

BUSINESS RULES

Review of necessary reform of NTS Offtake Arrangements

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Introduction

1. This document provides detailed “**Business Rules**” of proposed enduring NTS gas offtake arrangements to support consultation on any UNC Modification Proposal that is raised by this Review Group 0166 “Review of necessary reform of NTS Offtake Arrangements” to seek implementation of the enduring arrangements.
2. The proposed model has been developed following extensive discussions at this Review Group.

High Level Definitions

Products

3. National Grid NTS will make available NTS Exit Capacity products to both Shipper and DNO Users (referred to as “**Users**” throughout these Business Rules).
4. To the extent that this is not set-out in the UNC, National Grid NTS will make available NTS Exit Capacity products and quantities in accordance with its Licence obligations.
5. Users may apply for and be registered as holding NTS Exit Capacity at any NTS Exit Point, subject to satisfactory credit checks Non-Code Parties may reserve NTS Exit (Flat) Capacity at any NTS Exit Point through execution of an “**Advanced Reservation of Capacity Agreement (ARCA)**”.
6. Users may offer to surrender NTS Exit (Flat) Capacity back to National Grid NTS (See Section 6 below).

NTS Exit Points/Zones/Areas

7. NTS Exit Points comprise the following:

	NTS Exit Point
a.	NTS/LDZ Offtakes
b.	Power Station /NTS VLDMCs
c.	CSEPs
d.	Storage Points
e.	Interconnectors

8. For the purposes of this document, NTS Exit Points (b. to e.) are classed as “**Direct Connects**”.
9. Except where stated otherwise, these Business Rules will apply to all NTS Exit Points (a. to e.).
10. An “**NTS Exit Zone**” will be comprised of one or more NTS Exit Points (as described in Appendix 1)
11. An “**NTS Exit Area**” will be comprised of one or more NTS Exit Zones (as described in Appendix 2).

Overrun User

12. A single User (the “**Overrun User**”) may be appointed at an NTS Exit Point and will be responsible for “**NTS Exit (Flat) Capacity Overrun Charges**” (but not responsible for any other purpose e.g. making Nominations under TPD Section C).
13. The Overrun User will be entitled, but will not be required, to purchase NTS Exit (Flat) Capacity.
14. Only one Overrun User per NTS Exit Point will be permitted at any one time.
15. For a User to become the Overrun User at an NTS Exit Point, it must apply to National Grid NTS providing:
 - 15.1. Its identity;
 - 15.2. The NTS Exit Point;
 - 15.3. The date from which it wishes to become the Overrun User;
 - 15.4. The formal consent of all Users that are registered to flow gas at the NTS Exit Point for the User to become the Overrun User from the proposed date. This includes any subsequent Users who register to flow gas at that NTS Exit Point. If such a new Registered User does not consent to the Overrun User, then the Overrun User will be terminated with effect from the registration date of such a User.
16. For a User, that is appointed as the Overrun User, to terminate being the Overrun User at an NTS Exit Point, it must apply to National Grid NTS providing:
 - 16.1. Its identity,
 - 16.2. The NTS Exit Point; and
 - 16.3. The date from which it wishes no longer wish to be the Overrun User;
17. National Grid NTS will respond to applications to become an Overrun User or to terminate being an Overrun User within 5 Business Days confirming whether the application is valid (i.e. contains all required information as set out above) and hence is accepted.
18. A list of Overrun Users that are in place for any NTS Exit Point will be maintained and published by National Grid NTS.

Part I: NTS Exit Capacity Overview

Products

19. This section describes the NTS Exit Capacity products that will be made available and the rights and obligations that are due to NTS Exit Capacity holders.
20. NTS Exit (Flat) Capacity entitles Users to offtake a Daily quantity of gas at an even flow rate from the NTS at an NTS Exit Point without incurring overrun charges. It will be offered in terms of an End of Day quantity (kWh/day) for a specified Day, or for multiple Days.
 - 20.1. A gas flow rate entitlement is allocated that is equivalent to $1/24^{\text{th}}$ of the End of Day quantity held by Users in any hour of that Day. A similar flow rate adjustment is made following a trade. For NTS Exit (Flat) Capacity sales or buyback of NTS Exit (Flat) Capacity within Day, the applicable rate change to Users' NTS Exit (Flat) Capacity entitlement is $1/n$, where n is equal to the number of hours remaining in the relevant Day after time of sale or purchase (and taking into account lead times required by hour-bar-plus-one acceptance rules). At any time, the aggregate of these from all capacity held at an NTS Exit Point will be the established "**Exit Capacity Rate**" (gas flow entitlement should not exceed capacity entitlements, as measured on a $1/n$ basis). See Section 9 for maximum permitted rates.
21. The following type of NTS Exit (Flat) Capacity products will be made available to Users:
 - 21.1. "**Enduring NTS Exit (Flat) Capacity**" - Firm NTS Exit (Flat) Capacity, which may be applied for and registered as held by a User for every Day, with effect from the first Day allocated, on the basis that the User will continue to hold such quantity of NTS Exit (Flat) Capacity subject to a reduction being permitted only in accordance with the reduction notice rules (described later in this section);
 - 21.2. "**Annual NTS Exit (Flat) Capacity**" - Firm NTS Exit (Flat) Capacity, which may be applied for and registered as held by a User for each Day in one or more Gas Years;
 - 21.3. "**Daily Firm NTS Exit (Flat) Capacity**" - Firm NTS Exit (Flat) Capacity, which may be applied for and registered as held by a User for one Day only; and
 - 21.4. "**Daily Interruptible NTS Exit (Flat) Capacity**" - Daily Interruptible NTS Exit (Flat) Capacity, which may be applied for and registered as held by a User for one Day only.
22. Firm NTS Exit (Flat) Capacity held by Users may not be acquired by National Grid NTS other than:
 - 22.1. If the User fails to maintain the appropriate credit worthiness/guarantees commensurate with the Firm NTS Exit (Flat) Capacity it has previously booked in a primary allocation;
 - 22.2. Utilisation of "**Exit Capacity Management Tools (ExCMT)**" (see Section 6 below) and where a User places "**NTS Exit (Flat) Capacity Buyback**" offers and National Grid NTS accepts such offers; or
 - 22.3. During a "**Network Gas Supply Emergency**" (see UNC TPD Section Q4) as instructed by the Network Emergency Coordinator.
23. Interruptible NTS Exit (Flat) Capacity rights held by Users may be curtailed either entirely or in part by National Grid NTS if either of the following occur :

- 23.1. National Grid NTS considers that it is unlikely to be able to accept prospective gas flows consistent with the quantities of capacity released; or
- 23.2. If the User fails to maintain the appropriate credit worthiness/guarantees commensurate with the Interruptible NTS Exit (Flat) Capacity booked.
- 24. A User's total entitlement at an NTS Exit Point for a Day (its "**Fully Adjusted NTS Exit (Flat) Capacity**") will be the sum of all its NTS Exit (Flat) Capacity entitlements purchased via the various release mechanisms, adjusted for:
 - 24.1. Any transfers/assignments (see Section 5 below); and
 - 24.2. Any constraint management actions (see Section 6 below);
- 25. Fully Adjusted NTS Exit (Flat) Capacity will be used in the calculation of NTS Exit (Flat) Capacity Overruns.

Table 1 Fully Adjusted NTS Exit (Flat) Capacity

Sum of Positive Holdings	Sum of Negative Holdings
Enduring NTS Exit (Flat) Capacity Allocations	NTS Exit (Flat) Capacity Buybacks and any Exit Capacity Management Tool that impact a User's NTS Exit (Flat) Capacity.
Annual NTS Exit (Flat) Capacity Allocations	
Daily Firm NTS Exit (Flat) Capacity Allocations	
Daily Interruptible NTS Exit (Flat) Capacity Allocations	Scale back of Daily Interruptible NTS Exit (Flat) Capacity
NTS Exit (Flat) Capacity Transfers bought	NTS Exit (Flat) Capacity Transfers sold
NTS Exit (Flat) Capacity Assignments bought	NTS Exit (Flat) Capacity Assignments sold

Release Mechanisms

- 26. The following release mechanisms will be offered:
 - 26.1. Firm NTS Exit (Flat) Capacity
 - 26.1.1. Long Term Release (allocated on an enduring basis), (see Section 1 below);
 - 26.1.2. Medium Term Release (Gas Years Y+1 to Y+3), (see Section 2 below); and
 - 26.1.3. Short Term Release (offered Day ahead and within Day), (see Section 3 below).
 - 26.2. Interruptible NTS Exit (Flat) Capacity
 - 26.2.1. Short Term Release (offered Day ahead) (see Section 4 below).

Capacity Overruns

- 27. The "**Daily Quantity Offtaken (DQO)**" will be the total measured quantity of gas offtaken by Users at the NTS Exit Point determined in accordance with UNC TPD Section E3.

28. The “**Aggregate NTS Exit (Flat) Capacity Overrun**”, at an NTS Exit Point, on any Day, is the quantity (if any) by which the DQO exceeds the Fully Adjusted NTS Exit (Flat) Capacity held by Users “**Aggregate Holdings**” at that NTS Exit Point i.e.
- 28.1. If $DQO - \text{Aggregate Holdings} \leq 0$, $\text{Aggregate NTS Exit (Flat) Capacity Overrun} = 0$;
- 28.2. If $DQO - \text{Aggregate Holdings} > 0$, $\text{Aggregate NTS Exit (Flat) Capacity Overrun} = DQO - \text{Aggregate Holdings}$.
29. A “**User’s Individual NTS Exit (Flat) Capacity Overrun**” at an NTS Exit Point on any Day is the quantity (if any) by which the quantity of gas it has offtaken at the NTS Exit Point exceeds that User’s Fully Adjusted NTS Exit (Flat) Capacity i.e.
- 29.1. If $UDQO - \text{Fully Adjusted NTS Exit (Flat) Capacity} \leq 0$, $\text{User’s Individual NTS Exit (Flat) Capacity Overrun} = 0$;
- 29.2. If $UDQO - \text{Fully Adjusted NTS Exit (Flat) Capacity} > 0$, $\text{User’s Individual NTS Exit (Flat) Capacity Overrun} = UDQO - \text{Fully Adjusted NTS Exit (Flat) Capacity}$
- NB: A User’s Fully Adjusted NTS Exit (Flat) Capacity may be positive, negative, or zero.
30. A User will only incur an “**NTS Exit (Flat) Capacity Overrun Charge**” at an NTS Exit Point on any Day if:
- 30.1. There is an Aggregate NTS Exit (Flat) Capacity Overrun, ie not equal to zero; and
- 30.2. It has individually resulted in an overrun, ie its User’s Individual NTS Exit (Flat) Capacity Overrun is not equal to zero.
31. In respect of the UDQO:
- 31.1. For NTS/LDZ Offtakes, the UDQO will be the DQO and will be allocated to the relevant DNO;
- 31.2. For Direct Connects, with only one Registered User, the UDQO for the User will be the DQO; and
- 31.3. For Direct Connects with more than one Registered User, the DQO will be allocated to the Registered Users (as specified in TPD Section G1.7):
- 31.3.1. In accordance with a standing instruction notified to National Grid NTS in advance by the Registered Users; or
- 31.3.2. In accordance with the proportion of the DQO notified to National Grid NTS by a User Agent, where appointed by the Registered Users.
32. In the event that an NTS Exit (Flat) Capacity Overrun Charge is to be levied and the sum of each User’s Individual NTS Exit (Flat) Capacity Overrun is greater than the Aggregate NTS Exit (Flat) Capacity Overrun at that NTS Exit Point, then each User’s overrun quantity will be scaled down to form the “**User’s NTS Exit (Flat) Capacity Overrun**” such that sum of each Individual User’s NTS Exit (Flat) Capacity Overrun is equal to the Aggregate NTS Exit (Flat) Capacity Overrun, ie
- 32.1. $\text{A User’s Individual NTS Exit (Flat) Capacity Overrun} = A * B / C$
- where:

A is the Aggregate NTS Exit (Flat) Capacity Overrun;

B is the User's Individual NTS Exit (Flat) Capacity Overrun;

C is the sum of User's Individual NTS Exit (Flat) Capacity Overrun;

33. Where an Overrun User has been appointed for an NTS Exit Point for a Day, it will be liable for the NTS Exit (Flat) Capacity Overrun Charge for each User at that NTS Exit Point.
34. A User's NTS Exit (Flat) Capacity Overrun Charge will be that User's Individual NTS Exit (Flat) Capacity Overrun multiplied by the highest of:
 - 34.1. 8 times the highest price paid by Users at that NTS Exit Point to National Grid NTS for any class of NTS Exit (Flat) Capacity for that Day;
 - 34.2. 8 times the highest reserve price at that NTS Exit Point for any NTS Exit (Flat) Capacity auctions (NB. This is to cover the scenario where no capacity is booked at an NTS Exit Point, but there is still a positive DQO or a negative Aggregate NTS Exit (Flat) Capacity Overrun); and
 - 34.3. 1.1 times the highest price paid by National Grid for NTS Exit (Flat) Capacity at that NTS Exit Point on that Day for NTS Exit (Flat) Capacity buyback through any constraint management action.

Interconnectors

35. The proposed treatment of CSEP ancillary agreements is contained within Section 11 below.

Reduction Notice Period

36. Users may hold Enduring NTS Exit (Flat) Capacity obtained through:
 - 36.1. Initialisation of the enduring regime (see Part II) – **“Initial Enduring NTS Exit (Flat) Capacity”**; and
 - 36.2. The Long Term application process by committing to be registered, and therefore pay, for capacity for four (4) Gas Years. (see Section 1 below).
37. If a User is registered as holding Enduring NTS Exit (Flat) Capacity at an NTS Exit Point and wishes to continue to hold the same level of such holding, then the User does not need to undertake any action.
38. Users may apply to reduce their Enduring NTS Exit (Flat) Capacity between 01 July and 15 July each Gas Year Y_N (the **“Reduction Application Window”**) from the implementation date of this Modification Proposal.
39. Applications to reduce Enduring NTS Exit (Flat) Capacity in the Reduction Application Window will specify the date (the **“User Requested Reduction Date”**) from which the User is prepared to relinquish Enduring NTS Exit (Flat) Capacity.
40. A User Requested Reduction Date will not be earlier than 01 October Gas Year Y_{N+1} and will always be the first Day of a month
41. If a User Reduction Date is earlier than 01 October of Gas Year Y_{N+2} and National Grid NTS is able to use the Enduring NTS Exit (Flat) Capacity a User wishes to relinquish to satisfy a demand for Enduring NTS Exit (Flat) Capacity at a new or existing NTS Exit Point, National Grid NTS may agree to reduce that User's Enduring NTS Exit (Flat)

- Capacity from the User Requested Reduction Date, or from the start of any month thereafter up to and including 01 October Gas Year Y_{N+2} . Otherwise, the date the User's Enduring NTS Exit (Flat) Capacity will be reduced from will be 01 October Gas Year $N+2$ or, if later, the User Requested Reduction Date.
42. National Grid NTS will notify the User, by 30 September in the Gas Year of its application to reduce Enduring NTS Exit (Flat) Capacity, the date at which that reduction becomes effective.
 43. A notice to reduce Enduring NTS Exit (Flat) Capacity must be given between 08.00 on the 01 July and 17:00 on the 15 July in a Gas Year (Y_N) and will specify:
 - 43.1. The identity of the User;
 - 43.2. The NTS Exit Point;
 - 43.3. The User Requested Reduction Date, which will be not earlier than 01 October Gas Year Y_{N+1} ;
 - 43.4. The quantity of Enduring NTS Exit (Flat) Capacity the User is applying to relinquish; and
 - 43.5. The quantity (which may be zero) of Enduring NTS Exit (Flat) Capacity the User wishes to retain.
 44. Where an application has been received from a User to increase its Enduring NTS Exit (Flat) Capacity, National Grid NTS may also invite Users to apply for reductions in Enduring NTS Exit (Flat) Capacity. In this event, National Grid NTS will follow equivalent processes and observe the same criteria that would have applied if that application had been made within the Reduction Application Window.
 45. Where National Grid NTS is unable to substitute the capacity, the Gas Year with effect from which a reduction of capacity is effective may not be earlier than the later of:
 - 45.1. Gas Year Y_{N+2} (this means that the reduction will not be effective until at least 1 year + 3 months' notice of a reduction in enduring rights where any associated User commitment has been met or has been obtained through regime initialisation, eg if a User applied to reduce its Initial Enduring NTS Exit (Flat) Capacity holdings in July 2010, then this could only be effective from October 2011 at the earliest).
 - 45.2. Gas Year Y_{A+4} where Gas Year Y_A is the Gas Year with effect from which the User was most recently allocated Enduring NTS Exit (Flat) Capacity at the NTS Exit Point (excluding initial rights allocated through the initialisation of the regime). (This means that Users must meet the associated User commitment before being able to reduce additional prevailing holdings, eg In the Prevailing Application Window of July 2008, if a User requests ten (10) units of capacity from Gas Years 2011/12 onwards, it would be registered capacity for the four (4) Gas Years 2011/12 to 2014/15, inclusive. If in July 2009, if the User applied to reduce five (5) units of this capacity, then such a reduction could only be effective from Oct 2016 at the earliest).
 46. If any of the criteria in this Section are not met then the reduction request will be rejected.

Payments

47. Payment for NTS Exit (Flat) Capacity will be made in accordance with Section 7 below.

Part II: Initialisation of NTS Exit Capacity Regime

Initial Enduring NTS Exit (Flat) Capacity

48. National Grid NTS will notify each User by 01 July 2008 of its Initial Enduring NTS Exit (Flat) Capacity for each NTS Exit Point determined as follows, subject to the User meeting credit checks:
- 48.1. NTS Supply Points and CSEPs – each relevant Shipper User will be registered the sum of its maximum firm and interruptible NTS Exit Capacity that it had registered for any Day (“**Maximum Daily Amount**”) in Gas Year 2006/07 at that NTS Exit Point, subject to the aggregate quantity of Initial Enduring NTS Exit (Flat) Capacity allocated not being greater than the baseline level of capacity for Gas Year 2011/12 for that NTS Exit Point. Where this is not the case, each Shipper User will be allocated an Initial Enduring NTS Exit (Flat) Capacity equal to the quantity determined by prorating firstly its interruption proportion, then (if required) its firm proportion, of its Maximum Daily Amount such that the sum of each User’s initial rights equals the baseline.
- 48.2. Users at Shared Supply Meter Points and CSEPs may nominate a User Agent or Overrun User to be the “**Exit Capacity Booking Agent**” to provide the User’s initial allocation of Enduring NTS Exit (Flat) Capacity (the “**Agent Allocation**”) subject to the following timetable/process:
- 48.2.1. Each Registered User on the 31 May 2008 at the NTS Supply Point or CSEP will, by the 5th Business Day in June 2008, nominate an Exit Capacity Booking Agent to provide its Agent Allocation;
- 48.2.2. Providing all Registered Users at the NTS Supply Point or CSEP have nominated an Exit Capacity Booking Agent by the 5th Business Day of June 2008, and that Exit Capacity Booking Agent is the same for all Registered Users, National Grid NTS will by no later than the 10th Business Day of June 2008 provide to the Exit Capacity Booking Agent the aggregate quantity of initial Enduring NTS Exit (Flat) Capacity to be allocated;
- 48.2.3. Such initial aggregate Enduring NTS Exit (Flat) Capacity to be allocated will be the lesser of the aggregate Firm and Interruptible NTS Exit Capacity that the relevant Shipper Users had registered at 31 May 2008 and the baseline level of capacity for Gas Year 2011/12;
- 48.2.4. The Exit Capacity Booking Agent will by the 15th Business Day in June 2008 provide National Grid NTS with Agent Allocations for each Registered User, which in aggregate will equal the aggregate quantity notified by National Grid NTS to the Exit Capacity Booking Agent. For the avoidance of doubt an Agent Allocation for a Registered User could be zero;
- 48.2.5. If the Exit Capacity Booking Agent fails to provide Agent Allocations in accordance with paragraph 48.2.4 for each Registered User by the 15th Business Day in June 2008, National Grid NTS will allocate initial Enduring NTS Exit (Flat) Capacity in accordance with paragraph 48.1 above.
- 48.3. NTS/LDZ Offtakes – each relevant DNO User will be registered the NTS Offtake (Flat) Capacity that it registered for Gas Year 2011/12 (to be stated in the September 2007 Offtake Capacity Statement) at that NTS Exit Point.

49. Notwithstanding the above, Users may apply to reduce their initial allocation of Enduring NTS Exit (Flat) Capacity, effective from Gas Year 2011/2 and notified to them by National Grid NTS by 01 July 2008, in the Reduction Application Window of each year Y_N , where Y_N is 2008, 2009 or 2010.
50. In the case of new Firm NTS Supply Points/CSEPs that are commissioned prior to 01 October 2011, the User's Initial Enduring NTS Exit (Flat) Capacity will be the first Registered NTS Exit Capacity at that new Firm NTS Supply Point /CSEP on the 30 September 2011.

Transitional Timetable

51. The following describes the transitional timetable leading up to full implementation of the enduring regime, taking into consideration timescales for system functionality to be developed:

Date Held	Product (Flat/Flex)	Auction/ Application	Annual/Long/ Medium/Short Term	Period
July 2008 (reductions by 15 July)	Flat	Applications by all Users	Long Term (Increase and reductions)	October 2011 onwards
July 2008	Flexibility	Applications by DNO Users	Long Term (Increase and reductions)	October 2011 to September 2013
July 2009 (reductions by 15 July)	Flat	Applications by all Users	Long Term (Increase and reductions)	October 2012 onwards (increases) and October 2011 (reductions)
October 2008	Flexibility	Aggregate Daily Flow and Flexibility Usage by NTS Exit Zone		Each Day from 2 October 2008 Onwards
July 2009	Flexibility	Applications by DNO Users	Long Term (Increase and reductions)	October 2011 to September 2014
July 2009	Flat	Applications by all Users	Medium Term	October 2011 to September 2012
October 2009	Linepack	Opening and Closing Linepack position by Linepack Area		Each Day from 2 October 2009 Onwards
July 2010 (reductions by 15 July)	Flat	Applications by all Users	Long Term (Increase and reductions)	October 2013 onwards (increases) and October 2011 (reductions)
July 2010	Flexibility	Applications by DNO Users	Long Term (Increase and reductions)	October 2011 to September 2015
July 2010	Flat	Transfers/Assignments		October 2011 onwards
July 2010	Flat	Applications by all Users	Medium Term	October 2011 to September 2013
Oct-2010	Flat	Holdings considered in security/indebtedness processes.		October 2011

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Date Held	Product (Flat/Flex)	Auction/ Application	Annual/Long/ Medium/Short Term	Period
July 2011 (reductions by 15 July)	Flat	Applications by all Users	Long Term (Increase and reductions)	October 2014 onwards (increases) and October 2011 (reductions)
July 2011	Flexibility	Applications by DNO Users	Long Term (Increase and reductions)	October 2011 to September 2016
July 2011	Flat	Applications by all Users	Medium Term	October 2011 to September 2014
24 September 2011	Flat	Bidding	Short Term	01 October 2011
30 September 2011	Flat (Day ahead) + Flat (Interruptible)	Auctions	Short Term	01 October 2011
01 October 2011	Flat (within Day)	Auction	Short Term	01 October 2011
November 2011	Flat	Invoices issued		For October 2011

Section 1: Long Term NTS Exit Capacity Sales

Unconstrained Sale, Years 4 onwards

High Level Principles

52. Users may apply for new (if no previous holdings) or additional Enduring NTS Exit (Flat) Capacity at an NTS Exit Point through the Long Term Release process.
53. Such applications will result in the User being registered and therefore, subject to paragraphs 36 to 46 above, having to pay for, NTS Exit (Flat) Capacity for four (4) Gas Years, based on the new total quantity of Enduring NTS Exit (Flat) Capacity that it would hold.

Application

54. A User may apply for Enduring NTS Exit (Flat) Capacity rights as follows:
 - 54.1. For applications at new NTS Exit Points; and
 - 54.2. At existing NTS Exit Points where:
 - 54.2.1. Acceptance would lead to NTS Exit (Flat) Capacity exceeding 125% of the sum of the prevailing baseline plus any obligated incremental capacity; or
 - 54.2.2. The application exceeds 10GWh of incremental capacity at any time between 01 October and 30 June in each Gas Year;
 - 54.3. Otherwise, at the “**Annual Application Window**” in July.
 55. For each Business Day during the Annual Application Window, Users will be able submit applications from 08:00 to 17:00.
 56. Users may only submit one application for each NTS Exit Point.
 57. Applications both within and outside the Annual Application Window must specify:
 - 57.1. The User;
 - 57.2. The NTS Exit Point;
 - 57.3. The quantity (in kWh/day) applied for (not less than 100,000 kWh for applications within the Annual Application Window, or otherwise the quantity specified in paragraphs 54.2.1 and 54.2.2 above);
 - 57.4. The earliest date for which the Enduring NTS Exit (Flat) Capacity is requested, which will not be:
 - 57.4.1. For applications within the Annual Application Window Gas Year Y_N , earlier than 01 October Y_{N+4} ; or
 - 57.4.2. For applications outside the Annual Application Window, less than six (6) months from the date of application;
- and

- 57.5. The latest date for which the Enduring NTS Exit (Flat) Capacity is requested, which will not be:
- 57.5.1. For applications within the Annual Application Window in Gas Year Y_N , 01 October Y_{N+6}
 - 57.5.2. For applications outside the Annual Application Window, 01 October three (3) years after the expiry of the next Annual Application Window.
- 57.6. For applications outside the Annual Application Window, subject to the limits set out in paragraphs 57.4 and 57.5 above, the User will be entitled to specify a single date as both the earliest and latest date in its application.
58. For applications outside the Annual Application Window, a User may apply for Enduring NTS Exit (Flat) Capacity in tranches. If this is the case, the User must also specify, for each tranche, the quantity, and the earliest and latest date within its application.
59. Applications may be modified and withdrawn by the relevant User throughout the Annual Application Window.
60. National Grid NTS will reject any applications at the end of the Annual Application Window (ie the last Business Day in July) or prior to making an offer under paragraph 63 below:
- 60.1. That do not meet the criteria set out in paragraphs 57 and 58 above; or
 - 60.2. The User does not meet the required credit requirements (see Section 8 below), ie if a User has a credit sanction in place its applications will be rejected (either by being prevented from placing applications or by rejection at allocation).
61. In the case of new NTS Exit Points, applications shall be accompanied by standard connection documentation used by Users (both Shipper Users and DNO Users) for initiating new NTS Exit Point connections.

Allocation Principles

62. National Grid NTS will accept and notify each User of its allocations resulting from applications made in the Annual Application Window by 30 September each Gas Year. This will follow the completion of any required processes under the ExCR Methodology Statement (as described in paragraph 67 below) and completion of credit checks.
63. In the case of applications made outside the Annual Application Window, National Grid NTS will be required, as soon as possible after receiving such an application, but in any event within 90 days, unless agreed otherwise with the User, to make an offer to the User. Such offer will state the amount of the Enduring NTS Exit (Flat) Capacity that can be made available and the date(s) it can be made available by and the Demonstration Date where applicable.
64. The amount of Enduring NTS Exit (Flat) Capacity offered will equate to that requested in the application and the date(s) it is made available will, for applications made outside the Annual Application Window, not be earlier than the earliest date or later than the latest date specified in the application. National Grid NTS will be required to use its reasonable endeavours to offer Enduring NTS Exit (Flat) Capacity in the quantities required as close as possible to the earliest date specified in any application outside the Annual Application Window.
65. National Grid NTS may, with agreement from the applicant User, extend the period they are required to offer the User Enduring NTS Exit (Flat) Capacity beyond 90 days

66. The User will have thirty (30) days to accept or reject National Grid NTS's offer. Following such acceptance, which may only be for the whole allocation, the User will be registered as holding the requested new total quantity of Enduring NTS Exit (Flat) Capacity from the first Day that the NTS Exit (Flat) Capacity is allocated, (the "**Registration Date**"), to the fourth anniversary of that allocation ie the User is committed to pay for four (4) years of NTS Exit (Flat) Capacity charges based on the new total level of its enduring rights holding.
67. In the event that acceptance of such applications for additional Enduring NTS Exit (Flat) Capacity would result in the aggregate level at an NTS Exit Point to be above the baseline from or after the first Day of allocation, then National Grid NTS will apply to the Authority requesting the release of incremental NTS Exit (Flat) Capacity to ensure remuneration for any required investments. As part of this application, National Grid NTS may request baseline reductions at other NTS Exit Points to avoid or reduce resulting investment costs by removing the obligation to sell any unsold capacity (to be detailed in the enduring ExCR Methodology Statement).

Post Application Information Provision

68. In respect of Enduring NTS Exit (Flat) Capacity applied for in the Annual Application Window, not later than twenty four (24) hours after each User has been notified of its allocation, National Grid NTS will publish the following information by NTS Exit Point by month:
 - 68.1. Aggregate quantity allocated;
 - 68.2. Aggregate quantity of reductions accepted and from when such reductions apply;
 - 68.3. Incremental quantity (where applicable); and
 - 68.4. Number of Users applying for additional enduring rights.
69. In respect of Enduring NTS Exit (Flat) Capacity applied for outside the Annual Application Window, National Grid NTS will publish the following details to all Users within 10 days of acceptance of the offer:
 - 69.1. NTS Exit Point
 - 69.2. Quantity of Enduring NTS Exit (Flat) Capacity reserved
 - 69.3. Registration Date
 - 69.4. Demonstration Date (if applicable)
70. For clarity, a revised baseline quantity (ie including any reductions accepted by the Authority) will be published as part of the ExCR Methodology Statement or National Grid NTS' Licence.

Staged Commitment at New NTS Exit Points

71. Where:
 - 71.1. A valid application has been made by a User outside the Annual Application Window: and
 - 71.2. National Grid NTS has identified that investment would be required on the NTS, in order to meet the NTS Exit (Flat) Capacity application,

National Grid NTS will notify the applicant User of the latest date at which it would require demonstration under paragraph 72 below in order to award binding construction contracts for reinforcement or extension of the NTS (the “**Demonstration Date**”).

72. In order to retain the Registration Date the User must, by the Demonstration Date, demonstrate to the reasonable satisfaction of National Grid NTS that the Registration Date is achievable. It is anticipated that satisfaction could be demonstrated by relevant consents having been secured or are securable, board approval having been given or that its construction programme is on target.
73. If the User has not provided the required demonstration by the Demonstration Date and the User is not subject to a Credit Restriction, National Grid NTS may defer investment if it so chooses. At the same time, National Grid NTS will extend the Demonstration Date by one (1) year, unless agreed otherwise with the User and will be entitled to extend the Reserved Date by no more than one year.
74. Unless agreed by the User, National Grid NTS may not revise the Registration Date and/or Demonstration Date where it has failed to meet the timescales stated in any contract to provide a connecting pipeline to the new NTS Exit Point.
75. If the User does not provide the required demonstration on three (3) separate occasions, then National Grid NTS may cancel the construction programme. In this case:
 - 75.1. The registration of NTS Exit (Flat) Capacity will be cancelled;
 - 75.2. The applicant User will not be subject to any consequential four (4) years’ User commitment; and
 - 75.3. The applicant User will be liable for all design work costs incurred by National Grid NTS prior to the Demonstration Date, in respect of its necessary investment on the NTS required to fulfil the capacity application.
76. Paragraphs 71 to 75 above will not apply to applications made within the Annual Application Window.

NTS Exit ARCA

77. National Grid NTS may enter into ARCAs (in accordance National Grid NTS’ Standard Condition 4B Statement – Principles and Methods to be used to determine charges NTS connection services) with a Non-Code party (the “**Reservation Party**”) at any time for the reservation of Enduring NTS Exit (Flat) Capacity (the “**Reserved Capacity**”) from the date agreed with National Grid NTS, which will not normally be more than forty eight (48) months at an NTS Exit Point.
78. The Reservation Party may nominate any User, subject to such User meeting the required credit checks, to be registered as holding part or all of the Reserved Capacity from the date agreed in accordance with paragraph 77 for the NTS Exit Point.
79. After nomination of such a User, it will be entitled to be registered as holding such quantities of Enduring NTS Exit (Flat) Capacity as if it had registered the capacity on the date that the ARCA was agreed.
80. The Reservation Party will be obliged to pay National Grid NTS an amount, if any, from the first Day that the NTS Exit (Flat) Capacity was reserved to the fourth anniversary of that reservation. The capacity will be determined as:
 - 80.1. The difference between the Reserved Capacity and capacity actually registered by Users at that NTS Exit Point for each Day in that Gas Year, multiplied by

- 80.2. The charge for Enduring NTS Exit (Flat) Capacity for each Day in that Gas Year.
81. Where National Grid NTS has entered into an ARCA, the quantity of Reserved Capacity will be treated as if it were registered by a User for the purposes of determining Unsold Capacity.

Section 2: Medium Term NTS Exit Capacity Sales

Constrained Sale, Years 1, 2 and 3 Ahead

High Level Principles

82. Users may apply for Annual NTS Exit (Flat) Capacity for Gas Year Y_{N+1} to Gas Year Y_{N+3} (inclusive) at any NTS Exit Point in the Annual Application Window held in each Gas Year Y_N (eg In July 2011, Users will be able to apply for Annual NTS Exit (Flat) Capacity for Gas Years 2011/12 to 2013/14).
83. Users will pay the price set out in the Statement of Gas Transmission Transportation Charges.

Invitation

84. National Grid NTS will notify Users of relevant details for the Annual NTS Exit (Flat) Capacity available for allocation by issuing an annual notification not less than twenty eight (28) days before the commencement of the Annual Application Window.
85. The annual notification will specify available Annual NTS Exit (Flat) Capacity for each NTS Exit Point for each Gas Year.
86. The available Annual NTS Exit (Flat) Capacity for each Gas Year will be for unsold NTS Exit (Flat) Capacity, ie the difference between the baseline quantity for the NTS Exit Points and the previously allocated capacity.

Application

87. Only one application by each User for each NTS Exit Point is permitted for NTS Exit (Flat) Capacity. This must specify:
 - 87.1. The User;
 - 87.2. The NTS Exit Point;
 - 87.3. The Gas Year(s) that the application is for;
 - 87.4. The NTS Exit (Flat) Capacity quantity applied for (in kWh/Day) (not less than 100,000 kWh/Day and not greater than the available NTS Exit (Flat) Capacity); and
 - 87.5. The minimum quantity of NTS Exit (Flat) Capacity the User is willing to be allocated.
88. The NTS Exit (Flat) Capacity quantity applied for (in kWh/Day) must be equal to or less than the available Annual NTS Exit (Flat) Capacity for that NTS Exit Point for that Gas Year.
89. If a User has a credit sanction in place its application will not be accepted.
90. National Grid NTS will reject a User's application if any one of these criteria is not met.

Allocation Principles

91. Where a credit sanction is in place, National Grid NTS will not allocate NTS Exit (Flat) Capacity to the User and the User's applications will be rejected.

92. National Grid NTS will have until 5 Business Days after the end of the Annual Application Window, to complete the allocation process below and notify the Users of their allocations.
93. All applications for all NTS Exit Points will be considered as part of the allocation process.
94. Where there are two (2) or more applications, and when aggregated the quantity of NTS Exit (Flat) Capacity requested is greater than the quantity available, the allocation will be pro-rated to the applications.
95. Where the quantity to be pro-rated is less than an individual application's minimum quantity this application will be rejected and a revised allocation will be made between the remaining applications.
96. National Grid NTS will not allocate less than 100,000 kWh to each User.
97. For applications made by a User that are successful, that User will be registered as holding NTS Exit (Flat) Capacity for the relevant Period for that NTS Exit Point.

Post Allocation Information Provision

98. Not later than twenty four (24) hours after each User has been notified of its allocation National Grid NTS will publish the following information for each NTS Exit Point for each Gas Year:
 - 98.1. Aggregate quantity requested;
 - 98.2. Aggregate quantity allocated;
 - 98.3. Any remaining unsold baseline NTS Exit (Flat) Capacity (including any NTS Exit (Flat) Capacity that the National Grid NTS is obligated to release);
 - 98.4. Number of Users who submitted applications; and
 - 98.5. Number of successful Users

Section 3: Daily Release Short Term (Firm) NTS Exit Capacity Sales

High Level Principles

99. National Grid NTS will hold Short Term NTS Exit (Flat) Capacity auction sales Daily at 15:00 D-1 and at 08:00, 14:00, 18:00, 22:00 and 01:00 on the Day. In addition, National Grid NTS will be able to hold Daily auctions at other times with sixty (60) minutes prior notice to Users.

Bidding

100. Applications for Daily Firm NTS Exit (Flat) Capacity must specify:
- 100.1. The User;
 - 100.2. The NTS Exit Point;
 - 100.3. The date/Day for which the NTS Exit (Flat) Capacity is applicable for;
 - 100.4. The quantity of Daily Firm NTS Exit (Flat) Capacity bid for (not less than 100,000 kWh);
 - 100.5. The minimum quantity of Daily Firm NTS Exit (Flat) Capacity bid for (not less than 100,000 kWh);
 - 100.6. The price (p/kWh/day) bid by the User, (which must be greater than or equal to the reserve price as set out in the Statement of Transmission Transportation Charges); and
 - 100.7. Whether this bid is “**Evergreen**” (constant quantity) or “**Reducing**” (constant rate). The bid quantity for a Reducing bid application will reduce by 1/n each hour (once the Day has started) where n is the number of hours remaining in the Day from when the application was initially posted.
101. If a User has a credit sanction in place it will be unable to bid in this auction.
102. National Grid NTS will reject a User's bids if any of the above criteria are not met (rejection for the above criteria occurs at the time the User attempts to place the bid(s))

Other Rules

103. Users may place bids between D-7 06:00 and D 00:00 every Day. Only unallocated bids may be modified and withdrawn between these times.
104. Users will be able to place up to ten (10) bids per NTS Exit Point per Day.
105. Bids may be amended (Evergreen) or withdrawn (Evergreen or Reducing) at any time up until the bid is allocated, subject to paragraphs 107 to 109 below. An Evergreen bid may be modified at any time, subject to gate closure rules, until the bid is selected. A Reducing bid may not be modified after the first reduction has taken place. Evergreen or Reducing bids may be withdrawn at any time, subject to gate closure rules, until the bid is accepted.
106. Prior to allocation, if a bid reduces below the minimum quantity, the bid will be rejected.

Gate Closure

107. Users may bid throughout the bid window but only bids placed by the times detailed in paragraph 105 above for D-1 and D will be considered for allocation.

108. The bids placed may be modified or withdrawn before these times but may not be modified or withdrawn after these times until the auction has been run.
109. Once processing has been completed unallocated bids may then be modified or withdrawn.

Allocations

110. For the auctions held at 15:00 ahead of the Day and at 08:00 on the Day, a quantity not less than unsold baseline will be offered for sale at each NTS Exit Point, unless National Grid NTS has identified that there is an impending constraint (subject to National Grid NTS Licence obligations).
111. For auctions held on the Day after 08:00, NTS Exit (Flat) Capacity will be made available at National Grid NTS' discretion.
112. Where a Credit Sanction is in place National Grid NTS will not allocate NTS Exit (Flat) Capacity to the User. The User's bids will be rejected.
113. National Grid NTS will allocate and notify Users within one (1) hour of processing for all auctions subject to there being Daily Firm NTS Exit (Flat) Capacity available
114. On a Day where there is no Daily Firm NTS Exit (Flat) Capacity available at an NTS Exit Point, or there is a quantity less than the 100,000 kWh, National Grid NTS will not allocate.
115. All bids will be ranked in order of price by NTS Exit Point, the highest being ranked first.
116. Daily Firm NTS Exit (Flat) Capacity will be allocated in descending order, allocating the highest priced bid first until the quantity allocated in aggregate (at that NTS Exit Point) equals the quantity of Daily Firm NTS Exit (Flat) Capacity available or there are no more bids to satisfy.
117. When a bid is reached where the quantity of Daily Firm NTS Exit (Flat) Capacity available is less than the quantity bid for, then that bid will not be allocated in full but will be partially allocated. If the minimum quantity specified by the User is greater than the quantity available, then this bid is disregarded within that specific auction and the allocation process will descend to the next bid and apply the allocation process to that bid.
118. If two or more bids have the same price and in aggregate the quantity of Daily Firm NTS Exit (Flat) Capacity requested is greater than the quantity available, then the bids will be pro-rated based on the quantities bid for. Where the pro-rated quantity is less than an individual bid's minimum quantity this bid will be disregarded and a revised allocation will be made between the remaining equally priced bids. If the pro-rated quantity, for all the equally placed bids is below the minimum quantity required these bids are disregarded within that allocation process, which then steps down to the next bid(s) to continue the allocation.
119. National Grid NTS will not allocate a Daily Firm NTS Exit (Flat) Capacity quantity less than 100,000 kWh.
120. Any bid that has been disregarded during the allocation process will be available for modification and withdrawal once the allocation processes have been completed.
121. Any bids that have been placed and have not been allocated after the final allocation process at D 00:00 will be rejected.

122. Any bids made by a User that are successful, register that User as holding Firm NTS Exit (Flat) Capacity rights for the relevant Day and time period for that NTS Exit Point.
123. The Users who are subsequently allocated Daily Firm NTS Exit (Flat) Capacity at that NTS Exit Point, will be liable to pay for their allocated bid quantity multiplied by the bid price.

Post Auction Information Provision

124. Not later than one (1) hour after each User has been notified of its allocation the National Grid NTS will publish the following information for each NTS Exit Point for each Day:
 - 108.1. Weighted Average Price of all successful bids;
 - 108.2. Aggregate quantity allocated;
 - 108.3. Unsold baseline;
 - 108.4. Number of Users who submitted bids;
 - 108.5. Number of successful Users;
 - 108.6. The highest price accepted;
 - 108.7. The quantity accepted associated to the highest price;
 - 108.8. The lowest price accepted; and
 - 108.9. The quantity accepted associated to the lowest price.

Section 4: Daily Interruptible NTS Exit Capacity Sales

High Level Principles

125. National Grid NTS will hold Short Term Interruptible NTS Exit (Flat) Capacity auctions Daily at 15.00 D-1.
126. The quantity of Daily Interruptible NTS Exit (Flat) Capacity to be released at each NTS Exit Point will be equal to:
 - 126.1. A **“Use It or Lose It (UIOLI)”** quantity determined as the **“Daily Average Unutilised NTS Exit Firm Capacity”**; plus
 - 126.2. Any discretionary quantity which National Grid NTS may wish to make available which does not jeopardise supplies of gas to Firm NTS Exit (Flat) Capacity holders.
127. The Daily Average Unutilised NTS Exit Firm Capacity for an NTS Exit Point is a quantity equal to:

$$\text{AUC} / 30$$

Where:

AUC is the aggregate quantity for each relevant Day by which the Firm NTS Exit (Flat) Capacity at the NTS Exit Point held by Users in aggregate exceeds the DQO summed over the 30 Day period ending on and including Day D-7.

Bidding

128. An application for Daily Interruptible NTS Exit (Flat) Capacity must specify:
 - 128.1. The User;
 - 128.2. The NTS Exit Point;
 - 128.3. The date/Day for which the application is applies to;
 - 128.4. The maximum quantity of Daily Interruptible NTS Exit (Flat) Capacity bid for (not less than 100,000 kWh); and
 - 128.5. The minimum quantity of Daily Interruptible NTS Exit (Flat) Capacity bid for (not less than 100,000 kWh).
129. The price bid for by the User must be greater than or equal to the reserve price stated in Statement of Transmission Transportation Charges.
130. If a User has a credit sanction in place at the time of their bid, it will be unable to bid in this auction.
131. National Grid NTS will reject a User's bids if any of the above criteria are not met (rejection occurs at the time the User attempts to place the bid(s)).

Other Rules

132. The bid window is open between D-7 06:00 and D-1 14:00 every day. Bids may be added, modified and withdrawn between these times.

133. Each User may make no more than ten (10) bids at each NTS Exit Point for each Day

Allocations

134. National Grid NTS will allocate the Daily Interruptible NTS Exit (Flat) Capacity and notify Users of their allocations within one (1) hour of the auction being run at 15:00 on D-1.

135. Where a credit sanction is in place National Grid NTS will not allocate Daily Interruptible NTS Exit (Flat) Capacity to the User. The User's bids will be rejected.

136. On a Day where there is no Daily Interruptible NTS Exit (Flat) Capacity available at an NTS Exit Point or there is a quantity less than 100,000 kWh, National Grid NTS will not allocate.

137. All bids will be ranked in order of price by NTS Exit Point, the highest being ranked first.¹

138. Daily Interruptible NTS Exit (Flat) Capacity Bids will be allocated in descending order, allocating the highest priced bid first until the quantity allocated in aggregate (at that NTS Exit Point(s)) equals the quantity of Daily Interruptible NTS Exit (Flat) Capacity available or there are no more bids to satisfy.

139. When a bid is reached where the quantity of Daily Interruptible NTS Exit (Flat) Capacity available is less than the quantity bid for, then that bid will not be allocated in full but will be partially allocated. If the minimum quantity specified by the User is greater than the quantity available, then this bid is rejected and the allocation process will descend to the next bid and apply the allocation process to that bid.

140. If two or more bids have the same price and in aggregate the quantity of Daily Interruptible NTS Exit (Flat) Capacity requested is greater than the quantity available, then the bids will be pro-rated based on the quantities bid. Where the quantity to be pro-rated is less than an individual bids' minimum quantity this bid will be rejected and a revised allocation will be made between the remaining equally priced bids. If the pro-rated quantity, for all the equally placed bids is below the minimum quantity required these bids are rejected and the allocation process which then steps down to the next bid(s) to continue the allocation.

141. National Grid NTS will not allocate a Daily Interruptible NTS Exit (Flat) Capacity quantity less than 100,000 kWh.

142. Any bids that have not been allocated in the Daily Interruptible NTS Exit (Flat) Capacity auction will be rejected.

143. Any bids made by a User that are successful, register that User as holding Interruptible NTS Exit (Flat) Capacity rights for the relevant Day for that NTS Exit Point.

144. The Users that are subsequently allocated Daily Interruptible NTS Exit (Flat) Capacity at that NTS Exit Point will be liable to pay for their allocated bid quantity multiplied by the bid price.

145. Any Daily Interruptible NTS Exit (Flat) Capacity allocated to a User will be included in their aggregate NTS Exit (Flat) Capacity holding and will be used in the calculation of NTS Exit (Flat) Capacity Overruns.

Post Auction Information Provision

146. Not later than one (1) hour after each User has been notified of their allocation, National Grid NTS will publish the following information for each NTS Exit Point for each Day:

¹ National Grid NTS may elect to consider bids at a number of Exit Points where Interruption would have the same effect. In this case, bids from all the relevant Exit Points will be ranked together.

- 146.1. Weighted Average Price of all successful bids;
- 146.2. Aggregate quantity allocated;
- 146.3. Number of Users who submitted bids;
- 146.4. Number of successful Users;
- 146.5. The highest price accepted;
- 146.6. The quantity accepted associated to the highest price;
- 146.7. The lowest price accepted; and
- 146.8. The quantity accepted associated to the lowest price.

Section 5: Transfers and Assignment of NTS Exit Capacity

147. National Grid NTS will facilitate secondary transfers (trading) of NTS Exit (Flat) Capacity at an NTS Exit Point, ie a User will be able to transfer (trade) any quantity of capacity at an NTS Exit Point to another User at the same NTS Exit Point, but the primary holder will still remain liable for paying the relevant capacity charges.
148. National Grid NTS will also facilitate primary transfer (assignment) of a User's capacity holding to another User at an NTS Exit Point, ie a User will be able to assign its capacity holdings at an NTS Exit to another User at the same NTS Exit Point, including the liability to pay the relevant capacity charges.
149. The system functionality for transfers and assignment of NTS Exit (Flat) Capacity will be available from 01 August 2010.

Secondary Transfers (Trades)

150. A User ("**Transferor User**") will be able to transfer all or part of its Firm NTS Exit (Flat) Capacity at an NTS Exit Point for a Day or Days to another User ("**Transferee User**") at the same NTS Exit Point.
151. To facilitate a transfer, the Transferor User must notify, and the Transferee User must confirm, to National Grid NTS:
 - 151.1. The identity of the Transferor User and Transferee User;
 - 151.2. The NTS Exit Point;
 - 151.3. The quantity of NTS Exit (Flat) Capacity to be transferred; and
 - 151.4. The relevant Day or Days for the transfers.
152. Transfers may not be notified in respect of any Day within a Gas Year later than 04:00 hours on the Day or first Day for which capacity is requested to be transferred.
153. Transfers may be rejected by National Grid NTS where the requested transfer quantity exceeds the Transferor User's Fully Adjusted NTS Exit (Flat) Capacity as it stood prior to the transfer.
154. If a requested transfer has not been rejected within sixty (60) minutes of the notification by the Transferor User and the Transferee User (whichever is later), that transfer will be deemed to have been accepted by National Grid NTS.
155. If a transfer has been accepted, the transferred capacity for the relevant Day(s) will be:
 - 155.1. Deducted from the Transferor User's Fully Adjusted NTS Exit (Flat) Capacity at the NTS Exit Point, but the Transferor User will continue to be liable for capacity charges for the transferred quantity; and
 - 155.2. Added to the Transferee User's Fully Adjusted NTS Exit (Flat) Capacity at the NTS Exit Point, but the Transferee User will not become liable for capacity charges for the transferred quantity.
156. The revised Users' Fully Adjusted NTS Exit (Flat) Capacity for both Users will be used in the calculation of NTS Exit (Flat) Capacity Overrun Charges and other liabilities associated with NTS Exit arrangements. However, the Transferor User will remain liable for the payment of NTS Exit (Flat) Capacity charges and any remaining User commitment.

Assignment (Primary Transfer)

157. A User (“**Assignor User**”) will be able to assign all of its NTS Exit (Flat) Capacity obtained through the long and medium term capacity release mechanisms at an NTS Exit Point to another User (“**Assignee User**”) at the same NTS Exit Point from a specified Day (the “**Assignment Day**”).
158. To facilitate a capacity assignment, the Assignor User must notify, and the Assignee User must confirm, to National Grid NTS:
 - 158.1. The identities of the Assignor User and Assignee User;
 - 158.2. The NTS Exit Point; and
 - 158.3. The Assignment Day.
159. Assignments may not be notified later than five (5) Business Days before the Assignment Day.
160. Assignments will be rejected by National Grid NTS where the Assignee User does not meet the required credit worthiness.
161. If a requested assignment has not been rejected within 4 Business Days of the notification by the Assignor User and the Assignee User (whichever is later), that assignment will be deemed to have been accepted by National Grid NTS.
162. If an assignment has been accepted:
 - 162.1. The Assignor User’s NTS Exit (Flat) Capacity holdings at the NTS Exit Point will be reduced to zero and the Assignor will no longer be liable for capacity charges for the assigned quantity from the Assignment Day;
 - 162.2. The Assignee User’s NTS Exit (Flat) Capacity holdings at the NTS Exit Point will be increased by the Assignor’s NTS Exit (Flat) Capacity, and the Assignee will become liable for capacity charges for the assigned quantity from the Assignment Day;
 - 162.3. The Assignee User takes on any remaining commitment associated with any Enduring NTS Exit (Flat) Capacity from the Assignor User with effect from the Assignment Day (e.g. the Assignor User had registered Enduring NTS Exit (Flat) Capacity from Gas Year Y+4 resulting in a commitment to pay NTS Exit (Flat) Capacity Charges for four (4) Gas Years from Y+4 to Y+7. If it assigns its NTS Exit (Flat) Capacity at the end of the first Gas Year of commitment, the Assignee User would become responsible for capacity charges for the remaining three (3) Gas Years Y+5 to Y+7).

Section 6: NTS Exit Capacity Constraint Management

General Principles

163. National Grid NTS will, subject to the obligations contained in Condition C.8.E.1.g of its Licence, be required to buyback Firm NTS Exit (Flat) Capacity from Users in the event that it is unable to meet User requests for gas they wish to offtake from the NTS within their Firm NTS Exit (Flat) Capacity entitlements.
164. An NTS Exit Capacity constraint occurs when physical capability at a point of the NTS is expected to be below anticipated flows (forecast demand) and the aggregate of the NTS Exit (Flat) Capacity holdings at that location, at some time in the remainder of the Day.
165. In accordance with Section 9, National Grid NTS will have an entitlement to a number of maintenance days. NTS ExCMTs will be utilised if any maintenance is undertaken outside these defined maintenance days.
166. The following ExCMTs are currently envisaged (but additional tools may be developed over time):
 - 166.1. Scale back of Daily Interruptible NTS Exit (Flat) Capacity,
 - 166.2. Forward and Option contract(s) for NTS Exit (Flat) Capacity Buyback,
 - 166.3. Daily NTS Exit (Flat) Capacity Buyback,
 - 166.4. Daily purchase of “**Within Day Flow Reductions**” (see paragraphs 221 to 238 below) by National Grid NTS; and
 - 166.5. Locational buy action on the OCM to reduce demand at an Exit Point.
167. The ExCMTs described above will only be used to resolve NTS Exit Capacity constraints, or in the circumstances of a Network Gas Supply Emergency. In a Network Gas Supply Emergency, no payment will be made under the ExCMTs.
168. National Grid NTS will use ExCMTs in accordance with its System Management Principles Statement (SMPS) and will procure such tools in accordance with its Procurement Guidelines.
169. The User will be required to have installed at the NTS Exit Point measuring equipment of a satisfactory standard having due regard to the maximum range of flow rates that would be likely to be experienced, particularly where the NTS Exit Point will participate in resolving constraints via the ExCMTs.

Exercising Daily Interruptible System Exit Capacity Rights

170. Where the system cannot accommodate the expected gas flow rate or where action is requested of the Transporter by the NEC (National Emergency Co-ordinator) National Grid NTS will reduce Daily Interruptible NTS Exit (Flat) Capacity entitlements.
171. Daily Interruptible NTS Exit (Flat) Capacity may be interrupted at any time after 15:00 D-1 before or during the Day but with an effective time not earlier than 06:00 on D and not later than 02:00 on D. If a reduction in Daily Interruptible NTS Exit (Flat) Capacity is necessary within Day then the reduction will be applied with effect from the next hour bar plus 4.
172. A User's Daily Interruptible NTS Exit (Flat) Capacity entitlement will be calculated taking into account any reduction in the entitlement as a result of scaling back of Interruptible entitlements, which may have been called during the Day.

173. Should Daily Interruptible NTS Exit (Flat) Capacity require curtailment, each User's available Daily Interruptible NTS Exit (Flat) Capacity will be determined as:

$$R * (\text{ExICF1} * P1 + \text{ExICF2} * P2 + \dots + \text{ExICFn} * Pn) / 24$$

where:

R is the quantity of the User's available Daily Interruptible NTS Exit (Flat) Capacity for the Day.

ExICF is the "**NTS Exit Interruptible Curtailment Factor**" issued by National Grid NTS in accordance with paragraph 175 below.

P is the period in hours from the curtailment effective time until the effective time of a subsequent curtailment notice or the end of the Day.

174. National Grid NTS will determine the aggregate proportion of Daily Interruptible NTS Exit (Flat) Capacity to be scaled off in the event that it should deem such action necessary.
175. National Grid NTS will issue an "**NTS Exit Interruptible Curtailment Notice (ExICN)**" which will state, the affected NTS Exit Point(s), the ExICF and the effective time the ExICN is to be applied. The ExICN will be issued to all Users.
176. After scaling, a User will have the right to offtake gas at a rate not exceeding 1/24th of their capacity holding multiplied by the ExICF. The User will have no right to flow against any accrued capacity.
177. If at an NTS Exit Point, a User does not have measuring equipment of a satisfactory standard to measure gas flow at the implied rate, post scaling, then it may be required to cease all gas flow for the period to which the scaling instruction applies.
178. The User will pay for the allocated quantity of Daily Interruptible NTS Exit (Flat) Capacity (pre scaling) multiplied by the allocation price.

NTS Exit Capacity Buyback – Option and Forward Contracts

179. National Grid NTS may issue a tender for Option and/or Forward Contracts to affect a buyback ("**NTS Exit (Flat) Capacity Buyback**") of NTS Exit (Flat) Capacity at NTS Exit Point(s). A single tender may include a requirement for 1 or more contract types and NTS Exit Points.
180. A "**Forward Contract**" is an advance buyback of NTS Exit (Flat) Capacity for a pre-agreed period and quantity. National Grid NTS will pay the User for the buyback for that period at a price agreed at the time of the tender.
181. An "**Option Contract**" allows the National Grid NTS to buy a quantity of NTS Exit (Flat) Capacity back from a User on a defined number of Days within a defined period; the exact dates and quantities are determined when the contract is exercised. National Grid NTS will pay a premium for the right to buyback the NTS Exit (Flat) Capacity and an exercise fee should it use that right.
182. Initial tenders are expected to be issued in October 2009.
183. An invitation to tender may be issued by National Grid NTS at any time, but typically be expected to take place on an annual basis for a period of one (1) to seven (7) years ahead but could be any period up to the Day ahead.

184. In the invitation to tender, National Grid NTS will provide information about its requirements; the type of information will include:
 - 184.1. The Period for which the contract would apply;
 - 184.2. The NTS Exit Point(s) for which a contract is required;
 - 184.3. Whether an Option or Forward Contract is required;
 - 184.4. The quantity of the NTS Exit (Flat) Capacity Buyback required at each NTS Exit Point(s); and
 - 184.5. Such further terms and conditions of the invitation as may be required or permitted by the SMPS.
 - 184.6. For Option Contracts the following may also be provided:
 - 184.6.1. Number of Days within the period on which the contract would be exercisable;
 - 184.6.2. Premium Price;
 - 184.6.3. Exercise Price;
 - 184.6.4. Latest Day and time at which the contract could be exercised (relative to Day); and
 - 184.6.5. Lead time for exercise min h+1, max h+24.
 - 184.7. For Forward Contracts the following may also be provided:
 - 184.7.1. Price.
185. If any of the above parameters are not given by the National Grid NTS in the invitation to tender (or a maximum/minimum value is provided), the User would be able to offer a suitable value.
186. A limit on the number of offers made by a User would be placed in the tender.
187. All prices will be in p/kWh/day to four decimal places and all quantities will be in kWh/day.
188. The Contract will be made up of terms and conditions, the invitation to tender and the offer posted by a User and the acceptance by National Grid NTS.
189. The User will be required to accept the terms and conditions (either by way of fax or electronically) before posting an offer and will be bound by the current version of terms and conditions if its offer is accepted.
190. Option premiums will be at a constant rate for all Days in the period, so that if the contract period spans a number of months a pro-rata proportion is allocated to each month.
191. Payment from National Grid NTS to Users for agreed contracts will be invoiced on an Ad-Hoc Invoice. Any payments that are due will be identified on such invoices. These will be produced on a monthly basis for charges arising in the previous month in respect of that previous month.
192. Forward costs will be a constant rate over the period of which the contract applies.

193. On any Day, an NTS Exit (Flat) Capacity Buyback option contract could be exercised either wholly or in part, (subject to the minimum quantity). Once the option quantity has been partially exercised for a Day the remainder will not be available.
194. Each time an NTS Exit (Flat) Capacity Buyback option contract is exercised the number of times remaining for exercise will be decremented by one. Once a contract has been exercised the maximum number of times (as specified in the contract), it will cease to be available.
195. An Option Contract may be exercised by National Grid NTS at any time between the acceptance of the tender and the final exercise time for action for a Day specified at the time of exercise.
196. Following the exercise of an Option Contract prior to the Day, it will be deemed to be effective from 06:00 on the Day to which the exercise applies. For Option Contracts exercised within Day the effective time will be after the agreed lead-time min h+1 - max h+24.
197. The exercise of an Option Contract or the acceptance of a Forward Contract will be a reduction in the User's Fully Adjusted NTS Exit (Flat) Capacity and hence will be deemed to reduce the rate at which the User has a right to offtake gas by the equivalent amount for all remaining hours in the Day following the hour in which the exercise/acceptance becomes effective.
198. A reduction in the User's Fully Adjusted NTS Exit (Flat) Capacity will affect the User's liability for NTS Exit (Flat) Capacity Overruns.

Daily NTS Exit Capacity Buyback

Bidding

199. When National Grid NTS identifies an NTS Exit Capacity constraint, which makes it unable to make gas available at a Firm NTS Exit Point(s) it will initiate an “**NTS Exit Capacity Selection Period**” not earlier than 15:00 D-1. National Grid NTS will notify all Users that such a constraint has been identified, at which NTS Exit Points(s) the offers are required and that a selection period has commenced. During the NTS Exit Capacity Selection Period, National Grid NTS will consider offers to surrender NTS Exit (Flat) Capacity.
200. Only a User may offer to surrender Firm NTS Exit (Flat) Capacity.
201. An offer to surrender Firm Exit Capacity will include:
 - 201.1. The identity of the User;
 - 201.2. The NTS Exit Point;
 - 201.3. Day for which the offer applies;
 - 201.4. The maximum quantity (not less than 100,000 kWh in kWh/day),
 - 201.5. The minimum quantity (not less than 100,000 kWhs in kWh/day),
 - 201.6. The offer price in pence/kWh/Day; and
 - 201.7. Whether the offer is Reducing or Evergreen.
202. An offer:

- 202.1. May be submitted seven (7) Days prior to the offer date and up until 02:00 on the Day.
 - 202.2. May be amended (Evergreen) or withdrawn (Evergreen or Reducing) at any time up until the offer is selected for surrender. An Evergreen offer may be modified at any time, until the offer is selected. The maximum offer quantity for a Reducing offer will reduce by $1/n$ each hour (once the Gas Flow Day has started) where n is the number of hours remaining in the day from when the offer was initially posted. A Reducing offer may not be modified after the first reduction has taken place. Evergreen or Reducing offers may be withdrawn at any time, until the offer is accepted.
 - 202.3. May not be withdrawn during an NTS Exit Capacity Selection Period (even if it is not at the NTS Exit Point(s) that have the constraint)
203. A maximum of ten (10) offers may be submitted for each NTS Exit Point.
 204. National Grid NTS may reject an offer if any of the inclusions above are not adhered to. Rejection for the criteria set out in paragraphs 201 to 203 above occurs at the time the User attempts to place the offer(s). National Grid NTS may also reject an offer if the implied revised gas flow rate would not be within an acceptable meter range for that NTS Exit Point.
 205. National Grid NTS will reject a Reducing offer in the event that the maximum quantity is reduced to below the minimum quantity.
 206. National Grid NTS will accept NTS Exit (Flat) Capacity offers in accordance with the SMPS and the quantity of Firm NTS Exit (Flat) Capacity held by each User will be reduced by the quantity for which the accepted offer was selected.

Allocation

207. All offers will be ranked in order of price by NTS Exit Point(s), by period with the lowest ranked first
208. Offers will be allocated in ascending order, allocating the lowest priced offer first until the quantity allocated in aggregate of NTS Exit (Flat) Capacity at that NTS Exit Point equals the quantity of NTS Exit (Flat) Capacity Buyback required or until there are no more offers to take.
209. When an offer is received where the quantity of NTS Exit (Flat) Capacity Buyback required is less than the quantity offered, then that offer will not be allocated in full but partially allocated to the quantity of NTS Exit (Flat) Capacity Buyback required. If the minimum quantity specified by the User is greater than the NTS Exit (Flat) Capacity Buyback quantity required, the offer will be disregarded and the allocation process will descend to the next offer and apply the allocation process from there.
210. Where two or more offers have the same price, and when aggregated the quantity of NTS Exit (Flat) Capacity Buyback offered is greater than the quantity required then the offers will be pro-rated based on the quantities offered.
211. Where the quantity to be pro-rated is less than an individual offer's minimum quantity this offer will be disregarded and a revised allocation will be made between the remaining equally priced offers or if all the equally priced offers are disregarded then the allocation process steps down to the next offer(s) to continue allocation.
212. National Grid NTS will not allocate less than 100,000 kWh.

- 213. Any offers made by a User that are successful reduce that User's Fully Adjusted NTS Exit (Flat) Capacity for the relevant period for that NTS Exit Point.
- 214. The final allocation time will be 02.00 D.
- 215. Any offers that have been placed and have not been allocated after the final allocation process will be rejected.

Post Auction Information Provision

- 216. National Grid NTS will no later than one (1) hour after processing of the offer inform the User of those of its offers that have been accepted, by product, the quantity of NTS Exit (Flat) Capacity that has been surrendered for each offer and the quantity by which it's available NTS Exit (Flat) Capacity has been reduced for each NTS Exit Point.
- 217. National Grid NTS will no later than 1 hour after acceptance of offers publish information in respect of the accepted offers:
 - 217.1. The NTS Exit Point(s);
 - 217.2. The Day; and
 - 217.3. The total quantity bought.
- 218. National Grid NTS will no later than 12:00 on D+1 publish:
 - 218.1. The NTS Exit Point(s);
 - 218.2. The Day;
 - 218.3. The highest buyback price in pence/kWh/day; and
 - 218.4. The buyback quantity accepted in kWh/day.
- 219. Payments from National Grid NTS to the User(s) will be made via the NTS Exit Capacity Invoice.
- 220. These will be produced at the beginning of the month following the month in which the NTS Exit (Flat) Capacity Buybacks occurred.

Within Day Flow Reductions

- 221. **"Within Day Flow Reductions"** will be initiated by National Grid NTS to manage within Day flow rate variations, where National Grid NTS identify a within Day constraint. A within Day constraint will be identified where flow rate variations exceed the system capability.
- 222. National Grid NTS will initiate a **"Within Day Flow Reduction Period"** by notifying Users of:
 - 222.1. The NTS Exit Point(s) where a Within Day Flow Reduction is required;
 - 222.2. The required quantity;
 - 222.3. The time by which the reduction is required; and
 - 222.4. The time at which the offer assessment will be carried out.
- 223. Users will then be able to submit offers to National Grid NTS detailing :

- 223.1. The NTS Exit Point;
 - 223.2. The maximum offer quantity;
 - 223.3. The minimum offer quantity acceptable to the User; and
 - 223.4. The period over which the reduction would be effective.
224. In respect of the reduction made as part of the offer, this will be referenced against its IOPN at the time that Users are invited to make offers in respect of Within Day Flow Reductions.
225. National Grid NTS will reject any offers if any of these criteria are not met (rejection for the above criteria occurs at the time the User attempts to place the offer(s))
226. The User may place up to ten 10 offers at each NTS Exit Point.
227. Offers may be modified and withdrawn up to the time of offer assessment.
228. After the assessment time, National Grid NTS will consider the offers received.

Allocations

229. All offers for the relevant NTS Exit Points will be ranked in order of price, with the lowest ranked first.
230. Within Day Flow Reduction offers will be allocated in ascending order, allocating the lowest priced offer first until the quantity allocated in aggregate, at that NTS Exit Point, equals the quantity of Within Day Flow Reduction required or until there are no more offers to take.
231. When an offer is received where the quantity of Within Day Flow Reduction required is less than the quantity offered, then that offer will not be allocated in full but partially allocated to the quantity of Within Day Flow Reduction required. If the minimum quantity specified by the User is greater than the Within Day Flow Reduction required, the offer will be disregarded and the allocation process will descend to the next offer and apply the allocation process from there.
232. Where two (2) or more offers have the same price, and when aggregated the quantity of Within Day Flow Reduction offered is greater than the quantity required then the offers will be pro-rated based on the quantities offered.
233. Where the quantity to be pro-rated is less than an individual offer's minimum quantity this offer will be disregarded and a revised allocation will be made between the remaining equally priced offers or if all the equally priced offers are disregarded then the allocation process steps down to the next offer(s) to continue allocation.
234. Any offers that have been placed and have not been allocated after the final allocation process, held at D 21:00, will be rejected.

Post Within Day Flow Reduction Information Provision

235. National Grid NTS will no later than one (1) hour after processing the offer(s) inform the User of those of its offer(s) that have been accepted, and the quantity of Within Day Flow Reduction that has been surrendered for each offer.
236. National Grid NTS will no later than one (1) hour after acceptance of offers will publish the following information regarding the accepted offers:

- 236.1. The NTS Exit Point,
 - 236.2. The Day; and
 - 236.3. The total reduction quantity bought.
237. National Grid NTS will no later than 12:00 on D+1 publish
- 237.1. The NTS Exit Point;
 - 237.2. The Day;
 - 237.3. The highest accepted price in pence/kWh/day; and
 - 237.4. The reduction quantity accepted in kWh/day.
238. Payments from the National Grid NTS to the User(s) will be made via the NTS Exit Capacity Invoice.

Section 7: Charging Arrangements

239. This section describes the charging arrangements that will apply in respect of charges payable by Users to National Grid NTS and charges payable by National Grid NTS to Users.
240. A User will pay to National Grid NTS;
- 240.1. **“NTS Exit (Flat) Capacity Charges”** in respect of its NTS Exit (Flat) Capacity holdings at the end of the Day (as described in this section);
 - 240.2. **“NTS Exit Commodity Charges”** in respect of its use of the NTS on any Day (as described in this section); and
 - 240.3. NTS Exit (Flat) Capacity Overrun Charges (as described in Part I above).
241. National Grid NTS will pay to Users:
- 241.1. **“NTS Exit (Flat) Capacity Surrender Charges”** in respect of accepted buyback offers (as described in this section);
 - 241.2. Non-compliant gas payments and payments relating to its failure to make gas available in accordance with offtake requirements, if incurred, (as described in Section 9 below);

Capacity Charges

242. The NTS Exit (Flat) Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Point as the quantity of NTS Exit (Flat) Capacity of the relevant class multiplied by the Applicable Daily Rate determined as:
- 242.1. In respect of Enduring NTS Exit (Flat) Capacity obtained through initialisation of the regime and/or the Long Term application process, the Enduring NTS Exit (Flat) Capacity charge for that Gas Year as stated in the Statement of Transmission Transportation Charges for that Day;
 - 242.2. In respect of Annual NTS Exit (Flat) Capacity obtained through the Medium Term application process, the Enduring NTS Exit (Flat) Capacity charge for that Gas Year as stated in the Statement of Transmission Transportation Charges for that Day;
 - 242.3. In respect of Daily NTS Exit (Flat) Capacity obtained through the Day ahead or on the day auctions, the bid price submitted by the User and allocated for the relevant Day; and
 - 242.4. In respect of Daily Interruptible NTS Exit (Flat) Capacity obtained through the Day ahead auctions, the bid price submitted by the User and allocated for the relevant Day.
243. Bid prices submitted in the capacity auctions must be at or above the relevant reserve price set for that auction as specified in the Statement of Transmission Transportation Charges.

Commodity Charges

244. The NTS Exit Commodity Charge payable by a User for each Day in respect of the end of day gas offtaken will be determined for each NTS Exit Point as:

- 244.1. In the case of an NTS/LDZ Offtake, a DNO will pay an amount equal to the daily gas offtaken at each of its offtakes multiplied by the Applicable Commodity Rate; and
- 244.2. In the case of an NTS Supply Point or an NTS Connected System Exit Point types b, c or e;
- 244.2.1. The relevant Shipper User(s) will pay an amount equal to its UDQO multiplied at each NTS Exit Point by the Applicable Commodity Rate;
- 244.3. In the case of a Storage Connection Point; Storage use gas providers at Storage Facilities will pay an amount equal to:

$$(SUG / n) * CR$$

where:

SUG is the quantity of storage use gas attributed to the User in accordance with the terms of the Storage Connection Agreement for the Storage Facility;

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

and

CR is the Applicable Commodity Rate.

245. The Applicable Commodity Rates will be specified in the Statement of Transmission Transportation Charges.
246. The current UNC provisions in respect of the NTS Optional Commodity Rate will continue to apply.

Surrender Charges

247. National Grid NTS will pay to the User the NTS Exit (Flat) Capacity Surrender Charge in the event that it accepts from a User a Daily NTS Exit (Flat) Capacity Buyback or a Forward or Option Contract.
248. The NTS Exit (Flat) Capacity Surrender Charge will be determined as:
- 248.1. For a Daily capacity offer, the quantity of NTS Exit (Flat) Capacity accepted by National Grid NTS multiplied by the offer price specified by the User in the offer;
- 248.2. For a Forward or Option Contract the specific surrender charges set out in that contract.
249. National Grid NTS will not pay to the User the NTS Exit Surrender Charge in respect of quantities subject to Failure to Interrupt charges.

Invoicing arrangements

250. All charges will be invoiced and payable in accordance with UNC TPD Section S.
251. The Primary Capacity holder (User) will be invoiced for NTS Exit Capacity charges on the first capacity invoice after the month in which the capacity was valid. Invoices are issued on a monthly basis.

Section 8: Credit Checks and Termination Rules

252. These rules will apply to the NTS Exit Capacity Services contained within these Business Rules. The current credit rules, as applied to entry, are expected to be extended to accommodate NTS Exit Capacity. The rules below provide a summary of the current entry rules updated to reflect the implementation of Modification Proposals 0114AV "Quantification of Value At Risk (VAR) to determine a User's minimum Code Credit Limit Requirement" and 0145 "Management of Users Approaching and Exceeding Code Credit Limit" This Section includes DNOs under the definition of User and as such they would be required to have the appropriate security provisions.

Security and Credit Limits

253. National Grid NTS will determine and assign to each User (in a manner which mirrors the current Code Credit Rules) a Code Credit Limit and will keep the User informed of this.

254. National Grid NTS will make its credit rules and any revisions available. They will outline the following:

254.1. The principles on which the National Grid NTS will assess and from time to time revise its assessment of the credit worthiness of Users (and persons providing surety for Users) and establish credit limits;

254.2. The basis on which a User (with a view to increasing its Code Credit Limit) will provide surety or security for relevant Value at Risk, or (with a view to reducing its Value at Risk) make prepayments to National Grid NTS;

254.3. Procedures by which a User may discuss its Code Credit Limit with National Grid NTS; and

254.4. National Grid NTS will establish the User's maximum relevant indebtedness. This will be an aggregate amount for which a User is at any time liable to National Grid NTS. This will be determined on the basis of amounts accrued and irrespective of whether these amounts have been invoiced or (where invoiced) have become due for payment, less any amount which has been paid to National Grid NTS by the User by way of prepayment.

255. A User's liability for NTS Transportation Services charges in respect of a Day will be treated as accruing on the following Day.

256. A User will be able to dispute whether the National Grid NTS has correctly calculated any such amount.

257. National Grid NTS will be able to dispute the validity of any invoice query submitted by a User.

258. National Grid NTS may review and revise a User's Code Credit Limit by giving minimum notice period of not less than thirty (30) days (or a lesser period if agreed by the User) at:

258.1. Intervals of approximately 12 months,

258.2. The User's request; or

258.3. Where the User's (or any person providing surety for the User) published credit rating is revised downwards, any surety/security expires or National Grid NTS has reasonable grounds to believe that the effect of the review will be to reduce the Code Credit Limit.

259. Where a User's Value at Risk exceeds 80% of its Code Credit Limit, and National Grid NTS has notified the User and at any time following such notice the User's Value at Risk exceeds 100% of its Code Credit Limit (and again has been notified of this) a "**Credit Restriction**" will apply to that User and National Grid NTS will be entitled to reject or refuse to accept any or all of the following (until the User's Value at Risk has been reduced to less than 80% of its Code Credit Limit):
- 259.1. Any application for Firm or Interruptible NTS Exit (Flat) Capacity;
 - 259.2. A User's acceptance under paragraph 66 of National Grid NTS' offer for Enduring NTS Exit (Flat) Capacity;
 - 259.3. The purchase of NTS Exit (Flat) Capacity via a trade with another User; and
 - 259.4. Any other NTS Transportation services.
260. National Grid NTS will also carry out a monthly credit check that will take into account the payments due from the next 12 months worth of NTS Exit (Flat) Capacity, NTS Entry Capacity and any additional NTS Exit products that a User has procured. In the event that a User's Value at Risk exceeds 80% of the User's Code Credit Limit then the National Grid NTS will be entitled to carry out the measures detailed below.
261. Where a User has provided surety/security it may request that National Grid NTS release all or agree to a reduction in the maximum amount of that security.
262. Where a User requests that its security be released or Code Credit Limit be reduced, National Grid NTS will have ten (10) Business Days (from receipt of the request) to release (the security) or reduce (the surety). Security does not need to be released if a User's credit requirements, as calculated in accordance with the credit rules, are greater than the level of security cover that would be left in place if a release were granted by National Grid NTS.
263. Any credit sanction that is in place will only be removed whenever the User's Value at Risk is reduced to less than 80% of its Code Credit Limit.

Termination

DNO Users

264. If a DNO were to be terminated, the incoming DNO that takes over the terminated DNO's NTS Exit Points would become liable for any products that the terminated DNO had procured from National Grid NTS.
265. The incoming DNO would adopt responsibility from the termination date.
266. Trades for any products would be deemed to have been transferred to the incoming DNO or cancelled.
267. Any ExCMTs held by the terminated DNO would pass to the incoming DNO.

Shippers Users

268. If a User were to be terminated, any product that User had not traded on to another User would revert to National Grid NTS.
269. If the terminated User had traded one or more of the products to another User then the following would apply:

- 269.1. If a selling User is terminated then the buying User would have five (5 days to confirm whether it wishes to become the primary owner of the traded quantity. If the buying User confirms that it does not want to maintain the trade then the product would revert to National Grid NTS.
- 269.2. The price paid by the incoming User would be the greater of:
 - 269.2.1. The quantity weighted average price paid by the terminated User for the product for the duration of the trade; or
 - 269.2.2. The applicable reserve price at the location where the incoming User is taking over the product.
270. If a buying User is terminated then the trade would be cancelled and the selling User would revert to being the 'owner' of the product.

Section 9: Liability Arrangements and User Obligations

Failure to make gas available in accordance with offtake requirements

271. In the event the gas made available for offtake by National Grid NTS does not comply with the Applicable Offtake Requirements and the “Offtaking User” has declined to offtake such gas, then National Grid NTS will be liable for the following charges.

NTS Supply Points and CSEPs

272. In the case of NTS Supply Points and CSEPs, the liability amounts will be determined separately for Firm and Interruptible NTS Exit (Flat) Capacity at NTS Exit Points as defined below:

$$C * (1-X/Y) * P * F$$

Where:

272.1. C is the quantity of NTS Exit (Flat) Capacity held by the User at the NTS Exit Point at the time of failure;

272.2. X is the End of Day quantity made available by National Grid NTS for the User;

272.3. Y is the End of Day quantity nominated by the User when the failure first occurred based on the prevailing IOPN at the time of failure at the NTS Exit Point;

272.4. P is the prevailing NTS Exit (Flat) Capacity Charge rate for NTS Exit (Flat) Capacity; and

272.5. F is 10 for Daily Firm NTS Exit (Flat) Capacity and 5 for Daily Interruptible NTS Exit (Flat) Capacity.

NTS/LDZ Offtakes

273. In the case of NTS/LDZ Offtakes, the current liability arrangements in the UNC will continue to apply ie National Grid NTS will recompense DNO User claims for the amount of requested gas that was not made available at NTS/LDZ Offtakes up to the amount of UNC liabilities to Shipper Users at its LDZ Supply Points and CSEPs and Guaranteed and Overall Standards of Service (GOSS) compensation payments to domestic consumers that the DNO consequently incurred as a direct result of NTS failure.

For all NTS Exit Points

274. On any Day where, at an NTS Exit Point, there is an NTS Exit (Flat) Capacity Overrun and as a result of any such overrun National Grid NTS fails to make gas available for offtake at another NTS Exit Point, then the relevant User will be liable to National Grid NTS for all quantities for which the National Grid NTS finds itself liable to any other User as a consequence of not making gas available for offtake.

275. Any dispute regarding the amount payable will be referred to Expert Determination.

276. Compensation Payments will be invoiced according to TPD Section S of the UNC.

277. Current rules within TPD Section V of the UNC regarding Force Majeure will continue to apply.

National Grid NTS obligations to make gas available for offtake

278. National Grid NTS will not be obliged to make gas available for offtake at an NTS Exit Point by a User:
- 278.1. On any Day, where the quantity flowed exceeds the User's NTS Exit (Flat) Capacity;
 - 278.2. At any time, at a rate which exceeds the "**Permitted Offtake Rate**" (as defined in paragraph 280 below); or
 - 278.3. On any Day that is a "**Planned Maintenance Day**" within the permitted number of Days as set out in the relevant Network Exit Agreement (NExA) for direct connects or the OAD for NTS/LDZ Offtakes.
279. To the extent that any of the instances in paragraphs 278.1- 278.3 occur, National Grid NTS will:
- 279.1. Be relieved of its obligation to make payments to the User(s) at the effected NTS Exit Point In accordance with paragraphs 272 and 273; and
 - 279.2. Not be required to conduct NTS Exit Capacity Buyback in accordance with paragraph 199 in relation to the effected NTS Exit Point.

User obligations at NTS Exit Points

280. A User will take all reasonable steps to not offtake gas at an NTS Exit Point at a rate that exceeds the Permitted Offtake Rate as defined in UNC TPD Section J 4.5.10.

Pressure Obligations at NTS/LDZ Offtakes

281. Under the current UNC arrangements, National Grid NTS has a commitment to make gas available for offtake at NTS/LDZ Offtakes at 06:00 and 22:00 each Day at the Assured Offtake Pressures. These Assured Offtake Pressures are intended to support the DNOs satisfying their 1:20 capacity licence obligations.
282. The Assured Offtake Pressures will be set for each NTS/LDZ Offtake for Gas Year 2011/12 by rolling over the pressure commitments that will be granted to DNOs by September 2007 for Gas Year 2010/11 in response to their June/July 2007 applications, unless National Grid NTS or the relevant DNO has requested and been granted a permanent or finite reduction and/or increases as described below:
283. National Grid NTS will be able to request that the relevant DNO agrees to:
- 283.1. A permanent decrease to the Assured Offtake Pressures at an NTS Exit Point in April of each year, detailing:
 - 283.1.1. The requested new Assured Offtake Pressures; and
 - 283.1.2. The start of the Gas Year from which the decrease applies.
 - 283.2. A finite decrease to the Assured Offtake Pressures at any time, detailing
 - 283.2.1. The requested new Assured Pressures; and
 - 283.2.2. The period (minimum of a Day, maximum of a month) for which the decrease applies.
284. A DNO will be able to request that National Grid NTS agrees to:

- 284.1. A permanent increase to the Assured Offtake Pressures at its NTS Exit Points in July of each year, detailing:
- 284.1.1. The requested new Assured Offtake Pressures; and
 - 284.1.2. The start of the Gas Year from which the increase applies
- 284.2. A finite increase to the Assured Offtake Pressures at any time, detailing:
- 284.2.1. The requested new Assured Pressures; and
 - 284.2.2. The period (minimum of a Day, maximum of a month) for which the increase applies.
285. Both the DNO and National Grid NTS must accept such a permanent increase/decrease request within two (2) months or a finite increase/decrease request within ten (10) days unless it would prejudice the safe and efficient operation of its network, with an overriding obligation to co-operate in the establishment of operating pressures to “optimise the safe and efficient operation of the NTS and the LDZ”.
286. National Grid NTS will maintain an “**Assured Offtake Pressure Statement**”² for each DNO summarising for each of its NTS/LDZ Offtakes the Assured Offtakes Pressures, including any agreed permanent or finite increases or decreases.

Non Compliant Gas

287. [In the event that National Grid NTS makes available non-compliant gas, the amount of compensation paid by National Grid NTS to the relevant Users will continue as specified under UNC TPD Section J].

² Publication and governance of this to be established.

Section 10: Monitoring of Flexibility

288. The Daily Flexibility Utilised (DFU) for an NTS Exit Zone will be determined as follows:

$$DFU = DQO_{2200, Z} - ADQO_{2200, Z}$$

where:

$DQO_{2200, Z}$ is the quantity of gas offtaken by all Users between 06:00 hours and 22:00 hours on the Day for all NTS Exit Points in the NTS Exit Zone;

$ADQO_{2200, Z}$ is the average quantity of gas deemed to have been offtaken by all Users at the NTS Exit Zone at an even rate between 06:00 hours and 22:00 hours on the relevant Day.

289. $ADQO_{2200, Z}$ will be determined as follows:

$$ADQO_{2200, Z} = DQO_Z * (16 / 24),$$

where:

DQO_Z is the quantity of gas offtaken by all Users on the Gas Day for all NTS Exit Points in the NTS Exit Zone.

290. The Daily Quantity Offtaken (DQO_{2200}) between 06:00 hours and 22:00 hours on the Day for an NTS Exit Point will be the total measured quantity of gas offtaken by Users at the NTS Exit Point over this period determined in accordance with arrangements as for End of Day measurements under TPD Section E3.

291. From 02 October 2008, for Day 01 October 2008 National Grid NTS will by 12:00 on Day D + 1 publish on its website the following information in respect of Day D for each Exit Zone:

291.1. DQO_Z ;

291.2. $DQO_{2200, Z}$;

291.3. DFU.

292. From 02 October 2009, for Day 01 October 2009 National Grid NTS will by 12:00 on Day D + 1 publish on its website the following information in respect of Day D for each Linepack Area:

292.1. The opening linepack position;

292.2. The actual closing linepack position for each hour of the Day.

293. By 12:00 on Day D + 1 National Grid NTS will publish on its website in respect of Day D for each Exit Point where Interruption was exercised, the quantity so exercised.

294. National Grid NTS will revise the information published under paragraphs 291, 292 and 293 at Day D + 6 and after that if more accurate information becomes available.

295. Definitions of the NTS Exit Zones, NTS Exit Areas, Linepack Areas and the design criteria for NTS Exit (Flexibility) Capacity or linepack variation within them, and nationally, are set out in Appendices 1 and 2 below and will thereafter be updated and specified in National Grid NTS' Exit Capacity Release Methodology Statement

Section 11: Further references in UNC affected by Exit Reform

UNC TPD Section G

- 296. **“IFA (Interruptible Firm Allowance)”** will no longer be offered for NTS Supply Points, as these Interruptible services will be replaced by the introduction of constraint management tools (as described in Section 9 of the Business Rules).
- 297. The Link between SOQ and NTS Exit (Flat) Capacity Booking will be removed.
- 298. In respect of the SPA Process, described in UNC TPD Section G2, all references to SOQ in respect of NTS Supply Points will be reviewed.
- 299. DM Supply Point Capacity and Offtake Rate (UNC TPD Section G5) will apply to LDZ Supply Points only. For NTS Exit Points, NTS Exit (Flat) Capacity requests will be in accordance with UNC Section B of the UNC and Offtake rates will be reviewed in accordance with these Business Rules.
- 300. Interruptible Supply Points (UNC TPD Section G6) – all paragraphs in this Section to be reviewed such that it will only apply in respect of LDZ Supply Points. The rules on NTS sites responding to requests to interrupt will be set out in the SMPS and the term sheets for NTS Constraint Management.
- 301. Partnering Supply Points (UNC TPD Section G.6) to be withdrawn from UNC for NTS Supply Points to align it with the introduction of the proposed constraint management tools, as described in Section 6 of these Business Rules.

CSEP Ancillary Agreements

- 302. The current CSEP Ancillary and Agency Rules contained within the UNC and the CSEP Ancillary Agreements will continue to apply, subject to the following:
 - 302.1. The enduring offtake provisions will apply different provisions to those in the existing NTS CSEP Ancillary Agreements (eg the booking and allocation process for NTS Exit (Flat) Capacity and the introduction of a Firm only product other than Daily Interruptible, overrun calculation). Therefore a provision will be included in the UNC to recognise that in the event of any conflict between the UNC and the CSEP Ancillary Agreements/associated CSEP NEXAs/connection Agreements, the UNC provisions will prevail and accordingly National Grid NTS will apply such provisions and disregard those conflicting provisions in the CSEP Ancillary Agreements. To the extent that the UNC changes resulting from enduring exit reforms do not affect the other provisions of the CSEP Ancillary Agreements, they will continue to operate in accordance with such terms (eg conditions of becoming and ceasing to be a CSEP User, CSEP User Agent, and measurement provisions). Where existing UNC terminology is used in the CSEP Ancillary Agreements, but such terminology is changed as a result of the UNC revisions, the corresponding revised UNC terminology will applied to the extent that its use needs to continue in the CSEP Ancillary Agreements.

UNC OAD Section I - NTS Operational Flows

- 303. The provisions detailed in Section I of the OAD and the table below specifies whether the provisions are to be removed:

Section I Offtake Arrangements Reference	Removed?
I2.1 - General Requirements	No
I2.2 – Initial Offtake Profile Notice	No

Section I Offtake Arrangements Reference	Removed?
I2.3 - Revisions to offtake Profile Notices	No
I2.4 - Revisions Requested by NTS	No
I2.6.1 - Variation of Restrictions	No
I3.1 - Further Provisions of TPD Section J	No
I3.2 - Further Provisions of TPD Section J	No
I4.0 – Pressure	No
I6.0 - Further Provisions	No
I2.5 - Low Demand Days	No
I2.6.2 - Variations of Restrictions	Amended
I5.0 – Interruption	Yes

Revisions requested by DNO Users

304. Where there is an operational event on a DNO's network, National Grid NTS will co-operate with the DNO to ensure security of supply. This may include swapping of flow between NTS/LDZ Offtakes, where possible, to seek to avoid an emergency. In addition, during a Network Gas Supply Emergency, commercial arrangements will be suspended and, in particular, Users will not be liable for any NTS Exit (Flat) Capacity Overrun Changes that may arise as a result of actions undertaken by National Grid NTS under the instruction of the NEC.

Others

305. Other sections of the UNC will require amendment and will be identified as part of development of the legal text.

Appendix 1: NTS Exit Zones

The list in Table 2 below details which NTS Exit Zones the existing NTS Offtakes plus new Distribution Network Offtakes have been attributed to for Gas Year 2010. These have been included in the Business Rules for clarity and will be included in the ExCR rather than the Uniform Network Code. New Exit Points will be included within the appropriate NTS Exit Zone by National Grid NTS.

Table 2 – Attribution of NTS Exit Points to NTS Exit Zones

Count	NTS Exit Point	NTS Exit Zone
1	AberdeenOT	0
2	BalgrayOT	0
3	BPGrngemouthPS	0
4	CarestonOT	0
5	DrumOT	0
6	GlenmavisLNG	0
7	GlenmavisOT	0
8	GowkhallPS	0
9	KinknockieOT	0
10	PeterheadPS	0
11	PitcairnOT	0
12	StFergusOT	0
13	ArmadaleOT	1
14	BroxburnOT	1
15	ColdstreamOT	1
16	HumbletonOT	1
17	HumeOT	1
18	KeldOT	1
19	LangholmOT	1
20	LockerbieOT	1
21	MelkinthorpeOT	1
22	MoffatInt	1
23	NetherHwclghOT	1
24	SaltwickHOT	1
25	SaltwickOT	1
26	SoutraOT	1
27	TowLawOT	1
28	WetheralOT	1
29	AucklandOT	2
30	CorbridgeOT	2
31	GuyzanceOT	2
32	AsselbyOT	3
33	BaldersbyOT	3
34	BASFInd	3
35	BeltoftStor	3
36	BOCTeesInd	3
37	BPSaltendHPIInd	3
38	BurleyBankOT	3
39	CowpenBewleyOT	3
40	EltonOT	3
41	EnronPS	3
42	GansteadOT	3

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Count	NTS Exit Point	NTS Exit Zone
43	GooleGlassInd	3
44	HornseaStor	3
45	ICIBillinghmInd	3
46	LtBurdonOT	3
47	PannalOT	3
48	PaullOT	3
49	PhillipsTeesPS	3
50	PickeringOT	3
51	RawcliffeOT	3
52	RoughStor	3
53	SaltendPS	3
54	ThrintoftOT	3
55	TowtonOT	3
56	AMPaperInd	4
57	BlackburnMInd	4
58	BlackrodOT	4
59	BrdgewaterPInd	4
60	BurtonPointPS	4
61	DeesidePS	4
62	HaysChemInd	4
63	HolmesChapelOT	4
64	ICIRuncornInd	4
65	LuptonOT	4
66	MickleTrafdOT	4
67	PartingtonLNG	4
68	PartingtonOT	4
69	RocksavagePS	4
70	RoosecotePS	4
71	SamlesburyOT	4
72	SellafieldPS	4
73	ShellStarInd	4
74	ShottonPaprlnd	4
75	WarburtonOT	4
76	WestonPointOT	4
77	WinningtonPS	4
78	BlabyOT	5
79	CaldecottOT	5
80	CorbyPS	5
81	MktHarboroughOT	5
82	PeterborEyeOT	5
83	PeterboroPS	5
84	SilkWilloughOT	5
85	TurLangtonOT	5
86	EveshamOT	6
87	LeamingtonOT	6
88	LowerQuintonOT	6
89	RugbyOT	6
90	StratfrdAvonOT	6
91	AylesbeareOT	7
92	BraishfieldAOT	7
93	BraishfieldBOT	7

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Count	NTS Exit Point	NTS Exit Zone
94	DidcotPS	7
95	IlchesterOT	7
96	Ipsden1OT	7
97	KennOT	7
98	MappowderOT	7
99	GtWilbrahamOT	8
100	LtBarfordPS	8
101	PetersGrnNTOT	8
102	PetersGrnSMOT	8
103	RoudhamHeathOT	8
104	RoystonOT	8
105	WhitwellOT	8
106	BarkingPS	9
107	CorytonPS	9
108	DamheadCreekPS	9
109	FarninghamOT	9
110	GtYarmouthPS	9
111	HorndonOT	9
112	LuxboroughLnOT	9
113	MedwayPS	9
114	ShorneOT	9
115	TatsfieldOT	9
116	YelvertonOT	9
117	EppingGreenPS	10
118	MatchngGreenOT	10
119	RyeHousePS	10
120	BlyboroughOT	11
121	BriggPS	11
122	CottamPS	11
123	ImminghamInd	11
124	KeadbyBPS	11
125	KeadbyPS	11
126	Stallingbor1PS	11
127	Stallingbor2PS	11
128	ThorntonCurtOT	11
129	ThorntonCurtPS	11
130	WalesbyOT	11
131	AlrewasEMOT	12
132	AlrewasWMOT	12
133	AspleyOT	12
134	AudleyNWOT	12
135	AudleyWMOT	12
136	AustreyOT	12
137	DrointonOT	12
138	EcclestonOT	12
139	HoleHousFmStor	12
140	Maelor	12
141	MalpasOT	12
142	MilwichOT	12
143	ShustokeOT	12
144	BactonInt	13

Count	NTS Exit Point	NTS Exit Zone
145	BactonOT	13
146	BrisleyOT	13
147	KingsLynnPS	13
148	WestWinchOT	13
149	AvonmouthLNG	14
150	BaglanBayPS	14
151	CirencesterOT	14
152	DowlaisOT	14
153	DyffrynClydOT	14
154	DynevorArmsLNG	14
155	EastonGreyOT	14
156	FiddingtonOT	14
157	GilwernOT	14
158	ICISvrnsidelnd	14
159	LittletnDrewOT	14
160	PucklechurchOT	14
161	RossSWOT	14
162	RossWMOT	14
163	SeabankBPS	14
164	SeabankOT	14
165	SeabankPS	14
166	GosbertonOT	15
167	KirksteadOT	15
168	SpaldingPS	15
169	SuttonBridgeOT	15
170	SuttonBridgePS	15
171	HardwickOT	16
172	WinkfieldNTOT	16
173	WinkfieldSEOT	16
174	WinkfieldSOOT	16

Appendix 2: National, Area and NTS Exit Zone Maximas

This Appendix 2 details the Area, Zonal and National Maxima that usage of Flexibility, as set out in Section 10, will be monitored against. These have been included in the Business Rules for clarity and National Grid NTS envisages that the values in this Appendix 2 will be specified in National Grid NTS's EXCR.

The information displayed in this Appendix 2 will apply for Gas Years 2010/11 and 2011/12 and will subsequently be reviewed annually.

Area	Zone	Zonal Maxima (mcm)	Area Maxima (mcm)	National Maximum (mcm)
North	0	3.58	9.00	22
	1	4.60		
	2	0.40		
	3	3.19		
	4	5.95		
Central	5	1.54	8.00	
	6	0.64		
	11	2.67		
	12	2.21		
	15	1.46		
West	7	2.02	5.00	
	14	1.62		
East	8	2.03	8.00	
	9	3.01		
	10	1.29		
	13	3.26		
	16	1.21		

The notes below explain some of the implications of the values detailed above:

1. Network Analysis indicates that Northern Area might not be able to accommodate simultaneous utilisation of all flexibility capacity holdings should in excess of 9 mcm “migrate” to the North under the allocation mechanism.
2. Central Area: some limited potential for capacity holdings to exceed Area Maximum unless the area limitation is introduced
3. As with North, East Area could not accommodate simultaneous utilisation of all flexibility capacity holdings should in excess of 8 mcm “migrate” to the East under the allocation mechanism