

INDEPENDENT MARKET FOR BALANCING

ASSUMPTION: These provisions will remain relevant to the NTS licence only. While the relevant provisions will be contained in the UNC, they will only apply to the NTS Operator.

NOTE: the following provisions (which reflect paragraphs 3A, 3B, 3C and 3D of ASC 9 (Network Code) in Transco plc's Gas Transporter licence will be incorporated into Standard Special Condition A[][A] (Network Code) within the NTS licence by way of a special condition in the NTS licence which amends the Standard Special Conditions applicable to it. In this context such a special condition will provide for the following:

“Standard Special Condition A[][A] (Network Code) shall be amended by the insertion of the following paragraphs after paragraph 3:

3A. Where the Network Code makes provision for the balancing –

- (a) by the licensee of its pipe-line system and
- (b) the relevant shippers of the gas they arrange with the licensee to introduce into and take off that system

through a market established by a person who is independent of the licensee then the following paragraphs 3B, 3C and 3D shall apply.

3B. The licensee shall in appointing any such operator as is mentioned in paragraph 1 use all reasonable endeavours to appoint a person having:

- (a) financial resources,
- (b) skilled and experienced personnel, and
- (c) systems

adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.

3C. The requirement in paragraph 3B shall be treated as satisfied in respect of any appointment if the licensee appoints as operator a person who, at the time of appointment, is –

- (a) a person recognised by the Financial Services Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
- (b) a person designated by the Authority for the purposes of that paragraph and if that

designation has not expired or been
revoked.

- 3D. If a person appointed by the licensee in reliance on paragraph 3C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee shall use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 3B.