

UNC Modification	At what stage is this document in the process?
<h1 data-bbox="134 322 692 412">UNC 0XXX:</h1> <h2 data-bbox="129 450 1169 808">Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA)</h2>	<div data-bbox="1209 309 1468 624"> <p>01 Modification</p> <p>02 Workgroup Report</p> <p>03 Draft Modification Report</p> <p>04 Final Modification Report</p> </div>
<p>Purpose of Modification:</p> <p>This Modification would revise the price used in the calculation of the Security Amount for reservation of Capacity through a Planning and Advanced Reservation of Capacity Agreement (PARCA) from a Weighted Average Price (WAP) for Entry and Exit sites to the Reserve Price (inclusive of any Specific Point Discounts where relevant). This will ensure the Security Amount reflects the current Reserve Price determination rather than an average of geographically different prices that are no longer applicable.</p>	
<p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> subject to Self-Governance assessed by a Workgroup <p>This Modification will be presented by the Proposer to the Panel on 15 February 2024. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>	
<p>Impacted Parties:</p> <p>High:</p> <p>Low: Shipper Users, National Gas Transmission</p> <p>None:</p>	
<p>Impacted Codes:</p> <p>Uniform Network Code (UNC) Transportation Principal Document (TPD) Section Y</p>	

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Timetable

Modification timetable:	
Pre-Modification Discussed	06 February 24
Date Modification Raised	02 February 24
New Modification to be considered by Panel	15 February 24
First Workgroup Meeting	05 March 24
Workgroup Report to be presented to Panel	18 April 24
Draft Modification Report issued for consultation	19 April 24
Consultation Close-out for representations	10 May 24
Final Modification Report available for Panel	13 May 24

1 Summary

What

In respect of the process of adding a New Connection site to the National Transmission System (NTS), Entry or Exit Capacity can be reserved by the Customer while they develop their projects to ensure its future availability when the site comes online. The Total PARCA Security Amount (as defined in the UNC TPD paragraph 46 – Phase 2 – Reservation of Capacity under the PARCA) is calculated using a Weighted Average Price (WAP) based on all Entry Points or all Exit points. This needs to be updated to better reflect the ‘Postage Stamp’ charging methodology now in place.

Why

Since the implementation of [UNC Modification 0678A](#), Capacity charging is now based on a ‘Postage Stamp’ methodology which publishes a single annual Reserve Capacity price for Entry and a single annual Reserve Capacity price Exit.

Prior to UNC0678A, a Long Run Marginal Cost (LRMC) methodology was in place that produced geographically different prices for Capacity. As such, using a WAP for the purposes of determining PARCA Security Amounts was considered relevant. Without discounts, the price generated under the WAP approach would result in the Reserve Price, even under the ‘Postage Stamp’ methodology. However, this method does not suitably differentiate for any applicable Specific Point Discounts (e.g. for Storage sites that receive an 80% discount). This has the unintended consequence of a Storage site having their total PARCA Security Amount being higher than it should be, and conversely a non-Storage site being lower than it should be. The materiality based on the current October 2023 Transportation Statement is displayed below.

ENTRY CHARGES	October 2023 (p/kWh/day)
Entry Reserve Price	0.0784
Entry Reserve Price with Storage Discount	0.0157
Entry PARCA WAP	0.0659

EXIT CHARGES	October 2023 (p/kWh/day)
Exit Reserve Price	0.0127
Exit Reserve Price with Storage Discount	0.0025
Exit PARCA WAP	0.0124

The key aim of this proposal is to bring consistency and clarity to the PARCA process, aligning it with the new Capacity Regime.

How

The proposed solution is to align the PARCA charges with the type of site being connected to the NTS. A non-discounted site would therefore pay the current Entry or Exit Reserve price, whereas any site with Specific Point Discounts would pay the current Entry or Exit Reserve Price with the relevant discount applied. As per the current charges applied from the October 2023 Transportation Statement, they would be:

ENTRY CHARGES	October 2023 (p/kWh/day)
Entry Reserve Price	0.0784
Entry Reserve Price with Storage Discount	0.0157

EXIT CHARGES	October 2023 (p/kWh/day)
Exit Reserve Price	0.0127
Exit Reserve Price with Storage Discount	0.0025

NGT believes that implementation of this change will increase market confidence relative to the current arrangements and therefore better facilitate the objectives of the Charging Methodology.

2 Governance

Justification for Self-Governance

As the Proposal seeks to align the existing methodology of [UNC Modification 0678A](#) with the PARCA process, the Proposer is of the view that there is insufficient materiality to require a decision from the Authority and should proceed as a Self-Governance Modification.

This will only adjust the price used in the calculation of the total PARCA Security Amount, to be in line with prevailing methodology and any Specific Point Discounts.

We do not believe that the Proposal has a material effect on existing or future gas Consumers or operation of Network Systems, nor will it reduce competition in the marketplace or unduly discriminate between different classes of UNC parties.

Requested Next Steps

This Modification should:

- not be considered a material change and subject to Self-Governance.
- be assessed by a Workgroup.

NGT believes that the changes proposed within this Proposal should be in place in time for the publication of the October 2024 Transportation Statement at the end of September 2024. We therefore propose that the Proposal proceeds to Panel in April 2024 after assessment by Workgroup for a Panel decision by May 2024.

3 Why Change?

Why?

As per [UNC Modification 0727](#) a discount of 80% was enacted against Storage-related Entry and Exit Capacity “to prevent significant commercial impact for Storage Users which would ultimately have an adverse impact on security of price and supply for the GB market.” Without this change, any such Specific Point Discount is not accommodated in full to the Total PARCA Security Amount, and it under-prices for a Point that should have the Reserve Price applied.

The Proposer contends that updating the price that is used in the determination of the Total PARCA Security Amount has two key benefits:

- It is reflective of the current ‘Postage Stamp’ Charging Methodology; and
- It takes account of any Specific Point Discounts in full.

It is in keeping with the logic and spirit of UNC Modification 0678A and UNC Modification 0727 that this change be implemented.

4 Code Specific Matters

Reference Documents

[UNC TPD Section Y](#)

5 Solution

It is proposed that changes be made to the Transportation Principal Document, Section Y, to align the PARCA price with published Reserve Price for non-Storage sites. Similarly, Storage sites and any future Specific Point Discount sites be aligned with the Reserve Price after any applicable Discount is applied.

Specifying a Specific Point Discount, rather than a Storage Discount, aligns with the Terminology in Section Y and ensures that this Modification also covers any future Specific Site Discounts, should there be any.

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None

Consumer Impacts

This proposal only updates the price used to calculate the Total PARCA Security Amount. It does not affect the Transportation Charges, therefore there is no impact to Consumers.

What is the current consumer experience and what would the new consumer experience be?

None

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability No Impact	None
Lower bills than would otherwise be the case	None
Reduced environmental damage No impact	None
Improved quality of service No impact	None
Benefits for society as a whole No impact	None

Cross-Code Impacts

None

EU Code Impacts

None

Central Systems Impacts

No impacts.

7 Relevant Objectives

Section Y (Charging Methodology) Modifications

Impact of the Modification on the Transporters' Relevant Charging Methodology Objectives:	
Relevant Objective	Identified impact
a) Save in so far as paragraphs (aa) or (d) apply, that compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business;	None
aa) That, in so far as prices in respect of transportation arrangements are established by auction, either: <ul style="list-style-type: none"> (i) no reserve price is applied, or (ii) that reserve price is set at a level - <ul style="list-style-type: none"> (I) best calculated to promote efficiency and avoid undue preference in the supply of transportation services; and (II) best calculated to promote competition between gas suppliers and between gas shippers; 	None
b) That, so far as is consistent with sub-paragraph (a), the charging methodology properly takes account of developments in the transportation business;	Positive
c) That, so far as is consistent with sub-paragraphs (a) and (b), compliance with the charging methodology facilitates effective competition between gas shippers and between gas suppliers; and	None
d) That the charging methodology reflects any alternative arrangements put in place in accordance with a determination made by the Secretary of State under paragraph 2A(a) of Standard Special Condition A27 (Disposal of Assets).	None
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.	None

Demonstration of how the charging Relevant Objectives are furthered:

b) Making this update brings the calculation of the Total PARCA Security Amount more in line with the prevailing Reserve Price determination ensuring it better reflects prices payable at Specific Points (e.g. non-Storage and Storage).

8 Implementation

Implementation of this Proposal should take effect in time to be reflected in the Transportation Charges that will apply from 01 October 2024 and the publication of the relevant prices for use in any Total PARCA Security

Amount as published in the Transportation Statement. Ideally, for this to be achieved, a decision to implement the Proposal is required ahead of Transmission Service charge setting at the end of May 2024.

9 Legal Text

Text Commentary

Legal text to follow.

Text

Legal text to follow.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Self Governance procedures should apply.
- Refer this proposal to a Workgroup for assessment.