



# Proposed Changes to PARCA Weighted Average Price

Modification 0869 Discussion

02.April.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.
- Modification 0465V revised the PARCA Security Amount calculation to a Weighted Average Price (WAP) of the registered and enduring NTS Entry or Exit Capacity for the applicable year, rather than using the geographical LRMC methodology.
- Ofgem determined that the WAP methodology would provide more consistent and less variable PARCA Security Amounts and was more likely to reflect the actual costs NGT incur during the planning process.
- 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 the prevailing PARCA Entry or Exit Reserve Price.
- Although Storage sites receive an 80% discount on their Capacity Charges, to apply the same discount to the PARCA Security Amount would not reflect the actual costs NGT incurs in the Planning Process.
- The principal objective of this Proposal is to ensure the ongoing consistency and simplicity of Charging.
- As with the existing Process, once Capacity is formally Allocated to the Customer, the PARCA Security Amount is refunded.

# Proposed Pricing Structure

PARCA Entry Charges	Current	Proposed
Entry Reserve Price	0.0659*	0.0784*

PARCA Exit Charges	Current	Proposed
Exit Reserve Price	0.0124*	0.0127*

\*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 March NTSCMF. Submission to March Panel. Workgroups for 3 months.
  - Consultation following DMR at May Panel.
  - Final Mod report to June 2024.
  - Panel decision June 2024.
  - Implementation in time to accommodate into October 2024 Charging Statement.

# Recommendations from Panel

- Panel Proposed that this should proceed to April Workgroup to assess whether it should be subject to Self-Governance.
- One Panel Member noted that a Security Deposit is not cost-free for Applicants due to cash-low or loan interest charges.
- One Panel Member asked how many times the Security Deposit has been charged over the last 10 years and how often NGT's has exceeded that Security Deposit.
- One NTSCMF Member asked where the Termination Fee goes in the event Termination occurs. NTSCMF Action 0303.



# Contacts

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## General Questions

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**General Regulatory Change Queries**

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**General Charging Queries**

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**General Capacity Queries**

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**Thank You**

