

UNC Workgroup 0869
Revision to the Calculation Methodology of the Security Amount for
Planning and Advanced Reservation of Capacity Agreement
(PARCA)

Tuesday 07 May 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Adam Bates	(AB)	SEFE Marketing & Trading
Adaeze Okafor	(AO)	Equinor
Alex Nield	(AN)	Storengy UK
Amy Howarth from 10:17	(AH)	Storengy UK
Andrew Pearce	(AP)	BP Gas Marketing
Anna Shrigley	(AS)	ENI
Ash Adams	(AA)	National Gas Transmission
Carlos Aguirre	(CA)	Pavilion Energy
Colin Williams	(CW _i)	National Gas Transmission
Chris Wright	(CW)	Exxon Mobil
Christiana Sykes	(CS)	EON Energy
David Bayliss	(DB)	National Gas Transmission
Donald Lam	(DL)	Ofgem
Emma Robinson	(ER)	EON Energy
Jeff Chandler	(JC)	SSE
Julie Cox	(JC _x)	Energy UK
Kieran McGoldrick	(KMc)	National Gas Transmission
Kirsty Appleby	(KA)	National Gas Transmission
Lauren Jauss	(LJ)	National Gas Transmission
Mariachiara Zennaro	(MZ)	Centrica
Marion Joste	(MJ)	ENI
Nick Wye	(NW)	Water Wye Association
Nigel Sisman	(NS)	Sisman Energy Consultancy Limited
Pavanjit Dhesi	(PD)	Interconnector
Richard Fairholme	(RM)	Uniper
Ritchard Hewitt	(RH)	Hewitt Home and Energy Solutions
Tim Gwinnell	(TG)	South Hook Gas

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 2024.

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0869/070524>

1. Introduction and Status Review

Eric Fowler (EF) welcomed delegates to the meeting. Nigel Sisman (NS) requested that when Workgroup go through the discussions for this Modification, to ensure that the following are made clear:

- a) What costs are to be recovered; and
- b) In the event PARCA gets terminated, how is the amount the applicant has to pay, determined?

1.1. Approval of Minutes (02 April 2024)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

There were no late papers to approve.

1.3. Review of Outstanding Actions

There were no Outstanding Actions to review.

2. Development of Workgroup Report

It was agreed amongst Workgroup that it was too early in the process to discuss the Workgroup Report. This agenda item was therefore deferred for further discussion at the next meeting.

3. Presentation slides on Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA)

Kieran McGoldrick (KMc) provided an overview of the presentation slides which include the actions from the previous discussion, highlighting that the Modification is designed to provide consistency, clarity and equality.

The presentation included statements made in relation to Milford Haven.

DB commented that in terms of the cash flow and loan impacts, each project is unique, it is therefore hard to address the question directly. KMc highlighted that there does not appear to be any further entry projects in the pipeline.

Workgroup discussed KMc's point in which he advised that no termination fees have been paid. Julie Cox (JCx) advised that she has been keeping a record of these and notes that she recalls a number of instances where termination fees have been paid, with some dating back to 2018, which KMc confirmed were within the remit of PARCA existing. Jeff Chandler (JC) confirmed this information. In light of this contradicting information presented, KMc advised that he would revert to colleagues to investigate. JCx queried where this money is going if the termination fees are not being captured by NGT. KMc advised that it would feed into the allowed revenues.

NS advised that he had 2 questions in relation to the point that these costs feed into revenues: 1) Which costs are being discussed in relation to Phase 2, adding that this is in relation to the assumption that Phase 2 is still prior to what is referred to as the "major construction" phase which will come into play once capacity has been confirmed and booked by way of the normal process. 2) Who is paying, who is protected and whether there is any interaction allowed with regulated revenues.

KMc advised that something will be collated for the next meeting to articulate the costs included, currently this is a desktop activity rather than a construction activity which is why the costs are substantially lower than if an investment was made. In terms of when it should impact allowed revenues, this is likely to apply when the termination amount is smaller than the costs, the difference will be picked up by the community.

Workgroup discussed the fact that the process has not changed but the value has. JC advised that the initial introduction of the fees was in relation to financial commitment to preserve capacity and to avoid gaming. It is accepted that a security and recovery of costs is appropriate if a project is terminated.

Workgroup discussed the methodology, with Colin Williams (CWi) suggesting the option of revisiting this and raising questions in relation to the underlying principals. JCx advised that the averaging proposal is to ensure that the costs reflected are considered. JCx further added that Workgroup are aware that the Modification is not querying whether the methodology is still correct and as such, raised to Workgroup whether consideration will be given to considering whether the methodology is still appropriate or whether an adjustment is to be proposed.

Workgroup discussed the termination fee and the relevant calculation, with KMc advising that this is counted from Phase 2 of PARCA starting. Nick Wye (NW) queried whether the termination fee is the correct level and whether it is reflective of the costs incurred. A further consideration at the time of the creation of PARCA was that people shouldn't be paying different amounts.

Please refer to the presentation slides published for further details.

[Mod 0869 presentation 7 May 2024](#)

4. Next Steps

EF advised that the next steps for Workgroup will be a review of the Workgroup Report. EF advised that if Workgroup think more time is required, he is happy to request an extension from Panel. CWi confirmed this would be an appropriate approach given the amount of work that has been created further to the discussions from this Workgroup meeting. EF advised he would request an extension from Panel to August.

5. Any Other Business

KMc advised that the contact email addresses on the presentation slides was incorrect. The migration has now taken place and any emails sent to the old email address will not be auto-forwarded. The @nationalgas email address should be used.

6. Diary Planning

Workgroup 0869 meetings are listed at: <https://www.gasgovernance.co.uk/0869>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Tuesday 04 June 2024	5pm Friday 24 May 2024	Microsoft Teams	Conclusion of Workgroup Report