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Issue	Revision
<u>5.15.2</u>	<del>Informal</del> Consultation <u>Draft</u>

# The Entry Capacity Substitution Methodology Statement

Effective from ~~1<sup>st</sup> May 2014~~ 2<sup>nd</sup> February 2015

## ENTRY CAPACITY SUBSTITUTION METHODOLOGY STATEMENT

### Document Revision History

Version/ Revision Number	Date of Issue	Notes
0.1	17 May 2007	Draft for consultation
0.2	4 July 2008	Revised draft updated following Substitution Workshops. Issued as a discussion document.
0.3	15 May 2009	Informal consultation Major changes to reflect workshop output.
0.3C	15 May 2009	Drafted for Option Approach
0.4	24 July 2009	Further detail added for formal consultation.
0.5	7 September 2009	Revised following comments received to formal consultation. Scope for refund of retainer charges extended to allow capacity allocated at Y+5 and Y+6 to trigger refund. Retainer requests to be acknowledged. Individual User retainers granted to be notified to the relevant User. Full and partial refunds of retainer charges will now be made in the year they are triggered. Revisions to zones will now be notified before the retainer window. Minor amendments to aid clarity.
1.0	8 December 2009	V0.5 approved by the Authority.
1.1	6 August 2010	Annual Review – Consultation Draft
1.2	23 September 2010	Revision to appendix 1 following comments received to formal consultation. Submitted for Approval
2.0	21 October 2010	Authority Approval
2.1	04 August 2011	Annual review – Consultation Draft
2.2	14 September 2011	Correction to footnote to appendix 1 changed from the QSEC invitation letter to the Retainer invitation letter. Submitted for Approval
3.0	12 October 2011	Authority Approval
3.1	28th September 2012	Annual Review Consultation Draft.
3.2	9 November 2012	No further changes following consultation. Submitted for Approval
4.0	5 <sup>TH</sup> December 2012	Authority Approval

4.1	June 2013	Updated for RIIO-T1 New terminology and Licence references
4.2	September 2013	Minor amendments to correct editing issues and improve clarity. <a href="#">Paragraph 87 added: Facilitates possible veto of substitution proposals at Interconnection Points.</a> Submitted <del>to Authority</del> <a href="#">for Approval.</a> <a href="#">Submitted for Approval</a>
5.0	<a href="#">October 2013</a>	<del>{Authority Approval}</del> <a href="#">To be confirmed</a>
5.1	September 2013	Annual Review (informal consultation) Updated to align to Modification 0452: Introduction of the Planning and Advanced Reservation Capacity Agreement (PARCA)
<a href="#">5.2</a>	<a href="#">December 2014</a>	<a href="#">Annual Review (formal consultation)</a>  <a href="#">Minor updates following informal consultation.</a>  <a href="#">Further review to align to Modification 0465V: 'Introduction of the Planning and Advanced Reservation Capacity Agreement (PARCA), Weighted Average PARCA Security' and the revised Licence arrangement.</a>  <a href="#">Footnote 7 added to recognise the potential implementation of UNC Modification 0501, 0501A, 0501B or 0501C.</a>

## ABOUT THIS STATEMENT

This Entry Capacity Substitution Methodology Statement (the "Statement")<sup>1</sup> describes the methodology that National Grid Gas plc ("National Grid") in its role as holder of the Gas Transporter Licence in respect of the NTS<sup>2</sup> ("the Licence") will utilise to determine proposals for Entry Capacity Substitution, i.e:

- the substitution of unsold **Non-incremental Obligated Entry Capacity** from one Aggregate System Entry Point ("ASEP") to another ASEP in response to demand for **Incremental Obligated Entry Capacity**.

In particular, it defines:

- under what circumstances National Grid will consider such substitutions; and
- the process to be undertaken by National Grid to determine its proposals to substitute capacity and revise baseline quantities.

This Statement is one of a suite of documents that describe the release of NTS capacity by National Grid and the methodologies behind them. The other documents are available on the National Grid website

at: <http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/>  
<http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/>

Field Code Changed

This Statement is effective from ~~4<sup>th</sup> May 2014~~ [2<sup>nd</sup> February 2015](#).

This Statement contains terminology relating to entry capacity which is used in the Licence and in the Uniform Network Code ("UNC"). Licence defined capacity terms are given in **bold italics**; UNC defined [capacity](#) terms appear in **bold**. Other defined terms used but not defined in this Statement shall have the meaning given to them in the UNC and/or Licence as appropriate.

It should be noted that this Statement does not provide the methodology by which, and from when, **Entry Capacity** will be made available. The processes for [Shipper](#) Users to obtain, and for National Grid to release **Entry Capacity** can be found in the UNC<sup>2</sup>) and the Entry Capacity Release Methodology Statement ("ECR").

This Statement applies in respect of **Incremental Obligated Entry Capacity**, released as a result of valid bids for **Quarterly NTS Entry Capacity** made in accordance with the UNC<sup>2</sup>) and the ECR. The timing of the release of any **Incremental Obligated Entry Capacity** will be in accordance with the ECR. Where such **Incremental Obligated Entry Capacity** is to be made available as a result of Entry Capacity Substitution, capacity will be made available from a date consistent with this Statement.

If you require further details about any of the information contained within this Statement or have comments on how this Statement might be improved please contact our Gas Charging and Capacity Development team at

[box.transmissioncapacityandcharging@nationalgrid.com](mailto:box.transmissioncapacityandcharging@nationalgrid.com)<sup>2</sup> or at:

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<sup>1</sup> This Statement is often abbreviated to the "ECS".

<sup>2</sup> The gas National Transmission System

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## GENERAL INTRODUCTION

### Background

1. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
2. The NTS plays an important role in facilitating the competitive gas market and helping to provide the UK with a secure gas supply. It is a network of pipelines, presently operated at pressures of up to 94 barg, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. Exit points are predominantly connections to Distribution Networks (“DNs”), but also include storage sites, and direct connections to power stations, large industrial consumers and other systems, such as interconnectors to other countries.
3. These operations are carried out to meet the needs of the companies that supply gas to domestic, commercial and industrial consumers and to power stations.
4. This Statement sets out the methodology that applies for the substitution of Substitutable Capacity (as defined in paragraph 22) from one or more donor ASEPs to meet demand for **Incremental Obligated Entry Capacity** (i.e. capacity to be made available above the prevailing level of **Obligated Entry Capacity**) at other ASEPs, in response to signals received from Shipper Users through processes described in the UNC), thereby reducing the need for investment to meet that incremental demand for **Entry Capacity**. The methodology is applicable in respect of capacity released in the long-term, i.e. in the Quarterly System Entry Capacity (“QSEC”) auctions or pursuant to a PARCA<sup>3</sup>.
5. The methodology for moving **Entry Capacity** between ASEPs in the short-term can be found in the “Entry Capacity Transfer and Trade Methodology Statement”. Related processes have been introduced to the UNC.
6. Details of National Grid and its activities can be found on its internet site at [www.nationalgrid.com](http://www.nationalgrid.com) ~~www2.nationalgrid.com~~.  
An electronic version of this Statement, along with the other related statements can be found on the following web page:  
“<http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/ecms> <http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Entry-Capacity-Substitution-Methodology-Statement/>”.

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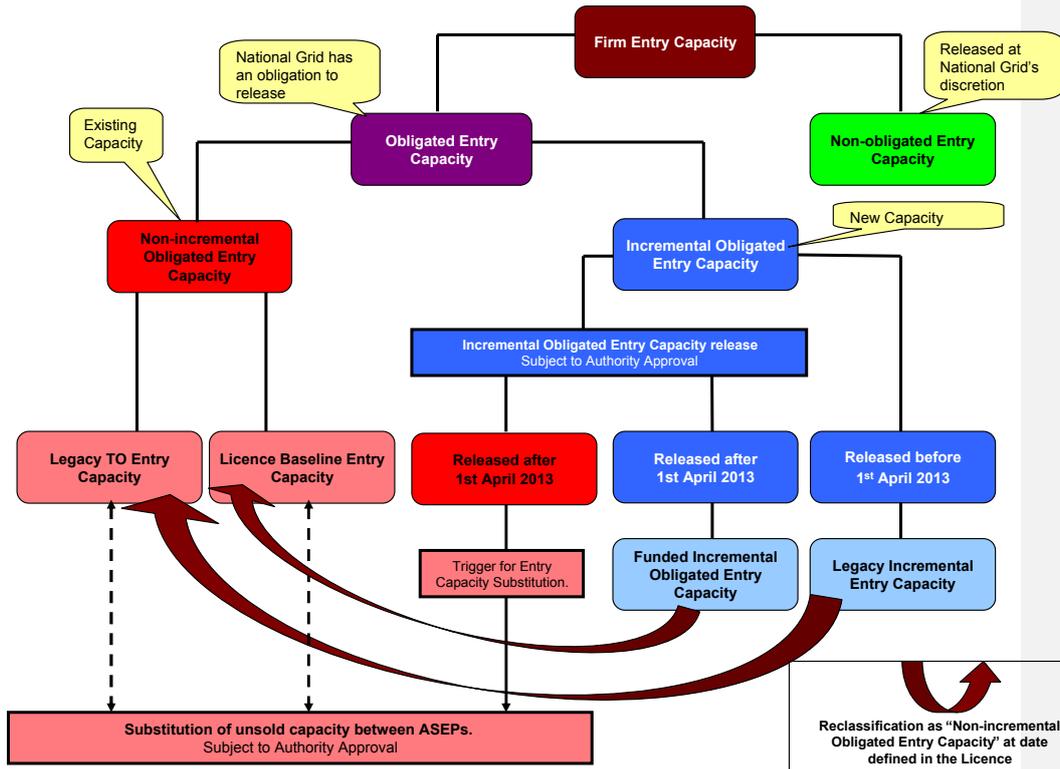
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### Capacity Terminology

7. This Statement contains terminology relating to **Entry Capacity** which is used in the Licence for the purposes of distinguishing between National Grid’s capacity obligations and revenue treatments. It should be noted that although this terminology exists, it does not change the capacity products that Shipper Users procure through established UNC processes e.g. **Firm NTS Entry Capacity** and **Interruptible NTS Entry Capacity**.

<sup>3</sup> A PARCA, a Planning and Advanced Reservation of Capacity Agreement is a bilateral agreement which allows non-code parties (Reservation Parties) or Users (Reservation Users) to reserve Quarterly NTS Entry Capacity and /or Enduring Annual NTS Exit (Flat) Capacity ahead of its registration to the User or, as the case maybe, a Nominated User (nominated by the Reservation Party).

8. The terminology and relationships relating to **Firm Entry Capacity** are provided below to assist the reader in interpreting this Statement.



9. The actual definitions of these terms are contained within the Licence. Where any conflict arises between the Licence and this Statement the Licence shall prevail.

10. Entry Capacity Substitution is therefore, the process of assigning **Non-incremental Obligated Entry Capacity** from one or more ASEP(s) to meet the requirement for **Incremental Obligated Entry Capacity** elsewhere. The substituted **Entry Capacity** is assigned to the ASEP where additional capacity is demanded, in preference to creating additional capacity (**Funded Incremental Obligated Entry Capacity**) which may require investment in new infrastructure. The **Non-incremental Obligated Entry Capacity** at an ASEP is made up of **Licence Baseline Entry Capacity** as set out in the Licence for the ASEP plus any **Legacy TO Entry Capacity**. The baseline is adjusted, plus (or minus), for **any Entry Capacity** that has been substituted to (or from) the ASEP. In addition, any **Funded Incremental Obligated Entry Capacity** that has been released pursuant to long term auctions held after 1<sup>st</sup> April 2013 will be treated as **Non-incremental Obligated Entry Capacity (Licence Baseline Entry Capacity)** five years after this capacity is first released. Any incremental capacity that has been released pursuant to long term auctions held before 1<sup>st</sup> April 2013 will also

be treated as **Non-incremental Obligated Entry Capacity (Legacy TO Entry Capacity)** from dates defined in Table 8 of Special Condition 5F of the Licence.

### National Grid's Licence Obligations

11. New and existing [Shipper](#) Users of the NTS are able to request to purchase **NTS Entry Capacity** products defined in the UNC for any ASEP defined in the Licence. Such capacity requests will be considered against the provisions of National Grid's statutory and Licence obligations and in accordance with its published methodologies.
12. Overriding obligations applicable to this Statement are set out in the Gas Act and the Licence.
13. Specific obligations in respect of the release of **Entry Capacity** and relevant to this Statement are set out in Special Condition 9B of the Licence. Under this condition, National Grid must prepare a capacity release methodology statement (the "ECR") setting out the methodology by which National Grid will determine whether to make **Entry Capacity** available for sale. The current ECR can be found on National Grid's website.
14. Specific obligations in respect of the substitution of ~~entry capacity~~ **Entry Capacity** and applicable to this Statement are set out in Special Condition 9A of the Licence and are:
  - a. 5(a) ensuring that .....Entry Capacity Substitution....is effected in a manner consistent with National Grid's duties under the Act and, in particular, the duty to develop and maintain an efficient and economical pipeline system and its obligations under the Licence
  - b. 5(b) (i) in so far as is consistent with 5(a), to ensure that Entry Capacity Substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with **Funded Incremental Obligated Entry Capacity**, taking into account the **Entry Capacity** that Shippers have indicated that they will require in the future through making a financial commitment to National Grid.
15. Special Condition 9A also sets out the capacity objectives that the methodologies should seek to meet. In addition to the criteria in paragraph 14 these objectives are:
  - o 5(c) in so far as is consistent with 5(a) to ensure that Entry Capacity Substitution, is effected in a manner which is compatible with the physical capability of the NTS;
  - o 5(d) in so far as is consistent with 5(a) to avoid material increases in costs including:
    - Entry Capacity and Exit Capacity Constraint Management costs in respect of **Obligated Entry Capacity** previously allocated by the Licensee to Relevant Shippers;
    - that are reasonably expected to be incurred by the Licensee as a result of Entry Capacity Substitution;
  - o 5(e) in so far as is consistent with 5(a) to facilitate effective competition between relevant Shippers.
16. This Statement has been produced to meet the requirements of Special Condition 9A of the Licence in respect of the preparation of Capacity Methodology Statements setting out the methodologies by which National Grid will determine its proposals for the substitution of **Non-incremental Obligated Entry Capacity** pursuant to the obligation in paragraph 2(a) of the above stated condition. National Grid believes the content is

consistent with its duties under the Gas Act and is consistent with the Licence. National Grid will, through entry capacity substitution:

- Make additional **Obligated Entry Capacity** available at the recipient ASEP; and
- Reduce the quantity of **Obligated Entry Capacity** available at the donor ASEP in quantities determined in accordance with this Statement. The obligation to provide **Entry Capacity** at the donor ASEP is reduced by the quantity determined, and such substituted capacity will not be available for sale in future auctions at the donor ASEP. This will be achieved by moving unsold **Non-incremental Entry Capacity** from one or more ASEPs to meet the demand for **Incremental Obligated Entry Capacity** at another ASEP in order to minimise the need for **Funded Incremental Obligated Entry Capacity**. The methodology encompasses this obligation and National Grid's wider obligations to develop and maintain an efficient and economic system.

## CHAPTER 1: PRINCIPLES

### Purpose of the Methodology Statement

17. The methodology detailed in this Statement is intended to promote the economic and efficient development of the NTS. For the purposes of this methodology this objective is achieved by seeking to minimise the amount of investment that is required to satisfy incremental demand for **Entry Capacity**. Specifically, the methodology describes
- how capacity could be identified as suitable for substitution from locations where there is no long term demand for capacity (as defined by the availability of **Non-incremental Obligated Entry Capacity** that has not been sold, or reserved pursuant to a PARCA<sup>3</sup>, and by the absence of retainers<sup>4</sup>) to other locations where **Funded Incremental Obligated Entry Capacity** would otherwise be required to be released as a result of accepted bids for **Incremental NTS Entry Capacity** made in long term auctions or to satisfy request for capacity through a PARCA. Subject to the further provisions of this Statement, any available unsold **Non-incremental Obligated Entry Capacity** that is not allocated, or reserved, or subject to a retainer, will be deemed available for substitution.
18. The methodology described in this Statement seeks to ensure that the NTS is efficiently sized by avoiding or minimising investments by the development of proposals for consideration by the Authority to substitute **Non-incremental Obligated Entry Capacity** levels. This may occur under the following circumstances:
- where [Shipper](#) Users at an ASEP have requested additional **Firm NTS Entry Capacity**
  - where PARCA Applicants at an ASEP have requested additional **Firm NTS Entry Capacity** pursuant to a PARCA
- in accordance with UNC processes that in aggregate exceed the existing **Obligated Entry Capacity** level, National Grid will consider whether it would be efficient and economic to seek to release the additional **Entry Capacity** required at that ASEP by the substitution of unsold **Non-incremental Obligated Entry Capacity** from other ASEPs. This is described in Chapter 2;
19. Consistent with the Licence and UNC, **NTS Entry Capacity** is a commercial right that may be offered on a daily basis or in, monthly or quarterly multiples thereof; it does not reflect a commitment or obligation upon National Grid to undertake any investment on its network, including, but not limited to the provision of a physical connection to the NTS.

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<sup>3</sup> A PARCA, a Planning and Advanced Reservation of Capacity Agreement is a bilateral agreement which allows non-code parties (Reservation Parties) or Users (Reservation Users) to reserve Quarterly NTS Entry Capacity and / or Enduring Annual NTS Exit (Flat) Capacity ahead of its registration to the User or, as the case maybe, a Nominated User (nominated by the Reservation Party).

<sup>4</sup> Retainers provide Users with an alternative to buying capacity in order to prevent capacity from being substituted away from an ASEP and are defined in detail below, particularly in the section "Capacity Retainers".

## CHAPTER 2: METHODOLOGY

### Introduction

20. This section explains the step by step approach that National Grid will undertake in order to develop proposals for submission to, and approval by, the Authority to reduce the level of **Non-incremental Obligated Entry Capacity** at one or more ASEPs to facilitate an increase to the level of **Non-incremental Obligated Entry Capacity** elsewhere so as to avoid the need to release **Funded Incremental Obligated Entry Capacity** and hence to minimise the need for investment in the NTS.
21. Before application of the methodology set out in this Statement demand for **Incremental Obligated Entry Capacity** must satisfy the tests for release of **Incremental Obligated Entry Capacity** as set out in the ECR.
22. In applying the methodology for substitution set out in this Statement the following rules will be applied to determine the quantity of **Entry Capacity** that will be made available for substitution, the “Substitutable Capacity”. Subject to the following rules, Substitutable Capacity at an ASEP shall be equal to the unsold quantity of **Non-incremental Obligated Entry Capacity** (as defined in the Licence):
- a) Capacity that is not offered for release in the QSEC auctions, i.e. capacity that is held-back for MSEC auctions will not be available for substitution between ASEPs. Currently this is 10% of **Non-incremental Obligated Entry Capacity** at each ASEP. Hence the Substitutable Capacity at an ASEP will be equal to 90% **Non-incremental Obligated Entry Capacity** subject to the following adjustments.
  - b) Capacity currently reserved under a PARCA will not be Substitutable Capacity. Where a PARCA is terminated prior to the allocation of capacity, the ~~reserved capacity~~ **Reserved Entry Capacity** may become Substitutable Capacity if that capacity is **Non-incremental Obligated Entry Capacity**.<sup>5</sup>

Where the ~~reserved capacity~~ **Reserved Entry Capacity** is from a different ASEP to where the PARCA has indicated the need for additional capacity (i.e. reserved pending substitution), the ~~reserved capacity~~ **Reserved Entry Capacity** will revert to Substitutable Capacity at the donor ASEP if it is no longer required to satisfy a PARCA.
  - c) Capacity that has previously been substituted from an ASEP (i.e. from a donor ASEP) will not be available as Substitutable Capacity in respect of the donor ASEP.
  - d) Except where the further provisions of this paragraph 22 apply, capacity that has previously been substituted to an ASEP will be Substitutable Capacity from the date where future quantities of that capacity are unsold, are not reserved, and are not retained, at that recipient ASEP.
  - e) Subject to the further provisions of this paragraph, any **Funded Incremental Obligated Entry Capacity** released as a result of QSEC auctions held from 1 April 2013 onwards will not be Substitutable Capacity until after a period of five years has elapsed from the initial release date (when it is re-classified as **Licence**

<sup>5</sup> This previously reserved capacity will also be available for reservation pursuant to another PARCA (if any) and/or allocation to Users through other auction mechanisms.

**Baseline Entry Capacity** for the purposes of capacity release obligations). Where **Incremental Obligated Entry Capacity** release is profiled, this will apply to each tranche of capacity. The 10% held back for shorter term auctions applies to this type of capacity from the date of re-classification.

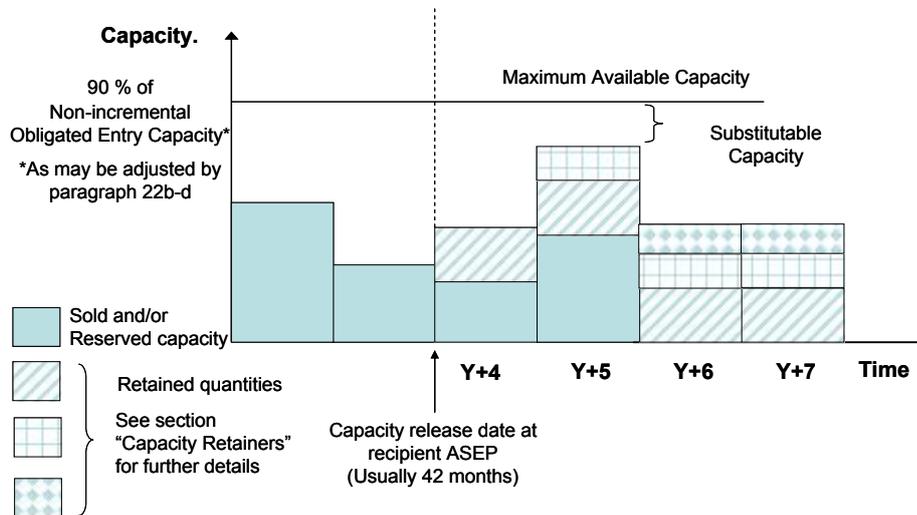
- f) Subject to the further provisions of this paragraph, any **Incremental Obligated Entry Capacity** released as a result of QSEC auctions held prior to 1 April 2013 (i.e. **Legacy Incremental Entry Capacity**) will not be Substitutable Capacity until the date specified in the Licence (when it is re-classified as **Legacy TO Entry Capacity** for the purposes of capacity release obligations). Where **Incremental Obligated Entry Capacity** release was profiled, this will apply to each tranche of capacity. The 10% held back for shorter term auctions applies to this type of capacity from the date of re-classification.
- g) Capacity allocated in previous QSEC auctions will not be Substitutable Capacity. Capacity allocated in previous QSEC auctions, or reserved pursuant to a PARCA, will be assumed to have been allocated or reserved in the sequence **Licence Baseline Entry Capacity** first, followed by **Incremental Entry Capacity**. This means that capacity available for substitution at ASEPs where incremental capacity signals have previously been seen is likely to be limited (for at least the first five years from the initial release date).
- h) Any ~~capacity~~ **Non-incremental Obligated Entry Capacity** that is unsold after 1<sup>st</sup> October Y+4<sup>6</sup> is Substitutable Capacity either via a QSEC Auction or via a PARCA<sup>7</sup>. For clarity unsold capacity does not include ~~reserved capacity~~ **Reserved Entry Capacity** and the Y is the year where either Capacity has been bid for or capacity has been first reserved via a PARCA.
- i) Sub-paragraph a) limits Substitutable Capacity to 90% of the **Non-incremental Obligated Entry Capacity** quantity (10% being held back for MSEC auctions) plus or minus any quantities identified in sub-paragraphs b), to g) and minus any capacity sold. This Statement incorporates a mechanism that allows [Shipper Users](#) to take out a “retainer” that would reduce the quantity of Substitutable Capacity by placing an additional restriction on the availability of capacity for substitution. Further details are given in the Capacity Retainers section below.
- j) For each ASEP the quantity of Substitutable Capacity will be the lowest value, determined in accordance with this paragraph, for any quarter following the default lead time<sup>6a</sup> for the release of **Incremental Entry Capacity**. Irrespective of the date of release of **Incremental Entry Capacity** (which may be later than the default period) capacity will not be substituted from an ASEP in quantities greater than the Substitutable Capacity. This is illustrated in Diagram 1 below.

<sup>6</sup> [References in this document to years “Y+4” etc relate to capacity years, i.e. year Y is the year of the relevant auction bid or the year of reservation via a PARCA. E.g. for a March QSEC in year Y \(2015\) capacity release would be October 2018 to September 2019 \(Y+4\).](#)

<sup>7</sup> [Subject to the implementation of UNC Modification 501, 501A, 501B or 501C, if implemented, from the end of the March 2015 QSEC allocation process until 31<sup>st</sup> October 2015, unsold \*\*Non-incremental Obligated Entry Capacity\*\* at the existing Bacton ASEP will not be considered as Substitutable Capacity.](#)

<sup>6a</sup> In the event that incremental capacity is released in advance of the default lead time, it will be necessary, to determine the Substitutable Capacity, to consider relevant earlier quarters.

**Diagram 1: Substitutable Capacity at Donor ASEP**



23. Following each QSEC auction, ~~and/or~~ following a PARCA being agreed, demand for **Incremental Obligated Entry Capacity** will be identified. If **Incremental Obligated Entry Capacity** is not released then no further action need be taken by National Grid.
24. If, in accordance with the ECR, National Grid considers that it is appropriate to release **Incremental Obligated Entry Capacity** then the methodology in this Statement shall be applied to see whether the quantity of **Incremental Obligated Entry Capacity** required to be released can be reduced through Entry Capacity Substitution.
25. In respect of any QSEC auction, capacity will only be considered available for substitution after all qualifying bids for existing capacity have been satisfied, i.e. capacity will be allocated at the ASEP where bids are placed before being substituted to another ASEP.
26. In respect of any PARCA, capacity will only be considered available for reservation pending substitution after all bids for existing unsold capacity placed via the (Ad-hoc) QSEC Auction have been satisfied, i.e. capacity will be allocated at the ASEP where bids are placed before being reserved pending substitution to, another ASEP. Notwithstanding paragraph 22.b), once capacity has been substituted or reserved pending substitution it will not be available to satisfy bids for capacity at that ASEP in future QSEC auctions.<sup>9</sup>
27. Capacity will only be available to be substituted from an ASEP in the quantity determined in accordance with paragraph 22.
28. Where Entry Capacity Substitution is applied the **Non-incremental Obligated Entry Capacity** at the donor ASEP shall be reduced by the quantity, determined in accordance with this Statement, from the date when **Incremental Obligated Entry**

<sup>9</sup> [UNC TPD Section B1.16.4 includes provisions that provide an option for the initialisation of the Phase 1 PARCA works to be delayed by National Grid until the outcomes / impacts of the annual application process are known. This allows any interactions of the PARCA and Application processes to be assessed and considered on a case by case basis.](#)

**Capacity** is available for use at the recipient ASEP. In the period prior to this date the capacity will be available to Shipper Users at the donor ASEP.

### Capacity Retainers

29. Shipper Users will be able to exclude capacity at potential donor ASEPs from being treated as Substitutable Capacity without having to buy and be allocated the capacity and without having to enter into a PARCA. To do this they will be able to take out a “retainer”.
30. For the purpose of determining whether a refund of Retention Charges is due each retainer is “tagged” to a specific year. The default year is  $Y+4$ <sup>7</sup>, 4, i.e. for a retainer taken out in January 2015 the tagged year is Oct 2018 to Sept 2019. Alternatively a Shipper User may tag their retainer to year Y+5 or Y+6. For a refund to be made capacity must be allocated for the tagged year in accordance with rules defined in the section “Capacity Retention Charge Refunds” of this Statement.
31. If more than one retainer is taken out at an ASEP, within the same retainer window, then they shall be aggregated from the tagged year for the purposes of determining the Substitutable Capacity, i.e. retainers tagged to year Y+5 shall not be aggregated to Y+4 and retainers tagged to Y+6 shall not be aggregated to Y+4 and Y+5. This is illustrated in Diagram 1.
32. The retainer will be valid for one year commencing 1<sup>st</sup> of March of that year, covering all QSEC auctions and all PARCAs<sup>8,10</sup> held in this period. National Grid will exclude the relevant quantity from the substitution process, but the retainer will not:
- create any rights to the Shipper User to be allocated or to use the capacity. The Shipper User must bid for, and be allocated, capacity in accordance with UNC to obtain any rights over capacity;
  - prevent Shipper Users (including the Shipper User taking out the retainer) from buying that capacity at the ASEP in question in the period covered by the retainer.
33. For the avoidance of doubt, a retainer will prevent capacity
- a) from being substituted away from an ASEP for any quarter, for which capacity may be released, in any QSEC auction held; and
  - b) From being reserved pending substitution from an ASEP for any quarter, for which capacity may be reserved, pursuant to any PARCA where the relevant substitution analysis work is undertaken;
- in the year for which the retainer is valid.
34. Retainers will only be available to Shipper Users, i.e. parties who have acceded to the Network Code produced in accordance with Standard Special Condition A11(3) of the Licence.

<sup>7</sup>References in this document to years “Y+4” etc relate to capacity years, i.e. year Y is the year of the auction or retainer window. E.g. for a January retainer window and March QSEC in year Y (2015) a default retainer would apply to October 2018 to September 2019 (Y+4).

<sup>8,10</sup> The relevant aspect of a PARCA, is the identification, under the Phase 1 PARCA Works, of the possibility (or not) of capacity substitution satisfying the incremental demand, i.e. this activity must fall inside the relevant year for the retainer to have an impact. The date of signature of the PARCA is not relevant.

### Capacity Retainer Windows

35. Prior to the annual QSEC auction National Grid will open a retainer window allowing Shipper Users to identify the quantity of capacity that they wish to exclude from substitution for specific ASEPs.
36. The retainer window will be open for retainer requests to be submitted on two discrete business days from 8am to 5pm. There will be one business day between the two retainer bid days.
37. The retainer window shall open in the month two months before the month in which the annual QSEC auction is to be held.
38. No less than 28 days before the first day of the retainer window National Grid shall issue an invitation to Shipper Users to partake in the retainer window. This invitation shall specify, for each ASEP, the maximum available retainer quantity, being the maximum quantity for which retainers may be granted for each of years Y+4, Y+5 and Y+6, i.e. the quantity determined under paragraph 22.
39. Retainers shall be requested via fax using a proforma provided by National Grid.
40. Retainer requests shall be considered as received. Requests cannot be removed or amended except where National Grid identifies a blatant error and such removal or amendment is agreed with the Shipper User before 5pm on the day the request is submitted. National Grid shall use reasonable endeavours to provide confirmation of receipt of a retainer request by no later than one hour after the relevant retainer window ~~closing~~[closes](#) and, where practicable, by no later than one hour before the relevant retainer window closes.
41. On the first day of the retainer window Shipper Users shall be able to take out retainers which, in aggregate, when added to the sold capacity shall not exceed the Maximum Available Capacity (see Diagram 1). Where Shipper Users request retainers for a greater quantity such requests shall be reduced (in the case of a single Shipper User request) or pro-rated (in the case of multiple Shipper User requests) in proportion to the quantities requested.
42. Retainer requests made on the second day of the retainer window shall be allocated up to a maximum quantity as determined in paragraph 41 minus the retainers granted on the first day.
43. Where reduction or pro-rating of retainer requests is required this will be carried out in the sequence Y+4 retainers, then Y+5 and finally Y+6.
44. Retainers shall be rejected where they have no effect on the Substitutable Capacity; e.g. where Y+4 retainers plus previously sold capacity are equal to the Maximum Available Capacity the Substitutable Capacity will be zero. Hence any Y+5 and Y+6 retainers will have no effect and shall be rejected.

### Provision of Retained Capacity Information

45. By 8pm on the day of each retainer window National Grid shall publish on its website, for each ASEP where one or more retainers has been granted, the aggregate quantity covered by those retainers and the adjusted maximum retainer quantity.

46. By 8pm on the day of each retainer window National Grid shall notify individual Shipper Users granted retainers of the relevant ASEPs and quantities.

### Capacity Retention Charges

47. The retainer will be subject to a one-off charge calculated in accordance with the Gas Transmission Transportation Charging Statement and will be payable via an ad-hoc invoice raised within 2 months of the QSEC auction allocations being confirmed; i.e. in July for a March auction. If a Shipper User wishes to protect capacity for more than one year then a further retainer must be obtained each year and a charge will be payable each year for which a further retainer is taken out.

### Capacity Retention Charge Refunds

48. The retainer is intended to ensure that capacity remains at an ASEP for Shipper Users to obtain at a later date. In the event that the capacity is not obtained later the retention of capacity may have resulted in unnecessary investment as a result of lost substitution opportunities. Conversely, if capacity is booked at the ASEP where the retainer was taken out, the retainer will have represented genuine future requirements so it is appropriate that the retention charge is refunded in this case.
49. As the retainer ensures that capacity remains at an ASEP for any Shipper User to obtain; the retainer does not create any rights over the capacity; the Shipper User granted the retainer shall receive a refund (other than in the circumstances defined in paragraph 53) regardless of which Shipper User is subsequently allocated the retained capacity.
50. Except as defined in paragraph 52 below, for the purposes of triggering refunds the retainer will apply for a default period of 12 months commencing 42 months after the QSEC auction that follows the retainer window in which the retainer is granted. 42 months was the default lead-time for the release of **Incremental Obligated Entry Capacity** and hence was, and remains, the earliest time from which substitution can take place. Hence for a refund to apply in respect of a retainer taken out in January 2015 capacity must, subject to paragraphs 52 and 53, be allocated at the relevant ASEP for at least one month or quarter in the period Oct 2018 to Sept 2019.
51. Where any capacity covered by a retainer with the default Y+4 tag, is allocated to any Shipper User in a QSEC or AMSEC auction, or allocated pursuant to a PARCA, a refund of the retention fee will be made. For example, for a retainer taken out in January 2015 would result in a refund where an allocation at the relevant ASEP is made pursuant to QSEC in 2015<sup>911</sup>, 2016 and 2017, and AMSEC in 2018 and 2019.
52. Where, in accordance with paragraph 30, a retainer is tagged to Y+5 or Y+6, for the purposes of triggering refunds the retainer will apply for a period of 12 months commencing 54 or 66 months (see Diagram 1), respectively, after the QSEC auction that follows the retainer window in which the retainer is granted. Hence for a refund to apply in respect of a Y+6 “tagged” retainer taken out in January 2015 capacity must be allocated at the relevant ASEP for at least one quarter in year Y+6 i.e. in the period Oct 2020 to Sept 2021.
53. Where any capacity covered by a retainer, as defined in paragraph 52 above, is allocated, a refund will only be made if the retained capacity is allocated:
- (a) In the year the retainer is taken out; to any other Shipper User;

<sup>911</sup> A refund following the QSEC in the year in which a retainer is taken out will be effected by not raising an invoice for the retainer, or by issuing simultaneous invoice and refund.

- (b). In the year following that defined in (a); to the relevant Shipper User; or
- (c). In the case of a retainer with a Y+6 tag, in the year following that defined in (b); to the relevant Shipper User.

Hence for a Y+6 tagged retainer taken out in January 2015 a refund can only be triggered by:

- (a). an allocation at the relevant ASEP made pursuant to QSEC in 2015 (to any other Shipper User), or 2016 and 2017 (to the relevant Shipper) User; or
- (b). a PARCA in respect of the relevant ASEP for which capacity allocation takes place in the period (where the PARCA is agreed with any other Shipper User or Reservation Party) March 2015 to February 2016, or (where the PARCA is agreed with the relevant Shipper User) at any.

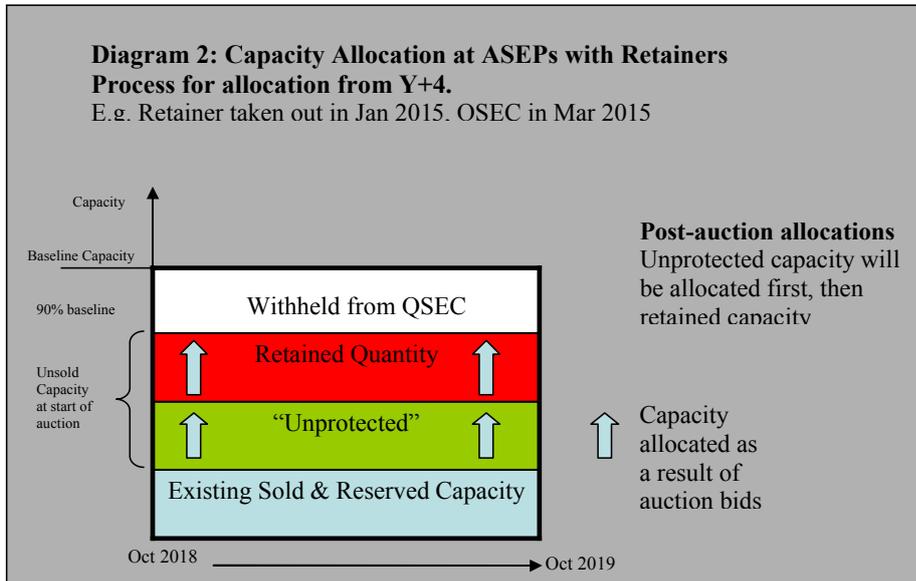
54. The refund will be calculated annually after the March QSEC allocations (taking account, as appropriate, of February AMSEC allocations) from the difference in the peak allocated quantity for any month or quarter, in the relevant year (see paragraphs 50 and 52) minus the peak allocated quantity for any month or quarter, in the same year, before the retainer is taken out and then comparing this quantity to the retained quantity, if any. Where a full or partial refund is triggered this shall be paid in July following the relevant auction.

55. If only part of the capacity covered by the retainer is allocated the refund will be reduced in proportion to the amount allocated.

56. Where more than one Shipper User has been granted a retainer at an ASEP for the same period and some of the retained capacity is allocated, each Shipper User's refund shall be based on the proportion of their retained capacity at the relevant ASEP that has been allocated.

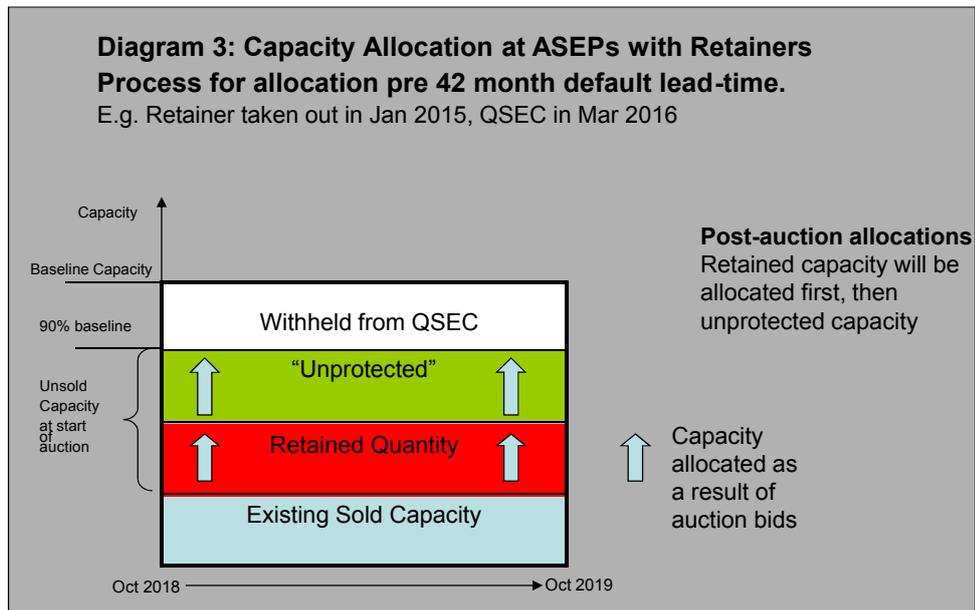
### Capacity Allocations

57. To maximise the potential that capacity covered by a retainer is kept at an ASEP for allocation in future auctions, in the QSEC auction in the year in which the retainer is granted any unsold capacity that is allocated in respect of any quarter from and including Y+4 will be allocated in the sequence; unprotected capacity first, followed by retained capacity. This is illustrated in Diagram 2, below.



58. Except where paragraph 57 applies, in all QSEC and AMSEC auctions capacity will be allocated so as to maximise the potential for the refund of retention fees. This recognises that the capacity protected by the retainer was genuinely required even though it was not sold at the time the retainer was requested. In these auctions any unsold capacity that is allocated in respect of any quarter before year Y+4 will be allocated in the sequence; retained capacity first, followed by unprotected capacity. In respect of AMSEC auctions, the 10% withheld from QSEC shall be treated as unprotected. This is illustrated in Diagram 3, below.

59. Where, at any ASEP, retained capacity is allocated, any allocations made in respect of a Shipper User with a retainer at that ASEP will be made against the capacity retained by the same Shipper User as defined by Shipper short codes on Gemini). Hence retainer charge refunds will be targeted towards Shipper Users allocated capacity before those not allocated capacity.



**Application of Zones**

60. Where ASEPs utilise common sections of NTS infrastructure and consequently are deemed to be 'interactive' in terms of utilising network capability National Grid will group the ASEPs into zones. Zones shall be used for the identification of potential donor ASEPs due to their interactivity with the recipient ASEP. For all other aspects of this methodology the use of zones is not a mandatory requirement.

61. The zones and the ASEPs that are included in each are provided as Appendix 1 to this Statement. Prior to each retainer window National Grid will publish any revisions to the zones.

**Recipient ASEP Order**

62. Where the QSEC auction and/or any PARCAS results in National Grid identifying the need to release **Incremental Obligated Entry Capacity** at more than one ASEP, analysis of substitution opportunities will be undertaken according to a ranking of recipient ASEPs by their Revenue Driver (RD)<sup>4012</sup> for the first tranche of **Incremental Obligated Entry Capacity** identified (see Special Condition 5F<sup>4413</sup>). Ranking will start with ASEPs with no RD, followed by the ASEP with the highest RD, then the next highest, and so on, finishing with the ASEP with the lowest RD.

63. The substitution analysis will be assessed in accordance with the physical capability of the recipient ASEP local infrastructure. For example, where physical limits exist on the maximum flows that may be achieved from an entry point, no substitution that could

<sup>4012</sup> The adjustment to Totex allowances that results from triggering the incremental capacity uncertainty mechanism is more commonly known as the "Revenue Driver".

<sup>4413</sup> In the absence of a Generic Revenue Drive Methodology, Revenue Drivers will be determined in accordance with Part D of Special Condition 5G. Where a Generic Revenue Driver Methodology has been approved and applied, the values in Table 6 of Part E shall be used.

take flows above this physical maximum will be allowed. This would also include the provision of a connecting pipeline from a new system entry point to the existing NTS.

### Donor ASEP Order

64. All within zone donor ASEPs will be considered before out of zone donor ASEPs.
65. Substitutions from individual donor ASEPs will commence by reducing the capacity at the most favourable ASEP that has Substitutable Capacity and is in the same zone as the recipient ASEP. The most favourable ASEP will be the ASEP providing the lowest exchange rate and is selected in preference to other ASEPs as this will result in the most efficient outcome, i.e. the least aggregate loss of capacity. In the event of two or more donor ASEPs providing equal exchange rates then the donor ASEP will be selected on the basis of nearest ASEP determined according to pipeline distance from the recipient ASEP.
66. Where there is insufficient capacity at the first donor ASEP to fully satisfy the **Incremental Obligated Entry Capacity** required at the recipient ASEP the quantity of capacity that can be substituted will be substituted and further within zone ASEPs will be considered in order of most favourable to least favourable exchange rate.
67. Where there is insufficient capacity at all within zone ASEPs to fully satisfy the **Incremental Obligated Entry Capacity** required at the recipient ASEP potential out of zone donor ASEPs will be considered individually on the basis of the most favourable ASEP that has spare capacity. The most favourable ASEP, for out of zone ASEPs, will be the nearest ASEP determined according to pipeline distance.
68. The exchange rate for each donor ASEP, recipient ASEP pairing shall be determined. Where this exceeds 3:1 the substitution shall not be permitted. Substitution at 3:1 and below will be made.

### Network Analysis for Capacity Substitution

69. Potential capacity substitutions shall be validated through network analysis. The objective shall be to avoid incremental increase in risk<sup>14</sup>. Hence National Grid will not propose capacity substitution where this results, under planning scenarios, in the capability of the NTS being reduced below that required.
70. The capacity substitution objective is to minimise investment that would otherwise be required to satisfy demand for **Incremental Obligated Entry Capacity**. Substitution opportunities shall be assessed against criteria defined within the Transmission Planning Code which is the basis for National Grid's [investment network development](#) decisions. This shall include existing commitments, including capacities and pressures, on the network. Substitutions shall not be accepted if this puts at risk National Grid's ability to deliver its existing commitments (including capacity reservations pursuant to a PARCA). These commitments will be taken from regulatory and commercial agreements and statutory instruments and are additional to the conditions set out in the National Grid annual planning procedures.
71. The supply and demand scenarios used for the analysis will be consistent with the Transmission Planning Code.

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<sup>14</sup> [Substitution may affect system capability. National Grid will assess whether a potential substitution would result in an increased risk of a constraint on the network.](#)

72. The analysis shall primarily be undertaken at the peak 1 in 20 demand level supplemented by analysis for different demand conditions derived from the average load duration curve and be undertaken for a number of gas years starting with the proposed gas year for release of the **Incremental Obligated Entry Capacity**.

### Substitution Analysis (see Appendix 2)

73. Where an incremental signal has been received analysis is undertaken to determine what capacity exchange would be required to satisfy the incremental capacity request without the need for investment. Capacity substitution will be determined by assessing the flow patterns that can be accommodated by the NTS; i.e. without increasing the risk of capacity constraint management actions being required.

74. Capacity substitution will firstly be considered within the relevant entry zone. If this cannot satisfy the increment at the recipient ASEP then substitutions outside the relevant entry zone will be considered.

- Substitution analysis will commence by increasing the flow (in the assessment scenario) at the recipient ASEP to the prevailing **Obligated Entry Capacity** quantity plus any previously reserved capacity.

75. Flow will be reduced at the least interactive ASEP(s) to the recipient ASEP to maintain a supply / demand balance.

76. Substitution analysis will continue by increasing the flow (in the assessment scenario) at the recipient ASEP by the level of the **Incremental Obligated Entry Capacity**.

77. The **Obligated Entry Capacity** will be reduced at the donor ASEP by the incremental quantity at the recipient ASEP. Where the Substitutable Capacity at the donor ASEP is less than the incremental capacity then further donor ASEPs will be used. These will be selected according to paragraphs 64 - 67. Where this impacts on flow, rebalancing will be undertaken at the least interactive ASEP(s) to the recipient ASEP.

78. The **Obligated Entry Capacity** at donor ASEPs will progressively be reduced until either:

- the **Incremental Obligated Entry Capacity** requirement request is satisfied; or
- all Substitutable Capacity (see paragraph 22) has been substituted; or
- further capacity cannot be substituted without exceeding an exchange rate of 3:1. In this case the process will move to the assessment of potential substitutions across zones.

79. After all within zone assessments have been completed, i.e. as defined by the above paragraph, any unsatisfied incremental requests will be considered with donor ASEPs from alternative zones. Donor ASEPs will be considered in order of pipeline distance from the recipient ASEP (nearest first).

80. At each stage of the process, e.g. when moving to an additional donor ASEP the individual donor ASEP to recipient ASEP exchange rate will be determined.

81. All substitutions shall be subject to a limit on the maximum permitted exchange rate of 3:1. This means that where analysis shows that more than 3 units of capacity are required from a donor ASEP to create 1 unit at the recipient ASEP then the substitution shall be rejected above this limit. However, to the extent that some capacity can be substituted at, or lower than, 3:1, substitution will be permitted for that quantity of capacity.

82. Notwithstanding paragraphs 81 above, and 83 below, when a donor ASEP exchange rate greater than 3:1 is encountered the process will cease with the previous donor ASEP; i.e. the last donor ASEP with an exchange rate no greater than 3:1.
83. To validate results, National Grid may, at its sole discretion, consider further donor ASEPs. As ASEPs are considered in order of interactivity with the recipient ASEP it is unlikely that any subsequent donor ASEPs will satisfy the exchange rate cap.
84. The obligations (and hence flows) for all potential capacity substitutions shall be verified by network analysis. Where such analysis is deemed to result in a “failed” network, the flow at the donor ASEP(s) (and hence the quantity of capacity substituted from the donor ASEP(s)) shall be adjusted until the network does not fail or there is no more capacity available to substitute. In this event the residual investment shall be identified.

### Partial Substitution

85. Where residual investment<sup>4215</sup> is identified and the associated cost of this investment does not, in National Grid’s sole estimation, adequately cover the costs of, or return on, such investment potential capacity substitutions will be adjusted. The most economic solution will be proposed taking into account minimum economic investment and substitution quantities.
86. The appropriate level and combinations of substitution and investment (considering all potential incremental capacity releases) will be confirmed by network analysis. This will be achieved by updating the network model for the revised, post-substitution, **Obligated Entry Capacity** (plus ~~reserved capacity~~ **Reserved Entry Capacity**) levels and residual investment. The final step in the substitution analysis shall then be reversed, by 2mcmd, (i.e. by increasing the **Obligated Entry Capacity** at the final donor ASEP and where this impacts on flow, rebalancing will be undertaken) and this shall be validated through network analysis.
- If the network fails, e.g. network pressures or plant operating conditions cannot be maintained then the proposed substitution is deemed to be appropriate.
  - If the network passes further 2 mcmd increments shall be added to the donor ASEP flow until the network fails and the cut-off point is identified.

### Analysis Output

87. On completion of the above analysis the following effects of the entry capacity bids and accepted entry capacity substitutions will be recorded and proposed to the Authority in the Entry Capacity notice. This notice, outlined in paragraph 88, will be submitted at the time of allocation of capacity to the requesting [Shipper](#) User. However, in respect of a PARCA, following the reservation of capacity pending substitution, [National Grid will inform the Authority and the industry of](#) that potential capacity substitution ~~will be notified to the Authority~~ at the time of reservation. This will be at the conclusion of the Phase 1 PARCA Works,<sup>43</sup> after network analysis has identified entry capacity substitution opportunities, but before (potentially several years before) capacity is allocated to the PARCA signatory at the recipient ASEP. The [formal](#) Entry Capacity

<sup>4215</sup> National Grid may consider alternatives to investment.

<sup>43</sup> ~~“Additional proposals may be made to the Authority in the event that circumstances change between the end of Phase 1 and allocation of capacity. Such circumstances may include Substitutable Capacity becoming available through a User reducing its registered Capacity.”~~

notice shall ~~also~~ be submitted at the time of allocation [in accordance with Licence Special Condition 5F](#).

88. Specifically National Grid shall submit an Entry Capacity notice setting out:

- the ASEPs where **Incremental Obligated Entry Capacity** is proposed to be released;
- the quantity of **Incremental Obligated Entry Capacity**; and the quantities proposed to be treated as;
  - **Funded Incremental Obligated Entry Capacity**, e.g. made available by investment; and
  - **Non-incremental Obligated Entry Capacity**, e.g. made available through substitution;
- the effective date for when the capacity is first made available for use;
- the ASEPs to which entry capacity substitution proposals relate;
- the proposed quantities by which National Grid is proposing the **Non-incremental Obligated Entry Capacity** shall be increased or decreased as a result of entry capacity substitution;.
- the effective date(s) where different to that above; and
- any additional information required in accordance with Licence Special Condition 5F(8).

[89. In the event that the application of the methodology detailed in this Statement results, in National Grid's opinion, in proposals to substitute \*\*Non-incremental Obligated Entry Capacity\*\* that may reasonably put National Grid in breach of its obligations with respect to EU Regulations \(in particular the obligation to offer bundled capacity at Interconnection Points as required by the Capacity Allocation Mechanisms\) National Grid will discuss with Ofgem whether it is appropriate for this element of its proposals to be vetoed by the Authority.](#)

~~90. 89-~~ The proposed adjustments to **Obligated Entry Capacity** as a result of entry capacity substitution will be implemented subject to the Authority not vetoing (or directing to modify) the proposal in accordance with Special Condition 5F(9) of the Licence. In the event that the proposal is vetoed or agreement is not reached on any modification National Grid will not revise the **Obligated Entry Capacity** and may not release **Incremental Obligated Entry Capacity**. This may result in applications for **Quarterly NTS Entry Capacity** being rejected, delayed or allocated in a reduced quantity.

## Appendix ~~1.1~~: Entry Capacity Zones

The current ASEPs that constitute each Entry Zone are provided below. There are seven zones.

Entry Zone	ASEP	Obligated Capacity GWh/day as at 01/10/ <del>17</del> 18	Potential Substitutable Capacity * GWh/day as at 01/10/ <del>17</del> 18
Easington Zone	Easington terminals (inc Rough)	1407	0
	Hornsea	233.1	4
	Garton / Aldborough	420	0
	Hatfield Moor (onshore)	<del>25.3</del> 0.3	<del>0.770</del> 0.27
	Hatfield Moor (storage)	25	0.5
Theddlethorpe Zone	Burton Agnes (Caythorpe)	90	0
	Theddlethorpe	610.7	<del>542.9</del> 537.53
South East Zone	Blyborough (Welton)	0	0
	Bacton terminals (inc. Interconnector)	1783.4	<del>740.8</del> 835.56
	Grain LNG	699.7	0
	Winkfield	0	0
	Tatsfield	0	0
	Albury	0	0
Northern Triangle	Palmers Wood	0	0
	Barrow terminals	340.0	0
	Teesside terminals	445.1	<del>249.4</del> 276.54
	St Fergus terminals	1670.7	<del>1050.6</del> 1279.38
	Glenmavis	99	89.1
North West Corridor	Canonbie	0	0
	Moffat	0	0
	Fleetwood	650	<del>650</del> 585
	Partington	215	193.5
	Burton Point	73.5	<del>66.2</del> 50.29
West UK Zone	Hole House Farm	296.6	0
	Cheshire	542.7	0
	Milford Haven	950	0
	Dynevor Arms	49	<del>44.100</del> 44.10
South West UK Zone	Barton Stacey (Humbly Grove)	172.6	<del>65.3</del> 65.34
	Avonmouth	179.3	161.4
	Wytch Farm	3.3	<del>2.970</del> 2.97
	Portland	0	0

\* Determined in accordance with paragraph 22 of this Statement. The values assume no retainers will be taken in January ~~2014~~2015 and no additional capacity sales in March ~~2014~~2015 QSEC. These values are for guidance only and Shippers should refer to the Retainer invitation letter.



## Appendix 3: PARCA Supporting Information

### PARCA Phases Overview:

<u>PARCA Phase</u>	<u>Activities</u>	<u>Approximate Timescales</u>	<u>Activities and Outputs</u>
<u>0</u>	<u>Pre-PARCA Signature discussions</u>		<p><u>Bi-lateral discussions between National Grid and a customer before a PARCA has been agreed.</u></p> <p><u>This is not technically a PARCA Phase however it has been included for completeness</u></p>
<u>1</u>	<p><u>PARCA Application Window &amp; ad-hoc QSEC Auction (if required)</u></p> <p><u>Network Capability Assessment &amp; Investment Options Identified</u></p>	<u>Up to 6 months</u>	<p><u>The PARCA Application Window would be opened and National Grid would undertake an Ad-hoc QSEC Auction if a PARCA Application requesting NTS Entry Capacity has been accepted.</u></p> <p><u>We would undertake network analysis to determine how the requested level of capacity could be provided to the PARCA Applicant / Applicants given our existing capacity obligations and forecast future supply and demand patterns.</u></p> <p><u>We would make best use of existing system capability and / or NTS Capacity substitution, before considering investing in increased system capability. If network investment is required, we would determine the different available investment options.</u></p> <p><u>The outputs of the PARCA Phase 1 process would be issued to the PARCA Applicant in order that they can confirm whether they wish to proceed to PARCA Phase 2.</u></p>
<u>2</u>	<u>Capacity Reserved &amp; Planning Submission Activities undertaken</u>	<u>Up to 60 months</u>	<p><u>Upon confirmation from the PARCA Applicant that they wish to proceed to PARCA Phase 2, the level of NTS Capacity identified in the PARCA Phase 1 outputs would be reserved at the appropriate NTS Exit and/or Entry Points for the PARCA Applicant.</u></p> <p><u>National Grid would undertake the appropriate works, if required, and will progress investment design works and an appropriate planning application. PARCA Phase 2 would apply up to receipt of planning approval.</u></p> <p><u>If no planning works are required to provide the NTS Capacity to the PARCA Applicant, it will be reserved until their respective capacity allocation date as identified in the PARCA Phase 1 outputs.</u></p>
<u>3</u>	<u>Capacity Allocation &amp; Construction Activities</u>	<u>Up to 24 months</u>	<p><u>Following the completion of PARCA Phase 2 activities and upon confirmation from the PARCA Applicant, the reserved NTS Capacity will be allocated and construction activities (if required) would begin.</u></p> <p><u>If a contractual or commercial solution can be agreed as an alternative to construction then it would also be finalised and agreed during PARCA Phase 3.</u></p> <p><u>Upon allocation of any reserved NTS Capacity, UNC User Commitment applies.</u></p>

### PARCA Scenarios:

National Grid has produced a set of slides which describe examples of interacting projects which were presented at Transmission Workgroup. Please select the following link to access these slides:

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=12195>

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Padding cell	

Statistics:	
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Moved to	0
Style change	0
Format changed	0
Total changes	248