

INITIAL DISCUSSION DRAFT

PLANNING AND ADVANCED RESERVATION OF CAPACITY AGREEMENT (PARCA) – TERM SHEET

No	Clause	Terms
1	Parties	<p>(1) National Grid Gas plc (NGG); and</p> <p>(2) [] (Customer)¹</p> <p>(each a Party and together the Parties).</p>
2	Definitions and Interpretation	<p>To include amongst other definitions:</p> <p>Annual Commitment Amount means the amount calculated in accordance with Clause 11;</p> <p>Capacity Confirmation is the confirmation to be given by the Customer for the purposes of Clause 6;</p> <p>Demonstration Information is information not available to NGG which NGG requires for the purposes of satisfying itself (acting reasonably) that the Reserved Capacity will be fully utilised with effect from the Reserved Capacity Start Date and identified in Schedule C;</p> <p>Further Works Price is the price calculated in accordance with Clause 12;²</p> <p>Nominated User has the meaning given in Clause 10;</p> <p>Parallel Agreement means an agreement between NGG and a third party pursuant to which NGG agrees to undertake, and the third party agrees to pay for, works which are of a substantially similar nature to the PARCA Works;</p> <p>PARCA Works means the works set out in Schedule A;</p> <p>PARCA Works Price is the price calculated in accordance with Clause 12;³</p> <p>Prevailing Demonstration Date is the [], or the first or second anniversary of such date or such later date as NGG may notify to the</p>

¹ Customer may or may not be a User for the purposes of the UNC.

² To be linked to the stage two revenue driver.

³ To be linked to the stage one revenue driver.

		<p>Customer;</p> <p>Relevant NTS Exit Point means [];</p> <p>Reserved Capacity Period means []:</p> <p>Reserved Capacity Start Date means []; and ⁴</p> <p>Reserved Capacity means [].</p> <p>The Customer is a User Customer where the Customer is bound by the terms of the UNC and a Non User Customer where the Customer is not bound by the terms of the UNC (and a Customer is a User Customer or a Non User Customer).</p>
3	Duration	<p>The PARCA shall be effective from the date of signature by the Parties and shall continue in full force and effect until the later of the payment of the Further Works Price or the Reserved Capacity Start Date</p> <p>(or otherwise on termination of the PARCA in accordance with its terms).</p>
4	PARCA Works	<p>To be identified in detail in Schedule A and to comprise:</p> <ul style="list-style-type: none"> - Stage 1A Works – Technical Options Report; - Stage 1B Works – Strategic Options Report; - Stage 2 Works – Preferred Route Corridor Study Report; and - Stage 3 Works – Environmental Impact Assessment <p>(the PARCA Works).</p> <p>Parties to agree a provisional timetable for completion of each element of the PARCA Works.</p> <p>On completion of each element of the PARCA Works the Customer will have a fixed period in which to notify NGG that it wishes NGG to proceed to undertake the next element of the PARCA Works.</p> <p>In the event the Customer does not give notice of its wish that NGG proceed with the next element of the PARCA Works the PARCA shall terminate (in which case the Customer will be liable for 50% of all costs and/or commitments incurred by NGG prior to such termination) and the Customer's reservation of the Reserved Capacity at the Relevant NTS Exit Point shall lapse</p>
5	Planning Permission	<p>Where the PARCA Works identify the need for a Party to submit an application for planning permission the relevant Party shall submit</p>

⁴ This is the agreed date from which NGG will first make the capacity available at the Relevant NTS Exit Point.

		<p>such application as soon as reasonably practicable following completion of the PARCA Works.</p> <p>Each Party to notify the other of the receipt/refusal of any application for planning permission.</p>
6	Capacity Confirmation	<p>Following (where relevant):</p> <ul style="list-style-type: none"> - the provision to NGG of all required Demonstration Information; and/or - the completion of the PARCA Works; and/or - the receipt of any required planning permission by NGG and/or the Customer; <p>the Customer shall be no later than [] submit a Capacity Confirmation to NGG in accordance with the requirements of Appendix E.</p> <p>In the case of a Non User Customer submission of the Capacity Confirmation shall be in conjunction with the Non User Customer giving notice of the Nominated User(s) in accordance with Clause 10 and Schedule D.</p> <p>Following submission of:</p> <ul style="list-style-type: none"> - a Capacity Confirmation, a User Customer; - a Capacity Confirmation and notice of the Nominated User(s), the Nominated User(s) <p>shall be registered (for the purposes of the UNC) as holding the Reserved Capacity at the Relevant NTS Exit Point with effect from the Reserved Capacity Start Date.</p> <p>In the event a User Customer fails to submit a Capacity Confirmation or a Non User Customer fails to submit a Capacity Confirmation and notice under Clause 10 by [] the PARCA shall terminate and the Customer's reservation of the Reserved Capacity at the Relevant NTS Exit Point shall lapse.</p>
7	Obligations on NGG re PARCA Works	<p>NGG to use reasonable endeavours to complete each element of the PARCA Works in accordance with the agreed provisional timetable.</p> <p>Also:</p> <ul style="list-style-type: none"> - NGG to report to the Customer on progress in undertaking PARCA works at regular intervals; - NGG to provide such information as the Customer may reasonably request in relation any proposed reinforcement of the NTS required for the purposes of NGG making available the Reserved Capacity; and

		<p>- NGG to notify Customer when entering into and/or termination of a Parallel Agreement.</p> <p>In undertaking the PARCA Works NGG to act in accordance with the standard of a Reasonable and Prudent Operator.</p>
8	Obligations on Customer re Information Provision	<p>During pre-contract discussions NGG and the Customer to agree relevant inputs (e.g. required Reserved Capacity Start Date, the amount of Reserved Capacity etc) to allow the PARCA to be populated with relevant values (e.g. for purposes of calculation of the PARCA Works Price).</p> <p>The Customer to provide NGG with such other information as it may require for the purposes of undertaking the PARCA Works.</p> <p>NGG shall be entitled to rely on information provided to it by the Customer in undertaking the PARCA Works and NGG shall not be liable to the Customer for any costs, losses etc arising by reason of such information being incorrect or inaccurate.</p> <p>The Customer to provide the Demonstration Information listed in Schedule C to NGG by no later than the Prevailing Demonstration Date.</p> <p>The Customer to provide such other information supplementary to Demonstration Information as NGG may require for the purposes of the PARCA.</p> <p>In the event the Customer fails to provide the Demonstration Information by the last Prevailing Demonstration Date the PARCA shall terminate and the Customer's reservation of the Reserved Capacity at the Relevant NTS Exit Point shall lapse.</p>
9	Obligations on NGG re Demonstration Information	<p>NGG to notify the Customer following receipt of all the Demonstration Information it requires.</p> <p>NGG to determine whether information provided by the Customer constitutes Demonstration Information.</p>
10	NGG Obligations re Reserved Capacity	<p>Following commencement of Stage 1B of the PARCA Works NGG to reserve for the Customer the Reserved Capacity at the Relevant NTS Exit Point with effect from the Reserved Capacity Start Date.</p> <p>A Non User Customer may nominate a User (Nominated User) to be registered as holding an amount of [] in an amount not exceeding the Reserved Capacity at the Relevant NTS Exit Point for the Reserved Capacity Period.</p> <p>Where a Non User Customer wishes to nominate a User for the purposes of this Clause 10 the provisions of Schedule D shall apply.</p>
11	Annual Commitment	To include:

	Amount	<ul style="list-style-type: none"> - calculation of Annual Commitment Amount (taking into account the PARCA Works Price and the Further Works Price); and - treatment of any outstanding Annual Commitment Amount.
12	Price and Payment	<p>To provide for payment by the Customer to NGG of the PARCA Works Price and the Further Works Price.</p> <p>The PARCA Works Price:</p> <ul style="list-style-type: none"> - funds the PARCA Works and other activities undertaken by NGG in accordance with the PARCA in the period up to and including the submission by NGG of any application for planning permission required for the purposes of making available the Reserved Capacity; - is calculated in accordance with the prevailing transportation model and is subject to approval by the Authority; - is payable in instalments following signature of the PARCA; - []% to be payable in cash; and - the Customer to provide security for []%. <p>In event Customer terminates the PARCA NGG will draw on the security.</p> <p>The Further Works Price:</p> <ul style="list-style-type: none"> - funds activities undertaken by NGG in accordance with the PARCA following receipt of the Customer's Capacity Confirmation and prior to the Reserved Capacity Start Date; - is calculated in accordance with the published generic revenue driver methodology and is subject to approval by the Authority; - is payable in instalments following receipt of a Capacity Confirmation; and - []% is payable in cash. <p>Also to include:</p> <ul style="list-style-type: none"> - due dates for the staged payment of the PARCA Works Price and the Further Works Price; - no set off or counter-claim; - payment of interest by the Customer in event of late payment; and

		<ul style="list-style-type: none"> - the liability of the Customer for VAT.
13	Security	<p>To include requirement for the Customer to provide:</p> <ul style="list-style-type: none"> - security for []% of the PARCA Works Price in accordance with Clause 12; - security for the Total Capacity Commitment Amount, <p>in each case by way of a security document in a form satisfactory to NGG.</p>
14	Ownership	All consents, way-leaves and other intellectual property rights developed as result of undertaking PARCA Works to be the exclusive property of NGG.
15	Representations and Warranties	Parties to warrant that signature of the PARCA duly authorised, each acting in accordance with its constitutional documents and that PARCA enforceable against it in accordance with its terms.
16	Termination	<p>The Customer may terminate the PARCA where:</p> <ul style="list-style-type: none"> - NGG is unable to perform its obligations by reason of a Force Majeure event lasting for 12 months or more; - NGG is in material breach of the PARCA; or - NGG becomes insolvent etc. <p>NGG may terminate the PARCA where:</p> <ul style="list-style-type: none"> - any information provided to NGG for the purposes of Clause 8 is found to be untrue or incorrect in a material respect; - the Customer fails to make payment of any sum owing to NGG within 14 days of the due date for payment; - the Customer fails to provide the security required under Clause 13; - NGG is unable to perform its obligations by reason of a Force Majeure event which lasts for 12 months or more; - the Customer is in material breach of the PARCA; or - the Customer becomes insolvent etc. <p>Termination in accordance with this Clause 16 (or Clauses 4, 6 or 8) shall be without prejudice to any rights and obligations which have accrued (including in relation to payments to be made by the Customer) at the date of termination.</p> <p>To identify what payments due on early termination.</p>

17	Limitation of Liability	<p>Neither Party liable to the other for any loss arising from a breach of the PARCA, save in respect of direct loss which was reasonably foreseeable at the date of the PARCA as not unlikely to occur from such breach in respect of damage to property of the other Party or liability at law of the other Party to a third party for damage to property.</p> <p>No liability for any consequential losses, loss of profit, loss of goodwill etc.</p> <p>Nothing to exclude liability for death of personal injury arising from a Party's negligence.</p> <p>Otherwise liability of a Party to be capped at £[].</p>
18	Confidentiality	As per terms in existing generic ARCA.
19	Force Majeure	As per terms in existing generic ARCA.
20	Assignment	No assignment without consent of NGG, not to be unreasonably delayed or withheld.
21	Subcontracting	NGG permitted to use subcontractors for purposes of performing its obligations under the PARCA.
22	Notices	As per terms in existing generic ARCA.
23	Severance	As per terms in existing generic ARCA.
24	Entire Agreement	As per terms in existing generic ARCA.
25	No Third Party Rights	No term of PARCA to be enforceable by a third party.
26	Governing Law and Jurisdiction	English law and Parties to submit to the exclusive jurisdiction of the English courts.
A	Schedule A: PARCA Works	<p>Details of Stage 1A, 1B, 2 and 3 PARCA Works:</p> <p>[].</p>
B	Schedule B: Customer Information	<p>Information to be provided by the Customer in relation to PARCA Works:</p> <p>[]</p>
C	Schedule C: Demonstration Information	<p>List of specific Demonstration Information to be provided by the Customer and the dates by which the information is to be provided by the Customer to NGG:</p> <p>[].</p>
D	Schedule D: Reservation of	Where a Non Customer User wishes to nominate a User for the purposes of Clause 10 the provisions of Schedule D shall apply.

	Capacity by a Non User Customer	<p>To include requirements regarding contents of notice to be submitted by a Non User Customer (e.g. identity, amount of capacity being reserved etc) for the purposes of nominating a User as holding capacity at the Relevant NTS Exit Point.</p> <p>Also to include:</p> <ul style="list-style-type: none"> - ability of a Non User Customer to give more than one notice; - grounds for rejection of notice by NGG; and - NGG to notify Nominated User of submission of notice by a Non User Customer naming Nominated User.
E	Schedule E: Capacity Confirmation	To set out mechanics for formal registration of Reserved Capacity at the Relevant NTS Exit Point with effect from the Reserved Capacity Start Date. ⁵

⁵ NGG considering possible means of confirmation, including a 'Gemini' solution (i.e. in accordance with UNC processes) or a paper based solution made binding on the Parties through the terms of the PARCA.