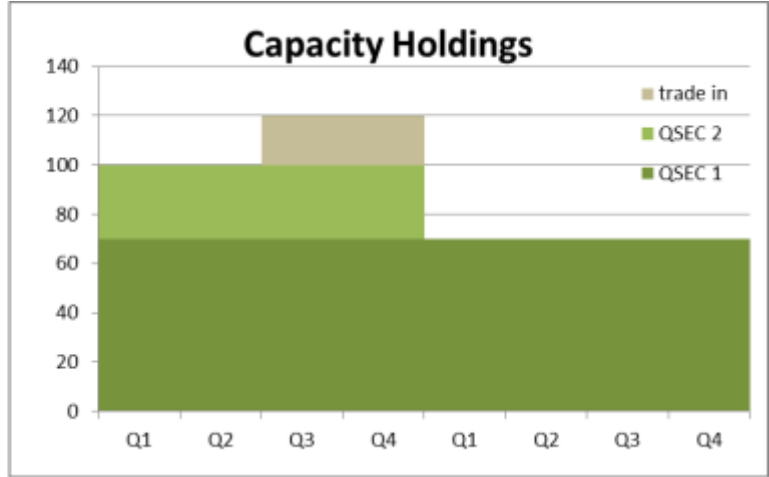
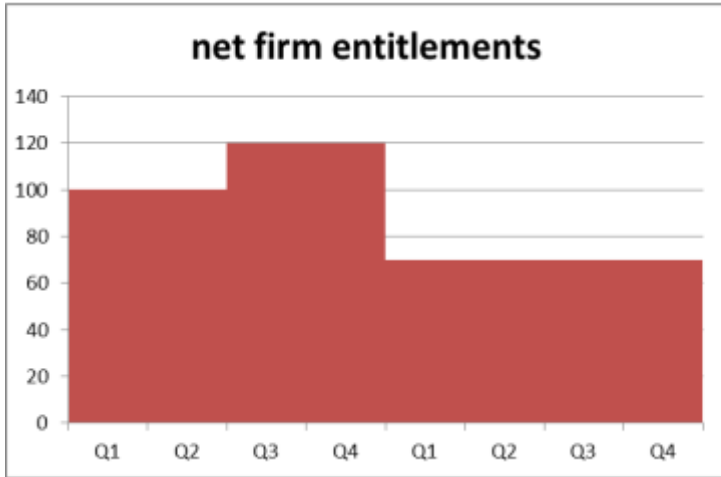


Appendix 1 – Example

This example shall examine a shipper’s capacity before and after the conversion process, with particular focus on Q2 with respect to financial obligations created.

Phase 1: Before bundled auction

A shipper holds available unbundled capacity entitlements as follows. The breakdown of the capacity holdings is also shown (on the right).



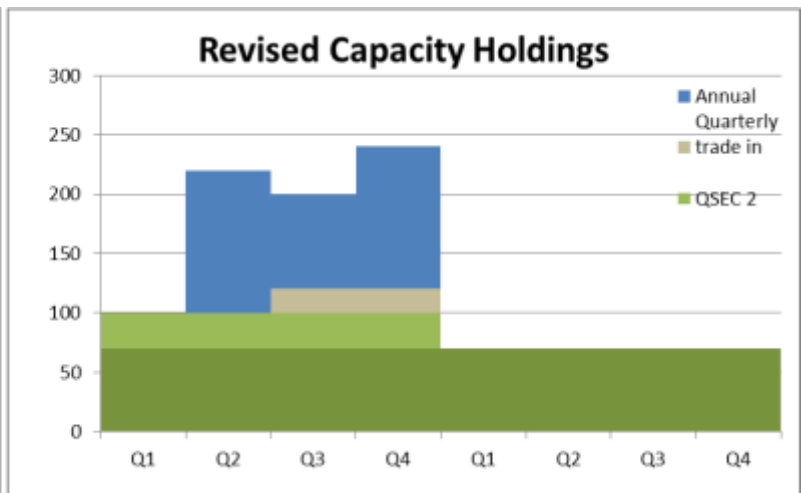
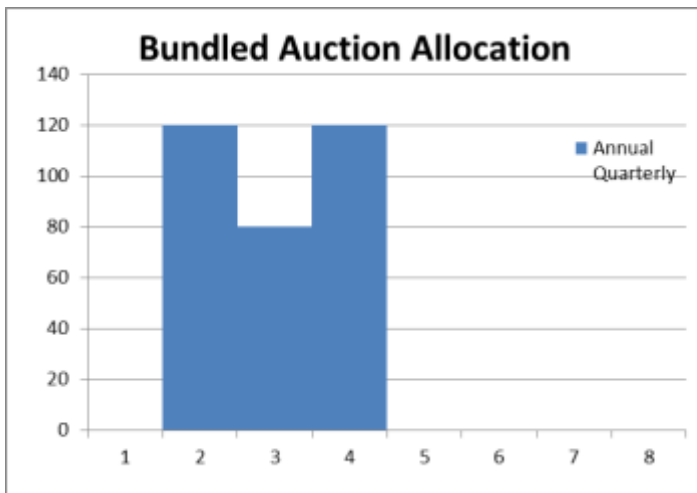
The shipper’s net firm unbundled entitlements can be considered as its convertible capacity.

The Shipper liabilities for each gas day in Q2 are as follows:

Process (e.g. auction)	Amount (£)
QSEC 1	70 units at (R1+P1)
QSEC 2	30 units at (R2+P2)

Phase2: After Bundled auction; before conversion

The shipper purchases the following capacity in the Annual Quarterly auction. The revised breakdown of total capacity holdings is also shown (on the right).



The shipper liabilities for each gas day in Q2 are now as follows:

Process (e.g. auction)	Amount (£)
QSEC 1	70 units at (R1+P1)
QSEC 2	30 units at (R2+P2)
Annual Quarterly	120 units at (R3+P3)

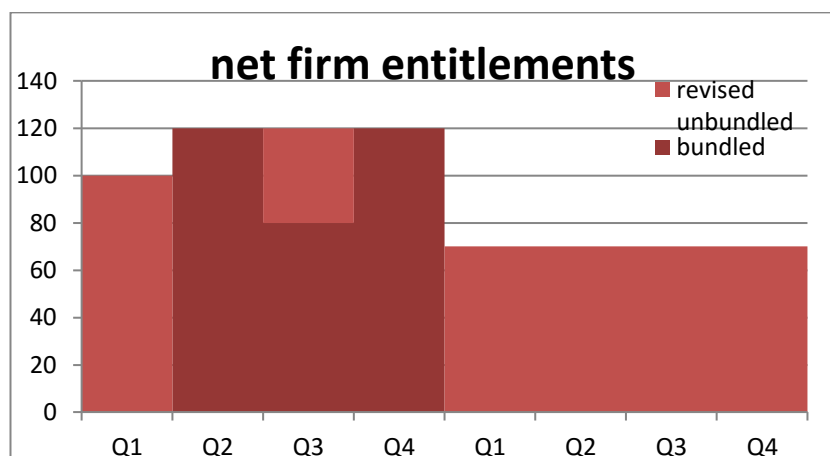
Phase 3: conversion request

After the auction, an ex-post conversion service takes place (3 bus. day window). The shipper submits the following capacity amounts for conversion. (Flat amounts across each quarter are submitted here, but different amounts for each month could be submitted if the shipper wishes.)

Period	Max permitted	Amount Requested
Q1 months 1,2,3	0	0
Q2 months 4,5,6	100	100
Q3 months 7,8,9	80	80
Q4 months 10,11,12	120	120

Phase 4: after conversion

The shipper's revised capacity entitlements are now as follows.



The table below compares the net firm entitlements before and after the process.

Period	Before Process	Bundled Purchase	Convert	After Process	Description of activities
Q1	100	0	0	100	No activity
Q2	100	120	-100	120	Additional 120 units bought, only 100 converted
Q3	120	80	-80	120	Additional 80 units bought, but 80 converted so no net change
Q4	120	120	-120	120	Additional 120 units bought, but 120 converted so no net change

Shipper liabilities for Q2 after the process.

Process (e.g. auction)	Amount (£)
QSEC 1	70 units at (R1+P1)
QSEC 2	30 units at (R2+P2)
Annual Quarterly	120 units at (R3+P3)
Conversion Credit	100 units at R3

