

UNC Workgroup 0452 Minutes
Introduction of the Planning and Advanced Reservation of
Capacity Agreement (PARCA)
Monday 09 September 2103
Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Bethan Winter*	(BW)	Wales & West Utilities
Charles Ruffell	(CR)	RWE npower
Colin Williams	(CW)	National Grid NTS
Graham Jack	(GJ)	Centrica
James Thomson*	(JT)	Ofgem
Jeff Chandler*	(JC)	SSE
Julie Cox	(JC)	Energy UK
Mike Wassell	(MW)	National Grid NTS
Richard Fairholme*	(RF)	EON UK
Steve Pownall	(SP)	National Grid NTS

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0452/090913

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: MW confirmed that draft Methodology statements are likely to be issued week ending 13 September with some draft licence conditions for an informal consultation.

The Workgroup considered the appropriate consultation timescales. The plan was to conduct an initial consultation for two weeks with a further consultation alongside the modification. **Carried forward.**

0704: Technical Options Report - Provide an example for review.

Update: The provided report was considered by the Workgroup see item 2.1.

Complete.

2.0 Discussion

2.1. Technical Options Report

SP provided an introduction to the Draft Technical Options Report, he invited the Workgroup to review the document and provide any comments.

JC enquired about the physical investment options and how much detail would be involved. SP confirmed it would identify the high-level options and routes, but he emphasised that during phase one there will be on-going dialogue, such that there

should be no surprises in the report.

GJ enquired about interactive PARCAs. MW suggested there could be one connected investment report or separate reports recognising an interaction.

JC highlighted that stage one may occur before any interactions are known about.

BW enquired about the PARCAs open window and incentivising parties to surrender any spare capacity. MW confirmed National Grid NTS would encourage parties to surrender capacity through the existing reduction process. The Workgroup discussed the likelihood of capacity being released by parties years in advance and that there is no incentive to release capacity sooner rather than later. MW explained that there are options to turn up/turn down as well as buy back arrangements. He explained contractual alternatives to investment would be considered within the process.

2.2. Security and Timelines

The Workgroup considered the update provided by National Grid NTS.

MW explained that the Phase 0 bilateral discussions process, which covers the application process to initialise Phase 1, has been reviewed following feedback to make the process similar to the 0373 Connection Process. He confirmed alternative legal text is being considered for this part of the application process, which should realise some efficiencies.

MW provided two options for the calculation of the security amount, illustrating the methodology. Some questions were asked around the applied price for Qex and Qen and whether this needed to be clarified within the modification or a definition provided. National Grid NTS agreed to consider this further.

CW introduced Examples for Option 1 to show the effects of using one low and one high capacity price and Option 2 which was based on average or weighted average capacity charges to provide a comparison. MW provided a summary of the options for consideration.

The Workgroup considered the point at which security would be called, the appropriate level of security and the mechanism for collecting/recovering costs incurred to avoid socialising costs rather than targeting them at the responsible party. The Workgroup considered whether low security charges might encourage speculative PARCAs. GJ was keen to ensure the industry is protected against cost recovery. JC was also concerned about the potential socialisation of costs. MW believed a consistent arrangement was expected and, to enable this, the security provision needed to be divorced from investment costs.

The Workgroup asked for a view from Ofgem on setting security requirements to avoid both speculative PARCAs and costs to the industry. JT wished to avoid capacity charges being too low, encouraging speculative PARCAs, and costs being incurred by other system users. He believed there was a balance to be struck.

The Workgroup also considered the opposite impact of setting costs too high, becoming a barrier to entry, and also considered geographical differences and their justification.

It was suggested the security level could be set based on an incremental prediction of costs likely to be incurred. GJ asked if historical projects would provide an indication of when costs would be incurred and indicate a percentage breakdown. MW recalled that Phase 2 costs were estimated to be 17% of total costs.

National Grid NTS expressed a preference for Option 1, which they regarded as consistent with current UNC practice, whereas Shippers preferred Option 2, which avoided geographical cost variations and so both unduly high and unduly low charges.. National Grid NTS agreed to consider the level of security required based on historical projects with an indication of cost proportions at each stage of the process.

It was suggested that the security level could be set using a “greater than” option considering either Option 1 or 2 against the anticipated costs likely to be incurred and using the value, which was greater.

JT’s repeated that his initial view was Ofgem preferred a security level that would avoid speculative PARCAs, but also avoid socialisation of costs.

The Workgroup considered the option of raising an alternative to allow for the difference in preferences expressed regarding the security options. It was potentially too late to consider a formal alternative at this stage based on the planned timeline, but a new modification could be raised which could proceed direct to consultation in parallel with Modification 0452.

The Workgroup reviewed the next steps timeline and how the associated consultation processes and required licence changes fitted together.

JC believed it would be worthwhile obtaining a view from Ofgem on the security options before the next meeting. The Workgroup welcomed any further views from Ofgem as this may impact the modification or the need for several competing modifications to be raised.

It was agreed that National Grid would provide an amended modification with complete legal text by 17 September 2013 and, if an alternative modification was considered necessary, this could be raised on 18 September. The material would then be considered on 25 September.

3.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next meeting(s) will take place on:

Wednesday 25 September 2013 at Consort House, 6 Homer Road, Solihull, B91 3QQ

Thursday 03 October 2013 at ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0702	04/07/13	2.2	<i>Licence/Methodology Change Consultations – Consider realignment.</i>	Ofgem (AW)	Carried forward
0704	04/07/13	3.2	<i>Technical Options Report - Provide an example for review.</i>	National Grid NTS (SP)	Complete