Interim IExCR Statement

Introduction

1. This methodology statement has been produced to meet the requirements of Special Condition C18 of Transco's NTS GT licence. Transco NTS believes the content is consistent with its duties under the Gas Act and is consistent with the standard, amended standard and Special Conditions of its GT Licence.

2. This statement applies to the release of all forms of NTS Exit Capacity (as defined in Standard Special Condition A3 of Transco's NTS Gas Transporter's Licence) by the NTS SO and so shall include NTS Exit Capacity (at direct connect supply points), NTS Offtake (Flat) Capacity (at NTS/DN offtakes) and NTS Offtake ~~Flow~~ (Flexibility) Capacity (at NTS/DN offtakes).

3. The statement shall apply to the release of all NTS Exit Capacity for use up to September 2008 and the terms shall apply from 1 May 2005 until such time as this statement is modified.

4. Transco NTS when determining whether to allocate NTS ~~e~~Exit ~~c~~Capacity that is in excess of the initial volume allocation held by shippers and DNO~~s~~ Users on 1 May 2005 will use the methodology described in this statement. For these purposes the quantity of NTS ~~e~~Exit ~~c~~Capacity held by shippers at NTS ~~supply~~ Exit ~~p~~Points will be their registered quantities on 1 May 2005. For DNOs the quantity of NTS ~~o~~Offtake (Flat) ~~c~~Capacity and NTS Offtake ~~flow~~ (~~f~~Flexibility) Capacity held on 1 May 2005 will be as set out in the Offtake Capacity Statement that will be published by NTS in accordance with the provisions of the Uniform Network Code (B6.2).

5. During the period May 2005 up to and including gas year 2007/8, new and existing users will continue to purchase firm and interruptible capacity rights at administered prices, and any capacity requests will be considered against the provisions of Transco's statutory licence obligations.

6. Those objectives applicable to this statement set out in the Gas Act and the standard, standard special and special conditions of Transco's Gas Transporter Licence in respect of the NTS are that the release of NTS ~~e~~Exit ~~c~~Capacity must be:

   - Conducted on a non-discriminatory basis – (see Standard Special ~~Standard~~ Condition A6;
   - Conducted on an efficient and economical basis – (see section 9(1) Gas Act 1986, and Standard Special ~~Standard~~ Condition A17); and
   - Be consistent with the safe operation of the licensee's pipe-line system – see Standard Special ~~Standard~~ Condition 5 and Standard Special Condition A9.

Procedure for allocating Capacity and Flow Flexibility in the Interim Period

7. The following steps will be applied to requests for:
   a) NTS Exit Capacity
   b) NTS Offtake (Flat) Capacity
   c) NTS Offtake ~~Flow~~ (Flexibility) Capacity

8. At any offtake, if a quantity of incremental exit capacity were demanded by either DNO Users or Shipper Users, then Transco NTS would first seek to ensure that allocating the required capacity, or a part of that capacity, would not be detrimental to the safe operation of the system.

9. If safe operation of the system is not impaired then Transco NTS will consider the incremental costs that may occur from providing additional capacity.

10. If no incremental costs are identified then Transco NTS will presume to allocate the requested capacity.

11. If an application for a quantity of NTS ~~e~~Exit ~~c~~Capacity is received which could be expected to impair safe operation of the system and/or will increase infrastructure or operational costs, then Transco NTS will seek to identify the costs of maintaining a safe operating system and for economically operating the NTS.

12. The mitigating actions that may be explored will include buy back of NTS ~~e~~Exit ~~c~~Capacity from other users and use of storage options where applicable. Any tools used will be in accordance with the Transco NTS Procurement Guidelines and System Management Principles Statement.

13. Transco NTS will release incremental NTS ~~e~~Exit ~~c~~Capacity only if a safe operating system can be maintained and if economic analysis of the costs and benefits demonstrates that is economical to do so. The flow chart in Figure 1 below summarises the overall process.

Figure 1: Summary Process Flow Chart