

Representation

Draft Modification Report

0452: Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)

Consultation close out date: 11 November 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: EDF Energy
Representative: John Costa
Date of Representation: 11 November 2013

Do you support or oppose implementation?

Support, with a preference over modification 465

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

A review of the reservation of capacity arrangements was needed following the implementation of the Planning Act (2008), which changed and increased the planning and therefore build timescales. The PARCA is designed to replace the different long-term entry and exit capacity reservation processes to produce an aligned process for Users and non-Users (project developers) as well as further aligning the connections and capacity processes.

We agree that this should create a more transparent, clear and consistent capacity application process that should hopefully provide certainty over the availability and deliverability of new NTS Capacity. Furthermore, bringing these processes into the UNC will ensure all users are treated on the same basis thereby minimising any potential to discriminate that may exist through the current ad-hoc bilateral agreements with NG.

It is clear the timescales for delivering NTS capacity will increase under these proposals, mainly as a result of incorporating into the process the more complicated planning regime. However, we note that no incentives were placed on NG during the RIIO process to deliver capacity at the earliest opportunity. Instead, greater information transparency requirements were placed on NG to better understand any delays. We believe 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, we support 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

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cost reflective method based on actual costs for example, we 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.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

No

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We believe this modification better facilitates the Relevant Objectives as follows:

c) efficient discharge of licensee's obligations

Implementation would allow NG's to better comply with existing legislation and minimise the potential to discriminate through creating a clear and consistent arrangement for all parties wishing to obtain incremental NTS capacity.

d) securing effective competition

We do not completely agree that this proposal 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, we would expect them not to become a barrier to entry.

Further, we believe this modification better facilitates this objective over 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.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

None

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We believe this modification should be implemented as soon as practicable as there are no system changes required. However we recognise there is still some work to do on the methodology statements and licence changes needed and encourage NG to hit the original 1 April 2014 target date.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

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Yes

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No additional comments