if there are more nominations than available capacity. FEN suggests that biomethane producers will be transporting biomethane at a flat daily demand on a year round basis to match the consistent production. Using assumptions for the "minimum summer demand," FEN are satisfied that it will provide a sufficient level of availability to match injection demand. While FEN agrees that the dynamic availability method provides advantages, it is concerned that the consistent, flat demand by producers will be at risk. FEN has asked for other options to be made available to provide VRF as a predictable, manageable product (e.g. annual,	The Transporter notes the suggestion of a means to incentivise Shippers to participate in the day ahead auction. There will be a trade-off between systems complexity and cost. Since there is very low likelihood of there being insufficient VRF capacity available at any stage, including in any given hour, it is difficult to make the case at this time for additional IT expenditure and complexity. Nonetheless the suggestion is noted in case, over time, such issues did start to arise. As noted above, the quantity of VRF capacity being made available will exceed the total injection capability of biomethane producers in NI by a material margin for the currently foreseeable future. The nature of a VRF service, depending as it does on daily forward flow nominations, does not lend itself to being offered as a longer term capacity product. Whilst not impossible to achieve, any attempt to offer such a product would necessarily re-introduce

Matter/Subject	Comments	GMO NI Response
	quarterly, monthly) given that daily booking provides a degree of unpredictability. It acknowledges the benefits of daily products in topping up capacity but VRF is likely to be used consistently throughout the year. FES suggest that VRF capacity based on summer demand and forward flow introduces unpredictability and makes a stable, reliable capacity unachievable for producers. Tight timelines for day-ahead, within-day nominations and over-nominations add to this. FES state that producers require steady, firm capacity but relying on PRISMA auctions and overbooking capacity to achieve their required amount complicates this especially if producers are not successful in securing their requirements early enough. FES also believes that the volatility, administration burden and limited flexibility could introduce barriers to long-term investment and planning whereas more stable allocation methods with longer products would be more beneficial.	artificial restrictions on the amount which could be offered. As noted above, the operational timelines are consistent with the existing nominations and capacity booking arrangements for Shippers. The additional offer (compared to a firm capacity service) of an over-nominations process, also provides a highly flexible means of offering all the available VRF capacity. Therefore, there should be no need for concern over volatility or stability. It also offers greater flexibility to Shippers in optimising their costs associated with the VRF service.
Interruption of VRF	ESB welcomes the clarity over the circumstances which would result in VRF interruption and suggest publishing to the market the reasons in instances where interruption does occur. It has provided this recommendation on the basis that it would allow the market to understand the challenges faced by the Transporter and allow assessment of future interruptions. ESB supports the 'last in, first out' approach with the belief that it would incentivise early, day ahead booking.	The proposed arrangements are designed to maximise the offer of daily VRF capacity and, with forward flows materially exceeding the potential requirement (from biomethane Shippers and others) for VRF capacity, the likelihood of interruption will be exceedingly low. This was further discussed in relation to the tariff methodology in the Business Rules consultation. However, in order to provide a complete set of arrangements and to specify IT systems, it is necessary

Matter/Subject	Comments	GMO NI Response
	FEN states that the 45 minute lead time may be too short with producers working on tight production schedules or relying on stable and predictable capacity. FEN requests consideration is given for a firm VRF product due to the low likelihood of interruptions to provide reliable and predictable capacity for producers. FES accepts the likelihood of interruptions and that they are outside of the Transporter's control but comment that the 45-minute lead time may not be long enough to allow Shippers to adapt with producers relying on stable transportation. Highlighting that interruptions could impact producer ability to fulfil contract obligations FES emphasise the importance of interruptions being as predictable as possible, with advanced notice and a clear methodology for interruption. Additionally, FES references the higher costs that producers may incur trying to adjust their nominations at short notice in the event of an interruption. It agrees on the last in, first out approach to interruptions but considers this would disproportionally affect smaller Shippers. Following an interruption, FES agrees with the pro-rata nomination reduction to ensure a proportional share of the remaining capacity is available.	to specify a rule for the basis of interruption, and "last in-first out" is consistent with the overall approach for offering the capacity to Shippers. In the unlikely event of an interruption, the Transporter notes that it would be appropriate to provide information about the circumstances to the market. Lead times for interruption are dictated by the existing hourly nominations cycle, and any deviation from this would be more complex for Shippers who should be operating on this cycle already. Producers and Shippers face different risks in relation to injection and transportation of gas, and it is the role of Shippers to manage deviations from expected flow rates within the transportation system. Contracts between producers and their Shippers would typically reflect this.
Costings and Tariff	Hall's Pig Farm raised concerns over the increase in cost, commenting that to compete in a UK, Irish and European market, costs needed to be equal. United Renewables also raised concerns over the costings. United Renewables stated that the cost of	The Transporter notes concerns from biomethane producers and others over the increase in costs compared to today's level for VRF and has given this issue serious consideration. The Transporter shares concerns about the various cost obstacles faced by producers especially in the

Matter/Subject	Comments	GMO NI Response
	VRF to transport renewable gas would prohibit investment and limit additional site development. ESB agrees with an ex-ante tariff proposal due to the level of VRF capacity utilisation so far and the low likelihood of interruption. Additionally, it supports further development of the tariff setting approach so it aligns more closely with requirements under the TAR-NC. ESB raised concerns and request clarity over the inclusion of VRF within year-end postalised charge, the potential for reconciliation payments for VRF Shippers and the impact that forecasted VRF bookings would have on the calculation of tariffs. Evolve has raised concern with the proposal to increase the VRF tariff given "the infancy of the biomethane market in NI" and believe it is likely to have a negative impact on the existing biomethane market and any new producers who wish to connect. Evolve also believes that the consultation has not considered the "signal" that the changes will send to the biomethane market given that there is no government support available to biomethane producers in NI. It raises the slow development of the biomethane market in NI and believes the increased charges will impede further market development and introduce barriers to entry via financial burden. Evolve suggests that the proposal could see an increase from 17p per year to £200,000 a per year for 1200m3 per hour of biomethane injection. Phoenix raises the issue of costings and the impact increasing them will have on NI biomethane	context of network decarbonisation objectives, which the Transporter itself has set out. However, it considers that cost is a much wider issue for the biomethane market. The Transporter must be concerned with its responsibilities for compliance with existing legislation governing network capacity and tariffs. It is noted that the EU Renewable Gas Package (Directive (EU) 2024/1788 and Regulation (EU) 2024/1789), provides other tariff-means to support renewable gases, namely network tariff discounts where gas is evidenced to be renewable to the Transporter at the relevant Interconnection Point. Whilst recognising all the various challenges facing biomethane producers, it is not clear that the very limited VRF service has been the primary barrier to new producers seeking connection, not least since the cost has been effectively zero. Only a very small number of biomethane producers have connected to date, and the costs incurred in doing so are at least one order of magnitude greater than those which would be associated with higher future costs of the VRF service. Nonetheless, recognising that the potential increase for individual biomethane producers and their Shippers is non-trivial, and in response to the feedback from this consultation, the Transporter has considered phasing or delaying the implementation of the increase in costs for VRF.

Matter/Subject	Comments	GMO NI Response
	producers ability to access markets outside of NI but do agree that the current tariff is too low and provides "no material contribution for use of the NI transmission network." Phoenix has also provided a similar example of a 40GWh/annum injection costing 16p per year increasing to approximately £190,000 per year. Phoenix supports the need to comply with the TAR-NC but question whether a legal opinion on whether the TAR-NC can be deviated from could be sought, and in particular on whether the changes are aligned to the NI Climate Change Act or in the public interest. Phoenix provided feedback from biomethane producers who feel that the increase will impact their current business plans, put a stop to further connections and costs may outweigh any benefits provided by the proposal. FEN considers the inclusion of VRF revenue forecasting when setting the tariff and year-end reconciliation process appropriate. FEN state that the tariff for VRF should not "disincentivise" Shippers from using the product and that the tariff should support improving market conditions while maintaining affordability. It assumes that if there is enough VRF capacity throughout the year then seasonal multipliers should not be applied and the product could be priced in line with the annual tariff. FEN states that the ex-ante discount approach provides clarity and stability for Shippers, particularly smaller ones. Similarly to Phoenix and Evolve, FEN has provided an example of how the increased cost may affect a producer. Injecting 1500m3 per hour would increase the producers cost to £459,784 using the current tariff	Given the lead time for project implementation, any phasing of increases of costs would likely peak at the point at which new producers would be coming online. Therefore, a phased approach is not considered to be materially helpful. Given the early stage of development for the biomethane market in NI and the comments received the Transporter has concluded that the best way to balance its responsibilities to improve compliance with TAR-NC and CAM (both as transposed) with the need to support the development of the biomethane market, is: 1) to implement the CAM arrangements as soon as possible but 2) to delay the TAR-NC implementation and review the tariff changes in parallel with ongoing biomethane policy development. Despite this delay, tariff changes are still expected at a future date. The Transporter intends to proceed with next steps towards implementing the CAM arrangements, subject to regulatory approval of the necessary Code changes (to follow) and associated systems expenditure to provide the over-nomination service. The timeline for implementing such changes is yet to be confirmed.

Matter/Subject	Comments	GMO NI Response
	or £182,588 if it were an annual product instead. An annual pricing difference based on 851GWh per annum when using a daily compared to an annual product was estimated at £1.8m in difference. FEN concludes its pricing concerns by suggesting that more time is required to consider the tariff and given the commercial importance to producers, it is not something that should be rushed but priority given to consulting with producers directly. FES accepts that the current tariff is low but state that a significant increase could hinder development as biomethane producers have used the current lower tariff as their basis for investment calculations. FES suggests that any changes to the tariff should promote growth of the local biomethane market, facilitate integration into the gas network, enhance the overall energy system and drive sustainability and in the absence of incentives, tariff changes must not add additional barriers to market development. Evolve raises the slow development of the biomethane market in NI and believes the increased charges will introduce barriers to entry via financial burden. Evolve has suggested a transitional approach to VRF implementation spanning several years, using the already implemented annual tariff review process, and softening the impact on producers while still allowing GMO to proceed with IT changes in the background.	In the interim, an increase in the fixed amount of VRF IP Exit Capacity is being considered. The Transporter acknowledges that, as a consequence of this approach compared to the initial proposal, producers and their respective Shippers, will not be provided with relative certainty over their future costs, which may impact their efforts to seek finance for their projects However, by making changes to the service as soon as possible, it should provide producer confidence that there will be a reliable VRF service which maximises the capability provided by the transportation system to move from NI into its neighbouring networks. This approach also provides the basis and opportunity for future regulatory consideration of whether specific tariff discounts for biomethane could be offered, perhaps aiming for consistency with the approach in the EU Renewable Gas Package.
Tariff Discount	ESB agree with the tariff discount based on alignment with values applied in adjacent systems.	The Transporter notes the concern over the overall relative effect of the increase in the tariff, as discussed

Matter/Subject	Comments	GMO NI Response
	Phoenix understand the rational in aligning the discount to neighbouring markets but feel this is immaterial when accompanied with increasing the tariff. Compared to GNI's tariff, the same 40GWh/annum mentioned previously would cost approximately £63,000. Phoenix suggest that the discount could further weaken NI's competitiveness as a biomethane market and impact project progression. FES agree with the ex-ante approach to tariff discounts.	above, and welcomes the support for the proposed discount level, alignment with neighbouring systems and the ex-ante approach. However, as noted above, the Transporter now proposes to delay implementation of any tariff changes.
Other Comments	ESB regards the consultation as timely given the call by the Department of the Economy for evidence on biomethane production in May 2024. Evolve believes that the consultation has not considered the "signal" that the changes will send to the biomethane market given that there is no government support available to biomethane producers in NI. Phoenix recommends engagement with biomethane producers as an essential step in the process and believes it is a required step under the PTL and GNI (UK) licence obligations. In anticipation of the publication of the NI Biomethane Policy, Phoenix believes the proposal and process should be postponed. The policy is expected in 2025. FEN believes that any changes or developments introduced should consider wider biomethane policy, enable the growth of the local biomethane market,	The Transporter notes concerns over the wider impact on the biomethane market, and the signals which may be perceived by producers. It recognises the challenge of attempting to address the availability of VRF capacity and compliance with TAR-NC and CAM (both as transposed) in advance of NI Biomethane Policy. As noted above, the Transporter considers that it should proceed with preparation for the CAM changes, i.e. develop the Code Modification proposal and make appropriate preparations for the systems changes to introduce the dynamic calculation of the available VRF capacity. The Code Modification proposal consultation would offer a formal opportunity for Shippers, and all interested parties to provide views, and will ultimately be subject to a regulatory decision.

Matter/Subject	Comments	GMO NI Response
	support the integration of biomethane into the network, enhance the overall energy system and promote sustainability. Finally, any changes should not present further barriers to potential markets. It is committed to increasing the availability of VRF capacity but growth should not inadvertently create barriers to entry.	It is now proposed that the timescales for TAR-NC changes should align with the anticipated emerging view on NI Biomethane Policy.