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Update on our proposal under Part C of Special Condition 3.13 of the gas transporter licence held by National Gas Transmission plc to specify the outputs, delivery dates and allowances required to allow National Gas Transmission to release Incremental Obligated Entry Capacity, through the Western Gas Network Project.

1. National Gas Transmission plc is the holder of a gas transporter licence granted or treated as granted under section 7 of the Gas Act 1986.
2. Special Condition 3.13 (Funded incremental obligated capacity Re-opener and Price Control Deliverable (FIOC_t and FIOCRE_t)) of that licence provides a mechanism, by which National Gas Transmission may apply for an adjustment to its allowed expenditure, required to release Incremental Obligated Entry or Exit Capacity specifying the outputs, delivery dates and associated allowances for the Price Control Deliverable.
3. On 25 May 2023, National Gas Transmission submitted a FIOC Project Direction application under Special Condition 3.13.8, which complied with the FIOC Guidance and Submissions Document.¹

¹ [FIOC Guidance and Submissions Requirements Document](#)

4. On 26 June 2023 we consulted on a draft direction pursuant to Parts C and F of Special Condition 3.13.² Our minded-to position proposed amendments to Appendix 2 of Special Condition 3.13 specifying the outputs, delivery dates and associated allowances necessary to allow National Gas Transmission to release Incremental Obligated Entry Capacity through the Western Gas Network Project. Three responses were received in relation to this consultation.
5. National Gas Transmission formally informed us by letter on 17 October 2023 that the Reservation Party requesting Incremental Obligated Entry Capacity can no longer meet agreed programme milestones, including the capacity allocation by the agreed Capacity Allocation Date. Consequently, National Gas Transmission can no longer meet the capacity release (Registration Date) of 1 January 2026. A revised Planning and Advanced Reservation of Capacity Agreement (PARCA) with revised milestones has now been agreed with the Reservation Party with a new capacity release date of 1 January 2027³.
6. National Gas Transmission now has sole discretion to terminate the PARCA if mutually agreed dates such as the Capacity Allocation Date are not met by the Reservation Party. Both parties have also implemented an Advanced Activities Agreement to securitise spend between PARCA assignment and capacity allocation to ensure the detriment to consumers is minimised in case of a PARCA termination.
7. National Gas Transmission's current assessment is that the Cost Benefit Analysis supporting the Western Gas Network Project needs case is not sensitive to either the time delay or additional costs incurred as a result. In addition, the preferred strategic option, as presented in our proposed direction will remain the most economic and efficient response to the PARCA.
8. National Gas Transmission has outlined its approach to existing and future contracts with third parties involved in delivering the Western Gas Network Project. It will complete several ongoing contracts:

² [Western Gas Network – Funded incremental obligated capacity Reopener \(FIOC\) Project Direction | Ofgem](#)

³ [PARCA Notice Update: Milford Haven Aggregated System Entry Point \(ASEP\)](#)

- Long lead item materials securitised by a Long Lead Item Purchase Agreement with the Reservation Party. The agreement affords security in excess of actual material order values and any storage costs expected as a result of the delay.
 - Archaeological trial trenching and strip map and sample investigations.
 - Upgrading detailed design.
 - Site Investigation to inform pipeline detailed design works now materially complete.
 - Various other technical, legal, land, environmental, consents and communications contracts.
9. National Gas Transmission will only procure new contracts on the basis of the Advanced Activities Agreement with the Reservation Party that provides separate security for activity in advance of capacity allocation.

Our View

10. As the Reservation Party was unable to meet agreed programme milestones including the capacity allocation by the Capacity Allocation Date, we are unable to issue any direction amending Appendix 2 of Special Condition 3.13 to facilitate the Western Gas Network Project.
11. We are therefore 'pausing' our consideration of consultation representations and our decision to issue a direction. When we are advised that the Reservation Party has been able to provide the necessary commitment to capacity allocation, we will then be able to issue a direction duly considering any representations made during the consultation.
12. Subject to their obligations under the Network Code and PARCA process National Gas Transmission should seek to ensure that any consumer detriment from this development is minimised.
13. We note the current assessment of National Gas Transmission that neither the Cost Benefit Analysis nor the preferred strategic option is sensitive to the project

being delayed. Given the significant security of supply benefits that the project can deliver, we consider that National Gas Transmission was right to pursue a revised PARCA.

14. We agree that National Gas Transmission should have sole discretion to terminate the PARCA if mutually agreed dates such as the Capacity Allocation Date are not met by the Reservation Party. This will protect consumers against the costs of further delay.

15. We are content with the approach to existing and future contracts outlined by National Gas Transmission. The ongoing contracts are delivering outputs necessary if the Western Gas Network Project is to proceed. The potential benefit of ending these contracts is minimal and significantly outweighed by the cost of delivering outputs through new contracts. The Advanced Activities Agreement protects consumers with respect to new contracts which may be entered into to deliver activity in advance of capacity allocation.

16. Under Special Condition 9.18, National Gas Transmission is required to review the Entry / Exit Capacity Release Methodology statements bi-annually. We expect National Gas Transmission to fully consider the issues raised by this PARCA process during the next review of these Capacity Release Methodology statements due to be completed by April 2025.

