

Representation

Draft Modification Report

0465: Introduction of the Planning and Advanced Reservation of Capacity Agreement (PARCA), Weighted Average PARCA Security

Consultation close out date: 11 November 2013

Respond to: enquiries@gasgovernance.co.uk

Organisation: RWE Supply & Trading GmbH

Representative: Charles Ruffell

Date of Representation: 11th November 2013

Do you support or oppose implementation?

Support.

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

Processes introduced by the Planning Act 2008 are likely to prolong timescales for the delivery of NTS capacity. The PARCA process will establish a contractual and commercial framework within which shippers and project developers can reserve NTS entry and/or NTS exit capacity early in a project's lifecycle, without needing to commit fully to the capacity booking. The proposed phased approach should also allow better alignment of the project and capacity delivery timescales and give more certainty about capacity availability. This should give the shipper or project developer confidence in developing projects, the commissioning of which may be up to 8 years in the future.

We agree with the proposed funding and financial commitment arrangements for Phase 1 (reconciled NGG costs) and Phase 3 (capacity allocation under existing UNC arrangements), that are common between 0465 and 0452. However, we support the 0465 proposal for the calculation of the Phase 2 PARCA security amount rather than that set out in 0452. The costs to be covered during Phase 2 are the costs of NGG taking a project through planning. These costs should be broadly consistent between projects and geographic locations and not related to capacity charges. The wide range of NTS exit capacity charges will lead to a wide variation in security requirements. At the extremes of the range, this would increase the risk on shippers of exposure to costs not recovered due to low value of "locational" security or create a barrier to entry at the high end. Therefore, we do not support basing security upon capacity costs. We do support the creation of a single, weighted average p/kWh/day charge for NTS entry capacity and a single, weighted average p/kWh/day charge for NTS exit capacity as proposed in 0465. This approach strikes an appropriate balance between discouraging a large number of speculative applications while setting security at a level unlikely to deter investment.

0465
Representation
10 November 2013

Version 1.0

Page 1 of 2

© 2013 all rights reserved

Are there any new or additional issues that you believe should be recorded in the Modification Report?

None.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We agree implementation will have a positive impact on Code Relevant Objective(s)

c) Efficient discharge of the licensee's obligations.

This would introduce a non-discriminatory, consistent and transparent approach for obtaining NTS capacity.

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.

The main benefit is giving confidence to shippers or developers that NTS capacity will be available in timescales consistent with their own project requirements. The calculation of PARCA security based upon weighted-average NTS capacity costs also helps promote competition between geographically diverse projects that are technically similar.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

None identified.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Implementation consistent with the Electricity Market Reform Capacity Mechanism auctions due to be run in late 2014.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

Yes.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No additional comments.