

**Alternative Allocation Mechanism –
part of a project proposal and Section E of the European Interconnection Document**

1. GENERAL

1.1 Introduction

- 1.1.1 This is the alternative allocation mechanism which National Gas Transmission proposes, as part of a project proposal made under EID Section E4.1, shall apply in relation to the release of Interconnection Point Capacity at an Interconnection Point.
- 1.1.2 If this alternative allocation mechanism is approved by the Authority and any relevant national regulatory authority it shall:
- (a) apply in relation to the release by National Gas Transmission of the Interconnection Point Capacity to which the project proposal made under EID Section E4.1 relates; and
 - (b) be treated as incorporated into and forming part of the Code and binding pursuant to EID Section E5.1.2 in respect of the Interconnection Point Capacity, with the effect that the Code and in particular TPD B and Y and EID E shall, subject to paragraph 1.3, apply to the release of Interconnection Point Capacity under this alternative allocation mechanism.

1.2 Interpretation

- 1.2.1 For the purposes of this alternative allocation mechanism:
- (a) “**Code**” has the meaning given to it in the document known as the Uniform Network Code;
 - (b) “**IP PARCA**” means an agreement between National Gas Transmission and an IP PARCA Applicant under which the IP PARCA Applicant may reserve Transmission Entry Capacity or Transmission Exit (Flat) Capacity and be allocated Interconnection Point Capacity;
 - (c) “**IP PARCA Applicant**” means a person which submits a competent demand indication for Interconnection Point Capacity in accordance with EID Section E;
 - (d) “**IP Project**” means a project which relates to the release of incremental or additional capacity at an Interconnection Point, an interconnection point on the adjacent system at the Interconnection Point and/or another interconnection point to which the Amended CAM Code relates, as may be specified in the project proposal referred to in EID Section E4.1;
 - (e) “**Joint Notice**” means a joint notice published under EID Section E4.2.
- 1.2.2 Unless the context otherwise requires, “Interconnection Point” has the meaning given to it in the Code (and not the Amended CAM Code).
- 1.2.3 A reference to an economic test having a “positive outcome” shall, where it is being performed in respect of:

- (a) both sides of the Interconnection Point or any other interconnection point, mean a positive outcome of the economic tests on both sides;
 - (b) one side of the Interconnection Point or any other interconnection point, mean a positive outcome of the economic test on that side.
- 1.2.4 A reference to an economic test having a “negative outcome” shall, where it is being performed in respect of:
 - (a) both sides of the Interconnection Point or any other interconnection point, mean a negative outcome of the economic test on either side;
 - (b) one side of the Interconnection Point or any other interconnection point, mean a negative outcome of the economic test on that side.
- 1.2.5 Unless otherwise provided in this alternative allocation mechanism, words and expressions which are defined in, or for the purposes of the Code and in particular EID Section E, shall have the meanings given to them in, or for the purposes of the Code or EID Section E.

1.3 Inconsistency with provisions of TPD Section B and Section Y and EID Section E

- 1.3.1 If there is any inconsistency between the provisions of this alternative allocation mechanism and the provisions of the Code and in particular EID Section E, in relation to the release of Interconnection Point Capacity, the provisions of this alternative allocation mechanism shall prevail to the extent of such inconsistency.
- 1.3.2 For the purposes of this alternative allocation mechanism and any IP PARCA, any definition in TPD Sections B or Y relating to the process for the release of capacity, shall be deemed to be the equivalent definition from this document and/or any IP PARCA, unless the context otherwise requires.

2. ALLOCATION MECHANISM

2.1 Application for an IP PARCA

- 2.1.1 National Gas Transmission shall provide any IP PARCA Applicant which submitted a competent demand indication for Interconnection Point Capacity at an Interconnection Point which was accepted by National Gas Transmission in accordance with EID Section E and in respect of which a Joint Notice is published, with a form of IP PARCA in respect of that capacity.
- 2.1.2 There may be a single IP PARCA Applicant or multiple IP PARCA Applicants indicating demand at an Interconnection Point.
- 2.1.3 Any IP PARCA provided by National Gas Transmission under paragraph 2.1.1 shall contain terms and conditions upon which National Gas Transmission offers to release Interconnection Point Capacity to the IP PARCA Applicant at the Interconnection Point.

2.2 IP PARCA conditions precedent

- 2.2.1 Any IP PARCA shall include a condition precedent to the reservation of Interconnection Point Capacity for the IP PARCA Applicant under the IP PARCA that the performance of an economic test in respect of an Interconnection Point has a positive outcome.
- 2.2.2 If any IP PARCA Applicant states that its demand indication is subject to a condition such as is referred to in EID Section E2.1.4(e)(i), its IP PARCA shall, unless the IP PARCA Applicant has agreed otherwise with National Gas Transmission, include a condition precedent to the reservation of Interconnection Point Capacity to the IP PARCA Applicant that an economic test performed pursuant to the Amended CAM Code in respect of any other identified interconnection points has a positive outcome (a **“Multiple IP Condition”**).
- 2.2.3 If any IP PARCA which relates to an IP Project includes a Multiple IP Condition in accordance with paragraph 2.2.2, the IP PARCA’s of any other IP PARCA Applicants participating in the process for reservation of capacity at the Interconnection Point will include an equivalent Multiple IP Condition which shall apply to the reservation of Interconnection Point Capacity to that IP PARCA Applicant.
- 2.2.4 Any IP PARCA which includes a Multiple IP Condition will provide that if the Multiple IP Condition is not satisfied within [3] months (or such other period as may be stated in the Joint Notice) of the execution of the first IP PARCA executed which relates to the IP Project, the IP PARCA shall terminate.

2.3 Satisfaction of conditions precedent

- 2.3.1 If no IP PARCA which relates to an IP Project contains a Multiple IP Condition:
- (a) and the IP Project does not include the release of incremental capacity on the adjacent system at the Interconnection Point, or at any other interconnection point, the economic test shall be carried out by National Gas Transmission, or if the Authority elects, by the Authority no later than 5 Business Days after the date by which any IP PARCA Applicant is required to return its draft IP PARCA to National Gas Transmission under paragraph 2.5.2;
 - (b) but the IP Project does include the release of incremental capacity on the adjacent system at the Interconnection Point and/or incremental capacity at any other interconnection point, National Gas Transmission shall use reasonable endeavours to perform, or (if the Authority elects that it will perform) cause to be performed by the Authority, the economic test referred to in paragraph 2.2.1 simultaneously with the economic tests referred to in paragraph 2.3.3.
- 2.3.2 If, in the case of paragraph 2.3.1(a) or (b), the economic test in respect of the Interconnection Point shall:
- (a) have a positive outcome, the IP PARCA of any participating IP PARCA Applicant shall become unconditional in respect of an economic test and National Gas Transmission shall, subject to paragraph 2.4.1 and any other conditions precedent in the IP PARCA, reserve for the IP PARCA Applicant an amount of Interconnection Point Capacity equal to the Reserved Capacity;

- (b) have a negative outcome, the IP PARCA of any participating IP PARCA Applicant shall fail to satisfy the condition precedent in respect of an economic test and terminate.
- 2.3.3 If any IP PARCA which relates to an IP Project contains a Multiple IP Condition, National Gas Transmission shall use reasonable endeavours to perform, or (if the Authority elects that it will perform) cause to be performed by the Authority, the economic test referred to in paragraph 2.2.1 simultaneously with the economic tests referred to in paragraph 2.3.2.
- 2.3.4 If, in the case of paragraph 2.3.3, the economic test in respect of the Interconnection Point and the economic tests in respect of the interconnection points to which the Multiple IP Condition relates shall have:
 - (a) a positive outcome, the IP PARCA of any participating IP PARCA Applicant shall become unconditional in respect of economic tests and National Gas Transmission shall, subject to paragraph 2.4.1 and any other conditions precedent in the IP PARCA, reserve for the IP PARCA Applicant an amount of Interconnection Point Capacity equal to the Reserved Capacity;
 - (b) a negative outcome any IP PARCA of any participating IP PARCA Applicant shall fail to satisfy the conditions precedent in respect of economic tests and terminate.
- 2.3.5 Any IP PARCA Applicant which requested a Multiple IP Condition may waive the condition by notifying National Gas Transmission in writing at any time before an economic test in respect of the Interconnection Point is performed. If a Multiple IP Condition is so waived in respect of an Interconnection Point, any equivalent Multiple IP Condition in any another IP PARCA which relates to the IP Project shall be deemed to have been waived and National Gas Transmission will inform the IP PARCA Applicant which is a party to that IP PARCA that the condition has been waived.

2.4 Reduction of Reserved Capacity

- 2.4.1 The Reserved Capacity of any IP PARCA Applicant shall be reduced by 10% at the time at which it is allocated under its the IP PARCA.

2.5 Economic test methodology

- 2.5.1 The economic test shall be performed in accordance with the Capacity Release Methodology Statement and shall take into account the demand at the Interconnection Point reflected in each IP PARCA entered into in respect of the Interconnection Point.

2.6 Outcome of economic test

- 2.6.1 National Gas Transmission shall, within 2 Business Days of performing an economic test for the Interconnection Point, inform:
 - (a) each participating IP PARCA Applicant of:
 - (i) the outcome of the economic test in respect of the Interconnection Point;
 - (ii) any change in the Mandatory Minimum Premium from the amount in the Joint Notice,

(b) any other transmission system operator which operates a system to which any Multiple IP Condition relates of the outcome of the economic test in respect of the Interconnection Point.

2.6.2 Any IP PARCA Applicant which requested and has an IP PARCA with a Multiple IP Condition shall inform National Gas Transmission of the outcome of the economic tests the subject of its Multiple IP Condition within 2 Business Days of learning of the outcome.

2.7 Calculation of PARCA Termination Amount and TPD Y

2.7.1 TPD Y Paragraph 46(c) shall be amended for the purposes of calculating the PARCA Termination Amount in respect of any IP PARCA by deleting the words:

“Where no. of days = number of days between and including the date the PARCA is countersigned and the date the PARCA terminates.”

and replacing them with the words:

“Where no. of days = number of days between and including the date that Reserved Capacity is reserved under the IP PARCA and the date the PARCA terminates.”

2.8 Execution of IP PARCA

2.8.1 National Gas Transmission shall provide the IP PARCA Applicant, or IP PARCA Applicants (as applicable) with a form of IP PARCA, in accordance with paragraph 2.1.1, no later than 3 Business Days after a Joint Notice is published in respect of that Interconnection Point Capacity.

2.8.2 If a IP PARCA Applicant wishes to proceed with the release to it of Interconnection Point Capacity it shall within:

(a) a period beginning on the date on which it receives a form of IP PARCA from National Gas Transmission and ending 25 Business Days later, or

(b) such other period as may be specified in the Joint Notice shall apply for the purposes of the IP PARCA Applicant returning the form of IP PARCA having taken into consideration any Adjacent TSO’s allocation process, or any other capacity allocation process of National Gas Transmission,

do the following:

(i) return the draft IP PARCA to National Gas Transmission in duplicate and in a form acceptable to National Gas Transmission, duly executed by the IP PARCA Applicant; and

(ii) provide National Gas Transmission with any security/collateral in accordance with the IP PARCA which the Joint Notice states the IP PARCA Applicant is required to provide.

2.8.3 National Gas Transmission shall, within 3 Business Days of receiving an IP PARCA under paragraph 2.1.3 (i), execute, date and return one part of the IP PARCA to the IP PARCA Applicant, with the effect that both parties shall be bound by it.

2.9 Interconnection Point Capacity held as Bundled

- 2.9.1 National Gas Transmission will record an IP PARCA Applicant's Available Interconnection Point Capacity as Bundled for the purposes of EID Section B6.1.1(a)(ii) when it is allocated to the IP PARCA Applicant if an equal amount of capacity is allocated to the IP PARCA Applicant on the adjacent system at the Interconnection Point as part of the same IP Project, unless and until such record is revised under EID Section B6.3.2.

3. PUBLISHING OF INFORMATION

3.1 Publishing of information

- 3.1.1 National Gas Transmission shall, within 10 Business Days of the reservation of Interconnection Point Capacity pursuant to an IP PARCA, publish:

- (a) where substitution is proposed, the quantity of any Unsold Enduring Annual Transmission Exit (Flat) Capacity and/or Quarterly Transmission Entry Capacity that has been taken from any donor Transmission Exit Point and/or Transmission Entry Point and the periods of substitution;
- (b) the quantity of any Unsold Enduring Annual Transmission Exit (Flat) Capacity and/or Quarterly Transmission Entry Capacity reserved for IP PARCA Applicants at the Interconnection Point and the periods of reservation;
- (c) the total quantity of Interconnection Point Capacity reserved for IP PARCA Applicants at the Interconnection Point,

and National Gas Transmission shall publish updates to any of the above information from time to time as applicable.

- 3.1.2 National Gas Transmission shall, as soon as reasonably practicable and respecting commercial confidentiality, publish details of the progress made against the phases of each IP PARCA. This will include in each case updates on the submission of application for a development consent order (if required), receipt of a development consent order (if required), and calculation of any required revenue drivers.

- 3.1.3 If an IP PARCA is terminated after capacity is reserved under it and before that capacity is allocated, National Gas Transmission shall, within 10 Business Days of the termination, publish the quantity and location of any Enduring Annual Transmission Exit (Flat) Capacity and/or Transmission Entry Capacity that is no longer reserved under that IP PARCA and is therefore being made to Users by means of the other mechanisms set out in paragraph 2 or 3.

- 3.1.4 National Gas Transmission shall, not more than 24 hours after the time at which National Gas Transmission notifies the IP PARCA Applicant or Nominated User(s) of its allocation of Interconnection Point Capacity under the IP PARCA and the Code, notify all Users of the following in respect of each [Year]:

- (a) the price [(in pence/kWh)] payable for Interconnection Point Capacity at the Interconnection Point;
- (b) the amount of Interconnection Point Capacity allocated at the Interconnection Point;
- (c) the amount in (b) above which is incremental capacity; and
- (d) the amount of Unsold Transmission Entry Capacity (if any) at the relevant Interconnection Point following allocation under the IP PARCA(s).

