

Bob Fletcher
Joint Office of Gas Transporters

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11th November, 2013
Your Reference: UNC Modification Proposal 0452 & 0465.

Re: UNC Modification Proposal 0452: Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA); & 0465: Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security.

Dear Bob,

Thank you for your invitation seeking representation with respect to the above Modification Proposals, which National Grid Gas Distribution ("NGD") would like to support.

Do you support or oppose implementation?

NGD supports both Proposals with a preference for 0452.

Please summarise the key reason(s) for your support.

Both Proposals provide the same logical framework to allow all parties to move forward in the confidence that National Grid Gas Transmission (NTS) capacity will be reserved and subsequently available as required. This will be of particular interest to those involved in the development of 'significant infrastructure' projects and may serve to complement the planning process and facilitate National Policy Statements. The overview document provided by NTS provides useful guidance for all interested parties.

The balance achieved in relation to securing longer term certainty of capacity rights for an interested party, versus the termination amount which will have to be paid if they choose not to take up those rights, is a positive step.

The two proposals differ in relation to the calculation of the PARCA security, with 0465 introducing a weighted average cost methodology. The application of this consistent approach for all has its merits in terms of ease of understanding. We understand that 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 we believe 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.

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

Modification Report?

No.

Relevant Objectives:

NGD agrees that implementation of either of these Modification Proposals would better facilitate the relevant objective c). The introduction of a consistent and transparent method for interested parties to secure capacity is consistent with ensuring a non-discriminatory approach.

Relevant objective c) the introduction of a process which gives certainty to capacity rights, for those that require it, will remove any barriers which may exist under the existing regime and promote competition. We believe that 0452 which uses a cost targeting mechanism for PARCA security is more likely to have a positive impact on competition.

Impacts and Costs:

We anticipate that where a PARCA is required as a result of a specific request from a customer it is likely that we will incur legal expenses.

Implementation:

Implementation at the earliest opportunity (allowing for Licence and relevant document changes) is desirable.

Legal Text:

NGD is satisfied that the suggested text, as published by the Joint Office, within the Draft Modification Reports meets the requirements of the Modification Proposals and is satisfied with the minor amendments identified by NTS.

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

No.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653994 (alison.chamberlain@nationalgrid.com) should you require any further information.

Yours sincerely,

Alison Chamberlain
Regulatory Contracts Officer
National Grid Gas, Distribution