

UNC 0869:

Revision to the Calculation Methodology of the Security Amount for Planning and Advanced Reservation of Capacity Agreement (PARCA)



***Guidance:** These slides are meant to provide a brief overview for the UNC Panel, to introduce what is trying to be achieved, to help them understand and decide the best process to be followed for new modifications. Please aim to be as brief as possible and not justify nor make the case for the Modification.*

Notes are provided in italics and if this template is being used should be removed.

The Joint Office is available to help and support the drafting of any modifications, including guidance on completion of the Modification template and the wider modification process. Contact: enquiries@gasgovernance.co.uk or 0121 288 2107.

Proposer: Kieran McGoldrick – National Gas Transmission

Panel Date: 21/03/24

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



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

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

Recommended Steps



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