

Planning and Advanced Reservation of Capacity Agreement (PARCA)

SCHEDULE ONE

PHASE ONE WORKS REPORT

For

South Hook Gas Company Ltd (the Reservation Party)

Prepared by National Grid Gas (NGG)

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EXECUTIVE SUMMARY

National Grid Gas (NGG) has prepared this Phase One Works Report following receipt of a Planning and Advanced Reservation of Capacity Agreement (PARCA) application from South Hook Gas Company Ltd (the Reservation Party) on 24 April 2018. The PARCA application requested Firm NTS Entry Capacity¹, as Quarterly System Entry Capacity ('QSEC'), of up to 163,000,000kWh/d above the prevailing Obligated Entry Capacity² at Milford Haven Aggregated System Entry Point (ASEP). The application became a Competent PARCA Application³ on 4 May, 2018.

This report confirms completion of Phase One Works including a technical capacity assessment. The report will outline the key site specific project information and findings, and will form part of the PARCA Contract.

1.0 PHASE 1 WORKS KEY OUTPUTS

2.0 Registration Date

The Registration Date is the first gas day that the capacity may be used from. It is estimated that the Registration Date will be 1 January 2026.

The currently indicative programme is based on agreeing funding for detailed design and long lead items prior to achieving consent. We will approach this as follows:

- The funding would be subject to agreement with The Authority and in accordance with the Generic Revenue Drive Methodology. We will seek to bring agreement from The Authority to bring forward the funding ahead of capacity allocation.
- In the event that such agreement with The Authority is not achieved we will approach South Hook Gas Company Ltd to underwrite the long lead items, by way of a Long Lead Item contract.
- In the event that this is not agreed the timeline will be extended accordingly.

The full range of options is contained in the Technical Options Report in APPENDIX B.

An illustrative pipeline and compressor programme, along with the indicative programme is provided in APPENDIX C.

The specific works identified for PARCA Phase 2 are dependent on the outcome of the Strategic Options Report.

¹ Uniform Network Code, Transportation Principal Document, Section B2.1.7

² Special Condition 1A. Definitions

³ Uniform Network Code, Transportation Principal Document, Section B1.15.4

2.1 Quantity of Capacity to be reserved

The total quantity of NTS Entry Capacity that will be reserved will be 163,000,000kWh/d and this will be reserved as QSEC until such time as capacity is allocated to South Hook Gas Company Ltd as NTS User.

For avoidance of doubt, South Hook Gas Company Limited may amend its reserved capacity profile at any time prior to allocation, subject to the applicable Reserved Capacity Tolerance at the relevant time. The capacity profile for allocation does not need to be the same as the profile for reservation NPV test. The allocation NPV test will be that which prevails at the time.

2.2 Allocation Date

In accordance with Clause 3.1 of the PARCA, the date the reserved capacity will be formally allocated and fully financially committed is estimated to be no later than 1 January 2024.

2.3 Indicative Capacity Charges

The prevailing NTS Entry Capacity Reserve Price for Capacity for use from 1 October 2018 is 0.0225p/kWh/day⁴, and is considered to be the best available information for the annual capacity charge to apply to the quantity of reserved NTS Entry Capacity. The indicative annual NTS Entry Capacity charge for this quantity of reserved capacity is £16,063,650 (incl. VAT). It must be noted that this is provided for guidance purposes only and highlights the potential liability of the reserved capacity should the project progress through to allocation.

The indicative capacity charges are updated from time to time, further information can be found at <https://www.nationalgridgas.com/charging/transmission-system-charges>.

2.4 Security Amount

In accordance with clause 10 of the PARCA, the level of annual security required during Phase 2 of the PARCA Process for Milford Haven ASEP to be provided by South Hook Gas Company Ltd, to demonstrate the financial commitment for the reserved capacity throughout Phase 2 of the PARCA Process, is detailed in the table below. The PARCA Security Amount for Year One will be required by National Grid in advance of the countersignature of the PARCA. The PARCA Security Amount for Years Two, Three and Four will be required on the anniversary of the countersignature of the PARCA. The specific dates will be confirmed by National Grid to the South Hook Gas Company Ltd in the letter that accompanies the countersigned contract.

⁴ Please note that the NTS Transportation Charging arrangements are subject to review under UNC Modification 0621. Further information can be found at <https://www.gasgovernance.co.uk/0621>

Security Level	PARCA Security Amount (incl. VAT)
Year One = 25% x Security Amount	██████████
Year Two = 50% x Security Amount	██████████
Year Three = 75% x Security Amount	██████████
Year Four and Beyond = 100% x Security Amount	██████████

2.5 Demonstration Information Milestones

National Grid does not require any Demonstration Information at this stage on the basis that it is National Grid's understanding the South Hook terminal has the physical deliverability, and that any further works at South Hook terminal are for reliability purposes. The Demonstration Information requirements may amended through a written request from the customer to National Grid NTS (and vice versa), as per the Planning and Advanced Reservation of Capacity Agreement (PARCA) Demonstration Information Guidelines⁵.

2.6 Indicative Ramp Rates and Pressures

N/A

2.7 Actual Costs

Actual costs incurred to date to undertake and complete the Phase One Works will be reconciled against the application fee of £120,000.

⁵ Further information can be found at: <https://www.nationalgridgas.com/connections/reserving-capacity-parca-and-cam>

3.0 PHASE 2 WORKS

ACTIVITY STAGE	DESCRIPTION OF ACTIVITY
NEEDS CASE & STRATEGIC OPTIONS	Need Case Strategic constraints mapping Identify technical options (include surveys for pipeline upgrading) External engagement with key stakeholders (if required). Options Appraisal of Strategic Options. Selection of Preferred Strategic Option.
CORRIDOR STUDY AND CONSULTATION	Identification of Study Area Detailed constraints mapping Identification of potential pipeline corridors Desktop studies and ground truthing Options Appraisal of Corridor Options Engagement with key external stakeholders Environmental Impact Assessment (EIA) Screening (“Environmental Determination” application to BEIS – outcome dictates whether DCO is required) Non-contact land referencing Consultation Consultation Feedback Report Selection of Preferred Route Corridor
PEIR & STATUTORY CONSULTATION	Develop design Environmental surveys Production of Preliminary Environmental Information (PEI) Contact land referencing Production of Initial Book of Reference Statutory (s.42/s.47) Consultation (for DCO) Consultation Feedback Report Selection of Preferred Connection
EIA & LAND RIGHTS	Detailed design Environmental Surveys Environmental Assessment Production of Environmental Statement/ Report Contact land referencing Negotiate voluntary land rights Construction Environmental Management Plan
DCO APPLICATION & ACCEPTANCE	Statutory Documents (including land plans) Draft Order Agree Statements of Common Ground with Stakeholders Draft Order requirements
DCO EXAMINATION	Responses to Relevant Representations, Rule 6 and Rule 8 questions. Issue specific hearings and open floor hearings Response to Inquiry questions. Compulsory Purchase Hearings (if voluntary agreements not obtained) Amendments to Order and Requirements
DECISION	Review Decision & Report Review Development Consent Order Corrections
DELIVERY	Discharge Requirements Commence construction.

4.0 NEED CASE REPORT

The needs case report (APPENDIX A) of this document provides the detailed technical capacity findings, options assessment and establishes the case for investment if required. All documents combined within the Needs Case Report will form part of the PARCA Contract.

5.0 CONCLUSION

NGG has prepared this Phase One Works Report following receipt of a PARCA application from South Hook Gas Company Ltd on 24 April 2018. The PARCA application requested Firm NTS Entry Capacity of up to 163,000,000 kWh/d above the prevailing Obligated Entry Capacity at Milford Haven ASEP.

The NGG technical assessment and key outputs outlined in APPENDIX B and the Needs Case Report in APPENDIX A) are based upon the Reservation Party's information provided and requirements detailed within the PARCA application.

NGG's findings indicate that an NTS Entry Capacity requirement of 163,000,000 kWh/d can be released for 1 January 2026 and subject to the Reservation Party fulfilling the obligations of the PARCA contract.

APPENDIX A

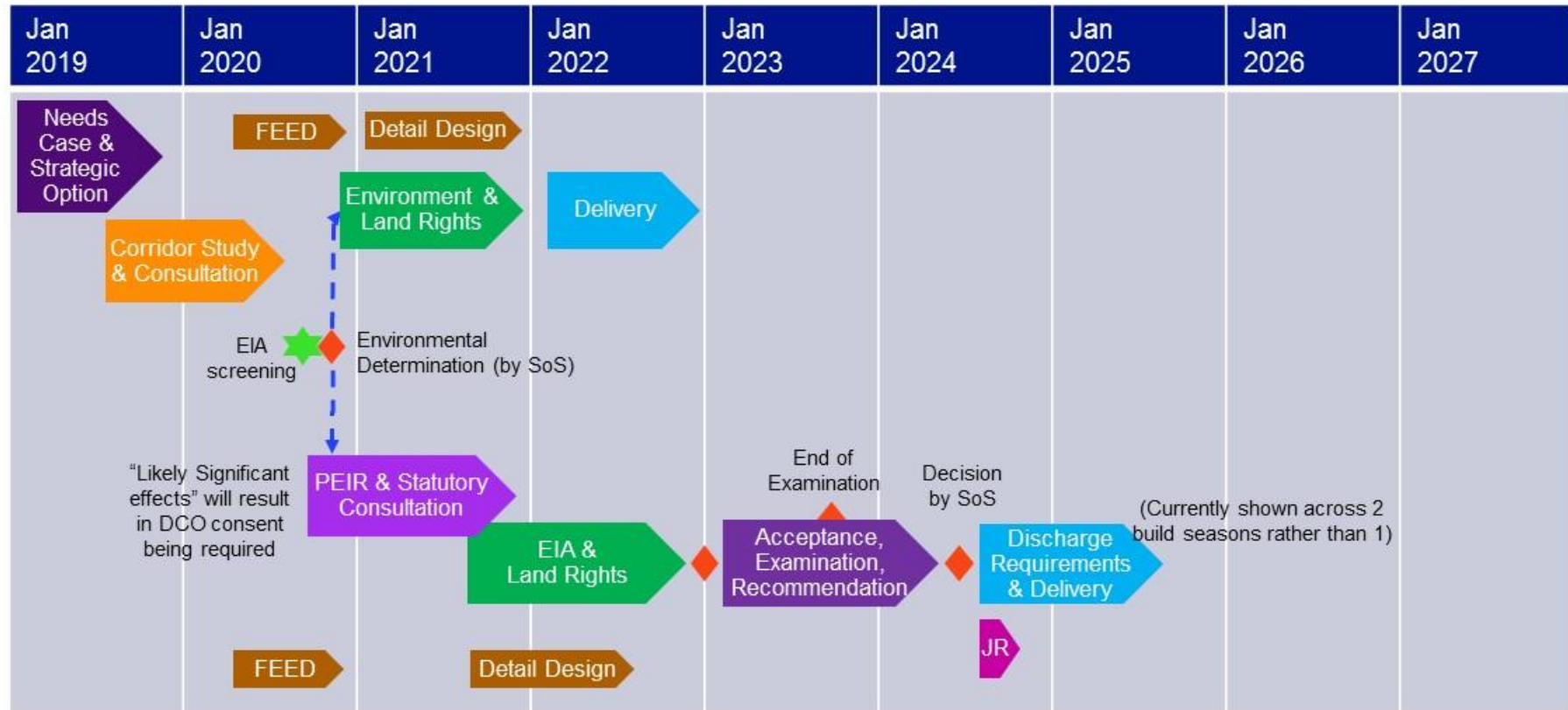
Needs Case Report

APPENDIX B

Technical Options Report

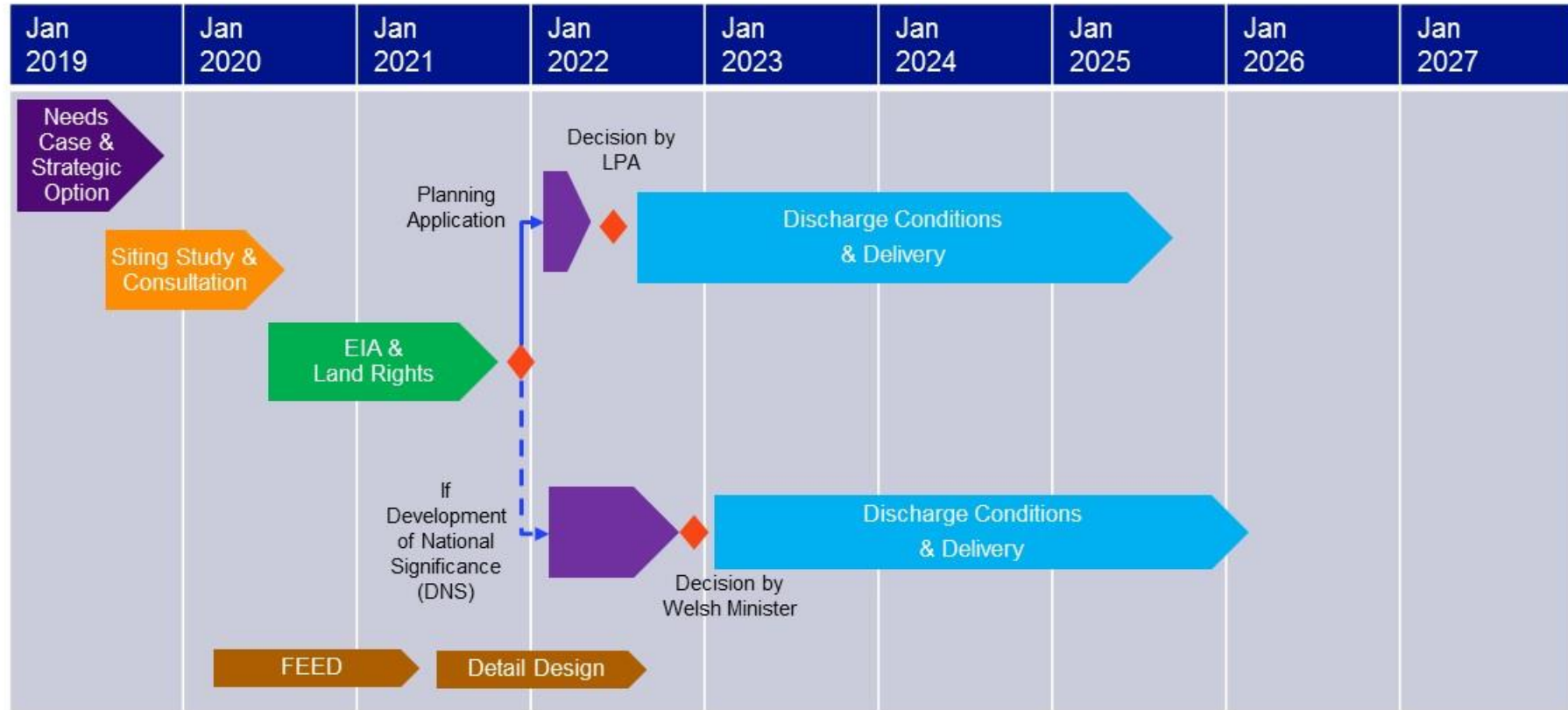
Appendix C

Illustrative Pipeline Programme



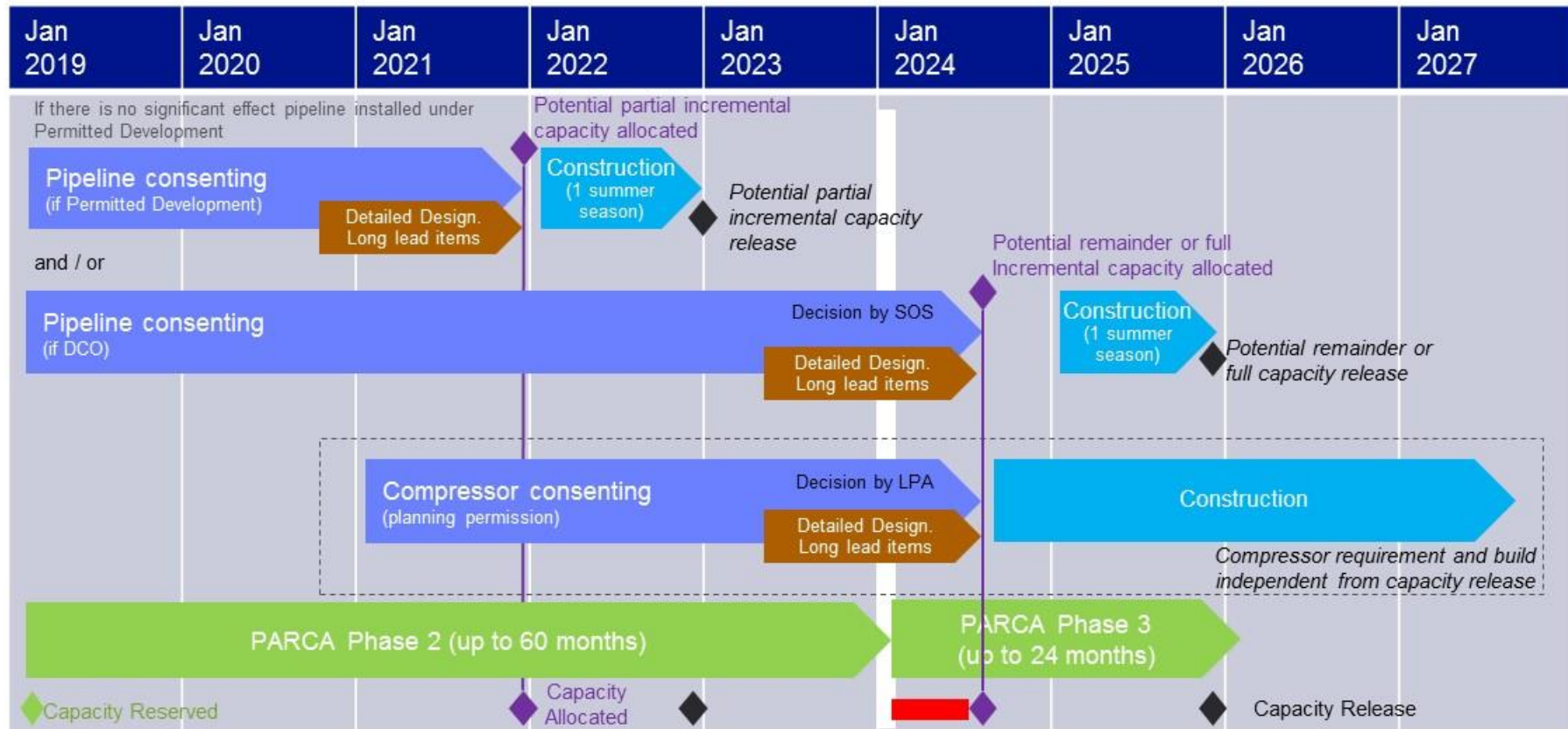
| South Hook | 27 November 2018, updated 10.12.18

Illustrative Compressor Programme



| South Hook | 27 November 2018, updated 10.12.18

Indicative programme



| South Hook | 27 November 2018, updated 10.12.18