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**Update on our proposal under Part C of Special Condition 3.13 of the gas transporter license 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.**

## **Background and Timeline of events**

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 (FIOct and FIOCREt)) 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.
4. On 26 June 2023, we consulted on a draft direction pursuant to Parts C and F of Special Condition 3.13. 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.
5. On 17 October 2023, National Gas Transmission formally informed us by letter 2023 that the Reservation Party requesting Incremental Obligated Entry Capacity could no longer meet agreed programme milestones, including the agreed Capacity Allocation Date. Consequently, a revised Planning and Advanced Reservation of Capacity Agreement (PARCA) with revised milestones had been agreed with the Reservation Party with a revised capacity release date of 1 January 2027.
6. On 4 January 2024, we updated stakeholders that as a result of this development, we were unable to issue any direction amending Appendix 2 of

Special Condition 3.13 to facilitate the Western Gas Network Project. We were therefore 'pausing' our consideration of consultation representations and our decision to issue a direction, until advised that the Reservation Party had provided the necessary commitment to capacity allocation.<sup>1</sup>

7. On 6 August 2024 National Gas Transmission formally informed us by letter that the Reservation Party had decided to formally withdraw from the process and that the PARCA had been terminated. The Western Gas Network Project was no longer required to meet the incremental obligated capacity signal, and National Gas Transmission would therefore be shutting the project down.
8. Also, on 6 August 2024, in accordance with the Uniform Network Code, Section B – System Use and Capacity, para 1.18.1 (d), National Gas Transmission gave official notice that the PARCA in respect of Milford Haven ASEP had been terminated as of 23 July 2024.<sup>2</sup>

## **Our View**

9. As the PARCA has now been terminated and the Western Gas Network Project is no longer required we will not issue any direction amending Appendix 2 of Special Condition 3.13 to facilitate the project. Consequently, the Western Gas Network – Funded incremental obligated capacity Reopener (FIOC) Project Direction process has been brought to a close.
10. National Gas Transmission should now proceed to close down the project in the most economic and efficient manner possible, enacting the securities in place with the Reservation Party as detailed in the PARCA and the additional agreements put in place to minimise the impact to consumers in the event of termination.
11. Under Special Condition 6.1.8 (Transport owner pass-through items) National Gas Transmission may apply for additional funding to recover any PARCA Termination Costs not recovered from the Reservation Party. We anticipate that any application will be made towards the end of the current price control period (31 March 2026). We will make our assessment of any application in line with the relevant licence condition and our statutory duties.
12. Further, Special Condition 9.18 requires National Gas Transmission 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.

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<sup>1</sup> [Western Gas Network - FIOC Project Direction \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/western-gas-network-fioc-project-direction)

<sup>2</sup> [PARCA Notice Update – Milford Haven ASEP – PARCA Termination – 06 August 2024](#)

