



Proposed Changes to PARCA Weighted Average Price

Modification 0869 – Workgroup Discussion

07.May.2024



Topics for Discussion

- Pricing Methodology and Structure to be clarified.
- What has been the cost to NGT over the past 10 years relative to if the proposed Methodology had been adopted?
- Has there been an instance where the PARCA Security Amount was insufficient to cover the costs NGT incurred?
- Consider the cash flow/loan impacts to applications in respect of the Security Amount.

Discussion:

Pricing and Methodology structure to be clarified

- The Weighted Average Price methodology removed geographical inconsistencies of the previous regime and increased the likelihood of recovery of Termination costs from the applicant, if they were to occur
- The new Charging Regime introduced in October 2020 created a single Reserve Price for both Entry and Exit. As some Reserve Prices are discounted (e.g. Storage) this means the resulting price used in the PARCA Security Amount calculation (as written) will produce a result slightly lower than the Reserve Price
- Updating the Reserve Price in the calculation of the PARCA Security Amount creates consistency, clarity, simplicity and equality

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

Discussion:

What has been the cost to NGT over the past 10 years relative to if the proposed Methodology had been adopted?

- The current PARCA arrangements have been in place for 9 years
- Costs to NGT have been net zero
- Excluding Milford Haven ASEP
- No Termination fees have been issued

Discussion:

Has there been an instance where the PARCA Security Amount was insufficient to cover the costs NGT incurred?

- The Security Amount serves two functions:
 - i. A commitment from the applicant; and
 - ii. To protect the wider community from associated costs
- Ultimately the associated costs are settled and the Security Amount returned
- No PARCA that has proceeded to Stage 2 has required a Termination Fee

Milford Haven ASEP

Dear Industry Colleague,

In accordance with Uniform Network Code, Section B, National Grid hereby publishes this notice to all interested parties.

On 13th June 2018, we issued a notice with respect to the receipt of a competent Planning & Advanced Reservation of Capacity Agreement (“PARCA”) application. The PARCA application was for National Transmission System (“NTS”) entry capacity of 163,000,000kWh/d in the South West Entry Zone¹). The indicative capacity Registration Date specified at the time was 1st January 2023 (twenty twenty-three).

On 18th January, 2019, we issued a notice (“PARCA Application – Completion of Phase 1 Works and Proposal for the Reservation of NTS Capacity”).

We are now issuing this to notice to confirm that the PARCA has now progressed to Phase 2, and that NTS Entry Capacity has been reserved as follows:

- The NTS Entry Point is Milford Haven Aggregated System Entry Point.
- The quantity of capacity reserved as Incremental Obligated Entry Capacity is 163,000,000kWh/d.
- The quantity of Firm Entry Capacity to be treated as;
 - Funded Incremental Obligated Entry Capacity is 163,000,000kWh/d.
 - Non-incremental Obligated Entry Capacity provided by Capacity Substitution is 0 (zero) kWh/d.
- The indicative Registration Date is 1st January 2026 (twenty twenty-six).

Milford Haven ASEP



Department for
Energy Security
& Net Zero

3. The statement of case sets out the need for the project. SHGCL intend to increase the amount of gas it can flow into the national gas transmission system (NTS) by a further 15 million cubic metres a day. It has submitted a Planning and Advanced Reservation of Capacity Agreement (PARCA) to notify NGT of its intention to do so.
4. Analysis of gas flows in the NTS show that the additional capacity could not be accommodated in normal scenarios, due to constraints on the existing infrastructure between Tirley, Gloucestershire and Honeybourne, Worcestershire; at Churchover, Warwickshire; and in South Wales. The NTS therefore needs to be reinforced to accommodate the additional flow requested in the PARCA.

Milford Haven ASEP

- Current Registration date is 1st January 2027
- 163 GWh of additional Entry Capacity to resolve constraint issues
- Final funding request with Ofgem expected in May 2024
- Phase 2 costs minus Security we hold is circa £10m-£12m

Discussion:

Consider the cash flow/loan impacts to applications in respect of the Security Amount.

- Each project is unique and will be specific to each applicant, therefore the method employed to meet the Security Amount will be specific to them, as would the cost of providing this security
- A change to the price, therefore increasing the security required, could potentially increase the cost of providing security however this will be specific to each applicant and the means by which security is provided
- We encourage any views on this to be raised either in the workgroups or as part of a consultation response.

Next Steps

- Are there any other points of discussion or clarity the workgroup would welcome as part of this modification? This could be covered in future workgroup(s) as required.
- It is Proposed that this is a Self-Governance Modification.
- Suggested Timeframe for consideration, subject to workgroup discussion/development timescales:
 - Final Mod report to June 2024.
 - Panel decision June 2024.
 - Implementation in time to accommodate into October 2024 Charging Statement or as soon as possible after.

Contacts

Colin Williams

Charging & Revenue Manager

colin.williams@nationalgas.com

Dave Bayliss

Revenue Lead

dave.bayliss@nationalgas.com

Kieran McGoldrick

Senior Charging Officer

kieran.mcgoldrick@nationalgas.com

General Questions

General Regulatory Change Queries

box.gsoconsultations@nationalgrid.com

General Charging Queries

box.NTSGasCharges@nationalgrid.com

General Capacity Queries

box.capacityauctions@nationalgrid.com

Thank You

