

Stage 01: Modification

0XXX: *(Joint Office to insert number)*

Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA)

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This modification develops the long term Entry and Exit NTS Capacity release mechanisms and introduces the reservation of Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity through a Planning and Advanced Reservation of Capacity Agreement.



The Proposer recommends that this modification should be (delete as appropriate):

- assessed by a workgroup



High Impact: Shippers, Developers and Transporters



Medium Impact: -



Low Impact: -

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About this document:

This modification will be presented by the proposer to the panel on 5th April 2013.

The panel will consider the proposer's recommendation, and agree whether this modification should be referred to a workgroup for assessment.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

National Grid NTS consider that this modification should not be subject to self-governance procedures since it may have a material impact on:

- competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and
- matters relating to the management of market.

Why Change?

The Planning Act (2008) requires a pre application process which places greater emphasis on the level of consultation and optioneering where a Development Consent Order (DCO) is required for a Nationally Significant Infrastructure Project (NSIP). National Grid NTS welcome the resulting increased certainty this brings to the planning process but we do recognise that this increases the overall timeframes needed to complete the statutory planning process compared to those previously required. Under the existing gas access arrangements these increased timeframes potentially introduce uncertainty and risk to our customers with respect to long term Firm NTS capacity delivery timescales. We also recognise the differing needs of our diverse customer base and believe that the introduction of more flexible long term Gas Access arrangements will bring additional benefits to security of supply and reduce the barrier to entry into the GB market.

Under the current arrangements, National Grid NTS consider that the increased lead times may potentially result in our customers needing to fully commit to their long term NTS Capacity requirements earlier than should be reasonably expected. This is in order for them to have guarantee of the timely delivery of that capacity.

National Grid NTS believe that an access regime with inflexible lead times may result in significant constraint management costs for industry as National Grid NTS may be committed to providing commercial capacity rights in timescales that any associated NTS reinforcement can not be delivered to. Developing long term capacity arrangements that allow long term capacity to be fully committed to much closer to delivery timescales, that will provide more certainty and clarity to our customers and that allow for flexible project specific lead times has significant benefits to the attractiveness of the GB market and will bring additional efficiencies into the regime.

Within our RIIO March submission (Appendix B – delivering connections and capacity) we further detailed the drivers for commercial change as:

- The need for the regulatory and commercial frameworks to be compatible so that they work as a package.
- Customer requests that the connections and capacity processes should be better aligned.
- The introduction of the Planning Act (2008).

Higher costs will be incurred earlier in the processes that National Grid NTS will carry out due to the introduction of the Planning Act (2008). As such National Grid NTS believes it is appropriate to have funding and charging arrangements in place to ensure appropriate User commitment to underpin the works being carried out and timely recovery of costs as this is a key aspect of the gas regime.

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Liability for costs incurred by National Grid NTS up to the allocation of capacity will be with the PARCA Applicant which could be either a UNC Signatory or a Non UNC Signatory.

It will be necessary to amend parts of the UNC to reflect required changes to the funding and charging arrangements for the recovery of the costs incurred by National Grid NTS during the PARCA process.

Solution

The ability to reserve Enduring NTS Exit (Flat) Capacity is a feature of the current Enduring NTS Exit (Flat) Capacity regime and is possible through the Advanced Reservation of Capacity Agreement (ARCA) process for non-code parties (e.g. developers) as long as the need for such reservation is sufficiently demonstrated through the provision of demonstration information; similar principles also apply to the ad-hoc Enduring NTS Exit (Flat) Capacity application process for Users. This solution allows Users and non-code parties to reserve, demonstrate the need case for Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Entry Capacity through a bi lateral agreement (the Planning and Advanced Reservation of Capacity Agreement – “PARCA”). As such, National Grid NTS believe that the fundamental principles underpinning this solution are similar to those underpinning specific aspects of the current Enduring NTS Exit (Flat) Capacity arrangements.

National Grid NTS consider that it is appropriate for a User to have exclusive rights to reserved Firm NTS Capacity and that this should be financially underpinned by that User or an associated non-code party. This will be achieved through the reservation, and subsequent registration, of Firm NTS Capacity exclusively through the PARCA contract.

The proposed solution has the following key aspects to it:

- The introduction of a Planning and Advanced Reservation of Capacity Agreement (PARCA). This bi lateral agreement allows non-code parties or Users to reserve Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity ahead of its registration to the User or, as the case may be, a Nominated User (a User nominated by a developer).
- Registration of the Reserved NTS Capacity will only be triggered once any required statutory planning consent(s) for the customer and/or National Grid NTS, are approved. This will allow for the registration of the Reserved NTS Capacity (and hence full financial commitment to the Capacity) to occur closer to the capacity delivery date than may otherwise be possible.
- The PARCA allows a User or a Nominated User to become registered as holding NTS Capacity that has been reserved (i.e. financially User committed to the previously Reserved NTS Capacity). Where a PARCA has been agreed with a non-code party, the non-code party must nominate a User (PARCA Nominated User) prior to the registration of the reserved capacity to a Nominated User.
- The PARCA allows the PARCA Applicant to terminate the PARCA ahead of registration of the Reserved NTS Capacity.
- National Grid NTS will register the capacity on its systems on behalf of the User or Nominated User in accordance with the terms and conditions of the PARCA.

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- For Quarterly NTS Entry Capacity reserved through a PARCA, where National Grid NTS inform the PARCA Applicant that no NPV test is required (i.e the capacity requirement can be met entirely through available Unsold NTS Entry Capacity), the NTS Entry Capacity requested must be for a minimum of 16 Quarters within a 32 Quarter period.
- Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity in excess of available Unsold NTS Capacity levels is only guaranteed where a PARCA has been agreed and the terms and conditions of the PARCA have been adhered to.
- Where a PARCA has been agreed and the terms and conditions of the PARCA have been adhered to by the PARCA Applicant, the reserved capacity will be exclusively registered to the Reservation User or Nominated User (assuming the PARCA Applicant wishes to progress to Capacity Registration).
- Removal of the UNC ARCA provisions as these are replaced by PARCA provisions
- Removal of the ad-hoc QSEC process for new ASEPs from UNC (TPD B2.2.18). Capacity required for New ASEPs must be first reserved through the PARCA.
- Firm NTS capacity over and above available unsold levels may still be made available through the existing Quarterly NTS Entry Capacity Auctions and Enduring NTS Exit (Flat) Capacity application processes in accordance with the respective Incremental Entry Capacity Release and Exit Capacity Release Methodology Statements.
- For the Phase 1 works these are considered to be an excluded service to the PARCA Applicant and will be wholly chargeable to the PARCA Applicant and will be classified as excluded services to National Grid NTS. Therefore such revenues sit outside of the allowed revenues and would not impact NTS Transportation Charges as is the case with payments associated with Connection works.
- Post Phase 1, the PARCA Applicant will be required to put in place appropriate security to cover the value of the costs required by National Grid for the period up to formal capacity allocation. Any adjustments to Allowed Revenue will adjust the revenues used in the calculation of NTS Transportation charges. Once capacity allocation takes place the existing arrangements for Users providing commitment to such capacity will apply. If the PARCA is terminated prior to the capacity being delivered, any costs that have been levied through the Transportation charges on the wider industry would be reimbursed through adjusting the Allowed Revenues to be collected through NTS Transportation charges.
- The introduction of a Reservation Fee for the PARCA Applicant where any capacity is to be reserved where National Grid NTS anticipate that no investment is required. The reservation fee will be calculated based on either [12] months NTS Entry Capacity charges or [12] months NTS Exit (Flat) Capacity charges to continue the User commitment principle. These charges will utilise the indicative rate for the first full year of the capacity reservation multiplied by the reserved capacity. The Reservation Fee will be refunded only upon allocation of the capacity and will not be refundable should the PARCA be terminated prior to the allocation of capacity.

Note: A generic PARCA will be published on the National Grid website. National Grid NTS anticipates that any subsequent changes to the generic PARCA will be consulted upon and is not negotiable on a bi lateral basis. National Grid NTS considers it important to develop the associated contractual agreement in parallel with this modification, through the Transmission Workgroup. This will afford the opportunity for further collaborative development and allow a fully informed industry view of the framework changes proposed as a package.

Relevant Objectives

As proposer, National Grid NTS believe this modification has a positive impact upon the following relevant objectives:

- a. Efficient and economic operation of the pipe-line system.
- b. Coordinated, efficient and economic operation of
 - i. the combined pipe-line system, and/ or
 - ii. the pipe-line system of one or more other relevant gas transporters.
- c. Efficient discharge of the licensee's obligations.
- d. Securing of effective competition between relevant shippers;
 - i. between relevant suppliers; and/or
 - ii. between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.
- e. Where transportation prices are not established through an auction, prices calculated in accordance with the methodology should:
 - i. Reflect the costs incurred by the licensee in its transportation business;
 - ii. So far as is consistent with (i) properly take account of developments in the transportation business;
 - iii. So far as is consistent with (i) and (ii) facilitate effective competition between gas shippers and between gas suppliers

Implementation

No implementation timescales are suggested at this time. National Grid NTS will discuss this through the workgroups.

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2 Why Change?

The Planning Act 2008 (as amended by the Localism Act 2011)

The Planning Act (2008) (as amended by the Localism Act 2011) “the Planning Act” introduces a new streamlined process for planning decisions for Nationally Significant Infrastructure Projects (NSIPs), which for gas infrastructure is applicable only in England. The principles of the Planning Act “the Planning Act” may also apply to gas infrastructure¹ delivered as a result of Incremental Capacity signals from projects in Wales and Scotland² where reinforcement is also required in England. National Grid NTS also believe it is appropriate to apply the spirit of the Planning Act regardless of geography.

For NSIPs the new planning process requires extensive optioneering and consultation with the community prior to the consideration of the application by The Planning Inspectorate and final decision by the Secretary of State and National Grid NTS welcome the increased certainty this brings to the statutory planning process. A consequence of this increased certainty is that this is likely to increase the capacity delivery lead times for complex construction projects to between an estimated 72 and 96 months from the point of a formal capacity signal under existing arrangements. By way of comparison, the default lead times contained within National Grid’s Transporter licence in respect of the NTS places an obligation on National Grid NTS to deliver Incremental entry and exit NTS capacity to a 42 (from an auction signal) and 36 (from the October following allocation) month lead time respectively.

National Grid NTS consider that, in the absence of a change to the Long Term NTS Capacity arrangements, the increased lead times required by the Planning Act may also increase the likelihood of the regime being viewed as a barrier to entry to the GB market. For example the increased lead times could lead to customers providing a formal capacity signal (and therefore being financially User Committed to that capacity) 6 to 9 years ahead of their own estimated project delivery date to ensure the timely delivery of that capacity by National Grid NTS. National Grid NTS consider that it is unreasonable to expect a customer to make such a financial commitment so far in advance of the Customers request where there may be uncertainty around the design, delivery timescales and future of the customers own project.

Through our Talking Networks events first held in 2011 and our March 2012 RIIO-T1 business plan submission, we have highlighted that the impact of the Planning Act on timescales for delivering network reinforcements to support incremental capacity meant that the current obligated lead times applicable to Incremental entry and exit capacity are not achievable. As such, where a Capacity signal requires the Planning Act process, releasing such capacity to the obligated lead times is not efficient and potentially leads to customers being financially committed to capacity that they cannot utilise and may also result in significant constraint management costs for the industry and, ultimately, the end consumer.

¹ The Planning Act (2008) applies only to Gas Transporter Pipelines of at least 800mm diameter and 40km in length or having a likely significant effect on the environment, with a pressure of at least 7 barg and supplying at least 50,000 customers.

² The spirit of the Planning Act (2008) is likely to be applied to projects in Wales and Scotland as part of National Grid’s ‘one approach’ to the way we work.

National Grid NTS's RIIO-T1 business plan submission included a number of proposals that could address this issue whilst facilitating the overarching objective of delivering connections, capacity and projects together in the most efficient lead time and in a transparent manner. We proposed that the introduction of a mandatory bi-lateral contract for parties wishing to signal long term capacity would enable customer and National Grid NTS timelines to be better aligned, allowing connections, capacity and customer projects to be delivered together. This process would provide more certainty to project developers and associated Users, with transparency of all the process steps and deliverables required from both parties clearly set out. We also set out a timeline from initial contact through to capacity release whilst also allowing the review, discussion and potential revision of that timeline and break points within the contract process. This would be accompanied by a phased user commitment that would ramp up in line with progression through the process culminating in final User Commitment upon allocation of the capacity.

Some stakeholders have since indicated to us that they would want the release of Incremental capacity to be restricted to the party that has committed to the bi-lateral contract and the associated funding / security requirements in order for National Grid NTS to carry out the necessary preparatory work through the bi-lateral contract. National Grid NTS agree with this sentiment and recognise that this would require a change to the UNC. We have therefore been developing our proposals through bi lateral discussions with our customers, customer representative groups and as discussed at the recent Transmission Issues Workgroups and Transmission Workgroups.

Arrangements currently exist that allow our customers the opportunity to enter into a bilateral agreement "Planning and Consent Agreement" (PCA) whereby National Grid NTS will assess the needs case for 'NTS reinforcement'. Where a needs case is identified, the customer will underwrite National Grid NTS to undertake our statutory Planning Act activities e.g. strategic optioneering, Environmental Impact Assessment, statutory and local community consultations, preparation of the Development Consent Order (DCO) and application. However, whilst the customer will underwrite the PCA, it has no guarantee that it will obtain its capacity requirement through the auction/application process and thus National Grid NTS consider that this may present a significant commercial (and financial) risk to our customers.

Higher costs will be incurred earlier in the processes National Grid NTS will carry out due to the introduction of the Planning Act (2008). As such National Grid NTS believes it is appropriate to have funding and charging arrangements in place to ensure timely recovery of costs and appropriate User commitment to underpin the works being carried out as this is a key aspect of the gas regime.

Appropriate changes to the UNC and any applicable charging statement(s) will reflect the fact that the PARCA Applicant can be a UNC Signatory or a Non UNC Signatory.

Phase 1 PARCA costs will be borne by the PARCA Applicant, paid upfront via a Phase 1 PARCA Amount and later reconciled based on the actual costs incurred by National Grid NTS.

Throughout the remainder of the PARCA process it will be necessary for the costs incurred by National Grid to be reflected in the charges levied on our Customers with appropriate arrangements for Customers to provide security to cover the value of these costs.

Liability for costs incurred by National Grid NTS up to the allocation of capacity will sit with the PARCA Applicant which can either be a UNC Signatory or a Non UNC Signatory.

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In determining the funding and charging arrangements to apply throughout the PARCA process, the key principles that are being followed are:

- This applies to Entry and Exit Capacity;
- There should be appropriate financial commitment associated with reserving capacity through the PARCA;
- The funding and charging arrangements should not become a barrier to entry to the PARCA Applicant;
- If a PARCA is terminated prior to capacity being delivered, any costs that have been levied through the Transportation charges on the wider industry should be reimbursed.

It will be necessary to amend parts of the UNC, notably Section Y – Charging Methodologies, to reflect required changes to the funding and charging arrangements for the recovery of the costs incurred by National Grid NTS during the PARCA process from the PARCA Applicant and through NTS Transportation charges.

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3 Solution

The Planning and Advanced Reservation of Capacity Agreement

The following business rules detail the changes necessary to the existing UNC provisions. Where no change is required, this may not be detailed within the solution. Some existing UNC provisions are included in this solution for the purposes of clarity and completeness of processes.

1 The PARCA Application Process

- 1.1 National Grid NTS may enter into a Planning and Advanced Reservation of Capacity Agreement "PARCA" with either a Non-Code (the "Reservation Party") or Code Party (the "Reservation User") at any time for the purpose of the reservation of Enduring Annual NTS Exit (Flat) Capacity (the "Reserved Exit Capacity") at an NTS Exit Point and/or Quarterly NTS Entry Capacity (the "Reserved Entry Capacity") at an Aggregated System Entry Point (ASEP). For clarity, this includes NTS Storage Facilities and interconnectors. For the purposes of this solution, the Reservation User and Reservation Party will be referred to as the PARCA Applicant where no distinction is required.
- 1.2 The PARCA Applicant may apply to enter into a PARCA by completing a Generic PARCA Application Form as published on National Grids website.

Note: Where a PCA is being progressed at the time of implementation of this solution, National Grid NTS will work with the PCA signatory to map them across to the relevant PARCA Phase as a transitional arrangement without detriment to the agreed PCA timeframes. Alternatively the PCA signatory can choose to retain the PCA in its original form and not progress to a PARCA.

- 1.3 The PARCA Application Form requires information from the PARCA Applicant, this will include but is not limited to, information such as:
 - Contact details
 - Connection details
 - The first Gas flow dates required for commissioning and commercial purposes
 - The proposed location for a new site
 - The Capacity required and profiles (if applicable)
 - For information purposes only, the indicative Ramp Rate and notice period requirements.
 - where the PARCA Applicant is a DNO User, the associated NTS Exit (Flexibility) Capacity and Assured Offtake Pressure requirements.
 - An upper and lower Fine Tuning Capacity range may also be requested (the requested Reserved Capacity Tolerance).

Note: the need for an upper and lower range will need to be sufficiently demonstrated to National Grid NTS through the provision of technical data. This requirement will be included in the demonstration information requirements of the PARCA.

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- 1.4 National Grid NTS will within [x] business days provide written notice of receipt of the PARCA Application Form.
- 1.5 National Grid NTS will within [x] business days from the written notice of receipt (as referenced in paragraph 1.4) inform the PARCA applicant by written notice of its acceptance or otherwise of the PARCA Application Form. Where the PARCA Application has not been accepted, National Grid NTS will clearly detail the reasons why and nothing shall prevent the PARCA Applicant submitting a further PARCA Application Form

Note: National Grid NTS would expect, prior to the submission of a PARCA Application Form, bi lateral meetings with the potential PARCA Applicant.

- 1.6 A PARCA Application Form will be accepted where the information required is correctly populated and the data required has been provided.
- 1.7 Where a PARCA Application Form is accepted by National Grid NTS, the information provided will be utilised to populate the Generic PARCA, as published on the National Grid NTS website (for clarity, the information provided by a PARCA Applicant through the PARCA Application Form will not be incorporated into the published Generic PARCA but will be incorporated into the Generic PARCA provided to the PARCA Applicant).
- 1.8 National Grid NTS will provide the Generic PARCA contract (populated with the accepted PARCA Application Form information and unique reference number) to the PARCA Applicant within [X] business days from receipt of an accepted PARCA Application Form.
- 1.9 In order to initiate the PARCA process, The PARCA Applicant must sign and return the original copy of the Generic PARCA Contract provided by National Grid NTS to the PARCA Applicant and the Phase 1 PARCA Amount must be paid by the PARCA Applicant and be available to National Grid NTS in cleared funds. (refer to paragraph 12.1 for further detail of the Phase 1 PARCA Amount).
- 1.10 Where the original copy of the Generic PARCA Contract provided by National Grid NTS has been signed and returned by the PARCA Applicant, National Grid NTS will then counter sign the Generic PARCA Contract and return a copy to the PARCA Applicant.

2 Phase 1 PARCA Works

- 2.1 Where paragraph 1.10 has occurred and the Phase 1 PARCA Amount has been paid by the PARCA Applicant and is available to National Grid NTS in cleared funds, National Grid NTS will initiate the Phase 1 PARCA Works.
- 2.2 The Phase 1 PARCA Works will be completed by National Grid NTS as soon as reasonably practical and in any case this will be up to [6] months.

2.3 Following completion of the Phase 1 PARCA Works, National Grid NTS shall submit to the PARCA Applicant a Phase 1 PARCA Works Report.

2.4 The Phase 1 PARCA Works Report will include:

- (a) The Registration Date, which is the first day that the Reserved Capacity will be reserved and Registered from. This may or may not be the same as the first date requested by the PARCA Applicant in accordance with paragraph 1.4 (g) and/or 1.4 (h).
- (b) The Quantity of Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity to be reserved and, if applicable, the upper and lower Fine Tuning Capacity range that can be accommodated (which may, or may not be the Fine Tuning Capacity range requested by the PARCA Applicant).
- (c) The profile of the Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity to be reserved (where applicable) and, if applicable, the upper and lower Fine Tuning Capacity range that can be accommodated (which may, or may not be the Fine Tuning Capacity range requested by the PARCA Applicant).
- (d) The Allocation Date, which is the date on which the Reserved Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity will be registered by National Grid NTS to the Reservation User or, as the case may be, Nominated User.
- (e) The indicative Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity charges payable in respect of the Reserved Capacity.
- (f) The actual costs incurred by National Grid NTS in undertaking the Phase 1 PARCA Works and therefore the monies owed by or to be returned to the PARCA Applicant.
- (g) The Security Requirements (which may be a Reservation Fee or the Phase 2 PARCA Works Amount as detailed in paragraph 12.2) to further progress the PARCA.
- (h) The PARCA Demonstration Information and PARCA Demonstration Date requirements.
- (i) Whether there is a need for reinforcement works ("Phase 2 PARCA Works").
- (j) For information purposes only, indicative ramp rates and pressures which are not legally binding on either party.

2.5 By no later than [28] Days following receipt of the Phase 1 PARCA Works Report the PARCA Applicant shall submit a written notice to National Grid NTS that confirms whether or not it wishes National Grid NTS to reserve the amount of Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity detailed within the Phase 1 PARCA Works Report.

2.6 Where the PARCA Applicant confirms that it requires National NTS to reserve Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity, such confirmation is only guaranteed to be accepted where the PARCA Applicant has also provided the required Security Requirements (as identified in the Phase 1 PARCA Works report) by no later than [28] Days following receipt of the Phase 1 PARCA Works Report.

- 2.7 The Reservation of the NTS Capacity will occur where the confirmation (as referred to in paragraph 2.6) has been accepted and, in respect of Quarterly NTS Entry Capacity only:
- (a) an NPV test, in accordance with the Incremental Entry Capacity Release Statement, that is based upon the quantities of Quarterly NTS Entry Capacity and indicative NTS Entry Capacity Price steps has been satisfied
 - (b) or where National Grid NTS determine that no NPV test is required, a quantity of Quarterly NTS Entry Capacity has been requested by the PARCA Applicant in at least 16 (sixteen) Quarters within a 32 (thirty two) consecutive Quarter period

Note: National Grid NTS maybe required, under its licence, to submit an initial proposal to the Authority which details how the reservation of capacity is likely to be satisfied, for example, through substitution, existing capability or potential reinforcement. If this is required National Grid NTS may initially reserve the Capacity pending an Ofgem veto or otherwise.

3 PARCA Demonstration information

- 3.1 The existing Demonstration Date and Information principles currently defined under UNC (ref TPD B3.3) are retained for the purposes of the existing ad-hoc exit application process only. Additional PARCA Demonstration Date and Information UNC provisions are required for the purposes of the PARCA.
- 3.2 "PARCA Demonstration Date" means a date(s) specified in the PARCA whereby the PARCA Applicant needs to provide specific PARCA Demonstration Information to National Grid NTS and is further defined as:
- (a) First PARCA Demonstration Date; or
 - (b) in the event the PARCA Applicant has not provided National Grid NTS with the PARCA Demonstration Information by the First PARCA Demonstration Date, a second date [28] Days after the First PARCA Demonstration Date (or with the agreement of the PARCA Applicant, any other date) (Second PARCA Demonstration Date); or
 - (c) in the event the PARCA Applicant has not provided National Grid NTS with the PARCA Demonstration Information by the Second Demonstration Date, a third date [28] Days after the Second PARCA Demonstration Date (or with the agreement of the PARCA Applicant, any other date) (Third PARCA Demonstration Date);
 - (d) in the event the PARCA Applicant has not provided National Grid NTS with the PARCA Demonstration Information by the Third PARCA Demonstration Date, such other date as may be agreed through the PARCA ("Ad-hoc PARCA Demonstration Date").
- 3.3 Where PARCA Demonstration Dates are altered from the First PARCA Demonstration Date, Second PARCA Demonstration Date, Third PARCA Demonstration Date or Ad-hoc PARCA Demonstration Date then National Grid NTS will, upon such alteration, notify the PARCA Applicant of any revisions (if required) to the PARCA schedule timeframes and project milestones, including the capacity delivery date.

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- 3.4 "PARCA Demonstration Information" is such information as is sufficient to enable National Grid NTS to be reasonably satisfied that;
- (a) the PARCA Applicant will be able to progress to commencement of the relevant PARCA Phase;
 - (b) the relevant PARCA Phase will progress to completion
 - (c) the PARCA Applicants project is progressing.
- 3.5 PARCA Demonstration Information is necessary to reasonably satisfy National Grid NTS that the Enduring Annual NTS Exit (Flat) Capacity and/or Quarterly System Capacity applied for will be utilised to offtake gas at the NTS Exit Point and/or supply of gas at the ASEP with effect from the First Registration Date(s).
- 3.6 Where the PARCA Applicant fails to provide National Grid NTS with the PARCA Demonstration Information by the prevailing PARCA Demonstration Date on three (3) or more occasions National Grid NTS may terminate the PARCA with immediate effect and any Reserved NTS Capacity will no longer be reserved.
- 3.7 National Grid NTS will publish guidelines (to be updated from time to time) setting out the scope and content of such PARCA Demonstration Information. The PARCA Demonstration Information required will be specific to each required phase of the PARCA contract.
- 3.8 National Grid NTS will notify the PARCA Applicant of the new Demonstration Date and First Registration Date(s) (if required) by no later than [ten (10)] Business Days following the previously notified Demonstration Date.
- 3.9 National Grid NTS undertakes to provide the PARCA Applicant with relevant milestone information to reasonably satisfy the PARCA Applicant that National Grid NTS is progressing the required PARCA Works in a timely manner.

4 Nomination of a User

- 4.1 The Reservation Party may nominate any User(s) (the "Nominated User(s)"), through written notice, to be registered as holding part or all of the Reserved Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity from no earlier than the First Registration Date for the NTS Exit and/or Entry Point.
- 4.2 The Reservation Party will be obliged to nominate, through written notice, such a User(s) no later than [1] month prior to The Allocation Date. Where such nomination has not occurred, National Grid NTS reserve the right to terminate the PARCA and either invoice The Reservation Party for any outstanding monies owed or agree an alternative date where such a nomination must occur.

4.3 A notice under paragraph 4.1 shall specify:

- (a) the identity of the Nominated User(s);
- (b) an amount (in kWh/d) of Reserved Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity to be registered in the name of the Nominated User(s) which shall not exceed the total amount of remaining Reserved Quarterly NTS Entry Capacity and/or Enduring NTS Exit (Flat) Capacity (taking into account any other notice of Nomination by the Reservation Party in relation to the PARCA);
- (c) the date, consistent with the terms of the PARCA, from which the Nominated User(s) is to be registered as holding NTS Exit (Flat) Capacity and/or the quarterly periods for which the Nominated User(s) is to be registered as holding Quarterly NTS Entry Capacity.

4.4 Following receipt of a notice under paragraph 4.1, National Grid NTS will notify the Nominated User(s) of the contents of the notice.

4.5 Each Nominated User shall, within five (5) Business Days of National Grid NTS's notification under paragraph 4.4, confirm to National Grid NTS its acceptance or rejection of the details in the Reservation Party's notice. For clarity, where rejection occurs, National Grid NTS will only terminate the PARCA in accordance with paragraph 4.2.

4.6 National Grid NTS may reject a nomination of a User:

- (a) where any of the requirements of paragraph 4 are not complied with;
- (b) in accordance with Section V3 of UNC (credit arrangements);
- (c) where PARCA Demonstration Information has not been provided by the Reservation Party in accordance with paragraph 3
- (d) where, by no later than [1] month prior to The Allocation date, 100% of the Reserved Capacity has not been registered in the name of at least one User.

4.7 Upon The Capacity Allocation, the User commitment aspects as detailed in the incremental Entry and Exit Methodology Statements will apply.

4.8 The Reservation Party may, through separate written notices submitted at the same time, nominate more than one User (i.e. each written notice may nominate one User).

5 National Grid NTS Obligations

5.1 Subject to the Incremental Entry and Exit Capacity Release Methodologies, Entry and Exit Capacity Substitution Methodologies and PARCA, National Grid NTS will on The Allocation Date;

- (a) Register the Nominated User(s) as holding Enduring Annual NTS Exit (Flat) Capacity at the Relevant NTS Exit Point in such amount(s) and from such date as specified in the Reservation Party's Nomination of a User as detailed under paragraph 4 and/or;

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- (b) Register the Nominated User(s) as holding Quarterly NTS Entry Capacity at the Relevant ASEP in such amount(s) and for such Quarterly Periods as specified in the Reservation Party's Nomination of a User as detailed under paragraph 5.

5.2 Subject to the Incremental Entry and Exit Capacity Release Methodologies, Entry and Exit Capacity Substitution Methodologies and PARCA, National Grid NTS will on The Allocation Date;

- (a) Register the Reservation User(s) as holding Enduring Annual NTS Exit (Flat) Capacity at the Relevant NTS Exit Point in such amount(s) and from such date (The Registration date) as specified in the PARCA and/or;
- (b) Register the Reservation User(s) as holding Quarterly NTS Entry Capacity at the Relevant ASEP in such amount(s) and from such date (the Registration Date) as specified in the PARCA.

5.3 Nothing shall prevent the Nominated User(s) or Reservation User from applying, pursuant to TPD Section B2 and B3, for further NTS Capacity at the Relevant NTS Exit Point and/or ASEP in respect of any day in the Reserved Capacity Period.

Note: For the avoidance of doubt, the existing User Commitment principles will apply to the Registered Capacity.

Process for Non PARCA Applicants

6 The July Annual Application Window for Enduring NTS Exit (Flat) Capacity (note: this solution assumes Modification 376 is operational)

- 6.1 National Grid NTS will, from any month in the periods Y+4, Y+5 and Y+6 make available Unsold Baseline NTS Exit (Flat) Capacity through the July Annual Application Window.
- 6.2 The quantity of Unsold Baseline NTS Exit (Flat) Capacity made available from any Gas Month at an NTS Exit Point will be based upon the available quantity of Unsold Baseline NTS Exit (Flat) Capacity for every Gas Month from that point onwards and any Reserved Baseline NTS Exit (Flat) Capacity will not be considered as Available Unsold Baseline NTS Exit (Flat) Capacity.
- 6.3 Demand for Enduring Annual NTS Exit (Flat) Capacity through the July Annual Application Window that is over and above the Available Unsold Baseline NTS Exit (Flat) Capacity levels may be met through Substitution in accordance with the Exit Capacity Substitution Methodology (ExCS) or at the discretion of National Grid NTS in accordance with the Exit Capacity Release Methodology Statement and will be subject to User Commitment in accordance with the Exit Capacity Release Methodology Statement (ExCR).

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- 6.4 Given that a limited quantity of Enduring Annual NTS Exit (Flat) Capacity may be made available through the Annual Application Window, it is possible that the User(s) Enduring Annual application quantities may need to be pro rated where demand for Enduring Annual NTS Exit (Flat) Capacity exceeds that which is available or where allocation of Enduring Annual NTS Exit (Flat) Capacity for an earlier period (e.g. Y+4) reduces the Enduring Annual NTS Exit (Flat) Capacity quantity available for a later period (e.g. Y+5).
- 6.5 Pro ration will be based on the maximum Enduring Annual NTS Exit (Flat) Capacity application quantity. Where the pro rated quantity is less than the minimum eligible amount, the application will be rejected and the available Enduring Annual NTS Exit (Flat) Capacity quantity will be pro rated (where necessary) amongst those Enduring Annual NTS Exit (Flat) Capacity Applications remaining.
- 6.6 National Grid NTS will, not later than 30th September in Gas Year Y:
- (a) accept in full or, as the case may be, in part (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements; and notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity.

7 Ad-hoc applications for Enduring Annual NTS Exit (Flat) Capacity

- 7.1 National Grid NTS will, from M+6 through to Y+6, make available Unsold Baseline NTS Exit (Flat) Capacity through the existing Ad-hoc Enduring Annual NTS Exit (Flat) Capacity application process as defined under UNC (TPD B3.2).
- 7.2 The quantity of Unsold Baseline NTS Exit (Flat) Capacity available from a Gas Month will be defined as the available quantity of Unsold Baseline NTS Exit (Flat) Capacity for every Gas Month from that Gas Month onwards and any Reserved Baseline NTS Exit (Flat) Capacity will not be considered as Available Unsold Baseline NTS Exit (Flat) Capacity.
- 7.3 Demand for Enduring Annual NTS Exit (Flat) Capacity that is over and above unsold Baseline NTS Exit (Flat) Capacity levels may be met through substitution in accordance with the ExCS or at the discretion of National Grid NTS in accordance with the ExCR (from M+6 onwards) and will be subject to User Commitment in accordance with the ExCR.
- 7.4 Ad-hoc Enduring Annual NTS Exit (Flat) Capacity application quantities may need to be pro rated where demand for Enduring Annual NTS Exit (Flat) Capacity exceeds that which is available or where allocation of an Enduring Annual NTS Exit (Flat) Capacity for an earlier period (e.g. M+6) reduces the Enduring Annual NTS Exit (Flat) Capacity quantity available for a later period (e.g. Y+2).

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- 7.5 Pro ration will be based on the maximum Enduring Annual NTS Exit (Flat) Capacity application quantity. Where the pro rated quantity is less than the minimum eligible amount the application will be rejected and the available Enduring Annual NTS Exit (Flat) Capacity quantity will be pro rated (where necessary) amongst those Enduring Annual NTS Exit (Flat) Capacity applications remaining.
- 7.6 National Grid NTS will notify the User as soon as possible after an Ad-hoc application is received, but in any event by not later than fifteen Business Days after the application was received; unless National Grid NTS is of the opinion there is likely to be a requirement for capacity substitution or Incremental NTS Exit (Flat) Capacity in accordance with the principles in the prevailing ExCS Methodology Statement, in which case ninety days or greater if date is agreed with the User after the application was received and subject to approval from the Authority, of;
- (a) National Grid NTS acceptance in full or, as the case may be, in part (if not rejected) a User's application (including a DNO User's revised application) for Enduring Annual NTS Exit (Flat) Capacity in accordance the ExCR and ExCS methodology statements;
 - (b) Which of the User's applications have been accepted, and in each case the amount of Enduring Annual NTS Exit (Flat) Capacity.
- 7.7 Within 10 (ten) days of such a notification, National Grid NTS will publish:
- (a) the NTS Exit Point at which the Enduring Annual NTS Exit (Flat) Capacity is to be registered
 - (b) the amount of Enduring Annual NTS Exit (Flat) Capacity registered;
 - (c) the Registration Date(s).

8 Ad-hoc Reductions of Enduring Annual NTS Exit (Flat) Capacity

- 8.1 UNC (TPD B3.2.21 in accordance with other provisions under paragraph B3.2) details the provisions for ad-hoc reductions of Enduring Annual NTS Exit (Flat) Capacity at NTS Exit Points.
- 8.2 This existing ad-hoc reduction process is retained and may also allow Users, through invitation, to submit a notice of reduction at any relevant NTS Exit Point, where that reduction could be used to meet demand for Enduring Annual NTS Exit (Flat) Capacity signalled through a PARCA.

- 8.3 For the purposes of a PARCA an invitation to Users to submit a notice of reduction shall specify:
- (a) the period during which a User may give a notice of reduction (which will not be between the 1st and 15th of July in any Gas Year).
 - (b) The geographical area of the PARCA NTS Exit Point, whilst respecting the commercial confidentiality of the PARCA Applicant.
 - (c) The NTS Exit Points where such notices of reductions will be permitted.
 - (d) The earliest date on which National Grid NTS may give effect to a reduction.
 - (e) The date on which National Grid NTS will notify a User of whether or not it will give effect to a notice of reduction.
- 8.4 By not later than the date specified in the invitation to Users to submit a notice of reduction, National Grid NTS;
- (a) will notify the User of whether or not it will give effect to the notice of reduction, and if so, the date on which the reduction is to be effective and the amount of Enduring Annual NTS Exit (Flat) Capacity the User will continue to be registered as holding at the NTS Exit Point from such date.
 - (b) may give effect to a User's notice of the reduction for an amount of Enduring Annual NTS Exit (Flat) Capacity which is not:
 - (i) greater than the reduction amount;
 - (ii) or less than the minimum reduction amount in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement and Exit Capacity Substitution and Revision Methodology Statement.
- 8.5 If the relevant PARCA is terminated, any ad-hoc reductions accepted will not be cancelled.

9 NTS Exit ARCAs

- 9.1 The ARCA provisions within UNC will be removed. Reservation of Enduring NTS Exit (Flat) Capacity for a non-code party will only be possible through a PARCA.

10 NTS Entry Capacity – March Quarterly System Entry Capacity auction (QSEC)

- 10.1 National Grid NTS will, for each calendar quarter in Capacity Year Y+2 to Capacity Year +16 (inclusive), make available Unsold Baseline NTS Entry Capacity.
- 10.2 Any Quarterly NTS System Entry Capacity that has been reserved through a PARCA ahead of the QSEC invitation letter being issued will not be considered as available Unsold Baseline NTS Exit (Flat) Capacity for that QSEC auction.

10.3 Where there is demand for Firm NTS Entry Capacity that is in excess of Available Unsold Baseline NTS Entry Capacity levels at an ASEP, and such demand has passed the Net Present Value test (in accordance with the IECR), then National Grid NTS may:

- (a) to the extent that it can, utilise substitution to meet some or all of the demand and/or
- (b) at its discretion release Incremental NTS Entry Capacity to meet some or all of the demand

Where a) or b) are not possible then National Grid NTS will not allocate Firm NTS Entry Capacity that is in excess of Available Unsold Baseline NTS Entry Capacity levels at the ASEP.

10.4 The ad-hoc QSEC UNC Provisions (TPD B2.2.18) for New ASEPs will be removed as part of this solution. A requirement for Quarterly NTS Entry Capacity at New ASEPs can only be signalled through a PARCA.

11 Information publication

11.1 Within 10 (ten) business days of initiation of the Phase 1 PARCA Works, National Grid NTS will publish:

- (a) The geographical area of the PARCA NTS Exit Point and/or NTS Entry Point
- (b) An indicative range of Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Capacity based upon the maximum quantity of capacity requested.
- (c) The indicative Capacity Reservation Date

11.2 Within 10 (ten) business days of the Reservation of Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Capacity, National Grid NTS will publish:

- (a) The quantity (if any) of Unsold Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Capacity that has been reserved from each NTS Exit Point(s) and/or NTS Entry Point(s) and the relevant periods.
- (b) The NTS Exit and/or NTS Entry Point defined in the PARCA.
- (c) The quantity (if any) of Unsold Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Capacity reserved at the PARCA defined NTS Exit and/or NTS Entry Point and the relevant periods.
- (d) The quantity (if any) of Incremental Enduring NTS Exit (Flat) Capacity and/or Quarterly NTS Capacity reserved at the PARCA defined NTS Exit and/or NTS Entry Point.

11.3 National Grid NTS will publish, as soon as reasonably practical and respecting commercial confidentiality, details of the progress made against the phases of each PARCA. This will include in each case the submission of application for a Development Consent Order (if required), receipt of a Development Consent Order (if required), and calculation of any required revenue drivers.

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- 11.4 Within 10 (ten) business days of the Termination of a PARCA, National Grid NTS will publish the quantity and location of any NTS Exit (Flat) Capacity and/or NTS Entry Capacity that is no longer reserved and is being made available to the market.
- 11.5 Twenty four (24) hours after the time at which National Grid NTS notifies the Nominated User or Reservation User of their allocation of Quarterly NTS Entry Capacity, National Grid NTS will notify all Users in respect of each calendar quarter:
- (a) the price (in pence/kWh) accepted for NTS Entry Capacity by a User (and the amount of NTS Entry Capacity applied for);
 - (b) the volume of NTS Entry Capacity allocated;
 - (c) the incremental volume NTS Entry Capacity allocated
 - (d) the amount of Unsold NTS Entry Capacity (if any) following the allocation;
- 11.6 Twenty four (24) hours after the time at which National Grid NTS notifies the Nominated User or Reservation User of their allocation of Enduring NTS Exit (Flat) Capacity, National Grid NTS will notify all Users of the following information (Table B-1 of Annex B-1 of TPD Section B will be updated as necessary to reflect the following):
- (a) The Volume of Enduring NTS Exit (Flat) Capacity allocated
 - (b) The Incremental Quantity of Enduring NTS Exit (Flat) Capacity Allocated

12 Funding and Charging

- 12.1 The Phase 1 PARCA amount charged to the PARCA Applicant will be based upon estimated costs of the effort required and the man power costs required to complete the PARCA Phase 1 works and will be kept under review by National Grid. The [PARCA Application] fee will be payable in order to progress with the PARCA process. The fee will be the same value payable by all PARCA Applicants and must be settled in full by the PARCA Applicant before National Grid NTS commences works on Phase 1. After delivery of the PARCA Stage 1 report, a reconciliation of the fee will take place whereby National Grid NTS will calculate the actual costs incurred for the Phase 1 PARCA Works.
- (a) Where actual costs are less than the fee paid by PARCA Applicant, a payment for the difference will be made by National Grid to the PARCA Applicant.
 - (b) Where actual costs are more than the fee paid by the PARCA Applicant will be required to pay National Grid for the difference.
- 12.1.2 Changes to UNC Section Y Section 2 (Connection Charging Methodology) will be required to reflect the introduction of the Phase 1 PARCA Amount.

- 12.2 Financial commitments for the reservation of capacity post PARCA Stage 1 up to the allocation of capacity will be required to be put in place by the PARCA Applicant. The security will be required to cover the value of the costs incurred by National Grid for the period up to formal capacity allocation. This financial commitment can be provided through the providing security for the appropriate amount or by providing monies to National Grid. The amount required to be covered by the PARCA Applicant will be either:
- (a) Based upon the value of the anticipated costs to be incurred by National Grid NTS applicable for works to be carried out up to the allocation of capacity; or
 - (b) A Reservation Fee, where there is no anticipated costs to National Grid NTS post PARCA Stage 1 up to the allocation of capacity, calculated based on [12] months Entry Capacity charges for Entry Capacity or [12] months Exit (Flat) Capacity charges for Exit Capacity to continue the User commitment principle. These charges will utilise the indicative rate for the first full year of the capacity reservation multiplied by the reserved capacity provided with the Phase 1 PARCA Works Report as outlined in paragraph 2.4.
- 12.3 Should there be any adjustments to Allowed Revenue during the period up to the allocation of capacity this will adjust the revenues used in the calculation of NTS Transportation charges.
- 12.4 Should the PARCA be terminated prior to the allocation of capacity then:
- (a) The PARCA Applicant will be liable for all costs incurred up to the time of Termination. The actual costs incurred will be calculated by National Grid NTS and will be invoiced to the PARCA Applicant.
 - (b) The Security put in place by the PARCA Applicant may be used to recover the actual costs should non payment of costs by the PARCA Applicant take place or if requested to be used by the PARCA Applicant.
 - (c) Any costs that have been levied through NTS Transportation charges on the wider industry would be reimbursed through adjusting the Allowed Revenues to be collected through NTS Transportation charges.
 - (d) Any Reservation Fee provided, or security to cover the Reservation Fee will not be refunded. As this money would not be offsetting any National Grid NTS costs, this amount will then be used to reduce Allowed Revenues to be collected through NTS Transportation charges.
- 12.5 Once the allocation of capacity takes place the existing arrangements for Users providing commitment to such capacity will apply. Any National Grid NTS Costs incurred from the time of allocating capacity up to the date of capacity being utilised will be recovered via NTS Transportation Charges.
- 12.6 Any changes be required to the UNC Section Y – Charging Methodologies to reflect any changes in the Licence, will be included as required.

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
<i>To be determined – National Grid NTS are currently in discussion with xoserve with regards to the system impacts and costs (if any) associated to this solution</i>
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
<i>To be determined</i>
Proposed charge(s) for application of User Pays charges to Shippers.
<i>To be determined</i>
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
<i>To be determined</i>

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	Positive
c) Efficient discharge of the licensee's obligations.	Positive
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

a) Efficient and economic operation of the pipe-line system.

The solution helps to ensure that Long term Firm NTS Capacity is delivered in a timely manner from an initial customer request. The timely delivery of long term Firm NTS Capacity is a key factor in the efficient and economic operation of the National Transmission System. The solution allows our customers to signal their long term capacity requirements early in their own project lifecycle through the reservation of long term capacity. As a result National Grid NTS are also able initiate its planning activities earlier in the customer project lifecycle and inform our customers how we intend to deliver the required Capacity and to what timescales.

Additionally key milestone information will be provided to our customers and demonstration information will be required from our customers ahead of the Capacity Allocation to ensure that the capacity requested will be delivered to plan and that it will be utilised.

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The additional certainty and clarity this solution provides, combined with the ability for our customers to engage and signal their capacity requirements much earlier in the process than may otherwise be possible helps secure the timely delivery of capacity and reduces the risk of both Capacity being registered to a User ahead of any necessary NTS reinforcement (and hence minimises the risk of system constraints and the associated costs) and also reduces the risk of Capacity being provided that will not be utilised.

b) Coordinated, efficient and economic operation of the combined pipe-line system, and/ or the pipe-line system of one or more other relevant gas transporters.

In the event that a request for Capacity through a PARCA relates to a connected system, then the additional clarity and certainty of the capacity delivery timescales will lead to greater certainty in relation to the full build programme for the development of the connecting system and allows for any NTS reinforcement requirement and the connecting parties project to be delivered together.

c) Efficient discharge of the licensee's obligations.

National Grid's Transporter licence in respect of the NTS obliges National Grid NTS to make incremental capacity available to default lead times, which are measured from the point of capacity allocation. This solution allows National Grid NTS to carry out any necessary planning works ahead of the allocation of incremental capacity. This means that planning works are unlikely to be a feature of National Grid NTS's post Capacity allocation works and will potentially result in National Grid NTS being able to deliver Incremental Capacity within the default lead times as defined in the current licence.

d) Securing of effective competition between relevant shippers; between relevant suppliers; and/or between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers

The enhanced certainty and clarity associated to the delivery of long term capacity and the ability for customers to reserve capacity before full financial commitment reduces the barrier to entry to the GB market and therefore positively impacts the securing of effective competition.

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Relevant Objectives

Impact of the modification on the Relevant Connection Charging Methodology Objectives:

Relevant Objective	Identified impact
a) Compliance with the connection charging methodology facilitates the discharge by the licensee of the obligations imposed on it under the Act and by this licence;	None
b) Compliance with the connection charging methodology facilitates competition in the supply of gas, and does not restrict, distort, or prevent competition in the transportation of gas conveyed through pipes;	None
a) Compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its transportation business and, where the Act enables, to charge a reasonable profit;	Positive
d) So far as is consistent with sub-paragraphs (a), (b) and (c), the connection charging methodology, as far as is reasonably practicable, properly takes account of developments in the licensee's transportation business; and a. Compliance with the connection charging methodology ensures that the licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the pipe-line system to which this licence relates.	Positive
e) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

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c) Compliance with the connection charging methodology results in charges which reflect, as far as is reasonably practicable (taking account of implementation costs), the costs incurred by the licensee in its transportation business and, where the Act enables, to charge a reasonable profit

A methodology change to require the introduction of the Phase 1 PARCA Amount further facilitates this objective. The Phase 1 PARCA Amount is to be one universal fee for all PARCA Applicants (based on a reasonable estimate of the costs of the Planning activities) and reconciled using actual costs incurred for the Planning Activities required by National Grid NTS. This will result in charges to the PARCA Applicant which reflects the costs incurred by the licensee.

d) Compliance with the connection charging methodology ensures that the licensee shall not show any undue preference towards, or undue discrimination against, any person who operates, or proposes to operate, a pipe-line system in relation to the connection of that system to the pipe-line system to which this licence relates

Implementing a universal Phase 1 PARCA Amount (that is ultimately reconciled to actual costs incurred) would support the achievement of this objective because all PARCA Applicants will be required to pay the same Fee therefore preventing any undue discrimination.

The introduction of a Reservation Fee facilitates this objective as the calculation will be equitable for all PARCA Applicants with the same methodology applied in calculating the NTS Entry Capacity or NTS Exit (Flat) Capacity charges (utilising the NTS Transportation Model to generate the NTS Entry and NTS Exit (Flat) Capacity charges).

The modification does not conflict with:

- (i) paragraphs 8, 9, 10 and 11 of Standard Condition 4B of the Transporter's Licence; or
- (ii) paragraphs 2, 2A and 3 of Standard Special Condition A4 of the Transporter's Licence.

National Grid considers that implementation of the proposed change to introduce a Phase 1 PARCA Amount and PARCA Reservation Fee into UNC Section Y – Charging Methodologies would meet the Relevant Objectives under LC4B Paragraph 5c and 5d as follows:

5c) National Grid NTS would assess the level of the proposed Phase 1 PARCA Amount against its internal activities and costs. The fixed fee amount would fairly reflect the fully absorbed rate of costs incurred by National Grid NTS for the Planning Activities carried out on behalf of a PARCA Applicant. The proposed fee would be reviewed in accordance with the obligations of LC4B and where appropriate, updated as necessary.

5d) The setting and publication of the Phase 1 PARCA Amount would ensure that National Grid NTS meets this Relevant Objective in that all customers that are looking to explore options for the reservation of capacity through a PARCA are treated on a fair and equitable basis.

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5 Implementation

No implementation timescales are suggested at this time. National Grid NTS will discuss this through the workgroups.

6 Legal Text

[Insert text here]

7 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance;
- Determine that this modification should progress to Workgroup for development

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