UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION I – ENTRY REQUIREMENTS

1 GENERAL

1.1 Introduction

1.1.1 The provisions of this Section I shall apply in respect of the delivery of gas to the Total System at System Entry Points.

1.1.2 Users delivering gas to the Total System at a System Entry Point shall comply with the relevant requirements of this Section I.

1.1.3 Nothing in the Code confers on any person any entitlement to have any pipeline, plant or other installation connected to the Total System for the purposes of delivering gas to the Total System.

1.1.4 The provisions of this Section I shall not apply in respect of gas flows at Inter-System Offtakes.

1.2 Connected Delivery Facility

1.2.1 For the purposes of this Section I a "**Connected Delivery Facility**" is a single facility or system (comprising pipeline(s), plant and/or other installations), operated by one person (or jointly operated by several persons), and connected to the Total System at one or more Individual System Entry Points.

1.2.2 Without prejudice to paragraph 1.1.3, a Connected Delivery Facility may be:

(a) a facility for processing gas produced (and transported to such facility) from offshore or onshore oil or gas fields;

(b) a facility for the storage of gas;

(c) the pipeline system operated by another gas transporter;

(d) a pipeline interconnector by which gas is transported from another country;

(e) any other pipeline or pipeline system;

(f) a facility for the commingling of gas, at which gas is offtaken from the NTS and commingled with other gas prior to the commingled gas being delivered to the NTS; or

(g) a facility for the storage and regasification of liquefied natural gas which delivers gas to a Scottish Independent Network located at Oban, Thurso, Wick or Campbeltown and in relation to which facility the DN Operator (of the relevant connected Scottish Independent Network) acts as the Delivery Facility Operator.

1.2.3 A "**Delivery Facility Operator**" is the operator of a Connected Delivery Facility.

© 2005 all rights reserved

1.2.4 A Connected Delivery Facility may (in accordance with Section J1.4.6) also be a Connected Offtake System.

1.3 Network Entry Agreement

1.3.1 Subject to paragraphs 1.3.7 and 1.6, a User may not deliver gas to the Total System at any System Entry Point unless there is in force an Agreement ("**Network Entry Agreemen**t") to which the parties include both the Transporter and the Delivery Facility Operator, containing Network Entry Provisions and (if not incorporated into the Network Entry Provisions) Local Operating Procedures applicable in respect of the System Entry Point.

1.3.2 For the purposes of the Code "**Network Entry Provisions**" are terms and conditions or other provisions which specify requirements (for the purposes of the Code) in respect of the delivery of gas to the Total System.

1.3.3 Where in relation to a Connected Delivery Facility there is (in accordance with paragraph 1.4.2) more than one System Entry Point the Network Entry Provisions applicable in respect of each System Entry Point may be contained in one Network Entry Agreement.

1.3.4 A Network Entry Agreement may contain provisions other than Network Entry Provisions.

1.3.5 The existence of a Network Entry Agreement shall not relieve Users of any obligation under the Code, and the Transporter shall not be required (for itself or for the benefit of any User) to secure in a Network Entry Agreement any remedy against the Delivery Facility Operator nor to take steps to enforce any provision of a Network Entry Agreement.

1.3.6 There may be other persons (in addition to the Transporter and the Delivery Facility Operator) party to a Network Entry Agreement; but a User shall not (in its capacity as User) be required or entitled to be a party to a Network Entry Agreement.

1.3.7 Paragraph 1.3.1 shall not apply (and a Network Entry Agreement shall not be required) in respect of the delivery of gas to a Scottish Independent Network from any Connected Delivery Facility falling within the definition in paragraph 1.2.2(g) in circumstances where the relevant DN Operator (of that Scottish Independent Network) is also acting as the Delivery Facility Operator of such Connected Delivery Facility, provided always that the relevant DN Operator has in place (for each LDZ System Entry Point in respect of that Scottish Independent Network) Network Entry Provisions and, if applicable, Local Operating Procedures.

1.3.8 Where a Network Entry Agreement is entered into for a connection to the NTS at a new NTS System Point which includes Non-Standard Gas Parameters, National Gas Transmission shall, as soon as reasonably practicable, notify Users of such Network Entry Agreement.

1.4 System Entry Point

1.4.1 Subject to paragraph 1.4.2, a System Entry Point is the Individual System Entry Point or Individual System Entry Points at which a Connected Delivery Facility is connected to the Total System.

© 2005 all rights reserved

1.4.2 The Individual System Entry Points at which a Connected Delivery Facility is connected to the Total System may form more than one System Entry Point.

1.4.3 The Individual System Entry Point or Individual System Entry Points comprised in a System Entry Point will be specified in the applicable Network Entry Provisions.

1.4.4 Where so specified pursuant to paragraph 1.4.3 by agreement of the Delivery Facility Operators, a System Entry Point may comprise the Individual System Entry Points at which more than one Connected Delivery Facility, each in operation at 1 March 1996, is connected to the Total System.

1.5 Aggregate System Entry Point

1.5.1 An Aggregate System Entry Point is a System Entry Point, or (in the case where in relation to a Connected Delivery Facility there is more than one System Entry Point and/or there are several adjacent Connected Delivery Facilities) any two or more of the System Entry Points in respect of such Connected Delivery Facility(ies) so designated by National Gas Transmission pursuant to paragraph 1.5.2.

1.5.2 National Gas Transmission will designate the System Entry Point or System Entry Points which are comprised in an Aggregate System Entry Point, and may from time to time after consultation with Users change such designation upon notice to Users of not less than 12 months or a lesser period of notice if the Authority shall upon National Gas Transmission's application give Condition A11(18) Approval to its giving notice of such lesser period.

1.5.3 For the purposes of enabling a User to make a modification proposal pursuant to the Modification Rules in respect thereof, any designation or the absence of a designation pursuant to paragraph 1.5.2 shall be deemed to be a provision of and incorporated in the Code.

1.6 No Network Entry Agreement

1.6.1 If in respect of any System Entry Point (other than a Storage Connection Point) at which gas was delivered to the Total System before 1 March 1996 a Network Entry Agreement had not for the time being been entered into:

(a) paragraph 1.3.1 shall not apply;

(b) the Individual System Entry Points comprised in the System Entry Point will be as designated by National Gas Transmission on or before 1 March 1996;

(c) the Network Entry Provisions shall be those provisions which relate (in respect of the delivery of gas to the Total System) to the matters described in paragraphs 2.3.1(c)(iii), 2.4, and 2.5, of contractual arrangements (other than transportation agreements) in force immediately before 1 March 1996 (and disregarding any subsequent amendment unless made with the assent of National Gas Transmission and any other person which provide for or relate to the delivery of gas (in a commingled stream, where gas is so delivered) to the Total System at the relevant System Entry Point;

(d) Local Operating Procedures shall be such procedures as the Delivery Facility Operator and the Transporter shall separately establish;

© 2005 all rights reserved

(e) the further provisions of this paragraph 1.6 shall apply.

1.6.2 In respect of such a System Entry Point paragraph 2.1.1 shall apply only to the extent that the Transporter shall, with the concurrence of all parties to the arrangements referred to in paragraph 1.6.1(c), have prepared a document setting out the Network Entry Provisions as referred to in that paragraph; and paragraph 2.1.2 shall nevertheless apply on the basis that the User is expected to have obtained details of such provisions from the person from whom it purchases gas for delivery to the Total System.

1.6.3 Nothing in the Code shall prevent the Transporter or its successor(s) in title from enforcing in accordance with its terms any such arrangement as is referred to in paragraph 1.6.1(c).

1.6.4 Where the Transporter subsequently proposes to enter into a Network Entry Agreement in respect of the relevant System Entry Point, such proposal shall be deemed to be a modification of the Network Entry Provisions for the purposes of paragraph 2.2.1 only to the extent that:

(a) under such proposed Network Entry Agreement the Network Entry Provisions which will apply for the purposes of paragraphs 2.4 and 2.5 are different from those which applied pursuant to paragraph 1.6.1(c);

(b) such difference may reasonably be considered to be materially adverse to the interests of Users delivering gas to the Total System at the System Entry Point at the time of such proposal; and

(c) the effect of such difference, where the Network Entry Provisions which apply pursuant to paragraph 1.6.1(c) deviate from the Network Entry Specification Guidelines dated 21 February 1996, is not to reduce the extent of the deviation.

1.7 DNO Users

In this Section I references to Users exclude DNO Users.

1.8 Trader User

In this Section I references to Users exclude Trader Users.

1.9 USEP System Entry Points

1.9.1 In paragraph 1.5, references to System Entry Points include USEP System Entry Points, but otherwise in this Section I references to System Entry Points do not include USEP System Entry Points.

1.9.2 For the purposes of this Section I, the Delivering User in respect of a USEP System Entry Point delivers gas and is a Delivering User in respect of the System Entry Point in which the USEP System Entry Point is comprised.

2 NETWORK ENTRY PROVISIONS

2.1 Availability of Network Entry Provisions

2.1.1 Subject to paragraph 2.1.3, the Transporter will make available to any User (and the DNO will procure that the Delivery Facility Operator will make available to any LDZ System Entry Point User wishing to deliver gas at an LDZ System Entry Point) on

© 2005 all rights reserved

request a copy of the Network Entry Provisions and Local Operating Procedures applicable to any System Entry Point, but shall not be required to provide to any User any other details of a Network Entry Agreement.

2.1.2 A User who applies (in accordance with Section B) for System Entry Capacity at an Aggregate System Entry Point, or delivers gas to the Total System at a System Entry Point, shall be responsible for obtaining and shall be deemed to have obtained and to be fully informed of the applicable Network Entry Provisions and Local Operating Procedures.

2.1.3 Paragraph 2.1.1 shall not apply in respect of any particular provision of the Network Entry Provisions applicable pursuant to paragraph 2.3.3 or Local Operating Procedures where the disclosure of such provision would be materially prejudicial to the commercial interests of the Delivery Facility Operator or where the provision contains personal or confidential information relating to individuals or refers to any other agreement to which the Delivery Facility Operator is party.

2.2 Amendment of Network Entry Provisions

2.2.1 Subject to paragraphs 1.6.4, 2.2.3 and 2.3.3(a), the Network Entry Provisions applicable pursuant to paragraph 2.3.1 in respect of any System Entry Point will not be modified other than by agreement between the Transporter and the relevant Delivery Facility Operator.

2.2.2 The Transporter will not agree (for the purposes of paragraph 2.2.1) to a modification of the Network Entry Provisions applicable pursuant to paragraph 2.3.1 except:

(a) in relation to increases to any Permitted Ranges contained in the Network Entry Provisions:

(i) where, within five (5) Business Days of the Transporter notifying the proposed increases to the Permitted Ranges, none of the Users who are registered at the date of such notice as holding NTS Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised object to the proposed increases to the Permitted Ranges; or

(ii) in accordance with paragraph 2.2.3;

(b) in relation to the Network Entry Provisions (other than increases to the Permitted Ranges):

(i) with the consent in writing of all Users who are registered at the date when such amendment is to take effect as holding NTS Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised; provided that where the proposed modification relates to one or more of the Gas Entry Conditions:

(1) the Transporter shall provide all Users and other persons who (in both cases), in the opinion of the Transporter, are likely to have an interest in the proposed modification, with a description of the proposed modification and analysis which demonstrates how the proposed modification may affect

© 2005 all rights reserved

characteristics of gas within the NTS;

(2) the Transporter shall ask such Users and other persons to indicate, within ten (10) Business Days, whether they object to the proposed modification;

(3) if no such Users or persons shall, within ten (10) Business Days of being notified by the Transporter under (1) above, indicate that they do object to the proposed modification, the proposed modification shall proceed in accordance with (i) above;

(4) if any such User or person shall, within ten (10) Business Days of being notified by the Transporter under (1) above, indicate that they do object to the proposed modification, the proposed modification shall proceed in accordance with paragraph 2.2.3

(ii) in accordance with paragraph 2.2.3.

2.2.3 Where

(a) the Transporter and the relevant Delivery Facility Operator have agreed (subject to a Code Modification) upon an amendment to any such Network Entry Provisions, such Network Entry Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules;

(b) in respect of any Connected Delivery Facility, the Transporter agrees to a request by a Delivery Facility Operator to amend the Network Entry Provisions to contain revised Inert Gas Limits (without prejudice to any other conditions that have been agreed by the Transporter with the Delivery Facility Operator), then on the date of such agreement the Network Entry Provisions will be amended for the purposes of the Code;

and for which purposes only the Network Entry Provisions shall be deemed to form part of Code.

2.2.4 Such Network Entry Provisions may (in accordance with the provisions of the relevant Network Entry Agreement) be amended without the consent of any User insofar as may be required to enable:

(a) the Transporter; or

(b) the relevant Delivery Facility Operator to comply with any Legal Requirement.

2.2.5 Nothing in paragraph 2.2.1, 2.2.2, 2.2.3 or 2.2.4 applies to any Network Entry Provisions other than those applying pursuant to paragraph 2.3.1 nor to Local Operating Procedures or any other provision of a Network Entry Agreement; and such Network Entry Provisions or other provisions may be amended without the consent of any User.

2.2.6 The Transporter will notify to all Users:

(a) any modification to the Network Entry Provisions (other than any such provisions to which paragraph 2.1.3 applies) applicable to any System Entry

© 2005 all rights reserved

Point, not later than the date upon which such modification becomes effective; and

(b) except to the extent prevented from doing so by any duty of confidence, any requirement for modification of Network Entry Provisions under paragraph 2.2.4(a) as soon as reasonably practicable after the Transporter becomes aware of such requirement.

2.2.7 For the purposes of this paragraph 2:

(a) **"Inert Gas Limits"** means in the case of:

(i) carbon dioxide, the limit shall be not more that 2.5% (molar);

(ii) nitrogen, there shall be no direct limit.

(b) **"Permitted Ranges"** means the minimum and/or maximum ranges (as specified in the relevant Measurement Provisions) for each part of the Measurement Equipment.

2.3 Network Entry Provisions

2.3.1 Network Entry Provisions will:

(a) identify the Connected Delivery Facility (by name, location or otherwise);

(b) specify the Individual System Entry Points comprised in the relevant System Entry Point; and

(c) specify for such System Entry Point:

(i) Gas Entry Conditions in accordance with paragraph 2.4;

(ii) Measurement Provisions in accordance with paragraph 2.5; and

(iii) the point or points of delivery in accordance with paragraph 3.6.1.

2.3.2 Network Entry Provisions may specify (unless separately specified) Local Operating Procedures in accordance with paragraph 2.6.

2.3.3 Network Entry Provisions may include:

(a) procedures by and standards to which the Connected Delivery Facility is to be maintained, repaired and operated, but only insofar as material to the ability of the Transporter safely, efficiently and economically to operate the relevant System or to comply with any Legal Requirement;

(b) terms entitling the Transporter and the Delivery Facility Operator to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Network Entry Provisions, or requiring them to procure and facilitate audit of such compliance;

(c) terms according to which, and circumstances in which, it is permitted to deviate or depart from any other Network Entry Provision;

© 2005 all rights reserved

(d) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the delivery of gas to the Total System or (in relation to such delivery) the Connected Delivery Facility; and

(e) procedures applicable to gas flows applicable in the event of any emergency circumstances affecting the Transporter or the Delivery Facility Operator (including any Emergency in accordance with Section Q).

2.3.4 Where and for so long as:

(a) any requirement (other than a requirement which is to be performed by the Transporter, and save as regards Gas Entry Conditions where paragraph 3.3 shall apply) of the Network Entry Provisions is not for the time being complied with or is incapable of being complied with (other than as a result of a failure by the Transporter to perform any requirement under the Network Entry Agreement); and

(b) either:

(i) such non-compliance or inability to comply materially and adversely affects the ability of the Transporter to operate the relevant System or to comply with any Legal Requirement or any provision (other than a provision the failure to comply with which has no significant consequences for the Transporter or any User) of the Code; or

(ii) upon the Transporter's application, on the basis that in its opinion non-compliance or inability to comply adversely affects the interests pursuant to the Code of Users other than in respect of NTS Entry Capacity or the delivery of gas to the Total System at the relevant System Entry Point, the Authority has given Condition A11(18) Approval to its doing so,

the Transporter shall be entitled to refuse (until such time as the Transporter is reasonably satisfied that such non-compliance has been remedied) to accept delivery by Users to the Total System of gas at the relevant System Entry Point, in which case the Transporter will notify all affected Users of such refusal and (subject to any duties of confidence) the relevant circumstances (under paragraph (a)).

2.3.5 Any requirement of the Network Entry Provisions may be specified by reference to any published standard of a recognised body or other Recognised Standard, or standards or requirements from time to time published by the Transporter, and/or may be specified in terms of an objective or requirement to be achieved without specifying the manner by means of which such objective or requirement is to be achieved.

2.3.6 Nothing contained in a Network Entry Agreement shall be taken to constrain the basis upon which the Transportation Statement may provide for the determination of any Transportation Charges.

2.3.7 Network Entry Provisions may differ as between different System Entry Points.

2.3.8 Where:

(a) a Connected Delivery Facility is or forms part of an Interconnected System; and

© 2005 all rights reserved

(b) at the relevant System Entry Point only gas which has first been offtaken from the relevant System can be delivered to the relevant System

certain Network Entry Provisions may not be required.

2.3.9 In relation to an Unmetered IGT-NTS System Point the requirements in respect of Network Entry Provisions are modified as provided in IGTAD Section G.

2.4 Gas Entry Conditions

2.4.1 The "**Gas Entry Conditions**" in respect of a System Entry Point are limits or other requirements as to the composition, pressure, temperature and other characteristics of gas delivered or tendered for delivery to the Total System at the point or points of delivery (in accordance with paragraph 2.3.1(c)(iii)).

2.4.2 Gas Entry Conditions may include limits, prohibitions or requirements in respect of the following:

(a) composition limits:

- Gross calorific value (maximum and minimum, MJ/m³);
- Wobbe number (maximum and minimum, MJ/m³);
- Hydrogen Sulphide (maximum, ppm);
- Hydrocarbon Dewpoint (maximum °C for specified maximum pressure);
- Water Dewpoint (maximum °C for specified maximum pressure);
- Total Sulphur (maximum volume, ppm expressed as H2S);
- Oxygen (maximum volume, ppm);
- Inert gases (maximum mol%), including:
    - Carbon Dioxide (maximum mol%); and
    - Nitrogen (maximum mol%);

(b) delivery temperature (minimum and maximum °C);

(c) contaminants - materials, dust or other solid or liquid matter;

(d) odour; and

(e) the pressure (maximum and minimum, bar g) at which and against which gas may be required to be delivered to the Total System.

2.4.3 Network Entry Provisions will include any tolerances within which (for any person or in any circumstances) deviations from any of the Gas Entry Conditions are permitted.

2.4.4 For the purposes of this Section I "**delivery characteristics**" are the characteristics of gas delivered or tendered for delivery to the Total System in respect of which Gas Entry Conditions apply in respect of any System Entry Point.

2.4.5 Where under any new or changed Legal Requirement there is any requirement, applicable to the characteristics (other than odour) of gas conveyed by means of or

© 2005 all rights reserved

tendered for delivery to the Total System, which either does not apply or is more stringent than any which does apply under the prevailing Gas Entry Conditions, such requirement shall (unless expressly provided otherwise under any Special Delivery Arrangement) at the time at which it comes into force be deemed to be incorporated in the Gas Entry Conditions (which will be amended accordingly as soon as reasonably practicable thereafter).

2.4.6 Where under a Network Entry Agreement or a Storage Connection Agreement the lower limit for Wobbe Index is between 46.5 MJ/m^3 and 47.2 MJ/m^3 and the Delivery Facility Operator is obliged to provide, by no later than 31 August each Gas Year, National Gas Transmission with an annual rolling 5 year forecast of the Wobbe Index and calorific value of the gas expected to be delivered to the NTS in each Gas Year (as described in paragraph 2.4.7), National Gas Transmission shall upon receiving such forecast publish the information contained therein on its website by no later than 30 September each Gas Year, provided that the relevant Delivery Facility Operator(s) have provided National Gas Transmission with the information by 31 August.

2.4.7 The forecast referred to in paragraph 2.4.6 shall set out the Delivery Facility Operator's best estimate of:

(a) the minimum and maximum Wobbe Index and calorific value under normal conditions; and

(b) the minimum and maximum Wobbe Index and calorific value under unexpected conditions (which includes but is not limited to start-up and shutdown of the relevant Delivery Facility Operator's Connected Delivery Facilities and during periods of terminal outage or offshore outage in relation to the same).

2.5 Measurement Provisions

2.5.1 The "**Measurement Provisions**" in respect of a System Entry Point are the procedures, methods and standards by which:

(a) gas delivered or tendered for delivery to the Total System at that point will be measured, sampled and analysed;

(b) the volume, calorific value, quantity, and delivery characteristics of such gas will be determined; and

(c) the Transporter and the Delivery Facility Operator will inform each other of the determinations made under paragraph (b).

2.5.2 "**Measurement Equipment**" is the metering, sampling, analysis and other equipment required by the Measurement Provisions to be installed (whether at the Connected Delivery Facility or on the Total System).

2.5.3 The Measurement Provisions will provide for the Entry Point Daily Quantity Delivered to be determined and (if not determined by the Transporter) communicated to the Transporter.

2.5.4 Measurement Provisions may include:

(a) standards of accuracy and procedures for testing and calibration of

© 2005 all rights reserved

Measurement Equipment;

(b) terms by which volume, calorific value, quantity or any delivery characteristic of gas delivered or tendered for delivery may be estimated in the case of failure or defect of any Measurement Equipment, non-compliance with any of the Measurement Provisions or otherwise; and

(c) terms upon which any difference or dispute between the Delivery Facility Operator and the Transporter as to the volume, calorific value, quantity or delivery characteristic of gas delivered or tendered for delivery will be resolved (which may include resolution by agreement between them).

2.5.5 Each User acknowledges that the volume, calorific value, quantity and delivery characteristics of gas delivered or tendered for delivery (by Users in aggregate) to the Total System at a System Entry Point, and the compliance or non-compliance with the applicable Gas Entry Conditions in respect thereof, will be established (by the Transporter and the Delivery Facility Operator pursuant to the Network Entry Provisions) in accordance with the applicable Measurement Provisions and by means of the Measurement Equipment, and agrees to be bound (for the purposes of the Code) by what is so established.

2.6 Local Operating Procedures

2.6.1 The "**Local Operating Procedures**" in respect of a System Entry Point or System Entry Points are procedures for coordination between the Transporter and the Delivery Facility Operator in connection with the operation of the Connected Delivery Facility and the part of the Total System at which it is connected, including the exchange of information between the Transporter and the Delivery Facility Operator.

2.6.2 Local Operating Procedures will provide for the Delivery Facility Operator to provide information ("**Local Operating Information**") to the Transporter as to the rates at and quantities in which gas is expected to be delivered to the Total System at the System Entry Point at intervals during and at the end of the Gas Flow Day.

2.6.3 Except with the prior written consent of the Delivery Facility Operator the Transporter will not and will not be required to provide to any User any information provided by the Delivery Facility Operator under the Local Operating Procedures.

2.6.4 Local Operating Information (including any such information which is or appears to be inconsistent with the requirements in paragraph 3.10.2) may be relied on:

(a) by National Gas Transmission (in accordance with Section D1.3) in operating and planning the operation of the NTS and for the purposes of Operational Balancing;

(b) by a DN Operator in the operating and planning the operation of its System(s).

2.6.5 Local Operating Procedures may provide for the Delivery Facility Operator and the Transporter to agree at any time:

(a) for the purposes of enabling any inspection, repair or maintenance to be carried out in respect of the Connected Delivery Facility or any related part of a relevant System;

© 2005 all rights reserved

(b) for the purposes of avoiding a Transportation Constraint, or enabling the delivery of gas notwithstanding a Transportation Constraint; or

(c) in any other circumstances (affecting facilities upstream of the System Entry Point) provided for in such procedures,

that the Delivery Facility Operator will arrange for the quantity of gas to be delivered to the Total System to be delivered at a rate which will vary during the Day, and/or during a part only of the Day.

2.6.6 Local Operating Procedures may contain procedures pursuant to which the Transporter may permit for limited periods the delivery of gas which does not comply with the applicable Gas Entry Conditions; and any such procedure shall not be a Special Delivery Arrangement for the purposes of paragraph 3.5.

2.6.7 The Transporter will be entitled to act in accordance with any such provision as is referred to in paragraph 2.6.5 or 2.6.6 or any agreement made with the Delivery Facility Operator pursuant thereto, and to assume that the terms on which any User may have purchased gas for delivery to the Total System or otherwise procured such delivery take account thereof; and will not be in breach of its obligation under paragraph 3.7 by reason of its so acting.

3 DELIVERY OF GAS TO THE TOTAL SYSTEM

3.1 Delivering Users

3.1.1 Subject to Sections E2.3 and Q3.3.4, all gas delivered or tendered for delivery to the Total System at a System Entry Point on a Day shall be deemed to be delivered or tendered for delivery by the Delivering User(s), irrespective of any act or omission of the Delivery Facility Operator or any other person.

3.1.2 For the purposes of this Section I the "**Delivery Proportion**" for a Delivering User on a Day in respect of a System Entry Point is that User's UDQI for that Day divided by the Entry Point Daily Quantity Delivered in accordance with Section E.

3.2 Delivered gas

3.2.1 The gas delivered or tendered for delivery to the Total System at an Individual System Entry Point shall for all purposes of the Code be assumed to be a single homogenous gas stream.

3.2.2 Where on a Day more than one User delivers gas or tenders gas for delivery to the Total System at a System Entry Point:

(a) each such User shall be treated as delivering or tendering for delivery at each Individual System Entry Point gas of the same delivery characteristics as that delivered or tendered for delivery at such System Entry Point by each other such User; and

(b) the gas delivered or tendered for delivery at each System Entry Point at any time on such Day shall, irrespective of differences in such delivery characteristics as between Individual System Entry Points, be treated as delivered or tendered for delivery by each Delivering User as to its Delivery

© 2005 all rights reserved

Proportion thereof.

3.2.3 Subject to the terms of any Special Delivery Arrangement, where the delivery characteristics of gas delivered or tendered for delivery at Individual System Entry Points comprised in the same System Entry Point differ, the Transporter may exercise its rights under paragraph 3.3.2 separately in respect of each Individual System Entry Point.

3.3 Compliance with Gas Entry Conditions

3.3.1 Subject to paragraphs 2.6.6 and 3.5, a User shall not deliver gas or tender gas for delivery to the Total System at a System Entry Point unless the applicable Gas Entry Conditions are complied with in respect of such gas.

3.3.2 Where non-compliant gas is tendered for delivery to the Total System at a System Entry Point (whether or not resulting from any procedures referred to in paragraph 2.6.6) the Transporter may, from time to time until such time as the relevant Gas Entry Conditions are complied with in respect of gas tendered for delivery at such point, in its discretion either:

(a) refuse to accept delivery or continued delivery of such gas; or

(b) (subject to any Legal Requirement) accept such delivery or accept such delivery as to part only of what is tendered for delivery.

3.3.3 The Transporter's rights under paragraph 3.3.5 shall not be prejudiced by its election to accept delivery of non-compliant gas (whether or not it is aware that the gas is non-compliant).

3.3.4 The Transporter shall be entitled pursuant to paragraph 3.3.2 to take any steps available to it (including any steps pursuant to Local Operating Procedures) to limit the rate at which non-compliant gas is delivered to the Total System or to secure that such gas is not so delivered.

3.3.5 Subject to paragraph 3.4.6, where non-compliant gas has been delivered on any Day to the Total System, each Delivering User shall be liable to pay to the Transporter an amount determined in accordance with paragraph 3.4.

3.3.6 Where the Transporter first becomes aware (pursuant to the applicable Measurement Provisions or otherwise) that non-compliant gas is being or has been delivered to the Total System at a System Entry Point on any Day, the delivery of which is likely in the Transporter's opinion to entitle the Transporter to claim any material sum under paragraph 3.4, the Transporter will as soon as reasonably practicable inform Users of that fact; provided that no failure by the Transporter so to inform any User shall affect the Transporter's rights under paragraphs 3.3.5 and 3.4.

3.3.7 For the purposes of this paragraph 3, subject to paragraphs 3.3.8 and 3.4.6, "**non-compliant gas**" is gas delivered or tendered for delivery at an Individual System Entry Point, in respect of which or the delivery or tendered delivery of which (after taking account of any tolerance referred to in paragraph 2.4.3) any of the relevant Gas Entry Conditions is not or was not complied with.

3.3.8 Where and for so long as a Special Delivery Arrangement under paragraph 3.5.1 is in

© 2005 all rights reserved

force and the terms thereof are being complied with, gas subject to such Special Delivery Arrangement shall not be non-compliant gas by reason only of its not complying with the Gas Entry Conditions as to the delivery characteristic(s) in respect of which the Special Delivery Arrangement was made.

3.3.9 Where on any Day on which non-compliant gas was delivered to the Total System at a System Entry Point an Unclaimed Entry Allocation Statement is submitted to the Transporter in accordance with Section E2.3, Delivering Users agree to cooperate with the Transporter in identifying any person who may be liable to the Transporter in respect of the delivery of non-compliant gas the subject of such statement; provided that no User shall be required to incur significant cost nor to breach any obligation of confidence in so doing, and that nothing so done shall be a breach of Section E2.3.6.

3.4 Payment in respect of non-compliant gas

3.4.1 Subject to paragraphs 3.4.2 and 3.4.3, the amount payable by a Delivering User to the Transporter under paragraph 3.3.5 shall be its Delivery Proportion of all reasonable costs and expenses reasonably incurred by the Transporter in consequence of the delivery of the non-compliant gas, including (without limitation) costs and expenses incurred:

(a) in cleaning or clearing any part of the relevant System; and/or

(b) in taking reasonable measures (excluding any Operational Balancing Steps) to secure that the relevant System can be operated in accordance with applicable Legal Requirements notwithstanding the delivery or continued delivery of such non-compliant gas.

3.4.2 The amount payable by a Delivering User pursuant to paragraph 3.4.1 shall not exceed 10% of its Delivery Proportion of the amount calculated as the total quantity of non-compliant gas delivered to the Total System at the relevant System Entry Point on the relevant Day multiplied by the Applicable Liability Gas Price.

3.4.3 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the delivery of non-compliant gas to the Total System at a System Entry Point on more than one Day:

(a) references in paragraphs 3.4.1 and 3.4.2 to a User's Delivery Proportion shall be deemed to be references to a weighted average Delivery Proportion determined for each Delivering User as the sum, for all such Days, of the User's Delivery Proportion for each Day multiplied by the Entry Point Daily Quantity Delivered, divided by the sum of the Entry Point Daily Quantities Delivered for all such Days;

(b) the reference in paragraph 3.4.2 to the total quantity of non-compliant gas delivered on the relevant Day shall be to the total quantity of non-compliant gas delivered on all such Days.

3.4.4 Where any amount has become payable to the Transporter pursuant to paragraph 3.3.5:

(a) the Transporter shall as soon as reasonably practicable after the Entry Close-out Date so notify each Delivering User specifying:

© 2005 all rights reserved

(i) the relevant System Entry Point and the Day or Days on which non-compliant gas was delivered to the Total System;

(ii) the total quantity of non-compliant gas referred to in paragraph 3.4.2, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the applicable Gas Entry Conditions;

(iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the purposes for which they were incurred;

(iv) each Delivering User's Delivery Proportion; and

(b) the amounts payable by each Delivering User shall be invoiced and are payable in accordance with Section S.

3.4.5 Any dispute (other than one resolved pursuant to Network Entry Provisions under paragraph 2.5.4) as to anything specified by the Transporter under paragraph 3.4.4(a) shall be referred to Expert Determination.

3.4.6 Paragraph 3.3.5 and this paragraph 3.4 do not apply and Delivering Users shall not be liable thereunder to the extent that the failure (of gas delivered or tendered for delivery) to comply with Gas Entry Conditions was a failure to comply with a requirement as to pressure or odour; and references in those paragraphs to non-compliant gas shall be construed accordingly.

3.4.7 Where for the purposes of clearing non-compliant gas from a System it is necessary for the Transporter to vent gas from the System, each Delivering User's Delivery Proportion of the quantity of gas so vented shall for the purposes of Sections E5 and F2 (but not otherwise) be treated as having been offtaken from the Total System by and accordingly deemed to be an UDQO of the Delivering User; and in such circumstances National Gas Transmission will inform all Users (or those who made Nominations for the relevant System Entry Point) as soon as reasonably practicable after such venting.

3.4.8 In the case of a System Entry Point designated by National Gas Transmission on or before 1 March 1996 for the purposes of this paragraph 3.4.8, where (in respect of a Day or Days on which non-compliant gas was delivered to the Total System at a System Entry Point) not later than the Entry Close-out Date all Delivering Users jointly submit to a notice signed by or on behalf of all of them:

(a) stating that some only of them (the "**Non-compliant Delivering Users**") are to be treated as having delivered non-compliant gas to the Total System at the System Entry Point; and

(b) identifying the Non-compliant Delivering Users and specifying the proportions (aggregating to unity) in which they are to be treated as having delivered non-compliant gas to the Total System at a System Entry Point

paragraphs 3.4.1 to 3.4.7 shall (notwithstanding paragraph 3.2.2) be construed as though references to Delivering Users were to Non-compliant Delivering Users and references to Delivery Proportions were to the proportions specified pursuant to paragraph (b).

3.4.9 Each User who is for the time being a Delivering User in respect of such a System Entry Point as is referred to in paragraph 3.4.8 hereby irrevocably and unconditionally

© 2005 all rights reserved

appoints the Delivery Facility Operator for the time being as User Agent to sign and submit on behalf of such User a notice for the purposes of that paragraph.

3.5 Special Delivery Arrangement

3.5.1 Pursuant to an arrangement ("**Special Delivery Arrangement**") in relation to a System Entry Point or Individual System Entry Point therein, the Transporter may agree either to accept delivery of gas which does not comply with the applicable Gas Entry Conditions or that the applicable Gas Entry Conditions will permit the delivery of gas which does not comply with the conditions which the Transporter would otherwise require to be included, as to any of the delivery characteristics under paragraph 2.4.2(a), (b), (c), (d) or (e).

3.5.2 A Special Delivery Arrangement may be recorded in the Network Entry Provisions or in an Ancillary Agreement or both.

3.5.3 The terms of a Special Delivery Arrangement may include:

(a) the basis on which the Transporter shall be remunerated (whether by the Delivery Facility Operator or Users) for the measures taken by it to allow, or otherwise for, acceptance of gas subject to the Special Delivery Arrangement;

(b) any restrictions or requirements as to, or by reference to, the rates, times, quantities and/or characteristics:

(i) of the gas or delivery of the gas subject to the Special Delivery Arrangement; and/or

(ii) of any other gas or the flow of any other gas flowing at any point in the relevant System; and

(c) any terms (in addition to those provided for in this Section I) upon which the delivery to the Total System of gas subject to the Special Delivery Arrangement may be required to be curtailed, suspended or discontinued.

3.5.4 Where a Special Delivery Arrangement is recorded in an Ancillary Agreement, the Transporter shall be entitled to require that a User shall not deliver gas to the Total System at the relevant System Entry Point unless it shall first have acceded to such Agreement in the manner provided (pursuant to Section V1.1.6) for therein.

3.5.5 A Special Delivery Arrangement in respect of any of the delivery characteristics specified in paragraph 2.4.2(a) or (b) will not be made where there is any System Exit Point (other than one in respect of which an appropriate Special Offtake Arrangement is in force in accordance with Section J2.3), located anywhere on the Total System between the relevant System Entry Point and the point on the Total System at which gas which would be subject to the Special Delivery Arrangement can be blended with other gas within the Total System so as to conform to the Standard Offtake Requirements under Section J2.1.

3.5.6 Nothing done by the Transporter in accordance with the terms of a Special Delivery Arrangement will constitute a breach of the Transporter's obligation to accept delivery of gas at the relevant System Entry Point.

© 2005 all rights reserved

3.5.7 Where:

(a) under the terms of a Special Delivery Arrangement any amount (the "**Special Delivery Arrangement Charge**") payable to the Transporter is payable by Users pro rata to their UDQIs (in relation to the relevant System Entry Point); and

(b) a person appointed by any User or Users as User Agent submits to the Transporter a statement (differing from Users' Entry Allocation Statements) of the whole of the Entry Point Daily Quantity delivered to or between the User or Users appointing such Agent for the purpose of allocating the Special Delivery Arrangement Charge

then the Special Delivery Arrangement Charge shall be payable by such User or Users pro rata to their respective Special Delivery Arrangement Charging allocations and not pro rata to Users' UDQIs.

3.6 Delivery of gas

3.6.1 The applicable Network Entry Provisions will identify (by description or a diagram or both) a point of delivery at each Individual System Entry Point comprised in a System Entry Point.

3.6.2 Title and (without prejudice to any other provision of this Section I) risk in gas delivered to the Total System at a System Entry Point shall pass to the Transporter at the relevant point of delivery established in accordance with paragraph 3.6.1.

3.6.3 Each User warrants to the Transporter:

(a) that such User will have title (at the point of delivery) to all gas delivered or tendered for delivery to the Total System at any System Entry Point by that User; and

(b) that all such gas will (at such point) be free of any lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and tendering of gas arising on or before delivery thereof to the Total System.

3.6.4 Each User shall indemnify the Transporter and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against the Transporter in consequence of any breach of the warranties in paragraph 3.6.3.

3.6.5 The warranty in paragraph 3.6.3(a) shall be treated as satisfied where the User has arranged for delivery or tender for delivery of gas to the Total System by a person or persons who has or jointly have title (at the point of delivery) to such gas and such person passes or persons jointly pass title to such gas to the Transporter.

3.7 Acceptance of gas delivered to the Total System

3.7.1 Subject to the provisions of the Code, the Transporter will accept into the Total System at any time gas tendered for delivery by Users at the System Entry Points comprised in an Aggregate System Entry Point, at a rate (in kWh/Day) in aggregate not exceeding the

© 2005 all rights reserved

aggregate Available Firm NTS Entry Capacity held by Users at that Aggregate System Entry Point, as Adjusted pursuant to Section B2.11.8.

3.7.2 Subject to the provisions of the Code, if for any period (a "**constraint period**") during any Day the Transporter fails to comply with its obligation under paragraph 3.7.1, National Gas Transmission will pay to relevant Users in accordance with paragraph 3.7.3 amounts which (subject to paragraph 3.7.4) in aggregate are equal to the amount ("**Aggregate Constraint Amount**") determined as:

A * B

where for each constraint period during the Day:

A is the shortfall between (i) the quantity of gas of which delivery would have been accepted at rate Xt and (ii) the quantity of gas of which delivery was accepted at rate Yt during the constraint period, determined by integrating (Xt - Yt) with respect to time over the constraint period;

where at any time (t) during the constraint period:

Xt is the aggregate Available Firm NTS Entry Capacity held by Users at that Aggregate System Entry Point, as Adjusted pursuant to Section B2.11.8;

Yt is the rate (in kWh/Day) in aggregate at which delivery of gas into the Total System at the Aggregate System Entry Point was accepted;

B is the charge rate determined as the greater of the rates R1 and R2, where:

R1 is (F1 * ADR), where ADR is the Applicable Daily Rate determined as the weighted average price of Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity in respect of capacity bids for which NTS Entry Capacity was allocated calculated as:

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

where:

n is the number of successful relevant capacity bids;

Q is the amount of NTS Entry Capacity allocated to each successful relevant capacity bid; and

p is the bid price of each successful relevant capacity bid

and for the purposes of this paragraph 3.7.2, "**relevant capacity bid**" is a bid in respect of which relevant capacity was allocated and "**relevant capacity**" is that amount of capacity equal to the first 50% of the total NTS Entry Capacity allocated (determined in accordance with the provisions of paragraph 2.6.2 or 2.6.6 and paragraph 2.7.2);

© 2005 all rights reserved

R2 is the rate determined as:

$$F2 * (M + N) / Q$$

where:

M is an amount determined as the aggregate notional surrender cost in relation to the constrained Aggregate System Entry Point in respect of an amount determined as one half of the Constrained Amount;

N is an amount determined as the aggregate notional surrender cost in relation to the highest-priced Aggregate System Entry Point in respect of an amount determined as one half of Constrained Amount;

Q is the Constrained Amount;

F1 is six (6); and

F2 is one decimal four (1.4)

and, for the purposes of determining the aggregate notional surrender costs on a Day in respect of an Aggregate System Entry Point, such costs shall include the exercise price (in pence/kWh/Day) payable by National Gas Transmission (pursuant to a Capacity Management Agreement were National Gas Transmission to exercise its rights thereunder) in respect of the surrender of System Entry Capacity on such Day (but shall not include any costs payable by National Gas Transmission pursuant to the Capacity Management Agreement by way of a premium and which for any other purpose under the Code is determined as attributable to such Day).

3.7.3 For the purposes of paragraph 3.7.2 a relevant User is a User holding Available Firm NTS Entry Capacity at the Aggregate System Entry Point for the Day; and subject to paragraph 3.7.4 the amount payable to each relevant User shall be the amount determined as:

$$ACA * U / A$$

where:

ACA is the Aggregate Constraint Amount;

U is the User's Available Firm NTS Entry Capacity, as Adjusted pursuant to Section B2.11.8, at the Aggregate System Entry Point for the Day;

A is the aggregate Available Firm NTS Entry Capacity, as Adjusted pursuant to Sections B2.9.4, B2.10.4 and B2.11.8, held by Users at the Aggregate System Entry Point for the Day.

3.7.4 The amount payable by National Gas Transmission to a relevant User pursuant to paragraph 3.7.3 shall not exceed the amount determined as:

$$(U - ADQI) * B$$

where:

B has the meaning in paragraph 3.7.2;

© 2005 all rights reserved

U has the meaning in paragraph 3.7.3; and

ADQI is the aggregate of the User's UDQIs for the Day for each System Entry Point comprised in the Aggregate System Entry Point

and for the purposes of Section B2.14 the Aggregate Constraint Amount shall be reduced by the amount in aggregate by which the amounts payable (in accordance with this paragraph 3.7.4) to relevant Users are less than the amounts determined pursuant to paragraph 3.7.3.

3.7.5 The Transporter will be deemed not to comply with paragraph 3.7.1 for any period during which, as a result of steps taken by the Transporter pursuant to paragraph 3.9.1, the aggregate rate at which gas is delivered or tendered for delivery by Users at the System Entry Points comprised in an Aggregate System Entry Point is less than the aggregate Fully Adjusted Firm Available NTS Entry Capacity held by Users at that Aggregate System Entry Point.

3.7.6 Any dispute as to the amount 'A' in paragraph 3.7.2 shall be referred to Expert Determination.

3.7.7 For the purposes of paragraph 3.7.2:

(a) in relation to a particular Aggregate System Entry Point and a given quantity of the Constrained Amount, the "**aggregate notional surrender cost**" is the aggregate of the amounts which National Gas Transmission would have paid by way of Capacity Surrender Charges if National Gas Transmission had accepted remaining daily capacity offers for that quantity pursuant to and in accordance with Section B2.11; where subject to paragraph (b) "**remaining**" daily capacity offers are daily capacity offers remaining:

(i) after acceptance of those daily capacity offers which National Gas Transmission did accept for the relevant Day;

(ii) for the purposes of determining 'N' in paragraph 3.7.2, after excluding daily capacity offers to the extent taken into account in determining 'M' in that paragraph; and

(iii) after excluding daily capacity offers to the extent taken into account in any earlier application (pursuant to any provision of the Code) of that paragraph in respect of that Day;

(b) for the purposes of paragraph (a) above, where, after selection of all available capacity offers, there remains any outstanding unsatisfied Firm Capacity Shortfall amount, there shall be deemed (for the purposes only of paragraph (a)) to have been accepted a further notional daily capacity offer for the unsatisfied Firm Capacity Shortfall amount specifying an offer price equal to 'R1' (in relation to the particular Aggregate System Entry Point) in paragraph 3.7.2 above;

(c) the "**Constrained Amount**" in relation to an Aggregate System Entry Point is the aggregate of the constrained amounts for all Users;

(d) the "**highest-priced Aggregate System Entry Point**" in relation to quantity 'N'

© 2005 all rights reserved

is the Aggregate System Entry Point for which the aggregate notional surrender costs for that quantity would be the highest.

3.8 ISEP capability

For the avoidance of doubt, the Transporter will not be in breach of its obligation under paragraph 3.7.1 by reason only of its being unable to accept delivery of gas at an Individual System Entry Point at a rate which exceeds the physical flow capability (determined without regard to any maintenance works in relation thereto) of the individual pipe at such Individual System Entry Point.

3.9 Restricted delivery of gas

3.9.1 Where the Transporter determines that (notwithstanding the steps if any taken under Section B2.9 and/or B2.10) a Transportation Constraint is imminent or has arisen at a System Entry Point the Transporter may take any available steps to curtail (or by so informing the Delivery Facility Operator or Users to secure the curtailment of) gas flow rates at the relevant System Entry Point.

3.9.2 Where a Transportation Constraint affects more than one System Entry Point and the Transporter takes any steps under paragraph 3.9.1, it will do so with a view so far as is practicable to apportioning the curtailment of gas flow rates in such manner as appears equitable to the Transporter.

3.9.3 Without prejudice to the applicable Local Operating Procedures and any applicable Legal Requirement, to the extent that the Transporter is not obliged (pursuant to paragraph 3.7.1) to accept delivery of gas at a System Entry Point, nothing in the Code shall be taken to require the Transporter to take any steps to prevent the increase of pressure within the Total System adjacent to a System Entry Point to a level at which gas will not flow from the Connected Delivery Facility into the Total System.

3.10 Rates of delivery

3.10.1 Each User shall use all reasonable endeavours to secure that the requirements of paragraph 3.10.2 are complied with, and in taking decisions as to Operational Balancing Steps National Gas Transmission may assume that Users will do so; provided that nothing in the Code shall require National Gas Transmission to verify whether such requirements have been complied with nor to take any action in respect of any failure to comply with such requirements.

3.10.2 The requirements referred to in paragraph 3.10.1 are that (after allowing for the time required to implement an increase or decrease in the rate of delivery), for each User:

(a) the rate at which it delivers gas to the Total System at a System Entry Point changes only with effect from the start of the Day and (within the Day) with effect from the Renomination Effective Time of a Renomination in respect of that point; and

(b) gas is delivered to the Total System at the prevailing Implied Nomination Flow Rate.

3.10.3 A User shall not be in breach of paragraph 3.10.1 by reason of anything done pursuant to Local Operating Procedures in accordance with paragraph 2.6.5.

© 2005 all rights reserved

3.11 LDZ System Entry Points

3.11.1 For the purposes of the Code:

(a) an **"LDZ System Entry Point"** is a System Entry Point on a DNO's System and that is not listed as an Entry Point in Appendix 1 of Special Condition 9.13 of National Gas Transmission's Gas Transporter's Licence;

(b) an **"LDZ System Entry Point User"** is a Delivering User at an LDZ System Entry Point;

(c) an **"LDZ System Network Entry Agreement"** is a Network Entry Agreement between a DNO and a Delivery Facility Operator of a Connected Delivery Facility at an LDZ System Entry Point containing Network Entry Provisions, including those to determine the quantities of gas which may be delivered and operation of gas flows to an LDZ System Entry Point.

3.11.2 A DNO will allow the delivery of gas at an LDZ System Entry Point both:

(a) in accordance with an LDZ System Network Entry Agreement in respect of that LDZ System Entry Point (in accordance with Standard Special Condition D12 of the DNO's Gas Transporter Licence); and

(b) without the requirement for an LDZ System Network Entry Agreement, in the circumstances specified in Section I1.3.7 and Section I1.6 respectively, provided the delivery of such gas is in accordance with the relevant Network Entry Provisions and, if applicable, the relevant Local Operating Procedures.

3.11.3 In respect of an LDZ System Entry Point:

(a) Section B1.2.7, Section B2 and paragraphs 3.7, 3.8 and 3.9 shall not apply;

(b) an LDZ System Entry Point User will pay the relevant transportation charge (if any) as set out in the Transportation Statement.

3.11.4 An LDZ System Entry Point User wishing to deliver gas at an LDZ System Entry Point acknowledges and shall be subject to the terms of the Network Entry Provisions.

3.11.5 Subject to the provisions of the Code and the Network Entry Provisions, the DNO will accept at an LDZ System Entry Point at any time gas entered for delivery by an LDZ System Entry Point User at a rate (in kWh/Day) not exceeding the maximum permitted flow in accordance with the Network Entry Provisions.

3.11.6 Subject to the provisions of the Code and the Network Entry Provisions, if in respect of any Day the DNO fails to comply with its obligation under paragraph 3.11.5 the DNO will pay the LDZ System Entry Point User an amount which is equal to an amount determined as:

$$A * B * C$$

where for each such Day:

A is the shortfall between:

(i) the Input Nomination of the LDZ System Entry Point User at the LDZ

© 2005 all rights reserved

System Entry Point; and

(ii) the LDZ System Entry Point User's proportion of the Entry Point Daily Quantity Delivered at the LDZ System Entry Point as determined in accordance with E2;

B is the relevant daily transportation charge payable by the LDZ System Entry Point User;

C is five (5).

3.11.7 For the purposes of paragraph 3.11.6 only, where in respect of any Day the sum of the Input Nominations of all the LDZ System Entry Point Users exceeds the maximum permitted flow (in kWh/Day) at the LDZ System Entry Point, as determined accordance with the Network Entry Provisions, each LDZ System Entry Point User's Input Nomination shall be determined as:

D/E * F

where for each such Day:

D is Input Nomination of the LDZ System Entry Point User;

E is the sum of the Input Nominations of all the LDZ System Entry Point Users;

F is the maximum permitted flow (in kWh/Day) at the LDZ System Entry Point, as determined in accordance with the Network Entry Provisions.

3.11.8 Any dispute as to the amount in "A" in paragraph 3.11.6 shall be referred to Expert Determination.

3.11.9 For the avoidance of doubt, the DNO will not be in breach of its obligations under paragraph 3.11.5 in circumstances which render it unable to accept delivery of gas at an LDZ System Entry Point, including compliance with the Network Entry Provisions or the taking steps for the curtailment of gas flow rates where a Transportation Constraint is imminent or has arisen.

3.12 IGT LDZ System Entry Points

3.12.1 For the purposes of this paragraph 3.12 an LDZ System Entry Point is an "**IGT LDZ System Entry Point**" where the Connected Delivery Facility is a pipeline system operated by an Independent Gas Transporter ("**IGT system**"), and where so provided in an agreement referred to in paragraph 3.12.5, an IGT LDZ System Entry Point may be treated as comprising separate System Entry Points for such purposes as are specified in such agreement.

3.12.2 Where the condition in paragraph 3.12.3 is met, and for as long as the requirements specified in paragraph 3.12.5 are satisfied, a DNO will permit the flow of gas at an IGT LDZ System Entry Point:

(a) in accordance with an LDZ System Network Entry Agreement; and

(b) in respect of which paragraphs 2.1, 2.2, 2.3.1(c), 2.4, 2.5, 3.11.4 and 3.11.6 shall not apply.

© 2005 all rights reserved

3.12.3 The condition is that gas delivered at an IGT LDZ System Entry Point on a Day comprises gas:

(a) delivered at an entry point to the IGT system ("**IGT entry point**");

(b) offtaken from the relevant LDZ.

3.12.4 For each IGT entry point there is (pursuant to paragraph 3.12.1) a corresponding System Entry Point.

3.12.5 The requirements referred to in paragraph 3.12.2 are that in respect of an IGT entry point:

(a) there is in force an agreement between the DNO, the Delivery Facility Operator and the operator of the facility connected to the IGT system;

(b) such agreement contains provisions:

(i) equivalent to Network Entry Provisions (including provisions which identify and specify each of the matters referred to in paragraph 2.3.1) and (if not incorporated into the such provisions) Local Operating Procedures (as if gas was being delivered to the Total System);

(ii) which require the Delivery Facility Operator to notify the DNO in respect of each Day gas is delivered at an IGT entry point of the quantities and calorific value of gas delivered on such Day;

(c) pursuant to such agreement:

(i) the Delivery Facility Operator and the operator of the facility connected to the relevant IGT system agree the Network Entry Provisions and Local Operating Procedures shall apply in respect of the delivery of gas at the IGT entry point;

(ii) the Delivery Facility Operator and the operator of the facility connected to the IGT system will not permit any person to deliver gas at the IGT entry point unless such person is a Shipper User.

3.12.6 In respect of any Day gas is delivered at a IGT entry point:

(a) each Shipper User delivering gas at the IGT entry point shall treated as delivering gas to the Total System at the corresponding System Entry Point on such Day;

(b) each Shipper User's UDQI at the corresponding System Entry Point shall be equal to the quantity of gas treated as delivered by the Shipper User at the IGT entry point on such Day.

3.12.7 For the purposes of paragraph 3.12.6:

(a) the gas is treated as taken out of the IGT system by users of such system and put into the DNO System by Shipper Users;

(b) title and risk shall pass (as gas is taken out of the relevant IGT system) from the

© 2005 all rights reserved

Independent Transporter to the relevant user, and simultaneously (as gas is delivered to the DNO System) from such user acting as a Shipper User to the DNO Operator.