

Representation

Draft Modification Report

0465: Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security

Consultation close out date: 11 November 2013

Respond to: enquiries@gasgovernance.co.uk

Organisation: Energy UK

Representative: Julie Cox

Date of Representation: 11 November 2013

Do you support or oppose implementation?

Energy UK supports implementation of UNC modification proposal 465. We note that this proposal is identical to UNC modification proposal 452 apart from the PARCA security amount; we also support implementation of UNC modification proposal 452.

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

Implementation of this proposal 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 stage 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.

Energy UK favours modification proposal 465 over 452 since it contains more equitable arrangements for the PARCA security required. Modification 465 establishes a single value for projects at entry (0.0098 p/kWh/day initially) and at exit (0.0079 p/kWh/day) so that all entry and all exit projects are treated equitably. Whereas modification 452 determines the PARCA security from the prevailing charges which for exit can lead to a very wide variation in security requirements depending on the project location. A range from £18k to £5M for a 50GWh exit requirement (approx 1GWe CCGT) in year 4 of phase 2 of the PARCA. £18k would seem to be insufficient to promote appropriate behaviour, such as early termination if the project is not going to proceed, whilst £5M could act as a barrier to entry and deter investment. Whilst neither approach is intended to accurately recover National Grid's costs, we would expect that the approach included in modification 465 would lead to lower over or under recovery in costs that would need to be reflected in charges.

0465
Representation
11 November 2013

Version 1.0

Page 1 of 3

© 2013 all rights reserved

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?

Energy UK considers that this proposal better facilitates the Relevant Objectives as follows:

c) efficient discharge of licensee's obligations

Implementation would provide a transparent and consistent approach for all parties wishing to obtain incremental NTS capacity.

d) securing effective competition

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.

Modification 465 further supports competition between users since a consistent approach is applied to the PARCA security requirements. Whereas modification 452 favours some projects over others as a result of their location.

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?

Energy UK would like to see this proposal implemented as soon as practical. We understand that no significant lead time is required and there are no system changes but that certain methodology statements and licence changes will be needed.

We encourage National Grid and Ofgem to consider if implementation before 1 April 2014 is possible and if not to ensure that there is no slippage beyond this date.

It is possible that there might be a number of applications on or very close to the implementation date, from applicants seeking to participate in the electricity capacity mechanism. These parties will be seeking clarification on whether their capacity requirements can be met from existing capacity or whether investment is needed prior to pre-qualification for the initial capacity mechanism allocation process. The pre-qualification stage is currently expected to be in July / August 2014 subject to secondary legislation being passed and state aid clearance being achieved. We therefore hope that National Grid will do all that it can to provide clarity to any such applications in the required timescale.

0465
Representation

11 November 2013

Version 1.0

Page 2 of 3

© 2013 all rights reserved

Legal Text:

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

Yes, however we are aware of some amendments to the drafting identified by National Grid subsequent to the workgroup meetings. We have reviewed these and consider them to be consistent with the intent of the modification proposal and minor in nature.

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.

There are times when comparison between the electricity and gas arrangements are useful, we believe 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.