

# UNC 08XX:

## 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](mailto:enquiries@gasgovernance.co.uk) or 0121 288 2107.*

**Proposer:** Kieran McGoldrick – National Gas Transmission

**Panel Date:** 15/01/24

# 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.
- Historically the PARCA Security Amount is calculated based on the Weighted Average Price (WAP) of the registered and enduring NTS Entry or Exit Capacity for the applicable year.
- 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



<b>Entry Charges</b>	<b>October 2023 (p/kWh/day)</b>
Entry Reserve Price	0.0784
Entry Reserve Price with Storage Discount	0.0157
Entry PARCA WAP	0.0659

<b>Exit Charges</b>	<b>October 2023 (p/kWh/day)</b>
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 either the:
  - Prevailing PARCA Entry or Exit Reserve Price; or
  - Prevailing PARCA Entry or Exit Reserve Price multiplied by any Specific Point Discount where one is in place (e.g. for Storage)
- Specifying a Discounted Price provides coverage from any Specific Point Discounts and future amendments should there be any.
- For the avoidance of doubt, neither the Conditional Capacity discounts (aka "Shorthaul") or Interruptible Capacity are applicable Discounts in deriving the PARCA Security Amount.
- The principal objective of this Proposal is to ensure the ongoing consistency and simplicity of Charging.
- As the Security Amount is refunded upon allocation of the Capacity, the net effect is neutral.

# Proposed Pricing Structure



<b>PARCA Entry Charges</b>	<b>Current</b>	<b>Proposed</b>
Entry Reserve Price	0.0659	0.0784
Entry Reserve Price with Storage Discount	0.0659	0.0157

<b>PARCA Exit Charges</b>	<b>Current</b>	<b>Proposed</b>
Exit Reserve Price	0.0124	0.0127
Exit Reserve Price with Storage Discount	0.0124	0.0025

# Recommended 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 February NTSCMF. Submission to February Panel. Workgroups for 1 to 2 months.
  - Consultation following DMR at April Panel.
  - Final Mod report to May 2024.
  - Panel decision May 2024.
  - Implementation in time to accommodate into October 2024 Charging Statement.