

# UNC 0667

## Inclusion and Amendment of Entry Incremental Capacity Release NPV test in UNC



**Proposer:** South Hook Gas Company Ltd.

**Panel Date:** 18<sup>th</sup> October 2018

# Why change?



- South Hook Gas are current applicants under an existing PARCA, with Phase 1 expected to complete in October 2018. Following the completion of Phase 1, South Hook Gas have 28 days (as per UNC TPC Section B 1.17.4) to pass the Entry Incremental Capacity User Commitment test (referred to as the "NPV Test") and move into Phase 2.
- Issues have been identified with the NPV Test which restrict users ability to pass the NPV test, however suggested changes to these arrangements cannot be triggered by a party outside of NGG.
- The NPV Test does not sit within the UNC, however it is part of the PARCA process which does, and cannot be amended by a party outside of NGG.
- The only way for the NPV test to be amended is by NGG triggering a methodology review, as it sits within the Entry Capacity Release Methodology. The Methodology is only required to be consulted once every two years.
- Therefore it is more appropriate to insert the NPV Test, along with the proposed changes, into the UNC to allow for changes to be triggered by parties outside of NGG. This also ensures that any changes follow a transparent governance process which aims to ensure any changes further the relevant objectives.

# Solution



- This Modification proposes to insert the NPV Test into Section B in the UNC alongside the PARCA arrangements
- Alongside the inclusion into the UNC this Modification proposes to make the following amendments to the NPV Test
  - Allow for an Incremental Capacity Premium to be calculated and applied on top of the reserve price (as provided for at IPs following implementation of Mod 611)
  - Submission of an incremental capacity profile ahead of the second NPV Test (at the end of PARCA Phase 2)
  - Recalculation of the Incremental Capacity Premium ahead of the second NPV Test
  - Require a least four separate years of incremental capacity signals
  - Fix the project value for the duration of the PARCA application at the end of PARCA Phase 1

# Recommended Steps



- The Proposer recommends that this modification should be:
  - Considered a material change and not subject to self-governance. The solution changes the payable price for capacity and could also impact competition and the contractual regime
  - Workgroup assessment to develop the modification and send the Draft Modification Report back to Panel for 17<sup>th</sup> January (3 months development)