

Ofgem decision to Approve UNC 0920: PARCA Security Amount (UNC 0920)

Decision:	The Authority ¹ directs this modification to be made ²
Target audience:	Uniform Network Code (UNC) Panel, Parties to the UNC and other interested parties
Date of publication:	6 October 2026
Implementation date:	1 December 2026

Background

The Planning and Advanced Reservation of Capacity Agreement (PARCA) is a contractual arrangement between National Gas Transmission (NGT) and a customer. It enables the reservation of Entry or Exit Capacity during development of a project to connect to the National Transmission System (NTS) or alter an existing NTS point. The PARCA process was introduced in UNC 0465V and is defined in Section B of the UNC Transportation Principal Document (TPD)³.

A PARCA Security is a financial commitment by a PARCA Applicant, intended to disincentivise speculative applications, prevent capacity hoarding and protect against costs to other parties and consumers in the event of termination. The Total PARCA Security Amount is defined in the

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ [UNC Transportation Principal Document \(TPD\) Section B: System Use and Capacity](#)

UNC TPD Y⁴ and is currently calculated using a Weighted Average Price (WAP) based on all Entry or Exit Points.

The PARCA process was reviewed through UNC 0901R⁵. The review identified that the current methodology has resulted in the Total PARCA Security Amount, for Entry in particular, to be disproportionately high in some instances. It was noted that, where capacity requests can be met by non-reinforcement solutions, costs are lower and therefore may not justify the current level of security. NGT data showed 25 out of 27 PARCAs were met by these non-reinforcement solutions between 2004 and 2015⁶. UNC 0901R concluded that there was potential merit in a UNC modification to the Total PARCA Security Amount.

The modification proposal

This modification proposal was raised by NGT (the “Proposer”) on 7 May 2026. The proposal seeks to revise the methodology used to calculate the Total PARCA Security Amount payable by PARCA applicants. This would replace the current approach, which links the security to capacity prices through a WAP, to a more cost-reflective approach. This would base the Total PARCA Security Amount on the cost of Phase 2⁷ activities required to provide the proposed PARCA solution.

The proposal aims to retain the current role of PARCA security in disincentivising speculative applications, preventing capacity hoarding and protecting against costs to other parties and consumers in the event of termination. The proposal also aims to improve on current arrangements by ensuring security requirements are more closely aligned with the costs of providing capacity. This seeks to reduce undue barriers to entry and encourage greater use of

⁴ [UNC Transportation Principal Document \(TPD\) Section Y: Charging Methodologies](#)

⁵ [UNC 0901R: Review of the arrangements for reservation of NTS Capacity.](#)

⁶ [UNC Final Modification Report \(FMR\) 0920: PARCA Security Amount.](#)

⁷ As outlined in NGTs [Planning & Advanced Reservation of Capacity Agreement \(PARCA\): A Guide for Customers](#), Phase 2 activities include any physical reinforcement requirements identified in prior phases.

the PARCA process where parties require capacity certainty to support project development and investment decisions.

The proposal suggests the following changes to UNC TPD Y:

- The Total PARCA Security Amount methodology to be based on the cost reflectivity of the proposed solution to meet PARCA capacity requirement requested by the PARCA applicant.
- The Total PARCA Security amount methodology to make reference to the prevailing '*Statement for Gas Transmission Connection Charging*' document⁸ published by NGT in accordance with Standard Licence Condition 4B of NGTs Transporters Licence.

In parallel with changes to UNC TPD Y, the following changes to the '*Statement for Gas Transmission Connection Charging*' have been proposed:

- Addition of the Total Security Amount (£) based on NTS project data and estimated costing data representative of PARCA Phase 2 activities (pre-construction).
- The PARCA Security to be banded relative to solution.
- The banding for PARCA Security to be for 'Non-Physical Works', 'Shallow Construction Works' and 'Deep Construction Works'.
- Governance for the '*Statement for Gas Transmission Connection Charging*' to include a requirement to review and consult on Total PARCA Security Amount.
- The effective date of the new PARCA Security arrangements to align to the publication of the revised '*Statement for Gas Connection Charging*' which contains the PARCA security amounts.
- The PARCA security amount to be increased for inflation based on Consumer Price Index (CPIH) annual average movement.

⁸ NGTs '[National Transmission System The Statement for Gas Transmission Connection Charging – including PARCA and CAM incremental fees](#)'.

- The PARCA security amount to be reviewed fully in relation to the base data at least every 3 years from implementation with the objective of remaining as cost reflective as possible.
- Where the Deep Construction Works band is applied to a PARCA this may be reviewed annually relative to actual PARCA Phase 2 activities NGT are required to conduct (due to optionality/timing). In this case at the next requirement to place security the revised band would be applied to the percentage of security required.

The Proposer suggests this modification will better facilitate the Transporters' UNC Relevant Objective (RO) (d)⁹, UNC Charging Methodology Relevant Objectives (CMRO) (b)¹⁰ and (c)¹¹, and have a neutral impact on the other relevant objectives. The Proposer's reasoning is as follows:

- RO (d) "*Securing of effective competition*" – reduction in undue barriers to entry could potentially increase competition.
- CMRO (b) "*...properly takes account of developments in the transportation business*" – keeping the components for the calculation under regular review will better ensure that this is kept relevant to the market needs as far as possible.
- CMRO (c) "*...facilitates effective competition...*" – the modification has potential to increase competition if NTS connections are more able to reserve capacity on the NTS due to there being no undue barrier to entry.

The proposer suggests that the modification is also expected to have positive impacts on society as a whole, as connections are more likely to proceed if capacity can be reserved without disproportionate financial barriers.

⁹ [Transporter Standard Special Condition A11](#): Network Code and Uniform Network Code, Section 1(d).

¹⁰ [Transporter Standard Special Condition A5](#): Obligations as Regard Charging Methodology, Section 5(b).

¹¹ [Transporter Standard Special Condition A5](#): Obligations as Regard Charging Methodology, Section 5(c).

UNC Panel¹² recommendation

At the UNC Panel meeting on 16 July 2026, a majority of the UNC Panel considered that UNC 0920 would better facilitate the UNC objectives and the Panel therefore recommended its approval.

The Panel agreed that this modification would have a positive impact on RO (d). The Panel also agreed that the modification would have a positive impact on CMRO (b) and (c).

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 16 July 2026. We have considered and taken account of the responses to the industry consultation on the modification proposal which are attached to the FMR¹³. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;¹⁴ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹⁵

Reasons for our decision

We consider this modification proposal will better facilitate RO (d) and have a neutral impact on the remaining RO's. We also consider it to better facilitate CMRO (b) and (c). This decision

¹² The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

¹³ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [Joint Office of Gas Transporters](#)

¹⁴ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: [Licences and licence conditions | Ofgem](#)

¹⁵ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

is informed by the UNC Panel's recommendation for implementation and the unanimous support if all three consultation representations from interested parties¹⁶.

We have also reviewed the indicative PARCA Security Amounts, including the underlying data and analysis, and do not have any concerns with the data provided.

We expect NGT to monitor the effectiveness of this modification in facilitating PARCA uptake on an ongoing basis, including through the annual review process. If subsequent evidence indicates that changes have not been effective, we would expect NGT to consider whether further modifications to PARCA Security Amounts are needed and to engage with stakeholders, including Ofgem, as necessary.

The following Transporters UNC Relevant Objective (RO) is considered.

(d) ...the securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers

The Proposer suggested this modification would better facilitate RO (d). Consultation respondents and the UNC Panel agreed with this assessment. We agree with the views expressed by the Proposer, consultation respondents and UNC Panel.

We believe this modification will reduce undue barriers to entry for potential PARCA applicants by ensuring Total PARCA Security Amounts are more cost reflective. This should see reductions in security amounts for many PARCA applicants, particularly in 'Non-Physical Works' and 'Shallow Construction Works' bands. This would make the PARCA process more

¹⁶ [UNC Final Modification Report \(FMR\) 0920: PARCA Security Amount.](#)

accessible to prospective NTS connections, and thereby support competition between shippers and between suppliers seeking to bring gas to market through new or altered connections.

The following relevant Charging Methodology Relevant Objectives (CMROs) are considered.

(b) ...the charging methodology properly takes account of developments in the transportation business

The Proposer suggested this modification would better facilitate CMRO (b). Consultation respondents and the UNC Panel agreed with this assessment. We agree with the views expressed by the Proposer, consultation respondents and UNC Panel.

We believe this modification will ensure the Total PARCA Security Amount remains cost reflective and relevant to the market through indexation and regular review of arrangements. This facilitates the linkage between transportation business developments and Total PARCA Security Amount.

(c) ...the charging methodology facilitates effective competition between gas shippers and between gas suppliers

The Proposer suggested this modification would better facilitate CMRO (c). Consultation respondents and the UNC Panel agreed with this assessment. We agree with the views expressed by the Proposer, consultation respondents and UNC Panel.

As outlined for RO (d), we believe this modification will reduce undue barriers to entry for potential PARCA applicants by ensuring Total PARCA Security Amounts are more cost-reflective, and in many instances, reduce security requirements. This would make the PARCA process more accessible to prospective NTS connections and thereby supporting competition between shippers and between suppliers.

Our principal objective and statutory duties

The Authority's principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems.

As set out in the FMR, this proposal will improve competition within the market by removing undue barriers for PARCA applicants and ensuring Total PARCA Security Amounts are more cost reflective. Cost reflexivity provides proportionate protection against costs arising from PARCA termination, without imposing unnecessarily high financial barriers for applicants.

We consider that approving this modification is consistent with our principal objective, to protect the interests of consumers, and other objectives, including growth.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority has decided that modification proposal UNC 0920: '*PARCA Security Amount*' should be made.

William Duff

Head of Gas Systems and Operations

Signed on behalf of the Authority and authorised for that purpose