

BUSINESS RULES

Reform of the NTS Offtake Arrangements

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DOCUMENT REVISION HISTORY

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V1.0	31/08/06	Issued to industry in advance of Transmission Workstream discussions on 5 th September 06

Introduction

1. This document provides detailed business rules of National Grid NTS' proposed enduring NTS gas offtake arrangements to support discussions with the industry ahead of a UNC Modification Proposal being formally raised to seek implementation of the enduring arrangements.
2. The proposed model has been developed following extensive discussions at Ofgem's Enduring Offtake Working Group meetings to support assessment of the relative benefits of such a model compared to the current offtake arrangements and alternatives such as the model put forward as part of the "Towards A New Industry Framework" (TANIF) consultation which concluded early 2005¹.
3. This model has been developed based on the following key assumptions underpinning the enduring NTS offtake arrangements:
 - 3.1. common NTS exit capacity services should be made available to all Users (shippers and DNOs) to avoid the scope for undue discrimination and meet EU Gas Regulation requirements;
 - 3.2. "pay-as-bid" release mechanisms should be used where investment cannot be completed in time (or is unlikely to be efficient) as a means of seeking to minimise the risk of any potential undue discrimination in the allocation of constrained amounts of capacity;
 - 3.3. capacity products embracing the concept of "flexibility" utilisation should be implemented that will support efficient and economic network operation;
 - 3.4. a "User commitment model" should be promoted requiring UNC (and non-UNC) Users to provide financially backed signals for capacity requirements to minimise the risk of investment inefficiencies and, in the extreme, asset stranding;
 - 3.5. system investments to deliver incremental capacity at NTS Exit Points can be completed within a 3 year investment lead time.²

High Level Definitions

Products

4. National Grid NTS will make available two separate NTS Exit Capacity products to UNC Users ("Users"); NTS Exit (Flat) Capacity at NTS Exit Points and NTS Exit (Flexibility) Capacity at NTS Exit Zones. An overview of these products is provided in Parts I and II.
5. National Grid NTS will make available amounts of NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity in accordance with its Licence obligations.
6. Users may apply for and be registered as holding NTS Exit (Flat) Capacity at any NTS Exit Point or NTS Exit (Flexibility) Capacity at an NTS Exit Zone, subject to satisfactory credit checks and payment of transportation charges. Non UNC parties may reserve NTS Exit Capacity at any NTS Exit Point through execution of an Advanced Reservation of Capacity Agreement (ARCA) (see Appendix 1).
7. Users may offer to surrender NTS Exit Capacity back to National Grid NTS.

¹ The TANIF model was developed consistent with the Ofgem "Option 2a model" that was recommended in the Ofgem final decision document on DN sales (Feb 2005).

² In the event that a default lead time of 4 years as opposed to 3 years is agreed as part of the transmission price control, then National Grid NTS will only accept applications for incremental capacity within 4 years where it is able to deliver such requirements.

NTS Exit Points / Zones / Areas

8. NTS Exit Points comprise of the following:

	NTS Exit Point
a.	NTS/LDZ Offtakes
b.	Power Station / NTS VLDMCs
c.	CSEP
d.	Storage Point
e.	Interconnectors

9. For the purposes of this document NTS Exit points (b. to e.) are classed as Direct Connects.
10. An NTS Exit Zone will be comprised of one or more NTS Exit Point (as defined in Appendix 1)
11. An NTS Exit Area will be comprised of one or more NTS Exit Zones (as defined in Appendix 2).

Part I: NTS Exit (Flat) Capacity Overview**Products**

12. This section describes the NTS Exit (Flat) Capacity products that will be made available and the rights and obligations that are due to NTS Exit (Flat) Capacity holders.
13. NTS Exit (Flat) Capacity entitles Users to offtake a daily quantity of gas at an even flow rate from the NTS at an NTS Exit Point without incurring overrun charges. It will be offered in terms of an end of day quantity (kWh/day) for a specified day, or for multiple days.
 - 13.1. A gas flow rate entitlement is allocated that is equivalent to 1/24th of the end of day quantity held by Users in any hour of that gas day. A similar flow rate adjustment is made following a trade. For NTS Exit (Flat) Capacity sales or buy-back of NTS Exit (Flat) Capacity within day, the applicable rate change to Users NTS Exit (Flat) Capacity entitlement is 1/n where n is equal to the number of hours remaining in the relevant gas day after time of sale or purchase (and taking into account lead times required by hour bar plus one acceptance rules). At any time the aggregate of these from all capacity held at an NTS Exit Point is the established Exit Capacity Rate (gas flow entitlement should not exceed capacity entitlements, as measured on a 1/n basis, except where NTS Exit (Flexibility) Capacity confers additional rights). See Section 13 for maximum permitted rates.
14. The following type of NTS Exit (Flat) Capacity products will be made available to Users:
 - 14.1. "Prevailing NTS Exit (Flat) Capacity" - Firm NTS Exit (Flat) Capacity which may be applied for and registered as held by a User for every Day until the User provides a notice to reduce its prevailing rights;
 - 14.2. "Annual NTS Exit (Flat) Capacity" - Firm NTS Exit (Flat) Capacity which may be applied for and registered as held by a User for each Day in a Gas Year;
 - 14.3. "Daily NTS Exit (Flat) Capacity" - Firm NTS Exit (Flat) Capacity which may be applied for and registered as held by a User for a Day only; and
 - 14.4. "Daily Interruptible NTS Exit (Flat) Capacity" - Interruptible Daily NTS Exit (Flat) Capacity which may be applied for and registered as held by a User for a Day only
15. Firm NTS Exit (Flat) Capacity rights held by Users cannot be acquired by National Grid NTS other than:
 - 15.1. if the User fails to maintain the appropriate credit worthiness/guarantees commensurate with the NTS Exit (Flat) Capacity they have previously booked in a primary allocation;
 - 15.2. utilisation of Exit Capacity Management Tools and where a User places NTS Exit (Flat) Capacity buyback offers and National Grid NTS accepts such offers or
 - 15.3. when a transportation constraint has occurred and a market failure obstructs a remedy in a time frame that can ensure safe operation of the pipeline system, National Grid NTS will take appropriate actions to ensure the safety of the system.
16. Interruptible NTS Exit (Flat) Capacity rights held by Users can be curtailed either entirely or in part by National Grid NTS if

- 16.1. National Grid NTS considers that it is unlikely to be able to accept prospective gas flows consistent with the quantities of capacity released;
- 16.2. if the User fails to maintain the appropriate credit worthiness/guarantees commensurate with the Interruptible NTS Exit (Flat) Capacity booked.
- 17. A User’s total entitlement at an NTS Exit Point for a gas day (its “Fully Adjusted NTS Exit (Flat) Capacity”) will be the sum of all its NTS Exit (Flat) Capacity entitlements purchased via the various release mechanisms, adjusted for:
 - 17.1. any transfers/assignments (see section 5); and
 - 17.2. any constraint management actions (see section 9);
- 18. Fully Adjusted NTS Exit (Flat) Capacity shall be used in;
 - 18.1. the calculation of NTS Exit Capacity Neutrality credits/debits; and
 - 18.2. in the calculation of NTS Exit (Flat) Capacity Overruns.

Table 1 Fully Adjusted NTS Exit (Flat) Capacity Holdings

Sum of Positive Holdings	Sum of Negative Holdings
Prevailing NTS Exit (Flat) Capacity Allocations	NTS Exit (Flat) Capacity Buy Backs
Annual NTS Exit (Flat) Capacity Allocations	
Daily Firm NTS Exit (Flat) Capacity Allocations	
Daily Interruptible NTS Exit (Flat) Capacity Allocations	Scale back of Daily Interruptible NTS Exit (Flat) Capacity
NTS Exit (Flat) Capacity Transfer bought	NTS Exit (Flat) Capacity Transfers sold
NTS Exit (Flat) Capacity Assignments bought	NTS Exit (Flat) Capacity Assignments sold

Release Mechanisms

- 19. The following release mechanisms will be offered:
 - 19.1. Firm NTS Exit (Flat) Capacity
 - 19.1.1. Long term release (Gas Years Y+4 onwards), (see section 1).
 - 19.1.2. Medium term release (Gas Years Y+1 to Y+3), (see section 2).
 - 19.1.3. Short term release (offered day-ahead and within day), (see section 3)
 - 19.2. Interruptible NTS Exit (Flat) Capacity
 - 19.2.1. Short term release (offered day ahead) (see section 4).

Capacity Overruns

- 20. The “Aggregate NTS Exit (Flat) Overrun” at an NTS Exit Point on any Day is the amount (if any) by which the aggregate quantity of gas offtaken by Users at the NTS Exit Point exceeds the aggregate NTS Exit (Flat) Capacity held by Users i.e.

- 20.1. If Daily Quantity Offtaken (DQ) - Aggregate Holdings ≤ 0 , Aggregate NTS Exit (Flat) Overrun = 0;
- 20.2. If Daily Quantity Offtaken (DQ) - Aggregate Holdings > 0 , Aggregate NTS Exit (Flat) Overrun = Daily Quantity Offtaken (DQ) - Aggregate Holdings
21. A "User's Individual NTS Exit (Flat) Overrun" at an NTS Exit Point on any Day is the amount (if any) by which the quantity of gas it has offtaken at the NTS Exit Point exceeds its NTS Exit (Flat) Capacity holding i.e.
- 21.1. If User's Daily Quantity Output (UDQO)-User Holdings ≤ 0 , User's Individual NTS Exit (Flat) Overrun = 0;
- 21.2. If User's Daily Quantity Output (UDQO)-User Holdings > 0 , User's Individual NTS Exit (Flat) Overrun = User's Daily Quantity Output (UDQO)-User Holdings
- NB. A User's NTS Exit (Flat) Capacity holdings may be positive, negative or zero.
22. A User will only incur an NTS Exit (Flat) Capacity overrun charge at an NTS Exit Point on any day if:
- 22.1. there is an "Aggregate NTS Exit (Flat) Overrun" i.e. not equal to zero; AND
- 22.2. it has individually resulted in an overrun i.e. its "User's Individual NTS Exit (Flat) Overrun" is not equal to zero.
23. In respect of the User Daily Quantity Output (UDQO):
- 23.1. for NTS/LDZ offtakes, the User Daily Quantity Output (UDQO) will be the Daily Quantity offtaken and will be allocated to the relevant DNO;
- 23.2. for NTS Exit Points with only one Registered User, the User Daily Quantity Output (UDQO) for the User will be the Daily Quantity offtaken;
- 23.3. for NTS Exit Points with more than one Registered User, the Daily Quantity (DQ) will be allocated to the Registered Users (as specified in TPD Section G1.7):
- 23.3.1. in accordance with a standing instruction notified to National Grid NTS in advance by the Registered Users; or
- 23.3.2. in accordance with the proportion of the Daily Quantity notified to National Grid NTS by a User Agent, where appointed by the Registered Users.
24. The Daily Quantity (DQ) offtaken will be the total measured quantity of gas offtaken by users at the NTS Exit Point determined in accordance with [TPD Section E3].
25. In the event that an NTS Exit (Flat) Capacity charge is to levied and the sum of each "User's Individual NTS Exit (Flat) Overrun" is greater than "Aggregate NTS Exit (Flat) Overrun", then each User's overrun amount will be scaled down to form the "User's NTS Exit (Flat) Overrun" such that sum of each "User's NTS Exit (Flat) Overrun" is equal than "Aggregate NTS Exit (Flat) Overrun" i.e.
- 25.1. A "User's NTS Exit (Flat) Capacity Overrun" = $A * B / C$
- where:
- A is the "Aggregate NTS Exit (Flat) Overrun";
- B is the "User's Individual User NTS Exit (Flat) Overrun";
- C is the sum of "User's Individual User NTS Exit (Flat) Overrun";

26. A User's NTS Exit (Flat) Capacity overrun charge will be determined as the User's NTS Exit (Flat) Capacity Overrun amount multiplied by the highest of:
- 26.1. 8 times the highest price paid by Users at the relevant NTS Exit Point to National Grid NTS for any class of firm NTS Exit (Flat) Capacity for that day;
 - 26.2. 8 times the highest reserve price at the relevant NTS Exit Point for any capacity auctions (NB. This is to cover scenario where no capacity is booked at an NTS Exit Point, but Users still utilise system Flat);
 - 26.3. 1.1 times the highest price paid by National Grid for NTS Exit (Flat) Capacity at the relevant NTS Exit Point for that day for capacity buy back through any constraint management action.

Interconnectors

27. The present Certification process will be discontinued.
28. Details on the proposed changes to CSEP ancillary agreements are contained within Section 14.

Reduction Notice Period

29. Users may hold Prevailing NTS Exit (Flat) Capacity rights obtained through: -
- 29.1. Initialisation of the enduring regime (see Part III) – “Initial Prevailing NTS Exit (Flat) Capacity”; and
 - 29.2. the Long Term application process by committing to be registered and therefore pay for capacity for [4] Gas Years (see section 1).
30. If a User is registered as holding Prevailing NTS Exit (Flat) Capacity at an NTS Exit Point and wishes to continue to hold the same level of such holding, then the User does not need to undertake any action.
31. If a User is registered as holding Prevailing NTS Exit (Flat) Capacity at an NTS Exit Point and wishes to reduce its holdings, then the User may reduce such holdings with effect from the start of any Gas Year by giving notice of such reduction to National Grid NTS as described below.
32. A notice to reduce Prevailing NTS Exit (Flat) Capacity must be given by 17.00 on the 15th July of a Gas Year (Y_N) and shall specify: -
- 32.1. the identify of the User;
 - 32.2. the NTS Exit Point;
 - 32.3. the Gas Year with effect from which the reduction is to be effective, subject to paragraph below;
 - 32.4. the reduced amount (which may be zero) of Prevailing NTS Exit (Flat) Capacity.
33. The Gas Year with effect from which a reduction of Prevailing NTS Exit (Flat) Capacity is effective may not be earlier than the later of:

- 33.1. Gas Year Y_{N+2} ³; (This means that Users need to provide at least 1 year+3 months notice of a reduction in prevailing rights where any associated User commitment has been met or has been obtained through regime initialisation eg. if a User applied to reduce its Initial Prevailing NTS Exit (Flat) Capacity holdings in July 2010, then this could only be effective from Oct 2011 at the earliest.)
- 33.2. Gas Year Y_{A+4} ⁴ where Gas Year Y_A is the Gas Year with effect from which the User was most recently allocated Prevailing NTS Exit (Flat) Capacity at the NTS Exit Point (excluding initial rights allocated through the initialisation of the regime) (This means that Users must meet the associated user commitment before being able to reduce additional prevailing holdings e.g. In the Annual Application Window of July 2007, a User requests 10 units of capacity from Gas Years 2010/11 onwards. It would be registered capacity for the [4] Gas Years 2010/11 to 2014/15, inclusive. In July 2008, if the Users applies to reduce 5 units of this capacity, then such a reduction could only be effective from Oct 2015 at the earliest).
34. If any of the criteria in this Section are not met then the reduction request will be rejected.

Payments

35. Payment for NTS Exit (Flat) Capacity shall be made in accordance with section 11.

³ The Reduction Notice Period will be stated in the enduring Incremental Exit Capacity Release Methodology Statement.

⁴ The number of years of the required commitment to underpin system investments will be stated in the enduring Incremental Exit Capacity Release Methodology Statement.

Part II: NTS Exit (Flexibility) Capacity Product Overview

Products

- 36. This section describes the NTS Exit (Flexibility) Capacity products that will be made available and the rights and obligations that are due to NTS Exit (Flexibility) Capacity holders.
- 37. "NTS Exit (Flexibility) Capacity" entitles Users to offtake a daily quantity of gas at a non-even flow rate from the NTS at NTS Exit Points within an NTS Exit Zone without incurring overrun charges. It will be offered in terms of an end of day quantity (kWh/day) for a specified day, or for multiple days.
- 38. The following NTS Exit (Flexibility) Capacity products will be made available to Users:
 - 38.1. "Annual NTS Exit (Flexibility) Capacity" - Firm NTS Exit (Flexibility) Capacity which may be applied for and registered as held by a User for each Day in a Gas Year; and
 - 38.2. "Daily NTS Exit (Flexibility) Capacity" - Firm NTS Exit (Flexibility) Capacity which may be applied for and registered as held by a User for a Day only.
- 39. Firm NTS Exit (Flexibility) Capacity rights held by Users cannot be acquired by National Grid NTS other than:
 - 39.1. if the User fails to maintain the appropriate credit worthiness/guarantees commensurate with the NTS Exit (Flexibility) Capacity they have previously booked in a primary allocation;
 - 39.2. utilisation of Exit Capacity Management Tools and where a User places NTS Exit (Flexibility) Capacity buyback offers and National Grid NTS accepts such offers or
 - 39.3. when a transportation constraint has occurred and a market failure obstructs a remedy in a time frame that can ensure safe operation of the pipeline system, National Grid NTS will take appropriate actions to ensure the safety of the system.
- 40. A User's total entitlement at an NTS Exit Point for a gas day (its "Fully Adjusted NTS Exit (Flexibility) Capacity") will be the sum of all its NTS Exit (Flexibility) Capacity entitlements purchased via the various release mechanisms, adjusted for:
 - 40.1. any transfers/assignments (see section 8); and
 - 40.2. any constraint management actions (see section 9);
- 41. Fully Adjusted NTS Exit (Flexibility) Capacity shall be used in the calculation of NTS Exit (Flexibility) Capacity Overruns

Table 2 Fully Adjusted NTS Exit (Flexibility) Capacity

Sum of Positive Holdings	Sum of Negative Holdings
Annual NTS Exit (Flexibility) Capacity Allocations	NTS Exit (Flexibility) Capacity Buy Backs
Daily Firm NTS Exit (Flexibility) Capacity Allocations	
NTS Exit (Flexibility) Capacity Transfers bought	NTS Exit (Flexibility) Capacity Transfers sold

Capacity Transfer bought			Capacity Transfer sold		
NTS	Exit	(Flexibility)	NTS	Exit	(Flexibility)
Assignments bought			Assignments sold		

Release Mechanisms

42. The following release mechanisms will be offered:

42.1. Firm NTS Exit (Flexibility) Capacity

42.1.1. Long term release (Gas Years Y+4 to Y+5), (see section 6).

NB. No incremental NTS Exit (Flexibility) Capacity will be made available by this process, and instead will be used to offer a constrained amount of capacity using same arrangements for medium term release.

42.1.2. Medium term release Gas Years Y+1 to Y+3), (see section 6).

42.1.3. Short term release (offered day-ahead and within day), (see section 7)

Capacity Overruns

43. The “Aggregate NTS Exit (Flexibility) Overrun” at an NTS Exit Zone on any Day is the amount (if any) by which the aggregate quantity of flexibility utilised by Users at the NTS Exit Zone exceeds the aggregate NTS Exit (Flexibility) Capacity held by Users i.e.

43.1. If Aggregate Daily Flexibility Utilised (ADFU) - Aggregate Holdings <=0, Aggregate NTS Exit (Flexibility) Overrun = 0

43.2. If Aggregate Daily Flexibility Utilised (ADFU) - Aggregate Holdings >0, Aggregate NTS Exit (Flexibility) Overrun = Aggregate Daily Flexibility Utilised (ADFU) - Aggregate Holdings

44. A “User’s Individual NTS Exit (Flexibility) Overrun” at an NTS Exit Point on any Day is the amount (if any) by which the quantity of flexibility it has utilised at the NTS Exit Point exceeds its NTS Exit (Flexibility) Capacity holding i.e.

44.1. If User’s Daily Flexibility Utilised (UDFU) -User Holdings <=0, User’s Individual NTS Exit (Flexibility) Overrun = 0,

44.2. If User’s Daily Flexibility Utilised (UDFU) -User Holdings > 0, User’s Individual NTS Exit (Flexibility) Overrun = User’s Daily Flexibility Utilised (UDFU)-User Holdings

NB. A User’s NTS Exit (Flexibility) Capacity holdings may be positive, negative or zero.

45. A User will only incur an NTS Exit (Flexibility) Capacity overrun charge at an NTS Exit Point on any day if:

45.1. there is an "Aggregate NTS Exit (Flexibility) Overrun" i.e. not equal to zero; AND

45.2. it has individually resulted in an overrun i.e. its “User’s Individual NTS Exit (Flexibility) Overrun" is not equal to zero.

46. A User’s Daily Flexibility Utilised (UDFU) for an NTS Exit Zone is determined as follows:

$$UDFU = [UDQO_{2200, Z} * (1 - FT)] - AUDQO_{2200, Z}$$

where:

$UDQO_{2200, Z}$ is the quantity of gas offtaken by the relevant User between 06:00 hours and 22:00 hours on the Day for all NTS Exit Points in the NTS Exit Zone;

FT is 0.015 (a 1.5% flexibility tolerance);

$AUDQO_{2200, Z}$ is the average quantity of gas deemed to have been offtaken by the relevant User at the NTS Exit Zone at an even rate between 06:00 hours and 22:00 hours on the relevant Day calculated i.e.

$$UDQO_Z * (16 / 24),$$

where $UDQO_Z$ is the quantity of gas offtaken by the User on the gas day for each NTS Exit Point in the NTS Exit Zone.

47. The Aggregate Daily Flexibility Utilised (ADFU) is equal to the sum of all User's Daily Flexibility Utilised (UDFU) for the NTS Exit Zone.
48. The Daily Quantity (DQ_{2200}) offtaken between 06:00 hours and 22:00 hours on the Day for an NTS Exit Point will be the total measured quantity of gas offtaken by users at the NTS Exit Point over this period determined in accordance with [TPD Section xxx].
49. In respect of the User Daily Quantity Output ($UDQO_{2200}$) between 06:00 hours and 22:00 hours on the Day at an NTS Exit Point:
 - 49.1. for NTS/LDZ offtakes, User Daily Quantity Output ($UDQO_{2200}$) will be the Daily Quantity (DQ_{2200}) offtaken between 06:00 hours and 22:00 hours on the Day and will be allocated to the relevant DNO;
 - 49.2. for an NTS Exit Point with only one Registered User, the User Daily Quantity Output ($UDQO_{2200}$) for the User will be the Daily Quantity (DQ_{2200}) offtaken between 06:00 hours and 22:00 hours on the Day;
 - 49.3. for NTS Exit Points with more than one Registered User, the Daily Quantity (DQ_{2200}) will be allocated to each Registered User:
 - 49.3.1. in accordance with a standing instruction notified to National Grid NTS in advance by the Registered Users; or
 - 49.3.2. in accordance with the proportion of the Daily Quantity (DQ_{2200}) offtaken between 06:00 hours and 22:00 hours notified to National Grid NTS by a User Agent, where appointed by the Registered Users.
50. In the event that a User has agreed to reduce its intended end of day flow or flexibility utilisation by acceptance of a constraint management action undertaken by National Grid NTS, the User will not incur any resulting increase in its overrun charge.
51. In the event that an NTS Exit (Flexibility) Capacity charge is to levied and the sum of each "User's Individual NTS Exit (Flexibility) Overrun" is greater than "Aggregate NTS Exit (Flexibility) Overrun", then each User's overrun amount will be scaled down to form the "User's NTS Exit (Flexibility) Overrun" such that sum of each "User's NTS Exit (Flexibility) Overrun" is equal than "Aggregate NTS Exit (Flexibility) Overrun" i.e.
 - 51.1. A "User's NTS Exit (Flexibility) Capacity Overrun" = $E * F / G$

where:

E is the "Aggregate NTS Exit (Flexibility) Overrun";
 F is the "User's Individual User NTS Exit (Flexibility) Overrun";
 G is the sum of "User's Individual User NTS Exit (Flexibility) Overrun";

52. A User's NTS Exit (Flexibility) Capacity overrun charge will be determined as the User's NTS Exit (Flexibility) Capacity Overrun amount multiplied by the highest of:
- 52.1. 8 times the highest price paid by Users at the relevant NTS Exit Zone to National Grid NTS for any class of firm NTS Exit (Flexibility) Capacity for that day;
 - 52.2. 8 times the highest reserve price at the relevant NTS Exit Zone for any capacity auctions (NB. This is to cover scenario where no capacity is booked at an NTS Exit Zone, but Users still utilise system flexibility);
 - 52.3. 1.1 times the highest price paid by National Grid for NTS Exit (Flexibility) Capacity at the relevant NTS Exit Zone for that day for capacity buy back through any constraint management action.

Bi-directional sites

53. For bi-directional NTS Exit Points, e.g. Storage Sites and Bacton Interconnector, the NTS Exit (Flexibility) Capacity Product overrun assessment will be based on the flows at the Physical Meter applicable at that NTS Exit Point. These values will then form part of the Zonal Flexibility Overrun assessment and the derivation of a User's NTS Exit (flexibility) Overrun. In order to determine whether the bi-directional site is classed as an NTS Exit Point for that day, there are a number of scenarios that need to be considered. These scenarios are detailed below:
- 53.1. If the NTS System Point has a net entry to the NTS at 22.00 and a net entry at the end of day then that system point will be considered an Entry Point, therefore no NTS Exit (Flexibility) Capacity product will be deemed to have been used.
 - 53.2. If the NTS System Point has a net entry to the NTS at 22.00 and a net exit at the end of day then that system point will be considered an Entry Point, therefore no NTS Exit (Flexibility) Capacity product will be deemed to have been used or provided.
 - 53.3. If the NTS System Point has a net exit from the NTS at 22.00 and a net entry at the end of day then the 1/24th flow rate will be deemed to be zero. Therefore, that system point will be considered an NTS Exit Point and the net exit flow at 22.00 will equal the amount of NTS Exit (Flexibility) Capacity product used.
 - 53.4. If the NTS System Point has a net exit from the NTS at 22.00 and a net exit at the end of day then the 1/24th rate will be based on the end of day physical measurement /24. Therefore, that system point will be considered an NTS Exit Point.

Payments

54. Payment for NTS Exit (Flexibility) Capacity shall be made in accordance with section 11.

Part III: Initialisation of NTS Exit (Flat) Capacity Regime

Initial Prevailing NTS (Exit) Capacity

55. Users will be able to request and be allocated an Initial Prevailing NTS (Exit) Capacity amount at each NTS Exit Point by 17.00 on the 15th July 2007 for use from 1 Oct 2010 up to a maximum amount as described below:

55.1. Direct Connects – Users will be able to book as their Initial Prevailing NTS (Exit) Capacity any amount up to its maximum firm/[interruptible] NTS Exit Capacity booking for Winter 2005/06;

55.2. NTS/LDZ Offtakes – DNOs will be able to book as their Initial Prevailing NTS (Exit) Capacity any amount up to its NTS Offtake (Flat) Capacity booking for Gas Year 2009/10 (to be specified in the Sept 2006 Offtake Capacity Statement).

Transitional Timetable

56. The following describes the transitional timetable leading up to full implementation of the enduring regime, taking into consideration timescales for system functionality to be developed:

Date Held	Product (Flat/Flex)	Auction/ Application	Annual/Long/ Medium/Short Term	Period
July 2007 (confirmations by 17.00 15 th July)	Flat	Applications	Long Term (Increase and confirmation of Initial Prevailing rights)	Oct-2010 onwards
July 2007	Flexibility	Auctions	Annual	Oct-2010 to Sep-2012
July 2008 (reductions by 17.00 15 th July)	Flat	Applications	Long Term (Increase and reductions)	Oct-2011 onwards
July 2008	Flexibility	Auctions	Annual	Oct-2010 to Sep-2013
August 2008	Flat	Auctions	Medium Term	Oct-2010 to Sep-2011
July 2009 (reductions by 17.00 15 th July)	Flat	Applications	Long Term (Increase and reductions)	Oct-2012 onwards
July 2009	Flexibility	Auctions	Annual	Oct-2010 to Sep-2014
Aug 2009	Flat & Flexibility	Trading/Transfers		Oct 2010 onwards
August 2009 (reductions by 17.00 15 th July)	Flat	Auctions	Medium Term	Oct-2010 to Sep-2012
Oct-2009	Flat & Flexibility	Holdings considered in security/indebtedness processes.		Oct-2010
July 2010 (reductions by 17.00 15 th July)	Flat	Applications	Long Term (Increase and reductions)	Oct-2013 onwards
July 2010	Flexibility	Auctions	Annual	Oct-2010 to Sep-2015
August 2010	Flat	Auctions	Medium Term	Oct-2010 to Sep-2013
24 th Sept 2010	Flat & Flexibility	Bidding	Short Term	1-Oct-2010

30 th Sep-2010	Flat & Flexibility (day ahead) + Flat (Interruptible)	Auctions	Short Term	1-Oct-2010
01 st Oct-2010	Flat and Flexibility (within day)	Flat and Flexibility	Short Term	1-Oct-2010
Nov-2010	Flat and Flexibility	Invoices issued		For Oct- 2010

Section 1: Long Term NTS Exit (Flat) Capacity Sales

Unconstrained Sale, Years 4 onwards

High Level Principles

57. Users may apply for new (if no previous holdings) or additional Prevailing NTS Exit (Flat) Capacity rights at an NTS Exit Point through the Long Term application process held in July each year.
58. Such applications will result in the User being registered and therefore having to pay for NTS Exit (Flat) Capacity for [4] years based on the new total amount of prevailing rights that it would hold.

Application

59. A User may apply for "Prevailing NTS Exit (Flat) Capacity" rights at the annual Application Window in July in Gas Year Y for use from Gas Year Y+4 onwards.
60. For each day during the Application Window, Users will be able submit applications from 08.00 to 17.00.
61. Users may only submit one application per NTS Exit Point.
62. Applications must specify:
 - 62.1. the User;
 - 62.2. the NTS Exit Point;
 - 62.3. the amount (in kWh/day) applied for (not less than minimum eligible amount – 100,000 kWh)
63. Applications can be modified and withdrawn by the relevant User throughout the Application Window.
64. National Grid NTS will reject any applications at the end of the Application Window (i.e. last business day in July) that
 - 64.1. that do not meet the above criteria;
 - 64.2. if the User does not meet the required credit requirements (see Section 12), i.e. if a User has a credit sanction in place their applications will be rejected (either prevented from placing applications or rejected at allocation).

Allocation Principles

65. National Grid NTS will accept such applications within 2 months, subject to Authority approval (as described below) and completion of credit checks, and register the User as holding the requested new total amount of Prevailing NTS Exit (Flat) Capacity rights for Gas Year Y+4 to Gas Year Y+[7] (inclusive) i.e. the User is committed to pay [4]⁵ years of NTS Exit (Flat) Capacity charges based on the new total level of its prevailing rights holding.
66. In the event that acceptance of such applications for additional Prevailing NTS Exit (Flat) Capacity would result in the aggregate level at an NTS Exit Point to be above the

⁵ The number of years of the required commitment to underpin system investments will be part of the enduring Incremental Exit Capacity Release Methodology Statement and will require Authority approval.

baseline from Gas Year Y+4, then National Grid NTS will apply to the Authority requesting the release of incremental exit capacity to ensure remuneration for any required investments. As part of this application, National Grid NTS may request baseline reductions at other NTS Exit Points to avoid or reduce resulting investment costs by removing the obligation to sell any unsold capacity (to be detailed in the enduring IExCR Methodology Statement).

Post Application Information Provision

67. Not later than 24 hours after each User has been notified of their allocation, National Grid NTS will publish the following information by NTS Exit Point by Gas Year: -
 - 67.1. Aggregate quantity of Prevailing NTS Exit (Flat) Capacity allocated
 - 67.2. Aggregate quantity of reductions accepted and from when such reductions apply
 - 67.3. (Revised) Baseline Quantity (i.e. including any reductions accepted by the Authority)
 - 67.4. Incremental Quantity (where applicable)
 - 67.5. Number of Users applying for additional prevailing rights

NTS Exit ARCA (“Advanced Reservation of Capacity Agreements”)

68. National Grid NTS may enter into ARCAs with non-UNC parties (the “Reservation Party”) by July of Gas Year Y for the reservation of Prevailing NTS Exit (Flat) Capacity (the “Reserved Capacity”) from Gas Year Y+4 onwards at an NTS Exit Point.
69. The Reservation Party may nominate any User, subject to such User meeting the required credit checks, to be registered as holding part or all of the Reserved Capacity from Gas Year Y+4 for the NTS Exit Point.
70. After nomination of such a user, they will be entitled to be registered as holding such amounts of Prevailing NTS Exit (Flat) Capacity as if they had registered the capacity at the July application window in Gas Year Y.
71. The Reservation Party will be obliged to pay National Grid NTS the amounts which would be payable by way of NTS Exit Capacity Charges by a User who was registered as holding an amount of capacity at the NTS Exit Point determined as:
 - 71.1. the difference between the Reserved Capacity and capacity actually registered by Users at that NTS Exit Point.
72. Where National Grid NTS has entered into an ARCA, the amount of Reserved Capacity will be treated as if it were registered by a User for the purposes of determining Unsold Capacity.

Section 2: Medium Term NTS Exit (Flat) Capacity Sales

Constrained Sale, Years 1, 2 & 3 Ahead

High Level Principles

73. Users may apply for Annual NTS Exit (Flat) Capacity for Gas Year Y+1 to Gas Year Y+3 (inclusive) at any NTS Exit Point through the annual flat capacity auctions held in August in each Gas Year Y (e.g. In August 2010, Users will be able to apply for Annual NTS Exit (Flat) Capacity for Gas Years 2010/11 to 2013/14.)
74. The Annual NTS Exit (Flat) Capacity auctions will be:
 - 74.1. held over [2] Business Days with at least [3] Business Days between each round of auction;
 - 74.2. make available up to 50% of the Available Annual NTS Exit (Flat) Capacity in the first round and all remaining capacity being made available in the final round.
75. Users will pay the price that they placed in their bid if their bid is allocated.
76. National Grid NTS will allocate User bids in price order (highest price first).

Invitation

77. National Grid NTS will notify Users of relevant details for the annual NTS Exit (Flat) Capacity auction by issuing an annual invitation not less than 28 days before the commencement of the auction.
78. The annual invitation will specify:
 - 78.1. the days on which annual auctions will be held;
 - 78.2. reserve price for each NTS Exit Point and Gas Year (in accordance with the Statement of Gas Transmission Transportation Charges);
 - 78.3. Available Annual NTS Exit (Flat) Capacity for each NTS Exit Point for each Gas Year and auction tranche;
79. The Available Annual NTS Exit (Flat) Capacity for each Gas Year will be:
 - 79.1. Unsold NTS Exit (Flat) Capacity i.e. the difference between the baseline quantity for the NTS Exit Points and previously allocated capacity

Bidding

80. Application for NTS Exit (Flat) Capacity must specify:
 - 80.1. The User
 - 80.2. The NTS Exit Point
 - 80.3. The Gas Year that the application is for
 - 80.4. The NTS Exit (Flat) Capacity amount (in kWh/Day) (not less than 100,000 kWh/Day)

- 80.5. The minimum amount of NTS Exit (Flat) Capacity the User is willing to be allocated
- 80.6. The Bid Price (in p/kWh/day)
- 81. The price must be greater than or equal to the reserve price for that NTS Exit Point
- 82. If a User has a credit sanction in place they will be unable to place bids.
- 83. National Grid NTS will reject Users bid if any of these criteria are not met

Other Rules:

- 84. No more than [10] bids per User, per NTS Exit Point.
- 85. The bid window will be between 08:00 and 17:00 on the day of the auction
- 86. Bids can only be placed within the bid window
- 87. Bids can be modified and withdrawn throughout the bid window
- 88. National Grid NTS will reject any bids that do not meet these criteria.

Information provision between each bid window

- 89. Not later than 48 hours following closure of each auction round, National Grid NTS will notify Users of the following information by NTS Exit Point and Gas Year:
 - 89.1. Aggregate Demand
 - 89.2. Quantity Allocated
 - 89.3. Highest Price Bid Allocated
 - 89.4. Volume Allocated at highest price
 - 89.5. Lowest Price Bid Allocated
 - 89.6. Volume Allocated at lowest price
 - 89.7. Number of Users who placed bids
 - 89.8. Number of successful Users
 - 89.9. Available NTS Exit (Flat) Capacity.

Allocation Principles

- 90. Where a credit sanction is in place, National Grid NTS will not allocate NTS Exit (Flat) Capacity to the User and the User's bids will be rejected.
- 91. National Grid NTS will have 48 hours after the closure of the bid window, to complete the allocation process below and notify the Users of their allocations.
- 92. All bids for all NTS Exit Points will be considered as part of the allocation process.
- 93. All bids will be ranked in order of price for each NTS Exit Point and Gas Year with the highest ranked first.

94. NTS Exit (Flat) Capacity will be allocated in descending order, allocating the highest priced bid first until the amount allocated in aggregate (at that NTS Exit Point for that year) equals the amount of NTS Exit (Flat) Capacity available or until there are no more bids to satisfy.
95. When a bid is received where the amount of NTS Exit (Flat) Capacity available is less than the amount bid, then that bid will not be allocated in full but partially allocated to the amount of NTS Exit (Flat) Capacity available. If the minimum quantity specified by the User is greater than the NTS Exit (Flat) Capacity amount available, the bid will be rejected and the allocation process will descend to the next bid and apply the allocation process from there.
96. Where two or more bids have the same price, and when aggregated the amount of NTS Exit (Flat) Capacity requested is greater than the amount available then the bids will be pro-rated based on the quantities bid for.
97. Where the amount to be pro-rated is less than an individual bids' minimum quantity this bid will be rejected and a revised allocation will be made between the remaining equally priced bids or if all the equally priced bids are rejected then the allocation process steps down to the next bid(s) to continue allocation.
98. National Grid NTS will not allocate less than 100,000kWh.
99. Any bids made by an User that are successful register that User as holding a firm NTS Exit (Flat) Capacity right for the relevant Period for that NTS Exit point.

Post Auction Information Provision

100. Not later than 24 hours after each User has been notified of their allocation National Grid NTS will publish the following information per NTS Exit Point per Year:
 - 100.1. Weighted Average Price of all successful bids
 - 100.2. Aggregate Volume Allocated
 - 100.3. Any remaining unsold baseline NTS Exit (Flat) Capacity (including any NTS Exit Capacity that the National Grid NTS is obligated to release).
 - 100.4. Number of Users who submitted bids
 - 100.5. Number of successful Users
 - 100.6. The highest price accepted
 - 100.7. The volume accepted associated to the highest price
 - 100.8. The lowest price accepted
 - 100.9. The volume accepted associated to the lowest price

Section 3: Daily Release Short Term (Firm) NTS Exit (Flat) Capacity Sales**High Level Principles**

101. National Grid NTS will hold Short Term (Firm) NTS Exit (Flat) Capacity auctions daily at 15:00 D-1 and at other times both ahead of the gas day and on the gas day as required with at least [60] minutes prior notice.

Bidding

102. Application for Daily Firm NTS Exit (Flat) Capacity must specify:
- 102.1. The User
 - 102.2. The NTS Exit Point
 - 102.3. The Date/Day for which the NTS Exit (Flat) Capacity is applicable for
 - 102.4. The volume of Daily Firm NTS Exit (Flat) Capacity bid for (not less than minimum eligible amount – 100,000kWh)
 - 102.5. The minimum volume of Daily Firm NTS Exit (Flat) Capacity bid for (not less than minimum eligible amount – 100,000kWh)
103. The price (p/kWh/day) bid by the User must be greater than or equal to the reserve price (reserve price is subject to wider licence developments with respect to clearing allocation rules).
104. Whether this bid is Evergreen (constant volume) or reducing (constant rate). The bid quantity for a reducing bid will reduce by 1/n each hour where n is the number of hours remaining in the day from when the bid was initially posted.
105. If a User has a credit sanction in place they will be unable to bid in this Auction.
106. National Grid NTS will reject a Users bids if any of the above criteria are not met

Other Rules:

107. Users may place bids between D-7 06.00 and D 00.00 every day. Only unallocated bids can be modified and withdrawn between these times.
108. Users will be able to place up to 10 bids per NTS Exit Point per day.
109. Bids may be amended (Evergreen) or withdrawn (Evergreen or Reducing) at any time up until the bid is allocated, subject to gate closure provisions below. An 'evergreen' bid may be modified at any time, subject to gate closure rules, until the bid is selected. A 'reducing' bid cannot be modified after the first reduction has taken place. Evergreen or Reducing bids can be withdrawn at any time, subject to gate closure rules, until the bid is accepted.
110. Prior to allocation if a bid reduces below the minimum quantity required then the bid will be rejected

Gate Closure

111. Users can bid throughout the bid window but only bids placed by the times detailed above for D-1 and D will be considered for allocation.
112. The bids placed can be modified or withdrawn before these times but cannot be modified or withdrawn after these times until the auction has been run.

113. Once processing has been completed and if bids have not been allocated then these bids can then be modified or withdrawn.

Allocations

114. On D-1 an amount not less than unsold baseline will be offered for sale at each NTS exit point, unless National Grid NTS has identified that there is an impending Constraint (subject to National Grid NTS Licence obligations).
115. On D NTS Exit (Flat) Capacity will be made available at the NTS SO's discretion and /or unsold baseline, unless National Grid NTS has identified that there is an impending Constraint (subject to National Grid NTS Licence obligations).
116. Where a Credit Sanction is in place National Grid NTS will not allocate NTS Exit (Flat) Capacity to the User. The Users bids will be rejected.
117. National Grid NTS will allocate and notify Users within 1 hour of processing for all auctions subject to there being Daily Firm NTS Exit (Flat) Capacity available
118. On a day where there is no Daily Firm NTS Exit (Flat) Capacity available at an NTS Exit point or there is an amount less than the minimum eligible amount, National Grid NTS will not allocate.
119. All bids will be ranked in order of price by NTS exit point, the highest being ranked first at each point.
120. Daily Firm NTS Exit (Flat) Capacity will be allocated in descending order, allocating the highest priced bid first until the amount allocated in aggregate (at that NTS exit point) equals the amount of Daily Firm NTS Exit (Flat) Capacity available or there are no more bids to satisfy.
121. When a bid is reached where the amount of Daily Firm NTS Exit (Flat) Capacity available is less than the amount bid for then that bid will not be allocated in full but will be partially allocated. If the minimum quantity specified by the User is greater than the amount available, then this bid is disregarded within that specific auction and the allocation process will descend to the next bid and apply the allocation process to that bid.
122. If two or more bids have the same price and in aggregate the amount of Daily Firm NTS Exit (Flat) Capacity requested is greater than the amount available, then the bids will be pro-rated based on the quantities bid for. Where the pro-rated amount is less than an individual bids' minimum quantity this bid will be disregarded and a revised allocation will be made between the remaining equally priced bids. If the pro-rated amount, for all the equally placed bids is below the minimum quantity required these bids are disregarded within that allocation process, which then steps down to the next bid(s) to continue the allocation.
123. National Grid NTS will not allocate a Daily Firm NTS Exit (Flat) Capacity Volume less than 100,000kWh
124. Any bid that has been disregarded during the allocation process will be available for modification and withdrawal once the allocation processes have been completed.
125. Any bids that have been placed and have not been allocated after the final allocation process at D 00.00 will be rejected.
126. Any bids made by an User that are successful, register that User as holding Firm NTS Exit (Flat) Capacity rights for the relevant day and time period for that NTS Exit point.

127. The Users who are subsequently allocated Daily Firm NTS Exit (Flat) Capacity at that NTS Exit Point, will be liable to pay for their allocated bid quantity multiplied by the bid price.

Post Auction Information Provision

128. Not later than 1 hour after each User has been notified of their allocation the National Grid NTS will publish the following information per NTS Exit Point per day:
- 128.1. Weighted Average Price of all successful bids
 - 128.2. Aggregate Volume Allocated
 - 128.3. Number of Users who submitted bids
 - 128.4. Number of successful Users
 - 128.5. The highest price accepted
 - 128.6. The volume accepted associated to the highest price
 - 128.7. The lowest price accepted
 - 128.8. The volume accepted associated to the lowest price

Section 4: Daily Ahead Interruptible NTS System Exit Capacity Sales

High Level Principles

129. National Grid NTS will hold Short Term Interruptible NTS Exit (Flat) Capacity auctions daily at 15.00 D-1.
130. The quantity of interruptible capacity to be released at each NTS Exit Point will be equal to:
- 130.1. firm flat holdings minus the Average Quantity Offtaken; plus
 - 130.2. any discretionary amount which National Grid NTS may wish to make available in response to bid prices.
131. The Average Quantity Offtaken of Firm NTS Exit (Flat) Capacity is an amount equal to:

$$\text{AUC} / 30$$

where AUC is the aggregate amount for each relevant day by which the Firm NTS Exit (Flat) has been offtaken by Users at the NTS Exit Point over the 30 day period ending on and including day D-7.

Bidding

132. Application for Daily Interruptible NTS Exit (Flat) Capacity must specify:
- 132.1. The User
 - 132.2. The NTS Exit Point
 - 132.3. The Date / Day for which the application is applicable for
 - 132.4. The volume of Daily Interruptible NTS Exit (Flat) Capacity bid for (not less than minimum eligible amount – 100,000kWh)
 - 132.5. The minimum volume of Daily Interruptible NTS Exit (Flat) Capacity bid for (not less than minimum eligible amount – 100,000kWh)
133. The price bid for by the User must be greater than or equal to the reserve price
134. If a User has a credit sanction in place at the time of their bid, they will be unable to bid in this Auction
135. National Grid NTS will Reject a Users bids if any of the above criteria aren't met

Other Rules:

136. Bid window is open between D-7 06.00 and D-1 14.00 every day. Bids can be added, modified and withdrawn between these times.
137. No more than 10 bids per User per NTS exit point per day

Allocations

138. National Grid NTS will allocate the Daily Interruptible NTS Exit (Flat) Capacity and notify Users of their allocations within 1 hour of the auction being run at 15.00 on D-1.
139. Where a Credit Sanction is in place National Grid NTS will not allocate Daily Interruptible NTS Exit (Flat) Capacity to the User. The Users bids will be rejected.

140. On a day where there is no Daily Interruptible NTS Exit (Flat) Capacity available at an NTS Exit point or there is an amount less than the minimum eligible amount, National Grid NTS will not allocate.
141. All bids will be ranked in order of price by NTS exit point, the highest being ranked first.
142. Daily Interruptible NTS Exit (Flat) Capacity Bids will be allocated in descending order, allocating the highest priced bid first until the amount allocated in aggregate (at that NTS exit point) equals the amount of Daily Interruptible NTS Exit (Flat) Capacity available or there are no more bids to satisfy.
143. When a bid is reached where the amount of Daily Interruptible NTS Exit (Flat) Capacity available is less than the amount bid for then that bid will not be allocated in full but will be partially allocated. If the minimum quantity specified by the User is greater than the amount available, then this bid is rejected and the allocation process will descend to the next bid and apply the allocation process to that bid.
144. If two or more bids have the same price and in aggregate the amount of Daily Interruptible NTS Exit (Flat) Capacity requested is greater than the amount available, then the bids will be pro-rated based on the quantities bid. Where the amount to be pro-rated is less than an individual bids' minimum quantity this bid will be rejected and a revised allocation will be made between the remaining equally priced bids. If the pro-rated amount, for all the equally placed bids is below the minimum quantity required these bids are rejected and the allocation process which then steps down to the next bid(s) to continue the allocation.
145. National Grid NTS will not allocate a Daily Interruptible NTS Exit (Flat) Capacity amount less than 100,000kWh
146. Any bids that have not been allocated in the Daily Interruptible NTS Exit (Flat) Capacity auction will be rejected.
147. Any bids made by a User that are successful, register that User as holding Interruptible NTS Exit (Flat) Capacity rights for the relevant day for that NTS Exit point.
148. The Users that are subsequently allocated Daily Interruptible NTS Exit (Flat) Capacity at that NTS Exit Point will be liable to pay for their allocated bid quantity multiplied by the bid price.
149. Any Daily Interruptible NTS Exit (Flat) Capacity allocated to a User will be included in their aggregate NTS Exit (Flat) Capacity holding and will be used in the calculation of NTS Exit (Flat) Capacity Overruns.

Post Auction Information Provision

150. Not later than 1 hour after each User has been notified of their allocation the National Grid NTS will publish the following information per NTS Exit Point per day:
 - 150.1. Weighted Average Price of all successful bids
 - 150.2. Aggregate Volume Allocated
 - 150.3. Number of Users who submitted bids
 - 150.4. Number of successful Users
 - 150.5. The highest price accepted
 - 150.6. The volume accepted associated to the highest price

150.7. The lowest price accepted

150.8. The volume accepted associated to the lowest price

Section 5: Transfers and Assignment of NTS Exit (Flat) Capacity

151. National Grid NTS will facilitate secondary transfers (trading) of capacity at an NTS Exit Point i.e. a User will be able to transfer (trade) any quantity of capacity at an NTS Exit Point to another User at the same NTS Exit Point, but the primary holder would still remain liable for paying the relevant capacity charges.
152. National Grid NTS will also facilitate primary transfer (assignment) of a User's capacity holding to another User at an NTS Exit Point i.e. a User will be able to assign its capacity holdings at an NTS Exit to another User at the same NTS Exit Point, including the liability to pay the relevant capacity charges.
153. The system functionality for transfers and assignment of NTS Exit (Flat) Capacity will be available from Aug 2009.

Transfers (Trades)

154. A User ("Transferor User") will be able to transfer all or part of its Firm NTS Exit (Flat) Capacity at an NTS Exit Point for a day or days to another User ("Transferee User") at the same NTS Exit Point.
155. To facilitate a transfer, the Transferor User and Transferee User must notify National Grid NTS of:
 - 155.1. the identity of the Transferor User and Transferee User;
 - 155.2. the NTS Exit Point;
 - 155.3. amount of capacity to be transferred;
 - 155.4. the relevant day or days for the transfers
156. Transfers may not be notified in respect of any day within a Gas Year:
 - 156.1. later than 04:00 hours on the Day or first Day for which capacity is requested to be transferred;
157. Transfers may be rejected by National Grid NTS where the requested transfer amount exceeds the Transferor User's capacity holding.
158. If a requested transfer has not been rejected within 60 minutes of the notification by the Transferor User and the Transferee User (whichever is later), the transfer will deemed to have been accepted by National Grid NTS.
159. If a transfer has been accepted, the transferred capacity for the relevant day(s) will be:
 - 159.1. deducted from Transferor User's NTS Exit (Flat) capacity holdings at the NTS Exit Point, but the Transferor User will continue to be liable for capacity charges for the transferred amount;
 - 159.2. added to the Transferee User's NTS Exit (Flat) capacity holdings at the NTS Exit Point, but the Transferee User will not become liable for capacity charges for the transferred amount
160. The revised end of day NTS Exit (Flat) Capacity holdings for both Users will be used in the calculation of NTS Exit (Flat) Capacity Overrun Charges and other liabilities associated with NTS Exit arrangements, but the primary Capacity holder will remain liable for the payment of NTS Exit (Flat) Capacity charges.

Assignment

161. A User ("Assignor User") will be able to assign all of its NTS Exit (Flat) Capacity obtained through the long and medium term capacity release mechanisms at an NTS Exit Point to another User ("Assignee User") at the same NTS Exit Point from a specified day (the "Assignment Day").
162. To facilitate a capacity assignment, the Assignor User and Assignee User must notify National Grid NTS of:
 - 162.1. the identity of the Assignor User and Assignee User;
 - 162.2. the NTS Exit Point;
 - 162.3. the Assignment Day.
163. Assignments may not be notified
 - 163.1. later than 5 Business Days before the Assignment Day.
164. Assignments will be rejected by National Grid NTS where:
 - 164.1. the Assignee User does not have the required credit worthiness.
165. If a requested assignment has not been rejected within 4 Business Days of the notification by the Assignor User and the Assignee User (whichever is later), the assignment will be deemed to have been accepted by National Grid NTS.
166. If an assignment has been accepted:-
 - 166.1. the Assignor's NTS Exit (Flat) capacity holdings at the NTS Exit Point will be reduced to zero and the Assignor will no longer be liable for capacity charges for the assigned amount from the Assignment Day;
 - 166.2. the Assignee User's NTS Exit (Flat) capacity holdings at the NTS Exit Point will be increased by the Assignor's NTS Exit (Flat) Capacity, and the Assignee will become liable for capacity charges for the assigned amount from the Assignment Day.

Section 6: Long and medium term NTS Exit (Flexibility) Capacity Sales**Constrained Sale, Years 1 to 5 Ahead****High level Principles**

167. Users may apply for Annual NTS Exit (Flexibility) Capacity for Gas Year Y+1 to Gas Year Y+5 (inclusive) in any NTS Exit Zone through the annual flexibility capacity auctions held in July in each Gas Year Y (e.g. In July 2010, Users will be able to apply for Annual NTS Exit (Flexibility) Capacity for Gas Years 2010/11 to 2015/16.)
168. The Annual NTS Exit (Flexibility) Capacity auctions will be:
 - 168.1. held over [2] Business Days with at least [3] Business Days between each round of auction;
 - 168.2. make available up to 50% of the Maximum Available Annual NTS Exit (Flexibility) Capacity in the first round and all remaining capacity being made available in the final round.
169. Users will pay the price that they placed in their bid if their bid is allocated.
170. National Grid NTS will allocate User bids in price order (highest price first) subject to National, Area and Local maxima (see Appendix 3).

Invitation

171. National Grid NTS will notify Users of relevant details for the annual NTS Exit (Flexibility) Capacity auction by issuing an annual invitation not less than 28 days before the commencement of the auction.
172. The annual invitation will specify:
 - 172.1. the days on which annual auctions will be held;
 - 172.2. reserve price for each NTS Exit Zone and Gas Year (in accordance with the Statement of Gas Transmission Transportation Charges);
 - 172.3. Maximum Available Annual NTS Exit (Flexibility) Capacity for each NTS Exit Zone, NTS Exit Area and for all NTS Exit Areas, subject to national, area and local maxima, for each Gas Year and auction tranche;
 - 172.4. The National, Area and Zonal Maxima;
 - 172.5. The attribution of NTS Exit Points to NTS Exit Areas.
173. The Maximum Available Annual NTS Exit (Flexibility) Capacity for each Gas Year will be:
 - 173.1. for all NTS Exit Areas, the difference between the national maximum for that Year and the total amount previously sold;
 - 173.2. for each NTS Exit Area, the difference between the area maximum for that Year and the amount previously sold in that area;
 - 173.3. for each NTS Exit Zone, the difference between the zonal maximum for that Year and the amount previously sold in that zone.

Bidding

174. Application for NTS Exit (Flexibility) Capacity must specify:
- 174.1. The User
 - 174.2. The NTS Exit Zone
 - 174.3. The Gas Year that the application is for
 - 174.4. The NTS Exit (Flexibility) Capacity amount (in kWh/Day) (not less than 50,000 kWh/Day)
 - 174.5. The minimum amount of NTS Exit (Flexibility) Capacity the User is willing to be allocated
 - 174.6. The Bid Price (in p/kWh)
175. The price must be greater than or equal to the reserve price for that NTS Exit Zone
176. If a User has a credit sanction in place they will be unable to place bids.
177. National Grid NTS will reject Users bid if any of these criteria are not met

Other Rules:

- 178. No more than [10] bids per User, per NTS Exit Zone, per year, per round.
- 179. The bid window will be between 08:00 and 17:00 on the day of the auction
- 180. Bids can only be placed within the bid window
- 181. Bids can be modified and withdrawn throughout the bid window
- 182. National Grid NTS will reject any bids that do not meet these criteria.

Information provision between each bid window

183. Not later than 48 hours following the closure of each auction round, the National Grid NTS will notify Users of the following information by NTS Exit Zone and Gas Year:
- 183.1. Aggregate Volume Requested
 - 183.2. Aggregate Volume Allocated
 - 183.3. Highest Price Bid Allocated
 - 183.4. Volume Allocated at highest price
 - 183.5. Lowest Price Bid Allocated
 - 183.6. Volume Allocated at lowest price
 - 183.7. Number of Users who placed bids
 - 183.8. Number of successful Users
 - 183.9. Maximum Available NTS Exit (Flexibility) Capacity for future auctions.

Allocation Principles

184. Where a credit sanction is in place, National Grid NTS will not allocate NTS Exit (Flexibility) Capacity to the User and the User's bids will be rejected.
185. National Grid NTS will have 48 hours after the closure of the bid window, to complete the allocation process below and notify the Users of their allocations.
186. All bids for all NTS Exit Zones will be considered as part of the allocation process.
187. All bids will be ranked in order of price for each Gas Year with the highest ranked first.
188. NTS Exit (Flexibility) Capacity bids will be allocated in descending order, allocating the highest priced bid first until:
 - 188.1. until there are no more bids to satisfy, or
 - 188.2. when the allocation of the sum of all of the NTS Exit Area allocations is equal to or greater than the national maxima, or
 - 188.3. when the allocation of the sum of all of the NTS Exit Zone allocations within an area is equal to or greater than the relevant area maxima, or
 - 188.4. when the allocation at an NTS Exit Zone is equal to or greater than the relevant zonal maxima.
189. When a bid is received where the amount of NTS Exit (Flexibility) Capacity available or the difference between the amount allocated at the NTS Exit Zone and the NTS Exit Zone maxima or the difference between the sum of all of the amount allocated for all of the NTS Exit Zones within an area is less than the amount bid, then that bid will not be allocated in full but partially allocated to the amount of NTS Exit (Flexibility) Capacity available. If the minimum quantity specified by the User is greater than the NTS Exit (Flexibility) Capacity amount available or the difference between the amount allocated at the NTS Exit Zone and the NTS Exit Zone maxima or the difference between the sum of all of the amount allocated for all of the NTS Exit Zones within an area is less than the amount bid, the bid will be rejected and the allocation process will descend to the next bid and apply the allocation process from there.
190. Where two or more bids have the same price, and when aggregated the amount of NTS Exit (Flexibility) Capacity requested is greater than the amount available then the bids will be pro-rated based on the quantities bid for.
191. Where the amount to be pro-rated is less than an individual bids' minimum quantity this bid will be rejected and a revised allocation will be made between the remaining equally priced bids or if all the equally priced bids are rejected then the allocation process steps down to the next bid(s) to continue allocation.
192. National Grid NTS will not allocate less than 50,000 kWh/day.

Post Auction Information Provision

193. Not later than 24 hours after each User is notified of their allocation, National Grid NTS will publish the following information by NTS Exit Zone and by Gas Year:
 - 193.1. Aggregate Volume Requested
 - 193.2. Aggregate Volume Allocated
 - 193.3. Maximum Available NTS Exit (Flexibility) Capacity

- 193.4. Highest Price Bid Allocated
- 193.5. Volume Allocated at highest price
- 193.6. Lowest Price Bid Allocated
- 193.7. Volume Allocated at lowest price
- 193.8. Number of Users who submitted bids
- 193.9. Number of successful Users

Section 7: Daily NTS Exit (Flexibility) Capacity Sales

High Level Principles

194. Users may apply for Daily NTS Exit (Flexibility) Capacity in any NTS Exit Zone through submission of an (Individual) Offtake Profile Notice (OPN), or an (Individual) Storage Flow Notification (SFN) or, in the event that there is greater demand for Daily NTS Exit (Flexibility) Capacity than National Grid NTS considers can be safely accommodated by the system, a “pay-as-bid” capacity auction.
195. In the event that a daily auction is triggered, National Grid NTS will inform Users of the time(s) at which such auctions will be undertaken.

OPN⁶ Capacity Application Process

196. The Registered Users at an NTS Exit Point shall ensure that an OPN is provided to National Grid NTS ahead of the gas day⁷, as defined in UNC, to set out the intended aggregate rate of offtake for the NTS Exit Point.
197. For NTS Exit Points where there is more than one Registered User:
- 197.1. an Individual Offtake Profile Notice (IOPN) must be provided with the OPN for each Registered User such that the sum of the rate of offtakes in each IOPN equals the aggregate rates set out in the OPN; or
 - 197.2. a standing instruction must be notified in advance to National Grid NTS by all Registered Users of the attribution of the OPN to each Registered User. This will be used by National Grid NTS to determine the IOPN for each User.
198. Users may apply for Daily NTS Exit (Flexibility) Capacity in respect of an NTS Exit Zone by submitting (or revising) any IOPN at an NTS Exit Point as a result of which the User's Notified Daily Flexibility Utilisation for the NTS Exit Zone exceeds its holdings as described below.
199. National Grid NTS will determine from the IOPN, each User's Notified User Daily Flexibility Utilisation (UDFU) for the NTS Exit Point as follows:

$$\text{NUDFU} = \text{UDQO}_{2200} - \text{AUDQO}_{2200}$$

where:

UDQO_{2200} is the quantity of gas offtaken notified to be offtaken in aggregate by the User between 06:00 hours and 22:00 hours on the Day at the NTS Exit Point;

AUDQO_{2200} is the average notified quantity of gas deemed to be offtaken by the Users at the NTS Exit Point at an even rate between 06:00 hours and 22:00 hours on the relevant Day calculated i.e.

$$\text{DQ} * (16 / 24),$$

where DQ is the notified quantity of gas to be offtaken by the Users on the gas day for the NTS Exit Point

⁶ For clarity, this also includes Storage Flow Notifications

⁷ Note that the timescale for OPN/SFN submission is currently the subject of UNC Modification Proposal 0100

200. A User's Notified User Daily Flexibility Utilisation for each NTS Exit Zone (NUDFU_Z) will then be determined by summing the User's Notified User Daily Flexibility Utilised for each NTS Exit Point (NUDFU) for all NTS Exit Points within an NTS Exit Zone.
201. On each hour bar, National Grid NTS will make an assessment of each User's Notified User Daily Flexibility Utilisation for each zone against the amount of flexibility capacity that it has previously bought and any additional amount of flexibility capacity that National Grid NTS may wish to release. In the event that the User's Notified User Daily Flexibility Utilisation for an NTS Exit Zone (ANUDFU_Z) is:
- 201.1. CASE A" - greater than its NTS Exit (Flexibility) Capacity holding for the zone and National Grid NTS can accommodate notified flex capacity utilisations for all Users in the NTS Exit Zone, then the relevant User's NTS Exit (Flexibility) Capacity holding will be set equal to its Notified User Daily Flexibility Utilisation for the NTS Exit Zone (NUDFU_Z) i.e. the user's NTS Exit (Flexibility) Capacity holding will be increased;
- 201.2. "CASE B" - greater than its NTS Exit (Flexibility) Capacity holding for the zone and National Grid NTS cannot accommodate (at its discretion⁸) notified flex capacity utilisations for all Users in the NTS Exit Zone, then National Grid NTS will reject the User's IOPN within [30] minutes;
- 201.3. "CASE C" - less than the NTS Exit (Flexibility) Capacity holding for the zone, the IOPN will not be rejected.
202. Where a User's IOPN has been rejected under CASE B above and National Grid NTS considers that the NTS Exit Zone is able to accommodate additional flexibility utilisation than has been booked, Users will be able to resubmit its OPN/IOPN within [30] minutes. National Grid NTS will follow the above process again and in the event that
- 202.1. only one User's IOPN is rejected under CASE B, then the above is repeated;
- 202.2. more than one User's IOPN is rejected under CASE B, then National Grid NTS will inform Users that the NTS Exit Zone for the gas day is a "flexibility constraint day" i.e. there are competing users for "spare" flexibility in a zone, and daily "pay-as-bid" auctions will be held (as described below).
203. The above steps are repeated in the event that a revised IOPN is submitted after acceptance of the first IOPN by National Grid NTS.
204. For clarity, a User does not surrender or otherwise reduce its NTS Exit (Flexibility) Capacity in relation to a Day by submitting or revising an IOPN.
205. Daily NTS Exit (Flexibility) Capacity obtained through the IOPN process will be charged to the relevant User at the daily flex auction reserve price.

Daily NTS Exit (Flexibility) Capacity auctions (where required)

Invitation

206. Where an NTS Exit Zone has been declared a "flexibility constraint day", National Grid NTS will notify Users of relevant details for the daily NTS Exit (Flat) Capacity auction by issuing a daily invitation.
207. The daily invitation will specify:

⁸ In the event that there is unsold baseline NTS Exit (Flexibility) Capacity, then National Grid NTS must release such levels of capacity, otherwise any additional amounts will be at National Grid NTS discretion.

- 207.1. the time(s) at which the auction(s) will be held, a minimum of [30] minutes notification shall be provided by NTS SO;
 - 207.2. the NTS Exit Zone(s)
 - 207.3. reserve price for each NTS Exit Zone (in accordance with the Statement of Gas Transmission Transportation Charges);
 - 207.4. Updated Maximum Available Annual NTS Exit (Flexibility) Capacity for the NTS Exit Zone.
208. The Updated Maximum Available Annual NTS Exit (Flexibility) Capacity for the day will be:
- 208.1. for the NTS Exit Zone, the difference between National Grid NTS' estimated zonal maximum for that gas day (based on assessment of system capability) and the amount previously sold in that zone.

Bidding

209. Application for Daily Firm NTS Exit (Flexibility) Capacity must specify:
- 209.1. The User
 - 209.2. The NTS Exit Zone
 - 209.3. The Date / Day for which the NTS Exit (Flexibility) Capacity is applicable for
 - 209.4. The volume of Daily Firm NTS Exit (Flexibility) Capacity bid for/offered (not less than minimum eligible amount – 50,000kWh)
 - 209.5. The minimum volume of Daily Firm NTS Exit (Flexibility) Capacity bid for/offered (not less than minimum eligible amount – 50,000kWh)
 - 209.6. Whether the bid is Evergreen (constant volume) or Reducing (constant rate). The bid quantity for a reducing bid will reduce by 1/n each hour where n is the number of hours remaining upto 22.00 from when the bid/offer was initially posted.
 - 209.7. The lead time associated to the bid will be hour bar +1
 - 209.8. Bid Price
210. The bid price must be greater than or equal to the reserve price (reserve price is subject to wider licence developments with respect to clearing allocation rules)
211. If a User has a credit sanction in place at the time of their bid, they will be unable to place their bids.
212. National Grid NTS will reject a Users bids if any of the above criteria aren't met

Other Rules:

- 213. Users will be able to place up to 10 bids per NTS Exit Zone per day
- 214. An 'evergreen' bid may be modified at any time, subject to gate closure rules, until the bid is selected.
- 215. If the lead time makes the bid invalid then the bid/offer will be rejected.

Gate Closure

216. Users can bid throughout the bid window but only bids placed by the allocation times detailed above for D-1 and D will be considered for allocation.
217. The bids placed can be modified or withdrawn before these times but cannot be modified or withdrawn after these times until the auction has been run.
218. Once the processing has been completed, if the bids haven't been allocated then these bids can then be modified or withdrawn.

Allocations

219. On D and D-1 NTS Exit (Flexibility) Capacity will be made available at the NTS SOs discretion.
220. National Grid NTS will allocate and notify Users within 1 hour of processing for all auctions subject to there being Daily NTS Exit (Flexibility) Capacity available.
221. On a day where there is no Daily Firm NTS Exit (Flexibility) Capacity available at an NTS Exit Zone or there is an amount less than the minimum eligible amount 50,000 kWh, National Grid NTS will not allocate.
222. All bids will be ranked in order of price, the highest being ranked first.
223. Where a Credit Sanction is in place National Grid NTS will not allocate NTS Exit (Flexibility) Capacity to the User. The Users bids will be rejected.
224. Daily NTS Exit (Flexibility) Capacity bids will be allocated in descending order, allocating the highest priced bid first until the amount allocated in aggregate equals the amount of Daily NTS Exit (Flexibility) Capacity available or there are no more bids to satisfy.
225. When a bid is reached where the amount of Daily NTS Exit (Flexibility) Capacity available is less than the amount bid for, then that bid will not be allocated in full but will be partially allocated. If the minimum quantity specified by the User is greater than the amount available, then this bid is disregarded within that specific auction and the allocation process will descend to the next bid and apply the allocation process to that bid.
226. If two or more bids have the same price and in aggregate the amount of Daily NTS Exit (Flexibility) Capacity requested is greater than the amount available, then the bids will be pro-rated based on the quantities bid for. Where the pro-rated amount is less than an individual bids' minimum quantity this bid will be disregarded and a revised allocation will be made between the remaining equally priced bids. If the pro-rated amount, for all the equally placed bids is below the minimum quantity required these bids are disregarded within that allocation process, which then steps down to the next bid(s) to continue the allocation.
227. National Grid NTS will not allocate a Daily NTS Exit (Flexibility) Capacity Volume less than 50,000kWh
228. Any bid that has been disregarded during the allocation process will be available for modification and withdrawal once the allocation processes have been completed.
229. Any bids that have been placed and have not been allocated after the final allocation process at D 20.00 will be rejected.

230. Any bids made by a User that are successful, register that User as holding NTS Exit (Flexibility) Capacity rights for the relevant day and time period for that NTS Exit Zone. Allocated bids will increase their holding.

Post Auction Information Provision

231. Not later than 1 hour after each User has been notified of their allocation the National Grid NTS will publish the following information per NTS Exit Zone per day. Each one of the pieces of information detailed below will be provided:

- 231.1. Weighted Average Price of all successful bids
- 231.2. Aggregate Volume Allocated
- 231.3. Number of Users who submitted bids
- 231.4. Number of successful Users
- 231.5. The highest price accepted
- 231.6. The volume accepted associated to the highest price
- 231.7. The lowest price accepted
- 231.8. The volume accepted associated to the lowest price

Section 8: Transfers and Assignment of NTS Exit (Flexibility) Capacity

232. National Grid NTS will facilitate secondary transfers (trading) of capacity at and between NTS Exit Zones subject to area and zonal maxima i.e. a User will be able to transfer (trade) capacity at an NTS Exit Zone:

- 232.1. to another User at the same NTS Exit Zone; or
- 232.2. to itself or another User at a different NTS Exit Zone
- 232.3. for a specific Gas Year(s) prior to completion of the final Annual NTS Exit (Flexibility) Capacity auction for that Gas Year(s)
- 232.4. for a specific day/days after completion of the final Annual NTS Exit (Flexibility) Capacity auction for that Gas Year

but the primary holder would still remain liable for paying the relevant capacity charges.

233. National Grid NTS will also facilitate primary transfer (assignment) of a User's capacity holding to another User at an NTS Exit Zone i.e. a User will be able to assign its capacity holdings at an NTS Exit Zone to another User at the same NTS Exit Zone, including the liability to pay the relevant capacity charges.

234. The system functionality for transfers and assignment of NTS Exit (Flexibility) Capacity will be available from Aug 2009.

Transfers (Trades)

235. A User ("Transferor User") will be able to transfer all or part of its Firm NTS Exit (Flexibility) Capacity at an NTS Exit Zone for a Gas Year before all Annual NTS Exit (Flexibility) Auctions have been held for that Gas Year and day or days after the last Annual NTS Exit (Flexibility) Auction has been held for that Gas Year to:

- 235.1. another User ("Transferee User") at the same NTS Exit Zone; or
- 235.2. itself or another User ("Transferee User") at a different NTS Exit Zone.

236. To facilitate a transfer between different Users, the Transferor User (selling User) and Transferee User (buying User) must notify National Grid NTS of:

- 236.1. the identity of the Transferor User and Transferee User;
- 236.2. the NTS Exit Zone from which capacity is to be transferred;
- 236.3. the NTS Exit Zone to which capacity is to be transferred;
- 236.4. amount of capacity to be transferred;
- 236.5. for transfers after the last Annual NTS Exit (Flexibility) Auction for that Gas Year the relevant day or days for the transfers.
- 236.6. for transfers before the last Annual NTS Exit (Flexibility) Auction for that Gas Year the Gas Year for the transfer

237. The Transferor User will enter the trade details and the Transferee User will confirm or reject the trade

238. To facilitate a transfer between the same User, the User must notify National Grid NTS of:

- 238.1. the identity of the User (both Transferor User and Transferee User);
- 238.2. the NTS Exit Zone from which capacity is to be transferred;
- 238.3. the NTS Exit Zone to which capacity is to be transferred;
- 238.4. amount of capacity to be transferred;
- 238.5. for transfers after the last Annual NTS Exit (Flexibility) Auction for that Gas Year the relevant day or days for the transfers
- 238.6. for transfers before the last Annual NTS Exit (Flexibility) Auction for that Gas Year the Gas Year for the transfer

239. Transfers for a Gas Year, both between and within NTS Exit Zones, may not be notified:
- 239.1. during a capacity allocation period
 - 239.2. after the last Annual NTS Exit (Flexibility) Capacity Auction for that Gas Year (becomes a transfer over a day or number of days)
240. Transfers may not be notified in respect of any day within a Gas Year between NTS Exit Zones:
- 240.1. until after the completion of the last annual NTS Exit (Flex) Capacity auction for the Gas Year;
 - 240.2. later than 12:00 ahead of the Day or first Day for which capacity is requested to be transferred between NTS Exit Zones;
 - 240.3. during a capacity allocation period;
 - 240.4. if National Grid NTS has provided notification that it is considering undertaking a capacity constraint management action at the NTS Exit Zone.
241. Transfers may not be notified in respect of any day within a Gas Year within NTS Exit Zones:
- 241.1. later than 04:00 hours on the Day or first Day for which capacity is requested to be transferred within NTS Exit Zones;
242. Transfers will be rejected in respect of any a Gas Year or any day within a Gas Year:
- 242.1. if a transfer between NTS Exit Zones would result in a breach of the limits for the NTS Exit Zone and/or NTS Exit Area to which the capacity would be transferred;
 - 242.2. for any 2 transfers that are received at exactly the same time and the combined effect would cause either the NTS Exit Zone or Area Maxima to which the capacity would be transferred to be exceeded.
243. Transfers may be rejected by National Grid NTS where the requested transfer amount exceeds the Transferor User's capacity holding.
244. If a requested transfer has not been rejected within 60 minutes of the notification by the Transferor User and the Transferee User (whichever is later), the transfer will deemed to have been accepted by National Grid NTS.
245. If a transfer has been accepted between two Users, the transferred capacity for the relevant Gas Year(s)/day(s) will be:
- 245.1. deducted from Transferor User's NTS Exit (Flex) capacity holdings at the NTS Exit Zone, but the Transferor User will continue to be liable for capacity charges for the transferred amount;
 - 245.2. added to the Transferee User's NTS Exit (Flex) capacity holdings at the same or new NTS Exit Zone (as requested), but the Transferee User will not become liable for capacity charges for the transferred amount
246. If a transfer has been accepted for a single User, the transferred capacity for the relevant Gas Year(s)/day(s) will be:
- 246.1. deducted from User's NTS Exit (Flex) capacity holdings at the initial NTS Exit Zone;

- 246.2. added to the User's NTS Exit (Flex) capacity holdings at the new NTS Exit Zone
247. The revised end of day NTS Exit (Flexibility) Capacity holdings for both Users will be used in the calculation of NTS Exit (Flexibility) Capacity Overrun Charges and other liabilities associated with NTS Exit arrangements, but the primary Capacity holder will remain liable for the payment of NTS Exit (Flexibility) Capacity charges.

Assignment

248. A User ("Assignor User") will be able to assign all of its NTS Exit (Flexibility) Capacity obtained through the annual capacity release mechanisms at an NTS Exit Zone to another User ("Assignee User") at the same NTS Exit Zone from a specified day (the "Assignment Day").
249. To facilitate a capacity assignment, the Assignor User and Assignee User must notify National Grid NTS of:
- 249.1. the identity of the Assignor User and Assignee User;
 - 249.2. the NTS Exit Point;
 - 249.3. the Assignment Day.
250. Assignments may not be notified
- 250.1. later than 5 Business Days before the Assignment Day.
251. Assignments will be rejected by National Grid NTS where:
- 251.1. the Assignee User does not have the required credit worthiness.
252. If a requested assignment has not been rejected within 4 Business Days of the notification by the Assignor User and the Assignee User (whichever is later), the assignment will be deemed to have been accepted by National Grid NTS.
253. If an assignment has been accepted:-
- 253.1. the Assignor's NTS Exit (Flex) capacity holdings at the NTS Exit Point will be reduced to zero and the Assignor will no longer be liable for capacity charges for the assigned amount from the Assignment Day;
 - 253.2. the Assignee User's NTS Exit (Flex) capacity holdings at the NTS Exit Point will be increased by the Assignor's NTS Exit (Flex) Capacity, and the Assignee will become liable for capacity charges for the assigned amount from the Assignment Day.

Section 9: NTS Exit Capacity Constraint Management**General Principles:**

254. An NTS Exit Capacity constraint occurs when physical capability at a point of the NTS system is expected to be below anticipated flows (forecast demand) and the aggregate of the NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity holdings at that location, at some time in the remainder of the day.
255. In accordance with Section 13 – Liabilities National Grid NTS shall have a number of allowed maintenance days. NTS Exit (Flat and Flexibility) Constraint Management Tools will be utilised if any maintenance is undertaken outside the defined number of maintenance days.
256. An Exit Capacity constraint could be caused by one of the following occurring or expected to occur:
- 256.1. Locally high gas demand
 - 256.2. NTS planned maintenance
 - 256.3. Unplanned events – compressor trips / plant failure
 - 256.4. Safety related incident
257. The following Exit Capacity Management Tools (ExCMTs) are currently envisaged (but additional tools may be developed over time):
- 257.1. Scale back of Interruptible NTS Exit (Flat) Capacity
 - 257.2. Forward and Option contract(s) for NTS Exit (Flat and Flexibility) Capacity Buy-back
 - 257.3. Flow Swap Contract(s) for NTS Exit (Flat and Flexibility) Capacity
 - 257.4. Turn-up Contract (to increase flow into the NTS in the constrained area)
 - 257.5. Daily NTS Exit (Flat and Flexibility) Capacity Buy-back (NTS Exit (Flexibility) Capacity buyback D-1 only)
 - 257.6. Daily purchase of Within Day Flow reductions by National Grid NTS
 - 257.7. Locational buy action on the OCM to reduce demand at an Exit Point
258. Any costs incurred from the use of EXCMT's by National Grid NTS will be used in the calculation of NTS Exit Capacity Neutrality.
259. Each of these processes is described in more detail below.
260. The UNC will recognise the existence of ExCMTs, but will only contain a full description of the arrangements for the following ExCMTs:
- 260.1. Scale back of Interruptible Exit Capacity
 - 260.2. Daily NTS Exit (Flat and Flexibility) Capacity Buy-back (firm capacity)
 - 260.3. Within Day Flow Reductions
 - 260.4. Locational buy action on the OCM

- 261. The ExCMTs described above will only be used to resolve NTS Exit Capacity constraints (or in the circumstances of a National Gas Supply emergency. In such circumstances no payment will be made under the ExCMTs).
- 262. Contracts may be established with Users at the following:
 - 262.1. LDZ offtakes
 - 262.2. NTS Direct Connects
 - 262.3. Entry Points (most likely to be Storage Facilities or LNG Importation Terminals)
- 263. Apart from Turn-up Contracts and the use of the OCM; the use of all the ExCMTs described in 3 above will reduce a Users NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) holding and hence affect their exposure to NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity Overrun Charges.
- 264. National Grid NTS will use ExCMTs in accordance with its System Management Principles Statement (SMPS) and will procure such tools in accordance with its Procurement Guidelines.
- 265. Payments (and revenues) in respect of ExCMTs will be counted towards the National Grid NTS Exit Capacity Incentive.
- 266. The User will be required to have installed at the NTS Exit Point measuring equipment of a satisfactory standard having due regard to the maximum range of flow rates that would be likely to be experienced, particularly where the NTS Exit Point will participate in resolving constraints via the ExCMT's (described in 254.1 to 254.7).

Exercising Daily Interruptible System Exit Capacity Rights

- 267. Where the system cannot accommodate the expected gas flow rate or where action is requested of the Transporter by the NEC (National Emergency Co-ordinator) National Grid NTS will reduce Daily Interruptible NTS Exit (Flat) Capacity entitlements.
- 268. Daily Interruptible NTS Exit (Flat) Capacity can be interrupted at any time after 15:00 D-1 before or during the gas day but with an effective time not earlier than 06:00 on D and not later than 02.00 on D. If a reduction in Daily Interruptible NTS Exit (Flat) Capacity is necessary within day then the reduction will be applied with effect from the next hour bar plus one.
- 269. A User's Daily Interruptible NTS Exit (Flat) Capacity entitlement will be calculated taking into account any reduction in the entitlement as a result of scaling back of interruptible entitlements, which may have been called during the day.
- 270. Should Daily Interruptible NTS Exit (Flat) Capacity require curtailment, each Users available Daily Interruptible NTS Exit (Flat) Capacity will be determined as:

$$R * (ExICF1 * P1 + ExICF2 * P2 + + ExICFn * Pn) / 24$$

where:

R is the amount of the Users available Daily Interruptible NTS Exit (Flat) Capacity for the day

ExICF is the NTS Exit Interruptible Curtailment Factor

P is the period in hours from the curtailment effective time until the effective time of a subsequent curtailment notice or the end of the day

271. The National Grid NTS shall determine the aggregate proportion of Daily Interruptible NTS Exit (Flat) Capacity to be scaled off in the event that they should deem such action necessary.
272. The National Grid NTS will issue an NTS Exit (Flat) Interruptible Curtailment Notice (ExICN) which will state, affected NTS Exit Point(s), the ExICF and the effective time the EXICN is to be applied. The ExICN will be issued to all Users.
273. After scaling, a User will have the right to offtake gas at a rate not exceeding 1/24th of their capacity holding multiplied by the ExICF. The User will have no right to flow against any accrued capacity
274. If at an NTS Exit Point, a User does not have measuring equipment of a satisfactory standard to measure gas flow at the implied rate, post scaling, then it may be required to cease all gas flow for the period to which the scaling instruction applies.
275. The Users will pay for the allocated volume of Daily Interruptible NTS Exit (Flat) Capacity (pre scaling) multiplied by the allocation price.

NTS Exit Capacity Buy-Back - Option & Forward Contracts


276. National Grid NTS may issue a tender for Option and/or Forward Contracts to affect a buy-back of NTS Exit (Flat) Capacity at an NTS Exit Point and/or NTS Exit (Flexibility) Capacity at an NTS Exit Zone. A single tender may include a requirement for 1 or more contract types and NTS Exit Points/NTS Exit Zones and an individual contract may affect either or both NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity holdings.
277. A Forward Contract is an advance buy-back of NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity for a pre-agreed period and quantity. The National Grid NTS would pay the User for the buy-back for that period at a price agreed at the time of the tender.
278. An Option Contract allows the National Grid NTS to buy an amount of NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity back from a User on a defined number of days within a defined period; the exact dates and quantities are determined when the contract is exercised. The National Grid NTS pays a premium for the right to buy back the NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity and an exercise fee should it use that right.
279. Initial tenders are expected to be issued in October 2007.
280. An invitation to tender may be issued by National Grid NTS at any time, but typically be expected to take place on an annual basis for a period of 1 to 7 years ahead but could be any period up to the day ahead.
281. In the invitation to tender, National Grid NTS would provide information about its requirements, for example the type of information could include:
- 281.1. Period for which the contract would apply
- 281.2. NTS Exit point(s)/NTS Exit Zone(s) for which a contract is required
- 281.3. Product for which contract is required (NTS Exit (Flat) Capacity, NTS Exit (Flexibility) Capacity etc)

- 281.4. Whether an Option or Forward Contract is required
- 281.5. Volume of the NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity buy-back required per NTS Exit Point and/or NTS Exit Zone
- 281.6. For Option Contracts the following may also be provided:
 - 281.6.1. Number of days within the period on which the contract would be exercisable;
 - 281.6.2. Premium price
 - 281.6.3. Exercise price
 - 281.6.4. Latest day and time at which the contract could be exercised (relative to gas day)
 - 281.6.5. Lead time for exercise min h+1, max h+24
- 281.7. For Forward Contracts the following may also be provided:
 - 281.7.1. Price
- 282. If any of the above parameters are not given by the National Grid NTS in the invitation to tender (or a maximum / minimum value is provided), the User would be able to offer a suitable value.
- 283. A limit of [n] would be placed on the number of offers made by a User.
- 284. All prices will be in p/kWh/day to four decimal places and all volumes will be in kWh/day.
- 285. The Contract will be made up of terms and conditions, the invitation to tender and the offer posted by a User and the acceptance by National Grid NTS.
- 286. The User will be required to sign onto the terms and conditions (either by way of fax or electronically) before posting an offer and will be bound by the current version of terms and conditions if their offer is accepted.
- 287. Option premiums will be at a constant rate for all days in the period, so that if the contract period spans a number of months a pro-rata proportion is allocated to each month.
- 288. Payment from National Grid NTS to Users for agreed contracts will be invoiced on an Ad-Hoc Invoice. Any payments that are due will be identified on such invoices. These will be produced on a monthly basis charges arising in the previous month for previous month.
- 289. Forward costs will be a constant rate over the period of which the contract applies.
- 290. On any Gas Day, an NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity buy-back option contract could be exercised either wholly or in part, (subject to the minimum quantity). Once the option volume has been partially exercised for a Gas Day the remainder will not be available.
- 291. Each time an NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity buy-back option contract is exercised the number of times remaining for exercise will be decremented by one. Once a contract has been exercised the maximum number of times (as specified in the contract), it will cease to be available.

292. An option contract could be exercised by National Grid NTS at any time between the acceptance of the tender and the final exercise time for action for a day specified at the time of exercise.
293. Following the exercise of an option contract prior to the gas day, it will be deemed to be effective from 06:00 on the gas day to which the exercise applies. For NTS Exit (Flat) Capacity contracts exercised within day the effective time will be after the agreed lead-time min h+1 - max h+24. For NTS Exit (Flexibility) Capacity contracts exercised within day the effective time will be after the agreed lead-time min h+1 – max h+15.
294. The exercise of an option contract or the acceptance of a forward contract will be a reduction in the Users NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity holding and hence will be deemed to reduce the rate at which the User has a right to offtake gas by the same amount for all remaining hours in the gas day following the hour in which the exercise / acceptance becomes effective.
295. A reduction in NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Capacity holdings will affect the Users liability for NTS Exit (Flat) Capacity and/or NTS Exit (Flexibility) Overrun Charges.

Flow Swap Contracts

296. National Grid NTS may issue a Tender for Flow Swap contracts to effect a swap in within day flows from one NTS Exit Point where a constraint is being encountered to another NTS Exit Point where such flows can be accommodated.
297. A Flow Swap contract allows the National Grid NTS to require a User to be able to reduce the flow through one NTS Exit Point and accommodate such a flow via another NTS Exit Point on a defined number of days within a defined period; the exact dates, quantities and times are determined when the contract is exercised. The National Grid NTS pays a premium for the right to access that swap and an exercise fee should it use that right.
298. An invitation tender may be issued by National Grid NTS at any time, but typically be expected to take place on an annual basis for a period of 1 to 7 years ahead but could be any period up to day ahead.
299. In the invitation to tender, National Grid NTS would provide information about its requirements, for example the type of information could include:
- 299.1. Period for which the contract would apply
 - 299.2. NTS Exit Points / Locations for which a flow swap is required.
 - 299.3. Number of days within the period on which the contract could be exercisable
 - 299.4. Premium price
 - 299.5. Exercise Price
 - 299.6. Latest day and time the contract could be exercised
 - 299.7. Lead time for exercise
 - 299.8. Any temporal aspect that may be required.
 - 299.9. Maximum Flow swap quantity

300. If any of the above parameters are not given by the National Grid NTS in the invitation to tender (or a maximum / minimum is provided), the User would be able to offer a suitable value.
301. A limit of [n] would be placed on the number of offers made by a User.
302. All prices will be in p/kWh/day to four decimal places.
303. The contract will be made up of terms and conditions, the invitation to tender and the offer posted by a User and accepted by National Grid NTS.
304. The User will be required to sign onto the terms and conditions (either by way of fax or electronically) before posting an offer and will be bound by the current version of terms and conditions if their offer is accepted.
305. Payment from National Grid NTS to Users for agreed contracts will be invoiced on an Ad-Hoc Invoice. Any payments that are due will be identified on such invoices. These will be produced at the beginning of the month following the period to which contract applied.
306. Flow Swap Option premiums will be at a constant rate for all days in the period, so that if the contract period spans a number of months a pro-rata proportion is allocated to each month.
307. On any day, a Flow Swap Contract could be exercised either wholly or in part, (subject to the minimum quantity).
308. Each time a Flow Swap Option Contract is exercised the number of times remaining for exercise will be decremented by one. Once a contract has been exercised the maximum number of times (as specified in the contract), it will cease to be available.
309.  Flow Swap Option contract could be exercised by National Grid NTS at any time between the acceptance of the tender and the final exercise time, for action on a day specified at the time of exercise.
310. Prior to exercise National Grid NTS will notify the User of the Flow Swap quantity required and agree to sell any end of day NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity that is required by the User at the NTS Exit Point that flows are being swapped to.
311. Following the exercise of a Flow Swap Option contract prior to the gas day, it will deem to be effective from 06:00 on the gas day to which the exercise applies. For contracts exercised within day the effective time will be after the agreed lead-time min h+1 - max h+23/4.
312. Exercise of a Flow Swap contract would necessitate a decreased flow rate at one NTS Exit Point to the level specified/agreed in the contract and an increased flow rate to no less than the minimum specified by the contract.
313. Once the contract has been exercised National Grid NTS would expect a revised OPN/SFN (to reflect the exercise) to be submitted by the User.
314. Once the flow swap has been exercised by National Grid NTS a User can submit further OPN/SFN changes but will be subject to National Grid NTS approval.

Turn-up Contracts

315. National Grid NTS may issue a tender for Turn-up Option Contracts to effect an increase in flow at an NTS Entry Point which is located in such a place as to assist with management of an exit capacity constraint.
316. A Turn-up Option Contract allows the National Grid NTS to require a User be able to deliver an amount of gas to the NTS from the Entry Point on a defined number of days within a defined period; the exact dates and quantities are determined when the contract is exercised. The National Grid NTS pays a premium for the right to access that gas and an exercise fee should it use that right.
317. Initial tenders are expected to be issued in October 2007.
318. An invitation to tender may be issued by National Grid NTS at any time, but typically be expected to take place on an annual basis for a period of 1 to 7 years ahead but could be any period up to day ahead.
319. In the invitation to tender, National Grid NTS would provide information about its requirements, for example the type of information could include:
 - 319.1. Period for which the contract would apply;
 - 319.2. NTS Entry Point(s) for which a contract is required;
 - 319.3. Rate of Turn-up required at each NTS Entry Point
 - 319.4. Number of days within the period on which the contract could be exercisable;
 - 319.5. Premium price
 - 319.6. Exercise price
 - 319.7. Latest day and time at which the contract could be exercised.
 - 319.8. Lead time for exercise
320. If any of the above parameters are not given by the National Grid NTS in the invitation to tender (or a maximum / minimum value is provided), the User would be able to offer a suitable value.
321. A limit of [n] would be placed on the number of offers made by a User.
322. All prices will be in p/kWh/day to four decimal places and all rates will be in kWh/day.
323. The contract will be made up of terms and conditions, the invitation to tender and the offer posted by a User and accepted by NTS SO.
324. The User will be required to sign onto the terms and conditions (either by way of fax or electronically) before posting an offer and will be bound by the current version of terms and conditions if their offer is accepted.
325. Payment from National Grid NTS to Users for agreed contracts will be invoiced on an Ad-Hoc Invoice. Any payments that are due will be identified on such invoices. These will be produced at the beginning of the month following the period to which the contract applied.
326. Option premiums will be at a constant rate for all days in the period, so that if the contract period spans a number of months a pro-rata proportion is allocated to each month.



327. On any day, a Turn-up Option Contract could be exercised either wholly or in part, (subject to the minimum quantity). For Turn-up it may be possible to increase the amount delivered during the day.
328. Each time a Turn-up Option Contract is exercised the number of times remaining for exercise will be decremented by one. Once a contract has been exercised the maximum number of times (as specified in the contract), it will cease to be available.
329. An option contract could be exercised by National Grid NTS at any time between the acceptance of the tender and the final exercise time, for action on a day specified at the time of exercise.
330. Following the exercise of an option contract prior to the gas day, it will deem to be effective from 06:00 on the gas day to which the exercise applies. For contracts exercised within day the effective time will be after the agreed lead-time min h+1 - max h+23/4.
331. Exercise of a turn up contract would necessitate an increased flow rate to no less than the minimum specified by the contract. Failure to turn up charges would apply for non-compliance and also for failure to have gas available.
332. The User would be responsible for having or purchasing sufficient entry capacity to accommodate the exercise of a Turn-up contract.

Daily NTS Exit Capacity Buy-back

Bidding:

333. When National Grid NTS identifies;
- 333.1. an Exit (Flat) Capacity constraint they will initiate an NTS Exit (Flat) Capacity Selection period not earlier than 13:00 D-1. National Grid NTS will notify all Users that such a constraint has been identified, at which NTS Exit Points(s) the Offers are required and that a selection period has commenced. During the Exit Capacity (Flat) Selection period National Grid NTS will consider Offers to Buy Back NTS Exit (Flat) Capacity.
- 333.2. an Exit (Flexibility) Capacity constraint they will initiate an NTS Exit (Flexibility) Capacity Selection period not earlier than 13:00 D-1. National Grid NTS will notify all Users that such a constraint has been identified, at which NTS Exit Zone(s) the Offers are required and that a selection period has commenced. During the Exit (Flexibility) Capacity Selection period National Grid NTS will consider Offers to Buy Back NTS Exit (Flexibility) Capacity.
334. Only a User can offer to surrender either Firm NTS Exit (Flat) Capacity or NTS Exit (Flexibility) Capacity.
335. An offer to surrender either Firm Exit (Flat) Capacity or NTS Exit (Flexibility) Capacity shall include:
- 335.1. Identity of the User
- 335.2. NTS Exit Point or NTS Exit Zone (as applicable)
- 335.3. Gas Day for which the offer applies
- 335.4. The amount;
- 335.4.1. not less than 100,000 kWhs in kWh/day for NTS Exit (Flat) Capacity Offers
- 335.4.2. not less than 50,000 kWhs in kWh/day for NTS Exit (Flexibility) Capacity Offers
- 335.5. The minimum amount;

- 335.5.1. not less than 100,000 kWhs in kWh/day for NTS Exit (Flat) Capacity Offers
- 335.5.2. not less than 50,000 kWhs in kWh/day for NTS Exit (Flexibility) Capacity Offers
- 335.6. The Offer price in pence/kWh/Day
- 335.7. Whether the offer is Reducing or Evergreen
- 336. An offer:
 - 336.1. May be submitted 7 days prior to the Offer date and up until;
 - 336.1.1. 02:00 on the Gas Day for NTS Exit (Flat) Capacity Offers
 - 336.1.2. 02:00 on D-1 for NTS Exit (Flexibility) Capacity Offers
 - 336.2. May be amended (Evergreen) or withdrawn (Evergreen or Reducing) at any time up until the offer is selected for surrender. An 'evergreen' offer may be modified at any time, until the offer is selected. The Bid quantity for a reducing bid will reduce by $1/n$ each hour where n is the number of hours remaining in the day from when the bid was initially posted. A 'reducing' offer cannot be modified after the first reduction has taken place. Evergreen or Reducing offers can be withdrawn at any time, until the offer is accepted.
 - 336.3. Cannot be withdrawn during either an NTS Exit (Flat or Flexibility) Capacity selection period (even if it is not at the NTS Exit Point(s) or NTS Exit Zone(s) that has the constraint)
 - 336.4. Maximum of 10 Offers per NTS Exit Point and 20 offers per NTS Exit Zone
 - 336.5. National Grid NTS can reject an Offer if any of the inclusions above are not adhered to or if the implied revised gas flow rate would not be within an acceptable meter range for that NTS Exit Point/NTS Exit Zone.
- 337. National Grid NTS will reject a Reducing Offer in the event that the Offer volume is reduced to below the minimum amount.
- 338. National Grid NTS will accept both NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity Offers in accordance with the SMPS and their holdings will be adjusted as detailed below;
 - 338.1. the amount of Firm NTS Exit (Flat) Capacity held by each User will be reduced by the amount for which the accepted Offer was selected.
 - 338.2. the amount of Firm NTS Exit (Flexibility) Capacity held by each User will be reduced by the amount for which the accepted Offer was selected.

Allocation:

- 339. All offers will be ranked in order of price, in the case of;
 - 339.1. NTS Exit (Flat) Capacity Offers be ranked by NTS Exit Point, by period with the lowest ranked first
 - 339.2. NTS Exit (Flexibility) Capacity Offers by NTS Exit Zone, by Period with the lowest ranked first.
- 340. Offers will be allocated by product (as detailed above) in ascending order, allocating the lowest priced offer first until the amount allocated in aggregate (in the case of NTS Exit (Flat) Capacity at that NTS Exit Point or in the case of NTS Exit (Flexibility) Capacity at that NTS Exit Zone) equals the amount of NTS Exit (Flat or Flexibility) Capacity Buyback required or until there are no more offers to take.
- 341. When an offer is received where the amount of NTS Exit (Flat or Flexibility) Capacity Buyback required is less than the amount offered, then that offer will not be allocated in full but partially allocated to the amount of NTS Exit (Flat or Flexibility) Capacity

Buyback required. If the minimum quantity specified by the User is greater than the NTS Exit (Flat or Flexibility) Capacity Buyback amount required, the offer will be disregarded and the allocation process will descend to the next offer and apply the allocation process from there.

342. Where two or more offers have the same price, and when aggregated the amount of NTS Exit (Flat or Flexibility) Capacity Buyback offered is greater than the amount required then the offers will be pro-rated based on the quantities offered.
343. Where the amount to be pro-rated is less than an individual offer's minimum quantity this offer will be disregarded and a revised allocation will be made between the remaining equally priced offers or if all the equally priced offers are disregarded then the allocation process steps down to the next offer(s) to continue allocation.
344. National Grid NTS will not allocate;
 - 344.1. less than 100,000kWh in the case of an NTS Exit (Flat) Capacity Buyback auction
 - 344.2. less than 50,000kWh in the case of an NTS Exit (Flexibility) Capacity Buyback auction
345. Any Offers made by a User that are successful reduce either;
 - 345.1. that Users firm NTS Exit (Flat) Capacity holding for the relevant Period for that NTS Exit Point or
 - 345.2. that Users firm NTS Exit (Flexibility) Capacity holding for the relevant Period for that NTS Exit Zone
346. The final allocation times for each product are listed below:
 - 346.1. NTS Exit (Flat) Capacity 02.00 D
 - 346.2. NTS Exit (Flexibility) Capacity 02.00 D-1
347. Any Offers that have been placed & have not been allocated after the final allocation process will be rejected.

Post Auction Information Provision:

348. National Grid NTS will no later than 1 hour after acceptance of the Offer inform the User of those of its offers that have been accepted, by product, the amount of NTS Exit Capacity that has been surrendered for each Offer and the amount by which it's available NTS Exit Capacity has been reduced for each NTS Exit Point/NTS Exit Zone (as appropriate).
349. National Grid NTS will no later than 1 hour after acceptance of Offers will publish information regarding the accepted Offers, by product:-
 - 349.1. NTS Exit Point / NTS Exit Zone (as appropriate)
 - 349.2. Gas Day
 - 349.3. Total Volume bought
350. National Grid NTS will no later than 12:00 on D+1 publish
 - 350.1. NTS Exit Point / NTS Exit Zone (as appropriate)
 - 350.2. Gas Day
 - 350.3. Highest Buy Back price pence/kWh/day
 - 350.4. Buy Back Volume accepted kWh/day

351. Payments from the National Grid NTS to the User(s) will be made via the NTS Exit Capacity Invoice.
352. These will be produced at the beginning of the month following the month in which the NTS Exit Capacity buy backs occurred.
353. Payments made by the National Grid NTS in respect of the NTS Exit Buy Backs will contribute towards the National Grid NTS Exit incentive.

Within Day Flow Reductions

354. Flow Reductions will be initiated by National Grid NTS to manage withinday flow rate variations, where National Grid NTS identify a within day constraint. A within day constraint will be identified where flow rate variations exceed the system capability.
355. National Grid NTS will initiate a Flow Rate Reduction period by notifying Users of:
 - 355.1. The NTS Exit Point(s)/Zones(s) where a flow rate reduction is required.
 - 355.2. The required quantity
 - 355.3. The time by which the reduction is required.
 - 355.4. The time at which the offer assessment shall be carried out
356. Users will then be able to submit Offers to NTS SO, detailing :
 - 356.1. NTS Exit Point / Zone
 - 356.2. The Offer quantity
 - 356.3. Minimum Offer quantity acceptable to the User
 - 356.4. The period of which the reduction would be effective, [identifying the hourly flows]
357. National Grid NTS will reject any offers if any of these criteria are not met.
358. The User can place upto [10] Offers at the relevant location.
359. Offers can be modified and withdrawn up to the time of offer assessment.
360. After the assessment time National Grid NTS shall consider the Offers received.

Allocations

361. All offers will be ranked in order of price, by NTS Exit Point/Zone with the lowest ranked first.
362. Within Day Flow Reduction Offers will be allocated in ascending order, allocating the lowest priced offer first until the amount allocated in aggregate (at that NTS Exit point/Zone) equals the amount of Within Day Flow Reduction required or until there are no more offers to take.
363. When an offer is received where the amount of Within Day Flow Reduction required is less than the amount offered, then that offer will not be allocated in full but partially allocated to the amount of Within Day Flow Reduction required. If the minimum quantity specified by the User is greater than the Within Day Flow reduction required, the offer will be disregarded and the allocation process will descend to the next offer and apply the allocation process from there.
364. Where two or more offers have the same price, and when aggregated the amount of Within Day Flow Reduction offered is greater than the amount required then the offers will be pro-rated based on the quantities offered.

365. Where the amount to be pro-rated is less than an individual offer's minimum quantity this offer will be disregarded and a revised allocation will be made between the remaining equally priced offers or if all the equally priced offers are disregarded then the allocation process steps down to the next offer(s) to continue allocation.
366. Any Offers that have been placed & have not been allocated after the final allocation process, [D-1 02:00], will be rejected.
367. On acceptance of a Flow Reduction Offer a Users NTS Exit (Flexibility) Capacity holding shall be reduced by 1/3 of the accepted Flow Reduction quantity.

Post Within Day Flow Reduction Information Provision

368. National Grid NTS will no later than 1 hour after acceptance of the Offer inform the User of those of its offers that have been accepted, the amount of Within Day Flow reduction that has been surrendered for each Offer and the amount by which it's available Firm NTS Exit (Flexibility) Capacity has been reduced for each NTS Exit Zone.
369. National Grid NTS will no later than 1 hour after acceptance of Offers will publish information regarding the accepted Offers:-
- 369.1. NTS Exit Point/Zone
 - 369.2. Gas Day
 - 369.3. Total Reduction Volume bought
 - 369.4. NTS Exit (Flexibility) Capacity reduction
370. National Grid NTS will no later than 12:00 on D+1 publish
- 370.1. NTS Exit Point/Zone
 - 370.2. Gas Day
 - 370.3. Highest Accepted price pence/kWh/day
 - 370.4. Reduction Volume accepted kWh/day
371. Payments from the National Grid NTS to the User(s) will be made via the NTS Exit Capacity Invoice.
372. These will be produced at the beginning of the month following the month in which the Firm NTS Exit (Flexibility) Capacity buy backs occurred.
373. Payments made by the National Grid NTS in respect of the NTS (Flexibility) Capacity Exit Buy Backs will contribute towards the National Grid NTS Exit incentive.

Section 10: Exit Capacity Neutrality Arrangements

374. For each NTS Exit Point the difference between amounts received or receivable and paid or payable by National Grid NTS in respect of Relevant NTS Exit Capacity Charges and certain other amounts in respect of each Day in a calendar month shall be payable to or recoverable from relevant Users (and such amount shall not be reduced by any amount to be retained or borne by National Grid NTS).
375. For each NTS Exit Point, in relation to each Day:
- 375.1. "Relevant NTS Exit Capacity Revenues" are the aggregate of the amounts payable to National Grid NTS by Users:
- 375.1.1. by way of Capacity Charges in respect of:
- 375.1.1.1. Revenue from Day ahead and Within-Day Sales of NTS Exit (Flat) Capacity; and
- 375.1.1.2. Revenue from Daily Interruptible NTS Exit (Flat) Capacity
- 375.1.1.3. any additional Firm NTS Exit (Flat) Capacity made available by National Grid NTS (as determined by National Grid NTS acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Unsold NTS Exit (Flat) Capacity;
- 375.1.2. for NTS Exit (Flexibility) Capacity by way of Capacity charges in respect of:
- 375.1.2.1. Revenues from Day-Ahead and Within-Day NTS Exit (Flexibility) Capacity Sales; and
- 375.1.2.2. Revenues from any additional NTS Exit (Flexibility) Capacity sales made available by NTS SO (as determined by National Grid NTS acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Unsold NTS Exit (Flexibility) Capacity.
- at the NTS Exit Point / NTS Exit Zone;
- 375.1.3. NTS Exit (Flat) Capacity Overrun Charges;
- 375.1.4. NTS Exit (Flexibility) Capacity Overrun Charges; and
- 375.1.5. Where any User has negative Firm NTS Exit (Flat) Capacity, by way of NTS Exit Overrun Charges pursuant to (and calculated in respect of the amount determined under) the High Level Principles.
376. in respect of such Day;
377. "Relevant NTS Exit Capacity Costs" are the aggregate of the amounts payable by National Grid NTS to Users by way of:
- 377.1. Capacity Management Charges (for which purposes any premium payable by National Grid NTS shall be attributable to the Day pro rata to the number of Days during which National Grid NTS may exercise rights in respect of the surrender of Firm NTS Exit Capacity pursuant to the relevant Capacity Management Agreement which would include any costs associated with Exit Capacity Management Tools (ExCMTs) such as NTS Exit (Flexibility) Capacity Buy-back, Locational Buy actions taken on the OCM for Output Capacity Constraint purposes);and
- 377.2. in relation to the NTS Exit Point in respect of such Day.

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

$$\text{RExCR} * \text{UFAExC} / \text{AFAExC}$$

where:

RExCR is the Relevant Exit Capacity Revenues;

UFAExC is the aggregate sum of the User's NTS Exit (Flat) Capacity entitlement at all NTS Exit Points (excluding Interruptible NTS Exit (Flat) Capacity); and

AFAExC is the aggregate sum of all User's NTS Exit (Flat) Capacity at all NTS Exit Points (excluding Interruptible NTS Exit (Flat) Capacity) at all NTS Exit Points,

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

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

$$\text{RExCC} * \text{UFAExC} / \text{AFAExC}$$

where:

RExCC are the Relevant Exit Capacity Costs,

and

'UFAExC' and 'AFAExC' have the meanings in paragraph 3

380. For the purposes of this Section 11:

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

380.2. the sum of:

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

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

Less

380.3. the sum of:

380.3.1. the amount of any charge of a kind referred to in the definition of Relevant Exit Capacity Revenues, and of any Exit Capacity Neutrality Charge (payable to NTS SO) which:

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

380.3.1.2. has been paid to National Grid NTS since the last Day of month m-1;

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

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

380.4. "Exit Capacity Neutrality Charges" comprise Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Adjustment Neutrality Charges;

380.5. "Relevant Exit Capacity Charges" comprise Relevant Capacity Revenues and Relevant Capacity Costs; and

380.6. a "relevant User" is a User registered as holding Firm NTS Exit (Flat) Capacity at an NTS Exit Point on the relevant Day.

381. In relation to a Day (and all System Exit), where:

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

381.2. the Second Exit Capacity Adjustment Neutrality Amount (if any) is positive, each relevant User shall pay to NTS SO,

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

$$\text{ExCNAA} * \text{UFAExC} / \text{AFAExC}$$

where ExCNAA is the Exit Second Capacity Adjustment Neutrality Amount and 'UFAExC' and 'AFAExC' have the meanings in paragraph 3 (provided that in the event that no Firm NTS Exit Capacity was held by any User at any NTS Exit Point on such Day, 'UFAExC' and 'AFAExC' shall be determined on the basis of the most recent preceding Day in respect of which a User held Firm NTS Exit Capacity at an NTS Exit Point).

382. Exit Capacity Neutrality Charges shall be invoiced and payable in accordance with Section S of the Uniform Network Code.

Section 11: Charging Arrangements

383. This section describes the charging arrangements that will apply in respect of charges payable by Users to National Grid NTS and charges payable by National Grid NTS to Users.
384. A User will pay to National Grid NTS;
- 384.1. NTS Exit Capacity Charges in respect of its NTS Exit Capacity holdings at the end of the Day (as described in this section); and
 - 384.2. NTS Exit Commodity Charges in respect of its use of the NTS on any Day (as described in this section);
 - 384.3. NTS Exit (Flat) Capacity Overrun Charges (as described part I)
 - 384.4. NTS Exit (Flex) Capacity Overrun Charges (as described part II)
 - 384.5. Exit Capacity Neutrality Charges (as described in Section 10)
385. National Grid NTS will pay to Users:
- 385.1. NTS Exit Capacity Surrender Charges in respect of accepted buy back offers (as described in this section);
 - 385.2. Exit Capacity Neutrality Revenues (as described in Section 10)
 - 385.3. Non-compliant gas and failure to make gas available for offtake liability payments, if incurred, (as described Section 13);

Capacity Charges

386. The NTS Exit (Flat) Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Point as the amount of the NTS Exit (Flat) Capacity of the relevant class multiplied by the Applicable Daily Rate determined as:
- 386.1. in respect of Prevailing NTS Exit (Flat) Capacity obtained through initialisation of the regime and/or the long term flat application process, the Prevailing NTS Exit (Flat) Capacity charge for that Gas Year as stated in the "Statement of Transmission Transportation Charges" for that Day;
 - 386.2. in respect of Annual NTS Exit (Flat) Capacity obtained through the medium term annual flat capacity auctions, the bid price submitted by the User and allocated for the relevant Gas Year;
 - 386.3. in respect of Daily NTS Exit (Flat) Capacity obtained through the day ahead or on the day auctions, the bid price submitted by the User and allocated for the relevant Day;
 - 386.4. in respect of Daily Interruptible NTS Exit (Flat) Capacity obtained through the day ahead auctions, the bid price submitted by the User and allocated for the relevant Day;
387. The NTS Exit (Flex) Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Zone as the amount of the NTS Exit (Flex) Capacity of the relevant class multiplied by the Applicable Daily Rate determined as
- 387.1. in respect of Annual NTS Exit (Flexibility) Capacity obtained through the annual auctions, the bid price submitted by the User and allocated for the relevant Gas Year; and

- 387.2. in respect of the OPN/SFN Capacity Application process the NTS Exit (Flexibility) Capacity obtained in addition to that procured via the Annual NTS Exit (Flexibility) Capacity and Daily NTS Exit (Flexibility) Capacity auction processes, the Annual NTS Exit (Flexibility) Reserve Price.
- 387.3. in respect of Daily NTS Exit (Flexibility) Capacity obtained through the day ahead or on the day auctions, the bid price submitted by the User and allocated for the relevant Day.
388. Bid prices submitted in the flat and flex capacity auctions must be at or above the relevant reserve price set for that auction as specified in the "Statement of Transmission Transportation Charges".

Commodity Charges

389. The NTS Exit Commodity Charge payable by a User for each Gas Day in respect of the end of day gas offtaken will be determined for each NTS Exit Point as:

389.1. in the case of an NTS/LDZ Offtake, a DNO will pay an amount equal to the daily gas offtaken at each of its offtakes multiplied by the Applicable Commodity Rate; and

389.2. in the case of an NTS Supply Point or an NTS Connected System Exit Point (including an NTS Storage Point),

389.2.1. the relevant shipper(s) will pay an amount equal to its daily gas offtaken multiplied at each NTS Exit Point by the Applicable Commodity Rate;

389.2.2. storage use gas providers at Storage Facilities will pay an amount equal to:

$$(SUG / n) * CR$$

where:

SUG is the quantity of storage use gas attributed to the User in accordance with the terms of the Storage Connection Agreement for the Storage Facility;

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

and

CR is the Applicable Commodity Rate.

390. The NTS Exit Commodity Charge payable by a User for each Gas Day in respect of the amount of flexibility utilised will be determined for each NTS Exit Zone as :

390.1. in the case of an NTS/LDZ Offtake, a DNO will pay an amount equal to its flexibility utilisation for the NTS Exit Zone (as determined in accordance with Part II) multiplied by the Applicable Commodity Rate; and

390.2. in the case of an NTS Supply Point or an NTS Connected System Exit Point, the relevant shipper(s) will pay an amount equal to its flexibility utilisation for the NTS Exit Zone (as determined in accordance with Part II) multiplied by the Applicable Commodity Rate.

391. The Applicable Commodity Rates will be specified in the "Statement of Transmission Transportation Charges".

392. The current UNC provisions in respect of the NTS Optional Commodity Rate will continue to apply.

Surrender Charges

393. National Grid NTS will pay to the User the NTS Exit Capacity Surrender Charge in the event that it accepts from a User a daily or annual capacity offer.

394. The NTS Exit Capacity Surrender Charge will be determined as:

394.1. for a daily capacity offer, the amount of NTS Exit Capacity accepted by National Grid NTS multiplied by the offer price specified by the User in the offer;

394.2. for an annual capacity offer, the amount of NTS Exit Capacity accepted by National Grid NTS multiplied by the offer price specified by the User multiplied by the number of days in the relevant Gas Year.

Invoicing arrangements

395. All charges will be invoiced and payable in accordance with UNC TPD Section S.

396. The Primary Capacity holder (User) shall be invoiced for NTS Exit Capacity charges on the 1st capacity invoice after the month in which the capacity was valid. Invoices are issued on a monthly basis

Section 12: Credit Checks & Termination Rules

397. These rules will apply to the NTS Exit (Flat and Flexibility) Capacity Services contained within these business rules. The current credit rules, as applied, will be extended to accommodate NTS Exit (Flat and Flexibility) Capacity. The rules below provide a summary of the current entry rules that have been converted to reflect NTS Exit (Flat and Flexibility) Capacity. This section [includes DN's under the definition as a User and as such they would be required to have the appropriate security provisions].

Security & Credit Limits

398. National Grid NTS will determine and assign to each User (in a manner which mirrors the current Code Credit rules) a Credit Limit and will keep the User informed of its credit limit

399. National Grid NTS will make its credit rules and any revisions available, they will outline the following:

399.1. The principles on which the National Grid NTS will assess and from time to time revise its assessment of the credit worthiness of Users (and persons providing surety for Users) and establish credit limits

399.2. The basis on which a User (with a view to increasing its credit limit) will provide surety or security for relevant indebtedness, or (with a view to reducing its indebtedness) make prepayments to National Grid NTS.

399.3. Procedures by which a User may discuss its credit limits with National Grid NTS

399.4. National Grid NTS will establish the Users maximum relevant indebtedness, this will be:

399.5. an aggregate amount for which a User is at any time liable to National Grid NTS. This will be determined on the basis of amounts accrued and irrespective of whether these amounts have been invoiced or (where invoiced) have become due for payment, less any amount which has been paid to National Grid NTS by the User by way of prepayment.

400. A Users liability for NTS Transportation Services charges in respect of a Day shall be treated as accruing on the following day.

401. A User shall be able to dispute whether the National Grid NTS has correctly calculated any such amount.

402. National Grid NTS will be able to dispute the validity of any invoice query submitted by a User.

403. National Grid NTS may review and revise a Users credit limit by giving minimum notice period of not less than 30 days (or a lesser period if agreed by the User) at

403.1. intervals of approximately 12 months or

403.2. the Users request or

403.3. where the Users (or any person providing surety for the User) published credit rating is revised downwards, any surety/security expires or National Grid NTS has reasonable grounds to believe that the effect of the review will be to reduce the credit limit.

404. Where a Users indebtedness exceeds 70% of its credit limit, the National Grid NTS has notified the User and at any time following such notice the Users indebtedness exceeds

85% of its credit limit (and again has been notified of this) the National Grid NTS will be entitled to reject or refuse to accept any or all of the following (until the Users level of indebtedness has been reduced to less than 85% of its credit limit i.e. a credit sanction would be applied):

- 405. Any application for Firm or Interruptible NTS Exit (Flat and Flexibility) Capacity
- 406. The purchase of NTS Exit (Flat and Flexibility) Capacity via a trade with another User
- 407. Any other NTS Transportation Services
- 408. National Grid NTS will also carry out a monthly credit check that will take into account the payments due from the next 12 months worth of NTS Exit (Flat and Flexibility) Capacity, NTS Entry Capacity and any additional NTS Exit products that a User has procured. In the event that a User's indebtedness position exceeds 85% of the Users Credit limit then the National Grid NTS will be entitled to carry out the measures detailed in 405.
- 409. Where a User has provided surety/security they may request that National Grid NTS release all or agree to a reduction in the maximum amount of that security.
- 410. Where a User requests that their security be released or credit limits be reduced the National Grid NTS will have 10 business days (from receipt of the request) to release (the security) or reduce (the surety). Security does not need to be released if a Users credit requirements as calculated in accordance with the credit rules are greater than the level of security cover that would be left in place if a release were granted by NTS SO.
- 411. Any credit sanction that is in place will only be removed whenever the Users indebtedness is reduced to less than 85% of its credit limit

Termination

DNOs

- 412. If a DNO were to be terminated the new DNO that takes over the terminated DNO's NTS Exit Points will become liable for any products that the terminated DNO had procured from the National Grid NTS.
- 413. The new DNO would adopt responsibility from the termination date.
- 414. Trades for any products will be deemed to have been transferred to the new DNO or cancelled
- 415. Any ExCMTs held by the terminated DNO will pass to the incoming DNO.

Users

- 416. If a User were to be terminated, then any product that User had not traded on to another User would revert to the National Grid NTS.
- 417. If the terminated User had traded one or more of the products to another User then the following would apply:
 - 417.1. If a selling User is terminated then the buying User will have 5 days to confirm whether they wish to become the primary owner of the traded volume. If the buying User confirms that they do not want to maintain the trade then the product will revert to the NTS SO.

- 417.2. The price paid by the incoming User will be the greater of:
- 417.2.1. The volume weighted average price paid by the Terminated User for the product for the duration of the trade
 - 417.2.2. The applicable reserve price at the location where the incoming User is taking over the product.
418. If a buying User is terminated then the trade is cancelled and the selling User reverts back to being the 'owner' of the product.

Section 13: Liability Arrangements and User Obligations

Failure to make gas available for offtake liability payments

419. In the event that National Grid NTS is in breach of its obligation to make gas available for offtake from the NTS at an NTS Exit Point, in the case of NTS Exit (Flat) Capacity, or at an NTS Exit Zone, in the case of NTS Exit (Flexibility) Capacity, or gas made available for offtake does not comply with the Applicable Offtake Requirements and the offtaking user has declined to offtake such gas, then the National Grid NTS shall be liable for failure to make gas available for offtake charges.

NTS Supply Points and CSEPs

420. In the case of NTS Supply Points and CSEPs, the liability amounts will be determined separately for NTS Exit (Flat) Capacity at NTS Exit Points and for NTS Exit (Flexibility) Capacity at NTS Exit Zones as defined below:

$$C * (1-X/Y) * P * F$$

where;

420.1. C is either:

- 420.1.1. the amount of NTS Exit (Flat) Capacity held by the User at the NTS Exit Point at the time of failure, or
- 420.1.2. the amount of NTS Exit (Flexibility) Capacity held by the User at the NTS Exit Zone at the time of failure

420.2. X is either:

- 420.2.1. the end of day quantity made available by National Grid NTS for the User
- 420.2.2. the flexibility quantity made available by National Grid NTS for the User

420.3. Y is either:

- 420.3.1. the end of day quantity nominated by the User when the failure first occurred based on the prevailing IOPN at the time of failure at the NTS Exit Point
- 420.3.2. the flexibility quantity nominated by the User when the failure first occurred based on the prevailing IOPN(s) at the time of failure at the NTS Exit Zone

420.4. F is 10

NTS/LDZ Offtakes

421. In the case of NTS/LDZ Offtakes, the current liability arrangements in the UNC will continue to apply i.e. National Grid NTS will recompense DNO claims for the amount of requested gas that was not made available at NTS/LDZ offtakes up to the amount of UNC liabilities to shippers at its LDZ supply points and CSEPs and Guaranteed and Overall Standards of Service (GOSS) compensation payments⁹ to domestic consumers that the DNO consequently incurred as a direct result of NTS failure.

For all NTS Exit Points

422. On any day, where at an NTS Exit Point (in the case of an NTS Exit (Flat) Capacity Overrun) and at an NTS Exit Zone (in the case of an NTS Exit (Flat) Capacity Overrun), there is an NTS Exit (Flat) Overrun or an NTS Exit (Flexibility) Overrun and as a result of any such overrun National Grid NTS fails to make gas available for offtake at another NTS Exit Point, then the relevant User shall be liable to National Grid NTS for all amounts for which the National Grid NTS finds itself liable to any other User as a consequence of not making gas available for offtake.

⁹ GOSS payments (as a result of the introduction of the Utilities Act) to domestic consumers are £30 for each consecutive 24-hour period of supply failure after the first 24-hour period. Each premise is capped at £1,000 per incident, and in the event that more than 50,000 premises are affected, no compensation is required to be paid.

- 423. Any dispute regarding the amount payable shall be referred to Expert Determination.
- 424. Compensation Payments will be invoiced according to Section S of the UNC.
- 425. Current rules within Section V of the UNC regarding Force Majeure shall apply.

National Grid NTS obligations to make gas available for offtake

- 426. National Grid NTS will not be obliged to make gas available for offtake at an NTS Exit Point by a User:
 - 426.1. on any Day, where the quantity flowed exceeds the User's NTS Exit (Flat) Capacity;
 - 426.2. at any time, at a rate which exceeds the Maximum Permitted Rate (as defined below); or
 - 426.3. on any Day that is a Planned Maintenance day within the permitted number of days as set out in the relevant connection agreement for direct connects or the OAD for NTS/LDZ offtakes
- 427. National Grid NTS will not be obliged to make gas available for an offtake at an NTS Exit Zone by a User:
 - 427.1. in the period between 06.00 hours and 22.00 hours on any Day, in a quantity exceeding:

$NEFC + (16/24) * Q_D$, where

NEFC is the Users NTS Exit (Flexibility) Capacity holding
 Q_D is the daily quantity of gas offtaken by the User

User obligations at NTS Exit Points

- 428. A User is not entitled to offtake gas at an NTS Exit Point at a rate that exceeds the Maximum Permitted Rate and shall take all reasonable steps to ensure that gas is not offtaken at such a rate.
- 429. The Maximum Permitted Rate is calculated as:

$$(C_{FLAT} / 24) + (C_{FLEX} / 4)$$

where:

- C_{FLAT} is the User's NTS Exit (Flat) Capacity at the NTS Exit Point;
- C_{FLEX} is the User's NTS Exit (Flexibility) Capacity for the NTS Exit Zone

- 430. Where the National Grid NTS believes that gas is being or will be offtaken at an NTS Exit Point at a rate which exceeds the Maximum Permitted Rate and the security of the NTS may be prejudiced, the National Grid NTS may take any steps to secure the required reduction in the rate of or the discontinuance of the offtake of gas at the NTS Exit Point.

Pressure Obligations at NTS/LDZ Offtakes

- 431. Under the current UNC arrangements, National Grid NTS has a commitment to make gas available for offtake at NTS/LDZ Offtakes at 06:00 and 22:00 each day at the

Assured Offtake Pressures. These Assured Offtake Pressures are intended to support the DNOs satisfying their 1:20 capacity licence obligations.

432. The Assured Offtake Pressures will be set for each NTS/LDZ offtake for Gas Year 2010/11 by rolling over the pressure commitments that will be granted to DNOs by Sept 06 for Gas Year 2009/10 in response to their June/July 06 applications, unless National Grid NTS or the relevant DNO has requested and been granted a permanent or finite reduction as described below:
433. National Grid NTS will be able to request that the relevant DNO agrees to:
- 433.1. a permanent decrease to the Assured Offtake Pressures at an NTS Exit Point in April of each year, detailing
 - 433.1.1. the requested new Assured Offtake Pressures
 - 433.1.2. the start of the Gas Year from which the decrease applies
 - 433.2. a finite decrease to the Assured Offtake Pressures at any time, detailing
 - 433.2.1. the requested new Assured Pressures
 - 433.2.2. the period (minimum of a day, maximum of a month) for which the decrease applies.
434. A DNO will be able to request that National Grid NTS agrees to:
- 434.1. a permanent increase to the Assured Offtake Pressures at its NTS Exit Points in July of each year, detailing
 - 434.1.1. the requested new Assured Offtake Pressures
 - 434.1.2. the start of the Gas Year from which the increase applies
 - 434.2. a finite increase to the Assured Offtake Pressures at any time, detailing
 - 434.2.1. the requested new Assured Pressures
 - 434.2.2. the period (minimum of a day, maximum of a month) for which the increase applies.
435. Both the DNO and National Grid NTS must accept such a permanent increase/decrease request within 2 months or a finite increase/decrease request within [10] days unless it would prejudice the safe and efficient operation of its network, with an overriding obligation to co-operate in the establishment of operating pressures to “optimise the safe and efficient operation of the NTS and the LDZ”.
436. National Grid NTS will maintain an Assured Offtake Pressure statement for each DNO summarising for each of its NTS/LDZ Offtakes the Assured Offtakes Pressures, including any agreed permanent or finite increases or decreases.

Non Compliant Gas

437. In the event that National Grid NTS makes available non-compliant gas, the amount of compensation paid by National Grid NTS to the relevant Users will continue as specified under UNC TPD Section J.

Section 14: Further references in UNC affected by Exit Reform

UNC TPD Section G

- 438. IFA Service (Interruptible Firm Allowance) will no longer be offered for NTS supply points, as these interruptible services will be replaced by the introduction of constraint management tools (as described in Section 9 of the business rules). Section G1.15 (TPD) will apply only in respect of LDZ supply points. Section G1.15.2 d will be amended such that Users will pay IFA charge to the DNO only.
- 439. Link between SOQ and NTS Exit Capacity Booking to be removed.
- 440. SPA Process, described in Section G 2 of the TPD. All references to SOQ in respect of NTS supply points to be reviewed.
- 441. DM Supply Point Capacity and Offtake Rate (Section G5 of the TPD) applies to LDZ supply points only, for NTS sites NTS Exit Capacity requests will be in accordance of Section B of the UNC and Offtake rates reviewed in accordance with the Business Rules.
- 442. Interruptible Supply Points (Section G6 of the TPD) – all section to be reviewed such that it will only apply in respect of LDZ supply points. The rules on NTS sites responding to requests to interrupt will be set out in the SMPS and the Term Sheets for NTS Constraint Management.
- 443. Partnering Supply Points (Section G.6 (TPD)) to be withdrawn from UNC for NTS supply points to align it with the introduction of the proposed constraint management tools, as described in Section 9 of the business rules

CSEP Ancillary Agreements

- 444. The current CSEP Ancillary and Agency Rules contained within the UNC and the CSEP Ancillary Agreements shall continue to apply, subject to:
 - 444.1. The enduring offtake provisions will apply different provisions to those in the existing NTS CSEP Ancillary Agreements (e.g. the booking and allocation process for NTS Exit (Flat and Flexibility) Capacity, the introduction of a Firm only product other than daily flat interruptible, Overruns calculations etc.). Therefore a provision will be included in the UNC to recognise that in the event of any conflict between the UNC and the CSEP Ancillary Agreements/associated CSEP NExAs/connection Agreements, the UNC provisions will prevail and accordingly National Grid NTS will apply such provisions and disregard those conflicting provisions in the CSEP Ancillary Agreements. To the extent that the UNC changes resulting from Enduring Exit reforms do not affect the other provisions of the CSEP Ancillary Agreements then they will continue to operate in accordance with such terms (e.g. conditions of becoming and ceasing to be a CSEP User, CSEP User Agent, measurement provisions,etc. Where existing UNC terminology is used in the CSEP Ancillary Agreements but such terminology is changed as a result of the UNC revisions then the corresponding revised UNC terminology will applied to the extent that its use needs to continue in the CSEP Ancillary Agreements.

OAD – Section I, NTS Operational Flows

- 445. The provisions detailed in Section I of the OAD and the table below specifies whether the provisions are to be removed:

Section I Offtake Arrangements Reference	Removed
I2.1 - General Requirements	No

I2.2 - Initial Offtake Profile Notice	No
I2.3 - Revisions to offtake Profile Notices	No
I2.6.1 - Variation of Restrictions	No
I3.1 - Further Provisions of TPD Section J	No
I3.2 - Further Provisions of TPD Section J	No
I4.0 - Pressure	No
I6.0 - Further Provisions	No
I2.4 - Revisions Requested by NTS	Yes
I2.5 - Low Demand Days	Yes
I2.6.2 - Variations of Restrictions	Yes
I5.0 - Interruption	Yes

Others

446. Other sections of the UNC will require amendment and will be identified as part of development of the legal text.

APPENDIX 1: NTS Exit Zones

The list in Table 1 details which NTS Exit Zones the existing NTS Offtakes plus new Distribution Network Offtakes have been attributed to for gas year 2010. These have been included in the Business Rules for clarity and will be included in the IEXCR rather than the Uniform Network Code.

Table 1 – Attribution of offtakes to NTS Exit Zones

Count	NTS Exit Point	NTS Exit Zone
1	AberdeenOT	0
2	BalgrayOT	0
3	BPGrngemouthPS	0
4	CarestonOT	0
5	DrumOT	0
6	GlenmavisLNG	0
7	GlenmavisOT	0
8	GowkhallPS	0
9	KinknockieOT	0
10	PeterheadPS	0
11	PitcairnOT	0
12	StFergusOT	0
13	ArmadaleOT	1
14	BroxburnOT	1
15	ColdstreamOT	1
16	HumbletonOT	1
17	HumeOT	1
18	KeldOT	1
19	LangholmOT	1
20	LockerbieOT	1
21	MelkinthorpeOT	1
22	MoffatInt	1
23	NetherHwclghOT	1
24	SaltwickHOT	1
25	SaltwickOT	1
26	SoutraOT	1
27	TowLawOT	1
28	WetheralOT	1
29	AucklandOT	2
30	CorbridgeOT	2
31	GuyzanceOT	2
32	AsselbyOT	3
33	BaldersbyOT	3
34	BASFInd	3
35	BeltoftStor	3
36	BOCTeesInd	3
37	BPSaltendHPInd	3
38	BurleyBankOT	3
39	CowpenBewleyOT	3
40	EltonOT	3
41	EnronPS	3
42	GansteadOT	3
43	GooleGlassInd	3

44	HornseaStor	3
45	ICIBillinghmlnd	3
46	LtBurdonOT	3
47	PannalOT	3
48	PaulOT	3
49	PhillipsTeesPS	3
50	PickeringOT	3
51	RawcliffeOT	3
52	RoughStor	3
53	SaltendPS	3
54	ThrintoftOT	3
55	TowtonOT	3
56	AMPaperInd	4
57	BlackburnMInd	4
58	BlackrodOT	4
59	BrdgewaterPInd	4
60	BurtonPointPS	4
61	DeesidePS	4
62	HaysChemInd	4
63	HolmesChapelOT	4
64	ICIRuncornInd	4
65	LuptonOT	4
66	MickleTrafdOT	4
67	PartingtonLNG	4
68	PartingtonOT	4
69	RocksavagePS	4
70	RoosecotePS	4
71	SamlesburyOT	4
72	SellafieldPS	4
73	ShellStarInd	4
74	ShottonPaprlnd	4
75	WarburtonOT	4
76	WestonPointOT	4
77	WinningtonPS	4
78	BlabyOT	5
79	CaldecottOT	5
80	CorbyPS	5
81	MktHarboroughOT	5
82	PeterborEyeOT	5
83	PeterboroPS	5
84	SilkWilloughOT	5
85	TurLangtonOT	5
86	EveshamOT	6
87	LeamingtonOT	6
88	LowerQuintonOT	6
89	RugbyOT	6
90	StratfrdAvonOT	6
91	AylesbeareOT	7
92	BraishfieldAOT	7
93	BraishfieldBOT	7
94	DidcotPS	7
95	IlchesterOT	7

96	Ipsden1OT	7
97	KennOT	7
98	MappowderOT	7
99	GtWilbrahamOT	8
100	PetersGrnNTOT	8
101	PetersGrnSMOT	8
102	RoudhamHeathOT	8
103	RoystonOT	8
104	WhitwellOT	8
105	BarkingPS	9
106	CorytonPS	9
107	DamheadCreekPS	9
108	FarninghamOT	9
109	GtYarmouthPS	9
110	HorndonOT	9
111	LuxboroughLnOT	9
112	MedwayPS	9
113	ShorneOT	9
114	TatsfieldOT	9
115	YelvertonOT	9
116	EppingGreenPS	10
117	LtBarfordPS	10
118	MatchngGreenOT	10
119	RyeHousePS	10
120	BlyboroughOT	11
121	BriggPS	11
122	CottamPS	11
123	ImminghamInd	11
124	KeadbyBPS	11
125	KeadbyPS	11
126	Stallingbor1PS	11
127	Stallingbor2PS	11
128	ThorntonCurtOT	11
129	ThorntonCurtPS	11
130	WalesbyOT	11
131	AlrewasEMOT	12
132	AlrewasWMOT	12
133	AspleyOT	12
134	AudleyNWOT	12
135	AudleyWMOT	12
136	AustreyOT	12
137	DrointonOT	12
138	EcclestonOT	12
139	HoleHousFmStor	12
140	Maelor	12
141	MalpasOT	12
142	MilwichOT	12
143	ShustokeOT	12
144	BactonInt	13
145	BactonOT	13
146	BrisleyOT	13
147	KingsLynnPS	13

148	WestWinchOT	13
149	AvonmouthLNG	14
150	BaglanBayPS	14
151	CirencesterOT	14
152	DowlaisOT	14
153	DyffrynClydOT	14
154	DynevorArmsLNG	14
155	EastonGreyOT	14
156	FiddingtonOT	14
157	GilwernOT	14
158	ICISvrnsidelnd	14
159	LittletnDrewOT	14
160	PucklechurchOT	14
161	RossSWOT	14
162	RossWMOT	14
163	SeabankBPS	14
164	SeabankOT	14
165	SeabankPS	14
166	GosbertonOT	15
167	KirksteadOT	15
168	SpaldingPS	15
169	SuttonBridgeOT	15
170	SuttonBridgePS	15
171	HardwickOT	16
172	WinkfieldNTOT	16
173	WinkfieldSEOT	16
174	WinkfieldSOOT	16

APPENDIX 2: Area and NTS Exit Zone Maximas

This Appendix details the Area and Zonal Maxima that will be applied to the Annual NTS Exit (Flexibility) Capacity Allocation process, utilising the 22MCM National release. These have been included in the Business Rules for clarity and National Grid NTS envisages that the values in this Appendix will be specified in National Grid NTS's IEXCR.

The information displayed in this appendix will apply for gas years 2010/11 and 2011/12 and shall subsequently be reviewed.

Area	Zone	Zonal maxima	Area maxima	National Maximum
North	0	3.58	9.00	22
	1	4.60		
	2	0.40		
	3	3.19		
	4	5.95		
Central	5	1.54	8.00	
	6	0.64		
	11	2.67		
	12	2.21		
	15	1.46		
West	7	2.02	5.00	
	14	1.62		
East	8	2.03	8.00	
	9	3.01		
	10	1.29		
	13	3.26		
	16	1.21		

The notes below explain some of the implications of the values detailed above:

Network Analysis indicates that Northern Area might not be able to accommodate simultaneous utilisation of all flexibility capacity holdings should in excess of 9 mcm "migrate" to the North under the allocation mechanism.

Central Area: some limited potential for capacity holdings to exceed Area Maximum unless the area limitation is introduced

As with North, East Area could not accommodate simultaneous utilisation of all flexibility capacity holdings should in excess of 8 mcm "migrate" to the East under the allocation mechanism