

## “What if” Scenarios

- 3 Scenarios to be considered
  - Two PARCA Signatories with the same 1st gas date are considered together (IPC Reinforcement required for Both) and both progress to connect to the system
  - Two PARCA Signatories with the same 1st gas date are considered together (IPC Reinforcement required for Both) and one terminates their PARCA midway through the process
  - Two PARCA Signatories with different 1st gas dates are considered together (mixture of existing capability and IPC Reinforcement) and one terminates their PARCA

## Scenario 1

# 1

Two PARCA Signatories considered together (A & B) with the same 1<sup>st</sup> gas date (A wants 50 GWh/d and B wants 100 GWh/d)

Schedule 1a is fully funded by the PARCA Signatories and investment requiring a national planning application is identified for both parties i.e. there is no existing system capability that can be used. (Red Line for A only, Red + Blue Lines for B only, Red + Blue + Green Lines for A and B combined)

A Pre Capacity Allocation Revenue Driver is required to fund planning works. Calculated using Transportation Model – calculated separately for each of the PARCA Signatories. Each PARCA Signatory is required to securitise the full profile of the Rev Driver calculated from their own capacity requirement. The allowed revenue is recovered from Users through charges

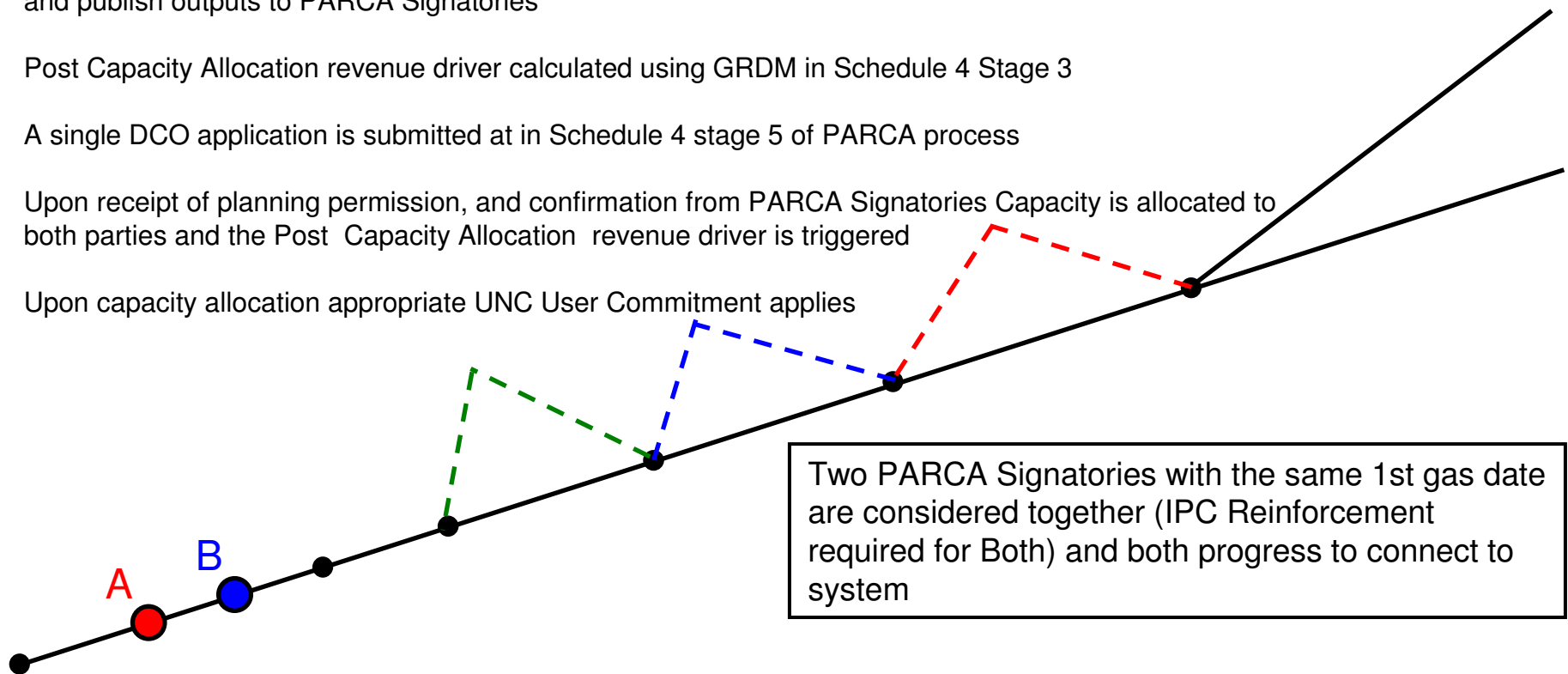
NGG progress through planning stages (assuming demonstration dates and information requirements) are met and publish outputs to PARCA Signatories

Post Capacity Allocation revenue driver calculated using GRDM in Schedule 4 Stage 3

A single DCO application is submitted at in Schedule 4 stage 5 of PARCA process

Upon receipt of planning permission, and confirmation from PARCA Signatories Capacity is allocated to both parties and the Post Capacity Allocation revenue driver is triggered

Upon capacity allocation appropriate UNC User Commitment applies



**Scenario 2**

Two PARCA Signatories considered together (A & B) with the same 1<sup>st</sup> gas date (A wants 50 GWh/d and B wants 100 GWh/d)

Schedule 1a is fully funded by the PARCA Signatories and as part of this work investment requiring a national planning application is identified. (Red Line for A only, Red + Blue Lines for B only, Red + Blue + Green Lines for A and B combined)

**In this Scenario, when the PARCA Signatory terminates their PARCA will affect the overall process**

**Scenario 2a - Should a PARCA be terminated during Schedule 1a**

A cost reconciliation of schedule 1a costs for that PARCA Signatory would be undertaken. The PARCA for the remaining PARCA Signatory would be unaffected

**Assuming both were to progress post Schedule 1a**, a Pre Capacity Allocation Revenue Driver is required to fund planning works. Calculated using Transportation Model – calculated separately for each of the PARCA Signatories. Each PARCA Signatory is required to securitise the full profile of the Rev Driver calculated from their own capacity requirement. The allowed revenue is recovered from Users through charges

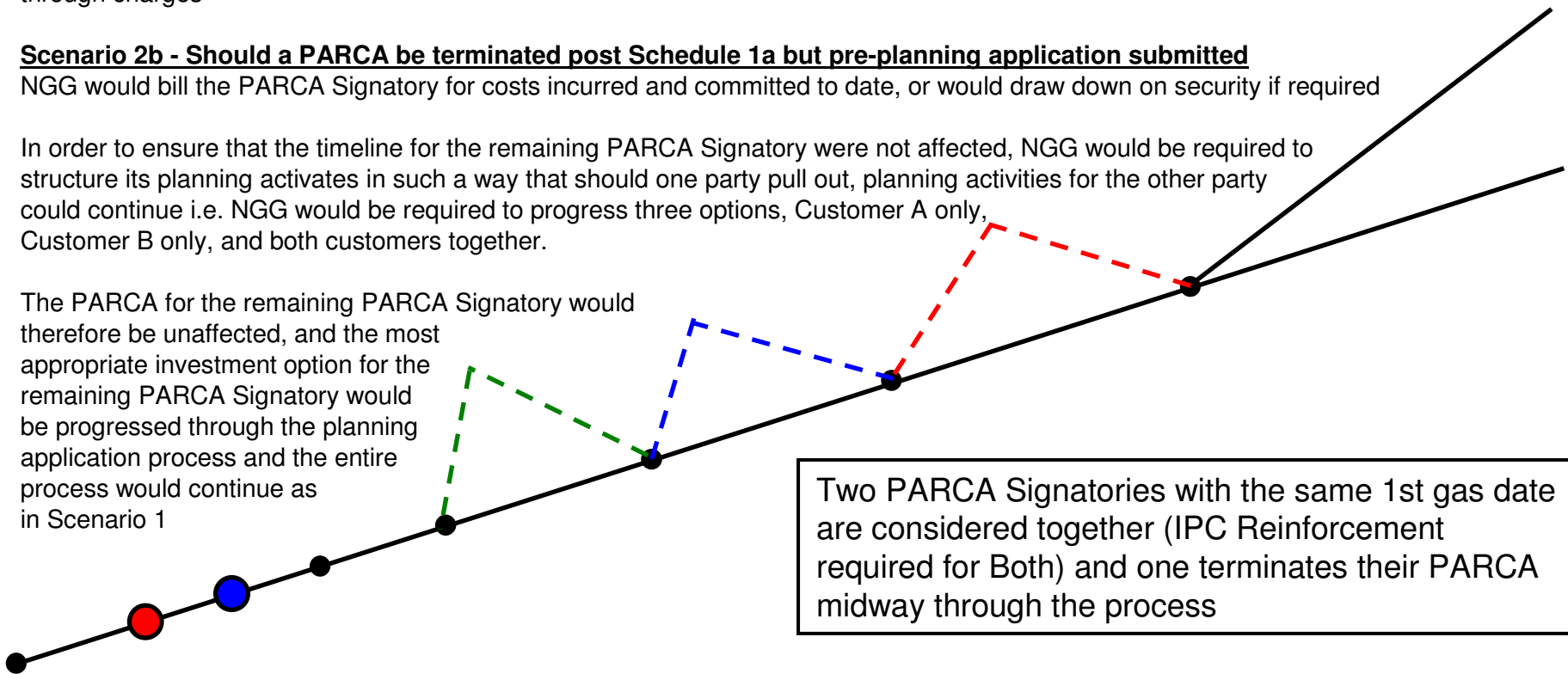
**Scenario 2b - Should a PARCA be terminated post Schedule 1a but pre-planning application submitted**

NGG would bill the PARCA Signatory for costs incurred and committed to date, or would draw down on security if required

In order to ensure that the timeline for the remaining PARCA Signatory were not affected, NGG would be required to structure its planning activities in such a way that should one party pull out, planning activities for the other party could continue i.e. NGG would be required to progress three options, Customer A only, Customer B only, and both customers together.

The PARCA for the remaining PARCA Signatory would therefore be unaffected, and the most appropriate investment option for the remaining PARCA Signatory would be progressed through the planning application process and the entire process would continue as in Scenario 1

Two PARCA Signatories with the same 1<sup>st</sup> gas date are considered together (IPC Reinforcement required for Both) and one terminates their PARCA midway through the process



**Scenario 2 (Continued)**

**Scenario 2c - Should a PARCA be terminated post planning application submission but before decision is made**

NGG would bill the PARCA Signatory for costs incurred and committed to date, or would draw down on security if required

Assuming that NGG had structured its planning activities appropriately (as previously explained) in order to ensure that the timeline for the remaining PARCA Signatory were not affected, NGG would be required to submit 3 DCO applications (Party A only, Party B only, and both parties together)

NGG's current view that submitting three separate DCOs like this is possible

Should one party terminate at this stage, the two DCOs which no longer apply will be withdrawn and the entire process would continue as in Scenario 1

**Scenario 1d - Should a PARCA be terminated post planning consent being received for the three DCOs**

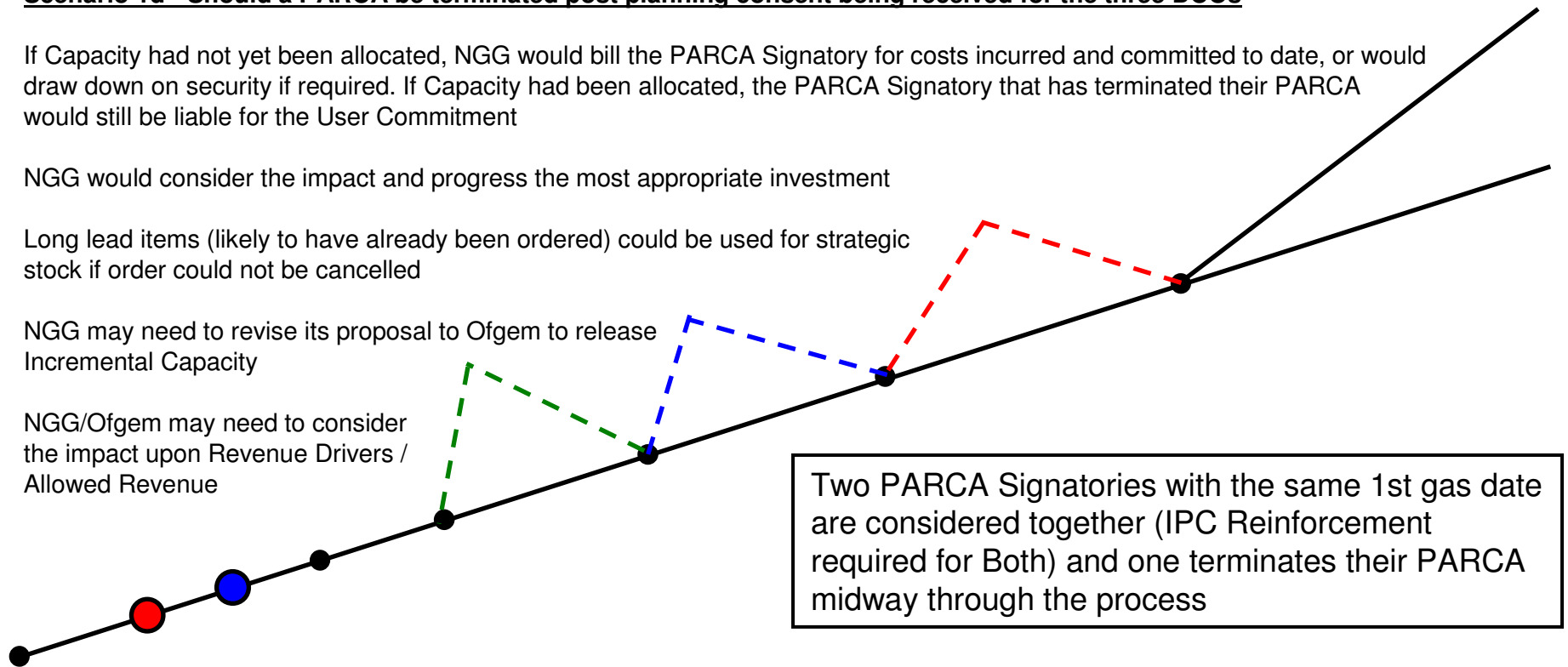
If Capacity had not yet been allocated, NGG would bill the PARCA Signatory for costs incurred and committed to date, or would draw down on security if required. If Capacity had been allocated, the PARCA Signatory that has terminated their PARCA would still be liable for the User Commitment

NGG would consider the impact and progress the most appropriate investment

Long lead items (likely to have already been ordered) could be used for strategic stock if order could not be cancelled

NGG may need to revise its proposal to Ofgem to release Incremental Capacity

NGG/Ofgem may need to consider the impact upon Revenue Drivers / Allowed Revenue



Two PARCA Signatories with the same 1st gas date are considered together (IPC Reinforcement required for Both) and one terminates their PARCA midway through the process

**Scenario 3**

Two PARCA Signatories considered together (A & B) with different 1st gas dates (A wants 50 GWh/d in 2017 and B wants 100 GWh/d in 2018)

Schedule 1a is fully funded by the PARCA Signatories and it is determined that existing system capability can be used to provide 60GWh/d of capacity. Anything above this would require investment requiring a national planning application.

As party A wants their capacity earlier, the existing system capability will be used for their 50 GWh/d capacity requirement first.

The remaining 10GWh/d of existing system capability would be used for party B and NGG would build for the remaining 90GWh/d.

Upon confirmation from the PARCA Signatories, the capacity would be reserved for the appropriate party

**Scenario 3a - Should a PARCA be terminated during Schedule 1a**

A cost reconciliation of schedule 1a costs for that PARCA Signatory would be undertaken. The PARCA for the remaining PARCA Signatory would be unaffected

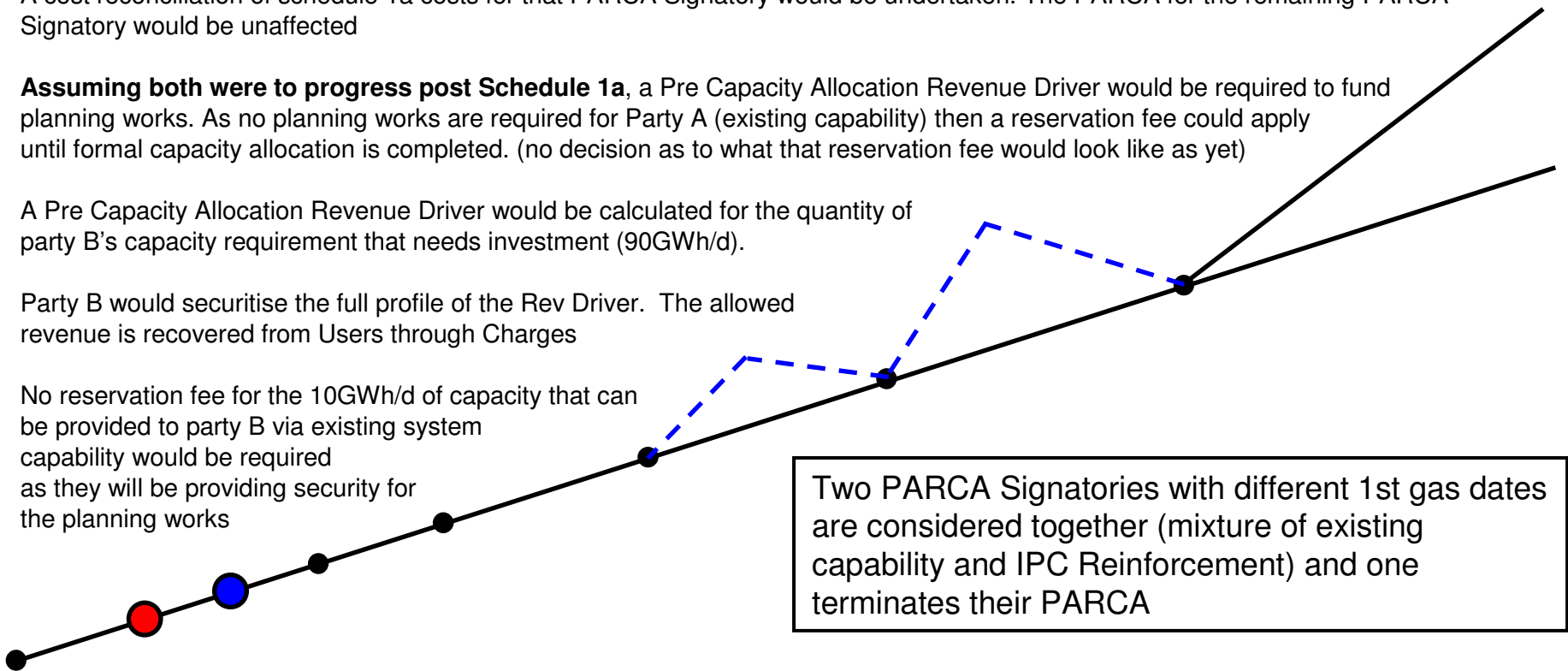
**Assuming both were to progress post Schedule 1a**, a Pre Capacity Allocation Revenue Driver would be required to fund planning works. As no planning works are required for Party A (existing capability) then a reservation fee could apply until formal capacity allocation is completed. (no decision as to what that reservation fee would look like as yet)

A Pre Capacity Allocation Revenue Driver would be calculated for the quantity of party B's capacity requirement that needs investment (90GWh/d).

Party B would securitise the full profile of the Rev Driver. The allowed revenue is recovered from Users through Charges

No reservation fee for the 10GWh/d of capacity that can be provided to party B via existing system capability would be required as they will be providing security for the planning works

Two PARCA Signatories with different 1st gas dates are considered together (mixture of existing capability and IPC Reinforcement) and one terminates their PARCA



**Scenario 3 (Continued)**

3

**Scenario 3b - Should a PARCA be terminated post Schedule 1a but pre-planning application submitted**

If party B were to terminate then all planning activity would stop and NGG would bill the PARCA Signatory for costs incurred and committed to date, or would draw down on security if required. The 10GWh/d of capacity reserved for Party B would be returned to the market

If party A were to terminate then the 50 GWh/d of reserved capacity would be returned to the market and hence could be used for Party B. Therefore the investment works required to provide 50GWh/d of the overall 90GWh/d of capacity for party B are no longer required! Party A would therefore be subject to additional liabilities reflective of the costs associated with including Party A in the works for Party B.

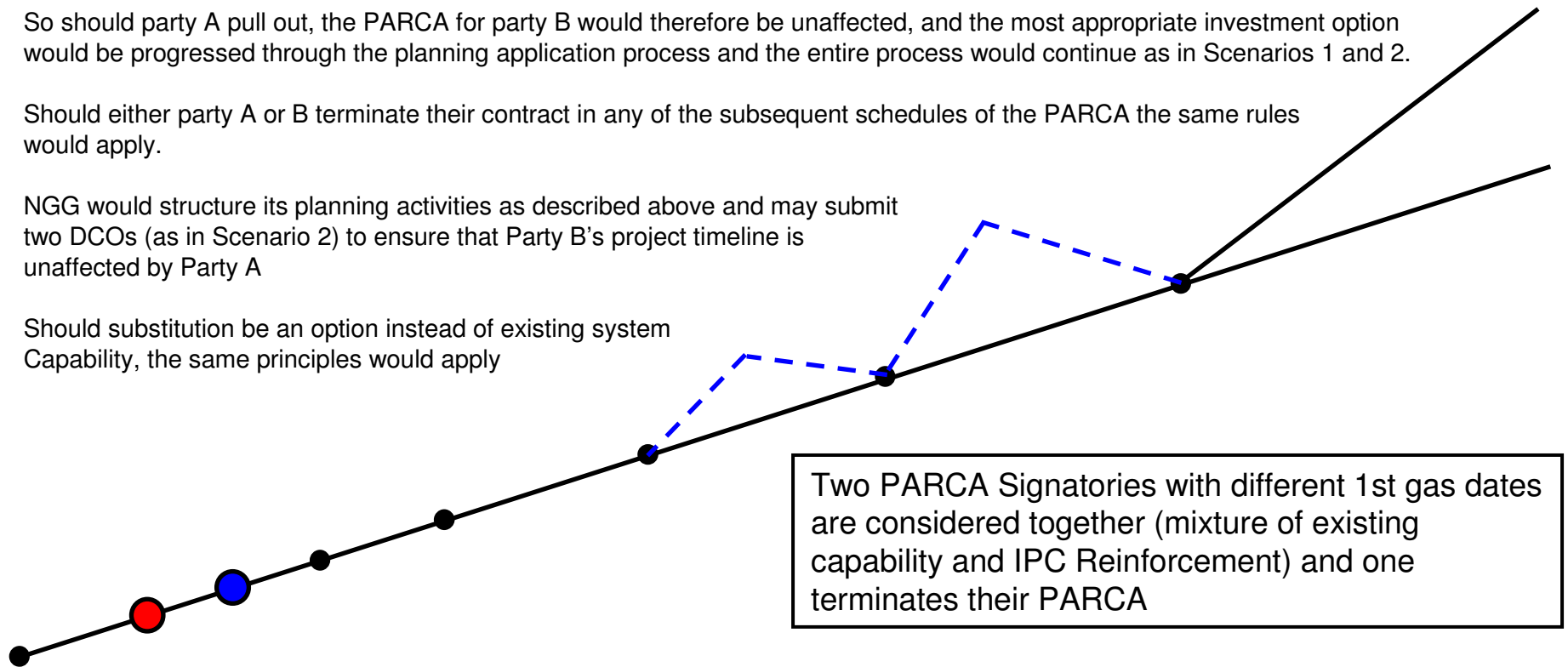
In order to ensure that the timeline for party B were not affected, NGG would be required to structure its planning activities in such a way that should party A pull out, planning activities for the party B could continue i.e. NGG would be required to progress investment options for 40GWh/d and 90GWh/d

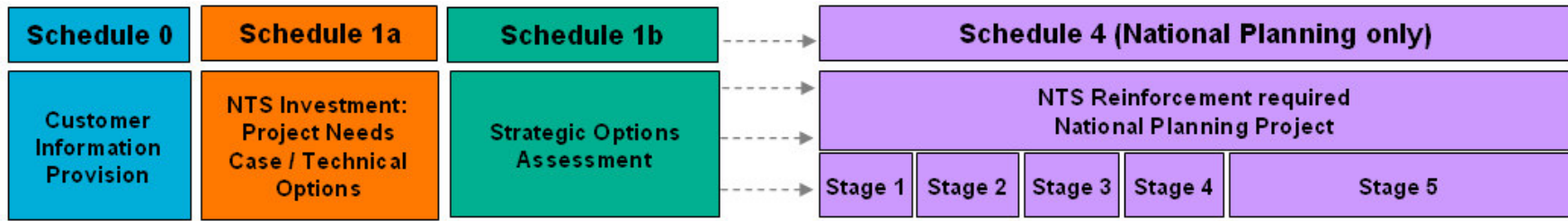
So should party A pull out, the PARCA for party B would therefore be unaffected, and the most appropriate investment option would be progressed through the planning application process and the entire process would continue as in Scenarios 1 and 2.

Should either party A or B terminate their contract in any of the subsequent schedules of the PARCA the same rules would apply.

NGG would structure its planning activities as described above and may submit two DCOs (as in Scenario 2) to ensure that Party B's project timeline is unaffected by Party A

Should substitution be an option instead of existing system Capability, the same principles would apply





Pre Capacity Allocation RD **X** calculated by end of Schedule 1a **X** Pre Capacity Allocation RD triggered and profiled over 4 years

Post Capacity Allocation RD **X** calculated during Stage 3 (EIA) of Schedule 4 **X** Post Capacity Allocation RD triggered and profiled over 3 years

