

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION B – SYSTEM USE AND CAPACITY

TPDB paragraph 2.11.3 (a)(ii) shall be deleted and replace with:

2.11.3 The Applicable Daily Rate shall be.....(a) in respect of Quarterly NTS Entry Capacity.....(ii) applied for, reserved and registered under a PARCA pursuant to paragraph 1.14 the applicable price as set out in the relevant Transportation Statement **plus any Incremental Capacity Premium payable (calculated under TPD B paragraphs 1.17, 1.18 and 1.19).**

TPDB paragraphs 1.17.7 and 1.17.8 will be deleted and replaced with the following. Existing paragraphs 1.18, 1.19 and 1.20 will be renumbered 1.20, 1.21 and 1.22 respectively.

1.17.7 Reservation of the NTS Capacity will occur where:

- (a) the requirements set out in paragraph 1.17.4 have been satisfied;
- (b) National Grid NTS has signed and returned the PARCA pursuant to paragraph 1.17.6;
- (c) if the PARCA Applicant has applied for NTS Entry Capacity which will comprise in part or all Incremental NTS Entry Capacity, the PARCA Applicant has applied for Incremental NTS Entry Capacity in, at least, one calendar quarter in, at least, four out of the eight 12 month-periods commencing at the start of the first calendar quarter in respect of which the PARCA Applicant has applied for capacity (the “**PARCA Period**”) in which case an “**Incremental Release Quantity**” shall be reserved. The Incremental Release Quantity shall be determined by disregarding any amounts of Incremental NTS Entry Capacity for which the PARCA Applicant has applied:
 - (i) above the four highest common amounts for which it has applied; and
 - (ii) which are below the baseline capacity at the Entry Point.

National Grid NTS shall have discretion as to whether to reserve any Incremental NTS Entry Capacity for which the PARCA Applicant has applied above the four highest common amounts for which it has applied (and this shall be known as the “**Discretionary Incremental Release Quantity**”).

- (d) if the PARCA Applicant has applied for NTS Entry Capacity which will not comprise any Incremental NTS Entry Capacity or comprises Incremental NTS Entry Capacity all of which can be met through substitution, the PARCA Applicant has applied for NTS Entry Capacity in, at least, 16 Quarters within the PARCA Period.

1.18 Incremental Capacity Premium determination before capacity reservation

1.18.1 Before NTS Entry Capacity is reserved for a PARCA Applicant, National Grid NTS will determine the net present value of the revenue (the “**Incremental Revenue**”) to which it

would be entitled if the Incremental Release Quantity for which PARCA Applicant has applied were allocated to it using the following formula:

$$NPV = \sum_{Q=1}^{32} R_Q$$

Where:

NPV = the net present value of the Incremental Revenue

Q = the number of Quarters in respect of which the PARCA Applicant has applied for NTS Entry Capacity; and

R_Q = the Incremental Revenue in each Quarter in respect of which the PARCA Applicant has applied for NTS Entry Capacity determined by:

R_Q = Incremental Capacity Requested in each Quarter in respect of which the PARCA Applicant has applied for NTS Entry Capacity x number of days in each relevant Quarter x the applicable reserve price x $(1-\text{Discount})^{Q-1}$

Discount = 5.05% plus inflation determined in accordance with Ofgem's Price Control Financial Model

1.18.2 If the net present value of the Incremental Revenue is less than 50% of the Estimated Project Cost National Grid NTS shall, immediately after the calculation under paragraph 1.18.1, calculate an "**Incremental Capacity Premium**" which shall after applying the Discount in paragraph 1.18.1 generate enough additional revenue in order that the Incremental Revenue is equal to, or greater than, 50% of the Estimated Project Cost and shall be applied to the reserved Incremental Release Quantity plus any Unsold NTS Entry Capacity.

1.18.3 National Grid NTS shall, before NTS Entry Capacity is reserved for a PARCA Applicant, inform the PARCA Applicant of any Incremental Capacity Premium which would be payable by it in respect of its PARCA Application, making the assumptions used in and by the application of, the formula in paragraph 1.18.2 (the "**ICP Formula**").

1.18.4 If the net present value of the Incremental Revenue is equal to, or greater than 50% of the Estimated Project Cost calculated in accordance with 1.18.1, National Grid NTS shall, before NTS Entry Capacity is reserved for a PARCA Applicant, inform the PARCA Applicant that no Incremental Capacity Premium would be payable by it in respect of its PARCA Application, making the assumptions used in and by the application of, the ICP Formula.

1.19 **Incremental Capacity Premium determination before capacity allocation**

1.19.1 Before the allocation of any NTS Entry Capacity which the PARCA Applicant has reserved, National Grid NTS will determine the net present value of the Incremental Revenue to which it will be entitled from this capacity by applying the formula in paragraph 1.18.1 provided that the inputs to the formula shall reflect any change in:

(a) the profile of the NTS Entry Capacity reserved by the PARCA Applicant under clause 4 of its PARCA Agreement provided further that this profile shall not be changed such that the requirements of paragraph 1.17.7(c) are no longer met;

(b) the Estimated Project Cost; and/or

(c) the applicable reserve price.

- 1.19.2 If the net present value of the Incremental Revenue before allocation is less than 50% of the Estimated Project Cost National Grid NTS shall calculate an Incremental Capacity Premium by applying the ICP Formula but reflecting any changes referred to in paragraph 1.19.1 (a), (b) or (c).
- 1.19.3 National Grid NTS shall, before allocation, inform the PARCA Applicant of the Incremental Capacity Premium which will be payable in respect of its PARCA Application if the PARCA Applicant is allocated the NTS Capacity for which it has applied.
- 1.19.4 If the net present value of the Incremental Revenue calculated under paragraph 1.19.1 is equal to, or greater than, 50% of the then prevailing Estimated Project Cost, National Grid NTS shall, before allocation, inform the PARCA Applicant that no Incremental Capacity Premium shall be payable by it in respect of its PARCA Application if the PARCA Applicant is allocated the NTS Capacity for which it has applied.
- 1.19.5 For the purposes of the ICP Formula the “**Estimated Project Cost**” will be the prevailing ‘estimated project value’ of the Incremental Release Quantity calculated in accordance with the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y Part A1) provided that the Estimated Project Cost calculated before reservation will, when applied before allocation, be adjusted for inflation, in line with the Retail Price Index (RPI)⁵ in accordance with the following formula:

$$(PC_{adj}); PR_{adj} = PC_{Phase 1} \times RPI_{adj}$$

where:

PR_{Phase 1} calculation of the Estimated Project Cost before reservation.

RPI_{adj} means the index used for adjustment. It is calculated using the following formula:

$$RPI_{adj} = RPI_{Phase 2} RPI_{Phase 1}$$

where:

RPI_{Phase 1} is the arithmetic average of the Retail Price Index published for the 12 months prior to the calculation of the Estimated Project Cost before reservation.

RPI_{Phase 2} means the arithmetic average of the Retail Price Index published for the 12 months prior to the calculation of the Estimated Project Cost before allocation.

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SECTION Y – CHARGING METHODOLOGIES

Add at the end of the section headed “Incremental Entry Capacity Step Prices” set out over pages 17 and 18:

An Incremental Capacity Premium may be payable under TPD B paragraphs 1.17, 1.18 and 1.19