



Proposed Changes to PARCA Weighted Average Price

Pre-Mod Discussion

05.March.2024



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.
- Modification 0465V revised the PARCA Security Amount calculation to a Weighted Average Price (WAP) of the registered and enduring NTS Entry or Exit Capacity for the applicable year, rather than using the geographical LRMC methodology.
- Ofgem determined that the WAP methodology would provide more consistent and less variable PARCA Security Amounts and was more likely to reflect the actual costs NGT incur during the planning process.
- 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 WAP

| Entry Charges | October 2023 |
|---|--------------|
| Entry Reserve Price | 0.0784* |
| Entry Reserve Price with Storage Discount | 0.0157* |
| Entry PARCA WAP | 0.0659* |

| Exit Charges | October 2023 |
|--|--------------|
| 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 the prevailing PARCA Entry or Exit Reserve Price.
- Although Storage sites receive an 80% discount on their Capacity Charges, to apply the same discount to the PARCA Security Amount would not reflect the actual costs NGT incurs in the Planning Process.
- The principal objective of this Proposal is to ensure the ongoing consistency and simplicity of Charging.
- As with the existing Process, once Capacity is formally Allocated to the Customer, the PARCA Security Amount is refunded.

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

Next Steps

- It is Proposed that this is a Self-Governance Modification and be placed into effect from 1st October 2024.
- Suggested Timeframe for consideration:
 - Discussion at March NTSCMF. Submission to February Panel. Workgroups for 1 to 2 months.
 - Consultation following DMR at May Panel.
 - Final Mod report to April 2024.
 - Panel decision April 2024.
 - Implementation in time to accommodate into October 2024 Charging Statement.

Thank You

