

**UNC Workgroup 0452 Minutes**  
**Introduction of the Planning and Advanced Reservation of**  
**Capacity Agreement (PARCA)**  
**Thursday 03 October 2103**  
**Energy Networks Association, 52 Horseferry Road, London SW1P 2AF**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Chris Shanley	(CS)	National Grid NTS
Chris Wright	(CWr)	Centrica
Colin Williams*	(CWl)	National Grid NTS
Debra Hawkin	(DH)	National Grid NTS
Erika Melen	(EM)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
James Thomson	(JT)	Ofgem
Jeff Chandler	(JCh)	SSE
John Costa	(JCo)	EDF Energy
Julie Cox	(JCx)	Energy UK
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Mike Wassell	(MW)	National Grid NTS
Nick Wye*	(NW)	Waters Wye
Richard Fairholme	(RF)	E.ON UK
Richard Lea	(RL)	Gazprom
Steve Pownall	(SP)	National Grid NTS

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0452/031013](http://www.gasgovernance.co.uk/0452/031013)

The Workgroup Report is due to the UNC Modification Panel by 17 October 2013.

**1.0 Review of Minutes and Actions**

**1.1 Minutes**

The minutes were accepted.

**1.2 Actions**

**0702:** Licence/Methodology Change Consultations – Consider realignment.

**Update:** JT reported that Ofgem was debating whether more flexibility should be recognised in how/when it consults, ie not sequential.

The methodology statements were briefly discussed; MW indicated that feedback was welcome. TD pointed out that any slippage from 14 October would be leaving it very tight to match the modification consultation commencement date of 17 October. JT commented that Ofgem was in legal discussions to understand what it needed to issue and whether it could consult on Licence changes when it was still working through a charging modification.

MW referred to the timelines for the formal methodology consultation and the Licence consultation; he had in mind January for the methodology and October for the modification consultations, and explained why; uncertainty in respect of the Licence

changes was the difficulty. He would prefer to capture any concerns and address them before the final consultation. Various time periods for the consultation were discussed. It was questioned if the modification could go ahead without the Licence changes.

**Closed.**

## 2.0 Discussion

MW explained the changes made to the modification and the legal text following the last meeting.

It was noted that the potential alternative modification referred to at the last meeting had now been formally raised by SSE as Modification 0465, and will be considered at the October Panel meeting.

### *Comparison of Modification 0465 and general discussion*

JCh gave a brief presentation and explained the difference between Modification 0465 and Modification 0452, which was the way in which the PARCA security amount was to be calculated and the intention that all Users should be treated equally when they make their application. The rationale and the methodology were described, together with a comparison of security amounts under the two approaches.

NW expressed concerns regarding the potential for over-securitising, believing this to be a larger issue than socialisation, and asked if JCh had considered applying a cap on the maximum security. JCh indicated that he had been trying to steer a middle ground.

TD asked if the suggestion was that the illustrated £1.5m for a given project size was likely to deter new entrants? NW believed it could – it was a major factor to be considered and would be a massive increase for some parties. NW's concerns applied to Modification 0452 as well; levels of security could greatly exceed the level of charges.

JCx observed the challenge was the socialisation aspect of costs incurred by National Grid NTS in Phase 2, which could be either extreme (over or under recovery). She recognised that JCh was trying to steer a middle course; £5m was a bigger barrier than £1.4m – if a party could not raise £1m security for a project the size of a 1gWh power station there was something not right. NW indicated that this was the only concern he had regarding the modifications.

MW commented that any movement away from capacity pricing could deter parties from entering the market. JCx observed that Phase 2 does not match anything apart from cost pass through. It was commented that it was fairly consistent with the existing code rules – securitising for all except allocation. MW was trying to avoid speculative applications through recognising the need to put security in place annually and introducing an application fee. RF observed this was funding the planning rather than investment costs.

MW confirmed he would be producing a separate business case including analysis, the primary purpose of which would be to assist Ofgem in making its decisions on the Licence and whether it needed to carry out an Impact Assessment. The proposed Licence changes were clarified (ie how revenue is treated; shortening the default lead time; and excluded revenue definition). The generic Revenue Driver methodology did not need to be updated.

CWr questioned why such an, in essence, simple modification might be considered to require an Impact Assessment by Ofgem. JT indicated that Ofgem would consider the modification in its entirety before making any decision regarding this.

## 3.0 Workgroup Report

The Workgroup reviewed its report.

How the modification furthered the relevant objectives and appropriate implementation timescales were considered at some length.

MW pointed out that further minor changes would be required to Section 3 Solution and

also to the Suggested Text that had been provided. A revised modification and Suggested Text will be produced.

The Workgroup agreed to recommend that, subject to the expected changes to the modification and Suggested Text being made, the Report be submitted to the October Modification Panel proposing that Modification 0452 be issued for consultation.

**4.0 Any Other Business**

None raised.

**5.0 Diary Planning**

Having completed the Workgroup Report, no further meetings are required.

**Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
<b>0702</b>	04/07/13	2.2	<i>Licence/Methodology Change Consultations – Consider realignment.</i>	Ofgem (JT)	<b>Closed</b>