

Consultation Report - Proposed generic DN and DC ARCA in support of Transitional Exit Capacity Arrangements

Re-Consultation Report on the Proposed Generic Versions of the Direct Connect and Distribution Network Advanced Reservation of Capacity Agreements to Support Implementation of the Transitional Gas Exit Capacity Arrangements.

In its letter of 24th June 2005, the Gas and Electricity Markets Authority (the "Authority") decided that further time should be allowed for consultation on the development of the enduring offtake arrangements with a view to their implementation from September 2007 in the form of allocation of offtake rights from October 2010 onwards.

Transitional arrangements are therefore required to cover the two intervening years between the end of the interim arrangements and the commencement of the enduring regime. To support this, National Grid NTS raised Modification Proposal 0046 "Extension of the Sunset Clauses for Registration of Capacity at NTS Exit Points" to seek to extend the UNC provisions over the transitional period. On 20th January 2006 the Authority issued direction to National Grid to implement this modification.

As noted in Modification Proposal 0046, National Grid NTS is required to make determinations of any request to amend capacity allocations or for an initial amount of capacity over the transitional period in accordance with a revised version of the Incremental Exit Capacity Release Methodology Statement (IExCR) that will extend the applicability of the current Interim IExCR beyond 30 September 2008 up to 30 September 2010.

In addition, we considered that changes to the SC4B Statement ("Statement of Principles and Methods to be used to Determine Charges for National Transmission System Connection Services") would be required to ensure consistency with amendments to the IExCR. This includes the extension of the requirement for an Advanced Reservation of Capacity Agreement (ARCA), currently only applicable to NTS direct connectees, to DNO Users in respect of requests for incremental NTS Offtake Capacity.

On 25th August 2005, we therefore issued proposed revisions to the IExCR and SC4B Licence Statements. In addition, on 9th September 2005, we issued a form of DN ARCA, and a proposed updated form of the DC ARCA to ensure consistency with the Uniform Network Code. We invited views in respect of these proposals to be made by 22nd September 2005. In light of the representations received, we considered that there were a number of significant revisions required to our initial proposals, which merited a re-consultation. We therefore initiated re-consultations on the IExCR on 25th November 2005 and on the DC ARCA and DN ARCA on 15th December. We invited representations on proposed changes within 28 days.

There were many concerns raised by respondents to the IExCR consultation, several of which related to various aspects of the ARCA. National Grid NTS issued its final IExCR proposals and consultation report to the industry on 5th January 2006. The final proposals included an appendix which set out the high level principles that would apply to the ARCAs. In their letter "Proposed amendment to the Incremental Exit Capacity Release (IExCR) Methodology Statement to support the implementation of the transitional gas exit capacity arrangements", dated 12th January 2006, Ofgem expressed concern that a decision not to veto the IExCR methodology statement, which contained high level ARCA principles, would be seen as endorsement of those principles and that this could fetter the Authority's discretion in considering any dispute over the terms of an ARCA. Hence, Ofgem neither agreed nor rejected the high level ARCA principles. Subsequently, National Grid NTS re-issued the IExCR proposals without the high level ARCA principles. The Authority has since notified National Grid NTS that it will not veto this revised version of the IExCR and the methodology has been implemented. National Grid NTS now intends placing a statement of high level ARCA principles on its web-site and has progressed development of the ARCAs on the basis of such principles.

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With regard to the ARCA re-consultation, representations were received from the eight respondents listed below plus one representation marked as confidential:

Northern Gas Networks (NGN)
Scotia Gas Networks (SGN)
Scottish and Southern (SSE)
National Grid Distribution (NG D)
Association of Electricity Producers (AEP)
RWE npower (RWE)
Shell Gas Direct (SGD)
Wales and West Utilities (WWU)

This consultation report provides a summary of the representations received from the above organisations, National Grid NTS's response and an indication of whether changes have been made to the relevant document. This report also includes explanation of further changes identified by National Grid NTS.

In light of comments received, we have made a number of amendments to the proposed ARCAs. In the main, these amendments are relatively minor and are intended to provide further clarification of certain clauses. However, more substantive amendments have been made to:

- Clause 1.4. Adjustment to the System Reinforcement Works Costs;
- Clause 2.6. Shipper information requirements;
- Clause 6.4. Extension to Reduction Period; and
- Clauses 7.1 and 7.3. Arrangements upon termination.

As some respondents make reference, in their response to the ARCA consultation, to their earlier response to the IExCR re-consultation, reference should also be made to National Grid NTS's report on that consultation, which can be found on the National Grid Gas website.

Following implementation of the IExCR, the SC4B statements and Modification Proposal 046, it is National Grid NTS's intention to offer developers, Shippers and DNOs an ARCA based on the revised generic agreements where required under, and in accordance with, the IExCR methodology.

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Party	Response/Issue	Response Quotes	National Grid NTS Response	Proposed changes
1 - Principles Underlying the ARCA and the Customer Commitment				
RWE	Concern at the shift in the required customer commitment from previous consultation to full coverage of the project costs.	It is disappointing that National Grid NTS (NG NTS) has chosen to retain the ARCA High-level Principles as set out in its IExCR Methodology Statement in Appendix 2, despite legitimate concerns raised in responses to its recent consultation in this regard. These underpin the ARCA currently under consideration and have, inter alia, introduced a change to the principles underlying the level and duration of financial commitment. This represents a fundamental shift in NG NTS's position since the original September 2005 consultation..... In our view, the requirement for connectees to underwrite all investment for incremental capacity over 20m therms per annum is not consistent with a shallow connection policy. We are unaware that a change to the connection policy has been agreed and would welcome an explanation of what appears to be NG NTS's unilateral decision.	In developing these proposals, we consider it appropriate to ensure that any investment undertaken will be economic and efficient and thereby reflected accordingly within National Grid Gas's asset base. In discussions with Ofgem, confirmed in 3.45 of Ofgem's final proposal document for the transitional investment schemes, it was indicated that it would be appropriate for National Grid NTS to secure security that would, in the event of the liability being invoked, recover revenue equivalent to the value of the unused capacity. Ofgem have indicated that they do not believe that the determination made in respect of the Langage Energy Park represents a necessarily sufficiently strong investment signal to underpin any incremental investments. In absence of clarity of any other "standard" level that would be deemed by Ofgem to be a sufficiently strong market signal, we consider that we have no choice but to seek underpinning of the full costs of specific reinforcement works.	
WWU	Balance of Risk	Our main concern is the apparent intent of the agreement to allocate all of the financial risk associated with the connection to the connectee. However, in the light of Ofgem's decision letter, WWU is now interested in whether this will be the case.	See above	
SGN	Concern that the requirement placed on DNOs is greater than is necessary to provide an appropriate signal forthe changes proposed lack any sound justification and go beyond that required to provide an appropriate signal to NTS and commitment from the DNO to underpin	See above	

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	National Grid NTS to undertake system investment.	investment. with Users now required to underwrite all Specific Reinforcement costs, including any subsequent or additional costs incurred by NTS following completion of the ARCA, up to delivery of the incremental capacity.		
SSE	Concern that the requirement placed on DNOs is greater than is necessary to provide an appropriate signal for National Grid NTS to undertake system investment.	....the changes proposed go beyond that required to provide an appropriate signal to NTS and commitment from the developer to underpin investment. with Users now required to underwrite all Specific Reinforcement costs, including any subsequent or additional costs incurred by NTS following completion of the ARCA, up to delivery of the incremental capacity.	See above	
AEP	Concern over the proposed increase in the ARCA Commitment and re-balancing of risk.	The significant increase in the ARCA commitment and the desire to pass on all risk associated with a delay in project timescales are two clear examples in which NG has taken a very narrow self interest approach to issues, which we anticipate will result in determinations being sought for all significant capacity requests. We await with interest the outcome of these determinations.	With regard to comment on ARCA commitment: see above. With regard to delay in project timescales: National Grid NTS can only amend the RPSD in respect of the specific events given in the ARCA. The right to delay the Reduction Period Start Date in such cases is not uncommon in construction works agreements. National Grid NTS does have a firm commitment to complete the System Reinforcement Works and will deliver increased capacity by the earliest practicable date taking into consideration the potential for significant delays due to unforeseen events covered in clauses 2.3 and 2.4. Where the counter party considers that National Grid NTS has not so justified any extension to the RPSD then they can challenge this.	
SGD	Balance of Risk	Ofgem further highlight that the balance of risk associated with a project will be reflective of the unique attributes of that project and that this	In order to make the ARCA more site-specific and reflective of the risks of individual projects National Grid NTS introduced the concept of "n". ARCAs	

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		should be recognised in the development of any ARCA terms associated with that project. Shell Gas Direct does not consider that National Grid's attempts through the ARCA to have the counter signatory to the ARCA adopt all the financial risks associated with that project with no concurrent benefits to address this issue in any reasonable way.	now take account of the nature of individual projects in that duration and security are functions of the location of a project (which affects the exit capacity charge) and the reinforcement that it triggers.	
SGD	Concern expressed that the requirement for Security from the ARCA start date will be an onerous requirement on project developers at an early stage of their projects and may be a barrier to entry.	The requirement to provide security for the cost of any specific reinforcement at the commencement of a project will have a severely detrimental effect on the feasibility of proceeding with major projects and will at the very least lead to delays in commitment to these projects whilst additional levels of security are negotiated. This is not in the interests of National Grid: it stifles expansion of the system and increases in gas throughput; shippers and suppliers: it reduces opportunities to expand gas usage and reduces the competitiveness of gas in cross fuel competition at a time when the gas market is already experiencing pressures as a result of high wholesale prices; end consumers; as it will require additional funding and time at the initial stages of a project. We question whether the approach being proposed by National Grid is consistent with its Gas Act obligations to allow for reasonable access to its pipeline system. While SGD continues to object to Ofgem's proposals to change the exit regime, we note that the Authority's decisions on this have been based on reducing barriers for new entrants, eg new connectees. This proposal would have the opposite effect.	National Grid NTS recognizes the impact that the requirement for full security at the time of signature of the ARCA could have. However, it should be noted that security for the full cost of the reinforcement works is not required immediately as the security is profiled to the anticipated project cost projections. National Grid NTS asserts that the proposals are consistent with Gas Act and GT Licence obligations.	
RWE	Question whether the proposals are proportionate to the issue, i.e. stranded assets and remuneration of investment costs, which National Grid NTS is seeking	Concerns have been raised about potential stranding of assets, yet we have no idea of the extent of any problems and whether the proposals to address these concerns are proportionate.	Ofgem have indicated that they no longer believe that the determination made in respect of the Langage Energy Park represents a necessarily sufficiently strong investment signal to underpin any incremental investments. In absence of clarity of any other "standard" level that would be deemed by	

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	to address.		Ofgem to be a sufficiently strong market signal, we consider that we have no choice but to seek underpinning of the full costs of specific reinforcement works.	
SGN	Concern that the requirement placed on DNOs is greater than is necessary to provide an appropriate signal for National Grid NTS to undertake system investment.	SGN believes proposals now go well beyond that required to provide a robust signal.	See above.	
2 - Principles of the ARCA – National Grid Incentive				
SGN	Concern expressed that there is no incentive on National Grid NTS to deliver capacity by the agreed date and to the forecast cost.	<p>.....no corresponding incentives to ensure NTS adheres to its obligations under the ARCA, in particular its obligation to deliver the requested level of capacity according to the original planned date and budget. This is completely inappropriate.</p> <p>....expect to see a more balanced approach to risk sharing</p> <p>SGN believes that more balanced arrangements are required to show similar commitment from NTS, particularly in relation to commitment to deliver capacity within the timescales originally set and within budget. At present there are no incentives or penalties if NTS fails to deliver.</p>	<p>Planned costs – National Grid NTS agrees that if a project goes over forecast costs then the counter party should not be required to underwrite these extra costs.</p> <p>Planned date – National Grid NTS can only amend the RPSD in respect of the specific events given in the ARCA.</p> <p>National Grid NTS does have a firm commitment to complete the System Reinforcement Works and will deliver increased capacity by the earliest practicable date taking into consideration the potential for significant delays due to unforeseen events covered in clauses 2.3 and 2.4. Where the counter party considers that National Grid NTS has not so justified any extension to the RPSD then they can challenge this.</p> <p>In the event that National Grid NTS fails to make the Incremental Capacity available by the RPSD it will be required to make payments under the UNC.</p>	Deletion of clause 1.4 and consequential changes to definition of “n”, “Security Amount”, “Outstanding Amount” and to “System Reinforcement Works Cost”

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SSE	Concern expressed that there is no incentive on National Grid NTS to deliver capacity by the agreed date and to the forecast cost.	<p>.....no corresponding incentives to ensure NTS adheres to its obligations under the ARCA, in particular its obligation to deliver the requested level of capacity according to the original planned date and budget.</p> <p>.....expect to see a more balanced approach to risk sharing. As they stand, the proposals introduce a significant and inappropriate shift in risk from NTS to users.</p>	See Above	
3- Role of Ofgem; Regulation; and the Price Control Review				
SGD	Questioning the validity of continued consultation on form of the generic ARCAs.	<p>In its recent letter, "amendment to the Incremental Exit Capacity Release (IExCR) Methodology Statement to support the implementation of the transitional gas exit capacity arrangements", Ofgem rejected National Grid NTS's proposed changes to the IExCR, citing the inclusion of high level ARCA principles as the key reason for rejection. Ofgem further suggested that they would respond appropriately to a separate consultation, outside the auspices of the IExCR consultation process, addressing the structure and principles of ARCAs for the transitional period.</p> <p>Given the above Shell Gas Direct strongly questions the continued validity of the present consultation on the ARCAs.</p>	<p>Ofgem's letter expressed concern that a decision not to veto the IExCR methodology statement, which contained high-level ARCA principles, would be seen as endorsement of those principles and that this could fetter the Authority's discretion in considering any dispute over the terms of an ARCA. Hence, Ofgem have neither agreed nor rejected the high-level ARCA principles and National Grid has progressed on the basis of such principles outlined in the latest proposed IExCR statement.</p> <p>These principles have now been removed from the IExCR statement and National Grid NTS is issuing them as a separate document which will be published on its website.</p>	
SSE	Role of the Regulator.	It [NG NTS] should also be required make provision for regulatory scrutiny and approval.	Ofgem have clarified their role in relation to ARCAs (open letter dated 15 th December 2005). This letter outlines the circumstances under which disputes can be referred to the Authority. It is unnecessary to state this within the ARCA.	
RWE	Wider review needed to consider ARCAs in enduring regime.we do not support the proposed changes at this time, we would welcome a wider review. ARCAs have a role in the transitional period to 2010, but we see them being a component in any	With the delay of the enduring arrangements there was a requirement to develop arrangements to cover the transitional period until the enduring regime is implemented. These new, transitional,	

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		enduring arrangements. Ofgem is keen to consider models based upon user commitment.	arrangements will need to be considered when the enduring regime is developed more fully in 2006. However, we cannot prejudge the outcome of discussions on enduring regime and this consultation is restricted solely to arrangements for the transitional period.	
RWE	Impact of proposals on DNO's licence and 1 in 20 obligations need to be explored.	A final area that has yet to be fully explored is how these ARCA arrangements fit alongside the networks' licence and statutory obligations around the 1-in-20 obligation and the requirement to meet all reasonable demands for gas. It may be appropriate to have differential triggers and potentially different ARCA terms depending upon the nature of the offtake.	In the circumstances that an ARCA was required in respect of a request due to 1 in 20 load growth, as the DNO User has a Licence obligation to meet such requirements, we expect that the DNO would not decrease its capacity allocation at the specific offtake. In which case, the DNO's obligations under the ARCA would be met and there would be no financial disadvantage of our proposal to DNO Users. The DN ARCA could also be seen as providing strong evidence that National Grid NTS will be able to deliver the necessary capacity that might be essential to enable DNO Users to demonstrate that they can meet their 1 in 20 obligations.	
AEP	Timing of proposals relative to PCR.	It is inappropriate that National Grid should seek to implement change in the regulatory arrangements, financial commitment and balance of risk through this process and at such a late stage. Changes of this nature and magnitude should only be addressed through the price control review	The sale of some Distribution Networks was a trigger for a review of NTS offtake capacity arrangements. The subsequent delay to enduring offtake arrangements necessitated further arrangements for the transitional period. The transitional arrangements are required to accommodate potential requests for incremental capacity which could be made in advance of any opportunity to consider this issue as part of the price control review.	
SGN	Timing of proposals relative to PCR.	it is inappropriate that National Grid should seek to implement such fundamental changes in the regulatory arrangements and financial commitment through this process and at such a late stage. Changes of this nature should only be addressed through the price control review	See above	
SSE	Timing of proposals relative to PCR.it is inappropriate that National Grid should seek to implement such fundamental changes in the regulatory arrangements and financial	See above	

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		commitment through this process and at such a late stage. Changes of this nature should only be addressed through the price control review,		
SGN	Relevance of proposals for transitional period.	...previously stated that proposals were inappropriate and unnecessary for the transitional period. We continue to believe that the planning process, backed up by existing statutory and licence obligations, provides a suitable mechanism for determining and allocating offtake requirements for the transitional period. These obligations are further enhanced by regulatory financial incentives.	In development of the transitional proposals, it was identified that in order to avoid undue discrimination we would need to align, where practicable, the processes for both DCs and DNs. National Grid NTS needs certainty of recovery of its investment expenditure. In the absence of any other method then, at present, the revised ARCA is seen as the mechanism for providing this certainty.	
SGN	Role of the Regulator and whether process for delay to Reduction Period Start Date should be contained within the IExCR statement.	The IExCR is meant to set out the principles that underpin the ARCA. It could set out the process and circumstances under which NTS could announce a delay and given the likely statutory and regulatory implications for a DNO, we believe it is should also be required make provision for regulatory scrutiny and approval.	In its letter "Proposed amendment to the Incremental Exit Capacity Release (IExCR) Methodology Statement to support the implementation of the transitional gas exit capacity arrangements" dated 12 th January 2006 Ofgem expressed concern that a decision not to veto the IExCR statement with the inclusion of high-level ARCA principles would be seen as endorsement of those principles. This would fetter the Authority's discretion in considering any dispute over the terms of an ARCA. Hence, it would no longer be appropriate for National Grid NTS to include further processes in the IExCR as requested. In any event, we do not believe that it would be appropriate to include the circumstances under which a delay to the Reduction Period Start Date could be announced, as this would not be an exhaustive list and could, therefore, be misleading. We believe that the appropriate place for the application of any extension is within the ARCA. Ofgem have clarified their role in relation to ARCAs (open letter dated 15 th December 2005). This letter outlines the circumstances under which disputes can be referred to the Authority. It is unnecessary to state this within the ARCA or the ARCA principles.	

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SSE	Role of the Regulator and whether process for delay to Reduction Period Start Date should be contained within the IExCR statement.	The IExCR is meant to set out the principles that underpin the ARCA. It should set out the process and circumstances under which NG NTS could announce a delay. We believe it should also be required make provision for regulatory scrutiny and approval.	See above.	
NGN	Clause 6.2 Suggestion that the ARCA should terminate when the asset has been included in the RAB.	Amend to incorporate a clause stating that only where the Regulator expressly disallows such specific reinforcement from National Grid NTS Regulatory asset base at TPCR, then such ongoing contract year calculations continue.	The intention of the ARCA is to provide a sufficiently strong market signal to underpin reinforcement and therefore ensure that National Grid NTS is appropriately remunerated. If it were known that the ARCA would be terminated at the next price control review, then this could weaken the market signal such that the Authority may not deem the investment to be efficiently incurred.	
SGN	Role of the Regulator.	.....it is inappropriate that arrangements, which have significant regulatory and licence implications, should provide that the only means of address or recourse for any dispute is through the Court. SGN believes the Agreement should include provisions that would allow either party to refer any dispute on a regulatory matter to the Authority for determination and legal matters, to the Court.	Ofgem have clarified their role in relation to ARCAs (open letter dated 15 th December 2005). This letter outlines the circumstances under which disputes can be referred to the Authority. It is unnecessary to state this within the ARCA.	
4 - Customer Commitments – Determination of Amounts				
RWE	Concern at uncertainty created by the process to determine and to recalculate “n”.	.....connectees would prefer known commitments, such as one or two year duration,	National Grid NTS believes that, where possible, standard terms should be provided and considered that terms based on the Language determination offered consistency and certainty to connectees. However, following discussions with Ofgem we developed ARCAs that reflect differences between specific capacity requests. Hence the concept of a variable Reduction Period has been developed. The derivation of “n” is clear within the ARCA and should give connectees certainty as to the duration at an early stage.	Deletion of clause 1.4 and associated references to clause 1.4.
WWU	Concern at the transparency of the cost of System Reinforcement Works.	WWU would require the right to audit the reinforcement costs or to be party to an independent audit.	In the event that the signatory is unhappy with the analysis determining the forecast cost of specific reinforcement, National Grid NTS would share, subject to confidentiality issues, the details of such	

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			<p>analysis with the counter party.</p> <p>If, prior to signing the ARCA, the counter party was still unhappy with this or any other element of the proposed ARCA terms and conditions then they will be able to refer the ARCA agreement to the Authority for their determination, which can include verification of the financial commitment.</p> <p>If after signature the counter party has a dispute under the ARCA it can be resolved through the courts.</p>	
WWU	Concern expressed at the inter-linking of Transportation costs and Capital Costs.	<p>We are very concerned about clause 6 because we consider that it muddles up two different concepts, namely the “Outstanding Amount” which is in essence the capital cost of the reinforcement with the ARCA Commitment and Capacity which are about receipt of aggregate transportation charges. These are not matters that can be offset one against the other as clause 6.1 suggests. In 6.2 we do not consider that it is correct to say that the ARCA Commitment will be repaid because that phrase as drafted means the whole of the potential sum due. What clause 6.2 should be about is paying that part of the ARCA Commitment that has not already been paid through transportation charges. In our view 6.1 should refer to the ARCA Commitment not the Outstanding Amount.</p>	<p>There are two potential payments under the ARCA.</p> <ul style="list-style-type: none"> • The Outstanding Amount (Security Amount in DC ARCA) is the amount that may be payable if the ARCA terminates prior to the nth anniversary. • The ARCA Commitment is the amount that may be payable at the nth anniversary. <p>These two amounts are calculated in different ways to reflect the purpose of the payment.</p> <p>The Outstanding Amount is intended to cover the cost of reinforcement works should the ARCA not run its full duration. However, it would be unreasonable if this sum did not take account of income received in respect of the capacity created as a result of the reinforcement works. For this reason the Outstanding Amount reduces as Exit Charges are received.</p> <p>The ARCA Commitment addresses the issue of under-booking of capacity made available and hence is calculated as defined in the agreement.</p> <p>National Grid NTS does not agree that concepts are muddled and believes that the two sums are an appropriate way of ensuring connectee commitment.</p>	

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AEP	Calculation of "n"we are unclear as to why this is rounded up rather than down. We consider 'n' should be rounded down or set at x years y months.	"n" was rounded up to avoid possible problems with n=0. However, we agree that rounding to the nearest year, subject to a minimum of 1 year, is preferable.	Definition of "n" amended.
AEP	Clause 1.4 System Reinforcement Works Cost	1.4 .....The drafting is not clear it seems to be trying to say that if actual costs vary from forecast by >10% then the total cost will be amended? If this is the case we do not agree that it is reasonable to include this, NG should carry the risk of variations in project costs, otherwise where is the incentive to perform? Developers would prefer certainty over variation to 'n'.	Clause 1.4 was drafted such that if the forecast system reinforcement costs were significantly (i.e.>10%) inaccurate then "n" would be recalculated. This could work to increase or decrease n. However, National Grid NTS recognizes that this creates uncertainty for ARCA signatories. Hence, this clause is deleted.	Deletion of clause 1.4 and associated references to clause 1.4.
NGN	Clause 1.4 System Reinforcement Works Cost	NGN does not believe that 10% is an appropriate level at which National Grid NTS should bear the full risk or benefit of any reinforcement works which vary from the originally proposed amount. ....no revision should be made to 'n' to reflect any revised amounts in any overspend.	See above	
WWU	Clause 1.4 System Reinforcement Works Cost	Clause 1.4 is objectionable as it does nothing to encourage the NTS to be efficient. In accordance with orthodox regulatory practice there should be a cap and collar on the amount of costs.	See above	
SGN	Clause 1.4 System Reinforcement Works Cost	.....we note that NTS's exposure appears to be capped at 10% of the original System Reinforcement Work Costs..... SGN believes the ARCA Commitment should be binding. Once signed, NTS should be required to deliver the incremental capacity for the price agreed at the time the ARCA was signed.	See above	
NG-D	Clause 1.4 System Reinforcement Works Costprovide for a recalculation of "n" if the actual system reinforcement costs fall outside a tolerance (+/-10%) of the original estimate of the system reinforcement costs. Notwithstanding whether the clause is appropriate, the clause as drafted does not seem to reflect the intent – some words would need to be inserted to include "outside the range" of plus or minus [10%]. Also,	See above	

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		it is difficult to assess whether any percentage is appropriate as it is largely arbitrary - it may be that both parties should live with the effects of the original forecast of costs.		
SGD	Clause 1.4 System Reinforcement Works Cost	The wording is so ambiguous that operation of the clause can not be accurately determined. However, it appears to be providing for the costs that the Company has to cover, via the Security Amount, to be re-set should the actual costs of construction vary from the estimated costs by more than 10%. If this is the purpose of the clause this is completely unacceptable.	See above.	
WWU	Concern at how availability and use of "spare" capacity will be determined.	It is unclear how National Grid intends to identify where excess / unused capacity is "allocated" to other users and is therefore used to offset the ARCA commitment. WWU would need to understand the methodology proposed, how this will be applied and what degree of transparency will be available to connectees.	National Grid NTS recognises that it will be difficult to identify where other Users could benefit from System Reinforcement Works funded by a party under an ARCA. However, this clause was added in response to comments received. Where such benefit can be identified and quantified it will be taken into account when determining ARCA Commitment, the Outstanding Amount and the Registered Capacity under clause 7.4(b).	
SGN	Concern at how availability and use of "spare" capacity will be determined.	SGN welcomes changes to the definition of Registered Capacity and ARCA Commitment which will ensure that where other Users benefit from System Reinforcement Works funded by a party under an ARCA, that benefit is recognised and a corresponding reduction is made to the ARCA Commitment. However we remain concerned that NTS will not be able to identify or model this using current planning systems.	See above.	
SGD	Concern at how availability and use of "spare" capacity will be determined.	National Grid NTS has absolute discretion over how "Available Capacity" is decided. National Grid NTS could be assumed to be incentivised to minimise this volume to increase the amount of specific reinforcement that is created free of charge to them. This is not acceptable	National Grid NTS recognizes that it will be difficult to identify where other Users could benefit from System Reinforcement Works funded by a party under an ARCA. However, this clause was added in response to comments received. Where such "Available Capacity" can be identified and quantified then it will be made available to any other connectee. National Grid NTS does not believe that the arrangements would incentivise it	

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			to minimise the amount of Available Capacity, particularly as it could realise additional transportation revenue by releasing such capacity.	
WWU	Clause 1; definitions ARCA Commitment.	We believe that we understand the concept behind this but we do not consider that the drafting achieves it as it multiplies an annual concept "C" by a DAILY amount – the Exit Charge for each Day	Capacity is a daily quantity (SOQ = kWh/d). Exit Charges are daily (p/pdKWh/d). The ARCA Commitment is the charge for each Day but summed over n years. We believe that this is sufficiently clear.	
	Outstanding Amount section (i)	...what do the words from "determined" onwards mean and where and how are they adjusted?	Schedule 2 shows when the Specific Reinforcement Works Costs are incurred and presents an increasing Security Amount / Outstanding Amount. This avoids the need for credit/security to cover the full amount from day 1.	
	Outstanding Amount section (ii)	..the words "as determined in accordance with Clause 1.4 are superfluous as "System Reinforcement Works Costs" are in any event subject to Clause 1.4	Clause 1.4 is to be deleted.	
WWU	Clarity required on the intent of paragraph 2 of Schedule 2 – Security/Outstanding Amount.	....we see no justification for paragraph 2. All adjustments are already contained in the definitions sections.	Schedule 2 states the Security/Outstanding Amount prior to the Reduction Period Start Date. It shows when the Specific Reinforcement Works Costs are incurred and presents an increasing amount. This avoids the need for credit/security to cover the full amount from day 1.	
SGN	Definition of Outstanding Amount needs clarification.	SGN believes changes are required to the definition of "Outstanding Amount". (iii) states the Outstanding Amount is, following the Reduction Period Start Date, the amount determined in accordance with Clause 6.1. However, Clause 6.1 doesn't actually define the Outstanding Amount, it just sets out how it will be reduced. Greater clarity would be provided by deleting (iii) and amending (ii) to read "on or after the Reduction Period Start Date,.....". Clause 7.1 which states "the DNO shall remain liable to National Grid NTS for any Outstanding Amount owing to National Grid NTS", then needs to be made subject to Clause 6.1.	We believe that clause 6.1 is drafted correctly. The Outstanding Amount is defined at the start of the RPSD by the value given in (ii). Clause 6.1 then determines how this amount is reduced following the RPSD.	

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NG-D	Clause 6.3. Clarification as to when capacity bookings mean that the ARCA Commitment is not required.	<p>Clause 6.3 should include the circumstance where the Registered Capacity in any Contract Year in the reduction period exceeds (rather than just equals) the amount of Incremental NTS Exit Capacity.</p> <p>Similarly, the same clause does not cater for the instance where the Registered Capacity equals the amount of Incremental Exit Capacity over the reduction period but not for each and every Contract Year.</p>	<p>Agreed.</p> <p>Where the Registered Capacity does not equal the amount of Incremental Exit Capacity over the reduction period for each and every Contract Year then the ARCA Commitment is (subject to 6.2) payable.</p>	Clause 6.3 amended.
5 - Delays to Reduction Period Start Date; Reduction Period				
SGN	Concern at National Grid NTS's ability to amend the Reduction Period Start Date.	<p>.....concern at National Grid's ability to amend the Reduction Period Start Time at its sole discretion, without any consequence for NTS.</p> <p>We believe the Reduction Period Start Date should be treated as a firm commitment, so that where NTS fails to deliver, a User is deemed to have booked capacity from that date, and the ARCA commitment is reduced accordingly. We believe the inclusion of such an arrangement is more balanced and equitable, ensuring there are incentives on both sides.</p>	<p>National Grid NTS can only amend the RPSD in respect of the specific events given in the ARCA.</p> <p>National Grid NTS does have a firm commitment to complete the System Reinforcement Works and will deliver increased capacity by the earliest practicable date taking into consideration the potential for significant delays due to unforeseen events covered in clauses 2.3 and 2.4.</p> <p>Where the counter party considers that National Grid NTS has not justified any extension to the RPSD then they can challenge this extension.</p> <p>National Grid NTS agrees that where it fails to make capacity available by the RPSD (which may have been moved in accordance with clauses 2.3 and 2.4) then the User shall be deemed to have booked the full Incremental Capacity and will be credited as such in the determination of ARCA Commitment, Outstanding Amount / Security Amount and Registered Capacity for the purposes of clause 7.4(b).</p>	Clause 4.5 and 4.6 added (DC ARCA only).
SSE	Concern at National Grid NTS's ability to amend the Reduction Period Start Date and incentive deliver on time.concerned at National Grid's ability to amend the Reduction Period Start Time at its sole discretion, without any consequence for NG NTS.	See above	

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		<p>We believe the Reduction Period Start Date should be treated as a firm commitment.</p> <p>The IExCR is meant to set out the principles that underpin the ARCA. It should set out the process and circumstances under which NG NTS could announce a delay.</p> <p>SSE believes there should be some form of financial commitment to ensure that NG NTS is appropriately incentivised to deliver on time. At present NG NTS has no liability other than in respect of obligations under the UNC for failure to make gas available for offtake. However, by amending the Reduction Period Start Date, clause 4.4 allows NG NTS to avoid all such liabilities.</p>	<p>See above</p> <p>We believe that the appropriate place for the application of any extension is within the ARCA.</p> <p>See above.</p>	
AEP	Concern at National Grid NTS's ability to amend the Reduction Period Start Date.	<p>2.3 & 2.4 We continue to believe these unilateral rights are inappropriate. Until recently ARCA leadtimes were only two years now it seems that beyond three years might be needed. We consider that parties should be able to seek compensation for delays in delivery of capacity where this has led them to incur costs or caused reduced profits. We consider such compensation should be funded by NG.</p> <p>2.6 We do not accept that this is a valid reason to extend the Reduction Period Start Date. The requirements to provide the information are already contained in 5.6.</p>	<p>See above.</p> <p>Also trends in obtaining relevant consents have put pressure on lead times, which led to the need for "three year ARCAs". Further developments, particularly in respect of Environmental processes, are adding further pressure.</p> <p>National Grid NTS has now added provisions to recognise that capacity is deemed held when it fails to make the incremental capacity available by the RPSD. National Grid NTS believes that the benefits of this change, combined with UNC liabilities, provide reasonable incentives.</p> <p>A similar clause has been included in previous site specific ARCAs, but National Grid NTS accepts that non-receipt of the information required under 5.6 is insufficient argument to extend the RPSD.</p>	<p>Clauses 4.5 and 4.6 added (DC ARCA only)</p> <p>2.6 deleted. (DC ARCA only).</p>
AEP	Clause 6.4 Concern at ability to extend the Reduction Period.	<p>We do not agree that it is appropriate to extend the Reduction Period in these circumstances. Where the Shipper has booked and paid for the appropriate amount of capacity it has behaved in</p>	<p>Agreed.</p> <p>When National Grid NTS fails to make gas available for offtake the Shipper continues to pay Exit Capacity charges (but receives liability</p>	<p>Clause 6.4 deleted. Consequential re-numbering</p>

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		accordance with the principles of this ARCA. The fact that NG fails to make gas available for other reasons should not affect this ARCA.	payments). Hence when any ARCA Commitment is being calculated the counter party is "credited" as having used the capacity during these periods and does not need additional time (through extension of the Reduction Period) to accumulate Exit charges.	and change to definition of Reduction Period.
NGN	Clause 2.5, Request that notices of delays to RPSD be provided within given timeframe.	NGN wishes to see the clause '...and in any event no later than 28 days' included after the existing as soon as reasonably practicable clause.	Agreed.	Clause 2.5 amended.
SGN	Clause 2.4 National Grid NTS should use "all" reasonable endeavours to minimise delays.	Clause 2.4 should also require NTS to use "all" reasonable endeavours.	Agreed	Clause 2.4 amended.
6 - Security and Credit.				
AEP	Clause 2.2 Time given to implement Security is insufficient.	This introduces 14 day time limit for putting in place security. We do not consider this to be reasonable and suggest 28 days consistent with the arrangements in electricity.	National Grid NTS envisage that security will be discussed prior to agreeing site specific ARCA's. Hence, the security could almost be in place prior to signature and we feel that 14 days for completion should be sufficient.	
WWU	Clause 2.2 National Grid NTS's right to terminate in the absence of adequate Security should be in writing and exercised within a defined time period.	While we do not object to termination per se it must be in writing on notice to the other party. NTS must also exercise the right within a specific period.	Agreed. Right to terminate must be exercised in writing within 28 days of signature. However, the Notices section covers the need for the notice to be "writing"	Clause 2.2 amended.
NGN	Clause 2.2. Questioning relevance of the clause that requires the DNO to hold a GT licence and to have signed the Transporters Framework Agreement.	NGN sees no merit in the inclusion of this clause and recommend its deletion.	National Grid NTS agrees that the clause may have little merit to existing DNOs, but in order to make the ARCA applicable to as many scenarios as possible clause 2.2 conditions have been developed.	
NGN	Clause 5.2 Questioning relevance of clause requiring DNO to maintain a credit rating when this is already a licence requirement.	Given that it is already a Licence condition to maintain a credit rating, there is no reason why this clause should be within the agreement. NGN recommends its deletion. If the view remains that its inclusion is warranted then the DNs would expect to see a similar clause within the NTS	This clause establishes an ARCA requirement for the credit rating irrespective of any licence conditions and replaces the earlier proposal for security. This clause will be a formality on the DNO if they are compliant with their licence.	

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		obligations area of the agreement.	There is no need for a reciprocal credit clause for National Grid NTS as National Grid NTS will not be liable for the Outstanding Amount / ARCA Commitment.	
WWU	Clause 5.2 Questioning relevance of clause requiring DNO to maintain a credit rating when this is already a licence requirement.	.....this clause is unacceptable as it permits NTS to interfere with Ofgem's acceptance of a credit rating under the DN licence .....it would permit the NTS to take a different view to that of Ofgem and potentially require the DN to get a different rating from that accepted by Ofgem.	This comment appears to mix the terms of the DN ARCA with the DC ARCA. The DN ARCA requires (in clause 5.2) the DNO to maintain credit in accordance with its licence i.e. acceptable to Ofgem. In the DC ARCA, the security is required to be "acceptable to National Grid NTS".	
SGD	Clause 5.3. The requirement to maintain security should be at a level agreed under 5.2 (a) OR (b).	Reference should be to 5.2 in its entirety as by using 5.2 (b) National Grid NTS has explicitly accepted a different level of security to that in 5.2 (a) and this clause should not allow National Grid NTS to unilaterally replace that agreed position.	Agree.	Clause 5.3 amended. (DC ARCA only).
SGD	Clause 5.3 Time should be given, upon loss of adequate Security that is not the fault of the Company, for the Company to put new security in place.	Where the reduction in Security is not as a result of any action of the Company the Company should be entitled to a period to replace the failed security with an acceptable form of security	Where the Company loses its Security rating, whether or not due to an action of the Company, it is not unreasonable that National Grid NTS should be able to call on the Security. To limit this entitlement to call on the Security would leave National Grid NTS unprotected.	
7 - Termination				
WWU	Clause 7.3 Costs incurred, and hence payable in the event of early termination, should be reasonable.	This should refer to the costs reasonably and properly incurred... otherwise there is no incentive on the NTS to be efficient.	Agreed. Costs should be "reasonably" incurred.	Clause 7.3 amended
SGD	Definition of Reduction Period / clause 6.1. If the Security Amount reduces to zero the ARCA should be terminated.	Where the Security Amount [Outstanding Amount] is reduced to less than or equal to zero should also result in termination of the agreement. Expand definition to include additional cause of termination.	National Grid NTS agrees with the comment. However, this is addressed by the ability of the Company/DNO to terminate early under Clause 7.1 without liability.	
WWU	Clause 7.4 Clarity needed on the low capacity usage termination clause.	This clause again muddles the concepts as in Clause 6 and fails to take into account that the NTS will have received some part of the charges for its investment. If it does not give credit for those it is being paid in part twice.	The intention of this clause is to avoid under use of available capacity. Should the Incremental Capacity not be fully used by the ARCA signatory then the ARCA may be terminated with an amount payable. National Grid NTS continues to believe that the	Clause 7.4 amended.

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			amount payable should be the Outstanding Amount (which does take account of NTS Exit Capacity Charges received by National Grid NTS). However, the period of calculation has been extended from 3 to 4 years.	
NGN	Clause 7.4 Concern at the effect of the low capacity usage termination clause.	NGN does not agree with the inclusion of this term..... has the potential to load significant risk onto the DN. For example, if an ARCA was driven by 60% specific load growth and 40% generic load growth, then the closing or significant curtailment of the specific load could allow National Grid to claim the full value of the DN ARCA commitment. ...given the currently drafted long length of some ARCA contracts, subsequent (likely) usage of this reinforcement would in effect provide for a double payment to National Grid NTS, at a future date. This clause appears a direct link to risks that National Grid NTS carries with DCs, however the scenario above signals why this clause is inappropriate for DNs.	See above.	
SGN	Clause 7.4 Concern at the effect of the low capacity usage termination clause.new provisions set out in clause 7.4 which allow NTS to terminate where the total amount of Registered Capacity over any 3 consecutive years is less than 50% of the sum of the Incremental NTS Exit Capacity for 3 years..... is wholly inappropriate. It undermines the principles set out in the IExCR and SC4B. It is inconsistent with the definition of ARCA Commitment which require the User to underwrite all Specific Reinforcement costs and fund any amount outstanding at the end of "n" years, where there is a shortfall in the registered capacity booked over that period. It replaces those principles with a more onerous obligation to book the incremental capacity within the first 3 years, or risk having to pay the Outstanding Amount and face termination. This would present a considerable risk for Users where any project is delayed or slow to pick up.	See above. If, over a prolonged period, capacity is significantly below that requested it is reasonable that the ARCA is terminated. However, National Grid NTS recognizes potential start up problems and proposes to extend the period of assessment to 4 years.	Clause 7.4 amended.

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SSE	Clause 7.4 Concern at the effect of the low capacity usage termination clause.new provisions set out in clause 7.4 which allow NG NTS to terminate where the total amount of Registered Capacity over any 3 consecutive years is less than 50% of the sum of the Incremental NTS Exit Capacity for 3 years.....is wholly inappropriate. It undermines the principles set out in the IExCR and SC4B. It is inconsistent with the definition of ARCA Commitment which require the User to underwrite all Specific Reinforcement costs and fund any amount outstanding at the end of “n” years, where there is a shortfall in the registered capacity booked over that period. It replaces those principles with a more onerous obligation to book the incremental capacity within the first 3 years, or risk having to pay the Outstanding Amount and face termination.	See above.	
SGN	Notice to terminate under clause 7.2 is too long.	.....the DNO must give NTS 28 days to discharge its obligations and must then provide 30 days notice before it can effect such termination. This means that the DNO is unable to effect termination for a total of 58 day..... 7 days notice would be more appropriate, providing NTS with a total of 35 days to discharge its obligations.	Agreed. In addition, to improve clarity, “the breach” has been replaced with “such breach”.	Clause 7.2 amended.
SGN	Concern that termination rights are required if the effect of enduring regime is more economic than transition.concern at the lack of clarity regarding interaction between these transitional arrangements and the enduring regime. National Grid has responded saying ARCA signatories could agree to terminate the ARCA at a later date. Whilst SGN appreciates the difficulty caused by the uncertainty, as it stands, the ARCA does not provide the DNO with an express right to terminate under clause 3 or 7..... SGN believes there is a general requirement for clause 3 and 7 to be amended to provide this express right. Also clause 3.3 currently provides that where the UNC is modified or changes are made to the Gas Act, the Transporters licence or regulatory regime that	In order to introduce a termination provision which results in no further financial commitment to the counter party, National Grid NTS would need certainty as to the precise instances giving rise to this entitlement. At present, the nature of the Enduring Regime is not sufficiently clear to assess its impact on the ARCA. If its effect is to render the application of the ARCA no longer (or less) relevant then both parties can agree to terminate or revise. In the absence of such assessment National Grid NTS does not feel that it can allow early termination by one party at this stage.	

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		<p>would result in either Party being unable to lawfully perform this Agreement, parties must meet and in good faith discuss how the Agreement may be modified. This should be amended to cover situations where significant changes to the commercial or regulatory framework might have a material and detrimental effect</p> <p>Further, termination under Clause 7 requires the DNO to pay all Outstanding Amounts. This may not be appropriate e.g. if under the enduring arrangements the DNO could be required to provide some form of financial commitment through another mechanism.</p>		
NG NTS	Clause 7.1 and 7.3 Termination process.	<p>In reviewing responses National Grid NTS has identified that the termination clauses 7.1 and 7.3 would not work as intended.</p> <p>As drafted in the consultation version, termination of the ARCA after the RPSD triggers payment of the amount owing at the date of termination EXCEPT in the event of a breach by National Grid NTS of its obligations. The key obligation on National Grid NTS is the completion of the System Reinforcement Works by the RPSD.</p> <p>This could mean that even a minor delay to the completion of the System Reinforcement Works beyond the RPSD would entitle the Company / DNO to terminate the ARCA and be relieved of any obligation to make payments in respect of the Security Amount / Outstanding Amount. Clearly, this is not the intent of the ARCA as in this scenario National Grid NTS would have substantially completed the works and committed significant investment, which would not, in the event of termination, be secured or repayable by the Company/DNO. In addition, it is likely that the Company/DNO would ultimately be able to make use of the capacity, as National Grid NTS would,</p>		Clause 7.1 and 7.3 amended and clause 4.5 and 4.6 added (DC only).

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		<p>in all likelihood, complete the works and be obliged to accept any reasonable connection requests that would utilise the capacity created. Therefore, the implied termination and non-payment entitlement, in the event of National Grid NTS breach, has been removed.</p> <p>However, National Grid NTS also appreciates the need to ensure that the Company is not adversely affected under the ARCA in the event that National Grid NTS fails to deliver the Specific Reinforcement Works by the RPSD. As such clauses 4.5 and 4.6 have been introduced to the DC ARCA, which will credit the Company with a deemed usage of the full Incremental Exit Capacity in the period from the RPSD to the availability of additional capacity. The effect is that, for the purposes of the ARCA, from the RPSD the Security Amount will be reduced and the 50% capacity utilisation required under Clause 7.4(b) will be met. Thus, the Company will not be exposed to potential financial loss where it has been deprived of the opportunity to hold Schedule 1 Capacity from the RPSD due to System Reinforcement Works delay. A similar addition to the DN ARCA is not necessary as the DNO will have previously registered the full incremental offtake capacity via the OCS.</p> <p>To facilitate this change, clauses 7.1 and 7.3 have been amended to remove the reference to “breach by National Grid NTS”. In addition, clauses 4.5 and 4.6 have been introduced to effect “deemed” capacity bookings.</p>		
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8 - Drafting Points and Clarifications.				
SGD	Definition of ARCA Commitment	Typo in last line. Change "Contact" to "Contract"	Agreed. Same error occurs in clause 6.1	Clause 6.1 and clause 1.3 definition of ARCA Commitment corrected.
SGN	Definition of Outstanding Amount	This is in the wrong place if the list is meant to be alphabetical	Agreed	Clause 1.3 definition of Outstanding Amount moved.
AEP	Definition of Registered Capacity in DC ARCA	Registered Capacity para (b) references to NTS Offtake (flexibility) Capacity and NTS offtake (Flat) capacity are not relevant to the DC ARCA.	Flat and Flex capacity are relevant to the DC ARCA to the extent that "spare" capacity may be booked by an adjacent DNO (as Flat/Flex).	
AEP	Definition of Existing Capacity	Existing NTS Exit Capacity is this defined in the UNC? If not needs defining here!	Agreed. The amount of existing capacity will be agreed between the parties and stated, as a quantity, in Schedule 1.	New definition of "Existing" capacity added.
SGN	Definition of Existing Capacity	The definition of Registered Capacity refers to "Existing" NTS Exit (Flat) Capacity and "Existing" NTS Exit (Flexibility) Capacity however "Existing" isn't defined.	See above.	
NG-D	Definition of Existing Capacity	Existing NTS Exit Capacity is not a defined term. It would be helpful if this could be clarified.	See above.	
SGD	Facilities Agreement - Definition and clause 4.1(a).	Not required as per National Grid's covering letter to this consultation.	Facilities Agreement is still required in respect of clause 4.1(a). The consultation cover letter relates to the removal of signature of the Facilities Agreement as a requirement to make the ARCA effective. It is still relevant that works associated with a Facilities Agreement are required to be completed (clause 4.1 (a)).	
SGD	Clauses 5.5(a) and 7.3. National Grid NTS should be required to minimise construction costs.	There should be an obligation on National Grid NTS to minimise any costs and recognise any benefits that may accrue from the cancellation of the specific reinforcement – use of pipe elsewhere, etc.	National Grid NTS agrees that costs should be those "reasonably" incurred. With regard to recognising benefits from cancellations, National Grid NTS believes that this	Clause 5.5(a) amended.

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			would add unwarranted complexity. In addition to crediting savings elsewhere we would need to consider increased costs such as that for storage or retesting of valves. This could also potentially extend the financial close-out well beyond the actual termination date as such additional costs and benefits are being determined.	
AEP	Clause 4.4. Concern that 4.4 relieves National Grid of UNC liabilities in respect of existing capacity.	Where the ARCA covers incremental NTS exit capacity at an existing exit point this clause as currently drafted seems to pass on all failure to make gas available charges to the developer (the Company) prior to the reduction period start date even if the reason for the failure was not connected to the incremental capacity but to the existing capacity.	Agreed. Clause 4.4 provides relief to National Grid NTS from failure to make gas available liabilities where the RPSD has been put back in accordance with the agreement. This clause is not intended to extend relief to Existing Capacity.	Clause 4.4 amended.
AEP	Clause 5.1(a). Questioning the need to provide advanced notice of intended Shipper.	Do not understand why NG needs to know who the shipper will be before the Initial Reduction Period Start date, surely only the Reduction Period Start Date is relevant here Why are there still [] at this stage? Is this clause needed at all if [90] days is in 5.19 (c)?	Agreed. Clause 5.1(a) is no longer relevant. National Grid NTS will accept any Shipper nominations made in accordance with the ARCA terms. Due to increased security requirements it is no longer relevant to have a time limit by which capacity applications must be made.	Clause 5.1 (a) deleted. (DC ARCA only). Clause 5.1 (c) amended. (DC ARCA only).

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AEP	Clause 6.8. Relevance of clause questioned.	This is only appropriate if the shipper is the Company that is party to the ARCA otherwise the obligations rest with the Company ?	This clause merely states that if there is a change of Shipper then the provisions of clause 6 continue. This is irrespective of the role of the signatory.	
NGN	Recital A Incorrect terminology needs amending.	Replace "...wishes to have gas made available for offtake as specified..." with "...wishes to have capacity as specified...". Within the same clause replace "...for the purposes of supply to the distribution network..." with "...for the purposes of onward transmission to the distribution network..."	Agreed. Agreed (applies only to DN ARCA).	Recital A amended.
NGN	Definition of Facilities Agreement. Questioning of relevance of reference to connecting pipelines. and the interpretation of Pipeline Construction Season	Delete wording starting "...including where appropriate works for the construction of the pipeline connecting the ARCA NTS/LDZ offtake to the NTS". This wording is only applicable in instances where a new offtake is constructed. NGN are satisfied that this text can remain if it is drafted in a way that specifies its relevance only in such new offtake constructions. The pipeline construction season is April to 31 October inclusive, and this clause suggests that National Grid NTS will only carry out reinforcement works within this period, save for any change owing to adverse weather conditions. NGN would similarly expect that 'good' weather outside of this stated period should allow for ongoing works to proceed.	In order to make the ARCA applicable to as many scenarios as possible, the definition is drafted to include reference to connecting pipelines. The definition includes the words "where appropriate" hence there is no requirement to delete the section. Good weather may allow works to be undertaken within a revised (in accordance with the definition) Pipeline Construction Season and National Grid NTS will take advantage of this where feasible.	
NGN	Clause 4.1 (b)(ii) Questioning of relevance of reference to downstream works when determining National Grid NTS's obligations.	This clause should be deleted. Any works downstream of the NTS System reinforcements is not a matter for inclusion in this agreement.	It would be inappropriate that National Grid NTS should be obliged under the ARCA to make the Incremental Capacity available if the counter party is unable to use that capacity due to delay in the completion of downstream works.	
WWU	Clause 4.1 (b)(i) and (ii) Questioning of relevance of reference to downstream works when determining National Grid NTS's obligations.why should activities downstream of the NTS Exit Point be of any concern to this clause. NTS's obligation to make capacity available AT the Exit Point is irrelevant to whether the DN can or cannot USE it.	See above.	

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SGD	Definitions of Initial Reduction Period Start Date and Reduction Period Start Date should be based on availability of the requested capacity not completion of works.	As the agreement relates to registration of capacity it would be more logical for periods to relate to the availability of the required capacity directly rather than by indirect reference via the completion of the reinforcement.	National Grid NTS agrees with the sentiment. However, linking the definition to either reinforcement works or the availability of capacity has the same effect.	
WWU	Recital D	....“undertake” in penultimate line should read “undertakes”	We believe “undertake” is correct.	
WWU	Definitions generally.	.....definitions generally should consistently start “means....”.	Agreed as a principle. However, where a definition is identified in another provision we believe that “shall have the meaning” is customary and more appropriate.	
WWU	Clause 2.1 Disagree with the definition of Effective Date	.....to have the agreement effective from the date of signature is quite extraordinary. Signature is an administrative act. The agreement should only be effective from delivery in the normal legal fashion, that is when it is released unconditionally to the other party – in normal usage when the lawyers for either party agree that it is dated.	It is usual for National Grid NTS agreements to commence on signature (i.e. the date inserted by the second signatory) unless there are any conditions to be satisfied first. The ARCA has been drafted to avoid such conditions.	
WWU	Comments on the Parent Company Guarantee	.....if the NTS in the Parent Company Guarantee (which appears to have been transposed from elsewhere as at points it refers to “this Agreement”) considers that it has limited the guarantee to the ARCA commitment it has not done so. Clause 4, and 17.2(b) clearly refer to agreements other than the DC ARCA. If this is intended we consider that inappropriate.	Agreed. References to “agreement” revised to “ARCA”.	PCG revised.
SGN	Clarity on the definition of “registered”.	The Agreement refers throughout to the DNO being “registered” as holding capacity. For clarity, it should specify that this is in accordance with UNC TPD Section B6.	National Grid NTS believes that such clarification is not necessary as all parties are aware that terms and processes are consistent with UNC.	
SGN	Definition of Registered Capacity.	The definition of Registered Capacity now takes account of capacity made available to others as a direct result of System Reinforcement Works underwritten by the party to the ARCA. Whilst	Agreed	Clause 1.3 Definition of Registered Capacity

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		this is welcome we suggest it should be clear inthe definition that such availability shall be determined by NTS at its "absolute discretion", but they must act reasonably.		amended.
SGD	Clause 2.2 - Typo	Reference should be to Schedule 2 to be in line with the definition of "Security Amount".	Agreed.	Clause 2.2 amended. (DC ARCA only).
NG NTS	Definition of Registered Capacity in DN ARCA	References to "Exit" Capacity should be "Offtake" Capacity.		Clause 1.3 Definition of Offtake Capacity amended.
NG NTS	1.3 Definition of Facilities Agreement – Drafting improvement	Reference to "an" agreement should be "the" agreement.		Clause 1.3 Definition of Facilities Agreement amended.