

Planning & Advanced Reservation of Capacity Agreement (PARCA)

A guide for customers



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About this document



This guide is to help stakeholders understand the Planning & Advanced Reservation of Capacity Agreement (PARCA) end-to-end process. A PARCA is a multi-phased bilateral contract between National Grid and a customer. It allows firm quarterly system entry capacity and/or firm enduring annual NTS exit (flat) capacity to be reserved for the customer while they develop initial phases of their own project. The guide assumes that you have some understanding of the National Transmission System (NTS) and the regulatory framework that underpins the way we work.

The table below shows how the PARCA process has changed the way we release incremental capacity through the quarterly system entry capacity (QSEC) auctions and the enduring annual NTS exit (flat) capacity windows:

Capacity process

March Quarterly System Entry Capacity Auction (QSEC)

Demand for incremental capacity can be met only through:

- Substitution of unsold capacity from another location
- Release of discretionary 'non-obligated' incremental capacity.

The release of funded incremental obligated entry capacity will be possible only through a PARCA.

Ad-hoc QSEC

No longer used for shippers to request incremental capacity at new Aggregated System Entry Point (ASEPs). Instead, under the PARCA arrangements, the ad-hoc QSEC allows shippers to book unsold capacity that may otherwise be reserved under a PARCA.

July Enduring Annual NTS Exit (flat) Capacity

Demand for incremental capacity can be met only through:

- Substitution of unsold capacity from another location
- Release of discretionary 'non-obligated' incremental capacity.

The release of funded incremental obligated exit capacity will be possible only through a PARCA.

Ad-hoc enduring annual NTS exit (Flat) capacity

Demand for incremental capacity can only be met through:

- Substitution of unsold capacity from another location
- Release of discretionary 'non-obligated' incremental capacity.

The release of funded incremental obligated exit capacity will be possible only through a PARCA.

¹ Funded incremental obligated capacity is the licence defined term for capacity over and above obligated levels that may require a revenue driver to fund investment.

About this document

This guide provides an overview of the PARCA end-to-end process and is split into the four logical phases of the PARCA process.

Each section outlines:

- The purpose of the phase
- The timescales of the phase
- The information shared between National Grid and our customers
- Other activities within the phases
- The PARCA contract, including a plain English guide
- Associated templates and schedule of information flows.

We hope that you find this guide useful and welcome your feedback on how it could be improved. Also, if you have any questions relating to your own project and/or the PARCA process, please contact us through the following link to **Gas Enquiries** <http://www2.nationalgrid.com/UK/Services/Gas-transmission-connections/Connect/Application-to-offer/>

You will be able to ask questions through initial bilateral discussions. All of our customers are assigned a Customer Account Manager as a specific point of contact to guide them through the process and answer any questions. If you do not know who your Customer Account Manager is, please contact us at transmissionconnections@nationalgrid.com or ukt.customer.enquiries@nationalgrid.com and we will tell you.

What is the PARCA framework?

The Planning and Advanced Reservation of Capacity Agreement (PARCA) is a bilateral contract that allows long-term National Transmission System (NTS) entry and/or exit capacity to be reserved for a customer while they develop their own project, before they buy that reserved capacity.

Initially, a customer will submit a PARCA application requesting the capacity they need. We will use the information provided in the PARCA application to determine how and when the capacity requested can be delivered. We will keep the customer up to date on progress. If, as a result of our outputs, the customer would like us to reserve the capacity on their behalf we will do so (subject to acceptable security being provided by the customer). Or the customer could choose to not progress the request. Where capacity is reserved, the customer has effectively secured a right to buy that capacity later, but they are not obligated to. Once reserved, this capacity is exclusive to the customer.

A customer might be a gas shipper, distribution network operator or any other third party such as a developer and may or may not be a party signed up to the Uniform Network Code (UNC). The PARCA arrangements apply to all National Transmission System (NTS) entry and exit points, NTS storage and NTS interconnectors.

A key aspect of the PARCA arrangement is that it helps the customer and National Grid to progress their respective projects in parallel. It also assures the customer that capacity has been reserved with the option to buy it later. The financial commitment to the capacity (allocation of capacity) itself is required only once the customer and National Grid are relatively sure that their projects will go ahead.

The PARCA framework is split into four logical phases: Phase 0 to Phase 3. This phased structure gives the customer natural decision points where they can choose whether to proceed to the next phase of activities. Regardless of these natural decision points, the PARCA process is flexible enough to allow the customer to leave the process at any time before full financial commitment to the capacity through capacity allocation

Here is an overview of the four phases:

Phase 0

This phase is a bilateral discussion phase between the customer and National Grid with no defined timescales. It allows the customer and National Grid to understand each other's processes and potential projects before the customer decides whether to formally enter the PARCA process. If the customer wants to proceed into the PARCA process after these discussions they must submit a valid PARCA application form and pay a PARCA application fee.

Phase 1 (up to six months)

When we receive a valid PARCA application form and payment of the application fee from the customer, we will tell them their PARCA application has been successful and Phase 1 of the PARCA process will begin. During Phase 1 we will publish relevant information to the industry and, through the opening of a PARCA window, invite PARCA applications from other customers. Although a PARCA application can be submitted at any time, we encourage customers who might want to apply to do so during the PARCA window so that we can consider how to meet their capacity need alongside other potential projects.

Where a PARCA application has been received requesting NTS entry capacity, we may also open an ad-hoc (QSEC) auction. This allows users to book unsold entry capacity that we may otherwise reserve on behalf of the PARCA applicant(s). The PARCA application is the only option to resolve the scenario where unsold capacity, including substitution, cannot meet the customer's needs.

What is the PARCA framework?

We will process the PARCA application and any other valid applications we receive during the PARCA window and we will determine how and when the customers' capacity requirement might be delivered. After this network assessment, we will give the customer a PARCA Phase 1 output report and the standard PARCA contract.

If the customer is happy with the options presented in the Phase 1 output report and wants to proceed, a PARCA contract must be signed. The customer must also provide annual phased financial security, the value of which is worked out from an indicative capacity charge. We will then counter-sign the contract and start Phase 2 of the PARCA process.

Phase 2 (up to 60 months)

When the contract is counter-signed, we will reserve the capacity on the customer's behalf, from the date provided in the Phase 1 output report.

If the Phase 1 output report shows that physical reinforcement of the NTS is needed to provide the customer with their capacity, we will start the statutory planning consent at this stage; either the Planning Act or Town & Country Planning. If no physical reinforcement is needed we will continue to reserve the capacity in accordance with the timelines provided as part of the Phase 1 output report.

During Phase 2, we will provide regular information to the customer. For example, where we carry out physical reinforcement of the NTS to meet the customer's capacity requirement, the customer will be provided with regular updates at each defined stage of the statutory planning process. In turn, the customer will update us on progress of their own project by providing demonstration information. They will also provide annual financial security to show their continued commitment to the reserved capacity.

Phase 2 ends when the reserved capacity is allocated to the customer or, where the customer is a non-code party, a nominated code party(s). Once allocated and the capacity is financially committed to, the PARCA contract ends and we begin the capacity delivery phase (Phase 3).

Phase 3 (up to 24 months)

Once the capacity is formally allocated, the PARCA contract expires and the capacity delivery Phase 3 is initiated. This is where we carry out necessary activities, such as reinforcing the NTS to deliver the allocated capacity. Please note that on allocation of any reserved NTS capacity, the Uniform Network Code (UNC) user commitment applies.

Terminating a PARCA

During the PARCA process, the contract can be terminated at any point until the capacity is allocated to the customer or nominated user(s).

- Termination by the customer during Phase 1 will immediately stop Phase 1 works
- Costs will be reconciled against the actual costs to date with any differences refunded or paid.

National Grid may also terminate the PARCA for specific reasons detailed in the termination section of this document.

For example:

- If the user nomination (non-UNC parties only) is not submitted
- When 100% of the capacity has not been nominated to one or more users at least one month before the capacity allocation date

What is the PARCA framework?

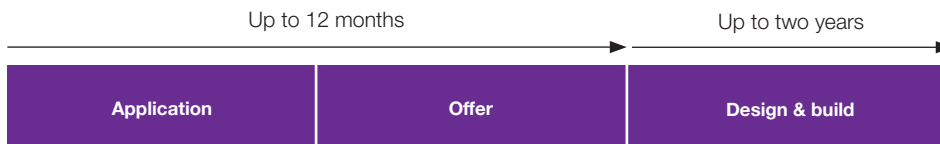
- If demonstration information has not been provided
- If demonstration information on the submission dates stated in the Phase 1 outputs on three occasions has not been provided
- Where financial security has not been proven
- If the required level of financial security is not maintained or is no longer valid
- Where statutory planning consent has not been obtained and both parties have used reasonable endeavours to agree an alternative proposal.

Capacity and connection

The PARCA allows you to reserve capacity but it does not provide you with an NTS connection.

If you need a new connection to the NTS, or a modification to an existing NTS connection, you will need to go through the application to offer (A2O) process.

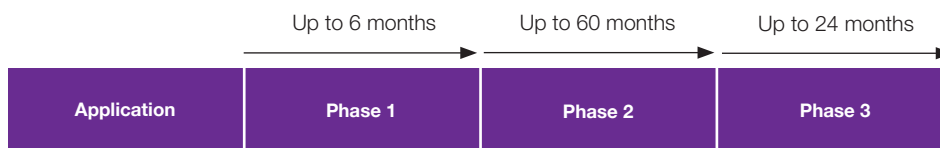
The A2O process typically takes between **one to three years** from application to the construction of the physical connection.



There's more information on the A2O process on our website, where you will find a guide to the process and the relevant application templates.

The timescales associated with the PARCA process may be up to seven years from application to the physical build of any capacity where required, depending on project timescales and our delivery of the capacity.

The indicative maximum timescales are shown below:



As the capacity process (PARCA) and the connection (A2O) processes are separate, you have flexibility to initiate these two processes at your discretion. For example, a customer may consider submitting an application for a new NTS connection three or four years before the capacity delivery date, which is detailed in the Phase 1 output report, to match the delivery of their connection and capacity.

Although the connection and capacity processes are separate, the two processes can become dependent on each other. To prevent stranded capacity, we won't allocate reserved capacity if a new or modified connection is required unless a full connection offer (FCO) has been progressed and accepted. Typically, it can take **between 6-12 months** to receive and sign an FCO, so the A2O process (if required) needs to be initiated¹ at least 12 months before the capacity allocation date defined in the PARCA contract.

¹ Please note that this date will be determined on a project by project basis through the demonstration date requirements.

What is the PARCA framework?

The process steps are presented below, with the associated timescales where appropriate.



¹ No interaction with the March QSEC or July Enduring Exit Processes.

² Within 10 business days from the initiation of Phase 1 Works.

³ Depending on whether a window is already open. Open for 40 or 20 consecutive business days, depending if we receive other PARCA applications.

⁴ The ad-hoc auction is for entry capacity only and will only be triggered where a PARCA is requesting entry capacity. Customers are given at least 28 days notice. Ad-hoc auction will close within 10 business days.

⁵ The Phase 1 Output Report is issued to the customer within 6 months of initiating Phase 1 works.

⁶ The customer has 28 days to sign and return the PARCA and provide security to trigger Phase 2.

⁷ Upon receipt of a signed PARCA contract and security

PARCA Phase 0

BILATERAL DISCUSSIONS AND SUBMISSION OF THE PARCA APPLICATION FORM

The PARCA process doesn't formally begin until Phase 1. However, we encourage and welcome bilateral discussions as early as possible.

To formally initiate the process, submit a PARCA application form and fee to us.

There are no defined timescales associated with this phase.

BILATERAL DISCUSSIONS

If you are considering entering into a PARCA contract, we would encourage you to approach us to discuss your potential project as early as possible, so that we can answer any questions you may have and help you to understand the process.

We welcome these initial conversations with you. Our customer account managers are your first point of contact – you can find their details on our website under Gas Enquiries.

If you don't know who your customer account manager is, please email us at **transmissionconnections@nationalgrid.com**.

PARCA APPLICATION FORM

To formally enter the PARCA process, you will need to complete a PARCA application form and submit it to us using the template on our website. You will need to provide information that relates to your potential project, gas flow dates, your capacity requirement and, if required, a capacity tolerance.

If you think your capacity requirement may change during the PARCA Phase 2 process, the capacity tolerance will be useful. It enables you to request a maximum and minimum capacity range in addition to your capacity requirement. The sole purpose of the capacity tolerance is to account for technical uncertainties in your project, so the need for a capacity tolerance request will have to be sufficiently demonstrated.

PARCA APPLICATION FEE

Along with the application form, you are required to submit a PARCA application fee. At the end of Phase 1 this fee will be reconciled to actual costs as either a credit or debit. The PARCA application fee will fund our desktop studies to assess the current network capability, which in turn informs the options and timescales for delivering your capacity needs.

We review the application fee payable every year, to ensure that it remains appropriate as we gain more experience of the typical Phase 1 costs. Throughout Phase 1 we will provide you with regular cost updates.

PARCA Phase 1 works and PARCA contract

During Phase 1 of the PARCA process, we will conduct a desktop study of the National Transmission System (NTS) to identify how we can deliver the capacity you have requested in your application form. This desktop network study is referred to as the Phase 1 Works and we will deliver the results of these works within six months.

At the end of this phase, you will be provided with a Phase 1 output report and a PARCA contract, which you have the option to sign in order to proceed to Phase 2.

COMPETENT PARCA APPLICATION

We will confirm receipt of your PARCA application form within two business days.

The Phase 1 works can start where the application is deemed competent because it has met the following three requirements:

- Your application form is correctly and fully completed
- The required technical information has been provided
- The Phase 1 application fee is paid and is available as cleared funds

Once the application is deemed competent, we will confirm this to you within five business days.

If the application does not satisfy the above requirements, it will be rejected and we will provide you with the reasons why as soon as we can. You can submit a further application, if you wish.

PHASE 1 WORKS

In our desktop study, we will explore a number of ways of delivering the capacity. This may be wholly through (or a combination of) existing network capability, substitution of capacity, a contractual solution or physical investment in the NTS.

The Phase 1 works will be funded through the PARCA application fee which is reconciled to actual costs at the end of Phase 1 as either a credit or debit. We will complete these works within six months of the start of Phase 1.

We also release long-term NTS capacity¹ through established UNC capacity auction and application processes, more specifically:

- Long-term NTS entry capacity that is sold in quarterly strips through the Quarterly System Entry Capacity auction (QSEC) held annually in February and;
- Long term NTS Exit Capacity that is sold as an enduring evergreen product through the Enduring Annual NTS Exit Application process held annually in July.

So it's important to bear in mind that existing system capacity that could be used to fully or partly satisfy a PARCA request may also be requested by our customers through those processes detailed above. As such it may not be appropriate to initiate the Phase 1 works of a PARCA while the QSEC or enduring annual processes are running, because it may not be clear how much existing capacity will be available to satisfy a PARCA request for the purposes of the Phase 1 studies.

PARCA Phase 1 works and PARCA contract

The timetable below shows the annual QSEC auction and enduring exit capacity application and potential periods where we decide not to start the Phase 1 PARCA works:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Annual QSEC Auction		QSEC invitation	QSEC bid window	Allocation of QSEC bids								
Entry Capacity PARCA Annual		Phase 1 of an entry capacity PARCA may not be initiated if there is an interaction with the ongoing annual QSEC auction process										
Enduring Exit Application						Exit invitation	Exit capacity window	Allocation of exit capacity				
Exit Capacity PARCA						Phase 1 of an exit capacity PARCA may not be initiated if there is an interaction with the ongoing annual Exit capacity application window						

PARCA WINDOW

A PARCA application can be submitted at any time and does not have to be submitted within an open PARCA window.

The purpose of the PARCA window is to encourage those customers considering applying for a PARCA to submit their application at this time, so that we can assess how to meet their capacity need alongside other potential projects.

For any PARCA application deemed competent outside a relevant PARCA window, within 10 business days of the initiation of the Phase 1 works of that PARCA we will open (where a window is not already open) either a PARCA entry or exit window.

We guarantee to consider together all PARCA applications submitted and deemed competent¹ within this window. However, it is important to note that if you wish to be considered for capacity alongside other PARCA applications, in order to ensure we can conduct our competency check within the PARCA window timescales please endeavour to submit your PARCA application as early as practically possible.

¹ Please note that this will not include incremental capacity.

PARCA Phase 1 works and PARCA contract

The diagram below shows the PARCA window timeline:

No of days from initiation of Phase 1	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40																																							
PARCA entry window opens	Opened within 10 days ¹ of Phase 1 works										Further applications received																													
PARCA entry window closes	Closes 40 business days after the window was opened																																							
	Closes 20 business days after window opened if no further entry applications received																																							
PARCA exit window opens	Opened within 10 days ¹ of Phase 1 works										Further applications received																													
PARCA exit window closes	Closes 40 business days after the window was opened																																							
	Closes 20 business days after window opened if no further entry applications received																																							

The PARCA window is open for a maximum of 40 consecutive business days but will close after 20 consecutive business days if no further PARCA applications have been received within that time. There are two types of PARCA window:

- Entry window – triggered if a PARCA requests NTS entry capacity
- Exit window – triggered if a PARCA requests NTS exit capacity.

Only one entry and/or exit PARCA window can be open at any one time. So if a PARCA application requesting entry/exit capacity is deemed competent within an open entry/exit PARCA window, an additional PARCA window will not be triggered.

To ensure transparency and a fully conversant process of the PARCA window, we will publish¹ the following information about the PARCA that triggered the opening (and the same applies to any subsequent PARCA applications deemed competent within that window):

- The geographical areas of the potential PARCA projects
- An indicative range (to protect customer confidentiality) of the NTS entry and/or exit capacity applied for
- The indicative capacity reservation dates (the indicative dates when the capacity will be reserved)
- The requested capacity registration dates (the indicative dates from when the capacity will be effective)
- A notice that a PARCA window is open for a maximum of 40 consecutive business days from a specified date.

Upon closure of the PARCA window, we will publish:

- A notice of the PARCA window closure
- The number of further PARCA applications received within that window (if any)

¹ A full table of information published to the applicant and industry is detailed in Appendix A

PARCA Phase 1 works and PARCA contract

AD-HOC QSEC AUCTION

For a PARCA requesting entry capacity, once the Phase 1 works are initiated, an ad-hoc QSEC auction may be triggered. However, an ad-hoc QSEC will not be triggered between February and May, when an annual QSEC auction makes existing network entry capacity available to all NTS users.

Where an ad-hoc QSEC is triggered, we will invite other NTS users to participate in it, and will provide them with at least 28 days' notice. The auction will be open for up to 10 business days.

Where a PARCA application requests NTS exit capacity, no ad-hoc process will be triggered. This is because an ad-hoc enduring NTS exit process remains open every year between October and June to allow other NTS users to book existing NTS exit capacity.

Phase 1 outputs

On completion of the Phase 1 works, we will provide you with a Phase 1 output report to inform your decision on whether to proceed to Phase 2. The report provides the following information.

The registration date

The first gas day that the capacity may be used from. Depending on the outcome of our Phase 1 studies, this may or may not be the same as that requested through the original PARCA application.

Quantity of capacity to be reserved

The quantity of quarterly NTS entry and/or enduring NTS exit capacity that will be reserved and for what periods. Where a capacity tolerance has also been requested, we will confirm if that tolerance can be accommodated and, if not, the tolerance level that can be accepted.

Capacity allocation date

The date upon which the reserved capacity is formally allocated and fully financially committed to.

Indicative capacity charges

The indicative entry and/or exit capacity charges applicable to the reserved capacity. These are provided for guidance purposes and highlight the potential financial liability should you progress through to capacity allocation (In other words when the reserved capacity is purchased).

The indicative capacity charges may be updated from time to time and we will keep you informed of this throughout the PARCA lifecycle.

Security amount

The level of annual security required during each year of Phase 2 of the PARCA process.

Demonstration information and milestone information requirements

A project-specific schedule of information that we will both be required to provide during Phase 2 of the PARCA process.

NTS exit (flexibility) capacity and assured offtake pressure (for DNOs only)

Through the PARCA Application, Distribution Network Operators (DNOs) can request NTS exit (flexibility) capacity and an assured offtake pressure (having the meanings defined under UNC). As an output from Phase 1 we will confirm what flex and pressure we are able to

PARCA Phase 1 works and PARCA contract

Indicative ramp rates and pressures

Indicative ramp rates and pressures can be requested through the PARCA application. We will confirm the indicative ramp rates and pressures that could be delivered.

Actual costs

The actual costs that we have incurred by undertaking the Phase 1 works and therefore the credit or debit owing when reconciled against the Phase 1 application fee.

As an output from Phase 1 you will also be issued with a need case report (which establishes and documents the potential need case for investment), a technical options report (which outlines a technical assessment of the strategic options to meet the need case for any investment that may be required) and a PARCA contract.

NPV TEST FOR NTS ENTRY CAPACITY

If you wish to reserve NTS entry capacity through the PARCA process and the reserved NTS entry capacity would result in the release of capacity over and above our obligated levels (by this we mean the levels that, under our licence, we are obliged to make available to our customers) a net present value (NPV) test will be required. Further information on the NPV test can be found in our Entry Capacity Release Methodology statement. We will let you know if an NPV is required as part of the Phase 1 process,

Please follow the link <http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/> to our website to view the latest **methodology statement**.

The PARCA arrangements are for customers who wish to provide us with a sustained, long-term capacity signal. As such, where we identify that no NPV test is required for your entry project, the referenced capacity must be for a minimum of 16 quarters within a 32-quarter period.

PARCA CONTRACT

Should you wish to progress to Phase 2, you will need to sign and return a PARCA contract within 28 days of us issuing it to you. You will also need to provide the first annual instalment of the security (detailed as a Phase 1 output).

On receipt of the signed contract and the financial security, National Grid will countersign and return the contract to you within two business days. Phase 2 of the PARCA process will start and we will reserve the capacity for you.

To ensure consistency, fairness and transparency, the terms of the PARCA contract are generic and non-negotiable. A copy of the generic PARCA can be found on our website at:

Please follow the link <http://www2.nationalgrid.com/UK/Services/Gas-transmission-connections/Capacity-and-connections/Processes/Parca/> to our website to view the latest **PARCA Contract**.

Your Customer Account Manager will be happy to discuss any aspects of the contract that you may be unsure of.

Please note that if you do not wish to progress to Phase 2 of the PARCA process, no further action is required.

PARCA Phase 2

During Phase 2 of the PARCA process, where investment in the NTS is likely to be required, we will initiate the relevant statutory planning activities (either the Planning Act or Town & Country Planning). The timescales associated with this phase are specific to your PARCA and will be included as an output from Phase 1. We currently consider that the maximum timeframe for this phase will be 60 months, depending on the complexity of the works to be carried out. While going through this process, National Grid encourages working closely, particularly where both parties need to progress their projects through the planning process.

The following table details examples of the activities that may be required to progress a development consent order:

Planning activities indicative timescales	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	to	60
PARCA Phase 2 Schedule A	Compilation of strategic options report																									
	National Grid project plan update																									
PARCA Phase 2 Schedule B	Final route/siting study recommendations and summary of external consultation findings																									
	National Grid project plan update																									
PARCA Phase 2 Schedule C	Environmental impact assessment and summary of external consultation outcome																									
	National Grid project plan update																									
PARCA Phase 2 Schedule D	Formal statement of community consultation outcome and DCO consultation document overview																									
	National Grid project plan update																									
PARCA Phase 2 Schedule E	Submit application to National Infrastructure Directorate and decision from Secretary of State																									
	National Grid project plan update																									

CAPACITY RESERVATION

We will reserve the capacity on your behalf from the date specified in the Phase 1 output report. Irrespective of whether investment in the NTS is required to deliver your capacity, we will reserve the capacity exclusively for your project until the PARCA is terminated and/or the capacity is formally allocated, in line with the capacity allocation date provided in the Phase 1 output report.

PARCA Phase 2

Within 10 business days of the capacity being reserved, we will publish the following information to the industry:

-
- Where there is a proposal for substitution, the quantity of any unsold enduring annual NTS exit capacity and/or quarterly NTS entry capacity that has been reserved from each contributing NTS exit point and/or NTS entry point and the relevant reservation periods
 - The location of the NTS exit point and/or NTS entry point which the PARCA relates to (or geographical area)
 - The quantity of unsold enduring annual NTS exit (flat) capacity and/or quarterly NTS entry capacity reserved at the NTS exit point and/or NTS entry point and the relevant reservation periods
-

NOMINATION OF A USER (NON-UNC PARTIES ONLY)

If you are a non-UNC party you will need to nominate one (or more) UNC party (or parties) to be registered as holding all or part of the capacity reserved under the relevant PARCA. You will need to make the user nomination before the capacity allocation date. If a non-UNC party ultimately fails to nominate a user we will discuss options with the non-UNC party and we may need to exercise our right to terminate the PARCA. This is because, in accordance with the UNC and our transporters licence, only UNC parties are entitled to hold and use NTS capacity.

You will need to provide us with a completed user nomination – the template is included in the PARCA contract and we have also provided an example in Appendix B of this document.

Once we have received this information from you, we will notify the nominated user(s) accordingly and they must then accept or reject the nomination within five business days.

Please note that where no response is received from a nominated user, the nomination will be rejected. If there are multiple nominated users and one is rejected, none will be accepted. However, a non-code party can re-nominate up to one month before the allocation date.

The following information is needed when nominating a user:

- The company name and shipper short code
 - The amount (in kWh/d) of reserved capacity to be registered in the name of the nominated user(s). If there are multiple users, the total nominations cannot exceed the total quantity of reserved capacity
 - NTS system point
 - Reserved capacity profile
 - The date from which the nominated user(s) is to be registered as holding the capacity (this should be consistent with the terms of the PARCA document).
-

PARCA Phase 2

CHANGES TO QUANTITY OF RESERVED CAPACITY

We understand that your capacity requirements may change as your project progresses and the technical capabilities of your project become more certain. You may change your capacity requirement once we have reserved it on your behalf, providing this is within the prevailing capacity tolerance as detailed in the PARCA contract. If you request a change to the quantity of capacity that is outside of this tolerance, we will still consider it, but there is no guarantee that we will agree to the change.

Whenever there is a change to the level of reserved capacity, we will publish an update to the industry.

For non-UNC parties, you will be able to amend the quantity of reserved capacity within the tolerance, up to the point when the user(s) is nominated and the nomination(s) is confirmed. For UNC parties, as no user nomination process is required, you will be able to amend the quantity of reserved capacity up to a month before the capacity allocation date.

PHASE 2 WORKS

Once we have reserved the capacity, we will initiate the relevant statutory planning consent process if it is likely that physical investment in the NTS is needed. This will either be the Planning Act or Town & Country Planning as referenced on page 16 of this document.

We will provide you with a progress update at each defined stage of the planning process. If there is no requirement for us to do a physical investment, progress updates on activities will still be shared regularly.

DEMONSTRATION INFORMATION

Throughout Phase 2, you must provide information to demonstrate that your project is progressing. The information demonstrates the capacity need case and ensures that capacity is not being removed from the market without justification.

Typical demonstration information requirements	Applicable PARCA Phase
■ Technical data demonstrating the requirement for a Fine Tuning Capacity range	PARCA Phase 0 (upon application)
■ Signed full connection offer (FCO) / construction agreement for a new (or modified) NTS connection site (if relevant).	PARCA Phase 2 Schedule E / F
■ Full financial backing for the customer's project	PARCA Phase 2 Schedule F
■ Contracts for detailed design placed for the facilities (and connecting pipeline where required) in relation to the NTS connection site	PARCA Phase 2 Schedule E
■ Contracts for construction placed for the customer's project facilities downstream of the NTS connection site, including connecting pipeline, where required	PARCA Phase 2 Schedule F
■ Construction started at the customer's project site	PARCA Phase 2 Schedule F
■ Construction of the connecting pipeline started, where required	PARCA Phase 2 Schedule F

PARCA Phase 2

Full planning permission has been granted for the:

- | | |
|---|-----------------------------|
| ■ Customer's project site | |
| ■ National Grid's NTS connection facilities (NTS connection site) where this is remote from the customer's project site | PARCA Phase 2
Schedule F |
| ■ Any connecting pipeline between the NTS connection site and the customer's project site | |
| ■ Local and national planning permission, where applicable | |
| <hr/> | |
| ■ Milestone information detailing key stages in planning of the customer's project. | PARCA Phase 2
Schedule F |
| ■ Identify the user (UNC party) to whom the formal capacity allocation will be made. | PARCA Phase 2
Schedule F |

We have produced a document that explains the type of information we may expect from you in the Phase 1 output report for your specific PARCA. We will provide you with a schedule of information requirements specific to your project and the respective submission dates.

If we have not received demonstration data relating to Phase 2 works by the third demonstration date set by National Grid, we will discuss options with the customer and the PARCA agreement may be terminated. We will send out a reminder for the second demonstration date established, but this will not preclude National Grid from exercising its termination rights.

FINANCIAL SECURITY

Throughout Phase 2 you will need to demonstrate a financial commitment to the reserved capacity through the annual provision of financial security.

In the Phase 1 output report we will have provided you with a security amount that is calculated by applying a capacity charge to the maximum daily quantity of capacity requested. This security amount will then be phased annually to work out the annual security requirements shown below:

Year 1 = 25% x security amount

Year 2 = 50% x security amount

Year 3 = 75% x security amount

Year 4 and beyond = 100% x security amount

We recognise that Phase 2 may be fewer or greater than four years, depending on the level and complexity of works required, as well as your own project timescales. The anticipated Phase 2 timeline will be provided in the Phase 1 output report and the security amount will remain the same, regardless of the Phase 2 timeline.

PARCA Phase 2

For example, where Phase 2 takes 36 months, you will not be required to provide the fourth year of financial security:

Year 1 = 25% x security amount

Year 2 = 50% x security amount

Year 3 = 75% x security amount

Similarly, if Phase 2 takes 60 months, you will be required to provide financial security for each additional year on the same phasing basis as year 4. For example:

Year 1 = 25% x security amount

Year 2 = 50% x security amount

Year 3 = 75% x security amount

Year 4 = 100% x security amount

Year 5 = 100% x security amount

As shown in the above example, beyond year 4 the requirement does not increase, it just needs to be renewed to the same level on an annual basis.

CAPACITY ALLOCATION

If at the end of Phase 2 you wish to proceed to Phase 3, we will formally allocate the capacity to you or your nominated user(s). When allocated, the capacity is fully financially committed. In other words, the capacity is purchased and will be invoiced in accordance with the UNC.

As part of the demonstration information required, where you need a new connection to the NTS, you must have submitted the application for a new connection and signed an FCO for us to be able to allocate the capacity. Please note that if you have not initiated the application to offer process, we will be unable to allocate the capacity.

If necessary, physical works are carried out for network reinforcement during Phase 3.

PARCA Phase 3

Phase 3 is the time between capacity allocation and the capacity registration date. Our activities in this phase may include network reinforcement.

CAPACITY DELIVERY

We will deliver your capacity on the date specified in the Phase 1 output report. You will have the commercial capacity rights to access the NTS from this point forward.

Termination of PARCA

The PARCA process is flexible. You may terminate the contract at any point before the capacity is allocated to you or your nominated user(s), subject to the payment of a termination fee.

TERMINATION BY THE PARCA APPLICANT

Termination during Phase 1

If you terminate the PARCA during Phase 1, we will immediately stop the remaining Phase 1 works and no further Phase 1 outputs will be provided.

We will then undertake a cost reconciliation of the actual Phase 1 costs to date. Where the actual costs to date are lower than the PARCA application fee, we will refund the difference. Where the actual costs to date are greater than the PARCA application fee of £120,000, you will have to pay the difference.

Termination during Phase 2

Where a PARCA is terminated during Phase 2, the reserved capacity may be used to provide the capacity requirements for another PARCA or made available to the market. Subject to the terms of the PARCA, we will invoice you for a termination amount – see below for the calculations.

TERMINATION BY NATIONAL GRID

We may terminate the PARCA for the following reasons.

Where a user nomination (non-UNC parties only) has not been submitted.

If 100% of the capacity has not been nominated to one or more users at least one month before the capacity allocation date, we may terminate the PARCA. National Grid has a non-contractual policy of providing notice of any upcoming expiry approximately 90 days before the expiry date.

Where demonstration information has not been provided.

If the required demonstration information has not been provided by the third demonstration date, we may terminate the PARCA contract.

Where statutory planning consent has not been obtained.

If we fail to obtain the relevant planning consent, we may terminate the PARCA.

TERMINATION AMOUNT

The termination amount is based on the number of days between the start of PARCA Phase 2 and the PARCA termination date. It will be the minimum of the security amount, as outlined in the Phase 1 output report, or:

$$\frac{\text{Security amount}}{1461^*} \times \text{number of days between the start of Phase 2 and the point of termination}$$

*where 1461 = number of days in four years

Where a PARCA applicant wants us to draw down on the security to pay the termination fee, we will arrange to do so.

PARCA Appendix A - Publication of PARCA information

Information published to the PARCA applicant	Applicable PARCA Phase
Investment need case report	
Technical options report	
Indicative capacity reservation date	
Indicative capacity allocation date	
Indicative capacity delivery date	PARCA Phase 1
Indicative capacity charges	
Indicative security amount	
Quantity of capacity to be reserved	
Demonstration information and date requirements	
Strategic options report and recommendations	
Summary of external consultation findings	PARCA Phase 2 Schedule A
Confirmation pre-capacity RD triggered (Ofgem)	
National Grid project plan update	
Outline routing and siting recommendations	
Final route corridor/siting study recommendation	PARCA Phase 2 Schedule B
Summary of external consultation findings	
National Grid project plan update	
Detailed routing and siting recommendations	
Environmental impact assessment (EIA) outcome	PARCA Phase 2 Schedule C
Summary of external consultation outcome	
National Grid project plan update	
Formal consultation (SOCC) outcome	PARCA Phase 2 Schedule D
DCO consultation document – overview	
National Grid project plan update	
Progress update on National Infrastructure Department (NID) engagement, submission and hearings	PARCA Phase 2 Schedule E
DCO application document	
National Grid project plan update	
Progress update on National Infrastructure Department (NID) engagement, submission and hearings	
Post DCO consent and user capability allocation: provide the customer with confirmation of the start / anticipated completion dates of the NTS reinforcement project	PARCA Phase 2 Schedule F
Confirmation post-capacity RD triggered (Ofgem)	
National Grid project plan update	

PARCA Appendix A - Publication of PARCA information

Progress update on local authority engagement, submission and hearings	
Post consent and user capacity allocation	PARCA
Provide the customer with confirmation of the start/anticipated completion dates of the NTS reinforcement project	Phase 2 Works Schedule G
Confirmation post capacity RD has been triggered (with Ofgem)	
National Grid project plan update	

Confirmation to the customer that the project is complete	
Opportunity for the customer/National Grid to explore throughout PARCA milestones:	Other
<ul style="list-style-type: none"> ■ Lessons learned ■ Process excellence/improvements 	

INFORMATION PUBLISHED TO OTHER NTS USERS

Information published	Applicable PARCA Phase
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<p>Within 10 days of the PARCA Phase 1 starting, National Grid will publish:</p> <ul style="list-style-type: none"> ■ The geographical area of the PARCA NTS exit point and/or NTS entry point ■ An indicative range of enduring annual NTS exit (flat) capacity and/or quarterly NTS entry capacity based on the maximum quantity of capacity requested ■ The indicative capacity reservation date ■ The requested capacity registration date ■ An invitation for NTS users to participate in an ad-hoc QSEC auction with at least 28 days' notice, if applicable ■ Notification of the opening of a PARCA application window, which will remain open for a maximum of 40 business days 	PARCA Phase1
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<p>Within 10 days of reserving NTS exit capacity and/or entry capacity, National Grid will publish:</p> <ul style="list-style-type: none"> ■ Where substitution is proposed, the quantity (if any) of unsold enduring annual NTS exit (flat) capacity and/or quarterly NTS entry capacity that has been reserved from each donor NTS exit point(s) and/or NTS entry point(s) and the relevant periods ■ The geographical area of the PARCA NTS exit point and/or NTS entry point or the NTS exit and/or NTS entry point if known ■ The quantity (if any) of unsold enduring annual NTS exit (flat) capacity and/or quarterly NTS entry capacity reserved at the PARCA-defined NTS exit and/or NTS entry point and the relevant period 	PARCA Phase 2
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PARCA Appendix A - Publication of PARCA information

<ul style="list-style-type: none"> ■ The total quantity (if any) of enduring annual NTS exit (flat) capacity and/or quarterly NTS entry capacity reserved at the PARCA-defined NTS exit and/or NTS entry point ■ National Grid will publish, as soon as reasonably practical and respecting commercial confidentiality, details of the progress made against each PARCA phase. This will include in each case the submission of application for a development consent order (DCO) (if required), receipt of a DCO (if required) and calculation of any required revenue drivers 	PARCA Phase 3
<ul style="list-style-type: none"> ■ Not more than 24 hours after National Grid notifies the nominated user or reservation user of their allocation of entry capacity, National Grid will notify all users in respect of each calendar quarter as follows: <ul style="list-style-type: none"> ■ The price (in pence/kWh) accepted for entry capacity by a user (and the amount of entry capacity applied for) ■ The volume of entry capacity allocated ■ The incremental volume entry capacity allocated ■ The amount of unsold entry capacity (if any) following the allocation. 	
<p>Not more than 24 hours after National Grid notifies the NTS user or nominated NTS user of their allocation of NTS exit capacity, National Grid will notify all users of the following information:</p>	PARCA Phase 3
<ul style="list-style-type: none"> ■ The volume of exit capacity allocated ■ The incremental exit capacity allocated 	
<p>Within 10 business days of the termination of a PARCA, National Grid will publish the quantity and location of any exit capacity and/or entry capacity that is no longer reserved and is being made available to the market.</p>	PARCA Phase 1,2,3

PARCA Appendix B - PARCA user nomination form

PARCA USER NOMINATION FORM

In accordance with Clause 6 of the Planning and Advanced Reservation of Capacity Agreement (PARCA) where the reservation party is not a user, the reservation party must provide details of nominated users to National Grid.

This user nomination form will be used by National Grid to obtain acceptance of your nomination from the user. Where there are multiple nominated users, please submit individual user nomination forms and ensure that the aggregate of the individual amounts of reserved capacity will match the total amount of reserved capacity under the PARCA that is to be allocated on the allocation date.

The user nomination form should be submitted by the reservation party to National Grid on any day between the reservation date and at least one month before the capacity allocation date.

The reservation party shall specify the following information with respect to a user nomination.

Identity of nominated user:

Company name

Shipper short code

NTS system point:

Amount of reserved capacity (kWh/day)¹:

Reserved capacity profile:

Registration date²:

Please forward the completed user nomination form to your Customer Account Manager at National Grid.

Signed by:

Print:

Company (reservation party):

Date:

¹ The amount of reserved capacity shall not be:

- (a) Greater than the reserved capacity
- (b) Less than 100,000 kWh/Day

The amount of reserved capacity may include an amount of reserved capacity tolerance which is determined in accordance with the provisions in the PARCA.

² Or such later date as the parties (as applicable) determine in accordance with Clause 8 of the PARCA being:

- (a) Where the reserved capacity comprises quarterly NTS entry capacity, the first day of a calendar quarter or
- (b) Where the reserved capacity comprises enduring annual NTS exit capacity, the first day of a calendar month.

PARCA Appendix B - PARCA user nomination form

For further information please click on the links detailed below;

Entry capacity release methodology

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=23497>

Exit capacity release methodology

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=8427>

Generic revenue driver methodology statement

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=24229>

Gas transmission planning code

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=35829>

The statement of gas transmission transportation charges

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=35742>

