MODIFICATION 0195AV

LEGAL TEXT

TPD SECTION B – SYSTEM USE AND CAPACITY

PARAGRAPH B3

(CHANGES TO UNIFORM NETWORK CODE)

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

3 NTS EXIT CAPACITY

PART A - GENERAL

3.1 Introduction

3.1.1 Subject to the provisions of the Code:

(a) a Shipper User may:

(i) by offtaking gas from the Total System at a NTS Supply Point Component, require a gas flow out of the NTS at that NTS Supply Point Component;

(ii) offtake gas from the Total System at a NTS Connected System Exit Point;

(b) a DNO User may cause or permit the flow of gas out from the NTS to an LDZ at a NTS/LDZ Offtake.

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

3.1.3 Users may:

(a) apply for and be registered as holding NTS Exit Capacity as:

(i) Annual NTS Exit (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 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 (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 Sytem 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.

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 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 a User(s) has 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.

PART B – RELEASE OF NTS 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, at each NTS Exit Point, in accordance with the further provisions of this paragraph 3.2.

3.2.2 Where a User is for the time being registered as holding any amount of 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.

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

(a) during an the Annual Application Window may be for an amount of Enduring Annual NTS Exit (Flat) Capacity equal to:

(i) where paragraph 3.2.25 applies in relation to a User and an NTS Exit Point, the sum of the deemed application amount and any additional Enduring Annual NTS Exit (Flat) Capacity (if any) which the User wishes to apply for at the NTS Exit Point; or

(ii) where paragraph 3.2.25 does not apply in relation to a User and an NTS Exit Point, 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.

3.2.4 A User:

(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 under paragraph 3.2.3(a)(ii) at any time during the Annual Application Window, but may only modify (and not withdraw) an application under paragraph 3.2.3(a)(i) during such period by reducing the amount of Enduring Annual NTS Exit (Flat) Capacity applied for to not less than the deemed application amount;

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

3.2.7 Following a notice under paragraph 3.2.6, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the

Code Credit Rules), the User's Annual NTS Exit (Flat) Capacity for the twelve (12) months (commencing from the first day of the next following calendar month) will lapse and the User will cease to be treated as holding the Registered Annual NTS Exit (Flat) Capacity.

3.2.8 In respect of an application made under paragraph 3.2.3(a):

(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 submit a revised application for Enduring Annual NTS Exit (Flat) Capacity on any of the five (5) Business Days following 15 September in Gas Year Y for Gas Year Y+4, Y+5 and Y+6;

(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)) 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;

(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);

(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 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 date(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 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 will 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; 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 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) and 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 (being not 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 may give effect to the reduction (acting in its sole discretion) from:

(a) 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) 1 October in Gas Year Y + 2 where the circumstances in paragraph (a) do not apply.

3.2.18 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 as determined in accordance with the principles in the prevailing Exit Capacity Release Methodology Statement 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.

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 (being not less than the minimum eligible amount) 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 3.2.20 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 3.2.20;

(b) pursuant to paragraph 3.2.23, for each relevant period.

3.2.25 Where a User incurs an NTS Exit (Flat) Capacity Overrun Charge (in respect of a Chargeable NTS Exit (Flat) Overrun in excess of 100,000 kWh) in any twelve (12) month period ending on 31 March ("**relevant period**") the User shall be deemed to have made an application pursuant to paragraph 3.2.3(a)(i) for Enduring Annual NTS Exit (Flat) Capacity, in respect of the NTS Exit Point at which the Chargeable NTS Exit (Flat) Overrun occurred, on the first day of the next following Annual Application Window, and for the purposes of paragraph 3.2.3(c) the application shall be for:

(a) Gas Year Y+4; and

(b) an amount of Enduring NTS Exit (Flat) Capacity equal to the highest Chargeable NTS Exit (Flat) Overrun amount which the User incurred at the NTS Exit Point in the relevant period ("**deemed application amount**")

and the further provisions of paragraph 3.2 shall apply in respect of any such application.

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 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 Capacity

and 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 the 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 Without prejudice to paragraphs 3.2.6 and 3.2.7, 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 Users 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.

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 shall be the Remaining Available NTS Exit (Flat) Capacity (in respect of each such Gas Year).

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 Daily 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 Interruptible 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;

(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:

$$AUC \ / \ 30$$

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 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.

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 facilty, 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 GasYear (year Y) or any relevant Gas Year after Year Y by submitting an application to National Grid NTS during the period 1 June to 24 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;

(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 June to 24 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), no later than 15 September 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 five (5) 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.

PART C – CAPACITY SURRENDER AND MANAGEMENT

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 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 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:

$$R \quad * \quad \Sigma_i \, (ExICF_i \; * P_i \,) \;\; / \;\; 24$$

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;

Σ_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):

$ExICF_i$ is the exit off-peak curtailment factor; and

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

PART D – CHARGES

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 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 (for each NTS Exit Point):

(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) 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;

(c) a "**Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to National Grid NTS as the Proposed Supply Point in the User's Nomination in accordance with Section G2.3.2 or, in the case of a CSEP, the System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph 3.12.13.

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:

(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 (unless the User has notified National Grid NTS and National Grid NTS has confirmed an alternative allocation of the UDQI between the relevant Specified Exit Points).

3.12.10 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 the sum of the Baseline NTS Exit (Flat) Capacity and the NTS Exit (Flexibility) Capacity.

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 using six figure grid references and National Grid NTS shall determine a six figure grid reference for each Specified Entry Point and each Specified Exit Point (which may be revised in accordance with paragraph 3.12.13(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:

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 NTS Exit (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:

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

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:

$$EFQ = (Q_{2200} * (1 - FT)) - (Q_D * 16/24)$$

where:

Q_{2200} 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);

Q_D 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;

(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 NTS 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 3.2.11 and 3.2.12 in respect of a Day (D) where following D+6 more accurate information becomes available.