

Modification 0428: Single Supply Meter Points

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION A – SYSTEM CLASSIFICATION

1 INTRODUCTION

1.1 System

1.1.1 In the Code:

(a) **"System"** means:

- (i) the National Transmission System; or
- (ii) a Local Distribution Zone;

(b) **"Total System"** means all the Systems taken together.

1.1.2 Subject to paragraph 1.7.2, a System does not include any independent system nor any pipeline to which gas can only be conveyed through a pipeline system operated by a gas transporter other than a Transporter.

1.1.3 A System does not include any Storage Facility.

1.1.4 Each System includes System Points of different classes, as described in this Section A.

1.1.5 For the purposes of the Code a reference to a System, 'the System' or 'the relevant System' is a reference:

- (a) in the context of a System Point, to the System on which that System Point is or is to be located;
- (b) in the context of a Transporter, to a System owned or operated by the Transporter;
- (c) in the context of a particular transportation activity, to the System in relation to which that transportation activity occurs or is to occur or is or is to be undertaken

1.1.6 and otherwise, is a reference to any System.

1.1.7 For the avoidance of doubt a Transporter may be the owner or operator of (and licensee under a Transporter's Licence in relation to) more than one System.

1.2 NTS and LDZs

1.2.1 The **"National Transmission System"** or **"NTS"** is the pipeline system for the time being designated by National Grid NTS as such, and described in National Grid NTS's Ten Year Statement.

1.2.2 A **"Local Distribution Zone"** or **"LDZ"** is a pipeline system (other than the NTS), the conveyance of gas in which is authorised by a relevant Gas Transporter's Licence held by the owner or operator of such pipeline system, and which:

- (a) immediately before the UNC Implementation Date was designated by National Grid as an LDZ; or

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- (b) is subsequently designated by the owner or operator as an LDZ, after consultation with National Grid NTS:
 - (i) consistently with the provisions of the owner or operator's Transporter's Licence; and
 - (ii) such that no part of any pipeline system (other than the NTS), the conveyance of gas in which is authorised by the relevant Gas Transporter's Licence, is not comprised in an LDZ; and
 - (iii) such that the requirements of the Offtake Arrangements Document are satisfied in respect of all Inter-System Offtakes which exist as a result of such designation

as described in the owner or operator's Ten Year Statement.

1.2.3 For the purposes of paragraph 1.2.2, the relevant Gas Transporter's Licence is a Gas Transporter's Licence in which Special Standard Condition A11 has effect pursuant to a 'Standard Special Conditions Part A direction' in accordance with Standard Special Condition A1(2) of such licence.

1.2.4 Where the context so requires a reference to an LDZ includes the area in which such pipe-line system is located.

1.3 Exit Zones

1.3.1 The area in which each LDZ is located is divided into one or more Exit Zones.

1.3.2 Subject to paragraph 1.3.3, an "**Exit Zone**" is an area (within one LDZ only) for the time being designated by National Grid NTS (following consultation with each other relevant Transporter) as such, and described in National Grid NTS's Transportation Statement.

1.3.3 National Grid NTS may from time to time designate the point at which a NTS System Exit Point (in accordance with paragraph 3.2) is located as a separate Exit Zone, provided that in the absence of such designation an NTS System Exit Point shall be in the Exit Zone in which it is located.

1.4 System Points

1.4.1 For the purposes of the Code:

- (a) an "**Individual System Point**" is a point on a System which is designed to permit gas to flow through a single pipe into or out of the System;
- (b) a "**System Point**" is an Individual System Point or a composite group of Individual System Points of a class (defined according to provisions of the Code set out or referred to in this Section A) in respect of or by reference to which particular provisions of the Code apply.

1.4.2 The classes of System Point comprise:

- (a) Individual System Entry Points, System Entry Points and Aggregate System Entry Points (in accordance with paragraph 2);
- (b) Individual System Exit Points and System Exit Points (in accordance with paragraph 3);

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- (c) Inter-System Offtakes (in accordance with paragraph 3.5)
and sub-classes thereof in accordance with the further provisions of the Code.
- 1.4.3 For the avoidance of doubt a point on a System is a System Point whether or not any transportation arrangement pursuant to which gas flows into or out of the System at such point is made on the terms of the Code.
- 1.5 Storage Connection Point**
 - 1.5.1 The Individual System Points at which a Storage Facility is connected to a System shall be a System Point (which is in relation to such Storage Facility the "**Storage Connection Point**").
 - 1.5.2 A Storage Connection Point shall be both a System Entry Point (and an Aggregate System Entry Point) and a Connected System Exit Point.
- 1.6 NTS and LDZ System Points**
 - 1.6.1 A System Point is an "**NTS**" or an "**LDZ**" System Point where the Individual System Point(s) comprised in that System Point are point(s) on the NTS or (as the case may be) on an LDZ; and references in the Code to an "**NTS**" or an "**LDZ**" System Point of any particular class shall be construed accordingly.
 - 1.6.2 References to a System Exit Point (of any class) in an Exit Zone are to such a System Exit Point:
 - (a) on that part of any LDZ which is located in that Exit Zone; or
 - (b) in the case of an NTS System Exit Point, located in or at such Exit Zone.
 - 1.6.3 Subject to Section G1.9.9(a)(ii), no System Point may comprise Individual System Points on more than one LDZ or in more than one Exit Zone or on an LDZ and the NTS.
- 1.7 Scottish Independent Networks**
 - 1.7.1 Subject to paragraph 1.7.5, each of the separate pipeline networks located in Scotland at Thurso, Wick, Campbeltown and Oban provisioned with LNG, and at Stranraer with gas, is a "**Scottish Independent Network**".
 - 1.7.2 Except where otherwise provided and where the context otherwise requires, a reference to the Total System includes a reference to the Scottish Independent Networks.
 - 1.7.3 A System Exit Point on a Scottish Independent Network is a "**SIN**" System Exit Point.
 - 1.7.4 For the purposes of the Code:
 - (a) each Scottish Independent Network shall be treated as being a separate LDZ the area of which is one separate Exit Zone;
 - (b) there shall be deemed to be in relation to each such Exit Zone an NTS Exit Point ("**SIN NTS Exit Point**"), being a NTS/LDZ Offtake, at which gas is deemed to flow out of the NTS and into such Scottish Independent Network.
 - 1.7.5 Pursuant to an arrangement set out or described in the relevant CSEP Ancillary Agreement, the separate pipeline network located at Stranraer is supplied with gas taken

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from the Total System at a Connected System Exit Point and conveyed by means of pipes operated other than by a Transporter (and not forming part of the Total System); and accordingly in any provision of the Code referring to LNG Facilities, a reference to a Scottish Independent Network does not include the network at Stranraer.

2 SYSTEM ENTRY POINTS

2.1 Individual System Entry Point

An "**Individual System Entry Point**" is an Individual System Point (on the NTS or an LDZ) at which gas can flow into the Total System.

2.2 System Entry Point

2.2.1 A "**System Entry Point**" is a System Point comprising one or more Individual System Entry Points.

2.2.2 Section I1.4 sets out the basis on which Individual System Entry Point(s) are or are to be comprised in a System Entry Point.

2.3 Aggregate System Entry Point

2.3.1 An "**Aggregate System Entry Point**" is a System Point comprising one or more System Entry Points.

2.3.2 Section I1.5 sets out the basis on which System Entry Point(s) are or are to be comprised in an Aggregate System Entry Point.

3 EXIT POINTS

3.1 Individual System Exit Point

An "**Individual System Exit Point**" is an Individual System Point at which gas can flow out of the Total System.

3.2 System Exit Point

3.2.1 A "**System Exit Point**" is a System Point comprising one or more Individual System Exit Points.

3.2.2 The classes of System Exit Point are:

- (a) Supply Meter Points, ~~Supply Point Components~~ and Supply Points in accordance with paragraph 4, and further classes thereof in accordance with that paragraph; and
- (b) Connected System Exit Points.

3.3 Connected System Exit Point

3.3.1 A "**Connected System Exit Point**" (or "CSEP") is a System Point comprising one or

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- more Individual System Exit Points which are not Supply Meter Points.
- 3.3.2 Section J1.4.2 sets out the basis on which Individual System Exit Point(s) are or are to be comprised in a Connected System Exit Point.
- 3.3.3 In the case of a Connected System Exit Point, in accordance with Section J6.1, the relevant provisions of the applicable CSEP Network Exit Provisions apply in addition to the provisions of the Code.
- 3.3.4 A Connected System Exit Point is an "**Unmetered**" Connected System Exit Point where at any Individual System Exit Point comprised in the Connected System Exit Point there is no meter for the purpose of measuring the volume of gas offtaken from the Total System, and otherwise is a "**Metered**" Connected System Exit Point.
- 3.3.5 Where so provided in the relevant CSEP Network Exit Provisions, a Connected System Exit Point may be treated as comprising separate System Exit Points for such purposes as are specified in such Network Exit Agreement, and references in the Code to Connected System Exit Points shall be construed accordingly.

3.4 NTS Exit Point

- 3.4.1 An "**NTS Exit Point**" is a System Point comprising one or more Individual System Points at which gas can flow out of the NTS (and either out of the Total System or into an LDZ).
- 3.4.2 The classes of NTS Exit Point are:
- (a) NTS Supply Points and NTS Connected System Exit Points (which are NTS System Exit Points); and
 - (b) NTS/LDZ Offtakes.
- 3.4.3 In the context of a particular Exit Zone a reference to an NTS Exit Point is a reference to:
- (a) the NTS/LDZ Offtake at which gas flows out of the NTS into the LDZ or that part of an LDZ located in that Exit Zone; and/or
 - (b) the NTS Supply Point and/or NTS Connected System Exit Point in that Exit Zone (in accordance with paragraph 1.6.2)

and a reference to an Exit Zone in the context of a particular NTS Exit Point shall be construed accordingly.

- 3.4.4 An "**NTS Exit Zone**" comprises those NTS Exit Points in such zone, and an "**NTS Exit Area**" comprises those NTS Exit Zones in such area, in each case as identified in the Exit Capacity Release Methodology Statement.
- 3.4.5 A "**Linepack Zone**" is a zone identified as such in the Exit Capacity Release Methodology Statement.

3.5 Inter-System Offtakes

- 3.5.1 An "**Inter-System Offtake**" is a System Point comprising one or more Individual System Points at which gas can flow out of one System into another System which is not comprised in the same Distribution Network.
- 3.5.2 Inter-System Offtakes comprise NTS/LDZ Offtakes and LDZ/LDZ Offtakes.

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3.5.3 For the avoidance of doubt, an Inter-System Offtake is not a System Exit Point except as provided in Section J.

4 SUPPLY POINTS

4.1 Supply Meter Points

4.1.1 Subject to paragraph 4.1.2, a "**Supply Meter Point**" is an Individual System Exit Point at which gas may (in accordance with the Code) be offtaken from the Total System for the purposes of supply directly to particular premises.

4.1.2 Where gas offtaken from the Total System at an Individual System Exit Point is or is to be conveyed through any pipe downstream of such Individual System Exit Point (other than a pipe comprised in a Sub-deduct Arrangement in accordance with Section G1.8) in which gas is conveyed to more than one premises, or to any other pipeline system as well as to any premises, such "**Individual System**" Exit Point is not a Supply Meter Point.

4.1.3 A "**Smaller**" or a "**Larger**" Supply Meter Point is a Supply Meter Point comprised respectively in a Smaller Supply Point or a Larger Supply Point.

~~4.1.4 A Supply Meter Point shall be classified as a "**DM Supply Meter Point**" where paragraph G1.5.1 applies and otherwise shall be classified as an "**NDM Supply Meter Point**".~~

4.2 Supply Point

4.2.1 In accordance with Section G1.1.1, a Supply Point is the Supply Meter Point ~~or Supply Meter Points~~ for the time being comprised in a Supply Point Registration.

4.2.2 A "**Larger Supply Point**" is a Supply Point in respect of which the Annual Quantity is greater than 73,200 kWh (2,500 therms) and a "**Smaller Supply Point**" is a Supply Point in respect of which the Annual Quantity is not greater than 73,200 kWh (2,500 therms).

4.2.3 Subject to Section M2.8, a Supply Point may comprise no more than one Supply Meter Point and shall be classified as a "**DM Supply Point**" where paragraph G1.5.1 applies and otherwise shall be classified as an "**NDM Supply Point**".

4.3 ~~Not Used~~Supply Point Components

~~4.3.1 A Supply Point may comprise a DM Supply Point Component or an NDM Supply Point Component or both.~~

~~4.3.2 A "Supply Point Component" is either:~~

~~(a) all (if any) of the Supply Meter Points comprised in one Supply Point which are DM Supply Meter Points (a "**DM Supply Point Component**");~~

~~(b) all (if any) of the Supply Meter Points comprised in one Supply Point which are NDM Supply Meter Points (an "**NDM Supply Point Component**").~~

4.4 Firm and Interruptible Supply Points

4.4.1 In accordance with Section G6.1 an LDZ Supply Point may be a "**Firm Supply Point**" or

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an "Interruptible Supply Point".

4.4.2 An "~~Interruptible~~" Supply Point Component is a Supply Point Component of an Interruptible Supply Point, and a "~~Firm~~" Supply Point Component is a Supply Point Component of a Firm Supply Point.

4.4.3—A NTS Supply Point may not be an Interruptible Supply Point.

4.5 Further classification of DM Supply Points ~~Components~~

4.5.1 A DM Supply Point ~~Component~~ may be a DMC Supply Point ~~Component~~ (including a VLDMC Supply Point ~~Component~~) or a DMA Supply Point ~~Component~~.

4.5.2 A Supply Point ~~Component~~ shall be classified as a "DMC" Supply Point ~~Component~~ where it is:

- (a) a Firm or Interruptible DM Supply Point ~~Component~~ whose Annual Quantity is greater than 58,600,000 kWh (*2,000,000 therms*);
- (b) an NTS DM Supply Point ~~Component~~ whose Annual Quantity is greater than 58,600,000kWh (*2,000,000 therms*); or
- (c) an SDMC(I) Supply Point ~~Component~~ in accordance with paragraph 4.5.3.

4.5.3 A Supply Point ~~Component~~ can be classified as a "SDMC(I)" Supply Point ~~Component~~ where it is an Interruptible DM Supply Point ~~Component~~ whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), which is for the time being designated as requiring individual Output Nominations in accordance with Section G6.6.12 and 6.6.13.

4.5.4 A Supply Point ~~Component~~ shall be classified as a "DMA" Supply Point ~~Component~~ where it is:

- (a) a Firm DM Supply Point ~~Component~~ whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*);
- (b) an NTS DM Supply Point ~~Component~~ whose Annual Quantity is not greater than 58,600,000kWh (*2,000,000 therms*); or
- (c) an Interruptible DM Supply Point ~~Component~~ whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), which is not a SDMC(I) Supply Point ~~Component~~.

4.5.5 A Supply Point ~~Component~~ shall be classified as a "VLDMC" Supply Point ~~Component~~ where it is a DMC Supply Point ~~Component~~ whose Annual Quantity is greater than 1,465,000,000 kWh (*50,000,000 therms*).

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SECTION B – SYSTEM USE AND CAPACITY

1 INTRODUCTION

1.1 Use of System

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

1.2 System Capacity

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

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

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

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

1.3 Overrun Charges

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

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accordance with this Section B.

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

1.3.3 If:

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

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

1.3.4 Where:

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

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

1.4 Registered and Available Capacity

For the purposes of the Code:

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

1.5 UK Link set-up

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

1.6 Eligible Capacity Registration Date

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

1.7 Transportation Charges and Metering Charges

1.7.1 For the purposes of the Code:

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

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

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

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

1.7.5 In respect of a Customer Charge:

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

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

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

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1.7.8 The further provisions of the Code set out the basis on which Transportation Charges and Metering Charges are payable by Users; provided that (subject to paragraph 1.8.2) where:

- (a) the prevailing Transportation Statement, Metering Charges Statement or Agency Charging Statement provides for any charge which is not provided for in the Code; and
- (b) the amount payable by way of such charge in any case is capable of being determined by reference to the provisions of the Code prevailing at the time

such charge shall be a Transportation Charge or Metering Charge and shall be payable by Users or Users of such class in accordance with the relevant provisions of the Transportation Statement or the Metering Charges Statement respectively.

1.7.9 For the avoidance of doubt paragraph 1.7.8(b) shall not be taken as requiring that the Code should provide for the determination or (other than by virtue of paragraph 1.7.8) payment of any such charge as is therein referred to.

1.7.10 The basis on which the Transporter will reduce any Transportation Charges pursuant to Standard Condition 7(5) of the Transporter's Licence is not contained in the Code; and nothing contained in the Code shall be taken to prevent the Transporter from reducing such charges in accordance with that Standard Condition.

1.7.11 **“Agency Charging Statement”** is a statement prepared pursuant to Standard Special Condition A15(7) to (12) of the Gas Transporter's Licence.

1.7.12 A **“User Pays Charge”** is a charge determined in accordance with the methodology contained in the Agency Charging Statement as payable in respect of a User Pays Service.

1.7.13 For the purposes of the Code, **“User Pays Service”** is a service of a type described as a Code service in Appendix 1 of the Agency Charging Statement.

1.7.14 Where any User Pays Modification Proposal is not implemented but it is determined that a portion of the Implementation Costs should be paid by Users in accordance with the User Pays Charge set out in the Agency Charging Statement, such User Pays Charge shall be payable as set out in the Agency Charging Statement.

1.8 Rates and amounts of Transportation Charges

1.8.1 Subject to paragraphs 1.8.2 to 1.8.5 and paragraph 1.10, and except as provided in paragraph 2.9:

- (a) the amount or rate of any Transportation Charge accrues (irrespective of when it is due for payment); and accordingly the rate of the Transportation Charges payable by a User may vary during the period for which the User holds any System Capacity or is the Registered User of any Supply Point or is a CSEP User;
- (b) the amount or rate of any Metering Charge payable at any time by a User shall be determined in accordance with the Metering Charges Statement in force at the time such charge accrues irrespective of when it is due for payment.

1.8.2 The Transporter agrees that, except where any other provision of the Transporter's

Licence requires notice of a shorter period to be given:

- (a) each notice given by it to the Authority pursuant to Standard Special Condition A4(2)(d) of the Transporter's Licence will be given, and published in accordance with Standard Special Condition A4(3)(a) thereof, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Transportation Statement) to be implemented;
- (b) each statement or revision thereto sent by it to the Authority pursuant to Standard Special Condition A43(4) of the Transporter's Licence will be sent to the Authority, and sent to Users, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Metering Charges Statement) to be implemented.

1.8.3 In accordance with Standard Special Condition A4(4) of the Transporter's Licence, the amount or rate of any Transportation Charge may with the approval of the Authority differ from what is provided for in the Transportation Statement and in accordance with Standard Special Condition 43(4) of the Transporter's Licence, the amount or rate of any Metering Charge may with the approval of the Authority differ from what is provided for in the Metering Charges Statement.

1.8.4 In the case of an NTS Supply Point the rate(s) or amount(s) of the Capacity Charge in respect of NTS Exit Capacity and the Customer Charge may not be specified in the National Grid NTS's Transportation Statement, in which case they will be the rate or amount from time to time notified by National Grid NTS to the Registered User.

1.8.5 In respect of any Transportation Charge in respect of any System Point:

- (a) in the case of a Capacity Charge or the Capacity Variable Component of a Customer Charge, the "**Applicable Daily Rate**" is the daily rate of such charge, in pence per kWh/Day of System Capacity; and the "Applicable Annual Rate" is 365 times the Applicable Daily Rate;
- (b) for the purposes of paragraph 4.6.2, the Applicable Daily Rate and Applicable Annual Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point and the capacity of the LDZ Specified Exit Point determined in accordance with Paragraph 4.6.9 (the "**LDZ Optional Capacity Rate**");
- (c) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "**Applicable Commodity Rate**" is the rate of such charge, in pence per kWh of gas flow; or
- (d) for the purposes of paragraph 3.12.5, the Applicable Commodity Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with paragraph 3.12.8 (the "**NTS Optional Commodity Rate**")

in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.

1.8.6 Subject to paragraph 1.8.4 and except as provided in paragraph 3.12.5, where the Transporter's prevailing Transportation Statement or Metering Charges Statement does

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

1.9 Scottish Independent Networks

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

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

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

1.9.3 For the purposes of the Code:

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

1.10 Long Term Contracts

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

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

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

1.11 Daily Read Errors

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

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

1.12 DNO Users

In this Section B references to Users shall, except in paragraphs 1.2.3(a), (d) and (e), 2 and 4, include DNO Users.¹

2 NTS ENTRY CAPACITY

2.1 Introduction

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

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

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

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

¹ Implementation of modifications 0338V effective 06:00hrs on 01/01/2013 will add new paragraph 1.13.

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2.1.4 In relation to an Aggregate System Entry Point:

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

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

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

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

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

2.1.7 For the purposes of this paragraph 2:

- (a) at any time, in respect of an Aggregate System Entry Point and in relation to a Day, the "**System Entry Capability**" is the amount (in kWh) or rate (in kWh/Day) (in each case consistent with the provisions of paragraph 2.1.9), determined by the Transporter at such time, as the maximum amount of gas which it will be feasible to take delivery on that Day at that Aggregate System Entry Point, or (as the case may be) the maximum rate at which it will be feasible to take delivery of gas on that Day or in the remaining part of that Day at that Aggregate System Entry Point;
- (b) "**Firm NTS Entry Capacity**" means Quarterly NTS Entry Capacity, Monthly NTS Entry Capacity and Daily NTS Entry Capacity which (without prejudice to Section I3.7) is not subject to curtailment and "**Interruptible NTS Entry Capacity**" means Daily Interruptible NTS Entry Capacity which is liable to be curtailed pursuant to paragraph 2.9;
- (c) a reference to the amount of a User's Available or Registered NTS Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as "**Adjusted**":
 - (i) pursuant to paragraph 2.8.4, is a reference to such amount as reduced pursuant to that paragraph;
 - (ii) pursuant to paragraph 2.9.4, is a reference to such amount as reduced pursuant to that paragraph; and
 - (iii) pursuant to paragraph 2.10.8, is a reference to such amount as determined pursuant to that paragraph; and
 - (iv) pursuant to paragraph 2.17.9 is a reference to such amount as reduced pursuant to that paragraph;and a reference to such amount as "**Unadjusted**" pursuant to any such paragraph is a reference to such amount before and disregarding such reduction or determination;
- (d) a reference to the amount of a User's Available or Registered NTS Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as "**Fully Adjusted**" is a reference to such amount as adjusted pursuant to paragraphs 2.8.4, 2.9.4, 2.10.8 and 2.17.9;
- (e) an "**invitation date**" is a day on which Users may make applications for NTS Entry Capacity in accordance with paragraphs 2.2 and 2.3;
- (f) a "**capacity bid**" is an application for NTS Entry Capacity in accordance with paragraph 2.2, 2.3, 2.4 or 2.5; and
- (g) a "**calendar quarter**" is a period of three calendar months commencing 1 January, 1 April, 1 July and 1 October in any calendar year.

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

2.1.9 For the purposes of determining the NTS Entry Capacity available to the User for each

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hour in a Day:

- (a) where the NTS Entry Capacity is held in respect of the whole Day, the User shall hold in respect of each hour in the Day an amount of the NTS Entry Capacity equal to the NTS Entry Capacity held by the User, divided by 24; and
 - (b) where the NTS Entry Capacity is held for less than a Day, the User shall hold in respect of each remaining hour of the Day an amount of the NTS Entry Capacity equal to the NTS Entry Capacity, divided by the period (in hours) from the time the NTS Entry Capacity was first registered as being held by a User to the end of the Day.
- 2.1.10 References to rates at which gas is or may be delivered to or accepted by the System at an Aggregate System Entry Point are references to an instantaneous rate of flow, whether expressed in kWh/Day or other units.
- 2.1.11 For the avoidance of doubt, where a User ceases to be a User in accordance with Section V4.3, the NTS Entry Capacity which the User was registered as holding shall (with effect from the latest time by which a transferee election might be made) cease to be treated as held by any User, save to the extent to which any other User elects to be registered as holding such NTS Entry Capacity pursuant to paragraph 5.4.1(b) (a 'transferee election').
- 2.1.12 Any price to be specified by National Grid NTS or a User pursuant to any provision of this paragraph 2 shall be expressed in pence/kWh/Day and specified to four decimal places.
- 2.1.13 For the purposes of this paragraph 2 and in particular in the context of applications for NTS Entry Capacity in accordance with the further provisions of this paragraph 2, a reference to a 'Capacity Year + *n*' is a reference to the Capacity Year commencing on the *n* anniversary of the first Day of the Capacity Year in which the applications are invited to be made.
- 2.1.14 Discretionary NTS Entry Capacity
- (a) In addition to the other methods set out in Section B2.1.2 by which NTS Entry Capacity may be made available to Users, National Grid NTS shall be entitled to invite applications for NTS Entry Capacity to Users by such means as National Grid NTS may determine in its sole discretion. The timing of any such invitation, the quantities of NTS Entry Capacity included in such invitation (**“Discretionary NTS Entry Capacity”**), and the terms which shall apply to the offering of, application for, allocation of and use of such Discretionary NTS Entry Capacity shall also be determined by National Grid NTS in its sole discretion.
 - (b) Any Discretionary NTS Entry Capacity included in any invitation made by National Grid NTS pursuant to the provisions of paragraph (a) shall:
 - (i) be subject to the application of a reserve price, which shall be equal to the prevailing reserve price last published pursuant to paragraph 2.2.1(a) (for each Aggregate System Entry Point at which Discretionary NTS Entry Capacity is offered); and
 - (ii) be available for a period of no more than one Capacity Year, such period being specified in the relevant invitation; and

- (iii) be subject to the provisions of UNC Section V3.
- (c) Each User shall pay Capacity Charges for any Discretionary NTS Entry Capacity allocated to it, and such Capacity Charge shall be determined as the quantity of NTS Entry Capacity allocated multiplied by the bid price tendered multiplied by the relevant period for which such Discretionary NTS Entry Capacity has been allocated.
- (d) For the avoidance of doubt, any Discretionary NTS Entry Capacity allocated to a User pursuant to this paragraph 2.1.14 shall be included in the User's aggregate Available NTS Entry Capacity.
- (e) The bid prices offered by Users for Discretionary NTS System Entry Capacity shall be considered in the determination of System Entry Overrun Charge rates at the relevant Aggregate System Entry Point.
- (f) National Grid NTS will no later than
 - (i) two (2) Business Days prior to the first day of the period to which the invitation relates, inform each User of those of its capacity bids that have been accepted, the amount of Discretionary NTS Entry Capacity which it is registered as holding for the relevant Aggregate System Entry Point and the period for which the Discretionary NTS Entry Capacity has been allocated); and
 - (ii) one (1) Business Day prior to the first day of the period to which the invitation relates, National Grid NTS will provide information to all Users with the information referred to in paragraph 2.14.2 in relation to Discretionary NTS System Entry Capacity.

2.2 Annual NTS Entry Capacity auctions

2.2.1 By:

- (a) not later than the Day falling twenty eight (28) Days before the annual AMSEC invitation date in any Capacity Year, National Grid NTS will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual AMSEC invitation;
- (b) not earlier than 1 February and not later than 29 February in a Capacity Year, National Grid NTS will invite, and Users may make, applications for Monthly NTS Entry Capacity in respect of each Aggregate System Entry Point for the period specified in paragraph 2.2.2(a);
- (c) not later than the Day falling twenty eight (28) Days before the first annual QSEC invitation date in any Capacity Year, National Grid NTS will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual QSEC invitation; and
- (d) not earlier than 1 March and not later than 31 March in a Capacity Year, National Grid NTS will invite, and Users may make, applications for Quarterly NTS Entry Capacity in respect of each Aggregate System Entry Point for the periods specified in paragraph 2.2.2(b).

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

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

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

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

- (a) the dates (on which applications pursuant to the annual invitation may be made), which for the purposes of:
 - (i) paragraph 2.2.2(a), shall be four dates (each of which shall be a Business Day) on which applications pursuant to such annual invitation may be made; the period between each such date shall not be less than two Business Days; and
 - (ii) paragraph 2.2.2(b), shall be a period of ten (10) consecutive Business Days ("**annual invitation period**"),

(each such date an "**annual**" invitation date);

- (b) for each Aggregate System Entry Point, and in respect of each of Capacity Year Y to Capacity Year +16 (inclusive), the Available NTS Entry Capacity (and, in respect of Capacity Year Y and Capacity Year 1, the Available Monthly Capacity as referred to in paragraph (e) below) and the reserve price for Unsold NTS Entry Capacity (in accordance with National Grid NTS's Transportation Statement) (the "**reserve price**");
- (c) for each Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
 - (i) the relevant number of incremental amounts (each being for a different amount) of Quarterly NTS Entry Capacity greater than the Baseline Entry Capacity (the maximum incremental amount being the lower of (1) an amount not less than an amount equal to 150% of NTS SO Baseline Entry Capacity and (2) an amount determined by the application of National Grid NTS's Incremental Entry Capacity Release Statement) (each amount an "**incremental capacity amount**"); and
 - (ii) the price payable by Users for each different incremental capacity amount (the "**step price**") were National Grid NTS to make such incremental capacity amount available

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

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

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

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

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

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

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

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

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the calendar year and calendar quarter for which Quarterly NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Quarterly NTS Entry Capacity applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Quarterly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.6.4; and
- (f) the price (being either the reserve price or a step price as set out in National

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Grid NTS's Transportation Statement) in respect of which the User is applying for the amount of Quarterly NTS Entry Capacity.

- 2.2.7 An application (a "**monthly**" capacity bid) for Monthly NTS Entry Capacity in respect of Capacity Year Y and Capacity Year 1 shall specify:
- (a) the identity of the User;
 - (b) the Aggregate System Entry Point;
 - (c) the Capacity Year and calendar month for which Monthly NTS Entry Capacity is applied for;
 - (d) the amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity applied for (in kWh/Day);
 - (e) the minimum amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
 - (f) the amount (the "**bid price**") which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Monthly NTS Entry Capacity applied for.
- 2.2.8 A User may have, at any one time:
- (a) in aggregate in respect of each of the annual invitation dates, up to but not more than twenty (20) monthly capacity bids; and
 - (b) during the annual invitation period, up to but not more than twenty one (21) quarterly capacity bids provided that during such period the User may only have one (1) such quarterly capacity bid for which the price specified for the purposes of paragraph 2.2.6(f) is the reserve price or any particular step price
- in respect of a particular Aggregate System Entry Point for each calendar month or (as the case may be) calendar quarter capable of acceptance in accordance with paragraphs 2.6 and 2.7.
- 2.2.9 A capacity bid:
- (a) may not be submitted before 08:00 hours or after 17:00 hours on an invitation date; and
 - (b) may be withdrawn or amended after 08:00 hours and until, but not after, 17:00 hours:
 - (i) where such bid is a monthly capacity bid, on the relevant invitation date;
 - (ii) where such bid is a quarterly capacity bid, on each annual invitation date in the annual invitation period.
- 2.2.10 Where in relation to the incremental amounts of Quarterly NTS Entry Capacity specified in an annual invitation the step prices specified:
- (a) increase as the corresponding incremental amount itself increases, Users may

only submit a second or further quarterly capacity bid where the step price applied for is greater than that applying to any other bid, if the amount of Quarterly NTS Entry Capacity applied for in such bid is no greater than that applied for under any earlier bid;

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

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

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

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

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

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

- (a) the aggregate NTS Entry Capacity Charges payable by the User were all the Monthly NTS Entry Capacity applied for under the User's capacity bids in respect of 1 April to 30 September in Capacity Year Y and 1 October to 31 March in Capacity Year + 1 to be allocated in full; and
- (b) the User's Relevant Code Indebtedness at 17:00 hours on any Business Day on which monthly capacity bids may be made

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

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

2.2.15 Not used.

2.2.16 Not used.

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

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2.2.18

- (a) For the purposes of this paragraph 2.2.18:
 - (i) a "**New**" Aggregate System Entry Point is an Aggregate System Entry Point in respect of which National Grid NTS has not previously held an annual invitation in accordance with the earlier provisions of this paragraph 2.2 or this paragraph 2.2.18;
 - (ii) an "**initial**" quarterly capacity bid is a capacity bid submitted on an initial annual invitation date and a "**secondary**" quarterly capacity bid is a quarterly capacity bid submitted on a secondary annual invitation date.
- (b) By not later than the Day falling twenty eight (28) Days before the first initial annual invitation date, National Grid NTS will notify Users of the applicable reserve prices and the step prices that will apply in respect of the New Aggregate System Entry Point for the purposes of the first annual invitation.
- (c) National Grid NTS will invite applications ("**first**" annual invitation) for Quarterly NTS Entry Capacity at the New Aggregate System Entry Point for each calendar quarter in Capacity Year +2 to Capacity Year +16 (inclusive) for such aggregate amounts of NTS Entry Capacity as is specified in the first annual invitation and Users may make applications for NTS Entry Capacity in respect of the New Aggregate System Entry Point in accordance with this paragraph 2.2.18.
- (d) National Grid NTS's annual invitation under paragraph 2.2.18(c) will specify:
 - (i) the date(s) on which applications ("**initial applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date an "**initial**" annual invitation date);
 - (ii) the date(s) on which further applications ("**secondary applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date a "**secondary**" annual invitation date);
 - (iii) the conditions which must be satisfied before National Grid NTS will invite Users to submit secondary applications;
 - (iv) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available NTS Entry Capacity and the applicable reserve prices for Baseline NTS Entry Capacity (in accordance with the Transportation Statement) (the "**applicable reserve price**");
 - (v) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
 - (1) the relevant number of incremental capacity amounts of Quarterly NTS Entry Capacity greater than the NTS SO Baseline Entry Capacity (the maximum incremental capacity amount being the lower of (1) an amount not less than an

amount equal to 150% of NTS SO Baseline Entry Capacity and (2) an amount determined by the application of National Grid's NTS's Incremental Entry Capacity Release Statement); and

- (2) the step price payable by Users for each different incremental capacity amount were National Grid NTS to make such incremental capacity amount available

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

- (vi) the relevant number for the purposes of paragraph (v) being twenty (20) except in the event of a New Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in National Grid NTS's Transportation Statement.
- (e) Provided the conditions referred to in the first annual invitation are satisfied National Grid NTS will by not later than the Day falling twenty-eight (28) Days before the first Day on which Users may submit secondary applications re-notify Users of each of the secondary annual invitation date(s), and National Grid NTS's invitation will be in accordance with paragraph 2.2.18(d) and the applicable reserve price shall be the same as that applicable reserve price that applied when Users were invited to submit initial applications.
- (f) Users may apply for Quarterly NTS Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of the New Aggregate System Entry Point on initial annual invitation dates and on secondary annual invitation dates (and a User who has not submitted an initial application shall not be prevented from submitting a secondary application where National Grid NTS invites secondary applications).
- (g) For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.18, in relation to a first annual invitation:
 - (i) paragraphs 2.2.5, 2.2.6, 2.2.8, 2.2.10, 2.2.11 and 2.2.12 shall apply;
 - (ii) paragraph 2.2.9 shall apply provided that an initial quarterly capacity bid may not be withdrawn on a secondary annual invitation date;
 - (iii) paragraph 2.2.15 shall apply for which purposes the prevailing relevant step price group shall be determined by reference to the quantities of Quarterly NTS Entry Capacity applied for in aggregate at the New Aggregate System Entry Point by Users up until 17:00 hours on each relevant invitation date).
- (h) Without prejudice to paragraph 2.2.18(i), following the submission of initial applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall apply and National Grid NTS shall allocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity at the New Aggregate System Entry Point in the amounts so allocated.
- (i) Where National Grid NTS invites and Users submit secondary applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall again

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apply for which purposes the Reserve Price Bid Amount and the relevant step price group shall be determined by reference to initial quarterly capacity bids and secondary quarterly capacity bids and National Grid NTS shall allocate or (as the case may be) reallocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity in the amounts so allocated or (as the case may be) reallocated.

- (j) For the avoidance of doubt following the allocation of NTS Entry Capacity under paragraph 2.2.18(i) Users agree to pay by way of NTS Entry Charges for the Quarterly NTS Entry Capacity allocated the step price corresponding to the relevant step price group for the calendar quarter following the second application of paragraph 2.6 irrespective of whether or not the step price is the same as the step price corresponding to the relevant step price group following the first application of paragraph 2.6 in respect of initial applications.
- (k) Nothing in this paragraph 2.2.18 shall be construed as giving rise to a requirement that National Grid NTS make available NTS Entry Capacity in relation to the New Aggregate System Entry Point on secondary annual invitation dates or that National Grid NTS invite Users to submit secondary applications.

2.2.19 In the event that following calculation of the Stability Group (in accordance with paragraph 2.2.15) for each calendar quarter and each Aggregate System Entry Point following submission of quarterly capacity bids on the next following invitation date, the Stability Group remains unchanged in respect of all but four or fewer calendar quarters and Aggregate System Entry Point combinations:

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

2.3 Rolling Monthly NTS Entry Capacity auctions

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

2.3.2 For the purposes of this paragraph 2.3:

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

$$A + B + C$$

where:

- A is the Unsold NTS Entry Capacity (if any) for the calendar month;
- B is the Incremental NTS Entry Capacity (if any) for the calendar month;
- and

- C is the Surrendered NTS Entry Capacity (if any) for the calendar month;
- (b) **“Donor ASEP”** is an Aggregate System Entry Point in respect of which;
- (i) no rolling monthly capacity bid remains unsatisfied following an allocation pursuant to paragraph 2.3.19; and
- (ii) there remains Rolling Available NTS Entry Capacity for the relevant month (in an amount in excess of the minimum eligible amount);
- (c) **“inter-ASEP exchange rate”** is the rate in respect of different pairs of Aggregate System Entry Points used by National Grid NTS for the purposes of paragraph 2.3.23 as established in accordance with the Entry Capacity Transfer and Trade Methodology Statement;
- (d) the **“Entry Capacity Transfer and Trade Methodology Statement”** is the entry capacity transfer methodology statement prepared and published by National Grid NTS in accordance with Special Condition C8D(11) of National Grid NTS’s Transporter’s Licence;
- (e) **“Recipient ASEP”** is an Aggregate System Entry Point in respect of which rolling monthly capacity bids remain unsatisfied following an allocation pursuant to paragraph 2.3.19;
- (f) **“relevant month”** is the calendar month in respect of which National Grid NTS shall invite Users to make rolling monthly surrender offers and rolling monthly capacity bids in accordance with this paragraph 2.3;
- (g) **“Surrendered NTS Entry Capacity”** in respect of an Aggregate System Entry Point and a calendar month, is the aggregate amount of Firm NTS Entry Capacity in respect of which Users have submitted rolling monthly surrender offers (excluding any rolling monthly surrender offer rejected in accordance with paragraph 2.3.9) in accordance with this paragraph 2.3;
- (h) **“unit price”** in respect of a rolling monthly capacity bid is calculated as follows:

$$X / Y$$

where:

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

Y is:

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

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

where:

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

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

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

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

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

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

(a) the calendar month in respect of which the rolling monthly surrender invitation is made;

(b) the date (the “**rolling monthly surrender date**”) being one of the next two Business Days following the date on which National Grid NTS invites Users to surrender Firm NTS Entry Capacity under paragraph 2.3.3 on which Users may notify National Grid NTS of amounts of Firm NTS Entry Capacity which they are willing to surrender for the relevant month; and

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

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

(a) the identity of the User (“**Surrender User**”);

(b) the relevant month;

(c) the Aggregate System Entry Point;

(d) the amount (not less than the minimum eligible amount) of Firm NTS Entry Capacity offered for surrender (in kWh/Day) (“**surrender amount**”); and

(e) the minimum price (the “**rolling monthly surrender price**”) which the User

wishes to be paid in respect of the surrender of Firm NTS Exit Capacity;

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

- 2.3.7 A User may have at any one time up to but no more than two (2) rolling monthly surrender offers in respect of a particular Aggregate System Entry Point.
- 2.3.8 A rolling monthly surrender offer:
- (a) may not be submitted before 08:00 hours or after 17:00 hours on a rolling monthly surrender date;
 - (b) may be withdrawn or amended until, but not after, 17:00 hours on a rolling monthly surrender date.
- 2.3.9 National Grid NTS will reject a rolling monthly surrender offer submitted on a rolling monthly surrender date where:
- (a) any requirement of paragraphs 2.3.6, 2.3.7 or 2.3.8 is not complied with;
 - (b) the amount of Firm NTS Entry Capacity offered for surrender exceeds the amount of the User's Available Firm NTS Entry Capacity at the Aggregate System Entry Point on any Day in the relevant month (determined by reference to the application of this paragraph 2.3 and System Capacity Transfers which at the relevant time have become effective in accordance with paragraph 5.2.4).
- 2.3.10 By not later than five (5) Business Days before the rolling monthly invitation date, National Grid NTS will invite ("**rolling monthly invitation**") Users to apply for Monthly NTS Entry Capacity at each Aggregate System Entry Point for the relevant month for the purposes of this paragraph 2.3.
- 2.3.11 Users may, pursuant to an invitation under paragraph 2.3.10, apply for Monthly NTS Entry Capacity for each Day in the relevant month in respect of an Aggregate System Entry Point.
- 2.3.12 National Grid NTS's invitation under paragraph 2.3.10 will specify:
- (a) the date ("**rolling monthly**" invitation date) being one of the twenty (20) Business Days preceding the last Business Day of the calendar month preceding the relevant month on which applications pursuant to the rolling monthly invitation may be made;
 - (b) for each Aggregate System Entry Point the amount of:
 - (i) the Surrendered NTS Entry Capacity in respect of which the rolling monthly surrender price is:
 - (1) less than the reserve price;
 - (2) equal to the reserve price;
 - (3) greater than the reserve price;

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- (ii) the Rolling Available NTS Entry Capacity; and
 - (c) for each Aggregate System Entry Point the reserve price.
- 2.3.13 Users may apply for Monthly NTS Entry Capacity in respect of an Aggregate System Entry Point for the relevant month on the rolling monthly invitation date.
- 2.3.14 An application (a "**rolling monthly**" capacity bid) for Monthly NTS Entry Capacity pursuant to paragraph 2.3.13 shall specify:
 - (a) the identity of the User;
 - (b) the relevant month;
 - (c) the Aggregate System Entry Point;
 - (d) the amount of Monthly NTS Entry Capacity (not less than the minimum eligible amount) applied for (in kWh/Day);
 - (e) the minimum amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraphs 2.3.19 and 2.3.23; and
 - (f) the amount (the "**bid price**") which shall not be less than the reserve price specified in the rolling monthly invitation which the User is willing to pay by way of Capacity Charge in respect of the Monthly NTS Entry Capacity applied for.
- 2.3.15 A User may have at any one time up to but no more than twenty (20) rolling monthly capacity bids in respect of a particular Aggregate System Entry Point.
- 2.3.16 A rolling monthly capacity bid:
 - (a) may not be submitted before 08:00 hours or after 17:00 hours on a rolling monthly invitation date;
 - (b) may be withdrawn or amended until, but not after, 17:00 hours on a rolling monthly invitation date.
- 2.3.17 National Grid NTS will reject a rolling monthly capacity bid submitted on a rolling monthly invitation date where:
 - (a) The bid price is less than the reserve price;
 - (b) any requirement of paragraphs 2.3.14, 2.3.15 or 2.3.16 is not complied withand National Grid NTS may reject a rolling monthly capacity bid in accordance with Section V3.
- 2.3.18 Following the submission of rolling monthly surrender offers and rolling monthly capacity bids Monthly NTS Entry Capacity will be allocated for the relevant month at an Aggregate System Entry Point:
 - (a) first in accordance with paragraph 2.3.19;
 - (b) where paragraph 2.3.21 applies, thereafter in accordance with paragraph 2.3.23

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

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

- (a) all rolling monthly capacity bids (excluding any rejected pursuant to paragraph 2.3.17) will be ranked in order of price (highest ranking first);
- (b) Monthly NTS Entry Capacity will be allocated to rolling monthly capacity bids with the highest bid price first until such time as all the rolling monthly capacity bids are satisfied or the amount of Monthly NTS Entry Capacity allocated is equal to the Rolling Available NTS Entry Capacity at the Aggregate System Entry Point;
- (c) subject to paragraphs (d), (e) and (f), where the amount of Monthly NTS Entry Capacity applied for under a rolling monthly capacity bid exceeds the amount ("**remaining unallocated amount**") of the Rolling Available NTS Entry Capacity remaining unallocated after allocation to higher priced bids the User will be allocated an amount equal to the remaining unallocated amount;
- (d) subject to paragraphs (e) and (f), where two or more rolling monthly capacity bids ("**equal priced bids**") specify the same bid price, and the amount of Monthly NTS Entry Capacity applied for in aggregate under the equal priced bids exceeds the remaining unallocated amount, the remaining unallocated amount shall be allocated pro rata the amounts applied for in each such rolling monthly capacity bid;
- (e) where the amount to be allocated in respect of a rolling monthly capacity bid pursuant to paragraphs (c) and (d) would be less than the minimum amount specified in the bid, the rolling monthly capacity bid will (without prejudice to paragraph 2.3.23) be disregarded for the purposes of this paragraph 2.3.19) and an allocation made between the other rolling monthly capacity bids with the same bid price in accordance with paragraph (d) or (as the case may be) an allocation made in respect of the next ranked rolling monthly capacity bid;
- (f) where the amount to be allocated in respect of any rolling monthly capacity bid would be less than the minimum eligible amount, no allocation shall be made to that bid (and, without prejudice to paragraph 2.3.23, no further allocation shall be made in respect of the Aggregate System Entry Point); and
- (g) National Grid NTS will not allocate Monthly NTS Entry Capacity to a rolling monthly capacity bid where the allocation could only be satisfied by the reduction of Surrendered NTS Entry Capacity at the Aggregate System Entry Point (in accordance with paragraph 2.3.20) in respect of which the rolling monthly surrender price is greater than the unit price of the relevant rolling monthly capacity bid.

2.3.20 For the purposes of paragraph 2.3.19, where an allocation of Monthly NTS Entry

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Capacity is made following acceptance of a rolling monthly capacity bid :

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

2.3.21 Where following an allocation in accordance with paragraph 2.3.19 there remains rolling monthly capacity bids which are unsatisfied (whether in whole or in part) in respect of an Aggregate System Entry Point ("**unsatisfied bids**") and there remains Rolling Available NTS Entry Capacity at any other Aggregate System Entry Point:

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

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

- (a) the "**unsatisfied bid quantity**" is:
 - (i) in relation to an unsatisfied bid, the quantity of Monthly NTS Entry Capacity applied for in the relevant rolling monthly capacity bid less the quantity of Monthly NTS Entry Capacity allocated to such rolling monthly capacity bid pursuant to paragraph 2.3.19; and
 - (ii) in relation to an unsatisfied bid group, the aggregate unsatisfied bid quantity for all rolling monthly capacity bids in an unsatisfied bid group;

- (b) the unsatisfied bids will be grouped on the following basis:
- (i) the unsatisfied bids will be ranked in price order (highest ranking first);
 - (ii) subject to there being sufficient unsatisfied bids, the unsatisfied bids will be grouped in descending price order into a maximum of four (4) bid groups (each an "**unsatisfied bid group**"); where a bid group shall comprise one or more unsatisfied bids such that:
 - (1) the first and highest ranking bid group comprises unsatisfied bids in respect of which the aggregate amount of Monthly NTS Entry Capacity applied for is not less than twenty-five percent (25%) of the unsatisfied bid quantity;
 - (2) the first and second highest ranking bid groups together comprise unsatisfied bids in respect of which the aggregate amount of Monthly NTS Entry Capacity is not less than fifty percent (50%) of the unsatisfied bid quantity; and
 - (3) the first, second and third highest ranking bid groups together comprise unsatisfied bids in respect of which the aggregate amount of Monthly NTS Entry Capacity applied is not less than seventy-five percent (75%) of the unsatisfied bid quantity;
 - (iii) where an unsatisfied bid could be included, for the purposes of paragraph (ii), in two (2) unsatisfied bid groups it shall be included in the highest ranked bid group;
 - (iv) where there are two or more equally priced unsatisfied bids that could be included in two unsatisfied bid groups for the purposes of this paragraph (b), the unsatisfied bids will be included in the unsatisfied bid group with the highest unsatisfied bid group price; and
 - (v) where the number or characteristics of the unsatisfied bids at a Recipient ASEP are such to prevent the identification of four (4) unsatisfied bid groups in the manner anticipated by paragraph (ii) a lesser number of unsatisfied bid groups may be identified;
- (c) for each unsatisfied bid group the "**unsatisfied bid group price**" shall be calculated as follows:

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

where:

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

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

- (a) all unsatisfied bid groups for all Recipient ASEPs will be ranked in order of unsatisfied bid group price (highest ranking first), and where two or more unsatisfied bid groups have the same unsatisfied bid group price, such unsatisfied bid groups will be ranked as follows:
 - (i) the unsatisfied bid group comprising the rolling monthly capacity bid with the highest bid price shall rank highest; provided that where the highest individual bid price is the same in two or more unsatisfied bid groups, then;
 - (ii) the unsatisfied bid group with the largest unsatisfied bid quantity shall rank highest; provided that where the unsatisfied bid quantity is the same, then;
 - (iii) the unsatisfied bid group comprising the earliest received rolling monthly capacity bid shall rank highest;
- (b) where, following the ranking of unsatisfied bid groups in accordance with paragraph (a), there are unsatisfied bid groups at the same Recipient ASEP ranked consecutively, the unsatisfied bid groups will be amalgamated for the purposes of determining the inter-ASEP exchange rate when allocating Monthly NTS Entry Capacity to rolling monthly capacity bids comprised in the amalgamated unsatisfied bid group;
- (c) subject to the provisions of this paragraph 2.3.23, Monthly NTS Entry Capacity will be allocated to rolling monthly capacity bids comprised in the highest ranked unsatisfied bid group first (and subject to this paragraph (c) to rolling monthly capacity bids comprised in the next ranked unsatisfied bid group), until such time as in respect of an unsatisfied bid group:
 - (i) all the rolling monthly capacity bids are satisfied;
 - (ii) Monthly NTS Entry Capacity is only available on the basis of the application of an inter-ASEP exchange rate which is greater than 10:1; or
 - (iii) there is no Rolling Available NTS Entry Capacity remaining at any Donor ASEPs;
- (d) for the purposes of paragraph (c):
 - (i) when considering an unsatisfied bid group, National Grid NTS will rank each Donor ASEP by reference to the inter-ASEP exchange rate applying between the Recipient ASEP and the Donor ASEP in accordance with the Entry Capacity Transfer and Trade Methodology Statement;
 - (ii) National Grid NTS will allocate Monthly NTS Entry Capacity to rolling monthly capacity bids comprised in an unsatisfied bid group

from the highest ranked Donor ASEP first and where there is no longer Rolling Available NTS Entry Capacity at a Donor ASEP National Grid NTS shall allocate Monthly NTS Entry Capacity from the next ranked Donor ASEP;

- (iii) where there is no longer Rolling Available NTS Entry Capacity at a Donor ASEP National Grid NTS may recalculate the inter-ASEP exchange rate for each of the remaining Donor ASEPs and may, as a result of such recalculation, reconsider the order in which the remaining Donor ASEPs are ranked for the purpose of this paragraph 2.3.23;
- (iv) where all the rolling monthly capacity bids comprised in an unsatisfied bid group cannot be satisfied by reference to the Rolling Available NTS Entry Capacity at a Donor ASEP(s) and the relevant inter-ASEP exchange rate, National Grid NTS will allocate Monthly NTS Entry Capacity to the rolling monthly capacity bids comprised in the unsatisfied bid group in bid price order, allocating Monthly NTS Entry Capacity to the rolling monthly capacity bid with the highest bid price first (and where there are two or more rolling monthly capacity bids with the same bid price Monthly NTS Entry Capacity shall be allocated by reference to the time the rolling monthly capacity bids were received by National Grid NTS, with the earliest received rolling monthly capacity bid ranking highest); and
- (v) where rolling monthly capacity bids comprised in an unsatisfied bid group remain unsatisfied following consideration of all relevant Donor ASEPs (whether in whole or part) the rolling monthly capacity bids will be treated for the purposes of this paragraph 2.3.23 as being comprised in the next ranked unsatisfied bid group for that Recipient ASEP;

(e) for the purposes of this paragraph 2.3.23:

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

$$P * Q$$

where:

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

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

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

2.3.24 For the purposes of paragraph 2.3.23, where an allocation of Monthly NTS Entry Capacity is made:

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

- (e) where a rolling monthly surrender offer is accepted for the purposes of paragraph (a) or (c) the Surrender User's Available Firm NTS Entry Capacity at the Donor ASEP shall be reduced by an amount equal to the amount in respect of which the rolling monthly surrender offer was accepted.

2.3.25 Where a rolling monthly surrender offer or rolling monthly capacity bid is accepted:

- (a) the Surrender User shall remain liable for the Capacity Charges payable in respect of the surrendered Firm NTS Entry Capacity for the relevant month;
- (b) the User who submitted the rolling monthly capacity bid agrees to pay by way of NTS Entry Capacity Charges the relevant bid price for the relevant month in respect of the Monthly NTS Entry Capacity allocated in accordance with this paragraph 2.3;
- (c) where Monthly NTS Entry Capacity is allocated to a rolling monthly capacity bid by reason of the acceptance of a rolling monthly surrender offer National Grid NTS shall pay to the Surrender User an amount, subject to paragraph (b), equal to the weighted average unit price multiplied by the amount of Firm NTS Entry Capacity surrendered (and allocated as Monthly NTS Entry Capacity in accordance with paragraphs 2.3.20(d) and 2.3.24(d)); and
- (d) for the purposes of paragraph (c) National Grid NTS shall not be required, in respect of any Aggregate System Entry Point at which a rolling monthly surrender offer(s) were accepted for the purposes of this paragraph 2.3, to pay the Surrender User(s) an amount in aggregate which exceeds the amounts received from a User(s) as a result of the allocation of Monthly NTS Entry Capacity following the acceptance of rolling monthly surrender offers in accordance with paragraph 2.3.20(d) and 2.3.24(d) (and National Grid NTS shall make such adjustments to the amounts payable to the Surrender User(s) as are reasonable for such purpose).

2.3.26 Where a rolling monthly capacity bid is accepted the User whose rolling monthly capacity bid was accepted shall be registered as holding Monthly NTS Entry Capacity (in the amount so allocated) for the relevant month at the relevant Aggregate System Entry Point.

2.3.27 Amounts due under paragraph 2.3.25 shall be invoiced and payable in accordance with Section S.

2.3.28 Each User agrees and acknowledges that in respect of each relevant month:

- (a) the issue of invitations pursuant to paragraphs 2.3.3 and 2.3.10 represent the means by which a User may request an entry capacity transfer or trade rate or rates for the purposes of Special Condition C8D(11)(b) and 12(b) of National Grid NTS's Transporter's Licence;
- (b) where a User submits a rolling monthly surrender offer or rolling monthly capacity bid (as the case may be) the User shall be deemed to have requested National Grid NTS to enact an entry capacity transfer or trade for the purposes of Special Condition C8D(11)(c) and 12(c) of National Grid NTS's Transporter's Licence;

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

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2.4 Daily NTS Entry Capacity

- 2.4.1 Users may apply for Daily NTS Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.4.
- 2.4.2 An application (a "**daily**" capacity bid) for Daily NTS Entry Capacity shall specify:
- (a) the identity of the User;
 - (b) the Aggregate System Entry Point;
 - (c) the Day for which the Daily NTS Entry Capacity is applied for;
 - (d) the amount (not less than the minimum eligible amount) of Daily NTS Entry Capacity applied for;
 - (e) the minimum amount (not less than the minimum eligible amount) of Daily NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e);
 - (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily NTS Entry Capacity applied for; and
 - (g) whether such bid is a fixed or reducing daily capacity bid.
- 2.4.3 A daily capacity bid:
- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 02:00 hours on the Day for which the Daily NTS Entry Capacity is applied for; and
 - (b) may, subject to paragraph 2.4.4, in the case of a fixed bid be withdrawn or amended and in the case of a reducing bid withdrawn, at any time before Daily NTS Entry Capacity is allocated in respect of such bid.
- 2.4.4 A daily capacity bid may not be withdrawn during a capacity allocation period (irrespective of whether or not the daily capacity bid is in relation to an Aggregate System Entry Point at which, for the purposes of the capacity allocation, there is Available Daily Capacity) and where a User seeks to withdraw a bid during such period, National Grid NTS will notify the User that a capacity allocation period is current and National Grid NTS may, subject to paragraph 2.4.6, accept such daily capacity bid.
- 2.4.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity bids which are capable of acceptance in accordance with this paragraph 2.4.
- 2.4.6 National Grid NTS shall reject a daily capacity bid where:
- (a) the bid price is less than the reserve price;
 - (b) any other requirement of paragraph 2.4.2 is not complied with

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

- 2.4.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Available Daily Capacity is available National Grid NTS will initiate a capacity allocation period. For the avoidance of doubt, where Daily NTS Entry Capacity in respect of an Aggregate System Entry Point is applied for on the Day for which such Daily NTS Entry Capacity is required, National Grid NTS will initiate a capacity allocation period on each of the next hour bars falling thereafter, until such daily capacity bid is no longer available in accordance with 2.4.14, up to and including 02:00 hours on such Day where Available Daily Capacity is available at that Aggregate System Entry Point.
- 2.4.8 Where National Grid NTS has initiated a capacity allocation period or for the purposes of paragraph 2.4.11, Daily NTS Entry Capacity (up to the amount, if any, of the Available Daily Capacity) will be allocated in accordance with paragraph 2.7.
- 2.4.9 Subject to paragraph 2.7.3, National Grid NTS will accept bids in respect of which Daily NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily NTS Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.4.10 Where there is no Available Daily Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, National Grid NTS will not accept any daily capacity bids.
- 2.4.11 Daily capacity bids will also be selected for acceptance in accordance with the System Management Principles.
- 2.4.12 National Grid NTS will accept daily capacity bids selected pursuant to paragraph 2.7.2 or 2.4.11 and the amount of Available Daily Capacity for the Day at the Aggregate System Entry Point will be decreased by the amount for which the bid was selected.
- 2.4.13 For the purposes of this paragraph 2.4:
- (a) the "**Available Daily Capacity**" in relation to an Aggregate System Entry Point, is an amount of Daily NTS Entry Capacity equivalent to the sum of Unsold NTS Entry Capacity (which was available for such Day in accordance with paragraph 2.3 (if any)) which remains available following the application of paragraph 2.3 in respect of each Day in the calendar month in which such Day falls and any additional Daily NTS Entry Capacity that National Grid NTS may in its sole discretion choose to make available for the Day (if any);
 - (b) the "**bid effective time**" is the time on the hour in relation to a daily capacity bid being the later of:
 - (i) 06:00 hours on the Gas Flow Day; or
 - (ii) the time falling no earlier than 60 minutes after Daily NTS Entry Capacity has been allocated in respect of such bid;
 - (c) a "**capacity allocation period**" is the period of 15 minutes, in which National Grid NTS conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time:

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- (i) first commences at 13:00 hours on the Preceding Day to that for which the Daily NTS Entry Capacity is applied for;
- (ii) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily NTS Entry Capacity is applied for (but not thereafter);
- (d) a "**capacity allocation**" is the allocation of Daily NTS Entry Capacity during a capacity allocation period in accordance with paragraph 2.7;
- (e) a "**fixed bid**" is a daily capacity bid in relation to which the Daily NTS Entry Capacity applied for is not conditional on the bid effective time and a "**reducing bid**" is a daily capacity bid in relation to which the amount of Daily Entry Capacity applied for is determined as:

$$(DSEC / BET) * N$$

where:

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

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

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

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

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

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

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

2.4.15 For the purposes of this paragraph 2.4:

- (a) the "**available capacity rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Daily NTS Entry Capacity equal, as appropriate, to the Available Daily Capacity, divided by the number of

hours remaining in the Day following the capacity allocation effective time;

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

2.5 Daily Interruptible NTS Entry Capacity

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

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

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

2.5.3 A daily interruptible capacity bid:

- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day; and
- (b) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.

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- 2.5.4 For each Day, in respect of each Aggregate System Entry Point:
- (a) National Grid NTS will notify Users of the amount of Available Interruptible Capacity by not later than 12:00 hours on the Preceding Day; and
 - (b) Daily Interruptible NTS Entry Capacity (up to the amount if any of the Available Interruptible Capacity) will be allocated pursuant to daily interruptible capacity bids in accordance with paragraph 2.7.
- 2.5.5 In relation to each Aggregate System Entry Point and in respect of any Day a User may have, at any one time, up to but not more than 20 daily interruptible capacity bids which are capable of acceptance in accordance with paragraph 2.7.
- 2.5.6 National Grid NTS will reject a daily interruptible capacity bid where:
- (a) the bid price is less than the reserve price;
 - (b) any other requirement of paragraph 2.5.2 is not complied with
- and National Grid NTS may reject a daily interruptible capacity bid in accordance with Section V3.
- 2.5.7 Subject to paragraph 2.7.3, National Grid NTS will accept bids in respect of which Daily Interruptible NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily Interruptible NTS Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.5.8 Where there is no Available Interruptible Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, National Grid NTS will not accept any daily interruptible capacity bids.
- 2.5.9 National Grid NTS will, not later than 15:00 hours on the Preceding Day, inform each User of those of its daily interruptible capacity bids which have been accepted and the amount of Daily Interruptible NTS Entry Capacity which it is registered as holding pursuant to each such accepted bid.
- 2.5.10 For the purposes of this paragraph 2.5 the "**Available Interruptible Capacity**" in respect of an Aggregate System Entry Point for any Day is:
- (a) an amount of NTS Entry Capacity equal to the daily average unutilised firm capacity; and
 - (b) an amount of NTS Entry Capacity (if any) additional to that in (a) which National Grid NTS determines, in its sole discretion, shall be made available.
- 2.5.11 The "**daily average unutilised firm capacity**" in respect of any relevant period in relation to an Aggregate System Entry Point is an amount of NTS Entry Capacity equal to:

$$AUC / 30$$

where:

AUC is the aggregate amount, for each relevant day, by which the Firm NTS Entry Capacity at the Aggregate System Entry Point held by Users in aggregate

exceeds the sum of the Entry Point Daily Quantity Delivered for each System Entry Point comprised in the Aggregate System Entry Point

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

2.6 Allocation: Quarterly NTS Entry Capacity

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

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

2.6.2 Where this paragraph 2.6.2 applies pursuant to paragraph 2.6.1:

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

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

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

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

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

(in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) pro rata the amount applied for (provided that where the amount to be allocated

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is less than the minimum amount specified in the quarterly capacity bid, the bid will be disregarded (and have no effect) and a revised allocation will be made between the quarterly capacity bids in accordance with this paragraph).

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

- (a) **"Actual Available NTS Entry Capacity"** is, following an annual invitation, an amount of Quarterly NTS Entry Capacity equal to the sum of:
 - (i) Unsold NTS Entry Capacity (as determined prior to the annual invitation);
 - (ii) any additional Quarterly NTS Entry Capacity which NTS is required to make available pursuant to the Incremental Entry Capacity Release Statement following the submission of quarterly capacity bids in response to the annual invitation; and
 - (iii) any additional Quarterly NTS Entry Capacity which National Grid NTS in its sole discretion determines to make available to Users;
- (b) the **"relevant step price group"** is:
 - (i) where a step price group quantity is exactly equal to the Actual Available NTS Entry Capacity, the step price group in respect of which the step price group quantity is exactly equal to the Actual Available NTS Entry Capacity at the step price in respect of the Actual Available NTS Entry Capacity; and
 - (ii) where paragraph (i) above is not applicable and paragraph 2.2.10(a) applies, the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the Actual Available NTS Entry Capacity; and
 - (iii) where paragraph (i) above is not applicable and paragraph 2.2.10(b) applies, the step price group or those bids at the reserve price (as the case may be), when considering the step prices and the reserve price specified in the annual invitation in descending order, in respect of which the step price group quantity or the Reserve Price Bid Amount is last equal to or less than the Actual Available NTS Entry Capacity;
- (c) the **"Reserve Price Bid Amount"** is, in relation to an annual invitation, the aggregate amount of Quarterly NTS Entry Capacity applied for pursuant to quarterly capacity bids in respect of which different Users specified a price other than a step price when applying for Quarterly NTS Entry Capacity;
- (d) a **"step price group"** are those quarterly capacity bids in respect of which different Users specified the same step price when applying for Quarterly NTS Entry Capacity; and
- (e) the **"step price group quantity"** is the aggregate amount of Quarterly NTS Entry Capacity applied for by Users pursuant to quarterly capacity bids comprised in a step price group; and

- (f) the "**Stability Group**" is the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the incremental quantities specified in the annual invitation in ascending order.
- 2.6.6 National Grid NTS will accept quarterly capacity bids in respect of which Quarterly NTS Entry Capacity is allocated in accordance with paragraphs 2.6.2, 2.6.3 and 2.6.4, and each User whose bid is so accepted will be registered as holding Quarterly NTS Entry Capacity (in the amount so allocated) for the relevant calendar quarter in respect of the Aggregate System Entry Point.
- 2.6.7 National Grid NTS will, not later than:
- (a) two months following the last annual invitation date in a Capacity Year inform each User of those of its quarterly capacity bids which have been accepted and the amount of Quarterly NTS Entry Capacity which it is registered as holding for each calendar quarter pursuant to each such accepted quarterly capacity bid; and
 - (b) twenty four (24) hours after the time at which National Grid NTS notifies Users in accordance with paragraph (a) notify all Users in respect of each calendar quarter in accordance with paragraph 2.14.2.

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

- 2.7.1 Following the submission of monthly capacity bids, daily capacity bids and daily interruptible capacity bids, NTS Entry Capacity will be allocated for a relevant short term period in accordance with this paragraph 2.7.
- 2.7.2 For a relevant short term period, NTS Entry Capacity in respect of an Aggregate System Entry Point will be allocated pursuant to capacity bids submitted in respect of such short term period as follows:
- (a) all capacity bids submitted in respect of the relevant short term period (excluding any bid rejected pursuant to paragraph 2.2.11, 2.4.6 or 2.5.6) will be ranked in order of bid price (the highest price ranking first) save that in the case of monthly capacity bids made pursuant to paragraph 2.2.4 the ranking will be made in respect of each relevant annual invitation date;
 - (b) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available NTS Entry Capacity for the calendar month;
 - (i) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available Monthly Capacity for the relevant annual invitation date for the calendar month;
 - (ii) in the case of daily capacity bids made pursuant to paragraph 2.4.1 the Available Daily Capacity; and
 - (iii) in the case of daily interruptible capacity bids made pursuant to paragraph 2.5.1, the Available Interruptible Capacity;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.7.3, where the amount of NTS Entry Capacity applied for under a bid exceeds the amount (the "**remaining unallocated amount**") of the relevant capacity remaining unallocated after

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allocation to higher priced bids, the User will be allocated an amount equal to the remaining unallocated amount;

- (d) subject to paragraph (e) and paragraph 2.7.3, where each of two or more bids ("**equal priced bids**") specifies the same bid price, and the amount of relevant capacity remaining applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for in each such bid;
 - (e) where the amount to be allocated in respect of a bid pursuant to paragraph (c) or (d) is less than the minimum amount specified in the capacity bid, the bid will be disregarded (and of no effect), and a revised allocation will be made between remaining equal price bid(s) under paragraph (d), or (as the case may be) an allocation made in respect of the next priced bid.
- 2.7.3 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.7.2 is less than the minimum eligible amount, National Grid NTS will not accept that or any further capacity bids under, as appropriate, paragraphs 2.2, 2.4 or 2.5.
- 2.7.4 Subject to paragraph 2.7.2, National Grid NTS will accept bids in respect of which NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding NTS Entry Capacity (in the amount so allocated) for the relevant short term period in respect of the Aggregate System Entry Point.
- 2.7.5 Each User who applies for NTS Entry Capacity for a relevant short term period shall tender in respect of each capacity bid a bid price (in accordance with paragraph 2.2.7(f), 2.4.2(f) or 2.5.2(f)) and agrees by making such application to pay by way of NTS Entry Capacity Charges the relevant bid price for the relevant short term period in respect of the NTS Entry Capacity allocated in accordance with this paragraph 2.7 pursuant to such capacity bid.
- 2.7.6 For the purposes of this paragraph 2.7:
- (a) "**relevant short term period**" means:
 - (i) in the case of an annual invitation under paragraph 2.2, the relevant calendar month; and
 - (ii) for the purposes of paragraphs 2.4 and 2.5, the relevant Day; and
 - (b) "**relevant capacity remaining**" is, for the purposes of an allocation in accordance with paragraph 2.7.2 following applications made under:
 - (i) paragraph 2.2.5, Monthly NTS Entry Capacity;
 - (ii) paragraph 2.4.1, Daily NTS Entry Capacity; and
 - (iii) paragraph 2.5.1, Daily Interruptible NTS Entry Capacity.
- 2.7.7 National Grid NTS will:
- (a) in respect of Monthly NTS Entry Capacity allocated in respect of Capacity Year Y not later than one month following the final date on which applications for Monthly NTS Entry Capacity could be made, inform each User of those of its

monthly capacity bids which have been accepted and the amount of Monthly NTS Entry Capacity which it is registered as holding for each calendar month in Capacity Year Y pursuant to each such accepted monthly capacity bid;

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

2.8 Capacity Constraint Management

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

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

2.8.2 For the purposes of the Code:

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

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

- (b) "**Capacity Management Charges**" are all amounts payable by National Grid NTS to a User pursuant to a Capacity Management Agreement and include Capacity Surrender Charges; and
- (c) a "**Capacity Management Agreement**" is any form of agreement (or

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mechanism) identified in the statement to be prepared and published by National Grid NTS pursuant to Special Condition C5(3) of National Grid NTS's Transporter's Licence which may be utilised by National Grid NTS and pursuant to which National Grid NTS may secure the surrender of Firm NTS Entry Capacity by Users for the purposes of the management of a capacity constraint.

- 2.8.3 National Grid NTS may enter into a Capacity Management Agreement with a User.
- 2.8.4 Where pursuant to the terms of a Capacity Management Agreement a User surrenders Firm NTS Entry Capacity at an Aggregate System Entry Point in relation to a Day, the amount of the User's Available Firm NTS Entry Capacity at the Aggregate System Entry Point shall be reduced by the amount surrendered by the User pursuant to the terms of the Capacity Management Agreement.
- 2.8.5 Capacity Surrender Charges will be invoiced and payable in accordance with Section S.
- 2.8.6 National Grid NTS shall for the purposes of the management of a capacity constraint take such steps as are in accordance with the System Management Principles; it however being acknowledged that the System Management Principles do not form part of, and are not incorporated into, and are not binding upon National Grid NTS pursuant to, the Code.
- 2.8.7 For the avoidance of doubt, National Grid NTS shall not be under any obligation pursuant to paragraphs 2.2, 2.3, 2.4, 2.5 or any other provision of this Section B2 to make available to Users NTS Entry Capacity surrendered by Users pursuant to the terms of a Capacity Management Agreement.
- 2.8.8 For the purposes of paragraph 2.8.9 below, the following words shall have the following meanings:
- (a) "**Forward Agreement**" means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User surrenders Firm NTS Entry Capacity to National Grid NTS over a forward period of days (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);
 - (b) "**Option Agreement**" means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User grants an option to National Grid NTS upon the exercise of which National Grid NTS may accept the surrender of Firm NTS Entry Capacity (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);
 - (c) "**Relevant Forward Combination**" means a specific combination of Aggregate System Entry Point and forward delivery period as set out in a valid tender offer submitted to National Grid NTS pursuant to a Tender Invitation Notice;
 - (d) "**Relevant Option Combination**" means a specific combination of Aggregate System Entry Point and option exercise period as set out in a valid tender offer submitted to National Grid NTS pursuant to a Tender Invitation Notice; and
 - (e) "**Tender Invitation Notice**" means a notice issued by National Grid NTS inviting Users to submit a tender offer for a Forward Agreement or an Option Agreement (as the case may be).

2.8.9

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

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Relevant Option Combination pursuant to that Tender Invitation Notice;

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

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

2.9 Curtailment of Interruptible NTS Entry Capacity

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

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

- (a) in relation to any Aggregate System Entry Point that there is or will be an Entry Capability Shortfall; or
- (b) that there is or will be a Transportation Constraint or a Localised Transportation Deficit which National Grid NTS believes may be avoided or remedied by the

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curtailment of Interruptible NTS Entry Capacity held by Users at one or more Aggregate System Entry Points (whether or not those Aggregate System Entry Points are affected by the Transportation Constraint or Localised Transportation Deficit);

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

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

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

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

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

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

and where for each interruptible curtailment notice (from 1 to n) given in respect of the Aggregate System Entry Point and the Day:

ICF is the interruptible curtailment factor, and

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

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

2.10 Surrender of NTS Entry Capacity

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

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

- (a) the identity of the User;

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

2.10.3 A daily capacity offer:

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

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

2.10.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity offers which are capable of acceptance in accordance with this paragraph 2.10.

2.10.6 National Grid NTS will reject a daily capacity offer where any requirement of paragraph 2.10.2 is not complied with, and may reject such an offer where the amount of NTS Entry Capacity offered for surrender exceeds the amount of the User's Available Firm NTS Entry Capacity (determined by reference to System Capacity Transfers which have at the relevant time become effective pursuant to paragraph 5.2.3(c) and the provisions of paragraph 2.8 and this paragraph 2.10).

2.10.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where National Grid NTS determines that:

- (a) there is a Firm Capacity Shortfall at one or more Aggregate System Entry Points; or
- (b) there is or will be a Transportation Constraint or a Localised Transportation Deficit which National Grid NTS believes may be avoided or remedied by the surrender of Firm System Entry Capacity held by Users at one or more Aggregate System Entry Points (whether or not those Aggregate System Entry Point are affected by the Transportation Constraint or Localised Transportation

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Deficit);

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

2.10.8 National Grid NTS may accept daily capacity offers in accordance with the System Management Principles and the amount of Available Firm NTS Entry Capacity held (for the relevant Day in respect of the relevant Aggregate System Entry Point) by each User whose offer is so accepted will be reduced by the amount for which the offer was selected.

2.10.9 National Grid NTS will, not later than one (1) hour after each capacity selection, inform each User of those of its daily capacity offers which have been accepted, the amount of NTS Entry Capacity surrendered pursuant to each such accepted offer, and the amount by which its Available NTS Entry Capacity is accordingly reduced in respect of each Aggregate System Entry Point.

2.10.10 For the purposes of this paragraph 2.10:

- (a) the "**offer effective time**" is the time on the hour in relation to a daily capacity offer being the later of:
 - (i) 06:00 hours on the Gas Flow Day; and
 - (ii) the time not earlier than 60 minutes after Firm NTS Entry Capacity has been selected pursuant to such bid for surrender;
- (b) a "**capacity selection period**" is the period of 15 minutes in which, where National Grid NTS intends to accept Firm NTS Entry Capacity for surrender pursuant to available daily capacity offers, it conducts a capacity selection;
- (c) a "**capacity selection**" is the acceptance of Firm NTS Entry Capacity for surrender during a capacity selection period in accordance with this paragraph 2.10;
- (d) a "**fixed offer**" is a daily capacity offer in relation to which the amount of Firm NTS Entry Capacity offered for surrender is not conditional on the offer effective time and a "**reducing offer**" is a daily capacity offer in relation to which the amount of Firm Entry Capacity offered for surrender is determined as:

$$(FSEC / OET) * N$$

where:

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

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

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

- (e) a "**Firm Capacity Shortfall**" is an amount of Firm NTS Entry Capacity equal

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

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

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

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

2.10.12 For the purposes of this paragraph 2.10:

- (a) the "**available surrender rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Firm NTS Entry Capacity equal, as appropriate, to the Firm Capacity Shortfall or to the amount of Firm System Entry Capacity National Grid NTS believes requires to be surrendered to avoid or remedy the relevant Transportation Constraint or Localised Transportation Deficit), divided by the number of hours remaining in the Day following the capacity selection effective time;
- (b) the "**capacity selection effective time**" is the hour bar following the next hour bar falling after the end of a capacity selection period;
- (c) the "**implied surrender rate**" in relation to:
 - (i) a fixed offer, is the rate (in kWh/hour), calculated as the amount of Firm NTS Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day were Firm NTS Entry Capacity to be selected for surrender pursuant to such offer;
 - (ii) a reducing offer, is the rate (in kWh/hour) calculated as the amount of Firm NTS Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day from the hour bar following the hour next falling after submission of such offer.

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

- 2.11.1 (a) A User shall, subject to paragraph (b) below, pay Capacity Charges ("**NTS Entry Capacity Charges**") in respect of its Registered NTS Entry Capacity at Aggregate System Entry Points.
- (b) Where:
- (i) pursuant to paragraph 2.2.18 National Grid NTS allocates Quarterly NTS Entry Capacity for the first time at a New Aggregate System Entry

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Point from a specific date (the "**First Capacity Allocation Date**") but fails to accept gas properly tendered for delivery by a User (for the purpose of this paragraph 2.11.1 a "**relevant User**") at that Aggregate System Entry Point in the period on and following that First Capacity Allocation Date; and

- (ii) the reason for such failure is the non commissioning of that Aggregate System Entry Point or any System Entry Point comprised within it; and
- (iii) the relevant User both holds Registered Quarterly NTS Entry Capacity and does properly tender gas for delivery on the relevant Day(s) at that Aggregate System Entry Point

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

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

2.11.2 The NTS Entry Capacity Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point and each class (as described in paragraph 2.1.4) of NTS Entry Capacity, as the amount of the User's Registered NTS Entry Capacity (of the relevant class, and in the case of Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity, applied for pursuant to paragraphs 2.2 and/or 2.3, and allocated following an invitation date) multiplied by the Applicable Daily Rate.

2.11.3 The Applicable Daily Rate shall be:

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

2.11.4 For the purposes of paragraph 2.11.2, the amount of the User's Registered NTS Entry

Capacity shall be determined Unadjusted pursuant to paragraph 2.9.4 (but for the avoidance of doubt Unadjusted pursuant to paragraphs 2.8.4, 2.10.8 and 2.17.9).

- 2.11.5 Where National Grid NTS accepts a daily capacity offer pursuant to paragraph 2.10 National Grid NTS will pay to the User a charge ("**Capacity Surrender Charge**") in an amount determined as the amount of NTS Entry Capacity for which the daily capacity offer was accepted by National Grid NTS multiplied by the offer price specified in the daily capacity offer.
- 2.11.6 The NTS Entry Commodity Charge payable by a User in respect of each Day will be determined for each NTS Entry Point as the User Daily Quantity Input less any quantity to which the NTS Optional Commodity Rate applies in accordance with Code multiplied by the Applicable Commodity Rate for such Commodity Charge.
- 2.11.7 NTS Entry Capacity Charges, NTS Entry Commodity Charges and Capacity Surrender Charges will be invoiced and payable in accordance with Section S.

2.12 Overrun charges

- 2.12.1 If for any reason the quantity of gas delivered by a User to the Total System at an Aggregate System Entry Point on any Day exceeds the User's aggregate Available NTS Entry Capacity (determined as Fully Adjusted), the User shall pay a charge ("**System Entry Overrun Charge**") in respect of NTS Entry Capacity at that Aggregate System Entry Point on that Day.
- 2.12.2 For the purposes of this paragraph 2.12, in respect of a User at an Aggregate System Entry Point for any Day, the "**overrun quantity**" is the amount by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the Aggregate System Entry Point exceeds the sum of the User's Fully Adjusted Available NTS Entry Capacity.
- 2.12.3 The System Entry Overrun Charge shall be calculated as the amount of the overrun quantity multiplied by whichever is the greatest of:
 - (a) $(8 * A)$, where 'A' is the highest bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation under paragraphs 2.2, 2.3 and 2.4; and
 - (b) $(1.1 * B)$, where 'B' is the relevant average accepted offer price;
 - (c) $(1.1 * C)$, where 'C' is the relevant average accepted forward price;
 - (d) $(1.1 * D)$, where 'D' is the relevant average accepted exercise price; and
 - (e) $(1.1 * E)$, where 'E' is the highest unit price accepted by National Grid NTSwhere (a), (b), (c), (d) and (e) are calculated by reference to information available to National Grid NTS at 02:00 hours on the relevant Day.
- 2.12.4 For the purposes of paragraph 2.12.3(b), in respect of an Aggregate System Entry Point the "**relevant average accepted offer price**" for a Day is calculated as:

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

where:

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

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

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

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

where:

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

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

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

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

where:

n is the number of relevant option arrangements;

Q is the amount of Daily NTS Entry Capacity surrendered (being in aggregate equal to the relevant option capacity) pursuant to the relevant option arrangements; and

P is the exercise price of each relevant option arrangement,

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

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

2.12.8 System Entry Overrun Charges shall be invoiced and payable in accordance with Section S.

2.13 Capacity Neutrality Arrangements

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

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

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- (a) **"Relevant Capacity Revenues"** are the aggregate of the amounts payable to National Grid NTS by Users:
- (i) by way of Capacity Charges in respect of:
 - (1) Daily NTS Entry Capacity where the User was registered at any time during the Day in question as holding the Daily NTS Entry Capacity in respect of that Day;
 - (2) Daily Interruptible NTS Entry Capacity;
 - (3) any additional Firm NTS Entry Capacity made available by National Grid NTS (as determined by National Grid NTS acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Unsold NTS Entry Capacity; and
 - (4) Monthly NTS Entry Capacity is allocated pursuant to paragraph 2.3.19 or 2.2.23 by reason of the acceptance of a rolling monthly surrender offerat the Aggregate System Entry Point;
 - (ii) by way of System Entry Overrun Charges; and
 - (iii) where any User has negative Available NTS Entry Capacity, by way of System Entry Overrun Charges pursuant to (and calculated in respect of the amount determined under) paragraph 5.5.2(a); and
 - (iv) by way of Market Balancing Action Charges in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
 - (v) by way of any other amounts payable to National Grid NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
 - (vi) by way of Physical Renomination Incentive Charges
- in respect of such Day;
- (b) **"Relevant Capacity Costs"** are the aggregate of the amounts payable by National Grid NTS to Users by way of:
- (i) Capacity Management Charges (for which purposes any premium payable by National Grid NTS shall be attributable to the Day pro rata to the number of Days during which National Grid NTS may exercise rights in respect of the surrender of Firm NTS Entry Capacity pursuant to the relevant Capacity Management Agreement); and
 - (ii) Aggregate Constraint Amounts pursuant to Section I3.7.2;
 - (iii) Market Balancing Action Charges in respect of each Market Balancing Buy Action (or negatively priced Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a

Transportation Constraint;

- (iv) any other amounts in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint;
- (v) amounts payable by National Grid NTS in accordance with paragraph 2.3.25(c); and
- (vi) amounts payable by National Grid NTS in accordance with paragraph 2.17;

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

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

$$\text{RCR} * \text{UFAC} / \text{AFAC}$$

where:

RCR is the Relevant Capacity Revenues;

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

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

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

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

$$\text{RCC} * \text{UFAC} / \text{AFAC}$$

where:

RCC are the Relevant Capacity Costs;

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

2.13.5 For the purposes of this paragraph 2.13:

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

(i) the sum of:

- (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to National Grid NTS), which was due for payment to National Grid NTS in month m-2 but were unpaid to National Grid NTS as at the last Day of month m:

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- (2) the amount of any interest paid (in accordance with Section S4.3.2) by National Grid NTS to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (1) above;

less

- (ii) the sum of:

- (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to National Grid NTS) which:

- (aa) was unpaid as at the last Day of month m-3 and was taken into account (under paragraph (a)(i) above) in calculating the Second Capacity Adjustment Neutrality Amount for month m-1; but

- (bb) has been paid to National Grid NTS since the last Day of month m-1;

- (2) the amount of any interest paid (in accordance with Section S4.3.2) by any User to National Grid NTS on any Day in month m by virtue of late payment of any such charge as is referred to in paragraph (1) above,

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

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

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

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

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

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

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

Aggregate System Entry Point).

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

2.14 Auction information

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

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

- (a) the price (in pence/kWh) accepted for NTS Entry Capacity by a User (and the amount of NTS Entry Capacity applied for);
- (b) except in relation to an allocation of NTS Entry Capacity pursuant to paragraph 2.1.14, the relevant step price group;
- (c) the lowest accepted bid price in respect of a successful capacity bid and the amount of NTS Entry Capacity applied for;
- (d) aggregate volume of NTS Entry Capacity allocated to successful capacity bids;
- (e) the number of Users who submitted successful capacity bids and the number of Users who submitted unsuccessful capacity bids;
- (f) the weighted average price in respect of capacity bids for which NTS Entry Capacity was allocated calculated as:

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

where:

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

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

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- be) paragraph 2.7.2;
- (g) the amount of NTS SO Baseline Entry Capacity which remains unsold (if any) following the allocation; and
- (h) in the case of an allocation of Quarterly NTS Entry Capacity only, the number of Users who submitted, in respect of each step price group, a Quarterly capacity bid.

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

- (a) by not later than three (3) Business days before the last Business day of the calendar month preceding the relevant month, notify each User who submitted a rolling monthly capacity bid for the relevant month and in respect of each Aggregate System Entry Point, of:
 - (i) the rolling monthly capacity bids in respect of which an allocation of Monthly NTS Entry Capacity was made in accordance with paragraphs 2.3.19 and 2.3.23 and the amount of the allocation in respect of each such rolling monthly capacity bid;
 - (ii) the amount of Monthly NTS Entry Capacity held in aggregate by the User for the relevant month pursuant to an allocation in accordance with paragraphs 2.3.19 and 2.3.23;
 - (iii) the amount of NTS Entry Capacity held in aggregate by the User for the relevant month;
- (b) by not later than three (3) Business Days before the last Business Day of the calendar month preceding the relevant month, notify each User who submitted a rolling monthly surrender offer for the relevant month and in respect of each Aggregate System Entry Point, of:
 - (i) the amount of Firm NTS Entry Capacity which the User offered for surrender;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity which was surrendered following acceptance of rolling monthly surrender offers submitted by the User for the purposes of paragraphs 2.3.19 and 2.3.23;
 - (iii) the weighted average unit price in respect of each rolling monthly surrender offer in respect of which Firm NTS Entry Capacity was surrendered by the User;
- (c) by not later than the Business Day following the notification under paragraphs (a) and (b), notify all Users in respect of each Aggregate System Entry Point, of:
 - (i) (the information referred to in paragraph 2.14.2 (other than the relevant step price group));
 - (ii) the amount of Monthly NTS Entry Capacity allocated for the relevant month pursuant to paragraph 2.3.19;

- (iii) the amount of Monthly NTS Entry Capacity allocated for the relevant month pursuant to paragraph 2.3.23;
- (iv) the aggregate amount of Firm NTS Entry Capacity which Users offered for surrender and the aggregate amount of Firm NTS Entry Capacity which was surrendered following acceptance of rolling monthly surrender offers submitted by Users for the purposes of paragraphs 2.3.19 and 2.3.23;
- (v) that quantity (if any) of Daily NTS Entry Capacity which National Grid NTS is required to make available to Users in accordance with paragraph 2.4 for the relevant month;
- (vi) for each Donor ASEP the aggregate amount by which the Unsold NTS Entry Capacity at the Donor ASEP was reduced in accordance with paragraph 2.3.23;
- (vii) for each Recipient ASEP:
 - (1) the order in which the unsatisfied bid groups were ranked for the purposes of paragraph 2.3.23;
 - (2) the highest and lowest bid price and the weighted average price (calculated in a manner consistent with the calculation in paragraph 2.14.2(f)) in respect a rolling monthly capacity bids for which Monthly NTS Entry Capacity was allocated under paragraph 2.3.23;
 - (3) the weighted average inter-ASEP exchange rate for each combination of Recipient ASEP and Donor ASEP utilised for the purposes of paragraph 2.3.23.

2.15 NTS Entry Capacity Retention

- 2.15.1 For the purposes of the Code, “**NTS Entry Capacity Substitution Methodology Statement**” means the methodology statement published pursuant to the Standard Special Condition C8D of National Grid NTS’s Gas Transporter’s Licence.
- 2.15.2 National Grid NTS may, from time to time in accordance with the NTS Entry Capacity Substitution Methodology Statement, invite Users to enter into an arrangement with National Grid NTS pursuant to which National Grid NTS may exclude certain amounts of unsold NTS Entry Capacity from being substituted from an ASEP to meet demand for incremental obligated NTS Entry Capacity at one or more other ASEPs. Any amount payable by a User (or to be refunded to a User) pursuant to such an arrangement shall be a “**NTS Entry Capacity Retention Charge**”
- 2.15.3 The terms and conditions applicable to any such arrangement and the payment of NTS Entry Capacity Retention Charges shall be specified in the NTS Entry Capacity Substitution Methodology Statement and/or the relevant invitation published by National Grid NTS.

2.16 Class A Contingencies

- 2.16.1 During the period of a Class A Contingency:

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- (a) where due to a Class A Contingency no capacity allocations of Daily NTS Entry Capacity in respect of a relevant Day are made by National Grid NTS within the capacity allocation period (in accordance with paragraph 2.4.13(c)) the System Entry Overrun Charge payable by Users in respect of the relevant Day will not apply;
- (b) applications for and registration of NTS Entry Capacity (pursuant to paragraph 2) will be operated in accordance with the relevant Contingency Procedures as contained in the Code Contingency Guidelines Document,
- (c) where
 - (i) Capacity Management processes are required; and/or
 - (ii) Surrender of NTS Entry Capacity is required; and/or
 - (iii) Registration of System Capacity Trading processes is required;these will be operated in accordance with the relevant Contingency Procedures as contained in the Code Contingency Guidelines Document.

2.17 Force Majeure affecting capacity at an ASEP

- 2.17.1 Where National Grid NTS issues an ASEP Force Majeure Notice in respect of the affected ASEP it will implement a Force Majeure Capacity Management Arrangement in accordance with this paragraph 2.17.
- 2.17.2 National Grid NTS will commence the Force Majeure Capacity Management Arrangement:
 - (a) within 5 Business Days following the date of the ASEP Force Majeure Notice, where the ASEP Force Majeure Notice is issued after the Modification Implementation Date; or
 - (b) within 5 Business Days following the Modification Implementation Date, where the Modification Implementation Date occurs after the date of the ASEP Force Majeure Notice.
- 2.17.3 The Force Majeure Capacity Management Arrangement will continue until such time as the ASEP Force Majeure ceases to apply and National Grid NTS resumes performance of the obligations which have been prevented or delayed by the Force Majeure.
- 2.17.4 Where Users in aggregate are Registered (on the day that the Force Majeure Notice is issued) as holding Firm NTS Entry Capacity at the affected ASEP that would entitle them to tender gas for delivery in excess of the level that National Grid NTS is able to accept at the affected ASEP as a result of the ASEP Force Majeure, then pursuant to the Force Majeure Capacity Management Arrangement, National Grid NTS will determine one or more Force Majeure Option Arrangements, each being for a Day(s), Month(s) or Quarter(s) during the period of the Force Majeure Capacity Management Arrangement and notify each Relevant User in accordance with paragraph 2.17.5.
- 2.17.5 National Grid NTS will update its relevant systems with, and following such update will provide to each Relevant User, the following details in respect of each Force Majeure Option Arrangement:

- (a) the affected ASEP in respect of which the Force Majeure Option Arrangement will apply;
 - (b) the duration of the Force Majeure Option Arrangement which, at the discretion of National Grid NTS, may be for the period of a Day, Month or Quarter;
 - (c) the number of Days in respect of which the Force Majeure Option may be exercised during each Force Majeure Option Arrangement;
 - (d) the ASEP Force Majeure Quantity at the affected ASEP;
 - (e) the Maximum Option Capacity (kWh/day) that may be exercised in respect of that Force Majeure Entry User at the affected ASEP;
 - (f) the Force Majeure Premium Charge (p/kWh/day) payable to the Force Majeure Entry User;
 - (g) the latest time by which a Force Majeure Option may be exercised; (which shall be no later than 01:00hours on the Day);
 - (h) the Exercise Price, which shall be zero.
- 2.17.6 Upon the determination of a Force Majeure Option Arrangement, the Force Majeure Entry User, in consideration of the Force Majeure Premium Charge, irrevocably grants to National Grid NTS, in accordance with paragraph 2.17.7, the right to exercise one or more Force Majeure Options.
- 2.17.7 National Grid NTS may exercise (by no later than the latest exercise time specified in paragraph 2.17.5(g)) a Force Majeure Option in respect of any Day or Days during the period of the Force Majeure Option Arrangement to which the Force Majeure Option pertains and will provide notification of such exercise and the Force Majeure Option Quantity in respect of such Force Majeure Option.
- 2.17.8 Upon the exercise of the Force Majeure Option in accordance with paragraph 2.17.7, the Force Majeure Entry User will be deemed to have surrendered the Force Majeure Option Quantity in respect of such Force Majeure Option and authorised National Grid NTS to take any actions to give effect to such surrender.
- 2.17.9 Where pursuant to paragraph 2.17.8 a Force Majeure Option Quantity is deemed to have been surrendered at the affected ASEP in relation to a Day, the amount of the Force Majeure Entry User's Available Firm NTS Entry Capacity at the affected ASEP shall be reduced by such Force Majeure Option Quantity.
- 2.17.10 For the avoidance of doubt, paragraph 2.17.9 is without prejudice to any actions National Grid NTS may take to agree additional surrender of NTS Entry Capacity where on the same Day National Grid NTS is required to take any actions for the purposes of the management of a capacity constraint (other than related to the Force Majeure event) at the affected ASEP.
- 2.17.11 When a Force Majeure Option Arrangement(s) is granted, National Grid NTS will provide to all Users:
- (a) the ASEP Force Majeure Quantity (kWh/day);
 - (b) the weighted average price (in p/kWh/day) of all Force Majeure Premium

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Charges calculated in aggregate for all Force Majeure Entry Users at the affected ASEP.

2.17.12 Within one hour following the exercise of a Force Majeure Option National Grid NTS will provide notification to all Users:

- (a) that the Force Majeure Option has been exercised;
- (b) the affected ASEP at which it has been exercised.

2.17.13 All Force Majeure Premium Charges will be invoiced and payable in accordance UNC TPD Section S.

2.17.14 Where National Grid NTS has issued an ASEP Force Majeure Notice and subsequently updates it such that the Force Majeure Amount is increased or decreased, National Grid NTS will determine one or more replacement Force Majeure Option Arrangements in accordance with paragraph 2.17.4 so as to increase or decrease the Force Majeure Option Quantity and Maximum Option Capacity;

2.17.15 For the purposes of this paragraph 2.17:

- (a) **“ASEP Force Majeure”** is an occurrence of Force Majeure in respect of an Aggregate System Exit Point (the **“affected ASEP”**);
- (b) **“ASEP Force Majeure Notice”** is a notice issued pursuant to General Terms, Section B, paragraph 3.3 in respect of an ASEP Force Majeure, pursuant to which the amount of Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity held in aggregate on the date of the ASEP Force Majeure Notice by all Force Majeure Entry Users is greater than the amount of gas tendered for delivery that may be accommodated at the affected ASEP as a result of the ASEP Force Majeure;
- (c) **“ASEP Force Majeure Quantity (kWh/day)”** is determined as:

$$(T - TS) - (B - FMA)$$

where:

T is the total aggregate quantity of Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity held by all Force Majeure Entry Users at the affected ASEP on the date of the ASEP Force Majeure Notice;

TS is the total aggregate quantity of Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity which has been surrendered by all Force Majeure Entry Users at the affected ASEP in accordance with paragraph 2.10 on the date of the ASEP Force Majeure Notice;

B is the NTS SO Baseline Entry Capacity at the affected ASEP on the date of the ASEP Force Majeure Notice;

FMA is the amount (**“Force Majeure Amount”**) being the maximum amount of capacity that National Grid NTS is likely to be unable to accept into the Total System at the affected ASEP, as notified under the Force

Majeure Notice and having regard to any updates thereto;

- (d) **“Exercise Price”** is the price payable by National Grid NTS for exercise of a Force Majeure Option, which in all cases will be zero;
- (e) **“Force Majeure Capacity Management Arrangement”** is an arrangement pursuant to which all Force Majeure Entry Users at the affected ASEP will be deemed to have granted National Grid NTS one or more Force Majeure Option Arrangements;
- (f) **“Force Majeure Entry User”** is a User that is registered as holding Quarterly NTS Entry Capacity and/or Monthly NTS Entry Capacity at the affected ASEP on the date of the ASEP Force Majeure Notice;
- (g) **“Force Majeure Option”** is an option granted by a Force Majeure Entry User to National Grid NTS upon the exercise of which National Grid NTS may accept surrender of a quantity of Firm NTS Entry Capacity determined by National Grid NTS (the **“Force Majeure Option Quantity”**) which quantity may not be greater than the Maximum Option Capacity;
- (h) **“Force Majeure Option Arrangement”** is an arrangement granted in accordance with paragraph 2.17.4, pursuant to which National Grid NTS may accept the surrender of a Force Majeure Option Quantity up to the Maximum Option Capacity by exercising Force Majeure Options during the period of the Force Majeure Option Arrangement.
- (i) **“Force Majeure Premium Charge”** is the price (in p/kWh/day) payable by National Grid NTS to a Force Majeure Entry User for the entitlement of National Grid NTS to exercise a Force Majeure Option Arrangement (whether it is exercised or not) and such price will be the weighted average price (in p/kWh/day) payable to each Force Majeure Entry User at the affected ASEP;
- (j) **“The Maximum Option Capacity”** is a quantity of NTS Entry Capacity determined as:

$$((R - S) \text{ divided by } (T - TS)) * AFMA$$

where:

R is the Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity held by the Force Majeure Entry User at the affected ASEP on the date of the ASEP Force Majeure Notice;

S is the Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity which has been surrendered by such Force Majeure Entry User at the affected ASEP in accordance with paragraph 2.10 before the date of the ASEP Force Majeure Notice and which applies in respect of a period during the Force Majeure Capacity Management Arrangement;

T is the total quantity of Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity held by all Force Majeure Entry Users at the affected ASEP on the date of the ASEP Force Majeure Notice;

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TS is the total quantity of Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity which has been surrendered by all Force Majeure Entry Users at the affected ASEP in accordance with paragraph 2.10 before the date of the ASEP Force Majeure Notice and which in respect of a period applies during the Force Majeure Capacity Management Arrangement;

AFMA is the Adjusted Force Majeure Amount being the Force Majeure Amount minus any Unsold Capacity at the affected ASEP on the date of the ASEP Force Majeure Notice and any Daily Firm NTS Entry Capacity that has been allocated prior to the ASEP Force Majeure Notice for a Day within the FM Period but not including any Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity that has been acquired after the date of the ASEP Force Majeure Notice.

- (k) “**weighted average price**” is an amount for each Force Majeure Entry User calculated as:

$$\frac{SRCP - SSCP}{SRC - SSC}$$

where:

SRCP is the sum of each quantity of Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity held by such Force Majeure Entry User on the date of the ASEP Force Majeure Notice multiplied by each respective bid price paid by such Force Majeure Entry User for such capacity;

SSCP is the sum of any Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity surrendered by the Force Majeure Entry User before the date of the ASEP Force Majeure Notice, multiplied by the bid price paid by National Grid NTS for such surrender);

SRC is the sum of the Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity held by such Force Majeure Entry User on the date of the ASEP Force Majeure Notice;

SSC is the sum of any surrendered Registered Quarterly NTS Entry Capacity and Registered Monthly NTS Entry Capacity before the date of the ASEP Force Majeure Notice.

3 NTS EXIT CAPACITY

3.1 Introduction

3.1.1 Subject to the provisions of the Code,

- (a) a Shipper User may:
- (i) by offtaking gas from the Total System at an NTS Supply Point ~~Component~~, require a gas flow out of the NTS at that NTS Supply Point ~~Component~~;

- (ii) offtake gas from the Total System at a NTS Connected System Exit Point;
 - (b) a DNO User may cause or permit the flow of gas out of the NTS to an LDZ at a NTS/LDZ Offtake.
- 3.1.2 No provision of the Code in relation to gas flows at NTS Exit Points confers on any Shipper User any rights or obligations in respect of offtake of gas from the Total System other than at System Exit Points.
- 3.1.3 Users may:
- (a) apply for and be registered as holding NTS Exit Capacity as:
 - (i) Annual NTS Exit (Flat) Capacity pursuant to an application in accordance with paragraphs 3.2 and 3.4;
 - (ii) Daily NTS Exit (Flat) Capacity pursuant to an invitation in accordance with paragraphs 3.5 and 3.6;
 - (iii) NTS Exit (Flexibility) Capacity in accordance with paragraph 3.7;
 - (b) offer or agree to surrender NTS Exit Capacity in accordance with paragraph 3.11.
- 3.1.4 Subject to paragraph 3.2.15(d), a User may not apply for, bid or offer to surrender NTS Exit (Flat) Capacity at an NTS Exit Point in an amount less than 100,000 kWh per day (the "**minimum eligible amount**").
- 3.1.5 In relation to an NTS Exit Point:
- (a) "**Annual**" NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a Gas Year;
 - (b) "**Daily**" NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only;
 - (c) "**Enduring**" Annual NTS Exit (Flat) Capacity is Annual NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User with effect from the Day for which it is allocated pursuant to paragraph 3.2, on the basis that the User will continue to hold such amount of capacity subject only to:
 - (i) a reduction in accordance with paragraph 3.2;
 - (ii) the User ceasing to hold the capacity in accordance with 3.3.7(a);
 - (iii) any System Capacity Assignment;
 - (d) Daily NTS Exit (Flat) Capacity is "**Off-peak**" where it is subject to curtailment in accordance with paragraph 3.10, and otherwise is "**Firm**"; and except where expressly stated to be Off-peak, references to Daily NTS Exit (Flat) Capacity are to Firm Daily NTS Exit (Flat) Capacity.

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3.1.6 For the purposes of the Code:

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

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

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

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

3.1.9 The "**Annual Application Window**" in a Gas Year (Y) is the period commencing at 08:00 hours and ending on 17:00 hours on each Business Day in July.

3.1.10 An "**enduring annual capacity notification**" is the notification made each Gas Year pursuant to Section B3.2.26 by National Grid NTS informing Users they may make capacity applications for Enduring Annual NTS (Flat) Exit Capacity.

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

3.2.1 In each Gas Year (Y) Users may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered as held with effect from Gas Year Y+4, Y+5 or Y+6 or in accordance with the provisions of 3.2.3(b), at each NTS Exit Point, in accordance with the further provisions of this paragraph 3.2 and having regard to the Exit Capacity Release Methodology Statement.

3.2.2 Where a User is for the time being registered as holding any amount of Enduring Annual NTS Exit (Flat) Capacity in respect of an NTS Exit Point, the User shall continue to be registered as holding such amount of Enduring Annual NTS Exit (Flat) Capacity until and unless the amount is increased by the User making a further application in a Gas Year following Gas Year Y in accordance with paragraph 3.2.4 or reduced by the User in accordance with paragraph 3.2.14 or paragraph B6.

3.2.3 An application for Enduring Annual NTS Exit (Flat) Capacity:

- (a) during an Annual Application Window may be for an amount of Enduring Annual NTS Exit (Flat) Capacity equal to the Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point;
- (b) may be made by a User at any time between 1 October and 30 June in Gas Year Y where the application is:
 - (i) in respect of a New NTS Exit Point; or
 - (ii) for an amount of Enduring Annual NTS Exit (Flat) Capacity which:
 - (1) if accepted would result in Users holding in aggregate an amount of Enduring Annual NTS Exit (Flat) Capacity in excess of 125% of the Baseline NTS Exit (Flat) Capacity at the NTS Exit Point in respect of the Gas Year for which the application is made; or
 - (2) exceeds 10GWh/Day;
- (c) shall specify:
 - (i) the identity of the User;
 - (ii) the NTS Exit Point in respect of which the application is made;
 - (iii) the Gas Year in respect of which the application is made; and
 - (iv) the amount of Enduring Annual NTS Exit (Flat) Capacity applied for (being not less than the minimum eligible amount);

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

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- (a) in the case of an application made under paragraph 3.2.3(a):
 - (i) may submit an application for Enduring Annual NTS Exit (Flat) Capacity during the Annual Application Window;
 - (ii) may apply for Enduring Annual NTS Exit (Flat) Capacity to be registered with effect from 1 October in Gas Year Y+4, Y+5 and Y+6;
 - (iii) may have, at any one time, no more than one (1) application for each of Gas Year Y+4, Y+5 and Y+6 for Enduring Annual NTS Exit (Flat) Capacity capable of acceptance by National Grid NTS in respect of an NTS Exit Point; and
 - (iv) may withdraw or modify an application at any time during the Annual Application Window.
- (b) in the case of an application made under paragraph 3.2.3(b):
 - (i) may apply for up to four (4) separate tranches of Enduring Annual NTS Exit (Flat) Capacity, specifying in each case the amount applied for in each separate tranche;
 - (ii) shall specify, in respect of each separate tranche applied for, the date with effect from which the User wishes to be registered as holding the Enduring Annual NTS Exit (Flat) Capacity, such date being not earlier than six (6) months from the date the application is made and not later than 1 October in Gas Year Y+4; and
 - (iii) in respect of a New NTS Exit Point, shall submit with its application such other documentation (as published by National Grid NTS from time to time) required by National Grid NTS for the purposes of commencing work on new connections to the NTS.

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

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

3.2.6 Not Used.

3.2.7 Not Used.

3.2.8 In respect of an application made under paragraph 3.2.3(a) and (as the case may be) a notice of reduction given by a DNO User under paragraph 3.2.15 to which paragraph (a) applies:

- (a) where National Grid NTS has rejected or accepted in part only an application made by a DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5 in relation to an increase in the Assured Offtake Pressure in respect of Gas Year Y+4, Y+5 or Y+6, a DNO User may, on any of the ten (10) Business Days following the provision of the indicative statement in accordance with paragraph 3.7.9(b) in Gas Year Y:
 - (i) submit a revised application for Enduring Annual NTS Exit (Flat) Capacity for Gas Year Y+4, Y+5 and Y+6; and/or
 - (ii) submit a revised notice of reduction for Gas Years Y+1 to Y+6 (inclusive);
- (b) National Grid NTS will, not later than 30 September in Gas Year Y:
 - (i) accept in full (if not rejected pursuant to paragraph 3.2.5) a User's application (including a DNO User's revised application made under paragraph (a)(i)) for Enduring Annual NTS Exit (Flat) Capacity in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement; and
 - (ii) notify the User of which of its applications have been accepted, and in each case for what amount of Enduring Annual NTS Exit (Flat) Capacity;
 - (iii) (if not rejected pursuant to paragraph 3.2.19) give effect to a DNO User's revised notice of reduction given under paragraph 3.2.8(a)(ii) in accordance with paragraph 3.2.20;
- (c) the User will be registered as holding Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point in the amount in respect of which its application was accepted under paragraph (b) provided that in the case of a DNO User such amount shall be adjusted by any revised notice of reduction which has been given effect to in accordance with paragraph (b)(iii);
- (d) National Grid NTS will, by not later than twenty-four (24) hours after the notification under paragraph (b)(ii), publish in respect of each NTS Exit Point for each of Gas Year Y+4, Y+5 and Y+6 the following information:
 - (i) the number of Users who made an application for Enduring Annual NTS Exit (Flat) Capacity;
 - (ii) the aggregate quantity of Enduring Annual NTS Exit (Flat) Capacity in respect of which applications were accepted by National Grid NTS; and
 - (iii) the aggregate quantity of any Enduring Annual NTS Exit (Flat) Capacity in respect of which applications were accepted in excess of the Baseline NTS Exit (Flat) Capacity.

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

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

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specifies:

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

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

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

- (a) except where paragraphs (b) or (c) apply, fifteen (15) Business Days after the application was received;
- (b) where National Grid NTS is of the opinion Works may be required or there is likely to be a requirement for capacity substitution in accordance with the principles in the prevailing Exit Capacity Substitution Methodology Statement, ninety (90) days after the application was received;
- (c) such later date, being a date falling more than ninety (90) days after the application was received, as National Grid NTS and the User may agree.

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

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

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

- 3.2.14 A User may reduce the amount of Enduring Annual NTS Exit (Flat) Capacity which it holds at an NTS Exit Point (subject to paragraph 3.2.16) by giving notice of such reduction to National Grid NTS.
- 3.2.15 Save in respect of a DNO User where circumstances in paragraph 3.2.8(a) apply, a notice of reduction of Enduring Annual NTS Exit (Flat) Capacity may be given no earlier than 08:00 hours or later than 17:00 hours on a Business Day in the period 1 July to 15 July (inclusive) in any Gas Year (Y). A notice of reduction (including any revised notice of reduction given by a DNO User under paragraph 3.2.8(a)(ii)) shall specify:
- (a) the identify of the User;
 - (b) the NTS Exit Point;
 - (c) subject to paragraph 3.2.16, the date, being the first day of a calendar month, on which the User wishes the reduction to be effective ("**User Reduction Date**");
 - (d) the amount of Enduring Annual NTS Exit (Flat) Capacity (which, notwithstanding paragraph 3.1.4, may be less than the minimum eligible amount) which the User no longer wishes to be registered as holding ("**reduction amount**");
 - (e) the remaining amount (which may not be less than zero) of Enduring Annual NTS Exit (Flat) Capacity which the User wishes to be registered as holding.
- 3.2.16 Without prejudice to paragraph 3.2.17, the earliest date upon which a reduction may be effective shall be 1 October in Gas Year Y+1 or such later date (being the first day of a calendar month) as determined in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement.
- 3.2.17 Where a User has applied for a reduction of Enduring Annual NTS Exit (Flat) Capacity specifying a User Reduction Date which is earlier than 1 October in Gas Year Y+2, National Grid NTS:
- (a) may give effect to the reduction (acting in its sole discretion) from the User Reduction Date specified in the User's application, where:
 - (i) a User has applied to be registered as holding Enduring Annual NTS Exit (Flat) Capacity at any NTS Exit Point; and
 - (ii) National Grid NTS is able to satisfy such application by reason of giving effect to the reduction applied for; or
 - (b) will give effect to the reduction from the User Reduction Date specified in the User's application, where:
 - (i) the User Reduction Date is after the end of the commitment period as determined in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement ("**Commitment Period**"); and
 - (ii) the Commitment Period commences in Gas Year Y+1; or
 - (c) may give effect to the reduction from 1 October in Gas Year Y + 2 where the circumstances in paragraphs (a) and (b) do not apply.

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- 3.2.18 Save in respect of a DNO User where circumstances in paragraph 3.2.8(a) apply, a User may withdraw or modify a notice of reduction at any time between 08:00 hours and 17:00 hours on a Business Day during the period referred to in paragraph 3.2.15.
- 3.2.19 National Grid NTS may reject a notice of reduction where:
- (a) any of the requirements of paragraph 3.2.15 or 3.2.22 is not complied with;
 - (b) by reference to System Capacity Transfers notified prior to the notice of reduction, the User's Enduring Annual NTS Exit (Flat) Capacity would, on the basis of the reduced amount specified in such notice, be negative at any time in the future;
 - (c) the User Reduction Date is earlier than the end of the Commitment Period and National Grid NTS is unable to utilise the reduction amount to satisfy a further application for Enduring Annual NTS Exit (Flat) Capacity at any NTS Exit Point;
 - (d) in the case of a revised reduction notice submitted by a DNO User pursuant to paragraph 3.2.8(a)(ii), the revision is, in the reasonable opinion of National Grid NTS, not consistent with National Grid NTS' rejection or acceptance in part only of an application made by the DNO User pursuant to paragraph 3.7.5 for NTS Exit (Flexibility) Capacity or Section J2.5.9 in relation to an increase in the Assured Offtake Pressure.
- 3.2.20 National Grid NTS will, not later than 30 September in Gas Year Y:
- (a) give effect to a User's notice of reduction (by reducing the User's Registered Enduring Annual NTS Exit (Flat) Capacity at the relevant NTS Exit Point) made pursuant to paragraph 3.2.15 (if not rejected pursuant to paragraph 3.2.19) in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement;
 - (b) notify the User of the date on which the reduction is to be effective; and
 - (c) notify the User of the amount of Enduring Annual NTS Exit (Flat) Capacity the User will continue to be registered as holding at the NTS Exit Point following the date specified in paragraph (b).
- 3.2.21 National Grid NTS may invite Users to submit a notice of reduction at such other times as it may determine in accordance with the principles in the prevailing Exit Capacity Substitution Methodology Statement, and any such invitation shall specify:
- (a) the period (being a period other than the period referred to in paragraph 3.2.15) during which a User may give a notice of reduction;
 - (b) the earliest date on which National Grid NTS may give effect to a reduction; and
 - (c) the date on which National Grid NTS will notify a User of whether or not it will give effect to a notice of reduction.
- 3.2.22 A notice of reduction in respect of an invitation under paragraph 3.2.21 shall, in addition to the details referred to in paragraph 3.2.15 specify:

- (a) a User Reduction Date which is not earlier than the date specified in paragraph 3.2.21(b);
- (b) the minimum amount of Enduring Annual NTS Exit (Flat) Capacity in respect of which National Grid NTS may give effect to the notice of reduction ("**minimum reduction amount**").

3.2.23 By not later than the date specified in the invitation, National Grid NTS:

- (a) will notify the User of whether or not it will give effect to the notice of reduction, and if so, the date on which the reduction is to be effective and of the amount of Enduring Annual NTS Exit (Flat) Capacity the User will continue to be registered as holding at the NTS Exit Point from such date.
- (b) may give effect to a User's notice of the reduction made pursuant to paragraph 3.2.22 (if not rejected pursuant to paragraph 3.2.19) for an amount of Enduring Annual NTS Exit (Flat) Capacity which is not:
 - (i) greater than the reduction amount; or
 - (ii) less than the minimum reduction amount

in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement;

3.2.24 National Grid NTS will, not later than twenty four (24) hours after giving effect to a notice of reduction in accordance with paragraphs 3.2.8(b)(iii), 3.2.20 and 3.2.23, publish the aggregate quantity of Enduring Annual NTS Exit (Flat) Capacity in respect of which it gave effect to a notice of reduction:

- (a) pursuant to paragraph 3.2.8(b)(iii);
- (b) pursuant to paragraph 3.2.20;
- (c) pursuant to paragraph 3.2.23, for each relevant period.

3.2.25 Not Used.

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

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

3.3 NTS Exit ARCAs and Demonstration Dates

3.3.1 National Grid NTS may enter into NTS Exit ARCAs.

3.3.2 For the purposes of the Code an "**NTS Exit ARCA**" (which it is anticipated will contain provisions similar to those in paragraphs 3.3.4 to 3.3.7 (inclusive)) is an agreement with a person who is not a User (the "**Reservation Party**"), under which the

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Reservation Party is entitled to nominate any User to be registered with effect from such date as is specified in the NTS Exit ARCA, as holding an amount of Enduring Annual NTS Exit (Flat) Capacity (the "**Reserved Capacity**") in respect of an NTS Exit Point.

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

- (a) the amount of Reserved Capacity shall be treated (for the purposes of determining the Remaining Available NTS Exit (Flat) Capacity) as if it were registered as held by a User;
- (b) National Grid NTS will not be required to make Reserved Capacity available to Users in accordance with the other provisions of this paragraph 3;
- (c) the Reservation Party may by notice to National Grid NTS nominate a User to be registered as holding Reserved Capacity;
- (d) a notice under paragraph (c) shall specify:
 - (i) the identity of the nominated User;
 - (ii) an amount of Reserved Capacity to be registered in the name of the nominated User which shall not exceed the total amount of Reserved Capacity (taking into account any prior notice by the Reservation Party under this paragraph 3.3.3 in relation to the NTS Exit ARCA);
 - (iii) the date, consistent with the terms of the NTS Exit ARCA, from which the nominated User is to be registered as holding Reserved Capacityand following such notice National Grid NTS will notify the nominated User of the contents of such notice;
- (e) the nominated User may within five (5) Business Days of National Grid NTS's notice under paragraph (d) confirm to National Grid NTS its acceptance of the details in the Reservation Party's notice;
- (f) National Grid NTS may reject the User's nomination:
 - (i) where any of the requirements of paragraph (d) is not complied with;
 - (ii) in accordance with Section V3; and
- (g) subject to paragraph (f), a nominated User shall be deemed (including for the purposes of paragraph 3.2.16) to have been allocated Reserved Capacity and accordingly be registered as holding Enduring Annual NTS Exit (Flat) Capacity from the date determined under the NTS Exit ARCA.

3.3.4 Where an application is made by a User in accordance with paragraph 3.2.3(b) (which is not rejected pursuant to paragraph 3.2.5) and National Grid NTS is of the opinion that Works will be required:

- (a) National Grid NTS will notify the User of the latest date by which the demonstration information is to be provided to it ("**Demonstration Date**"); and
- (b) the User will provide the demonstration information to National Grid NTS by no later than the Demonstration Date.

3.3.5 For the purposes of paragraph 3.3.4:

- (a) **"demonstration information"** is such information (not being information which is in the possession or control of National Grid NTS) as is sufficient to enable National Grid NTS to be reasonably satisfied that the User (or other relevant party):
 - (i) will be able to progress to commencement; or
 - (ii) has commenced;
 - (iii) and in either case, is expected to be able to progress to completion;such activities as are necessary to ensure that the Enduring Annual NTS Exit (Flat) Capacity applied for will be utilised by the offtake of gas at the NTS Exit Point with effect from the Registration Date(s);
- (b) National Grid NTS will publish guidelines (to be updated from time to time) setting out the scope and content of such demonstration information as it may require for the purposes of paragraph 3.3.4.

3.3.6 Where a User fails to provide National Grid NTS with demonstration information by the Demonstration Date (and National Grid NTS is not entitled to reject the application made under paragraph 3.2.3(b) in accordance with Section V3), National Grid NTS may delay commencement of the Works and in such case:

- (a) subject to paragraph 3.3.7:
 - (i) a new Demonstration Date shall apply, which shall be the date falling one year after the previously notified Demonstration Date (or with the agreement of the User, any earlier date);
 - (ii) National Grid NTS may for the purposes of the User's application under paragraph 3.2.3(b) treat the application as being made for a Registration Date(s) falling on a date up to one year after the Registration Date specified by in the application made under paragraph 3.2.3(b);
- (b) National Grid NTS will notify the User of the new Demonstration Date and Registration Date(s) by no later than ten (10) Business Days following the previously notified Demonstration Date;
- (c) the User will provide the demonstration information by no later than the new Demonstration Date notified in accordance with paragraph (b);

3.3.7 Where the User does not provide National Grid NTS with demonstration information by the Demonstration Date notified under paragraph 3.3.4 or by two (2) subsequent Demonstration Dates notified under paragraph 3.3.6:

- (a) unless otherwise agreed with the User, the User shall cease to hold the Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point which the User was previously registered as holding pursuant to paragraph 3.2.12; and
- (b) National Grid NTS shall be entitled to recover from the User all costs and expenses incurred in performing design work in respect of the Works prior to the latest Demonstration Date notified to the User under this paragraph 3.3.

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- 3.3.8 Where following an application under paragraph 3.2.3(a) National Grid NTS is unable to make available (consistent with its acceptance of the application under paragraph 3.2.8(b)) Enduring Annual NTS Exit (Flat) Capacity at an NTS Exit Point from the date of registration in accordance with 3.2.8(c) by reason of a failure or delay in connection with the completion of any necessary Works, or connection work being undertaken by National Grid NTS, National Grid NTS shall be required (subject to the provisions of Annex B-1 paragraph 3.10 and except where such failure or delay is due to an event or circumstance beyond the reasonable control of National Grid NTS and which could not have been avoided by steps which might reasonably be expected to have been taken by it) to take Exit Constraint Management Actions in relation to the NTS Exit Point on the date specified in the User's application in accordance with 3.2.8(c) and any Day thereafter until such time as all necessary Works or connection work is completed.
- 3.3.9 Where following an application under paragraph 3.2.3(b) National Grid NTS is unable to make available (consistent with its offer under paragraph 3.2.10) Enduring Annual NTS Exit (Flat) Capacity at an NTS Exit Point from the Registration Date by reason of a failure or delay in connection with the completion of any necessary Works, or connection work being undertaken by National Grid NTS, National Grid NTS shall be required (subject to the provisions of Annex B-1 paragraph 3.10 and except where such failure or delay is due to an event or circumstance beyond the reasonable control of National Grid NTS and which could not have been avoided by steps which might reasonably be expected to have been taken by it) to take Exit Constraint Management Actions in relation to the NTS Exit Point on the Registration Date and any Day thereafter until such time as all necessary Works or connection work is completed.
- 3.3.10 For the purposes of paragraph 3, "**Works**" means works, in relation to reinforcement of the NTS, in order to make available the Enduring Annual NTS Exit (Flat) Capacity applied for pursuant to an application made under paragraphs 3.2.3(a) and 3.2.3(b).
- 3.3.11 For the purposes of paragraph 3.3, "**connection work**" is the construction of the physical connection to the NTS of those facilities through which gas is intended to flow from the NTS at the relevant NTS Exit Point, including but not limited to any gas pipeline.

3.4 Release of Annual NTS Exit (Flat) Capacity

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

for all Gas Days within that Gas Year plus such additional amount of Annual NTS Exit (Flat) Capacity above the Baseline NTS Exit (Flat) Capacity as National Grid NTS may decide to release for that Gas Year in its absolute discretion.

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

3.5 Release of Daily NTS Exit (Flat) Capacity

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

- 3.5.2 For the purposes of Annex B-1, in relation to the capacity invitation pursuant to this paragraph 3.5 in respect of a Day (D):

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

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

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

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

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

- (a) there will be a capacity allocation period commencing at 15:00 hours on Day D-1;

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- (b) the amount of Off-peak Daily NTS Exit (Flat) Capacity subject to such capacity invitation in respect of each NTS Exit Point shall be:
 - (i) the amount determined under paragraph 3.6.3;
 - (ii) where at 13:30 hours on Day D-1 the prevailing Forecast Total System Demand for Day (D) is less than 80% of the 1-in-20 peak day demand, the Maximum NTS Exit Point Offtake Rate multiplied by 24, less the aggregate amount of Firm NTS Exit (Flat) Capacity held by Users; and
 - (iii) such additional amount, if any, of Off-peak Daily NTS Exit (Flat) Capacity as National Grid NTS may in its discretion make available for the Day without prejudicing the offtake of gas by Users consistent with the amounts of Firm Daily NTS Exit (Flat) Capacity held in aggregate by Users.
- 3.6.3 The amount of Off-peak Daily NTS Exit (Flat) Capacity in relation to an NTS Exit Point required to be released pursuant to paragraph 3.6.2(b)(i) is an amount determined as:
- $$\text{AUC} / 30$$
- 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 For the purposes of this paragraph 3.6, National Grid NTS shall, in respect of each Day, by not later than 13:30 hours on the Preceding Day notify Users of the prevailing Forecast Total System Demand expressed as a percentage of the 1-in-20 peak day demand.
- 3.6.5 Users will be registered as holding Off-peak Daily NTS Exit (Flat) Capacity allocated pursuant to their daily capacity bids in accordance with the provisions of Annex B-1.
- 3.6.6 In respect of an NTS Exit Point the "**Maximum NTS Exit Point Offtake Rate**" is an amount (where positive) determined as the instantaneous rate of offtake (in kWh/hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to make gas available for offtake at the NTS Exit Point.
- 3.6.7 No later than the date from which gas may be first offtaken from a New NTS Exit Point National Grid NTS will notify the User of the Maximum NTS Exit Point Offtake Rate.
- 3.6.8 A User shall take all reasonable steps to ensure that it is made aware of any change to the size or nature of, or the nature of use of, gas facility which uses gas offtaken by the User at an NTS Exit Point and shall notify National Grid NTS of any such change as soon as reasonably practicable after being so aware.
- 3.6.9 Where National Grid NTS becomes aware of a change to the size or nature of, or the nature of use of, the gas facility which uses gas offtaken by the User at an NTS Exit Point, it shall notify the relevant User as soon as reasonably practicable thereafter.
- 3.6.10 Within five (5) Business Days of becoming aware of such change under paragraph 3.6.8

or of receiving notice under 3.6.9, the User shall provide to National Grid NTS:

- (a) reasonable details of the change;
- (b) the date on which the change occurred; and
- (c) details of the reasons for the change.

3.6.11 Where National Grid NTS determines that it will be feasible to revise the Maximum NTS Exit Point Offtake Rate at an NTS Exit Point following receipt by National Grid NTS of a notice under paragraph 3.6.10, it will notify the User of the revised Maximum NTS Exit Point Offtake Rate; and the date from which the revised rate may become effective.

3.6.12 For the purposes of paragraph 3.6, **“gas facility”** means in respect of any NTS Exit Point, the plant, equipment and/or facility, in which gas offtaken from the Total System at that point is to be used (including any plant equipment and/or facility in which gas is compressed, stored or otherwise treated before being consumed).

3.7 Offtake Capacity Statement

3.7.1 National Grid NTS will issue to each DNO User, not later than 30 September in each Gas Year, a statement (**“Offtake Capacity Statement”**) specifying, for each DNO User, for each of the Gas Years (each a **“relevant”** Gas Year) Gas Year +1 to Gas Year +5 (inclusive), in relation to each NTS/LDZ Offtake an amount of NTS Exit (Flexibility) Capacity.

3.7.2 The Offtake Capacity Statement may be revised (as to any relevant Gas Year) in accordance with the further provisions of this paragraph 3.7.

3.7.3 The Offtake Capacity Statement issued in any Gas Year will, as respects each relevant Gas Year, contain the same details as were specified in the preceding year's statement for that Gas Year, subject to any revision pursuant to paragraph 3.7.5 and 3.7.10.

3.7.4 Subject to the further provisions of this paragraph 3.7 for each relevant Gas Year (or part thereof) a DNO User shall be registered as holding in respect of each relevant NTS/LDZ Offtake the amount of NTS Exit (Flexibility) Capacity specified in respect of such Gas Year (or part thereof) in the prevailing Offtake Capacity Statement.

3.7.5 A DNO User may apply:

- (a) to increase its NTS Exit (Flexibility) Capacity at a NTS/LDZ Offtake:
 - (i) in relation to any relevant Gas Year (year Y) or any relevant Gas Year after Year Y by submitting an application to National Grid NTS during the period 1 July to 31 July in Gas Year Y-1 (the **“Application Window”**);
 - (ii) in relation to any relevant Gas Year(s) or the remaining part thereof, out with the Application Window, as a result of a request for new or additional capacity at a Supply Point, where the DNO User might otherwise be unable to comply with the relevant conditions of its Transporter's Licence, by submitting an application to National Grid NTS;

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- (b) for an amount of NTS Exit (Flexibility) Capacity at an NTS/LDZ Offtake in relation to any relevant Gas Year (Y) (and the preceding Gas Year where the DNO User has not submitted an earlier application for an amount of NTS Exit (Flexibility) Capacity pursuant to this paragraph 3.7.5(b) in respect of such Gas Year) by submitting an application to National Grid NTS during the Application Window 1 July to 31 July in Gas Year Y-5.

subject to and in accordance with this paragraph 3.7.

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

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

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

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

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

- (a) as soon as reasonably practicable thereafter notify DNO Users where they believe they are unlikely to be able to meet the application in full, providing details of;
 - (i) the circumstances surrounding any restrictions; and
 - (ii) the maximum available capacity;
- (b) in the case of an application made under paragraph 3.7.5(a)(i) or 3.7.5(b), within 15 Business Days following the last Day of the Application Window provide an indicative statement notifying the DNO User whether its application is accepted in whole or in part, or rejected, specifying the indicative amount of NTS Exit (Flexibility) Capacity for each NTS/LDZ Offtake and each Gas Year and maximum available NTS Exit (Flexibility) Capacity;
- (c) a DNO User will then have an opportunity to seek clarification, reconsider and resubmit its application for NTS Exit (Flexibility) Capacity within ten (10) Business Days following notification from National Grid NTS under paragraph 3.7.9(b) above;

- (d) National Grid NTS will use reasonable endeavours to consider and where necessary discuss an application made under paragraph 3.7.9(c) with a DNO User with a view to agreeing by 30 September the Offtake Capacity Statement to be issued by such date in accordance with paragraph 3.7.1; and
 - (e) in the case of an application made under paragraph 3.7.5(a)(ii) National Grid NTS must within fifteen (15) Business Days of such application provide a statement to the DNO User in accordance with paragraphs 3.7.1 to 3.7.4 (except with regard to date of 30 September). Such statement will for the purpose of paragraph 3.7.2 be deemed to be an Offtake Capacity Statement revision. It is understood that in determining whether capacity is available, National Grid NTS will take into account whether it would be likely to trigger the declaration of a Potential Network Gas Supply Emergency or actual Network Gas Supply Emergency. If this is likely to be the case it is understood that capacity would not be deemed available.
- 3.7.10 A DNO User may decrease the amount of its NTS Exit (Flexibility) Capacity at a NTS/LDZ Offtake in relation to any relevant Gas Year (Year Y) or any relevant Gas Year after Year Y by notifying such decrease to National Grid NTS during the Application Window in Gas Year Y-1, specifying:
- (a) the identity of the User;
 - (b) the relevant NTS/LDZ Offtake;
 - (c) the relevant Gas Year or Gas Years (or parts thereof) in respect of which notification is made;
 - (d) the decreased amount of NTS Exit (Flexibility) Capacity.
- 3.7.11 Where National Grid NTS accepts an application (in whole or part) for an amount of, or an increase in NTS Exit (Flexibility) Capacity, or where a DNO User decreases the amount of its NTS Exit (Flexibility) Capacity, National Grid NTS will issue a revised Offtake Capacity Statement reflecting such amount, or such increase or decrease.
- 3.7.12 The NTS Exit (Flexibility) Capacity held by a DNO User at an NTS/LDZ Offtake on a Day may also be increased as provided in Section J7.3, but the Offtake Capacity Statement will not be revised to reflect such increase.
- 3.7.13 The Ten Year Statement to be prepared and published by National Grid NTS in accordance with TPD Section O4 may include details of the amount of NTS Exit (Flexibility) Capacity held by DNO Users at NTS/LDZ Offtakes.
- 3.7.14 The provisions set out in this Section B3.7 should not be confused with the provisions set out in the UNC OAD Section H relating to NTS Long Term Demand Forecasting. Information provided by DNO Users under UNC OAD Section H2 should not be construed as an application for the purposes of this paragraph 3.7. Similarly information provided by National Grid NTS under OAD Section H to DNO Users should not be construed as an allocation for the purposes of paragraph 3.7.

3.8 NTS Exit Constraints

- 3.8.1 Where National Grid NTS determines, in relation to a Day or the remaining part of a Day, that it will not or may not be feasible to make gas available for offtake at an NTS Exit Point in the amounts or rates at which National Grid NTS expects gas to be

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offtaken by Users (within their entitlements pursuant to the amounts of NTS Exit Capacity held by them), there is an **"NTS Exit Constraint"** in relation to that NTS Exit Point.

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

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

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

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

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

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

3.8.5 For the avoidance of doubt, amounts of NTS Exit (Flat) Capacity which are surrendered by Users in relation to any Day pursuant to any Exit Constraint Management Action shall not form part of the Remaining Available NTS Exit Capacity for that Day; and National Grid NTS shall have no obligation to make such amounts available to Users.

3.8.6 The amount of a User's Available NTS Exit (Flat) Capacity at any NTS Exit Point shall be reduced (for the relevant Day or Days) by the amount of any such capacity surrendered pursuant to any Exit Constraint Management Action taken by National Grid NTS in relation to a Day or Days; and for the purposes of the Code, a reference to the amount of a User's Available NTS Exit (Flat) Capacity of any class at any NTS Exit Point for any Day or Days:

- (a) as **"Adjusted"** pursuant to any of paragraphs 3.9, 3.10, 3.11 is a reference to such amount as reduced pursuant to such paragraph(s);
- (b) as **"Unadjusted"** pursuant to any such paragraph is a reference to such amount

before and disregarding such reduction;

- (c) as **"Fully Adjusted"** is a reference to such amount as reduced pursuant to each of paragraphs 3.9, 3.10 and 3.11.

3.8.7 For the purposes of the Code:

- (a) **"Exit Constraint Management"** means the taking of any Exit Constraint Management Action in accordance with the System Management Principles and this paragraph 3.8;
- (b) **"Exit Constraint Management Charges"** are all amounts payable by National Grid NTS to a User pursuant to an Exit Constraint Management Agreement, NTS Exit Capacity Surrender Charges and NTS Offtake Reduction Charges.

3.9 Exit Constraint Management Agreement

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

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

3.9.3 In accordance with the System Management Principles:

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

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

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

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

3.9.5 The information under paragraph 3.9.4 is to be published:

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

3.9.6 For the purposes of this paragraph 3.9:

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

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

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

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

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

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

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

where:

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

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

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

ExICFi is the exit off-peak curtailment factor; and

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

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

3.11 Surrender of Daily NTS Exit (Flat) Capacity

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

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

- (a) where, in relation to an NTS Exit Constraint, National Grid NTS wishes to accept daily capacity offers in respect of NTS Exit (Flat) Capacity, National

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Grid NTS will initiate a capacity selection period no earlier than 15:00 hours on D-1 and no later than 02:00 hours on Day D;

- (b) the amount of NTS Exit (Flat) Capacity subject to such capacity invitation shall be such amount as National Grid NTS shall in its discretion choose to accept for surrender.

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

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

3.12.1 A User shall pay:

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

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

3.12.3 The Applicable Daily Rate shall be:

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

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

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

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

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

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

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

$$(SUG / n) * CR$$

where:

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

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

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

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

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

3.12.8 For the purposes of Code:

- (a) an "**Eligible Entry Point**" is an Aggregate System Entry Point which is not a Storage Connection Point;
- (b) an "**Eligible Exit Point**" is a System Exit Point which is not a Storage Connection Point;
- (c) a "**Specified Entry Point**" is, in the case of a Supply Point, the Eligible Entry Point identified in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the Eligible Entry Point identified in the Conventional Notice in accordance with paragraph 3.12.13;
- (d) a "**Specified Exit Point**" is, in the case of a Supply Point, the Eligible Exit Point notified to National Grid NTS as the Proposed Supply Point in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph 3.12.13.

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

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

provided that, where a User has nominated or identified more than one Specified Exit Point at a Specified Entry Point, the UDQI shall be prorated in relation to the UDQOs at the relevant Specified Exit Points.

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

- (a) in the case of an LDZ Supply Point the capacity shall be determined in accordance with Section G5.4.1, except:
 - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for a LDZ Shared Supply Point the capacity shall be determined in accordance with Section G1.7.14;
 - (iii) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2;
- (b) in the case of an NTS Exit Point the capacity shall be equal to 24 times the Maximum NTS Exit Point Offtake Rate, except:
 - (i) for an NTS Exit Point in respect of a pipeline interconnector having no physical exit capability which is both a Connected Offtake System and a Connected Delivery Facility, the capacity shall be equal to 24 times the amount (where positive) determined as the instantaneous rate (in kWh/Hour) which the Transporter determines to be the maximum instantaneous rate at which it is feasible to deliver gas to the NTS at the System Entry Point associated with such Connected Delivery Facility.

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

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

3.12.13 A CSEP User, or a proposing CSEP User, may apply for the NTS Optional Commodity

Rate in the following manner:

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

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

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

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

3.13 NTS Exit Capacity: overruns and overrun charges

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

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

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

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

$$AO * IO / \Sigma IO$$

where:

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AO is the aggregate flat overrun for the Day;

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

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

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

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

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

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

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

where:

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

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

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

$$\text{EFQ} = (\text{Q2200} * (1 - \text{FT})) - (\text{QD} * 16/24)$$

where:

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

FT is 0.015 (a 1.5% flexibility tolerance);

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

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

3.13.8 For the purposes of this paragraph 3.13:

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

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

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

3.13.11 In relation to each NTS Exit Zone and each Day (D), National Grid NTS will publish by not later than 12:00 on D+1 and D+6:

- (a) the aggregate quantity of gas offtaken by all Users between 06.00 and 22.00;

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- (b) the aggregate quantity of gas offtaken by all Users; and
- (c) the sum of the NTS Exit Flexibility Quantity utilised by all Users;

(and for the purposes of this paragraph 3.13.11(c) National Grid NTS shall calculate a notional Exit Flexibility Quantity for each NTS Supply Point and NTS Connected System Exit Point in each NTS Exit Zone in a manner consistent with the formula in paragraph 3.13.6).

3.13.12 In relation to each Linepack Zone and each Day (D), National Grid NTS will publish by not later than 12:00 on D+1 and D+6:

- (a) the opening linepack; and
- (b) the closing linepack for each hour of the Day (D).

3.13.13 National Grid NTS may publish revised information previously published pursuant to paragraphs 3.13.11 and 3.13.12 in respect of a Day (D) where following D+6 more accurate information becomes available.

4 SUPPLY POINT AND LDZ CAPACITY

4.1 Introduction

4.1.1 Subject to the provisions of the Code, a User may:

- (a) **offtake gas from the Total System at any LDZ Supply Point Component;**
- (b) by offtaking gas from the Total System at an LDZ System Exit Point, require a gas flow in the relevant LDZ; and
- (c) offtake gas from the Total System at an LDZ Connected System Exit Point.

4.1.2 Nothing in this paragraph 4 shall apply in respect of an NTS Exit Point or an NTS CSEP.

4.2 Supply Point Capacity Registration: ~~DM Supply Points Components~~

4.2.1 A User who submits a Supply Point Confirmation in respect of a Proposed Supply Point which ~~is~~ **includes** a DM Supply Point ~~Component~~ shall thereby apply for Supply Point Capacity ("**DM Supply Point Capacity**") in accordance with Section G5.

4.2.2 The User will if its Supply Point Confirmation becomes effective be registered as holding Supply Point Capacity at the DM Supply Point ~~Component~~ with effect from the Supply Point Registration Date, subject to paragraph 4.2.3 and until the User ceases in accordance with Section G to be the Registered User in respect of the relevant Supply Point.

4.2.3 A User's Registered Supply Point Capacity in respect of a ~~Registered~~ **Registered** ~~the DM Supply Point Component of a Registered Supply Point:~~

- (a) may be increased or reduced subject to and in accordance with the conditions and requirements in Section G5;

- (b) shall not be reduced nor (subject to paragraph 4.7) increased other than as provided in paragraph (a), nor (subject to Section V4.3) shall the registration be terminated, except as provided in paragraph 4.2.4.

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

4.3 Supply Point Capacity Registration: NDM Supply Points ~~Components~~

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

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

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

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

4.4 LDZ Capacity Registration: LDZ Supply Points ~~Components~~

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

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

4.5 LDZ Capacity Registration: LDZ Connected System Exit Points

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

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

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

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

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Point to vary from Day to Day.

4.6 LDZ, Supply Point Charges and CSEP Charges

4.6.1 A User shall pay:

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

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

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

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

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

4.6.5 Not Used.

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

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

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

4.6.9 Pursuant to the prevailing Transportation Statement, a User may elect that, for the purpose of paragraph 4.6.2, the Applicable Daily Rate of the LDZ Capacity Charge in respect of an LDZ Specified Exit Point shall be the LDZ Optional Capacity Rate, determined in accordance with the following provisions:

- (a) for the purpose of Code:

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

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offer the LDZ Optional Capacity Rate and shall provide the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point, the capacity of the CSEP determined in accordance with paragraph 4.5.2 and the eight figure grid references used; and

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

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

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

4.7 Supply Point Ratchet

4.7.1 Subject to paragraph 1.3.2, and paragraphs 4.7.8, 4.7.9 and 4.7.10 and 4.7.12 if for any reason on any Day, other than a Day in the months of June to September inclusive, the quantity of gas offtaken by a User from the Total System at a DM Supply Point ~~Component~~ exceeds the User's Registered DM Supply Point Capacity (such occurrence being a "**Supply Point Ratchet**"):

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

4.7.2 For the purposes of this Section B, subject to paragraph 4.7.8, the "**Capacity Ratchet Amount**" shall be the amount by which the User's UDQO on the Day of the Supply Point Ratchet in respect of the DM Supply Point ~~Component~~ exceeds the User's Registered DM Supply Point Capacity.

4.7.3 Subject to Section G5.5.5, the increased amount (the "**Ratcheted Supply Point**

Capacity") of the User's DM Registered Supply Point Capacity shall be the sum of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount.

4.7.4 Notwithstanding paragraph 4.7.3, and unless the User's Registered Supply Point Capacity is increased other than pursuant to the Supply Point Ratchet, until the last Day of the calendar month in which the Supply Point Ratchet occurred the LDZ Capacity Charge and the Capacity Variable Component of the Customer Charge payable in respect of the Supply Point ~~Component~~ shall be determined on the basis of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet (and not on the basis of the Ratcheted Supply Point Capacity).

4.7.5 For the avoidance of doubt the User's Registered LDZ Capacity will be increased so as to be equal to the Ratcheted Supply Point Capacity in accordance with paragraph 4.4.

4.7.6 The Supply Point Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:

- (a) 2 times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(a)) of the LDZ Capacity Charge; and
- (b) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge

the rate in each case being determined (where such rate is a function of LDZ Capacity or Supply Point Capacity) by reference to the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity at the DM and any NDM Supply Point ~~Component~~ on the Day of the Supply Point Ratchet.

4.7.7 Subject to paragraph 4.7.11, the Supply Point Ratchet Charge shall be invoiced and payable in accordance with Section S.

4.7.8 Where a DM Supply Point ~~Component~~ comprises a Shared Supply Meter Point(s):

- (a) paragraph 4.7.1 shall apply only if and to the extent that the aggregate quantity offtaken from the Total System by all Sharing Registered Users at the DM Supply Points ~~Components~~ which ~~comprise~~ include such Shared Supply Meter Point(s) exceeds the aggregate of such Users' Registered Supply Point Capacity, other than capacity which is excluded pursuant to Section G1.7.20(d)(i), at such Supply Point ~~Components~~ the amount of such excess (the "**aggregate ratchet excess**");
- (b) for each such Sharing Registered User, the Capacity Ratchet Amount shall be determined as the amount (the "**individual ratchet excess**") by which that User's UDQO exceeds its Registered Supply Point Capacity, divided by the sum of the individual ratchet excesses for all such Sharing Registered Users, multiplied by the aggregate ratchet excess.

4.7.9 Without prejudice to Section G 2.7.3 to 2.7.6 (inclusive), where in accordance with Section G2.3.1 the Proposing User has submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point First Nomination ("**Supply Point First Confirmation**") and this has become effective and has been registered in the name of the Proposing User ("**Supply Point First Registration**") and subsequent to the date of such Supply Point First Registration such User incurs and pays a Supply Point Ratchet Charge in respect of such Supply Point then, where such Proposing User

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

- 4.7.10 The amount of such reimbursement in accordance with paragraph 4.7.9 shall not exceed the amount of the Supply Point Ratchet Charge which applies in respect of the Confirmed Supply Point Capacity for the Supply Point Second Registration. For the purpose only of calculating the amount of such reimbursement, such Confirmed Supply Point Capacity shall not be treated as increased in accordance with Section G 2.7.4 (a) as a result of the occurrence of a Supply Point Ratchet.
- 4.7.11 Where on any Day(s) in any relevant Billing Period, on the occurrence of a Supply Point Ratchet the User's Registered DM Supply Point Capacity is greater than or equal to the Provisional Maximum Supply Point Capacity (the "**Relevant Day(s)**"), only the highest Supply Point Ratchet Charge incurred on the Relevant Day(s) in such relevant Billing Period shall be invoiced and payable in accordance with paragraph 4.7.7.
- 4.7.12 Following Supply Point Registration in relation to a DM Supply ~~Meter~~-Point with User Daily Read Equipment installed:
- (a) during the first 12 months following such Supply Point Registration, Users shall not be liable for a Supply Point Ratchet Charge where the Nominated Daily Metered Supply Point Capacity is equal or greater than the previous NDM Supply Point Capacity; and
 - (b) from such Supply Point Registration, Users shall be liable for a Supply Point Ratchet Charge where the Nominated Daily Metered Supply Point Capacity is less than the previous NDM Supply Point Capacity

save that where a DM Supply ~~Meter~~-Point with User Daily Read Equipment installed was previously a DM Supply ~~Meter~~-Point with Transporter Daily Read Equipment installed, a Supply Point Ratchet Charge shall be levied.

4.8 LDZ CSEP Overrun Charge

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

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

- 4.8.2 For the purposes of this paragraph 4.8, in respect of a CSEP User:
- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which the UDQO in respect of the relevant LDZ Connected System Exit Point exceeds the User's Registered LDZ Capacity;
 - (b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity in respect of any overrun day in that month.
- 4.8.3 The LDZ CSEP Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by two (2) times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(a)) of the LDZ Capacity Charge.
- 4.8.4 The LDZ CSEP Overrun Charge shall be invoiced and payable in accordance with Section S.

5 CAPACITY TRANSFER

5.1 Basis of transfer

- 5.1.1 A User (the "**Transferor User**") may transfer all or part of:
- (a) its Available NTS Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9 and 2.10, in respect of an Aggregate System Entry Point; and/ or
 - (b) its Available Firm NTS Exit (Flat) Capacity, as Adjusted for the time being pursuant to paragraphs 3.9 and 3.11, in respect of an NTS Exit Point;
- to another User (the "**Transferee User**"), subject to and in accordance with this paragraph 5.
- 5.1.2 For the purposes of the Code a "**System Capacity Transfer**" is a transfer of System Capacity in accordance with paragraph 5.1.1.
- 5.1.3 A System Capacity Transfer may be for any Day or consecutive Days within the period for which the Transferor User holds (by virtue of registration or any System Capacity Transfer) such capacity.
- 5.1.4 National Grid NTS may but shall not be required to reject a System Capacity Transfer where the Transferred System Capacity exceeds the Transferor User's Available System Capacity, in the case of:
- (a) Firm NTS Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9 and 2.10, as applicable
 - (b) Firm NTS Exit (Flat) Capacity, as Adjusted for the time being pursuant to paragraphs 3.9 and 3.11, as applicable
- at the Transfer System Point on any Day in the Transfer Period.
- 5.1.5 In respect of a System Capacity Transfer or proposed System Capacity Transfer:
- (a) the "**Transferred System Capacity**" is the System Capacity which is (or is to be) transferred;
 - (b) the "**Transfer Period**" is the Day or Days (in accordance with paragraph 5.1.3)

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for which the Transferred System Capacity is (or is to be) transferred;

- (c) the "**Transfer System Point**" is the Aggregate System Entry Point or NTS Exit Point at which System Capacity is (or is to be) transferred.

5.2 Procedure

5.2.1 Where a User proposes to make a System Capacity Transfer, each of the Transferor User and the Transferee User must notify the System Capacity Transfer to National Grid NTS specifying:

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

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

5.2.3 National Grid NTS may reject a System Capacity Transfer:

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

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

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

5.3 Effect of Transfer

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

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

deducting the Transferred System Capacity where the User was the Transferor User, subject to paragraph 5.4.

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

5.4 Effect of Termination

- 5.4.1 Where during the Transfer Period in respect of a System Capacity Transfer the Transferor User ceases to be a User of the NTS in accordance with Section V4.3:

- (a) National Grid NTS will:
 - (i) so notify the Transferee User as soon as reasonably practicable and in any event not more than five (5) Business Days after giving Termination Notice to the Transferor User;
 - (ii) at the same time notify the Transferee User of the Capacity Charges payable to National Grid NTS in respect of the Transferred System Capacity;
- (b) with effect from the User Discontinuance Date the System Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity;
- (c) the Transferee User may elect to be registered in accordance with paragraph 5.4.2 as holding System Capacity (in addition to any such capacity held other than by virtue of the System Capacity Transfer) at the Transfer System Point:
 - (i) in an amount not exceeding the Transferred System Capacity; and
 - (ii) for any Day or consecutive Days (before or after the date of such election, but not before the User Discontinuance Date) within the Transfer Period.

- 5.4.2 Where under paragraph 5.4.1 the Transferee User elects to be registered as holding System Capacity:

- (a) the Transferee User shall notify National Grid NTS, as soon as reasonably practicable and in any event not more than 5 Business Days after National Grid NTS's notice under paragraph 5.4.1(a), of such election, specifying the System Capacity and the date or period in accordance with paragraphs 5.4.1(c)(i) and (ii);
- (b) the Transferee User will be registered as holding System Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for the period of registration);
- (c) the Transferee User will accordingly be liable for Capacity Charges in respect of the elected amount of System Capacity at the Transfer System Point for the elected period;
- (d) for the purposes of paragraph (c), where the System Capacity comprises NTS Exit (Flat) Capacity the Capacity Charges shall be the greater of:

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- (i) the volume weighted average price payable by the Transferor User for the NTS Exit Capacity at the NTS Exit Point in respect of the amount and for the period elected;
- (ii) the applicable reserve price.

5.4.3 Where during the Transfer Period in respect of a System Capacity Transfer the Transferee User ceases to be a User in accordance with Section V4.3:

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

5.5 Negative Capacity

5.5.1 A User's Available System Capacity (determined in accordance with paragraph 5.3.2) may become negative where:

- (a) the User is a Transferor User in respect of a System Capacity Transfer under which the Transferred System Capacity exceeds the Transferor User's Available System Capacity (on a Fully Adjusted basis) at the Transfer System Point; or
- (b) the Transferor User submits:
 - (i) a daily capacity offer (pursuant to paragraph 2.9) for an amount of NTS Entry Capacity which exceeds its Available Firm NTS Entry Capacity;
 - (ii) a daily capacity offer (pursuant to paragraph 3.11) for an amount of NTS Exit (Flat) Capacity which exceeds its Available Firm NTS Exit (Flat) Capacity; or
- (c) the User is a Transferee User in respect of a System Capacity Transfer, and (subject to any election under paragraph 5.4.2):
 - (i) the Transferee User has pursuant to a further System Capacity Transfer transferred System Capacity at the same Transfer System Point to another User; and
 - (ii) the first System Capacity Transfer lapses pursuant to paragraph 5.4.1.

5.5.2 Where and for so long as a User's Available System Capacity is negative the User will be liable to pay Overrun Charge(s) in accordance with paragraph 2.8 or (as the case may be) 3.13 on the basis of an overrun quantity on each Day calculated as the sum of:

- (a) the magnitude of the User's negative Available System Capacity; and
- (b) the amount (if any) determined to be the overrun quantity in accordance with paragraph 2.12.2 or (as the case may be) 3.13.1(a) if the User's Available System Capacity at the Transfer System Point were zero.

5.6 Daily NTS Entry Capacity Transfer

5.6.1 Where a User wishes to transfer all or part of its Available Daily NTS Entry Capacity the provisions of paragraph 5.6.2 shall apply.

5.6.2 For the purpose of paragraph 5.6.1, the provisions of paragraphs 5.1 to 5.5 (inclusive) shall apply, provided that:

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

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

6 CAPACITY ASSIGNMENT²

6.1 Basis of assignment

6.1.1 A User (the "**Assignor User**") may assign all of its Registered NTS Exit (Flat) Capacity in respect of an NTS Exit Point to another User ("**Assignee User**").

6.1.2 For the purposes of the Code a "**System Capacity Assignment**" is an assignment of System Capacity in accordance with paragraph 6.1.1.

6.1.3 A User may not make a System Capacity Assignment where the Assigned System Capacity exceeds the Assignor User's Registered Capacity at the Assignment System Point (after taking account of any prior System Capacity Assignment under this paragraph 6) on any Day in the Assignment Period.

6.1.4 In respect of a System Capacity Assignment or proposed System Capacity Assignment:

² Implementation of modification 0276, effective 06:00hrs on a date to be determined, will amend paragraph 6, in part or in whole.

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- (a) the "**Assigned System Capacity**" is the NTS Exit (Flat) Capacity which is (or is to be) assigned;
- (b) the "**Assignment Period**" is the Day or Days commencing on the Day on which the System Capacity Assignment is to be effective and ending on the last Day on which the Assignor User is registered as holding the Assigned System Capacity;
- (c) the "**Assignment System Point**" is the NTS Exit Point at which the NTS Exit (Flat) Capacity is to be assigned.

6.2 Procedure

6.2.1 Where a User proposes to make a System Capacity Assignment, each of the Assignor User and the Assignee User must notify the System Capacity Assignment to National Grid NTS specifying:

- (a) the identity of the Assignor User and Assignee User;
- (b) the Assignment System Point;
- (c) the amount of the Assigned System Capacity; and
- (d) the Assignment Period.

6.2.2 A proposed System Capacity Assignment must be notified to National Grid NTS by not later than the fifth Business Day prior to the first Day of the Assignment Period.

6.2.3 National Grid NTS may reject a System Capacity Assignment:

- (a) where either the Assignor User or the Assignee User does not notify the System Capacity Assignment in accordance with paragraph 6.2.1 or 6.2.2;
- (b) in accordance with Section V3.

6.2.4 A System Capacity Assignment shall be effective if it is approved by National Grid NTS or is not rejected by National Grid NTS by the start of the fourth Business Day after it was notified by the Assignor User or (if later) the Assignee User under paragraph 6.2.1.

6.3 Effect of Assignment

6.3.1 The Assignee User will be treated for each Day throughout the Assignment Period as the registered holder of the Assigned System Capacity.

6.3.2 A User's Registered NTS Exit (Flat) Capacity at an NTS Exit Point on a Day is its Registered NTS Exit (Flat) Capacity, adjusted in respect of any System Capacity Assignment(s) (for which that point is an Assignment System Point and the Assignment Period includes that Day) by adding the Assigned System Capacity where the User was the Assignee User, and deducting the Assigned System Capacity where the User was the Assignor User.

6.3.3 With effect from the first Day of the Assignment Period (and in respect of each subsequent Day in such period):

- (a) the Assignor User shall cease to be liable for Capacity Charges in respect of the Assigned System Capacity;
- (b) the Assignee User shall be liable for Capacity Charges in respect of the Assigned System Capacity;
- (c) the Capacity Charges payable by the Assignee User shall be the same Capacity Charges that were payable by the Assignor User for the Assigned System Capacity.

6.3.4 Where a System Capacity Assignment is made which comprises Enduring Annual NTS Exit (Flat) Capacity the Assignee User shall be deemed to have been allocated the Enduring Annual NTS Exit (Flat) Capacity (comprising the Assigned System Capacity) with effect from the time from which, in accordance with paragraphs 3.2.8(c) and 3.2.12, a User was first registered as holding the Enduring Annual NTS Exit (Flat) Capacity.

6.3.5 A System Capacity Assignment shall be without prejudice to the operation of paragraphs 3.2.14 to 3.2.24 (inclusive) in respect of any reduction in the amount of Enduring Annual NTS Exit (Flat) Capacity held by the Assignor User and the Assignee User following a System Capacity Assignment.

6.3.6 No consequences other than those described in this paragraph 6 are intended by the use of the term 'assignment' in this paragraph 6.

7 DN Pensions Deficit Charge

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

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

1 Introduction

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

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

1.6 References to:

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

and for a particular NTS Exit Point.

1.7 A User agrees, by submitting:

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

2 **Invitations and notifications**

2.1 In accordance with Section B3:

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

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

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

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

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

- (a) in relation to capacity bids, a "**capacity allocation period**";
- (b) in relation to capacity offers, a "**capacity selection period**".

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

3 Capacity bids, capacity offers and capacity applications

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

- (a) the identity of the User;
- (b) whether the User is making a capacity bid, capacity offer or a capacity application;
- (c) the class of NTS Exit Capacity subject to the bid, offer or a capacity application;
- (d) the NTS Exit Point in respect of which the bid or offer is made;
- (e) in the case of:
 - (i) an annual capacity application, the Gas Year or Gas Years,
 - (ii) a daily capacity bid or capacity offer, the Day in respect of which the bid, offer or capacity application is made;
- (f) the amount (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity subject to the capacity bid, capacity offer or capacity application;
- (g) the minimum amount (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity the User is willing to be allocated;
- (h) in the case of a capacity bid, the amount ("**bid price**") in pence/kWh/Day, which shall not be less than the applicable reserve price, which the User is willing to pay by way of NTS Exit (Flat) Capacity Charges in respect of the NTS Exit (Flat) Capacity applied for;
- (i) in the case of a capacity offer, the amount ("**offer price**") in pence/kWh/Day, which the User wishes to be paid in respect of the surrender of Daily NTS Exit (Flat) Capacity (which amount may be negative);
- (j) in the case of a capacity bid or capacity offer for Daily NTS Exit (Flat)

Capacity, whether it is a fixed or reducing bid or offer.

3.2 A User may submit:

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

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

3.3 In relation to:

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

3.4 A User may withdraw or modify:

- (a) a capacity application, at any time before the expiry of the Annual Application Window;
- (b) a daily capacity bid or capacity offer for Firm Daily NTS Exit (Flat) Capacity, at any time (at which such bid or offer has not been accepted) other than during a capacity allocation period or (as the case may be) capacity selection period; and where a User seeks to withdraw or modify a bid or offer during such a period, National Grid NTS will notify the User that a capacity allocation period or capacity selection period is current and National Grid NTS may, subject to paragraph 3.5, accept such capacity bid or capacity offer;
- (c) a daily capacity bid for Off-peak Daily NTS Exit (Flat) Capacity at any time up to but not after 14:00 hours on the Day preceding the relevant date.

3.5 In the case of a daily capacity bid or capacity offer which is a reducing bid or offer, a User may withdraw (but may not modify) such bid or offer after the hour bar next following the earliest effective time of the bid or offer.

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- 3.6 National Grid NTS may reject any capacity bid, capacity offer or capacity application:
- (a) in the case of a capacity bid where the bid price is less than the relevant reserve price;
 - (b) where any of the applicable requirements of paragraphs 3.1, 3.2 and 3.3 is not complied with;
 - (c) where any of the applicable requirements of Section B3 is not complied with;
 - (d) in accordance with Section V3; or
 - (e) in the case of a daily capacity offer, in accordance with paragraph 3.10.
- 3.7 Not Used.
- 3.8 Not Used.
- 3.9 For the purposes of this Annex B-1, in relation to a daily capacity bid or daily capacity offer in relation to Daily NTS Exit (Flat) Capacity:
- (a) where such daily capacity bid or offer is specified to be:
 - (i) a **"fixed"** bid or offer, the amount of Daily NTS Exit (Flat) Capacity bid for or offered does not depend on the time (within the Day) with effect from which capacity is to be allocated in respect of the bid or offer;
 - (ii) a **"reducing"** bid or offer, the amount of Daily NTS Exit (Flat) Capacity bid for or offered, in relation to any allocation period or selection period, shall be determined as:
$$\text{DNEC} * \text{AH} / \text{EH}$$
 - (b) such daily capacity bid or offer is **"available"** in relation to a capacity allocation or selection period where:
 - (i) such bid or offer was submitted and not withdrawn prior to the start of such capacity allocation or selection period;
 - (ii) if the allocation effective time is later than 06:00 hours on the Gas Flow Day, the implied capacity rate is less than or equal to the available capacity rate; and
 - (iii) such bid or offer was not allocated or selected in any earlier capacity allocation or selection period;
 - (c) the **"earliest effective time"** is the later of:
 - (i) 06:00 hours on the Day; and
 - (ii) the first hour bar which falls more than sixty (60) minutes after the capacity bid or offer was submitted;
 - (d) in relation to a capacity allocation or selection period:

(i) the "**allocation effective time**" is the time with effect from which Daily NTS Exit (Flat) Capacity is to be allocated pursuant to the acceptance of bids or offers during such capacity allocation or selection period, being the first hour bar which falls more than sixty (60) minutes after the start of the capacity allocation or selection period;

(ii) the "**available capacity rate**" is the rate (in kWh/hour) calculated as:

$$RA / AH$$

(iii) the "**implied capacity rate**" is the rate (in kWh/hour) calculated:

(1) in relation to a fixed bid or offer, as:

$$DNEC / AH$$

(2) in relation to a reducing bid or offer, as:

$$DNEC / EH$$

(e) for the purposes of this paragraph 3.9:

DNEC is the amount of Daily NTS Exit (Flat) Capacity specified in the bid or offer as submitted;

EH is the number of hours from the earliest effective time of such bid or offer until the end of the Day if the bid or offer were to be accepted;

AH is the number of hours from the allocation effective time until the end of the Day if the bid or offer were to be accepted;

RA is the relevant amount (as defined in paragraph 4.1(b)) of Daily NTS Exit (Flat) Capacity if the bid or offer were to be accepted;

(f) a daily capacity bid or daily capacity offer which is accepted in a capacity allocation or selection period shall be extinguished and no longer be available for the purposes of subsequent acceptance pursuant to paragraph 4.

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

4 Allocation

4.1 For the purposes of this paragraph 4:

(a) references to NTS Exit (Flat) Capacity or the relevant NTS Exit (Flat) Capacity shall be construed in accordance with paragraph 1.6;

(b) in relation to a capacity invitation or annual capacity notification, the "**relevant**" amount of NTS Exit (Flat) Capacity is the amount of NTS Exit (Flat) Capacity subject to such capacity invitation or annual capacity

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notification (that is, available for allocation or required for selection), determined in accordance with the applicable provision of Section B3;

- (c) references to the allocation of NTS Exit (Flat) Capacity are references:
 - (i) in relation to capacity bids or capacity applications, to the allocation of amounts of NTS Exit (Flat) Capacity to Users pursuant to requests for capacity comprised in such capacity bids or capacity applications;
 - (ii) in relation to capacity offers, to the selection of amounts of NTS Exit (Flat) Capacity for surrender by Users pursuant to the offers of surrender comprised in such capacity offers;
- (d) **"eligible"** capacity bids, capacity offers or capacity applications are bids, offers or applications which were not rejected pursuant to paragraph 3.6 and (in the case of daily bids or offers) are available pursuant to paragraph 3.9(b).

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

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

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

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

equal priced bid(s) or offer(s) under paragraph (d); and

- (f) where the amount to be allocated in respect of any capacity bid or capacity offer would be less than the minimum eligible amount, no allocation shall be made to that bid or offer (and no further allocation shall be made).

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

- (a) subject to paragraph (b), where the aggregate amount of NTS Exit (Flat) Capacity applied for exceeds the Remaining Available NTS Exit (Flat) Capacity, the Remaining Available NTS Exit (Flat) Capacity plus such additional Annual NTS Exit (Flat) Capacity released by National Grid NTS in accordance with Section B3.4.2(c), shall be allocated to capacity pro rata the amounts applied for;
- (b) where the amount to be allocated in respect of a capacity application pursuant to paragraph (a) would be less than:
 - (i) the minimum amount specified in the capacity application; or
 - (ii) the minimum eligible amount

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

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

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

- (a) in the case of an annual capacity notification, not later than ten (10) Business Days after the end of the Annual Application Window;
- (b) in the case of a daily capacity invitation, not later than one (1) hour after the capacity allocation or selection period in which such bids and offers were accepted.

5 Post allocation information

5.1 Following each:

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

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the case of a daily invitation; and

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

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

- (a) total bid/offer volume: the aggregate amount of NTS Exit (Flat) Capacity subject to bids, offers or applications received pursuant to the invitation or annual capacity notification;
- (b) total successful bid/offer volume: the aggregate amount of NTS Exit (Flat) Capacity allocated to bids, offers or applications which were accepted pursuant to the invitation or annual capacity notification;
- (c) highest successful bid/offer: the highest bid price or offer price of any accepted bid or offer, and the amount of NTS Exit (Flat) Capacity for which such bid or offer was accepted;
- (d) lowest successful bid/offer: the lowest bid price or offer price of any accepted bid or offer, and the amount of NTS Exit (Flat) Capacity for which such bid or offer was accepted;
- (e) total number of Users: the number of Users who submitted capacity bids, capacity offers or capacity applications;
- (f) total number of successful Users: the number of Users whose submitted capacity bids, capacity offers or capacity applications which were accepted;
- (g) unsold capacity: the amount of Remaining Available NTS Exit (Flat) Capacity (of the relevant class) following the allocation of NTS Exit (Flat) Capacity pursuant to the invitation or notification;
- (h) weighted average bid/offer price: the weighted average price of accepted bids or offers accepted, calculated in accordance with the formula in paragraph 5.3;
- (i) incremental quantity allocated: the amount of NTS Exit (Flat) Capacity allocated above the Baseline NTS Exit (Flat) Capacity; and
- (j) reductions: the aggregate amount of Enduring Annual NTS Exit (Flat) Capacity in respect of which Users gave notices of reduction in accordance with Section B3.2.15 and the aggregate amount of Enduring Annual NTS Exit (Flat) Capacity which Users ceased to be registered as holding in accordance with Section B3.2.20.

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

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

where:

i represents each capacity bid or capacity offer accepted;

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

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

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

P is the bid price or offer price.

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

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

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ANNEX B-2

OFFTAKE REDUCTION

1 Offtake Reduction Invitations

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

2 Offtake reduction offers

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

accepted;

- (v) the amount (“**offer price**”) in pence/kWh which the User wishes to be paid in respect of the offered reduction in offtake.

- 2.3 In relation to any offtake reduction invitation, a User may submit up to but no more than ten (10) offtake reduction offers.
- 2.4 An offtake reduction offer may be withdrawn or modified up to, but not after, the offer submission deadline.
- 2.5 National Grid NTS may reject any offtake reduction offer where any of the requirements of paragraph 2.2 and 2.3 is not met, in accordance with the System Management Principles or where in National Grid NTS's opinion the NTS Exit Constraint will not be relieved (in whole or in part) by acceptance of the offtake reduction offer.

3 Selection

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

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

4 Submission of Revised OPNs

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

5 Information

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

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

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SECTION C – NOMINATIONS

1 INTRODUCTION

1.1 Nominations

1.1.1 Users will nominate quantities of gas for delivery to and offtake from the Total System each Day in accordance with this Section C for the purposes of enabling National Grid NTS to plan and (subject to and in accordance with Section D) carry out the operation of the NTS and Operational Balancing.

1.1.2 For the purposes of the Code:

- (a) a "**Nomination**" is a nomination by a User in respect of a quantity of gas to be delivered to or offtaken from the Total System on a Day;
- (b) a "**Renomination**" is a Nomination which revises an earlier Nomination (including a Renomination) under paragraph 4, and includes a New Renomination (in accordance with paragraph 4.1.9(a)) and a Step Change Renomination (in accordance with paragraph 4.1.9(e));
- (c) an "**Output**" Nomination is a Nomination in respect of a quantity to be offtaken from the Total System;
- (d) an "**Input**" Nomination is a Nomination in respect of a quantity to be delivered to the Total System;
- (e) a "**Nomination Quantity**" is the quantity nominated for delivery or offtake in a User's prevailing Nomination;
- (f) the "**Nominated Quantity**" is the Nomination Quantity in a User's Nomination prevailing as at the end of the Gas Flow Day;
- (g) an "**Initial**" Nomination is the initial Nomination made or to be made before the Gas Flow Day (but does not include a New Renomination).

1.1.3 References in the Code to a Nomination prevailing at any time before or during the Gas Flow Day are to a Nomination as revised (in accordance with this Section C but not otherwise) up to that time.

1.1.4 For the purposes of the Code a Nomination is made by a User where the User has submitted a Nomination which has been approved or deemed to be approved by National Grid NTS in accordance with this Section C.

1.1.5 Each User shall use all reasonable endeavours to secure that (without prejudice to paragraphs 2.3.2 and 3.3.2) it makes Initial Nominations and (subject to the provisions of this Section C) Renominations in accordance with this Section C for the quantities in which and rates and times at which it intends or expects to deliver gas to or offtake gas from the Total System each Day.

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- 1.1.6 A User may make a Nomination for a quantity of zero (but paragraph 1.1.5 does not require such a Nomination to be made in any case).
- 1.1.7 For the avoidance of doubt, Users are not required to submit nominations to National Grid NTS (or any other Transporter) in respect of gas flows on a Day at a NTS/LDZ Offtake.

1.2 Nomination Timetable

The "**DM Output Nomination Time**", "**NDM Output Nomination Time**", "**Input Nomination Time**" and "**Renomination Start Time**" in relation to the Gas Flow Day shall be the following respective times on the Preceding Day:

DM Output Nomination Time:	13:00
NDM Output Nomination Time:	14:00
Input Nomination Time:	14:30
Renomination Start Time:	15:00

1.3 Nomination balancing

Without prejudice to Section F2, the aggregate quantities of gas nominated by a User's Input Nominations and Output Nominations for a Day need not be equal.

1.4 Supply Point Groups

- 1.4.1 For the purposes of the Code, for each User in relation to each Exit Zone:
- (a) the "**DMA(F) Supply Point Group**" is all of its Registered Firm DMA Supply Points ~~Components~~ in aggregate in that Exit Zone;
 - (b) the "**DMA(I) Supply Point Group**" is all of its Registered Interruptible DMA Supply Points ~~Components~~ in aggregate in that Exit Zone;
 - (c) the "**NDM Supply Point Group**" is all of its Registered NDM Supply Points ~~Components~~ in aggregate in that Exit Zone.
- 1.4.2 "**DMA Supply Point Group**" means a DMA(F) Supply Point Group or a DMA(I) Supply Point Group, and "**Supply Point Group**" means an NDM Supply Point Group or a DMA Supply Point Group.

1.5 NDM Output Nominations

- 1.5.1 In respect of each Day National Grid NTS will, subject to paragraph 4.2.2, on the basis of the daily demand forecasts under Section H5:
- (a) for each User determine in accordance with Section H2 the aggregate of the NDM Supply Point Demands for all Registered NDM Supply Points in each Exit Zone; and

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- (b) not later than each Demand Forecast Time (in accordance with Section H5):
 - (i) make or revise on behalf of each User an Output Nomination ("**NDM Output Nomination**") in respect of each NDM Supply Point Group; and
 - (ii) notify to each User the Nomination Quantity under each of its NDM Output Nominations or Renominations so made.
- 1.5.2 The Nomination Quantity under an NDM Output Nomination (including a Renomination thereof) for a User in respect of an NDM Supply Point Group will be the aggregate of the NDM Supply ~~Meter~~ Point Demands for all Registered NDM Supply Points ~~Components~~ in that Exit Zone, determined in accordance with paragraph 1.5.1(a).
- 1.5.3 The CSEP Network Exit Provisions may provide for Output Nominations in respect of a relevant Unmetered Connected System Exit Point to be treated (for such purposes of the Code as are specified in the CSEP Network Exit Agreement) as NDM Output Nominations (and references in the Code to NDM Output Nominations shall be construed accordingly).
- 1.6 Calorific value information**
- 1.6.1 Not later than 11:00 hours on the Gas Flow Day the Transporter will make available to Users:
 - (a) the calorific value applicable (in accordance with GT Section C3.3.1) in respect of each relevant LDZ for the Preceding Day;
 - (b) the Transporter's prevailing estimate of the calorific value applicable (in accordance with GT Section C3.3.1) in respect of each relevant LDZ for the Gas Flow Day.
- 1.6.2 If having failed to comply with paragraph 1.6.1(a) and (b) on any Day, the Transporter does not make available to Users the information in that paragraph by 16:00 on the Gas Flow Day, the Transporter will pay to each User with an associated UDQO in respect of Supply Point(s) in the relevant LDZ on the Preceding Day the amount of £50.
- 1.6.3 Where within 12 calendar months of making information available to Users pursuant to paragraph 1.6.1(a) the Transporter becomes aware that such information is incorrect, the Transporter will recalculate such information for each day during the affected period and make it available to Users within 5 Business Days of the recalculation being complete.
- 1.6.4 Where the Transporter fails to comply with the provisions of paragraph 1.6.3 above, the Transporter will make a payment to each User with an associated UDQO in respect of Supply Point(s) in the relevant LDZ during the relevant period of the amount of £250.
- 1.6.5 For the purposes of Section V10, the rules in paragraphs 1.6.2 and 1.6.4 are Compensation Rules within Compensation Group B; and in relation thereto the "**payment month**" is the second month following the month in which the relevant information is made available to the User pursuant to paragraph 1.6.3.

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1.7 UK Link set-up

Before first submitting a Nomination in respect of any System Point a User must comply with the requirements set out in the UK Link Manual for establishing (for the purposes of UK Link) the User as a user of the relevant System at that System Point.

1.8 Implied Nomination Flow Rate

In respect of any Nomination the "**Implied Nomination Flow Rate**" is the rate (in kWh/ hour) determined as:

- (a) in the case of a Nomination which is not a Renomination, the Nomination Quantity divided by 24;
- (b) in the case of a New Renomination, the Nomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day;
- (c) in the case of any other Renomination, the Implied Nomination Flow Rate in respect of the Nomination prevailing immediately prior to such Renomination plus (where the Renomination increased the Nomination Quantity) or minus (where the Renomination decreased the Nomination Quantity) an incremental hourly rate determined as the Renomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day.

1.9 Hour-bar assumption

1.9.1 For the purposes of the Code it shall be assumed that any change in the rate of delivery of gas to or offtake of gas from the Total System by a User will occur on the hour.

1.9.2 The Renomination Effective Time of any Renomination shall be in accordance with paragraph 1.9.1.

1.10 Nomination Approval

Where under this Section C a Nomination (other than an NDM Output Nomination) is approved or deemed to be approved by National Grid NTS:

- (a) the Nomination Quantity under such Nomination shall not subsequently be revised (other than by the User in accordance with this Section C);
- (b) subject to paragraph (a), such approval or deemed approval shall not amount to a waiver by National Grid NTS of any failure of the Nomination to comply with any requirement of this Section C.

1.11 DNO Users

In this Section C references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.¹

2 OUTPUT NOMINATIONS

¹ Implementation of modifications 0338V effective 06:00hrs on 01/01/2013 will add new paragraph 1.12.

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2.1 Basis of nominations

A User nominating quantities of gas for offtake on the Gas Flow Day from the Total System shall make Output Nominations subject to and in accordance with this paragraph 2.

2.2 Procedure and restrictions

2.2.1 The User shall submit a separate Output Nomination ("**DM Output Nomination**") in respect of:

- (a) each Connected System Exit Point;
- (b) each Registered DMC Supply Point-~~Component~~;
- (c) each DMA(F) Supply Point Group;
- (d) each DMA(I) Supply Point Group.

2.2.2 Each DM Output Nomination shall specify:

- (a) the Gas Flow Day;
- (b) the identity of the User;
- (c) the System Exit Point, or (in the case of a DMA Supply Point Group) the Exit Zone; and
- (d) the quantity of gas nominated for offtake.

2.2.3 A User shall not submit a DM Output Nomination:

- (a) in respect of an NTS System Exit Point at which, under the prevailing Maintenance Programme, gas is not to be available for offtake from the relevant System on the Gas Flow Day; or
- (b) in respect of a relevant Connected System Exit Point or (subject to paragraph 2.2.5) DMC Supply Point-~~Component~~, if the Implied Nomination Flow Rate exceeds:
 - (i) in the case of a DMC Supply Point-~~Component~~, the Supply Point Offtake Rate pursuant to Section G;
 - (ii) in the case of a relevant Connected System Exit Point, any limit specified in the CSEP Network Exit Provisions for the purposes of this paragraph 2.2.3.

2.2.4 The relevant provisions of the CSEP Network Exit Provisions shall apply in addition to and (where in conflict with) instead of the provisions of this Section C as respects Output Nominations in respect of a Connected System Exit Point.

2.2.5 In relation to a DMC Supply Point-~~Component~~ which comprises a Shared Supply Meter Point(s), paragraph 2.2.3(b)(i) shall apply only if the aggregate of the Implied

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Nomination Flow Rates exceeds the aggregate of the Supply Point Offtake Rates in respect of all of the DMC Supply Points ~~Components~~ which comprise the same Shared Supply Meter Point(s).

- 2.2.6 If in respect of a System Exit Point, a User has not made a DM Output Nomination in respect of the Gas Flow Day, the User shall be deemed to have made a DM Output Nomination of zero at the Relevant Output Nomination Time.

2.3 Timing

- 2.3.1 Initial DM Output Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Relevant Output Nomination Time.
- 2.3.2 Initial DM Output Nominations will not be treated as made before the Relevant Output Nomination Time; and Users may, up to but (subject to paragraph 4) not after the Relevant Output Nomination Time, amend or replace Initial DM Output Nominations already submitted.
- 2.3.3 The "**Relevant Output Nomination Time**" is:
- (a) in respect of a Storage Connection Point the Input Nomination Time;
 - (b) except as provided in paragraph (a), the DM Output Nomination Time.

2.4 Nomination approval or rejection

- 2.4.1 National Grid NTS may reject or (in its discretion) approve a DM Output Nomination which is not submitted in accordance with, or does not comply with:
- (a) the requirements in paragraph 2.2; or
 - (b) the requirements in paragraph 2.3.1.
- 2.4.2 National Grid NTS will not approve or reject Initial DM Output Nominations before the Relevant Output Nomination Time.
- 2.4.3 If in respect of any System Exit Point:
- (a) a User has not submitted an Initial DM Output Nomination by the Relevant Output Nomination Time; or
 - (b) National Grid NTS has rejected an Initial DM Output Nomination submitted by a User,

the User shall have failed to make a Nomination (but without prejudice to any New Renomination) and (where relevant) the provisions of Section E4 as to Unauthorised Gas Flows shall apply.

- 2.4.4 An Initial DM Output Nomination submitted to National Grid NTS which has not been rejected (in accordance with paragraph 2.4.1) within 60 minutes after the Relevant Output Nomination Time shall be deemed to have been approved.

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2.5 NDM Output Nominations

- 2.5.1 Output Nominations in relation to NDM Supply Point Groups will be made in accordance with paragraph 1.5, and deemed for the purposes of paragraph 1.1.4 to be made by the User; and the User shall not submit such Nominations.
- 2.5.2 In accordance with paragraph 1.5, National Grid NTS will notify to each User its Initial NDM Output Nominations no later than the NDM Output Nomination Time.

3 INPUT NOMINATIONS

3.1 Basis of nominations

- 3.1.1 A User nominating quantities of gas for delivery to the Total System on the Gas Flow Day shall make Input Nominations subject to and in accordance with this paragraph 3.

3.2 Procedure and restrictions

- 3.2.1 The User shall submit a separate Input Nomination in respect of each System Entry Point.
- 3.2.2 Each Input Nomination shall specify:
 - (a) the Gas Flow Day;
 - (b) the identity of the User;
 - (c) the System Entry Point;
 - (d) the quantity of gas nominated for delivery; and
 - (e) either the volume or the calorific value of the gas to be delivered.
- 3.2.3 A User shall not submit an Input Nomination in respect of a NTS System Entry Point at which, under the prevailing Maintenance Programme, gas is not to be delivered to the Total System on the Gas Flow Day.
- 3.2.4 If in respect of a System Entry Point located on the NTS, a User has not made an Input Nomination in respect of the Gas Flow Day, the User shall be deemed to have made an Input Nomination of zero at the relevant Input Nomination Time.

3.3 Timing

- 3.3.1 Initial Input Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Input Nomination Time.
- 3.3.2 Initial Input Nominations will not be treated as made before the Input Nomination Time; and Users may, up to but (subject to paragraphs 4 and 5) not after the Input Nomination Time, amend or replace Initial Input Nominations already submitted.

3.4 Approval and rejection

- 3.4.1 National Grid NTS may reject or (in its discretion) approve an Input Nomination:

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- (a) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.2, or which specifies a calorific value, or a volume which implies a calorific value, which is not in compliance with the applicable Gas Entry Conditions in accordance with Section I2.4;
 - (b) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.3.1.
- 3.4.2 National Grid NTS will not approve or reject Initial Input Nominations before the Input Nomination Time.
- 3.4.3 If in respect of any System Entry Point:
- (a) a User has not submitted an Initial Input Nomination by the Input Nomination Time; or
 - (b) National Grid NTS has rejected an Initial Input Nomination submitted by a User,
- the User shall have failed to make a Nomination (but without prejudice to any New Renomination) and (where relevant) the provisions of Section E4 as to Unauthorised Gas Flows shall apply.
- 3.4.4 An Initial Input Nomination submitted to National Grid NTS which has not been rejected (in accordance with paragraph 3.4.1) within 60 minutes after the Input Nomination Time shall be deemed to have been approved.

4 RENOMINATION

4.1 General

- 4.1.1 A User may not withdraw or, except as provided in paragraph 4.1.2, revise or replace an Output Nomination after the Relevant Output Nomination Time or an Input Nomination after the Input Nomination Time.
- 4.1.2 Subject to paragraph 4.1.3, a Nomination may be revised by a Renomination.
- 4.1.3 A User shall not be entitled to make a Renomination:
- (a) (except in the case of a New Renomination) in respect of a System Point in respect of which the User has not made an earlier Nomination;
 - (b) earlier than the Renomination Start Time, or later than 04:00 hours on the Gas Flow Day;
 - (c) in the circumstances in Section D2.3.4;
 - (d) if the Implied Nomination Flow Rate (in the case of a Step Change Renomination in respect of any hour of the Day) is less than zero.
- 4.1.4 Without prejudice to Section I3.10.3, a User shall secure that it has not made a Renomination in respect of a System Entry Point under which the Implied Nomination Flow Rate exceeds 1/24 of the User's Available NTS Entry Capacity.

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- 4.1.5 A Renomination shall be submitted in accordance with paragraph 2.2 or 3.2 (as appropriate), and shall in addition specify:
- (a) (except in the case of a New Renomination) the previous Nomination in respect of which it is made; and
 - (b) the Renomination Effective Time (in compliance with paragraph 4.1.9).
- 4.1.6 National Grid NTS may reject or approve a Renomination in accordance with paragraph 2.4.1(a) or 3.4.1(a); and where National Grid NTS rejects a Renomination the prevailing Nomination (if any) shall remain in place.
- 4.1.7 A Renomination submitted to National Grid NTS which has not been rejected (in accordance with paragraph 4.1.6):
- (a) within 60 minutes after it was submitted; or
 - (b) in the case of a VLDMC Supply Point ~~Component~~ or a relevant Connected System Exit Point only, by the Renomination Effective Time, if earlier
- shall be deemed to have been approved as respects paragraph 2.4.1(a) or 3.4.1(a).
- 4.1.8 An approved Renomination (other than a New Renomination) shall replace the previous Nomination (but without prejudice to the application of this Section C in respect of the previous Nomination until the Renomination Effective Time).
- 4.1.9 For the purposes of the Code:
- (a) a "**New Renomination**" is an original Nomination in accordance with paragraph 4.1.11;
 - (b) the "**Renomination Quantity**" in respect of a Renomination is the amount by which the Nomination Quantity under an earlier Nomination was revised by such Renomination or, in the case of a New Renomination, the Nomination Quantity;
 - (c) the "**Renomination Effective Time**" in respect of a Renomination (other than an NDM Output Nomination) is the time (within the Gas Flow Day) with effect from which the change in gas flow rate (at the relevant System Point) in respect of which the Renomination is made is to occur.
 - (d) a "**Step Change Renomination**" is a Renomination which specifies the Nomination Quantity for each remaining hour of the Day.
- 4.1.10 The Renomination Effective Time of a Renomination shall:
- (a) in the case of a System Point other than a VLDMC Supply Point ~~Component~~
 - (b) or a relevant Connected System Exit Point, be not less than 60 minutes;
 - (c) in the case of a VLDMC Supply Point ~~Component~~ or a relevant Connected System Exit Point, be not less than 15 minutes

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after the time at which the Renomination is submitted (and shall in addition comply with paragraph 1.9.2).

4.1.11 Where a User has not made an earlier:

- (a) Input Nomination for the Gas Flow Day in respect of a System Entry Point the User may make an original Input Nomination; or
- (b) Output Nomination for the Gas Flow Day in respect of a DMC Supply Point ~~Component~~, an eligible Connected System Exit Point or DMA Supply Point ~~Component~~, the User may make an original Output Renomination (in respect thereof)

for a Nomination Quantity determined by the User.

4.2 Renominations: Output Nominations

4.2.1 With effect from each Demand Forecast Time (after the NDM Output Nomination Time):

- (a) National Grid NTS will by making a Renomination revise on behalf of each User its NDM Output Nomination for each NDM Supply Point Group in accordance with paragraph 1.5;
- (b) each User's NDM Output Nomination in respect of each relevant Unmetered Connected System Exit Point shall be revised in accordance with the applicable CSEP Network Exit Provisions.

4.2.2 A User may (subject to paragraph 4.1.3) make a Step Change Renomination.

4.2.3 Users are required to make Renominations in respect of Supply Points in respect of which the Transporter requires or ceases to require Interruption under Section G6.8.

4.3 Renomination review

4.3.1 National Grid NTS shall not be required to determine whether a Renomination when made complies with the requirements of this paragraph 4 or Section I3.10, and may accept a non-compliant Renomination, but National Grid NTS may reject a Renomination which does not so comply.

4.3.2 National Grid NTS will, after the Gas Flow Day, keep under review (on a sample basis) Renominations made by Users; and (without prejudice to any other entitlement of National Grid NTS under the Code) where it appears to National Grid NTS that a User may have made one or more Renominations which materially or persistently failed to comply with the requirements of this paragraph 4 or Section I3.10:

- (a) National Grid NTS will invite the User to provide to National Grid NTS reasonable evidence that the Renomination(s) were compliant, and/or to provide to National Grid NTS such information as the User may (in the light of paragraph (b)) wish;
- (b) if National Grid NTS is not thereby reasonably satisfied that the User did not materially or persistently fail to comply with the requirements of this paragraph

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4 or Section 13.10, National Grid NTS will submit to the Authority a report identifying the User and containing details of the possible failure to comply together with any information provided by the User under paragraph (a); and

- (c) National Grid NTS will not be required to take any further action in respect of the possible failure to comply.

5 TRADE NOMINATIONS

5.1 Basis of Trade Nominations

5.1.1 Where two Users, or (in accordance with paragraph 5.3) National Grid NTS and a User, agree to do so, they may make in respect of any Day corresponding nominations (respectively a "**Disposing Trade Nomination**" and an "**Acquiring Trade Nomination**") for the purposes of paragraph 5.1.3, subject to and in accordance with this paragraph 5.

5.1.2 The quantities subject to a Disposing Trade Nomination and an Acquiring Trade Nomination (each a "**Trade Nomination**") must be equal.

5.1.3 The quantity ("**Trade Nomination Quantity**") subject to corresponding Trade Nominations will (in accordance with Section E5) be:

- (a) deducted in determining the Daily Imbalance of the User making the Disposing Trade Nomination; and
- (b) added in determining the Daily Imbalance of the User making the Acquiring Trade Nomination.

5.1.4 For the purposes of the Code (and without prejudice to any terms as between Users, with which National Grid NTS shall not be concerned) a Trade Nomination shall have no other effect than under paragraph 5.1.3.

5.1.5 A User may make a Trade Nomination irrespective of whether the User makes any Input Nomination or Output Nomination for the Day in respect of which the Trade Nomination is made.

5.1.6 For the purposes of the Code a Trade Nomination is made by a User where the User has submitted a Trade Nomination which has not been rejected by National Grid NTS in accordance with this Section C.

5.2 Content, timing and procedure

5.2.1 A Trade Nomination shall specify:

- (a) the Gas Flow Day;
- (b) the identity of the User;
- (c) whether it is a Disposing Trade Nomination or an Acquiring Trade Nomination;
- (d) the identity of the User making the corresponding Trade Nomination; and

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- (e) the Trade Nomination Quantity.
- 5.2.2 A Trade Nomination may not be made:
- (a) earlier than 30 Days before the Gas Flow Day;
 - (b) later than 04:00 hours on the Gas Flow Day.
- 5.2.3 A Trade Nomination shall not be effective and shall be rejected by National Grid NTS:
- (a) if it does not comply with paragraph 5.2.1;
 - (b) if the corresponding Trade Nomination is not submitted, in compliance with paragraph 5.2.1:
 - (i) where the first Trade Nomination was submitted before the Gas Flow Day, by 07:00 hours on the Gas Flow Day;
 - (ii) otherwise, within 60 minutes before or after the first Trade Nomination was made;
 - (c) if the Trade Nomination Quantity and the quantity subject to the corresponding Trade Nomination are not equal;
 - (d) in accordance with Section V3.
- 5.2.4 A Trade Nomination may be withdrawn by the User who submitted it at any time before the Gas Flow Day, but may not be amended or withdrawn within the Gas Flow Day (but without prejudice to any subsequent Trade Nomination).
- 5.3 System Trade Nominations**
- 5.3.1 Where National Grid NTS and a User (a "**System Trade User**") so agree, they may make corresponding Trade Nominations ("**System Trade Nominations**").
- 5.3.2 The Trade Nomination Quantity pursuant to a System Trade Nomination shall be deemed to be sold and purchased pursuant to a System Clearing Contract:
- (a) which shall arise upon the System Trade Nominations becoming effective and which shall be deemed fully performed;
 - (b) for the purposes of which:
 - (i) where the System Trade User made the Disposing Trade Nomination, National Grid NTS is buyer and the System Trade User is seller;
 - (ii) where the System Trade User made the Acquiring Trade Nomination, National Grid NTS is seller and the System Trade User is buyer;
 - (c) in relation to which there shall be no Clearing Price (as the System Trade Contract is effective pursuant to the agreement between National Grid NTS and the User to make the System Trade Nominations).

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- 5.3.3 In relation to the System Trade User, the Trade Nomination Quantity pursuant to a System Trade Nomination shall be treated in accordance with paragraph 5.1.3.
- 5.3.4 National Grid NTS may agree with the System Trade User that the Trade Nomination to be made by National Grid NTS shall (for the purposes of paragraph 5.2) be deemed to be submitted at the same time as that to be submitted by the System Trade User.

6 CLASS A CONTINGENCIES

6.1 Class A Contingencies

- 6.1.1 During the period of a Class A Contingency, Nominations, Renominations and Trade Nominations will be made in respect of each relevant day as an aggregate figure, and will be processed in accordance with the relevant Contingency Procedures.

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SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

1 INTRODUCTION

1.1 Operational Balancing

1.1.1 For the purposes of the Code, "**Operational Balancing**" means maintaining:

- (a) both during and at the end of each Gas Flow Day; and
- (b) within such operational tolerance as National Grid NTS may determine; and
- (c) after taking account of estimated shrinkage and intended changes in NTS Linepack and LDZ stock; and
- (d) having regard to all Transportation Constraints and other factors relevant to the operation of the Total System

the balance between the quantities of gas respectively delivered to and offtaken from the Total System; and references to an "**Operational Balance**" shall be construed accordingly.

1.1.2 For the purposes of Operational Balancing (and without prejudice to Section Q) National Grid NTS may:

- (a) utilise Operating Margins in accordance with Section K; and/or
- (b) take Eligible Balancing Actions in accordance with this Section D.

1.1.3 For the purposes of the Code an "**Operational Balancing Requirement**" is any requirement for Operational Balancing Steps to be taken; and "**Operational Balancing Steps**" are steps taken by National Grid NTS pursuant to the Code for the purposes of Operational Balancing.

1.1.4 It is acknowledged that the measures referred to in paragraph 1.1.2 are among the measures which are specified in the statement prepared by National Grid NTS pursuant to Special Condition C5(5) of National Grid NTS's Transporter's Licence, and that such statement does not form a part of and is not incorporated into, and is not binding upon National Grid NTS pursuant to, the Code.

1.2 Operational Balancing Requirements

1.2.1 Without prejudice to the generality of paragraph 1.1.1, an Operational Balancing Requirement may arise:

- (a) where the quantities of gas expected to be delivered to the NTS over the whole of the Gas Flow Day are more or less (after taking account of NTS shrinkage and any intended changes in NTS Linepack) than those expected to be offtaken from the NTS over the whole of that Day;
- (b) irrespective of whether the circumstances in paragraph (a) apply, where at any

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time within the Gas Flow Day (by reason of differences in the times and/or rates at which gas is delivered to and offtaken from the NTS) pressures in the NTS and/or NTS Linepack are or are expected to be more or less than the operationally acceptable limit determined by National Grid NTS.

- 1.2.2 Operational Balancing Steps taken for any Day in the circumstances in paragraph 1.2.1(b) may of themselves give rise to an Operational Balancing Requirement (for the same Day) under paragraph 1.2.1(a).
- 1.2.3 Subject to the provisions of Section C, National Grid NTS will accept a Renomination for any Renomination Effective Time, irrespective of whether an Operational Balancing Requirement under paragraph 1.2.1(b) may arise as a result.

1.3 Operational Balancing decisions

- 1.3.1 In making decisions as to the taking of Operational Balancing Steps, National Grid NTS will and shall be entitled to take into account such information as it shall judge appropriate, including:
 - (a) its own estimates of demand and profiles of demand within the Day;
 - (b) Nomination Information under Output Nominations (including Renominations pursuant to Interruption of Interruptible Supply Points ~~Components~~ and Constrained Storage Renominations); and, in respect of NExA Supply Meter Points and Connected System Exit Points, information provided pursuant to Section J4, J5 or J6 and the applicable Network Exit Provisions; and similar information provided to National Grid NTS pursuant to any other transportation arrangement;
 - (c) Nomination Information under Input Nominations; and
 - (d) Local Operating Information.
- 1.3.2 "**Nomination Information**" means information, concerning the rates at and quantities in which gas is to be delivered to or offtaken from the Total System, which is provided under or can be inferred from Users' Nominations (including Renominations), System Trade Nominations and Transaction Details.
- 1.3.3 Without prejudice to National Grid NTS's entitlement (under paragraph 1.3.1) to take account of such information as it judges appropriate, where after any Renomination is made there is any inconsistency (outside such tolerance as National Grid NTS may reasonably determine to be appropriate) between Nomination Information and Local Operating Information in respect of any System Entry Point:
 - (a) National Grid NTS may view Nomination Information as decreasingly reliable, and Local Operating Information as increasingly reliable, with the passage of time (during the Gas Flow Day) after the relevant Renomination;
 - (b) to the extent that Nomination Information proves to have been more accurate than any Local Operating Information on which National Grid NTS may have relied, an additional Operational Balancing Requirement may arise.

1.4 Eligible Balancing Actions

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1.4.1 For the purposes of the Code.

- (a) **"Eligible Balancing Actions"** are:
 - (i) Market Balancing Actions;
 - (ii) other actions provided for in the Code to be 'Eligible Balancing Actions';
- (b) the **"Market Balancing Action Charge"** is the amount payable by or to National Grid NTS in respect of a Market Balancing Action;
- (c) a **"Market Balancing Action"** is a Market Balancing Buy Action or a Market Balancing Sell Action.
- (d) a **"Market Balancing Buy Action"** is the effecting of a Balancing Transaction between National Grid NTS and a User, pursuant to which the User agrees to make a Disposing Trade Nomination;
- (e) a **"Market Balancing Sell Action"** is the effecting of a Balancing Transaction between National Grid NTS and a User, pursuant to which the User agrees to make an Acquiring Trade Nomination;
- (f) **"Market Balancing Action Quantity"** is the Trade Nomination Quantity in respect of a Market Balancing Action;
- (g) **"NTS Linepack"** is, for a Day, the volume of gas within the National Transmission System (ascertained in accordance with the principles set out in the statement prepared by National Grid NTS pursuant to Special Condition C5(5) of National Grid NTS's Transporter's Licence);
- (h) **"Balancing Transaction"** is a Market Transaction or a Non-Trading System Transaction;
- (i) **"Balancing Transaction Charge"** is a Market Transaction Charge or a Non-Trading System Transaction Charge; and
- (j) **"Balancing Action Offer Price"** is the Market Offer Price or Non-Trading System Offer Price (as the case may be) in respect of a Balancing Transaction.

1.4.2 National Grid NTS will maintain a record (which, without prejudice to any other provision of the Code, will not be available to Users) of each Eligible Balancing Action taken.

1.4.3 For the purposes of the Code:

- (a) the **"highest Market Offer Price"** is either the highest Market Offer Price or highest Non-Trading System Offer Price for the Gas Flow Day in question; and
- (b) the **"lowest Market Offer Price"** is either the lowest Market Offer Price or lowest Non-Trading System Offer Price for the Gas Flow Day in question.

1.5 Localised Transportation Deficit

1.5.1 Where after 24:00 hours on the Preceding Day it appears to National Grid NTS that a

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Localised Transportation Deficit, Transportation Constraint, Entry Capability Shortfall or Firm Capacity Shortfall is likely to arise or has arisen, National Grid NTS may take (at such times as it judges operationally appropriate) Market Balancing Buy Action(s) and/or Market Balancing Sell Action(s) as required at relevant System Point(s) with a view to gas flow rates at such System Points being increased or (as the case may be) decreased so as to avoid or remedy the Localised Transportation Deficit, Transportation Constraint, Entry Capability Shortfall or Firm Capacity Shortfall.

- 1.5.2 In paragraph 1.3 references to Operational Balancing shall be construed as including the taking of Market Balancing Buy Actions or Market Balancing Sell Actions by National Grid NTS under paragraph 1.5.1 and Market Balancing Sell Actions or Market Balancing Buy Actions taken as a consequence with a view to maintaining an Operational Balance and references to Operational Balancing Steps and Operational Balancing Requirements will be construed accordingly.
- 1.5.3 For the purposes of the Code a "**Localised Transportation Deficit**" is a condition affecting a part of the NTS resulting in a deficiency in the quantities of gas which National Grid NTS is able to make available for offtake from that part of the NTS whether such condition results from the size of any part of the NTS, the operation or failure to operate any part of the NTS or the extent or distribution of supply or demand in any part of the NTS but which does not result from a Transportation Constraint affecting a particular System Entry Point or System Entry Points.

1.6 Emergencies

In a Network Gas Supply Emergency the provisions of this Section D, shall apply to the extent provided by Section Q.

1.7 Scottish Independent Networks

- 1.7.1 References in this Section D to the NTS do not include references to the Scottish Independent Networks.
- 1.7.2 Injection of gas to LNG Facilities for the purposes described in Section B1.9.2 will take place only at certain times of the year and not at a uniform rate through the year; and accordingly quantities delivered by Users to the Total System with a view to balancing the quantities offtaken from the Scottish Independent Networks will at certain times of the year exceed, and at others be less than, the quantities offtaken from the Total System for injection into LNG Facilities for such purposes.
- 1.7.3 National Grid NTS will manage and account for the differences in quantities referred to in paragraph 1.7.2 as changes in NTS Linepack (potentially giving rise to or contributing to Operational Balancing Requirements) each Day; and will not be treated as a User of the NTS in so doing.
- 1.7.4 In accordance with paragraph 1.7.3, Storage Injection Nominations made by the Transporter for the purposes referred to in paragraph 1.7.2 will not take effect as Output Nominations.

1.8 DNO Users

In this Section D references to Users exclude DNO Users other than a DNO User in its

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capacity as an LDZ Shrinkage Provider.¹

2 TRADING ARRANGEMENTS

2.1 On the Day Market

2.1.1 Where National Grid NTS appoints a person who has established a market for the purposes referred to in Standard Special Condition A11(22A and 22B), inserted by Special Condition C6 of National Grid NTS's Transporter's Licence, National Grid NTS will make arrangements with such person pursuant to which such person will provide and operate an electronic trading system by means of which Users and National Grid NTS may (if they have been admitted by such person as participants in such system) post and accept (and revise and withdraw) offers to effect Market Transactions.

2.1.2 Without prejudice to the provisions of Section V4, provided such person has complied with the relevant requirements of Section V2, National Grid NTS will admit the Trading System Clearer as a User pursuant to Section V2.5.1 for the purposes only of making Trade Nominations (including System Trade Nominations) pursuant to Section C5.

2.1.3 For the purposes of the Code:

- (a) **"Trading System"** is an electronic trading system provided and operated by the Trading System Operator for the purposes described in paragraph 2.1.1; provided that references to the Trading System shall not include any part of such system by means of which transactions other than Market Transactions may be effected, or by means of which Market Transactions (other than Multi-Day Balancing Transactions) may be effected earlier than the 12:00 hours on the Day before the Gas Flow Day;
- (b) **"Trading System Operator"** is the person providing and operating the system referred to in paragraph (a);
- (c) **"Trading System Clearer"** is the Trading System Operator, or a person designated by the Trading System Operator to provide clearing services for the purposes of the Trading System;
- (d) **"Trading System Arrangements"** are the arrangements including the rules for use of the Trading System made by the Trading System Operator in respect of the provision and operation of the Trading System;
- (e) **"Trading System Contract"** is the contract between National Grid NTS and the Trading System Operator setting out the arrangements made by National Grid NTS for the purposes of paragraph 2.1.1.

2.1.4 The requirement to make arrangements in paragraph 2.1.1 is without prejudice to National Grid NTS's rights of termination pursuant to the Trading System Contract and National Grid NTS shall not be in breach of the obligation in paragraph 2.1.1 were the Trading System Contract to terminate as a consequence of:

- (a) National Grid NTS exercising its rights of termination thereunder;
- (b) the Trading System Operator ceasing to, or otherwise being unable to, carry on

¹ Implementation of modifications 0338V effective 06:00hrs on 01/01/2013 will add new paragraph 1.9.

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its business in providing and operating the Trading System;

- (c) the giving of a Termination Notice by National Grid NTS pursuant to paragraph 2.9.3 of the Network Code Supplement.

2.1.5 National Grid NTS shall not be liable to any User for any act, omission or failure of the Trading System Operator under or relating to the terms of the Trading System Contract or the Trading System Arrangements and National Grid NTS shall not be required to incur any liability or be required to take any steps, including the commencement of proceedings in connection with the enforcement against the Trading System Operator of its rights pursuant to the Trading System Contract.

2.2 Market Transactions and Trading Arrangements

2.2.1 For the purposes of the Code:

- (a) a "**Market Transaction**" is a transaction effected (by means of the Trading System) between two Trading Participants, pursuant to which the Trading System Clearer agrees with each of the Trading Participants separately to make equivalent Trade Nominations (so that the Trading System Clearer agrees with one such participant to make an Acquiring Trade Nomination, and with the other such participant to make a Disposing Trade Nomination);
- (b) the "**Originating Participant**" in relation to a Market Transaction is the Trading Participant which posted (using the Trading System) the offer, acceptance of which by National Grid NTS or another User (the "**Accepting Participant**") effected such transaction; and where the Originating Participant is a User it is an "**Originating User**";
- (c) a "**Physical Market Transaction**" is a Market Transaction pursuant to which the Originating User agrees:
 - (i) to modify the quantity of gas to be delivered to and/or offtaken from the System by the User in aggregate on the Gas Flow Day by an amount equal to the Trade Nomination Quantity (and to modify the rate of such delivery and/or offtake accordingly); and
 - (ii) accordingly to make a Nomination(s) or Renomination(s) in accordance with paragraph 2.3;
- (d) a "**Locational Market Transaction**" is a Physical Market Transaction pursuant to which the Originating User agrees to make a Nomination or Renomination in respect of a specified System Point in accordance with paragraph 2.3;
- (e) a "**Non-physical Market Transaction**" is a Market Transaction which is not a Physical Market Transaction;
- (f) in respect of an Originating User and in relation to a Physical Market Transaction an "**Eligible Trading System Point**" is a System Point in respect of which the following conditions are satisfied:
 - (i) the System Point is:
 - (1) a System Entry Point in respect of which the User has complied with the requirement in Section B1.5; or

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- (2) a Supply Point in respect of which the User is the Registered User and in relation to which the User may submit a separate Output Nomination; or
 - (3) an eligible Connected System Exit Point in relation to which the User is a CSEP User; and
- (ii) in the case of a Physical Market Transaction under which the Originating User has agreed to reduce:
- (1) the quantity of gas to be delivered to the Total System at a System Entry Point, the User has made an Input Nomination for the Gas Flow Day at such System Entry Point; or
 - (2) the quantity of gas to be offtaken from the Total System at a System Exit Point, the User has made an Output Nomination for the Gas Flow Day at such System Exit Point

in either case for which the Implied Nomination Flow Rate is not less than the Market Transaction Flow Rate Change;

- (g) "**Contract Renomination**" is a Renomination made or to be made by a User (pursuant to a Physical Market Transaction) in accordance with paragraph 2.3;
 - (h) in relation to a Physical Market Transaction the "**Contract Renomination Time**" is the later of 19:00 hours on the Day preceding the Market Offer Date and that time falling 60 minutes after notification by the Trading System Operator to National Grid NTS of the Transaction Details, but not later than 04:00 hours on the Market Offer Date;
 - (i) in respect of a Market Transaction the "**Contract Renomination Time**" are those details to be provided to National Grid NTS by the Trading System Operator (in accordance with the Trading System Arrangements) when the Trading System Operator notifies National Grid NTS that the Market Transaction has been effected;
 - (j) "**Trading Participant**" means a User (other than one admitted pursuant to Section V2.5.1) or National Grid NTS, which is for the time being admitted by the Trading System Operator as a participant under the Trading System in relation to Market Transactions;
 - (k) references to '**acceptance**' of an offer include acceptance by 'order matching', that is where the posting of the later posted of two matching orders acts as the acceptance of the earlier posted of such orders.
- 2.2.2 The Trading System Contract will provide for the Trading System Arrangements to be consistent with Annex D-1 and will in addition contain provision whereby the Trading System Operator shall covenant with National Grid NTS not to make any modification, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of Annex D-1 other than with the prior written agreement of National Grid NTS.
- 2.2.3 National Grid NTS shall not agree with the Trading System Operator pursuant to the terms of the Trading System Contract to any amendment, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of Annex D-1

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unless pursuant to a Code Modification Annex D-1 has been amended in a manner such that following such modification Annex D-1 is consistent with the Trading System Arrangements following the amendment, change or alteration thereto.

- 2.2.4 In the event that pursuant to a Code Modification the terms of Annex D-1 are modified, changed or otherwise altered, National Grid NTS shall not be required to secure that the Trading System Operator modify the Trading System Arrangements such that they are made consistent with Annex D-1 following such Code Modification.
- 2.2.5 The Trading System Arrangements will provide that, following the effecting of a Market Transaction, the Trading System Operator will submit, on its own account (or where the Trading System Operator and the Trading System Clearer are different persons, on the Trading System Clearer's behalf) and as User Agent on behalf of the Originating and Accepting Participants, the Trade Nominations agreed to be made pursuant to such Market Transaction.
- 2.2.6 The Trading System Operator shall be deemed to have submitted Trade Nominations pursuant to paragraph 2.2.5 (and complying with Section C6.2) by notifying to National Grid NTS details of the Market Transaction pursuant to those provisions of the Trading System Arrangements which comply with paragraph 5.4(c) of Annex D-1.
- 2.2.7 A Trading Participant may not post a Market Offer to effect a Physical Market Transaction in relation to which the Market Transaction Lead Time is less than one (1) hour.
- 2.2.8 Where National Grid NTS takes a Market Balancing Action:
- (a) in the case of a Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) the Trading System Clearer shall pay to National Grid NTS the Market Balancing Action Charge;
 - (b) in the case of a Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) National Grid NTS shall pay the Trading System Clearer the Market Balancing Action Charge.
- 2.2.9 The Market Balancing Action Charges payable pursuant to paragraph 2.2.8 shall:
- (a) in the case of Multi-Day Balancing Transactions, be calculated on the basis of the original Market Offer Price; and
 - (b) in the case of any other Market Transaction, be calculated on the basis of the Market Offer Price;

and such Market Balancing Action Charges shall be invoiced and are payable in accordance Section S.

2.3 Contract Renominations

- 2.3.1 Subject to paragraph 2.3.6, where a Physical Market Transaction is effected, the Originating User shall make Contract Renomination(s) which are in compliance with the requirements in paragraphs 2.3.2 and 2.3.3.
- 2.3.2 The requirements referred to in paragraph 2.3.1 are that:
- (a) without prejudice to Section C4.1.3(b), the Contract Renomination(s) are

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submitted not earlier than the time the Trading System Operator notifies National Grid NTS of the Transaction Details and not later than the Contract Renomination Time;

- (b) the Contract Renomination(s) shall be submitted in accordance with Section C4.1.5 and shall in addition specify:
 - (i) that the Renomination is a Contract Renomination;
 - (ii) the Physical Market Transaction in respect of which it is made;
- (c) a Contract Renomination may not for the purposes of paragraph (b) specify more than one Physical Market Transaction;
- (d) where the User is required to make Contract Renomination(s):
 - (i) other than pursuant to a Locational Market Transaction, the Contract Renomination(s) submitted by the User shall:
 - (1) be in respect of an Eligible System Trading Point(s); and
 - (2) be for Renomination Quantity(ies) in aggregate equal to the Trade Nomination Quantity in respect of which the relevant Physical Market Transaction was effected;
 - (ii) pursuant to a Locational Market Transaction, the Contract Renomination submitted by the User shall:
 - (1) be in respect of the Eligible System Trading Point in respect of which the Locational Market Transaction was effected; and
 - (2) be for a Renomination Quantity equal to the Trade Nomination Quantity in respect of which the relevant Locational Market Transaction was effected.

2.3.3 Without prejudice to the requirements of paragraph 2.3.2, where pursuant to the Physical Market Transaction:

- (a) the User has agreed to make a Disposing Trade Nomination, the User must make a Contract Renomination(s) which:
 - (i) revises the User's Input Nomination for a System Entry Point by increasing the Nomination Quantity; and/or
 - (ii) is an original Input Nomination for a System Entry Point in respect of which the User has made no earlier Nomination; and/or
 - (iii) is a Renomination which revises the User's Output Nomination for a System Exit Point by reducing the Nomination Quantity;
- (b) the User has agreed to make an Acquiring Trade Nomination, the User must make a Contract Renomination(s) which:
 - (i) revises the User's Input Nomination for a System Entry Point by reducing the Nomination Quantity; and/or

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- (ii) is an original Output Nomination for a System Exit Point in respect of which the User has made no earlier Nomination; and/or
- (iii) is a Renomination which revises the User's Output Nomination for a System Exit Point by increasing the Nomination Quantity.

2.3.4 Where pursuant to a Physical Market Transaction in respect of which the Originating User agrees to make:

- (a) a Disposing Trade Nomination in relation to a System Entry Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Entry Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Entry Point;
- (b) an Acquiring Trade Nomination in relation to a System Exit Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Exit Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Exit Point.

2.3.5 The Renomination Effective Time of a Contract Renomination shall be the Transaction Effective Time of the Physical Market Transaction pursuant to which the Contract Renomination is to be made.

2.3.6 In relation to a Locational Market Transaction in the event the System Point in respect of which the User has agreed to submit Contract Renomination(s) is not an Eligible System Trading Point:

- (a) the User shall not be entitled, notwithstanding paragraph 2.3.1, to make a Contract Renomination; and
- (b) paragraph 2.3.7 shall nonetheless apply.

2.3.7 Where a Physical Market Transaction is effected, in the event the Originating User:

- (a) does not submit a Contract Renomination in accordance with this paragraph 2.3;
- (b) submits a Contract Renomination(s) which does not comply with the provisions of this paragraph 2.3

the Originating User shall pay a charge ("**Physical Renomination Incentive Charge**") calculated in accordance with paragraph 2.3.8.

2.3.8 The Physical Renomination Incentive Charge shall be the greater of:

- (a) an amount calculated in accordance with the following formula:

$$\text{TNQ} * 0.005 \text{ pence}$$

where TNQ is the Trade Nomination Quantity in respect of which the relevant

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Physical Market Transaction was effected; and

(b) £200.

2.3.9 The Physical Renomination Incentive Charge will be invoiced and payable in accordance with Section S.

2.4 Trading System Contingencies

2.4.1 Where National Grid NTS is of the opinion that its ability to carry out Operational Balancing is prejudiced by an event or circumstance affecting the Trading System such that no Trading Participant is able to post or accept a Market Offer National Grid NTS shall notify Users and with effect from the time specified in such notice National Grid NTS shall cease to make use of the Trading System for the purposes of Operational Balancing and National Grid NTS may make use of Contingency Balancing Arrangements.

2.4.2 Following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.1 where National Grid NTS is of the opinion that the Trading System may be used by National Grid NTS for the purposes of Operational Balancing, National Grid NTS shall notify all Users of the Day with effect from the start of which National Grid NTS shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.

2.4.3 In the event that:

- (a) National Grid NTS exercises its rights of termination pursuant to the Trading System Contract;
- (b) the Trading System Operator ceases to, or is unable to, carry on its business as the provider and operator of the Trading System;
- (c) National Grid NTS gives the Trading System Operator a Termination Notice pursuant to paragraph 2.9.3 of the Network Code Supplement

National Grid NTS shall promptly notify Users, and with effect from the time specified in such notice National Grid NTS shall cease to make use of the Trading System for the purposes of Operational Balancing and National Grid NTS may make use of Contingency Balancing Arrangements.

2.4.4 Where National Grid NTS is of the opinion that by reference to the aggregate quantities of gas for which Users have posted Market Offers and Nomination Information its ability to carry out Operational Balancing is or may be prejudiced National Grid NTS shall notify Users of its opinion and request that Trading Participants post further Market Offers provided that the giving of such notice(s) shall be without prejudice to the provisions of Section Q and any actions National Grid NTS may take in its capacity as NEC where so appointed.

2.4.5 National Grid NTS may, with Condition A11(18) Approval of the Authority, following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.1, recommence use of the Trading System for Operational Balancing Purposes and in such circumstances National Grid NTS shall notify all Users of the Day with effect from the start of which National Grid NTS shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.

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- 2.4.6 In relation to each Day in respect of which National Grid NTS uses Contingency Balancing Arrangements the provisions of paragraph 2.3 as to Physical Renomination Incentive Charges will not apply.
- 2.4.7 For the purposes of the Code "**Contingency Balancing Arrangements**" are other arrangements provided for in the Code to be 'Contingency Balancing Arrangements'.

3 Non-Trading System Transactions

3.1.1 For the purposes of the Code:

- (a) A "**Non-Trading System Transaction**" is a transaction effected (other than by means of the Trading System) between National Grid NTS and a User who is not a Trading Participant, pursuant to which each of National Grid NTS and the User agrees to make equivalent Trade Nominations (so that the one such participant agrees to make an Acquiring Trade Nomination, and the other such participant agrees to make a Disposing Trade Nomination);
- (b) "**Non-Trading System Offer Price**" is (subject to paragraph 4) the price (in pence/kWh) specified in relation to a Non-Trading System Offer by the party making the Non-Trading System Offer, and the "**original**" Non-Trading System Offer Price is the price (in pence/kWh) specified by the party making the Non-Trading System Offer when posting the Non-Trading System Offer without applying the provisions of Section D4 to such price;
- (c) "**Non-Trading System Offer**" is an offer made by a User who is not a Trading Participant or National Grid (other than by way of the Trading System), acceptance of which will effect a Non-Trading System Transaction;
- (d) the "**Non-Trading System Transaction Charge**" is the Non-Trading System Transaction Quantity multiplied by the Non-Trading System Offer Price;
- (e) the "**Non-Trading System Transaction Quantity**" is the quantity which is the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to acceptance of the Non-Trading System Offer.

3.1.2 Subject to paragraph 4.1.1, National Grid NTS may only enter into Non-Trading System Transactions only in relation to a Gas Flow Day in respect of which a Gas Deficit Warning is in place.

3.1.3 Where National Grid NTS takes a Market Balancing Action that is a Non-Trading System Transaction:

- (a) in the case of a Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) the User shall pay to National Grid NTS the Market Balancing Action Charge;
- (b) in the case of a Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) National Grid NTS shall pay the User the Market Balancing Action Charge.

3.1.4 The Market Balancing Action Charges payable pursuant to paragraph 3.1.3 shall:

- (a) in the case of Multi-Day Balancing Transactions, be calculated on the basis of the original Non-Trading System Offer Price; and

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- (b) in the case of any other Non-Trading System Transaction, be calculated on the basis of the Non-Trading System Offer Price;

and such Market Balancing Action Charges shall be invoiced and are payable in accordance Section S.

4 Multi-Day Balancing Actions

- 4.1.1 Where a User makes a Market Offer or a Non-Trading System Offer to National Grid NTS in relation to a Gas Flow Day in respect of which a Gas Deficit Warning is in place and up to six (6) subsequent consecutive Gas Flow Days, and it is a condition of accepting such Market Offer or Non-Trading System Offer that National Grid NTS and the User makes (or, in the case of a Market Offer, the Trading System Operator makes on their behalf) the appropriate Trade Nominations for each such Gas Flow Day, National Grid NTS shall be entitled to accept such a Market Offer or Non-Trading System Offer and accordingly enter into a Market Transaction or Non-Trading System Transaction (any such Market Transactions or Non-Trading System Transactions shall be known as “**Multi-Day Balancing Transactions**”).
- 4.1.2 For the purposes of the Code, Multi-Day Balancing Transactions entered into by way of the Trading System will be entered into as Locational Market Transactions.
- 4.1.3 A Market Offer or a Non-Trading System Offer which would result in a Multi-Day Balancing Transaction must specify the same price in respect of each Day to which the Multi-Day Balancing Transaction would relate.
- 4.1.4 For the purposes of the Code, in relation to Multi-Day Balancing Transactions:
- (a) the Market Offer Price or Non-Trading System Offer Price (as the case may be) of a Multi-Day Balancing Transaction on each Gas Flow Day to which the Multi-Day Balancing Transaction relates shall be calculated as follows:

$$(N)MOP = AP * (\text{Offered Price} * ND)$$

Where:

(N)MOP is the Market Offer Price or Non-Trading System Offer Price (as the case may be) of a Multi-Day Balancing Transaction for the Gas Flow Day in question;

AP is a factor determined as:

$$AP = PR / APR$$

PR is the probability (expressed as a percentage and estimated by National Grid NTS) of National Grid NTS requiring to take Market Balancing Buy Actions (where the Multi-Day Balancing Transaction is a Market Balancing Buy Action) or Market Balancing Sell Actions (where the Multi-Day Balancing Transaction is a Market Balancing Sell Action) on the Gas Flow Day in question;

APR is the sum of the PRs for each Gas Flow Day to which the Multi-Day Balancing Transaction relates;

Offered Price is the price (in pence/kWh) offered by the User when making a Market Offer or a Non-Trading System Offer that resulted in the Multi-Day

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Balancing Transaction;

ND is the number of Gas Flow Days to which the Multi-Day Balancing Transaction relates;

- (b) references to Market Balancing Action Charges in the Code (other than in Section S or in the definition of “Energy Balancing Charges” in GTC Section C1) relating to Multi-Day Balancing Transactions shall (unless the context expressly requires otherwise) be calculated using the Market Offer Price or Non-Trading System Offer Price (as the case may be) as adjusted pursuant to paragraph 4.1.4(a); and
- (c) references to Market Balancing Action Charges relating to Multi-Day Balancing Transactions in Section S and in the definition of “Energy Balancing Charges” in GTC Section C1 shall (unless the context expressly requires otherwise) be calculated using the original Market Offer Price or original Non-Trading System Offer Price (as the case may be).

4.1.5 For the purposes of Section F:

- (a) the Market Offer Price or Non-Trading System Offer Price (as the case may be) of a Multi-Day Balancing Transaction will only be used in the determination of the System Marginal Buy Price pursuant to Section F1.2.1(a) where the Multi-Day Balancing Transaction is a Market Balancing Buy Action; and
- (b) the Market Offer Price or Non-Trading System Offer Price (as the case may be) of a Multi-Day Balancing Transaction will only be used in the determination of the System Marginal Sell Price pursuant to Section F1.2.1(b) where the Multi-Day Balancing Transaction is a Market Balancing Sell Action.

4.1.6 For the purposes of calculating the System Average Price pursuant to Section F1.2.1(c), where the Market Offer Price or Non-Trading System Offer Price (as the case may be) of a Multi-Day Balancing Transaction (as determined pursuant to paragraph 4.1.4) equals zero in relation to a Gas Flow Day, then the Trade Nomination Quantity of such Multi-Day Balancing Transaction for that Gas Flow Day shall be deemed to be zero.

4.1.7 For the purposes of calculating the System Marginal Sell Price pursuant to Section F1.2.1(b), where the Market Offer Price or Non-Trading System Offer Price (as the case may be) of a Multi-Day Balancing Transaction (as determined pursuant to paragraph 4.1.4) equals zero in relation to a Gas Flow Day, then such Market Offer Price or Non-Trading System Offer Price shall be excluded from the calculation of the System Marginal Sell Price pursuant to Section F1.2.1(b).

4.1.8 For the purposes of the Code, each Multi-Day Balancing Transaction entered into by National Grid NTS by way of the Trading System shall be deemed to be separate Market Transactions for each Gas Flow Day to which the Multi-Day Balancing Transaction relates.

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ANNEX D-1

TRADING SYSTEM ARRANGEMENTS

1 Introduction

1.1 This Annex D-1 sets out those terms and conditions relating to the Trading System to be incorporated into the Trading System Arrangements.

1.2 For the purposes of the Code:

- (a) "**Market Offer**" is an offer posted by a Trading Participant by way of the Trading System acceptance of which will effect a Market Transaction;
- (b) "**Market Offer Date**" is the Day which is to be the Gas Flow Day in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
- (c) "**Market Offer Price**" is (subject to Section D4) the price (in pence/kWh) specified by the Originating Participant when posting a Market Offer, and the "**original**" Market Offer Price is the price (in pence/kWh) specified by the Originating Participant when posting a Market Offer without applying the provisions of Section D4 to such price;
- (d) the "**Market Transaction Quantity**" is the quantity which is the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
- (e) the "**Market Transaction Charge**" is the Market Transaction Quantity multiplied by the Market Offer Price;
- (f) the "**Market Transaction System Point**", in respect of a Locational Market Transaction, is the Eligible System Trading Point at which the Originating User offers to modify the gas flow rate;
- (g) the "**Market Transaction Lead Time**", in respect of a Market Offer to enter into a Physical Market Transaction, is the period in time (expressed in whole hours) required by the Originating User after the Contract Nomination Time before the Originating User will modify the gas flow rate at a System Point;
- (h) in relation to a Market Offer:
 - (i) to effect a Physical Market Transaction:
 - (1) the "**Market Offer Specified Quantity**" is the quantity which would be the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full;
 - (2) the "**Market Offer Derived Rate**" is the rate in kWh/Day calculated as the Market Offer Specified Quantity multiplied by 24 and divided by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
 - (3) the "**Market Offer Specified Rate**" is the rate in kWh/Day which would be equivalent to the Trade Nomination Quantity

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in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full and in relation to which the Transaction Effective Time is on or before 06:00 hours on the Market Offer Date;

- (4) the "**Market Offer Derived Quantity**" is the quantity equivalent to the Market Offer Specified Rate divided by 24 and multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
- (ii) to enter into a Non-Physical Market Transaction, the "**Market Transaction Absolute Quantity**" is the maximum quantity which irrespective of the Transaction Effective Time would be the Trade Nomination Quantity in relation to the Trade Nominations to be submitted on acceptance of the Market Offer;
- (i) the three "Market Transaction Types" are:
 - (i) Non-physical Market Transactions;
 - (ii) Physical Market Transactions not being Locational Market Transactions;
 - (iii) Locational Market Transactions;
- (j) the "**Transaction Effective Time**" is, in respect of a Physical Market Transaction, the hour at which, after the Contract Nomination Time, the Market Transaction Lead Time elapses;
- (k) the "**Contract Nomination Time**" is, in relation to a Market Transaction, the hour next falling after the time at which the Market Offer giving rise to the Market Transaction was accepted as ascertained in accordance with the rules of the Trading System;
- (l) a "**Market Transaction ID**" is a unique reference number given to each individual Market Transaction by the Trading System Operator and the "**National Grid NTS Batch Code**" is a unique reference number which identifies those Market Balancing Actions taken by National Grid NTS for the purposes of a particular Operational Balancing Requirement;
- (m) the "**National Grid NTS Reason Code**" is a code which identifies the nature of the Market Balancing Action which National Grid NTS has taken or is seeking to take;
- (n) the "Market Transaction Flow Rate Change" is
 - (i) where no earlier Nomination was made in respect of the Eligible System Trading Point, the rate in kWh/hour at which gas the subject of a Market Offer for a Physical Market Transaction is to be delivered or offtaken from the System;
 - (ii) where an earlier Nomination was made in respect of the Eligible System Trading Point the amount in kWh/hour by which the gas flow rate is to be increased or (as the case may be) decreased in respect of

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the gas the subject of a Market Offer for a Physical Market Transaction.

- 1.3 For the purposes of the Code, 'Market Offer' (as defined in paragraph 1.2) includes both an 'offer' to make a Disposing Trade Nomination and an "offer" to make an Acquiring Trade Nomination.

2 Participation and Trading System

- 2.1 Each Trading Participant shall appoint the Trading System Operator as its User Agent, (and the Trading System Operator shall be required to act as each Trading Participant's User Agent) for the purposes of making Trade Nominations on behalf of Trading Participants pursuant to the acceptance of a Market Offer.
- 2.2 The identity of a Trading Participant making a Market Offer will not be disclosed to any other Trading Participant at any time prior to or after acceptance of the Market Offer except where a Market Offer in respect of a Physical Market Transaction is accepted where following such acceptance the identity of the Originating User will be disclosed to National Grid NTS.

3 Market Transactions

- 3.1 A Market Offer to effect a Non-physical Market Transaction must indicate:
- (a) that it is such a Market Offer;
 - (b) the Market Offer Date;
 - (c) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (d) the Market Transaction Absolute Quantity; and
 - (e) the Market Offer Price.
- 3.2 A Market Offer to effect a Physical Market Transaction must indicate:
- (a) that it is such a Market Offer;
 - (b) the Market Offer Date;
 - (c) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (d) in the case of:
 - (i) a Market Offer which, if accepted, would result in a Multi-Day Balancing Transaction, the Market Offer Specified Quantity;
 - (ii) any other Market Offer, the Market Offer Specified Quantity or the Market Offer Specified Rate;
 - (e) the original Market Offer Price;
 - (f) the Market Transaction Lead Time; and
 - (g) whether the Market Offer may only be accepted in full.

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- 3.3 In addition to the requirements of paragraph 3.1 (other than pursuant to paragraph (a) thereof) a Market Offer to effect a Locational Market Transaction must specify:
- (a) that it is such a Market Offer; and
 - (b) the Market Transaction System Point.
- 3.4 Where National Grid NTS posts a Market Offer National Grid NTS shall in addition to the requirements of paragraphs 3.1, 3.2 and 3.3 indicate the National Grid NTS Reason Code.
- 3.5 The information to be indicated (other than pursuant to paragraph 3.4) in a Market Offer will be capable of being displayed (by means of differing screens) on the Trading System.

4 Market Offer Restrictions and Options

- 4.1 Trading Participants may not post:
- (a) a Market Offer which, if accepted, would result in a Multi-Day Balancing Transaction specifying a Market Offer Date for the final Day of such Multi-Day Balancing Transaction falling more than 7 days after the day on which the Market Offer was posted; and
 - (b) any other Market Offer specifying a Market Offer Date falling more than 7 days after the day on which the Market Offer was posted.
- 4.2 There is no limit on the number of Market Offers a Trading Participant may make in respect of a Day.
- 4.3 A Market Offer may only specify:
- (a) a Market Offer Specified Quantity which is expressed as a minimum of not less than 100,000 kWh; or
 - (b) a Market Offer Specified Rate (provided that for the purposes of calculating the Market Offer Derived Quantity such quantity shall be a minimum of not less than 100,000 kWh).
- 4.4 When posting a Market Offer (other than a Market Offer which, if accepted, would result in a Multi-Day Balancing Transaction) an Originating Participant may specify that the Market Offer (an "**Option Market Offer**") is linked to other Market Offers (a "**Related Market Offer**") made by the Originating Participant; and on acceptance of an Option Market Offer each other Related Market Offer shall no longer be capable of being accepted by any Trading Participant.
- 4.5 For the purposes of paragraph 4.4 an Option Market Offer may specify no more than one other Market Offer of each other Market Transaction Type as being a Related Market Offer.
- 4.6 Trading Participants may revise or withdraw a Market Offer at any time prior to acceptance of the Market Offer.
- 4.7 A Trading Participant may when posting a Market Offer to enter into a Physical Market Transaction specify that the Market Offer is only capable of acceptance in full.

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4.8 The Trading System Operator will reject any Market Offer which does not comply with the relevant requirements of paragraphs 3, 4.1, 4.3 and 4.5 and where a Market Offer does not so comply it will not be displayed on the Trading System.²

5 Acceptance

5.1 Except in the case of Multi-Day Balancing Transactions, Market Offers in respect of a Market Offer Date will be capable of acceptance by Trading Participants between 12:00 hours on the Day preceding the Market Offer Date and 03:35 hours on the Market Offer Date. Market Offers in respect of Multi-Day Balancing Transactions will only be capable of acceptance by Trading Participants between 12:00 hours on the Day preceding the first Day to which the Multi-Day Balancing Transaction relates and 03:35 hours on the first Day to which the Multi-Day Balancing Transaction relates.

5.2 Where a Trading Participant accepts a Market Offer in full the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be equivalent to:

- (a) in the case of a Market Offer to effect a Physical Market Transaction:
 - (i) where the Market Offer specified a Market Offer Specified Quantity, the Market Offer Specified Quantity;
 - (ii) where the Market Offer specified a Market Offer Specified Rate, the Market Offer Derived Quantity;
- (b) in the case of a Market Offer to effect a Non-physical Market Transaction, the Market Transaction Absolute Quantity.

5.3 Where a Trading Participant partially accepts a Market Offer the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be, where the Market Offer:

- (a) was to effect a Physical Market Transaction; and
 - (i) specified a Market Offer Specified Quantity, that quantity in respect of which the Accepting Participant accepted the Market Offer;
 - (ii) specified a Market Offer Specified Rate, that quantity equivalent to the hourly rate in respect of which the Accepting Participant accepted the Market Offer multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
- (b) was to effect a Non-physical Market Transaction, the quantity in respect of which the Accepting Participant accepted the Market Offer.

5.4 Subject to paragraph 5.5, following acceptance of a Market Offer the Trading System Operator will:

- (a) immediately inform both Trading Participants that a Market Transaction has been effected (and whether it is the Originating Participant in relation thereto) and which Market Offer has been accepted;

² Implementation of modifications 0338V effective 06:00hrs on 01/01/2013 will add new paragraph Annex D-1 4.9.

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- (b) where the Market Offer was to effect a Physical Market Transaction not later than:
 - (i) 5 minutes after acceptance of the Market Offer (which would not result in a Multi-Day Balancing Transaction) submit the details listed in this paragraph (b) to National Grid NTS; or
 - (ii) 5 minutes after acceptance of the Market Offer (which would result in a Multi-Day Balancing Transaction) submit in respect of the first Day to which the Multi-Day Balancing Transaction relates the details listed in this paragraph (b) to National Grid NTS;
 - (iii) 5 minutes after acceptance of the Market Offer (which would result in a Multi-Day Balancing Transaction) submit in respect of the second Day to which the Multi-Day Balancing Transaction relates the details listed in this paragraph (b) to National Grid NTS where the acceptance of the Market Offer occurs after 12:00 hours on the first Day to which the Multi-Day Balancing Transaction relates;
 - (iv) 12:05 hours on each Day to which a Multi-Day Balancing Transaction relates the details listed in this paragraph (b) to National Grid NTS in respect of such Day (except to the extent such details have already been provided pursuant to paragraph (ii) or (iii));
 - (v) The details listed in this paragraph (b) are:
 - (1) the Market Transaction ID;
 - (2) the Market Offer Date;
 - (3) the identity of the Originating Participant;
 - (4) whether the Originating Participant has agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination;
 - (5) the quantity in respect of which the Trading Participants effected the Market Transaction;
 - (6) the relevant Market Transaction Type and, where acceptance has given rise to a Locational Market Transaction, the Market Transaction System Point;
 - (7) the time at which the Market Offer was accepted and the Transaction Effective Time;
 - (8) where National Grid NTS is a party to the Market Transaction, the original Market Offer Price (expressed to four decimal places and as either a positive or negative), the National Grid NTS Reason Code and the National Grid NTS Batch Code;
- (c) not later than 5 minutes after the effecting of a Market Transaction, submit the following details to National Grid NTS for the purpose of Section D2.2.5:
 - (i) the Gas Flow Day in respect of which the Market Transaction is

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effected;

- (ii) the identity of the Market Participant;
- (iii) whether the Market Participant had agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination;
- (iv) the Market Transaction Quantity (calculated in accordance with paragraph 5.2 or 5.3).

5.5 For the purpose of paragraph 5.4(c)(iv), the Trading System Operator will be deemed to have provided such details by providing, for each Trading Participant, the cumulative quantities for which the Trading Participant has made Disposing Trade Nominations and/or Acquiring Trade Nominations in respect of the Market Offer Date up to the time at which the Trading System Operator submits such details.

5.6 Where a Market Transaction is effected on the Day preceding the Market Offer Date, the Trading System Operator may not submit the Trade Nominations for the purposes of Section D2.2.5 prior to 13:45 hours on the Day preceding the Market Offer Date.

5.7 A Market Offer will not be capable of acceptance by the Trading Participant posting the Market Offer.

5.8 Where National Grid NTS accepts a Market Offer it shall indicate by means of the Trading System the relevant National Grid NTS Reason Code.

6 Partial Acceptance

6.1 A Market Offer to effect a Non-physical Market Transaction, or a Physical Market Transaction which does not specify that it is only capable of acceptance in full, may be accepted by a Trading Participant for a quantity other than the Market Transaction Absolute Quantity, Market Offer Specified Quantity or Market Offer Derived Quantity and the Trading System will incorporate functionality that permits the partial acceptance of Market Offers by Trading Participants.

6.2 Where a Trading Participant partially accepts a Market Offer (including an Option Market Offer) where the Market Transaction Quantity is less than the Market Offer Specified Quantity or, as the case may be, the Market Offer Derived Quantity (such amount the "**Residual Offer Quantity**") where the Residual Offer Quantity is greater than or equal to 100,000 kWh, the Originating Participant shall be deemed to have posted with effect from the time of such partial acceptance, a further Market Offer with the same specifications for the purposes of paragraph 3 as the original Market Offer but in respect of which the Market Offer Specified Quantity is equal to the Residual Offer Quantity.

6.3 A Trading Participant may only partially accept a Market Offer such that the Market Transaction Quantity in relation to such partial acceptance is a quantity equivalent to not less than a minimum quantity of 100,000 kWh.

7 Market Quantities and Charges

In respect of each Day the Trading System Operator shall notify National Grid NTS (by not later than 07:00 hours on the following Day) of:

- (a) the aggregate of the Market Transaction Quantities and the aggregate of the Market Transaction Charges in respect of Market Transactions effected in

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respect of such Day;

- (b) in respect of each Market Transaction effected in respect of such Day to which National Grid NTS was a party, the Market Offer Date, the Market Transaction ID the National Grid NTS Batch Code, the Market Transaction Quantity, the original Market Offer Price, the National Grid NTS Reason Code, the Market Transaction Type, the time at which the Market Transaction was effected and whether National Grid NTS made a Disposing Trade Nomination or an Acquiring Trade Nomination.

8 Additional Functionality

In addition to the functionality required to meet the requirements of paragraphs 1 to 7 (inclusive), the Trading System will have such additional functionality as the Trading Participants and the Market Operator shall in consultation agree.

9 Class A Contingencies

- 9.1 During the period of a Class A Contingency the relevant Contingency Procedures will apply.

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UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION E – DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

1 INTRODUCTION

1.1 User Daily Quantities

1.1.1 For the purposes required by the Code, including determining:

- (a) NTS and LDZ Commodity Charges, and the Commodity Variable Component (if any) of Customer Charges;
- (b) Overrun Charges, CSEP Overrun Charges and Supply Point Ratchet Charges;
- (c) Daily Imbalances; and
- (d) Scheduling Charges

the quantities of gas treated as delivered to and offtaken from the Total System by each User each Day shall be determined in accordance with paragraphs 2 and 3.

1.1.2 For the purposes of the Code, in respect of any Day:

- (a) the "**User Daily Quantity Input**" or "**UDQI**" is the quantity of gas treated as delivered by a User to the Total System on that Day at a System Entry Point;
- (b) the "**User Daily Quantity Output**" or "**UDQO**" is the quantity of gas treated as offtaken by a User from the Total System on that Day at:
 - (i) a Supply Point-~~Component~~; or
 - (ii) a Connected System Exit Point;
- (c) in relation to a System Entry Point, a "**Delivering User**" is a User treated as delivering gas to the Total System at that point on that Day;
- (d) in relation to a Connected System Exit Point, an "**Offtaking CSEP User**" is a User treated as offtaking gas from the Total System at that point on that Day.

1.1.3 For the purposes of this Section E a User is a "**nominating**" User for a Day:

- (a) with respect to any Registered NDM Supply Point-~~Component~~ or relevant Unmetered Connected System Exit Point; and
- (b) with respect to any other System Exit Point and any System Entry Point, if the User made or is deemed (pursuant to any provision of the Code) to have made a Nomination (including a New Renomination) for that Day in respect of that point or the DMA Supply Point Group in which it is comprised,

and otherwise is a "**non-nominating**" User with respect to a System Entry Point or System Exit Point.

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1.1.4 Unless the context otherwise requires, references in the Code to quantities delivered to or offtaken from the Total System by a User are to the quantities treated in accordance with this Section E as being so delivered or offtaken.

1.1.5 For the avoidance of doubt, Section V1.2 shall apply for the purposes of ensuring that quantities of gas delivered to and offtaken from the Total System by Non-Code Shippers are taken into account in determining the quantities of gas delivered to and offtaken from the Total System by Users.

1.2 Daily Imbalance

1.2.1 For the purposes of the Code a Daily Imbalance shall be determined for each User in respect of each Day.

1.2.2 For each User the "**Daily Imbalance**" in respect of a Day is the imbalance between the quantities (adjusted to take account of Trade Nominations including System Trade Nominations) treated as delivered to and offtaken from the Total System by the User on that Day, determined in accordance with paragraph 5.

1.3 Reconciliation

1.3.1 For the purposes of Individual NDM Reconciliation, DM Reconciliation and Individual CSEP Reconciliation (collectively "**Individual Reconciliation**"), Reconciliation Values shall be calculated in accordance with paragraph 6.

1.3.2 "**Individual NDM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to a Larger NDM Supply ~~Meter~~ Point, in respect of differences between:

(a) where the Supply Meter Point does not have Daily Read Equipment installed:

- (i) the quantities determined as offtaken by a User in accordance with Section H2;
- (ii) the quantities subsequently determined to have been offtaken pursuant to Meter Reads (in accordance with Section M); or

(b) where the Supply Meter Point has Daily Read Equipment installed:

- (i) the quantities determined to have been offtaken by Meter Reads by such Daily Read Equipment; and
- (ii) the quantities determined to have been offtaken pursuant to a DM Check Read.

1.3.3 "**DM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to a DM Supply ~~Meter~~ Point, in respect of:

(a) differences between:

- (i) the quantities assumed to be offtaken on Failed Daily Read Day(s); and

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- (ii) the quantities subsequently determined to have been offtaken upon the obtaining of a Valid Meter Reading; or
 - (b) differences between:
 - (i) the quantities determined to have been offtaken by Meter Reads by Daily Read Equipment; and
 - (ii) the quantities subsequently determined to have been offtaken pursuant to a DM Check Read.
- 1.3.4 **"Individual CSEP Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges:
 - (a) in relation to a relevant Unmetered Connected System Exit Point except the Smaller Unmetered CSEPs comprised therein, in respect of differences between:
 - (i) the quantities initially assumed to be offtaken; and
 - (ii) the quantities subsequently determined (by reference to readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtakenin accordance with the applicable CSEP Network Exit Provisions; or
 - (b) in relation to a relevant Metered Connected System Exit Point, in respect of differences between:
 - (i) the quantities determined to have been offtaken by automated or estimated readings of the meter at the Connected System Exit Point, or by readings of such meter before any testing, verification or calibration thereof; and
 - (ii) the quantities subsequently determined to have been offtaken, by reference to (as the case may be) a periodic check reading, or a reading following such estimation, or a determination or estimation following testing, verification or calibration, of such meterin accordance with the applicable CSEP Network Exit Provisions.
- 1.3.5 **"Aggregate NDM Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to Smaller NDM Supply ~~Meter~~ Points and Smaller Unmetered CSEPs in aggregate in an LDZ, in respect of quantities determined in accordance with paragraph 7.
- 1.3.6 For the purposes of an Individual NDM Reconciliation, a DM Reconciliation, an Individual CSEP Reconciliation or an Aggregate NDM Reconciliation:
 - (a) the **"Reconciliation Clearing Value"** is the value of the Reconciliation Quantity for the purposes of the System Clearing Contract referred to in paragraph 6.5 or 7.3.1;
 - (b) **"Reconciliation Transportation Charge Adjustments"** are the adjustments in

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respect of NTS Commodity Charges, LDZ Commodity Charges and the Commodity Variable Component (if any) of Customer Charges to be made in paragraph 6.6 or 7.3.3;

- (c) **"Reconciliation Values"** means:
- (i) NDM Reconciliation Quantities, DM Reconciliation Quantities or (as the case may be) Individual CSEP Reconciliation Quantities; and
 - (ii) Reconciliation Clearing Values and Reconciliation Transportation Charge Adjustments.

1.3.7 For the purposes of paragraph 7, **"Smaller Unmetered CSEPs"** are those System Exit Points treated as comprised (as contemplated in Section A3.3.5 and provided in the relevant CSEP Network Exit Provisions) in an Unmetered Connected System Exit Point which relate to points of supply (to premises connected to the relevant Connected Offtake System) equivalent to Smaller Supply Points.

1.3.8 **"End of Year AQ Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, following a revision of the Annual Quantity, in respect of quantities determined in accordance with paragraph 7.4.

1.3.9 No Individual NDM Reconciliation, DM Reconciliation Individual CSEP Reconciliation or Aggregate NDM Reconciliation shall be undertaken in respect of any Day or period prior to the Code Cut Off Date.

1.4 System Daily Quantities: Entry

1.4.1 In respect of each System Entry Point, the **"Entry Point Daily Quantity Delivered"** is the aggregate quantity of gas delivered to the Total System on a Day at that System Entry Point, ascertained as described in Section I2.5 (subject to paragraph 1.7.1).

1.4.2 The amount determined to be the Entry Point Daily Quantity Delivered in respect of any System Entry Point for the Gas Flow Day may be revised at any time up to and including the 5th following Day, but no revision will be made to such quantity after the 5th Day after the Gas Flow Day.

1.4.3 In respect of the Total System the **"Total System Daily Quantity Delivered"** is the aggregate quantity of gas delivered to the Total System on a Day, determined as the aggregate of the Entry Point Daily Quantities Delivered for all System Entry Points.

1.5 System Daily Quantities: Exit from NTS/LDZ

1.5.1 In respect of each LDZ:

- (a) the **"LDZ Daily Input Quantity"** is the aggregate quantity of gas treated as flowing into that LDZ on a Day, less the quantity (if any) treated as flowing out of the LDZ into another LDZ;
- (b) the **"LDZ Daily Quantity Offtaken"** is the aggregate quantity of gas treated as offtaken from the Total System on a Day at all Supply Points ~~Components~~ and Connected System Exit Points on that LDZ, determined by adjusting the LDZ

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Daily Input Quantity to take account of LDZ Shrinkage and changes (between the start and the end of the Day) in LDZ stock.

- 1.5.2 In respect of each Connected System Exit Point the "**CSEP Daily Quantity Offtaken**" is the aggregate quantity of gas treated as offtaken from the Total System on a Day at that Connected System Exit Point, ascertained in accordance with the CSEP Network Exit Provisions (subject to paragraph 1.7.1).
- 1.5.3 In respect of each DM Supply ~~Meter~~-Point, the "**Supply Meter Point Daily Quantity**" is the quantity of gas (being the Metered Quantity) determined as offtaken from the Total System at the Supply ~~Meter~~-Point on a Day in accordance with Section M.

1.6 Information

- 1.6.1 On each Day (the "**information Day**"), from the first information Day until the date 6 months thereafter, each User will have access (by means of UK Link) to details (on the basis of information available up to the end of the Day before the information Day) for the Gas Flow Day of:
 - (a) the Entry Point Daily Quantity Delivered for each System Entry Point and the Total System Daily Quantity Delivered; and
 - (b) the User's UDQIs for each System Entry Point, UDQOs for System Exit Points (by Exit Zone in the case of LDZ Supply Points ~~Components~~) and Daily Imbalance.
- 1.6.2 The first information Day is:
 - (a) for the purposes of paragraph 1.6.1(a), the Day following the Gas Flow Day;
 - (b) for the purposes of paragraph 1.6.1(b), the 2nd Day following the Gas Flow Day.
- 1.6.3 On information Days from the first information Day until the Day after the Day on which (in accordance with paragraph 2.1.2) initial Entry Allocation Statements are submitted, the details under paragraph 1.6.1(b) will be determined on the basis of UDQIs determined provisionally on the basis in paragraph 2.1.8.
- 1.6.4 The information available to Users under paragraph 1.6.1 in respect of a Day will be revised each Day until the Entry Close-out Date to take account of revisions notified to National Grid NTS pursuant to paragraph 2 in the information from which it is derived.

1.7 Scottish Independent Networks

For the purposes of this Section E a reference to the Total System includes a reference to the Scottish Independent Networks (and accordingly quantities offtaken by a User from the Total System at System Exit Points on a Scottish Independent Network will be taken into account in determining the User's Daily Imbalance) and a reference to LDZ shall include a reference to each Scottish Independent Network.

1.8 Close-out rules

- 1.8.1 For the purposes of the Code:

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- (a) the "**Entry Close-out Date**" is 24:00 hours on the 15th Business Day of the calendar month following the month in which the Gas Flow Day occurs;
 - (b) the "**Exit Close-out Date**" is the 5th Day after the Gas Flow Day.
- 1.8.2 Without prejudice to paragraph 6, or Sections M4.8 and G1.1.4, no revision shall be made for any purposes of the Code (including the determination of Users' Daily Imbalances and Energy Balancing Charges):
- (a) after the Entry Close-out Date, to any quantity determined pursuant to the Code as being an UDQI;
 - (b) after the Exit Close-out Date, to any quantity determined pursuant to the Code as being an UDQO, Supply ~~Meter~~ Point Daily Quantity or CSEP Daily Quantity Offtaken.

1.9 Combined entry and exit quantities

- 1.9.1 In relation to a Connected System Point, the Connected System Agreement may provide for the Connected System Operator to notify the Transporter in relation to each Day:
- (a) a quantity (the "**measured quantity**") which represents the aggregate physical quantity determined as having flowed on the Day at the Connected System Point, which will (if there were physical gas flows in both directions at different times during the Day) reflect the net amount of such flows; and
 - (b) where on the Day (irrespective of whether there were physical gas flows in both directions at different times) Users' nominated gas flows both into and out of the Connected System at the Connected System Point:
 - (i) a quantity (the "**gross exit quantity**") which represents the aggregate amount to be treated as having flowed on the Day from the Total System to the Connected System at the CSEP, which will be a gross amount based on quantities which the Connected System Operator determines would have flowed in the absence of any nomination of a gas flow out of the Connected System at the Connected System Point; and
 - (ii) a quantity (the "**gross entry quantity**") which represents the aggregate amount to be treated as having flowed on the Day into the Total System from the Connected System at the System Entry Point, which will be a gross amount based on quantities which the Connected System Operator determines would have flowed in the absence of any nomination of a gas flow into the Connected System at the Connected System Point.
- 1.9.2 The Transporter shall have no responsibility to investigate or verify any quantity notified under paragraph 1.9.1(b).
- 1.9.3 Subject to paragraph 1.9.4 the gross exit quantity and the gross entry quantity, as notified by the Connected System Operator pursuant to paragraph 1.9.1(b)(i) and (ii), shall be the CSEP Daily Quantity Offtaken and the Entry Point Daily Quantity Delivered, respectively.

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- 1.9.4 If for any Day the net sum of the gross entry quantity and the gross exit quantity is not equal to the measured quantity, or the Connected System Operator fails to notify to the Transporter the gross entry quantity and gross exit quantity by the time required under the Connected System Agreement, the CSEP Daily Quantity Offtaken (where the measured quantity represents a flow out of the System) or the Entry Point Daily Quantity Delivered (where the measured quantity represents a flow into the System) shall be the measured quantity, and the other shall be zero.
- 1.9.5 If it appears that paragraph 1.9.4 will or may apply in relation to any Day, the Transporter will (before the latest time by which the Connected System Operator is required to provide the details referred to in that paragraph) so notify the Connected System Operator so as to give the Connected System Operator an opportunity to provide or correct such details and avoid the application of that paragraph.
- 1.9.6 In this paragraph 1.9 and paragraph 1.10:
- (a) "**Connected System Point**" means a System Point which (as contemplated in Section J1.4.6) is both a Connected System Exit Point and a System Entry Point;
 - (b) "**Connected System Agreement**" means the combined Network Exit Provisions and Network Entry Provisions in respect of a Connected System Point;
 - (c) "**Connected System**" means a Connected Offtake System which is also a Connected Delivery Facility;
 - (d) references to the Connected System Operator include such operator as Delivery Facility Operator.

1.10 NTS Commingling Facility

- 1.10.1 In relation to a NTS Commingling Facility, the Connected System Agreement shall provide for the Connected System Operator to notify the Transporter in relation to each Day in respect of which gas flows out of the NTS to a NTS Commingling Facility and from the NTS Commingling Facility into the NTS of:
- (a) a quantity (the "**gross commingling exit quantity**") which represents the quantity of gas offtaken from the NTS at the Connected System Exit Point on the Day; and
 - (b) a quantity (the "**gross commingling entry quantity**") which represents the quantity of gas delivered to the NTS at the System Entry Point on the Day.
- 1.10.2 In relation to a NTS Commingling Facility in respect of a Day in relation to which the Connected System Operator notifies the Transporter of:
- (a) a gross commingling exit quantity which is greater than the gross commingling entry quantity, the Entry Point Daily Quantity Delivered shall be zero and the CSEP Daily Quantity Offtaken shall be the quantity equal to the gross commingling exit quantity less the gross commingling entry quantity;
 - (b) a gross commingling entry quantity which is the greater than the gross

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commingling exit quantity the CSEP Daily Quantity Offtaken shall be zero and the Entry Point Daily Quantity Delivered shall be the quantity equal to the gross commingling entry quantity less the gross commingling exit quantity.

1.10.3 In respect of any Day in relation to which:

- (a) paragraph 1.10.2(a) applies, each User who made or is deemed (pursuant to any provision of the Code) to have made an Input Nomination in respect of the Connected Exit System Point shall not be, notwithstanding such nomination, a Delivering User at such point on such Day (including for the purposes of Section I);
- (b) paragraph 1.10.2(b) applies, each User who made or is deemed (pursuant to any provision of the Code) to have made an Output Nomination in respect of the System Entry Point shall not be, notwithstanding such nomination, an Offtaking CSEP User at such point on such Day (including for the purposes of Section J).

1.10.4 Where in respect of a Day no allocation can be made in accordance with:

- (a) paragraph 2.1.9 as no User was a Delivering User on the Preceding Day, the Entry Point Daily Quantity Delivered shall be allocated to Delivering Users in the proportion to which the CSEP Daily Quantity Offtaken was allocated to Offtaking CSEP Users on the Preceding Day;
- (b) paragraph 3.2.8 as no User was a Offtaking CSEP User on the Preceding Day, the CSEP Daily Quantity Offtaken shall be allocated to Offtaking CSEP Users in the proportion to which the Entry Point Daily Quantity Delivered was allocated to Delivering Users on the Preceding Day.

1.10.5 In relation to a NTS Commingling Facility the Connected System Agreement shall require the Connected System Operator to install volume and calorimetric measurement equipment at the Connected System Exit Point and the System Entry Point comprised in such facility by means of which the gross commingling exit quantity and the gross commingling entry quantity shall be determined.

1.11 Energy balancing on NTS

For the purposes of the energy balancing provisions of Section F (and the System Clearing Contracts therein provided for), quantities of energy offtaken by Users from the Total System shall be treated as offtaken from the NTS, and accordingly:

- (a) Daily Imbalances shall be treated as imbalances in respect of quantities delivered to and offtaken from the NTS; and
- (b) Reconciliation Quantities shall be treated as quantities relating to (and representing differences between different quantities treated as offtaken from) the NTS.²

1.12 DNO Users

1.12.1 In this Section E references to Users exclude DNO Users other than a DNO User in its

² Implementation of modifications 0338V effective 06:00hrs on 01/01/2013 will add new paragraph 1.12.

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capacity as an LDZ Shrinkage Provider.

2 INPUT QUANTITIES

2.1 User Daily Quantity Inputs

2.1.1 For each nominating User the UDQI in respect of each System Entry Point for the Gas Flow Day shall be determined in accordance with this paragraph 2.1, subject to paragraph 2.3.

2.1.2 In respect of each System Entry Point, each nominating User shall and any non-nominating User may submit to National Grid NTS, not later than the 7th Business Day after the Gas Flow Day, a statement ("**Entry Allocation Statement**") specifying:

- (a) the identity of the User;
- (b) the identity of the System Entry Point;
- (c) the Gas Flow Day; and
- (d) the quantity of gas delivered by that User to the Total System on the Gas Flow Day at that System Entry Point.

2.1.3 Where an Entry Allocation Statement submitted by a User in accordance with paragraph 2.1.2 does not correctly reflect the User's entitlement to gas delivered to the Total System on the Gas Flow Day, the User may, not later than the Entry Close-out Date, revise its Entry Allocation Statement so as correctly to reflect its entitlement, provided that, where the conditions in paragraph 2.1.7 were satisfied in respect of the first-submitted Entry Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.

2.1.4 A revision under paragraph 2.1.3 of an Entry Allocation Statement shall not be made to reflect any dealing by the User and any other person after the Gas Flow Day in respect of entitlements in respect of gas delivered to the Total System.

2.1.5 For the avoidance of doubt, but without prejudice to paragraphs 2.2 and 2.3 and subject to Section V1.2, no person who is not a User may submit an Entry Allocation Statement or otherwise may claim to have delivered gas to the Total System, and National Grid NTS will disregard any such purported submission or claim.

2.1.6 If for the Gas Flow Day in respect of a System Entry Point both of the conditions in paragraph 2.1.7 are satisfied:

- (a) each User who submitted an Entry Allocation Statement shall be a Delivering User;
- (b) the UDQI for each nominating User shall be the quantity stated in the User's Entry Allocation Statement; and
- (c) paragraph 4 shall apply in respect of any non-nominating User who submitted an Entry Allocation Statement.

2.1.7 The conditions referred to in paragraph 2.1.3 and 2.1.6 are:

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- (a) that by the Entry Close-out Date, Entry Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User); and
 - (b) that the aggregate of the quantities stated in all Entry Allocation Statements (submitted by or on behalf of nominating Users and non-nominating Users) and any Unclaimed Entry Allocation Statement under paragraph 2.3 is equal to the Entry Point Daily Quantity Delivered.
- 2.1.8 If for the Gas Flow Day in respect of a System Entry Point either condition in paragraph 2.1.7 is not satisfied, subject to paragraph 2.1.9:
 - (a) each nominating User shall be a Delivering User; and
 - (b) the UDQI for each Delivering User shall be determined by allocating the Entry Point Daily Quantity Delivered between the Delivering Users in proportion to the Nominated Quantities under their respective Input Nominations for the Gas Flow Day in respect of that System Entry Point.
- 2.1.9 If no User made an Input Nomination for the System Entry Point for the Gas Flow Day, and gas was delivered to the Total System at that point:
 - (a) each User who was (whether or not by virtue of this paragraph 2.1.9) a Delivering User on the Preceding Day shall be a Delivering User; and
 - (b) the Entry Point Daily Quantity Delivered shall be allocated to the Delivering Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph) allocated on the Preceding Day, and paragraph 4 shall apply in respect of each such User.
- 2.2 Entry Allocation Agents**
 - 2.2.1 In accordance with Section V6 a User may appoint a User Agent for the purposes of submitting Entry Allocation Statements in respect of a System Entry Point in accordance with paragraph 2.1.
 - 2.2.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Entry Allocation Statements in respect of the System Entry Point for each such User.
 - 2.2.3 Where (by virtue of being a Shrinkage Provider or for Operating Margins Purposes or otherwise) the Transporter is party to an agreement pursuant to which a person is appointed as User Agent pursuant to paragraph 2.2.1, no provision of such agreement and nothing done by the Transporter pursuant to such agreement shall modify or take effect as a waiver of any provision of the Code.
- 2.3 Unclaimed Entry Allocation**
 - 2.3.1 Subject to the conditions in paragraph 2.3.3, where in respect of any Day all of the Entry Allocation Statements submitted by Users ("**relevant Users**") in relation to a System Entry Point are submitted by the same person as User Agent the Users may arrange with the User Agent that he will also submit an Unclaimed Entry Allocation Statement.

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- 2.3.2 An "**Unclaimed Entry Allocation Statement**" is an Entry Allocation Statement in which the quantity of gas specified as delivered to the Total System is not allocated to any User but is treated as allocated to an unclaimed account maintained by National Grid NTS for the purposes of this paragraph 2.3.
- 2.3.3 The conditions referred to in paragraph 2.3.1 are:
- (a) that the conditions in paragraph 2.1.7 are satisfied (taking into account for such purposes the Unclaimed Entry Allocation Statement and the quantity stated therein);
 - (b) that the quantity specified in the Unclaimed Entry Allocation Statement is less than the Entry Point Daily Quantity Delivered; and
 - (c) that the Unclaimed Entry Allocation Statement does not identify (directly or indirectly) any person as a person to whom the quantity thereunder is allocated.
- 2.3.4 Where in respect of a Day an Unclaimed Entry Allocation Statement is submitted, relevant Users' UDQIs shall be those determined under paragraph 2.1.6 on the basis of their respective Entry Allocation Statements.
- 2.3.5 The User Agent may up to but not later than the Entry Close-out Date revise an Unclaimed Entry Allocation Statement, provided the conditions in paragraph 2.3.3 continue to be satisfied following such revision.
- 2.3.6 Each User undertakes:
- (a) that it will not, and will not authorise the User Agent to, do anything which would or might confer on any person (other than a User) any right or entitlement in respect of any quantity of gas the subject of a Unclaimed Entry Allocation Statement; and
 - (b) that (without prejudice to any revision of the User's Entry Allocation Statement in accordance with paragraph 2.1.4) it will not itself claim any right or entitlement to any such quantity of gas.
- 2.3.7 If any person makes any claim against National Grid NTS in respect of any quantity of gas the subject of an Unclaimed Entry Allocation Statement:
- (a) National Grid NTS will defend such claim in such manner and to such extent as (after consultation in accordance with paragraph (b)) it shall determine to be appropriate;
 - (b) National Grid NTS will consult with and keep informed the Uniform Network Code Committee or any relevant Sub-committee as respects such defence;
 - (c) National Grid NTS will be entitled to recover (in accordance with Section F4.5.3(a)(iii)) the costs and expenses reasonably incurred by it in such defence and any amount paid by it (whether in settlement or satisfaction of any such claim) to such person or other amount for which it may be liable in connection therewith.
- 2.3.8 National Grid NTS shall not for any purposes be treated as a User in respect of the unclaimed account referred to in paragraph 2.3.2 (and any quantity allocated to such

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account will not be taken into account in determining any User's Daily Imbalance nor in calculating Balancing Neutrality Charges under Section F, and is not required to be cleared under Section F).

3 OUTPUT QUANTITIES

3.1 Supply Point UDQO

3.1.1 For a nominating User the UDQO in respect of a Registered Supply Point ~~Component~~ for the Gas Flow Day shall be:

- (a) in the case of a NDM Supply Point ~~Component~~, the ~~sum of the~~ NDM Supply Meter Point Demands (in accordance with Section H2) ~~for each NDM Supply Meter Point comprised in that NDM Supply Point Component~~;
- (b) in the case of a DM Supply Point ~~Component~~, the User SPDQ in accordance with paragraph 3.1.2.

3.1.2 The "User SPDQ" for a User in respect of a Registered DM Supply Point ~~Component~~ shall be the sum ~~for each of the DM Supply Meter Points comprised in the Supply Point Component~~ of:

- (a) subject to paragraph (b), the Supply ~~Meter~~ Point Daily Quantity;
- (b) in the case of a Shared Supply Meter Point, the portion of ~~that~~ Supply ~~Meter~~ Point Daily Quantity determined in respect of that User in accordance with the Shared Supply Meter Notification pursuant to Section G1.7.

3.1.3 The provisions of paragraph 4 shall apply in respect of the User SPDQ in respect of any Supply Point for which the Registered User was a non-nominating User.

3.2 Connected System Exit Points

3.2.1 For each nominating User the UDQO in respect of each Connected System Exit Point shall be determined in accordance with the applicable CSEP Network Exit Provisions and/or (where not inconsistent with the CSEP Network Exit Provisions) this paragraph 3.2.

3.2.2 In respect of each Connected System Exit Point, each nominating User shall and any non-nominating User may submit to the Transporter, not later than the Exit Close-out Date, a statement ("**Exit Allocation Statement**") specifying:

- (a) the identity of the User;
- (b) the identity of the Connected System Exit Point;
- (c) the Gas Flow Day; and
- (d) the quantity of gas offtaken by that User from the Total System on the Gas Flow Day at that Connected System Exit Point.

3.2.3 A User may, not later than the Exit Close-out Date, revise its Exit Allocation Statement, provided that where the conditions in paragraph 3.2.6 were satisfied in respect of the

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first submitted Exit Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.

- 3.2.4 For the avoidance of doubt, but without prejudice to paragraph 3.3, no person who is not a User may submit an Exit Allocation Statement or otherwise may claim to have offtaken gas from the Total System and the Transporter will disregard any such purported submission or claim.
- 3.2.5 If for the Gas Flow Day in respect of a Connected System Exit Point both of the conditions in paragraph 3.2.6 are satisfied:
- (a) each User who submitted an Exit Allocation Statement shall be an Offtaking CSEP User;
 - (b) the UDQO for each nominating User shall be the quantity stated in the User's Exit Allocation Statement; and
 - (c) paragraph 4 shall apply in respect of any non-nominating User who submitted an Exit Allocation Statement.
- 3.2.6 The conditions referred to in paragraph 3.2.3 and 3.2.5 are:
- (a) that by the Exit Close-out Date, Exit Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User); and
 - (b) that the aggregate of the quantities stated in all Exit Allocation Statements (submitted by nominating Users and non-nominating Users) is equal to the CSEP Daily Quantity Offtaken.
- 3.2.7 If for the Gas Flow Day in respect of a Connected System Exit Point either condition in paragraph 3.2.6 above is not satisfied, subject to paragraph 3.2.8:
- (a) each nominating User shall be an Offtaking CSEP User; and
 - (b) the UDQO for each Offtaking CSEP User shall be determined by allocating the CSEP Daily Quantity Offtaken between the Offtaking CSEP Users in proportion to the Nominated Quantities under their respective Output Nominations for the Gas Flow Day in respect of that Connected System Exit Point.
- 3.2.8 If no User made an Output Nomination for the Connected System Exit Point for the Gas Flow Day (and accordingly C2.2.6 applies), or where all the Output Nominations for the Connected System Exit Point for the Gas Flow Day are submitted as zero, and gas was offtaken from the System at the point:
- (a) each User who was (whether or not by virtue of this paragraph 3.2.8) an Offtaking CSEP User on the Preceding Day shall be an Offtaking CSEP User; and
 - (b) the CSEP Daily Quantity Offtaken shall be allocated to the Offtaking CSEP Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph 3.2.8) allocated on the Preceding Day.

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3.3 Exit Allocation Agents

- 3.3.1 In accordance with Section V6 a User may appoint a User Agent for the purposes of submitting Exit Allocation Statements in respect of a Connected System Exit Point in accordance with paragraph 3.2.
- 3.3.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Exit Allocation Statements in respect of the Connected System Exit Point for each such User.

3.4 Daily Read Errors

Where pursuant to Section M4.8 an Error Revised Quantity is established in respect of a DM Supply ~~Meter~~ Point for a Daily Read Error Day:

- (a) the Transporter will, as soon as reasonably practicable, determine (as nearly as may be) the amount (the "**Error Revised UDQO**") of the UDQO for the relevant DM Supply Point ~~Component~~ for the Day on the basis of such Metered Quantity;
- (b) adjustments will be made in respect of any Overrun Charges or Supply Point Ratchet Charges in accordance with Section B1.11 and in respect of certain Balancing Charges in accordance with Section F1.4;
- (c) except as provided in paragraph (b), in accordance with paragraph 1.8.2 no revision or recalculation of the quantities treated as offtaken from the System by Users, Users' Daily Imbalances or any Balancing Charges on or for the Daily Read Error Day will be made.

3.5 Gas illegally taken

3.5.1 Where:

- (a) gas offtaken from the Total System has been illegally taken at or at a point downstream of the point of offtake (in accordance with Section J3.7) at a Larger Supply ~~Meter~~ Point, insofar as the quantity of gas so taken has not been properly metered, and except as permitted by the Meter By-Pass Policy; and
- (b) the case is not one in which the Transporter is (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas,

subject to paragraph 3.5.2, such adjustments shall be made, in respect of the quantities treated as offtaken from the Total System by the Registered User for the purposes of determining the quantities subject to Individual NDM Reconciliation or (where applicable) DM Reconciliation (but no adjustment will be made in respect of the determination of any UDQO of the User for any other purpose).

3.5.2 Paragraph 3.5.1 shall not apply in a case to which Standard Condition 7(5) of National Grid NTS's Transporter's Licence applies; and further, to give effect to that Condition (insofar as it relates to Energy Balancing Charges payable by Users):

- (a) National Grid NTS may pay to the Registered User, in respect of gas which has

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been or will be treated (pursuant to the Code) as offtaken by the User but is to be treated (pursuant to that Condition) as not having been taken out of the Total System, an amount estimated by National Grid NTS to be the amount which has been or will be payable by way of Reconciliation Clearing Charges in respect of such quantity of gas;

- (b) Users acknowledge that it is not feasible to make any adjustment (beyond what is provided for in paragraph (a)) in respect of any amount by which such gas may have contributed to the User's Daily Imbalance for or Energy Balancing Charges payable in respect of any Day; and
- (c) amounts paid by National Grid NTS pursuant to paragraph (a) will be additional Adjustment Reconciliation Neutrality Costs for the purposes of Section F6.5(a).

4 UNAUTHORISED GAS FLOWS

4.1 Unauthorised Gas Flow

4.1.1 Where a User is a non-nominating User for a Day in respect of a System Point, any delivery (in the circumstances under paragraph 2.1.6 or 2.1.9) or offtake (in accordance with paragraph 3.1.3 or in the circumstances under paragraph 3.2.5 or 3.2.8) of gas to or from the Total System by that User at that point on that Day is an "**Unauthorised Gas Flow**", the amount of which shall be:

- (a) in respect of a System Entry Point, the quantity of gas stated in the User's Entry Allocation Statement or as the case may be allocated under paragraph 2.1.9;
- (b) in respect of a DM Supply Point ~~Component~~, the amount of the User SPDQ;
- (c) in respect of a Connected System Exit Point, the quantity of gas stated in the User's Exit Allocation Statement or as the case may be allocated under paragraph 3.2.8.

4.1.2 Subject to paragraph 4.1.3, an Unauthorised Gas Flow shall be an UDQI or (as the case may be) an UDQO for the User for the purposes of the Code.

4.1.3 The Unauthorised Gas Flow shall not be taken into account and shall not be treated as an UDQI or UDQO for the purposes of determining the User's Daily Imbalance under paragraph 5, and shall not be a relevant UDQI or relevant UDQO for the purposes of determining Balancing Neutrality Charges under Section F4 or Reconciliation Neutrality Charges under Section F6 or for the purposes of calculating the UDQI under Section B3.5.5.

4.2 Treatment of Unauthorised Gas Flows

4.2.1 The quantity of gas comprising an Unauthorised Gas Flow shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

4.2.2 For the purposes of such System Clearing Contract:

- (a) where the Unauthorised Gas Flow occurs at a System Entry Point:
 - (i) the seller is the User and the buyer is National Grid NTS; and

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- (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Sell Price;
 - (b) where the Unauthorised Gas Flow occurs at a System Exit Point:
 - (i) the seller is National Grid NTS and the buyer is the User; and
 - (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Buy Price.
- 4.2.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.
- 4.2.4 The Unauthorised Gas Flow shall be extinguished by the System Clearing Contract.
- 4.2.5 The buyer shall pay the Clearing Charge in respect of the gas comprising the Unauthorised Gas Flow to the seller in accordance with Section S.

5 IMBALANCE

5.1 Daily Imbalance

- 5.1.1 The Daily Imbalance for each User shall be calculated in respect of each Day as the difference between:
- (a) the sum of:
 - (i) the aggregate of the User's UDQIs;
 - (ii) the aggregate of the Trade Nomination Quantities under any Acquiring Trade Nominations made by the User; and
 - (b) the sum of:
 - (i) the aggregate of the User's UDQOs;
 - (ii) the aggregate of the Trade Nomination Quantities under any Disposing Trade Nominations made by the User.
- 5.1.2 The Daily Imbalance is positive where the quantity under paragraph 5.1.1(a) is greater than the quantity under paragraph 5.1.1(b), and negative where the quantity under paragraph 5.1.1(b) is greater than the quantity under paragraph 5.1.1(a).

5.2 Treatment of Daily Imbalances

A User's Daily Imbalances will be extinguished under System Clearing Contracts in accordance with Section F2.3.

5.3 Incentivised Nomination Charges

- 5.3.1 At each Forecast Daily Imbalance Time (in respect of a Day) if a User's Prevailing

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Forecast Daily Imbalance differs from the User's Daily Imbalance for the Day the User shall pay a charge ("**Incentivised Nomination Charge**") in accordance with this paragraph 5.3.

5.3.2 For the purposes of this paragraph 5.3:

- (a) "**Forecast Daily Imbalance**" is, in respect of a Day and in relation to a User, the User's projection of its Daily Imbalance for that Day;
- (b) "**Forecast Daily Imbalance Time**" is, in respect of a Day, each of 02:00 hours on the Preceding Day and 12:00 hours, 18:00 hours and 22:00 hours on the Day;
- (c) "**Initial**" Forecast Daily Imbalance is, in respect of a Day and in relation to a User, the Forecast Daily Imbalance prevailing at 17:00 hours on the Preceding Day;
- (d) "**Prevailing Forecast Daily Imbalance**" is, in respect of a Day and in relation to a User, the User's current Forecast Daily Imbalance (calculated in accordance with this paragraph 5) at a Forecast Daily Imbalance Time; and
- (e) "**Prevailing Provisional Daily Imbalance**" shall mean the projected Daily Imbalance of a User in respect of a Day (recorded on the UK Link System) at 17:00 hours on the Preceding Day determined by National Grid NTS by reference to Nomination information available to it at such time, excluding the Forecast Daily Imbalance referred to in paragraph (a) above.

5.3.3 Each User may submit a notice ("**Forecast Daily Imbalance Nomination**") specifying its Forecast Daily Imbalance for a Day.

5.3.4 Each Forecast Daily Imbalance Nomination shall specify:

- (a) the identity of the User;
- (b) the Gas Flow Day; and
- (c) the Forecast Daily Imbalance for the Gas Flow Day.

5.3.5 A Forecast Daily Imbalance Nomination may be submitted no earlier than 30 Days before the Gas Flow Day and no later than 04:00 hours on a Gas Flow Day.

5.3.6 A User may revise an Initial Forecast Daily Imbalance Nomination in respect of a Gas Flow Day by submitting a further Forecast Daily Imbalance Nomination and where a User submits a further Forecast Daily Imbalance Nomination it shall replace the Initial Forecast Daily Imbalance Nomination or any subsequent Forecast Daily Imbalance Nomination (but without prejudice to the application of this paragraph 5.3 in respect of the Prevailing Forecast Daily Imbalance in respect of any earlier Forecast Daily Imbalance Time).

5.3.7 Without prejudice to paragraph 5.3.6, where a User does not submit a Forecast Daily Imbalance Nomination in respect of a Day by 17:00 hours on the Preceding day the User will be deemed to have submitted an Initial Forecast Daily Imbalance Nomination equal to the Prevailing Provisional Daily Imbalance.

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5.3.8 For the purposes of the further provisions of this paragraph 5.3:

- (a) a User's "**Forecast Performance Measure**" at a Forecast Daily Imbalance Time in respect of a Day shall be calculated as follows:

$$FPM_t = \text{abs}(N_t - A)$$

where:

FPM_t is the Forecast Performance Measure at Forecast Daily Imbalance Time 't';

N_t is the User's Prevailing Forecast Daily Imbalance at Forecast Daily Imbalance Time 't';

A is the User's Daily Imbalance in respect of the Day; and

- (b) the "**Incentivised Nomination Price**" is, in respect of a relevant Day, the price (in pence/kWh) calculated as follows:

- (i) where the User's Daily Imbalance is positive for the relevant Day:

$$INP = PSFS * (SAP - SMSP)$$

- (ii) where the User's Daily Imbalance is negative for the relevant Day:

$$INP = PSPB * (SMBP - SAP)$$

where:

INP is the Incentivised Nomination Price for the relevant Day;

$PSFS$ is the Sell Price Scaling Factor for the relevant Day;

$PSFB$ is the Buy Price Scaling Factor for the relevant Day;

SAP is the System Average Price for the relevant Day;

$SMBP$ is the System Marginal Buy Price for the relevant Day;

$SMSP$ is the System Marginal Sell Price for the relevant Day; and

- (iii) the Sell Price Scaling Factor for the relevant Day is zero;
- (iv) the Buy Price Scaling Factor for the relevant Day is zero; and
- (c) the "**scaling factor**" in respect of each Forecast Daily Imbalance Time in respect of a Day is 0.25.

5.3.9 The Incentivised Nomination Charge payable by a User in respect of a Daily Imbalance Nomination Time shall be calculated as follows:

$$INS_t = (FPM_t * SF_t * INP)$$

where:

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INS_t is the Incentivised Nomination Charge;

FPM_t is the User's Forecast Performance Measure;

SF_t is the scaling factor; and

INP is the Incentivised Nomination Price

in each case in respect of Forecast Daily Imbalance Time ' t '.

- 5.3.10 In respect of a User and in relation to a Day, the "**Total Incentivised Nomination Charge**" payable by a User is the sum of the Incentivised Nomination Charges payable (if any) by the User in respect of the Day and calculated as follows:

$$TINC = \sum_{t=1}^n INC_t$$

where:

$TINC$ is the Total Incentivised Nomination Charge; and

INC is the Incentivised Nomination Charge payable by the User in respect of each Forecast Daily Nomination Time ' t '

where ' n ' is the number of Forecast Daily Nomination Times in respect of a Day.

- 5.3.11 Total Incentivised Nomination Charges shall be invoiced and are payable in accordance with Section S.
- 5.3.12 In the event that National Grid NTS does not undertake a Market Balancing Action on a Day then the Total Incentivised Nomination Charge payable by a User, in respect of that day, will be zero.

6 RECONCILIATION

6.1 Introduction

- 6.1.1 Individual NDM Reconciliation will be carried out (for all Days in the relevant Meter Reading Period) in respect of a Larger NDM Supply ~~Meter Point~~, after each Valid Meter Read pursuant to Section M3.
- 6.1.2 DM Reconciliation will be carried out (for each relevant Day) in respect of a DM Supply ~~Meter Point~~ after a DM Check Read pursuant to Section M4.7 or (as the case may be) the determination, following a Failed Daily Read Day, of the volume offtaken on such Day pursuant to Section M4.4.4.
- 6.1.3 For each CSEP User, Individual CSEP Reconciliation will be carried out in respect of a relevant Connected System Exit Point (other than Smaller Unmetered CSEPs) in respect of the periods provided in and in accordance with the CSEP Network Exit Provisions.
- 6.1.4 For the purposes of this Section E:
- (a) in respect of a Larger NDM Supply ~~Meter Point~~, the "**NDM Reconciliation Quantity**" is the amount (determined in accordance with paragraph 6.2) by

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which on a Valid Meter Read the Metered Quantity differs from the aggregate of the quantities determined (as provided in paragraph 3.1.1(a)) each Day in accordance with Section H2, in respect of the Meter Reading Period;

- (b) in respect of any DM Supply ~~Meter~~ Point, in respect of any Failed Daily Read Day or (as the case may be) Day in the period between DM Check Reads, the "**DM Reconciliation Quantity**" is:
 - (i) the amount (the "**DM Check Reconciliation Quantity**") by which the quantity determined pursuant to a Valid Meter Reading or the DM Check Read to have been offtaken from the Total System on the Day differs from the quantity (the "**previously assumed quantity**") previously assumed or determined (as provided in Section M) to have been offtaken since the relevant preceding Meter Reading; or
 - (ii) in the case of a Shared Supply Meter Point, for each Existing Sharing Registered User, the quantity determined by allocating the DM Check Reconciliation Quantity between such Users in the same proportions as the previously assumed quantity was allocated in respect of such Day;
- (c) in respect of any relevant Connected System Exit Point and CSEP User, the "**Individual CSEP Reconciliation Quantity**" is the amount by which (for the relevant period provided in the CSEP Network Exit Provisions):
 - (i) in the case of an Unmetered Connected System Exit Point (other than the Smaller Unmetered CSEPs comprised therein), the quantity determined (upon readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken from the Total System differs from the quantity previously assumed to have been offtaken;
 - (ii) in the case of a Metered Connected System Exit Point, the quantity determined (upon a periodic check reading or a reading following estimation of the reading, or a determination or estimation following testing, verification or calibration, of the meter installed at the Connected System Exit Point) to have been offtaken from the Total System differs from the quantity previously determined or estimated to have been offtakenin accordance with the CSEP Network Exit Provisions;
- (d) "**Reconciliation Quantity**" means an Individual NDM Reconciliation Quantity, a User Aggregate Reconciliation Quantity, a DM Reconciliation Quantity or CSEP Reconciliation Quantity.

6.1.5 Where (following a Supply Point Confirmation) a User (or potentially Users in the case of a Shared Supply Meter Point) becomes the Registered User(s) in respect of a Supply Meter Point, and:

- (a) in the case of a Supply Meter Point comprised in an NDM Supply ~~Meter~~ Point, no Opening Meter Read was provided;
- (b) in the case of a Supply Meter Point comprised in a DM Supply ~~Meter~~ Point, or

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a Shared Supply Meter Point, the Supply Point Registration Date was a Failed Daily Read Day, or was not the Day of a DM Check Read,

upon the next following Individual NDM Reconciliation or (as the case may be) DM Reconciliation, the Reconciliation Values will be attributed entirely to such User (or as the case may be Existing Sharing Registered Users in amounts specified in paragraph 6.8), notwithstanding that a part thereof relates to a period before the Supply Point Registration Date; and accordingly such User (or Existing Sharing Registered Users) will obtain the benefit and bear the risk (and the User (or Users) who formerly was/were Registered User(s) of the Supply Meter Point will neither obtain the benefit nor bear the risk) of the Reconciliation Quantity insofar as attributable to the period before the Supply Point Registration Date.

- 6.1.6 For the purposes of giving effect to paragraph 6.1.5 in the case of an NDM Supply ~~Meter~~ Point where no Opening Meter Reading was provided, an Individual NDM Reconciliation will be carried out, as though a Meter Reading had been obtained on the Supply Point Registration Date, by reference to an assumed Meter Volume derived from the NDM Supply ~~Meter~~ Point Demand (in accordance with H2.2.2).

6.2 Individual NDM Reconciliation: Reconciliation Values

- 6.2.1 This paragraph 6.2 applies in respect of Individual NDM Reconciliation.
- 6.2.2 The Individual NDM Reconciliation Quantity shall be established by:
- (a) dividing the NDM Supply ~~Meter~~ Point Demand for each Day in the Meter Reading Period in respect of the NDM Supply Point ~~Component~~ by the relevant calorific value for that Day to determine the 'daily NDM volume';
 - (b) aggregating the daily NDM volumes for all Days in the Meter Reading Period to determine the 'aggregate NDM volume';
 - (c) dividing the Metered Volume by the aggregate NDM volume to determine the 'NDM reconciliation factor';
 - (d) multiplying the NDM Supply ~~Meter~~ Point Demand for each Day in the Meter Reading Period by the NDM reconciliation factor to determine the 'daily metered quantity';
 - (e) subtracting the daily metered quantity from the NDM Supply ~~Meter~~ Point Demand for each Day in the Meter Reading Period to establish the 'daily reconciliation quantity'; and
 - (f) aggregating the daily reconciliation quantities for all Days in the Meter Reading Period.
- 6.2.3 The Individual NDM Reconciliation Quantity is negative where the NDM reconciliation factor (under paragraph 6.2.2(c)) is greater than one and positive where the NDM reconciliation factor is less than one.
- 6.2.4 The Reconciliation Clearing Value shall be established by:
- (a) multiplying the daily reconciliation quantity (under paragraph 6.2.2(e)) for each

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Day in the Meter Reading Period by the System Average Price for such Day to determine the 'daily reconciliation clearing value'; and

- (b) aggregating the daily reconciliation clearing values for all Days in the Meter Reading Period.

6.2.5 Each of the Reconciliation Transportation Charge Adjustments shall be established by:

- (a) multiplying the daily reconciliation quantity (under paragraph 6.2.2(e)) for each Day in the Meter Reading Period by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge or (as the case may be) the Commodity Variable Component (if any) of the Customer Charge for such Day to determine the 'daily reconciliation charge adjustment'; and
- (b) aggregating the daily reconciliation charge adjustments for all Days in the Meter Reading Period.

6.3 DM Reconciliation: Reconciliation Values

6.3.1 This paragraph 6.3 applies in respect of DM Reconciliation.

6.3.2 The DM Check Reconciliation Quantity for a Day shall be determined as the Failed Daily Read Reconciliation Volume, or (as the case may be) the DM Check Reconciliation Volume, multiplied by the applicable calorific value for the Day.

6.3.3 The DM Check Reconciliation Quantity is negative where (in accordance with Section M) the Failed Daily Read Reconciliation Volume or (as the case may be) the DM Check Reconciliation Volume is negative, and positive where it is positive.

6.3.4 The Reconciliation Clearing Value for a Day shall be established by multiplying the DM Reconciliation Quantity by the System Average Price for the relevant Day.

6.3.5 Each of the Reconciliation Transportation Charge Adjustments for a Day shall be established by multiplying the DM Reconciliation Quantity by the Applicable Commodity Rate(s) of the NTS Commodity Charge, the LDZ Commodity Charge or (as the case may be) the Commodity Variable Component (if any) of the Customer Charge for such Day.

6.4 CSEP Reconciliation: Reconciliation Values

6.4.1 This paragraph 6.4 applies in respect of Individual CSEP Reconciliation.

6.4.2 For the purposes of Individual CSEP Reconciliation, for each CSEP User for the relevant period:

- (a) the CSEP Reconciliation Quantity will be determined;
- (b) the Reconciliation Clearing Value will be established by reference to the CSEP Reconciliation Quantity (or relevant part thereof) and the System Average Price(s) for Day(s) in the relevant period; and
- (c) each of the Reconciliation Transportation Charge Adjustments will be established on the basis of the CSEP Reconciliation Quantity (or relevant part

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thereof) and the Applicable Commodity Rate of the NTS Commodity Charge or (as the case may be) the LDZ Commodity Charge,

in each case in accordance with the CSEP Network Exit Provisions.

6.5 Reconciliation Clearing

Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation the Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with Section F5.

6.6 Transportation Charge Adjustments

6.6.1 Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation the Reconciliation Transportation Charge Adjustments shall be payable by way of adjustment in respect of the NTS Commodity Charges, LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges overpaid or underpaid by the User in respect of gas offtaken during the relevant period.

6.6.2 The Reconciliation Transportation Charge Adjustments shall be payable:

- (a) where the Reconciliation Quantity is negative:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by the User to National Grid NTS;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter;
- (b) where the Reconciliation Quantity is positive:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by National Grid NTS to the User;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the Transporter to the User

and shall be invoiced and are payable in accordance with Section S.

6.7 Individual NDM Reconciliation: Agreed Opening Meter Readings

6.7.1 Where in relation to an NDM Supply ~~Meter~~ Point:

- (a) upon the Individual NDM Reconciliation in respect of an Opening Meter Reading, or (in the absence of such a reading) in accordance with paragraph 6.1.7, Reconciliation Values (the "**original Reconciliation Values**") are determined under this paragraph 6; and
- (b) the Transporter subsequently accepts an Agreed Opening Meter Reading pursuant to that Section M3.8.8;

then paragraph 6.7.2 shall apply.

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6.7.2 In the circumstances in paragraph 6.7.1:

- (a) the Transporter will redetermine (on the basis of the Agreed Opening Meter Reading) the Reconciliation Values;
- (b) the Reconciliation Values determined under paragraph (a) will replace the original Reconciliation Values;
- (c) where the original Reconciliation Values have already been invoiced, the Transporter will determine and invoice (in accordance with Section S) such adjustments in respect thereof as are necessary to give effect to paragraph (b).

6.8 Shared Supply Meter Point Reconciliation: Reconciliation Values

6.8.1 This paragraph 6.8 applies in respect of DM Reconciliation in respect of Shared Supply Meter Points.

6.8.2 For the purposes of DM Reconciliation, at the Shared Supply Meter Point for the relevant period:

- (a) the Transporter will in accordance with M4.7.1 arrange a DM Check Read;
- (b) the DM Check Reconciliation Quantity will be calculated in accordance with paragraph 6.3.

6.8.3 "**Existing Sharing Registered User**" is a Sharing Registered User (who may be the Proposing User) in respect of an Existing Supply Point which is a Shared Supply Meter Point.

6.8.4 "**Allocation Methodology**" is a methodology for the allocation of the Reconciliation Quantity between Existing Sharing Registered Users:

- (a) used by the Transporter; or
- (b) used by a User Agent, where the Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent;

provided that the proportions allocated to each Existing Sharing Registered User aggregate unity.

6.8.5 Where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent:

- (a) the Transporter will notify the Reconciliation Quantity to the User Agent in such manner as the Transporter may specify in the Shared Supply Meter Point Procedures; and
- (b) where the User Agent does not provide its Allocation Methodology to the Transporter within twenty (20) Business Days of the Transporter's notification to the User Agent under paragraph (a) then the Transporter shall allocate the Reconciliation Quantity in accordance with the Default Allocation Methodology under Section G1.7.11(b)(iv).

7 AGGREGATE NDM RECONCILIATION

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7.1 Introduction

- 7.1.1 Aggregate NDM Reconciliation will be carried out (for each LDZ in accordance with this paragraph 7) in respect of each Reconciliation Billing Period.
- 7.1.2 The quantities subject to Aggregate NDM Reconciliation shall be quantities (ascertained in accordance with this paragraph 7), equal in aggregate and opposite to the net aggregate quantities subject to Individual Reconciliation in an LDZ (in accordance with paragraph 7.2.4) over a specified period; and shall (in aggregate and as attributed to each User in accordance with this paragraph 7, and on a cumulative basis) be treated as representing the difference between the quantities determined (in accordance with Section H2) as offtaken at Smaller Supply Points and Smaller Unmetered CSEPs, and the quantities which were actually so offtaken.
- 7.1.3 Accordingly, Aggregate NDM Reconciliation shall be deemed for all purposes to be a sufficient reconciliation and adjustment (in aggregate and for each User) in respect of any such differences as is referred to in paragraph 7.1.2, and accordingly, subject to paragraph 7.5, no account shall be taken (for any purposes of the Code other than the determination of Annual Quantities in accordance with Section G1.6) of Meter Readings obtained from Supply Meters at Smaller Supply Points.
- 7.1.4 The results of a Significant Measurement Error Report (produced pursuant to OAD Section D) including any adjustments to the LDZ Daily Input Quantity for any LDZ shall be binding on Users and used for the purposes of Aggregate NDM Reconciliation.

7.2 Definition and calculation of relevant terms

- 7.2.1 For the purposes of this paragraph 7:
- (a) **"Monthly Individual Reconciliation"** is Individual NDM Reconciliation in respect of Supply ~~Meter~~ Points with Monthly Read Meters, DM Reconciliation pursuant to paragraph 1.3.3(a) in respect of Supply ~~Meter~~ Points with Daily Read Supply Meters and Individual CSEP Reconciliation in respect of any Connected System Exit Point (other than Smaller Unmetered CSEPs comprised therein) and Individual NDM Reconciliation in relation to adjustments pursuant to paragraph 7.7.2(i);
 - (b) **"Annual Individual Reconciliation"** is Individual NDM Reconciliation in respect of Supply ~~Meter~~ Points with Annual Read Meters; Individual NDM Reconciliation and DM Reconciliation for gas illegally taken under paragraph 3.5.1 and Individual NDM Reconciliation in relation to adjustments pursuant to paragraph 7.7.2(ii);
 - (c) **"DM Check Individual Reconciliation"** is DM Reconciliation pursuant to paragraph 1.3.3(b) in respect of Supply ~~Meter~~ Points with Daily Read Supply Meters and Individual NDM reconciliation in relation to adjustments pursuant to paragraph 7.7.2(iii);
 - (d) **"Individual Reconciliation Sector"** means, in relation to each LDZ, System Exit Points of the kind in respect of which paragraph (a), (b) or (c) applies and LDZ Reconciliation.
- 7.2.2 Subject to paragraph 7.8, for each Reconciliation Billing Period, for each LDZ and for

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each Individual Reconciliation Sector:

- (a) the "**Aggregate Reconciliation Quantity**" and "**Aggregate Reconciliation Clearing Value**" are the net aggregate respectively of the Reconciliation Quantities and of the Reconciliation Clearing Values for System Exit Points in that LDZ and LDZ Reconciliation and Individual Reconciliation Sector for which Individual Reconciliation or LDZ Reconciliation was carried out in that Reconciliation Billing Period;
- (b) the "**Aggregate Reconciliation Transportation Charge Adjustments**" is the Aggregate Reconciliation Quantity multiplied by the sum of the Applicable Commodity Rate for Smaller Supply Points of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge, each applicable in relation to such Reconciliation Billing Period;
- (c) the "**Aggregate LDZ AQ**" is the sum for all Users of the User SP LDZ Aggregate AQs and the User CSEP LDZ Aggregate AQs: in determining the User LDZ Aggregate AQ, no account shall be taken of Smaller Supply Points to which Section G3.4.3 applies;

(d) in relation to Smaller Supply Points:

- (i) for each User the "**User SP LDZ Aggregate AQ**" is the amount determined as follows:

$$\sum_{r=1}^d \sum_{d=1}^{AQrd}$$

where, for each Smaller Supply Point ("r") in the relevant LDZ of which the User is Registered User on a Day ("d") in the Aggregate Reconciliation Period, 'Aqrd' is the Annual Quantity of such Supply Point;

- (ii) for each User the "**User SP Aggregate Reconciliation Proportion**" is the User LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (e) in relation to Smaller Unmetered CSEPs:
- (i) for each User the "**User CSEP LDZ Aggregate AQ**" is the sum (for all such Smaller Unmetered CSEPs) of the quantities determined pursuant to the provisions of the relevant CSEP Network Exit Provisions as equivalent to the User SP LDZ Aggregate AQs;
 - (ii) for each User the "**User CSEP Aggregate Reconciliation Proportion**" is the User CSEP LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (f) "**Aggregate Reconciliation Period**" is:
- (i) in relation to Monthly Individual Reconciliation and LDZ

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Reconciliation pursuant to paragraph 7.6.1(a), the calendar month;

- (ii) in relation to Annual Individual Reconciliation, the period of six calendar months;
- (iii) in relation to DM Check Individual Reconciliation, the period of twelve calendar months

immediately preceding the month in which the relevant Reconciliation Invoice in respect of the Reconciliation Billing Period is to be submitted and for LDZ Reconciliation pursuant to paragraph 7.6.1(b) the Preceding Year.

7.2.3 For each User, in relation to each Reconciliation Billing Period and for each LDZ:

- (a) the "**User Aggregate Reconciliation Quantity**" and "**User Aggregate Reconciliation Clearing Value**" are the amounts determined as:

$$\sum_{s=1}^S \text{USP}_s * V_s + \sum_{s=1}^S \text{UCP}_s * V_s$$

- (b) the "**User Aggregate Transportation Charge Adjustment**" is the amount determined as:

$$\sum_{s=1}^S \text{USP}_s * V_s + \sum_{s=1}^S \text{UCP}_s * V_s * F$$

where for each Individual Reconciliation Sector ("s"):

USP_s is the "**User SP Aggregate Reconciliation Proportion**" in relation to that User, period and LDZ;

UCP_s is the "**User CSEP Aggregate Reconciliation Proportion**" in relation to that User, period and LDZ;

V_s is respectively the Aggregate Reconciliation Quantity, Aggregate Reconciliation Clearing Value or Aggregate Reconciliation Transportation Charge Adjustment for that period and LDZ;

F is the factor specified in the Transportation Statement for the purposes of this paragraph (representing an estimate of the average discount in the Applicable Commodity Rate for Smaller Unmetered CSEPs compared with such rate for Smaller Supply Points).

7.2.4 For the purposes of Aggregate NDM Reconciliation, where:

- (a) the User Aggregate Reconciliation Quantity is positive for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be negative; and

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- (b) the User Aggregate Reconciliation Quantity is negative for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be positive.

7.3 Aggregate NDM Reconciliation Adjustments

7.3.1 Upon each Aggregate NDM Reconciliation the User Aggregate Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with Section F5.

7.3.2 For the purposes of Section F5, the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.3.1 shall be the User Aggregate Reconciliation Clearing Value.

7.3.3 Upon each Aggregate NDM Reconciliation, the User Aggregate Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges and CSEP Charge overpaid or underpaid by the User in respect of gas offtaken by the User in the relevant period.

7.3.4 For the purposes of Aggregate NDM Reconciliation the User Aggregate Transportation Charge Adjustment shall be payable:

- (a) where the Reconciliation Quantity is negative:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by the User to National Grid NTS;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter;
- (b) where the Reconciliation Quantity is positive:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by National Grid NTS to the User;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the Transporter to the User

and shall be invoiced and are payable in accordance with Section S.

7.4 Annual Quantity revision and End of Year AQ Reconciliation

7.4.1 Where upon the revision of the Annual Quantity of any Larger Supply Point pursuant to Section G1.6 the Supply Point becomes a Smaller Supply Point:

- (a) on the next Valid Meter Read, Individual NDM Reconciliation will be carried out in respect of the period from the previous Valid Meter Read to the Day preceding the Day on which the Annual Quantity is treated as being revised pursuant to Section G1.6 and reference to Meter Reading Period in paragraphs 6.2.2(d), (e) and (f) shall be construed accordingly; and

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- (b) with effect from the Day on which the Annual Quantity is revised, the Annual Quantity shall be included in the calculation, in respect of the relevant Registered User of the User LDZ Aggregate AQ, and of the Aggregate LDZ AQ in the relevant LDZ for the purposes of paragraph 7.2.2.
- 7.4.2 Where upon the revision of the Annual Quantity of any Smaller Supply Point pursuant to Section G1.6 the Supply Point becomes a Larger Supply Point:
 - (a) on the next Valid Meter Read Individual NDM Reconciliation will be carried out for the period from the Day on which the Annual Quantity is treated as being revised pursuant to Section G1.6 until the Meter Read Date and reference to Meter Reading Period in paragraphs 6.2.2(d), (e) and (f) shall be construed accordingly; and
 - (b) with the effect from the Day on which the Annual Quantity is revised, the Annual Quantity shall be excluded from the calculation, in respect of the relevant Registered User of the User LDZ Aggregate AQ, and of the Aggregate LDZ AQ in the relevant LDZ for the purposes of paragraph 7.2.2.
- 7.4.3 Where, as a result of the revision of the Annual Quantity of a Smaller Supply Point pursuant to Section G1.6, the Supply Point becomes a Larger Supply Point and:
 - (a) the Annual Quantity of the Supply Point was not increased such that the Smaller Supply Point became a Larger Supply Point prior to the Provisional Annual Quantity being calculated by the Transporter then paragraph 7.4.4 will apply; or
 - (b) the Annual Quantity of the Supply Point was increased such that the Smaller Supply Point became a Larger Supply Point prior to the Provisional Annual Quantity being calculated by the Transporter then paragraph 7.4.4 will apply save that only 90% of the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable.
- 7.4.4 In the circumstances set out in sub-paragraph 7.4.3 above:
 - (a) the User Annual Quantity Revision Difference shall be extinguished by a System Clearing Contract in accordance with Section F5;
 - (b) for the purposes of Section F5, the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.4.4(a) shall be the User Annual Quantity Revision Difference Clearing Value;
 - (c) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges underpaid by the User in respect of gas offtaken by the User in the relevant period, for which purposes:
 - (d) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable:
 - (i) in respect of NTS Commodity Charges, by the User to National Grid NTS;

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- (ii) in respect of LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter.

7.4.5 For the purposes of this paragraph 7.4:

- (a) **"User Annual Quantity Revision Difference"** is the sum of:

$$(X - Y)$$

where:

X is the Annual Quantity of the Supply Point notified by the Transporter in respect of the Gas Year following the relevant Gas Year;

Y is the Annual Quantity of the Supply Point notified by the Transporter in respect of the relevant Gas Year;

- (b) the **"User Annual Quantity Revision Difference Clearing Value"** is the amount established by:

- (i) determining the additional NDM Supply ~~Meter~~-Point Demand as a result of the User Annual Quantity Revision Difference for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect;

- (ii) multiplying the daily additional NDM Supply ~~Meter~~-Point Demand by the System Average Price for such day to determine the daily User Annual Quantity Revision Difference Clearing Value; and

- (iii) aggregating the daily User Annual Quantity Revision Clearing Values for all days in the applicable period of the adjustment;

- (c) **"User Annual Quantity Revision Difference Transportation Charge Adjustment"** is the amount established by:

- (i) multiplying the daily additional NDM Supply ~~Meter~~-Point Demand (under paragraph 7.4.5(b)(i)) for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge for such day to determine the daily reconciliation charge adjustment; and

- (ii) aggregating the daily reconciliation charge adjustments for all days in the applicable period of the adjustment.

7.5 Transitional Reconciliation

7.5.1 For the purposes of this paragraph 7.5, **"First Reconciliation"** in respect of a Supply ~~Meter~~-Point is the Individual Reconciliation carried out in relation to a Meter Reading Period in which the Reconciliation by Difference Date falls.

7.5.2 For the purposes of First Reconciliation (and not for any subsequent Individual NDM

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Reconciliation), Smaller Supply Meter Points the subject of a Supply Point Registration on the Reconciliation by Difference Date shall be subject to Individual NDM Reconciliation in accordance with paragraph 6.

7.5.3 Subject to paragraph 7.5.4, following First Reconciliation:

- (a) the Individual NDM Reconciliation Quantity or DM Reconciliation Quantity will be calculated separately in accordance with paragraph 6 in respect of that part of the Meter Reading Period:
 - (i) preceding the Reconciliation by Difference Date; and
 - (ii) from the Reconciliation by Difference Date;
- (b) the CSEP Reconciliation Quantity will be calculated separately in accordance with paragraph 6 in respect of that part of the relevant period provided in the CSEP Network Exit Provisions:
 - (i) preceding the Reconciliation by Difference Date; and
 - (ii) from the Reconciliation by Difference Date.

7.5.4 On First Reconciliation of a Smaller Supply Point (in accordance with paragraph 7.5.2) Individual NDM Reconciliation will only be carried out in respect of the period prior to the Reconciliation by Difference Date.

7.5.5 The Reconciliation Quantities calculated in accordance with paragraphs 7.5.3(a)(ii) and 7.5.3(b)(ii) shall be added to the Aggregate Reconciliation Quantity (for the relevant LDZ and relevant Individual Reconciliation sector) in the Reconciliation Billing Period in which First Reconciliation occurs.

7.5.6 The Reconciliation Transportation Charge Adjustments relating to the Reconciliation Quantities calculated in accordance with paragraphs 7.5.3(a)(ii) and 7.5.3(b)(ii) shall be added to the Aggregate Reconciliation Transportation Charge Adjustments (for the relevant LDZ and relevant Individual Reconciliation Sector) in the Reconciliation Billing Period in which First Reconciliation occurs.

7.6 LDZ Reconciliation

7.6.1 A reconciliation shall be carried out between the Transporter and the NTS Shrinkage Provider in respect of the relevant quantity of gas where:

- (a) after the Exit Close-out Date in relation to any Day, an adjustment is made in respect of the LDZ Daily Quantity Input for any LDZ and in respect of an amount calculated by multiplying such quantity of gas by the System Average Price for the Day on which such adjustment was deemed by the Transporter to relate;
- (b) pursuant to Section N3.4, an adjustment is made in respect of the aggregate amount of LDZ Shrinkage for any LDZ in any Gas Year and in respect of an amount as provided in the LDZ Shrinkage Adjustments Methodology.

7.6.2 For the purposes of this paragraph 7:

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- (a) **"LDZ Reconciliation"** means a reconciliation pursuant to paragraph 7.6.1;
- (b) in relation to any LDZ Reconciliation:
 - (i) the quantities and amounts referred to in paragraph 7.6.1 shall be treated as being respectively a Reconciliation Quantity and a Reconciliation Clearing Value;
 - (ii) such quantity and amount shall be negative where the LDZ Daily Quantity Input is increased by such adjustment, and positive where the LDZ Daily Quantity Input is reduced by such adjustment.

7.6.3 Except pursuant to this paragraph 7, any such adjustment as is referred to in paragraph 7.6.2 shall have no effect for the purposes of the Code.

7.7 Adjustments

7.7.1 Following resolution of a relevant Invoice Query:

- (a) no adjustment shall be made to the calculation of Aggregate LDZ AQs in respect of any prior Reconciliation Billing Period;
- (b) any adjustment to the calculation of:
 - (i) Aggregate LDZ AQs;
 - (ii) User Aggregate Reconciliation Clearing Charges or User Aggregate Transportation Adjustment Charges properly payable by Users (other than the User who notified the Transporter of the relevant Invoice Query) in respect of any prior Reconciliation Billing Period

shall have effect from, or be accounted for in, the following Reconciliation Billing Period.

- 7.7.2
- (a) A **"relevant Invoice Query"** for the purpose of paragraph 7.7.1 is an Invoice Query which disputes the proper calculation of User Aggregate Reconciliation Clearing Charges or User Aggregate Transportation Charge Adjustments on the basis of the calculation (in respect of an LDZ and Individual Reconciliation Sector) of the Aggregate LDZ AQ for the relevant Reconciliation Billing Period.
 - (b) Where a relevant Invoice Query arises due to the improper calculation of the Aggregate LDZ AQ any such User Aggregate Reconciliation Quantity subsequently determined to be due, paragraph 7.2.4 shall apply and the amount shall be invoiced and is payable to the User in accordance with Section S and:
 - (i) where the effective period is less than 1 month the Reconciliation Quantity shall be subject to Monthly Individual Reconciliation in accordance with paragraph 7.2.1(a);
 - (ii) where the effective period is greater than or equal to 1 month but less than 4 months the Reconciliation Quantity shall be subject to Annual Individual Reconciliation in accordance with paragraph 7.2.1(b); or

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- (iii) where the effective period is more than 4 months the Reconciliation Quantity shall be subject to DM Check Individual Reconciliation in accordance with paragraph 7.2.1(c);
- (c) The "**effective period**" for the purpose of this paragraph 7.7.2(b) is the period between the date at which improper calculation of the Aggregate LDZ AQ began and the date of resolution of such Invoice Query.

7.8 Qualifying LDZ Reconciliation

7.8.1 For the purposes of this paragraph 7.8:

- (a) "**particular**" LDZ Reconciliation is LDZ Reconciliation under paragraph 7.6.1(a) in respect of adjustments (as referred to in that paragraph) made as a result of a particular failure or error in measurement equipment or other particular cause;
- (b) in relation to particular LDZ Reconciliation:
 - (i) the "**relevant period**" is the continuous period of Days (as referred to in paragraph 7.6.1(a)) in respect of which such adjustments were made;
 - (ii) the "**relevant quantity**" is the aggregate quantity which is subject to such adjustment over the whole of the relevant period;
- (c) "**Qualifying**" LDZ Reconciliation is particular LDZ Reconciliation for which the relevant quantity is not less than 50 GWh;
- (d) in relation to Qualifying LDZ Reconciliation, an "**LDZ Reconciliation Month**" is a calendar month which commences and/or ends in the relevant period.

7.8.2 In relation to Qualifying LDZ Reconciliation, Aggregate NDM Reconciliation shall be carried out separately (and not in aggregate with remaining Individual Reconciliation Sectors) by reference to quantities, values and proportions determined separately for each LDZ Reconciliation Month; and accordingly, for the purposes of paragraphs 7.2.2 and 7.2.3:

- (a) references in those paragraphs:
 - (i) to Reconciliation Billing Period are to each LDZ Reconciliation Month;
 - (ii) to LDZ Reconciliation carried out in a Reconciliation Billing Period are to LDZ Reconciliation carried out in respect of each LDZ Reconciliation Month;
 - (iii) to Aggregate Reconciliation Quantity and Aggregate Reconciliation Clearing Value are to the sum, for all Days in each LDZ Reconciliation Month, of the Reconciliation Quantity and Reconciliation Clearing Value determined for each such Day in accordance with paragraph 7.6.2(b)(i); and
- (b) the Aggregate Reconciliation Period is the LDZ Reconciliation Month.

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7.8.3 Aggregate NDM Reconciliation in relation to Qualifying LDZ Reconciliation shall be invoiced by Ad-hoc Invoice, issued as soon as reasonably practicable after the carrying out of such LDZ Reconciliation.

7.8.4 Where a User that was a User at any time during the Aggregate Reconciliation Period determined pursuant to paragraph 7.8.2(a)(i) becomes a Discontinuing User on or before the date of submission of the relevant Ad-hoc Invoice, then to the extent that the amounts determined in accordance with paragraph 7.2.3 cannot be recovered from or paid to the Discontinuing User (or from or to any other User that is responsible for the payment of, or entitled to receive, such amounts), such amounts shall be payable by or to all other Users in the proportions that would be determined in accordance with 7.2.3 (as modified by this paragraph 7.8.4) as if User SP LDZ Aggregate AQ and the User CSEP LDZ Aggregate AQ for the Discontinuing User were zero.

8 SUPPRESSED RECONCILIATION

8.1 General

8.1.1 In relation to Larger Supply Points with effect from the Reconciliation by Difference Date:

- (a) subject to paragraph (c) below, the Transporter shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM and DM Reconciliation was undertaken pursuant to a Meter Reading obtained by the Transporter pursuant to Section M3.6 and M4.2 ("**Suppressed Reconciliation Values**");
- (b) subject to paragraph (c) below, the User shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM Reconciliation and DM Reconciliation was undertaken other than pursuant to a Meter Reading obtained by the Transporter pursuant to Section M3.6 and M4.2 ("**User Suppressed Reconciliation Values**"); and
- (c) where Meter Information has or was due to have been provided by Users to the Transporter in accordance with Section M3.2 and the Transporter informs the User that such Meter Information is incomplete, out of date or otherwise incorrect, the User shall investigate any Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation and such Reconciliation Values shall be User Suppressed Reconciliation Values.

8.1.2 Those Reconciliation Values in respect of which this paragraph 8 will apply (Reconciliation Values that have been "**Suppressed**", being Suppressed Reconciliation Values and User Suppressed Reconciliation Values) shall be identified in the "**Network Code Reconciliation Suppression Guidelines**", the document so entitled, prepared, published and revised (subject to prior approval by Panel Majority of the Uniform Network Code Committee) from time to time by the Transporter (in consultation with Users).

8.1.3 For the purposes of this paragraph 8:

- (a) "**Investigate**" means an investigation:

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- (i) by the Transporter of the accuracy of a Suppressed Reconciliation Value; or
- (ii) by the User of the accuracy of a User Suppressed Reconciliation Value;
- (b) **"relevant Reconciliation Billing Period"** is the Reconciliation Billing Period in respect of which a Reconciliation Invoice would have contained an Invoice Item derived from a Suppressed Reconciliation Value had not paragraph 8.1.4 applied;
- (c) for each LDZ for each Reconciliation Billing Period the **"User LDZ Suppressed Reconciliation Proportion"** shall be the User's User Aggregate Reconciliation Proportion for Monthly Individual Reconciliation calculated in accordance with paragraph 7.2.2.

8.1.4 Where as a result of carrying out Individual NDM Reconciliation or DM Reconciliation a Reconciliation Value is Suppressed, neither the Suppressed Reconciliation Value nor the User Suppressed Reconciliation Value will be used for the purposes of calculating the relevant Invoice Items in a Reconciliation for the relevant Reconciliation Billing Period (Reconciliation Billing Period 'p').

8.1.5 Where a Termination Notice has been submitted to a User pursuant to Section V4.3, all User Suppressed Reconciliation Values for such User which are outstanding at the User Discontinuance Date or are subsequently created after the User Discontinuance Date shall be cancelled and deemed to be void ab initio and no further Reconciliation Values for the Meter Reading Periods to which the User Suppressed Reconciliation Values related shall be invoiced and payable.

8.2 Suppressed Reconciliation Values

8.2.1 In respect of each LDZ for each Reconciliation Billing period the Transporter will pay to the User (provided such amount is positive) the aggregate of:

(a)

$$(G * H) - (M * £25)$$

where following Individual NDM Reconciliation in Reconciliation Billing Period 'p':

G is the User's SP Aggregate Reconciliation Proportion for Reconciliation Billing Period 'p + 1';

H is $((0.98 * A) - B * £20) + (C * £30)$;

where:

A is the number of Suppressed Reconciliation Values that have been Suppressed in Reconciliation Billing Period 'p';

B is the number of Suppressed Reconciliation Values that had been Suppressed in Reconciliation Billing Period 'p' which are not Suppressed in Reconciliation Billing Period 'p + 1';

C is the number of Suppressed Reconciliation Values that had been

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Suppressed in any Reconciliation Billing Period 'p' and which remain Suppressed in Reconciliation Billing Period 'p + 2' or any subsequent Reconciliation Billing Period;

M is number of Meter Reads obtained by the Transporter in relation to the User Section M3.6.1 that are Suppressed in Reconciliation Billing Period 'p';

and

(b)

$$(((0.98 * D) - E) * £40) + (F * £60))$$

where following DM Reconciliation in Reconciliation Billing Period 'p':

D is the number of Reconciliation Values Suppressed in Reconciliation Billing Period 'p';

E is the number of Reconciliation Values Suppressed in Reconciliation Billing Period 'p' which are not Suppressed in Reconciliation Billing Period 'p + 1';

F is the number of Reconciliation Values suppressed in Reconciliation Billing Period 'p' and which remain Suppressed in Reconciliation Billing Period 'p + 2' or any subsequent Reconciliation Billing Period.

8.2.2 Amounts payable by the Transporter under paragraph 8 will be invoiced and are payable in accordance with Section S.

8.2.3 For the purposes of Section V10:

(a) the rules in paragraph 8.2.1(a) are Compensation Rules within Compensation Group C; and

(b) the rules in paragraph 8.2.1(b) are compensation Rules within Compensation Group D

and in relation thereto the "**payment month**" is the second month following Reconciliation Billing Period p + 2.

8.3 User Suppressed Reconciliation Values

8.3.1 For the purposes of this paragraph 8.3 the "**USRV Month**" shall be the period of one month commencing on the 21st day of the month.

8.3.2 The User shall use all reasonable endeavours to ensure that no less than 50% of User Suppressed Reconciliation Values that are Suppressed in a USRV Month are not Suppressed in the immediately following USRV Month.

8.3.3 With effect from the third USRV Month after the User Suppressed Reconciliation Date and subject to paragraphs 8.3.4 and 8.3.5, in respect of each LDZ for each USRV Month the User will pay to the Transporter the amount (provided such amount is positive) calculated as:

$$(((0.95 * A) - B) * £20) + ((A - C) * £30)$$

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where following individual NDM Reconciliation in USRV Month 'p':

- A is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p';
- B is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p' which are not Suppressed in USRV Month 'p + 2';
- C is the number of User Suppressed Reconciliation Values for the User that are Suppressed in any USRV Month 'p' and which are not Suppressed in USRV Month 'p + 4'.

8.3.4 In the event that the number of User Suppressed Reconciliation Values for a User in a USRV Month:

- (a) is greater than 150% of the average for such User in the 6 previous USRV Months; and
- (b) is no less than 20 User Suppressed Reconciliation Values greater than the average set out in (i) above

paragraph 8.3.3 shall not apply and, subject to paragraph 8.3.5, in respect of each LDZ and for such USRV Month the User will pay to the Transporter the amount (provided such amount is positive) calculated as:

$$(((0.95 * A) - B) * £20) + ((A - C) * £30)$$

where following Individual NDM Reconciliation in USRV Month 'p':

- A is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p'
- B is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p' which are not Suppressed in USRV Month 'p + 3';
- C is the number of User Suppressed Reconciliation Values for the User that are Suppressed in any USRV Month 'p' and which are not Suppressed in USRV Month 'p + 5' or any USRV Month after 'p + 5'.

8.3.5 The amount due from all Users under paragraphs 8.3.3 and 8.3.4 shall not exceed £500,000 (the “**USRV Cap**”) and in the event that the aggregate of amounts due from all Users for a USRV Month exceeds such amount, the amounts due shall be reduced pro rata.

8.3.6 The Transporter shall retain 2% of all amounts received pursuant to paragraphs 8.3.3 and 8.3.4 above (as such amounts may be adjusted pursuant to paragraph 8.3.5 subject to a maximum limit of 0.5% of the USRV Cap) and shall credit the remainder to Users:

- (a) after each period of 3 calendar months and after the Transporter has received all payment due under paragraphs 8.3.3 and 8.3.4 from all Users for the relevant LDZ;
- (b) pro rata according to the aggregate of the User SP LDZ Aggregate AQ in such

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3 month period.

8.3.7 Amounts payable by the User under paragraph 8 will be invoiced and are payable in accordance with Section S.

8.4 Resolution of User Suppressed Reconciliation Values by the Transporters

8.4.1 Where a User Suppressed Reconciliation Value remains Suppressed:

- (a) for a period of 30 months following the USRV Month; or
- (b) in the Back Stop Reconciliation Month where it is more than 30 months following the USRV Month;

without prejudice to the User's entitlement to investigate the User Suppressed Reconciliation Value pursuant to paragraph 8.1.1(b) and (c), the Transporter will commence an investigation of such User Suppressed Reconciliation Value in such 30th month (or in the Back Stop Reconciliation Month) and use its reasonable endeavours to resolve the User Suppressed Reconciliation Value such that it will cease to be Suppressed and such activity will be performed as a User Pays Service.

8.4.2 The USRV User will, irrespective of whether it investigates the User Suppressed Reconciliation Value pursuant to paragraph 8.1.1(b) and (c), pay (in accordance with Section S) to the Transporter a User Pays Charge in respect of such User Pays Service.

8.4.3 A User Suppressed Reconciliation Value which is the subject of an investigation by the Transporter pursuant to paragraph 8.4.1 will cease to be included within the number of User Suppressed Reconciliation Values calculated in accordance with paragraphs 8.3.3 and 8.3.4.

8.4.4 Where requested by the Transporter for the purposes of assisting it with its investigation:

- (a) the User will provide to the Transporter such additional information which is in its possession and may be reasonably obtained by it;
- (b) the User, which at the time of the request is the Registered User of the Supply Point in respect of the User Suppressed Reconciliation Value that is the subject of an investigation by the Transporter pursuant to paragraph 8.4, will facilitate access to the Supply Point Premises at which the Supply Meter Installation is located for the purposes of enabling the Transporter to obtain a Meter Reading and Meter Information;

and the provisions of Section M3.2 shall apply in respect of any changes identified.

8.4.5 Where the investigation by the Transporter pursuant to paragraph 8.4.1 concludes that:

- (a) there is sufficient information to determine that the User Suppressed Reconciliation Value will cease to be Suppressed, the Transporter will notify the USRV User and use the User Suppressed Reconciliation Value for the purpose of calculating the relevant invoice items in a Reconciliation for the relevant Reconciliation Billing Period;

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- (b) there is insufficient information to determine that the User Suppressed Reconciliation Value should cease to be Suppressed, the Transporter may, in its discretion, determine that such User Suppressed Reconciliation Value will not be used for the purpose of calculating the relevant invoice items in a Reconciliation for the relevant Reconciliation Billing Period;

and such determination will be final and binding.

8.4.6 Where a User Suppressed Reconciliation Value which is the subject of an investigation by a User pursuant to paragraph 8.1.1, relates to the same relevant Reconciliation Billing Period as applies to the User Suppressed Reconciliation Value which is the subject of an investigation by the Transporter pursuant to paragraph 8.4.1, paragraph 8.4.4 and 8.4.3 shall apply in respect of the User Suppressed Reconciliation Value which is the subject of the paragraph 8.1.1 investigation, notwithstanding that a period of 30 months has not elapsed from the USRV Month for such User Suppressed Reconciliation Value.

8.4.7 “**USRV User**” is the User in respect of the User Suppressed Reconciliation Value which is the subject of an investigation by the Transporter pursuant to paragraph 8.4.1 (irrespective of whether it remains the Registered User of the Supply Point).

9 CLASS A CONTINGENCIES

9.1 Class A Contingencies

9.1.1 During the period of a Class A Contingency:

- (a) access to information pursuant to paragraph 1.6;
- (b) submission of the Entry Allocation Statement pursuant to paragraph 2.1: and
- (c) submission of the Unclaimed Entry Allocation Statement pursuant to paragraph 2.3;

will be processed in accordance the relevant Contingency Procedures.

10 ALLOCATION OF UNIDENTIFIED GAS (“AUG”)

10.1 Interpretation

10.1.1 For the purposes of the Code:

- (a) “**Unidentified Gas**” means quantities of gas which are counted in Aggregate NDM Reconciliation and which do not represent:
 - (i) differences between:
 - (1) the quantities estimated pursuant to Section H as offtaken, and
 - (2) the quantities determined pursuant to Meter Readings as offtaken

at NDM Supply Point-Components or CSEP Equivalent Points; or

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- (ii) differences between:
 - (1) the Metered Quantities determined by Daily Meter Readings under Section M4, or (as the case may be, in the case of a Failed Daily Read Day) on the basis of assumed Metered Volumes under Section M4.4.2(a), and
 - (2) the quantities determined pursuant to DM Check Reads or (as the case may be) pursuant to Section M4.4.4(a) as offtaken

at DM Supply Points ~~Components~~ or CSEP Equivalent Points or (as applicable) LDZ Metered Connected System Exit Points;
- (b) **"Unidentified Gas Source"** means a particular class of events or circumstances, or acts or omissions (on the part of Users, Suppliers, Transporters, consumers or other persons), which relate to Larger DM SP $\text{\textcircled{C}}$ s and/or Larger NDM SP $\text{\textcircled{C}}$ s and which cause or contribute to Unidentified Gas;
- (c) **"AUG Methodology"** means the methodology established for an AUG Year pursuant to paragraph 10.4.1;
- (d) **"AUG Table"** means the table established for an AUG Year pursuant to paragraph 10.4.2;
- (e) **"Unidentified Gas Quantity"** for an AUG Year, Unidentified Gas Source and SP $\text{\textcircled{C}}$ Class means the quantity set out (pursuant to paragraph 10.4.2(b)(ii)) in the AUG Table in respect of such Unidentified Gas Source and SP $\text{\textcircled{C}}$ Class;
- (f) **"AUG Expert"** means the person from time to time appointed and engaged to act pursuant to paragraph 10.2.1;
- (g) the **"Allocation of Unidentified Gas Document"** is a document (currently entitled 'Guidelines for the appointment of an Allocation of Unidentified Gas Expert') setting out:
 - (i) the basis for appointment and engagement of the AUG Expert, including the following:
 - (1) the procedure for selection by tender of a person to act as AUG Expert;
 - (2) prequalification requirements for persons to be eligible to participate in such a tender;
 - (3) criteria for selection of a person to act as AUG Expert;
 - (4) terms of reference for the AUG Expert;
 - (5) the duration of appointment of the AUG Expert, the basis on which such appointment may be extended and requirements as to re-tendering the appointment from time to time; and

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- (ii) requirements and procedures for establishing the AUG Methodology and AUG Table; and
- (iii) any other matters (consistent with this paragraph 9) the Committee decides and the Transporters agree should be included;
- (h) "**AUG Expert Contract**" means the contract of engagement of a person as AUG Expert as provided in paragraph 10.2.2(e);
- (i) "**AUG Year**" means the twelve month period commencing 01 April 2012 and the twelve month period commencing on each subsequent 1 April; and in relation to an AUG Year a reference to the preceding year is to the twelve month period ending 31 March before the start of the AUG Year.

10.1.2 For the purposes of this paragraph 10:

- (a) "**Smaller SPCs**", "**Larger NDM SPCs**" and "**Larger DM SPCs**" mean respectively the following classes of Supply Point ~~Component~~ and (in each case) CSEP Equivalent Points:
 - (i) ~~Supply Point Components comprised in~~ Smaller Supply Points;
 - (ii) NDM Supply Points ~~Components that are comprised in~~ Larger Supply Points; and
 - (iii) DM Supply Points ~~Components that are comprised in~~ Larger Supply Points;(each a "**SPC Class**")
- (b) "**CSEP Equivalent Points**" means System Exit Points treated as comprised (as contemplated in Section A3.3.5 and as provided in the relevant CSEP Network Exit Provisions) in an Unmetered Connected System Exit Point which relate to points of supply (to premises connected to the relevant Connected Offtake System) equivalent to Supply Points ~~Components~~ of a given class; and references to provisions of the Code include (in relation to CSEP Equivalent Points) corresponding CSEP Network Exit Provisions;
- (c) references to a User's CSEP Equivalent Points are to the CSEP Equivalent Points for which the User is responsible in accordance with the relevant CSEP Network Exit Provisions;
- (d) references to Larger Supply Points exclude NTS Supply Points and Special Metering Supply Points.

10.1.3 The Allocation of Unidentified Gas Document is a UNC Related Document and a reference to the Allocation of Unidentified Gas Document is to such document as from time to time in force.

10.1.4 In this paragraph 10, references to the Committee are to the Uniform Network Code Committee.

10.1.5 The Committee shall have the functions set out in this paragraph 10 and the Allocation of Unidentified Gas Document.

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10.2 Appointment of AUG Expert

10.2.1 A person shall be appointed and engaged by the Gas Transporters, in accordance with this paragraph 10.2, for the purposes of:

- (a) developing an AUG Methodology or (as the case may be) a modification of the prevailing AUG Methodology and recommending it to the Committee; and
- (b) by applying the AUG Methodology, preparing and recommending to the Committee an AUG Table;

in relation to each AUG Year.

10.2.2 The Gas Transporters shall, subject to and in accordance with the Allocation of Unidentified Gas Document, and under the supervision of or with the approval of the Committee to the extent provided in that Document:

- (a) prepare arrangements and documentation for a tender for the appointment of a person as AUG Expert;
- (b) conduct such tender on the basis of such arrangements and documentation;
- (c) review and assess the proposals made by persons tendering for appointment as AUG Expert (referred to as "bidders") pursuant to the tender;
- (d) where appropriate (for the purposes of the selection of a bidder), enter into further discussions with one or more of such bidders;
- (e) use reasonable endeavours to enter into a contract of engagement with the selected bidder; and
- (f) operate and enforce (and, as and if appropriate, take steps to extend or terminate) the AUG Expert Contract.

10.2.3 Without prejudice to the requirements of the Allocation of Unidentified Gas Document, the Gas Transporters may seek guidance or direction of the Committee in relation to anything they propose to do or any other matter arising in connection with their activities under paragraph 10.2.1, and may act in accordance with such guidance or direction.

10.2.4 This paragraph 10.2 shall apply for the purposes of the initial appointment of an AUG Expert and on each subsequent occasion on which (following the expiry without extension, or termination, of the engagement of the current AUG Expert) an AUG Expert is to be appointed.

10.3 Terms of engagement of AUG Expert and cost recovery

10.3.1 Nothing in this paragraph 10 shall require the Transporters to enter into an AUG Expert Contract on terms which in the Transporters' reasonable opinion:

- (a) would be unlawful for the Transporters; or
- (b) would risk the Transporters incurring any liability, other than in respect of their wilful misconduct, gross negligence or fraud, which the Transporters are not

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entitled to recover pursuant to paragraph 10.3.5.

10.3.2 The Transporters may enter into a AUG Expert Contract on terms which:

- (a) limit or exclude the liability (as to such matters as may be provided in such contract) of the AUG Expert, and/or
- (b) provide that if a User or any supplier or consumer makes any claim or takes any legal proceedings (as to such matters as may be provided in such contract) against the AUG Expert, the Transporters will indemnify the AUG Expert in respect of such claim or proceeding;

and in such a case each User undertakes that it shall not, and shall procure that each supplier and consumer does not, make such a claim or take such proceedings against the AUG Expert, and shall indemnify the Transporters in respect of any liability to the AUG Expert if such User or any such supplier or relevant customer does make such a claim or take such proceedings.

10.3.3 The Transporters may agree among themselves, upon such terms as they may so agree, that the AUG Expert Contract shall be entered into by any one of the Transporters alone; but in the absence of such agreement they shall enter jointly into such contract.

10.3.4 For the avoidance of doubt, the Transporters do not act as agent or trustee of any User or Users in entering into the AUG Expert Contract, and owe no duties or responsibilities to any User in respect of the AUG Expert Contract other than as provided in this paragraph 9 and the Allocation of Unidentified Gas Document.

10.3.5 The functions of the Transporters under this paragraph 10 (including the engagement of the AUG Expert) are User Pays Services and all amounts payable to the AUG Expert and any other costs, expenses and liabilities incurred under the AUG Expert Contract are recoverable as User Pays Charges.

10.4 Establishing the AUG Methodology and AUG Table

10.4.1 For each AUG Year, a methodology (covering matters including research, sampling, data, modelling, analysis, criteria) shall be established for:

- (a) identifying Unidentified Gas Sources; and
- (b) estimating for each Unidentified Gas Source:
 - (i) the aggregate quantity of Unidentified Gas over the AUG Year, and
 - (ii) of such aggregate quantity, the amount which is attributable to events, circumstances, acts and/or omissions (as referred to in paragraph 9.1.1(b)) which relate to Larger DM SPes and to Larger NDM SPes respectively;

(and in relation to AUG Years other than the first, such methodology shall be established by modifying the methodology for the preceding AUG Year);

which methodology shall be such as, in the opinion of the Committee, is calculated to facilitate (or in the case of a modification to the methodology, better facilitate as compared with the prevailing AUG Methodology) the achievement of the relevant

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objectives in Standard Special Condition A11 of the Transporters' Licences.

10.4.2 For each AUG Year, following the establishment of the AUG Methodology, a table (in the form in Table E1) shall be established which sets out:

- (a) Unidentified Gas Sources;
- (b) for each Unidentified Gas Source:
 - (i) an aggregate quantity of Unidentified Gas; and
 - (ii) for each SP€ Class, a quantity of gas which shall be:
 - (1) for Larger DM SP€s and Larger NDM SP€s respectively, the amount of the quantity under paragraph (i) which is attributable (as provided in paragraph 9.4.1(b)(ii)) to such SP€ Class;
 - (2) for Smaller SP€s, an amount equal in magnitude and opposite to the sum of the quantities under paragraph (1);

(each as determined pursuant to the AUG Methodology).

10.4.3 For the purposes of this paragraph 10.4, for each AUG Year:

- (a) the AUG Expert shall prepare a proposed AUG Methodology;
- (b) the Committee shall consult or arrange for consultation with Users and Transporters (and other persons) in respect of the proposed AUG Methodology;
- (c) the outcome of such consultation shall be taken into account in preparing a further proposed AUG Methodology;
- (d) such further steps or iterations (if any) as are set out in the Allocation of Unidentified Gas Document shall be taken in relation to the proposed AUG Methodology
- (e) the Committee shall decide upon, adopt and publish the AUG Methodology;
- (f) the AUG Expert shall implement the AUG Methodology and prepare a proposed AUG Table;
- (g) such steps as are set out in the Allocation of Unidentified Gas Document shall be taken in relation to the proposed AUG Table, following which the AUG Expert shall submit a final AUG Table to the Committee;
- (h) the Committee shall adopt the final AUG Table submitted by the AUG Expert under paragraph (g) unless by unanimous resolution the Committee determines:
 - (i) to revise such AUG Table and adopt the revised AUG Table; or
 - (ii) to require any further iteration of any steps as referred to in paragraph (g), in which case paragraph (g) (to that extent) and this paragraph (h) shall further apply;

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- (i) the Committee shall publish the AUG Table as adopted under paragraph (h);
- all in accordance with and subject to and according to the timetable provided in the Allocation of Unidentified Gas Document.

10.4.4 For the purposes of the Code:

- (a) the AUG Methodology and AUG Table established for an AUG Year for the purposes of paragraph 10.4.1 shall be those adopted by the UNCC under paragraph 10.4.3, and shall not be subject to modification in relation to such AUG Year;
- (b) the AUG Methodology and the AUG Table shall be binding for the purposes of the Code.

10.4.5 Each Transporter and User shall, to the extent provided in the AUG Methodology, cooperate with and provide data to the AUG Expert in connection with the preparation of the AUG Table.

10.5 Allocation of Unidentified Gas

10.5.1 For the purposes of this paragraph 10, for each AUG Year, for each User, Reconciliation Billing Period and SPE Class:

- (a) the "**User SPE Aggregate AQ**" ($USAAQ_{SPE}$) is the amount calculated as follows:

$$USAAQ_{SPE} = \sum_d \sum_r AQ_{rd}$$

where

\sum_d is the sum over Days in the Reconciliation Billing Period;

\sum_r is the sum over the User's Registered Supply Point-Components and CSEP Equivalent Points of the relevant SPE Class in all LDZs on Day d;

and where for each such Supply Point-Component or CSEP Equivalent Point and Day, AQ_{rd} is the Annual Quantity of such Supply Point-Component or the equivalent quantity determined pursuant to the relevant CSEP Network Exit Provisions;

- (b) the "**User SPE Aggregate AQ Proportion**" ($USAAQP_{SPE}$) is the decimal factor calculated as follows:

$$USAAQP_{SPE} = USAAQ_{SPE} / \sum_U USAAQ_{SPE}$$

where \sum_U is the sum over all Users.

10.5.2 For the purposes of this paragraph 10, for each AUG Year, for each User and Reconciliation Billing Period:

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- (a) the "**User Unidentified Gas Quantity**" (UUGQ) is the amount in kWh calculated as follows:

$$UUGQ = \sum_{SP\epsilon} (\sum_{UGS} UGQ_{SP\epsilon} * USAAQP_{SP\epsilon}) / 12$$

where

$\sum_{SP\epsilon}$ is the sum over SP€ Classes

\sum_{UGS} is the sum over Unidentified Gas Sources set out in the AUG Table

and where for each Unidentified Gas Source and SP€ Class

$UGQ_{SP\epsilon}$ is the Unidentified Gas Quantity set out in the AUG Table

and where for each SP€ Class

$USAAQP_{SP\epsilon}$ is User SP€ Aggregate AQ Proportion

- (b) the "**User Unidentified Gas Amount**" (UUGA) is the amount calculated as follows:

$$UUGA = UUGQ * TDSAP$$

where

TDSAP is the arithmetic average of the values of System Average Price for each of the Days in the Reconciliation Billing Period.

10.5.3 The User Unidentified Gas Amount shall be payable, by way of adjustment in respect of the aggregate User Aggregate Reconciliation Clearing Values:

- (a) by the User to National Grid NTS, where such amount is positive;
(b) by National Grid NTS to the User, where such amount is negative;

and shall be invoiced (at the same time or as soon as practicable after the Invoice in respect of the Aggregate NDM Reconciliation) and payable in accordance with Section S.

10.5.4 This paragraph 10.5 does not apply where for any AUG Year no AUG Table is established or there are no non-zero values of Unidentified Gas in the AUG Table.

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Table E1 – Form of AUG Table

AUG Table for AUG Year

Unidentified Gas Source	Aggregate quantity of Unidentified Gas	Unidentified Gas Quantity		
		Larger DM SPEs (A)	Larger NDM SPEs (B)	Smaller SPEs (C)*
(etc)				

*C = - (A + B)

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION F – SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

1 GENERAL AND SYSTEM PRICES

1.1 Introduction

1.1.1 This Section F provides for:

- (a) the clearing of each User's Daily Imbalances;
- (b) the calculation and payment of Daily Imbalance Charges and Scheduling Charges;
- (c) the calculation and payment of Balancing Neutrality Charges;
- (d) the clearing of each User's Reconciliation Quantities; and
- (e) the calculation and payment of Reconciliation Neutrality Charges.

1.1.2 For the purposes of the Code:

- (a) a "**Daily Imbalance Charge**" is an amount payable by or to a User in respect of a Daily Imbalance, in accordance with paragraph 2;
- (b) "**Scheduling Charges**" are amounts payable by a User in respect of differences between quantities delivered and offtaken to or from the Total System each Day and the quantities Nominated for such delivery or offtake, in accordance with paragraph 3;
- (c) "**Balancing Charges**" are Daily Imbalance Charges and Scheduling Charges;
- (d) "**Balancing Neutrality Charges**" are amounts payable by or to National Grid NTS, so that it does not gain or lose by the payment and receipt of Market Balancing Action Charges, Daily Imbalance Charges, Scheduling Charges and other amounts specified in and in accordance with paragraph 4;
- (e) "**Reconciliation Neutrality Charges**" are amounts payable by or to National Grid NTS, so that it does not gain or lose by the payment and receipt of Reconciliation Clearing Values, in accordance with paragraph 6 (or in relation to NTS System Exit Points, paragraph 4).
- (f) "**Default System Marginal Price**" is the price (in pence per kWh):
 - (i) calculated by National Grid NTS in accordance with the Default System Marginal Price Methodology;
 - (ii) contained in the Default System Marginal Price Statement; and
 - (iii) which shall apply for the Gas Year following the Gas Year in which the Default System Marginal Price Statement is published;

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- (g) **“Default System Marginal Price Statement”** means the document prepared and published by National Grid NTS by no later than 1 August 2012 and by no later than 1 August in each subsequent Gas Year;
- (h) **“Default System Marginal Price Methodology”** means the following formula:

$$\text{Default System Marginal Price (pence/kWh)} = \left[\frac{\text{Annual Compressor Fuel Cost (£) x 100}}{\text{Total System Demand (TWh) x } 10^9} \right] + \text{Average Forecast NTS Capacity Charges (pence/kWh)}$$

Where:

“Annual Compressor Fuel Cost” is the cost (in pounds sterling (£)) of operating all the NTS compressors during the Formula Year ending in the Gas Year in which the Default System Marginal Price Statement is published;

“Total System Demand” is the total system actual demand (in Terawatt Hours (TWh)), as published within National Grid NTS’s Ten Year Statement, for the Gas Year preceding the Gas Year in which the Default System Marginal Price Statement is published;

“Average Forecast NTS Capacity Charges” are the charges (in pence per kilowatt hour (p/kWh)) determined as TORt less TOKt (both such terms being defined in Special Licence Condition C8B of National Grid NTS’s Transporter’s Licence) in respect of the Formula Year commencing in the Gas Year in which the Default System Marginal Price Statement is published, divided by the 1 in 20 peak day demand in relation to the Gas Year following the Gas Year in which the Default System Marginal Price Statement is published; and

the numerical result derived from the application of the Default System Marginal Price Methodology shall be contained in the Default System Marginal Price Statement.

1.2 System prices

1.2.1 Subject to paragraphs 1.2.2 and 1.2.5, for each Day:

- (a) the **“System Marginal Buy Price”** is the greater of:
- (i) the System Average Price plus the Default System Marginal Price; and
 - (ii) the price in pence/kWh which (subject to Section D4.1.4, 4.1.5(a)) is equal to the highest Balancing Action Offer Price in relation to a Market Balancing Action taken for that Day;
- (b) the **“System Marginal Sell Price”** is the lesser of:
- (i) the System Average Price less the Default System Marginal Price; and

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- (ii) the price in pence/kWh which (subject to Section D4.1.4, 4.1.5(b) and 4.1.7) is equal to the lowest Balancing Action Offer Price in relation to a Market Balancing Action taken for that Day;
 - (c) the "**System Average Price**" for a Day is (subject to Section D4.1.4 and 4.1.6) the price in pence/kWh calculated as the sum of all Balancing Transaction Charges divided by the sum of the Market Transaction Quantities and Non-Trading System Transaction Quantities for all Balancing Transactions respectively effected in respect of that Day.
- 1.2.2 Where for any Day no Balancing Transaction was effected (or none other than one excluded for the purposes of paragraph 1.2.1 pursuant to paragraph 1.2.3), the System Average Price for that Day shall be the arithmetic mean of the System Average Price determined under paragraph 1.2.1 (or under this paragraph) for each of the 7 preceding Days.
- 1.2.3 For the purposes of paragraph 1.2.1(a), (b) and (c) Excluded Locational Actions will be excluded in determining the System Marginal Sell Price, System Marginal Buy Price and the System Average Price.
- 1.2.4 For the purposes of paragraph 1.2.3,

an "**Excluded Locational Action**" is a Market Balancing Buy Action or a Market Balancing Sell Action taken pursuant to Section D1.5 for the purposes of increasing or decreasing gas flows at a System Point for the purposes of avoiding or remedying a Localised Transportation Deficit, Transportation Constraint, Entry Capability Shortfall or Firm Capacity Shortfall.

- 1.2.5 Where:
 - (a) it appears to National Grid NTS after consultation with the Uniform Network Code Committee or any relevant Sub-committee that there is an alternative basis for determining a price to apply each Day as the System Average Price for the purposes of paragraph 5, and that such basis would be more appropriate for such purposes than that set out in paragraphs 1.2.1 and 1.2.2 (or applying at the time pursuant to any prior application of this paragraph 1.2); and
 - (b) upon National Grid NTS's application the Authority has given Condition A11(18) Approval to National Grid NTS's applying, with effect from the Day proposed by National Grid NTS after such consultation, such alternative basis for such purposes

then with effect from such Day the price determined each Day pursuant to such alternative basis will be applied for the purposes of paragraph 5 and references to the System Average Price in that paragraph will be construed accordingly (but without prejudice to the continued application of the System Average Price determined under paragraphs 1.2.1 and 1.2.2 for other purposes of the Code); and National Grid NTS will as soon as reasonably practicable after the Authority gave such approval notify Users of such alternative basis.

1.3 Commissioning VLDMCs

- 1.3.1 Subject to paragraph 1.3.2 for the purposes of paragraphs 2.2.1 and 3.2.2 until the date

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specified or determined pursuant to the provisions (applying pursuant to Section J1.5.2(b)) of the applicable Network Exit Provisions as the date when commissioning of the Consumer's Plant is completed, a VLDMC Supply Point ~~Component~~ will be treated as a DMC Supply Point ~~Component~~ other than a VLDMC Supply Point ~~Component~~.

- 1.3.2 Paragraph 1.3.1 will apply only where the Registered User gives notice to the Transporter of the commissioning and complies with any other procedural requirements in accordance with the applicable Network Exit Provisions.

1.4 Daily Read Errors

- 1.4.1 Where for a Daily Read Error Day an Error Revised UDQO has been determined (pursuant to Sections M4.8 and E3.5) for a DM Supply Point ~~Component~~:

- (a) the Transporter will, as soon as reasonably practicable, determine by reasonable estimation, and notify to the relevant User, the quantities and amounts referred to in this paragraph 1.4;
- (b) this paragraph 1.4 shall apply on the basis of the quantities and amounts so determined by the Transporter.

- 1.4.2 Where the relevant Supply Point ~~Component~~ was a DMC Supply Point ~~Component~~:

- (a) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge exceeds the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, National Grid NTS will pay to the User the amount of the excess;
- (b) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge is less than the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, the User will pay to National Grid NTS the amount of the deficit.

- 1.4.3 Subject to paragraph 1.4.4, where the magnitude of the User's Daily Imbalance for the Daily Read Error Day would have been greater had the Error Revised UDQO been used in the calculation under Section E5:

- (a) if the Daily Imbalance was positive, National Grid NTS will be liable to pay to the User;
- (b) if the Daily Imbalance was negative, the User will be liable to pay to National Grid NTS

the amount (if any) calculated as the relevant quantity multiplied by the relevant price (in accordance with paragraph 1.4.5).

- 1.4.4 Where the User's Daily Imbalance would have been positive and not negative, or negative and not positive, had the Error Revised UDQO been used in the calculation under Section E5 paragraph 1.4.3 shall apply, irrespective of whether the magnitude of such Daily Imbalance would have been greater on the basis that the reference therein to whether the Daily Imbalance was positive or negative shall be to whether it would have

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been positive or negative.

1.4.5 For the purposes of this paragraph 1.4:

- (a) the "**relevant quantity**" is for the purposes of paragraph 1.4.4 the sum of the User's Daily Imbalance and the error quantity, less the Imbalance Tolerance Quantity;
- (b) the "**relevant price**" is the difference between:
 - (i) for the purposes of paragraph 1.4.3(a), the System Marginal Sell Price; or
 - (ii) for the purposes of paragraph 1.4.3(b), the System Marginal Buy Price and the System Average Price, each for the Daily Read Error Day (it being acknowledged that DM Reconciliation will separately provide an appropriate adjustment as to the System Average Price);
- (c) the "**error quantity**" is the magnitude of the difference between the Error Revised UDQO and the UDQO originally determined under Section E3.

1.4.6 Amounts paid by National Grid NTS pursuant to paragraph 1.4.2(a) or paid to National Grid NTS pursuant to paragraphs 1.4.2(b) and 1.4.3 will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of paragraph 4.5.3 in the month in which such amounts are paid.

1.4.7 It is acknowledged that the payments to be made pursuant to this paragraph 1.4 are separate additional obligations for the purposes of the Code, and nothing in Section M4.8 or E3.5 or this paragraph 1.4 shall prejudice the liability of the Transporter or any User to make payments (determined on the basis of the original UDQO) pursuant to any other provision of the Code.

1.5 DNO User

In this Section F references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.¹

2 DAILY IMBALANCES

2.1 Introduction

2.1.1 The gas representing the amount of a User's Daily Imbalance in respect of a Day shall be deemed to be sold and purchased and the imbalance cleared in accordance with this paragraph 2.

2.1.2 The Daily Imbalance Charge in respect of a User's Daily Imbalance shall be determined in accordance with paragraph 2.3.

2.2 System Clearing Contract

¹ Implementation of modifications 0338V effective 06:00hrs on 01/01/2013 will add new paragraph 1.6.

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- 2.2.1 The quantity of gas comprising a User's Daily Imbalance shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.
- 2.2.2 For the purposes of such System Clearing Contract:
- (a) where the Daily Imbalance is positive, the seller is the User and the buyer is National Grid NTS;
 - (b) where the Daily Imbalance is negative, the seller is National Grid NTS and the buyer is the User.
- 2.2.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.
- 2.2.4 The Daily Imbalance shall be extinguished by the System Clearing Contract.

2.3 Clearing Charge

- 2.3.1 The Daily Imbalance Charge shall be the Clearing Charge in respect of the System Clearing Contract under this paragraph 2 and shall be calculated by multiplying the Daily Imbalance of the User as follows:
- (a) where the Daily Imbalance is positive, the System Marginal Sell Price for the Gas Flow Day; and
 - (b) where the Daily Imbalance is negative, the System Marginal Buy Price for the Gas Flow Day.
- 2.3.2 In the event of a Class A Contingency (in accordance with Section U6) occurring on the Gas Flow Day the references in paragraph 2.3.1(b) to System Marginal Sell Price and System Marginal Buy Price shall be to the System Average Price.
- 2.3.3 The buyer shall pay the Daily Imbalance Charge in respect of the Daily Imbalance to the seller.
- 2.3.4 The Daily Imbalance Charge shall be invoiced and payable in accordance with Section S.

3 SCHEDULING CHARGES

3.1 Introduction

- 3.1.1 Where on a Day the quantity of gas delivered to or offtaken from the Total System by a User at a System Point or group of System Points differs (by more than an allowed tolerance) from the quantities nominated by the User in respect of that System Point or group, the User shall pay a Scheduling Charge in accordance with this paragraph 3.
- 3.1.2 Scheduling Charges incurred under this paragraph 3 will be invoiced and are payable in accordance with Section S.
- 3.1.3 No account shall be taken of gas flows at Inter-System Offtakes for the purposes of calculating Scheduling Charges.

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3.2 Input Scheduling Charges

3.2.1 For the purposes of the Code, for each User in respect of each Aggregate System Entry Point on each Day:

- (a) the "**Scheduling Input Nominated Quantity**" is the sum of the Nominated Quantities under its Input Nominations for each System Entry Point comprised in that Aggregate System Entry Point;
- (b) the "**Input Scheduling Quantity**" is the amount by which the sum of the UDQIs (in accordance with Section E2.1) for each System Entry Point comprised in that Aggregate System Entry Point was greater than or (as the case may be) less than the Scheduling Input Nominated Quantity;
- (c) the "**Inner Input Tolerance Quantity**" is 3% of the Scheduling Input Nominated Quantity;
- (d) the "**Outer Input Tolerance Quantity**" is 5% of the Scheduling Input Nominated Quantity;
- (e) the "**First Chargeable Input Scheduling Quantity**" is:
 - (i) where the magnitude of the Input Scheduling Quantity exceeds the Outer Input Tolerance Quantity, the amount of the difference between the Outer Input Tolerance Quantity and the Inner Input Tolerance Quantity;
 - (ii) where the magnitude of the Input Scheduling Quantity does not exceed the Outer Input Tolerance Quantity, the amount (if any) by which the magnitude of the Input Scheduling Quantity exceeds the Inner Input Tolerance Quantity;
- (f) the "**Second Chargeable Input Scheduling Quantity**" is the amount (if any) by which the magnitude of the Input Scheduling Quantity exceeds the Outer Input Tolerance Quantity.

3.2.2 Where the magnitude of the Input Scheduling Quantity exceeds the Inner Input Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the sum of:

- (a) the amount of the First Chargeable Input Scheduling Quantity multiplied by 2% of the System Average Price for the Gas Flow Day; and
- (b) the amount of the Second Chargeable Input Scheduling Quantity (if any) multiplied by 5% of the System Average Price for the Gas Flow Day.

3.3 Output Scheduling Charges

3.3.1 Subject to paragraph 3.3.4, for the purposes of this Section F, for each User:

- (a) an "**Output Scheduling Point or Group**" is:
 - (i) a Registered DMC Supply Point ~~Component~~ other than a SDMC(I)

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Supply Point-~~Component~~; or

- (ii) a relevant Connected System Exit Point; or
 - (iii) the Scheduling Firm Supply Point Group for any LDZ; or
 - (iv) the Scheduling Interruptible Supply Point Group for any LDZ;
- (b) for each LDZ:
- (i) the "**Scheduling Firm Supply Point Group**" is all of the DMA(F) Supply Point Groups for each Exit Zone in that LDZ;
 - (ii) the "**Scheduling Interruptible Supply Point Group**" is all of the DMA(I) Supply Point Groups for each Exit Zone, and all of the Registered SDMC(I) Supply Points-~~Components~~, in that LDZ.

3.3.2 Subject to paragraph 3.3.4, for the purposes of the Code, for each User in respect of each Output Scheduling Point or Group:

- (a) the "**Scheduling Output Nominated Quantity**" is:
- (i) in the case of a Registered DMC Supply Point-~~Component~~ (other than a SDMC(I) Supply Point-~~Component~~), the Nominated Quantity under its Output Nomination for the relevant System Exit Point;
 - (ii) in the case of a relevant Connected System Exit Point, the Nominated Quantity under its Output Nomination for the relevant System Exit Point;
 - (iii) in the case of a Scheduling Firm Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(F) Supply Point Groups for Exit Zones in the relevant LDZ; and
 - (iv) in the case of a Scheduling Interruptible Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(I) Supply Point Groups for Exit Zones, and for all Registered SDMC(I) Supply Point-~~Components~~, in the relevant LDZ;
- (b) the "**Scheduling UDQO**" is:
- (i) in respect of a Scheduling Firm Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Firm DMA Supply Point ~~Components~~ in the relevant LDZ;
 - (ii) in respect of a Scheduling Interruptible Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Interruptible DMA Supply Point-~~Component~~s and all of the Registered SDMC(I) Supply Point-~~Components~~ in the relevant LDZ; and
 - (iii) in respect of any other System Exit Point (other than an NDM Supply Point-~~Component~~), the User's UDQO for that System Exit Point;
- (c) the "**Output Scheduling Quantity**" is the amount by which the Scheduling

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UDQO was greater than or (as the case may be) less than the Scheduling Output Nominated Quantity;

- (d) the "**Output Tolerance Quantity**" is:
- (i) in respect of a DMC Supply Point-~~Component~~ other than a VLDMC Supply Point-~~Component~~ or SDMC(I) Supply Point-~~Component~~, or a relevant Connected System Exit Point, the quantity which is 25% of the Scheduling Output Nominated Quantity;
 - (ii) in respect of a VLDMC Supply Point-~~Component~~ or relevant Connected System Exit Point, the quantity which is 3% of the Scheduling Output Nominated Quantity; and
 - (iii) in respect of a Scheduling Firm Supply Point Group, the quantity which is 20% of the Scheduling Output Nominated Quantity;
 - (iv) in respect of a Scheduling Interruptible Supply Point Group, the quantity which is 25% of the Scheduling Output Nominated Quantity;
- (e) the "**Chargeable Output Scheduling Quantity**" is the amount (if any) by which the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity.

3.3.3 Where the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the Chargeable Output Scheduling Quantity multiplied by 1% of the System Average Price for the Gas Flow Day.

3.3.4 A DMC Supply Point-~~Component~~, other than a SDMC(I) Supply Point-~~Component~~, will not be an Output Scheduling Point or Group where:

- (a) in respect of ~~the~~any Supply Meter Point (other than a Supply Meter Point at which telemetry equipment is installed as part of the Supply Meter Installation) comprised therein, the Gas Flow Day was a Failed Daily Read Day; or
- (b) the Transporter did not make gas available for offtake from the Total System at the Supply Point-~~Component~~.

4 BALANCING NEUTRALITY CHARGES

4.1 Introduction

4.1.1 The difference between the amounts received or receivable and the amounts paid or payable by National Grid NTS in respect of Balancing Charges and certain other amounts in each month is payable to or recoverable from relevant Users in accordance with this paragraph 4.

4.1.2 For the purposes of this paragraph 4:

- (a) "**relevant User**" means subject to paragraph 4.1.2(e) below, any User other than a Shrinkage Provider, and National Grid NTS when acting for Operating Margins Purposes;

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- (b) **"relevant UDQI"** means a UDQI of a relevant User;
- (c) **"relevant UDQO"** means a UDQO of a relevant User;
- (d) **"relevant Adjustment Day"** is the Day that any of the charges or amounts set out in paragraphs 4.5.2 and 4.5.3 relate to; and
- (e) for the purposes of paragraph 4.5 references to relevant User shall mean Users that were a User on the relevant Adjustment Day and on the relevant Day.

4.2 Payment of charge

- 4.2.1 Each relevant User shall pay to National Grid NTS, or (as the case may be) National Grid NTS shall pay to each relevant User, in respect of each Day ("**relevant Day**") a Balancing Neutrality Charge.
- 4.2.2 For each relevant User the Balancing Neutrality Charge shall be calculated as the sum of:
 - (a) the Unit Daily Neutrality Amount multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Day;
 - (b) the Adjustment Neutrality Amount for the relevant Day.
- 4.2.3 The Balancing Neutrality Charge is payable by National Grid NTS to the User where it is negative and by the User to National Grid NTS where it is positive.
- 4.2.4 Balancing Neutrality Charges shall be invoiced and are payable in accordance with Section S.

4.3 Unit Daily Neutrality Amount

The "**Unit Daily Neutrality Amount**" for a relevant Day is the Basic Net Neutrality Amount (under paragraph 4.4) for the relevant Day, divided by the sum of all relevant UDQIs and relevant UDQOs for all relevant Users.

4.4 Basic Net Neutrality Amount

- 4.4.1 For each relevant Day the "**Basic Net Neutrality Amount**" is Aggregate System Payments (in accordance with paragraph 4.4.3) less Aggregate System Receipts (in accordance with paragraph 4.4.2).
- 4.4.2 "**Aggregate System Receipts**" for a Day are the aggregate, for all Users, of the following:
 - (a) the Market Balancing Action Charges payable to National Grid NTS in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day (other than any Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint) and any other amounts payable to National Grid NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a

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Transportation Constraint) in respect of such Day;

- (b) the Daily Imbalance Charges payable to National Grid NTS in respect of each negative Daily Imbalance on that Day; and
- (c) the Scheduling Charges payable to National Grid NTS in relation to Input Scheduling Quantities and Output Scheduling Quantities in respect of that Day;
- (d) the Physical Renomination Incentive Charges payable to National Grid NTS in respect of that Day;
- (e) Total Incentivised Nomination Charges payable to National Grid NTS in respect of that Day;
- (f) the amounts received by National Grid NTS from Users pursuant to Section Q6.2 or Section Q6.3 in respect of Users' Emergency Curtailment Quantity relating to that Day or any revisions thereto;
- (g) the amounts received by National Grid NTS from Users pursuant to Section Q7.2 relating to that Day; and
- (h) the amount (if any) by which the aggregate amount of all Post-Emergency Claims Charges received by National Grid NTS in respect of a Day exceeds the aggregate amount of all Post-Emergency Claims Payments paid by National Grid NTS in respect of that Day, in each case pursuant to Section Q4.5.

4.4.3 "**Aggregate System Payments**" for a Day are the aggregate, for all Users, of the following:

- (a) the Market Balancing Action Charges payable by National Grid NTS in respect of each Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day (other than any Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint) and any other amounts payable by National Grid NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint) in respect of such Day;
- (b) the Daily Imbalance Charges payable by National Grid NTS under paragraph 2.2.1 in respect of each positive Daily Imbalance on that Day;
- (c) the amounts payable by National Grid NTS to Users pursuant to Section Q6.2 or Section Q6.3 in respect of Users' Emergency Curtailment Quantity relating to that Day or any revisions thereto;
- (d) the amounts payable by National Grid NTS to Users pursuant to Section Q7.2 relating to that Day; and
- (e) the amount (if any) by which the aggregate amount of all Post-Emergency Claims Payments paid by National Grid NTS in respect of a Day exceeds the aggregate amount of all Post-Emergency Claims Charges received by National Grid NTS in respect of that Day, in each case pursuant to Section Q4.5.

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4.5 Adjustment Neutrality Amount

4.5.1 The "**Adjustment Neutrality Amount**" for a relevant User for a Day is the sum of:

- (a) the "**Daily Adjustment Neutrality Amount**" for the relevant Day in accordance with paragraph 4.5.2;
- (b) the amount of the "**Monthly Adjustment Neutrality Amount**" determined under paragraph 4.5.3 for the calendar month (the "**relevant month**") in which the relevant Day falls, divided by the number of Days in the relevant month; and
- (c) the amount of the rounding adjustment in respect of the preceding Day in accordance with paragraph 4.5.5 divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

4.5.2 The "**Daily Adjustment Neutrality Amount**" for a relevant Day is the sum of:

- (a) the Daily Margins Recovery Amount in accordance with Section K4.3.1; and
- (b) the Clearing Charges payable by National Grid NTS in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(a)) at System Entry Points; less
- (c) the Clearing Charges payable to National Grid NTS in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(b)) at System Exit Points.

divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

4.5.3 The "**Monthly Adjustment Neutrality Amount**" for the relevant calendar month (month 'm') is:

- (a) the sum of the following amounts:
 - (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is positive divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;
 - (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to

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National Grid NTS), User Unidentified Gas Amounts (payable to National Grid NTS) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which were due for payment to National Grid NTS in respect of each Day in month m-2 but were unpaid to National Grid NTS as at the last Day of month m divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;

- (iii) the amount of any costs, expenses, payment or other amount incurred by National Grid NTS as referred to in Section E2.3.7(c) in connection with any claim by a third party in respect of gas subject to an Unclaimed Entry Allocation Statement and paid in month m divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;
- (iv) 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 (ii) divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day; and
- (v) any other amount (an "**additional Monthly Adjustment Neutrality Cost**"):
 - (1) provided to be included in this paragraph (a) in relation to month m under any provision of the Code; or
 - (2) incurred by National Grid NTS in month m where the Authority has, upon National Grid NTS's application, given Condition A11(18) Approval to National Grid NTS recovering such amount, or amounts of such kind, by inclusion in this paragraph (a)

divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day

- (vi) the amount of the Reconciliation Clearing Charges, relating to DM Reconciliation in respect of NTS Supply ~~Meter~~ Points or CSEP Reconciliation in respect of NTS Connected System Exit Points, payable by National Grid NTS in respect of Days in month m divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;
- (vii) the amount of any costs, expenses or other amount incurred by National Grid NTS in providing security and/or collateral to the Trading System Operator (pursuant to the Trading System Arrangements) in respect of Market Balancing Actions taken or to be taken by National Grid NTS

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and paid in month m and

- (viii) the amount of any costs, expenses or other amounts payable by National Grid NTS for the provision of Credit Rating Analytic Services procured from third parties in accordance with Section X2.2.6(c).

less:

- (b) the sum of the following amounts:

- (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is negative divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day;
- (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to National Grid NTS), User Unidentified Gas Amounts payable to National Grid NTS or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which:
 - (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Monthly Adjustment Neutrality Amount for month m-1; but
 - (2) has been paid to National Grid NTS since the last Day of month m-1

divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day

- (iii) 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 the late payment of Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges or Clearing Charges

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in respect of Unauthorised Gas Flows at System Entry Points divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day; and

- (iv) any other amount (an "**additional Monthly Adjustment Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code divided by the sum of all relevant UDQIs and UDQOs for all relevant Users for the relevant Adjustment Day multiplied by sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Adjustment Day.

4.5.4 For the purposes of paragraphs 4.5.3(a)(v) and 4.5.3(b)(iv) any amount therein referred to shall be included in the month in which National Grid NTS makes or receives payment of such amount, failing which in the month in which invoiced Balancing Charges in respect of the Day on which such amount accrued become due for payment pursuant to Section S.

4.5.5 The rounding adjustment for a Day is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Daily Neutrality Amount for the Day, the sum of all Balancing Neutrality Charges for the Day is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount.

4.5.6 For the purposes of paragraph 4.5.3(b), so much of any amounts received by National Grid NTS:

- (a) from any gas supplier pursuant to the undertaking required to be entered into by the supplier pursuant to Standard Condition 37 of the Supplier's Licence; or
- (b) from any consumer, pursuant to an arrangement which is exempt pursuant to the Gas Act 1986 Exemptions (No. 2) Order 1996,

as are calculated in like manner to, or may be considered to be equivalent to, Energy Balancing Charges, will be Additional Neutrality Adjustment Costs.

4.6 Balancing Neutrality Financing Adjustment

4.6.1 For the purposes of this paragraph 4, "**Balancing Neutrality Financing Adjustment**" for a Day is the amount calculated as the Neutrality Interest Rate for the Day multiplied by the closing cash balance for that Day.

4.6.2 For the purposes of this paragraph 4:

- (a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by National Grid NTS from Users on that Day, less the amount of all payments made by National Grid NTS for Users on that Day, in each case in respect of:
 - (i) any of the amounts taken into account (in accordance with paragraphs 4.4 and 4.5) in determining Balancing Neutrality Charges;

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- (ii) Balancing Neutrality Charges;
 - (iii) User Aggregate Reconciliation Clearing Charges;
 - (iv) Reconciliation Clearing Charges;
- (b) the "**opening cash balance**" for a Day is:
- (i) for 1 March 1996, zero;
 - (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

4.6.3 For the purposes of paragraph 4.6.2(a)(i):

- (a) the amount of the Balancing Neutrality Financing Adjustment for a Day shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by National Grid NTS,
- (b) the amount of the Daily Margins Recovery Amount for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by National Grid NTS,

in each case on the date on which invoiced Balancing Charges in respect of that Day become due for payment pursuant to Section S.

4.6.4 The Balancing Neutrality Financing Adjustment for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by National Grid NTS exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to National Grid NTS exceeding payments made by it.

5 RECONCILIATION CLEARING

5.1 System Clearing Contract

5.1.1 Upon each Individual Reconciliation, Aggregate NDM Reconciliation and End of Year AQ Reconciliation, the quantity of gas comprising the Reconciliation Quantity shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

5.1.2 Without prejudice to Section N4.5, for the purposes of such System Clearing Contract:

- (a) where the Reconciliation Quantity is positive, the seller is the User and the buyer is National Grid NTS;
- (b) where the Reconciliation Quantity is negative, the seller is National Grid NTS and the buyer is the User.

5.1.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.

5.1.4 The amount of the Reconciliation Quantity shall be extinguished by the System Clearing Contract.

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5.2 Clearing Charge

- 5.2.1 The Clearing Charge ("**Reconciliation Clearing Charge**") in respect of the System Clearing Contract under this paragraph 5 shall be the Reconciliation Clearing Value determined in accordance with Section E6.1.5 and the Clearing Charge ("**User Aggregate Reconciliation Clearing Charge**") in respect of the System Clearing Contract under paragraph 5 shall be the User Aggregate Reconciliation Clearing Value in accordance with paragraph 7.2.3. The Clearing Charge ("**End of Year AQ Reconciliation Clearing Charge**") in respect of the System Clearing Contract under paragraph 5 shall be the Annual Quantity Revision Difference Clearing Value in accordance with Section E7.4.5.
- 5.2.2 The buyer shall pay the Reconciliation Clearing Charge, the User Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge to the seller.
- 5.2.3 Reconciliation Clearing Charges, User Aggregate Reconciliation Clearing Charges and End of Year AQ Reconciliation Clearing Charges shall be invoiced and are payable in accordance with Section S.
- 5.2.4 The Reconciliation Clearing Charge shall be treated as payable in respect of the Day on which there was provided to or obtained by the Transporter the later of the two Meter Readings on the basis of which the Individual NDM Reconciliation, DM Reconciliation or (as the case may be) Individual CSEP Reconciliation was carried out, or if later the 5th Day following the Meter Read Date in respect of such Meter Reading.
- 5.2.5 The User Aggregate Reconciliation Clearing Charge shall be treated as payable for the purposes of Aggregate NDM Reconciliation on the last Day in the relevant Reconciliation Billing Period.
- 5.2.6 The End of Year AQ Reconciliation Clearing Charge shall be treated as payable for the purposes of End of Year AQ Reconciliation as and when invoiced by National Grid NTS in accordance with the provisions of Section S.

6 RECONCILIATION NEUTRALITY

6.1 Introduction

- 6.1.1 The difference between the amounts received or receivable and the amounts paid or payable by National Grid NTS in respect of Residual Reconciliation Clearing Charges in each month is payable to or recoverable from relevant Users in accordance with this paragraph 6.
- 6.1.2 This paragraph 6 shall apply in respect of Individual NDM Reconciliation, DM Reconciliation and Individual CSEP Reconciliation, other than in respect of NTS Supply ~~Meter~~ Points and NTS Connected System Exit Points.
- 6.1.3 For the purposes of this paragraph 6:
- (a) "**relevant User**" means any User other than a Shrinkage Provider and National Grid NTS when acting for Operating Margins Purposes;
 - (b) "**relevant UDQO**" means a UDQO of a relevant User in respect of an NDM

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Supply Point ~~Component~~ or relevant Unmetered Connected System Exit Point.

- (c) **"Residual Reconciliation Clearing Charges"** are those Reconciliation Clearing Charges attributable to Reconciliation Clearing Values calculated:
 - (i) following First Reconciliation in respect of the period prior to the Reconciliation by Difference Date; or
 - (ii) after the Reconciliation by Difference Date but attributable to the period before such date.

6.2 Payment of charge

- 6.2.1 Each relevant User shall pay to National Grid NTS, or (as the case may be) National Grid NTS shall pay to each relevant User, in respect of each calendar month ("**relevant month**") a Reconciliation Neutrality Charge.
- 6.2.2 For each relevant User the Reconciliation Neutrality Charge shall be calculated as the Unit Reconciliation Neutrality Amount multiplied by the sum of the relevant User's relevant UDQOs for each Day in the relevant neutrality month.
- 6.2.3 The Reconciliation Neutrality Charge is payable by National Grid NTS to the relevant User where it is negative and by the relevant User to National Grid NTS where it is positive.
- 6.2.4 Reconciliation Neutrality Charges shall be invoiced and are payable in accordance with Section S.
- 6.2.5 The "**relevant neutrality month**" shall be, where the relevant month:
 - (a) is before the Reconciliation by Difference Date, the relevant month;
 - (b) is after the Reconciliation by Difference Date, the month ("**final neutrality month**") preceding the month in which the Reconciliation by Difference Date falls.

6.3 Unit Reconciliation Neutrality Amount

- 6.3.1 Subject to paragraph 6.3.2, the "**Unit Reconciliation Neutrality Amount**" for a relevant month is the sum of the Basic Net Reconciliation Neutrality Amount (under paragraph 6.4) and the Adjustment Reconciliation Neutrality Amount (under paragraph 6.5) for each Day in the relevant month, divided by the sum of all relevant UDQOs for each Day in the relevant neutrality month for all relevant Users.
- 6.3.2 Where in respect of any relevant neutrality month (the "**capped month**") the magnitude of the amount (where positive) determined under paragraph 6.3.1 exceeds 0.015 pence per kWh:
 - (a) the magnitude of the Unit Reconciliation Neutrality Amount shall be equal to 0.015 pence per kWh;
 - (b) the amount determined in accordance with paragraph 6.3.3 shall be carried forward and taken into account in determining the Adjustment Reconciliation

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Neutrality Amount for the following relevant neutrality month or in the final neutrality month, in the following Reconciliation Billing Period.

- 6.3.3 The amount referred to in paragraph 6.3.2(b) is the amount by which the amount (where positive) determined under paragraph 6.3.1 (disregarding paragraph 6.3.2(a)) in respect of the capped month exceeds 0.015 pence per kWh, multiplied by the sum of the relevant UDQOs for all relevant Users for each Day in the relevant neutrality month.
- 6.3.4 The rounding adjustment for a month is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Reconciliation Neutrality Amount for Days in that month, the sum of all Reconciliation Neutrality Charges is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Reconciliation Neutrality Amounts and the Reconciliation Adjustment Neutrality Amounts for all such Days.

6.4 Basic Net Reconciliation Neutrality Amount

For each relevant month the "**Basic Net Reconciliation Neutrality Amount**" is the aggregate amount of Residual Reconciliation Clearing Charges payable by National Grid NTS in respect of Days in the Reconciliation Billing Period which commenced in that month, less the aggregate amount of Residual Reconciliation Clearing Charges payable to National Grid NTS in respect of Days in that Reconciliation Billing Period, plus the amount of the rounding adjustment in respect of the preceding month in accordance with paragraph 6.3.4.

6.5 Adjustment Reconciliation Neutrality Amount

The "**Adjustment Reconciliation Neutrality Amount**" for a relevant month (month 'm') is:

- (a) the sum of the following amounts:
- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is positive;
 - (ii) the amount of any Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to National Grid NTS) which were 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;
 - (iii) 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 (ii);
 - (iv) the amount (if any) determined under paragraph 6.3.3; and
 - (v) any other amount (an "**additional Adjustment Reconciliation Neutrality Cost**") provided to be included in this paragraph (a) in relation to month m under any provision of the Code;

less

- (b) the sum of the following amounts:

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- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is negative;
- (ii) the amount of any Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to National Grid NTS) which:
 - (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Reconciliation Adjustment Neutrality Amount for month m-1, but
 - (2) has been paid to National Grid NTS since the last Day of month m-1;
- (iii) 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 Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges; and
- (iv) any other amount (an "**additional Adjustment Reconciliation Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code.

6.6 Reconciliation Neutrality Financing Adjustment

6.6.1 For the purposes of this paragraph 6, "**Reconciliation Neutrality Financing Adjustment**" for a Day is the sum, for each Day in the relevant month, of the amounts calculated as the Neutrality Interest Rate for the Day multiplied by the closing cash balance for that Day.

6.6.2 For the purposes of this paragraph:

- (a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by National Grid NTS from Users on that Day, less the amount of all payments made by National Grid NTS for Users on that Day, in each case in respect of:
 - (i) any of the amounts taken into account (in accordance with paragraphs 6.4 and 6.5) in determining Reconciliation Neutrality Charges; and
 - (ii) Reconciliation Neutrality Charges;
- (b) the "**opening cash balance**" for a Day is:
 - (i) on 1 March 1996, zero;
 - (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

6.6.3 For the purposes of paragraph 6.6.2(a)(i), the amount of the Reconciliation Neutrality Financing Adjustment for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 6.5) by National Grid NTS on the date on which

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invoiced Balancing Charges in respect of Days in that month become due for payment in accordance with Section S.

- 6.6.4 The amount determined under paragraph 6.6.2 for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by National Grid NTS exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to National Grid NTS exceeding payments made by it.