

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT**SECTION B – SYSTEM USE AND CAPACITY****1 INTRODUCTION****1.1 Use of System**

- 1.1.1 Shipper Users may use the Total System by delivering gas to the Total System and/or by offtaking gas from the Total System.
- 1.1.2 DNO Users may use the NTS by causing or permitting the flow of gas (or changes in the flow of gas) at an NTS/LDZ Offtake from the NTS to the LDZ, but without prejudice to Section J1.5.2 and in this Section B references to a DNO User offtaking gas at an NTS/LDZ Offtake shall be construed in accordance with Section J1.3.4.

1.2 System Capacity

- 1.2.1 Users may apply for and hold capacity in a System ("**System Capacity**") at certain System Points.
- 1.2.2 The classes of System Capacity are NTS Entry Capacity, NTS Exit Capacity, LDZ Capacity and Supply Point Capacity.
- 1.2.3 For the purposes of the Code:
- (a) "**NTS Entry Capacity**" at an Aggregate System Entry Point is capacity in the NTS which a User is treated as utilising in delivering gas to the NTS (and the Total System) at that point;
 - (b) "**NTS Exit Capacity**" at an NTS Exit Point is capacity in the NTS which a User is treated as utilising in offtaking gas from the NTS and (in the case of an NTS Supply Point Component and NTS Connected System Exit Point the Total System) at that NTS System Exit Point;
 - (c) NTS Exit Capacity comprises:
 - (i) "**NTS Exit (Flat) Capacity**", which is capacity which a User is treated as utilising in offtaking gas from the NTS at a rate which (for a given Daily Quantity) is even over the course of a Day; and
 - (ii) "**NTS Exit (Flexibility) Capacity**", which is capacity which a DNO User is treated as utilising, in offtaking gas from the NTS to the extent that (for a given Daily Quantity) the rate of offtake or flow is not even over the course of a Day;
 - (d) "**LDZ Capacity**" at an LDZ System Exit Point is capacity in the relevant LDZ:
 - (i) in the case of an LDZ Supply Point Component, which the User is treated as utilising in offtaking gas from the Total System at that point;
 - (ii) in the case of an LDZ Connected System Exit Point, which the User is treated as utilising in offtaking gas from the Total System at that point;

- (e) **"Supply Point Capacity"** at a LDZ Supply Point Component is capacity at that point which the User is treated as utilising in offtaking gas from the Total System at that Supply Point Component

in each case in accordance with and subject to the provisions of the Code.

- 1.2.4 A DNO User may hold NTS Exit (Flexibility) Capacity at an NTS/LDZ Offtake only, and a Shipper User may not hold NTS Exit (Flexibility) Capacity.
- 1.2.5 No User is treated as utilising capacity in an LDZ where gas flows to or from that LDZ at an LDZ/LDZ Offtake, and accordingly there is no provision for Users to hold System Capacity at an LDZ/LDZ Offtake.
- 1.2.6 The Supply Point Capacity which a User may be registered as holding at a DM Supply Point Component will (in accordance with Section G5) be limited by reference to the rate at and quantities in which it is feasible for the Transporter to make gas available for offtake from the Total System at that Supply Point Component; and no entitlement to offtake gas at a greater rate or in greater quantities shall be conferred on a User by the holding of any amount of LDZ Capacity.
- 1.2.7 Subject to Section I3.11.3(a) where an Aggregate System Entry Point is on an LDZ:
- (a) Users delivering gas to the Total System at that point are deemed (for the purposes of paragraph 1.2.3(a)) to utilise capacity in the NTS and accordingly may (in accordance with paragraph 2) apply for and hold NTS Entry Capacity at that point;
- (b) the provisions of this Section B as to the holding of NTS Exit Capacity shall apply in full notwithstanding that deliveries of gas to the Total System at that Aggregate System Entry Point may result in reduced flows into the LDZ at relevant NTS/LDZ Offtake(s).
- 1.2.8 In relation to NTS/LDZ Offtakes, Users:
- (a) are not required to hold capacity in the NTS;
- (b) may hold capacity in the NTS as NTS Exit Capacity.
- 1.2.9 System Capacity is expressed in kWh/Day, except that where (for the purposes of any provision of the Code) it is to be determined what quantity of gas delivered to or offtaken from a System on a Day is equal to an amount of System Capacity held by a User, or whether such a quantity of gas exceeds or is less than such an amount of capacity, such amount of System Capacity shall be treated as expressed in kWh.
- 1.2.10 Where (in the Transportation Statement or elsewhere) the units in which System Capacity is expressed are 'peak day kWh', such units are the same as those under paragraph 1.2.9; and references to charges for System Capacity in 'pence per peak day kWh' (or similar references) shall be construed accordingly.

1.3 Overrun Charges

- 1.3.1 A User may use the System without holding System Capacity but (subject to paragraphs 1.3.2 and 1.3.3) will be liable to pay System Entry Overrun Charges and/or NTS Exit (Flat) Overrun Charges (collectively **"Overrun Charges"**) and/or LDZ CSEP Overrun Charges or Supply Point Ratchet Charges, in respect of the capacity utilised, in

accordance with this Section B.

1.3.2 A User will not be liable to pay Supply Point Ratchet Charges for using a System by offtaking gas at an Interruptible Supply Point on a Day on which the User was liable pursuant to Section G6 in respect of a failure to comply with the requirement for Interruption.

1.3.3 If:

- (a) the Transporter rejects an application by a User for System Capacity other than in accordance with the provisions of the Code; and
- (b) reasonably promptly thereafter the User so notifies the Transporter, stating that it wishes the application to be given effect with effect from the date which was specified in the application

the User shall not be liable for any Overrun Charge, CSEP Overrun Charge or Supply Point Ratchet Charge which it would not have incurred had the application for System Capacity been approved (and where any such charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with Section S).

1.3.4 Where:

- (a) a User incurs an Overrun Charge, Supply Point Ratchet Charge or CSEP Overrun Charge on a Day on which (by reason of a change in the time from BST to GMT) there are 25 hours in a Day; and
- (b) the User (by notice to the Transporter specifying the relevant System Point) requests the Transporter to redetermine the amount of such charge

the amount of the relevant charge will be redetermined as though (for the purposes of this paragraph 1.3.4 only) the User's UDQI or (as the case may be) UDQO for the Day were 24/25 of the amount thereof determined pursuant to Section E, and (where the amount of the charge is invoiced or has been paid) an appropriate adjustment (by way of invoice credit in accordance with Section S) will be made.

1.4 Registered and Available Capacity

For the purposes of the Code:

- (a) a User's "**Registered**" System Capacity in relation to a System Point is the System Capacity which the User is registered (in accordance with this Section B) as holding at that System Point on the Gas Flow Day;
- (b) the User's "**Available**" System Capacity in relation to a System Point is the System Capacity which the User holds at that System Point on the Gas Flow Day after taking account of any System Capacity Transfer, in accordance with paragraph 5.

1.5 UK Link set-up

Before first delivering gas to or offtaking gas from the Total System at any System Point a User must comply with the requirements set out in the UK Link Manual for establishing (for the purposes of UK Link) the User as a user of the relevant System at that System Point.

1.6 Eligible Capacity Registration Date

For the purposes of the registration of a User as holding NTS Exit Capacity in any Gas Year, "**Eligible Capacity Registration Date**" means any Day other than 29 February in any Gas Year.

1.7 Transportation Charges and Metering Charges

1.7.1 For the purposes of the Code:

- (a) "**Transportation Charges**" are
 - (i) charges (other than Energy Balancing Charges or Storage Charges) payable by a User in respect of a transportation arrangement under the Code, and (subject to paragraph 1.7.8) comprise Capacity Charges, Commodity Charges, Customer Charges, CSEP Charges and User Pays Charges; and
 - (ii) amounts payable by a DNO User in respect of DN Pensions Deficit Charges;
- (b) "**Metering Charges**" are the prevailing charges payable by a User as contained in the Metering Charges Statement.

1.7.2 A "**Capacity Charge**" is a charge in respect of, and determined by reference to the amount of, a User's Registered NTS Entry Capacity, Registered NTS Exit Capacity or Registered LDZ Capacity at a System Point.

1.7.3 A "**Commodity Charge**" is a charge in respect of use of a System, determined by reference to the quantity of the gas flow (or the part thereof attributable to a User) at a System Point, or a charge payable by reference to the arrangements in Special Condition C8B, C8C or E2B of the Transporter's Licence.

1.7.4 A "**Customer Charge**" is a charge payable by reason of being the Registered User of a Supply Point.

1.7.5 In respect of a Customer Charge:

- (a) the "**Capacity Variable Component**" is the component (if any) thereof the amount of which is determined by reference to the amount of a User's Registered Supply Point Capacity;
- (b) the "**Commodity Variable Component**" is the component (if any) thereof the amount of which is determined by reference to the quantity of the gas flow at a Supply Point;
- (c) the "**Fixed Component**" is the component (if any) thereof which is not determined by reference to Supply Point Capacity or gas flow.

1.7.6 Where any element of a Transportation Charge is payable by a User pursuant to a contract other than one made upon the terms of the Code, such element shall not in addition be payable under the Code.

1.7.7 A "**CSEP Charge**" is a charge payable by virtue of being (in relation to a relevant Connected System Exit Point) a CSEP User.

- 1.7.8 The further provisions of the Code set out the basis on which Transportation Charges and Metering Charges are payable by Users; provided that (subject to paragraph 1.8.2) where:
- (a) the prevailing Transportation Statement, Metering Charges Statement or Agency Charging Statement provides for any charge which is not provided for in the Code; and
 - (b) the amount payable by way of such charge in any case is capable of being determined by reference to the provisions of the Code prevailing at the time
- such charge shall be a Transportation Charge or Metering Charge and shall be payable by Users or Users of such class in accordance with the relevant provisions of the Transportation Statement or the Metering Charges Statement respectively.
- 1.7.9 For the avoidance of doubt paragraph 1.7.8(b) shall not be taken as requiring that the Code should provide for the determination or (other than by virtue of paragraph 1.7.8) payment of any such charge as is therein referred to.
- 1.7.10 The basis on which the Transporter will reduce any Transportation Charges pursuant to Standard Condition 7(5) of the Transporter's Licence is not contained in the Code; and nothing contained in the Code shall be taken to prevent the Transporter from reducing such charges in accordance with that Standard Condition.
- 1.7.11 **“Agency Charging Statement”** is a statement prepared pursuant to Standard Special Condition A15(7) to (12) of the Gas Transporter’s Licence.
- 1.7.12 A **“User Pays Charge”** is a charge determined in accordance with the methodology contained in the Agency Charging Statement as payable in respect of a User Pays Service.
- 1.7.13 For the purposes of the Code, **“User Pays Service”** is a service of a type described as a Code service in Appendix 1 of the Agency Charging Statement.
- 1.7.14 Where any User Pays Modification Proposal is not implemented but it is determined that a portion of the Implementation Costs should be paid by Users in accordance with the User Pays Charge set out in the Agency Charging Statement, such User Pays Charge shall be invoiced in accordance with Section S.

1.8 Rates and amounts of Transportation Charges

- 1.8.1 Subject to paragraphs 1.8.2 to 1.8.5 and paragraph 1.10, and except as provided in paragraph 2.9:
- (a) the amount or rate of any Transportation Charge accrues (irrespective of when it is due for payment); and accordingly the rate of the Transportation Charges payable by a User may vary during the period for which the User holds any System Capacity or is the Registered User of any Supply Point or is a CSEP User;
 - (b) the amount or rate of any Metering Charge payable at any time by a User shall be determined in accordance with the Metering Charges Statement in force at the time such charge accrues irrespective of when it is due for payment.
- 1.8.2 The Transporter agrees that, except where any other provision of the Transporter's

Licence requires notice of a shorter period to be given:

- (a) each notice given by it to the Authority pursuant to Standard Special Condition A4(2)(d) of the Transporter's Licence will be given, and published in accordance with Standard Special Condition A4(3)(a) thereof, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Transportation Statement) to be implemented;
 - (b) each statement or revision thereto sent by it to the Authority pursuant to Standard Special Condition A43(4) of the Transporter's Licence will be sent to the Authority, and sent to Users, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Metering Charges Statement) to be implemented.
- 1.8.3 In accordance with Standard Special Condition A4(4) of the Transporter's Licence, the amount or rate of any Transportation Charge may with the approval of the Authority differ from what is provided for in the Transportation Statement and in accordance with Standard Special Condition 43(4) of the Transporter's Licence, the amount or rate of any Metering Charge may with the approval of the Authority differ from what is provided for in the Metering Charges Statement.
- 1.8.4 In the case of an NTS Supply Point the rate(s) or amount(s) of the Capacity Charge in respect of NTS Exit Capacity and the Customer Charge may not be specified in the National Grid NTS's Transportation Statement, in which case they will be the rate or amount from time to time notified by National Grid NTS to the Registered User.
- 1.8.5 In respect of any Transportation Charge in respect of any System Point:
- (a) in the case of a Capacity Charge or the Capacity Variable Component of a Customer Charge, the "**Applicable Daily Rate**" is the daily rate of such charge, in pence per kWh/Day of System Capacity; and the "Applicable Annual Rate" is 365 times the Applicable Daily Rate;
 - (b) for the purposes of paragraph 4.6.2, the Applicable Daily Rate and Applicable Annual Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point and the capacity of the LDZ Specified Exit Point determined in accordance with Paragraph 4.6.9 (the "**LDZ Optional Capacity Rate**");
 - (c) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "**Applicable Commodity Rate**" is the rate of such charge, in pence per kWh of gas flow; or
 - (d) for the purposes of paragraph 3.12.5, the Applicable Commodity Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with paragraph 3.12.8 (the "**NTS Optional Commodity Rate**")
- in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.
- 1.8.6 Subject to paragraph 1.8.4 and except as provided in paragraph 3.12.5, where the Transporter's prevailing Transportation Statement or Metering Charges Statement does

not provide for the determination of any particular Transportation Charge or Metering Charge, in any particular case, the rate of such Transportation Charge or Metering Charge shall be deemed to be zero respectively.

1.9 Scottish Independent Networks

1.9.1 References in this Section B to the Total System include references to the Scottish Independent Networks.

1.9.2 In order to enable Users to offtake gas from the Total System at Scottish Independent Network Supply Point Components:

- (a) except as provided in paragraph (b), the relevant DN Operator will arrange with a Storage Operator(s) to hold Storage Space (as defined in Section R) in and inject gas into a Storage Facility(ies) in which gas is stored as LNG, and for LNG to be lifted from those facilities and transported by road tanker to and discharged to LNG storage and regasification plants at each Scottish Independent Network;
- (b) in relation to the Scottish Independent Network at Stranraer, the relevant DN Operator will arrange for gas to be taken from the Total System at a Connected System Exit Point and conveyed to that network pursuant to the arrangements referred to in Section A1.7.5.

1.9.3 For the purposes of the Code:

- (a) there shall be deemed to be capacity in the NTS at the Scottish Independent Network NTS Exit Point;
- (b) the relevant DN Operator shall hold NTS Exit Capacity at such Scottish Independent Network NTS Exit Point;
- (c) NTS Exit Capacity may be held by Users at the Scottish Independent Network NTS Exit Point;
- (d) for the purposes of paragraph 3.13 there will be deemed on each Day to be a gas flow out of the NTS at the Scottish Independent Network NTS Exit Point in respect of (and equal to the amount of) the offtake of gas from the Total System on that Day at Scottish Independent Network Supply Point Components by each User on a Day.

1.10 Long Term Contracts

If the Authority shall give Condition A11(18) Approval to its doing so, or otherwise with the assent of the Authority, the Transporter may enter into an Ancillary Agreement with any User:

- (a) pursuant to which, notwithstanding any other provision of the Code:
 - (i) the User may agree to apply for and hold System Capacity in particular amounts, and/or deliver gas to and/or offtake gas from the Total System in particular quantities at particular System Points, for particular periods, or to make payment to the Transporter in lieu of doing so; and/or

- (ii) the Transporter may agree, notwithstanding Section G5.5.3 or 5.5.4, to accept the User's application for particular Supply Point Capacity;
- (b) containing other terms which may conflict with the terms of the Code.

1.11 Daily Read Errors

Where (pursuant to Sections M4.8 and E3.4) for a Daily Read Error Day an Error Revised UDQO has been determined for a DM Supply Point Component:

- (a) the Transporter will redetermine, as nearly as may be, the amounts (if any) for which the User would have been liable by way of NTS Exit Overrun Charge and/or in the case of an LDZ Supply Point a Supply Point Ratchet Charge, and the amount of any Ratcheted Supply Point Capacity (and any increment in Transportation Charges payable by the User in respect of such capacity), on the basis of the Error Revised UDQO;
- (b) the amounts for which the User is liable in respect of such charges will be determined accordingly, and invoice adjustments will be made, by way of debit or credit as appropriate, in accordance with Section S.

1.12 DNO Users

In this Section B references to Users shall, except in paragraphs 1.2.3(a), (d) and (e), 2 and 4, include DNO Users.

2 NTS ENTRY CAPACITY

2.1 Introduction

2.1.1 Subject to the provisions of the Code, a User may deliver gas to the Total System at any System Entry Point.

2.1.2 Users may apply for and be registered as holding NTS Entry Capacity:

- (a) as Quarterly NTS Entry Capacity pursuant to an auction in accordance with paragraph 2.2;
- (b) as Monthly NTS Entry Capacity pursuant to an auction in accordance with paragraphs 2.2 and 2.3;
- (c) as Daily NTS Entry Capacity pursuant to a bid under paragraph 2.4; and
- (d) as Daily Interruptible NTS Entry Capacity pursuant to a bid under paragraph 2.5; and
- (e) as Quarterly, Monthly, Daily or Daily Interruptible NTS Entry Capacity (as the case may be) pursuant to an invitation in accordance with paragraph 2.1.14.

2.1.3 A User may not apply for or be registered as holding NTS Entry Capacity at an Aggregate System Entry Point in an amount less than 100,000 kWh/Day (the "**minimum eligible amount**").

2.1.4 In relation to an Aggregate System Entry Point:

- (a) "**Quarterly NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar quarter;
- (b) "**Monthly NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar month;
- (c) "**Daily NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only; and
- (d) "**Daily Interruptible NTS Entry Capacity**" is Interruptible NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only.

2.1.5 In respect of an Aggregate System Entry Point and in relation to a Day in a calendar month in a Formula Year:

- (a) "**NTS SO Baseline Entry Capacity**" is the amount of NTS Entry Capacity which National Grid NTS is required to make available to Users pursuant to National Grid NTS's Transporter's Licence as set out in National Grid NTS's Transportation Statement;
- (b) "**Incremental NTS Entry Capacity**" is the amount of Firm NTS Entry Capacity (if any) in excess of the Unsold NTS Entry Capacity which National Grid NTS may (but shall not be required to) invite applications for pursuant to paragraphs 2.2 and 2.3; and
- (c) "**Unsold NTS Entry Capacity**" is the amount of Firm NTS Entry Capacity that National Grid NTS has, for the purposes of:
 - (i) paragraph 2.2, in relation to each Day in a calendar quarter (in the case of QSEC) or in a month (in the case of AMSEC);
 - (ii) paragraph 2.3, in relation to each Day in a calendar month;
 - (iii) paragraph 2.4, in relation to a Day

an obligation to make available (in accordance with the procedures set out in this paragraph 2) to Users pursuant to Part C9 of Special Condition C8D of National Grid NTS's Transporter's Licence as, in the case of NTS Entry Capacity to be made available under paragraphs 2.2, 2.3 and 2.4 but not paragraph 2.5, set out in National Grid NTS's Transportation Statement.

2.1.6 For the purposes of the application of paragraph 2.6, the amount of Unsold NTS Entry Capacity in existence at a particular time will, unless expressly stated otherwise, be calculated by reference to a continuing obligation to make available Firm NTS Entry Capacity through the application of Part C9 of Special Condition C8D of National Grid NTS's Transporter's Licence prior to the time at which the amount of Unsold NTS Entry Capacity is to be ascertained.

2.1.7 For the purposes of this paragraph 2:

- (a) at any time, in respect of an Aggregate System Entry Point and in relation to a Day, the "**System Entry Capability**" is the amount (in kWh) or rate (in

kWh/Day) (in each case consistent with the provisions of paragraph 2.1.9), determined by the Transporter at such time, as the maximum amount of gas which it will be feasible to take delivery on that Day at that Aggregate System Entry Point, or (as the case may be) the maximum rate at which it will be feasible to take delivery of gas on that Day or in the remaining part of that Day at that Aggregate System Entry Point;

- (b) **"Firm NTS Entry Capacity"** means Quarterly NTS Entry Capacity, Monthly NTS Entry Capacity and Daily NTS Entry Capacity which (without prejudice to Section I3.7) is not subject to curtailment and **"Interruptible NTS Entry Capacity"** means Daily Interruptible NTS Entry Capacity which is liable to be curtailed pursuant to paragraph 2.9;
- (c) a reference to the amount of a User's Available or Registered NTS Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as **"Adjusted"**:
 - (i) pursuant to paragraph 2.8.4, is a reference to such amount as reduced pursuant to that paragraph;
 - (ii) pursuant to paragraph 2.9.4, is a reference to such amount as reduced pursuant to that paragraph; and
 - (iii) pursuant to paragraph 2.10.8, is a reference to such amount as determined pursuant to that paragraph

and a reference to such amount as **"Unadjusted"** pursuant to any such paragraph is a reference to such amount before and disregarding such reduction or determination;
- (d) a reference to the amount of a User's Available or Registered NTS Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as **"Fully Adjusted"** is a reference to such amount as adjusted pursuant to paragraphs 2.8.4, 2.9.4 and 2.10.8;
- (e) an **"invitation date"** is a day on which Users may make applications for NTS Entry Capacity in accordance with paragraphs 2.2 and 2.3;
- (f) a **"capacity bid"** is an application for NTS Entry Capacity in accordance with paragraph 2.2, 2.3, 2.4 or 2.5; and
- (g) a **"calendar quarter"** is a period of three calendar months commencing 1 January, 1 April, 1 July and 1 October in any calendar year.

2.1.8 All determinations (as to quantities in which or rates at which gas is or is to be delivered to or accepted by the Total System at an Aggregate System Entry Point) to be made by the Transporter under this paragraph 2 will be made on the assumption that the requirement in Section I3.10.2 is complied with.

2.1.9 For the purposes of determining the NTS Entry Capacity available to the User for each hour in a Day:

- (a) where the NTS Entry Capacity is held in respect of the whole Day, the User shall hold in respect of each hour in the Day an amount of the NTS Entry Capacity equal to the NTS Entry Capacity held by the User, divided by 24; and

- (b) where the NTS Entry Capacity is held for less than a Day, the User shall hold in respect of each remaining hour of the Day an amount of the NTS Entry Capacity equal to the NTS Entry Capacity, divided by the period (in hours) from the time the NTS Entry Capacity was first registered as being held by a User to the end of the Day.
- 2.1.10 References to rates at which gas is or may be delivered to or accepted by the System at an Aggregate System Entry Point are references to an instantaneous rate of flow, whether expressed in kWh/Day or other units.
- 2.1.11 For the avoidance of doubt, where a User ceases to be a User in accordance with Section V4.3, the NTS Entry Capacity which the User was registered as holding shall (with effect from the latest time by which a transferee election might be made) cease to be treated as held by any User, save to the extent to which any other User elects to be registered as holding such NTS Entry Capacity pursuant to paragraph 5.4.1(b) (a 'transferee election').
- 2.1.12 Any price to be specified by National Grid NTS or a User pursuant to any provision of this paragraph 2 shall be expressed in pence/kWh/Day and specified to four decimal places.
- 2.1.13 For the purposes of this paragraph 2 and in particular in the context of applications for NTS Entry Capacity in accordance with the further provisions of this paragraph 2, a reference to a 'Capacity Year + *n*' is a reference to the Capacity Year commencing on the *n* anniversary of the first Day of the Capacity Year in which the applications are invited to be made.
- 2.1.14 Discretionary NTS Entry Capacity
- (a) In addition to the other methods set out in Section B2.1.2 by which NTS Entry Capacity may be made available to Users, National Grid NTS shall be entitled to invite applications for NTS Entry Capacity to Users by such means as National Grid NTS may determine in its sole discretion. The timing of any such invitation, the quantities of NTS Entry Capacity included in such invitation (“**Discretionary NTS Entry Capacity**”), and the terms which shall apply to the offering of, application for, allocation of and use of such Discretionary NTS Entry Capacity shall also be determined by National Grid NTS in its sole discretion.
- (b) Any Discretionary NTS Entry Capacity included in any invitation made by National Grid NTS pursuant to the provisions of paragraph (a) shall:
- (i) be subject to the application of a reserve price, which shall be equal to the prevailing reserve price last published pursuant to paragraph 2.2.1(a) (for each Aggregate System Entry Point at which Discretionary NTS Entry Capacity is offered); and
- (ii) be available for a period of no more than one Capacity Year, such period being specified in the relevant invitation; and
- (iii) be subject to the provisions of UNC Section V3.
- (c) Each User shall pay Capacity Charges for any Discretionary NTS Entry Capacity allocated to it, and such Capacity Charge shall be determined as the quantity of NTS Entry Capacity allocated multiplied by the bid price tendered multiplied by

the relevant period for which such Discretionary NTS Entry Capacity has been allocated.

- (d) For the avoidance of doubt, any Discretionary NTS Entry Capacity allocated to a User pursuant to this paragraph 2.1.14 shall be included in the User's aggregate Available NTS Entry Capacity.
- (e) The bid prices offered by Users for Discretionary NTS System Entry Capacity shall be considered in the determination of System Entry Overrun Charge rates at the relevant Aggregate System Entry Point.
- (f) National Grid NTS will no later than
 - (i) two (2) Business Days prior to the first day of the period to which the invitation relates, inform each User of those of its capacity bids that have been accepted, the amount of Discretionary NTS Entry Capacity which it is registered as holding for the relevant Aggregate System Entry Point and the period for which the Discretionary NTS Entry Capacity has been allocated); and
 - (ii) one (1) Business Day prior to the first day of the period to which the invitation relates, National Grid NTS will provide information to all Users with the information referred to in paragraph 2.14.2 in relation to Discretionary NTS System Entry Capacity.

2.2 Annual NTS Entry Capacity auctions

2.2.1 By:

- (a) not later than the Day falling twenty eight (28) Days before the annual AMSEC invitation date in any Capacity Year, National Grid NTS will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual AMSEC invitation;
- (b) not earlier than 1 February and not later than 29 February in a Capacity Year, National Grid NTS will invite, and Users may make, applications for Monthly NTS Entry Capacity in respect of each Aggregate System Entry Point for the period specified in paragraph 2.2.2(a);
- (c) not later than the Day falling twenty eight (28) Days before the first annual QSEC invitation date in any Capacity Year, National Grid NTS will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual QSEC invitation; and
- (d) not earlier than 1 September and not later than 30 September in a Capacity Year, National Grid NTS will invite, and Users may make, applications for Quarterly NTS Entry Capacity in respect of each Aggregate System Entry Point for the periods specified in paragraph 2.2.2(b).¹

2.2.2 National Grid NTS will invite applications ("**annual invitation**") for:

¹ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.1(d).

- (a) for Monthly NTS Entry Capacity for each calendar month in Capacity Year + 1 and Capacity Year + 2; and²
- (b) for Quarterly NTS Entry Capacity for each calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive)

in each case for such aggregate amounts of NTS Entry Capacity as is specified in the relevant annual invitation.

2.2.3 National Grid NTS's annual invitations under paragraph 2.2.2 will specify:

- (a) the dates (on which applications pursuant to the annual invitation may be made), which for the purposes of:
 - (i) paragraph 2.2.2(a), shall be four dates (each of which shall be a Business Day) on which applications pursuant to such annual invitation may be made; the period between each such date shall not be less than two Business Days; and
 - (ii) paragraph 2.2.2(b), shall be a period of ten (10) consecutive Business Days ("**annual invitation period**"),
 (each such date an "**annual**" invitation date);
- (b) for each Aggregate System Entry Point, and in respect of each of Capacity Year +1 to Capacity Year +16 (inclusive), the Available NTS Entry Capacity (and, in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity as referred to in paragraph (e) below) and the reserve price for Unsold NTS Entry Capacity (in accordance with National Grid NTS's Transportation Statement) (the "**reserve price**");³
- (c) for each Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
 - (i) the relevant number of incremental amounts (each being for a different amount) of Quarterly NTS Entry Capacity greater than the Baseline Entry Capacity (the maximum incremental amount being the lower of (1) an amount not less than an amount equal to 150% of NTS SO Baseline Entry Capacity and (2) an amount determined by the application of National Grid NTS's Incremental Entry Capacity Release Statement) (each amount an "**incremental capacity amount**"); and
 - (ii) the price payable by Users for each different incremental capacity amount (the "**step price**") were National Grid NTS to make such incremental capacity amount available

in each case (in accordance with National Grid NTS's Transportation Statement); and

- (d) the relevant number for the purposes of paragraph (c) being twenty (20) except in the case of an Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number

² Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.2(a).

³ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.3(b).

(being not greater than twenty (20) and not less than five (5)) shall be set out in National Grid NTS's Transportation Statement; and

- (e) for each Aggregate System Entry Point and in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity for the relevant calendar month on the relevant annual invitation date. The "**Available Monthly Capacity**" for a calendar month shall mean, in respect of the first three annual invitation dates, an amount equal to 25% of the amount of the Available NTS Entry Capacity for that calendar month (as determined immediately prior to the first such annual invitation date); and in respect of the fourth annual invitation date shall mean an amount equal to the Available NTS Entry Capacity for that calendar month (again as determined immediately prior to the first such annual invitation date) less the amount of NTS Entry Capacity allocated in aggregate pursuant to the first three annual invitation dates for that calendar month.⁴

2.2.4 Users may apply for Monthly NTS Entry Capacity for a calendar month in Capacity Year + 1 and Capacity Year + 2 and/or (without prejudice to paragraph 2.2.14) for Quarterly NTS Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of an Aggregate System Entry Point on the relevant annual invitation dates.⁵

2.2.5 The "**Available NTS Entry Capacity**" for an Aggregate System Entry Point is, in respect of:

- (a) a calendar month in Capacity Year +1 and Capacity Year + 2, not less than the sum of:⁶
- (i) Unsold NTS Entry Capacity (if any); and
 - (ii) Incremental NTS Entry Capacity (if any); and
- (b) a calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive), is not less than the sum of:
- (i) Unsold NTS Entry Capacity (if any); and
 - (ii) Incremental NTS Entry Capacity (if any).

2.2.6 An application (a "**quarterly**" capacity bid) for Quarterly NTS Entry Capacity in respect of Capacity Year + 2 to Capacity Year + 16 (inclusive) shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the calendar year and calendar quarter for which Quarterly NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Quarterly NTS Entry Capacity applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Quarterly

⁴ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.3(e).

⁵ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.4.

⁶ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.5(a).

NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.6.4; and

- (f) the price (being either the reserve price or a step price as set out in National Grid NTS's Transportation Statement) in respect of which the User is applying for the amount of Quarterly NTS Entry Capacity.

2.2.7 An application (a "**monthly**" capacity bid) for Monthly NTS Entry Capacity in respect of Capacity Year + 1 and Capacity Year + 2 shall specify:⁷

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Capacity Year and calendar month for which Monthly NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
- (f) the amount (the "**bid price**") which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Monthly NTS Entry Capacity applied for.

2.2.8 A User may have, at any one time:

- (a) in aggregate in respect of each of the annual invitation dates, up to but not more than twenty (20) monthly capacity bids; and
- (b) during the annual invitation period, up to but not more than twenty one (21) quarterly capacity bids provided that during such period the User may only have one (1) such quarterly capacity bid for which the price specified for the purposes of paragraph 2.2.6(f) is the reserve price or any particular step price

in respect of a particular Aggregate System Entry Point for each calendar month or (as the case may be) calendar quarter capable of acceptance in accordance with paragraphs 2.6 and 2.7.

2.2.9 A capacity bid:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on an invitation date; and
- (b) may be withdrawn or amended after 08:00 hours and until, but not after, 17:00 hours:
 - (i) where such bid is a monthly capacity bid, on the relevant invitation date;

⁷ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.7.

- (ii) where such bid is a quarterly capacity bid, on each annual invitation date in the annual invitation period.

2.2.10 Where in relation to the incremental amounts of Quarterly NTS Entry Capacity specified in an annual invitation the step prices specified:

- (a) increase as the corresponding incremental amount itself increases, Users may only submit a second or further quarterly capacity bid where the step price applied for is greater than that applying to any other bid, if the amount of Quarterly NTS Entry Capacity applied for in such bid is no greater than that applied for under any earlier bid;
- (b) decrease as the incremental amount itself increases, Users may only submit a second or further Quarterly capacity bid where the price applied for is less than that applying to any other bid, if the amount of Quarterly NTS Entry Capacity applied for in such bid is no less than that applied for under any earlier bid.

2.2.11 National Grid NTS shall reject a capacity bid submitted on an annual invitation date where:

- (a) the requirement in paragraph 2.2.10 is not complied with;
- (b) any requirement of paragraphs 2.2.6 or 2.2.7 is not complied with

and National Grid NTS may reject a capacity bid in accordance with Section V3.

2.2.12 Nothing in this paragraph 2.2 shall be construed as giving rise to any restriction on National Grid NTS's ability to make available Quarterly NTS Entry Capacity (or Monthly NTS Entry Capacity) in an annual invitation in an amount which exceeds the Unsold NTS Entry Capacity.

2.2.13 In the event that a User submits monthly capacity bids in response to an annual invitation and the sum of:

- (a) the aggregate NTS Entry Capacity Charges payable by the User were all the Monthly NTS Entry Capacity applied for under the User's capacity bids in respect of Capacity Year +1 to be allocated in full; and⁸
- (b) the User's Relevant Code Indebtedness at 17:00 hours on any Business Day on which monthly capacity bids may be made

exceeds 85% of the User's Code Credit Limit, National Grid NTS shall not later than five (5) Business Days after the last relevant annual invitation date inform the User.

2.2.14 Following a notice under paragraph 2.2.13, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with Section V3.4.5), all monthly capacity bids submitted by the User in response to the annual invitation shall be disregarded for the purposes of this paragraph 2 (and have no effect).

2.2.15 Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the sum of:

- (a) the aggregate NTS Entry Capacity Charges payable by the User in respect of its

⁸ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.2.13(a).

Registered Quarterly Firm NTS Entry Capacity for each Day in the twelve (12) calendar months commencing from the first Day of the following calendar month ("**relevant months**"); and

- (b) the User's Relevant Code Indebtedness at such time

exceeds 85% of its Code Credit Limit National Grid NTS shall not later than five (5) Business Days after the first Business Day of the calendar month inform the User.

2.2.16 Following a notice under paragraph 2.2.15, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with Section V3.4.5), the User's Registered Quarterly Firm NTS Entry Capacity for each of the relevant calendar quarters will lapse and the User will cease to be treated as holding the Registered Quarterly Firm NTS Entry Capacity.

2.2.17 Following the submission of quarterly capacity bids on each annual invitation date in the annual invitation period National Grid NTS shall as soon as reasonably practicable after 17:00 hours on each such date calculate and notify Users, in respect of each calendar quarter and each Aggregate System Entry Point, of the Stability Group by reference to identifying where the quantities of Quarterly NTS Entry Capacity applied for in aggregate by Users are first equal to or less than the incremental quantities specified in the annual invitation in ascending order.

2.2.18

- (a) For the purposes of this paragraph 2.2.18:
- (i) a "**New**" Aggregate System Entry Point is an Aggregate System Entry Point in respect of which National Grid NTS has not previously held an annual invitation in accordance with the earlier provisions of this paragraph 2.2 or this paragraph 2.2.18;
 - (ii) an "**initial**" quarterly capacity bid is a capacity bid submitted on an initial annual invitation date and a "**secondary**" quarterly capacity bid is a quarterly capacity bid submitted on a secondary annual invitation date.
- (b) By not later than the Day falling twenty eight (28) Days before the first initial annual invitation date, National Grid NTS will notify Users of the applicable reserve prices and the step prices that will apply in respect of the New Aggregate System Entry Point for the purposes of the first annual invitation.
- (c) National Grid NTS will invite applications ("**first**" annual invitation) for Quarterly NTS Entry Capacity at the New Aggregate System Entry Point for each calendar quarter in Capacity Year +2 to Capacity Year +16 (inclusive) for such aggregate amounts of NTS Entry Capacity as is specified in the first annual invitation and Users may make applications for NTS Entry Capacity in respect of the New Aggregate System Entry Point in accordance with this paragraph 2.2.18.
- (d) National Grid NTS's annual invitation under paragraph 2.2.18(c) will specify:
- (i) the date(s) on which applications ("**initial applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date an "**initial**" annual

invitation date);

- (ii) the date(s) on which further applications ("**secondary applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date a "**secondary**" annual invitation date);
- (iii) the conditions which must be satisfied before National Grid NTS will invite Users to submit secondary applications;
- (iv) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available NTS Entry Capacity and the applicable reserve prices for Baseline NTS Entry Capacity (in accordance with the Transportation Statement) (the "**applicable reserve price**");
- (v) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
 - (1) the relevant number of incremental capacity amounts of Quarterly NTS Entry Capacity greater than the NTS SO Baseline Entry Capacity (the maximum incremental capacity amount being the lower of (1) an amount not less than an amount equal to 150% of NTS SO Baseline Entry Capacity and (2) an amount determined by the application of National Grid's NTS's Incremental Entry Capacity Release Statement); and
 - (2) the step price payable by Users for each different incremental capacity amount were National Grid NTS to make such incremental capacity amount available

in each case (in accordance with National Grid NTS's Transportation Statement); and

- (vi) the relevant number for the purposes of paragraph (v) being twenty (20) except in the event of a New Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in National Grid NTS's Transportation Statement.
- (e) Provided the conditions referred to in the first annual invitation are satisfied National Grid NTS will by not later than the Day falling twenty-eight (28) Days before the first Day on which Users may submit secondary applications re-notify Users of each of the secondary annual invitation date(s), and National Grid NTS's invitation will be in accordance with paragraph 2.2.18(d) and the applicable reserve price shall be the same as that applicable reserve price that applied when Users were invited to submit initial applications.
- (f) Users may apply for Quarterly NTS Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of the New Aggregate System Entry Point on initial annual invitation dates and on secondary annual invitation dates (and a User who has not submitted an initial application shall not be prevented from submitting a secondary application where National Grid NTS invites secondary applications).

- (g) For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.18, in relation to a first annual invitation:
- (i) paragraphs 2.2.5, 2.2.6, 2.2.8, 2.2.10, 2.2.11 and 2.2.12 shall apply;
 - (ii) paragraph 2.2.9 shall apply provided that an initial quarterly capacity bid may not be withdrawn on a secondary annual invitation date;
 - (iii) paragraph 2.2.17 shall apply for which purposes the prevailing relevant step price group shall be determined by reference to the quantities of Quarterly NTS Entry Capacity applied for in aggregate at the New Aggregate System Entry Point by Users up until 17:00 hours on each relevant invitation date).
- (h) Without prejudice to paragraph 2.2.18(i), following the submission of initial applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall apply and National Grid NTS shall allocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity at the New Aggregate System Entry Point in the amounts so allocated.
- (i) Where National Grid NTS invites and Users submit secondary applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall again apply for which purposes the Reserve Price Bid Amount and the relevant step price group shall be determined by reference to initial quarterly capacity bids and secondary quarterly capacity bids and National Grid NTS shall allocate or (as the case may be) reallocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity in the amounts so allocated or (as the case may be) reallocated.
- (j) For the avoidance of doubt following the allocation of NTS Entry Capacity under paragraph 2.2.18(i) Users agree to pay by way of NTS Entry Charges for the Quarterly NTS Entry Capacity allocated the step price corresponding to the relevant step price group for the calendar quarter following the second application of paragraph 2.6 irrespective of whether or not the step price is the same as the step price corresponding to the relevant step price group following the first application of paragraph 2.6 in respect of initial applications.
- (k) Nothing in this paragraph 2.2.18 shall be construed as giving rise to a requirement that National Grid NTS make available NTS Entry Capacity in relation to the New Aggregate System Entry Point on secondary annual invitation dates or that National Grid NTS invite Users to submit secondary applications.

2.2.19 In the event that following calculation of the Stability Group (in accordance with paragraph 2.2.17) for each calendar quarter and each Aggregate System Entry Point following submission of quarterly capacity bids on the next following invitation date, the Stability Group remains unchanged in respect of all but four or fewer calendar quarters and Aggregate System Entry Point combinations:

- (a) National Grid NTS shall by not later than 08:00 hours on the next following annual invitation date, notify Users that this paragraph 2.2.19 applies and that the annual invitation period has ended; and
- (b) Users shall not be not be permitted to submit and National Grid NTS shall not be permitted to accept any further quarterly capacity bids in respect of the

annual invitation.

2.3 Rolling Monthly NTS Entry Capacity auctions

2.3.1 In respect of each Aggregate System Entry Point National Grid NTS will each month invite Users to offer to surrender, and make applications for, Monthly NTS Entry Capacity for the following calendar month in accordance with this paragraph 2.3.

2.3.2 For the purposes of this paragraph 2.3:

- (a) **"Rolling Available NTS Entry Capacity"** in respect of an Aggregate System Entry Point and a calendar month, is an amount of Monthly NTS Entry Capacity equal to:

$$A + B + C$$

where:

- A is the Unsold NTS Entry Capacity (if any) for the calendar month;
- B is the Incremental NTS Entry Capacity (if any) for the calendar month;
and
- C is the Surrendered NTS Entry Capacity (if any) for the calendar month;
- (b) **"Donor ASEP"** is an Aggregate System Entry Point in respect of which;
- (i) no rolling monthly capacity bid remains unsatisfied following an allocation pursuant to paragraph 2.3.19; and
- (ii) there remains Rolling Available NTS Entry Capacity for the relevant month (in an amount in excess of the minimum eligible amount);
- (c) **"inter-ASEP exchange rate"** is the rate in respect of different pairs of Aggregate System Entry Points used by National Grid NTS for the purposes of paragraph 2.3.23 as established in accordance with the Entry Capacity Transfer and Trade Methodology Statement;
- (d) the **"Entry Capacity Transfer and Trade Methodology Statement"** is the entry capacity transfer methodology statement prepared and published by National Grid NTS in accordance with Special Condition C8D(11) of National Grid NTS's Transporter's Licence;
- (e) **"Recipient ASEP"** is an Aggregate System Entry Point in respect of which rolling monthly capacity bids remain unsatisfied following an allocation pursuant to paragraph 2.3.19;
- (f) **"relevant month"** is the calendar month in respect of which National Grid NTS shall invite Users to make rolling monthly surrender offers and rolling monthly capacity bids in accordance with this paragraph 2.3;
- (g) **"Surrendered NTS Entry Capacity"** in respect of an Aggregate System Entry Point and a calendar month, is the aggregate amount of Firm NTS Entry Capacity in respect of which Users have submitted rolling monthly surrender offers (excluding any rolling monthly surrender offer rejected in accordance

with paragraph 2.3.9) in accordance with this paragraph 2.3;

- (h) **“unit price”** in respect of a rolling monthly capacity bid is calculated as follows:

$$X / Y$$

where:

X is the bid price (in pence/kWh/Day) of the rolling monthly capacity bid;

Y is:

- (i) for the purposes of paragraph 2.3.19, one (1); and
- (ii) for the purposes of paragraph 2.3.23, the relevant inter-ASEP exchange rate applying between the Aggregate System Entry Point and the relevant Donor ASEP; and
- (iii) **“weighted average unit price”** in respect of a rolling monthly surrender offer is calculated as follows:

$$\frac{\sum_{i=1}^n P_i * Q_i}{\sum_{i=1}^n Q_i}$$

where:

n is the number of rolling monthly capacity bids to which NTS Entry Capacity is allocated for the purposes of which a rolling monthly surrender offer is deemed to have been accepted pursuant to paragraphs 2.3.20(d) and 2.3.24(d) (each a ‘relevant capacity bid’ for the purposes of this paragraph (i));

P is the unit price of the relevant capacity bid; and

Q is that quantity of NTS Entry Capacity allocated as Surrendered by the Surrendering User pursuant to paragraphs 2.3.20 and 2.3.24 in relation to the relevant capacity bid.

2.3.3 By not later than five (5) Business Days before the date on which National Grid NTS invites Users to make rolling monthly capacity bids National Grid NTS will invite Users to offer to surrender (**“rolling monthly surrender invitation”**) Firm NTS Entry Capacity at each Aggregate System Entry Point for the relevant month for the purposes of this paragraph 2.3.

2.3.4 Users may, pursuant to an invitation under paragraph 2.3.3, offer to surrender Firm NTS Entry Capacity for each Day in the relevant month in respect of an Aggregate System Entry Point.

2.3.5 National Grid NTS’s invitation under paragraph 2.3.3 will specify:

- (a) the calendar month in respect of which the rolling monthly surrender invitation is made;
- (b) the date (the **“rolling monthly surrender date”**) being one of the next two

Business Days following the date on which National Grid NTS invites Users to surrender Firm NTS Entry Capacity under paragraph 2.3.3 on which Users may notify National Grid NTS of amounts of Firm NTS Entry Capacity which they are willing to surrender for the relevant month; and

- (c) the prevailing reserve price for Monthly NTS Entry Capacity at each Aggregate System Entry Point for the relevant month.

2.3.6 An offer (“**rolling monthly surrender offer**”) to surrender Firm NTS Entry Capacity pursuant to paragraph 2.3.4 shall specify:

- (a) the identity of the User (“**Surrender User**”);
- (b) the relevant month;
- (c) the Aggregate System Entry Point;
- (d) the amount (not less than the minimum eligible amount) of Firm NTS Entry Capacity offered for surrender (in kWh/Day) (“**surrender amount**”); and
- (e) the minimum price (the “**rolling monthly surrender price**”) which the User wishes to be paid in respect of the surrender of Firm NTS Exit Capacity;

and where a User submits a rolling monthly surrender offer(s) the User agrees to hold Available NTS Entry Capacity at the Aggregate System Entry Point for each day in the relevant month in an amount not less than the aggregate surrender amount in respect of the rolling monthly surrender offer(s) submitted by the User.

2.3.7 A User may have at any one time up to but no more than two (2) rolling monthly surrender offers in respect of a particular Aggregate System Entry Point.

2.3.8 A rolling monthly surrender offer:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on a rolling monthly surrender date;
- (b) may be withdrawn or amended until, but not after, 17:00 hours on a rolling monthly surrender date.

2.3.9 National Grid NTS will reject a rolling monthly surrender offer submitted on a rolling monthly surrender date where:

- (a) any requirement of paragraphs 2.3.6, 2.3.7 or 2.3.8 is not complied with;
- (b) the amount of Firm NTS Entry Capacity offered for surrender exceeds the amount of the User’s Available Firm NTS Entry Capacity at the Aggregate System Entry Point on any Day in the relevant month (determined by reference to the application of this paragraph 2.3 and System Capacity Transfers which at the relevant time have become effective in accordance with paragraph 5.2.4).

2.3.10 By not later than five (5) Business Days before the rolling monthly invitation date, National Grid NTS will invite (“**rolling monthly invitation**”) Users to apply for Monthly NTS Entry Capacity at each Aggregate System Entry Point for the relevant month for the purposes of this paragraph 2.3.

2.3.11 Users may, pursuant to an invitation under paragraph 2.3.10, apply for Monthly NTS

Entry Capacity for each Day in the relevant month in respect of an Aggregate System Entry Point.

2.3.12 National Grid NTS's invitation under paragraph 2.3.10 will specify:

- (a) the date ("**rolling monthly**" invitation date) being one of the twenty (20) Business Days preceding the last Business Day of the calendar month preceding the relevant month on which applications pursuant to the rolling monthly invitation may be made;
- (b) for each Aggregate System Entry Point the amount of:
 - (i) the Surrendered NTS Entry Capacity in respect of which the rolling monthly surrender price is:
 - (1) less than the reserve price;
 - (2) equal to the reserve price;
 - (3) greater than the reserve price;
 - (ii) the Rolling Available NTS Entry Capacity; and
- (c) for each Aggregate System Entry Point the reserve price.

2.3.13 Users may apply for Monthly NTS Entry Capacity in respect of an Aggregate System Entry Point for the relevant month on the rolling monthly invitation date.

2.3.14 An application (a "**rolling monthly**" capacity bid) for Monthly NTS Entry Capacity pursuant to paragraph 2.3.13 shall specify:

- (a) the identity of the User;
- (b) the relevant month;
- (c) the Aggregate System Entry Point;
- (d) the amount of Monthly NTS Entry Capacity (not less than the minimum eligible amount) applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraphs 2.3.19 and 2.3.23; and
- (f) the amount (the "**bid price**") which shall not be less than the reserve price specified in the rolling monthly invitation which the User is willing to pay by way of Capacity Charge in respect of the Monthly NTS Entry Capacity applied for.

2.3.15 A User may have at any one time up to but no more than twenty (20) rolling monthly capacity bids in respect of a particular Aggregate System Entry Point.

2.3.16 A rolling monthly capacity bid:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on a rolling

monthly invitation date;

- (b) may be withdrawn or amended until, but not after, 17:00 hours on a rolling monthly invitation date.

2.3.17 National Grid NTS will reject a rolling monthly capacity bid submitted on a rolling monthly invitation date where:

- (a) The bid price is less than the reserve price;
- (b) any requirement of paragraphs 2.3.14, 2.3.15 or 2.3.16 is not complied with and National Grid NTS may reject a rolling monthly capacity bid in accordance with Section V3.

2.3.18 Following the submission of rolling monthly surrender offers and rolling monthly capacity bids Monthly NTS Entry Capacity will be allocated for the relevant month at an Aggregate System Entry Point:

- (a) first in accordance with paragraph 2.3.19;
- (b) where paragraph 2.3.21 applies, thereafter in accordance with paragraph 2.3.23

for which purposes National Grid NTS may ignore (such that the rolling monthly surrender offer has no effect for the purposes of this paragraph 2.3) any rolling monthly surrender offer where at the time of ranking rolling monthly capacity bids in accordance with paragraphs 2.3.19(a) and 2.3.23(a) the amount of Firm NTS Entry Capacity offered (or remaining offered) for surrender exceeds the amount of the User's Available Firm NTS Entry Capacity at the Aggregate System Entry Point on any Day in the relevant month.

2.3.19 Monthly NTS Entry Capacity in respect of an Aggregate System Entry Point will be allocated pursuant to rolling monthly capacity bids submitted in respect of the relevant month as follows:

- (a) all rolling monthly capacity bids (excluding any rejected pursuant to paragraph 2.3.17) will be ranked in order of price (highest ranking first);
- (b) Monthly NTS Entry Capacity will be allocated to rolling monthly capacity bids with the highest bid price first until such time as all the rolling monthly capacity bids are satisfied or the amount of Monthly NTS Entry Capacity allocated is equal to the Rolling Available NTS Entry Capacity at the Aggregate System Entry Point;
- (c) subject to paragraphs (d), (e) and (f), where the amount of Monthly NTS Entry Capacity applied for under a rolling monthly capacity bid exceeds the amount ("**remaining unallocated amount**") of the Rolling Available NTS Entry Capacity remaining unallocated after allocation to higher priced bids the User will be allocated an amount equal to the remaining unallocated amount;
- (d) subject to paragraphs (e) and (f), where two or more rolling monthly capacity bids ("**equal priced bids**") specify the same bid price, and the amount of Monthly NTS Entry Capacity applied for in aggregate under the equal priced bids exceeds the remaining unallocated amount, the remaining unallocated

amount shall be allocated pro rata the amounts applied for in each such rolling monthly capacity bid;

- (e) where the amount to be allocated in respect of a rolling monthly capacity bid pursuant to paragraphs (c) and (d) would be less than the minimum amount specified in the bid, the rolling monthly capacity bid will (without prejudice to paragraph 2.3.23) be disregarded for the purposes of this paragraph 2.3.19) and an allocation made between the other rolling monthly capacity bids with the same bid price in accordance with paragraph (d) or (as the case may be) an allocation made in respect of the next ranked rolling monthly capacity bid;
- (f) where the amount to be allocated in respect of any rolling monthly capacity bid would be less than the minimum eligible amount, no allocation shall be made to that bid (and, without prejudice to paragraph 2.3.23, no further allocation shall be made in respect of the Aggregate System Entry Point); and
- (g) National Grid NTS will not allocate Monthly NTS Entry Capacity to a rolling monthly capacity bid where the allocation could only be satisfied by the reduction of Surrendered NTS Entry Capacity at the Aggregate System Entry Point (in accordance with paragraph 2.3.20) in respect of which the rolling monthly surrender price is greater than the unit price of the relevant rolling monthly capacity bid.

2.3.20 For the purposes of paragraph 2.3.19, where an allocation of Monthly NTS Entry Capacity is made following acceptance of a rolling monthly capacity bid :

- (a) National Grid NTS will first reduce the amount (if any) of the Surrendered NTS Entry Capacity at the Aggregate System Entry Point in respect of which the rolling monthly surrender price is equal to or less than the reserve price;
- (b) where following the application of paragraph (a) there remains no Surrendered NTS Entry Capacity with a rolling monthly surrender price equal to or less than the reserve price, National Grid NTS will next reduce (if any) the amount of Unsold NTS Entry Capacity at the Aggregate System Entry Point;
- (c) where following the application of paragraph (b) there remains no Unsold NTS Entry Capacity, National Grid NTS will next reduce (if any) the amount of Surrendered NTS Entry Capacity at the Aggregate System Entry Point in respect of which the rolling monthly surrender price is greater than the reserve price;
- (d) in reducing the Surrendered NTS Entry Capacity National Grid NTS will be deemed to have accepted one or more rolling monthly surrender offers at the Aggregate System Entry Point (in whole or in part), for which purpose National Grid NTS shall be deemed to have accepted rolling monthly surrender offers in price order (lowest ranking first) and where two or more rolling monthly surrender offers have the same rolling monthly surrender price the offers shall be accepted on a pro rata basis; and
- (e) where a rolling monthly surrender offer is accepted for the purposes of paragraph (a) or (c) the Surrender User's Available Firm NTS Entry Capacity at the Aggregate System Entry Point shall be reduced by an amount equal to the amount in respect of which the rolling monthly surrender offer was accepted.

2.3.21 Where following an allocation in accordance with paragraph 2.3.19 there remains

rolling monthly capacity bids which are unsatisfied (whether in whole or in part) in respect of an Aggregate System Entry Point ("**unsatisfied bids**") and there remains Rolling Available NTS Entry Capacity at any other Aggregate System Entry Point:

- (a) the unsatisfied bids for each Recipient ASEP will be grouped in accordance with paragraph 2.3.22 (for which purposes a rolling monthly capacity bid which remains unsatisfied will be included in respect of the unsatisfied bid quantity); and
- (b) a further allocation of Monthly NTS Entry Capacity will take place at Recipients ASEPs in accordance with paragraph 2.3.23.

2.3.22 For the purposes of paragraph 2.3.23 and in respect of each Recipient ASEP:

- (a) the "**unsatisfied bid quantity**" is:
 - (i) in relation to an unsatisfied bid, the quantity of Monthly NTS Entry Capacity applied for in the relevant rolling monthly capacity bid less the quantity of Monthly NTS Entry Capacity allocated to such rolling monthly capacity bid pursuant to paragraph 2.3.19; and
 - (ii) in relation to an unsatisfied bid group, the aggregate unsatisfied bid quantity for all rolling monthly capacity bids in an unsatisfied bid group;
- (b) the unsatisfied bids will be grouped on the following basis:
 - (i) the unsatisfied bids will be ranked in price order (highest ranking first);
 - (ii) subject to there being sufficient unsatisfied bids, the unsatisfied bids will be grouped in descending price order into a maximum of four (4) bid groups (each an "**unsatisfied bid group**"); where a bid group shall comprise one or more unsatisfied bids such that:
 - (1) the first and highest ranking bid group comprises unsatisfied bids in respect of which the aggregate amount of Monthly NTS Entry Capacity applied for is not less than twenty-five percent (25%) of the unsatisfied bid quantity;
 - (2) the first and second highest ranking bid groups together comprise unsatisfied bids in respect of which the aggregate amount of Monthly NTS Entry Capacity is not less than fifty percent (50%) of the unsatisfied bid quantity; and
 - (3) the first, second and third highest ranking bid groups together comprise unsatisfied bids in respect of which the aggregate amount of Monthly NTS Entry Capacity applied is not less than seventy-five percent (75%) of the unsatisfied bid quantity;
 - (iii) where an unsatisfied bid could be included, for the purposes of paragraph (ii), in two (2) unsatisfied bid groups it shall be included in the highest ranked bid group;
 - (iv) where there are two or more equally priced unsatisfied bids that could be included in two unsatisfied bid groups for the purposes of this

paragraph (b), the unsatisfied bids will be included in the unsatisfied bid group with the highest unsatisfied bid group price; and

- (v) where the number or characteristics of the unsatisfied bids at a Recipient ASEP are such to prevent the identification of four (4) unsatisfied bid groups in the manner anticipated by paragraph (ii) a lesser number of unsatisfied bid groups may be identified;
- (c) for each unsatisfied bid group the "**unsatisfied bid group price**" shall be calculated as follows:

$$\frac{\sum_{i=1}^n P_i * Q_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of unsatisfied bids in the unsatisfied bid group;
- P is the bid price for each relevant unsatisfied bid in the unsatisfied bid group; and
- Q is the unsatisfied bid quantity for each relevant unsatisfied bid in the unsatisfied bid group.

2.3.23 Where paragraph 2.3.21 applies Monthly NTS Entry Capacity in respect of a Recipient ASEP will be allocated pursuant to rolling monthly capacity bids comprised in unsatisfied bid groups and submitted in respect of the relevant month as follows:

- (a) all unsatisfied bid groups for all Recipient ASEPs will be ranked in order of unsatisfied bid group price (highest ranking first), and where two or more unsatisfied bid groups have the same unsatisfied bid group price, such unsatisfied bid groups will be ranked as follows:
 - (i) the unsatisfied bid group comprising the rolling monthly capacity bid with the highest bid price shall rank highest; provided that where the highest individual bid price is the same in two or more unsatisfied bid groups, then;
 - (ii) the unsatisfied bid group with the largest unsatisfied bid quantity shall rank highest; provided that where the unsatisfied bid quantity is the same, then;
 - (iii) the unsatisfied bid group comprising the earliest received rolling monthly capacity bid shall rank highest;
- (b) where, following the ranking of unsatisfied bid groups in accordance with paragraph (a), there are unsatisfied bid groups at the same Recipient ASEP ranked consecutively, the unsatisfied bid groups will be amalgamated for the purposes of determining the inter-ASEP exchange rate when allocating Monthly NTS Entry Capacity to rolling monthly capacity bids comprised in the amalgamated unsatisfied bid group;

- (c) subject to the provisions of this paragraph 2.3.23, Monthly NTS Entry Capacity will be allocated to rolling monthly capacity bids comprised in the highest ranked unsatisfied bid group first (and subject to this paragraph (c) to rolling monthly capacity bids comprised in the next ranked unsatisfied bid group), until such time as in respect of an unsatisfied bid group:
- (i) all the rolling monthly capacity bids are satisfied;
 - (ii) Monthly NTS Entry Capacity is only available on the basis of the application of an inter-ASEP exchange rate which is greater than 10:1; or
 - (iii) there is no Rolling Available NTS Entry Capacity remaining at any Donor ASEPs;
- (d) for the purposes of paragraph (c):
- (i) when considering an unsatisfied bid group, National Grid NTS will rank each Donor ASEP by reference to the inter-ASEP exchange rate applying between the Recipient ASEP and the Donor ASEP in accordance with the Entry Capacity Transfer and Trade Methodology Statement;
 - (ii) National Grid NTS will allocate Monthly NTS Entry Capacity to rolling monthly capacity bids comprised in an unsatisfied bid group from the highest ranked Donor ASEP first and where there is no longer Rolling Available NTS Entry Capacity at a Donor ASEP National Grid NTS shall allocate Monthly NTS Entry Capacity from the next ranked Donor ASEP;
 - (iii) where there is no longer Rolling Available NTS Entry Capacity at a Donor ASEP National Grid NTS may recalculate the inter-ASEP exchange rate for each of the remaining Donor ASEPs and may, as a result of such recalculation, reconsider the order in which the remaining Donor ASEPs are ranked for the purpose of this paragraph 2.3.23;
 - (iv) where all the rolling monthly capacity bids comprised in an unsatisfied bid group cannot be satisfied by reference to the Rolling Available NTS Entry Capacity at a Donor ASEP(s) and the relevant inter-ASEP exchange rate, National Grid NTS will allocate Monthly NTS Entry Capacity to the rolling monthly capacity bids comprised in the unsatisfied bid group in bid price order, allocating Monthly NTS Entry Capacity to the rolling monthly capacity bid with the highest bid price first (and where there are two or more rolling monthly capacity bids with the same bid price Monthly NTS Entry Capacity shall be allocated by reference to the time the rolling monthly capacity bids were received by National Grid NTS, with the earliest received rolling monthly capacity bid ranking highest); and
 - (v) where rolling monthly capacity bids comprised in an unsatisfied bid group remain unsatisfied following consideration of all relevant Donor ASEPs (whether in whole or part) the rolling monthly capacity bids will be treated for the purposes of this paragraph 2.3.23 as being comprised in the next ranked unsatisfied bid group for that Recipient ASEP;

- (e) for the purposes of this paragraph 2.3.23:
- (i) Monthly NTS Entry Capacity allocated to a rolling monthly capacity bid pursuant to this paragraph 2.3.23 will be subject to the application of the relevant inter-ASEP exchange rate(s);
 - (ii) where Monthly NTS Entry Capacity is allocated to a rolling monthly capacity bid comprised in an unsatisfied bid group the Rolling Available NTS Entry Capacity at the relevant Donor ASEP shall be reduced by an amount calculated as follows:

$$P * Q$$

where:

P is the quantity allocated to the rolling monthly capacity bid from the relevant Donor ASEP;

Q is the inter-ASEP exchange rate applying between the Recipient ASEP and the relevant Donor ASEP;

- (f) subject to paragraphs (g) and (h) where the unsatisfied bid quantity under a rolling monthly capacity bid exceeds the amount ("**remaining unallocated amount**") of the Rolling Available NTS Entry Capacity remaining unallocated after allocation to higher priced bids the User will be allocated an amount equal to the remaining unallocated amount;
- (g) where the amount to be allocated in respect of a rolling monthly capacity bid pursuant to this paragraph 2.3.23, in respect of which no allocation was made pursuant to paragraph 2.3.19, would be less than the minimum amount specified in the bid, the rolling monthly capacity bid will be disregarded for the purposes of this paragraph 2.3.23 and an allocation made in respect of the next ranked rolling monthly capacity bid;
- (h) where the amount to be allocated in respect of a rolling monthly capacity bid pursuant to this paragraph 2.3.23, in respect of which no allocation was made pursuant to paragraph 2.3.19, would be less than the minimum eligible amount, no allocation shall be made to that bid (and no further allocation shall be made in respect of the Aggregate System Entry Point);
- (i) where one of the conditions referred to in paragraph (c) applies in respect of each unsatisfied bid group National Grid NTS will not accept any further unsatisfied bids (which such bids shall be disregarded and have no further effect); and
- (j) for the purposes of this paragraph 2.3.23 and paragraph 2.3.24 National Grid NTS will not allocate Monthly NTS Entry Capacity to a rolling monthly capacity bid where the allocation could only be satisfied by the reduction of Surrendered NTS Entry Capacity at the Donor ASEP (in accordance with paragraph 2.3.24) in respect of which the rolling monthly surrender price is greater than the unit price of the relevant rolling monthly capacity bid.

- 2.3.24 For the purposes of paragraph 2.3.23, where an allocation of Monthly NTS Entry Capacity is made:
- (a) National Grid NTS will first reduce the amount (if any) of the Surrendered NTS Entry Capacity at the Donor ASEP in respect of which the rolling monthly surrender price is equal to or less than the reserve price;
 - (b) where following the application of paragraph (a) there remains no Surrendered NTS Entry Capacity with a rolling monthly surrender price equal to or less than the reserve price, National Grid NTS will next reduce (if any) the amount of Unsold NTS Entry Capacity at the Aggregate System Entry Point;
 - (c) where following the application of paragraph (b) there remains no Unsold NTS Entry Capacity, National Grid NTS will next reduce (if any) the amount of Surrendered NTS Entry Capacity at the Donor ASEP in respect of which the rolling monthly surrender price is greater than the reserve price;
 - (d) in reducing the Surrendered NTS Entry Capacity National Grid NTS will be deemed to have accepted one or more rolling monthly surrender offers at the Donor ASEP (in whole or in part), for which purpose National Grid NTS shall be deemed to have accepted rolling monthly surrender offers in price order (lowest ranking first) and where two or more rolling monthly surrender offers have the same rolling monthly surrender price the offers shall be accepted on a pro rata basis; and
 - (e) where a rolling monthly surrender offer is accepted for the purposes of paragraph (a) or (c) the Surrender User's Available Firm NTS Entry Capacity at the Donor ASEP shall be reduced by an amount equal to the amount in respect of which the rolling monthly surrender offer was accepted.
- 2.3.25 Where a rolling monthly surrender offer or rolling monthly capacity bid is accepted:
- (a) the Surrender User shall remain liable for the Capacity Charges payable in respect of the surrendered Firm NTS Entry Capacity for the relevant month;
 - (b) the User who submitted the rolling monthly capacity bid agrees to pay by way of NTS Entry Capacity Charges the relevant bid price for the relevant month in respect of the Monthly NTS Entry Capacity allocated in accordance with this paragraph 2.3;
 - (c) where Monthly NTS Entry Capacity is allocated to a rolling monthly capacity bid by reason of the acceptance of a rolling monthly surrender offer National Grid NTS shall pay to the Surrender User an amount, subject to paragraph (b), equal to the weighted average unit price multiplied by the amount of Firm NTS Entry Capacity surrendered (and allocated as Monthly NTS Entry Capacity in accordance with paragraphs 2.3.20(d) and 2.3.24(d)); and
 - (d) for the purposes of paragraph (c) National Grid NTS shall not be required, in respect of any Aggregate System Entry Point at which a rolling monthly surrender offer(s) were accepted for the purposes of this paragraph 2.3, to pay the Surrender User(s) an amount in aggregate which exceeds the amounts received from a User(s) as a result of the allocation of Monthly NTS Entry Capacity following the acceptance of rolling monthly surrender offers in accordance with paragraph 2.3.20(d) and 2.3.24(d) (and National Grid NTS shall make such adjustments to the amounts payable to the Surrender User(s) as

are reasonable for such purpose).

- 2.3.26 Where a rolling monthly capacity bid is accepted the User whose rolling monthly capacity bid was accepted shall be registered as holding Monthly NTS Entry Capacity (in the amount so allocated) for the relevant month at the relevant Aggregate System Entry Point.
- 2.3.27 Amounts due under paragraph 2.3.25 shall be invoiced and payable in accordance with Section S.
- 2.3.28 Each User agrees and acknowledges that in respect of each relevant month:
- (a) the issue of invitations pursuant to paragraphs 2.3.3 and 2.3.10 represent the means by which a User may request an entry capacity transfer or trade rate or rates for the purposes of Special Condition C8D(11)(b) and 12(b) of National Grid NTS's Transporter's Licence;
 - (b) where a User submits a rolling monthly surrender offer or rolling monthly capacity bid (as the case may be) the User shall be deemed to have requested National Grid NTS to enact an entry capacity transfer or trade for the purposes of Special Condition C8D(11)(c) and 12(c) of National Grid NTS's Transporter's Licence;

and National Grid NTS may disregard any other request from a User for an entry capacity transfer or trade rate or rates.

2.4 Daily NTS Entry Capacity

- 2.4.1 Users may apply for Daily NTS Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.4.
- 2.4.2 An application (a "**daily**" capacity bid) for Daily NTS Entry Capacity shall specify:
- (a) the identity of the User;
 - (b) the Aggregate System Entry Point;
 - (c) the Day for which the Daily NTS Entry Capacity is applied for;
 - (d) the amount (not less than the minimum eligible amount) of Daily NTS Entry Capacity applied for;
 - (e) the minimum amount (not less than the minimum eligible amount) of Daily NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e);
 - (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily NTS Entry Capacity applied for; and
 - (g) whether such bid is a fixed or reducing daily capacity bid.
- 2.4.3 A daily capacity bid:
- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until

02:00 hours on the Day for which the Daily NTS Entry Capacity is applied for;
and

- (b) may, subject to paragraph 2.4.4, in the case of a fixed bid be withdrawn or amended and in the case of a reducing bid withdrawn, at any time before Daily NTS Entry Capacity is allocated in respect of such bid.
- 2.4.4 A daily capacity bid may not be withdrawn during a capacity allocation period (irrespective of whether or not the daily capacity bid is in relation to an Aggregate System Entry Point at which, for the purposes of the capacity allocation, there is Available Daily Capacity) and where a User seeks to withdraw a bid during such period, National Grid NTS will notify the User that a capacity allocation period is current and National Grid NTS may, subject to paragraph 2.4.6, accept such daily capacity bid.
- 2.4.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity bids which are capable of acceptance in accordance with this paragraph 2.4.
- 2.4.6 National Grid NTS shall reject a daily capacity bid where:
- (a) the bid price is less than the reserve price;
 - (b) any other requirement of paragraph 2.4.2 is not complied with
- and National Grid NTS may reject a daily capacity bid in accordance with Section V3.
- 2.4.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Available Daily Capacity is available National Grid NTS will initiate a capacity allocation period.
- 2.4.8 Where National Grid NTS has initiated a capacity allocation period or for the purposes of paragraph 2.4.11, Daily NTS Entry Capacity (up to the amount, if any, of the Available Daily Capacity) will be allocated in accordance with paragraph 2.7.
- 2.4.9 Subject to paragraph 2.7.3, National Grid NTS will accept bids in respect of which Daily NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily NTS Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.4.10 Where there is no Available Daily Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, National Grid NTS will not accept any daily capacity bids.
- 2.4.11 Daily capacity bids will also be selected for acceptance in accordance with the System Management Principles.
- 2.4.12 National Grid NTS will accept daily capacity bids selected pursuant to paragraph 2.7.2 or 2.4.11 and the amount of Available Daily Capacity for the Day at the Aggregate System Entry Point will be decreased by the amount for which the bid was selected.
- 2.4.13 For the purposes of this paragraph 2.4:
- (a) the "**Available Daily Capacity**" in relation to an Aggregate System Entry

Point, is an amount of Daily NTS Entry Capacity equivalent to the sum of Unsold NTS Entry Capacity (which was available for such Day in accordance with paragraph 2.3 (if any)) which remains available following the application of paragraph 2.3 in respect of each Day in the calendar month in which such Day falls and any additional Daily NTS Entry Capacity that National Grid NTS may in its sole discretion choose to make available for the Day (if any);

- (b) the "**bid effective time**" is the time on the hour in relation to a daily capacity bid being the later of:
 - (i) 06:00 hours on the Gas Flow Day; or
 - (ii) the time falling no earlier than 60 minutes after Daily NTS Entry Capacity has been allocated in respect of such bid;
- (c) a "**capacity allocation period**" is the period of 15 minutes, in which National Grid NTS conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time:
 - (i) first commences at 13:00 hours on the Preceding Day to that for which the Daily NTS Entry Capacity is applied for;
 - (ii) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily NTS Entry Capacity is applied for (but not thereafter);
- (d) a "**capacity allocation**" is the allocation of Daily NTS Entry Capacity during a capacity allocation period in accordance with paragraph 2.7;
- (e) a "**fixed bid**" is a daily capacity bid in relation to which the Daily NTS Entry Capacity applied for is not conditional on the bid effective time and a "**reducing bid**" is a daily capacity bid in relation to which the amount of Daily Entry Capacity applied for is determined as:

$$(DSEC / BET) * N$$

where:

DSEC is the amount of Daily NTS Entry Capacity applied for when the bid was first submitted;

BET commencing from the earliest bid effective time in respect of such bid, the number of hours remaining on the Gas Flow Day;

N the number of hours remaining from the actual bid effective time were Daily NTS Entry Capacity to be allocated in respect of such a bid;

- (f) the "**reserve price**" shall mean:
 - (i) in respect of Daily NTS Entry Capacity applied for and allocated prior to 06:00 on the Day for which it was applied for, the reserve price for Unsold NTS Entry Capacity (in accordance with National Grid NTS's Transportation Statement); or

- (ii) in respect of Daily NTS Entry Capacity applied for and allocated after 06:00 hours on the Day for which it was applied for, zero.

2.4.14 A daily capacity bid is "**available**" where:

- (a) submitted and not withdrawn prior to the start of any capacity allocation period; and
- (b) the bid effective time is later than 06:00 on the Gas Flow Day, the implied capacity rate is less than or equal to the available capacity rate at the relevant Aggregate System Entry Point

and for the avoidance of doubt, where Daily NTS Entry Capacity is allocated in respect of a bid such bid shall be extinguished and no longer be available for the purposes of paragraph 2.7.

2.4.15 For the purposes of this paragraph 2.4:

- (a) the "**available capacity rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Daily NTS Entry Capacity equal, as appropriate, to the Available Daily Capacity, divided by the number of hours remaining in the Day following the capacity allocation effective time;
- (b) the "**capacity allocation effective time**" is:
 - (i) where the capacity allocation period ends prior to 04:00 hours on the Preceding Day, 06:00 on the Gas Flow Day;
 - (ii) the hour bar following the next hour bar falling after the end of a capacity allocation period;
- (c) the "**implied capacity rate**" in relation to a:
 - (i) fixed bid, is the rate (in kWh/hour), calculated as the amount of Daily NTS Entry Capacity in respect of which the bid was made divided by the number of hours remaining in the Day were Daily NTS Entry Capacity to be allocated in respect of such bid;
 - (ii) reducing bid, is the rate (in kWh/hour) calculated as the amount of Daily NTS Entry Capacity in respect of which the bid was made divided by the number of hours remaining in the Day from the hour bar following the hour bar next falling after submission of such bid.

2.5 Daily Interruptible NTS Entry Capacity

2.5.1 Users may apply for Daily Interruptible NTS Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.5.

2.5.2 An application (a "**daily interruptible**" capacity bid) for Daily NTS Entry Capacity pursuant to this paragraph 2.5 shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;

- (c) the Day for which the Daily Interruptible NTS Entry Capacity is applied for;
 - (d) the amount (not less than the minimum eligible amount) of Daily Interruptible NTS Entry Capacity applied for;
 - (e) the minimum amount (not less than the minimum eligible amount) of Daily Interruptible NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
 - (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily Interruptible NTS Entry Capacity applied for.
- 2.5.3 A daily interruptible capacity bid:
- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day; and
 - (b) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.
- 2.5.4 For each Day, in respect of each Aggregate System Entry Point:
- (a) National Grid NTS will notify Users of the amount of Available Interruptible Capacity by not later than 12:00 hours on the Preceding Day; and
 - (b) Daily Interruptible NTS Entry Capacity (up to the amount if any of the Available Interruptible Capacity) will be allocated pursuant to daily interruptible capacity bids in accordance with paragraph 2.7.
- 2.5.5 In relation to each Aggregate System Entry Point and in respect of any Day a User may have, at any one time, up to but not more than 20 daily interruptible capacity bids which are capable of acceptance in accordance with paragraph 2.7.
- 2.5.6 National Grid NTS will reject a daily interruptible capacity bid where:
- (a) the bid price is less than the reserve price;
 - (b) any other requirement of paragraph 2.5.2 is not complied with
- and National Grid NTS may reject a daily interruptible capacity bid in accordance with Section V3.
- 2.5.7 Subject to paragraph 2.7.3, National Grid NTS will accept bids in respect of which Daily Interruptible NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily Interruptible NTS Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.5.8 Where there is no Available Interruptible Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, National Grid NTS will not accept any daily interruptible capacity bids.
- 2.5.9 National Grid NTS will, not later than 15:00 hours on the Preceding Day, inform each User of those of its daily interruptible capacity bids which have been accepted and the

amount of Daily Interruptible NTS Entry Capacity which it is registered as holding pursuant to each such accepted bid.

- 2.5.10 For the purposes of this paragraph 2.5 the "**Available Interruptible Capacity**" in respect of an Aggregate System Entry Point for any Day is:
- (a) an amount of NTS Entry Capacity equal to the daily average unutilised firm capacity; and
 - (b) an amount of NTS Entry Capacity (if any) additional to that in (a) which National Grid NTS determines, in its sole discretion, shall be made available.
- 2.5.11 The "**daily average unutilised firm capacity**" in respect of any relevant period in relation to an Aggregate System Entry Point is an amount of NTS Entry Capacity equal to:

$$\text{AUC} / 30$$

where:

AUC is the aggregate amount, for each relevant day, by which the Firm NTS Entry Capacity at the Aggregate System Entry Point held by Users in aggregate exceeds the sum of the Entry Point Daily Quantity Delivered for each System Entry Point comprised in the Aggregate System Entry Point

and a "**relevant day**" is each of the thirty (30) Days up to (and including) the Day falling seven (7) Days before the first Day in any relevant period and "**relevant period**" is a period of seven (7) consecutive Days .

2.6 Allocation: Quarterly NTS Entry Capacity

2.6.1 Following an annual invitation and in relation to an Aggregate System Entry Point and a calendar quarter where the Reserve Price Bid Amount:

- (a) is equal to or less than the Unsold NTS Entry Capacity, paragraph 2.6.2 will apply;
- (b) is greater than the Unsold NTS Entry Capacity, paragraph 2.6.3 will apply (other than where the circumstances in paragraph 2.6.4 exist in which case such paragraph shall apply).

2.6.2 Where this paragraph 2.6.2 applies pursuant to paragraph 2.6.1:

- (a) Quarterly NTS Entry Capacity will be allocated to each quarterly capacity bid (excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) in the amount of Quarterly NTS Entry Capacity applied for; and
- (b) the User agrees to pay by way of NTS Entry Capacity Charges for the Quarterly NTS Entry Capacity allocated in accordance with paragraph (a) the applicable reserve price for the calendar quarter.

2.6.3 Where this paragraph 2.6.3 applies pursuant to paragraph 2.6.1, subject to paragraph 2.6.4:

- (a) Quarterly NTS Entry Capacity will be allocated to each quarterly capacity bid

in the relevant step price group or the reserve price (as the case may be) (in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) in the amount of Quarterly NTS Entry Capacity applied for; and

- (b) the User agrees to pay by way of NTS Entry Capacity Charges for the Quarterly NTS Entry Capacity allocated in accordance with paragraph (a) the step price or the reserve price (as the case may be) corresponding to the relevant step price group for the calendar quarter.

2.6.4 In the event that there is no relevant step price group the Actual Available NTS Entry Capacity will be allocated to each quarterly capacity bid:

- (a) where paragraph 2.2.10(a) applies, in the step price group for which Users specified the highest step price when applying for Quarterly NTS Entry Capacity;
- (b) where paragraph 2.2.10(b) applies, in the step price group for which the incremental capacity amount which is equal to the Actual Available Aggregate NTS Entry Capacity

(in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) pro rata the amount applied for (provided that where the amount to be allocated is less than the minimum amount specified in the quarterly capacity bid, the bid will be disregarded (and have no effect) and a revised allocation will be made between the quarterly capacity bids in accordance with this paragraph).

2.6.5 For the purposes of this paragraph 2.6, and in respect of an Aggregate System Entry Point in relation to a calendar quarter:

- (a) "**Actual Available NTS Entry Capacity**" is, following an annual invitation, an amount of Quarterly NTS Entry Capacity equal to the sum of:
 - (i) Unsold NTS Entry Capacity (as determined prior to the annual invitation);
 - (ii) any additional Quarterly NTS Entry Capacity which NTS is required to make available pursuant to the Incremental Entry Capacity Release Statement following the submission of quarterly capacity bids in response to the annual invitation; and
 - (iii) any additional Quarterly NTS Entry Capacity which National Grid NTS in its sole discretion determines to make available to Users;
- (b) the "**relevant step price group**" is:
 - (i) where a step price group quantity is exactly equal to the Actual Available NTS Entry Capacity, the step price group in respect of which the step price group quantity is exactly equal to the Actual Available NTS Entry Capacity at the step price in respect of the Actual Available NTS Entry Capacity; and
 - (ii) where paragraph (i) above is not applicable and paragraph 2.2.10(a) applies, the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less

than the Actual Available NTS Entry Capacity; and

- (iii) where paragraph (i) above is not applicable and paragraph 2.2.10(b) applies, the step price group or those bids at the reserve price (as the case may be), when considering the step prices and the reserve price specified in the annual invitation in descending order, in respect of which the step price group quantity or the Reserve Price Bid Amount is last equal to or less than the Actual Available NTS Entry Capacity;
 - (c) the "**Reserve Price Bid Amount**" is, in relation to an annual invitation, the aggregate amount of Quarterly NTS Entry Capacity applied for pursuant to quarterly capacity bids in respect of which different Users specified a price other than a step price when applying for Quarterly NTS Entry Capacity;
 - (d) a "**step price group**" are those quarterly capacity bids in respect of which different Users specified the same step price when applying for Quarterly NTS Entry Capacity; and
 - (e) the "**step price group quantity**" is the aggregate amount of Quarterly NTS Entry Capacity applied for by Users pursuant to quarterly capacity bids comprised in a step price group; and
 - (f) the "**Stability Group**" is the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the incremental quantities specified in the annual invitation in ascending order.
- 2.6.6 National Grid NTS will accept quarterly capacity bids in respect of which Quarterly NTS Entry Capacity is allocated in accordance with paragraphs 2.6.2, 2.6.3 and 2.6.4, and each User whose bid is so accepted will be registered as holding Quarterly NTS Entry Capacity (in the amount so allocated) for the relevant calendar quarter in respect of the Aggregate System Entry Point.
- 2.6.7 National Grid NTS will, not later than:
- (a) two months following the last annual invitation date in a Capacity Year inform each User of those of its quarterly capacity bids which have been accepted and the amount of Quarterly NTS Entry Capacity which it is registered as holding for each calendar quarter pursuant to each such accepted quarterly capacity bid; and
 - (b) twenty four (24) hours after the time at which National Grid NTS notifies Users in accordance with paragraph (a) notify all Users in respect of each calendar quarter in accordance with paragraph 2.14.2.

2.7 Allocation: Monthly, Daily and Daily Interruptible NTS Entry Capacity

- 2.7.1 Following the submission of monthly capacity bids, daily capacity bids and daily interruptible capacity bids, NTS Entry Capacity will be allocated for a relevant short term period in accordance with this paragraph 2.7.
- 2.7.2 For a relevant short term period, NTS Entry Capacity in respect of an Aggregate System Entry Point will be allocated pursuant to capacity bids submitted in respect of such short term period as follows:

- (a) all capacity bids submitted in respect of the relevant short term period (excluding any bid rejected pursuant to paragraph 2.2.11, 2.4.6 or 2.5.6) will be ranked in order of bid price (the highest price ranking first) save that in the case of monthly capacity bids made pursuant to paragraph 2.2.4 the ranking will be made in respect of each relevant annual invitation date;
 - (b) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available NTS Entry Capacity for the calendar month;
 - (i) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available Monthly Capacity for the relevant annual invitation date for the calendar month;
 - (ii) in the case of daily capacity bids made pursuant to paragraph 2.4.1 the Available Daily Capacity; and
 - (iii) in the case of daily interruptible capacity bids made pursuant to paragraph 2.5.1, the Available Interruptible Capacity;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.7.3, where the amount of NTS Entry Capacity applied for under a bid exceeds the amount (the "**remaining unallocated amount**") of the relevant capacity remaining unallocated after allocation to higher priced bids, the User will be allocated an amount equal to the remaining unallocated amount;
 - (d) subject to paragraph (e) and paragraph 2.7.3, where each of two or more bids ("**equal priced bids**") specifies the same bid price, and the amount of relevant capacity remaining applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for in each such bid;
 - (e) where the amount to be allocated in respect of a bid pursuant to paragraph (c) or (d) is less than the minimum amount specified in the capacity bid, the bid will be disregarded (and of no effect), and a revised allocation will be made between remaining equal price bid(s) under paragraph (d), or (as the case may be) an allocation made in respect of the next priced bid.
- 2.7.3 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.7.2 is less than the minimum eligible amount, National Grid NTS will not accept that or any further capacity bids under, as appropriate, paragraphs 2.2, 2.4 or 2.5.
- 2.7.4 Subject to paragraph 2.7.2, National Grid NTS will accept bids in respect of which NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding NTS Entry Capacity (in the amount so allocated) for the relevant short term period in respect of the Aggregate System Entry Point.
- 2.7.5 Each User who applies for NTS Entry Capacity for a relevant short term period shall tender in respect of each capacity bid a bid price (in accordance with paragraph 2.2.7(f), 2.4.2(f) or 2.5.2(f)) and agrees by making such application to pay by way of NTS Entry Capacity Charges the relevant bid price for the relevant short term period in respect of the NTS Entry Capacity allocated in accordance with this paragraph 2.7 pursuant to such capacity bid.
- 2.7.6 For the purposes of this paragraph 2.7:

- (a) **"relevant short term period"** means:
- (i) in the case of an annual invitation under paragraph 2.2, the relevant calendar month; and
 - (ii) for the purposes of paragraphs 2.4 and 2.5, the relevant Day; and
- (b) **"relevant capacity remaining"** is, for the purposes of an allocation in accordance with paragraph 2.7.2 following applications made under:
- (i) paragraph 2.2.5, Monthly NTS Entry Capacity;
 - (ii) paragraph 2.4.1, Daily NTS Entry Capacity; and
 - (iii) paragraph 2.5.1, Daily Interruptible NTS Entry Capacity.

2.7.7 National Grid NTS will:

- (a) in respect of Monthly NTS Entry Capacity allocated in respect of Capacity Year + 1 not later than one month following the final date on which applications for Monthly NTS Entry Capacity could be made, inform each User of those of its monthly capacity bids which have been accepted and the amount of Monthly NTS Entry Capacity which it is registered as holding for each calendar month in Capacity Year +1 pursuant to each such accepted monthly capacity bid;⁹
- (b) in respect of Monthly NTS Entry Capacity allocated in respect of Capacity Year + 2 not later than two months following the final date on which applications for Monthly NTS Entry Capacity could be made, inform each User of those of its monthly capacity bids which have been accepted and the amount of Monthly NTS Entry Capacity which it is registered as holding for each calendar month in Capacity Year + 2;
- (c) one (1) hour after a capacity allocation of Daily NTS Entry Capacity and Daily Interruptible NTS Entry Capacity inform each User of those of its capacity bids which have been accepted and the amount of Daily NTS Entry Capacity and Daily Interruptible NTS Entry Capacity which it is registered as holding pursuant to each such accepted capacity bid; and
- (d) twenty four (24) hours after the time at which National Grid NTS notifies Users in accordance with paragraph (a), (b) and (c) notify all Users in respect of each relevant short term period in accordance with paragraph 2.14.2.

2.8 Capacity Constraint Management

2.8.1 National Grid NTS may, for the purposes of Capacity Management:

- (a) initiate a capacity allocation period in accordance with the System Management Principles; and
- (b) undertake Capacity Management in accordance with the System Management Principles (which may include the acceptance of daily capacity offers on any Day at an Aggregate System Entry Point in such aggregate amounts as is consistent with the System Management Principles).

⁹ Implementation of modification 0230AV, effective 06:00hrs on 01/01/2010, will amend paragraph 2.7.7(a) & (b).

2.8.2 For the purposes of the Code:

- (a) **"Capacity Management"** means, in relation to an Aggregate System Entry Point and in relation to any Day:
- (i) the entering into of a Capacity Management Agreement by National Grid NTS; and/or
 - (ii) the curtailment of Interruptible NTS Entry Capacity in accordance with paragraphs 2.9; and/or
 - (iii) the acceptance by National Grid NTS of daily capacity offers submitted by Users in accordance with paragraph 2.10

in each case in accordance with the System Management Principles (and this paragraph 2);

- (b) **"Capacity Management Charges"** are all amounts payable by National Grid NTS to a User pursuant to a Capacity Management Agreement and include Capacity Surrender Charges; and
- (c) a **"Capacity Management Agreement"** is any form of agreement (or mechanism) identified in the statement to be prepared and published by National Grid NTS pursuant to Special Condition C5(3) of National Grid NTS's Transporter's Licence which may be utilised by National Grid NTS and pursuant to which National Grid NTS may secure the surrender of Firm NTS Entry Capacity by Users for the purposes of the management of a capacity constraint.

2.8.3 National Grid NTS may enter into a Capacity Management Agreement with a User.

2.8.4 Where pursuant to the terms of a Capacity Management Agreement a User surrenders Firm NTS Entry Capacity at an Aggregate System Entry Point in relation to a Day, the amount of the User's Available Firm NTS Entry Capacity at the Aggregate System Entry Point shall be reduced by the amount surrendered by the User pursuant to the terms of the Capacity Management Agreement.

2.8.5 Capacity Surrender Charges will be invoiced and payable in accordance with Section S.

2.8.6 National Grid NTS shall for the purposes of the management of a capacity constraint take such steps as are in accordance with the System Management Principles; it however being acknowledged that the System Management Principles do not form part of, and are not incorporated into, and are not binding upon National Grid NTS pursuant to, the Code.

2.8.7 For the avoidance of doubt, National Grid NTS shall not be under any obligation pursuant to paragraphs 2.2, 2.3, 2.4, 2.5 or any other provision of this Section B2 to make available to Users NTS Entry Capacity surrendered by Users pursuant to the terms of a Capacity Management Agreement.

2.8.8 For the purposes of paragraph 2.8.9 below, the following words shall have the following meanings:

- (a) **"Forward Agreement"** means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User

surrenders Firm NTS Entry Capacity to National Grid NTS over a forward period of days (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);

- (b) **"Option Agreement"** means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User grants an option to National Grid NTS upon the exercise of which National Grid NTS may accept the surrender of Firm NTS Entry Capacity (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);
- (c) **"Relevant Forward Combination"** means a specific combination of Aggregate System Entry Point and forward delivery period as set out in a valid tender offer submitted to National Grid NTS pursuant to a Tender Invitation Notice;
- (d) **"Relevant Option Combination"** means a specific combination of Aggregate System Entry Point and option exercise period as set out in a valid tender offer submitted to National Grid NTS pursuant to a Tender Invitation Notice; and
- (e) **"Tender Invitation Notice"** means a notice issued by National Grid NTS inviting Users to submit a tender offer for a Forward Agreement or an Option Agreement (as the case may be).

2.8.9

- (a) Where, in respect of a Relevant Forward Combination and pursuant to a Tender Invitation Notice, National Grid NTS enters into Forward Agreement(s) with Users after the date of implementation of the modification proposal giving effect to this paragraph (a), it shall publish on the Business Day following that on which it enters into such Forward Agreement(s) and in respect of each Gas Flow Day in the relevant forward delivery period:
 - (i) the volume weighted average price in respect of all valid offers received by National Grid NTS for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by National Grid NTS for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iv) the maximum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (v) in respect of such Forward Agreement(s), the volume weighted average price for the surrender of Firm NTS Entry Capacity pursuant to such agreements;
 - (vi) in respect of such Forward Agreement(s), the aggregate quantity of Firm NTS Entry Capacity that was surrendered pursuant to such

agreements;

- (vii) in respect of such Forward Agreement(s), the minimum price paid for the surrender of Firm NTS Entry Capacity pursuant to such agreements; and
- (viii) in respect of such Forward Agreement(s), the maximum price paid for the surrender of Firm NTS Entry Capacity pursuant to such agreements.

- (b) Where, in respect of a Relevant Option Combination and pursuant to a Tender Invitation Notice, National Grid NTS enters into Option Agreement(s) with Users after the date of implementation of the modification proposal giving effect to this paragraph (b), it shall publish on the Business Day following that on which it enters into such Option Agreement(s):
 - (i) the volume weighted average strike price in respect of all valid offers received by National Grid NTS for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to the Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by National Grid NTS for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (v) in respect of such Option Agreement(s), the volume weighted average strike price for the Firm NTS Entry Capacity available for surrender pursuant to such agreements;
 - (vi) in respect of such Option Agreement(s), the aggregate quantity of Firm NTS Entry Capacity that is available for surrender by Users pursuant to such agreements;
 - (vii) in respect of such Option Agreement(s), the minimum strike price for the surrender of Firm NTS Entry Capacity pursuant to such agreements; and
 - (viii) in respect of such Option Agreement(s), the maximum strike price for the surrender of Firm NTS Entry Capacity pursuant to such agreements.
- (c) Where, after the date of implementation of the modification proposal giving effect to this paragraph (c), National Grid NTS, whether in whole or in part, exercises its right to accept the surrender of Firm NTS Entry Capacity in respect of any specific Gas Flow Day and specific Aggregate System Entry Point pursuant to an Option Agreement or Option Agreements, it shall publish on the first Business Day following that specific Gas Flow Day:

- (i) the aggregate quantity of Firm NTS Entry Capacity surrendered to National Grid NTS in respect of that Gas Flow Day and Aggregate System Entry Point pursuant to such exercise; and
 - (ii) the volume weighted average strike price in respect of the Firm NTS Entry Capacity surrendered to National Grid NTS in respect of that Gas Flow Day and Aggregate System Entry Point pursuant to such exercise.
- (d) Where, after the date of implementation of the modification proposal giving effect to this paragraph (d) and pursuant to a Tender Invitation Notice, National Grid NTS receives valid tender offers in respect of a Relevant Forward Combination but National Grid NTS does not enter into any Forward Agreements with Users in respect of that Relevant Forward Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish, within 4 Business Days following the last Day on which such tender offers may have been submitted to National Grid NTS pursuant to that Tender Invitation Notice, and in respect of each Gas Flow Day in the relevant forward delivery period:
- (i) the volume weighted average price in respect of all valid offers received by National Grid NTS for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by National Grid NTS for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice; and
 - (iv) the maximum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice.
- (e) Where, after the date of implementation of the modification proposal giving effect to this paragraph (e) and pursuant to a Tender Invitation Notice, National Grid NTS receives valid tender offers in respect of a Relevant Option Combination but National Grid NTS does not enter into any Option Agreements with Users in respect of that Relevant Option Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish within 4 Business Days following the last Day on which such tender offers may have been submitted to National Grid NTS pursuant to that Tender Invitation Notice:
- (i) the volume weighted average strike price in respect of all valid offers received by National Grid NTS for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by National Grid NTS for that Relevant Option Combination pursuant to that Tender Invitation Notice;

- (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice; and
- (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice.

2.9 Curtailment of Interruptible NTS Entry Capacity

2.9.1 For the purposes of this paragraph 2.9, an "**Entry Capability Shortfall**" in respect of an Aggregate System Entry Point for a Day is the amount (in kWh) by which the amount of (or rate at which) gas is or will be delivered exceeds the System Entry Capacity (as determined by National Grid NTS).

2.9.2 Where at any time after 15:00 hours on the Preceding Day National Grid NTS determines:

- (a) in relation to any Aggregate System Entry Point that there is or will be an Entry Capability Shortfall; or
- (b) that there is or will be a Transportation Constraint or a Localised Transportation Deficit which National Grid NTS believes may be avoided or remedied by the curtailment of Interruptible NTS Entry Capacity held by Users at one or more Aggregate System Entry Points (whether or not those Aggregate System Entry Points are affected by the Transportation Constraint or Localised Transportation Deficit);

the Interruptible NTS Entry Capacity held by Users at that Aggregate System Entry Point may be curtailed subject to and in accordance with the System Management Principles and the further provisions of this paragraph 2.9.

2.9.3 National Grid NTS will give a notice ("**interruptible curtailment notice**") to all Users specifying:

- (a) the Aggregate System Entry Point and the Day to which the notice relates;
- (b) the time ("**curtailment effective time**") with effect from which such curtailment is to take place, which shall be on the hour, shall not be earlier than 06:00 hours nor later than 02:00 hours on the Gas Flow Day, and shall not be less than 60 minutes after such notice is given; and
- (c) a factor ("**interruptible curtailment factor**") determined in accordance with the System Management Principles.

2.9.4 Where National Grid NTS gives an interruptible curtailment notice, the amount of each User's Available Interruptible NTS Entry Capacity (excluding any negative Available Interruptible NTS Entry Capacity) will be determined as:

$$R * (ICF1 * P1 + ICF2 * P2 + + ICFn * Pn) / 24$$

where R is the amount of the User's Available Interruptible NTS Entry Capacity for the Day;

and where for each interruptible curtailment notice (from 1 to n) given in respect of the

Aggregate System Entry Point and the Day:

ICF is the interruptible curtailment factor, and

P is the period in hours from the curtailment effective time until the end of the Gas Flow Day or (if earlier) the curtailment effective time of a subsequent curtailment notice

and for the purposes of which, in the absence of any other interruptible curtailment notice, there shall be deemed to be an interruptible curtailment notice specifying an interruptible curtailment factor of one (1) in force at the start of the Gas Flow Day.

2.10 Surrender of NTS Entry Capacity

2.10.1 Users may offer to surrender Available Firm NTS Entry Capacity for a Day in respect of an Aggregate System Entry Point, and National Grid NTS may accept such offers, subject to and in accordance with the System Management Principles and this paragraph 2.10.

2.10.2 An offer ("**daily capacity offer**") to surrender Firm NTS Entry Capacity pursuant to this paragraph 2.10 shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Day for which NTS Entry Capacity is offered for surrender;
- (d) the amount (not less than the minimum eligible amount) of NTS Entry Capacity offered for surrender (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of NTS Entry Capacity for which the User is willing to have the offer accepted;
- (f) the amount (the "**offer price**") in pence/kWh/Day which the User wishes to be paid in respect of the of the surrender of the offered NTS Entry Capacity; and
- (g) whether such offer is a fixed or reducing daily capacity offer.

2.10.3 A daily capacity offer:

- (a) may be submitted at any time from 06:00 hours on the 7th Day before the Gas Flow Day until 02:00 hours on the Day for which the NTS Entry Capacity is offered for surrender; and
- (b) may, subject to paragraph 2.10.4, in the case of a fixed offer be withdrawn or amended and in the case of a reducing offer be withdrawn, at any time before NTS Entry Capacity in such bid is selected for surrender.

2.10.4 A daily capacity offer may not be withdrawn during a capacity selection period (irrespective of whether or not the daily capacity offer is in relation to an Aggregate System Entry Point at which, for the purposes of capacity selection, there is a Firm Capacity Shortfall) and where a User seeks to withdraw an offer during such period, National Grid NTS will notify the User that a capacity selection period is current and National Grid NTS may, subject to paragraph 2.10.6, accept such daily capacity offer.

- 2.10.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity offers which are capable of acceptance in accordance with this paragraph 2.10.
- 2.10.6 National Grid NTS will reject a daily capacity offer where any requirement of paragraph 2.10.2 is not complied with, and may reject such an offer where the amount of NTS Entry Capacity offered for surrender exceeds the amount of the User's Available Firm NTS Entry Capacity (determined by reference to System Capacity Transfers which have at the relevant time become effective pursuant to paragraph 5.2.3(c) and the provisions of paragraph 2.8 and this paragraph 2.10).
- 2.10.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where National Grid NTS determines that:
- (a) there is a Firm Capacity Shortfall at one or more Aggregate System Entry Points; or
 - (b) there is or will be a Transportation Constraint or a Localised Transportation Deficit which National Grid NTS believes may be avoided or remedied by the surrender of Firm System Entry Capacity held by Users at one or more Aggregate System Entry Points (whether or not those Aggregate System Entry Point are affected by the Transportation Constraint or Localised Transportation Deficit);

National Grid NTS may initiate, not earlier than 13:00 hours on the Preceding Day, a capacity selection period.

- 2.10.8 National Grid NTS may accept daily capacity offers in accordance with the System Management Principles and the amount of Available Firm NTS Entry Capacity held (for the relevant Day in respect of the relevant Aggregate System Entry Point) by each User whose offer is so accepted will be reduced by the amount for which the offer was selected.
- 2.10.9 National Grid NTS will, not later than one (1) hour after each capacity selection, inform each User of those of its daily capacity offers which have been accepted, the amount of NTS Entry Capacity surrendered pursuant to each such accepted offer, and the amount by which its Available NTS Entry Capacity is accordingly reduced in respect of each Aggregate System Entry Point.
- 2.10.10 For the purposes of this paragraph 2.10:
- (a) the "**offer effective time**" is the time on the hour in relation to a daily capacity offer being the later of:
 - (i) 06:00 hours on the Gas Flow Day; and
 - (ii) the time not earlier than 60 minutes after Firm NTS Entry Capacity has been selected pursuant to such bid for surrender;
 - (b) a "**capacity selection period**" is the period of 15 minutes in which, where National Grid NTS intends to accept Firm NTS Entry Capacity for surrender pursuant to available daily capacity offers, it conducts a capacity selection;
 - (c) a "**capacity selection**" is the acceptance of Firm NTS Entry Capacity for

surrender during a capacity selection period in accordance with this paragraph 2.10;

- (d) a "**fixed offer**" is a daily capacity offer in relation to which the amount of Firm NTS Entry Capacity offered for surrender is not conditional on the offer effective time and a "**reducing offer**" is a daily capacity offer in relation to which the amount of Firm Entry Capacity offered for surrender is determined as:

$$(FSEC / OET) * N$$

where:

FSEC is the amount of Firm NTS Entry Capacity offered for surrender when the offer was first submitted;

OET commencing from the earliest offer effective time in respect of such bid, the number of hours remaining on the Gas Flow Day; and

N the number of hours remaining from the actual offer effective time were Firm NTS Entry Capacity to be selected for surrender pursuant to such offer; and

- (e) a "**Firm Capacity Shortfall**" is an amount of Firm NTS Entry Capacity equal to the amount by which the lesser of National Grid NTS's estimate of the amount of gas that will be delivered to the Total System at the Aggregate System Entry Point during a Day (or part thereof) and the Aggregate Registered Firm NTS Entry Capacity held by all Users at that Aggregate System Entry Point exceeds the System Entry Capability at that Aggregate System Entry Point.

2.10.11 A daily capacity offer is "**available**" where:

- (a) submitted and not withdrawn prior to the start of any capacity selection period; and
- (b) where the offer effective time is later than 06:00 on the Gas Flow Day, the implied surrender rate is less than or equal to the available surrender rate at the relevant Aggregate System Entry Point

and for the avoidance of doubt, where Firm NTS Entry Capacity is selected for surrender pursuant to an offer such offer shall be extinguished and no longer be available for the purposes of this paragraph 2.10.

2.10.12 For the purposes of this paragraph 2.10:

- (a) the "**available surrender rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Firm NTS Entry Capacity equal, as appropriate, to the Firm Capacity Shortfall or to the amount of Firm System Entry Capacity National Grid NTS believes requires to be surrendered to avoid or remedy the relevant Transportation Constraint or Localised Transportation Deficit), divided by the number of hours remaining in the Day following the capacity selection effective time;
- (b) the "**capacity selection effective time**" is the hour bar following the next hour

bar falling after the end of a capacity selection period;

- (c) the "**implied surrender rate**" in relation to:
- (i) a fixed offer, is the rate (in kWh/hour), calculated as the amount of Firm NTS Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day were Firm NTS Entry Capacity to be selected for surrender pursuant to such offer;
 - (ii) a reducing offer, is the rate (in kWh/hour) calculated as the amount of Firm NTS Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day from the hour bar following the hour next falling after submission of such offer.

2.11 Entry Charges, NTS Entry Commodity Charges and Capacity Surrender Charges

- 2.11.1 (a) A User shall, subject to paragraph (b) below, pay Capacity Charges ("**NTS Entry Capacity Charges**") in respect of its Registered NTS Entry Capacity at Aggregate System Entry Points.
- (b) Where:
- (i) pursuant to paragraph 2.2.18 National Grid NTS allocates Quarterly NTS Entry Capacity for the first time at a New Aggregate System Entry Point from a specific date (the "**First Capacity Allocation Date**") but fails to accept gas properly tendered for delivery by a User (for the purpose of this paragraph 2.11.1 a "**relevant User**") at that Aggregate System Entry Point in the period on and following that First Capacity Allocation Date; and
 - (ii) the reason for such failure is the non commissioning of that Aggregate System Entry Point or any System Entry Point comprised within it; and
 - (iii) the relevant User both holds Registered Quarterly NTS Entry Capacity and does properly tender gas for delivery on the relevant Day(s) at that Aggregate System Entry Point

then no NTS Entry Capacity Charges shall be payable by that relevant User in respect of such Registered NTS Entry Capacity at that Aggregate System Entry Point for each Day in the period from the First Capacity Allocation Date to the Day immediately preceding that on which National Grid NTS is first able to accept gas properly tendered for delivery by any User. Notwithstanding any other provision of the Code, the provisions of this paragraph (b) shall be the sole and exclusive remedy of Users where National Grid NTS fails to accept gas properly tendered for delivery in the circumstances set out above.

- (c) A User shall pay Commodity Charges ("**NTS Entry Commodity Charges**") in respect of the flow of gas into the NTS on any day, or a charge calculated by reference to Special Condition C8B & C8C of National Grid NTS's Transporter's Licence.

- 2.11.2 The NTS Entry Capacity Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point and each class (as described in paragraph 2.1.4) of NTS Entry Capacity, as the amount of the User's Registered NTS Entry Capacity (of the relevant class, and in the case of Quarterly NTS Entry Capacity

and Monthly NTS Entry Capacity, applied for pursuant to paragraphs 2.2 and/or 2.3, and allocated following an invitation date) multiplied by the Applicable Daily Rate.

2.11.3 The Applicable Daily Rate shall be:

- (a) in respect of Quarterly NTS Entry Capacity applied for pursuant to an annual invitation under paragraph 2.2, the applicable reserve or cleared price (for the calendar quarter) as determined following the relevant annual invitation date in accordance with paragraph 2.6;
- (b) in respect of Monthly NTS Entry Capacity applied for pursuant to an invitation under paragraphs 2.2 and 2.3, the bid price tendered by the User in respect of the Monthly NTS Entry Capacity allocated for the relevant calendar month pursuant to paragraph 2.7.2;
- (c) in respect of Daily NTS Entry Capacity, the bid price tendered by the User in respect of the Daily NTS Entry Capacity allocated for the Day pursuant to paragraph 2.7.2; and
- (d) in respect of Daily Interruptible NTS Entry Capacity, the bid price tendered by the User in respect of the Daily Interruptible NTS Entry Capacity allocated for the Day pursuant to paragraph 2.7.2.

2.11.4 For the purposes of paragraph 2.11.2, the amount of the User's Registered NTS Entry Capacity shall be determined Unadjusted pursuant to paragraph 2.9.4 (but for the avoidance of doubt Unadjusted pursuant to paragraphs 2.8.4 and 2.10.7).

2.11.5 Where National Grid NTS accepts a daily capacity offer pursuant to paragraph 2.10 National Grid NTS will pay to the User a charge ("**Capacity Surrender Charge**") in an amount determined as the amount of NTS Entry Capacity for which the daily capacity offer was accepted by National Grid NTS multiplied by the offer price specified in the daily capacity offer.

2.11.6 The NTS Entry Commodity Charge payable by a User in respect of each Day will be determined for each NTS Entry Point as the User Daily Quantity Input less any quantity to which the NTS Optional Commodity Rate applies in accordance with Code multiplied by the Applicable Commodity Rate for such Commodity Charge.

2.11.7 NTS Entry Capacity Charges, NTS Entry Commodity Charges and Capacity Surrender Charges will be invoiced and payable in accordance with Section S.

2.12 Overrun charges

2.12.1 If for any reason the quantity of gas delivered by a User to the Total System at an Aggregate System Entry Point on any Day exceeds the User's aggregate Available NTS Entry Capacity (determined as Fully Adjusted), the User shall pay a charge ("**System Entry Overrun Charge**") in respect of NTS Entry Capacity at that Aggregate System Entry Point on that Day.

2.12.2 For the purposes of this paragraph 2.12, in respect of a User at an Aggregate System Entry Point for any Day, the "**overrun quantity**" is the amount by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the Aggregate System Entry Point exceeds the sum of the User's Fully Adjusted Available NTS Entry Capacity.

2.12.3 The System Entry Overrun Charge shall be calculated as the amount of the overrun quantity multiplied by whichever is the greatest of:

- (a) $(8 * A)$, where 'A' is the highest bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation under paragraphs 2.2, 2.3 and 2.4; and
- (b) $(1.1 * B)$, where 'B' is the relevant average accepted offer price;
- (c) $(1.1 * C)$, where 'C' is the relevant average accepted forward price;
- (d) $(1.1 * D)$, where 'D' is the relevant average accepted exercise price; and
- (e) $(1.1 * E)$, where 'E' is the highest unit price accepted by National Grid NTS

where (a), (b), (c), (d) and (e) are calculated by reference to information available to National Grid NTS at 02:00 hours on the relevant Day.

2.12.4 For the purposes of paragraph 2.12.3(b), in respect of an Aggregate System Entry Point the "**relevant average accepted offer price**" for a Day is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of relevant successful offers;
- Q is the amount of Daily NTS Entry Capacity surrendered pursuant to each relevant successful offer (being in aggregate equal to the relevant capacity); and
- P is the offer price of each relevant successful offer,

and for the purposes of this paragraph 2.12.4 a "**relevant successful offer**" is an offer in respect of which relevant capacity was surrendered by a User and "**relevant capacity**" is that amount of NTS Entry Capacity equal to the first 25% of the total Firm NTS Entry Capacity surrendered by Users (determined by ranking all relevant successful offers for the Day in price order (the highest ranked first) and aggregating the Firm NTS Entry Capacity surrendered for each relevant successful offer, in descending order of bid price starting with the highest priced until the aggregate Firm NTS Entry Capacity surrendered equals the relevant capacity) in accordance with paragraph 2.10 and the System Management Principles.

2.12.5 For the purposes of paragraph 2.12.3(c), in respect of an Aggregate System Entry Point the "**relevant average forward price**" for a Day is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of relevant forward arrangements;
- Q is the amount of Daily NTS Entry Capacity surrendered (being in aggregate equal to the relevant forward capacity) pursuant to the relevant forward arrangements; and
- P is the forward price of each relevant forward arrangement,

and for the purposes of this paragraph 2.12.5 a "**relevant forward arrangement**" is a Capacity Management Agreement pursuant to which relevant forward capacity was surrendered by a User for the relevant Day on any earlier Day and "**relevant forward capacity**" is that amount of NTS Entry Capacity equal to the first 25% of Firm NTS Entry Capacity surrendered by Users (determined by ranking all relevant forward offers for the Day in price order (the highest ranked first) and aggregating the Firm NTS Entry Capacity surrendered for each relevant forward offer, in descending order of bid price starting with the highest priced until the aggregate Firm NTS Entry Capacity surrendered equals the relevant forward capacity) in accordance with paragraph 2.10 and the System Management Principles.

2.12.6 For the purposes of paragraph 2.12.3(d), in respect of an Aggregate System Entry Point the "**relevant average accepted exercise price**" for a Day is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of relevant option arrangements;
- Q is the amount of Daily NTS Entry Capacity surrendered (being in aggregate equal to the relevant option capacity) pursuant to the relevant option arrangements; and
- P is the exercise price of each relevant option arrangement,

and for the purposes of this paragraph 2.12.5 a "**relevant option arrangement**" is a Capacity Management Agreement pursuant to which relevant option capacity was surrendered by a User for the relevant Day on any earlier Day following the exercise by National Grid NTS of an option that NTS Entry Capacity be surrendered on such Day and "**relevant option capacity**" is that amount of NTS Entry Capacity equal to the first

25% of Firm NTS Entry Capacity surrendered by Users (determined by ranking all relevant option offers for the Day in price order (the highest ranked first) and aggregating the Firm NTS Entry Capacity surrendered for each relevant option offer, in descending order of bid price starting with the highest priced until the aggregate Firm NTS Entry Capacity surrendered equals the relevant option capacity) in accordance with paragraph 2.10 and the System Management Principles.

- 2.12.7 Where on any Day National Grid NTS makes a Constrained Storage Renomination in respect of the Storage Connection Point of a National Grid LNG Facility then, subject to the proviso below, the System Entry Overrun Charge for a User in respect of the National Grid LNG Facility shall be zero for any overrun quantity but only to the extent and for such part of that Day that the implied rate derived from the Constrained Storage Renomination exceeds the implied rate derived from that User's Registered Storage Deliverability (as defined in Section Z) (in both cases for that LNG facility). This paragraph shall only apply in respect of a User where that User sends written notification to National Grid NTS within 3 Business Days of the relevant Day stating (a) that the zero rate is to apply; (b) the overrun quantity and the period for which it is to apply; and (c) reasonable evidence to support its claim.
- 2.12.8 System Entry Overrun Charges shall be invoiced and payable in accordance with Section S.

2.13 Capacity Neutrality Arrangements

2.13.1 For each Aggregate System Entry Point the difference between amounts received or receivable and paid or payable by National Grid NTS in respect of Relevant Capacity Charges and certain other amounts in respect of each Day in a calendar month shall be payable to or recoverable from relevant Users (and such amount shall not be reduced by any amount to be retained or borne by National Grid NTS).

2.13.2 For each Aggregate System Entry Point, in relation to each Day:

- (a) **"Relevant Capacity Revenues"** are the aggregate of the amounts payable to National Grid NTS by Users:
- (i) by way of Capacity Charges in respect of:
- (1) Daily NTS Entry Capacity where the User was registered at any time during the Day in question as holding the Daily NTS Entry Capacity in respect of that Day;
 - (2) Daily Interruptible NTS Entry Capacity;
 - (3) any additional Firm NTS Entry Capacity made available by National Grid NTS (as determined by National Grid NTS acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Unsold NTS Entry Capacity; and
 - (4) Monthly NTS Entry Capacity is allocated pursuant to paragraph 2.3.19 or 2.2.23 by reason of the acceptance of a rolling monthly surrender offer
- at the Aggregate System Entry Point;
- (ii) by way of System Entry Overrun Charges; and

- (iii) where any User has negative Available NTS Entry Capacity, by way of System Entry Overrun Charges pursuant to (and calculated in respect of the amount determined under) paragraph 5.5.2(a); and
- (iv) by way of Market Balancing Action Charges in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
- (v) by way of any other amounts payable to National Grid NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
- (vi) by way of Physical Renomination Incentive Charges

in respect of such Day;

- (b) **"Relevant Capacity Costs"** are the aggregate of the amounts payable by National Grid NTS to Users by way of:
 - (i) Capacity Management Charges (for which purposes any premium payable by National Grid NTS shall be attributable to the Day pro rata to the number of Days during which National Grid NTS may exercise rights in respect of the surrender of Firm NTS Entry Capacity pursuant to the relevant Capacity Management Agreement); and
 - (ii) Aggregate Constraint Amounts pursuant to Section I3.7.2;
 - (iii) Market Balancing Action Charges in respect of each Market Balancing Buy Action (or negatively priced Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint;
 - (iv) any other amounts in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
 - (v) amounts payable by National Grid NTS in accordance with paragraph 2.3.25(c)

in relation to the Aggregate System Entry Point in respect of such Day.

2.13.3 In relation to each Aggregate System Entry Point and a calendar month, National Grid NTS shall pay to each relevant User an amount ("**Capacity Revenue Neutrality Charge**") determined as:

$$RCR * UFAC / AFAC$$

where:

RCR is the Relevant Capacity Revenues;

UFAC is the aggregate sum of the User's Fully Adjusted Firm Available NTS Entry Capacity at each Aggregate System Entry Point; and

AFAC is the aggregate sum of all User's Fully Adjusted Firm Available NTS Entry Capacity at each Aggregate System Entry Point

in each case as determined at 04:00 hours on the relevant Day.

2.13.4 In relation to each Aggregate System Entry Point and a calendar month, each relevant User shall pay to National Grid NTS an amount ("**Capacity Cost Neutrality Charge**") determined as:

$$RCC * UFAC / AFAC$$

where:

RCC are the Relevant Capacity Costs;

and 'UFAC' and 'AUFC' have the meanings in paragraph 2.13.3.

2.13.5 For the purposes of this paragraph 2.13:

(a) the "**Second Capacity Adjustment Neutrality Amount**" for a Day in a calendar month (month 'm') is:

(i) the sum of:

- (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to National Grid NTS), which was due for payment to National Grid NTS in month m-2 but were unpaid to National Grid NTS as at the last Day of month m;
- (2) the amount of any interest paid (in accordance with Section S4.3.2) by National Grid NTS to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (1) above;

less

(ii) the sum of:

- (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to National Grid NTS) which:
 - (aa) was unpaid as at the last Day of month m-3 and was taken into account (under paragraph (a)(i) above) in calculating the Second Capacity Adjustment Neutrality Amount for month m-1; but
 - (bb) has been paid to National Grid NTS since the last Day of month m-1;
- (2) the amount of any interest paid (in accordance with Section S4.3.2) by any User to National Grid NTS on any Day in month m by virtue of late payment of any such charge as is

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 referred to in paragraph (1) above,

divided by the number of Days in month 'm';

- (b) "**Capacity Neutrality Charges**" comprise Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Adjustment Neutrality Charges;
- (c) "**Relevant Capacity Charges**" comprise Relevant Capacity Revenues and Relevant Capacity Costs; and
- (d) a "**relevant User**" is a User registered as holding Firm NTS Entry Capacity at an Aggregate System Entry Point on the relevant Day.

2.13.6 In relation to a Day (and all Aggregate System Entry Points), where:

- (a) the Second Capacity Adjustment Neutrality Amount (if any) is negative, National Grid NTS shall pay to each relevant User; and
- (b) the Second Capacity Adjustment Neutrality Amount (if any) is positive, each relevant User shall pay to National Grid NTS,

an amount ("**Capacity Neutrality Adjustment Charge**") determined as:

$$\text{CNA}A * \text{UFAC} / \text{AFAC}$$

where CNA A is the Second Capacity Adjustment Neutrality Amount and 'UFAC' and 'AFAC' have the meanings in paragraph 2.13.3 (provided that in the event that no Firm NTS Entry Capacity was held by any User at any Aggregate System Entry Point on such Day, 'UFAC' and 'AFAC' shall be determined on the basis of the most recent preceding Day in respect of which a User held Firm NTS Entry Capacity at an Aggregate System Entry Point).

2.13.7 Capacity Neutrality Charges shall be invoiced and are payable in accordance with Section S.

2.14 Auction information

2.14.1 In respect of each annual invitation pursuant to paragraph 2.2.2(b), National Grid NTS will by not later than 20:00 hours on each invitation date (under paragraph 2.2.3(b)) notify Users, in respect of each Aggregate System Entry Point and each relevant long term period, of the cumulative amounts of Quarterly NTS Entry Capacity in relation to which Users have in aggregate submitted Quarterly capacity bids at each price step on such and earlier annual invitation dates for each relevant Capacity Year.

2.14.2 Following each allocation of NTS Entry Capacity pursuant to paragraphs 2.1.14, 2.2, 2.4 and 2.5 National Grid NTS will, in accordance with paragraphs 2.1.14(f), 2.6.7 and 2.7.7 and in respect of each Aggregate System Entry Point and relevant long term period or (as the case may be) relevant short term period, notify Users of:

- (a) the price (in pence/kWh) accepted for NTS Entry Capacity by a User (and the amount of NTS Entry Capacity applied for);
- (b) except in relation to an allocation of NTS Entry Capacity pursuant to paragraph 2.1.14, the relevant step price group;

- (c) the lowest accepted bid price in respect of a successful capacity bid and the amount of NTS Entry Capacity applied for;
- (d) aggregate volume of NTS Entry Capacity allocated to successful capacity bids;
- (e) the number of Users who submitted successful capacity bids and the number of Users who submitted unsuccessful capacity bids;
- (f) the weighted average price in respect of capacity bids for which NTS Entry Capacity was allocated calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of successful relevant capacity bids;
- Q is the amount of NTS Entry Capacity allocated to each successful relevant capacity bid; and
- p is the bid price of each successful relevant capacity bid

and for the purposes of this paragraph 2.14.2(f), "**relevant capacity bid**" is a bid in respect of which relevant capacity was allocated and "**relevant capacity**" is that amount of capacity equal to the first 50% of the total NTS Entry Capacity allocated (determined in accordance with the the provisions of paragraphs 2.6.2 or 2.6.6 or (as the case may be) paragraph 2.7.2;

- (g) the amount of NTS SO Baseline Entry Capacity which remains unsold (if any) following the allocation; and
- (h) in the case of an allocation of Quarterly NTS Entry Capacity only, the number of Users who submitted, in respect of each step price group, a Quarterly capacity bid.

2.14.3 Following an allocation of NTS Entry Capacity pursuant to paragraph 2.3, National Grid NTS will:

- (a) by not later than three (3) Business days before the last Business day of the calendar month preceding the relevant month, notify each User who submitted a rolling monthly capacity bid for the relevant month and in respect of each Aggregate System Entry Point, of:
 - (i) the rolling monthly capacity bids in respect of which an allocation of Monthly NTS Entry Capacity was made in accordance with paragraphs 2.3.19 and 2.3.23 and the amount of the allocation in respect of each such rolling monthly capacity bid;
 - (ii) the amount of Monthly NTS Entry Capacity held in aggregate by the

User for the relevant month pursuant to an allocation in accordance with paragraphs 2.3.19 and 2.3.23;

- (iii) the amount of NTS Entry Capacity held in aggregate by the User for the relevant month;
- (b) by not later than three (3) Business Days before the last Business Day of the calendar month preceding the relevant month, notify each User who submitted a rolling monthly surrender offer for the relevant month and in respect of each Aggregate System Entry Point, of:
- (i) the amount of Firm NTS Entry Capacity which the User offered for surrender;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity which was surrendered following acceptance of rolling monthly surrender offers submitted by the User for the purposes of paragraphs 2.3.19 and 2.3.23;
 - (iii) the weighted average unit price in respect of each rolling monthly surrender offer in respect of which Firm NTS Entry Capacity was surrendered by the User;
- (c) by not later than the Business Day following the notification under paragraphs (a) and (b), notify all Users in respect of each Aggregate System Entry Point, of:
- (i) (the information referred to in paragraph 2.14.2 (other than the relevant step price group));
 - (ii) the amount of Monthly NTS Entry Capacity allocated for the relevant month pursuant to paragraph 2.3.19;
 - (iii) the amount of Monthly NTS Entry Capacity allocated for the relevant month pursuant to paragraph 2.3.23;
 - (iv) the aggregate amount of Firm NTS Entry Capacity which Users offered for surrender and the aggregate amount of Firm NTS Entry Capacity which was surrendered following acceptance of rolling monthly surrender offers submitted by Users for the purposes of paragraphs 2.3.19 and 2.3.23;
 - (v) that quantity (if any) of Daily NTS Entry Capacity which National Grid NTS is required to make available to Users in accordance with paragraph 2.4 for the relevant month;
 - (vi) for each Donor ASEP the aggregate amount by which the Unsold NTS Entry Capacity at the Donor ASEP was reduced in accordance with paragraph 2.3.23;
 - (vii) for each Recipient ASEP:
 - (1) the order in which the unsatisfied bid groups were ranked for the purposes of paragraph 2.3.23;
 - (2) the highest and lowest bid price and the weighted average price

(calculated in a manner consistent with the calculation in paragraph 2.14.2(f)) in respect a rolling monthly capacity bids for which Monthly NTS Entry Capacity was allocated under paragraph 2.3.23;

- (3) the weighted average inter-ASEP exchange rate for each combination of Recipient ASEP and Donor ASEP utilised for the purposes of paragraph 2.3.23.¹⁰

3 NTS EXIT CAPACITY

3.1 Introduction

3.1.1 Subject to the provisions of the Code,

- (a) a Shipper User may:
- (i) by offtaking gas from the Total System at an NTS Supply Point Component, require a gas flow out of the NTS at that NTS Supply Point Component;
 - (ii) offtake gas from the Total System at a NTS Connected System Exit Point;
- (b) a DNO User may cause or permit the flow of gas out of the NTS to an LDZ at a NTS/LDZ Offtake.

3.1.2 No provision of the Code in relation to gas flows at NTS Exit Points confers on any Shipper User any rights or obligations in respect of offtake of gas from the Total System other than at System Exit Points.

3.1.3 Users may:

- (a) apply for and be registered as holding NTS Exit Capacity as:
- (i) Annual NTS Exit (Flat) Capacity pursuant to an application in accordance with paragraphs 3.2 and 3.4;
 - (ii) Daily NTS Exit (Flat) Capacity pursuant to an invitation in accordance with paragraphs 3.5 and 3.6;
 - (iii) NTS Exit (Flexibility) Capacity in accordance with paragraph 3.7;
- (b) offer or agree to surrender NTS Exit Capacity in accordance with paragraph 3.11.

3.1.4 A User may not apply for, bid or offer to surrender NTS Exit (Flat) Capacity at an NTS Exit Point in an amount less than 100,000 kWh per day (the "**minimum eligible amount**").

3.1.5 In relation to an NTS Exit Point:

- (a) "**Annual**" NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be

¹⁰ Implementation of modification 0250, effective 06:00hrs on 01/11/2009, will add new paragraph 2.15.

applied for and registered as held (in a given amount) by a User for each Day in a Gas Year;

- (b) **"Daily"** NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only;
- (c) **"Enduring"** Annual NTS Exit (Flat) Capacity is Annual NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User with effect from the Day for which it is allocated pursuant to paragraph 3.2, on the basis that the User will continue to hold such amount of capacity subject only to:
 - (i) a reduction in accordance with paragraph 3.2;
 - (ii) the User ceasing to hold the capacity in accordance with 3.3.7(a);
 - (iii) any System Capacity Assignment;
- (d) Daily NTS Exit (Flat) Capacity is **"Off-peak"** where it is subject to curtailment in accordance with paragraph 3.10, and otherwise is **"Firm"**; and except where expressly stated to be Off-peak, references to Daily NTS Exit (Flat) Capacity are to Firm Daily NTS Exit (Flat) Capacity.

3.1.6 For the purposes of the Code:

- (a) the **"classes"** of NTS Exit Capacity are Enduring Annual NTS Exit (Flat) Capacity, Annual NTS Exit (Flat) Capacity, Firm Daily NTS Exit (Flat) Capacity, Off-peak Daily NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity;
- (b) in respect of an NTS Exit Point and in relation to a Gas Year:
 - (i) the **"Baseline NTS Exit (Flat) Capacity"** is the amount of NTS Exit (Flat) Capacity which National Grid NTS is required to make available to Users in relation to each Day in that Gas Year (or part thereof) pursuant to National Grid NTS's Transporter's Licence and as set out in National Grid NTS's Exit Capacity Baseline Statement;
 - (ii) at any time the **"Remaining Available NTS Exit (Flat) Capacity"** in relation to that Gas Year or (as the case may be) a Day in that Gas Year is the amount (if any) by which the Baseline NTS Exit (Flat) Capacity for that Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered, at that time, as held by Users in relation to that Gas Year or Day;
- (c) for the purposes of any capacity invitation, the **"reserve price"** in relation to any class of NTS Exit Capacity, capacity period and NTS Exit Point is the price ascertained pursuant to National Grid NTS's Transporters Licence as set out in National Grid NTS's Transportation Statement;
- (d) a **"New"** NTS Exit Point is an NTS Exit Point in respect of which Users have not previously been able to submit an application or bid for Annual NTS Exit (Flat) Capacity in accordance with the provisions of paragraphs 3.2.3(a) and 3.4.

- 3.1.7 The "**User Daily Exit Quantity**" for a User in respect of a Day is:
- (a) in the case of a NTS Supply Point Component or NTS Connected System Exit Point, the Shipper User's UDQO for the NTS Supply Point Component or NTS Connected System Exit Point;
 - (b) in the case of a NTS/LDZ Offtake, the quantity of gas treated as offtaken by the DNO User at the NTS/LDZ Offtake on that Day;
- 3.1.8 For the purposes of this paragraph 3 and in particular in the context of applications and invitations for Annual NTS Exit (Flat) Capacity in accordance with the further provisions of this paragraph 3 a reference to a 'Gas Year Y+n' is a reference to a Gas Year commencing on the nth anniversary of the first Day of the Gas Year in which such applications are to be made.
- 3.1.9 The "**Annual Application Window**" in a Gas Year (Y) is the period commencing at 08:00 hours and ending on 17:00 hours on each Business Day in July.
- 3.1.10 An "**enduring annual capacity notification**" is the notification made each Gas Year pursuant to Section B3.2.26 by National Grid NTS informing Users they may make capacity applications for Enduring Annual NTS (Flat) Exit Capacity.

3.2 Release and Reduction of Enduring Annual NTS Exit (Flat) Capacity

- 3.2.1 In each Gas Year (Y) Users may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered as held with effect from Gas Year Y+4, Y+5 or Y+6 or in accordance with the provisions of 3.2.3(b), at each NTS Exit Point, in accordance with the further provisions of this paragraph 3.2 and having regard to the Exit Capacity Release Methodology Statement.
- 3.2.2 Where a User is for the time being registered as holding any amount of Enduring Annual NTS Exit (Flat) Capacity in respect of an NTS Exit Point, the User shall continue to be registered as holding such amount of Enduring Annual NTS Exit (Flat) Capacity until and unless the amount is increased by the User making a further application in a Gas Year following Gas Year Y in accordance with paragraph 3.2.4 or reduced by the User in accordance with paragraph 3.2.14 or paragraph B6.
- 3.2.3 An application for Enduring Annual NTS Exit (Flat) Capacity:
- (a) during an Annual Application Window may be for an amount of Enduring Annual NTS Exit (Flat) Capacity equal to:
 - (i) where paragraph 3.2.25 applies in relation to a User and an NTS Exit Point, the sum of the deemed application amount and any additional Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point; or
 - (ii) where paragraph 3.2.25 does not apply in relation to a User and an NTS Exit Point, the Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point;
 - (b) may be made by a User at any time between 1 October and 30 June in Gas Year Y where the application is:
 - (i) in respect of a New NTS Exit Point; or

- (ii) for an amount of Enduring Annual NTS Exit (Flat) Capacity which:
 - (1) if accepted would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat) Capacity in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made; or
 - (2) exceeds 10GWh/Day;

(c) shall specify:

- (i) the identity of the User;
- (ii) the NTS Exit Point in respect of which the application is made;
- (iii) the Gas Year in respect of which the application is made; and
- (iv) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for (being not less than the minimum eligible amount);

and where the User makes applications for different Gas Years (or any part thereof in the case of an application made under paragraph 3.2.3(b)) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for in respect of any later Gas Year shall be expressed as the amount in excess of the amount applied for in respect of any earlier Gas Year.

3.2.4 A User:

- (a) in the case of an application made under paragraph 3.2.3(a):
 - (i) may submit an application for Enduring Annual NTS Exit (Flat) Capacity during the Annual Application Window;
 - (ii) may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from 1 October in Gas Year Y+4, Y+5 and Y+6;
 - (iii) may have, at any one time, no more than one (1) application for each of Gas Year Y+4, Y+5 and Y+6 for Enduring Annual NTS Exit (Flat) Capacity capable of acceptance by National Grid NTS in respect of an NTS Exit Point; and
 - (iv) may withdraw or modify an application under paragraph 3.2.3(a)(ii) at any time during the Annual Application Window, but may only modify (and not withdraw) an application under paragraph 3.2.3(a)(i) during such period by reducing the amount of Enduring Annual NTS Exit (Flat) Capacity applied for to not less than the deemed application amount;
- (b) in the case of an application made under paragraph 3.2.3(b):
 - (i) may apply for up to four (4) separate tranches of Enduring Annual NTS Exit (Flat) Capacity, specifying in each case the amount applied for in each separate tranche;
 - (ii) shall specify, in respect of each separate tranche applied for, the date

with effect from which the User wishes to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity, such date being not earlier than six (6) months from the date the application is made and not later than 1 October in Gas Year Y+4; and

- (iii) in respect of a New NTS Exit Point, shall submit with its application such other documentation (as published by National Grid NTS from time to time) required by National Grid NTS for the purposes of commencing work on new connections to the NTS.

3.2.5 National Grid NTS may reject an application for Enduring Annual NTS Exit (Flat) Capacity:

- (a) where any of the requirements of paragraphs 3.2.3 or 3.2.4 is not complied with;
- (b) where the amount of Enduring Annual NTS Exit (Flat) Capacity applied for by way of a revised application submitted in accordance with paragraph 3.2.8(a) is, in the reasonable opinion of National Grid NTS, not consistent with National Grid NTS's rejection or acceptance in part only of an application made by the DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5.9 in relation to an increase in the Assured Offtake Pressure;
- (c) in accordance with Section V3.

3.2.6 Where at 17:00 hours on the first Business Day of a calendar month a User's Value at Risk exceeds 100% of the User's Code Credit Limit National Grid NTS will not later than five (5) Business Days after the first Business Day of the calendar month inform the User.

3.2.7 Following a notice under paragraph 3.2.6, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), the User's Annual NTS Exit (Flat) Capacity for the twelve (12) months (commencing from the first day of the next following calendar month) will lapse and the User will cease to be treated as holding the Registered Annual NTS Exit (Flat) Capacity.

3.2.8 In respect of an application made under paragraph 3.2.3(a):

- (a) where National Grid NTS has rejected or accepted in part only an application made by a DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5 in relation to an increase in the Assured Offtake Pressure in respect of Gas Year Y+4, Y+5 or Y+6, a DNO User may submit a revised application for Enduring Annual NTS Exit (Flat) Capacity on any of the five (5) Business Days following 15 September in Gas Year Y for Gas Year Y+4, Y+5 and Y+6;
- (b) National Grid NTS will, not later than 30 September in Gas Year Y:
 - (i) accept in full (if not rejected pursuant to paragraph 3.2.5) a User's application (including a DNO User's revised application made under paragraph (a)) for Enduring Annual NTS Exit (Flat) Capacity in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement; and

- (ii) notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity;
- (c) the User will be registered as holding Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point in the amount in respect of which its application was accepted under paragraph (b);
- (d) National Grid NTS will, by not later than twenty-four (24) hours after the notification under paragraph (b)(ii), publish in respect of each NTS Exit Point for each of Gas Year Y+4, Y+5 and Y+6 the following information:
 - (i) the number of Users who made an application for Enduring Annual NTS Exit (Flat) Capacity;
 - (ii) the aggregate quantity of Enduring Annual NTS Exit (Flat) Capacity in respect of which applications were accepted by National Grid NTS; and
 - (iii) the aggregate quantity of any Enduring Annual NTS Exit (Flat) Capacity in respect of which applications were accepted in excess of the Baseline NTS Exit (Flat) Capacity.

3.2.9 Paragraphs 3.2.10 to 3.2.13 shall apply in respect of an application made under paragraph 3.2.3(b).

3.2.10 Where an application is made under paragraph 3.2.3(b) (which is not rejected pursuant to paragraph 3.2.5) National Grid NTS will make an offer (in accordance with the principles in the Exit Capacity Release Methodology Statement) to the User which specifies:

- (a) the amount of Enduring Annual NTS Exit (Flat) Capacity offered, being equal to the amount applied for under paragraph 3.2.4(b)(i);
- (b) the date(s) with effect from which the User applied to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity (or each separate tranche specified in the application);
- (c) the date(s) with effect from which National Grid NTS is able to make Enduring Annual NTS Exit (Flat) Capacity available at the NTS Exit Point, such dates(s) being not earlier than the date(s) with effect from which the User applied to be registered as holding Enduring Annual NTS Exit (Flat) Capacity and not later than 1 October in the Gas Year Y+4 ; and
- (d) where applicable, the Demonstration Date;

and National Grid NTS will use its reasonable endeavours to make available Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point with effect from the date(s) from which the User applied to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity.

3.2.11 National Grid NTS will notify the User of its offer in accordance with paragraph 3.2.10 as soon as possible after an application under paragraph 3.2.3(b) is received, but in any event by not later than:

- (a) except where paragraphs (b) or (c) apply, fifteen (15) Business Days after the

application was received;

- (b) where National Grid NTS is of the opinion Works may be required or there is likely to be a requirement for capacity substitution in accordance with the principles in the prevailing Exit Capacity Substitution Methodology Statement, ninety (90) days after the application was received;
- (c) such later date, being a date falling more than ninety (90) days after the application was received, as National Grid NTS and the User may agree.

3.2.12 A User may accept an offer made under paragraph 3.2.10 within thirty (30) days of the date on which the offer was made by National Grid NTS or within such other greater period as agreed between National Grid NTS and the User, and where the User accepts an offer the User will be registered as holding the Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point with effect from the date(s) specified in the offer (in accordance with paragraph 3.2.10(c)) (the "**Registration Date(s)**").

3.2.13 Within ten (10) days of acceptance of an offer by a User pursuant to paragraph 3.2.12 National Grid NTS will publish the following information:

- (a) the NTS Exit Point at which the Enduring Annual NTS Exit (Flat) Capacity is to be registered pursuant to paragraph 3.2.12;
- (b) the amount of Enduring Annual NTS Exit (Flat) Capacity registered;
- (c) the Registration Date(s);
- (d) if applicable, the Demonstration Date.

3.2.14 A User may reduce the amount of Enduring Annual NTS Exit (Flat) Capacity which it holds at an NTS Exit Point (subject to paragraph 3.2.16) by giving notice of such reduction to National Grid NTS.

3.2.15 A notice of reduction of Enduring Annual NTS Exit (Flat) Capacity may be given no earlier than 08:00 hours or later than 17:00 hours on a Business Day in the period 1 July to 15 July (inclusive) in any Gas Year (Y) and shall specify:

- (a) the identify of the User;
- (b) the NTS Exit Point;
- (c) subject to paragraph 3.2.16, the date, being the first day of a calendar month, on which the User wishes the reduction to be effective ("**User Reduction Date**");
- (d) the amount of Enduring Annual NTS Exit (Flat) Capacity (being not less than the minimum eligible amount) which the User no longer wishes to be registered as holding ("**reduction amount**");
- (e) the remaining amount (which may not be less than zero) of Enduring Annual NTS Exit (Flat) Capacity which the User wishes to be registered as holding.

3.2.16 Without prejudice to paragraph 3.2.17, the earliest date upon which a reduction may be effective shall be 1 October in Gas Year Y+1 or such later date (being the first day of a calendar month) as determined in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement.

- 3.2.17 Where a User has applied for a reduction of Enduring Annual NTS Exit (Flat) Capacity specifying a User Reduction Date which is earlier than 1 October in Gas Year Y+2, National Grid NTS may give effect to the reduction (acting in its sole discretion) from:
- (a) the User Reduction Date specified in the User's application, where:
 - (i) a User has applied to be registered as holding Enduring Annual NTS Exit (Flat) Capacity at any NTS Exit Point; and
 - (ii) National Grid NTS is able to satisfy such application by reason of giving effect to the reduction applied for; or
 - (b) 1 October in Gas Year Y + 2 where the circumstances in paragraph (a) do not apply.
- 3.2.18 A User may withdraw or modify a notice of reduction at any time between 08:00 hours and 17:00 hours on a Business Day during the period referred to in paragraph 3.2.15.
- 3.2.19 National Grid NTS may reject a notice of reduction where:
- (a) any of the requirements of paragraph 3.2.15 or 3.2.22 is not complied with;
 - (b) by reference to System Capacity Transfers notified prior to the notice of reduction, the User's Enduring Annual NTS Exit (Flat) Capacity would, on the basis of the reduced amount specified in such notice, be negative at any time in the future;
 - (c) the User Reduction Date is earlier than the end of the commitment period as determined in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement and National Grid NTS is unable to utilise the reduction amount to satisfy a further application for Enduring Annual NTS Exit (Flat) Capacity at any NTS Exit Point.
- 3.2.20 National Grid NTS will, not later than 30 September in Gas Year Y:
- (a) give effect to a User's notice of reduction (by reducing the User's Registered Enduring Annual NTS Exit (Flat) Capacity at the relevant NTS Exit Point) made pursuant to paragraph 3.2.15 (if not rejected pursuant to paragraph 3.2.19) in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement;
 - (b) notify the User of the date on which the reduction is to be effective; and
 - (c) notify the User of the amount of Enduring Annual NTS Exit (Flat) Capacity the User will continue to be registered as holding at the NTS Exit Point following the date specified in paragraph (b).
- 3.2.21 National Grid NTS may invite Users to submit a notice of reduction at such other times as it may determine in accordance with the principles in the prevailing Exit Capacity Substitution Methodology Statement, and any such invitation shall specify:
- (a) the period (being a period other than the period referred to in paragraph 3.2.15) during which a User may give a notice of reduction;
 - (b) the earliest date on which National Grid NTS may give effect to a reduction; and

- (c) the date on which National Grid NTS will notify a User of whether or not it will give effect to a notice of reduction.
- 3.2.22 A notice of reduction in respect of an invitation under paragraph 3.2.21 shall, in addition to the details referred to in paragraph 3.2.15 specify:
- (a) a User Reduction Date which is not earlier than the date specified in paragraph 3.2.21(b);
- (b) the minimum amount of Enduring Annual NTS Exit (Flat) Capacity (being not less than the minimum eligible amount) in respect of which National Grid NTS may give effect to the notice of reduction ("**minimum reduction amount**").
- 3.2.23 By not later than the date specified in the invitation, National Grid NTS:
- (a) will notify the User of whether or not it will give effect to the notice of reduction, and if so, the date on which the reduction is to be effective and of the amount of Enduring Annual NTS Exit (Flat) Capacity the User will continue to be registered as holding at the NTS Exit Point from such date.
- (b) may give effect to a User's notice of the reduction made pursuant to paragraph 3.2.22 (if not rejected pursuant to paragraph 3.2.19) for an amount of Enduring Annual NTS Exit (Flat) Capacity which is not:
- (i) greater than the reduction amount; or
- (ii) less than the minimum reduction amount
- in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement;
- 3.2.24 National Grid NTS will, not later than twenty four (24) hours after giving effect to a notice of reduction in accordance with paragraphs 3.2.20 and 3.2.23, publish the aggregate quantity of Enduring Annual NTS Exit (Flat) Capacity in respect of which it gave effect to a notice of reduction:
- (a) pursuant to paragraph 3.2.20;
- (b) pursuant to paragraph 3.2.23, for each relevant period.
- 3.2.25 Where a User incurs an NTS Exit (Flat) Capacity Overrun Charge (in respect of a Chargeable NTS Exit (Flat) Overrun in excess of 100,000 kWh) in any twelve (12) month period ending on 31 March ("**relevant period**") the User shall be deemed to have made an application pursuant to paragraph 3.2.3(a)(i) for Enduring Annual NTS Exit (Flat) Capacity, in respect of the NTS Exit Point at which the Chargeable NTS Exit (Flat) Overrun occurred, on the first day of the next following Annual Application Window, and for the purposes of paragraph 3.2.3(c) the application shall be for:
- (a) Gas Year Y+4; and
- (b) an amount of Enduring NTS Exit (Flat) Capacity equal to the highest Chargeable NTS Exit (Flat) Overrun amount which the User incurred at the NTS Exit Point in the relevant period ("**deemed application amount**")
- and the further provisions of paragraph 3.2 shall apply in respect of any such

application.

3.2.26 National Grid NTS will each Gas Year issue an enduring annual capacity notification to Users not later than twenty eight (28) days before the commencement of the Annual Application Window in respect paragraph 3.2.3(a) and the notification shall specify:

- (a) the Gas Years in respect of which the enduring annual capacity notification relates;
- (b) for each Gas Year, the Remaining Available NTS Exit (Flat) Capacity for each NTS Exit Point to which the enduring capacity notification relates.

3.3 NTS Exit ARCAs and Demonstration Dates

3.3.1 National Grid NTS may enter into NTS Exit ARCAs.

3.3.2 For the purposes of the Code an "NTS Exit ARCA" (which it is anticipated will contain provisions similar to those in paragraphs 3.3.4 to 3.3.7 (inclusive)) is an agreement with a person who is not a User (the "**Reservation Party**"), under which the Reservation Party is entitled to nominate any User to be registered with effect from such date as is specified in the NTS Exit ARCA, as holding an amount of Enduring Annual NTS Exit (Flat) Capacity (the "**Reserved Capacity**") in respect of an NTS Exit Point.

3.3.3 Where National Grid NTS has entered into an NTS Exit ARCA:

- (a) the amount of Reserved Capacity shall be treated (for the purposes of determining the Remaining Available NTS Exit (Flat) Capacity) as if it were registered as held by a User;
- (b) National Grid NTS will not be required to make Reserved Capacity available to Users in accordance with the other provisions of this paragraph 3;
- (c) the Reservation Party may by notice to National Grid NTS nominate a User to be registered as holding Reserved Capacity;
- (d) a notice under paragraph (c) shall specify:
 - (i) the identity of the nominated User;
 - (ii) an amount of Reserved Capacity to be registered in the name of the nominated User which shall not exceed the total amount of Reserved Capacity (taking into account any prior notice by the Reservation Party under this paragraph 3.3.3 in relation to the NTS Exit ARCA);
 - (iii) the date, consistent with the terms of the NTS Exit ARCA, from which the nominated User is to be registered as holding Reserved Capacity

and following such notice National Grid NTS will notify the nominated User of the contents of such notice;

- (e) the nominated User may within five (5) Business Days of National Grid NTS's notice under paragraph (d) confirm to National Grid NTS its acceptance of the details in the Reservation Party's notice;
- (f) National Grid NTS may reject the User's nomination:

- (i) where any of the requirements of paragraph (d) is not complied with;
 - (ii) in accordance with Section V3; and
- (g) subject to paragraph (f), a nominated User shall be deemed (including for the purposes of paragraph 3.2.16) to have been allocated Reserved Capacity and accordingly be registered as holding Enduring Annual NTS Exit (Flat) Capacity from the date determined under the NTS Exit ARCA.
- 3.3.4 Where an application is made by a User in accordance with paragraph 3.2.3(b) (which is not rejected pursuant to paragraph 3.2.5) and National Grid NTS is of the opinion that Works will be required:
- (a) National Grid NTS will notify the User of the latest date by which the demonstration information is to be provided to it ("**Demonstration Date**"); and
 - (b) the User will provide the demonstration information to National Grid NTS by no later than the Demonstration Date.
- 3.3.5 For the purposes of paragraph 3.3.4:
- (a) "**demonstration information**" is such information (not being information which is in the possession or control of National Grid NTS) as is sufficient to enable National Grid NTS to be reasonably satisfied that the User (or other relevant party):
 - (i) will be able to progress to commencement; or
 - (ii) has commenced;
 - (iii) and in either case, is expected to be able to progress to completion;such activities as are necessary to ensure that the Enduring Annual NTS Exit (Flat) Capacity applied for will be utilised by the offtake of gas at the NTS Exit Point with effect from the Registration Date(s);
 - (b) National Grid NTS will publish guidelines (to be updated from time to time) setting out the scope and content of such demonstration information as it may require for the purposes of paragraph 3.3.4.
- 3.3.6 Where a User fails to provide National Grid NTS with demonstration information by the Demonstration Date (and National Grid NTS is not entitled to reject the application made under paragraph 3.2.3(b) in accordance with Section V3), National Grid NTS may delay commencement of the Works and in such case:
- (a) subject to paragraph 3.3.7:
 - (i) a new Demonstration Date shall apply, which shall be the date falling one year after the previously notified Demonstration Date (or with the agreement of the User, any earlier date);
 - (ii) National Grid NTS may for the purposes of the User's application under paragraph 3.2.3(b) treat the application as being made for a Registration Date(s) falling on a date up to one year after the Registration Date specified by in the application made under paragraph 3.2.3(b);

- (b) National Grid NTS will notify the User of the new Demonstration Date and Registration Date(s) by no later than ten (10) Business Days following the previously notified Demonstration Date;
 - (c) the User will provide the demonstration information by no later than the new Demonstration Date notified in accordance with paragraph (b);
- 3.3.7 Without prejudice to paragraphs 3.2.6 and 3.2.7, where the User does not provide National Grid NTS with demonstration information by the Demonstration Date notified under paragraph 3.3.4 or by two (2) subsequent Demonstration Dates notified under paragraph 3.3.6:
- (a) unless otherwise agreed with the User, the User shall cease to hold the Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point which the User was previously registered as holding pursuant to paragraph 3.2.12; and
 - (b) National Grid NTS shall be entitled to recover from the User all costs and expenses incurred in performing design work in respect of the Works prior to the latest Demonstration Date notified to the User under this paragraph 3.3.
- 3.3.8 Where following an application under paragraph 3.2.3(a) National Grid NTS is unable to make available (consistent with its acceptance of the application under paragraph 3.2.8(b)) Enduring Annual NTS Exit (Flat) Capacity at an NTS Exit Point from the date of registration in accordance with 3.2.8(c) by reason of a failure or delay in connection with the completion of any necessary Works, or connection work being undertaken by National Grid NTS, National Grid NTS shall be required (subject to the provisions of Annex B-1 paragraph 3.10 and except where such failure or delay is due to an event or circumstance beyond the reasonable control of National Grid NTS and which could not have been avoided by steps which might reasonably be expected to have been taken by it) to take Exit Constraint Management Actions in relation to the NTS Exit Point on the date specified in the User's application in accordance with 3.2.8(c) and any Day thereafter until such time as all necessary Works or connection work is completed.
- 3.3.9 Where following an application under paragraph 3.2.3(b) National Grid NTS is unable to make available (consistent with its offer under paragraph 3.2.10) Enduring Annual NTS Exit (Flat) Capacity at an NTS Exit Point from the Registration Date by reason of a failure or delay in connection with the completion of any necessary Works, or connection work being undertaken by National Grid NTS, National Grid NTS shall be required (subject to the provisions of Annex B-1 paragraph 3.10 and except where such failure or delay is due to an event or circumstance beyond the reasonable control of National Grid NTS and which could not have been avoided by steps which might reasonably be expected to have been taken by it) to take Exit Constraint Management Actions in relation to the NTS Exit Point on the Registration Date and any Day thereafter until such time as all necessary Works or connection work is completed.
- 3.3.10 For the purposes of paragraph 3, "**Works**" means works, in relation to reinforcement of the NTS, in order to make available the Enduring Annual NTS Exit (Flat) Capacity applied for pursuant to an application made under paragraphs 3.2.3(a) and 3.2.3(b).
- 3.3.11 For the purposes of paragraph 3.3, "**connection work**" is the construction of the physical connection to the NTS of those facilities through which gas is intended to flow from the NTS at the relevant NTS Exit Point, including but not limited to any gas pipeline.

3.4 Release of Annual NTS Exit (Flat) Capacity

- 3.4.1 In each Gas Year (Y) National Grid NTS will issue an annual capacity notification for capacity applications, and Users may (by submitting capacity applications) apply for, Annual NTS Exit (Flat) Capacity in respect of each of Gas Years Y+1, Y+2 and Y+3, at each NTS Exit Point, in accordance with:
- (a) the provisions of paragraph 3.4.2; and
 - (b) the applicable provisions of Annex B-1.
- 3.4.2 For the purposes of Annex B-1, in relation to an annual capacity notification pursuant to this paragraph 3.4:
- (a) capacity applications may be made in the Annual Application Window;
 - (b) the capacity periods are Gas Years Y+1, Y+2 and Y+3;
 - (c) the amount of Annual NTS Exit (Flat) Capacity subject to such annual capacity notification in respect of each NTS Exit Point shall be the Remaining Available NTS Exit (Flat) Capacity (in respect of each such Gas Year).
- 3.4.3 Users will be registered as holding Annual NTS Exit (Flat) Capacity allocated pursuant to their capacity applications in accordance with the provisions of Annex B-1.

3.5 Release of Daily NTS Exit (Flat) Capacity

- 3.5.1 Users may apply for Daily NTS Exit (Flat) Capacity in respect of an NTS Exit Point in respect of a Day by submitting daily capacity bids in accordance with the provisions of Annex B-1.
- 3.5.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.5 in respect of a Day (D):
- (a) there will be a capacity allocation period commencing at:
 - (i) 15:00 hours on Day D-1;
 - (ii) 08:00, 14:00, 18:00, 22:00 and 01:00 hours on Day D;
 - (b) National Grid NTS may elect to have one or more further capacity allocation periods, commencing at any time (up to but not later than 02:00 hours) on Day D, by giving notice to Users not later than sixty (60) minutes before the commencement of each such capacity allocation period;
 - (c) the amount of Daily NTS Exit (Flat) Capacity subject to such capacity invitation in respect of each NTS Exit Point shall be:
 - (i) the Remaining Available NTS Exit (Flat) Capacity on Day D and such additional amount, if any, of Daily NTS Exit (Flat) Capacity as National Grid NTS may in its discretion choose to make available for the Day;
 - (ii) in the case of each other capacity allocation period, such amount, if any, of Daily NTS Exit (Flat) Capacity as National Grid NTS may in its

discretion choose to make available for the Day.

3.5.3 Users will be registered as holding Daily NTS Exit (Flat) Capacity allocated pursuant to their daily capacity bids in accordance with the provisions of Annex B-1.

3.6 Release of Off-Peak Daily NTS Exit (Flat) Capacity

3.6.1 Users may apply for Off-peak Daily NTS Exit (Flat) Capacity in respect of an NTS Exit Point in respect of a Day by submitting daily capacity bids in accordance with the provisions of Annex B-1.

3.6.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.6 in respect of a Day (D):

- (a) there will be a capacity allocation period commencing at 15:00 hours on Day D-1;
- (b) the amount of Off-peak Daily NTS Exit (Flat) Capacity subject to such capacity invitation in respect of each NTS Exit Point shall be:
 - (i) the amount determined under paragraph 3.6.3;
 - (ii) where at 13:30 hours on Day D-1 the prevailing Forecast Total System Demand for Day (D) is less than 80% of the 1-in-20 peak day demand, the Maximum NTS Exit Point Offtake Rate multiplied by 24, less the aggregate amount of Firm NTS Exit (Flat) Capacity held by Users; and
 - (iii) such additional amount, if any, of Off-peak Daily NTS Exit (Flat) Capacity as National Grid NTS may in its discretion make available for the Day without prejudicing the offtake of gas by Users consistent with the amounts of Firm Daily NTS Exit (Flat) Capacity held in aggregate by Users.

3.6.3 The amount of Off-peak Daily NTS Exit (Flat) Capacity in relation to an NTS Exit Point required to be released pursuant to paragraph 3.6.2(b)(i) is an amount determined as:

$$AUC / 30$$

where:

AUC is the aggregate amount, over the thirty (30) day period ending on and including Day D-7, by which on each Day in such period the Firm NTS Exit (Flat) Capacity (excluding Reserved Capacity) at the NTS Exit Point held by Users in aggregate exceeds the sum of the User Daily Exit Quantities for the NTS Exit Point.

3.6.4 For the purposes of this paragraph 3.6, National Grid NTS shall, in respect of each Day, by not later than 13:30 hours on the Preceding Day notify Users of the prevailing Forecast Total System Demand expressed as a percentage of the 1-in-20 peak day demand.

3.6.5 Users will be registered as holding Off-peak Daily NTS Exit (Flat) Capacity allocated pursuant to their daily capacity bids in accordance with the provisions of Annex B-1.

3.6.6 In respect of an NTS Exit Point the "**Maximum NTS Exit Point Offtake Rate**" is an

amount (where positive) determined as the instantaneous rate of offtake (in kWh/hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to make gas available for offtake at the NTS Exit Point.

- 3.6.7 No later than the date from which gas may be first offtaken from a New NTS Exit Point National Grid NTS will notify the User of the Maximum NTS Exit Point Offtake Rate.
- 3.6.8 A User shall take all reasonable steps to ensure that it is made aware of any change to the size or nature of, or the nature of use of, gas facility which uses gas offtaken by the User at an NTS Exit Point and shall notify National Grid NTS of any such change as soon as reasonably practicable after being so aware.
- 3.6.9 Where National Grid NTS becomes aware of a change to the size or nature of, or the nature of use of, the gas facility which uses gas offtaken by the User at an NTS Exit Point, it shall notify the relevant User as soon as reasonably practicable thereafter.
- 3.6.10 Within five (5) Business Days of becoming aware of such change under paragraph 3.6.8 or of receiving notice under 3.6.9, the User shall provide to National Grid NTS:
- (a) reasonable details of the change;
 - (b) the date on which the change occurred; and
 - (c) details of the reasons for the change.
- 3.6.11 Where National Grid NTS determines that it will be feasible to revise the Maximum NTS Exit Point Offtake Rate at an NTS Exit Point following receipt by National Grid NTS of a notice under paragraph 3.6.10, it will notify the User of the revised Maximum NTS Exit Point Offtake Rate; and the date from which the revised rate may become effective.
- 3.6.12 For the purposes of paragraph 3.6, “**gas facility**” means in respect of any NTS Exit Point, the plant, equipment and/or facility, in which gas offtaken from the Total System at that point is to be used (including any plant equipment and/or facility in which gas is compressed, stored or otherwise treated before being consumed).

3.7 Offtake Capacity Statement

- 3.7.1 National Grid NTS will issue to each DNO User, not later than 30 September in each Gas Year, a statement ("**Offtake Capacity Statement**") specifying, for each DNO User, for each of the Gas Years (each a "**relevant**" Gas Year) Gas Year +1 to Gas Year +5 (inclusive), in relation to each NTS/LDZ Offtake an amount of NTS Exit (Flexibility) Capacity.
- 3.7.2 The Offtake Capacity Statement may be revised (as to any relevant Gas Year) in accordance with the further provisions of this paragraph 3.7.
- 3.7.3 The Offtake Capacity Statement issued in any Gas Year will, as respects each relevant Gas Year, contain the same details as were specified in the preceding year's statement for that Gas Year, subject to any revision pursuant to paragraph 3.7.5 and 3.7.10.
- 3.7.4 Subject to the further provisions of this paragraph 3.7 for each relevant Gas Year (or part thereof) a DNO User shall be registered as holding in respect of each relevant NTS/LDZ Offtake the amount of NTS Exit (Flexibility) Capacity specified in respect of such Gas Year (or part thereof) in the prevailing Offtake Capacity Statement.

3.7.5 A DNO User may apply:

- (a) to increase its NTS Exit (Flexibility) Capacity at a NTS/LDZ Offtake:
 - (i) in relation to any relevant Gas Year (year Y) or any relevant Gas Year after Year Y by submitting an application to National Grid NTS during the period 1 July to 31 July in Gas Year Y-1 (the "**Application Window**");
 - (ii) in relation to any relevant Gas Year(s) or the remaining part thereof, out with the Application Window, as a result of a request for new or additional capacity at a Supply Point, where the DNO User might otherwise be unable to comply with the relevant conditions of its Transporter's Licence, by submitting an application to National Grid NTS;
- (b) for an amount of NTS Exit (Flexibility) Capacity at an NTS/LDZ Offtake in relation to any relevant Gas Year (Y) (and the preceding Gas Year where the DNO User has not submitted an earlier application for an amount of NTS Exit (Flexibility) Capacity pursuant to this paragraph 3.7.5(b) in respect of such Gas Year) by submitting an application to National Grid NTS during the Application Window 1 July to 31 July in Gas Year Y-5.

subject to and in accordance with this paragraph 3.7.

3.7.6 An application for an amount of NTS Exit (Flexibility) Capacity or for an increase in NTS Exit (Flexibility) Capacity at an NTS/LDZ Offtake shall specify:

- (a) the identity of the DNO User;
- (b) the relevant NTS/LDZ Offtake;
- (c) the relevant Gas Year or Gas Years (or parts thereof) in respect of which the application is made;
- (d) the amount or increased amount of NTS Exit (Flexibility) Capacity applied for.

3.7.7 National Grid NTS may reject, or accept in part only, an application for an amount of or an increase in the NTS Exit (Flexibility) Capacity in respect of an NTS/LDZ Offtake where, or (as the case may be) to the extent that, National Grid NTS determines that it would not be feasible to make gas available for offtake at the NTS/LDZ Offtake on the basis of such amount or increased amount of NTS Exit (Flexibility) Capacity throughout the period for which the application is made.

3.7.8 In making any determination under paragraph 3.7.7 in relation to applications made within an Application Window, National Grid NTS will take into account all applications received by National Grid NTS within the Application Window from DNO Users for an amount of or an increase in NTS Exit (Flexibility) Capacity

3.7.9 National Grid NTS will in the case of an application under paragraph 3.7.5:

- (a) as soon as reasonably practicable thereafter notify DNO Users where they believe they are unlikely to be able to meet the application in full, providing details of;

- (i) the circumstances surrounding any restrictions; and
 - (ii) the maximum available capacity;
- (b) in the case of an application made under paragraph 3.7.5(a)(i) or 3.7.5(b), no later than 15 September provide an indicative statement notifying the DNO User whether its application is accepted in whole or in part, or rejected, specifying the indicative amount of NTS Exit (Flexibility) Capacity for each NTS/LDZ Offtake and each Gas Year and maximum available NTS Exit (Flexibility) Capacity;
- (c) a DNO User will then have an opportunity to seek clarification, reconsider and resubmit its application for NTS Exit (Flexibility) Capacity within five (5) Business Days following notification from National Grid NTS under paragraph 3.7.9(b) above;
- (d) National Grid NTS will use reasonable endeavours to consider and where necessary discuss an application made under paragraph 3.7.9(c) with a DNO User with a view to agreeing by 30 September the Offtake Capacity Statement to be issued by such date in accordance with paragraph 3.7.1; and
- (e) in the case of an application made under paragraph 3.7.5(a)(ii) National Grid NTS must within fifteen (15) Business Days of such application provide a statement to the DNO User in accordance with paragraphs 3.7.1 to 3.7.4 (except with regard to date of 30 September). Such statement will for the purpose of paragraph 3.7.2 be deemed to be an Offtake Capacity Statement revision. It is understood that in determining whether capacity is available, National Grid NTS will take into account whether it would be likely to trigger the declaration of a Potential Network Gas Supply Emergency or actual Network Gas Supply Emergency. If this is likely to be the case it is understood that capacity would not be deemed available.
- 3.7.10 A DNO User may decrease the amount of its NTS Exit (Flexibility) Capacity at a NTS/LDZ Offtake in relation to any relevant Gas Year (Year Y) or any relevant Gas Year after Year Y by notifying such decrease to National Grid NTS during the Application Window in Gas Year Y-1, specifying:
- (a) the identity of the User;
 - (b) the relevant NTS/LDZ Offtake;
 - (c) the relevant Gas Year or Gas Years (or parts thereof) in respect of which notification is made;
 - (d) the decreased amount of NTS Exit (Flexibility) Capacity.
- 3.7.11 Where National Grid NTS accepts an application (in whole or part) for an amount of, or an increase in NTS Exit (Flexibility) Capacity, or where a DNO User decreases the amount of its NTS Exit (Flexibility) Capacity, National Grid NTS will issue a revised Offtake Capacity Statement reflecting such amount, or such increase or decrease.
- 3.7.12 The NTS Exit (Flexibility) Capacity held by a DNO User at an NTS/LDZ Offtake on a Day may also be increased as provided in Section J7.3, but the Offtake Capacity Statement will not be revised to reflect such increase.

- 3.7.13 The Ten Year Statement to be prepared and published by National Grid NTS in accordance with TPD Section O4 may include details of the amount of NTS Exit (Flexibility) Capacity held by DNO Users at NTS/LDZ Offtakes.
- 3.7.14 The provisions set out in this Section B3.7 should not be confused with the provisions set out in the UNC OAD Section H relating to NTS Long Term Demand Forecasting. Information provided by DNO Users under UNC OAD Section H2 should not be construed as an application for the purposes of this paragraph 3.7. Similarly information provided by National Grid NTS under OAD Section H to DNO Users should not be construed as an allocation for the purposes of paragraph 3.7.

3.8 NTS Exit Constraints

3.8.1 Where National Grid NTS determines, in relation to a Day or the remaining part of a Day, that it will not or may not be feasible to make gas available for offtake at an NTS Exit Point in the amounts or rates at which National Grid NTS expects gas to be offtaken by Users (within their entitlements pursuant to the amounts of NTS Exit Capacity held by them), there is an "**NTS Exit Constraint**" in relation to that NTS Exit Point.

3.8.2 Where there is an NTS Exit Constraint, National Grid NTS may take any or all of the steps provided in paragraph 3.8.3 for the purposes of:

- (a) reducing the amounts of NTS Exit (Flat) Capacity held by Users in respect of that NTS Exit Point for that Day; or
- (b) reducing the quantity of gas offtaken by Users at that NTS Exit Point on that Day

provided where an NTS Exit Constraint occurs on a Day which is, in respect of the relevant NTS Exit Point, a maintenance day constituting Programmed Maintenance (determined in accordance with Section L4.2), National Grid NTS will not be required to take any Exit Constraint Management Actions in relation to the NTS Exit Point.

3.8.3 The steps ("**Exit Constraint Management Actions**") which may be taken in relation to an NTS Exit Constraint are:

- (a) the entering into and/or exercise of a right pursuant to an Exit Constraint Management Agreement, as provided in paragraph 3.9;
- (b) the curtailment of Off-peak Daily NTS Exit (Flat) Capacity in accordance with paragraph 3.10;
- (c) the initiation of a capacity invitation for, and the selection of, daily capacity offers in respect of NTS Exit (Flat) Capacity in accordance with paragraph 3.11;
- (d) the issue of a offtake reduction invitation, and acceptance of offtake reduction offers, in accordance with Annex B-2.

3.8.4 The Parties acknowledge that National Grid NTS's determinations as to the taking of any Exit Constraint Management Action are governed by the System Management Principles; that the System Management Principles do not form part of, and are not incorporated into, and are not binding on National Grid NTS pursuant to, the Code.

- 3.8.5 For the avoidance of doubt, amounts of NTS Exit (Flat) Capacity which are surrendered by Users in relation to any Day pursuant to any Exit Constraint Management Action shall not form part of the Remaining Available NTS Exit Capacity for that Day; and National Grid NTS shall have no obligation to make such amounts available to Users.
- 3.8.6 The amount of a User's Available NTS Exit (Flat) Capacity at any NTS Exit Point shall be reduced (for the relevant Day or Days) by the amount of any such capacity surrendered pursuant to any Exit Constraint Management Action taken by National Grid NTS in relation to a Day or Days; and for the purposes of the Code, a reference to the amount of a User's Available NTS Exit (Flat) Capacity of any class at any NTS Exit Point for any Day or Days:
- (a) as **"Adjusted"** pursuant to any of paragraphs 3.9, 3.10, 3.11 is a reference to such amount as reduced pursuant to such paragraph(s);
 - (b) as **"Unadjusted"** pursuant to any such paragraph is a reference to such amount before and disregarding such reduction;
 - (c) as **"Fully Adjusted"** is a reference to such amount as reduced pursuant to each of paragraphs 3.9, 3.10 and 3.11.
- 3.8.7 For the purposes of the Code:
- (a) **"Exit Constraint Management"** means the taking of any Exit Constraint Management Action in accordance with the System Management Principles and this paragraph 3.8;
 - (b) **"Exit Constraint Management Charges"** are all amounts payable by National Grid NTS to a User pursuant to an Exit Constraint Management Agreement, NTS Exit Capacity Surrender Charges and NTS Offtake Reduction Charges.

3.9 Exit Constraint Management Agreement

- 3.9.1 For the purposes of the Code an **"Exit Constraint Management Agreement"** is any form of agreement (or mechanism) identified in the System Management Principles to be prepared and published by National Grid NTS pursuant to Special Condition C5(3) of National Grid NTS's Transporter's Licence which may be utilised by National Grid NTS and pursuant to which National Grid NTS may secure the surrender of Firm NTS Exit (Flat) Capacity by Users for the purposes of the management of an NTS Exit Constraint.
- 3.9.2 National Grid NTS may enter into (and exercise rights pursuant to) Exit Constraint Management Agreements with Users.
- 3.9.3 In accordance with the System Management Principles:
- (a) an Exit Constraint Management Agreement may comprise:
 - (i) an Exit Forward Agreement, pursuant to which a User will surrender a particular amount of NTS Exit (Flat) Capacity in relation to a period of one or more Days;
 - (ii) an Exit Option Agreement, pursuant to which National Grid NTS may require a User to surrender a particular amount (or up to that amount) of NTS Exit (Flat) Capacity in relation to any Day in a period of one or

more Days;

- (b) Exit Constraint Management Agreements may be entered into following a tender carried out by National Grid NTS for offers by Users to enter into such agreements.

3.9.4 National Grid NTS will publish information in relation to Exit Constraint Management Agreements, separately in respect of each class of NTS Exit Capacity, each NTS Exit Point and each period or (as the case may be) Day, for which any tender was carried out or as the case may be option was exercised, as follows:

- (a) following the carrying out of any tender for such agreements, irrespective of whether National Grid NTS accepted any offers received in response to such tender:
 - (i) the volume-weighted average forward price (in the case of forward agreements) or option exercise price (in the case of option agreements) of valid offers received;
 - (ii) the aggregate amount of NTS Exit (Flat) Capacity for which valid offers were received;
 - (iii) the lowest and the highest offer price or option exercise price under any valid offer received;
- (b) following the carrying out of any tender for such agreements, where National Grid NTS accepted any such offer(s):
 - (i) the volume-weighted average forward price (in the case of forward agreements) or option exercise price (in the case of option agreements) of offers accepted;
 - (ii) the aggregate amount of NTS Exit (Flat) Capacity for which offers were accepted;
 - (iii) the lowest and the highest forward price or option exercise price under any offer accepted;
- (c) following the exercise in respect of any Day of the right under an option agreement to require the surrender of NTS Exit (Flat) Capacity:
 - (i) the aggregate amount of NTS Exit (Flat) Capacity for which such options were exercised;
 - (ii) the volume-weighted average option exercise price of the options exercised.

3.9.5 The information under paragraph 3.9.4 is to be published:

- (a) in the case of paragraph 3.9.4(a) and (b), where National Grid NTS accepted any such offer(s), on the Business Day following that on which Exit Constraint Management Agreements were entered into pursuant to such acceptance;
- (b) in the case of paragraph 3.9.4(a), where National Grid NTS did not accept any such offer(s), on the 4th Business Day following the last Day on which Users were entitled to submit offers pursuant to the tender;

- (c) in the case of paragraph 3.9.4(c), on the Business Day following the Day for which the options were exercised.

3.9.6 For the purposes of this paragraph 3.9:

- (a) an **"Exit Forward Agreement"** means an Exit Constraint Management Agreement pursuant to which (against payment of a forward price for a Day) a User surrenders Firm NTS Exit (Flat) Capacity to National Grid NTS over a forward period of days in accordance with the terms of such agreement);
- (b) an **"Exit Option Agreement"** means an Exit Constraint Management Agreement pursuant to which a User grants an option to National Grid NTS upon the exercise of which National Grid NTS will pay an option exercise price and the User will surrender Firm NTS Exit (Flat) Capacity for a Day in accordance with the terms of such agreement

(in each case being an agreement made other than in accordance with paragraph 3.11 or Annex B-2).

3.10 Curtailment of Off-peak Daily NTS Exit (Flat) Capacity

3.10.1 Where, in relation to an NTS Exit Constraint on a Day, National Grid NTS wishes to curtail Off-peak Daily NTS Exit (Flat) Capacity held at any NTS Exit Point, National Grid NTS will give a notice (**"exit off-peak curtailment notice"**) to Users specifying:

- (a) the NTS Exit Point(s) and the Day to which the notice relates;
- (b) the time (**"exit curtailment effective time"**) with effect from which such curtailment is to take place, which shall be on the hour, shall not be earlier than 06:00 hours nor later than 02:00 hours on the Gas Flow Day, and shall not be less than four (4) hours after such notice is given; and
- (c) a factor (**"exit off-peak curtailment factor"**) determined in accordance with the System Management Principles.

3.10.2 Where National Grid NTS gives an exit off-peak curtailment notice in relation to a Day, the amount of each User's Available Off-peak Daily NTS Exit (Flat) Capacity for the Day will be determined as:

$$R * \sum_i (\text{ExICFi} * P_i) / 24$$

where:

R is the amount of the User's Available Off-peak Daily NTS Exit (Flat) Capacity for the Day at the NTS Exit Point;

\sum_i is the sum over all exit off-peak curtailment notices (i) given in respect of the NTS Exit Point and the Day;

and where for each such exit off-peak curtailment notice (i):

ExICFi is the exit off-peak curtailment factor; and

Pi is the period in hours from the exit curtailment effective time until the end of the Gas Flow Day or (if earlier) the exit curtailment effective time of a subsequent exit off-peak curtailment notice

and for the purposes of which, in the absence of any other exit off-peak curtailment notice, there shall be deemed to be an exit off-peak curtailment notice specifying an off-peak curtailment factor of one (1) in force at the start of the Gas Flow Day.

3.11 Surrender of Daily NTS Exit (Flat) Capacity

3.11.1 Users may offer to surrender Available NTS Exit (Flat) Capacity in respect of an NTS Exit Point in relation to a Day by submitting daily capacity offers in accordance with the provisions of Annex B-1.

3.11.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.11 in respect of a Day (D):

- (a) where, in relation to an NTS Exit Constraint, National Grid NTS wishes to accept daily capacity offers in respect of NTS Exit (Flat) Capacity, National Grid NTS will initiate a capacity selection period no earlier than 15:00 hours on D-1 and no later than 02:00 hours on Day D;
- (b) the amount of NTS Exit (Flat) Capacity subject to such capacity invitation shall be such amount as National Grid NTS shall in its discretion choose to accept for surrender.

3.11.3 NTS Exit (Flat) Capacity will be surrendered in the amounts for which Users' capacity offers were selected in accordance with the provisions of Annex B-1.

3.12 NTS Exit (Flat) Capacity Charges, NTS Exit (Flat) Commodity Charges and NTS Exit (Flat) Capacity Surrender Charges

3.12.1 A User shall pay:

- (a) Capacity Charges ("**NTS Exit (Flat) Capacity Charges**") in respect of its Registered NTS Exit (Flat) Capacity at NTS Exit Points;
- (b) Commodity Charges ("**NTS Exit (Flat) Commodity Charges**") in respect of its use of the NTS on any Day, or a charge payable by reference to the arrangements in Standard Special Condition C8B and C8C of National Grid NTS's Transporter's Licence.

3.12.2 The NTS Exit (Flat) Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Point, and each class and each allocation of NTS Exit (Flat) Capacity, as the amount of the User's Registered NTS Exit (Flat) Capacity registered (pursuant to such allocation) multiplied by the Applicable Daily Rate.

3.12.3 The Applicable Daily Rate shall be:

- (a) in respect of:
 - (i) Enduring Annual NTS Exit (Flat) Capacity; and
 - (ii) Annual NTS Exit (Flat) Capacity allocated to the User in respect of a Gas Year pursuant to paragraph 3.4;

the rate determined in accordance with National Grid NTS's Transportation Statement;

- (b) in respect of each amount of:
 - (i) Daily NTS Exit (Flat) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.5;
 - (ii) Daily Off-peak NTS Exit (Flat) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.6;

the bid price tendered by the User pursuant to the respective annual capacity bid or daily capacity bid pursuant to which such NTS Exit (Flat) Capacity was allocated.

3.12.4 For the purposes of paragraph 3.12.2, the amount of the User's Registered NTS Exit (Flat) Capacity shall be determined Unadjusted pursuant to paragraphs 3.9, 3.10, 3.11 or (as the case may be) paragraph 3.4 of Annex B-2.

3.12.5 The NTS Exit (Flat) Commodity Charge payable (for any Day) by a Shipper User will be determined:

- (a) subject to paragraph (b), as the amount of its User Daily Quantity Output multiplied by the Applicable Commodity Rate(s); and
- (b) in the case of a NTS Connected System Exit Point, where a Storage Facility is connected to the Total System at the NTS Connected System Exit Point and in relation to which such facility the User is storage use gas provider, an amount equal to:

$$(SUG / n) * CR$$

where:

SUG is the quantity of storage use gas attributed to the User and is notified to National Grid NTS pursuant to the terms of the Storage Connection Agreement in respect of the NTS Storage Facility;

n is the number of days in the calendar month in which such Day falls; and

CR is the Applicable Commodity Rate(s) that would apply in relation to a NTS Connected System Exit Point in the event the gas flowing out of the Total System at such System Point was not being delivered into a Storage Facility.

3.12.6 No charges are payable by DNO Users in respect of NTS Exit (Flexibility) Capacity.

3.12.7 Pursuant to the prevailing National Grid NTS Transportation Statement, a User may elect that, for the purposes of paragraph 3.12.5, the Applicable Commodity Rate of the NTS Exit (Flat) Commodity Charge in respect of a Specified Exit Point shall be the NTS Optional Commodity Rate, determined in accordance with paragraphs 3.12.9 to 3.12.14 (inclusive).

3.12.8 For the purposes of Code:

- (a) an "**Eligible Entry Point**" is an Aggregate System Entry Point which is not a Storage Connection Point;

- (b) a "**Specified Entry Point**" is, in the case of a Supply Point, the Eligible Entry Point identified in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the Eligible Entry Point identified in the Conventional Notice in accordance with paragraph 3.12.13;
- (c) a "**Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to National Grid NTS as the Proposed Supply Point in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph 3.12.13.

3.12.9 The NTS Exit (Flat) Commodity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as:

- (a) the UDQO multiplied by the NTS Optional Commodity Rate applicable for the capacity (calculated in accordance with paragraph 3.12.10) and the distance (calculated in accordance with paragraph 3.12.11);
- (b) where the UDQI is less than the UDQO, the UDQO minus the UDQI multiplied by the difference between such NTS Commodity Rate as would apply if paragraphs 3.12.9 to 3.12.14 (inclusive) did not apply and the NTS Optional Commodity Rate;

provided that, where a User has nominated or identified more than one Specified Exit Point at a Specified Entry Point, the UDQI shall be prorated in relation to the UDQOs at the relevant Specified Exit Points (unless the User has notified National Grid NTS and National Grid NTS has confirmed an alternative allocation of the UDQI between the relevant Specified Exit Points).

3.12.10 For the purposes of paragraphs 3.12.9 to 3.12.14 (inclusive), the capacity of the Specified Exit Point shall be the Supply Point Capacity, provided:

- (a) in the case of an LDZ Supply Point the capacity shall be determined in accordance with Section G5.4.1, except:
 - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for a LDZ Shared Supply Point the capacity shall be determined in accordance with Section G1.7.14;
 - (iii) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2;
- (b) in the case of an NTS Exit Point the capacity shall be the sum of the Baseline NTS Exit (Flat) Capacity and the NTS Exit (Flexibility) Capacity.

3.12.11 The distance (to the nearest 0.1 km) from the Specified Entry Point to the curtilage of the Specified Exit Point or the offtake from the Total System at the Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using six figure grid references and National Grid NTS shall determine a six figure grid reference for each Specified Entry Point and each Specified Exit Point (which may be revised in accordance with paragraph 3.12.13(c) or Section G2.4.12).

3.12.12 An application for the NTS Optional Commodity Rate for a Supply Point shall be made in accordance with the provisions of Section G2.3.2 or G2.3.9 (as the case may be) and, for a CSEP, shall be made in accordance with the provisions of paragraph 3.12.13.

3.12.13 A CSEP User, or a proposing CSEP User, may apply for the NTS Optional Commodity Rate in the following manner:

- (a) by Conventional Notice to National Grid NTS stating the CSEP User, the Specified Exit Point and the Specified Entry Point; and
- (b) National Grid NTS shall offer the NTS Optional Commodity Rate and shall provide the distance between the Specified Exit Point and the Specified Entry Point, the capacity of the CSEP determined in accordance with paragraph 3.12.10 and the six figure grid references used; and
- (c) where the CSEP User disputes the distance specified by National Grid NTS under paragraph (b), the CSEP User may resubmit an application in accordance with paragraph (a) stating an alternative six figure grid reference for the Specified Exit Point with supporting evidence of calculation; and
- (d) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (b) not earlier than fifteen (15) days after the submission of the confirmation (or such lesser period as National Grid NTS may specify) and not later than six months from the date of the offer.

3.12.14 Where National Grid NTS accepts a daily capacity offer made by a User pursuant to paragraph 3.11, National Grid NTS will pay to the User a charge ("**NTS Exit Capacity (Flat) Surrender Charge**") determined as the amount of the NTS Exit (Flat) Capacity for which the offer was accepted multiplied by the offer price.

3.12.15 Where National Grid NTS accepts an offtake reduction offer made by a User pursuant to Annex B-2, National Grid NTS will pay to the User a charge ("**NTS Offtake Reduction Charge**") determined as the quantity for which the offtake reduction offer was accepted multiplied by the offer price.

3.12.16 NTS Exit (Flat) Capacity Charges, NTS Exit (Flat) Commodity Charges, NTS Exit (Flat) Capacity Surrender Charges and NTS Offtake Reduction Charges will be invoiced and payable in accordance with Section S.

3.13 NTS Exit Capacity: overruns and overrun charges

3.13.1 If for any reason, in relation to an NTS Exit Point and a Day:

- (a) the quantity of gas offtaken by a User at the NTS Exit Point on the Day exceeds the User's Fully Adjusted Available NTS Exit (Flat) Capacity (an "**individual flat overrun**"); and
- (b) the aggregate quantity of gas offtaken by all Users at the NTS Exit Point on the Day exceeds the sum of the Users' Fully Adjusted Available NTS Exit (Flat) Capacity (an "**aggregate flat overrun**")

there is a "**Chargeable NTS Exit (Flat) Overrun**", and the User shall pay a charge ("**NTS Exit (Flat) Overrun Charge**") in respect of NTS Exit Capacity at that NTS Exit Point on that Day in accordance with this paragraph 3.13.

3.13.2 The amount of the Chargeable NTS Exit (Flat) Overrun shall be determined as:

$$AO * IO / \Sigma IO$$

where:

AO is the aggregate flat overrun for the Day;

IO is the amount of a User's individual flat overrun for the Day

and where Σ is the sum over all Users with individual flat overruns at that NTS Exit Point on the Day.

3.13.3 The NTS Exit (Flat) Overrun Charge payable by a relevant User shall be calculated as the User's individual flat overrun multiplied by whichever is the greatest of:

- (a) $(8 * A)$, where 'A' is:
 - (i) the highest bid price paid to National Grid NTS in relation to any capacity bid accepted in respect of the Day; or
 - (ii) the Applicable Daily Rate in relation to a capacity application in respect of the Gas Year in which the Day falls, at the NTS Exit Point;
- (b) $(1.1 * B)$, where 'B' is the highest offer price, forward price or option exercise price paid by National Grid NTS in respect of any Exit Constraint Management Action taken in respect of the Day at the NTS Exit Point; and
- (c) $(8 * C)$, where 'C' is the highest reserve price under any invitation for the Day or the Gas Year in which the Day falls for NTS Exit (Flat) Capacity at the NTS Exit Point.

3.13.4 If for any reason a DNO User's Exit Flexibility Quantity at an NTS/LDZ Offtake on any Day exceeds the DNO User's NTS Exit (Flexibility) Capacity, there is an overrun ("**NTS Exit (Flexibility) Overrun**").

3.13.5 The amount of the NTS Exit (Flexibility) Overrun ('NEFO') at an NTS/LDZ Offtake on any Day is the quantity determined as follows:

$$NEFO = \max \{ (EFQ - NEFC), 0 \}$$

where:

EFQ is the DNO User's Exit Flexibility Quantity determined in accordance with paragraph 3.13.6;

NEFC is the DNO User's NTS Exit (Flexibility) Capacity (which may be positive or negative).

3.13.6 A DNO User's Exit Flexibility Quantity ('EFQ') for a Day at an NTS/LDZ Offtake is the quantity determined as follows:

$$EFQ = (Q2200 * (1 - FT)) - (QD * 16/24)$$

where:

Q2200 is the quantity of gas offtaken by the DNO User at the NTS/LDZ Offtake between 06:00 hours and 22:00 hours on the Day;

FT is 0.015 (a 1.5% flexibility tolerance);

QD is the quantity of gas offtaken by the DNO User at the NTS/LDZ Offtake in the whole of the Day.

3.13.7 No charge is payable by a DNO User in respect of an NTS Exit (Flexibility) Overrun.

3.13.8 For the purposes of this paragraph 3.13:

- (a) a relevant User will be appointed as "**Overrun User**" in relation to any NTS Exit Point and a Day if:
 - (i) all relevant Users jointly have given a notice of such appointment to National Grid NTS; and
 - (ii) where following a notice of appointment, a User proposes to become a relevant User, the User and each relevant User give a new notice of appointment to National Grid NTS;
 - (iii) no relevant User has given notice (effective for such Day) of revocation of such appointment; and
 - (iv) National Grid NTS has not rejected such notice or cancelled such appointment pursuant to Section V3;
- (b) the notice of the appointment shall state:
 - (i) the agreement of the Overrun User to be appointed;
 - (ii) the agreement of each other relevant User (or prospective relevant User) to such appointment; and
 - (iii) the date with effect from which the appointment is to take effect;
- (c) any notice of the appointment or revocation of the appointment of an Overrun User shall be effective in relation to a Day only if given at least five (5) Business Days before that Day;
- (d) in relation to a Day, a relevant User is any User which (on such Day) is a Registered User in respect of such NTS Exit Point;
- (e) an Overrun User will cease to be appointed with effect from the Day on which a User becomes a relevant User where no new notice of appointment has been given and is effective in respect of such Day.

3.13.9 Where, in relation to any NTS Exit Point an Overrun User is appointed in respect of any Day, for the purposes of this paragraph 3.13 all amounts payable (by any relevant User) by way of NTS Exit (Flat) Overrun Charges in respect of such NTS Exit Point and such Day shall be payable by the Overrun User (and no relevant User other than the Overrun User shall be liable to pay such amounts).

3.13.10 For the purposes of this paragraph 3.13, the calculation of a Chargeable NTS Exit (Flat) Overrun shall take into account any additional quantity of gas offtaken at an NTS/LDZ Offtake consistent with any revision to the rate of offtake of gas for the Day at the NTS/LDZ Offtake following the application of OAD Section I2.4 and 2.5.

- 3.13.11 In relation to each NTS Exit Zone and each Day (D), National Grid NTS will publish by not later than 12:00 on D+1 and D+6:
- (a) the aggregate quantity of gas offtaken by all Users between 06.00 and 22.00;
 - (b) the aggregate quantity of gas offtaken by all Users; and
 - (c) the sum of the NTS Exit Flexibility Quantity utilised by all Users;
- (and for the purposes of this paragraph 3.13.11(c) National Grid NTS shall calculate a notional Exit Flexibility Quantity for each NTS Supply Point and NTS Connected System Exit Point in each NTS Exit Zone in a manner consistent with the formula in paragraph 3.13.6).
- 3.13.12 In relation to each Linepack Zone and each Day (D), National Grid NTS will publish by not later than 12:00 on D+1 and D+6:
- (a) the opening linepack; and
 - (b) the closing linepack for each hour of the Day (D).
- 3.13.13 National Grid NTS may publish revised information previously published pursuant to paragraphs 3.13.11 and 3.13.12 in respect of a Day (D) where following D+6 more accurate information becomes available.

4 SUPPLY POINT AND LDZ CAPACITY

4.1 Introduction

- 4.1.1 Subject to the provisions of the Code, a User may:
- (a) offtake gas from the Total System at any LDZ Supply Point Component;
 - (b) by offtaking gas from the Total System at an LDZ System Exit Point, require a gas flow in the relevant LDZ; and
 - (c) offtake gas from the Total System at an LDZ Connected System Exit Point.
- 4.1.2 Nothing in this paragraph 4 shall apply in respect of an NTS Exit Point or an NTS CSEP.

4.2 Supply Point Capacity Registration: DM Supply Point Components

- 4.2.1 A User who submits a Supply Point Confirmation in respect of a Proposed Supply Point which includes a DM Supply Point Component shall thereby apply for Supply Point Capacity ("**DM Supply Point Capacity**") in accordance with Section G5.
- 4.2.2 The User will if its Supply Point Confirmation becomes effective be registered as holding Supply Point Capacity at the DM Supply Point Component with effect from the Supply Point Registration Date, subject to paragraph 4.2.3 and until the User ceases in accordance with Section G to be the Registered User in respect of the relevant Supply Point.
- 4.2.3 A User's Registered Supply Point Capacity in respect of the DM Supply Point

Component of a Registered Supply Point:

- (a) may be increased or reduced subject to and in accordance with the conditions and requirements in Section G5;
- (b) shall not be reduced nor (subject to paragraph 4.7) increased other than as provided in paragraph (a), nor (subject to Section V4.3) shall the registration be terminated, except as provided in paragraph 4.2.4.

4.2.4 The User will cease to be registered as holding DM Supply Point Capacity at the DM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

4.3 Supply Point Capacity Registration: NDM Supply Point Components

4.3.1 A User will be registered as holding Supply Point Capacity ("**NDM Supply Point Capacity**") in accordance with paragraph 4.3.3 at each Registered NDM Supply Point Component with effect from the Supply Point Registration Date.

4.3.2 The User shall be deemed to have applied for NDM Supply Point Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes an NDM Supply Point Component, and shall not make a separate application for such capacity.

4.3.3 The NDM Supply Point Capacity which the User is from time to time registered as holding will be determined in accordance with Section H4.1.

4.3.4 The User will cease to be registered as holding NDM Supply Point Capacity at the NDM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

4.4 LDZ Capacity Registration: LDZ Supply Point Components

4.4.1 A User will at all times be registered as holding LDZ Capacity at each LDZ Supply Point Component in an amount equal to the amount of the Supply Point Capacity which the User is for the time being registered as holding (pursuant to any provision of the Code) at that Supply Point Component; and Users will not make separate applications for such capacity.

4.4.2 In accordance with paragraph 4.4.1, a User will cease to be registered as holding LDZ Capacity at an LDZ Supply Point Component where it ceases to hold Supply Point Capacity at such Supply Point Component.

4.5 LDZ Capacity Registration: LDZ Connected System Exit Points

4.5.1 A CSEP User may hold LDZ Capacity at an LDZ Connected System Exit Point.

4.5.2 The basis on which a User may apply for or may be treated as having applied for and may be registered as holding LDZ Capacity at an LDZ Connected System Exit Point will be in accordance with the CSEP Network Exit Provisions.

4.5.3 The CSEP Network Exit Provisions may provide (subject to Section V3) for:

- (a) a minimum amount and a maximum amount of LDZ Capacity to be held by CSEP Users in aggregate at an LDZ Connected System Exit Point, and for such amounts to vary from time to time;
- (b) the LDZ Capacity held by each CSEP User at an LDZ Connected System Exit Point to vary from Day to Day.

4.6 LDZ, Supply Point Charges and CSEP Charges

4.6.1 A User shall pay:

- (a) Capacity Charges ("**LDZ Capacity Charges**") in respect of its Registered LDZ Capacity at LDZ System Exit Points;
- (b) Commodity Charges ("**LDZ Commodity Charges**") in respect of its use of each LDZ;
- (c) Customer Charges in respect of its Registered LDZ Supply Points; and
- (d) CSEP Charges in respect of each relevant Connected System Exit Point in relation to which it is a CSEP User.

4.6.2 The LDZ Capacity Charge payable by a User in respect of each Day will be determined (for each LDZ System Exit Point) as the amount of its Registered LDZ Capacity multiplied by the Applicable Daily Rate.

4.6.3 The LDZ Commodity Charge payable (for any Day) by a User will be determined (for each LDZ System Exit Point) as the amount of its User Daily Quantity Output multiplied by the Applicable Commodity Rate.

4.6.4 The Customer Charge payable by a User in respect of each Day will be determined (for each Supply Point):

- (a) as to the Capacity Variable Component (if any) thereof, as the amount of its Registered Supply Point Capacity multiplied by the Applicable Daily Rate;
- (b) as to the Commodity Variable Component (if any) thereof for a Day, as the amount of its UDQO multiplied by the Applicable Commodity Rate;
- (c) as to the Fixed Component (if any) thereof, as the applicable fixed charge.

4.6.5 Not Used.

4.6.6 For the avoidance of doubt no Capacity Charge is payable in respect of Supply Point Capacity.

4.6.7 The CSEP Charge payable by a User in respect of each Day will be determined for each relevant Connected System Exit Point in accordance with the relevant provisions of the Transportation Statement.

4.6.8 LDZ Capacity Charges, LDZ Commodity Charges, Customer Charges and CSEP Charges will be invoiced and payable in accordance with Section S.

4.6.9 Pursuant to the prevailing Transportation Statement, a User may elect that, for the purpose of paragraph 4.6.2, the Applicable Daily Rate of the LDZ Capacity Charge in

respect of an LDZ Specified Exit Point shall be the LDZ Optional Capacity Rate, determined in accordance with the following provisions:

- (a) for the purpose of Code:
 - (i) a "**Notional NTS Connection Point**" is the point on the NTS which is derived by the Transporter in accordance with paragraph 4.6.10 and in the case of a Supply Point, identified by the Transporter in its Supply Point Offer in accordance with Section G2.4.2(I) or, in the case of a CSEP, the point identified by the Transporter in accordance with paragraph (f);
 - (ii) an "**LDZ Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to the Transporter as the Proposed Supply Point in the User's Supply Point Nomination in accordance with paragraph G2.3.2(j) or, in the case of a CSEP, the LDZ System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph (f);
- (b) the LDZ Capacity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as the Registered LDZ Capacity multiplied by the LDZ Optional Capacity Rate applicable for the capacity (calculated in accordance with paragraph (c)) and the distance (calculated in accordance with paragraph (d)) and shall be invoiced and are payable in accordance with Section S;
- (c) for the purposes of this paragraph 4.6.9 the capacity of the LDZ Specified Exit Point shall be the Supply Point Capacity, determined in accordance with Section G5.4.1 except:
 - (i) for an LDZ Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for a Shared Supply Meter Point the capacity shall be determined in accordance with Section G1.7.14;
 - (iii) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2;
- (d) the distance (to the nearest 0.1 km) from the Notional NTS Connection Point to the curtilage of the LDZ Specified Exit Point or the offtake from the Total System at the LDZ Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using eight figure grid references and the Transporter shall determine an eight figure grid reference for each Notional NTS Connection Point and each LDZ Specified Exit Point (which may be revised in accordance with paragraph (f) or Section G2.4.12);
- (e) an application for the LDZ Optional Capacity Rate for a Supply Point shall be made in accordance with the provisions of Section G2.3.2(j) and, for a CSEP, shall be made in accordance with the provisions of paragraph (f);
- (f) a CSEP User, or a proposing CSEP User, may apply for the LDZ Optional Capacity Rate in the following manner:

- (i) by Conventional Notice to the Transporter stating the CSEP User, the LDZ Specified Exit Point; and
 - (ii) the Transporter shall identify the Notional NTS Connection Point and offer the LDZ Optional Capacity Rate and shall provide the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point, the capacity of the CSEP determined in accordance with paragraph 4.5.2 and the eight figure grid references used; and
 - (iii) where the CSEP User disputes the distance specified by the Transporter under paragraph (ii), the CSEP user may resubmit an application in accordance with paragraph (i) stating an alternative eight figure grid reference for the LDZ Specified Exit Point with supporting evidence of calculation;
 - (iv) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (ii) not earlier than 15 days after the submission of the confirmation (or such lesser period as the Transporter may specify) and not later than six months from the date of the offer;
- (g) where the User elects to pay the LDZ Optional Capacity Rate the LDZ Commodity Charge shall not be payable.

4.6.10 The Notional NTS Connection Point shall be derived by the Transporter as:

- (a) in the case of a Supply Point, the point on the NTS at which the NTS is nearest to either:
 - (i) the curtilage of the LDZ Specified Exit Point; or
 - (ii) the offtake from the Total System at the LDZ Specified Exit Point
 whichever gives the lesser distance.
- (b) in the case of a CSEP the point on the NTS at which the NTS is nearest to the LDZ Specified Exit Point.

4.7 Supply Point Ratchet

4.7.1 Subject to paragraph 1.3.2 and paragraphs 4.7.8, 4.7.9 and 4.7.10 if for any reason on any Day, other than a Day in the months of June to September inclusive, the quantity of gas offtaken by a User from the Total System at a DM Supply Point Component exceeds the User's Registered DM Supply Point Capacity (such occurrence being a "**Supply Point Ratchet**"):¹¹

- (a) the User's Registered DM Supply Point Capacity at that Supply Point Component shall automatically be increased with effect from the following Day in accordance with paragraph 4.7.3; and
- (b) subject to paragraph 4.7.11, the User shall pay a charge ("**Supply Point Ratchet Charge**") in respect of the Capacity Ratchet Amount in accordance with paragraph 4.7.6.

¹¹ Implementation of modification 0224, effective 06:00hrs on a date to be determined, will amend paragraph 4.7.1.

- 4.7.2 For the purposes of this Section B, subject to paragraph 4.7.8, the "**Capacity Ratchet Amount**" shall be the amount by which the User's UDQO on the Day of the Supply Point Ratchet in respect of the DM Supply Point Component exceeds the User's Registered DM Supply Point Capacity.
- 4.7.3 Subject to Section G5.5.5, the increased amount (the "**Ratcheted Supply Point Capacity**") of the User's DM Registered Supply Point Capacity shall be the sum of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount.
- 4.7.4 Notwithstanding paragraph 4.7.3, and unless the User's Registered Supply Point Capacity is increased other than pursuant to the Supply Point Ratchet, until the last Day of the calendar month in which the Supply Point Ratchet occurred the LDZ Capacity Charge and the Capacity Variable Component of the Customer Charge payable in respect of the Supply Point Component shall be determined on the basis of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet (and not on the basis of the Ratcheted Supply Point Capacity).
- 4.7.5 For the avoidance of doubt the User's Registered LDZ Capacity will be increased so as to be equal to the Ratcheted Supply Point Capacity in accordance with paragraph 4.4.
- 4.7.6 The Supply Point Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:
- (a) 2 times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(a)) of the LDZ Capacity Charge; and
 - (b) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge
- the rate in each case being determined (where such rate is a function of LDZ Capacity or Supply Point Capacity) by reference to the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity at the DM and any NDM Supply Point Component on the Day of the Supply Point Ratchet.
- 4.7.7 Subject to paragraph 4.7.11, the Supply Point Ratchet Charge shall be invoiced and payable in accordance with Section S.
- 4.7.8 Where a DM Supply Point Component comprises Shared Supply Meter Point(s):
- (a) paragraph 4.7.1 shall apply only if and to the extent that the aggregate quantity offtaken from the Total System by all Sharing Registered Users at DM Supply Point Components which include such Shared Supply Meter Point(s) exceeds the aggregate of such Users' Registered Supply Point Capacity, other than capacity which is excluded pursuant to Section G1.7.20(d)(i), at such Supply Point Components the amount of such excess (the "**aggregate ratchet excess**");
 - (b) for each such Sharing Registered User, the Capacity Ratchet Amount shall be determined as the amount (the "**individual ratchet excess**") by which that User's UDQO exceeds its Registered Supply Point Capacity, divided by the sum of the individual ratchet excesses for all such Sharing Registered Users, multiplied by the aggregate ratchet excess.
- 4.7.9 Without prejudice to Section G 2.7.3 to 2.7.6 (inclusive), where in accordance with Section G2.3.1 the Proposing User has submitted a Supply Point Confirmation of the

Supply Point Offer made in respect of the Supply Point First Nomination ("**Supply Point First Confirmation**") and this has become effective and has been registered in the name of the Proposing User ("**Supply Point First Registration**") and subsequent to the date of such Supply Point First Registration such User incurs and pays a Supply Point Ratchet Charge in respect of such Supply Point then, where such Proposing User has also submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point Second Nomination ("**Supply Point Second Confirmation**") and this has become effective and has been registered in the name of the Proposing User ("**Supply Point Second Registration**") then, subject to paragraph 4.7.10, the Transporter will reimburse the User the amount of such Supply Point Ratchet Charge which has been paid by the User for the period of 18 Days commencing from the Supply Point First Registration Date.

- 4.7.10 The amount of such reimbursement in accordance with paragraph 4.7.9 shall not exceed the amount of the Supply Point Ratchet Charge which applies in respect of the Confirmed Supply Point Capacity for the Supply Point Second Registration. For the purpose only of calculating the amount of such reimbursement, such Confirmed Supply Point Capacity shall not be treated as increased in accordance with Section G 2.7.4 (a) as a result of the occurrence of a Supply Point Ratchet.
- 4.7.11 Where on any Day(s) in any relevant Billing Period, on the occurrence of a Supply Point Ratchet the User's Registered DM Supply Point Capacity is greater than or equal to the Provisional Maximum Supply Point Capacity (the "**Relevant Day(s)**"), only the highest Supply Point Ratchet Charge incurred on the Relevant Day(s) in such relevant Billing Period shall be invoiced and payable in accordance with paragraph 4.7.7.¹²

4.8 LDZ CSEP Overrun Charge

- 4.8.1 If for any reason in any calendar month (an "**overrun month**"), other than a month from June to September inclusive:
- (a) the quantity of gas offtaken by a CSEP User from the Total System at a relevant LDZ Connected System Exit Point on any Day exceeds the User's Registered LDZ Capacity; and
 - (b) (where pursuant to the CSEP Network Exit Provisions this paragraph (b) applies) the aggregate quantity of gas offtaken by all CSEP Users at the relevant Connected System Exit Point on such Day exceeds the sum of such CSEP Users' Registered LDZ Capacities

(such Day being an "**overrun day**") the User shall pay a charge ("**LDZ CSEP Overrun Charge**") in respect of LDZ Capacity at that Connected System Exit Point in that month.

- 4.8.2 For the purposes of this paragraph 4.8, in respect of a CSEP User:
- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which the UDQO in respect of the relevant LDZ Connected System Exit Point exceeds the User's Registered LDZ Capacity;
 - (b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity in respect of any overrun day in that month.

¹² Implementation of modification 0224, effective 06:00hrs on a date to be determined, will add new paragraph 4.7.12.

- 4.8.3 The LDZ CSEP Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by two (2) times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(a)) of the LDZ Capacity Charge.
- 4.8.4 The LDZ CSEP Overrun Charge shall be invoiced and payable in accordance with Section S.

5 CAPACITY TRANSFER

5.1 Basis of transfer

- 5.1.1 A User (the "**Transferor User**") may transfer all or part of:
- (a) its Available NTS Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9 and 2.10, in respect of an Aggregate System Entry Point; and/ or
 - (b) its Available Firm NTS Exit (Flat) Capacity, as Adjusted for the time being pursuant to paragraphs 3.9 and 3.11, in respect of an NTS Exit Point;

to another User (the "**Transferee User**"), subject to and in accordance with this paragraph 5.

- 5.1.2 For the purposes of the Code a "**System Capacity Transfer**" is a transfer of System Capacity in accordance with paragraph 5.1.1.
- 5.1.3 A System Capacity Transfer may be for any Day or consecutive Days within the period for which the Transferor User holds (by virtue of registration or any System Capacity Transfer) such capacity.
- 5.1.4 National Grid NTS may but shall not be required to reject a System Capacity Transfer where the Transferred System Capacity exceeds the Transferor User's Available System Capacity, in the case of:
- (a) Firm NTS Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9 and 2.10, as applicable
 - (b) Firm NTS Exit (Flat) Capacity, as Adjusted for the time being pursuant to paragraphs 3.9 and 3.11, as applicable

at the Transfer System Point on any Day in the Transfer Period.

- 5.1.5 In respect of a System Capacity Transfer or proposed System Capacity Transfer:
- (a) the "**Transferred System Capacity**" is the System Capacity which is (or is to be) transferred;
 - (b) the "**Transfer Period**" is the Day or Days (in accordance with paragraph 5.1.3) for which the Transferred System Capacity is (or is to be) transferred;
 - (c) the "**Transfer System Point**" is the Aggregate System Entry Point or NTS Exit Point at which System Capacity is (or is to be) transferred.

5.2 Procedure

- 5.2.1 Where a User proposes to make a System Capacity Transfer, each of the Transferor

User and the Transferee User must notify the System Capacity Transfer to National Grid NTS specifying:

- (a) the identity of the Transferor User and Transferee User;
- (b) whether the System Capacity to be transferred is NTS Entry Capacity or NTS Exit (Flat) Capacity;
- (c) the Transfer System Point;
- (d) the amount of the Transferred System Capacity;
- (e) the Transfer Period; and
- (f) in the case of NTS Entry Capacity, whether the Transferred System Capacity is Firm or Interruptible.

5.2.2 A proposed System Capacity Transfer may not be notified later than 04:00 hours on the Day or first Day of the Transfer Period.

5.2.3 National Grid NTS may reject a System Capacity Transfer:

- (a) in accordance with paragraph 5.1.4;
- (b) where either the Transferor User or the Transferee User does not notify the System Capacity Transfer in accordance with paragraph 5.2.1 or 5.2.2; or
- (c) in accordance with Section V3.

5.2.4 A System Capacity Transfer shall be effective if it is approved by National Grid NTS or is not rejected by National Grid NTS within 60 minutes after it was notified by the Transferor User or (if later) the Transferee User under paragraph 5.2.1.

5.2.5 A System Capacity Transfer in respect of NTS Exit (Flat) Capacity for which the Transfer Period is a Day may not be withdrawn by a User following notification to National Grid NTS.

5.3 Effect of Transfer

5.3.1 Except for the purposes of paragraph 5.3.3, and subject to paragraph 5.4, the Transferee User will be treated during the Transfer Period as the holder of the Transferred System Capacity.

5.3.2 A User's Available System Capacity at a System Point on a Day is its Registered System Capacity, adjusted in respect of any System Capacity Transfer(s) (for which that point is the Transfer System Point and the Transfer Period includes that Day) by adding the Transferred System Capacity where the User was the Transferee User, and deducting the Transferred System Capacity where the User was the Transferor User, subject to paragraph 5.4.

5.3.3 A User will remain liable for Capacity Charges in respect of its Registered System Capacity irrespective of any System Capacity Transfer.

5.4 Effect of Termination

- 5.4.1 Where during the Transfer Period in respect of a System Capacity Transfer the Transferor User ceases to be a User of the NTS in accordance with Section V4.3:
- (a) National Grid NTS will:
 - (i) so notify the Transferee User as soon as reasonably practicable and in any event not more than five (5) Business Days after giving Termination Notice to the Transferor User;
 - (ii) at the same time notify the Transferee User of the Capacity Charges payable to National Grid NTS in respect of the Transferred System Capacity;
 - (b) with effect from the User Discontinuance Date the System Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity;
 - (c) the Transferee User may elect to be registered in accordance with paragraph 5.4.2 as holding System Capacity (in addition to any such capacity held other than by virtue of the System Capacity Transfer) at the Transfer System Point:
 - (i) in an amount not exceeding the Transferred System Capacity; and
 - (ii) for any Day or consecutive Days (before or after the date of such election, but not before the User Discontinuance Date) within the Transfer Period.
- 5.4.2 Where under paragraph 5.4.1 the Transferee User elects to be registered as holding System Capacity:
- (a) the Transferee User shall notify National Grid NTS, as soon as reasonably practicable and in any event not more than 5 Business Days after National Grid NTS's notice under paragraph 5.4.1(a), of such election, specifying the System Capacity and the date or period in accordance with paragraphs 5.4.1(c)(i) and (ii);
 - (b) the Transferee User will be registered as holding System Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for the period of registration);
 - (c) the Transferee User will accordingly be liable for Capacity Charges in respect of the elected amount of System Capacity at the Transfer System Point for the elected period;
 - (d) for the purposes of paragraph (c), where the System Capacity comprises NTS Exit (Flat) Capacity the Capacity Charges shall be the greater of:
 - (i) the volume weighted average price payable by the Transferor User for the NTS Exit Capacity at the NTS Exit Point in respect of the amount and for the period elected;
 - (ii) the applicable reserve price.

- 5.4.3 Where during the Transfer Period in respect of a System Capacity Transfer the Transferee User ceases to be a User in accordance with Section V4.3:
- (a) National Grid NTS will so notify the Transferor User as soon as reasonably practicable and in any event not more than five (5) Business Days after giving Termination Notice to the Transferee User;
 - (b) with effect from the User Discontinuance Date, the Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity which will revert to (and be treated as held by) the Transferor User.

5.5 Negative Capacity

- 5.5.1 A User's Available System Capacity (determined in accordance with paragraph 5.3.2) may become negative where:
- (a) the User is a Transferor User in respect of a System Capacity Transfer under which the Transferred System Capacity exceeds the Transferor User's Available System Capacity (on a Fully Adjusted basis) at the Transfer System Point; or
 - (b) the Transferor User submits:
 - (i) a daily capacity offer (pursuant to paragraph 2.9) for an amount of NTS Entry Capacity which exceeds its Available Firm NTS Entry Capacity;
 - (ii) a daily capacity offer (pursuant to paragraph 3.11) for an amount of NTS Exit (Flat) Capacity which exceeds its Available Firm NTS Exit (Flat) Capacity; or
 - (c) the User is a Transferee User in respect of a System Capacity Transfer, and (subject to any election under paragraph 5.4.2):
 - (i) the Transferee User has pursuant to a further System Capacity Transfer transferred System Capacity at the same Transfer System Point to another User; and
 - (ii) the first System Capacity Transfer lapses pursuant to paragraph 5.4.1.
- 5.5.2 Where and for so long as a User's Available System Capacity is negative the User will be liable to pay Overrun Charge(s) in accordance with paragraph 2.8 or (as the case may be) 3.13 on the basis of an overrun quantity on each Day calculated as the sum of:
- (a) the magnitude of the User's negative Available System Capacity; and
 - (b) the amount (if any) determined to be the overrun quantity in accordance with paragraph 2.12.2 or (as the case may be) 3.13.1(a) if the User's Available System Capacity at the Transfer System Point were zero.

5.6 Daily NTS Entry Capacity Transfer

- 5.6.1 Where a User wishes to transfer all or part of its Available Daily NTS Entry Capacity the provisions of paragraph 5.6.2 shall apply.
- 5.6.2 For the purpose of paragraph 5.6.1, the provisions of paragraphs 5.1 to 5.5 (inclusive)

shall apply, provided that:

- (a) the amount of Transferred System Capacity may not exceed the User's Registered Daily NTS Entry Capacity;
- (b) references therein to Available NTS Entry Capacity shall be treated as if they were references to Available Daily NTS Entry Capacity;
- (c) for the purposes of paragraph 5.2.1 the Transferee User need not notify (and shall not be entitled to notify) National Grid NTS of a System Capacity Transfer and paragraphs 5.2.3(b), and 5.2.4 shall be construed accordingly;
- (d) a proposed System Capacity Transfer may not be notified earlier than 16:00 hours on the Preceding Day or later than 04:00 during the Transfer Period;
- (e) the Transferor User may not withdraw a proposed System Capacity Transfer following notification to National Grid NTS;
- (f) for the purpose of paragraph 5.3.3 the reference to Capacity Charges shall be treated as if it were a reference to Daily NTS Entry Charges; and
- (g) the provisions of paragraph 5.6.3 shall apply.

5.6.3 Any Code Communication in connection with any application by a User for Daily NTS Entry Capacity or the transfer of Available Daily NTS Entry Capacity shall be made in accordance with the procedures published by National Grid NTS from time to time, which shall include the form and format of any such Code Communication and any Code Communication not given in accordance with such procedures shall be deemed not to have been given and shall be of no effect.

6 CAPACITY ASSIGNMENT

6.1 Basis of assignment

- 6.1.1 A User (the "**Assignor User**") may assign all of its Registered NTS Exit (Flat) Capacity in respect of an NTS Exit Point to another User ("**Assignee User**").
- 6.1.2 For the purposes of the Code a "**System Capacity Assignment**" is an assignment of System Capacity in accordance with paragraph 6.1.1.
- 6.1.3 A User may not make a System Capacity Assignment where the Assigned System Capacity exceeds the Assignor User's Registered Capacity at the Assignment System Point (after taking account of any prior System Capacity Assignment under this paragraph 6) on any Day in the Assignment Period.
- 6.1.4 In respect of a System Capacity Assignment or proposed System Capacity Assignment:
 - (a) the "**Assigned System Capacity**" is the NTS Exit (Flat) Capacity which is (or is to be) assigned;
 - (b) the "**Assignment Period**" is the Day or Days commencing on the Day on which the System Capacity Assignment is to be effective and ending on the last Day on which the Assignor User is registered as holding the Assigned System Capacity;

- (c) the "**Assignment System Point**" is the NTS Exit Point at which the NTS Exit (Flat) Capacity is to be assigned.

6.2 Procedure

- 6.2.1 Where a User proposes to make a System Capacity Assignment, each of the Assignor User and the Assignee User must notify the System Capacity Assignment to National Grid NTS specifying:
 - (a) the identity of the Assignor User and Assignee User;
 - (b) the Assignment System Point;
 - (c) the amount of the Assigned System Capacity; and
 - (d) the Assignment Period.
- 6.2.2 A proposed System Capacity Assignment must be notified to National Grid NTS by not later than the fifth Business Day prior to the first Day of the Assignment Period.
- 6.2.3 National Grid NTS may reject a System Capacity Assignment:
 - (a) where either the Assignor User or the Assignee User does not notify the System Capacity Assignment in accordance with paragraph 6.2.1 or 6.2.2;
 - (b) in accordance with Section V3.
- 6.2.4 A System Capacity Assignment shall be effective if it is approved by National Grid NTS or is not rejected by National Grid NTS by the start of the fourth Business Day after it was notified by the Assignor User or (if later) the Assignee User under paragraph 6.2.1.

6.3 Effect of Assignment

- 6.3.1 The Assignee User will be treated for each Day throughout the Assignment Period as the registered holder of the Assigned System Capacity.
- 6.3.2 A User's Registered NTS Exit (Flat) Capacity at an NTS Exit Point on a Day is its Registered NTS Exit (Flat) Capacity, adjusted in respect of any System Capacity Assignment(s) (for which that point is an Assignment System Point and the Assignment Period includes that Day) by adding the Assigned System Capacity where the User was the Assignee User, and deducting the Assigned System Capacity where the User was the Assignor User.
- 6.3.3 With effect from the first Day of the Assignment Period (and in respect of each subsequent Day in such period):
 - (a) the Assignor User shall cease to be liable for Capacity Charges in respect of the Assigned System Capacity;
 - (b) the Assignee User shall be liable for Capacity Charges in respect of the Assigned System Capacity;
 - (c) the Capacity Charges payable by the Assignee User shall be the same Capacity Charges that were payable by the Assignor User for the Assigned System

Capacity.

- 6.3.4 Where a System Capacity Assignment is made which comprises Enduring Annual NTS Exit (Flat) Capacity the Assignee User shall be deemed to have been allocated the Enduring Annual NTS Exit (Flat) Capacity (comprising the Assigned System Capacity) with effect from the time from which, in accordance with paragraphs 3.2.8(c) and 3.2.12, a User was first registered as holding the Enduring Annual NTS Exit (Flat) Capacity.
- 6.3.5 A System Capacity Assignment shall be without prejudice to the operation of paragraphs 3.2.14 to 3.2.24 (inclusive) in respect of any reduction in the amount of Enduring Annual NTS Exit (Flat) Capacity held by the Assignor User and the Assignee User following a System Capacity Assignment.
- 6.3.6 No consequences other than those described in this paragraph 6 are intended by the use of the term 'assignment' in this paragraph 6.

7 DN Pensions Deficit Charge

- 7.1.1 DNO Users shall pay National Grid NTS a transportation charge (the “**DN Pensions Deficit Charge**”) in respect of pensions deficits. The amount of such DN Pensions Deficit Charge shall be determined in accordance with the Transportation Statement of National Grid NTS. Such DN Pensions Deficit Charges shall be invoiced and payable in accordance with Section S.

ANNEX B-1
NTS EXIT CAPACITY
INVITATION, APPLICATION AND ALLOCATION

1 Introduction

- 1.1 This Annex B-1 contains provisions, applying in respect of different classes of NTS Exit Capacity (other than Enduring Annual NTS Exit Capacity), in respect of:
- (a) annual capacity notifications;
 - (b) invitations to Users to make capacity bids or capacity offers;
 - (c) information to be specified by a User when submitting capacity bids, capacity offers, or capacity applications; and
 - (d) allocation by National Grid NTS of NTS Exit (Flat) Capacity following the submission of capacity bids, capacity offers or capacity application by Users.
- 1.2 This Annex B-1 also contains provisions in respect of the information to be published by National Grid NTS following an allocation of NTS Exit (Flat) Capacity pursuant to a capacity application or invitation in accordance with Section B3.
- 1.3 The provisions of this Annex B-1 apply, subject to and in accordance with the relevant provisions of Section B3, in relation to each case in which (and each occasion on which) National Grid NTS:
- (a) notifies Users they are entitled to make capacity applications;
 - (b) invites Users, or Users are entitled (without specific invitation), to make capacity bids or capacity offers;
- 1.4 References in this Annex B-1 to the allocation of NTS Exit (Flat) Capacity include (where applicable) the acceptance of the surrender of NTS Exit (Flat) Capacity following submission of capacity offers.
- 1.5 For the purposes of this Annex B-1 and Section B3:
- (a) a **"capacity bid"** or **"bid"** is a bid for NTS Exit (Flat) Capacity;
 - (b) a **"capacity application"** is an application (and not a bid) for NTS Exit (Flat) Capacity made in response to an annual capacity notification;
 - (c) a **"capacity offer"** or **"offer"** is an offer to surrender NTS Exit (Flat) Capacity;
 - (d) references to a **"capacity invitation"** is where (pursuant to Section B3.5, 3.6 and 3.11) Users are entitled to submit bids or offers without the issue of such a specific invitation;
 - (e) an **"annual capacity notification"** is the notification made each Gas Year pursuant to Section B3.4 by National Grid NTS informing Users they may make capacity applications for Annual NTS (Flat) Exit Capacity;
 - (f) a **"daily"** invitation, bid or offer is an invitation, bid or offer in respect of Daily NTS Exit (Flat) Capacity;

- (g) an **"invitation date"** is a day (determined by National Grid NTS subject to and in accordance with Section B3.5, 3.6 and 3.11 and this Annex B-1) on which Users may make capacity bids or capacity offers pursuant to a capacity invitation;
- (h) a **"capacity period"** is the period (a Gas Year or Gas Years or a Day) in respect of which a capacity invitation or annual capacity notification is made.

1.6 References to:

- (a) a capacity invitation are to a capacity invitation pursuant to a particular provision of Section B3, for capacity bids or capacity offers in respect of a particular class of Daily NTS Exit (Flat) Capacity in relation to a particular capacity period and a particular capacity allocation or selection period);
- (b) an annual capacity notification is to a notification for capacity applications pursuant to Section B3.4 in relation to a particular capacity period;

and for a particular NTS Exit Point.

1.7 A User agrees, by submitting:

- (a) a capacity bid, to pay (by way of NTS Exit (Flat) Capacity Charges) the bid price for the capacity period in respect of the NTS Exit (Flat) Capacity allocated in respect of such bid in accordance with this Annex B-1;
- (b) a capacity offer, to surrender in exchange for payment of the offer price the NTS Exit (Flat) Capacity selected in respect of such offer in accordance with this Annex B-1;
- (c) a capacity application to pay the price set out in National Grid NTS's Transportation Statement prevailing in the Gas Year preceding the capacity period in respect of which the Annual NTS Exit (Flat) Capacity is to be held.

2 Invitations and notifications

2.1 In accordance with Section B3:

- (a) National Grid NTS will each Gas Year issue an annual capacity notification to Users not later than twenty eight (28) days before the commencement of the Annual Application Window;
- (b) in relation to any daily capacity invitation in respect of NTS Exit (Flat) Capacity, Users are entitled to submit bids or offers without the issue of a specific invitation by National Grid NTS (but the relevant provision of Section B3 determines whether or not there is any capacity allocation period or capacity selection period);

2.2 Where in accordance with paragraph 2.1(a) National Grid NTS is required to issue an annual capacity notification, the notification shall specify:

- (a) the Gas Years in respect of which the annual capacity notification relates;

(b) for each Gas Year, the Remaining Available NTS Exit (Flat) Capacity

for each NTS Exit Point to which the capacity notification relates.

2.3 In relation to any daily capacity invitation, National Grid NTS will carry out the allocation process provided for in paragraph 4 on one or more occasions, on the Day and/or the Preceding Day, subject to and as provided in the relevant provision of Section B3, on each such occasion within a period not exceeding sixty (60) minutes; and each such period is:

(a) in relation to capacity bids, a "**capacity allocation period**";

(b) in relation to capacity offers, a "**capacity selection period**".

2.4 In relation to any capacity invitation the reserve price for any Day in a Gas Year will be set out in, or otherwise established in accordance with, National Grid NTS's Transportation Statement.

3 Capacity bids, capacity offers and capacity applications

3.1 When submitting a capacity bid, a capacity offer or a capacity application a User shall specify:

(a) the identity of the User;

(b) whether the User is making a capacity bid, capacity offer or a capacity application;

(c) the class of NTS Exit Capacity subject to the bid, offer or a capacity application;

(d) the NTS Exit Point in respect of which the bid or offer is made;

(e) in the case of:

(i) an annual capacity application, the Gas Year or Gas Years,

(ii) a daily capacity bid or capacity offer, the Day

in respect of which the bid, offer or capacity application is made;

(f) the amount:

(i) (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity subject to the capacity bid, capacity offer or capacity application;

(ii) in the case of a capacity application, being not greater than the Remaining Available NTS Exit Flat Capacity);

(g) the minimum amount (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity the User is willing to be allocated;

(h) in the case of a capacity bid, the amount ("**bid price**") in pence/kWh/Day, which shall not be less than the applicable reserve price, which the User is willing to pay by way of NTS Exit (Flat) Capacity Charges in respect of the

NTS Exit (Flat) Capacity applied for;

- (i) in the case of a capacity offer, the amount ("**offer price**") in pence/kWh/Day, which the User wishes to be paid in respect of the surrender of Daily NTS Exit (Flat) Capacity (which amount may be negative);
- (j) in the case of a capacity bid or capacity offer for Daily NTS Exit (Flat) Capacity, whether it is a fixed or reducing bid or offer.

3.2 A User may submit:

- (a) a capacity application in relation to an annual capacity notification during the Annual Application Window;
- (b) a capacity bid or capacity offer in relation to a daily capacity invitation (in relation to Day D):
 - (i) for NTS Exit (Flat) Capacity at any time from 06:00 hours on Day D-7 until:
 - (1) 00:00 hours on Day D for capacity bids;
 - (2) 02:00 hours on Day D for capacity offers;
 - (ii) for Off-peak Daily NTS Exit (Flat) Capacity at any time from 06:00 hours on Day D-7 until 14:00 hours on D-1

(provided that bids or offers submitted after the commencement of a capacity allocation period or capacity selection period will not participate in the relevant allocation).

3.3 In relation to:

- (a) an annual capacity notification, the capacity period and NTS Exit Point, a User may have, at any one time, no more than one (1) capacity application capable of acceptance by National Grid NTS;
- (b) a capacity invitation, the capacity period and NTS Exit Point, a User may have, at any one time, up to but no more than ten (10) capacity bids or capacity offers capable of acceptance by National Grid NTS.

3.4 A User may withdraw or modify:

- (a) a capacity application, at any time before the expiry of the Annual Application Window;
- (b) a daily capacity bid or capacity offer for Firm Daily NTS Exit (Flat) Capacity, at any time (at which such bid or offer has not been accepted) other than during a capacity allocation period or (as the case may be) capacity selection period; and where a User seeks to withdraw or modify a bid or offer during such a period, National Grid NTS will notify the User that a capacity allocation period or capacity selection period is current and National Grid NTS may, subject to paragraph 3.5, accept such capacity bid or capacity offer;

- (c) a daily capacity bid for Off-peak Daily NTS Exit (Flat) Capacity at any time up to but not after 14:00 hours on the Day preceding the relevant date.
- 3.5 In the case of a daily capacity bid or capacity offer which is a reducing bid or offer, a User may withdraw (but may not modify) such bid or offer after the hour bar next following the earliest effective time of the bid or offer.
- 3.6 National Grid NTS may reject any capacity bid, capacity offer or capacity application:
- (a) in the case of a capacity bid where the bid price is less than the relevant reserve price;
 - (b) where any of the applicable requirements of paragraphs 3.1, 3.2 and 3.3 is not complied with;
 - (c) where any of the applicable requirements of Section B3 is not complied with;
 - (d) in accordance with Section V3; or
 - (e) in the case of a daily capacity offer, in accordance with paragraph 3.10.
- 3.7 Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the User's Value at Risk at such time exceeds 100% of its Code Credit Limit National Grid NTS shall not later than five (5) Business Days after the first Business Day of the calendar month so inform the User.
- 3.8 Following a notice under paragraph 3.7, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), the User's Registered Firm Annual NTS Exit (Flat) Capacity for the relevant months will lapse and the User will cease to be treated as holding the Registered Firm Annual NTS Exit (Flat) Capacity.
- 3.9 For the purposes of this Annex B-1, in relation to a daily capacity bid or daily capacity offer in relation to Daily NTS Exit (Flat) Capacity:
- (a) where such daily capacity bid or offer is specified to be:
 - (i) a **"fixed"** bid or offer, the amount of Daily NTS Exit (Flat) Capacity bid for or offered does not depend on the time (within the Day) with effect from which capacity is to be allocated in respect of the bid or offer;
 - (ii) a **"reducing"** bid or offer, the amount of Daily NTS Exit (Flat) Capacity bid for or offered, in relation to any allocation period or selection period, shall be determined as:

$$\text{DNEC} * \text{AH} / \text{EH}$$
 - (b) such daily capacity bid or offer is **"available"** in relation to a capacity allocation or selection period where:
 - (i) such bid or offer was submitted and not withdrawn prior to the start of such capacity allocation or selection period;

- (ii) if the allocation effective time is later than 06:00 hours on the Gas Flow Day, the implied capacity rate is less than or equal to the available capacity rate; and
 - (iii) such bid or offer was not allocated or selected in any earlier capacity allocation or selection period;
- (c) the "**earliest effective time**" is the later of:
- (i) 06:00 hours on the Day; and
 - (ii) the first hour bar which falls more than sixty (60) minutes after the capacity bid or offer was submitted;
- (d) in relation to a capacity allocation or selection period:
- (i) the "**allocation effective time**" is the time with effect from which Daily NTS Exit (Flat) Capacity is to be allocated pursuant to the acceptance of bids or offers during such capacity allocation or selection period, being the first hour bar which falls more than sixty (60) minutes after the start of the capacity allocation or selection period;
 - (ii) the "**available capacity rate**" is the rate (in kWh/hour) calculated as:

$$RA / AH$$
 - (iii) the "**implied capacity rate**" is the rate (in kWh/hour) calculated:
 - (1) in relation to a fixed bid or offer, as:

$$DNEC / AH$$
 - (2) in relation to a reducing bid or offer, as:

$$DNEC / EH$$
- (e) for the purposes of this paragraph 3.9:
- DNEC is the amount of Daily NTS Exit (Flat) Capacity specified in the bid or offer as submitted;
- EH is the number of hours from the earliest effective time of such bid or offer until the end of the Day if the bid or offer were to be accepted;
- AH is the number of hours from the allocation effective time until the end of the Day if the bid or offer were to be accepted;
- RA is the relevant amount (as defined in paragraph 4.1(b)) of Daily NTS Exit (Flat) Capacity if the bid or offer were to be accepted;
- (f) a daily capacity bid or daily capacity offer which is accepted in a capacity allocation or selection period shall be extinguished and no longer be available for the purposes of subsequent acceptance pursuant to paragraph 4.

- 3.10 Where the offer price in respect of a daily capacity offer is greater than 0.52pence/kWh/day National Grid NTS shall (in accordance with Special Condition C8E.1(g) of its Transporter's Licence) reject the offer where it is made in response to a requirement (in accordance with Section B3.3.8 and 3.3.9) that National Grid NTS take an Exit Constraint Management Action.

4 Allocation

- 4.1 For the purposes of this paragraph 4:

- (a) references to NTS Exit (Flat) Capacity or the relevant NTS Exit (Flat) Capacity shall be construed in accordance with paragraph 1.6;
- (b) in relation to a capacity invitation or annual capacity notification, the **"relevant"** amount of NTS Exit (Flat) Capacity is the amount of NTS Exit (Flat) Capacity subject to such capacity invitation or annual capacity notification (that is, available for allocation or required for selection), determined in accordance with the applicable provision of Section B3;
- (c) references to the allocation of NTS Exit (Flat) Capacity are references:
 - (i) in relation to capacity bids or capacity applications, to the allocation of amounts of NTS Exit (Flat) Capacity to Users pursuant to requests for capacity comprised in such capacity bids or capacity applications;
 - (ii) in relation to capacity offers, to the selection of amounts of NTS Exit (Flat) Capacity for surrender by Users pursuant to the offers of surrender comprised in such capacity offers;
- (d) **"eligible"** capacity bids, capacity offers or capacity applications are bids, offers or applications which were not rejected pursuant to paragraph 3.6 and (in the case of daily bids or offers) are available pursuant to paragraph 3.9(b).

- 4.2 In relation to each capacity invitation, NTS Exit (Flat) Capacity will be allocated pursuant to the capacity bids or capacity offers submitted as follows:

- (a) all eligible capacity bids or capacity offers submitted will be ranked in order of bid price (the highest priced ranking first) or as the case may be offer price (the lowest priced ranking first);
- (b) NTS Exit (Flat) Capacity will be allocated:
 - (i) to capacity bids in descending order, allocating NTS Exit (Flat) Capacity to the capacity bid with the highest bid price first; or
 - (ii) to capacity offers in ascending order, allocating NTS Exit (Flat) Capacity to the capacity offer with the lowest offer price first;

until such time as the amount of NTS Exit (Flat) Capacity allocated in aggregate is equal to the relevant amount of NTS Exit (Flat) Capacity or there are no further bids or offers to satisfy;

- (c) subject to paragraphs (d), (e) and (f), where the amount of relevant NTS Exit (Flat) Capacity applied for or offered under a capacity bid or offer exceeds the amount (the **"remaining unallocated amount"**) of the amount of NTS Exit

(Flat) Capacity remaining unallocated after allocation to higher priced bids or lower priced offers, the User will be allocated an amount equal to the remaining unallocated amount;

- (d) subject to paragraphs (e) and (f), where each of two or more bids or offers ("**equal priced**" bids or offers) specifies the same bid price or offer price, and the amount of NTS Exit (Flat) Capacity bid or offered in aggregate under such bids or offers exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for or offered in each such bid or offer;
- (e) where the amount to be allocated in respect of a bid or offer pursuant to paragraph (c) or (d) would be less than the minimum amount specified in the capacity bid or capacity offer, the bid or offer will be disregarded (and of no effect), and an allocation made in respect of the next priced bid(s) or offer(s) or (as the case may be) a revised allocation will be made to or between remaining equal priced bid(s) or offer(s) under paragraph (d); and
- (f) where the amount to be allocated in respect of any capacity bid or capacity offer would be less than the minimum eligible amount, no allocation shall be made to that bid or offer (and no further allocation shall be made).

4.3 In relation to an annual capacity notification, NTS Exit (Flat) Capacity will be allocated pursuant to eligible capacity applications submitted as follows:

- (a) subject to paragraph (b), where the aggregate amount of NTS Exit (Flat) Capacity applied for exceeds the Remaining Available NTS Exit (Flat) Capacity, the Remaining Available NTS Exit (Flat) Capacity shall be allocated to capacity applications pro rata the amounts applied for;
- (b) where the amount to be allocated in respect of a capacity application pursuant to paragraph (a) would be less than:
 - (i) the minimum amount specified in the capacity application; or
 - (ii) the minimum eligible amount

the capacity allocation will be disregarded (and of no effect) and an allocation made in respect of the remaining capacity applications.

4.4 Capacity bids and capacity offers will be accepted as to the amounts of NTS Exit (Flat) Capacity allocated to such bids and offers in accordance with paragraph 4.2 and capacity applications will be accepted as to the amounts of NTS Exit (Flat) Capacity allocated to such capacity applications in accordance with paragraph 4.3.

4.5 In relation to each capacity invitation or annual capacity notification, National Grid NTS will inform each User which of its capacity bids, capacity offers or capacity applications were accepted, and for what amounts of NTS Exit (Flat) Capacity:

- (a) in the case of an annual capacity notification, not later than five (5) Business Days after the end of the Annual Application Window;
- (b) in the case of a daily capacity invitation, not later than one (1) hour after the capacity allocation or selection period in which such bids and offers were

accepted.

5 Post allocation information

5.1 Following each:

- (a) capacity invitation, National Grid NTS will publish information, by the time specified (in respect of such invitation) in Table B-1 below, as follows:
 - (i) the class of NTS Exit Capacity and capacity period(s) to which the invitation related;
 - (ii) the invitation date (in the case of an annual invitation);
 - (iii) the start time or times of the capacity allocation or selection period(s), in the case of a daily invitation; and
 - (iv) in respect of each NTS Exit Point, each capacity period subject to such invitation, each invitation date and each capacity allocation or selection period (in the case of a daily invitation), the information specified (in respect of such capacity invitation) in Table B-1 below;
- (b) annual capacity notification, National Grid NTS will publish information, by the time specified (in respect of such notification) in Table B-1 below, as follows:
 - (i) the capacity period(s) to which the annual capacity notification related;
 - (ii) in respect of each NTS Exit Point, each capacity period and each capacity allocation, the information specified (in respect of such annual capacity notification) in Table B-1 below;

5.2 The categories of information referred to in Table B-1 are as follows:

- (a) total bid/offer volume: the aggregate amount of NTS Exit (Flat) Capacity subject to bids, offers or applications received pursuant to the invitation or annual capacity notification;
- (b) total successful bid/offer volume: the aggregate amount of NTS Exit (Flat) Capacity allocated to bids, offers or applications which were accepted pursuant to the invitation or annual capacity notification;
- (c) highest successful bid/offer: the highest bid price or offer price of any accepted bid or offer, and the amount of NTS Exit (Flat) Capacity for which such bid or offer was accepted;
- (d) lowest successful bid/offer: the lowest bid price or offer price of any accepted bid or offer, and the amount of NTS Exit (Flat) Capacity for which such bid or offer was accepted;
- (e) total number of Users: the number of Users who submitted capacity bids, capacity offers or capacity applications;
- (f) total number of successful Users: the number of Users whose submitted capacity bids, capacity offers or capacity applications which were accepted;

- (g) unsold capacity: the amount of Remaining Available NTS Exit (Flat) Capacity (of the relevant class) following the allocation of NTS Exit (Flat) Capacity pursuant to the invitation or notification;
- (h) weighted average bid/offer price: the weighted average price of accepted bids or offers accepted, calculated in accordance with the formula in paragraph 5.3;
- (i) incremental quantity allocated: the amount of NTS Exit (Flat) Capacity allocated above the Baseline NTS Exit (Flat) Capacity; and
- (j) reductions: the aggregate amount of Enduring Annual NTS Exit (Flat) Capacity in respect of which Users gave notices of reduction in accordance with Section B3.2.15 and the aggregate amount of Enduring Annual NTS Exit (Flat) Capacity which Users ceased to be registered as holding in accordance with Section B3.2.20.

5.3 For the purposes of paragraph 5.2(h) the "**weighted average price**" in relation to any capacity invitation is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

i represents each capacity bid or capacity offer accepted;

n represents the number of capacity bids or capacity offers accepted;

and where in relation to each accepted capacity bid or capacity offer (i):

Q_i is the amount of NTS Exit (Flat) Capacity allocated to each successful capacity bid or capacity offer; and

P is the bid price or offer price.

TABLE B-1: INFORMATION TO BE PUBLISHED IN RESPECT OF CAPACITY INVITATIONS AND APPLICATIONS

| Type of capacity invitation/ invitation date/notification | Time information to be published following allocation | Total bid/offer/application volume | Total successful bid/offer/application volume | Highest successful bid/offer (price and volume) | Lowest successful bid/offer (price and volume) | Total number of Users who submitted bid/offer or application | Total number of successful Users who submitted bid/offer or application | Unsold capacity | Weighted average bid/offer price | Incremental quantity allocated | Reductions |
|--|---|------------------------------------|---|---|--|--|---|-----------------|----------------------------------|--------------------------------|------------|
| Enduring Annual NTS Exit (Flat) Capacity - July | Within 24 hours | Y | Y | N | N | Y | Y | N | N | Y | Y |
| Enduring Annual NTS Exit (Flat) Capacity – October to June | Within 10 days | N | N | N | N | N | N | N | N | Y | N |
| Annual NTS Exit (Flat) Capacity - July | Within 24 hours | Y | Y | N | N | Y | Y | Y | N | N | N |
| Daily NTS Exit (Flat) Capacity | Within 1 hour | N | Y | Y | Y | Y | Y | Y | Y | N | N |
| Daily Off-peak NTS Exit (Flat) Capacity | Within 1 Hour | Y | Y | Y | Y | Y | Y | N | Y | N | N |
| Capacity Surrender and Offtake Reduction Invitations | Within 1 hour | N | Y | Y | N | N | N | N | N | N | N |

ANNEX B-2**OFFTAKE REDUCTION****1 Offtake Reduction Invitations**

- 1.1 Where, in relation to an NTS Exit Constraint, National Grid NTS wishes to reduce the quantities of gas offtaken by Users at an NTS Exit Point in any period during a Day, National Grid NTS may invite offers (“**offtake reduction offers**”) from Users to reduce the offtake of gas at such NTS Exit Point, by issuing notice (“**offtake reduction invitation**”) of such invitation in accordance with paragraph 1.2.
- 1.2 An offtake reduction invitation shall specify:
- (a) the Day to which the invitation applies;
 - (b) the NTS Exit Point to which the invitation applies;
 - (c) the quantity (“**required reduction quantity**”, in kWh) for which offtake reduction offers are invited;
 - (d) the period (“**offtake reduction period**”) within which Users will be required to reduce the offtake of gas, defined by the times (each an exact hour) at which such period starts (which will not be earlier than two hours after the issue of the offtake reduction invitation) and ends;
 - (e) the time (“**offer submission deadline**”), being not less than fifteen (15) minutes after the issue of the offtake reduction invitation or sixty (60) minutes before the start of the offtake reduction period, by which offtake reduction offers may be submitted.
- 1.3 An offtake reduction invitation may be issued earlier than the start of the Day to which it relates.

2 Offtake reduction offers

- 2.1 Where National Grid NTS has issued an offtake reduction invitation for any Day in relation to a NTS Exit Point, Users may submit offtake reduction offers in accordance with paragraph 2.2.
- 2.2 An offtake reduction offer:
- (a) shall be submitted no later than the offer submission deadline;
 - (b) shall specify:
 - (i) the identity of the User;
 - (ii) the offtake reduction invitation and the NTS Exit Point in respect of which the offer is made;
 - (iii) the quantity of gas (“**offered reduction quantity**”), not being less than the minimum eligible amount, subject to the offer;

- (iv) the minimum quantity for which the User is willing to have the offer accepted;
 - (v) the amount (“**offer price**”) in pence/kWh which the User wishes to be paid in respect of the offered reduction in offtake.
- 2.3 In relation to any offtake reduction invitation, a User may submit up to but no more than ten (10) offtake reduction offers.
- 2.4 An offtake reduction offer may be withdrawn or modified up to, but not after, the offer submission deadline.
- 2.5 National Grid NTS may reject any offtake reduction offer where any of the requirements of paragraph 2.2 and 2.3 is not met, in accordance with the System Management Principles or where in National Grid NTS's opinion the NTS Exit Constraint will not be relieved (in whole or in part) by acceptance of the offtake reduction offer.

3 Selection

- 3.1 In relation to any offtake reduction invitation, National Grid NTS will select offtake reduction offers for acceptance (and allocate the required reduction quantity to such offers) as follows:
- (a) all offtake reduction offers submitted will be ranked in order of offer price (the lowest priced ranking first);
 - (b) offtake reduction offers will be selected for acceptance in ascending order, selecting the offer with the lowest offer price first, until such time as the offered reduction quantities for which offers have been selected in aggregate is equal to the required reduction quantity or there are no further offers to satisfy;
 - (c) subject to paragraphs (d), (e) and (f), where the offered reduction quantity under an offtake reduction offer exceeds the amount (the "**remaining unallocated amount**") of the required reduction quantity remaining unallocated after the selection of lower priced offers, the offer will be selected as to a quantity equal to the remaining unallocated amount;
 - (d) subject to paragraphs (e) and (f), where each of two or more offers ("**equal priced**" offers) specifies the same offer price, and the offered reduction quantities in aggregate under such offers exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the offered reduction quantities in each such offer; and
 - (e) where the amount to be allocated in respect of an offtake reduction offer pursuant to paragraph (c) or (d) would be less than the minimum amount specified in the offer, the offer will be disregarded (and of no effect), and next priced offer(s) selected, or (as the case may be) a revised allocation will be made to or between remaining equal priced offer(s) under paragraph (d);
 - (f) where the amount to be allocated in respect of any offtake reduction offer would be less than the minimum eligible amount, no allocation shall be made to that offer (and no further allocation shall be made).
- 3.2 Offtake reduction offers selected in accordance with paragraph 3.1 will be accepted by

National Grid NTS.

- 3.3 Offtake reduction offers shall lapse to the extent not accepted pursuant to paragraph 3.2.
- 3.4 National Grid NTS will, not less than sixty (60) minutes before the start of the offtake reduction period, inform each User which of its offtake reduction offers were accepted, and for what quantities.

4 Submission of Revised OPNs

- 4.1 Where an offtake reduction offer in relation to an NTS Exit Point in respect of a Day is accepted the User shall, not less than thirty (30) minutes before the start of the offtake reduction period, submit revised OPN(s) in respect of the NTS Exit Point such that the requirement in paragraph 4.2 is satisfied.
- 4.2 The requirement in paragraph 4.1 is that the Offtake Reduction Period Quantity under the OPN(s) prevailing at the time of issue of the offtake reduction invitation exceeds the Offtake Reduction Period Quantity under the revised OPN(s) submitted in respect of the offtake reduction period by not less than the quantity for which the offtake reduction offer was accepted.
- 4.3 For the purposes of paragraph 4.2 the “**Offtake Reduction Period Quantity**” means the quantity of gas notified in the User's OPN(s) as being offtaken by the User from the NTS Exit Point during the offtake reduction period.
- 4.4 If a User fails to submit revised OPNs in compliance with paragraph 4.1 the offer price under the offtake reduction offer shall be deemed to be zero (and accordingly National Grid NTS shall not be required to make payment to the User in respect of the accepted offer).

5 Information

Following each offtake reduction invitation in relation to a Day, National Grid NTS will publish information as follows not later than sixty (60) minutes after acceptance of any offtake reduction offer:

- (a) the NTS Exit Point and the Day to which the invitation related;
- (b) the aggregate quantity for which offtake reduction offers were accepted; and
- (c) the highest offer price for which any offtake reduction offer was accepted.

