



# Proposed Changes to PARCA Weighted Average Price

Pre-Mod Discussion

06.February.2024



# Background

- The Planning and Advanced Reservation of Capacity Agreement (PARCA) process is a bilateral contract that allows Entry and/or Exit Capacity to be reserved for the customer while they develop their own projects.
- Historically the PARCA Security Amount is calculated based on the Weighted Average Price (WAP) of the registered and enduring NTS Entry or Exit Capacity for the applicable year.
- Since the Charging Regime changed from October 2020 to a ‘Postage Stamp’ methodology, we publish one Entry price and one Exit price, with some discounts applicable.

# Why Change

- When calculating the PARCA Security Amount based on the WAP of the registered and enduring NTS Entry or Exit Capacity for the applicable year, this process does not differentiate between Storage and non-Storage prices
- As Storage sites currently receive an 80% discount on the Reserve Capacity prices, the WAP calculation will always be below the overriding Reserve Price for non-Storage sites. Similarly the WAP calculation will always be higher for Storage sites.
- National Gas Transmission believes this is inconsistent with the current Capacity Regime's 'Postage Stamp' methodology and should reflect the applicable Reserve prices.
- Revising the methodology of this Charge will bring clarity and consistency to the process.

# Current Reserve Prices & PARCA WAP

Entry Charges	October 2023
Entry Reserve Price	0.0784*
Entry Reserve Price with Storage Discount	0.0157*
Entry PARCA WAP	0.0659*

  

Exit Charges	October 2023
Exit Reserve Price	0.0127*
Exit Reserve Price with Storage Discount	0.0025*
Exit PARCA WAP	0.0124*

# Solution

- NGT proposes a revision to the methodology for the calculation of the PARCA WAP's so that the current two Entry & Exit PARCA WAP's should be replaced to take either the:
  - Prevailing PARCA Entry or Exit Reserve Price; or
  - Prevailing PARCA Entry or Exit Reserve Price multiplied by any Specific Point Discount where one is in place (e.g. for Storage)
- Specifying a Discounted Price provides coverage from any Specific Point Discounts and future amendments should there be any.
- For the avoidance of doubt, neither the Conditional Capacity discounts (aka “Shorthaul”) or Interruptible Capacity are applicable Discounts in deriving the PARCA price.
- The principal objective of this Proposal is to ensure the ongoing consistency and simplicity of Charging.

# Proposed Pricing Structure

PARCA Entry Charges	Current	Proposed
Entry Reserve Price	0.0659*	0.0784*
Entry Reserve Price with Storage Discount	0.0659*	0.0157*

PARCA Exit Charges	Current	Proposed
Exit Reserve Price	0.0124*	0.0127*
Exit Reserve Price with Storage Discount	0.0124*	0.0025*

\*Actual prices as published for October 2023 period

# Next Steps

- It is Proposed that this is a Self-Governance Modification and be placed into effect from 1<sup>st</sup> October 2024.
- Suggested Timeframe for consideration:
  - Discussion at February NTSCMF. Submission to February Panel. Workgroups for 1 to 2 months.
  - Consultation following DMR at April Panel.
  - Final Mod report to May 2024.
  - Panel decision May 2024.
  - Implementation in time to accommodate into October 2024 Charging Statement.

**Thank You**

