

Planning and Advanced Reservation of Capacity Agreement Principles and potential Mod

Transmission Workgroup – 2nd August 2012

Agenda

- Refresher - Discussions from previous meetings
 - Q&A Review
- PARCA contract
 - Overview of Stages / principles for discussion
- PARCA Modification
 - High level principles
 - Questions for further thought
- Next steps

Discussions from previous meetings (1)

- At the June Transmission Issues Workgroup (TIW) and the July Transmission Workgroup we discussed an alternative option to the “split auction” and PCA cap/con option
 - Planning and Advanced Reservation of Capacity Agreement (PARCA)
- This alternative option could allow the reservation of Firm NTS Capacity through an agreed PARCA (bilateral contract) between National Grid NTS and a developer or User
- Agreed to focus on this alternative option at the August Transmission Workgroup and to further develop the potential solution as an industry

Discussions from previous meetings (2)

- As an industry it was agreed that this alternative option should initially focus on Exit and then determine how/if similar principles could be applied to Entry and different site types
- We agreed to provide some high level initial business rules of how this option may work from a UNC modification perspective
 - We believe that developing business rules is key to this and we should work on these as an industry
- We have also provided some Q&A, issues and feedback from the June TIW – these have since been published by the Joint Office [here](#)

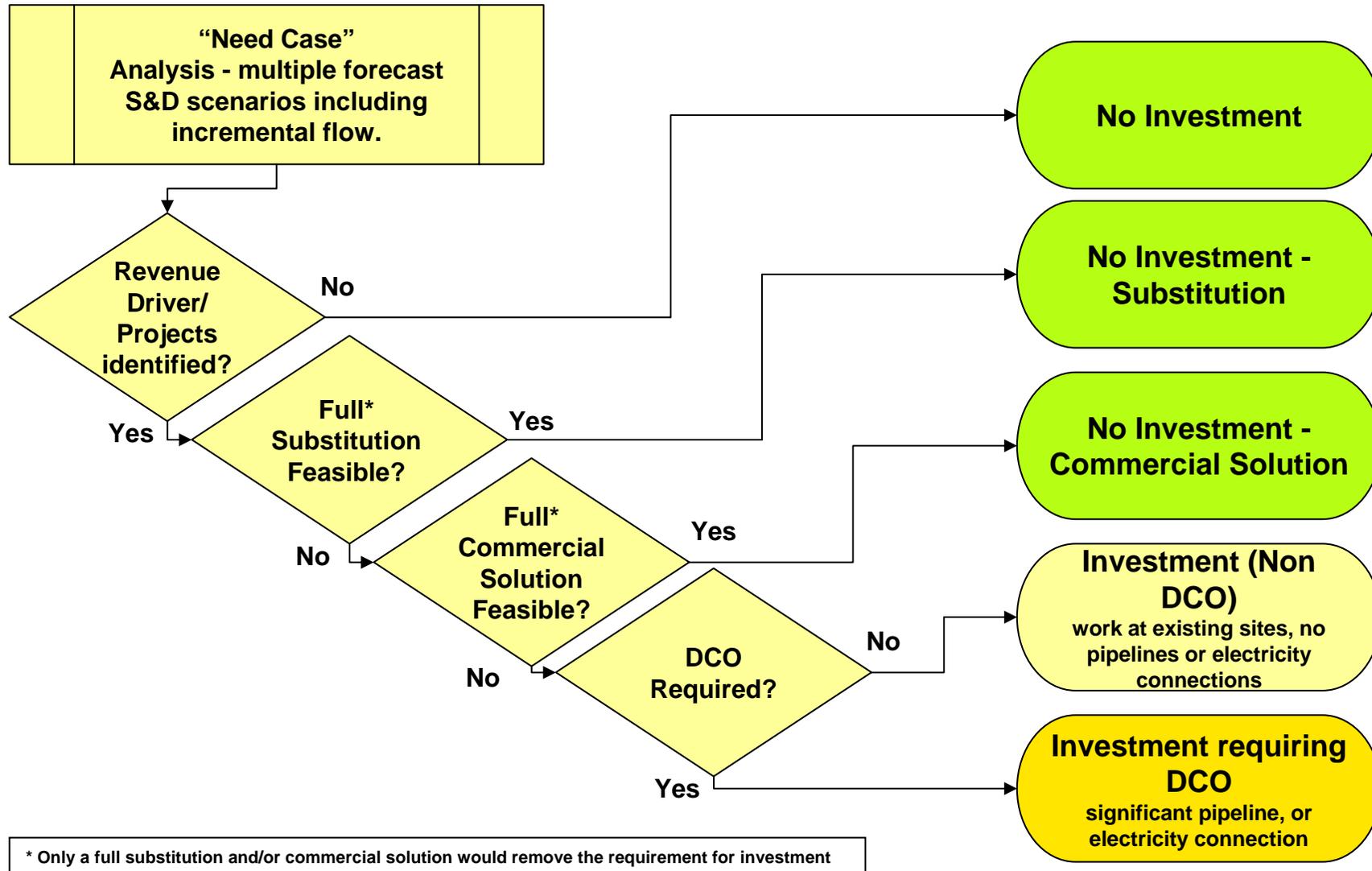
PARCA Agreement – Overview

- The PARCA contract combines the principles of the PCA (Planning and Consent Agreement) and ARCA (Advanced Reservation of Capacity Agreement)
 - Could allow a Developer or a User to exclusively reserve Firm NTS Capacity
- There will be various stages to the generic PARCA
 - For each contract only the stages that are needed for that particular project will be activated
- The following slides outline various stages associated to the planning activities and process flow diagram for identifying the route through the process following the initial “Need Case” analysis
 - These are based on the current PCA contract
- We also need to develop and discuss the capacity reservation aspects of the PARCA

PARCA – Stage 1a

<p>Stage 1a</p>	<p>Establish the Need Case for physical works and Identify Technical Options</p> <ul style="list-style-type: none"> • Identifies whether there is any existing capability in the system and/or alternative options e.g. substitution / contracts • If physical reinforcement is required, assess the available technical options
<p>Up to 6 Months</p>	<p>Establish and Document the Project Need Case for physical works (NTS Investment decision)</p>
	<p>Identification of potential strategic options</p>
	<p>Apply technical filter e.g. modelling of pipeline pressures / validation</p>
	<p>Apply benefits filter e.g. environmental, cost</p>
	<p>Prepare Technical Options Report (& customer summary) - internal challenge & review, including legal counsel</p>
	<p>Identify and agree scope, finesse timescales for Stage 1b PARCA</p>

Stage 1a – NTS Investment decision process



PARCA – Stage 1b

<p>Stage 1b</p>	<p>Develop Strategic Options Report (SOR)</p> <ul style="list-style-type: none"> • Undertake detailed assessment of the available strategic options for physical NTS reinforcement
<p><i>Up to 6 Months</i></p>	<p>Engage external resource (Environmental Consultants, Engineering consultants, Communications) to assist with Options Appraisal (OA) and SOR</p>
	<p>Engage with external stakeholders:</p> <ul style="list-style-type: none"> - seek comments on strategic options being considered, including reasons for options discounted at technical and benefit filter. - agreement for OA topics scoped in and out
	<p>Prepare Draft Strategic Options Report (SOR):</p> <ul style="list-style-type: none"> - undertake Level 1 Options Appraisal using environmental consultants - internal challenge & review, including legal counsel
	<p>Consult on Draft Strategic Options Report (SOR):</p> <ul style="list-style-type: none"> - engage and consult with key stakeholders (workshops & presentations) - review & incorporate stakeholder comments <p>Compile Final Revision of SOR - Including Recommendation</p>
	<p>Identify and agree scope, finesse timescales for Stage 2 PARCA</p>

PARCA – Stage 2

<p>Stage 2</p>	<p>Outline Routeing and Siting Identify Preferred Route Corridor / Siting Studies</p> <ul style="list-style-type: none"> • Identify preferred reinforcement route corridor / siting studies • Prepare scope and undertake external consultation with Statutory/Community consultees
<p><i>Up to 15 Months</i></p>	<p>Develop SOCC (Statement of Community Consultation)</p>
	<p>Undertake RCIS (Route Corridor Investigation Study)</p>
	<p>Undertake Options Appraisal Level 2</p>
	<p>Public Consultation on Route Corridors and Options Appraisal Level 2</p>
	<p>Review of Public Consultation</p>
	<p>Identify Preferred Route Corridor: - prepare final Route Corridor Study and Level 2 Options Appraisal & Route Corridor Feedback Report</p>
	<p>Identify and agree scope, finesse timescales for Stage 3 PARCA</p>

PARCA – Stage 3

<p>Stage 3</p>	<p>Detailed Routing / Siting</p> <ul style="list-style-type: none"> • Undertake EIA (Environmental Impact Assessment) & design reinforcement pipeline
<p>Up to 24 Months</p>	<p>Identification of route alignments, involving thematic groups, community forums & routeing / siting workshops</p>
	<p>Undertake Options Appraisal (Level 3) and EIA (Environmental Impact Assessment)</p>
	<p>Undertake Pipeline Detailed Design to support:</p> <ul style="list-style-type: none"> - Options Appraisal Level 3 - EIA on preferred pipeline alignment and AGI site
	<p>Compile ES & Documents for Submission to NID (National Infrastructure Directorate) within the Planning Inspectorate</p>
	<p>Identify and agree scope, finesse timescales for Development Consent Order (DCO) phase</p>

PARCA – Development Consent Order (DCO)

Stage 4	Proposed DCO Application <ul style="list-style-type: none"> Formal consultation, finalising project, preparation of application documentation
Up to 6 Months	Formal consultation on project, in accordance with agreed SOCC
	Review feedback & adjust / finalise project
	Finalise: <ul style="list-style-type: none"> land rights offers DCO documentation, including legal counsel review
Stages 5 & 6	DCO Application and Hearings <ul style="list-style-type: none"> Planning Act Submission, Examination and Approval Process
Up to 15 Months	Submit Application to NID (National Infrastructure Directorate) within the Planning Inspectorate, NID validates application, register and publish
	Consideration of application by Commissioners (written representations or public hearing)
	NID report and recommendation to Secretary of State
	Decision from the Secretary of State for Energy and Climate Change

PARCA Stages Required

1a	Establish the Need Case and Identify Technical Options	✓			
	Need Case - Outcome	No Investment inc. Full Substitution	No Investment inc. Commercial Solution	Works at existing sites (No DCO)	DCO required
1b	Develop Strategic Options Report (SOR)				✓
2	Identify Preferred Route Corridor / Siting Studies				✓
3	Undertake EIA & Design Work		Contract Negotiation Only	Detailed Design Only	✓
DCO (4,5 & 6)	Planning Act Submission, Examination and Approval Process				✓

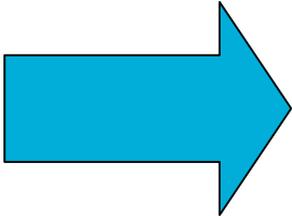
Associated potential Mod to support a PARCA solution

- We believe a UNC modification will be needed to facilitate the PARCA solution
 - But will be different to the split auction mod discussed at previous sessions
- The PARCA allows reservation of capacity
 - Should there be the opportunity for Users to participate in an “open season” type process?
- Our initial thoughts regarding how this could work are on the following slides, and we welcome your input

Associated Mod to support a PARCA solution – initial thoughts

- Guaranteed capacity release where a PARCA has been signed by a developer or a User
- National Grid NTS invite Users to participate in the “Open Season” type Application / Auction
 - Transparency of information is important to this process
 - Use existing ad-hoc exit increase and reduction application and ad-hoc QSEC processes
 - Minor changes to Ad-hoc QSEC process (to allow existing ASEPs)
- Outcome of the “Open Season” type process may influence whether or not National Grid NTS can deliver the PARCA Capacity without NTS reinforcement
- Existing Enduring Exit applications and QSEC largely unchanged
 - National Grid NTS will release over and above available unsold levels where able to do so, but no guarantees e.g. non-obligated

Initial points for discussion

- At what stage of the PARCA should the open season type process be triggered?
 - Seems appropriate for this to be as early as possible?
 - Balance of certainty versus undue delay
 - Should the PARCA allow the reservation of:
 - Unsold only?
 - Unsold plus incremental?
 - Just incremental?
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- ARCA allows all of these**
- Incremental release still possible through current Auction / application processes
 - should this be restricted to “baseline” (including substitution) and non-obligated sales only?
 - Include PARCA principles in UNC – consult upon generic PARCA changes?
 - How transparent should the PARCA process be? what details should be published to inform the “open season” process?

Next Steps - What should workgroup focus on next?

- Development of PARCA business rules i.e. mod and contractual agreement?
 - Ofgem initial view will be sought and considered
- Understand potential system costs based on draft modification?
 - We could seek a pre ROM estimate or is it too early?
- Long term non-firm – We believe we will be in a position to discuss high level business rules at TX Workgroup (Sept)
- Run through both mod options in more detail?
- Develop a timeline on what to cover and when over the next 12+ months or so and monitor progress against this?
- We are conscious there is a lot of material to work through ...
 - and are considering having a dedicated webpage for “cap/con” to keep information in a central place – would you value this?