MODIFICATION 0195AV

LEGAL TEXT

TPD SECTION B – SYSTEM USE AND CAPACITY

(CHANGES TO UNIFORM NETWORK CODE)

Insert new Annex B-1 to read as follows:

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) an "**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

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

2.3 ~~2.4~~ 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:

(i) (being not less than the minimum eligible amount) of NTS Exit (Flat) Capacity subject to the capacity bid, capacity offer or capacity application;

(ii) in the case of a capacity application, being not greater than the Remaining Available NTS Exit Flat Capacity);

(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.

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 Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the User's Value at Risk at such time exceeds 100% of its Code Credit Limit National Grid NTS shall not later than five (5) Business Days after the first Business Day of the calendar month so inform the User.

3.8 Following a notice under paragraph 3.7, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), the User's Registered Firm Annual NTS Exit (Flat) Capacity for the relevant months will lapse and the User will cease to be treated as holding the Registered Firm Annual NTS Exit (Flat) Capacity.

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:

$$DNEC * AH / EH$$

(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:

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

DNEC / AH

(bb) 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 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 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 (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 shall be allocated to capacity applications 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 five(5) 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 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 ~~or~~, 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.

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

Type of capacity invitation/ invitation date	Time information to be published following allocation	Total bid/offer/application volume	Total successful bid/offer/application volume	Highest successful bid/offer	Lowest successful bid/offer	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	Y
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	N	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