

APPENDIX

**PROPOSED BUSINESS RULES FOR REVISED DN INTERRUPTION
ARRANGEMENTS**

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1. INTRODUCTION

This section describes proposed LDZ interruptible exit capacity high-level principles.

- 1.1. The business rules contained in this document have been raised to prompt discussion of how Interruptible capacity in the LDZs could be reformed. Modification to the arrangements with respect to NTS Supply Points are outside the scope of these business rules.
- 1.2. The revised Interruptible Capacity arrangements described in this document will not supersede the established Emergency ~~A~~arrangements described in Section Q of the UNC.
- 1.3. The existing Firm Exit Capacity booking arrangements will not be changed.
- 1.4. The existing UNC arrangements for requesting a switch from Interruptible to Firm will continue to apply outside the annual process described in this document.
- 1.5. Arrangements for requesting a switch from Firm to Interruptible will only be via the Interruptible Application Process.
- 1.6. Applications for Interruptible LDZ Capacity and management of Interruption will continue on an individual Supply Point basis.
- 1.7. Applications for Interruptible LDZ Capacity will occur each year, at least ~~three~~3 years ahead of the applicable Gas Year, for example June ~~2007~~ for the Gas Year starting October 2010.
- 1.8. DN~~O~~s will be permitted to tender for Interruptible rights in timescales shorter than three Gas Years ~~where, for instance, demand patterns change significantly.~~
- 1.9. ShippUsers will be able to register for multiple Gas Years, up to and including [5]; ~~Interruption terms.~~
- 1.10. ShippUsers will be able to apply for “n” maximum Days of Interruption for each Supply Point.
- 1.11. Interruption payments by DN~~O~~s to ShippUsers will be based on an option and exercise scheme where the option fee will be an upfront payment and the exercise fee will be payable for each Day that Interruption was incurred. The charging pricing methodology will be described in each Transporter’s Transportation Charging Methodology Statement.
- 1.12. Each Transporter will publish its Interruption requirements on a location by location basis and offer Interruptible Exit Capacity based on a range of maximum Interruptible Days, say 5, 15, 30 and 45 Days. Prices for Interruptible rights would be dependent on the permitted number of Days of Interruption. ~~Each number of Days of interruption will attract an option/exercise scheme dependent on the pricing methodology of the relevant Transporter.~~
- 1.13. ShippUsers will be able to apply for Interruptible Capacity in respect of all ~~DM~~ Supply Points and CSEPs with an AQ greater than 58,600,000 kWh, both Firm and Interruptible.

- 1.14. The Transporter will be permitted to reject an application for Interruptible Capacity if the application was not required to maintain its required transportation capability.
- 1.15. New Supply Points that will be connected outside the application process and want to go Firm will be allowed to go Firm when the Capacity becomes available. Otherwise, they will be allocated the minimum number of Interruptible Days that the Transporter believed it must have available in order to ensure it could continue to meet its obligations to other Supply Points. [If the User wished the Supply Point to be Interruptible then it will be allocated [45] Days of potential ~~i~~ Interruption at the appropriate option discount and will enter the next available tender process.]

Draft business rules are described for each of the following categories of points:

- NDM Supply Points
- LDZ DM Firm Supply Points
- LDZ DM Interruptible Supply Points
- LDZ DM CSEPs (Firm & ~~Interruptible~~).

[Add an exclusion related to 'Buddying']

2. LDZ CAPACITY DEFINITION

- 2.1 **This section describes the capacity products that will be made available for LDZ exit. The business rules in this section reflect existing arrangements and no change is intended. There will be two categories of LDZ Capacity; Firm and Interruptible.**
- 2.2 Non Daily Metered (NDM) LDZ Capacity
- 2.2.1 NDM LDZ Capacity will be only available as Firm.
- 2.2.2 NDM LDZ Capacity will be based on an estimate of Supply Point Capacity (SOQ) that is provided by the Transporter in accordance with agreed algorithms described in the UNC.
- 2.3 Daily Metered (DM) LDZ capacity
- 2.3.1 Both Firm and Interruptible LDZ Capacity will be available.
- 2.3.2 Both categories of Capacity will be subject to monitoring and control in two dimensions, daily demand (SOQ) and hourly rate (SHQ). The maximum permissible level for each dimension will be set by agreement with the Transporter. ShippUsers will be able to apply for an increase in either. The ratio of SOQ to SHQ will be controlled by limits set within the UNC with the purpose of limiting the extent of profiling to acceptable levels.
- 2.4 Booking and allocation of LDZ Capacity will be with reference to each Supply Point.
- 2.5 LDZ Capacity will not be tradable.
- 2.6 [LDZ Firm and Interruptible Capacity charges will be managed on an administered price basis and these charges will be set out in the Transporter's Transportation Statement.]
- 2.7 The purchaser of LDZ Capacity will be liable for payment to the Transporter on the first capacity invoice after the month in which the LDZ Capacity was valid. Invoices will be issued on a monthly basis.
- 2.8 Firm LDZ Capacity held by a User will not be acquirable by the Transporter other than by curtailment of demand in accordance with Emergency Steps set out in Section Q of the UNC or through a tender processor by agreement of a purchase price with the User.
- 2.9 Interruptible LDZ Capacity contracts will be exercisable by the Transporter from a User on a Day for constraint management purposes. Exercise —of LDZ Interruptible Capacity could be for whole or part Days and whole or part of previously allocated volumes (by Supply Point). An exercise payment in accordance with the agreed Interruption Terms maywill be required from the Transporter to the relevant ShippUser for each Day of Interruption.
- 2.10 Failure by the Transporter to make gas available for offtake at a Supply Point where Firm transportation arrangements apply will require compensation

payments from the Transporter to the relevant ~~Ship~~User(s). The terms and payment calculation will be as currently set-out in Section -J of the UNC. The existing offtake obligations on Users will also continue to apply as described in Section J.

3. NON-DAILY METERED (NDM) SUPPLY POINTS

3.1 The process described below is unchanged from existing Uniform Network Code procedures and is provided for completeness in this review of LDZ capacity arrangements.

3.1.1 Supply Point Registration

3.1.1.1 Confirmation Only

3.1.1.2 A User will be permitted to become the registered User at a Smaller Supply Point (AQ not more than 73,200 kWh) through a Confirmation only process, save where the Smaller Supply Point contains more than one Supply Meter Point.

3.1.2 Nomination, Offer, and Confirmation

3.1.2.1 A User will be permitted to become the registered User at a Larger Supply Point (more than 73,200 kWh), or Smaller Supply Point containing more than one Supply Meter Point, by submitting a Nomination and by successful Confirmation of the resultant transportation Offer made by the Transporter.

3.1.3 An incumbent User will be permitted to submit a Supply Point Objection against a Confirmation submitted by a proposing User. Failure by the proposing and incumbent Users to resolve such objection would prevent a successful supply point transfer.

3.2 Supply Point Capacity

3.2.1 The registered User at a Supply Point will be deemed to hold Supply Point Capacity as a consequence of successfully submitting, and the Transporter accepting, a Confirmation.

3.2.2 Capacity will be effective from the Supply Point Registration Date.

3.2.3 The level of Capacity will solely be determined by the Transporter by reference to the UNC formula utilising Supply Point Annual Quantity and the relevant End User Category Peak Load Factor.

3.3 LDZ Capacity

3.3.1 A registered User will hold LDZ Capacity in an equal amount to the registered Supply Point Capacity of the LDZ Supply Point.

3.3.2 Users will not be permitted to submit separate applications for Supply Point LDZ Capacity.

3.3.3 A Connected System Exit Point (CSEP) User will be permitted to request LDZ Capacity in accordance with the relevant CSEP Network Exit Agreement.

3.4 Energy Measurement / Allocation

- 3.4.1 NDM Supply Meter Point Demand will be determined by the Transporter for each NDM Supply Point in accordance with the formula stated within UNC rather than by reference to any individual meter readings.
- 3.4.2 Deemed demand will be subject to reconciliation for both Transportation Commodity and Energy Balancing, but not LDZ Capacity, where reconciliation is conducted for:
 - 3.4.2.1 Larger Supply Point demand will be reconciled individually by reference to Valid Meter Reads.
 - 3.4.2.2 Smaller Supply Point demand will be reconciled through NDM Aggregate Reconciliation as an equal, though opposite, consequence of Individual NDM Reconciliation quantities within the relevant LDZ.

4 DAILY METERED (DM) SUPPLY POINTS & CSEPS – FIRM

4.1 The process described below is unchanged from existing Uniform Network Code procedures and is provided for completeness in this review of exit LDZ Capacity arrangements.

4.2 Supply Point Registration

4.2.1 A User will be permitted to become the registered User at a Daily Metered Supply Point by submitting a Nomination and by successful Confirmation of the resultant Supply Point Offer made by the Transporter.

4.2.2 An incumbent User will be permitted to submit a Supply Point Objection against a Confirmation submitted by a proposing User, failure by the proposing and incumbent Users to resolve such objection will prevent a successful Supply Point transfer.

4.3 Supply Point Capacity

4.3.1 The registered User at a Supply Point will be deemed to have requested Supply Point Capacity as a consequence of successfully submitting, and the Transporter accepting, a Confirmation.

4.3.2 Capacity will be effective from the Supply Point Registration Date.

4.3.3 Supply Point Capacity will be subject to a minimum and maximum level, a User may submit a Capacity Revision Application within these upper and lower parameters.

4.3.3.1 The Supply Point Capacity will not be less than the Bottom Stop SOQ, defined as the highest Supply Point Daily Quantity for any day within the preceding winter period (October to May).

4.3.3.2 The Supply Point Capacity will not be more than the Transporter determines can feasibly be off-taken by the DM Supply Point within a Day.

4.3.3.3 An application to amend the Capacity within the minimum and maximum requirements may be made at any time in respect of a capacity increase, and during the months of October to January inclusive in respect of a capacity decrease.

4.4 LDZ Capacity

4.4.1 A registered User will hold LDZ Capacity in an amount equal to the registered Supply Point Capacity of the LDZ Supply Point.

4.4.2 Users may not submit separate applications for LDZ Capacity.

4.4.3 A Connected System Exit Point (CSEP) User may request LDZ Capacity in accordance with the CSEP Network Exit Agreement.

4.5 Supply Point Ratchet

- 4.5.1 A User at a Supply Point, where the gas allocation on a day during the months of October to May inclusive exceeds the registered Supply Point Capacity for the Day, will incur a ratchet charge.
- 4.5.2 The ratchet quantity will represent the excess of the gas allocation above the registered Supply Point Capacity, with the charge rate multiplier defined in UNC and the charge rate defined within the Transportation Statement.
- 4.5.3 The User registered Supply Point Capacity will be ratcheted upward by the amount of the ratchet quantity on the day following the ratchet occurrence.
- 4.5.4 Two ratchet components will be charged:
 - 4.5.4.1 LDZ Capacity
 - 4.5.4.2 Customer Charge
- 4.6 LDZ CSEP Overrun
 - 4.6.1 A User at a CSEP where the gas allocation on a day during the months of October to May inclusive exceeds the registered LDZ Capacity for the day will incur a LDZ Overrun Charge.
 - 4.6.2 The LDZ Overrun quantity will represent the excess of the gas allocation above the registered LDZ Capacity of either individual Users or Users in aggregate, subject to the Network Exit Agreement. The charge rate multiplier will be defined within the UNC with the charge rate being contained within the Transportation Statement.
 - 4.6.3 Only one LDZ Overrun charge will be applied within any Overrun Month, with such charge representing the highest overrun occurrence within the month.
 - 4.6.4 LDZ Capacity will not be increased to reflect the overrun quantity.
- 4.7 Energy Measurement / Allocation
 - 4.7.1 A User's UDQO for a DM Supply Point or CSEP will reflect individual Metered Volume.

DM gas allocations will be subject to reconciliation for both Transportation Commodity and Energy Balancing, but not LDZ Capacity. Reconciliation will be undertaken by reference to an initial UDQO and subsequent check reconciliation Quantity.

5. LDZ DAILY METERED (DM) SUPPLY POINTS & CSEPs - INTERRUPTIBLE

5.1 Supply Point Registration

5.1.1 Existing Supply ~~Meter~~ Points – transfer of ownership

A User may become the registered User at a Daily Metered Supply Point by submitting a Nomination and by successful Confirmation of the resultant Supply Point Offer made by the Transporter.

An incumbent User may submit a Supply Point Objection against a Confirmation submitted by a proposing User. Failure by the proposing and incumbent Users to resolve such objection will prevent a successful Supply Point transfer.

Upon transfer, the Interruptible rights for the Supply Point would transfer to the new User.

[Release of information to be considered further.]

[5.1.2 New Supply Points (Greenfield Sites)

A User at a new Supply Point that is new after the ~~A~~application ~~P~~rocess has begun that requests to be Firm will be Firm if the LDZ Capacity is available; otherwise, the Supply Point will be allocated the minimum number of Interruptible Days that the Transporter can provide.

A User at a new Supply Point that is new after the ~~A~~application ~~P~~rocess has begun [1 June] that requests to be Interruptible will be allocated 45 Days potential ~~I~~nterruption and up to one (1) Gas Year duration, subject to the existing siteworks confirmation process.

The User will then enter the next available ~~A~~annual ~~A~~application ~~P~~rocess [the following 1 June].]

5.1.3 Re-designation of Supply Points from Firm to Interruptible

~~Users at Firm Supply Points will not be entitled to make applications for Interruptible LDZ Capacity outside an application process~~

Users at Firm Supply Points will only be entitled to apply for Interruptible LDZ Capacity through anthe ~~A~~Application ~~P~~rocess ~~(in accordance with 5.5.4).~~

5.1.4 Re-designation of Supply Points from Interruptible to Firm

Interruptible Supply Points that were not allocated LDZ Interruptible Capacity in the ~~A~~annual ~~A~~application ~~P~~rocess will be re-designated as ~~F~~irm three (3) Gas Years from the start of the following Gas Year.

~~A User will not be entitled to submit a request for redesignation of a Supply point from Interruptible to Firm during the annual application process for LDZ Interruptible Capacity.~~

A User will be entitled to re-designate an Interruptible Supply Point as Firm (outside the Annual Application Process) with effect from an Eligible Status Change Date, by giving notice to the Transporter not later than the Change Request Deadline.

Where the Supply Point ceased to be eligible for Interruptible designation the Supply Point shall, unless the Transporter otherwise determines, be re-designated as Firm with effect from the first Eligible Status Change Date.

Where a Supply Point was requested to be re-designated as Firm with effect from an Eligible Status Change Date, and the Transporter determined and notified the User that the Firm transportation requirement would not be satisfied the re-designation as Firm would not be effective.

5.2 Application for Supply Point Capacity

(This does not represent a change to existing Uniform Network Code rules.)

5.2.1 The registered User at a Supply Point will be deemed to have requested Supply Point Capacity as a consequence of successfully submitting, and the Transporter accepting, a Confirmation.

5.2.2 Capacity will be effective from the Supply Point Registration Date.

5.2.3 Supply Point Capacity will be subject to a minimum and maximum level. A User will be entitled to submit a Capacity Revision Application within these upper and lower parameters.

5.2.4 The Supply Point Capacity shall not be less than the Bottom Stop SOQ, defined as the highest Supply Point Daily Quantity for any Day within the preceding winter period (October to May).

5.2.5 The Supply Point Capacity shall not be more than the Transporter determines can feasibly be off-taken by the DM Supply Point within a 24-hour period (the "maximum supply point capacity").

5.2.6 An Application to revise the Capacity within the minimum and maximum requirements may be made at any time in respect of a Capacity increase, and during the months of October to January inclusive in respect of a Capacity decrease.

[5.2.7 For the purposes of charging and booking arrangements, a All Supply Point Capacity will be deemed as Firm by the relevant Transporter.]

5.3 Supply Point Ratchet

(New section that proposes arrangements to ensure appropriate registration of load details)

5.3.1 A User at an Interruptible DM Supply Point where the UDQO on any Day, during the months of October to May inclusive, exceeded the registered Supply Point Capacity for that Day will incur a ratchet charge.

- 5.3.2 The ratchet quantity will be the excess of the gas allocation above the ~~R~~registered Supply Point Capacity, with the charge rate multiplier defined in UNC and the charge rate defined within the Transportation Statement.
- 5.3.3 The User's Registered Supply Point Capacity will be ratcheted upward by the amount of the ratchet quantity on the day following the ratchet occurrence, subject to Section G5.5.5.
- 5.3.4 Two ratchet components will be charged:
- LDZ Capacity
 - Customer Charge

with the charges being discounted in accordance with the relevant option/discount for the ~~S~~supply ~~P~~point.]

5.4 LDZ Interruptible CSEP Overrun

(New section that proposes arrangements to ensure appropriate registration of load details)

- 5.4.1 A User at a CSEP where the UDQO on a Day, during the months of October to May inclusive, exceeded the registered LDZ Capacity for the day will incur a LDZ Overrun Charge.
- 5.4.2 The LDZ Overrun quantity will be the excess of the gas allocation above the registered LDZ Capacity of either individual Users or Users in aggregate, subject to the Network Exit Agreement. The charge rate multiplier will be defined within the UNC with the charge rate being contained within the Transportation Statement.
- 5.4.3 Only one LDZ Overrun charge will be applied within any Overrun Month, with such charge representing the highest overrun occurrence within the month.
- 5.4.4 LDZ Capacity will not be increased to reflect the overrun quantity.]

5.5 Application for Interruptible LDZ Capacity

(This section presents the application process for Interruptible LDZ capacity where ~~Shipp~~Users can apply for differing option rates, durations, and years of ~~I~~interruptible rights and the Transporter can use the process for choosing which applications to satisfy.)

5.5.1 Introduction

- 5.5.1.1 Interruptible Capacity will be released for a Gas Year (~~October~~ – ~~September~~) or parts or multiples thereof. The process for considering how much capacity to be released will be conducted on at least an annual basis.
- 5.5.1.2 Quantities of Interruptible Capacity applied for will not exceed ~~be commensurate with~~ the ~~R~~registered Supply Point Capacity.

~~[5.5.1.3] Successful applications for Interruptible LDZ Capacity will be effective from 1st October (start of the Gas Year) three (3) years ahead of the sale process.]~~

5.5.1.4 Applications for Interruptible LDZ Capacity outside an ~~A~~application ~~P~~rocess will not be permitted (~~ref. 5.1.2~~).

5.5.1.5 A User will be deemed to hold Supply Point Capacity at the DM Supply Point as part of the Supply Point ~~C~~onfirmation and with effect from the Supply Point Registration Date.

5.5.1.6 A Connected System Exit Point (CSEP) User will be entitled to request Interruptible LDZ Capacity in accordance with Section 5.5 [and with due regard to the CSEP Network Exit Agreement].]

~~5.5.1.7 Users of Firm Supply Points will be entitled to apply for Interruptible LDZ capacity.~~

[5.5.2 Invitation Process

5.5.2.1 No later than [.....] the Transporter will publish estimates of Interruptible LDZ Capacity for each Exit Zone or other specified grouping, in accordance with [...] against which Users will be entitled to bid. Such estimates will be net of existing long term Interruptible quantities.

5.5.2.2 The Transporter will provide [28 days²] notice of the annual Interruptible LDZ Capacity allocation process, including the planned application dates.]

5.5.3 Participation Rules

5.5.3.1 Users will only be entitled to submit applications in respect of qualifying DM Supply Points for which the User was the prevailing Registered User or has received a Supply Point Confirmation or for which it had received a Supply Point Offer (in accordance with Section G-2.4).

5.5.3.2 Users will only be entitled to apply in respect of ~~DM~~ Supply Points that meet the conditions for designation as Interruptible (in accordance with Section G-6.2).

5.5.3.3 Users will not be entitled to apply for Interruptible LDZ Capacity in respect of Supply Points with existing long term Interruptible rights. [ie can be added to – incremental -, but not removed]

5.5.4 Annual Application Process

5.5.4.1 On [1 June] (or no later than), the application window will open.

5.5.4.2 For each application for Interruptible LDZ Capacity, the applicant User will be required to specify the following information:

- User ID

- Supply Point ID [confirmation number, Meter Point Reference number, and Logical Meter number~~offer no.~~]
- duration [minimum duration one~~1~~ year; default condition one~~1~~ year]
- number of Days' interruption
- option and exercise discounts [default condition of maximum option discount]
- [other requirements ~~(e.g. less than 5 hour notice period, partial interruption service~~ partial interruption service and IFAs)]
- [provision for multiple bids]

[an accompanying pro forma for use by applicant User]

5.5.4.3 Applications will automatically be rejected if:

- information provided is not in accordance with 5.5.4.2.
- ~~they relate to a Supply Point with existing long term Interruptible arrangements~~

5.5.4.5 ~~All existing Interruptible Supply Points, irrespective of whether applications have been submitted, will be included for consideration in allocation process.~~ Non-participation will assume that the User wishes to go Firm.

5.5.4.5 After [N] business days, the application window will be closed.

5.5.4.6 On closure of the application period the Transporter will conduct the allocation process.

5.5.5 Ranking Process

5.5.5.1 Further validation of all submitted applications. Applications for multi-year interruptible contracts will be ranked together with applications for short-term (i.e. one year) interruption.

5.5.5.2 Applications will be sorted into relevant location groups.

5.5.5.3 Bids will be ranked in price order for each applicable location group.

5.5.5.4 For the purposes of determining the daily LDZ capacity charge, the LDZ capacity rate will be based on the bottom-stop SOQ (BSSOQ) as determined by the Transporter as part of the annual BSSOQ process, [or in the event of shipper dispute, the shipper nominated value (or previous BSSOQ)] and the chargeable quantity will be the registered Supply Point Capacity (with registered SPC not less than revised BSSOQ)

5.5.6 Allocation of Contracts

5.5.6.1 Quantities attributed to all applications will be allocated in accordance with the number of Interruptible Days required by the Transporter for system security purposes.

5.5.6.2 Quantity will be allocated against applications, in price descending order (lowest charge first), until all interruptible volume requirements were satisfied

5.5.6.3 Allocation process will be completed by [N] Business Days following closure of the application window.

5.5.7 Results

5.5.7.1 No later than [N] Business Days after completion of allocation process, the Transporter will publish results, with the following information to be made publicly available:

- number of applications received (in aggregate and per exit zone)
- quantity of interruptible capacity allocated (in aggregate and per exit zone)
- whether over subscribed

and the following information will be provided to each Shipper:

- those applications that were invalid, accepted or not accepted,
- for accepted applications, the contract terms (e.g. price, duration) on which they were accepted and confirmation of the interruptible volumes per accepted application
- identity of those Supply Points that have changed firm/interruptible designation

5.5.8 Effective Date

5.5.8.1 Where applications for Interruptible LDZ Capacity were successful, the Interruptible LDZ Capacity would become effective 36 months from the start of the next Gas Year

5.5.8.2 For successful applications for Interruptible LDZ Capacity relating to Firm DM Supply Points, the Supply Point will be re-designated as Interruptible prior to the start of Gas Year 36 months hence.

5.5.8.3 For applications for Interruptible LDZ Capacity relating to Interruptible Supply Points that were not successful, the Supply Point will need to be re-designated to firm prior to the start of the next Gas Year 36 months hence.

Code Concerned, sections and paragraphs

UNC The Principal Document

Section G