

**UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT****SECTION B – SYSTEM USE AND CAPACITY**

*TPDB paragraphs 1.17.7 and 1.17.8 will be deleted and replaced with the following new paragraphs 1.17.7 and 1.17.8. New paragraphs 1.17.9, 1.17.10, 1.17.11, 1.18, 1.19 and 1.120 will be inserted as set out below. Existing paragraphs 1.18, 1.19 and 1.20 will be renumbered 1.20, 1.21 and 1.22 respectively.*

- 1.17.7 Before the Phase 1 PARCA Works Report sets out the capacity to be reserved, the PARCA Applicant shall amend its PARCA Application so that it meets the requirements of either paragraph 1.17.8 (a) or (b), unless its PARCA Application already meets the requirements of paragraph 1.17.8 (a) or (b).
- 1.17.8 If the NTS Entry Capacity for which the PARCA Applicant applies will (as a result of the type of NTS Entry Capacity that National Grid indicates is available at the Entry Point):
- (a) comprise in part, or all, Incremental NTS Entry Capacity, the PARCA Applicant shall apply for Incremental NTS Entry Capacity in, at least, one calendar quarter in, at least, four out of the eight 12 month-periods commencing at the start of the first calendar quarter in respect of which the PARCA Applicant is applying for capacity (the “**PARCA Period**”);
  - (b) not comprise any Incremental NTS Entry Capacity (other than Incremental NTS Entry Capacity that is discretionary), or comprises in part, or all, Incremental NTS Entry Capacity, all of which can be provided through substitution, the PARCA Applicant shall apply for NTS Entry Capacity in, at least, 16 Quarters within the PARCA Period.
- 1.17.9 The amount of capacity which National Grid shall invite the PARCA Applicant to reserve in the Phase 1 PARCA Works Report shall include an “**Incremental Release Quantity**” determined by:
- (a) identifying the four Quarters in which the amount of NTS Entry Capacity for which the PARCA Applicant has applied which is above the amount of remaining Unsold NTS Entry Capacity in the relevant Quarter, is greatest
  - (b) identifying in which of those four Quarters the amount by which the NTS Entry Capacity for which the PARCA Applicant has applied exceeds the remaining Unsold NTS Entry Capacity in the relevant Quarter is least;
  - (c) identifying every Quarter in which the amount of NTS Entry Capacity for which the PARCA Applicant has applied that exceeds the Unsold NTS Entry Capacity in the relevant Quarter is equal to or less than the amount in (b) above;
  - (d) aggregating the amounts in each of the Quarters identified in (b) and (c) above.

1.17.10 National Grid shall have discretion to invite the PARCA Applicant to reserve an amount of capacity in the Phase 1 PARCA Works Report equal to the amount of NTS Entry Capacity for which the PARCA Applicant is applying in each Quarter above the Incremental Release Quantity that Quarter.

1.17.11 Reservation of NTS Capacity will occur where a PARCA has been entered into by the PARCA Applicant and National Grid NTS and any conditions to the reservation of capacity in the PARCA have been satisfied.

#### 1.18 Incremental Capacity Premium determination before capacity reservation

1.18.1 Before NTS Entry Capacity is reserved for a PARCA Applicant, National Grid NTS will determine the net present value of the revenue (the “**Incremental Revenue**”) to which it would be entitled if the Incremental Release Quantity for which PARCA Applicant is applying were allocated to it using the following formula:

$$NPV = \sum_{Q=1}^{32} R_Q$$

Where:

NPV = the net present value of the Incremental Revenue

Q = the number of Quarters in respect of which the PARCA Applicant has applied for NTS Entry Capacity; and

R<sub>Q</sub> = the Incremental Revenue in each Quarter in respect of which the PARCA Applicant has applied for NTS Entry Capacity determined by:

R<sub>Q</sub> = Incremental Capacity Requested in each Quarter in respect of which the PARCA Applicant has applied for NTS Entry Capacity x number of days in each relevant Quarter x the applicable reserve price x (1-Discount)<sup>Q-1</sup>

Discount = 5.05% plus inflation determined in accordance with Ofgem’s Price Control Financial Model

1.18.2 If the net present value of the Incremental Revenue determined under 1.18.1 is less than 50% of the Estimated Project Cost National Grid NTS shall calculate an “**Incremental Capacity Premium**” which shall be payable by the PARCA Applicant in respect of the requested Incremental Release Quantity plus the requested Unsold NTS Entry Capacity. The Incremental Capacity Premium shall be calculated using the formula in paragraph 1.18.1 adjusted so that:

NPV = the net present value of the Incremental Revenue + revenue from the Incremental Capacity Premium applied to the Incremental Release Quantity + the Unsold NTS Entry Capacity.

and so that R<sub>Q</sub> includes an Incremental Capacity Premium set at the minimum amount required so that the NPV is greater than, or equal to, 50% of the Estimated Project Cost.

1.18.3 National Grid NTS shall, before any NTS Entry Capacity is reserved for a PARCA Applicant, inform the PARCA Applicant of any Incremental Capacity Premium which will be payable by it if it elects to enter into a PARCA in respect of its PARCA Application.

1.18.4 If the net present value of the Incremental Revenue is equal to, or greater than 50% of the Estimated Project Cost, National Grid NTS shall, before NTS Entry Capacity is reserved for a PARCA Applicant, inform the PARCA Applicant that no Incremental Capacity Premium will be payable by it if it elects to enter into a PARCA it in respect of its PARCA Application.

**1.19 Incremental Capacity Premium determination before capacity allocation**

1.19.1 Before the allocation of any NTS Entry Capacity which the PARCA Applicant has reserved, National Grid NTS will repeat its determination of the net present value of the Incremental Revenue to which it will be entitled from this capacity by applying the formula in paragraph 1.18.1, provided that the inputs to the formula shall reflect any change in:

- (a) the profile of the NTS Entry Capacity reserved by the PARCA Applicant under clause 4 of its PARCA Agreement provided further that this profile shall not be changed such that the requirements of paragraph 1.17.8(a) are no longer met;
- (b) the Estimated Project Cost; and/or
- (c) the applicable reserve price.

1.19.2 If the net present value of the Incremental Revenue before allocation is less than 50% of the Estimated Project Cost National Grid NTS shall recalculate the Incremental Capacity Premium in accordance with paragraph 1.18.2 but reflecting any changes referred to in paragraph 1.19.1 (a), (b) or (c).

1.19.3 National Grid NTS shall, before allocation, inform the PARCA Applicant of any Incremental Capacity Premium which will be payable by it if it is allocated the NTS Capacity for which it has applied.

1.19.4 If the net present value of the Incremental Revenue calculated under paragraph 1.19.1 is equal to, or greater than, 50% of the then prevailing Estimated Project Cost National Grid NTS shall, before allocation, inform the PARCA Applicant that no Incremental Capacity Premium shall be payable by it if it is allocated the NTS Capacity for which it has applied.

1.19.5 For the purposes of paragraph 1.18.2 the “**Estimated Project Cost**” will be the prevailing ‘estimated project value’ of the Incremental Release Quantity calculated in accordance with the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y Part A1) provided that the Estimated Project Cost calculated before reservation will, when applied before allocation, be adjusted for inflation, in line with the Retail Price Index (RPI) in accordance with the following formula:

$$(PC_{adj}); PR_{adj} = PC_{Phase 1} \times RPI_{adj}$$

where:

$PR_{Phase 1}$  calculation of the Estimated Project Cost before reservation.

$RPI_{adj}$  means the index used for adjustment. It is calculated using the following formula:

$$RPI_{adj} = RPI_{Phase 2} \times RPI_{Phase 1}$$

where:

RPIPhase 1 is the arithmetic average of the Retail Price Index published for the 12 months prior to the calculation of the Estimated Project Cost before reservation.

RPIPhase 2 means the arithmetic average of the Retail Price Index published for the 12 months prior to the calculation of the Estimated Project Cost before allocation.

*TPDB paragraph 2.11.3 (a)(ii) shall be amended as follows:*

2.11.3 The Applicable Daily Rate shall be.....(a) in respect of Quarterly NTS Entry Capacity.....(ii) applied for, reserved and registered under a PARCA pursuant to paragraph 1.14 the applicable price as set out in the relevant Transportation Statement **plus any Incremental Capacity Premium payable (calculated under TPD B paragraphs 1.17, 1.18 and 1.19).**

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### **SECTION Y – CHARGING METHODOLOGIES**

*Add at the end of the section headed “Incremental Entry Capacity Step Prices” set out over pages 17 and 18:*

An Incremental Capacity Premium may be payable under TPD B paragraphs 1.17, 1.18 and 1.19