

## Stage 01: Modification

# 0452V:

## 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.



The Proposer recommends that this modification should be (delete as appropriate):

- assessed by a workgroup



High Impact:  
Shippers, Developers and Transporters



Medium Impact:



Low Impact:

At what stage is this document in the process?

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

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## About this document:

This document is a varied Modification.



### Any questions?

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# 1 Summary

## Is this a Self-Governance Modification?

National Grid NTS consider that this modification should not be subject to self-governance procedures since it may have a material impact on:

- competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
- matters relating to the management of market.

## Why Change?

The Planning Act 2008 (as amended by the Localism Act 2011) requires a pre application process which places greater emphasis on the level of consultation and optioneering where a Development Consent Order (DCO) is required for a Nationally Significant Infrastructure Project (NSIP). National Grid NTS welcome the resulting increased certainty this brings to the planning process but we do recognise that this increases the overall timeframes needed to complete the statutory planning process compared to those previously required. Under the existing gas access arrangements these increased timeframes potentially introduce uncertainty and risk to our customers with respect to long term Firm NTS capacity delivery timescales. We also recognise the differing needs of our diverse customer base and believe that the introduction of more flexible long term Gas Access arrangements will bring additional benefits to security of supply and reduce the barrier to entry into the GB market.

Under the current arrangements, National Grid NTS consider that the potential for increased timescales may result in our customers needing 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.

National Grid NTS believe that an access regime with inflexible lead times may result in significant constraint management costs for industry as National Grid NTS may be committed to providing commercial capacity rights in timescales that any associated NTS reinforcement can not be delivered to. Developing long term capacity arrangements that allow long term capacity to be fully committed to much closer to delivery timescales, that will provide more certainty and clarity to our customers and that allow for flexible project specific lead times has significant benefits to the attractiveness of the GB market and will bring additional efficiencies into the regime.

Within our RIIO March 2012 submission (Appendix B – delivering connections and capacity) we further detailed the drivers for commercial change as:

- The need for the regulatory and commercial frameworks to be compatible so that they work as a package.
- Customer requests that the connections and capacity processes should be better aligned.
- The introduction of the Planning Act 2008.

Higher costs will be incurred earlier in the statutory planning processes that National Grid NTS will carry out due to the introduction of the Planning Act (2008). As such National Grid NTS believes it is appropriate to have funding and charging arrangements in place to ensure an appropriate level of financial commitment to underpin the long term capacity requested by our customers.

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It will be necessary to amend parts of the UNC to reflect the required changes to the funding and charging arrangements.

## 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.

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- 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).

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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

As proposer, National Grid NTS believe this modification has a positive impact upon the following relevant objectives:

- a. Efficient and economic operation of the pipe-line system.
- b. Coordinated, efficient and economic operation of
  - i. the combined pipe-line system, and/ or
  - ii. the pipe-line system of one or more other relevant gas transporters.
- c. Efficient discharge of the licensee's obligations.
- d. Securing of effective competition between relevant shippers;
  - i. between relevant suppliers; and/or
  - ii. between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

In addition to these, National Grid NTS believes this modification has a positive impact upon the following relevant connection charging methodology objectives:

- 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;
- 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.

## Implementation

No implementation timescales are suggested at this time. National Grid NTS will discuss this through the workgroups.

## 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. National Grid NTS also believe it is appropriate to apply the spirit of the Planning Act regardless of geography.

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 and National Grid NTS welcome the increased certainty this brings to the statutory planning process. 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 seventy two (72) and ninety six (96) months from the point of a formal capacity signal under existing arrangements. By way of comparison, the default lead times contained within National Grid's Transporter licence in respect of the NTS places an obligation on National Grid NTS to deliver Incremental entry and exit NTS capacity to a forty two (42) (from an auction signal) and thirty six (36) (from the October following allocation) month lead time respectively.

National Grid NTS consider that, in the absence of a change to the Long Term NTS Capacity arrangements, the increased lead times required by the Planning Act may also 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 User 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. National Grid NTS consider that it is unreasonable to expect a customer to make such a financial commitment so far in advance of the Customers request where there may be uncertainty around the design, delivery timescales and future of the customers own project.

Through our Talking Networks events first held in 2011 and our March 2012 RIIO-T1 business plan submission, we have highlighted that the impact of the Planning Act on timescales for delivering network reinforcements to support incremental capacity meant that the current obligated lead times applicable to Incremental entry and exit capacity are not achievable. As such, where a capacity signal requires the Planning Act process, releasing such capacity to the obligated lead times is not efficient and potentially leads to customers being financially committed to capacity that they cannot utilise and may also result in significant constraint management costs for the industry and, ultimately, the end consumer.

National Grid NTS's RIIO-T1 business plan submission included a number of proposals that could address this issue whilst facilitating the overarching objective of delivering connections, capacity and projects together in the most efficient lead time and in a transparent manner. We proposed that the introduction of a mandatory bi-lateral contract for parties wishing to signal long term capacity would enable customer and National Grid NTS timelines to be better aligned, allowing connections, capacity and customer projects to be delivered together. This process would provide more certainty to project developers and associated Users, with transparency of all the process steps and deliverables required from both parties clearly set out. We also set out a timeline from initial contact through to capacity release whilst also allowing the review, discussion and potential revision of that timeline and break points within the contract process. This would be accompanied by a phased

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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 we work.

user commitment that would ramp up in line with progression through the process culminating in final User Commitment upon allocation of the capacity.

Some stakeholders have since indicated to us that they would want the release of Incremental capacity to be restricted to the party that has committed to the bi-lateral contract and the associated funding / security requirements in order for National Grid NTS to carry out the necessary preparatory work through the bi-lateral contract. National Grid NTS agree with this sentiment and recognise that this would require a change to the UNC. We have therefore been developing our proposals through bi lateral discussions with our customers, customer representative groups and as discussed at the recent Transmission Issues Workgroups and Transmission Workgroups.

Arrangements currently exist that allow our 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 our 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 our customers.

Higher costs will be incurred earlier in the statutory planning processes which National Grid NTS will carry out due to the introduction of the Planning Act 2008. As such National Grid NTS believes it is appropriate to have funding and charging arrangements in place to ensure timely recovery of costs and appropriate financial commitment to underpin capacity is a key aspect of the gas regime.

Appropriate changes to the UNC and any applicable charging statement(s) will reflect the fact that this solution allows both code and non code parties to reserve capacity.

Phase 1 PARCA costs will be borne by the PARCA Applicant, paid upfront via a Phase 1 PARCA Fee and later reconciled based on the actual costs incurred by National Grid NTS.

Throughout the remainder of the PARCA process it will be necessary for the costs incurred by National Grid to be reflected in the charges levied on our customers with appropriate arrangements for customers to provide security as a form of financial commitment to the reservation of capacity.

The PARCA Applicant will be required to put in place a PARCA Security Amount for the duration of Phase 2. The PARCA Applicant will be liable for a PARCA Termination Amount (calculated by National Grid NTS in accordance with this modification) should the PARCA Applicant terminate the PARCA up to the point of allocation of the reserved capacity.

In determining the funding and charging arrangements to apply throughout the PARCA process, the key principles that are being followed are:

- This applies to Entry and Exit Capacity;
- There should appropriate financial commitment associated with reserving capacity through the PARCA;
- The funding and charging arrangements should not become a barrier to entry to the PARCA Applicant;
- If a PARCA is terminated prior to the capacity being registered, the PARCA Applicant will be required to pay the PARCA Termination Amount. The difference between the PARCA Termination Amount and any costs incurred by National Grid NTS will be credited or debited to the wider industry through Transportation charges.

It will be necessary to amend parts of the UNC, notably Section Y – Charging Methodologies, to reflect required changes to the funding and charging arrangements for the recovery of the costs incurred by National Grid NTS during

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the PARCA process from the PARCA Applicant and through NTS Transportation charges.

## 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.

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- 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.

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- 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

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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.

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- 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

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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

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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).

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## **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

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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.

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- (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).

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- 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.

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- 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:**

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

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

**Entry Capacity:**

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

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, subject to the provisions in the PARCA, 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 and subject to the provisions in the PARCA, 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

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(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 Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive

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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.	Positive
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

**a) Efficient and economic operation of the pipe-line system.**

The solution helps to ensure that Long term Firm NTS Capacity is delivered in a timely manner from an initial customer request. The timely delivery of long term Firm NTS Capacity is a key factor in the efficient and economic operation of the National Transmission System. The solution allows our customers to signal their long term capacity requirements early in their own project lifecycle through the reservation of long term capacity. As a result National Grid NTS are also able initiate its planning activities earlier in the customer project lifecycle and inform our customers how we intend to deliver the required Capacity and to what timescales.

Additionally key milestone information will be provided to our customers and demonstration information and security will be required from our customers ahead of the capacity allocation to ensure that the capacity requested will be delivered to plan and that it will be utilised.

The additional certainty and clarity this solution provides, combined with the ability for our customers to engage and signal their capacity requirements much earlier in the process than may otherwise be possible helps secure the timely delivery of capacity and reduces the risk of both Capacity being registered to a User ahead of any necessary NTS reinforcement (and hence minimises the risk of system constraints and the associated costs) and also reduces the risk of Capacity being provided that will not be utilised.

**b) Coordinated, efficient and economic operation of the combined pipe-line system, and/ or the pipe-line system of one or more other relevant gas transporters.**

In the event that a request for Capacity through a PARCA relates to a connected system, then the additional clarity and certainty of the capacity delivery timescales will lead to greater certainty in relation to the full build programme for the development of the connecting system and allows for any NTS

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reinforcement requirement and the connecting parties project to be delivered together.

**c) Efficient discharge of the licensee's obligations.**

National Grid's Transporter licence in respect of the NTS obliges National Grid NTS to make incremental capacity available to default lead times, which are measured from the point of capacity allocation. This solution allows National Grid NTS to carry out any necessary planning works ahead of the allocation of incremental capacity. This means that planning works are unlikely to be a feature of National Grid NTS's post Capacity allocation works and will potentially result in National Grid NTS being able to deliver Incremental Capacity within the default lead times as defined in the current licence.

**d) Securing of effective competition between relevant shippers; between relevant suppliers; and/or between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers**

The enhanced certainty and clarity associated to the delivery of long term capacity and the ability for customers to reserve capacity before full financial commitment reduces the barrier to entry to the GB market and therefore positively impacts the securing of effective competition.

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



<p>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</p> <p>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.</p>	Positive
<p>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.</p>	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.

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).

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.

National Grid considers that implementation of the proposed change to introduce a Phase 1 PARCA Fee and PARCA Security and Termination Amount into UNC Section Y – Charging Methodologies would meet the Relevant Objectives under LC4B Paragraph 5c and 5d as follows:

5c) National Grid NTS would assess the level of the proposed Phase 1 PARCA Fee against its internal activities and costs. The fixed fee amount would fairly reflect the fully absorbed rate of costs incurred by National Grid NTS for the Planning Activities carried out on behalf of a PARCA Applicant. The proposed fee would be reviewed in accordance with the obligations of LC4B and where appropriate, updated as necessary.

5d) The setting and publication of the Phase 1 PARCA Fee would ensure that National Grid NTS meets this Relevant Objective in that all customers that are looking to explore options for the reservation of capacity through a PARCA are treated on a fair and equitable basis.

## 5 Implementation

No implementation timescales are suggested at this time. National Grid NTS will discuss this through the workgroups.

## 6 Legal Text

Suggested Text has been provided along side the Modification.

## 7 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance;
- Determine that this modification should progress to Workgroup or Consultation as required.