

St Fergus:

**Future Charging discussion
ahead of investment options**

1st February 2022



Background

RIIO T2 – Reopener

- Encouraged by Ofgem to explore options and gather feedback on how costs could/should be recovered

Initial Consultation and report

- <https://www.nationalgrid.com/uk/gas-transmission/st-fergus-consultation>

Approach following consultation

- To focus on five areas to give opportunities on potential charging arrangements. The next slide gives a simplified overview of the proposed approach to help the discussions on each area related to charging.

Final Option Selection Report

- Due to report to Ofgem Q4 2022

Draft Discussion Matrix

St Fergus Discussion Matrix			
	Full Socialisation	Degrees of Targeting	Targeting
	None	To be discussed	NSMP Entry
Scope of Charges	Which works are included in the charges and scope of Targeting		
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Cost Recovery	Options for how charges could be recovered, and which users will be responsible		
Under/Over Recovery Process	Reconciliation of recovered charges against costs		
Timescales	Timing of charging/recovery		

Next Steps

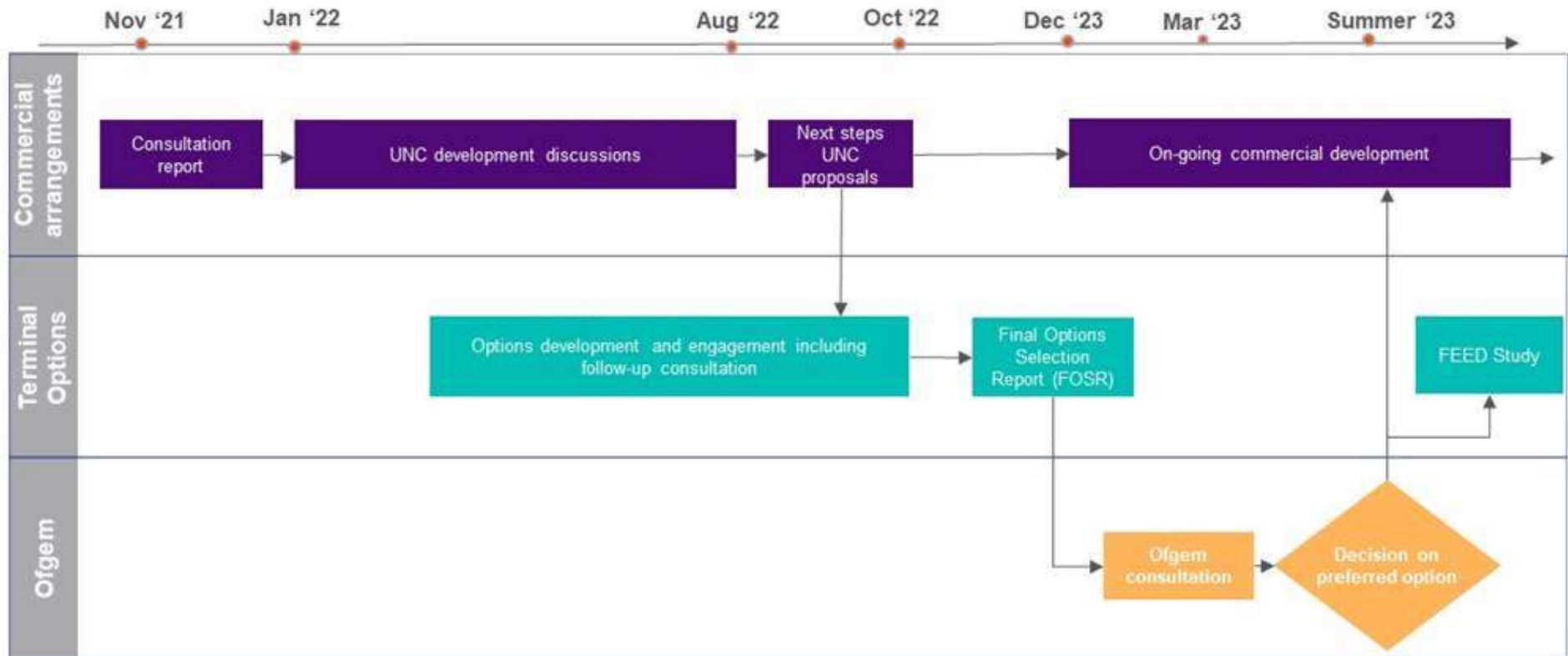
NTSCMF Discussions

- Proposed to continue for the next five months
- Playback of discussions to workgroup in August

Commentary fed in to Final Option Selection Report

- At this stage there is no preferred option
- All opinions will be considered
- NG may express a preference in the FOSR but this should not be considered to be a final position in terms of any potential future modifications

Timeline



UNC proposal(s) may or may not be required

St Fergus:
Scope of Charging

1st March 2022



Draft Discussion Matrix

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Background

Current St Fergus Compression Charge

- Levied initially at NSMP sub-terminal
- Imbalance recovered via socialised charge
- Covers costs related to running of Compressors
 - i) Energy Costs
 - energy requirement is satisfied through wholesale gas purchases at the UK NBP and electricity purchases under an electricity retail contract.
 - ii) Carbon Costs
 - associated with emissions from the gas and electric compressors are regulated through the EU Emissions Trading Scheme (EU ETS) and Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES) respectively.
 - iii) TNUOS Costs
 - electric compressor is subject to TNUOS charges based on consumption levels over TRIAD periods.
 - iv) Other Electricity Costs
 - Under the electricity retail contract the supplier will invoice for the St Fergus electric compressor separately. This invoice will include non energy charges in addition to the energy and TNUOS charges

Background

RIIO T2 Re-opener:

- Reopener application due in 2025
- Expectation that options for cost recovery fully explored prior to decision
 - A proposed solution, which may or may not require a UNC Modification, could be required to inform the reopener decision, and so we need to begin discussions early rather than delaying.
- Allowance for Final Option Selection Report (FOSR) costs included in allowances for 2021/22 - *Special Condition 3.11 Compressor emissions Re-opener and Price Control Deliverable (CEP_t and $CEPRE_t$)

Site	Output	Delivery date	Re-opener application window	Total allowance (all years) (£m)
Hatton	Emissions compliant compressor procured for 41MW mechanical output power	03/2025	N/A	65.40
Wormington	Final Option Selection Report	05/2022	11/2024	14.38
King's Lynn	Final Option Selection Report	10/2022	04/2025	14.38
St Fergus	Final Option Selection Report	12/2022	06/2025	20.08
Peterborough & Huntingdon	Final Option Selection Report	12/2022	06/2025	9.65

Starter for 20.08m (£):

- Final Option Selection Report (FOSR) Costs
 - These are currently being socialised

Should we reconcile and target at a later date or are Users comfortable with these costs remaining socialised?

Consultation - We asked:

Cost targeting

6. In terms of the costs that should be reflected in the charge, do you think this should cover all of the following or specific categories?

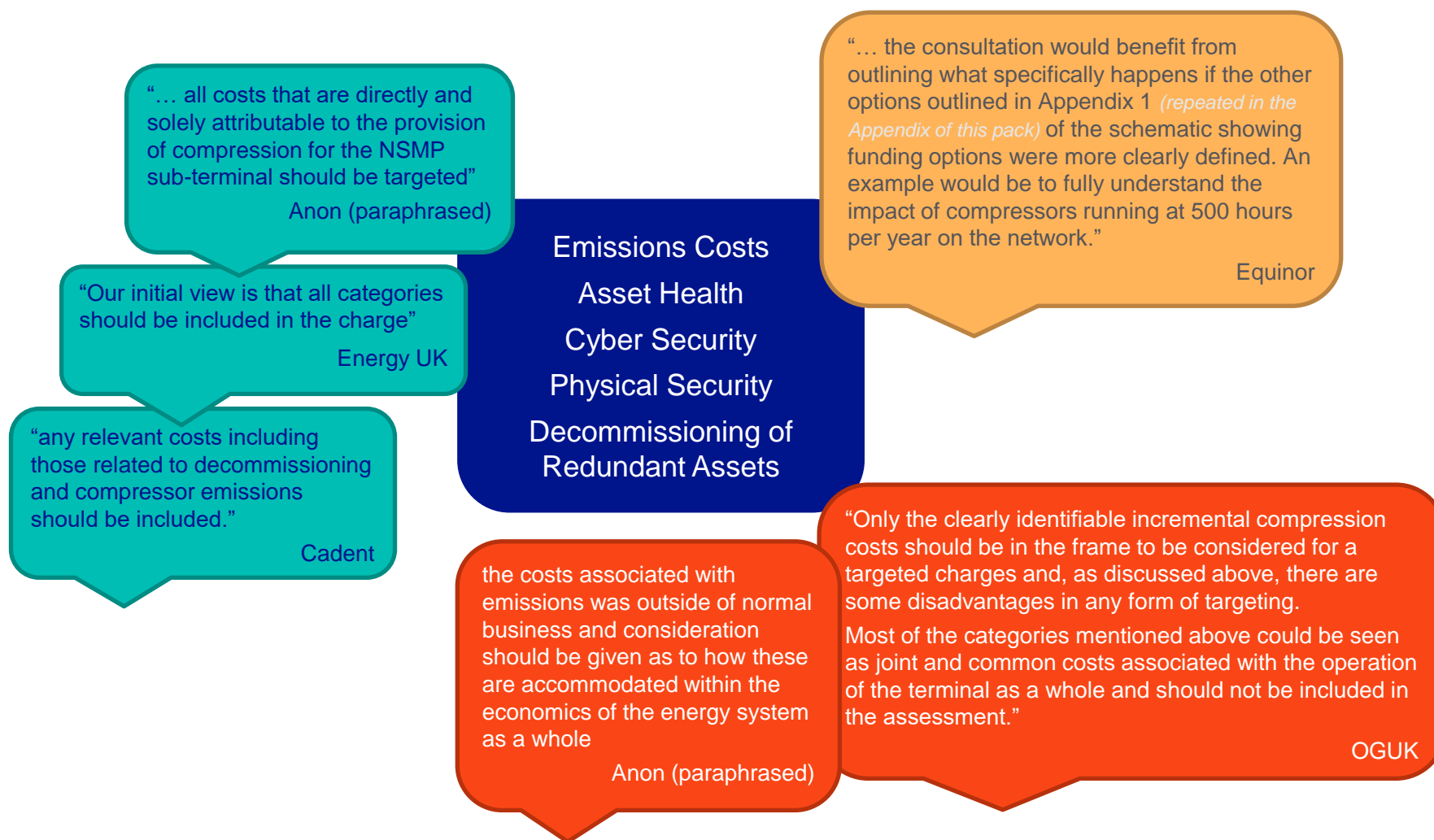
- Cost categories are:
 - emissions driven
 - asset health
 - cyber security
 - physical security and
 - decommissioning of redundant assets

Please give your reasoning for your answer, including which categories

Consultation - You told us (summary):

- Respondents views:
 - Of those against targeted charging two respondents felt that none of the categories should be included and another respondent felt that the costs associated with emissions was outside of normal business and consideration should be given as to how these are accommodated within the economics of the energy system as a whole.
 - One respondent felt that only the clearly identifiable compression costs should be in the frame for targeted charges the other categories could be seen as joint and common costs associated with the operation of the terminal as a whole and should not be included in the assessment.
 - A similar comment was received from another respondent such that all costs that are directly and solely attributable to the provision of compression for the NSMP sub-terminal should be targeted.
 - Another respondent felt it was difficult to be specific but any relevant costs including those related to decommissioning and compressor emissions should be included.
 - One respondent felt that their initial view is that all categories should be included in the charge.

Consultation - You told us



Consultation - We said:

- NGG Response:
 - Of those that supported targeting there is a general consensus that the costs to be targeted should at least cover those that are clearly identifiable supporting compression for the NSMP sub-terminal.
 - The intention is that this will be taken forward for further discussion in industry forums.

Targeting principles

Does targeting still have a place in the Charging Regime?

Are there any wider impacts on Transportation Charges to consider?

Does the significance of St. Fergus continue to warrant targeting of charges?

Emissions Costs

Currently targeted via St. Fergus Compression Charge.

Comments both for and against this in the consultation response.

To what extent should these elements be socialised or targeted?

Physical Security

Relates solely to site.

However, damage to site could impact flow of gas to network, is some element of socialisation required?

Would other St Fergus Terminals pick up the slack?

Asset Health

Relates primarily to site.

However, any downtime caused by maintenance at site could impact flow of gas to network.

Is some element of socialisation required?

Cyber Security

St. Fergus would be connected to GNCC which controls the entire network.

Would socialised costs be appropriate given that all points are interconnected and the safety of one helps ensure the safety of all?

Decommissioning of Redundant Assets

Only relevant to NSMP, no impacts on any other areas of the network.

Should this be targeted?

Gas Transmission

St Fergus:

Scope of Charging

Follow Up

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Compressor Emissions Price Control Deliverable (CEPt)

CEPt totals £123.9m

Site	Output	Delivery date	Re-opener application window	Total allowance (all years) (£m)
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Wormington	Final Option Selection Report	05/2022	11/2024	14.38
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Breakdown & Phasing of the £20.08m

	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
Front-End Engineering & Design	1.05	1.99	1.09	0.93	
Long Lead Items			15.00		
	5%	10%	80%	5%	0%

Gas Transmission

St Fergus: Allowances

5th April 2022

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	Full Socialisation	Degrees of Targeting	Targeting
	None	To be discussed	NSMP Entry
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How Allowances translate in to Prices

- Allowed Revenue
 - In to pots
- Translated in to Gas Year
- Reference Prices Calculated

Allowances and Reserve Prices

Current Approach

Funding granted under the reopener will feed in to Transmission Operator Allowances via CEPREt

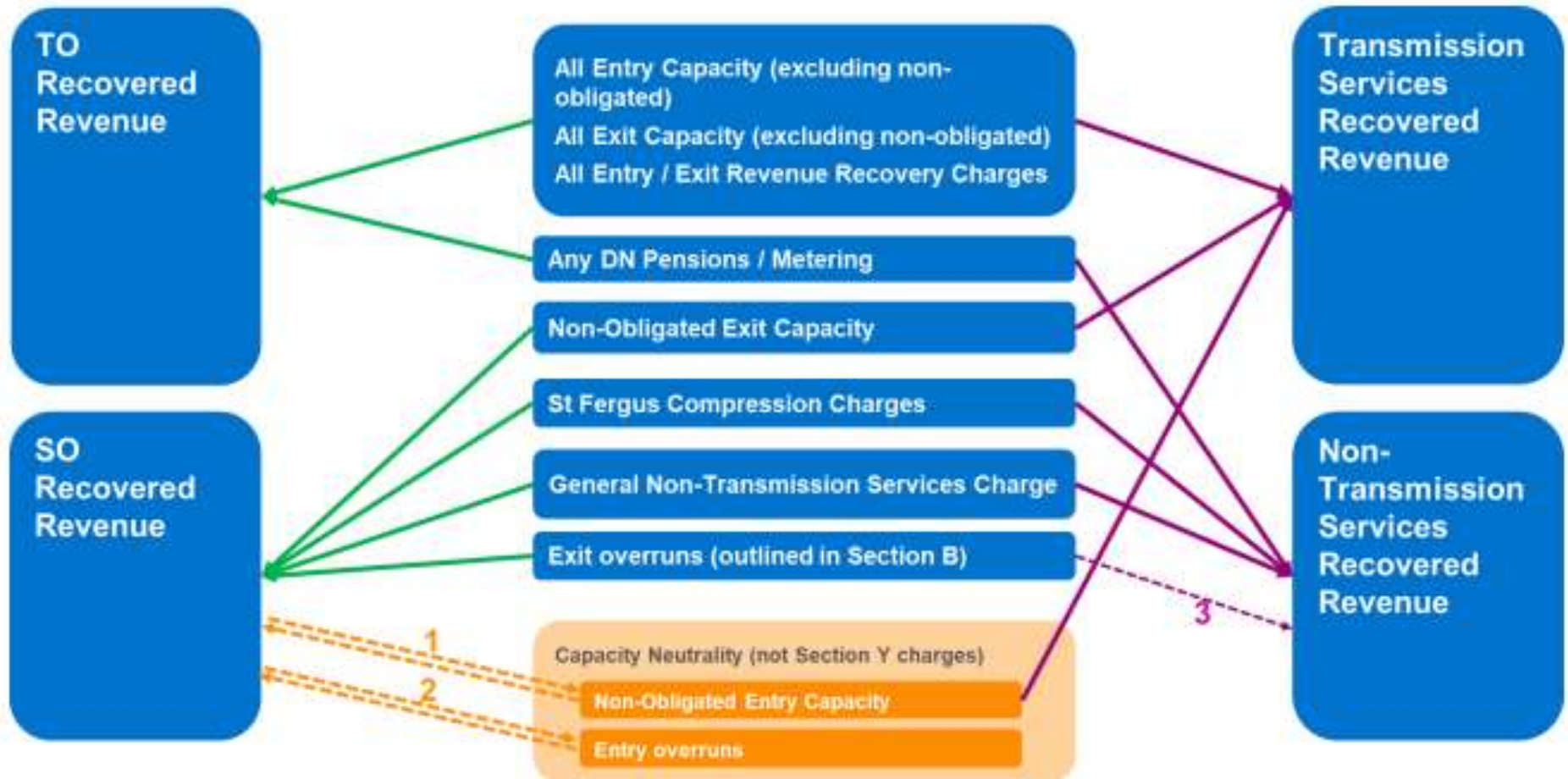
Funding will be phased across years according to the reopener decision.
All Allowed revenues will be collected within year

Reopener costs will be reflected in Transmission Services Entry & Exit Reserve Prices

The current relationship between funding, allowances and charging expectations

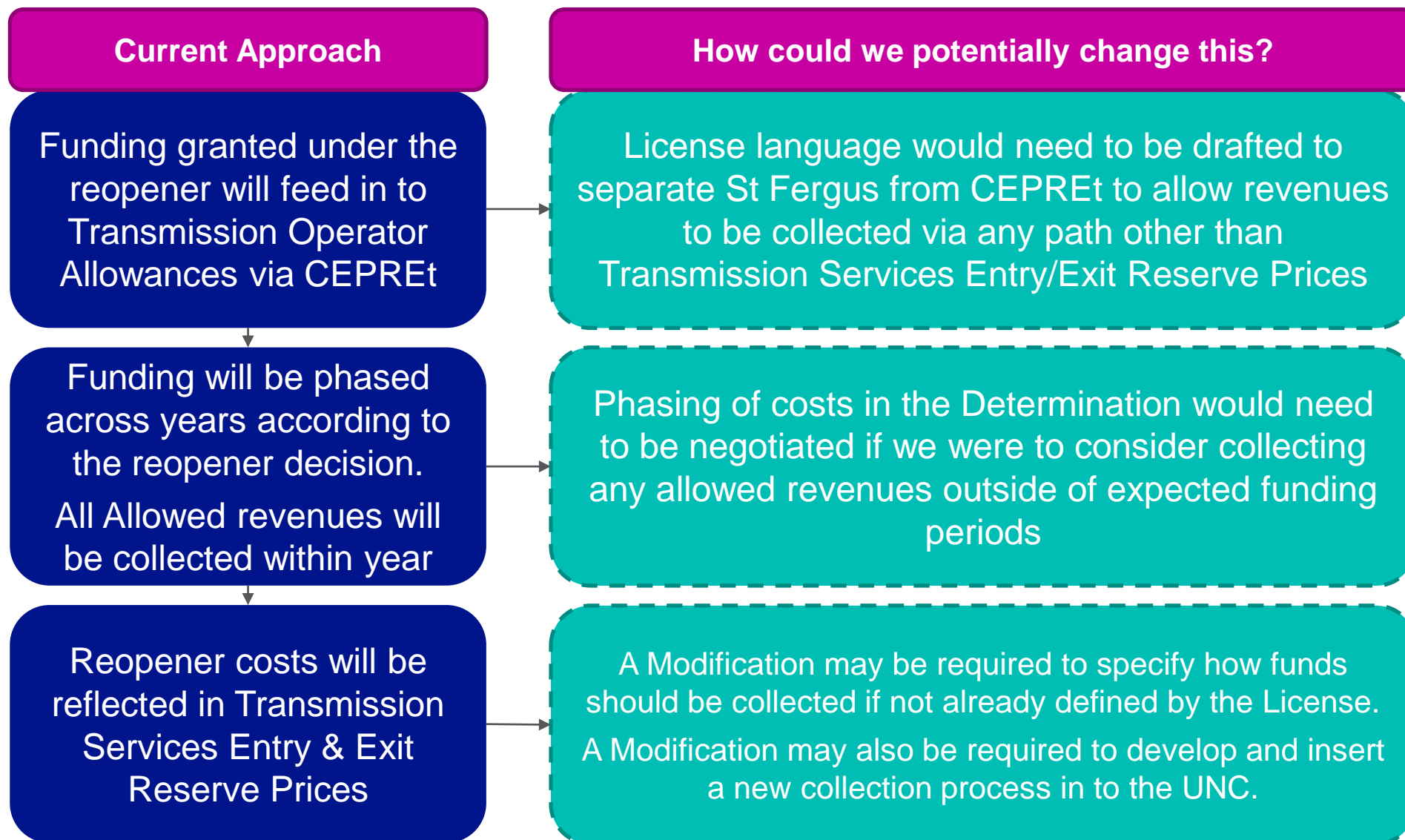
- According to Special Licence Condition 3.11 funding granted under the Compression reopener will feed in to Transmission Operator Allowances via licence term CEPREt
- Funding decision expected to be made in Sep-25
- Approved funding would be phased across years according to the reopener decision, starting from Regulation Year beginning Apr-2026.
- All Allowed revenues will be collected within Gas Years applicable under the current pricing Methodology
- Reopener costs would be reflected in Transmission Services Entry & Exit Reserve Prices from Gas Year starting Oct-2026 at the earliest

Allowances and Reserve Prices

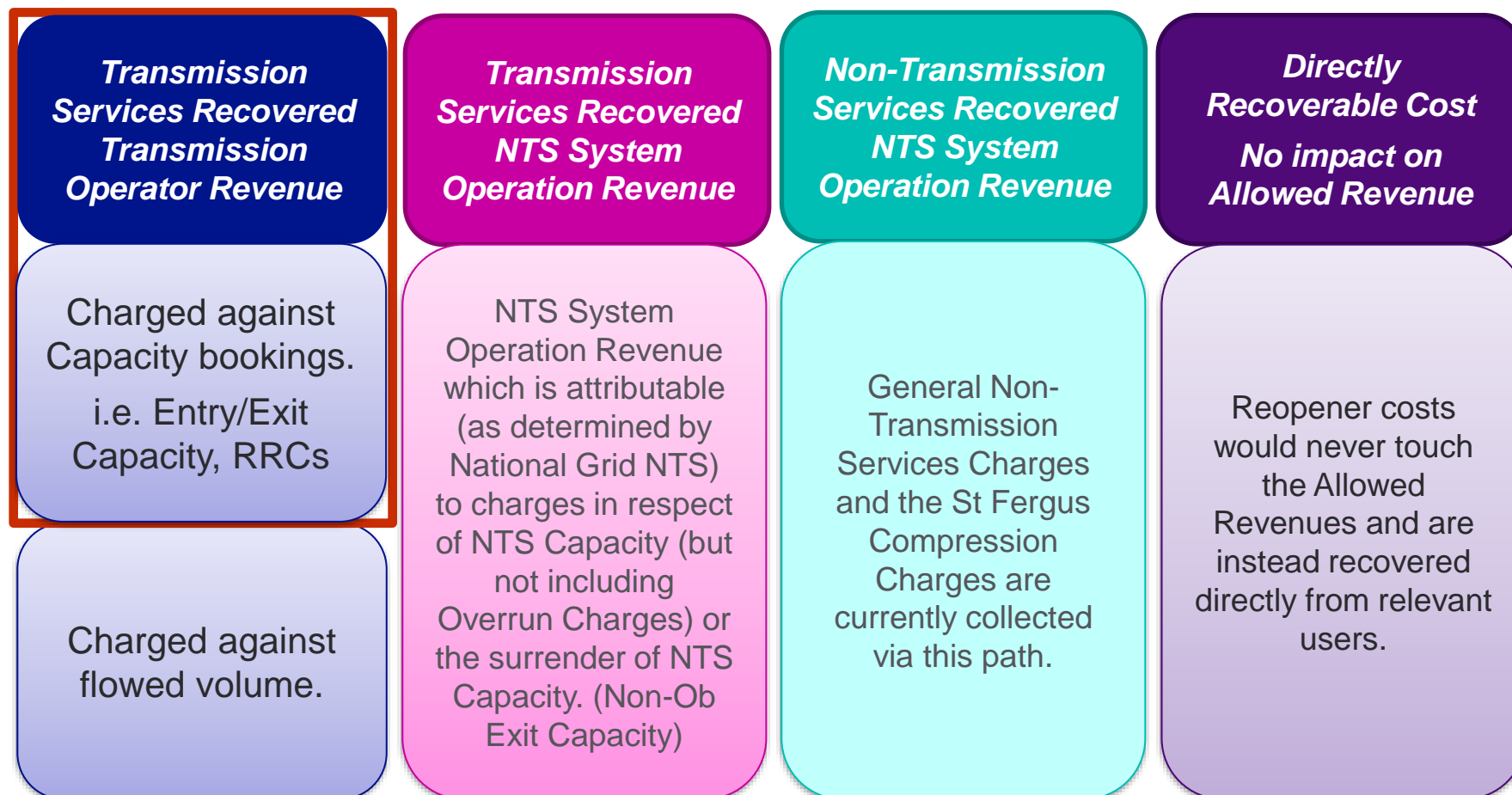


[Determination of Target Revenues and Recovery v0.2.pdf \(gasgovernance.co.uk\)](#)

Allowances and Reserve Prices



How could the reopener be charged?



Refresher of costs based on scenarios

Table 1: Costs recovered 2024-2050 (p/kwh)

Scenario	Entry Rate	Exit Rate	Charging Base	Entry	Exit
A	0.0016		Costs split across all Entry Points	Socialised Costs	N/A
B	0.0621		Costs split across all Entry Points	Targeted to NSMP	N/A
C		0.0016	Costs split across all Exit Points	N/A	Socialised Costs
D	0.0008	0.0008	Costs split across Entry & Exit 50:50	Socialised Costs	Socialised Costs
E	0.0306	0.0008	Costs split across Entry & Exit 50:50	Targeted to NSMP	Socialised Costs

Table 2: Costs recovered 2024-2040 (p/kwh)

Scenario	Entry Rate	Exit Rate	Charging Base	Entry	Exit
A	0.0021		Costs split across all Entry Points	Socialised Costs	N/A
B	0.0822		Costs split across all Entry Points	Targeted to NSMP	N/A
C		0.0021	Costs split across all Exit Points	N/A	Socialised Costs
D	0.0010	0.0011	Costs split across Entry & Exit 50:50	Socialised Costs	Socialised Costs
E	0.0406	0.0011	Costs split across Entry & Exit 50:50	Targeted to NSMP	Socialised Costs

* Based on indicative values provided in 2018, phased using a flat profile

Gas Transmission

St Fergus: Cost Recovery

3rd May 2022

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Draft Discussion Matrix

St Fergus Discussion Matrix			
	Full Socialisation	Degrees of Targeting	Targeting
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Scope of Charges	Which works are included in the charges and scope of Targeting		
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Consultation - We asked:

Cost targeting

4. Do you support targeted charging where there is demonstrable localised benefits that should be borne by a targeted group of parties / customers?
 - a. Please give your reasoning for your answer

Consultation - You told us (summary):

- Respondents views:
 - Of the ten responses to this question three were against targeted charging and one felt there were pros and cons of targeted charging suggesting that moving away from socialised costs represented a high hurdle to overcome.
 - Four respondents were supportive and one was broadly supportive but suggested that a charge should be based on a market rate for compression and one was concerned about the wider market impacts which required further analysis.
 - In addition, although not directly responding to the question, one respondent felt that NSMP were in the best position to decide on the level of investment required.

Consultation - We asked:

Cost targeting

5. If you believe the charge should be targeted, to what degree should this targeting take place i.e. users at entry, users at exit, users at NSMP sub-terminal or some distance-related charge?

Consultation - You told us (summary):

- Respondents views:
 - The three respondents who were against targeted charging confirmed that they felt there should be no degree of targeting. In addition one respondent felt that the transmission system, including compression, benefits both entry and exit network users and there is no case from departing from the generally applied split, currently 50:50. A similar comment was received from another respondent who felt that the transmission system benefited both entry and exit users and did not support a distance related charge.
 - Of those who supported the targeted charge they all felt that this should be targeted at those benefiting from the service i.e. users at the NSMP sub-terminal.

You told us:

Of those that weren't supportive of targeted charging, the following reasons were given:

- It would cut across the single pricing methodology currently in force
- It would result in distortions in the market with unpredictable long-term consequences
- No demonstrable benefits
- Impinges on NG licence
- Less gas and lower security of supply
- Consumers ultimately bear the cost
- The entry point could become uncompetitive to others e.g. Easington
- Barrier to new investment in new fields
- Upgrades should be paid by all consumers and daily operations costs should be paid by NSMP shippers

Of those that were supportive of targeted charging, the following reasons were given:

- If charges are recovered from a wider set of users then there would be a cross-subsidy because National Grid Gas does not provide this service at other sub-terminals which would also be discriminatory
- It would be more cost-reflective
- It provides the right market signals
- It is aligned with the existing St Fergus compression charge
- The existing St Fergus compression charge creates a precedent
- Socialising costs creates an unlevel playing field
- Without cost targeting the NSMP sub-terminal would enjoy competitive advantage over the other sub-terminals
- Principles of user commitment should apply
- The Tariff code as now applicable in the UK via retained EU law provides for this at Article 4.4(b). This also provides for Ofgem assessing whether the service provided benefits all network users

Consultation - We said:

- NGG Response:
 - Of those that expressed a view opposing cost targeting they were by and large upstream parties. Those that were in favour of targeted charging were two upstream parties that do not use the compression services at St Fergus users of the network or their representatives.
 - The comments against targeted charging are largely centred on concerns that targeted charging will make the NSMP sub-terminal less competitive resulting in distortions in the market, a barrier to investment in new gas fields and lower security of supply. We are conscious of these concerns and will address them as part of the study on wider market impacts. There were also comments that targeted charging will cut across a single pricing methodology and it could impinge on our licence obligations. As part of discussions going forward we will explore these points further either with the respondent on a one to one basis or in the industry forums.
 - In terms of those that were in favour of targeted charging the reasoning centred around cost-reflectivity, alignment with existing St Fergus charging and providing the right market signals and without targeting then there is potentially a competitive advantage for the NSMP terminal, an unlevel playing field and a cross-subsidy where NGG does not provide this service. We are also cognisant of the comments on user commitment and compliance with the EU tariff code and would like to discuss all of these points further in industry forums.
- NGG Response:
 - Not surprisingly the responses to this question reflected those in Q4 whereby those not in favour of targeted charging did not think there should be a departure from the split between entry and exit charges of 50:50. We note that those in favour of targeting should be at the NSMP sub-terminal level. The intention is that this will be taken forward for further discussion in industry forums.

Possible Methods of recovery:

**Capacity
Based charge**

**Commodity
based charge**

Standing Charge

Possible Methods to demonstrate long term Cost vs. Benefit

User Commitment Style (Capacity)

Capacity is booked up front at floating prices.

Fixed volume, Fixed period

Ensures costs will be more-or-less recovered over the agreed period dependant on changes in Capacity Prices

User Commitment Style (Financial)

A Rate is calculated

A "Commitment" is made to total future usage

Rate x Commitment =
Commitment Value

Charges incurred are matched off against Commitment Value until fully paid off

Questions around how Under Recovery is resolved

Economic Test

A one off auction is held for periods to the expected lifetime of new compressors.

The estimated value of all Capacity booked is assessed against project costs and the scale of the project adjusted to match demand or a new charge is calculated to address the gap between the value of bookings and project cost.

Implications and considerations

- Any of these options may require the ASEP to be split to enable booking at a specific terminal rather than the whole.
 - Modifications to split the ASEP into compression or non-compression terminal areas for capacity booking.
 - Obligated baselines at St Fergus would need to be forecast to change
 - Lessons to be drawn from the Bacton Split
 - Complexity of baseline calculated with/without compression, timing, capability of system depending on supplied pressure, potential requirements to modify connection
- A PARCA derived NPV Test/cost of allocation would likely be significantly higher than project cost
- A variation on the PARCA process or any new process design could be complex and involve significant consultation.
- The PARCA principles of a financial commitment from a customer based on an NPV test against an estimated project value, could provide a firm driver for NTS investment and lower risks of the cost of stranded assets to consumers.

Gas Transmission

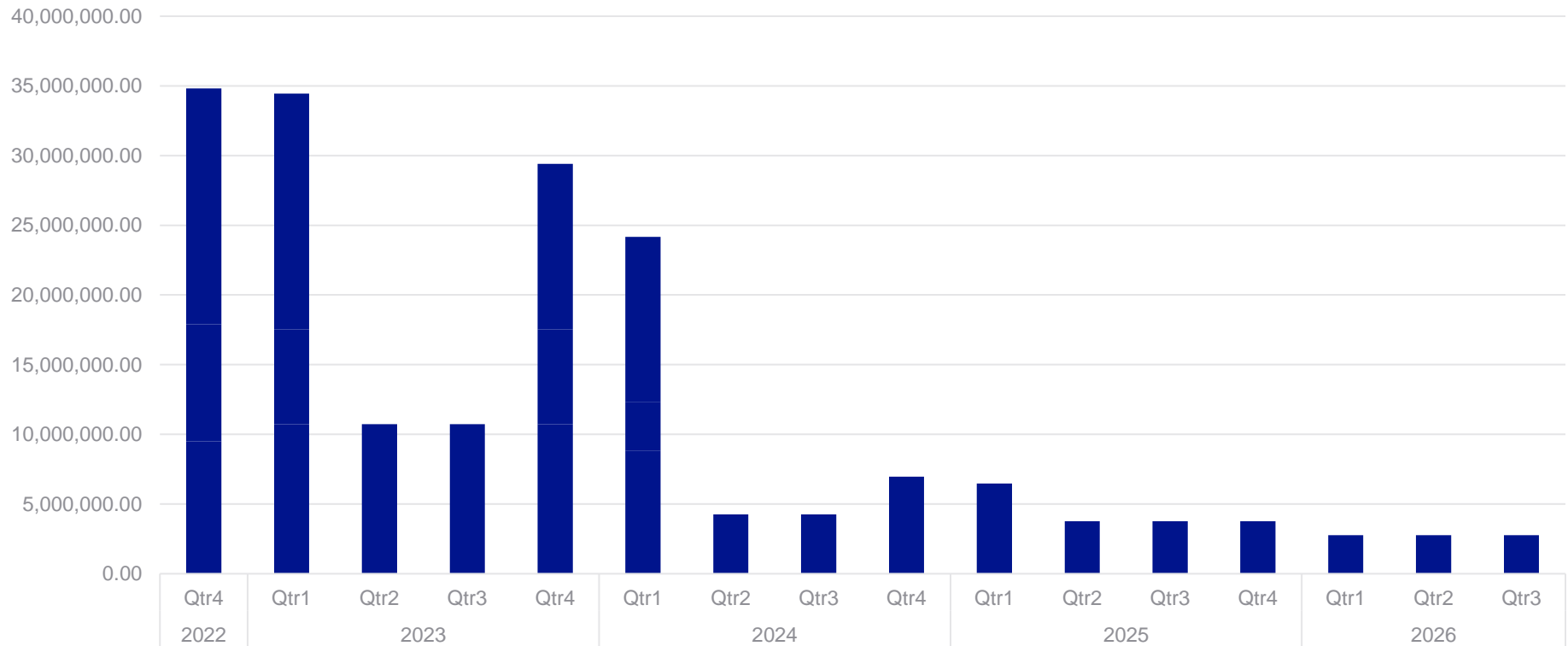
St Fergus: Cost Recovery

Follow Up

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Long Term St Fergus Bookings Follow up from May



This was an action to provide details on the Long Term Entry Capacity bookings at St Fergus that may be useful in discussions on potential future charging considerations. Some takeaways:

- All long term bookings end before Oct-2026
- As things stand, committed long term bookings would have ended by the time any potential new works may be commissioning.

Gas Transmission

St Fergus:

**Under & Over Recovery
Process**

7th June 2022

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Today's discussion

Considering how costs / revenues are effectively reconciled over time

- Any charging arrangement, current or amended would require methods by which any values not recovered, or over recovered, relative to a target would be reconciled through the charging framework.

Discussions

- For any charging, socialised or targeted, the means by which any reconciliation is effectively carried out, can have impacts on a range of Users potentially Entry and Exit.

Terminology

- The term “K” is referred to in this pack. “K” is the mechanism by which any amount not collected in one year is carried forward to adjust a subsequent year by updating the allowed revenues, that is a core input to setting Transportation charges.

Do something vs. Do nothing

The default position (i.e. current methodology if unchanged):

- Any Over/Under Recovery for a given year is determined as “K”
- Allowed Revenues are adjusted
- Transportation Rates are Calculated to collect the target revenue in line with the methodology
- All Users contribute to the costs (Entry and Exit)

While we can discuss the merits of the “Do nothing” approach, it doesn’t require any further discussion in terms of process change.

These discussions via NTSCMF are to signpost possible avenues of exploration, to gather views on why potentially changing the default may be preferable or not. This helps to lay some foundations for future discussions as the options for any works at St Fergus become more certain (e.g. as the options selection develops and any re-opener processes).

“Do nothing”

The default position, regardless of any other decisions on targeting vs. socialisation, Capacity vs Commodity etc.

- When the allowed revenues are adjusted for any additional funding from a reopener, like St Fergus for example, it would be split evenly between Entry and Exit charges.
- All under recovery, either from standard charges or anything targeted, would be filtered through the established “K” mechanism which impacts the Allowed Revenues attributable to Entry and Exit charges for the following year.
- There is currently no provision to carve out anything from that “K” value to be recharged via any other means.
- If a targeted charge is proposed an additional step may be required to prevent under and over recovery automatically feeding in to “K” if that is the preferred option.
- The Licence that determines the revenues that can be recovered, over time, and in conjunction with the charging methodology, provides a mechanism to recover all Allowed costs and revenues. This approach we would not expect to change, it provides a means by which any value, not recovered or over recovered, is reconciled with Users in line with the methodology in place. Whatever that methodology is at the time, determines which Users are ultimately impacted.

“Do something” – Options (not exhaustive)

Allow under/over recovery as a result of any targeted charge to flow through “K”

Create a targeted “K” style value to be factored in to the Y+1 targeted charge

Create a within year charge designed to manage under/over recovery

Create an additional charge to reconcile the current year’s position in the following year

Gas Transmission

St Fergus: Timescales

5th July 2022

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Draft Discussion Matrix

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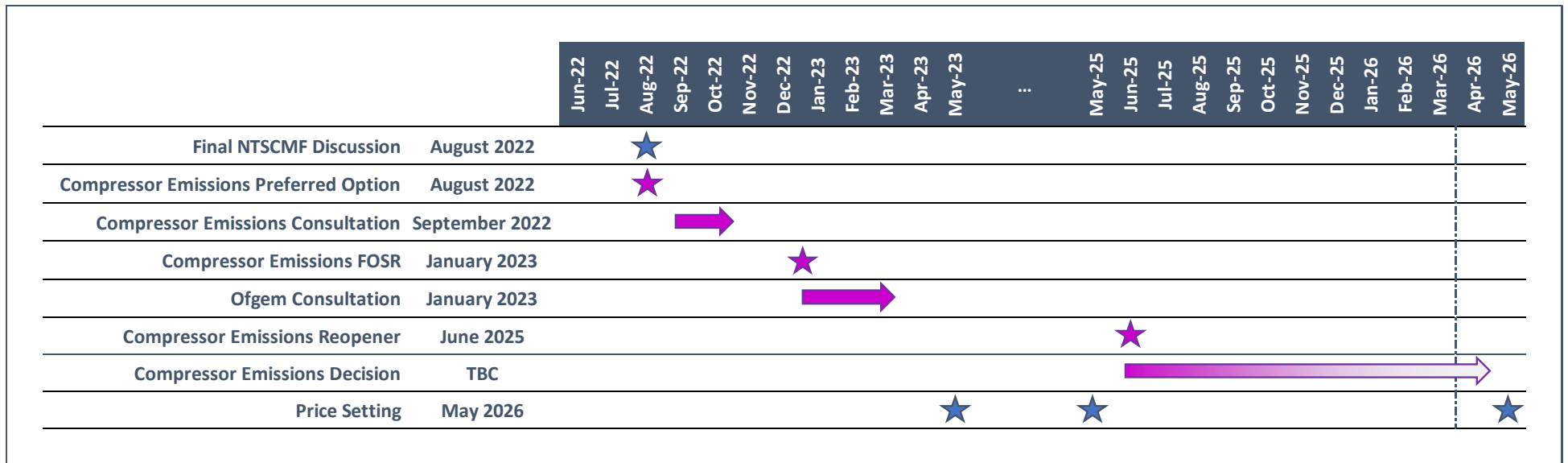
- We will lay out the current timescales for the Reopener process
- We have then overlaid timescales for any potential modification based on three potential scenarios
- To do this we have made the following assumptions:
 - A “standard” workgroup process has been used in each example;
 - Pre Mod at an NTSCMF; followed by
 - Panel Discussion
 - Three Working Groups
 - Panel Decision
 - A six week consultation
 - An average Modification decision length of 215 working days has been taken from recent Panel Report
 - From this, an approximate 15 month, kick-off to decision, timescale has been calculated
 - Actual timescales will vary from this, particularly if additional workgroups and/or an Impact Assessment is required
- System development and change processes have not be considered
- Timescales for a licence change have not been included in these examples
 - Licence changes could form part of the RIIO T3 submission up for discussion from 2024
 - Alternatively a change could be considered alongside the UNC process and completed mid Price Control
- The timelines provided are for illustrative purposes only

Key Dates in the Reopener Submission Process

- **Compressor Emissions (CEP_t and CEPRE_t):** Preferred Option Report - August 2022
- **Compressor Emissions:** Preferred Option Consultation - August/September 2022
- **Compressor Emissions:** Final Option Selection Report - January 2023
 - Originally proposed for December 2022, but moved to align with other re-opener submissions
- **Price Setting:** Gas Year 2023/24 - May 2023
- **Price Setting:** Gas Year 2024/25 - May 2024
- **Price Setting:** Gas Year 2025/26 - May 2025
- **Compressor Emissions:** Final Reopener Submission - June 2025
- **RIIO:** End of T2 beginning of T3 Period - March/April 2026
- **Compressor Emissions:** Ofgem Reopener Decision - TBC
- **Price Setting:** Gas Year 2026/27 - May 2026
- **Price Setting:** Gas Year 2027/28 - May 2027

Re-opener Timeline

- The key dates listed have been transposed in to a visual timeline
- The scale has been edited in places to provide a better overall view



Potential Modification timing options

1) Modification aligned to Reopener Submission

- In this time line all UNC processes would be completed in time for the Modification to be submitted to Ofgem for decision alongside the Final Reopener Submission in April 2025.
- This gives Ofgem the option to assess both the reopener and the method of revenue collection in one holistic process.

2) Modification aligned to Gas Year Price setting

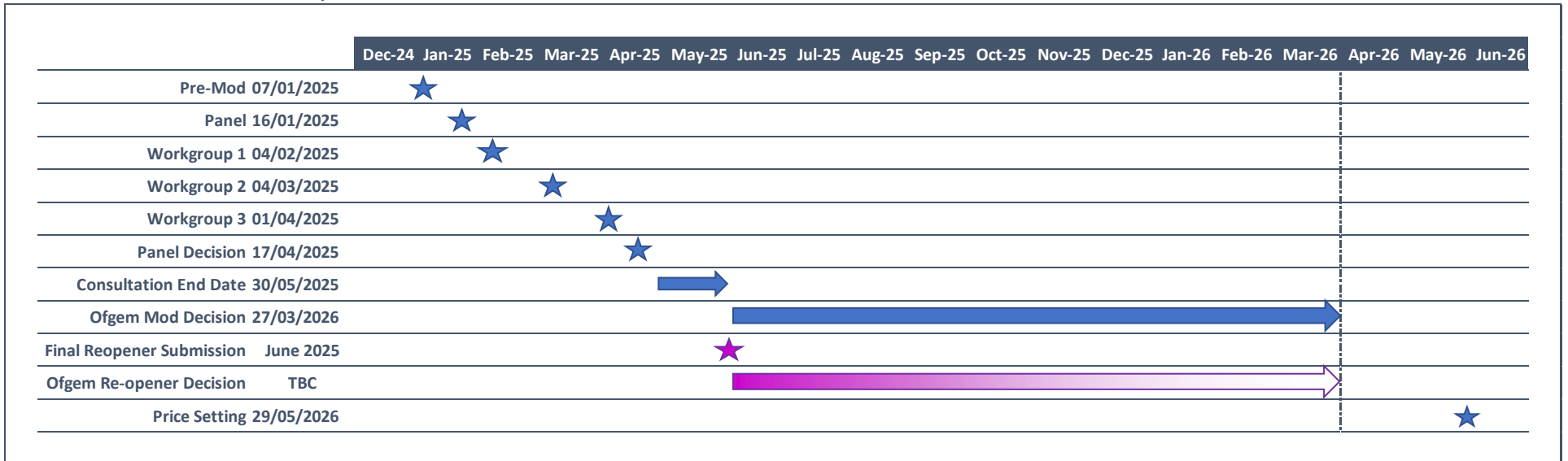
- This timeline shows the shortest path of a standard Modification, timed to produce a decision in time to be considered in the Price Setting process for the following year.
- The example shows the price setting deadline for GY 2026/27, but could be transposed in to any gas year.

3) Modification produced post reopener decision

- This option gives certainty around values to be collected, however, it likely means a portion of the reopener costs, potentially two years or more, would be socialised before a decision has been reached on targeting.

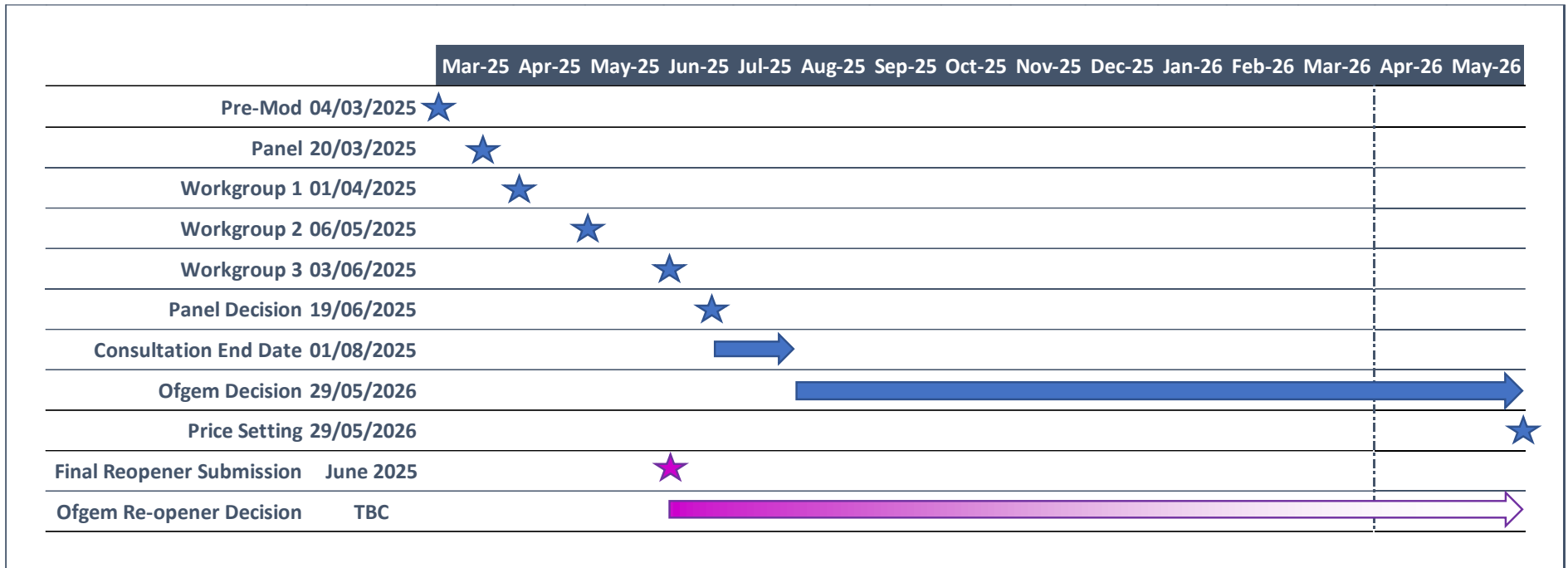
UNC Mod – Aligned to Reopener Submission

- To provide Ofgem with a Modification for consideration alongside the Final Reopener Submission, a pre-mod must be at the Jan 2025 NTSCMF.
- As this process is completed before the Re-opener Submission date, analysis linked to any Modification would be based on the likely preferred option.
- This option provides Ofgem with the ability to assess both the costs and the recovery method simultaneously, creating an efficiency in the process which may reduce overall timescales when compared with a standard modification Impact Assessment.



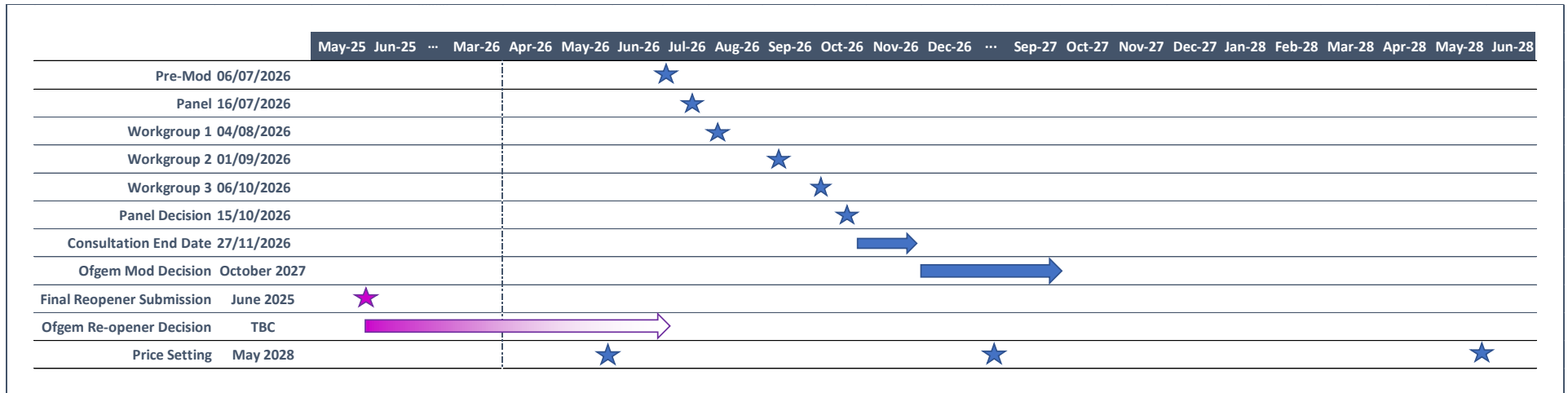
UNC Mod – Aligned to Price Setting

- To achieve a decision by the May Price Setting deadline in any year, in this example aligned with the Gas Year 2026/27 Price Setting process, a pre-mod would need to be at the March NTSCMF in the year prior.
- As this scenario is completed before the Re-opener Decision date, analysis this would be based on an accepted and costed option, due to be formally proposed towards the end of the workgroup timeline



UNC Mod – Post Reopener Decision

- This timeline describes a UNC Modification raised following the re-opener decision. This gives certainty around the costs to be recovered.
- Should the decision be received prior to February 2026 there is potential for this timeline to meet deadlines for price setting for GY 2027/28.
- The more likely outcome would not produce an Ofgem decision until October 2027, meaning costs could first be targeted from Gas Year 2028/29. There is potential for two years of costs to be recovered prior to this date, by default these costs would be socialised.



Gas Transmission

St Fergus: Appendix

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Consultation Appendices:

Appendix 1 – Schematic showing Funding Options



Refresher of costs based on scenarios

Table 1: Costs recovered 2024-2050 (p/kwh)

Scenario	Entry Rate	Exit Rate	Charging Base	Entry	Exit
A	0.0016		Costs split across all Entry Points	Socialised Costs	N/A
B	0.0621		Costs split across all Entry Points	Targeted to NSMP	N/A
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Table 2: Costs recovered 2024-2040 (p/kwh)

Scenario	Entry Rate	Exit Rate	Charging Base	Entry	Exit
A	0.0021		Costs split across all Entry Points	Socialised Costs	N/A
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E	0.0406	0.0011	Costs split across Entry & Exit 50:50	Targeted to NSMP	Socialised Costs

* Based on indicative values provided in 2018, phased using a flat profile

Interaction with Relevant Objectives:

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective

- a) Efficient and economic operation of the pipe-line system.
- b) Coordinated, efficient and economic operation of
 - (i) the combined pipe-line system, and/ or
 - (ii) the pipe-line system of one or more other relevant gas transporters.
- c) Efficient discharge of the licensee's obligations.
- d) Securing of effective competition:
 - (i) between relevant shippers;
 - (ii) between relevant suppliers; and/or
 - (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.
- e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.
- f) Promotion of efficiency in the implementation and administration of the Code.
- g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

Interaction with Relevant Objectives:

Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:

Relevant Objective

- a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;
- aa) That, in so far as prices in respect of transportation arrangements are established by auction, either:
 - (i) no reserve price is applied, or
 - (ii) that reserve price is set at a level
 - (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and
 - (II) best calculated to promote competition between gas suppliers and between gas shippers;
- b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;
- c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and
- d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).
- e) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

PARCA Process - High Level Summary

Phase 0	<ul style="list-style-type: none"> • Bi-lateral discussions and PARCA Application process
Phase 1 (up to 6 months)	<ul style="list-style-type: none"> • Fixed fee (£120k) but costs reconciled • Initial Optioneering – identification of options to progress • Hold PARCA Window / Ad-hoc QSEC / Ad-hoc Exit Reduction Window • Agree capacity delivery date & tolerances • ‘Phase 1 Output’ & ‘Need Case’ reports
Phase 2 (up to 60 months)	<ul style="list-style-type: none"> • Capacity reserved exclusively for signatory • Develop Projects up to planning permission or agreed commercial solution • Credit required based on 1 year of average capacity charges stepping up over 4 years (25% per year)
PARCA Phase 2 Expiration	<ul style="list-style-type: none"> • PARCA ends when capacity is allocated to the NTS User (Shipper) – must pass NPV Test • Funding through FIOC Uncertainty Mechanism met through general transportation charges • Customer may be invoiced for a termination fee if capacity is not allocated • Can be terminated by the customer at any time.
Phase 3 (up to 24 months)	<ul style="list-style-type: none"> • Network reinforcement where required • Time between capacity allocation and the capacity registration date