

MODIFICATION 0116V

LEGAL TEXT

TPD SECTION B – SYSTEM USE AND CAPACITY

PARAGRAPH B3

Delete existing text at paragraph 3 and insert new text to read as follows:

3 NTS EXIT CAPACITY

PART A - GENERAL

3.1 Introduction

3.1.1 Subject to the provisions of the Code:

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

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

3.1.3 Users may:

- (a) apply for and be registered as holding NTS Exit Capacity as:
 - (i) Annual NTS Exit Capacity pursuant to an application or invitation in accordance with paragraphs 3.2, 3.4 and 3.7;
 - (ii) Daily NTS Exit Capacity pursuant to an invitation in accordance with paragraphs 3.5, 3.6 and 3.8;
- (b) offer or agree to surrender NTS Exit Capacity in accordance with paragraphs 3.12 and 3.13.

3.1.4 A User may not apply for or offer to surrender NTS Exit Capacity at an NTS Exit Point or NTS Exit Zone in an amount less than:

- (a) in the case of NTS Exit (Flat) Capacity, 100,000 kWh;
 - (b) in the case of NTS Exit (Flexibility) Capacity, 50,000 kWh
- (the "**minimum eligible amount**").

3.1.5 In relation to an NTS Exit Point or (as the case may be, and where applicable) NTS Exit Zone:

- (a) **"Annual"** NTS Exit Capacity is NTS Exit Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a Gas Year;
- (b) **"Daily"** NTS Exit Capacity is NTS Exit Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only;
- (c) **"Prevailing"** Annual NTS Exit (Flat) Capacity is Annual NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User with effect from 1 October in a Gas Year on the basis that the User will continue to hold such amount of capacity subject to reduction only in accordance with paragraph 3.2;
- (d) Daily NTS Exit (Flat) Capacity is **"Interruptible"** where it is subject to curtailment in accordance with paragraph 3.11, and otherwise is **"Firm"**; and except where expressly stated to be Interruptible, references to Daily NTS Exit (Flat) Capacity are to Firm Daily NTS Exit (Flat) Capacity.

3.1.6 For the purposes of the Code:

- (a) the **"classes"** of NTS Exit Capacity are Prevailing Annual NTS Exit (Flat) Capacity, Annual NTS Exit (Flat) Capacity, Firm Daily NTS Exit (Flat) Capacity, Interruptible Daily NTS Exit (Flat) Capacity, Annual NTS Exit (Flexibility) Capacity and Daily NTS Exit (Flexibility) Capacity;
- (b) in respect of an NTS Exit Point and in relation to a Gas Year:
 - (i) the **"Baseline NTS Exit (Flat) Capacity"** is the amount of NTS Exit (Flat) Capacity which National Grid NTS is required to make available to Users in relation to each Day in that Gas Year pursuant to National Grid NTS's Transporter's Licence as set out in National Grid NTS's NTS Exit Capacity Baseline Statement;
 - (ii) at any time the **"Remaining Available NTS Exit (Flat) Capacity"** in relation to that Gas Year or (as the case may be) a Day in that Gas Year is the amount (if any) by which the Baseline NTS Exit (Flat) Capacity for that Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered, at that time, as held by Users in relation to that Gas Year or Day;
- (c) in respect of an NTS Exit Zone, an NTS Exit Area or the NTS as a whole, and in relation to a Gas Year:
 - (i) the **"Maximum Available NTS Exit (Flexibility) Capacity"** is the amount of NTS Exit (Flexibility) Capacity ascertained (in relation to such NTS Exit Zone or NTS Exit Area or the NTS) pursuant to National Grid NTS's Transporters Licence as set out in National Grid NTS's NTS Exit Capacity Baseline Statement or the Exit Capacity Release Methodology Statement;
 - (ii) at any time the **"Remaining Available NTS Exit (Flexibility) Capacity"** in relation to that Gas Year or (as the case may be) a Day in that Gas Year is the amount (if any) by which the Maximum Available NTS Exit (Flexibility) Capacity for that Gas Year exceeds the aggregate amount of NTS Exit (Flexibility) Capacity registered, at that time, as held by Users (in relation to such NTS Exit Zone or NTS Exit Area or the NTS) in relation to that Gas Year or Day;
- (d) for the purposes of any capacity invitation, the **"reserve price"** in relation to any class of NTS Exit Capacity, capacity period and NTS Exit Point or NTS Exit Zone is the price ascertained pursuant to National Grid NTS's Transporters Licence as set out in National Grid NTS's Transportation Statement.

3.1.7 The **"User Daily Exit Quantity"** for a User in respect of a Day is:

- (a) in the case of a NTS Supply Point Component or NTS Connected System Exit Point, the Shipper User's UDQO for the NTS Supply Point Component or NTS Connected System Exit Point;
- (b) in the case of a NTS/LDZ Offtake, the quantity of gas treated as offtaken by the DNO User at the NTS/LDZ Offtake on that Day.

3.1.8 For the purposes of the Code the quantity of gas offtaken by a User at an NTS Exit Point between 06:00 hours and 22:00 hours on a Day:

- (a) in the case of a NTS Supply Point Component, is the Metered Quantity for such period or, where the NTS Supply Point Component is comprised in a Shared Supply Meter Point, the quantity allocated to the User in accordance with Section G1.7;
- (b) in the case of a NTS Connected System Exit Point, the quantity determined in accordance with the relevant Network Exit Provisions pursuant to Section J4.3.3(a) and Section E3.2;
- (c) in the case of an NTS/LDZ Offtake the quantity determined in accordance with the relevant Network Exit Provisions pursuant to Section J4.3.3(a).

3.1.9 For the purposes of the Code, in relation to a User and an NTS Exit Zone, and in respect of any Day:

- (a) the "**User Daily Flexibility Quantity**" or "**UDFQ**" is the quantity determined as follows:

$$\text{UDFQ} = \text{AUDEQ}_{2200} - (\text{AUDEQ}_D * 16/24)$$

where:

AUDEQ_{2200} is the aggregate quantity of gas offtaken by the User at all NTS Exit Points in that NTS Exit Zone between 06:00 hours and 22:00 hours on the Day;

AUDEQ_D is the aggregate of the User Daily Exit Quantities in respect of all NTS Exit Points in that NTS Exit Zone

provided that, in relation to a NTS Exit Point at a Connected System Offtake which is also a Connected Delivery Facility, where in relation to a Day if $\text{QD}_{2200} \leq \text{QO}_{2200}$, then the User Daily Exit Quantity and the quantity offtaken between 06:00 hours and 22:00 hours for a User at the NTS Exit Point shall be deemed to be zero, where:

QD_{2200} is the aggregate quantity of gas delivered to the Total System at such NTS Exit Point between 06:00 hours and 22:00 hours on the Day;

QO_{2200} is the aggregate quantity of gas offtaken from the Total System at such NTS Exit Point between 06:00 hours and 22:00 hours on the Day;

- (b) the "**Tolerance-Adjusted UDFQ**" is the UDFQ determined on the basis of a 1.5% flexibility tolerance applied to AUDEQ_{2200} , by using (in place of the term AUDEQ_{2200}) in the formula in paragraph (a), the term $\text{AUDEQ}_{2200} * (1 - \text{FT})$, where FT is 0.015;
- (c) the "**Notified UDFQ**" is the quantity determined (at any time) as UDFQ in accordance with paragraph (a) by reference to the User's Individual Offtake Profile Notices prevailing at that time for the Day in respect of the NTS Exit Points comprised in the NTS Exit Zone; that is, on the basis that the quantities referred to (in the definitions of the terms AUDEQ_{2200} and AUDEQ_D) are the quantities notified to be offtaken in such Individual Offtake Profile Notices.

3.1.10 For the purposes of paragraph 3.1.9(a) and (b), in relation to any Day for which an Exit Constraint Management Action was taken for NTS Exit (Flat) Capacity at any NTS Exit Point in the NTS Exit Zone, the formula in paragraph (a) shall apply on the basis that, in place of the term $AUDEQ_D$, the term $(AUDEQ_D + ECMAQ_D)$ is used, where $ECMAQ_D$ is a quantity determined as follows:

$$\Sigma (C * P/24)$$

where in respect of an NTS Exit Zone and a User:

Σ is the sum of all such Exit Constraint Management Actions taken (or exercised) under paragraphs 3.10, 3.11 and 3.12;

and, in relation to each such Exit Constraint Management Action:

C is the amount of NTS Exit (Flat) Capacity surrendered by the User pursuant to such action;

P is the period (in hours) from the effective time of such action (or if later, the start of the Day) until the end of the Day.

3.1.11 For the purposes of this paragraph 3 and in particular in the context of applications and invitations for Annual NTS Exit (Flat) Capacity and Annual NTS Exit (Flexibility) Capacity in accordance with the further provisions of this paragraph 3 a reference to a 'Gas Year $Y+n$ ' is a reference to a Gas Year commencing on the n anniversary of the first Day of the Gas Year in which such applications or bids are invited to be made.

PART B – RELEASE OF NTS EXIT CAPACITY

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

- 3.2.1 In each Gas Year (Y) Users may apply for Prevailing Annual NTS Exit (Flat) Capacity to be registered as held with effect from Gas Year Y+4, Y+5 or Y+6, at each NTS Exit Point, in accordance with the further provisions of this paragraph 3.2.
- 3.2.2 Where a User is for the time being registered as holding any amount of Prevailing Annual NTS Exit (Flat) Capacity in respect of an NTS Exit Point, the User shall continue to be registered as holding such amount of Prevailing Annual NTS Exit (Flat) Capacity until and unless the amount is increased by the User making a further application in a Gas Year following Gas Year Y in accordance with paragraph 3.2.4 or reduced by the User in accordance with paragraph 3.2.11.
- 3.2.3 An application for Prevailing Annual NTS Exit (Flat) Capacity:
- (a) may be made in July in Gas Year Y (the "**application month**");
 - (b) shall specify:
 - (i) the identity of the User;
 - (ii) the NTS Exit Point in respect of which the application is made;
 - (iii) the Gas Year in respect of which the application is made;
 - (iv) the amount of Prevailing Annual NTS Exit (Flat) Capacity applied for (being not less than the minimum eligible amount)

provided where the User makes applications for different Gas Years the amount applied for under (iv) in respect of any later Gas Year shall be the amount which is in addition to the amount applied for in respect of any earlier Gas Year.

- 3.2.4 A User:
- (a) may submit an application for Prevailing Annual NTS Exit (Flat) Capacity between 08:00 hours and 17:00 hours on any Business Day during the application month;
 - (b) may have, at any one time, no more than one (1) application for each of Gas Year Y+4, Y+5 and Y+6 for Prevailing Annual NTS Exit (Flat) Capacity capable of acceptance by National Grid NTS in respect of an NTS Exit Point;
 - (c) may withdraw or modify an application at any time between 08:00 hours and 17:00 hours on any Business Day during the application month.
- 3.2.5 National Grid NTS may reject an application for Prevailing Annual NTS Exit (Flat) Capacity:
- (a) where any of the requirements of paragraphs 3.2.3 or 3.2.4 is not complied with;
 - (b) in accordance with Section V3.
- 3.2.6 Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the User's Relevant Code Indebtedness at such time exceeds 85% of its Code Credit Limit National Grid NTS shall not later than five (5) Business Days after the first Business Day of the calendar month inform the User.
- 3.2.7 Following a notice under paragraph 3.2.6, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the

Code Credit Rules), the User's Annual NTS Exit Capacity for the relevant months will lapse and the User will cease to be treated as holding the Registered Annual NTS Exit Capacity.

3.2.8 National Grid NTS will, not later than 30 September in Gas Year Y:

- (a) accept in full (or in part) each User's application (if not rejected pursuant to paragraph 3.2.5) for Prevailing Annual NTS Exit (Flat) Capacity in accordance with the principles set out in the Exit Capacity Release Methodology Statement prevailing at the time of acceptance; and
- (b) inform each User which of its applications were accepted, and for what amounts.

3.2.9 Users will be registered as holding Prevailing NTS Exit (Flat) Capacity allocated pursuant to acceptance of their allocations following the application of paragraph 3.2.8(a).

3.2.10 Not later than twenty-four (24) hours after the notification in accordance with paragraph 3.2.8(b) National Grid NTS will publish in respect of each NTS Exit Point and each of Gas Years Y+4, Y+5 and Y+6 information as follows:

- (a) the number of applicants: the number of Users making an application for Prevailing Annual NTS Exit (Flat) Capacity;
- (b) the total successful application volume; the aggregate quantity of Prevailing Annual NTS Exit (Flat) Capacity in respect of which applications were accepted;
- (c) the total reduced volume: for each Gas Year in respect of which a notice of reduction was submitted in accordance with paragraph 3.2.11, the aggregate quantity of Prevailing Annual NTS Exit (Flat) Capacity specified in such notices; and
- (d) the quantity of any Annual NTS Exit (Flat) Capacity in excess of the Baseline NTS Exit (Flat) Capacity allocated in accordance with paragraph 3.2.9.

3.2.11 A User may reduce the amount of Prevailing Annual NTS Exit (Flat) Capacity which it holds at an NTS Exit Point, with effect from the start of any Gas Year (subject to paragraph 3.2.13), by giving notice of such reduction to National Grid NTS.

3.2.12 A notice of reduction of Prevailing Annual NTS Exit (Flat) Capacity shall be given no earlier than 08:00 hours or later than 17:00 hours on a Business Day no earlier than 1 July and no later than 15 July in any Gas Year and shall specify:

- (a) the identify of the User;
- (b) the NTS Exit Point;
- (c) the Gas Year in respect of which the reduction is to be effective, subject to paragraph 3.2.13;
- (d) the reduced amount (which may be zero) of Prevailing Annual NTS Exit (Flat) Capacity to be held by the User.

3.2.13 The earliest Gas Year with effect from which a reduction of Prevailing Annual NTS Exit (Flat) Capacity may be effective shall be determined in accordance with the principles set out in the Exit Capacity Release Methodology Statement prevailing at the time of such notice.

3.2.14 A User may withdraw or modify a notice of reduction at any time between 08:00 hours and 17:00 hours on a Business Day during the period referred to in paragraph 3.2.12.

3.2.15 National Grid NTS may reject any notice of reduction:

- (a) where the applicable requirements of paragraph 3.2.12 are not complied with;

- (b) if by reference to System Capacity Transfers notified prior to the notice of reduction, the User's Prevailing Annual NTS Exit (Flat) Capacity would, on the basis of the reduced amount specified in such notice, be negative at any time in the future.

3.3 NTS Exit ARCAs

3.3.1 National Grid NTS may enter into NTS Exit ARCAs.

3.3.2 For the purposes of the Code an "NTS Exit ARCA" is an agreement with a person who is not a User (the "**Reservation Party**"), under which the Reservation Party is entitled to nominate any User to be registered with effect from such date as is specified in the NTS Exit ARCA, as holding an amount of Prevailing Annual NTS Exit (Flat) Capacity (the "**Reserved Capacity**") in respect of an NTS Exit Point.

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

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

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

- (e) the nominated User may within five (5) Business Days of the National Grid NTS's notice under paragraph (d) confirm to National Grid NTS its acceptance of the details in the Reservation Party's notice;
- (f) National Grid NTS may reject the User's nomination where it does not comply with paragraph (d) or under Section V3; and
- (g) subject to paragraph (f), a nominated User shall be deemed (including for the purposes of paragraph 3.2.13) to have been allocated Reserved Capacity and accordingly be registered as holding Prevailing Annual NTS Exit (Flat) Capacity from the date determined under the NTS Exit ARCA.

3.4 Release of Annual NTS Exit (Flat) Capacity

3.4.1 In each Gas Year (Y) National Grid NTS will invite applications for, and Users may (by submitting annual capacity bids) apply for, Annual NTS Exit (Flat) Capacity in respect of each of Gas Years Y+1, Y+2 and Y+3, at each NTS Exit Point, in accordance with:

- (a) the provisions of paragraph 3.4.2; and

- (b) the applicable provisions of Annex B-1.
- 3.4.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.4:
- (a) the invitation dates shall be in August of Year Y;
 - (b) the capacity periods are Gas Years Y+1, Y+2 and Y+3;
 - (c) the amount of Annual NTS Exit (Flat) Capacity subject to such capacity invitation in respect of each NTS Exit Point shall be the Remaining Available NTS Exit (Flat) Capacity (in respect of each such Gas Year) as at the first invitation date.
- 3.4.3 Users will be registered as holding Annual NTS Exit (Flat) Capacity allocated pursuant to their annual capacity bids in accordance with the provisions of Annex B-1.

3.5 Release of Daily NTS Exit (Flat) Capacity

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

3.6 Release of Interruptible Daily NTS Exit (Flat) Capacity

- 3.6.1 Users may apply for Interruptible Daily NTS Exit (Flat) Capacity in respect of an NTS Exit Point in respect of a Day by submitting daily capacity bids in accordance with the provisions of Annex B-1.
- 3.6.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.6 in respect of a Day (D):
- (a) there will be a capacity allocation period commencing at 15:00 hours on Day D-1;

- (b) the amount of Interruptible Daily NTS Exit (Flat) Capacity subject to such capacity invitation in respect of each NTS Exit Point shall be:
 - (i) the amount determined under paragraph 3.6.3; and
 - (ii) such additional amount, if any, of Interruptible Daily NTS Exit (Flat) Capacity as National Grid NTS may in its discretion choose to make available for the Day.

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

$$\text{AUC} / 30$$

where:

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

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

3.7 Release of Annual NTS Exit (Flexibility) Capacity

3.7.1 In each Gas Year (Y) National Grid NTS will invite applications for, and Users may (by submitting annual capacity bids) apply for, Annual NTS Exit (Flexibility) Capacity in respect of each of Gas Years Y+1 to Y+5 (inclusive), in respect of each NTS Exit Zone, in accordance with:

- (a) the provisions of paragraph 3.7.2; and
- (b) the applicable provisions of Annex B-1.

3.7.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.7:

- (a) the invitation dates shall be in July of Year Y;
- (b) the capacity periods are Gas Years Y+1 to Y+5 (inclusive);
- (c) the amount of Annual NTS Exit (Flexibility) Capacity subject to such capacity invitation in respect of each NTS Exit Zone, NTS Exit Area and the NTS as a whole shall be the Remaining Available NTS Exit (Flexibility) Capacity (in respect of each such Gas Year) as at the first invitation date.

3.7.3 Users will be registered as holding Annual NTS Exit (Flexibility) Capacity allocated pursuant to their annual capacity bids in accordance with the provisions of Annex B-1.

3.8 Release of Daily NTS Exit (Flexibility) Capacity

3.8.1 Users may (subject to paragraph 3.8.5) apply for Daily NTS Exit (Flexibility) Capacity in respect of an NTS Exit Zone in respect of a Day by submitting (or revising) any Individual Offtake Profile Notice by not later than 00:00 hours on the Day.

3.8.2 The amount of Daily NTS Exit (Flexibility) Capacity applied for by a User by virtue of the submission of any IOPN(s) is the amount (if any) by which, for the NTS Exit Zone, the Notified UDFQ exceeds the User's Fully Adjusted Available NTS Exit (Flexibility) Capacity at the time the IOPN is submitted.

- 3.8.3 For the avoidance of doubt, a User may not withdraw an application pursuant to paragraph 3.8.1, and does not surrender or otherwise reduce its NTS Exit (Flexibility) Capacity in relation to a Day, by submitting or revising an IOPN as a result of which the Notified UDFQ falls short of the User's Fully Adjusted Available NTS Exit (Flexibility) Capacity.
- 3.8.4 If (upon the submission by any User of any IOPN or revised IOPN) for any NTS Exit Zone the aggregate (for all Users) of the Notified UDFQs exceeds the aggregate (for all Users) of the Fully Adjusted Available NTS Exit (Flexibility) Capacity (as calculated by National Grid NTS at each hour bar) National Grid NTS:
- (a) may (in its discretion) accept all Users' IOPNs and each User which (in accordance with paragraph 3.8.1) applied for Daily NTS Exit (Flexibility) Capacity will be allocated the amount applied for in accordance with paragraph 3.8.2;
 - (b) where National Grid NTS does not accept all Users' IOPNs under paragraph (a) National Grid NTS shall:
 - (i) notify each User who submitted an IOPN for which the Notified UDFQ exceeded the User's Fully Adjusted Available NTS Exit (Flexibility) Capacity that National Grid may reject the IOPN;
 - (ii) where any User(s) Notified UDFQ still exceeds the User(s) Fully Adjusted Available NTS Exit (Flexibility) Capacity thirty (30) minutes following a notification under paragraph (i), reject the IOPN submitted by such User(s) in relation to the NTS Exit Point in an NTS Exit Zone; and
 - (1) the Day will be or become a "**Flexibility Constraint Day**";
 - (2) National Grid NTS will give notice (**flexibility constraint notice**) to all Users that the Day is or has become a Flexibility Constraint Day, and thereby initiate a capacity invitation (in relation to the relevant NTS Exit Zone(s)) in accordance with paragraph 3.8.6.
- 3.8.5 Where a Day is or becomes a Flexibility Constraint Day in respect of an NTS Exit Zone(s) Users may not (or may no longer) apply for Daily NTS Exit (Flexibility) Capacity in the manner provided in paragraph 3.8.1 (and any further IOPN(s) submitted by a User which result in the condition described in paragraph 3.8.4 will be rejected).
- 3.8.6 In relation to a Flexibility Constraint Day, with effect from the time National Grid NTS submits a flexibility constraint notice, Users may (by submitting daily capacity bids) apply for Daily NTS Exit (Flexibility) Capacity in respect of the Day, in respect of each NTS Exit Zone in accordance with the applicable provisions of Annex B-1.
- 3.8.7 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.8 in respect of a Flexibility Constraint Day (D), the flexibility constraint notice shall specify the relevant NTS Exit Zones and the times during Day D when National Grid NTS will initiate a capacity allocation period, the first of which shall be no earlier than sixty (60) minutes following the flexibility constraint notice.
- 3.8.8 Users will be registered as holding Daily NTS Exit (Flexibility) Capacity allocated:
- (a) pursuant to paragraph 3.8.4(a); and/or
 - (b) pursuant to their daily capacity bids under paragraph 3.8.6 in accordance with the provisions of Annex B-1.

PART C – CAPACITY SURRENDER AND MANAGEMENT

3.9 NTS Exit Constraints

- 3.9.1 Where National Grid NTS determines, in relation to a Day or the remaining part of a Day, that it will not or may not be feasible to make gas available for offtake at an NTS Exit Point, or at the NTS Exit Points in an NTS Exit Zone, in the amounts or rates at which National Grid NTS expects gas to be offtaken by Users (within their entitlements pursuant to the amounts of NTS Exit Capacity held by them), there is an "**NTS Exit Constraint**" in relation to that NTS Exit Point or NTS Exit Zone.
- 3.9.2 Where there is an NTS Exit Constraint, National Grid NTS may take any or all of the steps provided in paragraph 3.9.3 for the purposes of:
- (a) reducing the amounts of NTS Exit Capacity held by Users in respect of that NTS Exit Point or NTS Exit Zone for that Day; or
 - (b) reducing the quantity of gas offtaken by Users at that NTS Exit Point or NTS Exit Points in that NTS Exit Zone on that Day.
- 3.9.3 The steps ("**Exit Constraint Management Actions**") which may be taken in relation to an NTS Exit Constraint are:
- (a) the entering into and/or exercise of a right pursuant to an Exit Constraint Management Agreement, as provided in paragraph 3.10;
 - (b) the curtailment of Interruptible Daily NTS Exit (Flat) Capacity in accordance with paragraph 3.11;
 - (c) the initiation of a capacity invitation for, and the selection of, daily capacity offers in respect of:
 - (i) NTS Exit (Flat) Capacity in accordance with paragraph 3.12; or
 - (ii) NTS Exit (Flexibility) Capacity in accordance with paragraph 3.13;
 - (d) the issue of a offtake reduction invitation, and acceptance of offtake reduction offers, in accordance with Annex B-2.
- 3.9.4 The Parties acknowledge that National Grid NTS's determinations as to the taking of any Exit Constraint Management Action are governed by the System Management Principles; that the System Management Principles do not form part of, and are not incorporated into, and are not binding on National Grid NTS pursuant to, the Code.
- 3.9.5 For the avoidance of doubt, amounts of NTS Exit Capacity which are surrendered by Users in relation to any Day pursuant to any Exit Constraint Management Action shall not form part of the Remaining Available NTS Exit Capacity for that Day; and National Grid NTS shall have no obligation to make such amounts available to Users.
- 3.9.6 The amount of a User's Available NTS Exit Capacity at any NTS Exit Point or NTS Exit Zone shall be reduced (for the relevant Day or Days) by the amount of any such capacity surrendered pursuant to any Exit Constraint Management Action taken by National Grid NTS in relation to a Day or Days (or in accordance with paragraph 4.1(b) of Annex B-2); and for the purposes of the Code, a reference to the amount of a User's Available NTS Exit Capacity of any class at any NTS Exit Point or NTS Exit Zone for any Day or Days:
- (a) as "**Adjusted**" pursuant to any of paragraphs 3.10, 3.11, 3.12, 3.13 or paragraph 4.1(b) of Annex B-2, is a reference to such amount as reduced pursuant to such paragraph(s);

- (b) as "**Unadjusted**" pursuant to any such paragraph is a reference to such amount before and disregarding such reduction;
- (c) as "**Fully Adjusted**" is a reference to such amount as reduced:
 - (i) in the case of NTS Exit (Flat) Capacity, pursuant to each of paragraphs 3.10, 3.11 and 3.12;
 - (ii) in the case of NTS Exit (Flexibility) Capacity, pursuant to each of paragraphs 3.10 and 3.13 and paragraph 4.1(b) of Annex B-2.

3.9.7 For the purposes of the Code:

- (a) "**Exit Constraint Management**" means the taking of any Exit Constraint Management Action in accordance with the System Management Principles and this paragraph 3.9;
- (b) "**Exit Constraint Management Charges**" are all amounts payable by National Grid NTS to a User pursuant to an Exit Constraint Management Agreement, NTS Exit Capacity Surrender Charges and NTS Offtake Reduction Charges.

3.10 Exit Constraint Management Agreement

3.10.1 For the purposes of the Code an "**Exit Constraint Management Agreement**" is any form of agreement (or mechanism) identified in the System Management Principles to be prepared and published by National Grid NTS pursuant to Special Condition C5(3) of National Grid NTS's Transporter's Licence which may be utilised by National Grid NTS and pursuant to which National Grid NTS may secure the surrender of Firm NTS Exit (Flat) Capacity or Firm NTS Exit (Flexibility) Capacity by Users for the purposes of the management of an NTS Exit Constraint.

3.10.2 National Grid NTS may enter into (and exercise rights pursuant to) Exit Constraint Management Agreements with Users.

3.10.3 In accordance with the System Management Principles:

- (a) an Exit Constraint Management Agreement may comprise:
 - (i) an Exit Forward Agreement, pursuant to which a User will surrender a particular amount of NTS Exit Capacity in relation to a period of one or more Days;
 - (ii) an Exit Option Agreement, pursuant to which National Grid NTS may require a User to surrender a particular amount (or up to that amount) of NTS Exit Capacity in relation to any Day in a period of one or more Days;
- (b) Exit Constraint Management Agreements may be entered into following a tender carried out by National Grid NTS for offers by Users to enter into such agreements.

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

- (a) following the carrying out of any tender for such agreements, irrespective of whether National Grid NTS accepted any offers received in response to such tender:
 - (i) the volume-weighted average forward price (in the case of forward agreements) or option exercise price (in the case of option agreements) of valid offers received;

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

3.10.5 The information under paragraph 3.10.4 is to be published:

- (a) in the case of paragraph 3.10.4(a) and (b), where National Grid NTS accepted any such offer(s), on the Business Day following that on which Exit Constraint Management Agreements were entered into pursuant to such acceptance;
- (b) in the case of paragraph 3.10.4(a), where National Grid NTS did not accept any such offer(s), on the 4th Business Day following the last Day on which Users were entitled to submit offers pursuant to the tender;
- (c) in the case of paragraph 3.10.4(c), on the Business Day following the Day for which the options were exercised.

3.10.6 For the purposes of this paragraph 3.10:

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

(in each case being an agreement made other than in accordance with paragraphs 3.12 and 3.13).

3.11 Curtailment of Interruptible Daily NTS Exit (Flat) Capacity

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

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

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

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

where:

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

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

and where for each such exit interruptible curtailment notice (i):

ExICF_i is the exit interruptible curtailment factor; and

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

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

3.12 Surrender of Daily NTS Exit (Flat) Capacity

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

3.12.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.12 in respect of a Day (D):

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

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

3.13 Surrender of Daily NTS Exit (Flexibility) Capacity

- 3.13.1 Users may offer to surrender Available NTS Exit (Flexibility) Capacity in respect of an NTS Exit Zone in relation to a Day by submitting daily capacity offers in accordance with the provisions of Annex B-1.
- 3.13.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.13 in respect of a Day (D):
- (a) where, in relation to an NTS Exit Constraint, National Grid NTS wishes to accept daily capacity offers in respect of NTS Exit (Flexibility) Capacity, National Grid NTS will initiate a capacity selection period no earlier than 15:00 hours on D-1 and no later than 00:00 hours on Day D;
 - (b) the amount of NTS Exit (Flexibility) Capacity subject to such capacity invitation shall be such amount as National Grid NTS shall in its discretion choose to accept for surrender.
- 3.13.3 NTS Exit (Flexibility) Capacity will be surrendered in the amounts for which Users' capacity offers were selected in accordance with the provisions of Annex B-1.

PART D – CHARGES

3.14 NTS Exit Capacity Charges, NTS Exit Commodity Charges and NTS Exit Capacity Surrender Charges

3.14.1 A User shall pay:

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

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

3.14.3 The Applicable Daily Rate shall be:

- (a) in respect of Prevailing Annual NTS Exit (Flat) Capacity, the rate determined in accordance with National Grid NTS's Transportation Statement;
- (b) in respect of each amount of:
 - (i) Annual NTS Exit (Flat) Capacity allocated to the User in respect of a Gas Year pursuant to paragraph 3.4;
 - (ii) Daily NTS Exit (Flat) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.5;
 - (iii) Daily Interruptible NTS Exit (Flat) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.6;
 - (iv) Annual NTS Exit (Flexibility) Capacity allocated to the User in respect of a Gas Year pursuant to paragraph 3.7: or
 - (v) Daily NTS Exit (Flexibility) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.8.8

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

- (c) in respect of each amount of Daily NTS Exit (Flexibility) Capacity allocated to the User in respect of a Day in accordance with paragraph 3.8.4(a) the daily reserve price for the Gas Year in which the relevant Day falls.

3.14.4 For the purposes of paragraph 3.14.2, the amount of the User's Registered NTS Exit Capacity shall be determined Unadjusted pursuant to paragraphs 3.10, 3.11, 3.12, 3.13 or (as the case may be) paragraph 4.1(b) of Annex B-2.

3.14.5 The NTS Exit (Flat) Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Point):

- (a) subject to paragraph (b), as the amount of its User Daily Exit Quantity at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s); and
- (b) in the case of a NTS Connected System Exit Point, where a Storage Facility is connected to the Total System at the NTS Connected System Exit Point and in

relation to which such facility the User is storage use gas provider, an amount equal to:

$$(SUG / n) * CR$$

where:

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

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

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

- 3.14.6 The NTS Exit (Flexibility) Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Zone) as the amount of the User Daily Flexibility Quantity multiplied by the Applicable Commodity Rate(s).
- 3.14.7 Pursuant to the prevailing National Grid NTS Transportation Statement, a User may elect that, for the purposes of paragraph 3.14.5, the Applicable Commodity Rate of the NTS Exit (Flat) Commodity Charge in respect of a Specified Exit Point shall be the NTS Optional Commodity Rate, determined in accordance with paragraphs 3.14.9 to 3.14.14 (inclusive).
- 3.14.8 For the purposes of Code:
- (a) an "**Eligible Entry Point**" is an Aggregate System Entry Point which is not a Storage Connection Point;
 - (b) a "**Specified Entry Point**" is, in the case of a Supply Point, the Eligible Entry Point identified in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the Eligible Entry Point identified in the Conventional Notice in accordance with paragraph 3.14.13;
 - (c) a "**Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to National Grid NTS as the Proposed Supply Point in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph 3.14.13.
- 3.14.9 The NTS Exit (Flat) Commodity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as:
- (a) the UDQO multiplied by the NTS Optional Commodity Rate applicable for the capacity (calculated in accordance with paragraph 3.14.10) and the distance (calculated in accordance with paragraph 3.14.11); and
 - (b) where the UDQI is less than the UDQO, the UDQO minus the UDQI multiplied by the difference between such NTS Commodity Rate as would apply if paragraphs 3.14.9 to 3.14.14 (inclusive) did not apply and the NTS Optional Commodity Rate;
 - (c) provided that, where a User has nominated or identified more than one Specified Exit Point at a Specified Entry Point, the UDQI shall be prorated in relation to the UDQOs at the relevant Specified Exit Points (unless the User has notified National Grid NTS and National Grid NTS has confirmed an alternative allocation of the UDQI between the relevant Specified Exit Points).

3.14.10 For the purposes of paragraphs 3.14.9 to 3.14.14 (inclusive), the capacity of the Specified Exit Point shall be the Supply Point Capacity, provided:

- (a) in the case of an LDZ Supply Point the capacity shall be determined in accordance with Section G5.4.1, except:
 - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for an LDZ Interruptible Supply Point the capacity shall be the Supply Point Capacity determined in accordance with paragraph 4.6.5;
 - (iii) for a LDZ Shared Supply Point the capacity shall be determined in accordance with Section G1.7.15;
 - (iv) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2;
- (b) in the case of an NTS Exit Point the capacity shall be the sum of the Baseline NTS Exit (Flat) Capacity and the NTS Exit (Flexibility) Capacity.

3.14.11 The distance (to the nearest 0.1 km) from the Specified Entry Point to the curtilage of the Specified Exit Point or the offtake from the Total System at the Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using six figure grid references and National Grid NTS shall determine a six figure grid reference for each Specified Entry Point and each Specified Exit Point (which may be revised in accordance with paragraph 3.14.13(c) or Section G2.4.12).

3.14.12 An application for the NTS Optional Commodity Rate for a Supply Point shall be made in accordance with the provisions of Section G2.3.2 or G2.3.9 (as the case may be) and, for a CSEP, shall be made in accordance with the provisions of paragraph 3.14.13.

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

- (a) by Conventional Notice to National Grid NTS stating the CSEP User, the Specified Exit Point and the Specified Entry Point; and
- (b) National Grid NTS shall offer the NTS Optional Commodity Rate and shall provide the distance between the Specified Exit Point and the Specified Entry Point, the capacity of the CSEP determined in accordance with paragraph 3.14.10 and the six figure grid references used; and
- (c) where the CSEP User disputes the distance specified by National Grid NTS under paragraph (b), the CSEP User may resubmit an application in accordance with paragraph (a) stating an alternative six figure grid reference for the Specified Exit Point with supporting evidence of calculation; and
- (d) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (b) not earlier than fifteen (15) days after the submission of the confirmation (or such lesser period as National Grid NTS may specify) and not later than six months from the date of the offer.

3.14.14 The provisions of paragraphs 3.14.9 to 3.14.13 (inclusive) shall be without prejudice to the operation of Section G6.5.4.

3.14.15 Where National Grid NTS accepts a daily capacity offer made by a User pursuant to paragraphs 3.12 or 3.13, National Grid NTS will pay to the User a charge ("**NTS Exit Capacity**")

Surrender Charge") determined as the amount of the NTS Exit Capacity for which the offer was accepted multiplied by the offer price.

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

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

3.15 NTS Exit Capacity: overruns and overrun charges

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

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

there is a "**Chargeable NTS Exit (Flat) Overrun**", and the User shall pay a charge ("**NTS Exit (Flat) Overrun Charge**") in respect of NTS Exit Capacity at that NTS Exit Point on that Day in accordance with this paragraph 3.15.

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

$$AO * IO / \Sigma IO$$

where:

AO is the aggregate flat overrun for the Day;

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

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

3.15.3 If for any reason, in relation to an NTS Exit Zone and a Day:

- (a) a User's Tolerance-Adjusted UDFQ in relation to the NTS Exit Zone on the Day exceeds the User's Fully Adjusted Available NTS Exit (Flexibility) Capacity (an "**individual flexibility overrun**"); and
- (b) the aggregate of all Users' Tolerance-Adjusted UDFQs in relation to the NTS Exit Zone on the Day exceeds the sum of the Users' Fully Adjusted Available NTS Exit (Flexibility) Capacity (an "**aggregate flexibility overrun**")

there is a "**Chargeable NTS Exit (Flexibility) Overrun**", and the User shall pay a charge ("**NTS Exit (Flexibility) Overrun Charge**") in respect of NTS Exit Capacity at that NTS Exit Point on that Day in accordance with this paragraph 3.15.

3.15.4 The amount of the Chargeable NTS Exit (Flexibility) Overrun shall be determined as:

$$AFO * IFO / \Sigma IFO$$

where:

AFO is the aggregate flexibility overrun for the Day;

IFO is the User's individual flexibility overrun for the Day

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

3.15.5 The NTS Exit Overrun Charge payable by a relevant User shall be calculated as the User's NTS Exit (Flat) Overrun or (as the case may be) the User's NTS Exit (Flexibility) Overrun multiplied by whichever is the greatest of:

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

respectively in relation to:

- (i) in the case of an NTS Exit (Flat) Overrun, NTS Exit (Flat) Capacity at the NTS Exit Point;
- (ii) in the case of an NTS Exit (Flexibility) Overrun, NTS Exit (Flexibility) Capacity at the NTS Exit Zone; and
- (d) in the case of an NTS Exit (Flexibility) Overrun only, $(1.1 * D)$, where 'D' is the highest offer price paid by National Grid NTS in respect of any offtake reduction offer (under Annex B-2) accepted in respect of the Day in relation to the NTS Exit Point or NTS Exit Zone.

3.15.6 For the purposes of this paragraph 3.15:

- (a) a relevant User will be appointed as "**Overrun User**" in relation to any NTS Exit Point or NTS Exit Zone and a Day if:
 - (i) all relevant Users jointly have given a notice of such appointment to National Grid NTS; and
 - (ii) where following a notice of appointment, a User proposes to become a relevant User, the User and each relevant User give a new notice of appointment to National Grid NTS;
 - (iii) no relevant User has given notice (effective for such Day) of revocation of such appointment; and
 - (iv) National Grid NTS has not rejected such notice or cancelled such appointment pursuant to Section V3;
- (b) the notice of the appointment shall state:
 - (i) the agreement of the Overrun User to be appointed;

- (ii) the agreement of each other relevant User (or prospective relevant User) to such appointment; and
- (iii) the date with effect from which the appointment is to take effect;
- (c) any notice of the appointment or revocation of the appointment of an Overrun User shall be effective in relation to a Day only if given at least five (5) Business Days before that Day;
- (d) in relation to a Day, a relevant User is any User which (on such Day) is a Registered User in respect of such NTS Exit Point or (as the case may be) any NTS Exit Point in such NTS Exit Zone;
- (e) an Overrun User will cease to be appointed with effect from the Day on which a User becomes a relevant User where no new notice of appointment has been given and is effective in respect of such Day.

3.15.7 Where, in relation to any NTS Exit Point an Overrun User is appointed in respect of any Day, for the purposes of this paragraph 3.15:

- (a) the aggregate quantity of gas offtaken by the Overrun User at the NTS Exit Point between 06:00 hours and 22:00 hours on the Day will be treated as being equal to the aggregate quantity of gas offtaken by all Users at the NTS Exit Point between 06:00 hours and 22:00 hours on the Day and the Overrun User's User Daily Exit Quantity will be treated as being equal to the aggregate of the relevant Users User Daily Exit Quantities for the Day;
- (b) for each other relevant User the aggregate quantity of gas offtaken at the NTS Exit Point between 06:00 hours and 22:00 hours on the Day and the User Daily Exit Quantity will be treated as being zero;
- (c) all amounts payable (by any relevant User) by way of NTS Exit (Flat) Overrun Charges or (as the case may be) NTS Exit (Flexibility) Overrun Charges in respect of such NTS Exit Point and such Day shall be payable by the Overrun User (and no relevant User other than the Overrun User shall be liable to pay such amounts).

3.15.8 For the purposes of this paragraph 3.15, the calculation of a Chargeable NTS Exit (Flat) Overrun and a Chargeable NTS Exit (Flexibility) Overrun shall take into account any additional quantity of gas offtaken at an NTS/LDZ Offtake consistent with any revision to the rate of offtake of gas for the Day at the NTS/LDZ Offtake following the application of OAD Section I 2.4 and 2.5.

3.16 NTS Exit Capacity: neutrality arrangements

3.16.1 For each NTS Exit Point the difference between amounts received or receivable and paid or payable by National Grid NTS in respect of certain NTS Exit Capacity Charges and certain other amounts (specified in paragraph 3.16.2) in respect of each Day in a calendar month shall be payable to or recoverable from relevant Users (and such amount shall not be reduced by any amount to be retained or borne by National Grid NTS).

3.16.2 For each NTS Exit Point, in respect of each Day:

- (a) **"Relevant Exit Capacity Revenues"** are the aggregate of the amounts payable to National Grid NTS by Users:
 - (i) by way of NTS Exit Capacity Charges in respect of:
 - (1) Daily Interruptible NTS Exit (Flat) Capacity; and

- (2) any additional Firm NTS Exit Capacity made available by National Grid NTS (as determined by National Grid NTS acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Remaining Available NTS Exit (Flat) Capacity or Remaining Available NTS Exit (Flexibility) Capacity

allocated to or held by Users in respect of that Day;

- (ii) by way of NTS Exit (Flat) Overrun Charges and NTS Exit (Flexibility) Overrun Charges in respect of that Day;
- (iii) by way of Market Balancing Charges in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day in accordance with the System Management Principles for the purposes of Exit Constraint Management; and
- (iv) pursuant to any negatively priced Exit Constraint Management Agreement and relating to that Day;

(b) **"Relevant Exit Capacity Costs"** are the aggregate of the amounts payable by National Grid NTS to Users in respect of NTS Exit Points:

- (i) by way of Exit Constraint Management Charges (for which purposes any premium payable by National Grid NTS shall be attributable to the Day pro rata to the number of Days during which National Grid NTS may exercise rights in respect of the surrender of Firm NTS Exit Capacity pursuant to the relevant Exit Constraint Management Agreement);
- (ii) by way of Market Balancing Charges in respect of each Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day in accordance with the System Management Principles for the purposes of Exit Constraint Management; and
- (iii) by way of any other amounts payable by National Grid NTS in respect of other arrangements entered into for the purposes of Exit Constraint Management.

3.16.3 In relation to all NTS Exit Points and a calendar month, National Grid NTS shall pay to each relevant User an amount ("**Exit Capacity Revenue Neutrality Charge**") determined as:

$$\text{RECR} * \text{AFAEC} / \text{UFAEC}$$

where:

RECR is the Relevant Exit Capacity Revenues;

UFAEC is the sum of all Users Fully Adjusted Available Firm NTS Exit (Flat) Capacity at all NTS Exit Points; and

AFAEC is the User's Fully Adjusted Available Firm NTS Exit (Flat) Capacity at all NTS Exit Points

in each case as determined at 04:00 hours on the relevant Day (provided that neither UFAEC or AFAEC shall include any NTS Exit (Flat) Capacity that was not available at an NTS Exit Point on any Day in the relevant month by reason of such NTS Exit Point being a Maintenance Affected Point on such Day).

3.16.4 In relation to all NTS Exit Points and a calendar month, each relevant User shall pay to National Grid NTS an amount ("**Exit Capacity Cost Neutrality Charge**") determined as:

$$\text{RECC} * \text{AFAEC} / \text{UFAEC}$$

where:

RECC are the Relevant Exit Capacity Costs;

and UFAEC and AFAEC have the meanings in paragraph 3.16.3.

3.16.5 For the purposes of this paragraph 3.16:

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

(i) the sum of:

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

less

(ii) the sum of:

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

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

(b) "**Exit Capacity Neutrality Charges**" comprise Exit Capacity Revenue Neutrality Charges, Exit Capacity Cost Neutrality Charges and Exit Capacity Adjustment Neutrality Charges;

(c) "**Relevant Exit Capacity Charges**" comprise Relevant Exit Capacity Revenues and Relevant Exit Capacity Costs.

3.16.6 In relation to a Day (and all NTS Exit Points) where:

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

(b) the Second Exit Capacity Adjustment Neutrality Amount (if any) is positive, each relevant User shall pay to National Grid NTS,

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

$$\text{SECANA} * \text{AFAEC} / \text{UFAEC}$$

where SECANA is the Second Exit Capacity Adjustment Neutrality Amount for the Day and 'UFAEC' and 'AFAEC' have the meanings in paragraph 3.16.3 (provided that in the event that no Firm NTS Exit Capacity was held by any User at any NTS Exit Point on such Day, 'UFAEC' and 'AFAEC' shall be determined on the basis of the most recent preceding Day in respect of which a User held Firm NTS Exit Capacity at an NTS Exit Point).

- 3.16.7 Exit Capacity Neutrality Charges shall be invoiced and are payable in accordance with Section S.