

## Stage 04: Final Modification Report

# 0452:

## Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)

This modification develops the long term Entry and Exit NTS Capacity release mechanisms and introduces the reservation of Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity through a Planning and Advanced Reservation of Capacity Agreement.

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report



Panel consideration is due on 21 November 2013.



High Impact:



Medium Impact:



Low Impact: - Shippers, Developers and Transporters

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## About this document:

This Final Modification Report will be presented to the Panel on 21 November 2013.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.



**Any questions?**

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# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

## Why Change?

Under the current arrangements, customers may need to fully commit to their long term NTS Capacity requirements earlier than should be reasonably expected. This is in order for them to have guarantee of the timely delivery of that capacity. Customers may enter into bilateral arrangements with National Grid NTS that seek to ensure projects can be progressed and NTS capacity provided at the desired time, but these arrangements sit outside the UNC and do not guarantee capacity being allocated to the customer concerned.

## Solution

The ability to reserve Enduring Annual NTS Exit (Flat) Capacity is a feature of the current NTS Exit Capacity regime and is possible through the Advanced Reservation of Capacity Agreement (ARCA) process for non-code parties (e.g. developers) as long as the need for such reservation is sufficiently demonstrated through the provision of demonstration information; similar principles also apply to the ad-hoc Enduring Annual NTS Exit (Flat) Capacity application process for Users. This solution allows Users and non-code parties to reserve and demonstrate the need case for Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity through a generic bi lateral agreement (the Planning and Advanced Reservation of Capacity Agreement – “PARCA”). As such, National Grid NTS believe that the fundamental principles underpinning this solution are similar to those underpinning specific aspects of the current Enduring Annual NTS Exit (Flat) Capacity arrangements.

National Grid NTS consider that it is appropriate for a User to have exclusive rights to reserved Firm NTS Capacity and that this should be financially underpinned by that User or an associated non-code party. This will be achieved through the reservation, and subsequent registration, of Firm NTS Capacity exclusively through the PARCA contract.

The proposed solution has the following key aspects to it:

- The introduction of a Planning and Advanced Reservation of Capacity Agreement (PARCA). This bi lateral agreement allows non-code parties or Users to reserve Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity ahead of its registration to the User or, as the case may be, a Nominated User (a User nominated by a non-code party). Note: DNO Users will be entitled to reserve Enduring Annual NTS Exit (Flat) Capacity only.
- Registration of the Reserved NTS Capacity will only be triggered once any required statutory planning consent(s) for the customer and/or National Grid NTS, are granted. This will allow for the registration of the Reserved NTS Capacity (and hence full financial commitment to the capacity) to occur closer to the capacity delivery date than may otherwise be possible.
- The PARCA allows a User or a Nominated User to become registered as holding NTS capacity that has been reserved (i.e. financially User committed

to the previously Reserved NTS Capacity). Where a PARCA has been agreed with a non-code party, the non-code party must nominate a User (PARCA Nominated User) prior to the registration of the reserved capacity to a Nominated User.

- The PARCA allows the PARCA Applicant to terminate the PARCA ahead of registration of the Reserved NTS Capacity. Upon termination of the PARCA and subject to the PARCA terms and conditions, the PARCA Applicant will be invoiced the PARCA Termination Amount which is derived from the PARCA Security Amount.
- National Grid NTS will register the capacity on its systems on behalf of the User or Nominated User in accordance with the terms and conditions of the PARCA.
- For Quarterly NTS Entry Capacity reserved through a PARCA, where National Grid NTS inform the PARCA Applicant that no NPV test is required (i.e. the capacity requirement can be met entirely through available Unsold NTS Entry Capacity), the NTS Entry Capacity requested must be for a minimum of 16 Quarters within a 32 Quarter period to ensure that the PARCA process is only utilised for a sustained Quarterly NTS Entry Capacity requirement.
- Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity in excess of available Unsold NTS Capacity levels is only guaranteed to be available where a PARCA has been agreed and the terms and conditions of the PARCA have been adhered to.
- Where a PARCA has been agreed and the terms and conditions of the PARCA have been adhered to by the PARCA Applicant, the Reserved NTS Capacity will be exclusively registered to the Reservation User or Nominated User (assuming the PARCA Applicant wishes to progress to capacity registration).
- Removal of the UNC ARCA provisions from UNC TPD Section B as these are replaced by PARCA provisions. ARCA provisions will be incorporated into the UNC Transition document. New ARCAs will not be made available from the effective implementation date of this modification. Any ARCAs already in progression on the effective date of this modification will continue.
- UNC (TPD B2.2.18) details the provisions for Ad-hoc QSEC auctions, which currently apply to new ASEPs only. This solution redefines the purpose of the Ad-hoc QSEC auction as an auction triggered by a PARCA Application, that allows all Entry Users the opportunity at any ASEP, outside of the annual March QSEC, to signal demand for Unsold Baseline NTS Entry Capacity that may otherwise be reserved through a PARCA. Capacity required for New ASEPs may be reserved through the PARCA or applied for through the March QSEC (as per any ASEP).
- The introduction of a "PARCA Window". The PARCA Window provides a focal point where multiple PARCAs are guaranteed to be considered together by National Grid NTS in determining how each of those PARCAs capacity requirements can be delivered and their potential interactions (if any). For example, where Unsold NTS Capacity is available for reservation, such Unsold NTS Capacity will be considered for reservation across the PARCA that triggered the PARCA Window and all subsequent PARCAs received within that PARCA Window. The PARCA Window does not prevent a PARCA being applied for at any time.

- Firm NTS Capacity over and above available unsold levels may still be made available through the existing Quarterly NTS Entry Capacity Auctions and Enduring Annual NTS Exit (Flat) Capacity application processes in accordance with the respective Incremental Entry Capacity Release and Exit Capacity Release Methodology Statements.
- The PARCA Phase 1 Works are considered to be an excluded service to the PARCA Applicant, will be wholly chargeable to the PARCA Applicant and will be classified as excluded services to National Grid NTS. Therefore such revenues are not defined as allowed revenues and would not impact NTS Transportation Charges as is the case with, for example, payments associated with Connection works.
- The introduction of a PARCA Security Amount. Post Phase 1 of the PARCA, the PARCA Applicant will be required to put in place appropriate annual security as a form of financial commitment to the capacity reservation itself.
- Any adjustments to the National Grid NTS Allowed Revenue resulting from the release of additional funding in accordance with the Licence, will adjust the revenues used in the calculation of NTS Transportation charges. Once capacity allocation takes place the existing arrangements for Users providing commitment to such capacity will apply. If the PARCA is terminated prior to the capacity being registered (subject to the terms and conditions of the PARCA), any resulting credits or debits will subsequently be credited or debited to the wider industry through the Transportation Charges..
- The introduction of a PARCA Termination Amount for the PARCA Applicant should the PARCA be terminated (pursuant to the PARCA).

Note: A generic PARCA will be published. National Grid NTS anticipates that any subsequent changes to the generic PARCA will be consulted upon and therefore the generic terms are not negotiable on a bi lateral basis. National Grid NTS considers it important to develop the associated contractual agreement in parallel with this modification.

## Relevant Objectives

Implementation would provide a transparent and consistent process for customers wishing to obtain incremental NTS capacity to coincide with their own project requirements. By doing so, implementation would facilitate effective competition and the efficient delivery of National Grid NTS' licence obligations.

## Implementation

No implementation timescales are proposed.

No significant lead-time is required to implement this modification, and no systems changes are required. However, to allow consistent licence changes to be made and licence related documents to be modified and approved, National Grid NTS considers implementation is unlikely to be practical before 1 April 2014. Shippers have indicated that, given the potential benefits, earlier implementation would be desirable.

## 2 Why Change?

### The Planning Act 2008 (as amended by the Localism Act 2011)

The Planning Act 2008 (as amended by the Localism Act 2011) "the Planning Act" introduces a new streamlined process for planning decisions for Nationally Significant Infrastructure Projects (NSIPs), which for gas infrastructure is applicable only in England. The principles of the Planning Act "the Planning Act" may also apply to gas infrastructure<sup>1</sup> delivered as a result of Incremental Capacity signals from projects in Wales and Scotland<sup>2</sup> where reinforcement is also required in England.

For NSIPs the new planning process requires extensive optioneering and consultation with the community prior to the consideration of the application by The Planning Inspectorate and final decision by the Secretary of State. A consequence of this increased certainty is that this is likely to increase the capacity delivery lead times for complex construction projects to between an estimated 72 and 96 months from the point of a formal capacity signal under existing arrangements. By way of comparison, National Grid's Transporter Licence obliges National Grid NTS to deliver incremental entry and exit capacity with a 42 (from an auction signal) and 36 (from the October following allocation) month lead time respectively.

In the absence of a change to the Long Term NTS Capacity arrangements, the increased lead times required by the Planning Act may increase the likelihood of the regime being viewed as a barrier to entry to the GB market. For example, the increased lead times could lead to customers providing a formal capacity signal (and therefore being financially committed to that capacity) 6 to 9 years ahead of their own estimated project delivery date to ensure the timely delivery of that capacity by National Grid NTS. It is not in anybody's interests to expect customers to make such a financial commitment when there is uncertainty around the design, delivery timescales and future of the customer's own project.

Arrangements currently exist that allow customers the opportunity to enter into a bilateral agreement "Planning and Consent Agreement" (PCA) whereby National Grid NTS will assess the need case for 'NTS reinforcement'. Where a need case is identified, the customer will underwrite National Grid NTS to undertake its statutory Planning Act activities, e.g. strategic optioneering, Environmental Impact Assessment, statutory and local community consultations, preparation of the Development Consent Order (DCO) and application. However, whilst the customer will underwrite the PCA, it has no guarantee that it will obtain its capacity requirement through the auction/application process and thus National Grid NTS consider that this may present a significant commercial (and financial) risk to its customers.

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<sup>1</sup> The Planning Act (2008) applies only to Gas Transporter Pipelines of at least 800mm diameter and 40km in length or having a likely significant effect on the environment, with a pressure of at least 7 barg and supplying at least 50,000 customers.

<sup>2</sup> The spirit of the Planning Act (2008) is likely to be applied to projects in Wales and Scotland as part of National Grid's 'one approach' to the way it works.

## 3 Solution

### The Planning and Advanced Reservation of Capacity Agreement (PARCA)

In order to provide for greater certainty in terms of delivery of long term NTS Entry and/or Exit Capacity, and recognise the reservation of Capacity through a bi lateral PARCA, it is proposed that the UNC is modified. The proposed business rules, detailed below, describe how the Modification 'Solution' is expected to work in practice.

The following business rules detail the changes necessary to the existing UNC processes and also include information for completeness that do not require changes to UNC.

This solution also introduces the following new defined terms into UNC (which are further defined in the business rules that follow):

- Reserved System Capacity
- Reserved Exit Capacity
- Reserved Entry Capacity
- PARCA Application
- PARCA
- PARCA Applicant
- Nominated User
- Competent PARCA Application
- PARCA Application Fee
- PARCA Window
- PARCA Entry Window
- PARCA Exit Window
- Phase 1 PARCA Works
- Total PARCA Security Amount
- PARCA Termination Amount

#### **1 The PARCA Application Process**

- 1.1 National Grid NTS may enter into a Planning and Advanced Reservation of Capacity Agreement (the "PARCA") with either a Non-Code (the "Reservation Party") or Code Party (the "Reservation User") at any time for the purpose of the reservation of Enduring Annual NTS Exit (Flat) Capacity (the "Reserved Exit Capacity") at an NTS Exit Point and/or Quarterly NTS Entry Capacity (the "Reserved Entry Capacity") at an Aggregated System Entry Point (ASEP). For clarity, this includes NTS Storage Facilities and interconnectors. For the purposes of this solution, the Reservation User and Reservation Party will be referred to as the "PARCA Applicant" where no distinction is required.
- 1.2 The PARCA Applicant may apply to enter into a PARCA by completing and submitting a PARCA Application to National Grid NTS and comply with the terms thereof using the template as published by National Grid NTS and updated from time to time.

Note: Where a Planning and Consent Agreement (PCA) is being progressed at the time of implementation of this solution, National Grid NTS will work with the PCA signatory to map the PCA across to the relevant PARCA Phase as a transitional arrangement without detriment to the agreed PCA timeframes. Alternatively the PCA signatory can choose to retain the PCA in its original form and not progress to a PARCA.

- 1.3 In order to complete the PARCA Application the PARCA Applicant shall include such information as National Grid NTS may from time to time reasonably determine, which may include:
- Contact details of the PARCA Applicant
  - Connection details (including proposed NTS connection site)
  - The first gas flow date(s) required for commissioning and commercial purposes
  - The proposed location of the PARCA Applicant's facility
  - The capacity required and the capacity profile (if applicable)
  - For information purposes, the indicative ramp rate and notice period requirements
  - where the PARCA Applicant is a DNO User, the associated NTS Exit (Flexibility) Capacity and Assured Offtake Pressure requirements should the Reserved Exit Capacity be allocated
  - A capacity range may also be requested (i.e. a minimum and maximum capacity requirement)

Note: the need for a capacity range will need to be sufficiently demonstrated to National Grid NTS through the provision of technical data. This requirement will be included and detailed in the demonstration information requirements of the PARCA.

- 1.4 National Grid NTS will within two (2) Business Days from the date of receipt of the PARCA Application provide written notice of receipt of the PARCA Application to the PARCA Applicant.
- 1.5 A PARCA Application will be a "Competent PARCA Application" where
- (a) the application has been correctly and fully completed
  - (b) the requested technical information has been provided
  - (c) the Phase 1 PARCA Fee has been paid and is available to National Grid NTS in cleared funds (Refer to paragraph 14.1 for further detail of the Phase 1 PARCA Fee).
- 1.6 National Grid NTS will, as soon as reasonably practicable and in any case within five (5) Business Days from the PARCA Application being deemed a Competent PARCA Application in accordance with paragraph 1.5, inform the PARCA Applicant that the PARCA Application is a Competent PARCA Application.
- 1.7 Where the PARCA Application is not deemed to be a Competent PARCA Application, National Grid NTS will, as soon as reasonably practicable, clearly detail the reasons why and nothing shall prevent the PARCA Applicant submitting a further PARCA Application.

Note: National Grid NTS would expect, prior to the submission of a PARCA Application, bi lateral meetings with the potential PARCA Applicant.

- 1.8 Where National Grid NTS deem a PARCA Application as competent, the PARCA process will be initiated in accordance with paragraph 2.

Note: The PARCA contract itself will not require signature from either National Grid NTS or the PARCA Applicant until and unless the PARCA Applicant wishes to progress to Phase 2 of the PARCA (i.e. capacity reservation). The terms of the PARCA Application itself and UNC will bind the PARCA Applicant and National Grid NTS to the Phase 1 PARCA Works.



## **2 Phase 1 PARCA Works**

- 2.1 Subject to paragraph 3.6, National Grid NTS will initiate the Phase 1 PARCA Works upon informing the PARCA Applicant that the PARCA Application is a Competent PARCA Application in accordance with paragraph 1.6 above.
- 2.2 The Phase 1 PARCA Works will be completed by National Grid NTS as soon as reasonably practicable and in any case this will be up to six (6) months.
- 2.3 The PARCA Applicant may withdraw, by written notification to National Grid NTS, a PARCA Application at any time. The PARCA Application Fee shall be reconciled against those National Grid NTS actual costs (including reasonable overheads) reasonably incurred by National Grid NTS in progressing the PARCA Application. Where National Grid NTS has calculated that it's reasonably incurred costs;
- (a) are less than the PARCA Application Fee paid by the PARCA Applicant, National Grid NTS shall refund the difference to the PARCA Applicant; or
  - (b) are greater than the PARCA Application Fee paid by the PARCA Applicant, National Grid NTS shall invoice the difference (together with information as to why the costs are greater) and the PARCA Applicant shall pay such difference.
- 2.4 Following completion of the Phase 1 PARCA Works, National Grid NTS shall submit to the PARCA Applicant a Phase 1 PARCA Works Report, technical options report and the PARCA contract populated with the relevant data.
- 2.5 In accordance with the terms of the PARCA Application, The Phase 1 PARCA Works Report will include:
- (a) The Registration Date, which is the first day that the Reserved Capacity may be Registered from. This may or may not be the same as the first date requested by the PARCA Applicant in accordance with paragraph 1.3.
  - (b) The quantity of Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity to be reserved and, if applicable, the capacity range that can be accommodated (which may, or may not be capacity range requested by the PARCA Applicant).
  - (c) The profile of the Quarterly NTS Entry Capacity (i.e Capacity to be reserved for each quarter) and/or Enduring Annual NTS Exit (Flat) Capacity to be reserved (where applicable) and, if applicable, the Reserved Capacity Tolerance that can be accommodated (which may or may not be the Reserved Capacity Tolerance requested by the PARCA Applicant).
  - (d) The allocation date, which is the date on which the Reserved Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity will be registered by National Grid NTS to the Reservation User or, as the case may be, Nominated User(s).
  - (e) The indicative Quarterly NTS Entry Capacity and/or NTS Exit (Flat) Capacity charges applicable to the Reserved Capacity.
  - (f) The actual costs incurred by National Grid NTS in undertaking the Phase 1 PARCA Works and therefore the monies owed by or to be returned to the PARCA Applicant.

- (g) The annual security requirements derived from the PARCA Security Amount that is required to further progress the PARCA.
- (h) The PARCA Demonstration Information and PARCA Demonstration Date requirements.
- (i) Whether there is a need for reinforcement works
- (j) For information purposes only, indicative ramp rates and pressures.
- (k) Where the PARCA Applicant is a DNO User, the NTS Exit (Flexibility) Capacity quantity and Assured Offtake Pressure that National Grid NTS will provide at the DNO Offtake if the reserved capacity is allocated subject to the terms and conditions of the PARCA.

2.6 Where the PARCA Applicant wishes National Grid NTS to reserve the Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity, in the quantity and from the Registration Date detailed within the Phase 1 PARCA Works Report, then by no later than twenty eight (28) Days following receipt of the Phase 1 PARCA Works Report, the PARCA Applicant shall sign and return to National Grid NTS the PARCA contract (provided in accordance with paragraph 2.4) and provide the required security requirements as identified in the Phase 1 PARCA Works Report.

2.7 If the PARCA Applicant has not submitted the original signed version of the PARCA and put in place the relevant security requirements identified in the Phase 1 PARCA Works Report in the timescale prescribed, National Grid NTS shall not be required to counter sign the PARCA contract.

2.8 Pursuant to paragraph 2.6 but subject to paragraph 2.7, National Grid NTS will, within two (2) Business Days, counter sign the PARCA contract and return a copy to the PARCA Applicant.

2.9 The Reservation of the NTS Capacity will occur where National Grid NTS has counter signed the PARCA contract and a return copy of the PARCA contract has been sent to the PARCA Applicant in accordance with paragraph 2.8 and, in respect of Quarterly NTS Entry Capacity only:

- (a) a net present value test, in accordance with the Incremental Entry Capacity Release Statement, that is based upon the quantities of Quarterly NTS Entry Capacity and indicative NTS Entry Capacity Price steps has been satisfied; or
- (b) where National Grid NTS determine that no net present value test is required, a quantity of Quarterly NTS Entry Capacity has been requested by the PARCA Applicant in at least 16 (sixteen) Quarters within a 32 (thirty two) consecutive Quarter period

Note: National Grid NTS maybe required, under its licence, to submit an initial proposal to the Authority which details how the reservation of capacity is likely to be satisfied, for example, through substitution, existing capability or potential reinforcement. If this is required National Grid NTS may initially reserve the Capacity pending an Ofgem veto or otherwise.

### **3 PARCA Application Window**

3.1 Within ten (10) Business Days of initiation of the Phase 1 PARCA Works resulting from a Competent PARCA Application (in accordance with paragraph 1.5), a PARCA Application Window (i.e. either a PARCA Entry or Exit Window) of up to 40 (forty) consecutive Business Days will be opened. The exception being where that PARCA Application is deemed competent by National Grid

NTS within an existing PARCA Application Window, in which case no further PARCA Application Window will be opened.

- 3.2 A PARCA Exit Window will be triggered by a Competent PARCA Application that requests NTS Exit Capacity; a PARCA Entry Window will be triggered by a Competent PARCA Application that requests NTS Entry Capacity.
- 3.3 Where no PARCA Applications requesting NTS Entry Capacity are received within the first 20 (twenty) Business Days of a PARCA Entry Window that PARCA Entry Window will close. Where no PARCA Applications requesting NTS Exit Capacity are received within the first 20 (twenty) Business Days of a PARCA Exit Window, that PARCA Exit Window will close.
- 3.4 If a PARCA Application requesting NTS Entry Capacity is received within the first 20 (twenty) Business Days of a PARCA Entry Window, National Grid NTS will consider all PARCA Applications requesting NTS Entry Capacity received and deemed to be Competent PARCA Applications by National Grid NTS within that PARCA Entry Window at the same time as the relevant Competent PARCA Application that triggered the opening of that PARCA Entry Window and that PARCA Entry Window will remain open for forty 40 (forty) consecutive Business Days from the date it was triggered.
- 3.5 If a PARCA Application requesting NTS Exit Capacity is received within the first 20 (twenty) Business Days of a PARCA Exit Window, National Grid NTS will consider all PARCA Applications requesting NTS Exit Capacity received and deemed to be Competent PARCA Applications by National Grid NTS within that PARCA Exit Window at the same time as the relevant Competent PARCA Application that triggered the opening of that PARCA Exit Window and that PARCA Exit Window will remain open for forty 40 (forty) consecutive Business Days from the date it was triggered.
- 3.6 Unsold NTS Entry and/or Exit Capacity will not be made available through the PARCA process and the existing UNC capacity release processes (i.e. the March QSEC and/or July Annual Application window) at the same time. Therefore National Grid NTS is not required to initiate the Phase 1 PARCA Works of an Entry and/or Exit PARCA whilst any Unsold NTS Entry and/or Exit Capacity, that National Grid NTS determines may otherwise be reserved through that PARCA, is being made available through the aforementioned UNC capacity release processes.
- 3.7 Where National Grid NTS determine that it is not possible to initiate the Phase 1 PARCA Works in accordance with paragraph 3.6, National Grid NTS will inform the PARCA Applicant accordingly. In any case, the initiation of the Phase 1 PARCA Works will occur no later than the date upon which the relevant existing UNC capacity release processes conclude, or where National Grid NTS determine it is able to do so, an earlier date.
- 3.8 Only one PARCA Entry and/or Exit Window will be open at any one time (i.e. a PARCA Entry Window and a PARCA Exit Window may be open at the same time but multiple PARCA Entry or Exit Windows can not be).
- 3.9 Where a PARCA Application Window is to be opened, National Grid NTS will, within ten (10) Business Days of initiation of the Phase 1 PARCA Works, publish notice that a PARCA Application Window is open for a maximum period of forty (40) consecutive Business Days. This is in addition to the information published under paragraph 13.1,

- 3.10 Upon closure of the PARCA Application Window, National Grid NTS will publish:
- (a) Notice that the PARCA Application Window is now closed
  - (b) The number of PARCAs requested within the PARCA Application Window.

Note: for the avoidance of doubt, the closure of the PARCA Application Window does not prevent further PARCAs being applied for at any other time. Where a PARCA Application is deemed competent outside of a PARCA Application Window, the capacity requested in that PARCA will still be made available to the PARCA Applicant by National Grid NTS, however the date that requested capacity is made available from may be impacted by other PARCAs already requested and in progress.

- 3.11 Where a PARCA Application Window has been opened, the Phase 1 PARCA Works timescales for the Competent PARCA Application that triggered the PARCA Application Window will not be extended (i.e. the Phase 1 PARCA Works timescales remain as up to six (6) months) unless otherwise agreed with the PARCA Applicant.

**4 PARCA Demonstration information – The business rules contained in paragraph 4 of this solution are included for information purposes only and are not proposed to be included into UNC, but will be incorporated into the PARCA itself.**

- 4.1 The existing Demonstration Date and Information principles currently defined under UNC (ref TPD B3.3) are retained for the purposes of the existing ad-hoc exit application process only. Additional Demonstration Date and information provisions are required for the purposes of the PARCA and these will be incorporated into each PARCA contract.

- 4.2 "PARCA Demonstration Date" means a date(s) specified in the PARCA whereby the PARCA Applicant shall provide specific PARCA Demonstration Information to National Grid NTS and is further defined as:

- (a) First PARCA Demonstration Date; or
- (b) in the event the PARCA Applicant has not provided National Grid NTS with the PARCA Demonstration Information by the First PARCA Demonstration Date, a second date twenty eight (28) Days after the First PARCA Demonstration Date (or with the agreement of the PARCA Applicant, any other date) (Second PARCA Demonstration Date); or
- (c) in the event the PARCA Applicant has not provided National Grid NTS with the PARCA Demonstration Information by the Second Demonstration Date, a third date twenty eight (28) Days after the Second PARCA Demonstration Date (or with the agreement of the PARCA Applicant, any other date) (Third PARCA Demonstration Date);
- (d) in the event the PARCA Applicant has not provided National Grid NTS with the PARCA Demonstration Information by the Third PARCA Demonstration Date, such other date as may be agreed through the PARCA ("Ad-hoc PARCA Demonstration Date").

- 4.3 Where PARCA Demonstration Dates are altered from the First PARCA Demonstration Date, Second PARCA Demonstration Date, Third PARCA Demonstration Date or Ad-hoc PARCA Demonstration Date then National Grid NTS will, upon such alteration, notify the PARCA Applicant of any revisions (if required) to the PARCA schedule timeframes and project milestones, including the capacity delivery date.

- 4.4 "PARCA Demonstration Information" is such information as is sufficient to enable National Grid NTS to be reasonably satisfied that;
- (a) the PARCA Applicant will be able to progress to commencement of the relevant PARCA Phase;
  - (b) the relevant PARCA Phase will progress to completion
  - (c) the PARCA Applicants project is progressing to an appropriate timeline.
- 4.5 PARCA Demonstration Information is necessary to reasonably satisfy National Grid NTS that the Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity applied for will be utilised to offtake gas at the NTS Exit Point and/or supply of gas at the ASEP with effect from the Registration Date(s).
- 4.6 Where the PARCA Applicant fails to provide National Grid NTS with the PARCA Demonstration Information by the prevailing PARCA Demonstration Date on three (3) or more occasions National Grid NTS may terminate the PARCA with immediate effect and any Reserved NTS Capacity will no longer be reserved.
- 4.7 National Grid NTS will publish guidelines (to be updated from time to time) setting out the scope and content of such PARCA Demonstration Information. The PARCA Demonstration Information required will be specific to each required phase of the PARCA contract.
- 4.8 National Grid NTS will notify the PARCA Applicant of the new Demonstration Date and Registration Date(s) (if required) by no later than ten (10) Business Days following the previously notified Demonstration Date.
- 4.9 National Grid NTS shall provide the PARCA Applicant with relevant milestone information to reasonably satisfy the PARCA Applicant that National Grid NTS is progressing the required PARCA works in a timely manner.

## **5 Nomination of a User**

- 5.1 The Reservation Party may, by written notice to National Grid NTS, nominate any User(s) (the "Nominated User(s)") to be registered as holding part or all of the Reserved Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity from no earlier than the First Registration Date for the NTS Exit and/or Entry Point.
- 5.2 In accordance with the terms of the PARCA, the Reservation Party shall nominate, through written notice, such a User(s) no later than one (1) month prior to the allocation date (or, subject to agreement by National Grid NTS, an alternative date) where such a nomination must occur. Where such nomination has not occurred by the required date, National Grid NTS reserve the right to terminate the PARCA and invoice The Reservation Party for any outstanding monies owed.
- 5.3 A notice under paragraph 5.1 shall specify:
- (a) the identity of the Nominated User(s);
  - (b) an amount (in kWh/d) of Reserved Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity to be registered in the name of the Nominated User(s) which shall not exceed the total amount of remaining Reserved Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity (taking into account any

other notice of Nomination by the Reservation Party in relation to the PARCA);

- (c) the date, consistent with the terms of the PARCA, from which the Nominated User(s) is to be registered as holding NTS Exit (Flat) Capacity and/or the quarterly periods for which the Nominated User(s) is to be registered as holding Quarterly NTS Entry Capacity.

- 5.4 Following receipt of a notice under paragraph 5.1, National Grid NTS will notify the Nominated User(s) of the contents of the notice as soon as reasonably practicable.
- 5.5 Each Nominated User shall, within five (5) Business Days of National Grid NTS's notification under paragraph 5.4, confirm to National Grid NTS its acceptance or rejection of the details in the Reservation Party's notice.
- 5.6 Where, in accordance with paragraph 5.5, acceptance of the details in the Reservation Party's notice has not been received National Grid NTS will inform the Reservation Party as soon as reasonably practicable and request that the Reservation Party resubmits a notice(s) pursuant to paragraph 5.1 in relation to that amount of Reserved System Capacity (being the Reserved Entry and/or Reserved Exit Capacity referred to in paragraph 1.1) that was to be Registered in the name of the Nominated User which failed to confirm its acceptance.
- 5.7 National Grid NTS may reject a nomination of a Nominated User:
  - (a) where any of the requirements of paragraph 5 are not complied with;
  - (b) in accordance with Section V3 of UNC (credit arrangements);
  - (c) where PARCA Demonstration Information has not been provided by the Reservation Party in accordance with paragraph 4
  - (d) where, by no later than one (1) month prior to the allocation date, 100% of the Reserved Capacity has not been registered in the name of at least one User.
- 5.8 Upon the capacity allocation, the User commitment aspects as detailed in the incremental Entry and Exit Methodology Statements will apply.
- 5.9 The Reservation Party may, through separate written notices submitted at the same time to National Grid NTS, nominate more than one User (i.e. each written notice may only nominate one User).

## **6 National Grid NTS Obligations**

- 6.1 Subject to the Incremental Entry and Exit Capacity Release Methodologies, Entry and Exit Capacity Substitution Methodologies and PARCA, National Grid NTS will on the allocation date;
  - (a) Register the Nominated User(s) as holding Enduring Annual NTS Exit (Flat) Capacity at the Relevant NTS Exit Point in such amount(s) and from such date as specified in the Reservation Party's Nomination of a User as detailed under paragraph 5 and/or;
  - (b) Register the Nominated User(s) as holding Quarterly NTS Entry Capacity at the Relevant ASEP in such amount(s) and for such Quarterly Periods as specified in the Reservation Party's Nomination of a User as detailed under paragraph 5.

- 6.2 Subject to the Incremental Entry and Exit Capacity Release Methodologies, Entry and Exit Capacity Substitution Methodologies and PARCA, National Grid NTS will on the allocation date;
- (a) Register the Reservation User(s) as holding Enduring Annual NTS Exit (Flat) Capacity at the Relevant NTS Exit Point in such amount(s) and from such date (The Registration date) as specified in the PARCA and/or;
  - (b) Register the Reservation User(s) as holding Quarterly NTS Entry Capacity at the Relevant ASEP in such amount(s) and for such Quarterly Periods as specified in the PARCA.
- 6.3 Nothing shall prevent the Nominated User(s) or Reservation User from applying, pursuant to TPD Section B2 and B3, for further NTS Capacity at the Relevant NTS Exit Point and/or ASEP.
- 6.4 For the avoidance of doubt, the existing User commitment principles will apply to NTS Exit and or NTS Entry Capacity that has been initially reserved through the PARCA once it has been registered to a Reservation User or Nominated User in accordance with paragraphs 6.1 and 6.2.
- 6.5 Enduring NTS Exit (Flat) capacity registered to a User through a PARCA will be included in Exit Overrun Calculations as if it were allocated through an existing Enduring NTS Exit (Flat) Capacity Application process.
- 6.6 Quarterly NTS System Entry Capacity registered to a User through a PARCA will be included in the Entry Overrun Calculation as if it were allocated through the QSEC Auction.
- 6.7 For the avoidance of doubt and for the purposes of UNC, Reserved NTS Entry Capacity will not be included in the User's Fully Adjusted Firm Available NTS Entry.
- 6.8 For the avoidance of doubt and for the purposes of UNC, Reserved NTS Exit Capacity will not be included in the User's Fully Adjusted Available NTS Exit (Flat) Capacity

## **7 The July Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity**

- 7.1 The July Annual Application Window for Enduring Annual NTS Exit (Flat) Capacity is to be retained
- 7.2 National Grid NTS will, from any month in the periods Y+4, Y+5 and Y+6 make available Unsold Baseline NTS Exit (Flat) Capacity through the July Annual Application Window.
- 7.3 The quantity of Unsold Baseline NTS Exit (Flat) Capacity made available from any Gas Month at an NTS Exit Point will be based upon the available quantity of Unsold Baseline NTS Exit (Flat) Capacity for every Gas Month from that point onwards, any Reserved Baseline NTS Exit (Flat) Capacity will not be considered as Available Unsold Baseline NTS Exit (Flat) Capacity.
- 7.4 Demand for Enduring Annual NTS Exit (Flat) Capacity through the July Annual Application Window that is over and above the Available Unsold Baseline NTS Exit (Flat) Capacity levels may be met through Substitution in accordance with the Exit Capacity Substitution Methodology (ExCS) or at the discretion of National Grid NTS in accordance with the Exit Capacity Release Methodology

Statement and will be subject to User Commitment in accordance with the Exit Capacity Release Methodology Statement (ExCR).

- 7.5 National Grid NTS will, not later than 30th September in Gas Year Y:
- (a) accept in full (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements; and notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.

## **8 Ad-hoc applications for Enduring Annual NTS Exit (Flat) Capacity**

- 8.1 National Grid NTS will, from M+6 through to Y+6, make available Unsold Baseline NTS Exit (Flat) Capacity through the existing Ad-hoc Enduring Annual NTS Exit (Flat) Capacity application process as defined under UNC (TPD B3.2).
- 8.2 The quantity of Unsold Baseline NTS Exit (Flat) Capacity available from a Gas Month will be defined as the available quantity of Unsold Baseline NTS Exit (Flat) Capacity for every Gas Month from that Gas Month onwards, any Reserved Baseline NTS Exit (Flat) Capacity will not be considered as Available Unsold Baseline NTS Exit (Flat) Capacity.
- 8.3 Demand for Enduring Annual NTS Exit (Flat) Capacity that is over and above Unsold Baseline NTS Exit (Flat) Capacity levels may be met through substitution in accordance with the ExCS or at the discretion of National Grid NTS in accordance with the ExCR (from M+6 onwards) and will be subject to User Commitment in accordance with the ExCR.
- 8.4 The current UNC provisions (TPD B3.2.10 to B3.2.13) for Enduring Annual NTS Exit (Flat) Capacity ad-hoc applications remain
- 8.5 Within 10 (ten) Days of such a notification, National Grid NTS will publish:
- (a) the NTS Exit Point at which the Enduring Annual NTS Exit (Flat) Capacity is to be registered
  - (b) the amount of Enduring Annual NTS Exit (Flat) Capacity registered;
  - (c) the Registration Date(s).

## **9 Ad-hoc Reductions of Enduring Annual NTS Exit (Flat) Capacity**

- 9.1 UNC (TPD B3.2.21 in accordance with other provisions under paragraph B3.2) details the provisions for ad-hoc reductions of Enduring Annual NTS Exit (Flat) Capacity at NTS Exit Points.
- 9.2 The existing ad-hoc reduction process is to be retained and shall also allow Users, through invitation by National Grid NTS, to submit a notice of reduction at any relevant NTS Exit Point, where that reduction could be used to meet demand for Enduring Annual NTS Exit (Flat) Capacity signalled through a PARCA.
- 9.3 For the purposes of a PARCA, an invitation to Users by National Grid NTS to submit a notice of reduction shall specify:
- (a) the period during which a User may give a notice of reduction (which will not be between the 1<sup>st</sup> and 15<sup>th</sup> of July in any Gas Year).
  - (b) The geographical area of the PARCA NTS Exit Point, whilst respecting the commercial confidentiality of the PARCA Applicant.
  - (c) The NTS Exit Points where such notices of reductions will be permitted.



- (d) The earliest date on which National Grid NTS may give effect to a reduction.
- (e) The date on which National Grid NTS will notify a User of whether or not it will give effect to a notice of reduction.

9.4 By not later than the date specified in the invitation to Users (as referred to in paragraph 9.3) to submit a notice of reduction, National Grid NTS;

- (a) will notify the relevant User of whether or not it will give effect to the notice of reduction, and if so, the date on which the reduction is to be effective and the amount of Enduring Annual NTS Exit (Flat) Capacity the User will continue to be registered as holding at the NTS Exit Point from such date.
- (b) may give effect to a User's notice of the reduction for an amount of Enduring Annual NTS Exit (Flat) Capacity which is not:
  - (i) greater than the reduction amount;
  - (ii) or less than the minimum reduction amount in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement and Exit Capacity Substitution and Revision Methodology Statement.

9.5 For the avoidance of doubt, the termination of a PARCA will not result in any ad-hoc reductions previously accepted being cancelled.

## **10 NTS Exit ARCAs**

10.1 The ARCA provisions currently within UNC TPD Section B will only apply to ARCAs that are signed and in progression at the time of the effective date of this Modification.

Note: Any ARCAs entered into prior to this modification becoming effective will progress as normal.

## **11 NTS Entry Capacity – March Quarterly System Entry Capacity auction (QSEC)**

- 11.1 National Grid NTS will, for each calendar quarter in Capacity Year Y+2 to Capacity Year +16 (inclusive), make available Unsold Baseline NTS Entry Capacity.
- 11.2 Any Quarterly NTS System Entry Capacity that has been reserved through a PARCA ahead of the QSEC invitation letter being issued will not be considered as Available Unsold Baseline NTS Entry Capacity for that QSEC auction.
- 11.3 Where there is demand for Firm NTS Entry Capacity that is in excess of Available Unsold Baseline NTS Entry Capacity levels at an ASEP then National Grid NTS will:
  - (a) where such demand has passed the Net Present Value test (in accordance with the IECR), to the extent that it can, utilise substitution to meet some or all of the demand
  - (b) at its discretion, release Incremental NTS Entry Capacity to meet some or all of the demand

Where a) or b) are not possible then National Grid NTS will not allocate Firm NTS Entry Capacity that is in excess of Available Unsold Baseline NTS Entry Capacity levels at the ASEP.

## **12 NTS Entry Capacity – PARCA triggered Ad-Hoc Quarterly System Entry Capacity Auction**

- 12.1 UNC (TPD B2.2.18) details the provisions for Ad-hoc QSEC auctions, which currently apply to new ASEPs only. This solution redefines the purpose of the Ad-hoc QSEC auction as an auction that allows all Entry Users the opportunity at any ASEP, outside of the annual March QSEC, to signal demand for Unsold Baseline NTS Entry Capacity that may otherwise be reserved through a PARCA. Capacity required for New ASEPs may be reserved through the PARCA or applied for through the March QSEC (as per any ASEP).
- 12.2 Where Quarterly NTS Entry Capacity is requested through a PARCA, within ten (10) Business Days of initiation of the Phase 1 PARCA Works of that PARCA, National Grid NTS will invite Users to participate in an Ad-hoc QSEC with at least twenty eight (28) Days notice (i.e. in accordance with current UNC provisions). In addition to the existing UNC ad-hoc QSEC invitation provisions, the invitation will include information that is pertinent to the relevant PARCA (whilst respecting commercial confidentiality) e.g. identify where Available Unsold Baseline NTS Entry Capacity maybe at risk.
- 12.3 An ad-hoc QSEC will not be triggered where initiation of the Phase 1 PARCA Works occurs between the Annual Invitation being issued for the March QSEC and the final bid window of that March QSEC closing.
- 12.4 The ad-hoc QSEC will not run between and including the months of February to May of the same Gas Year (to allow the March QSEC process to reach conclusion).
- 12.5 Where further NTS Entry Capacity is requested through subsequent PARCAs and National Grid NTS has published details of that PARCA in accordance with paragraph 13, a further Ad-hoc QSEC invitation will only be issued where the final bid window for the previous ad-hoc QSEC has closed or where the final bid window of the March QSEC has closed so that the available NTS Entry Capacity can be determined.
- 12.6 Only Available Unsold Baseline NTS Entry Capacity will be made available through the ad-hoc QSEC auctions, however price steps will still be published for different incremental amounts so that Entry Users are able to bid for the available Unsold Baseline NTS Entry Capacity at different price steps.).
- 12.7 For the avoidance of doubt, Entry Users can submit bids at all price steps defined for each ASEP.
- 12.8 Allocation of Quarterly NTS Entry Capacity will be in accordance with UNC (ref TPD B2.6)
- 12.9 Given the above changes, secondary ad-hoc QSEC auctions (ref TPD UNC B2.2.18 d) will no longer be required.
- 12.10 National Grid NTS will allocate Quarterly System Entry Capacity to successful bids within ten (10) Business Days of the final bid window closing.

### **13 Information publication**

- 13.1 Within ten (10) Business Days of initiation of the Phase 1 PARCA Works, National Grid NTS will publish:
- (a) The geographical area of the PARCA NTS Exit Point and/or NTS Entry Point
  - (b) An indicative range of Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity based upon the maximum quantity of capacity requested.
  - (c) The indicative Capacity Reservation Date
  - (d) The requested Capacity Registration date

and National Grid NTS shall publish updates to any of the above information from time to time as applicable

- 13.2 Within ten (10) Business Days of the Reservation of Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity, National Grid NTS will publish:
- (a) Where substitution is proposed, the quantity (if any) of Unsold Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity that has been reserved from each donor NTS Exit Point(s) and/or NTS Entry Point(s) and the relevant periods.
  - (b) The geographical area of the PARCA NTS Exit Point and/or NTS Entry Point or the NTS Exit and/or NTS Entry Point if known.
  - (c) The quantity (if any) of Unsold Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity reserved at the PARCA defined NTS Exit and/or NTS Entry Point and the relevant periods.
  - (d) The total quantity (if any) of Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity reserved at the PARCA defined NTS Exit and/or NTS Entry Point.

and National Grid NTS shall publish updates to any of the above information from time to time as applicable

- 13.3 National Grid NTS will publish, as soon as reasonably practicable and respecting commercial confidentiality, details of the progress made against the phases of each PARCA. This will include in each case the submission of application for a development consent order (if required), receipt of a development consent order (if required), and calculation of any required revenue drivers.

- 13.4 Within ten (10) Business Days of the Termination of a PARCA, National Grid NTS will publish the quantity (if any) and location of any NTS Exit (Flat) Capacity and/or NTS Entry Capacity that is no longer reserved and is being made available to the market as Unsold NTS Capacity.

- 13.5 Not more than twenty four (24) hours after the time at which National Grid NTS notifies the Nominated User or Reservation User of their allocation of Quarterly NTS Entry Capacity, National Grid NTS will notify all Users in respect of each calendar quarter:
- (a) the price (in pence/kWh) accepted for NTS Entry Capacity by a User (and the amount of NTS Entry Capacity applied for);
  - (b) the volume of NTS Entry Capacity allocated;
  - (c) the incremental volume NTS Entry Capacity allocated

(d) the amount of Unsold NTS Entry Capacity (if any) following the allocation;

13.6 Not more than twenty four (24) hours after the time at which National Grid NTS notifies the Nominated User or Reservation User of their allocation of Enduring Annual NTS Exit (Flat) Capacity, National Grid NTS will notify all Users of the following information:

- (a) The volume of Enduring Annual NTS Exit (Flat) Capacity allocated
- (b) The incremental volume of Enduring Annual NTS Exit (Flat) Capacity allocated

## **14 Funding and Charging**

14.1 The Phase 1 PARCA Fee charged to the PARCA Applicant will be based upon reasonably estimated costs of the effort required and the man power costs required to complete the PARCA Phase 1 Works and will be reviewed, updated and published on an annual basis to reflect any changes to National Grid NTS costs associated with completing Phase 1 PARCA Works. The Phase 1 PARCA Fee will be payable by all PARCA Applicants in order to progress with the PARCA and must be settled in full by the PARCA Applicant before National Grid NTS commences works on Phase 1. After delivery of the Phase 1 PARCA Works Report, a reconciliation of the Phase 1 PARCA Fee will take place whereby National Grid NTS will calculate the actual costs incurred for the Phase 1 PARCA Works.

- (a) Where actual costs are less than the Phase 1 PARCA Fee paid by PARCA Applicant, a payment for the difference will be made by National Grid NTS to the PARCA Applicant.
- (b) Where actual costs are more than the Phase 1 PARCA Fee paid by the PARCA Applicant will be required to pay National Grid NTS for the difference.

14.1.2 Changes to UNC Section Y Section 2 (Connection Charging Methodology) will be required to reflect the introduction of the Phase 1 PARCA Fee.

14.2 Security will be required to be put in place by the PARCA Applicant as a form of financial commitment for the reservation of capacity post PARCA Stage 1 up to the allocation of capacity. This financial commitment can be provided by putting in place an acceptable form of security (in accordance with the terms of the PARCA for the appropriate amount or by providing monies for the appropriate amount to National Grid NTS.

14.3 The amount required to be covered by the PARCA Applicant will be the PARCA Security Amount. The PARCA Security Amount will be calculated and phased as follows:

### **Exit Capacity:**

Total PARCA Security Amount (£) = (PARCAExind / 100) x Qex x 365

Where:

PARCAExind = the indicative NTS Exit Capacity price (p/kWh/Day), pursuant to the PARCA, for the maximum Capacity requested at the NTS Exit Point as detailed in the Phase 1 PARCA Works Report

Qex = the maximum amount of NTS Exit Capacity to be Reserved by the PARCA Applicant (kWh/Day) as specified in the Phase 1 PARCA Works Report

**Entry Capacity:**

Total PARCA Security Amount (£) = (PARCAEnind / 100) x Qen x 365

Where:

PARCAEnind = the indicative NTS Entry Capacity P0 reserve price (p/kWh/Day), pursuant to the PARCA, for the maximum amount of NTS Entry Capacity requested in any one quarter at the PARCA NTS Entry Point.

Qen = the maximum amount of NTS Entry Capacity to be Reserved by the PARCA Applicant (kWh/Day) in any one quarter as specified in the Phase 1 PARCA Works Report

**Annual Phasing:**

The PARCA Security Amount will be phased on an annual basis as an annual requirement in accordance with the following:

Security requirement for PARCA Year Y = Total PARCA Security Amount x 0.25

Security requirement for PARCA Year Y+1 = Total PARCA Security Amount x 0.50

Security requirement for PARCA Year Y+2 = Total PARCA Security Amount x 0.75

Security requirement for PARCA Year  $\geq$  Y+3 = Total PARCA Security Amount x 1.0

Where PARCA Year Y is the period of twelve (12) calendar months from, and including, the calendar month in which the PARCA was countersigned.

14.4 Should the PARCA be terminated prior to the registration of the reserved capacity then the PARCA Applicant will be liable for the PARCA Termination Amount, which is calculated in accordance with paragraph 14.5.

14.5 In the event of PARCA termination, a PARCA Termination Amount will be invoiced to the PARCA party and will take into account the effective day of the PARCA termination e.g. if PARCA phase 2 began on January 1st 2015 and PARCA terminates 31st January 2015, the number of days = 31

(a) Termination Amount = min of ((Total PARCA Security Amount / 1461\*) x no. of days) or Total PARCA Security Amount

(\*Where 1461 = 4 years in days)

Where no. of days = number of days between and including the date the PARCA is counter signed (in accordance with paragraph 2.6) and the date the PARCA terminates.

14.6 Once the allocation of capacity takes place the existing arrangements for Users providing commitment / security to such capacity will apply. Any allowed revenue as a result of the PARCA capacity request will be recovered via NTS Transportation Charges.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
The modification is not classed as User Pays. No additional costs as a result of this modification have been identified by National Grid NTS.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
n/a
Proposed charge(s) for application of User Pays charges to Shippers.
n/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
n/a

## 4 Relevant Objectives

Impact of the modification on the <b>Relevant Objectives:</b>	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	Positive
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.	Positive
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
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.	None

Implementation would put into the UNC a consistent and transparent process to be followed when additional NTS capacity is required by a customer. This therefore

delivers certainty and clarity, with confidence that all parties will be treated equally. At present, customers have to either sign an ARCA or bid in capacity auctions to acquire capacity rights. As a result of this modification, and associated licence and methodology statement changes, agreeing a PARCA would be the only route via which National Grid NTS would expect to allocate incremental capacity where system reinforcement is necessary. The proposed approach:

- allows additional parties to enter into agreements rather than being restricted to non-code parties for ARCAs, and Code parties for auctions;
- signals the requirement for additional capacity such that other users can respond, extending the ad-hoc QSEC process and introducing a PARCA window;
- allows flexibility, if circumstances change for example, for customers to withdraw from projects while avoiding the potential for National Grid NTS to be committed to invest to reinforce the network;
- reduces the scale of financial commitment which customers are initially required to make in order to obtain incremental capacity rights since the initial commitments under the proposed approach are less than those when bidding in capacity auctions.

#### **Efficient discharge of the licensee's obligations.**

Implementation would provide a transparent and consistent process for all customers wishing to obtain incremental NTS capacity. Ensuring a non-discriminatory approach is incorporated within the UNC helps to meet licence obligations not to unduly discriminate.

#### **Securing of effective competition between relevant shippers**

The certainty introduced by the proposed processes would reduce risk for those wishing to acquire additional capacity rights. Implementation would therefore potentially reduce the barriers to entry to the GB gas market as far as those seeking to acquire incremental capacity rights are concerned. These may be either new NTS connections or expanded existing connections. To the extent that this attracts additional exit capacity, there would be a larger market to be supplied – thereby helping to secure effective competition among Shippers and Suppliers. With respect to additional entry capacity, this will facilitate increased supplies being made available to the GB market and hence would provide additional choice to Shippers regarding the sources of gas relied upon. By increasing the supplies available to the market, implementation would therefore be expected to facilitate the securing of effective competition between Shippers.

EDF Energy do not completely agree that this modification would automatically lead to increasing amounts of entry and /or exit capacity to be booked and extra GB supplies. To the extent that these new arrangements can be easily understood and followed by parties wishing to reserve entry/ capacity then yes, they would expect them not to become a barrier to entry.

Energy UK considers implementation of the proposed processes will increase certainty and reduce risk for parties seeking to secure additional capacity rights. Where this reduces barriers to entry to the GB gas market this may increase the

overall demand in the market in respect of exit capacity or for entry increase supply choice, thereby supporting competition between shippers and suppliers.

Energy UK notes that Modification 0465 further supports competition between users since a consistent approach is applied to the PARCA security requirements whereas Modification 0452 favours some projects over others as a result of their location.

RWE and ScottishPower consider the main benefit is giving confidence and certainty to shippers or developers that NTS capacity will be available in timescales consistent with their own project requirements. In their view, the calculation of the PARCA security amount based upon locational NTS capacity costs undermines the promotion of competition by imposing differential security obligations between similar projects arbitrarily based upon location.

Scotia Gas Networks considers the modification may have a detrimental impact on securing effective competition between DN Operators as they will be subject to the Phase 1 fee in cases of general growth, which they will not be able to recover from the end consumers causing the growth.

Impact of the modification on the Relevant Connection Charging Methodology Objectives:	
Relevant Objective	Identified impact
a) Compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;	None
b) Compliance with the connection charging methodology facilitates competition in the supply of gas, and does not restrict, distort, or prevent competition in the transportation of gas conveyed through pipes;	None
c) Compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its transportation business and, where the Act enables, to charge a reasonable profit;	Positive
d) So far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's transportation business; and a. Compliance with the connection charging methodology ensures that the licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the pipe-line system to which this licence relates.	Positive
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.	None



- c) Compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its transportation business and, where the Act enables, to charge a reasonable profit**

A methodology change to require the introduction of the Phase 1 PARCA Fee further facilitates this objective. The Phase 1 PARCA Fee is to be one universal fee for all PARCA Applicants (based on a reasonable estimate of the costs of the Phase 1 activities) and reconciled using actual costs incurred for the Phase 1 Activities required by National Grid NTS. This will result in charges to the PARCA Applicant which reflects the costs incurred by the licensee.

- d) So far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's transportation business; and**
- a. Compliance with the connection charging methodology ensures that the licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the pipe-line system to which this licence relates**

Implementing a universal Phase 1 PARCA Fee (that is ultimately reconciled to actual costs incurred) would support the achievement of this objective because all PARCA Applicants will be required to pay the same fee, therefore preventing any undue discrimination.

National Grid NTS considers the introduction of a PARCA Security Amount, based on the value of capacity, facilitates this objective as the calculation will be equitable for all PARCA Applicants with the same methodology applied in calculating the NTS Entry Capacity or NTS Exit (Flat) Capacity charges (utilising the NTS Transportation Model to generate the NTS Entry and NTS Exit (Flat) Capacity charges). Other Workgroup attendees considered the approach in Modification 0465 would be preferable since the Security Amount would be equal for all applicants irrespective of location, and therefore avoid the extremes of either high or low amounts.

The modification does not conflict with:

- (i) paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence; or
- (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence.

EDF Energy considers Modification 0452 better facilitates this objective than Modification 0465 as the security arrangements would be reflective of actual costs of connecting and securing capacity at different parts of the network in the absence of a more cost reflective method based on actual costs, for example. This would create more effective competition between Users rather than being based on average capacity charges which are not cost reflective and could create either disproportional benefits or risks for investing parties.

## 5 Implementation

No implementation timescales are proposed.

No significant lead-time is required to implement this modification, and no systems changes are required. However, to allow consistent licence changes to be made and licence related documents to be modified and approved, National Grid NTS considers implementation is unlikely to be practical before 1 April 2014. Shippers have indicated that, given the potential benefits, earlier implementation would be desirable.

The following supporting changes are anticipated in order to fully implement the proposed approach:

### Methodology Statements

Substitution Methodology statements:

- No fundamental changes are proposed
- Capacity that is reserved through a PARCA is not available for substitution. i.e. substitutable capacity is redefined to exclude reserved capacity
- Unsold Capacity can be reserved from a donor point for substitution to a recipient PARCA location
- Substitution remains possible for the March QSEC and Enduring application processes (no change)
- Substitution is no longer possible through the ad-hoc QSEC process.

### Entry and Exit capacity release methodologies:

- Introduces the concept of Capacity reservation
- No new ARCAs or PCAs will be permitted, but existing ARCA / PCA agreements remain in effect
- Funded Incremental Obligated Entry/Exit Capacity (i.e. capacity that permanently increases the obligated release level at an ASEP / NTS Exit Point) will not be released through the March QSEC and Enduring Application processes (substitution remains and non-obligated capacity may still be released in response to incremental demanded through those processes)
- Funded Incremental Obligated Entry/Exit Capacity can only be released through the PARCA i.e. the PARCA is the only guarantee of incremental capacity release
- Entry NPV test remains for the March QSEC and also applies to Quarterly System Entry Capacity that is requested through the PARCA
- Exit User Commitment remains as-is and applies to Enduring NTS Exit (Flat) Capacity that is allocated through any process, including the PARCA.
- References to the licence defined permit scheme are removed
- Updates the default lead time that applies to the release of Funded Incremental Capacity to 24 months from an October allocation to ensure consistency with the proposed licence change (see below).

- Recognises the changes to the ad-hoc QSEC process as proposed in this modification (i.e. only unsold capacity is available)

#### **Licence Changes:**

- The permit scheme is not extended beyond 31st March 2014
- The default lead times that apply to the release of Funded Incremental Obligated Entry/Exit Capacity, are reduced to 24 months from the October following the allocation of that capacity.
- Recognition of the PARCA Termination Amount as collected revenue (does not increase allowed revenue)
- Recognition of the actual Phase 2 costs in the event of PARCA termination as allowable revenue (National Grid NTS remain neutral)
- Recognition of the Phase 1 PARCA costs as an excluded service

A number of respondents preference is for implementation as soon as possible with a target of 01 April 2014.

RWE and SSE consider implementation should be consistent with the Electricity Market Reform Capacity Mechanism auctions, due to be run in late 2014.

Scotia Gas Networks request at least a 3 month implementation period to ensure that connections' materials and legal documentation can be updated to include the referral to NTS and the potential increase in timescales to 7 years where a PARCA may be required.

## **6 Legal Text**

National Grid NTS identified some corrections that are required to the legal text and these are set out in their representation. They consider these changes to be minor in nature and better reflect the Modification 0452 development discussions.

### **Text**

#### **Transportation Principal Document**

##### Section B

##### 1. Introduction

*Amend paragraph 1.2.1 as follows:*

1.2.1 Users may apply for, [reserve](#) and hold capacity in a System ("**System Capacity**") at certain System Points.

*Add a new paragraph 1.4(c)*

(c) the User's reserved system capacity "**Reserved System Capacity**", being the Reserved Entry Capacity and/or Reserved Exit Capacity (as defined in paragraph 1.14.4), in relation to a System Point is the NTS Entry Capacity and/or NTS Exit Capacity which the User has reserved (in accordance with this Section B) at that System Point pending registration of that System Capacity. The amount of Reserved System Capacity shall be treated (for the purposes of determining the Available System Capacity only) as if it were registered as held by a User;

*Add a new paragraph 1.14*

#### 1.14 **Reservation of NTS Entry Capacity and/or NTS Exit Capacity through a Planning and**

##### **Advanced Reservation of Capacity Agreement (PARCA)**

1.14.1 National Grid NTS may enter into Planning and Advanced Reservation of Capacity Agreements (PARCAs).

1.14.2 In order to request that National Grid NTS enters into a PARCA (as defined in paragraph 1.14.3) the PARCA Applicant (as defined in paragraph 1.14.3) is required to complete an application form (the "**PARCA Application**") which National Grid NTS publishes and which may be amended and re-published from time to time following consultation and comply with the application process as set out in paragraph 1.15.

1.14.3 For the purposes of the Code a "**PARCA**" is an agreement (in a form published by National Grid NTS and amended and re-published from time to time following consultation) between National Grid NTS and a person who is either:

(a) a User; or

(b) subject to paragraph 1.3, not a User (the "**Reservation Party**")

and together (the "**PARCA Applicant**"),

pursuant to which the PARCA Applicant may reserve Quarterly NTS Entry Capacity at an Aggregated System Entry Point and/or Enduring Annual NTS Exit (Flat) Capacity at an NTS Exit Point; provided that a DNO User shall not be entitled to enter into a PARCA in order to reserve Quarterly NTS Entry Capacity at an Aggregated System Entry Point.

1.14.4 Any Reserved System Capacity reserved by a PARCA Applicant under a PARCA pursuant to

this paragraph 1.14 will be reserved in the case of:

(a) Quarterly NTS Entry Capacity at an Aggregated System Entry Point as reserved entry capacity (the "**Reserved Entry Capacity**"); and/or

(b) Enduring Annual NTS Exit (Flat) Capacity at an NTS Exit Point as reserved exit capacity (the "**Reserved Exit Capacity**"),

until such time as such Reserved System Capacity becomes Registered to a User or Nominated User(s) (as defined in paragraph 1.14.5) in accordance with the terms of the PARCA. The amount of Reserved System Capacity shall be determined (and may vary from time to time) in accordance with the terms of the PARCA.

1.14.5 Subject to the provisions in the PARCA, and not less than one (1) month prior to the relevant allocation date, the Reservation Party is required under the PARCA to nominate a User or Users (the "**Nominated User(s)**") to be Registered as holding an amount of Reserved Entry Capacity at an Aggregated System Entry Point and/or an amount of Reserved Exit Capacity at an NTS Exit Point with effect from such date as is specified in the PARCA and shall give notice to such effect to National Grid NTS.

1.14.6 A notice under paragraph 1.14.5 shall specify:

- (a) the identity of the Nominated User(s);
- (b) the amount (in kWh/d) of Reserved System Capacity to be Registered in the name of the Nominated User(s) which shall not exceed the total amount of the remaining Reserved System Capacity; and
- (c) the date, consistent with the terms of the PARCA, from which the Nominated User(s) is/are to be Registered as holding Reserved System Capacity.

Where the Reservation Party wishes to nominate, pursuant to paragraph 1.14.5, more than one (1) Nominated User to be Registered as holding an amount of Reserved Capacity, then (in addition to the requirements set out above):

- (d) the notices given by the Reservation Party under paragraph 1.14.5 in relation to each Nominated User shall be given at the same time; and
- (e) the aggregate amount of the System Capacity to be Registered in the name of the Nominated Users shall equal 100% of the Reserved System Capacity

1.14.7 Following receipt by National Grid NTS of the notice pursuant to paragraph 1.14.5, and provided that such notice has not been rejected by National Grid NTS pursuant to paragraph 14.4.10, National Grid NTS will notify the Nominated User(s) of the contents of such notice as soon as reasonably practicable.

1.14.8 Each Nominated User may within five (5) Business Days of National Grid NTS' notice under paragraph 1.14.7 confirm to National Grid NTS its acceptance of the details in the Reservation Party's notice.

1.14.9 If a Nominated User does not confirm its acceptance to National Grid NTS within the period specified in paragraph 1.14.8, National Grid NTS shall as

soon as reasonably practicable notify the Reservation Party of such non-acceptance and request that the Reservation Party resubmits a notice(or notices) pursuant to paragraph 1.14.5 in relation to that amount of Reserved System Capacity that was to be Registered in the name of the Nominated User which failed to confirm its acceptance as set out above.

1.14.10 National Grid NTS may reject the nomination of a Nominated User(s):

(a) where any of the requirements of paragraph 1.14.6 are not complied with;

(b) in accordance with Section V3.

1.14.11 Subject to the provisions in the PARCA, National Grid NTS's Entry Capacity Release Methodology Statement and Exit Capacity Release Methodology Statement and the Code the Reserved System Capacity will be allocated to the User or where the nomination of a Nominated User(s) has not been rejected pursuant to paragraph 1.14.10 to the Nominated User(s) on such date (the "**Registration Date**") as is specified in the PARCA.

1.14.12 In the event that the PARCA is terminated then with effect from the date of such termination:

(a) any notice given pursuant to paragraph 1.14.5 shall be deemed null and void, and the User or Nominated User(s) (as the case may be) shall not be entitled to be allocated with such Reserved System Capacity; and

(b) where National Grid NTS determines that such Reserved System Capacity cannot be used for the purposes of another PARCA, the Reserved System Capacity shall cease to be the Reserved System Capacity for the purposes of the Code.

1.14.13 For the avoidance of doubt:

(a) Reserved Entry Capacity shall not form part of any User's Available Firm NTS Entry Capacity until such time as that Reserved Entry Capacity becomes Registered in accordance with the terms of Section B2; and

(b) Reserved Exit Capacity shall not form part of any User's Available Firm NTS Exit Capacity until such time as that Reserved Entry Capacity becomes Registered in accordance with the terms of Section B3.

*Add a new paragraph 1.15*

## 1.15 The PARCA Application Process

1.15.1 In order to request that National Grid NTS enters into a PARCA, the PARCA Applicant shall complete and submit to National Grid NTS an application (in the form prescribed and published by National Grid NTS and as amended from

time to time following consultation) (the "**PARCA Application**") and shall comply with the terms thereof.

1.15.2 In order to complete the PARCA Application the PARCA Applicant shall include such information as National Grid NTS may from time to time reasonably determine, which may include:

- (a) contact details of the PARCA Applicant;
- (b) connection details (including proposed NTS connection site);
- (c) first gas flow date(s) required for commissioning and commercial purposes;
- (d) proposed location of the PARCA Applicant's facility;
- (e) capacity required and/or capacity profiles (if applicable);
- (f) for information purposes only, the indicative ramp rate and notice period requirements;
- (g) where the PARCA Applicant is a DNO User, the associated NTS Exit (Flexibility) Capacity and Assured Offtake Pressure requirements should the Reserved Exit Capacity be allocated;
- (h) a Capacity range may be requested.

1.15.3 National Grid NTS shall within two (2) Business Days from the date of receipt of the PARCA

Application provide written notice of receipt of the PARCA Application to the PARCA Applicant.

1.15.4 A PARCA Application shall be a "**Competent PARCA Application**" where:

- (a) the PARCA Application has been correctly and fully completed;
- (b) the requested technical information has been fully provided; and
- (c) the relevant fee (the "**PARCA Application Fee**") has been paid and is available to National Grid NTS in cleared funds.

1.15.5 National Grid NTS shall;

- (a) as soon as reasonably practicable;
- (i) confirm to the PARCA Applicant that it is a Competent PARCA Application (no more than five (5) Business Days after the date that the PARCA Application is deemed to be a Competent PARCA Application) and subject to paragraph 1.16.4 initiate the Phase 1 PARCA Works ; or

(ii) advise the PARCA Applicant that the PARCA Application is not a Competent PARCA Application and specify the reasons that the PARCA Application is not a Competent PARCA Application.

1.15.6 A rejection of a PARCA Application under paragraph 1.15.5(a)(ii) shall not prevent a PARCA Applicant from submitting further PARCA Application(s).

1.15.7 The PARCA Applicant may withdraw, by written notification to National Grid NTS, a PARCA Application at any time. Following any such withdrawal, the PARCA Application Fee shall be reconciled against those actual costs (including reasonable overheads) reasonably incurred by National Grid NTS in progressing the PARCA Application and undertaking the Phase 1 PARCA Works. Where National Grid NTS has calculated that its actual reasonably incurred costs;

(a) are less than the PARCA Application Fee paid by the PARCA Applicant, National Grid NTS shall refund the difference to the PARCA Applicant; or

(b) are greater than the PARCA Application Fee paid by the PARCA Applicant, National Grid NTS shall invoice the difference and the PARCA Applicant shall pay such difference.

1.15.8 The PARCA Application Fee will be determined in accordance with the TPD Section Y Section 5 paragraph 45(a).

#### 1.16 **PARCA Application Window**

1.16.1 Within 10 (ten) Business Days of the initiation of the Phase 1 PARCA Works, a PARCA application window ("**PARCA Window**") of up to 40 (forty) consecutive Business Days will be triggered, unless the Competent PARCA Application is requesting NTS Entry Capacity and falls within an existing PARCA Entry Window or is requesting NTS Exit Capacity and falls within an existing PARCA Exit Window, in which case no PARCA Window will be triggered. PARCA Windows include PARCA exit windows ("**PARCA Exit Window**") which may be triggered by a Competent PARCA Application requesting NTS Exit Capacity and PARCA entry windows ("**PARCA Entry Window**") which may be triggered by a Competent PARCA Application requesting NTS Entry Capacity.

1.16.2 If no PARCA Applications requesting NTS Entry Capacity are received within the first 20 (twenty) Business Days of a PARCA Entry Window that PARCA Entry Window will close. If no PARCA Applications requesting NTS Exit Capacity are received within the first 20 (twenty) Business Days of a PARCA Exit Window that PARCA Exit Window will close.

1.16.3



- (a) If a PARCA Application requesting NTS Entry Capacity is received within the first 20 (twenty) Business Days of a PARCA Entry Window, National Grid NTS will consider all PARCA Applications requesting NTS Entry Capacity received and deemed to be Competent PARCA Applications by National Grid NTS within that PARCA Entry Window at the same time as the relevant Competent PARCA Application that triggered the opening of that PARCA Entry Window and that PARCA Entry Window will remain open for forty 40 (forty) consecutive Business Days from the date it was triggered.
- (b) If a PARCA Application requesting NTS Exit Capacity is received within the first 20 (twenty) Business Days of a PARCA Exit Window, National Grid NTS will consider all PARCA Applications requesting NTS Exit Capacity received and deemed to be Competent PARCA Applications by National Grid NTS within that PARCA Exit Window at the same time as the relevant Competent PARCA Application that triggered the opening of that PARCA Exit Window and that PARCA Exit Window will remain open for forty 40 (forty) consecutive Business Days from the date it was triggered.

1.16.4 National Grid NTS shall not be required to initiate Phase 1 PARCA Works for a PARCA reserving:

- (a) NTS Entry Capacity in the period between the date of an annual invitation issued pursuant to paragraph 2.2.2(b) and the final allocation of Quarterly NTS Entry Capacity pursuant to that annual invitation; and
- (b) NTS Exit Capacity in the period between the date of the enduring annual capacity notification pursuant to paragraph 3.2.26 and the 30 of September in that same Gas Year.

1.16.5 Where National Grid NTS determines that it will be delayed in initiating Phase 1 PARCA Works due to the terms of paragraph 1.16.4, National Grid NTS will inform the PARCA Applicant accordingly. National Grid NTS will use reasonable endeavours to initiate the Phase 1 PARCA Works under paragraph 1.16.4 as soon as reasonably practicable and in any event for a PARCA reserving NTS Entry Capacity no later than the date of the final allocation in accordance with paragraph 1.16.4 (a) and for a PARCA reserving NTS Exit Capacity no later than 30 September in that same Gas Year.

1.16.6 Only one PARCA Entry Window and/or PARCA Exit Window will be open at any one time, however a PARCA Entry Window and a PARCA Exit Window may be open at the same time.

1.16.7 Within 10 (ten) Business Days of initiation of the Phase 1 PARCA Works, National Grid NTS will, in addition to the information published under paragraph 1.18.1, publish a notice that a PARCA Window is open for a period of up to 40 (forty) consecutive Business Days, subject to paragraph 1.16.2.

1.16.8 Upon closure of a PARCA Window, National Grid NTS will publish:

- (a) a notice that the PARCA Window is closed; and
- (b) the number of PARCAs requested within that PARCA Window.

1.16.9 The closure of the PARCA Window does not prevent further PARCA Applications being submitted at any other time. Where a PARCA Application is made outside of an open PARCA Window, the date that requested capacity is made available from may be impacted by other PARCAs and Competent PARCA Applications already requested or made and in progress.

1.16.10 Unless otherwise agreed with the PARCA Applicant, the triggering of a PARCA Window shall have no effect on the timescales under paragraph 1.17.1 for completing the Phase 1 PARCA Works for the Competent PARCA Application that triggered the PARCA Window.

### 1.17 Phase 1 PARCA Works

1.17.1 Where the Phase 1 PARCA Works have been initiated such works shall be completed by National Grid NTS as soon as reasonably practicable and in any event within 6 (six) months from the date of initiation of the Phase 1 PARCA Works.

1.17.2 Following completion of the Phase 1 PARCA Works, National Grid NTS shall submit to the PARCA Applicant a Phase 1 PARCA Works Report, technical options report and the PARCA (based on the PARCA contract which National Grid NTS publishes and which may be amended and re-published from time to time follow consultation) populated with the relevant information from the Competent PARCA Application.

1.17.3 The Phase 1 PARCA Works Report relating to the relevant Competent PARCA Application will include:

- (a) the Registration Date (Note: this may or may not be the same date as requested by the PARCA Applicant in the Competent PARCA Application);
- (b) the quantity of Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity to be reserved and, if applicable, the capacity range that can be accommodated (which may, or may not be the capacity range requested by the PARCA Applicant under the Competent PARCA Application);
- (c) the profile of the Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity to be reserved (where applicable) and, if applicable, the Reserved Capacity Tolerance (as defined under the PARCA) that can be accommodated (which may, or may not be the capacity range

requested by the PARCA Applicant under the Competent PARCA Application).

- (d) the allocation date, which is the date on which the Reserved Quarterly NTS Entry Capacity and/or Enduring Annual NTS Exit (Flat) Capacity will be Registered by National Grid NTS to the Reservation User or, as the case may be, the Nominated User(s);
- (e) the indicative Quarterly NTS Entry Capacity and/or NTS Exit (Flat) Capacity Charges applicable to the Reserved Capacity;
- (f) the actual costs incurred by National Grid NTS in undertaking the Phase 1 PARCA Works showing whether monies are owed by the PARCA Applicant to National Grid NTS or to be returned by National Grid NTS to the PARCA Applicant;
- (g) the security requirements to further progress the PARCA.
- (h) the PARCA Demonstration Information and PARCA Demonstration Date (both terms as defined under the PARCA) requirements.
- (i) whether there is a need for reinforcement works;
- (j) for information purposes only, indicative ramp rates and pressures which are not legally binding on either party;
- (k) where the PARCA Applicant is a DNO User, the NTS Exit (Flexibility) Capacity quantity and Assured Offtake Pressure that National Grid NTS will provide at the DNO Offtake if the reserved capacity is allocated subject to the terms and conditions of the PARCA.

1.17.4 In order for a PARCA Applicant to reserve Reserved System Capacity, by no later than 28

(twenty eight) Days following receipt of the Phase 1 PARCA Works Report the Applicant shall submit to National Grid NTS;

- (a) the original signed version of the PARCA; and
- (b) the relevant security requirements as identified in the Phase 1 PARCA Works Report.

1.17.5 If the PARCA Applicant has not submitted the original signed version of the PARCA and put in place the relevant security requirements as identified in the Phase 1 PARCA Works Report in the timescale prescribed in paragraph 1.17.4, National Grid NTS shall not be required to counter sign the PARCA.

1.17.6 Subject to paragraph 1.17.5, where the PARCA Applicant has signed and returned an original of the PARCA to National Grid NTS pursuant to paragraph 1.17.4(a), National Grid NTS will sign the PARCA and return a copy of the

PARCA to the PARCA Applicant within 2 (two) Business Days of receiving the signed original from the PARCA Applicant.

1.17.7 Reservation of the NTS Capacity will occur where:

- (a) the requirements set out in paragraph 1.17.4 have been satisfied;
- (b) National Grid NTS has signed and returned the PARCA pursuant to paragraph 1.17.6; and
- (c) in respect of Quarterly NTS Entry Capacity only:
  - (i) a net present value test, in accordance with the Incremental Entry Capacity Release Statement, that is based upon the quantities of Quarterly NTS Entry Capacity and indicative NTS Entry Capacity Price steps, has been satisfied; or
  - (ii) where National Grid NTS determine that no net present value test is required, a quantity of Quarterly NTS Entry Capacity has been requested by the PARCA Applicant in at least 16 (sixteen) Quarters within a 32 (thirty two) consecutive Quarter period.

1.17.8 For the purposes of the Code, the "**Phase 1 PARCA Works**" are those works deemed necessary by National Grid NTS to process the PARCA Application and to produce and issue the Phase 1 PARCA Works Report, as such works may be specified more explicitly in the PARCA Application.

1.18 **PARCA – Information publishing**

1.18.1 National Grid NTS shall publish information relating to PARCAs and Reserved System Capacity as follows:

- (a) within 10 (ten) Business Days of initiation of the Phase 1 PARCA Works, National Grid NTS will publish:
  - (i) the geographical area of the NTS Exit Point and/or NTS Entry Point to which the PARCA relates;
  - (ii) an indicative range of Reserved System Capacity to which the PARCA relates based upon the maximum quantity of capacity requested;
  - (iii) the indicative date on which the Reserved System Capacity will be reserved in accordance with the Code and the PARCA; and
  - (iv) the requested Registration Date in respect of the Reserved System Capacity;

and National Grid NTS shall publish updates to any of the above information from time to time as applicable.

(b) within 10 (ten) Business Days of the reservation of Reserved System Capacity pursuant to a PARCA, National Grid NTS will publish:

(i) where substitution is proposed, the quantity (if any) of Unsold Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity that has been reserved from each donor NTS Exit Point and/or NTS Entry Point and the relevant periods of such reservation;

(ii) the geographical area of the NTS Exit Point and/or NTS Entry Point to which the PARCA relates or the NTS Exit and/or NTS Entry Point (if known);

(iii) the quantity (if any) of Unsold Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity reserved at the NTS Exit Point and/or NTS Entry Point and the relevant periods of such reservation;

(iv) the total quantity (if any) of Reserved System Capacity reserved at the NTS Exit Point and/or NTS Entry Point,

and National Grid NTS shall publish updates to any of the above information from time to time as applicable.

(c) National Grid NTS will publish, as soon as reasonably practicable and respecting commercial confidentiality, details of the progress made against the phases of each PARCA. This will include in each case updates on the submission of application for a development consent order (if required), receipt of a development consent order (if required), and calculation of any required revenue drivers;

(d) within 10 (ten) Business Days of the termination of a PARCA, National Grid NTS will publish the quantity and location of any Enduring Annual NTS Exit (Flat) Capacity and/or NTS Entry Capacity that is no longer reserved pursuant to that PARCA and is therefore being made to Users by means of the other mechanisms set out in paragraph 2 or 3;

(e) not more than twenty four (24) hours after the time at which National Grid NTS notifies the User or Nominated User(s) of their allocation of Quarterly NTS Entry Capacity pursuant to the PARCA and the Code, National Grid NTS will notify all Users of the following in respect of each calendar quarter:

(i) the price (in pence/kWh) payable for NTS Entry Capacity by the relevant User (and the amount of NTS Entry Capacity applied for);

(ii) the volume of NTS Entry Capacity allocated;

(iii) the volume of Incremental NTS Entry Capacity allocated; and

(iv) the amount of Unsold NTS Entry Capacity (if any) at the relevant NTS Entry Point following the allocation;

(f) not more than twenty four (24) hours after the time at which National Grid NTS notifies the User or Nominated User(s) of their allocation of Enduring Annual NTS Exit (Flat) Capacity pursuant to the PARCA and the Code, National Grid NTS will notify all Users of the following information:

(i) the volume of Enduring Annual NTS Exit (Flat) Capacity allocated; and

(ii) the incremental volume (being the volume above Baseline NTS Exit (Flat) Capacity) of Enduring Annual NTS Exit (Flat) Capacity allocated.

## 2. NTS Entry Capacity

*Amend paragraph 2.1.2 (a) as follows:*

2.1.2 Users may apply for and be registered as holding NTS Entry Capacity:

(a) as Quarterly NTS Entry Capacity pursuant to an auction in accordance with paragraph 2.2 and/or apply for, reserve and be Registered as holding NTS Entry Capacity as Quarterly NTS Entry Capacity under a PARCA pursuant to paragraph 1.14.

*Amend paragraph 2.1.3 as follows:*

2.1.3 A User may not apply for or reserve under a PARCA pursuant to paragraph 1.14 or be

registered as holding NTS Entry Capacity at an Aggregate System Entry Point in an amount less than 100,000 kWh/Day (the "**minimum eligible amount**").

*Amend paragraph 2.1.4 (a) as follows:*

2.1.4 In relation to an Aggregate System Entry Point:

(a) "**Quarterly NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for, or reserved under a PARCA pursuant to paragraph 1.14 and registered as held (in a given amount) by a User for each Day in a particular calendar quarter.

*Amend paragraph 2.1.5 as follows:*

2.1.5 In respect of an Aggregate System Entry Point and in relation to a Day in a calendar month in a Formula Year:

- (a) **"Obligated Entry Capacity"** is the amount of NTS Entry Capacity which National Grid NTS is required to make available to Users pursuant to National Grid NTS's Transporter's Licence as set out in National Grid NTS's Transportation Statement;
- (b) **"Incremental NTS Entry Capacity"** is the amount of Firm NTS Capacity (if any) in excess of the Unsold NTS Entry Capacity which National Grid NTS may (but shall not be required to) invite applications for pursuant to paragraphs 2.2 and 2.3; and which may be reserved as Quarterly NTS Entry Capacity under a PARCA pursuant to paragraph 1.14; and
- (c) **"Unsold NTS Entry Capacity"** in the amount of Firm NTS Entry Capacity that National Grid NTS has an obligation to make available (in accordance with the procedures set out in this paragraph 2) to Users pursuant to Special Condition 5F of National Grid NTS's Transporter's Licence as, in the case of NTS Entry Capacity to be made available under paragraphs 2.2, 2.3 and 2.4 but not paragraph 2.5, set out in National Grid NTS's Transportation Statement for the purpose of:
  - (i) paragraph 2.2, in relation to each Day in a calendar quarter (in the case of QSEC) or in a month (in the case of AMSEC);
  - (ii) paragraph 2.3 in relation to each Day in a calendar month;
  - (iii) paragraph 2.4 in relation to a Day;

in each case minus Reserved Entry Capacity for the calendar quarter, calendar month or Day in question.~~an obligation to make available (in accordance with the procedures set out in this paragraph 2) to Users pursuant to Special Condition 5F of National Grid NTS's Transporter's Licence as, in the case of NTS Entry Capacity to be made available under paragraphs 2.2, 2.3 and 2.4 but not paragraph 2.5, set out in National Grid NTS's Transportation Statement.~~

*Amend paragraph 2.1.12 as follows:*

2.1.12 Any price to be specified by National Grid NTS or a User pursuant to any provision of this paragraph 2 or under a PARCA pursuant to paragraph 1.14 shall be expressed in pence/kWh/Day and specified to four decimal places.

*Amend paragraph 2.1.13 as follows:*

2.1.13 For the purposes of this paragraph 2 and or paragraph 1.14 (as applicable) in particular in the context of applications for NTS Entry Capacity or reservation of Quarterly NTS Entry Capacity under a PARCA in accordance with the further provisions of this paragraph 2 and or paragraph 1.14 (as applicable), a reference to a

'Capacity Year + n' is a reference to the Capacity Year commencing on [either](#) the n anniversary of the first Day of the Capacity Year in which the applications are invited to be made [or on the anniversary of the first Day of the Capacity Year in which the PARCA was agreed.](#)

*Amend paragraph 2.2.18 as follows:*

2.2.18 [This paragraph 2.2.18 shall only apply where Quarterly NTS Entry Capacity is requested through a PARCA Application.](#)

~~(a) For the purposes of this paragraph 2.2.18:~~

~~(i) a "New" Aggregate System Entry Point is an Aggregate System Entry Point in respect of which National Grid NTS has not previously held an annual invitation in accordance with the earlier provisions of this paragraph 2.2 or this paragraph 2.2.18;~~

~~(ii) an "initial" quarterly capacity bid is a capacity bid submitted on an initial annual invitation date and a "secondary" quarterly capacity bid is a quarterly capacity bid submitted on a secondary annual invitation date.~~

[\(a\) Where this paragraph 2.1.18 applies, then within 10 \(ten\) Business Days of initiating the Phase 1 PARCA Works in relation to that PARCA Application, National Grid NTS will invite Users to submit applications for Quarterly NTS Entry Capacity in accordance with this paragraph 2.2.18; provided that no such invitation shall be made:](#)

[\(i\) in the period between the date of an annual invitation issued pursuant to paragraph 2.2.2 and the end of the annual invitation period in accordance with this paragraph 2.2.](#)

[\(ii\) in the period between the date of a previous annual invitation issued pursuant to this paragraph 2.2.18 and the end of that ad-hoc annual invitation period in accordance with this paragraph 2.2.](#)

(b) By not later than the Day falling twenty eight (28) Days before the ~~first initial~~ annual invitation date, National Grid NTS will notify Users of the applicable reserve prices and the step prices that will apply in respect of the ~~New~~ Aggregate System Entry Points for the purposes of the ~~first~~ annual invitation.

(c) National Grid NTS will invite applications (~~"first"~~ annual invitation [\(for the avoidance of doubt there may be more than one annual invitation\)](#)) for Quarterly NTS Entry Capacity at ~~the New~~ Aggregate System Entry Points for each calendar quarter in Capacity Year +2 to Capacity Year +16 (inclusive) for such aggregate amounts of [Unsold](#) NTS Entry Capacity [only](#) as is specified in the ~~first~~ annual invitation and Users may make applications for NTS Entry Capacity in respect of the ~~New~~ Aggregate System Entry Points in accordance with this paragraph 2.2.18.

(d) National Grid NTS's annual invitation under paragraph 2.2.18(c) will specify:

(i) the date(s) on which applications ("~~initial applications~~") pursuant to the ~~first~~ annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date an "~~initial~~" annual invitation date);

~~(ii) the date(s) on which further applications ("~~secondary applications~~") pursuant to the first annual invitation may be made, which shall be a period of ten~~



~~(10) consecutive Business Days, (each such date a "secondary" annual invitation date);~~

~~(iii) — the conditions which must be satisfied before National Grid NTS will invite Users to submit secondary applications;~~

~~(iv)(ii)~~ for ~~the New~~ Aggregate System Entry Points, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available Unsold NTS Entry Capacity and the applicable reserve prices for Obligated Entry Capacity (in accordance with the Transportation Statement) (the "**applicable reserve price**");

~~(v)(iii)~~ for ~~the New~~ Aggregate System Entry Points, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):

(1) the relevant number of incremental capacity amounts of Quarterly NTS Entry Capacity greater than the Obligated Entry Capacity (the maximum incremental capacity amount being the lower of (1) an amount not less than an amount equal to 150% of Obligated Entry Capacity and (2) an amount determined by the application of National Grid's NTS's Entry Capacity Release Methodology Statement); and

(2) the step price payable by Users for each different incremental capacity amount were National Grid NTS to make such incremental capacity amount available (even though no such incremental capacity will be made available by National Grid NTS in these circumstances) in each case (in accordance with National Grid NTS's Transportation Statement); and

~~(vi)(iv)~~ the relevant number for the purposes of paragraph ~~(v)~~ (iii) being twenty (20) except in the event of a New Aggregate System Entry Point where the Obligated Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in National Grid NTS's Transportation Statement.

~~(e) — Provided the conditions referred to in the first annual invitation are satisfied National Grid NTS will by not later than the Day falling twenty eight (28) Days before the first Day on which Users may submit secondary applications re-notify Users of each of the secondary annual invitation date(s), and National Grid NTS's invitation will be in accordance with paragraph 2.2.18(d) and the applicable reserve price shall be the same as that applicable reserve price that applied when Users were invited to submit initial applications.~~

~~(f)(e)~~ Users may apply for Quarterly NTS Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of ~~the New~~ Aggregate System Entry Points on initial the annual invitation dates ~~and on secondary annual invitation dates (and a User who has not submitted an initial application shall not be prevented from submitting a secondary application where National Grid NTS invites secondary applications).~~

~~(g)(f)~~ For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.18, in relation to an first annual invitation: ~~(i) — paragraphs 2.2.5, 2.2.6, 2.2.8, 2.2.10, and 2.2.11(b) and 2.2.12 shall apply;~~

~~(ii) — paragraph 2.2.9 shall apply provided that an initial quarterly capacity bid may not be withdrawn on a secondary annual invitation date;~~

~~(iii) — paragraph 2.2.15 shall apply for which purposes the prevailing relevant step price group shall be determined by reference to the quantities of Quarterly NTS Entry Capacity applied for in aggregate at the New Aggregate System Entry Point by Users up until 17:00 hours on each relevant invitation date).~~

~~(h)(g)~~ Without prejudice to paragraph 2.2.18(i), following the submission of initial applications in relation to ~~the New~~ Aggregate System Entry Points paragraph 2.6 shall

apply and National Grid NTS shall allocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity at the ~~New~~ Aggregate System Entry Point in the amounts so allocated.

~~(i) — Where National Grid NTS invites and Users submit secondary applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall again apply for which purposes the Reserve Price Bid Amount and the relevant step price group shall be determined by reference to initial quarterly capacity bids and secondary quarterly capacity bids and National Grid NTS shall allocate or (as the case may be) reallocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity in the amounts so allocated or (as the case may be) reallocated.~~

~~(j) — For the avoidance of doubt following the allocation of NTS Entry Capacity under paragraph 2.2.18(i) Users agree to pay by way of NTS Entry Charges for the Quarterly NTS Entry Capacity allocated the step price corresponding to the relevant step price group for the calendar quarter following the second application of paragraph 2.6 irrespective of whether or not the step price is the same as the step price corresponding to the relevant step price group following the first application of paragraph 2.6 in respect of initial applications.~~

~~(k) — Nothing in this paragraph 2.2.18 shall be construed as giving rise to a requirement that National Grid NTS make available NTS Entry Capacity in relation to the New Aggregate System Entry Point on secondary annual invitation dates or that National Grid NTS invite Users to submit secondary applications.~~

*Add a new paragraph 2.6.8 as follows:*

2.6.8 Where an amount of NTS Entry Capacity became Registered pursuant to paragraph 1.14, the User or Nominated User(s) will, on the date specified in the PARCA, be registered as holding that amount of NTS Entry Capacity specified in the PARCA and/or the confirmed notices issued pursuant to paragraph 1.14.5.

*Amend paragraph 2.11.1 as follows:*

2.11.1 (a) A User shall, ~~subject to paragraph (b) below,~~ pay Capacity Charges ("**NTS Entry Capacity Charges**") in respect of its Registered NTS Entry Capacity at Aggregate System Entry Points.

~~(b) — Where:~~

~~(i) — pursuant to paragraph 2.2.18 National Grid NTS allocates Quarterly NTS Entry Capacity for the first time at a New Aggregate System Entry Point from a specific date (the "**First Capacity Allocation Date**") but fails to accept gas properly tendered for delivery by a User (for the purpose of this paragraph 2.11.1 a "**relevant User**") at that Aggregate System Entry Point in the period on and following that First Capacity Allocation Date; and~~

~~(ii) — the reason for such failure is the non-commissioning of that Aggregate System Entry Point or any System Entry Point comprised within it; and~~

~~(iii) — the relevant User both holds Registered Quarterly NTS Entry Capacity and does properly tender gas for delivery on the relevant Day(s) at that Aggregate System Entry Point~~

~~then no NTS Entry Capacity Charges shall be payable by that relevant User in respect of such Registered NTS Entry Capacity at that Aggregate System Entry Point for each Day in the period from the First Capacity Allocation Date to the Day immediately preceding that on which National Grid NTS is first able to accept gas properly~~

~~tendered for delivery by any User. Notwithstanding any other provision of the Code, the provisions of this paragraph (b) shall be the sole and exclusive remedy of Users where National Grid NTS fails to accept gas properly tendered for delivery in the circumstances set out above.~~

(e) (b) A User shall pay Commodity Charges ("**NTS Entry Commodity Charges**") in respect of the flow of gas into the NTS on any day, or a charge calculated by reference to Special Condition 2A and 3A of National Grid NTS's Transporter's Licence.

*Amend paragraph 2.11.2 as follows:*

2.11.2 The NTS Entry Capacity Charge payable by a User in respect of each Day will be determined  
for each Aggregate System Entry Point and each class (as described in paragraph 2.1.4) of NTS Entry Capacity, as the amount of the User's Registered NTS Entry Capacity (of the relevant class, and in the case of Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity, applied for pursuant to paragraphs 2.2 and/or 2.3 [and/or reserved under paragraph 1.14](#), and allocated following an invitation date [and/or allocated under a PARCA pursuant to paragraph 1.14](#)) multiplied by the Applicable Daily Rate.

*Amend paragraph 2.11.3(a) as follows:*

2.11.3 The Applicable Daily Rate shall be:

- (a) in respect of Quarterly NTS Entry Capacity:
  - (i) applied for pursuant to an annual invitation under paragraph 2.2, the applicable reserve or cleared price (for the calendar quarter) as determined following the relevant annual invitation date in accordance with paragraph 2.6; [and](#)
  - (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.](#)

*Amend paragraph 2.12.3 (a) as follows:*

2.12.3 The System Entry Overrun Charge shall be calculated as the amount of the overrun  
quantity multiplied by whichever is the greatest of:

- (a)  $(8 * A)$ , where 'A' is the highest price bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation under paragraphs 2.2, 2.3 and 2.4 [and/or the highest price payable in respect of NTS Entry Capacity allocated under a PARCA pursuant to paragraph 1.14](#); and

*Amend paragraph 2.13.3 as follows:*

2.13.3 In relation to each Aggregate System Entry Point and a calendar month, National Grid

NTS shall pay to each relevant User an amount ("**Capacity Revenue Neutrality Charge**") determined as:

$$\text{RCR} * \text{UFAC} / \text{AFAC}$$

where:

RCR is the Relevant Capacity Revenues;

UFAC is the aggregate sum of the User's Fully Adjusted Firm Available NTS Entry Capacity [\(exclusive of any Reserved Entry Capacity under a PARCA pursuant to paragraph 1.14\)](#) at each Aggregate System Entry Point; and

AFAC is the aggregate sum of all User's Fully Adjusted Firm Available NTS Entry Capacity [\(exclusive of any Reserved Entry Capacity under a PARCA pursuant to paragraph 1.14\)](#) at each Aggregate System Entry Point

in each case as determined at 04:00 hours on the relevant Day.

### 3. NTS Exit Capacity

*Amend paragraph 3.1.3 as follows:*

3.1.3 Users may:

- (a) apply for and be registered as holding NTS Exit Capacity as:
  - (i) Annual NTS Exit (Flat) Capacity pursuant to an application in accordance with paragraphs 3.2 and 3.4;
  - (ii) Daily NTS Exit (Flat) Capacity pursuant to an invitation in accordance with paragraphs 3.5 and 3.6;
  - (iii) NTS Exit (Flexibility) Capacity in accordance with paragraph 3.7;

[\(b\) apply for, reserve and be registered as holding Enduring Annual NTS Exit \(Flat\) Capacity and/or, in the case of DNO Users only, NTS Exit \(Flexibility\) Capacity under a PARCA pursuant with paragraph 1.14](#)

~~(b)~~ (c) offer or agree to surrender NTS Exit Capacity in accordance with paragraph 3.11.

*Amend paragraph 3.1.4 as follows:*

3.1.4 Subject to paragraph 3.2.15(d), a User may not apply for, [reserve under a PARCA pursuant to paragraph 1.14](#), bid or offer to surrender NTS Exit (Flat) Capacity at an NTS Exit Point in an amount less than 100,000 kWh per day (the "**minimum eligible amount**").

*Amend paragraph 3.1.5(c) as follows:*

- (c) "**Enduring**" Annual NTS Exit (Flat) Capacity is Annual NTS Exit (Flat) Capacity which may be applied for, [reserved under a PARCA pursuant to paragraph 1.14](#) and registered as held (in a given amount) by a User with effect from the Day for which it is allocated pursuant to paragraph 3.2 [and/or under a PARCA pursuant to paragraph 1.14](#), on the basis that the User will continue to hold such amount of capacity subject only to:
- (i) a reduction in accordance with paragraph 3.2;
  - (ii) the User ceasing to hold the capacity in accordance with 3.3.7(a);
  - (iii) any System Capacity Assignment;

*Amend paragraph 3.1.6(b) as follows:*

3.1.6 For the purposes of the Code:

- (b) in respect of an NTS Exit Point and in relation to a Gas Year:
- (i) the "**Baseline NTS Exit (Flat) Capacity**" is the amount of NTS Exit (Flat) Capacity which National Grid NTS is required to make available to Users in relation to each Day in that Gas Year (or part thereof) pursuant to National Grid NTS's Transporter's Licence and as set out in National Grid NTS's Exit Capacity release obligation summary report;
  - (ii) at any time the "**Remaining Available NTS Exit (Flat) Capacity**" in relation to that Gas Year or (as the case may be) a Day in that Gas Year is the amount (if any) by which the Baseline NTS Exit (Flat) Capacity for that Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered, at that time, as held by Users in relation to that Gas Year or Day ([Reserved NTS Exit Capacity shall be treated \(for the purposes only of determining the Remaining Available NTS Exit \(Flat\) Capacity\) as if it were registered as held by a User](#));

*Amend paragraph 3.1.6(d) as follows:*

- (d) a "**New**" NTS Exit Point is an NTS Exit Point in respect of which Users have not previously

been able to submit an application or bid for Annual NTS Exit (Flat) Capacity in accordance with the provisions of paragraphs 3.2.3(a) ~~and~~, 3.4 and/or under a PARCA pursuant to paragraph 1.14.

*Amend paragraph 3.1.8 as follows:*

3.1.8 For the purposes of this paragraph 3 and in particular in the context of applications and invitations for Annual NTS Exit (Flat) Capacity or reservation of Enduring Annual NTS Exit (Flat) Capacity under a PARCA pursuant to paragraph 1.14 in accordance with the further provisions of this paragraph 3 and/or under a PARCA pursuant to paragraph 1.14 a reference to a 'Gas Year Y+n' is a reference to a Gas Year commencing on the nth anniversary of the first Day of the Gas Year in which such applications are to be made.

*Amend paragraph 3.2.12 as follows:*

3.2.12 A User may accept an offer made under paragraph 3.2.10 within thirty (30) days of the date on which the offer was made by National Grid NTS or within such other greater period as agreed between National Grid NTS and the User, and where the User accepts an offer the User will be registered as holding the Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point with effect from the date(s) specified in the offer (in accordance with paragraph 3.2.10(c)) and /or the date specified under a PARCA pursuant to paragraph 1.14 (the "**Registration Date(s)**").

*Amend paragraph 3.2.21 as follows:*

3.2.21 National Grid NTS may invite Users to submit a notice of reduction at such other times as it may determine in accordance with the principles in the prevailing Exit Capacity Substitution Methodology Statement, and any such invitation shall specify:

- (a) the period (being a period other than the period referred to in paragraph 3.2.15) during which a User may give a notice of reduction;
- (b) the earliest date on which National Grid NTS may give effect to a reduction; ~~and~~
- (c) the date on which National Grid NTS will notify a User of whether or not it will give effect to a notice of reduction-; and
- (d) where applicable, the NTS Exit Points where such notices of reduction will be Permitted.

*Amend the heading to paragraph 3.3 as follows:*

### 3.3 ~~NTS Exit ARCA~~ and Demonstration Dates

*Amend paragraph 3.3.1 as follows:*

3.3.1 ~~Not used. National Grid NTS may enter into NTS Exit ARCA.~~

*Amend paragraph 3.3.2 as follows:*

3.3.2 ~~Not used. For the purposes of the Code an "NTS Exit ARCA" (which it is anticipated will contain provisions similar to those in paragraphs 3.3.4 to 3.3.7 (inclusive)) is an agreement with a person who is not a User (the "Reservation Party"), under which the Reservation Party is entitled to nominate any User to be registered with effect from such date as is specified in the NTS Exit ARCA, as holding an amount of Enduring Annual NTS Exit (Flat) Capacity (the "Reserved Capacity") in respect of an NTS Exit Point.~~

*Amend paragraph 3.3.3 as follows:*

3.3.3 ~~Not used. Where National Grid NTS has entered into an NTS Exit ARCA:~~

- ~~(a) — the amount of Reserved Capacity shall be treated (for the purposes of determining the Remaining Available NTS Exit (Flat) Capacity) as if it were registered as held by a User;~~
- ~~(b) — National Grid NTS will not be required to make Reserved Capacity available to Users in accordance with the other provisions of this paragraph 3;~~
- ~~(c) — the Reservation Party may by notice to National Grid NTS nominate a User to be registered as holding Reserved Capacity;~~
- ~~(d) — a notice under paragraph (c) shall specify:~~
  - ~~(i) — the identity of the nominated User;~~
  - ~~(ii) — an amount of Reserved Capacity to be registered in the name of the nominated User which shall not exceed the total amount of Reserved Capacity (taking into account any prior notice by the Reservation Party under this paragraph 3.3.3 in relation to the NTS Exit ARCA);~~
  - ~~(iii) — the date, consistent with the terms of the NTS Exit ARCA, from which the nominated User is to be registered as holding Reserved Capacity and following such notice National Grid NTS will notify the nominated User of the contents of such notice;~~
- ~~(e) — the nominated User may within five (5) Business Days of National Grid NTS's notice under paragraph (d) confirm to National Grid NTS its acceptance of the details in the Reservation Party's notice;~~
- ~~(f) — National Grid NTS may reject the User's nomination:~~
  - ~~(i) — where any of the requirements of paragraph (d) is not complied with;~~
  - ~~(ii) — in accordance with Section V3; and~~
- ~~(g) — subject to paragraph (f), a nominated User shall be deemed (including for the purposes of paragraph 3.2.16) to have been allocated Reserved Capacity and accordingly be registered as holding Enduring Annual NTS Exit (Flat) Capacity from the date determined under the NTS Exit ARCA.~~

## Section Y

Add a new Section 5 in PART A as follows:

### **SECTION 5 – RESERVATION OF CAPACITY THROUGH A PARCA**

#### **45. Phase 1 PARCA Works**

- (a) The PARCA Application Fee will be:
- (i) based upon estimated costs of completing the Phase 1 PARCA Works;
- and
- (ii) the same monetary amount for all PARCA Applicants.
- (b) Actual costs of the Phase 1 PARCA Works will be assessed and the difference (if any) between the PARCA Application Fee and the actual costs incurred by National Grid NTS to complete Phase 1 PARCA Works will either:
- (i) in case the Phase 1 PARCA Works are in excess of the PARCA Application Fee, be invoiced to the PARCA Applicant; or
  - (ii) in case the PARCA Application Fee exceeds the Phase 1 PARCA Works, be refunded by National Grid NTS to the PARCA Applicant.
- (c) The PARCA Application Fee payable by the PARCA Applicant will be reviewed, updated and published on an annual basis to reflect any changes to National Grid NTS costs associated with completing Phase 1 PARCA Works.

#### **46 Phase 2 – Reservation of Capacity under the PARCA**

- (a) The amount required to be covered by the PARCA Applicant will be the PARCA security amount ("**Total PARCA Security Amount**"). The PARCA Security Amount will be calculated and phased as follows:
- (i) for Exit Capacity:

$$\text{Total PARCA Security Amount (£)} = (\text{PARCAExind} / 100) \times \text{Qex} \times 365$$

Where:

PARCAExind = the indicative NTS Exit Capacity price (p/kWh/Day), pursuant to the PARCA, for the maximum Capacity requested at the NTS Exit Point as detailed in the Phase 1 PARCA Works Report  
Qex = the maximum amount of NTS Exit Capacity to be reserved by the PARCA Applicant (kWh/Day) as specified in the Phase 1 PARCA Works Report



(ii) for Entry Capacity:

Total PARCA Security Amount (£) = (PARCAEnind / 100) x Qen x 365

Where:

PARCAEnind = the indicative NTS Entry Capacity P0 reserve price (p/kWh/Day), pursuant to the PARCA, for the maximum amount of NTS Entry Capacity requested in the relevant quarter at the NTS Entry Point which relates to the PARCA.

Qen = the maximum amount of NTS Entry Capacity to be reserved by the PARCA Applicant (kWh/Day) in any one quarter as specified in the Phase 1 PARCA Works Report

(iii) Annual Phasing:

The Total PARCA Security Amount will be phased on an annual basis as an annual requirement in accordance with the following:

Amount of Total PARCA Security Amount for Year Y = Total PARCA Security Amount x 0.25

Amount of Total PARCA Security Amount for Year Y+1 = Total PARCA Security Amount x 0.50

Amount of Total PARCA Security Amount for Year Y+2 = Total PARCA Security Amount x 0.75

Amount of Total PARCA Security Amount for Year ≥ Y+3 = Total PARCA Security Amount x 1.0

Where Year Y is the period of 12 (twelve) calendar months from, and including, the calendar month in which the PARCA was countersigned.

(b) Should the PARCA be terminated prior to the allocation of the reserved capacity then the PARCA Applicant will be liable for the PARCA termination amount ("**PARCA Termination Amount**") which is calculated in accordance with paragraph 46 (c).

(c) In the event of a PARCA termination, a PARCA Termination Amount will be invoiced to the PARCA Applicant and will take into account the effective day of the PARCA termination e.g. if PARCA phase 2 began on January 1st 2015 and PARCA terminates 31st January, the no. of days = 31

(i) Termination Amount = min of ((PARCA Security Amount / 1461\*) x no. of days) or PARCA Security Amount  
Where \*1461 = 4 years in days

Where no. of days = number of days between and including the date the PARCA is countersigned and the date the PARCA terminates.

## New definitions to be added in the Defined Terms Listing

<b>Competent PARCA Application</b>	TPD B1.15.4
<b>Nominated User</b>	TPD B1.14.4
<b>Phase 1 PARCA Works</b>	TPD B1.17.8
<b>PARCA</b>	TPD B1.14.3
<b>PARCA Applicant</b>	TPD B1.14.3
<b>PARCA Application</b>	TPD B1.14.2
<b>PARCA Application Fee</b>	TPD B1.15.4(c)
<b>PARCA Entry Window</b>	TPD B1.16.1
<b>PARCA Exit Window</b>	TPD B1.16.1
<b>PARCA Termination Amount</b>	TPD Y Section 5 - 46(b)
<b>PARCA Window</b>	TPD B1.16.1
<b>Reserved Entry Capacity</b>	TPD B1.14.4
<b>Reserved Exit Capacity</b>	TPD B1.14.4
<b>Reservation Party</b>	TPD B1.14.3(b)
<b>Reserved System Capacity</b>	TPD B1.4(c)
<b>Total PARCA Security Amount</b>	TPD Y Section 5 - 46(a)

## Transition Document

*Insert the following as new paragraph 1.1.9 of Part IIC of the Transition Document:*

### "1.1.9 TPD Section B3.3: NTS Exit ARCAs and Demonstration Dates

- (a) This paragraph 1.1.9 shall apply from the date on which the Modification giving effect to this paragraph 1.1.9 first has effect.
- (b) National Grid NTS may have, prior to the date specified in paragraph (a), entered into NTS Exit ARCAs.
- (c) For the purposes of the Code an "**NTS Exit ARCA**" is an agreement with a person who is not a User (the "Reservation Party"), under which the Reservation Party is entitled to nominate any User to be registered with effect from such date as is specified in the NTS Exit ARCA, as holding an amount of Enduring Annual NTS Exit (Flat) Capacity (the "**Reserved Capacity**") in respect of an NTS Exit Point.
- (d) Where National Grid NTS has entered into an NTS Exit ARCA:
  - (i) the amount of Reserved Capacity shall be treated (for the purposes of determining the Remaining Available NTS Exit (Flat) Capacity) as if it were registered as held by a User;
  - (ii) National Grid NTS will not be required to make Reserved Capacity available to Users in accordance with the other provisions of TPD Section B3;
  - (iii) the Reservation Party may by notice to National Grid NTS nominate a User to be registered as holding Reserved Capacity;

(iv) a notice under paragraph (iii) shall specify:

(A) the identity of the nominated User;

(B) an amount of Reserved Capacity to be registered in the name of the nominated User which shall not exceed the total amount of Reserved Capacity (taking into account any prior notice by the Reservation Party under this paragraph (d) in relation to the NTS Exit ARCA);

(C) the date, consistent with the terms of the NTS Exit ARCA, from which the nominated User is to be registered as holding Reserved Capacity

and following such notice National Grid NTS will notify the nominated User of the contents of such notice;

(v) the nominated User may within five (5) Business Days of National Grid NTS's notice under paragraph (iv) confirm to National Grid NTS its acceptance of the details in the Reservation Party's notice;

(vi) National Grid NTS may reject the User's nomination:

(i) where any of the requirements of paragraph (iv) is not complied with;

(ii) in accordance with TPDSection V3; and

(vii) subject to paragraph (vi), a nominated User shall be deemed (including for the purposes of TPD Section B3.2.16) to have been allocated Reserved Capacity and accordingly be registered as holding Enduring Annual NTS Exit (Flat) Capacity from the date determined under the NTS Exit ARCA."

## 7 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?	Stated Preference for 0452 or 0465
British Gas	Supports	0465
EDF Energy	Supports	0452
Energy UK	Supports	0465
E.ON UK	Qualified Support	0465
National Grid Distribution	Supports	0452
National Grid NTS	Supports	0452
RWE Supply & Trading	Qualified Support	0465
Scotia Gas Networks	Supports	0452
ScottishPower	Qualified Support	0465
SSE	Supports	0465

Of the 10 representations received, 7 supported implementation and 3 offered qualified support.

Where stating a preference in representations, 4 preferred Modification 0452 and 6 preferred Modification 0465.

### Summary Comments

British Gas notes that concerns have been expressed that planning processes conducted under the Planning Act 2008 could result in significantly extended lead times for new energy infrastructure. The worst case lead times – variously estimated at up to 8 years – would result in a significant misalignment with actual construction durations, and more significantly the established NTS capacity delivery lead times established in the UNC. This modification therefore seeks to provide potential developers/connectees to the NTS with certainty about the availability and delivery of new NTS capacity, as well as greater flexibility in obtaining such new capacity.

EDF Energy considers it is clear the timescales for delivering NTS capacity will increase under this modification, mainly as a result of incorporating into the process the more complicated planning regime. However, they note that no incentives were placed on National Grid during the RIIO process to deliver capacity at the earliest opportunity. Instead, greater information transparency requirements were placed on National Grid to better understand any delays. They feel there is merit in financial incentives being set to address this risk and request Ofgem's views on how these can be incorporated to support these arrangements and whether this could be expedited before the 4-year RIIO review window.

In terms of the proposed funding and financial commitments under this modification, EDF Energy supports a method that secures the costs of providing that capacity in the most cost reflective way. It is not clear how reflective NTS charges are of actual costs

however, it does reflect the costs of connecting and acquiring capacity in different parts of the network. In this respect and in the absence of a more cost reflective method based on actual costs, for example, they support this proposal over Modification 0465 which, being based on average costs, is less likely to be representative of actual costs. It is also important to note that the level of securitisation should not be a barrier to entry.

Energy UK considers implementation of this modification will allow, through the agreement of a PARCA, the reservation of Firm NTS Capacity at entry or exit points by Users and non-Users (project developers) on an exclusive basis. Subsequently this reserved capacity can be registered to the Nominated User. This arrangement will provide a framework against which Users, project developers and National Grid can progress projects through the planning stages required by the Planning Act 2008 (where necessary) and subsequently enable final investment decisions to be made with confidence in NTS capacity being made available and, in the case of National Grid, a demonstrated need for that capacity.

National Grid Distribution notes that the two modifications differ in relation to the calculation of the PARCA security, with Modification 0465 introducing a weighted average cost methodology. The application of this consistent approach for all has its merits in terms of ease of understanding. This has the potential to create a scenario where the Security Amount could be in excess of the value of capacity being reserved and hence may mean the PARCA option is less attractive to customers wishing to connect in an area of the network where capacity charges are comparatively low. However, National Grid Distribution considers that it is appropriate to base the PARCA Security Amount on the locational charges, which will mean that they more closely reflect the value of the capacity being reserved.

RWE agree with the proposed funding and financial commitment arrangements for Phase 1 (reconciled National Grid costs) and Phase 3 (capacity allocation under existing UNC arrangements), that are common between Modifications 0465 and 0452. However, they do not support the proposal for the calculation of the Phase 2 PARCA security amount set out in Modification 0452. The costs to be covered during Phase 2 are the costs of National Grid taking a project through planning. These costs should be broadly consistent between projects and geographic locations and not related to capacity charges. The wide range of NTS exit capacity charges will lead to a wide variation in security requirements. At the extremes of the range, this would increase the risk on shippers of exposure to costs not recovered due to low value of "locational" security or create a barrier to entry at the high end. Therefore, RWE do not support basing security upon capacity costs.

Scotia Gas Networks notes that GDNs will see impacts to their connections and capacity processes as additional steps will have to be put in place for any substantial new connections and load increase enquiries. In such instances where additional capacity is required GDNs will have to get advice from NTS as to any potential capacity constraints, which may require a PARCA during the capacity enquiry period, which may delay the process for the end user. They will also require additional legal agreements between the GDN and any end user who may trigger a PARCA.

Scotia Gas Networks note that this modification can have a negative impact on GDNs where generalised growth requires them to enter into a PARCA. Unlike a directly connected end user, GDNs are responsible for providing capacity on their own

networks to millions of customers and where generalised growth occurs which would require NTS investment the relevant GDN would be responsible for the Phase 1 fee which could not be recovered and so will be a bottom line cost. Although SGN appreciate the reason behind the fee not being socialised by NTS and being picked up by the user triggering the investment this is not a fair arrangement for GDNs where the need has been triggered by the social capacity requirement on a specific network. This modification yet again highlights the flaws of the current capacity arrangements where GDNs are treated in the same manner as NTS directly connected customers.

In regards to the comparison between Modification 0452 and 465, although SGN support both modifications, they would prefer 0452 as basing the reservation charges on the indicative capacity price appears more suitable than using an average price across the country as the charge is related to the reservation of capacity.

ScottishPower offers qualified support for implementation of this modification as it promotes a process that would allow firm, timely, capacity to be reserved and guaranteed prior to full registration but always subject to the provision of a level of financial commitment. Their support is qualified to the extent that they consider that Modification 0465 proposes a more proportionate and equitable financial commitment package without the significant differential element that would be introduced by locational security arrangements.

SSE note that implementation of modification 0452 will allow Users to have exclusive rights to reservation, and subsequent registration, of Firm NTS Capacity through commitment to a PARCA contract and security amount. Without this, investment in capacity could not be aligned with the Planning Act 2008 which would prevent efficient investment. SSE considers Modification 0465 implements this in a superior way to 0452 because it applies consistent annual security amounts to entry (0.0098 p/kWh/day) and exit (0.0079 p/kWh/day) which ensures equal treatment. Whereas, Modification 0452 uses the prevailing charges to calculate the PARCA Security Amount which can result in significant differences. In the event of project default, Modification 0452 runs the risk due to low locational charges of 0.0001 p/kWh/day (e.g. annual security of £18 k) that any shortfall in security will be socialised to other Users. It also runs the risk due to high locational charges of up to 0.0278 p/kWh/day (e.g. annual security of £5.5m) that high locational security amounts act as a barrier to entry and deter investment.

British Gas advises that their preference for Modification 0465 over Modification 0452 is predicated on that modification offering a more appropriate PARCA Security arrangement. The fixed values for entry and exit respectively, as proposed under Modification 0465, will in their view establish a security requirement which strikes an appropriate balance between protecting the gas shipping community from socialised costs in the event of termination of a costly PARCA agreement, while not presenting an undue barrier to market entry or participation.

This fixed value approach also mirrors that established for entry capacity retainers, (in that case a figure of 0.2922 pence per kWh of Entry capacity retained (equates to 0.0001 p/kWh/d for 32 quarters).

Energy UK notes that there are times when comparison between the electricity and gas arrangements are useful, they consider this is one such case. The parallel arrangements in the electricity market, to phase 2 of a PARCA, as defined in the CUSC section 15 (CMP 192 User Commitment Arrangements) provide for non-

locational security amounts to fund Attributable Works prior to committing to the capacity. These are £1,2,3 kW/year in years 1,2,3 after a connection agreement is signed.

E.ON UK is concerned that it is not clear in the modification (and 'draft PARCA contract') whether National Grid failing to obtain planning permission is a termination "event", which could lead to liabilities being crystallised. E.ON considers it undesirable if Shippers and Developers are expected to shoulder the cost of failed or inadequate planning applications by National Grid NTS, over which they have no control. They would welcome clarification from National Grid NTS on this point.

E.ON considers that this modification and Modification 0465 should be treated as alternatives as they implement the same framework, but offer different approaches to indemnifying National Grid NTS under Phase 2 of the PARCA process. Overall, it is clear that neither modification fully protects the wider Shipper community from the risk of socialisation of costs in the event that, following termination, the project-specific security provided under Phase 2 inadequately covers the actual costs incurred by National Grid NTS in the planning application phase.

On balance, E.ON UK considers that because Modification 0452 could, by using capacity reserve prices as the basis for calculating security required, result in instances of significant under-securitisation by individual market participants (for example where the reserve price is at or near zero), the "alternative" Modification 0465 represents their preferred approach. They also note that the cost of submitting and progressing planning applications should not differ significantly by geographic region and therefore a single "averaged" cost for all projects intuitively feels more appropriate than a locational charge. However, in the absence of any published information on the actual costs of National Grid NTS going through planning, it is difficult for Shippers to accurately gauge whether the security being requested under either modification is appropriate.

ScottishPower is of the view that increasingly it should be the case that arrangements in electricity and gas and their interactions should be considered together where new CCGT projects are being developed, and as such greater alignment of such arrangements should be considered wherever possible and appropriate to facilitate project co-ordination. To that extent the proposals in Modification 0465 are more akin to the recently approved non-locational security provisions in the CUSC and therefore provide some measure of precedent for the adoption of similar such arrangements for the securing of gas capacity.

SSE notes that in the electricity market a similar reservation principle to the PARCA has already been implemented by Ofgem in March 2012 through the CUSC Section 15 (CMP192 User Commitment Arrangements). This commits developers to fund Advanced Works until a user commitment signal is given, similar to the proposed reservation of capacity in phase 2 of the PARCA. However, the nature of the electricity reservation fee is non-locational and is a fixed amount for all market participants based on £1/kW in year 1, £2/kW in year 2 and £3/kW in year 3. It will be helpful for investment in the gas and electricity markets to take account of interactions between them and have similar principles where possible.

## 8 Panel Discussions

## 9 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0452 [should/should not] be made.