

Schedule B

Special Condition C8D: NTS gas entry incentives, costs and revenues

PART A – The Gas Entry Revenue Restriction Calculations

1. Principal formula

For the purposes of paragraph 3(a) of Special Condition C8C (NTS System Operation Activity Revenue Restriction) the NTS SO entry incentive revenue and costs in respect of formula year t (SOEIRC_t) shall be defined in accordance with:

$$\text{SOEIRC}_t = \text{ECIIR}_t + \text{ARIEnC}_t + \text{EnCBBOIR}_t + \text{EnCBBMHSI}_t + \text{EnCBBIIR}_t$$

Where:

ECIIR_t means the maximum entry capacity investment incentive revenue allowed to the licensee in respect of formula year t that arises due to entry capacity released prior to 1 April 2007 in accordance with Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity) of this licence in force at that time, and shall be calculated in accordance with Annex A to this condition;

ARIEnC_t means the maximum revenue entitlement allowed to the licensee in respect of the release of funded incremental obligated entry capacity in formula year t and shall be calculated in accordance with paragraph 2(a) of this condition;

EnCBBOIR_t means the maximum revenue entitlement allowed to the licensee in respect of the entry capacity operational buy-back incentive in formula year t and shall be calculated in accordance with paragraph 3(a) of this condition;

EnCBBMHSI_t means the maximum revenue entitlement allowed to the licensee in respect of the delivery of the Milford Haven pipe-line project in formula year t and shall be calculated in accordance with paragraph 4(a) of this condition; and

$EnCBBIIR_t$ means the maximum revenue entitlement allowed to the licensee in respect of the entry capacity incremental buyback incentive in formula year t and shall be calculated in accordance with paragraph 5(a) of this condition.

2. Maximum revenue entitlement allowed in respect of the release of incremental obligated entry capacity

- a) For the purposes of paragraph 1 of this condition the maximum revenue entitlement allowed to the licensee in respect of the release of funded incremental obligated entry capacity in formula year t (ARIEnC_t) shall be determined in accordance with the following formula:

$$ARIEnC_t = PIT_t \times \sum_{\forall i} \sum_{m | y \neq t} ARIEnCS_{i,m}$$

where:

PIT_t shall have the same meaning as given in paragraph 3(a) of Special Condition C8B (NTS transportation owner activity revenue restriction);

ARIEnCS_{i,m} means the revenue allowance at NTS Entry Point i for month m, which shall take a value of zero for all m ≤ 60 and shall otherwise be calculated in accordance with the relevant formula specified in Table 1 below:

Table 1

where: FIOEnC _{i,m} ≤ 25 GWh/d	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(i) of this condition (“Formula A”);
where: 25 GWh/d < FIOEnC _{i,m} ≤ 100 GWh/d	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(ii) of this condition (“Formula B”);
where: 100 GWh/d < FIOEnC _{i,m} ≤ 500 GWh/d	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(iii) of this condition (“Formula C”);
where: 500 GWh/d < FIOEnC _{i,m}	ARIEnCS _{i,m} shall be calculated using the formula specified in paragraph 2(c)(iv) of this condition (“Formula D”);

- b) For the purposes of Table 1, $FIOEnC_{i,m}$ means the funded incremental obligated entry capacity at NTS Entry Point i in month m and shall take the value 0 for all $m \leq 60$ and shall otherwise take the value defined in accordance with the following formula:

$$FIOEnC_{i,m} = \sum_{p=0}^{59} \sum_{W=0}^{FP2_{m-p}^1} FIOEnC_{i,(m-p),W}$$

where:

$FIOEnC_{i,(m-p),W}$ means the volume of funded incremental obligated entry capacity at NTS entry point i (in units of GWh per day), for use from the first day of the first month $(m-p)$, for which the obligation to offer such capacity for sale (being a date on or after 1 April 2007) commenced as at W days in advance of the first day of the first month $(m-p)$, as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such funded incremental obligated entry capacity shall be treated as non-incremental obligated entry capacity from the period commencing on the first day of month $(m-p+60)$ and shall have a non-zero value only for the first month $(m-p)$ and the day that is W days in advance of the first day of the first month $(m-p)$;

- c) For the purposes of paragraph 2(a) of this condition:

- i) Formula A shall be:

$$ARIEncS_{i,m} = FIOEnC_{i,m} \times EnFIR1_{i,t}$$

where :

$$EnFIR1_{i,t} = EnFIRz_{i,t}, \text{ where } z=1.$$

- ii) Formula B shall be:

$$ARIEncS_{i,m} = (25 \times EnFIR1_{i,t}) + (FIOEnC_{i,m} - 25) \times EnFIR2_{i,t}$$

where :

$EnFIR1_{i,t} = EnFIRz_{i,t}$, where $z=1$; and

$EnFIR2_{i,t} = EnFIRz_{i,t}$, where $z=2$.

iii) Formula C shall be:

$$ARIEnCS_{i,m} = (25 \times EnFIR1_{i,t}) + (75 \times EnFIR2_{i,t}) + (FIOEnC_{i,m} - 100) \\ \times EnFIR3_{i,t}$$

where :

$EnFIR1_{i,t} = EnFIRz_{i,t}$, where $z=1$;

$EnFIR2_{i,t} = EnFIRz_{i,t}$, where $z=2$; and

$EnFIR3_{i,t} = EnFIRz_{i,t}$, where $z=3$.

iv) Formula D shall be:

$$ARIEnCS_{i,m} = (25 \times EnFIR1_{i,t}) + (75 \times EnFIR2_{i,t}) + (400 \times EnFIR3_{i,t}) + \\ (FIOEnC_{i,m} - 500) \times EnFIR4_{i,t}$$

where :

$EnFIR1_{i,t} = EnFIRz_{i,t}$, where $z=1$;

$EnFIR2_{i,t} = EnFIRz_{i,t}$, where $z=2$;

$EnFIR3_{i,t} = EnFIRz_{i,t}$, where $z=3$; and

$EnFIR4_{i,t} = EnFIRz_{i,t}$, where $z=4$.

(v) For the purposes of sub-paragraphs (i) to (iv) the funded entry incremental marginal revenue allowance ($EnFIRz_{i,t}$) shall be calculated as follows:

$$EnFIRz_{i,t} = EnIND_t \times EnFIRz_i$$

where:

$EnIND_t$ is the real additional cost inflation index and shall take the values in Table 2 below:

Table 2

Year	07/08	08/09	09/10	10/11	11/12 and later
EnIND _t	1	1.025	1.044	1.063	1.085

EnFIR_{z_i} is the revenue allowance for funded incremental obligated entry capacity and shall take the values in accordance with Table 3 below.

Table 3

	£m/GWh/month	z=			
		1	2	3	4
i	Easington	0.0013	0.0019	0.0059	0.0044
	Bacton	0.0026	0.0057	0.0063	0.0072
	Isle of Grain	0.0029	0.0026	0.0047	0.0105
	Milford Haven	0.0088	0.0137	0.0116	0.0184
	St Fergus	0.0002	0.0054	0.0163	0.0126
	Teesside	0.0013	0.0013	0.0020	0.0072
	Barrow	0.0037	0.0014	0.0021	0.0081
	Theddlethorpe	0.0016	0.0000	0.0021	0.0068
	Burton Point	0.0013	0.0021	0.0013	0.0027
	Hole House Farm	0.0065	0.0001	0.0021	0.0041
	Barton Stacey	0.0052	0.0016	0.0016	0.0131
	Hatfield Moor	0.0019	0.0004	0.0035	0.0015
	Garton	0.0021	0.0021	0.0049	0.0015
	Cheshire	0.0008	0.0000	0.0006	0.0010
	Hornsea	0.0008	0.0012	0.0030	0.0030
	Fleetwood	0.0072	0.0000	0.0011	0.0053
	Burton Agnes (Caythorpe)	0.0031	0.0028	0.0058	0.0053
	Wytch Farm	0.0020	0.0007	0.0078	0.0032
	Blyborough (Welton)	0.0030	0.0013	0.0055	0.0037
	Winkfield	0.0021	0.0015	0.0054	0.0035
	Tatsfield	0.0039	0.0048	0.0075	0.0146
	Glenmavis	0.0011	0.0000	0.0005	0.0110
	Partington	0.0009	0.0002	0.0008	0.0012
	Avonmouth	0.0067	0.0024	0.0060	0.0088
	Dynevor Arms	0.0037	0.0081	0.0071	0.0205
	Albury	0.0180	0.0013	0.0056	0.0043
Palmer's Wood	0.0073	0.0037	0.0075	0.0146	
Portland	0.0102	0.0030	0.0108	0.0118	

3. Entry capacity operational buy-back incentive revenue

- a) For the purposes of paragraph 1 of this condition, the maximum entry capacity operational buy-back incentive revenue in formula year t ($EnCBBOIR_t$) shall be derived in accordance with the following formula:

$$EnCBBOIR_t = EnCOBBC_t + EnCOBBIR_t + EnCNOIR_t$$

where:

$EnCOBBC_t$ means the subset of the costs ($EnCBBC_t$ as defined in paragraph 3(c) of this condition) incurred by the licensee in respect of formula year t in respect of entry capacity constraint management:

- (i) including (but not limited to) costs incurred by the licensee in respect of any payments made by the licensee to curtail the rights of relevant shippers to use firm entry capacity in formula year t (or any part thereof) which would otherwise be conferred on relevant shippers through the ownership of entry capacity rights; and
- (ii) excluding (subject to the provision of paragraph 3(n) of this condition) costs incurred by the licensee in this manner where the relevant shippers' ownership of entry capacity rights relates to:
 - (aa) funded incremental obligated entry capacity first released for sale by the licensee after 31 March 2007 (as included within the term $EnCIBBC_t$ (as defined in paragraph 5(a) of this condition) until such time as that entry capacity has been delivered to relevant shippers; and
 - (bb) funded incremental obligated entry capacity in respect of the Milford Haven NTS Entry Point released for sale during the allocation held between September 2004 and

December 2004 (inclusive), for use at the Milford Haven NTS Entry Point from 1 October 2007 (as included within the term EnCBBMHBBC_t as defined in paragraph 4(a) of this condition), until such time as that capacity has been delivered to relevant shippers;

EnCNOIR_t has the meaning given in paragraph 3(b) of this condition;

EnCOBBIR_t shall (except that in the circumstances specified in paragraph 3(j) of this condition when it shall take the value 0) be calculated in accordance with the following formula:

i) If $EnCOBBIP_t \leq (EnCOBBTC \times PIT_t)$, then:

$$EnCOBBIR_t = \text{MIN}\{EnCOBBSF \times ((EnCOBBTC \times PIT_t) - EnCOBBIP_t), (EnCOBBUC \times PIT_t)\}$$

ii) If $EnCOBBIP_t > (EnCOBBTC \times PIT_t)$, then

$$EnCOBBIR_t = \text{MAX}\{EnCOBBSF \times ((EnCOBBTC \times PIT_t) - EnCOBBIP_t), -(EnCOBBDC \times PIT_t)\}$$

where:

EnCOBBIP_t means the entry capacity operational buy-back performance measure in respect of formula year t and shall be defined in accordance with paragraph 3(b) of this condition;

EnCOBBTC means the entry capacity operational buy-back target cost and shall take the value of £18,000,000 for the period between 1 April 2007 and 31 March 2008, £ 20,250,000 for the period between 1 April 2008 and 31 March 2009, and £21,000,000 for each formula year commencing on or after 1 April 2009;

EnCOBBSF means the entry capacity operational buy-back sharing factor and shall take the value of 50%;

EnCOBBUC means the entry capacity operational buy-back upside cap and shall take a value of £18,000,000; and

EnCOBBDC means the entry capacity operational buy-back downside collar and shall take the value of £18,000,000.

Entry capacity operational buy-back performance measure

- b) For the purposes of paragraph 3(a) of this condition, the entry capacity operational buy-back performance measure in respect of formula year t (EnCOBBIP_t) shall be derived from the following formula:

$$\text{EnCOBBIP}_t = \text{EnCOBBC}_t - \text{AOEnCRD}_t - \text{REVIC}_t - (\text{ANOEnCR}_t - \text{EnCNOIR}_t) - \text{RCOR}_t - \text{RLOC}_t - \text{RADD}_t$$

where:

EnCOBBC_t shall have the meaning given to that term in paragraph 3(a) of this condition;

AOEnCRD_t means revenue derived by the licensee in respect of formula year t from on the day sales of obligated entry capacity and shall be calculated in accordance with paragraph 8(f) of this condition;

REVIC_t shall have the meaning given to that term in paragraph 6(a) of this condition;

ANOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of non-obligated entry capacity and shall be calculated in accordance with paragraph 8(c) of this condition;

- EnCNOIR_t means $\sum_{\forall i} (\text{EnCNOIR}_{i,t})$ where EnCNOIR_{i,t} (the revenues from the accelerated release of incremental obligated entry capacity) is defined in accordance with paragraph 3(f) of this condition;
- RCOR_t shall have the meaning given to that term in paragraph 3(d)(i) of Special Condition C8C (NTS System Operation Activity Revenue Restriction);
- RLOC_t shall have the meaning given to that term in paragraph 3(d)(i) of Special Condition C8C (NTS System Operation Activity Revenue Restriction); and
- RADD_t means any further revenues derived by the licensee in respect of formula year t that the Authority has directed to include in the formula for the entry capacity operational buy-back performance measure (EnCOBBIP_t).

Entry capacity constraint management costs

- c) For the purposes of paragraph 3(d) of this condition, the entry capacity constraint management costs incurred by the licensee in respect of formula year t (EnCBBC_t) shall be derived from the following formula:

$$\text{EnCBBC}_t = \sum_{d|y(d)=t} \text{BBC}_{d,t} + \sum_{d|y(d)=t} \text{ECCC}_{d,t}$$

where:

- BBC_{d,t} means the costs incurred by the licensee in the curtailment of capacity rights to put gas into the transportation system (less any revenues received from DN operators in respect of the curtailment of capacity rights to put gas into their transportation system) in respect of day d of formula year t (including costs incurred in respect of any acquisitions from gas shippers of capacity rights); and
- ECCC_{d,t} means the costs incurred by the licensee in respect of any payments made by the licensee to gas shippers in exchange for agreeing to

offtake gas from the NTS at the licensee's request on day d in respect of formula year t and in respect of any costs incurred by the licensee undertaking any other commercial or physical action to manage entry capacity excluding those covered by $BBC_{d,t}$ including any locational buy actions.

- d) The entry capacity constraint management costs incurred by the licensee in respect of formula year t ($EnCBBC_t$) shall be attributed between the following terms:
- i) the entry capacity operational buy-back cost term ($EnCOBBC_t$) in paragraph 3(a) of this condition;
 - ii) the Milford Haven entry capacity specific incentive cost term ($EnCBBMHBBC_t$) in paragraph 4(a) of this condition; and
 - iii) the entry capacity incremental buy-back cost term ($EnCIBBC_t$) in paragraph 5(a) of this condition;

such that:

$$EnCBBC_t = EnCOBBC_t + EnCBBMHBBC_t + EnCIBBC_t$$

- e) In the process of attributing entry capacity constraint management costs ($EnCBBC_t$) in accordance with paragraph 3(d) of this condition, the licensee shall ensure that:
- i) it attributes costs in accordance with the cost allocation rules set out in paragraph 3(n) of this condition; and
 - ii) that while applying those cost allocation rules, it shall not attribute the same costs to more than one term for the purposes of paragraph 3(d).

Accelerated release of incremental obligated entry capacity

- f) The revenues from the accelerated release of incremental obligated entry capacity ($EnCNOIR_{i,t}$) shall be the revenues received by the licensee from the sale of non-obligated entry capacity at NTS Entry Point i for use on all days g of formula year t and shall be derived from the following formula:

$$\text{EnCNOIR}_{i,t} = \sum_{g/y(g)=t} \text{EnCNOIR}_{i,g}$$

where:

$\text{EnCNOIR}_{i,g}$ means the revenues received by the licensee from the sale of non-obligated entry capacity at NTS Entry Point i for use on day g in circumstances where:

- i) day g is less than 6 months prior to the day on which the licensee's obligation to contractually deliver incremental obligated entry capacity for use at NTS Entry Point i first arises as a result of the implementation of a proposal made under paragraph 9(f) of this condition;
- ii) the allocation of the capacity occurred on a day at least 18 months prior to the day on which the licensee's obligation to contractually deliver incremental obligated entry capacity for use at NTS Entry Point i first arises as a result of the implementation of a proposal made under paragraph 9(f) of this condition;
- iii) the day on which the licensee's obligation to contractually deliver incremental obligated entry capacity for use at NTS Entry Point i that arises as a result of the implementation of a proposal made under paragraph 9(f) of this condition has not been extended by the licensee beyond the default of timescale of 42 months; and
- iv) the amount of non-obligated entry capacity released is, on day g , not greater than the difference between the level of incremental obligated entry capacity at NTS entry point i 6 months after day g and the level of incremental obligated entry capacity at point i on day g .

Incremental capacity delivery incentive payment

- g) The licensee may, with the consent of the Authority, vary the lead time for the contractual delivery of incremental obligated entry capacity at an individual NTS entry point from the default of 42 months from the 1st day of the month following the end of the Annual Invitation Period (as defined in the network code). Consent shall be deemed to have been granted if:

- i) the licensee is proposing to reduce the lead time for the contractual delivery to a period of less than 42 months; or
 - ii) the volume of firm entry capacity being deferred (in units of GWh per day for each one month period) is, at day n, less than the licensee’s “entry lead time deferment volume entitlement” $LTDVEn_n$ defined in paragraph 3(i) of this condition.
- h) The licensee shall notify the Authority in writing and in a timely manner of each instance where it varies the lead time for the contractual delivery of incremental obligated entry capacity from the default of 42 months specifying:
- i) the NTS Entry Point affected;
 - ii) the volume of capacity (in units of GWh per day for each one month period) for which the contractual delivery date is being brought forward; or
 - iii) the volume of capacity (in units of GWh per day for each one month period) for which the contractual delivery date is being put back.
- i) The licensee’s entry lead time deferment volume entitlement on day n ($LTDVEn_n$) (in units of GWh per day for each one month period) shall be calculated in accordance with the following formula:

$$LTDVEn_n = 7200 + \sum_{v,n-1} DLTDVEn_v$$

where:

$DLTDVEn_v$ means the change in the lead time for contractual delivery (in units of GWh per day for each one month period) that arises from the variation event v as notified to the Authority pursuant to paragraph 3(h) of this condition. For the avoidance of doubt, where $v=0$ $DLTDVEn_0$ shall take the value zero; and

subscript v means the relevant variation event, where $v=1$ shall mean the first variation event notified to the Authority pursuant to paragraph 3(h) of this condition.

Review of entry capacity operational buy-back scheme

- j) The licensee may issue a notice to the Authority providing that the value of the $EnCOBBIR_t$ shall take a value of 0 (zero) in respect of any period or periods of time specified in said notice, provided the provisions of paragraphs 3(k) to 3(l) of this condition have been met.
- k) A notice provided by the licensee to the Authority under paragraph 3(j) shall:
 - i) be in writing addressed to the Authority;
 - ii) state the period or periods referred to in paragraph 3(j) of this condition to which it will apply;
 - iii) not be in respect of any period or periods commencing prior to 1st April 2009; and
 - iv) be submitted on a date after 31st December 2008.
- l) The licensee may withdraw the notice referred to in paragraph 3(j) of this condition at any time.
- m) The notice shall have no effect if the Authority has made a reference to the Competition Commission under section 24 of the Act relating to the modification of paragraph 3 of this condition before the date of the first period on which such a notice would take effect.

Buy-back cost allocation rules

- n) For the purpose of attributing the entry capacity constraint management costs referred to in paragraph 3(d) of this condition the licensee shall apply the rules set out in its statement of entry capacity constraint management cost allocation rules prepared pursuant to paragraph 13 of this condition.

4. Milford Haven entry capacity specific incentive

- a) For the purposes of paragraph 1 of this condition means the maximum revenue entitlement allowed to the licensee in respect of the delivery of the Milford Haven pipe-line project in formula year t (EnCBBMHSI_t) shall be defined in accordance with:

$$\text{EnCBBMHSI}_t = \text{EnCBBMHBBC}_t - \sum_{\forall p} [\text{MIN}(\text{EnCBBMHSF} \\ \times \text{EnCBBMHBBC}_p), \text{EnCBBMHBCOL}_p]$$

where:

EnCBBMHBBC_t means an amount equal to the costs incurred by the licensee in respect of formula year t in respect of the entry capacity constraint management costs in respect of the funded incremental obligated entry capacity up to 650 GWh per day released for sale during the allocation held between September 2004 and December 2004 (inclusive) for use at the Milford Haven NTS Entry Point from 1 October 2007 to the extent that such costs have been incurred prior to such time as that capacity has been delivered to relevant shippers;

EnCBBMHSF is the Entry Capacity Buyback Milford Haven Specific incentive sharing factor and shall take the value 0.35;

EnCBBMHBBC_p means an amount equal to the costs incurred by the licensee in period p in respect of entry capacity constraint management costs in respect of the funded incremental obligated entry capacity up to 650 GWh per day released for sale during the allocation held between September 2004 and December 2004 (inclusive) for use at the Milford Haven NTS Entry Point from 1 October 2007 to the extent that such costs have been incurred prior to such time as that capacity has been delivered to relevant shippers; and

EnCBBMHBCOL_p is the Entry Capacity Buyback Milford Haven specific incentive Buyback Collar for period p and shall take the value set out in Table 4 below.

- b) For the purposes of paragraph 4(a) of this condition the days 1– 7 April 2008 shall be treated as occurring in the formula year commencing 1 April 2007.

Table 4

p	EnCBBMHBCOL_p (£)	Formula year
before 8 th December 2007	0	2007/08 or earlier
8 th December 2007 – 7 th January 2008	2,000,000	2007/08
8 th January 2008 – 7 th February 2008	2,000,000	2007/08
8 th February 2008 – 7 th March 2008	2,000,000	2007/08
8 th March 2008 – 7 th April 2008	6,000,000	2007/08
8 th April 2008 – 7 th May 2008	6,000,000	2008/09
8 th May 2008 – 7 th June 2008	6,000,000	2008/09
8 th June 2008 – 7 th July 2008	2,000,000	2008/09
8 th July 2008 – 7 th August 2008	2,000,000	2008/09
8 th August 2008 – 7 th September 2008	2,000,000	2008/09
8 th September 2008 – 7 th October 2008	2,000,000	2008/09
8 th October 2008 – 7 th November 2008	2,000,000	2008/09
8 th November 2008 – 7 th December 2008	2,000,000	2008/09
after 7 th December 2008	0	2008/09 or later

5. Entry capacity incremental buy-back costs and incentive revenue (EnCBBIIR_t)

- a) For the purposes of paragraph 1 of this condition, the maximum entry capacity incremental buyback incentive revenue in formula year t (EnCBBIIR_t) shall be derived as follows:

$$\text{EnCBBIIR}_t = \text{EnCIBBC}_t + \text{EnCIBBIR}_t$$

where:

EnCIBBC_t means an amount equal to the costs incurred by the licensee in respect of entry capacity constraint management in formula year t (or any part thereof) where those costs relate to funded incremental obligated entry capacity first released for sale by the licensee after 31 March 2007 until such time as that entry capacity has been delivered to relevant shippers;

EnCIBBIR_t shall be derived in accordance with the following formula:

$$\text{EnCIBBIR}_t = - \text{MIN} [\text{EnCBBICE}_t, (\text{EnCACAP} \times \text{PIT}_t)]$$

where:

EnCBBICE_t means the amount of EnCIBBC_t that remains following the application of the monthly cap and shall be defined in accordance with paragraph 5(b) of this condition; and

EnCACAP means the annual exposure cap, which is the maximum value that EnCBBICE_t can take in a formula year without resulting in an increase to the licensee's entitlement to recover revenue in that formula year and shall take the value of £36,000,000.

Cap on Monthly Buyback Exposure

- b) For the purposes of paragraph 5(a) of this condition, $EnCBBICE_t$ shall be calculated from the following formula:

$$EnCBBICE_t = \sum_{m|y(m)=t} \text{MIN} (EnCBBICM_m, EnCMCAP_m)$$

where:

$EnCBBICM_m$ means the costs incurred by the licensee in respect of entry capacity constraint management in month m (or any part thereof) of formula year t where those costs relate to funded incremental obligated entry capacity first released for sale by the licensee after 31 March 2007; and

$EnCMCAP_m$ means the monthly exposure cap, which is the maximum value that $EnCBBIC_t$ can take in a month within a formula year without resulting in an increase to the licensee's entitlement to recover revenue in that formula year and shall take the value of $\text{£}4,000,000 \times PIT_t$.

Cap on incremental buyback price

- c) The licensee shall use reasonable endeavours to ensure that it does not pay more than 0.52p/kWh/day in respect of entry capacity constraint management costs in respect of funded incremental obligated entry capacity and for which the obligation to offer such capacity for sale commenced on or after 1 April 2007. This obligation shall apply until that funded incremental obligated entry capacity has been physically delivered.
- d) For the purposes of paragraph 5(c) of this condition, the licensee may submit a report to the Authority demonstrating how it considers that it has met its obligation set out in that paragraph. Where the Authority considers that the licensee has used reasonable endeavours to satisfy the obligation referred to in that paragraph, the Authority may direct in writing that the licensee has satisfied its obligation thereunder.

PART B – Revenue calculations

6. Attributing revenues from the sale of entry capacity to TOR and SOR

- a) For the purposes of paragraph 2(a) of Special Condition C8C (NTS System Operation Activity Revenue Restriction) the amount of NTS SO revenue in respect of formula year t that results from the sale of entry capacity (SORCAP_t) shall be calculated from the following formula:

$$\text{SORCAP}_t = \text{ANIOEnCRD}_t + \text{AFIOEnCR}_t + \text{ANOEnCR}_t + \text{REVIC}_t$$

where:

ANIOEnCRD_t means the revenue derived by the licensee in respect of formula year t from on the day sales of non-incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(d) of this condition;

AFIOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of funded incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(b) of this condition;

ANOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of non-obligated entry capacity and shall be calculated in accordance with paragraph 8(c) of this condition; and

REVIC_t means the revenue derived by the licensee in respect of formula year t from sales of interruptible entry capacity.

- b) For the purposes of paragraph 2(a) of Special Condition C8B (NTS transportation owner activity revenue restriction) the amount of NTS TO revenue in respect of formula year t that results from the sale of entry capacity (TOREVBEC_t) shall be calculated from the following formula:

$$\text{TOREVBEC}_t = \text{ANIOEnCR}_t - \text{ANIOEnCRD}_t$$

where:

ANIOEnCR_t means the revenue derived by the licensee in respect of formula year t from sales of non-incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(a) of this condition; and

ANIOEnCRD_t means the revenue derived by the licensee in respect of formula year t from on the day sales of non-incremental obligated entry capacity and shall be calculated in accordance with paragraph 8(d) of this condition.

7. Entry capacity and revenue allocations

- a) For the purposes of paragraph 7(b) of this condition, for each day that is w days in advance of day d , the licensee shall attribute the amount of firm entry capacity it has sold at NTS entry point i during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , ($\text{EnCAPS}_{i,d,m,w}$) (measured in GWh per day) to the categories of sold firm entry capacity set out in sub-paragraphs (i), (ii) and (iii) of this paragraph, in the manner specified by the formulae of those sub-paragraphs.
- (i) non-incremental obligated entry capacity sold by the licensee during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , ($\text{NIOEnCS}_{i,d,m,w}$) (measured in GWh per day) shall be calculated from the following formula:

$$\text{NIOEnCS}_{i,d,m,w} = \text{MIN} [\text{EnCAPS}_{i,d,m,w}, \text{MAX} [(\text{NIOEnC}_{i,d,m,w} - \text{NIOEnC}_{i,d,m,w+1}), \text{MAX} [(\text{NIOEnC}_{i,d,m,w} - \sum_{Q=w+1}^{FPJ_m^d} \text{NIOEnCS}_{i,d,m,Q}), 0]]]$$

where:

$\text{EnCAPS}_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a) of this condition;

$\text{NIOEnC}_{i,d,m,w}$ shall have the meaning given to that term in paragraph 9(c) of this condition;

- (ii) cumulative funded incremental obligated entry capacity sold by the licensee during the day that is w days in advance of day d in month m, for use at NTS entry point i on day d in month m, (CFIOEnCS_{i,d,m,w}) (measured in GWh per day) shall be calculated from the following formula:

$$\text{CFIOEnCS}_{i,d,m,w} = \text{MIN} [\text{EnCAPS}_{i,d,m,w} - \text{NIOEnCS}_{i,d,m,w}, (\text{CFIOEnC}_{i,d,m,w} - \sum_{Q=w+1}^{\text{FP}_m^d} \text{CFIOEnCS}_{i,d,m,Q})]$$

where:

EnCAPS_{i,d,m,w} shall have the meaning given to that term in paragraph 7(a) of this condition;

NIOEnCS_{i,d,m,w} shall have the meaning given to that term in paragraph 7(a)(i) of this condition; and

CFIOEnC_{i,d,m,w} shall have the meaning given to that term in paragraph 9(d) of this condition.

- (iii) non-obligated entry capacity sold by the licensee during the day that is w days in advance of day d in month m, for use at NTS entry point i on day d in month m, (NOEnCS_{i,d,m,w}) (measured in GWh per day) shall be calculated from the following formula

$$\text{NOEnCS}_{i,d,m,w} = (\text{EnCAPS}_{i,d,m,w} - \text{NIOEnCS}_{i,d,m,w} - \text{CFIOEnCS}_{i,d,m,w})$$

where:

EnCAPS_{i,d,m,w} shall have the meaning given to that term in paragraph 7(a) of this condition;

$NIOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(i) of this condition; and

$CFIOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(ii) of this condition.

For the avoidance of doubt, $NOEnCS_{i,d,m,w}$ shall include non-obligated entry capacity which has been sold in accordance with paragraph 3(f) of this condition (Accelerated release of incremental obligated entry capacity).

- b) For the purposes of paragraphs 6 and 8 of this condition, the licensee shall attribute the revenue derived from the amount of firm entry capacity it has sold at NTS entry point i during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , ($EnCAPS_{i,d,m,w}$) (measured in GWh per day) to the categories of revenue set out in sub-paragraphs (i), (ii) and (iii) of this paragraph, in the manner specified in those sub-paragraphs and in sub-paragraph (iv):
- (i) the revenue derived by the licensee from sales of non-incremental obligated entry capacity at NTS entry point i during the day that is w days in advance of day d ($NIOEnCR_{i,d,m,w}$) shall be the revenue attributed in respect of $NIOEnCS_{i,d,m,w}$;
 - (ii) the revenue derived by the licensee from sales of cumulative funded incremental obligated entry capacity at NTS entry point i during the day that is w days in advance of day d ($CFIOEnCR_{i,d,m,w}$) shall be the revenue attributed in respect of $CFIOEnCS_{i,d,m,w}$; and
 - (iii) the revenue derived by the licensee from sales of non-obligated entry capacity at NTS entry point i during the day that is w days in advance of day d ($NOEnCR_{i,d,m,w}$) shall be the revenue derived by the licensee from sales of firm entry capacity other than $CFIOEnCR_{i,d,m,w}$ and $NIOEnCR_{i,d,m,w}$.

- (iv) In attributing the revenue, it is assumed that firm entry capacity allocated on day d of month m was allocated to gas shippers in descending order of price accepted to be paid in respect of each allocation of firm entry capacity in chronological order throughout day d of month m starting with the highest paid in the amount applied for, allocating first up to the total volume of $NIOEnCS_{i,d,m,w}$ then up to the total volume of $CFIOEnCS_{i,d,m,w}$ then up to the total volume of $NOEnCS_{i,d,m,w}$

where:

$NIOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(i) of this condition;

$CFIOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(ii) of this condition; and

$NOEnCS_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(a)(iii) of this condition.

8. Annual Revenues from entry capacity sales

(a) For the purposes of paragraph 6(b) of this condition the revenue derived by the licensee in respect of formula year t from sales of non-incremental obligated entry capacity (ANIOEnCR_t) shall be calculated from the following formula:

$$\text{ANIOEnCR}_t = \sum_{\forall i} \sum_{d/y(d)=t} \sum_{w=0}^{FPI_m^d} \text{NIOEnCR}_{i,d,m,w}$$

where:

$\text{NIOEnCR}_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(b)(i) of this condition.

(b) For the purposes of paragraph 6(a) of this condition the revenue derived by the licensee in respect of formula year t from the sales of funded incremental obligated entry capacity (AFIOEnCR_t) shall be calculated from the following formula:

$$\text{AFIOEnCR}_t = \sum_{\forall i} \sum_{d/y(d)=t} \sum_{w=0}^{FPI_m^d} \text{CFIOEnCR}_{i,d,m,w}$$

where:

$\text{CFIOEnCR}_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(b)(ii) of this condition.

(c) For the purposes of paragraphs 3(b) and 6(a) of this condition the revenue derived by the licensee in respect of formula year t from sales of non-obligated entry capacity (ANOEnCR_t) shall be calculated from the following formula:

$$\text{ANOEnCR}_t = \sum_{\forall i} \sum_{d/y(d)=t} \sum_{w=0}^{FPI_m^d} \text{NOEnCR}_{i,d,m,w}$$

where:

$\text{NOEnCR}_{i,d,m,w}$ shall have the meaning given to that term in paragraph 7(b)(iii) of this condition.

d) For the purposes of paragraphs 6(a) and 8(f) of this condition the revenue derived by the licensee in respect of formula year t from on the day sales of non-incremental obligated entry capacity (ANIOEnCRD_t) shall be calculated from the following formula:

$$\text{ANIOEnCRD}_t = \sum_{\forall i} \sum_{d/y(d)=t} \text{NIOEnCR}_{i,d,m,0}$$

where:

$\text{NIOEnCR}_{i,d,m,0}$ shall have the meaning given to the term $\text{NIOEnCR}_{i,d,m,w}$ in paragraph 7(b)(i) of this condition where $w=0$.

e) For the purposes of paragraph 8(f) of this condition the revenue derived by the licensee in respect of formula year t from on the day sales of funded incremental obligated entry capacity (AFIOEnCRD_t) shall be calculated from the following formula:

$$\text{AFIOEnCRD}_t = \sum_{\forall i} \sum_{d/y(d)=t} \text{CFIOEnCR}_{i,d,m,0}$$

where:

$\text{CFIOEnCR}_{i,d,m,0}$ shall have the meaning given to that term $\text{CFIOEnCR}_{i,d,m,w}$ in paragraph 7(b)(ii) of this condition where $w=0$.

f) For the purposes of paragraph 3(b) of this condition the revenue derived by the licensee in respect of formula year t from on the day sales of obligated entry capacity (AOEnCRD_t) shall be calculated from the following formula:

$$\text{AOEnCRD}_t = \text{ANIOEnCRD}_t + \text{AFIOEnCRD}_t$$

where:

ANIOEnCRD_t shall be calculated in accordance with paragraph 8(d) of this condition;
and

AFIOEnCRD_t shall be calculated in accordance with paragraph 8(e) of this condition.

PART C – Capacity release obligations

9. Obligations to release entry capacity

- a) The licensee shall offer for sale, during the day that is w days in advance of day d in month m , a volume of unsold obligated entry capacity (measured in GWh per day) ($UOEnC_{i,d,m,w}$) for use at NTS entry point i on day d in month m , which shall be calculated as follows:

$$UOEnC_{i,d,m,w} = \text{MAX}[(NIOEnC_{i,d,m,w} + CFIOEnC_{i,d,m,w} - SOEnC_{i,d,m,w}), 0]$$

where:

$NIOEnC_{i,d,m,w}$ means the volume of non-incremental obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , which shall be calculated in accordance with paragraph 9(c) of this condition;

$CFIOEnC_{i,d,m,w}$ means the volume of cumulative funded incremental obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is w days in advance of day d in month m , for use at NTS entry point i on day d in month m , which shall be calculated in accordance with paragraph 9(d) of this condition; and

$SOEnC_{i,d,m,w}$ means that volume of obligated entry capacity (measured in GWh per day) which has been sold or is deemed to have been sold by the licensee at NTS entry point i for use on day d in month m , during all days up to but excluding the day that is w days in advance of day d in month m , except that $SOEnC_{i,d,m,w}$ shall not

include that volume of obligated entry capacity which had been sold previously for use on day d in month m to a relevant shipper who has been terminated in accordance with the network code.

- b) For the purposes of term $SOEnC_{i,d,m,w}$ in paragraph 9(a) of this condition, obligated entry capacity will:
- (i) be deemed to have been sold by the licensee at NTS entry point i where the licensee has enacted an entry capacity transfer from that NTS entry point i to another NTS entry point in accordance with paragraph 11(c) of this condition; and
 - (ii) continue to be treated as sold by the licensee at NTS entry point i where the licensee has enacted an entry capacity trade from that NTS entry point i to another NTS entry point in accordance with paragraph 12(c) of this condition.
- c) For the purposes of paragraph 9(a) of this condition the volume of non-incremental obligated entry capacity ($NIOEnC_{i,d,m,w}$) shall be calculated as follows:

$$NIOEnC_{i,d,m,w} = NIOEnC_{i,m,h} \quad \text{for all days d in month m}$$

where:

$NIOEnC_{i,m,h}$ is the volume of non-incremental obligated entry capacity at NTS entry point i that the licensee shall offer for sale on the day that is h days in advance of the first day of month m in which day d occurs (where the day that is h days in advance of the first day of month m in which day d occurs is the same day as the day that is w days in advance of day d in month m) and shall be calculated in accordance with paragraphs 9(c)(i) to 9(c)(iv):

- i) where the day that is h days in advance of the first day of month m occurs before 1 April 2007, $NIOEnC_{i,m,h}$ shall:

(aa) if $h \geq 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = 0.8 \times \text{PREVIBEnC}_i$$

(bb) if $h < 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = \text{PREVIBEnC}_i$$

where for the purposes of sub-paragraphs (aa) and (bb):

PREVIBEnC_i means the volume of baseline obligated entry capacity which the licensee was required to offer for sale prior to 1 April 2007 (measured in GWh per day) for use at NTS Entry Point i as given within Table 6 below:

Table 6:

NTS Entry Point i	PREVIBEnC_i (in GWh/day)
Bacton	1,745
Barrow	712
Easington	1,062
St. Fergus	1,677
Teesside	761
Theddlethorpe	848
Glenmavis	99
Partington	215
Avonmouth	149
Isle of Grain	218
Dynevor Arms	50
Hornsea	175
Hatfield Moor (storage)	54
Hatfield Moor (onshore)	1
Cheshire	214
Hole House Farm	26
Wytech Farm	3.2
Burton Point	55
Milford Haven	0
Barton Stacey	0
Garton	0
Burton Agnes (Caythorpe)	0
Winkfield	0
Blyborough (Welton)	0
Tatsfield	0
Albury	0
Palmers Wood	0
Fleetwood	0

ii) where the day that is h days in advance of the first day of month m occurs on or after 1 April 2007 and before 1 July 2008, NIOEnC_{i,m,h} shall:

(aa) if h ≥ 548 days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = 0.9 \times \text{IBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W}$$

(bb) if h < 548 days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = \text{IBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W}$$

where, for the purposes of sub-paragraphs (aa) and (bb):

IBEnC_{i,m,h} means the volume of baseline obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is h days in advance of the first day of month m, for use at NTS entry point i on each day of month m, as specified in Table 7 below (where, for the avoidance of doubt, IBEnC_{i,m,h} shall take the same value specified in Table 7 for all months m ≥ 61 and for all days that are h days in advance of the first day of month m ≥ 61 that occur on or after 1 April 2007 and before 1 July 2008);

$EnCST_{i,(m-p),W}$ means the volume of non-incremental obligated entry capacity substituted to NTS entry point i (in units of GWh per day), for use from the first day of the first month $(m-p)$, for which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the first month $(m-p)$, as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such non-incremental obligated entry capacity substituted to NTS entry point i shall have a non-zero value only for the first month $(m-p)$ and the day that is W days in advance of the first day of the first month $(m-p)$; and

$EnCSA_{i,(m-p),W}$ means the volume of non-incremental obligated entry capacity substituted away from NTS entry point i (in units of GWh per day), for use from the first day of the first month $(m-p)$, for which the obligation to offer such capacity for sale commenced as at W days in advance of the first day of the first month $(m-p)$, as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such non-incremental obligated entry capacity substituted away from NTS entry point i shall have a non-zero value only for the first month $(m-p)$ and the day that is W days in advance of the first day of the first month $(m-p)$.

iii) where the day that is h days in advance of the first day of month m occurs on or after 1 July 2008 and before 1 April 2012, $NIOEnC_{i,m,h}$ shall:

(aa) if $h \geq 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = 0.9 \times \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W}$$

(bb) if $h < 548$ days, be calculated as follows:

$$\text{NIOEnC}_{i,m,h} = \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W}$$

where, for the purposes of sub-paragraphs (aa) and (bb):

$\text{RIBEnC}_{i,m,h}$ means the volume of baseline obligated entry capacity at NTS entry point i (measured in GWh per day) that the licensee shall offer for sale, during the day that is h days in advance of the first day of month m , for use at NTS entry point i on each day of month m , as specified in Table 7 below (where, for the avoidance of doubt, $\text{RIBEnC}_{i,m,h}$ shall take the same value specified in Table 7 for all months $m \geq 61$ and for all days that are h days in advance of the first day of month $m \geq 61$ that occur on or after 1 July 2008);

$\text{EnCST}_{i,(m-p),W}$ shall have the same meaning as given in paragraph 9(c)(ii) of this condition;

$\text{EnCSA}_{i,(m-p),W}$ shall have the same meaning as given in paragraph 9(c)(ii) of this condition; and

iv) where the day as at h days in advance of the first day of month m is on or after 1 April 2012, then:

(aa) if $h \geq 548$ days, be calculated as follows:

$$\begin{aligned} \text{NIOEnC}_{i,m,h} = & 0.9 \times \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \\ & \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W} + \sum_{p=60}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{FIOEnC}_{i,(m-p),W} \end{aligned}$$

(bb) if $h < 548$ days, be calculated as follows:

$$\begin{aligned} \text{NIOEnC}_{i,m,h} = & \text{RIBEnC}_{i,m,h} + \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCST}_{i,(m-p),W} - \\ & \sum_{p=0}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{EnCSA}_{i,(m-p),W} + \sum_{p=60}^{(m-61)} \sum_{W=h}^{FP2_{m-p}^I} \text{FIOEnC}_{i,(m-p),W} \end{aligned}$$

where:

$\text{RIBEnC}_{i,m,h}$ shall have the same meaning as given in paragraph 9(c)(iii) of this condition;

$\text{EnCST}_{i,(m-p),W}$ shall have the same meaning as given in paragraph 9(c)(ii) of this condition;

$\text{EnCSA}_{i,(m-p),W}$ shall have the same meaning as given in paragraph 9(c)(ii) of this condition; and

$\text{FIOEnC}_{i,(m-p),W}$ means the volume of funded incremental obligated entry capacity at NTS entry point i (in units of GWh per day), for use from the first day of the first month $(m-p)$, for which the obligation to offer such capacity for sale (being a date on or after 1 April 2007) commenced as at W days in advance of the first day of the first month $(m-p)$, as shall be implemented in accordance with an approved application made pursuant to paragraph 9(f) of this condition. For the avoidance of doubt, such funded incremental obligated entry

capacity shall be treated as non-incremental obligated entry capacity from the period commencing on the first day of month (m-p+60) and shall have a non-zero value only for the first month (m-p) and the day that is W days in advance of the first day of the first month (m-p).

Table 7:

NTS Entry Point i	For paragraph 9 (c) (ii)	For paragraph 9 (c) (iii)
	IBEnC_{i,m,h} (in GWh/day)	RIBEnC_{i,m,h} (in GWh/day)
Bacton	1,783.4	1,783.4
Barrow	309.1	309.1
Easington	1,062.0	1,062.0
St. Fergus	1,670.7	1,670.7
Teesside	361.3	476.0
Theddlethorpe	610.7	610.7
Glenmavis	28.5	99.0
Partington	174.6	215.0
Avonmouth	179.3	179.3
Isle of Grain	175.0	218.0
Dynevor Arms	8.0	49.0
Hornsea	164.1	175.0
Hatfield Moor (storage)	14.9	25.0
Hatfield Moor (onshore)	0.3	0.3
Cheshire	285.9	285.9
Hole House Farm	131.6	131.6
Wytech Farm	3.3	3.3
Burton Point	73.5	73.5
Milford Haven	0	0
Barton Stacey	82.6	82.6
Garton	0	0
Burton Agnes (Caythorpe)	0	0
Winkfield	0	0
Blyborough (Welton)	0	0
Tatsfield	0	0
Albury	0	0

Palmers Wood	0	0
Fleetwood	0	0
Portland	0	0

- d) For the purposes of paragraph 9(a) of this condition, the volume of cumulative funded incremental obligated entry capacity (CFIOEnC_{i,d,m,w}) shall be calculated as follows:

$$\text{CFIOEnC}_{i,d,m,w} = \text{CFIOEnC}_{i,m,h} \quad \text{for all days } d \text{ in month } m$$

where:

CFIOEnC_{i,m,h} means the cumulative volume of funded incremental obligated entry capacity at NTS entry point i that the licensee shall offer for sale, during the day that is h days in advance of the first day of month m in which day d occurs (where the day that is h days in advance of the first day of month m in which day d occurs is the same day as the day that is w days in advance of day d in month m), for use at NTS entry point i for all days d in month m and shall be calculated as follows:

$$\text{CFIOEnC}_{i,m,h} = \text{PREVCFIOEnC}_{i,m,h} + \text{NEWCFIOEnC}_{i,m,h}$$

where:

$$\text{PREVCFIOEnC}_{i,m,h} = \sum_{p=0}^{m-1} \sum_{W=h}^{P_{m-p}^l} \text{PREVCFIOEnC}_{i,(m-p),W}$$

where:

$PREVFIOEnC_{i,(m-p),W}$ means the volume of funded incremental obligated entry capacity (in units of GWh per day), for use at NTS entry point i from the first day of the first month $(m-p)$, for which the obligation to offer such capacity for sale (being a date before 1 April 2007) commenced as at W days in advance of the first day of the first month $(m-p)$, as specified in the Table 8 below. For the avoidance of doubt, such funded incremental obligated entry capacity shall have a non-zero value only for the first month $(m-p)$ and the day that is W days in advance of the first day of the first month $(m-p)$:

Table 8:

NTS entry point i	Obligation to offer for sale commenced following the annual invitation period in	First month of use at NTS entry point i (m-p)	First month of use at NTS entry point i (m-p)	PREVFIOEnC_{i,(m-p),W} (GWh/d)
Barton Stacey	Sep-04	Apr-06	49	90
Garton	Feb-04	Oct-06	55	420
Milford Haven	Dec-04	Oct-07	67	650
Milford Haven	Dec-04	Jan-09	82	300
Isle of Grain	Nov-05	Oct-08	79	235.4
Easington	Sep-06	Oct-09	91	345
Hornsea	Sep-06	Jan-10	94	58.1
Fleetwood	Sep-06	Oct-10	103	650
Cheshire	Sep-06	Oct-10	103	64.2
Cheshire	Sep-06	Jan-12	118	192.6

$$\text{NEWCFIOEnC}_{i,m,h} = \sum_{p=0}^{59} \sum_{W=h}^{FP2'_{m-p}} \text{FIOEnC}_{i,(m-p),W}$$

where:

$\text{FIOEnC}_{i,(m-p),W}$ shall have the meaning given to that term in paragraph 9(c)(iv) of this condition.

Obligation to offer capacity for sale in a clearing allocation

e) The licensee shall:

- i) unless otherwise directed by the Authority in writing, use all reasonable endeavours to offer for sale all obligated entry capacity at each NTS entry point i in at least one clearing allocation. For the avoidance of doubt, where a clearing allocation would contravene the provisions of paragraph 4(b) of Standard Special Condition A4 (Charging - General) the licensee shall offer for sale such capacity in accordance with provisions of Standard Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology); and
- ii) in respect of any NTS entry point i , use reasonable endeavours to offer for sale to gas shippers obligated entry capacity, which at the commencement of the day d to which it relates is unsold, such that at the end of day d in month m such obligated entry capacity has been sold, except where, and to the extent that, the Authority has otherwise consented in writing. For the avoidance of doubt, where a clearing allocation would contravene the provisions of paragraph 4(b) of Standard Special Condition A4 (Charging - General) the licensee shall offer for sale such capacity in accordance with provisions of Standard Special Condition A5(5)(aa)(ii) (Obligations as Regard Charging Methodology).

Determination of incremental obligated entry capacity

- f) Where the licensee reasonably believes that there is or will be demand for additional firm entry capacity as a result of calculations carried out by the licensee in accordance with its incremental entry capacity release methodology, established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes) in force at that time, it shall make a written application to the Authority setting out its proposals, in respect of each NTS entry point i , for that additional firm entry capacity to be treated as incremental obligated entry capacity (the “incremental obligated entry capacity proposal”).
- g) Where the licensee makes an application pursuant to paragraph 9(f) of this condition it shall in that application set out as part of its incremental obligated entry capacity proposal for that additional firm entry capacity to be treated for the purposes of this condition as either:
 - i) funded incremental obligated entry capacity ($FIOEnC_{i,(m-p),W}$) for the purposes of paragraphs 2(b), 9(c)(iv) and 9(d) of this condition; or

- ii) non-incremental obligated entry capacity provided by entry capacity substitution ($\text{EnCST}_{i,(m-p),W}$), in accordance with its obligations set out in paragraph 10 of this condition, for the purposes of paragraphs 9(c)(ii), 9(c)(iii) and 9(c)(iv) of this condition.
- h) The written application to the Authority made pursuant to paragraph 9(f) of this condition shall include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal in accordance with paragraph 9(k) of this condition, the following:
- i) how the incremental entry capacity release methodology has been applied by the licensee for the purpose of determining the amount of additional firm entry capacity that it proposes to treat as incremental obligated entry capacity, including the provision of all relevant input data;
 - ii) the results of applying the incremental entry capacity release methodology and the rationale for why the licensee considers that its proposal or proposals are justified;
 - iii) the NTS entry point to which the application relates;
 - iv) the volume of incremental obligated entry capacity that the licensee proposes to treat as:
 - (aa) funded incremental obligated entry capacity ($\text{FIOEnC}_{i,(m-p),W}$) for the purposes of paragraphs 2(b), 9(c)(iv) and 9(d) of this condition; and
 - (bb) non-incremental obligated entry capacity substituted to that NTS entry point to which the application relates ($\text{EnCST}_{i,(m-p),W}$), in accordance with the entry capacity substitution methodology set out in paragraph 10(a) of this condition, for the purposes of paragraphs 9(c)(ii), 9(c)(iii), and 9(c)(iv) of this condition.
 - v) the volumes of unsold non-incremental obligated entry capacity that has been substituted from one or more other NTS entry points j , in accordance with the entry capacity substitution methodology set out in paragraph 10(a) of this condition, that the licensee proposes to treat as non-incremental obligated entry capacity substituted away from NTS entry points j ($\text{EnCSA}_{j,(m-p),W}$) for the

purposes of providing the volume of non-incremental obligated entry capacity ($\text{EnCST}_{i,(m-p),W}$) referred to in paragraph 9(h)(iv)(bb) of this condition.

- vi) the first month in which the additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would be used at NTS entry point i or in which the additional firm entry capacity referred to in paragraph 9(h)(v) of this condition would cease to be used at NTS entry points j (for the avoidance of doubt, the capacity will be deemed to be used from the first day of this month);
- vii) the date on which the licensee's obligations to offer for sale that volume of additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would commence and the date on which the licensee's obligations to offer for sale that volume of non-incremental obligated entry capacity substituted away at those NTS entry points j referred to in paragraph 9(h)(v) of this condition would cease.
- i) The licensee shall keep a record of each application made pursuant to paragraph 9(f) of this condition.
- j) The licensee shall provide the Authority with such additional information as the Authority reasonably requests for the purposes of considering the application made by the licensee.
- k) The licensee shall implement the proposal as set out within the written application made pursuant to paragraph 9(f) of this condition or as modified in accordance with paragraph 9(1)(ii) of this condition, unless:
 - i) the Authority has, within 7 days from the receipt by the Authority of the written application, notified the licensee in writing, on or before that date, to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 9(f) of this condition requires further consideration to evaluate whether the proposal, and the supporting information, is consistent with the licensee's incremental entry capacity release methodology (established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes)) and the licensee's entry capacity substitution methodology (established pursuant to paragraph 10 of this condition);
 - and

- ii) the Authority has, within 28 days from the receipt by the Authority of the written application, directed the licensee, on or before that date, not to implement that proposal.
- l) Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 9(k)(i) of this condition,
 - i) the Authority may direct the licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in accordance with the application made pursuant to paragraph 9(f) of this condition; or
 - ii) the Authority may direct the licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:
 - (aa) the volume of incremental obligated entry capacity that the licensee proposes to treat as non-incremental obligated entry capacity substituted to NTS entry point i and funded incremental obligated entry capacity; and
 - (bb) the first month in which the additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would be used at NTS entry point i or in which the additional firm entry capacity referred to in paragraph 9(h)(v) of this condition would cease to be used at NTS entry points j .
- (m) The licensee may withdraw a proposal made pursuant to paragraph 9(f) of this condition within 7 days from receipt by the Authority of the application.
- (n) Where the Authority has notified the licensee under paragraph 9(k)(i) of this condition to suspend implementation of the proposal made pursuant to paragraph 9(f) of this condition, the licensee may withdraw such a proposal within 28 days from receipt by the Authority of the application unless the Authority has otherwise directed the licensee to implement the proposal in accordance with paragraph 9(l) of this condition.
- (o) Where the Authority has made a direction that the licensee should not implement the proposal under paragraph 9(k)(ii) of this condition the licensee shall remain entitled to make available firm entry capacity additional to the prevailing level of obligated entry

capacity at the time the proposal is made and any such additional firm entry capacity sold by the licensee shall be treated as non-obligated entry capacity for the purposes of this condition.

- (p) The licensee shall publish the effect of implementing each proposal on the cumulative volume of funded incremental obligated entry capacity and non-incremental obligated entry capacity for each NTS entry point i for each month m (as at h days in advance of the first day of month m) in a form and manner approved by the Authority. The licensee shall use reasonable endeavours to ensure that the information published pursuant to this paragraph is accurate and up-to-date.