

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION B – SYSTEM USE AND CAPACITY

1 INTRODUCTION

1.1 Use of System

1.1.1 Shipper Users may use the Total System by delivering gas to the Total System and/or by offtaking gas from the Total System.

1.1.2 DNO Users may use the NTS by causing or permitting the flow of gas (or changes in the flow of gas) at an NTS/LDZ Offtake from the NTS to the LDZ, but without prejudice to Section J1.5.2.

1.2 System Capacity

1.2.1 Users may apply for and hold capacity in a System ("**System Capacity**") at certain System Points.

1.2.2 The classes of System Capacity are NTS Entry Capacity, NTS Exit Capacity, NTS Offtake Capacity, LDZ Capacity and Supply Point Capacity.

1.2.3 For the purposes of the Code:

- (a) "**NTS Entry Capacity**" at an Aggregate System Entry Point is capacity in the NTS which a User is treated as utilising in delivering gas to the NTS (and the Total System) at that point;
- (b) subject to paragraph 1.2.9, "**NTS Exit Capacity**" at a NTS Exit Point is capacity in the NTS which in the case of a NTS Supply Point Component or NTS Connected System Exit Point, a Shipper User is treated as utilising in offtaking gas from the NTS (and the Total System) at that NTS System Exit Point;
- (c) "**NTS Offtake Capacity**" at a NTS/LDZ Offtake is capacity in the NTS which a DNO User is treated as utilizing in causing or permitting the flow of gas from the NTS to a LDZ at a relevant NTS/LDZ Offtake;
- (d) NTS Offtake Capacity comprises:
 - (i) NTS Offtake (Flat) Capacity, which is capacity which a DNO User is treated as utilising in causing or permitting gas to flow from the NTS at a rate which (for a given Daily quantity) is even over the course of a Day; and
 - (ii) NTS Offtake (Flexibility) Capacity, which is capacity which a DNO User is treated as utilising or releasing from utilisation, in causing or permitting gas to flow from the NTS to the extent that (for a given Daily Quantity) the rate of offtake or flow is not even over the course of a Day;
- (e) "**LDZ Capacity**" at an LDZ System Exit Point is capacity in the relevant LDZ:

- (i) in the case of an LDZ Supply Point Component, which the User is treated as utilising in offtaking gas from the Total System at that point;
- (ii) in the case of an LDZ Connected System Exit Point, which the User is treated as utilising in offtaking gas from the Total System at that point;
- (f) "**Supply Point Capacity**" at a Supply Point Component is capacity at that point which the User is treated as utilising in offtaking gas from the Total System at that Supply Point Component

in each case in accordance with and subject to the provisions of the Code.

- 1.2.4 A DNO User may hold System Capacity only at a NTS/LDZ Offtake, and a Shipper User may not hold NTS Offtake Capacity at a NTS/LDZ Offtake.
- 1.2.5 No User is treated in utilising capacity in an LDZ where gas flows to or from that LDZ at an LDZ/LDZ Offtake, and accordingly there is no provision for Users to hold System Capacity at an LDZ/LDZ Offtake.
- 1.2.6 The Supply Point Capacity which a User may be registered as holding at a DM Supply Point Component will (in accordance with Section G5) be limited by reference to the rate at and quantities in which it is feasible for the Transporter to make gas available for offtake from the Total System at that Supply Point Component; and no entitlement to offtake gas at a greater rate or in greater quantities shall be conferred on a User by the holding of any amount of NTS Exit Capacity or LDZ Capacity
- 1.2.7 For the avoidance of doubt, where a System Point is both a NTS Exit Point and a Supply Point Component, the provisions of this Section B both as to the holding of NTS Exit Capacity and as to the holding of Supply Point Capacity are applicable (and a gas flow at such point shall be treated both as a gas flow out of the NTS and an offtake from the Total System).
- 1.2.8 Where an Aggregate System Entry Point is on an LDZ:
 - (a) Users delivering gas to the Total System at that point are deemed (for the purposes of paragraph 1.2.3(a)) to utilise capacity in the NTS and accordingly may (in accordance with paragraph 2) apply for and hold NTS Entry Capacity at that point;
 - (b) the provisions of this Section B as to the holding of NTS Exit Capacity shall apply in full notwithstanding that deliveries of gas to the Total System at that Aggregate System Entry Point may result in reduced flows into the LDZ at relevant NTS/LDZ Offtake(s).
- 1.2.9 In relation to NTS/LDZ Offtakes:
 - (a) Shipper Users are not entitled or required to hold capacity in the NTS, and NTS Exit Capacity does not represent capacity in the NTS;
 - (b) capacity in the NTS is held as NTS Offtake Capacity by DNO Users;
 - (c) NTS Exit Capacity is allocated to Shipper Users for the purposes of determining amounts payable by them (in accordance with paragraph 3.5 by way of NTS Exit Capacity Charges (which amounts remunerate Transco NTS for allocating NTS Offtake Capacity without charge to DNO Users).

- 1.2.10 System Capacity is expressed in kWh/Day, except that where (for the purposes of any provision of the Code) it is to be determined what quantity of gas delivered to or offtaken from a System on a Day is equal to an amount of System Capacity held by a User, or whether such a quantity of gas exceeds or is less than such an amount of capacity, such amount of System Capacity shall be treated as expressed in kWh.
- 1.2.11 Where (in the Transportation Statement or elsewhere) the units in which System Capacity is expressed are 'peak day kWh', such units are the same as those under paragraph 1.2.10; and references to charges for System Capacity in 'pence per peak day kWh' (or similar references) shall be construed accordingly.

1.3 Overrun Charges

- 1.3.1 A User may use a System without holding System Capacity but (subject to paragraphs 1.3.2 and 1.3.3) will be liable to pay System Entry Overrun Charges and/or NTS Exit Overrun Charges (collectively "**Overrun Charges**") and/or LDZ CSEP Overrun Charges or Supply Point Ratchet Charges, in respect of the capacity utilised, in accordance with this Section B.
- 1.3.2 Users will not be liable to pay NTS Exit Overrun Charges or Supply Point Ratchet Charges for using a System by offtaking gas at Interruptible Supply Points; but the entitlement of the Registered User to offtake gas from the Total System at an Interruptible Supply Point is subject to the provisions (as to Interruption) of Section G6.

1.3.3 If:

- (a) the Transporter rejects an application by a User for System Capacity other than in accordance with the provisions of the Code; and
- (b) reasonably promptly thereafter the User so notifies the Transporter, stating that it wishes the application to be given effect with effect from the date which was specified in the application

the User shall not be liable for any Overrun Charge, CSEP Overrun Charge or Supply Point Ratchet Charge which it would not have incurred had the application for System Capacity been approved (and where any such charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with Section S).

1.3.4 Where:

- (a) a User incurs an Overrun Charge, Supply Point Ratchet Charge or CSEP Overrun Charge on a Day on which (by reason of a change in the time from BST to GMT) there are 25 hours in a Day; and
- (b) the User (by notice to the Transporter specifying the relevant System Point) requests the Transporter to redetermine the amount of such charge

the amount of the relevant charge will be redetermined as though (for the purposes of this paragraph 1.3.4 only) the User's UDQI or (as the case may be) UDQO for the Day were 24/25 of the amount thereof determined pursuant to Section E, and (where the amount of the charge is invoiced or has been paid) an appropriate adjustment (by way of invoice credit in accordance with Section S) will be made.

1.4 Registered and Available Capacity

For the purposes of the Code:

- (a) a User's "**Registered**" System Capacity in relation to a System Point is the System Capacity which the User is registered (in accordance with this Section B) as holding at that System Point on the Gas Flow Day;
- (b) the User's "**Available**" System Capacity in relation to an Aggregate System Entry Point or a NTS Exit Point is the System Capacity which the User holds at that System Point on the Gas Flow Day after taking account of any System Capacity Transfer, in accordance with paragraph 5.

1.5 UK Link set-up

Before first delivering gas to or offtaking gas from the Total System at any System Point a User must comply with the requirements set out in the UK Link Manual for establishing (for the purposes of UK Link) the User as a user of the relevant System at that System Point.

1.6 Eligible Capacity Registration Date

For the purposes of the registration of a User as holding NTS Exit Capacity in any Gas Year, "**Eligible Capacity Registration Date**" means any Day other than 29 February in any Gas Year.

1.7 Transportation Charges and Metering Charges

1.7.1 For the purposes of the Code:

- (a) "**Transportation Charges**" are charges (other than Energy Balancing Charges or Storage Charges) payable by a User in respect of a transportation arrangement under the Code, and (subject to paragraph 1.7.8) comprise Capacity Charges, Commodity Charges, Customer Charges and CSEP Charges;
- (b) "**Metering Charges**" are the prevailing charges payable by a User as contained in the Metering Charges Statement.

1.7.2 A "**Capacity Charge**" is a charge in respect of, and determined by reference to the amount of, a User's Registered NTS Entry Capacity, Registered NTS Exit Capacity or Registered LDZ Capacity at a System Point.

1.7.3 A "**Commodity Charge**" is a charge in respect of use of a System, determined by reference to the quantity of the gas flow (or the part thereof attributable to a User) at a System Point, or a charge payable by reference to the arrangements in Special Condition [C2B or E2B] of the Transporter's Licence.

1.7.4 A "**Customer Charge**" is a charge payable by reason of being the Registered User of a Supply Point.

1.7.5 In respect of a Customer Charge:

- (a) the "**Capacity Variable Component**" is the component (if any) thereof the amount of which is determined by reference to the amount of a User's Registered Supply Point Capacity;
- (b) the "**Commodity Variable Component**" is the component (if any) thereof the amount of which is determined by reference to the quantity of the gas flow at a Supply Point;

- (c) the "**Fixed Component**" is the component (if any) thereof which is not determined by reference to Supply Point Capacity or gas flow.
- 1.7.6 Where any element of a Transportation Charge is payable by a User pursuant to a contract other than one made upon the terms of the Code, such element shall not in addition be payable under the Code.
- 1.7.7 A "**CSEP Charge**" is a charge payable by virtue of being (in relation to a relevant Connected System Exit Point) a CSEP User.
- 1.7.8 The further provisions of the Code set out the basis on which Transportation Charges and Metering Charges are payable by Users; provided that (subject to paragraph 1.8.2) where:
 - (a) the prevailing Transportation Statement or Metering Charges Statement provides for any charge which is not provided for in the Code; and
 - (b) the amount payable by way of such charge in any case is capable of being determined by reference to the provisions of the Code prevailing at the time;such charge shall be a Transportation Charge or Metering Charge and shall be payable by Users or Users of such class in accordance with the relevant provisions of the Transportation Statement or the Metering Charges Statement respectively.
- 1.7.9 For the avoidance of doubt paragraph 1.7.8(b) shall not be taken as requiring that the Code should provide for the determination or (other than by virtue of paragraph 1.7.8) payment of any such charge as is therein referred to.
- 1.7.10 The basis on which the Transporter will reduce any Transportation Charges pursuant to Standard Special Condition [A26(4)] of the Transporter's Licence is not contained in the Code; and nothing contained in the Code shall be taken to prevent the Transporter from reducing such charges in accordance with that Standard Condition.

1.8 Rates and amounts of Transportation Charges

- 1.8.1 Subject to paragraphs 1.8.2 to 1.8.5 and paragraph 1.10, and except as provided in paragraph 2.9;
 - (a) the amount or rate of any Transportation Charge accrues (irrespective of when it is due for payment); and accordingly the rate of the Transportation Charges payable by a User may vary during the period for which the User holds any System Capacity or is the Registered User of any Supply Point or is a CSEP User;
 - (b) the amount or rate of any Metering Charge payable at any time by a User shall be determined in accordance with the Metering Charges Statement in force at the time such charge accrues irrespective of when it is due for payment.
- 1.8.2 The Transporter agrees that, except where any other provision of the Transporter's Licence requires notice of a shorter period to be given,
 - (a) each notice given by it to the Authority pursuant to Standard Special Condition [A4(2)(d)] of the Transporter's Licence will be given, and published in accordance with Standard Special Condition [A4(3)(a)] thereof, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Transportation Statement) to be implemented;

- (b) each statement or revision thereto sent by it to the Authority pursuant to Standard Special Condition [A43(4)] of the Transporter's Licence will be sent to the Authority, and sent to Users, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Metering Charges Statement) to be implemented.
- 1.8.3 In accordance with Standard Special Condition [A4(4)] of the Transporter's Licence, the amount or rate of any Transportation Charge may with the approval of the Authority differ from what is provided for in the Transportation Statement and in accordance with Standard Special Condition [43(4)] of the Transporter's Licence, the amount or rate of any Metering Charge may with the approval of the Authority differ from what is provided for in the Metering Charges Statement.
- 1.8.4 In the case of a NTS Supply Point the rate(s) or amount(s) of the Capacity Charge in respect of NTS Exit Capacity and the Customer Charge may not be specified in the Transco NTS's Transportation Statement, in which case they will be the rate or amount from time to time notified by Transco NTS to the Registered User.
- 1.8.5 In respect of any Transportation Charge in respect of any System Point:
- (a) in the case of a Capacity Charge or the Capacity Variable Component of a Customer Charge, the "**Applicable Daily Rate**" is the daily rate of such charge, in pence per kWh/Day of System Capacity; and the "**Applicable Annual Rate**" is 365 times the Applicable Daily Rate;
 - (b) for the purposes of paragraph 4.6.2, the Applicable Daily Rate and Applicable Annual Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point and the capacity of the LDZ Specified Exit Point determined in accordance with Paragraph 4.6.9, (the "**LDZ Optional Capacity Rate**");
 - (c) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "**Applicable Commodity Rate**" is the rate of such charge, in pence per kWh of gas flow; or
 - (d) for the purposes of paragraph 3.5.3, the Applicable Commodity Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with Section B3.5.5, (the "**NTS Optional Commodity Rate**")
- in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.
- 1.8.6 Subject to paragraph 1.8.4 and except as provided in paragraph 2.9, where the Transporter's prevailing Transportation Statement or Metering Charges Statement does not provide for the determination of any particular Transportation Charge or Metering Charge, in any particular case, the rate of such Transportation Charge or Metering Charge shall be deemed to be zero respectively.

1.9 Scottish Independent Networks

- 1.9.1 References in this Section B to the Total System include references to the Scottish Independent Networks.

- 1.9.2 In order to enable Users to offtake gas from the Total System at Scottish Independent Network Supply Point Components :
- (a) except as provided in paragraph (b), the relevant Transporter will arrange with a Storage Operator(s) to hold Storage Space (as defined in Section R) in and inject gas into a Storage Facility(ies) in which gas is stored as LNG, and for LNG to be lifted from those facilities and transported by road tanker to and discharged to LNG storage and regasification plants at each Scottish Independent Network.
 - (b) in relation to the Scottish Independent Network at Stranraer, the relevant Transporter will arrange for gas to be taken from the Total System at a Connected System Exit Point and conveyed to that network pursuant to the arrangements referred to in Section A1.7.5

1.9.3 For the purposes of the Code:

- (a) there shall be deemed to be capacity in the NTS at the Scottish Independent Network NTS Exit Point, and accordingly NTS Exit Capacity may be held by Users at the Scottish Independent Network NTS Exit Point;
- (b) for the purposes of paragraph 3 there will be deemed on each Day to be a gas flow out of the NTS at the Scottish Independent Network NTS Exit Point in respect of (and equal to the amount of) the offtake of gas from the Total System on that Day at Scottish Independent Network Supply Point Components by each User on a Day.

1.10 Long Term Contracts

If the Authority shall give Condition [A11(18)] Approval to its doing so, or otherwise with the assent of the Authority, the Transporter may enter into an Ancillary Agreement with any User:

- (a) pursuant to which, notwithstanding any other provision of the Code:
 - (i) the User may agree to apply for and hold System Capacity in particular amounts, and/or deliver gas to and/or offtake gas from the Total System in particular quantities at particular System Points, for particular periods, or to make payment to the Transporter in lieu of doing so; and/or
 - (ii) the Transporter may agree, notwithstanding Section G5.5.3 or 5.5.4, to accept the User's application for particular Supply Point Capacity, and/or that it will not designate a particular Interruptible Supply Point as being TNI; and
- (b) containing other terms which may conflict with the terms of the Code.

1.11 Daily Read Errors

Where (pursuant to Sections M4.8 and E3.4) for a Daily Read Error Day an Error Revised UDQO has been determined for a DM Supply Point Component:

- (a) the Transporter will redetermine, as nearly as may be, the amounts (if any) for which the User would have been liable by way of NTS Exit Overrun Charge

and/or Supply Point Ratchet Charge, and the amount of any Ratcheted Supply Point Capacity (and any increment in Transportation Charges payable by the User in respect of such capacity), on the basis of the Error Revised UDQO;

- (b) the amounts for which the User is liable in respect of such charges will be determined accordingly, and invoice adjustments will be made, by way of debit or credit as appropriate, in accordance with Section S.

1.12 DNO Users

In this Section B references to Users, except in paragraphs 1.2.1, 1.2.5, 3.9 and 6, exclude DNO Users.

2 NTS ENTRY CAPACITY

2.1 Introduction

2.1.1 Subject to the provisions of the Code, a User may deliver gas to the Total System at any System Entry Point.

2.1.2 Users may apply for and be registered as holding NTS Entry Capacity:

- (a) as Quarterly NTS Entry Capacity pursuant to an auction in accordance with paragraph 2.2;
- (b) as Monthly NTS Entry Capacity pursuant to an auction in accordance with paragraphs 2.2 and 2.3;
- (c) as Daily NTS Entry Capacity pursuant to a bid under paragraph 2.4; and
- (d) as Daily Interruptible NTS Entry Capacity pursuant to a bid under paragraph 2.5.

2.1.3 A User may not apply for or be registered as holding NTS Entry Capacity at an Aggregate System Entry Point in an amount less than 100,000 kWh/Day (the "**minimum eligible amount**").

2.1.4 In relation to an Aggregate System Entry Point:

- (a) "**Quarterly NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar quarter;
- (b) "**Monthly NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar month;
- (c) "**Daily NTS Entry Capacity**" is Firm NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only; and
- (d) "**Daily Interruptible NTS Entry Capacity**" is Interruptible NTS Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only.

- 2.1.5 In respect of an Aggregate System Entry Point and in relation to a Day in a calendar month in a Formula Year:
- (a) "**NTS SO Baseline Entry Capacity**" is the amount of NTS Entry Capacity which Transco NTS is required to make available to Users pursuant to Transco NTS's Transporter's Licence as set out in Transco NTS's Transportation Statement;
 - (b) "**Incremental NTS Entry Capacity**" is the amount of Firm NTS Entry Capacity (if any) in excess of the Unsold NTS Entry Capacity which Transco NTS may (but shall not be required to) invite applications for pursuant to paragraphs 2.2 and 2.3; and
 - (c) "**Unsold NTS Entry Capacity**" is the amount of Firm NTS Entry Capacity that Transco NTS has, for the purposes of:
 - (i) paragraph 2.2, in relation to each Day in a calendar quarter (in the case of QSEC) or in a month (in the case of AMSEC);
 - (ii) paragraph 2.3, in relation to each Day in a calendar month;
 - (iii) paragraph 2.4, in relation to a Day,
 an obligation to make available (in accordance with the procedures set out in this paragraph 2) to Users pursuant to paragraph [14(5)(f)] of Part 2 of Special Condition [C8B] of Transco NTS's Transporter's Licence as, in the case of NTS Entry Capacity to be made available under paragraphs 2.2, 2.3 and 2.4 but not paragraph 2.5, set out in Transco NTS's Transportation Statement.
- 2.1.6 For the purposes of the application of paragraph 2.6, the amount of Unsold NTS Entry Capacity in existence at a particular time will, unless expressly stated otherwise, be calculated by reference to a continuing obligation to make available Firm NTS Entry Capacity through the application of paragraph [14(5)] of Part 2 of Special Condition [C8B] of Transco NTS's Transporter's Licence prior to the time at which the amount of Unsold NTS Entry Capacity is to be ascertained.
- 2.1.7 For the purposes of this paragraph 2:
- (a) at any time, in respect of an Aggregate System Entry Point and in relation to a Day, the "**System Entry Capability**" is the amount (in kWh) or rate (in kWh/Day) (in each case consistent with the provisions of paragraph 2.1.9), determined by Transco NTS at such time, as the maximum amount of gas which it will be feasible to take delivery on that Day at that Aggregate System Entry Point, or (as the case may be) the maximum rate at which it will be feasible to take delivery of gas on that Day or in the remaining part of that Day at that Aggregate System Entry Point;
 - (b) "**Firm NTS Entry Capacity**" means Quarterly NTS Entry Capacity, Monthly NTS Entry Capacity and Daily NTS Entry Capacity which (without prejudice to Section I3.7) is not subject to curtailment and "**Interruptible NTS Entry Capacity**" means Daily Interruptible NTS Entry Capacity which is liable to be curtailed pursuant to paragraph 2.9;
 - (c) a reference to the amount of a User's Available or Registered NTS Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as "**Adjusted**":

- (i) pursuant to paragraph 2.8.4, is a reference to such amount as reduced pursuant to that paragraph;
- (ii) pursuant to paragraph 2.9.4, is a reference to such amount as reduced pursuant to that paragraph; and
- (iii) pursuant to paragraph 2.10.8, is a reference to such amount as determined pursuant to that paragraph,

and a reference to such amount as "**Unadjusted**" pursuant to any such paragraph is a reference to such amount before and disregarding such reduction or determination;

- (d) a reference to the amount of a User's Available or Registered NTS Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as "**Fully Adjusted**" is a reference to such amount as adjusted pursuant to paragraphs 2.8.4, 2.9.4 and 2.10.8;
- (e) an "**invitation date**" is a day on which Users may make applications for NTS Entry Capacity in accordance with paragraphs 2.2 and 2.3;
- (f) a "**capacity bid**" is an application for NTS Entry Capacity in accordance with paragraphs 2.2, 2.3, 2.4 or 2.5; and
- (g) a "**calendar quarter**" is a period of three calendar months commencing 1 January, 1 April, 1 July and 1 October in any calendar year.

2.1.8 All determinations (as to quantities in which or rates at which gas is or is to be delivered to or accepted by the Total System at an Aggregate System Entry Point) to be made by Transco NTS under this paragraph 2 will be made on the assumption that the requirement in Section I3.10.2 is complied with.

2.1.9 For the purposes of determining the NTS Entry Capacity available to the User for each hour in a Day:

- (a) where the NTS Entry Capacity is held in respect of the whole Day, the User shall hold in respect of each hour in the Day an amount of the NTS Entry Capacity equal to the NTS Entry Capacity held by the User, divided by 24; and
- (b) where the NTS Entry Capacity is held for less than a Day, the User shall hold in respect of each remaining hour of the Day an amount of the NTS Entry Capacity equal to the NTS Entry Capacity, divided by the period (in hours) from the time the NTS Entry Capacity was first registered as being held by a User to the end of the Day.

2.1.10 References to rates at which gas is or may be delivered to or accepted by the System at an Aggregate System Entry Point are references to an instantaneous rate of flow, whether expressed in kWh/Day or other units.

2.1.11 For the avoidance of doubt, where a User ceases to be a User in accordance with Section V4.3, the NTS Entry Capacity which the User was registered as holding shall (with effect from the latest time by which a transferee election might be made) cease to be treated as held by any User, save to the extent to which any other User elects to be registered as holding such NTS Entry Capacity pursuant to paragraph 5.4.1(c) (a 'transferee election').

- 2.1.12 Any price to be specified by Transco NTS or a User pursuant to any provision of this paragraph 2 shall be expressed in pence/kWh/Day and specified to four decimal places.
- 2.1.13 For the purposes of this paragraph 2 and in particular in the context of applications for NTS Entry Capacity in accordance with the further provisions of this paragraph 2, a reference to a 'Capacity Year + n ' is a reference to the Capacity Year commencing on the n anniversary of the first Day of the Capacity Year in which the applications are invited to be made.

2.2 Annual NTS Entry Capacity auctions

2.2.1 By:

- (a) not later than the Day falling twenty eight (28) Days before the annual AMSEC invitation date in any Capacity Year, Transco NTS will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual AMSEC invitation;
- (b) not earlier than 1 February and not later than 29 February in a Capacity Year, Transco NTS will invite, and Users may make, applications for Monthly NTS Entry Capacity in respect of each Aggregate System Entry Point for the period specified in paragraph 2.2.2(a);
- (c) not later than the Day falling twenty eight (28) Days before the first annual QSEC invitation date in any Capacity Year, Transco NTS will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual QSEC invitation; and
- (d) not earlier than 1 September and not later than 30 September in a Capacity Year, Transco NTS will invite, and Users may make, applications for Quarterly NTS Entry Capacity in respect of each Aggregate System Entry Point for the periods specified in paragraph 2.2.2(b).

2.2.2 Transco NTS will invite applications ("**annual invitation**") for:

- (a) for Monthly NTS Entry Capacity for each calendar month in Capacity Year + 1 and Capacity Year + 2; and
- (b) for Quarterly NTS Entry Capacity for each calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive),

in each case for such aggregate amounts of NTS Entry Capacity as is specified in the relevant annual invitation.

2.2.3 Transco NTS's annual invitations under paragraph 2.2.2 will specify:

- (a) the dates (on which applications pursuant to the annual invitation may be made), which for the purposes of:
 - (i) paragraph 2.2.2(a), shall be four dates (each of which shall be a Business Day) on which applications pursuant to such annual invitation may be made; the period between each such date shall not be less than two Business Days; and

(ii) paragraph 2.2.2(b), shall be a period of ten (10) consecutive Business Days ("**annual invitation period**"),

(each such date an "**annual**" invitation date);

(b) for each Aggregate System Entry Point, and in respect of each of Capacity Year +1 to Capacity Year +16 (inclusive), the Available NTS Entry Capacity (and, in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity as referred to in paragraph (e) below) and the reserve price for Unsold NTS Entry Capacity (in accordance with Transco NTS's Transportation Statement) (the "**reserve price**");

(c) for each Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):

(i) the relevant number of incremental amounts (each being for a different amount) of Quarterly NTS Entry Capacity greater than the Baseline Entry Capacity (the maximum incremental amount being not less than an amount equal to 150% of NTS SO Baseline Entry Capacity) (each amount an "**incremental capacity amount**"); and

(ii) the price payable by Users for each different incremental capacity amount (the "**step price**") were Transco NTS to make such incremental capacity amount available,

in each case (in accordance with Transco NTS's Transportation Statement); and

(d) the relevant number for the purposes of paragraph (c) being twenty (20) except in the case of an Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) shall be set out in Transco NTS's Transportation Statement; and

(e) for each Aggregate System Entry Point and in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity for the relevant calendar month on the relevant annual invitation date. The "**Available Monthly Capacity**" for a calendar month shall mean, in respect of the first three annual invitation dates, an amount equal to 25% of the amount of the Available NTS Entry Capacity for that calendar month (as determined immediately prior to the first such annual invitation date); and in respect of the fourth annual invitation date shall mean an amount equal to the Available NTS Entry Capacity for that calendar month (again as determined immediately prior to the first such annual invitation date) less the amount of NTS Entry Capacity allocated in aggregate pursuant to the first three annual invitation dates for that calendar month.

2.2.4 Users may apply for Monthly NTS Entry Capacity for a calendar month in Capacity Year + 1 and Capacity Year +2 and/or (without prejudice to paragraph 2.2.14) for Quarterly NTS Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of an Aggregate System Entry Point on the relevant annual invitation dates.

2.2.5 The "**Available NTS Entry Capacity**" for an Aggregate System Entry Point is, in respect of:

(a) a calendar month in Capacity Year +1 and Capacity Year + 2, not less than the

sum of:

- (i) Unsold NTS Entry Capacity (if any); and
 - (ii) Incremental NTS Entry Capacity (if any); and
- (b) a calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive), is not less than the sum of:
- (i) Unsold NTS Entry Capacity (if any); and
 - (ii) Incremental NTS Entry Capacity (if any).

2.2.6 An application (a "**quarterly**" capacity bid) for Quarterly NTS Entry Capacity in respect of Capacity Year + 2 to Capacity Year + 16 (inclusive) shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the calendar year and calendar quarter for which Quarterly NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Quarterly NTS Entry Capacity applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Quarterly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.6.4; and
- (f) the price (being either the reserve price or a step price as set out in Transco NTS's Transportation Statement) in respect of which the User is applying for the amount of Quarterly NTS Entry Capacity.

2.2.7 An application (a "**monthly**" capacity bid) for Monthly NTS Entry Capacity in respect of Capacity Year + 1 and Capacity Year + 2 shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Capacity Year and calendar month for which Monthly NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
- (f) the amount (the "**bid price**") which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Monthly NTS Entry Capacity applied for.

2.2.8 A User may have, at any one time:

- (a) in aggregate in respect of each of the annual invitation dates, up to but not more than twenty (20) monthly capacity bids; and
- (b) during the annual invitation period, up to but not more than twenty one (21) quarterly capacity bids provided that during such period the User may only have one (1) such quarterly capacity bid for which the price specified for the purposes of paragraph 2.2.6(f) is the reserve price or any particular step price,

in respect of a particular Aggregate System Entry Point for each calendar month or (as the case may be) calendar quarter capable of acceptance in accordance with paragraphs 2.6 and 2.7.

2.2.9 A capacity bid:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on an invitation date; and
- (b) may be withdrawn or amended after 08:00 hours and until, but not after, 17:00 hours:
 - (i) where such bid is a monthly capacity bid, on the relevant invitation date;
 - (ii) where such bid is a quarterly capacity bid, on each annual invitation date in the annual invitation period.

2.2.10 Where in relation to the incremental amounts of Quarterly NTS Entry Capacity specified in an annual invitation the step prices specified:

- (a) increase as the corresponding incremental amount itself increases, Users may only submit a second or further quarterly capacity bid where the step price applied for is greater than that applying to any other bid, if the amount of Quarterly NTS Entry Capacity applied for in such bid is no greater than that applied for under any earlier bid;
- (b) decrease as the incremental amount itself increases, Users may only submit a second or further Quarterly capacity bid where the price applied for is less than that applying to any other bid, if the amount of Quarterly NTS Entry Capacity applied for in such bid is no less than that applied for under any earlier bid.

2.2.11 Transco NTS shall reject a capacity bid submitted on an annual invitation date where:

- (a) the requirement in paragraph 2.2.10 is not complied with;
- (b) any requirement of paragraphs 2.2.6 or 2.2.7 is not complied with,

and Transco NTS may reject a capacity bid in accordance with Section V3.

2.2.12 Nothing in this paragraph 2.2 shall be construed as giving rise to any restriction on Transco NTS's ability to make available Quarterly NTS Entry Capacity (or Monthly NTS Entry Capacity) in an annual invitation in an amount which exceeds the Unsold NTS Entry Capacity.

2.2.13 In the event that a User submits monthly capacity bids in response to an annual invitation and the sum of:

- (a) the aggregate NTS Entry Capacity Charges payable by the User were all the Monthly NTS Entry Capacity applied for under the User's capacity bids in respect of Capacity Year +1 to be allocated in full; and
- (b) the User's Relevant Code Indebtedness at 17:00 hours on any Business Day on which monthly capacity bids may be made,

exceeds 85% of the User's Code Credit Limit, Transco NTS shall not later than five (5) Business Days after the last relevant annual invitation date inform the User.

2.2.14 Following a notice under paragraph 2.2.13, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), all monthly capacity bids submitted by the User in response to the annual invitation shall be disregarded for the purposes of this paragraph 2 (and have no effect).

2.2.15 Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the sum of:

- (a) the aggregate NTS Entry Capacity Charges payable by the User in respect of its Registered Quarterly Firm NTS Entry Capacity for each Day in the twelve (12) calendar months commencing from the first Day of the following calendar month ("**relevant months**"); and
- (b) the User's Relevant Code Indebtedness at such time,

exceeds 85% of its Code Credit Limit Transco NTS shall not later than five (5) Business Days after the first Business Day of the calendar month inform the User.

2.2.16 Following a notice under paragraph 2.2.15, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), the User's Registered Quarterly Firm NTS Entry Capacity for each of the relevant calendar quarters will lapse and the User will cease to be treated as holding the Registered Quarterly Firm NTS Entry Capacity.

2.2.17 Following the submission of quarterly capacity bids on each annual invitation date in the annual invitation period Transco NTS shall as soon as reasonably practicable after 17:00 hours on each such date calculate and notify Users, in respect of each calendar quarter and each Aggregate System Entry Point, of the Stability Group by reference to identifying where the quantities of Quarterly NTS Entry Capacity applied for in aggregate by Users are first equal to or less than the incremental quantities specified in the annual invitation in ascending order.

2.2.18

- (a) For the purposes of this paragraph 2.2.18:
 - (i) a "**New**" Aggregate System Entry Point is an Aggregate System Entry Point in respect of which Transco NTS has not previously held an annual invitation in accordance with the earlier provisions of this paragraph 2.2 or this paragraph 2.2.18;
 - (ii) an "**initial**" quarterly capacity bid is a capacity bid submitted on an initial annual invitation date and a "**secondary**" quarterly capacity bid is a quarterly capacity bid submitted on a secondary annual invitation

date.

- (b) By not later than the Day falling twenty eight (28) Days before the first initial annual invitation date, Transco NTS will notify Users of the applicable reserve prices and the step prices that will apply in respect of the New Aggregate System Entry Point for the purposes of the first annual invitation.
- (c) Transco NTS will invite applications ("**first**" annual invitation) for Quarterly NTS Entry Capacity at the New Aggregate System Entry Point for each calendar quarter in Capacity Year +2 to Capacity Year +16 (inclusive) for such aggregate amounts of NTS Entry Capacity as is specified in the first annual invitation and Users may make applications for NTS Entry Capacity in respect of the New Aggregate System Entry Point in accordance with this paragraph 2.2.18.
- (d) Transco NTS's annual invitation under paragraph 2.2.18(c) will specify:
 - (i) the date(s) on which applications ("**initial applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date an "**initial**" annual invitation date);
 - (ii) the date(s) on which further applications ("**secondary applications**") pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date a "**secondary**" annual invitation date);
 - (iii) the conditions which must be satisfied before Transco NTS will invite Users to submit secondary applications;
 - (iv) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available NTS Entry Capacity and the applicable reserve prices for Baseline NTS Entry Capacity (in accordance with the Transportation Statement) (the "**applicable reserve price**");
 - (v) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
 - (1) the relevant number of incremental capacity amounts of Quarterly NTS Entry Capacity greater than the NTS SO Baseline Entry Capacity (the maximum incremental capacity amount being not less than an amount equal to 150% of NTS SO Baseline Entry Capacity); and
 - (2) the step price payable by Users for each different incremental capacity amount were Transco NTS to make such incremental capacity amount available,

in each case (in accordance with Transco NTS's Transportation Statement); and
 - (vi) the relevant number for the purposes of paragraph (v) being twenty (20) except in the event of a New Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day

where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in Transco NTS's Transportation Statement.

- (e) Provided the conditions referred to in the first annual invitation are satisfied Transco NTS will by not later than the Day falling twenty-eight (28) Days before the first Day on which Users may submit secondary applications re-notify Users of each of the secondary annual invitation date(s), and Transco NTS's invitation will be in accordance with paragraph 2.2.18(d) and the applicable reserve price shall be the same as that applicable reserve price that applied when Users were invited to submit initial applications.
- (f) Users may apply for Quarterly NTS Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of the New Aggregate System Entry Point on initial annual invitation dates and on secondary annual invitation dates (and a User who has not submitted an initial application shall not be prevented from submitting a secondary application where Transco NTS invites secondary applications).
- (g) For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.18, in relation to a first annual invitation:
 - (i) paragraphs 2.2.5, 2.2.6, 2.2.8, 2.2.10, 2.2.11 and 2.2.12 shall apply;
 - (ii) paragraph 2.2.9 shall apply provided that an initial quarterly capacity bid may not be withdrawn on a secondary annual invitation date;
 - (iii) paragraph 2.2.17 shall apply for which purposes the prevailing relevant step price group shall be determined by reference to the quantities of Quarterly NTS Entry Capacity applied for in aggregate at the New Aggregate System Entry Point by Users up until 17:00 hours on each relevant invitation date).
- (h) Without prejudice to paragraph 2.2.18(i), following the submission of initial applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall apply and Transco NTS shall allocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity at the New Aggregate System Entry Point in the amounts so allocated.
- (i) Where Transco NTS invites and Users submit secondary applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall again apply for which purposes the Reserve Price Bid Amount and the relevant step price group shall be determined by reference to initial quarterly capacity bids and secondary quarterly capacity bids and Transco NTS shall allocate or (as the case may be) reallocate NTS Entry Capacity and Users will be registered as holding Quarterly NTS Entry Capacity in the amounts so allocated or (as the case may be) reallocated.
- (j) For the avoidance of doubt following the allocation of NTS Entry Capacity under paragraph 2.2.18(i) Users agree to pay by way of NTS Entry Charges for the Quarterly NTS Entry Capacity allocated the step price corresponding to the relevant step price group for the calendar quarter following the second application of paragraph 2.6 irrespective of whether or not the step price is the same as the step price corresponding to the relevant step price group following the first application of paragraph 2.6 in respect of initial applications.

- (k) Nothing in this paragraph 2.2.18 shall be construed as giving rise to a requirement that Transco NTS make available NTS Entry Capacity in relation to the New Aggregate System Entry Point on secondary annual invitation dates or that Transco NTS invite Users to submit secondary applications.

2.2.19 In the event that following calculation of the Stability Group (in accordance with paragraph 2.2.17) for each calendar quarter and each Aggregate System Entry Point following submission of quarterly capacity bids on the next following invitation date, the Stability Group remains unchanged in respect of all but four or fewer calendar quarters and Aggregate System Entry Point combinations:

- (a) Transco NTS shall by not later than 08:00 hours on the next following annual invitation date, notify Users that this paragraph 2.2.19 applies and that the annual invitation period has ended; and
- (b) Users shall not be not be permitted to submit and Transco NTS shall not be permitted to accept any further quarterly capacity bids in respect of the annual invitation.

2.3 Rolling Monthly System Entry Capacity auctions

2.3.1 In respect of an Aggregate System Entry Point where there is in relation to a calendar month Unsold NTS Entry Capacity Transco NTS will invite applications (a "**rolling monthly invitation**") for Monthly NTS Entry Capacity (in an amount not less than the sum of Unsold NTS Entry Capacity (if any) and Incremental NTS Entry Capacity (if any)) in respect of the Aggregate System Entry Point for the relevant calendar month in accordance with this paragraph 2.3.

2.3.2 Transco NTS's rolling monthly invitation under paragraph 2.3.1 will specify:

- (a) the date (a "**rolling monthly**" invitation date) being one of the five (5) Business Days preceding the last Business Day in the calendar month preceding the relevant calendar month for which applications may be made) on which applications pursuant to the rolling monthly invitation may be made; and
- (b) for each Aggregate System Entry Point, the amount of Monthly NTS Entry Capacity to be made available; and
- (c) the reserve price to be applied.

2.3.3 Users may apply for Monthly NTS Entry Capacity in respect of an Aggregate System Entry Point in the relevant calendar month on a rolling monthly invitation date.

2.3.4 An application (a "**rolling monthly**" capacity bid) for Monthly NTS Entry Capacity shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the calendar month for which Monthly NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity applied for (in kWh/Day);

- (e) the minimum amount (not less than the minimum eligible amount) of Monthly NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
- (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Monthly NTS Entry Capacity applied for.

2.3.5 A rolling monthly capacity bid:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on a rolling monthly invitation date; and
- (b) may be withdrawn or amended until, but not after, 17:00 hours on a rolling monthly invitation date.

2.3.6 Transco NTS shall reject a rolling monthly capacity bid where:

- (a) the bid price is less than the reserve price;
- (b) any other requirement of paragraph 2.3.4 is not complied with,

and Transco NTS may reject a rolling monthly capacity bid in accordance with Section V3.

2.4 Daily NTS Entry Capacity

2.4.1 Users may apply for Daily NTS Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.4.

2.4.2 An application (a "**daily**" capacity bid) for Daily NTS Entry Capacity shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Day for which the Daily NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Daily NTS Entry Capacity applied for;
- (e) the minimum amount (not less than the minimum eligible amount) of Daily NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e);
- (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily NTS Entry Capacity applied for; and
- (g) whether such bid is a fixed or reducing daily capacity bid.

2.4.3 A daily capacity bid:

- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 02:00 hours on the Day for which the Daily NTS Entry Capacity is applied for; and

- (b) may, subject to paragraph 2.4.4, in the case of a fixed bid be withdrawn or amended and in the case of a reducing bid withdrawn, at any time before Daily NTS Entry Capacity is allocated in respect of such bid.
- 2.4.4 A daily capacity bid may not be withdrawn during a capacity allocation period (irrespective of whether or not the daily capacity bid is in relation to an Aggregate System Entry Point at which, for the purposes of the capacity allocation, there is Available Daily Capacity) and where a User seeks to withdraw a bid during such period, Transco NTS will notify the User that a capacity allocation period is current and Transco NTS may, subject to paragraph 2.4.6, accept such daily capacity bid.
- 2.4.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity bids which are capable of acceptance in accordance with this paragraph 2.4.
- 2.4.6 Transco NTS shall reject a daily capacity bid where:
- (a) the bid price is less than the reserve price;
 - (b) any other requirement of paragraph 2.4.2 is not complied with,
- and Transco NTS may reject a daily capacity bid in accordance with Section V3.
- 2.4.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Available Daily Capacity is available Transco NTS will initiate a capacity allocation period.
- 2.4.8 Where Transco NTS has initiated a capacity allocation period or for the purposes of paragraph 2.4.11, Daily NTS Entry Capacity (up to the amount, if any, of the Available Daily Capacity) will be allocated in accordance with paragraph 2.7.
- 2.4.9 Subject to paragraph 2.7.3, Transco NTS will accept bids in respect of which Daily NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily NTS Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.4.10 Where there is no Available Daily Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, Transco NTS will not accept any daily capacity bids.
- 2.4.11 Daily capacity bids will also be selected for acceptance in accordance with the System Management Principles.
- 2.4.12 Transco NTS will accept daily capacity bids selected pursuant to paragraph 2.7.2 or 2.4.11 and the amount of Available Daily Capacity for the Day at the Aggregate System Entry Point will be decreased by the amount for which the bid was selected.
- 2.4.13 For the purposes of this paragraph 2.4:
- (a) the "**Available Daily Capacity**" in relation to an Aggregate System Entry Point, is an amount of Daily NTS Entry Capacity equivalent to the sum of Unsold NTS Entry Capacity (which was available for such Day in accordance with paragraph 2.3 (if any)) which remains available following the application of paragraph 2.3 in respect of each Day in the calendar month in which such

Day falls and any additional Daily NTS Entry Capacity that Transco NTS may in its sole discretion choose to make available for the Day (if any);

- (b) the "**bid effective time**" is the time on the hour in relation to a daily capacity bid being the later of:
 - (i) 06:00 hours on the Gas Flow Day; or
 - (ii) the time falling no earlier than 60 minutes after Daily NTS Entry Capacity has been allocated in respect of such bid;
- (c) a "**capacity allocation period**" is the period of 15 minutes, in which Transco NTS conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time:
 - (i) first commences at 13:00 hours on the Preceding Day to that for which the Daily NTS Entry Capacity is applied for;
 - (ii) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily NTS Entry Capacity is applied for (but not thereafter);
- (d) a "**capacity allocation**" is the allocation of Daily NTS Entry Capacity during a capacity allocation period in accordance with paragraph 2.7;
- (e) a "**fixed bid**", is a daily capacity bid in relation to which the Daily NTS Entry Capacity applied for is not conditional on the bid effective time and a "**reducing bid**" is a daily capacity bid in relation to which the amount of Daily Entry Capacity applied for is determined as:

$$(DSEC / BET) * N$$

where:

DSEC is the amount of Daily NTS Entry Capacity applied for when the bid was first submitted;

BET commencing from the earliest bid effective time in respect of such bid, the number of hours remaining on the Gas Flow Day;

N the number of hours remaining from the actual bid effective time were Daily NTS Entry Capacity to be allocated in respect of such a bid.

- (f) the "**reserve price**" shall mean:
 - (i) in respect of Daily NTS Entry Capacity applied for and allocated prior to 06:00 on the Day for which it was applied for, the reserve price for Unsold NTS Entry Capacity (in accordance with Transco NTS's Transportation Statement); or
 - (ii) in respect of Daily NTS Entry Capacity applied for and allocated after 06:00 hours on the Day for which it was applied for, zero.

2.4.14 A daily capacity bid is "**available**" where:

- (a) submitted and not withdrawn prior to the start of any capacity allocation period; and
- (b) the bid effective time is later than 06:00 on the Gas Flow Day, the implied capacity rate is less than or equal to the available capacity rate at the relevant Aggregate System Entry Point,

and for the avoidance of doubt, where Daily NTS Entry Capacity is allocated in respect of a bid such bid shall be extinguished and no longer be available for the purposes of paragraph 2.7.

2.4.15 For the purposes of this paragraph 2.4:

- (a) the "**available capacity rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Daily NTS Entry Capacity equal, as appropriate, to the Available Daily Capacity, divided by the number of hours remaining in the Day following the capacity allocation effective time;
- (b) the "**capacity allocation effective time**" is:
 - (i) where the capacity allocation period ends prior to 04:00 hours on the Preceding Day, 06:00 on the Gas Flow Day;
 - (ii) the hour bar following the next hour bar falling after the end of a capacity allocation period;
- (c) the "**implied capacity rate**" in relation to a:
 - (i) fixed bid, is the rate (in kWh/hour), calculated as the amount of Daily NTS Entry Capacity in respect of which the bid was made divided by the number of hours remaining in the Day were Daily NTS Entry Capacity to be allocated in respect of such bid;
 - (ii) reducing bid, is the rate (in kWh/hour) calculated as the amount of Daily NTS Entry Capacity in respect of which the bid was made divided by the number of hours remaining in the Day from the hour bar following the hour bar next falling after submission of such bid.

2.5 Daily Interruptible NTS Entry Capacity

2.5.1 Users may apply for Daily Interruptible NTS Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.5.

2.5.2 An application (a "**daily interruptible**" capacity bid) for Daily NTS Entry Capacity pursuant to this paragraph 2.5 shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Day for which the Daily Interruptible NTS Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Daily Interruptible NTS Entry Capacity applied for;

- (e) the minimum amount (not less than the minimum eligible amount) of Daily Interruptible NTS Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
 - (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily Interruptible NTS Entry Capacity applied for.
- 2.5.3 A daily interruptible capacity bid:
- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day; and
 - (b) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.
- 2.5.4 For each Day, in respect of each Aggregate System Entry Point:
- (a) Transco NTS will notify Users of the amount of Available Interruptible Capacity by not later than 12:00 hours on the Preceding Day; and
 - (b) Daily Interruptible NTS Entry Capacity (up to the amount if any of the Available Interruptible Capacity) will be allocated pursuant to daily interruptible capacity bids in accordance with paragraph 2.7.
- 2.5.5 In relation to each Aggregate System Entry Point and in respect of any Day a User may have, at any one time, up to but not more than 20 daily interruptible capacity bids which are capable of acceptance in accordance with paragraph 2.7.
- 2.5.6 Transco NTS will reject a daily interruptible capacity bid where:
- (a) the bid price is less than the reserve price;
 - (b) any other requirement of paragraph 2.5.2 is not complied with,
- and Transco NTS may reject a daily interruptible capacity bid in accordance with Section V3.
- 2.5.7 Subject to paragraph 2.7.3, Transco NTS will accept bids in respect of which Daily Interruptible NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily Interruptible NTS Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.5.8 Where there is no Available Interruptible Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, Transco NTS will not accept any daily interruptible capacity bids.
- 2.5.9 Transco NTS will, not later than 15:00 hours on the Preceding Day, inform each User of those of its daily interruptible capacity bids which have been accepted and the amount of Daily Interruptible NTS Entry Capacity which it is registered as holding pursuant to each such accepted bid.
- 2.5.10 For the purposes of this paragraph 2.5 the "**Available Interruptible Capacity**" in respect of an Aggregate System Entry Point for any Day is an amount of NTS Entry Capacity equal to the daily average unutilised firm capacity.

- 2.5.11 The "**daily average unutilised firm capacity**" in respect of any relevant period in relation to an Aggregate System Entry Point is an amount of NTS Entry Capacity equal to:

$$\text{AUC} / 30$$

where:

AUC is the aggregate amount, for each relevant day, by which the Firm NTS Entry Capacity at the Aggregate System Entry Point held by Users in aggregate exceeds the sum of the Entry Point Daily Quantity Delivered for each System Entry Point comprised in the Aggregate System Entry Point,

and a "**relevant day**" is each of the thirty (30) Days up to (and including) the Day falling seven (7) Days before the first Day in any relevant period and "**relevant period**" is a period of seven (7) consecutive Days .

2.6 Allocation: Quarterly NTS Entry Capacity

- 2.6.1 Following an annual invitation and in relation to an Aggregate System Entry Point and a calendar quarter where the Reserve Price Bid Amount:

- (a) is equal to or less than the Unsold NTS Entry Capacity, paragraph 2.6.2 will apply;
- (b) is greater than the Unsold NTS Entry Capacity, paragraph 2.6.3 will apply (other than where the circumstances in paragraph 2.6.4 exist in which case such paragraph shall apply).

- 2.6.2 Where this paragraph 2.6.2 applies pursuant to paragraph 2.6.1:

- (a) Quarterly NTS Entry Capacity will be allocated to each quarterly capacity bid (excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) in the amount of Quarterly NTS Entry Capacity applied for; and
- (b) the User agrees to pay by way of NTS Entry Capacity Charges for the Quarterly NTS Entry Capacity allocated in accordance with paragraph (a) the applicable reserve price for the calendar quarter.

- 2.6.3 Where this paragraph 2.6.3 applies pursuant to paragraph 2.6.1, subject to paragraph 2.6.4:

- (a) Quarterly NTS Entry Capacity will be allocated to each quarterly capacity bid in the relevant step price group or the reserve price (as the case may be) (in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) in the amount of Quarterly NTS Entry Capacity applied for; and
- (b) the User agrees to pay by way of NTS Entry Capacity Charges for the Quarterly NTS Entry Capacity allocated in accordance with paragraph (a) the step price or the reserve price (as the case may be) corresponding to the relevant step price group for the calendar quarter.

- 2.6.4 In the event that there is no relevant step price group the Actual Available NTS Entry Capacity will be allocated to each quarterly capacity bid:

- (a) where paragraph 2.2.10(a) applies, in the step price group for which Users specified the highest step price when applying for Quarterly NTS Entry Capacity;
- (b) where paragraph 2.2.10(b) applies, in the step price group for which the incremental capacity amount which is equal to the Actual Available Aggregate NTS Entry Capacity,

(in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) pro rata the amount applied for (provided that where the amount to be allocated is less than the minimum amount specified in the quarterly capacity bid, the bid will be disregarded (and have no effect) and a revised allocation will be made between the quarterly capacity bids in accordance with this paragraph).

2.6.5 For the purposes of this paragraph 2.6, and in respect of an Aggregate System Entry Point in relation to a calendar quarter:

- (a) "**Actual Available NTS Entry Capacity**" is, following an annual invitation, an amount of Quarterly NTS Entry Capacity equal to the sum of:
 - (i) Unsold NTS Entry Capacity (as determined prior to the annual invitation);
 - (ii) any additional Quarterly NTS Entry Capacity which NTS is required to make available pursuant to the Incremental Entry Capacity Release Statement following the submission of quarterly capacity bids in response to the annual invitation; and
 - (iii) any additional Quarterly NTS Entry Capacity which Transco NTS in its sole discretion determines to make available to Users;
- (b) the "**relevant step price group**" is:
 - (i) where a step price group quantity is exactly equal to the Actual Available NTS Entry Capacity, the step price group in respect of which the step price group quantity is exactly equal to the Actual Available NTS Entry Capacity at the step price in respect of the Actual Available NTS Entry Capacity; and
 - (ii) where paragraph (i) above is not applicable and paragraph 2.2.10(a) applies, the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the Actual Available NTS Entry Capacity; and
 - (iii) where paragraph (i) above is not applicable and paragraph 2.2.10(b) applies, the step price group or those bids at the reserve price (as the case may be), when considering the step prices and the reserve price specified in the annual invitation in descending order, in respect of which the step price group quantity or the Reserve Price Bid Amount is last equal to or less than the Actual Available NTS Entry Capacity;
- (c) the "**Reserve Price Bid Amount**" is, in relation to an annual invitation, the aggregate amount of Quarterly NTS Entry Capacity applied for pursuant to quarterly capacity bids in respect of which different Users specified a price

other than a step price when applying for Quarterly NTS Entry Capacity;

- (d) a "**step price group**" are those quarterly capacity bids in respect of which different Users specified the same step price when applying for Quarterly NTS Entry Capacity; and
- (e) the "**step price group quantity**" is the aggregate amount of Quarterly NTS Entry Capacity applied for by Users pursuant to quarterly capacity bids comprised in a step price group.
- (f) the "**Stability Group**" is the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the incremental quantities specified in the annual invitation in ascending order.

2.6.6 Transco NTS will accept quarterly capacity bids in respect of which Quarterly NTS Entry Capacity is allocated in accordance with paragraphs 2.6.2, 2.6.3 and 2.6.4, and each User whose bid is so accepted will be registered as holding Quarterly NTS Entry Capacity (in the amount so allocated) for the relevant calendar quarter in respect of the Aggregate System Entry Point.

2.6.7 Transco NTS will, not later than:

- (a) two months following the last annual invitation date in a Capacity Year inform each User of those of its quarterly capacity bids which have been accepted and the amount of Quarterly NTS Entry Capacity which it is registered as holding for each calendar quarter pursuant to each such accepted quarterly capacity bid; and
- (b) twenty four (24) hours after the time at which Transco NTS notifies Users in accordance with paragraph (a) notify all Users in respect of each calendar quarter in accordance with paragraph 2.14.2.

2.7 Allocation: Monthly, Daily and Daily Interruptible NTS Entry Capacity

2.7.1 Following the submission of monthly capacity bids, rolling monthly, daily capacity bids and daily interruptible capacity bids, NTS Entry Capacity will be allocated for a relevant short term period in accordance with this paragraph 2.7.

2.7.2 For a relevant short term period, NTS Entry Capacity in respect of an Aggregate System Entry Point will be allocated pursuant to capacity bids submitted in respect of such short term period as follows:

- (a) all capacity bids submitted in respect of the relevant short term period (excluding any bid rejected pursuant to paragraphs 2.2.11, 2.3.6, 2.4.6 or 2.5.6) will be ranked in order of bid price (the highest price ranking first) save that in the case of monthly capacity bids made pursuant to paragraph 2.2.4 the ranking will be made in respect of each relevant annual invitation date;
- (b) in the case of monthly capacity bids made pursuant to paragraphs 2.2.4, the Available NTS Entry Capacity for the calendar month;
 - (i) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available Monthly Capacity for the relevant annual invitation date for the calendar month;

- (ii) in the case of daily capacity bids made pursuant to paragraph 2.4.1 the Available Daily Capacity; and
 - (iii) in the case of daily interruptible capacity bids made pursuant to paragraph 2.5.1, the Available Interruptible Capacity;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.7.3, where the amount of NTS Entry Capacity applied for under a bid exceeds the amount (the "**remaining unallocated amount**") of the relevant capacity remaining unallocated after allocation to higher priced bids, the User will be allocated an amount equal to the remaining unallocated amount;
 - (d) subject to paragraph (e) and paragraph 2.7.3, where each of two or more bids ("**equal priced bids**") specifies the same bid price, and the amount of relevant capacity remaining applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for in each such bid;
 - (e) where the amount to be allocated in respect of a bid pursuant to paragraph (c) or (d) is less than the minimum amount specified in the capacity bid, the bid will be disregarded (and of no effect), and a revised allocation will be made between remaining equal price bid(s) under paragraph (d), or (as the case may be) an allocation made in respect of the next priced bid.
- 2.7.3 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.7.2 is less than the minimum eligible amount, Transco NTS will not accept that or any further capacity bids under, as appropriate, paragraphs 2.2, 2.3, 2.4 or 2.5.
- 2.7.4 Subject to paragraph 2.7.2, Transco NTS will accept bids in respect of which NTS Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding NTS Entry Capacity (in the amount so allocated) for the relevant short term period in respect of the Aggregate System Entry Point.
- 2.7.5 Each User who applies for NTS Entry Capacity for a relevant short term period shall tender in respect of each capacity bid a bid price (in accordance with paragraphs 2.2.7(f), 2.3.4(f), 2.4.2(f) or 2.5.2(f)) and agrees by making such application to pay by way of NTS Entry Capacity Charges the relevant bid price for the relevant short term period in respect of the NTS Entry Capacity allocated in accordance with this paragraph 2.7 pursuant to such capacity bid.
- 2.7.6 For the purposes of this paragraph 2.7:
- (a) "**relevant short term period**" means:
 - (i) in the case of an annual invitation or a rolling monthly invitation under paragraphs 2.2 and 2.3, the relevant calendar month; and
 - (ii) for the purposes of paragraphs 2.4 and 2.5, the relevant Day; and
 - (b) "**relevant capacity remaining**" is, for the purposes of an allocation in accordance with paragraph 2.7.2 following applications made under:
 - (i) paragraphs 2.2.5 or 2.3.3, Monthly NTS Entry Capacity;

- (ii) paragraph 2.4.1, Daily NTS Entry Capacity; and
- (iii) paragraph 2.5.1, Daily Interruptible NTS Entry Capacity.

2.7.7 Transco NTS will:

- (a) in respect of Monthly NTS Entry Capacity allocated in respect of Capacity Year + 1 not later than one month following the final date on which applications for Monthly NTS Entry Capacity could be made, inform each User of those of its monthly capacity bids which have been accepted and the amount of Monthly NTS Entry Capacity which it is registered as holding for each calendar month in Capacity Year +1 pursuant to each such accepted monthly capacity bid;
- (b) in respect of Monthly NTS Entry Capacity allocated in respect of Capacity Year + 2 not later than two months following the final date on which applications for Monthly NTS Entry Capacity could be made, inform each User of those of its monthly capacity bids which have been accepted and the amount of Monthly NTS Entry Capacity which it is registered as holding for each calendar month in Capacity Year + 2;
- (c) in respect of Monthly NTS Entry Capacity allocated in respect of a calendar month not later than three (3) Business Days following rolling monthly invitation inform each User of those of its rolling monthly capacity bids which have been accepted and the amount of Monthly NTS Entry Capacity which it is registered as holding for the calendar month;
- (d) one (1) hour after a capacity allocation of Daily NTS Entry Capacity and Daily Interruptible NTS Entry Capacity inform each User of those of its capacity bids which have been accepted and the amount of Daily NTS Entry Capacity and Daily Interruptible NTS Entry Capacity which it is registered as holding pursuant to each such accepted capacity bid; and
- (e) twenty four (24) hours after the time at which Transco NTS notifies Users in accordance with paragraph (a), (b), (c) and (d) notify all Users in respect of each relevant short term period in accordance with paragraph 2.14.2.

2.8 Capacity Constraint Management

2.8.1 Transco NTS may, for the purposes of Capacity Management:

- (a) initiate a capacity allocation period in accordance with the System Management Principles; and
- (b) undertake Capacity Management in accordance with the System Management Principles (which may include the acceptance of daily capacity offers on any Day at an Aggregate System Entry Point in such aggregate amounts as is consistent with the System Management Principles).

2.8.2 For the purposes of the Code:

- (a) "**Capacity Management**" means, in relation to an Aggregate System Entry Point and in relation to any Day:
 - (i) the entering into of a Capacity Management Agreement by Transco NTS; and/or

- (ii) the curtailment of Interruptible NTS Entry Capacity in accordance with paragraphs 2.9; and/or
- (iii) the acceptance by Transco NTS of daily capacity offers submitted by Users in accordance with paragraph 2.10,

in each case in accordance with the System Management Principles (and this paragraph 2);

- (b) "**Capacity Management Charges**" are all amounts payable by Transco NTS to a User pursuant to a Capacity Management Agreement and include Capacity Surrender Charges; and
- (c) a "**Capacity Management Agreement**" is any form of agreement (or mechanism) identified in the statement to be prepared and published by Transco NTS pursuant to Special Condition [C5(3)] of Transco NTS's Transporter's Licence which may be utilised by Transco NTS and pursuant to which Transco NTS may secure the surrender of Firm NTS Entry Capacity by Users for the purposes of the management of a capacity constraint.

2.8.3 Transco NTS may enter into a Capacity Management Agreement with a User.

2.8.4 Where pursuant to the terms of a Capacity Management Agreement a User surrenders Firm NTS Entry Capacity at an Aggregate System Entry Point in relation to a Day, the amount of the User's Available Firm NTS Entry Capacity at the Aggregate System Entry Point shall be reduced by the amount surrendered by the User pursuant to the terms of the Capacity Management Agreement.

2.8.5 Capacity Surrender Charges will be invoiced and payable in accordance with Section S.

2.8.6 Transco NTS shall for the purposes of the management of a capacity constraint take such steps as are in accordance with the System Management Principles; it however being acknowledged that the System Management Principles do not form part of, and are not incorporated into, and are not binding upon Transco NTS pursuant to, the Code.

2.8.7 For the avoidance of doubt, Transco NTS shall not be under any obligation pursuant to paragraphs 2.2, 2.3, 2.4, 2.5 or any other provision of this Section B2 to make available to Users NTS Entry Capacity surrendered by Users pursuant to the terms of a Capacity Management Agreement.

2.8.8 For the purposes of paragraph 2.8.9 below, the following words shall have the following meanings:

"**Forward Agreement**" means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User surrenders Firm NTS Entry Capacity to Transco NTS over a forward period of days (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);

"**Option Agreement**" means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User grants an option to Transco NTS upon the exercise of which Transco NTS may accept the surrender of Firm NTS Entry Capacity (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);

"**Relevant Forward Combination**" means a specific combination of Aggregate System

Entry Point and forward delivery period as set out in a valid tender offer submitted to Transco NTS pursuant to a Tender Invitation Notice;

"Relevant Option Combination" means a specific combination of Aggregate System Entry Point and option exercise period as set out in a valid tender offer submitted to Transco NTS pursuant to a Tender Invitation Notice; and

"Tender Invitation Notice" means a notice issued by Transco NTS inviting Users to submit a tender offer for a Forward Agreement or an Option Agreement (as the case may be).

2.8.9

- (a) Where, in respect of a Relevant Forward Combination and pursuant to a Tender Invitation Notice, Transco NTS enters into Forward Agreement(s) with Users after the date of implementation of the modification proposal giving effect to this paragraph (a), it shall publish on the Business Day following that on which it enters into such Forward Agreement(s) and in respect of each Gas Flow Day in the relevant forward delivery period:
 - (i) the volume weighted average price in respect of all valid offers received by Transco NTS for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by Transco NTS for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iv) the maximum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (v) in respect of such Forward Agreement(s), the volume weighted average price for the surrender of Firm NTS Entry Capacity pursuant to such agreements;
 - (vi) in respect of such Forward Agreement(s), the aggregate quantity of Firm NTS Entry Capacity that was surrendered pursuant to such agreements;
 - (vii) in respect of such Forward Agreement(s), the minimum price paid for the surrender of Firm NTS Entry Capacity pursuant to such agreements; and
 - (viii) in respect of such Forward Agreement(s), the maximum price paid for the surrender of Firm NTS Entry Capacity pursuant to such agreements.
- (b) Where, in respect of a Relevant Option Combination and pursuant to a Tender Invitation Notice, Transco NTS enters into Option Agreement(s) with Users after the date of implementation of the modification proposal giving effect to this paragraph (b), it shall publish on the Business Day following that on which

it enters into such Option Agreement(s):

- (i) the volume weighted average strike price in respect of all valid offers received by Transco NTS for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to the Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by Transco NTS for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (v) in respect of such Option Agreement(s), the volume weighted average strike price for the Firm NTS Entry Capacity available for surrender pursuant to such agreements;
 - (vi) in respect of such Option Agreement(s), the aggregate quantity of Firm NTS Entry Capacity that is available for surrender by Users pursuant to such agreements;
 - (vii) in respect of such Option Agreement(s), the minimum strike price for the surrender of Firm NTS Entry Capacity pursuant to such agreements; and
 - (viii) in respect of such Option Agreement(s), the maximum strike price for the surrender of Firm NTS Entry Capacity pursuant to such agreements.
- (c) Where, after the date of implementation of the modification proposal giving effect to this paragraph (c), Transco NTS, whether in whole or in part, exercises its right to accept the surrender of Firm NTS Entry Capacity in respect of any specific Gas Flow Day and specific Aggregate System Entry Point pursuant to an Option Agreement or Option Agreements, it shall publish on the first Business Day following that specific Gas Flow Day:
- (i) the aggregate quantity of Firm NTS Entry Capacity surrendered to Transco NTS in respect of that Gas Flow Day and Aggregate System Entry Point pursuant to such exercise; and
 - (ii) the volume weighted average strike price in respect of the Firm NTS Entry Capacity surrendered to Transco NTS in respect of that Gas Flow Day and Aggregate System Entry Point pursuant to such exercise.
- (d) Where, after the date of implementation of the modification proposal giving effect to this paragraph (d) and pursuant to a Tender Invitation Notice, Transco NTS receives valid tender offers in respect of a Relevant Forward Combination but Transco NTS does not enter into any Forward Agreements with Users in respect of that Relevant Forward Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish, within four Business Days

following the last Day on which such tender offers may have been submitted to Transco NTS pursuant to that Tender Invitation Notice, and in respect of each Gas Flow Day in the relevant forward delivery period:

- (i) the volume weighted average price in respect of all valid offers received by Transco NTS for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by Transco NTS for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice; and
 - (iv) the maximum price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice.
- (e) Where, after the date of implementation of the modification proposal giving effect to this paragraph (e) and pursuant to a Tender Invitation Notice, Transco NTS receives valid tender offers in respect of a Relevant Option Combination but Transco NTS does not enter into any Option Agreements with Users in respect of that Relevant Option Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish within four Business Days following the last Day on which such tender offers may have been submitted to Transco NTS pursuant to that Tender Invitation Notice:
- (i) the volume weighted average strike price in respect of all valid offers received by Transco NTS for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (ii) the aggregate quantity of Firm NTS Entry Capacity for which valid offers to surrender were received by Transco NTS for that Relevant Option Combination pursuant to that Tender Invitation Notice;
 - (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice; and
 - (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm NTS Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice.

2.9 Curtailment of Interruptible NTS Entry Capacity

2.9.1 For the purposes of this paragraph 2.9, an "**Entry Capability Shortfall**" in respect of an Aggregate System Entry Point for a Day is the amount (in kWh) by which the amount of (or rate at which) gas is or will be delivered exceeds the System Entry Capability (as determined by Transco NTS).

2.9.2 Where at any time after 15:00 hours on the Preceding Day Transco NTS determines in

relation to any Aggregate System Entry Point that there is or will be an Entry Capacity Shortfall, the Interruptible NTS Entry Capacity held by Users at that Aggregate System Entry Point will be curtailed subject to and in accordance with the System Management Principles and the further provisions of this paragraph 2.9.

2.9.3 Transco NTS will give a notice ("**interruptible curtailment notice**") to all Users specifying:

- (a) the Aggregate System Entry Point and the Day to which the notice relates;
- (b) the time ("**curtailment effective time**") with effect from which such curtailment is to take place, which shall be on the hour, shall not be earlier than 06:00 hours nor later than 02:00 hours on the Gas Flow Day, and shall not be less than 60 minutes after such notice is given; and
- (c) a factor ("**interruptible curtailment factor**") determined in accordance with the System Management Principles.

2.9.4 Where Transco NTS gives an interruptible curtailment notice, the amount of each User's Available Interruptible NTS Entry Capacity (excluding any negative Available Interruptible NTS Entry Capacity) will be determined as:

$$R * (ICF1 * P1 + ICF2 * P2 + \dots + ICFn * Pn) / 24$$

where R is the amount of the User's Available Interruptible NTS Entry Capacity for the Day;

and where for each interruptible curtailment notice (from 1 to n) given in respect of the Aggregate System Entry Point and the Day:

ICF is the interruptible curtailment factor, and

P is the period in hours from the curtailment effective time until the end of the Gas Flow Day or (if earlier) the curtailment effective time of a subsequent curtailment notice,

and for the purposes of which, in the absence of any other interruptible curtailment notice, there shall be deemed to be an interruptible curtailment notice specifying an interruptible curtailment factor of one (1) in force at the start of the Gas Flow Day.

2.10 Surrender of NTS Entry Capacity

2.10.1 Users may offer to surrender Available Firm NTS Entry Capacity for a Day in respect of an Aggregate System Entry Point, and Transco NTS may accept such offers, subject to and in accordance with the System Management Principles and this paragraph 2.10.

2.10.2 An offer ("**daily capacity offer**") to surrender Firm NTS Entry Capacity pursuant to this paragraph 2.10 shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Day for which NTS Entry Capacity is offered for surrender;

- (d) the amount (not less than the minimum eligible amount) of NTS Entry Capacity offered for surrender (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of NTS Entry Capacity for which the User is willing to have the offer accepted;
- (f) the amount (the "**offer price**") in pence/kWh/Day which the User wishes to be paid in respect of the of the surrender of the offered NTS Entry Capacity; and
- (g) whether such offer is a fixed or reducing daily capacity offer.

2.10.3 A daily capacity offer:

- (a) may be submitted at any time from 06:00 hours on the 7th Day before the Gas Flow Day until 02:00 hours on the Day for which the NTS Entry Capacity is offered for surrender; and
- (b) may, subject to paragraph 2.10.4, in the case of a fixed offer be withdrawn or amended and in the case of a reducing offer be withdrawn, at any time before NTS Entry Capacity in such bid is selected for surrender.

2.10.4 A daily capacity offer may not be withdrawn during a capacity selection period (irrespective of whether or not the daily capacity offer is in relation to an Aggregate System Entry Point at which, for the purposes of capacity selection, there is a Firm Capacity Shortfall) and where a User seeks to withdraw an offer during such period, Transco NTS will notify the User that a capacity selection period is current and Transco NTS may, subject to paragraph 2.10.6, accept such daily capacity offer.

2.10.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity offers which are capable of acceptance in accordance with this paragraph 2.10.

2.10.6 Transco NTS will reject a daily capacity offer where any requirement of paragraph 2.10.2 is not complied with, and may reject such an offer where the amount of NTS Entry Capacity offered for surrender exceeds the amount of the User's Available Firm NTS Entry Capacity (determined by reference to System Capacity Transfers which have at the relevant time become effective pursuant to paragraph 5.2.4 and the provisions of paragraph 2.8 and this paragraph 2.10).

2.10.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Transco NTS determines that there is a Firm Capacity Shortfall at one or more Aggregate System Entry Points, Transco NTS will initiate, not earlier than 13:00 hours on the Preceding Day, a capacity selection period.

2.10.8 Transco NTS may accept daily capacity offers in accordance with the System Management Principles and the amount of Available Firm NTS Entry Capacity held (for the relevant Day in respect of the relevant Aggregate System Entry Point) by each User whose offer is so accepted will be reduced by the amount for which the offer was selected.

2.10.9 Transco NTS will, not later than one (1) hour after each capacity selection, inform each User of those of its daily capacity offers which have been accepted, the amount of NTS Entry Capacity surrendered pursuant to each such accepted offer, and the amount by which its Available NTS Entry Capacity is accordingly reduced in respect of each

Aggregate System Entry Point.

2.10.10 For the purposes of this paragraph 2.10:

- (a) the "**offer effective time**" is the time on the hour in relation to a daily capacity offer being the later of:
 - (i) 06:00 hours on the Gas Flow Day; and
 - (ii) the time not earlier than 60 minutes after Firm NTS Entry Capacity has been selected pursuant to such bid for surrender;
- (b) a "**capacity selection period**" is the period of 15 minutes in which, where Transco NTS intends to accept Firm NTS Entry Capacity for surrender pursuant to available daily capacity offers, it conducts a capacity selection;
- (c) a "**capacity selection**" is the acceptance of Firm NTS Entry Capacity for surrender during a capacity selection period in accordance with this paragraph 2.10;
- (d) a "**fixed offer**", is a daily capacity offer in relation to which the amount of Firm NTS Entry Capacity offered for surrender is not conditional on the offer effective time and a "**reducing offer**" is a daily capacity offer in relation to which the amount of Firm Entry Capacity offered for surrender is determined as:

$$(FSEC / OET) * N$$

where:

FSEC is the amount of Firm NTS Entry Capacity offered for surrender when the offer was first submitted;

OET commencing from the earliest offer effective time in respect of such bid, the number of hours remaining on the Gas Flow Day; and

N the number of hours remaining from the actual offer effective time were Firm NTS Entry Capacity to be selected for surrender pursuant to such offer; and

- (e) a "**Firm Capacity Shortfall**" is an amount of Firm NTS Entry Capacity equal to the amount by which the lesser of Transco NTS's estimate of the amount of gas that will be delivered to the Total System at the Aggregate System Entry Point during a Day (or part thereof) and the Aggregate Registered Firm NTS Entry Capacity held by all Users at that Aggregate System Entry Point exceeds the System Entry Capability at that Aggregate System Entry Point.

2.10.11 A daily capacity offer is "**available**" where:

- (a) submitted and not withdrawn prior to the start of any capacity selection period; and
- (b) where the offer effective time is later than 06:00 on the Gas Flow Day, the implied surrender rate is less than or equal to the available surrender rate at the relevant Aggregate System Entry Point,

and for the avoidance of doubt, where Firm NTS Entry Capacity is selected for surrender pursuant to an offer such offer shall be extinguished and no longer be available for the purposes of this paragraph 2.10.

2.10.12 For the purposes of this paragraph 2.10:

- (a) the "**available surrender rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Firm NTS Entry Capacity equal, as appropriate, to the Firm Capacity Shortfall, divided by the number of hours remaining in the Day following the capacity selection effective time;
- (b) the "**capacity selection effective time**" is the hour bar following the next hour bar falling after the end of a capacity selection period;
- (c) the "**implied surrender rate**" in relation to:
 - (i) a fixed offer, is the rate (in kWh/hour), calculated as the amount of Firm NTS Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day were Firm NTS Entry Capacity to be selected for surrender pursuant to such offer;
 - (ii) a reducing offer, is the rate (in kWh/hour) calculated as the amount of Firm NTS Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day from the hour bar following the hour next falling after submission of such offer.

2.11 Entry Charges, NTS Entry Commodity Charges and Capacity Surrender Charges

2.11.1

- (a) A User shall, subject to paragraph (b) below, pay Capacity Charges ("**NTS Entry Capacity Charges**") in respect of its Registered NTS Entry Capacity at Aggregate System Entry Points.
- (b) Where:
 - (i) pursuant to paragraph 2.2.18 Transco NTS allocates Quarterly NTS Entry Capacity for the first time at a New Aggregate NTS System Entry Point from a specific date (the "**First Capacity Allocation Date**") but fails to accept gas properly tendered for delivery by a User (for the purpose of this paragraph 2.11.1 a "**relevant User**") at that Aggregate System Entry Point in the period on and following that First Capacity Allocation Date; and
 - (ii) the reason for such failure is the non commissioning of that Aggregate System Entry Point or any System Entry Point comprised within it; and
 - (iii) the relevant User both holds Registered Quarterly NTS Entry Capacity and does properly tender gas for delivery on the relevant Day(s) at that Aggregate System Entry Point,

then no NTS Entry Capacity Charges shall be payable by that relevant User in respect of such Registered NTS Entry Capacity at that Aggregate System Entry Point for each Day in the period from the First Capacity Allocation Date to the Day immediately preceding that on which Transco NTS is first able to accept

gas properly tendered for delivery by any User. Notwithstanding any other provision of the Code, the provisions of this paragraph (b) shall be the sole and exclusive remedy of Users where Transco NTS fails to accept gas properly tendered for delivery in the circumstances set out above;

- (c) A User shall pay Commodity Charges ("**NTS Entry Commodity Charges**") in respect of the flow of gas into the NTS on any day, or a charge calculated by reference to Special Condition [C8B] of Transco NTS's Transporter's Licence.

2.11.2 The NTS Entry Capacity Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point and each class (as described in paragraph 2.1.4) of NTS Entry Capacity, as the amount of the User's Registered NTS Entry Capacity (of the relevant class, and in the case of Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity, applied for pursuant to paragraphs 2.2 and/or 2.3, and allocated following an invitation date) multiplied by the Applicable Daily Rate.

2.11.3 The Applicable Daily Rate shall be:

- (a) in respect of Quarterly NTS Entry Capacity applied for pursuant to an annual invitation under paragraph 2.2, the applicable reserve or cleared price (for the calendar quarter) as determined following the relevant annual invitation date in accordance with paragraph 2.6;
- (b) in respect of Monthly NTS Entry Capacity applied for pursuant to an invitation under paragraphs 2.2 and 2.3, the bid price tendered by the User in respect of the Monthly NTS Entry Capacity allocated for the relevant calendar month pursuant to paragraph 2.7.2;
- (c) in respect of Daily NTS Entry Capacity, the bid price tendered by the User in respect of the Daily NTS Entry Capacity allocated for the Day pursuant to paragraph 2.7.2; and
- (d) in respect of Daily Interruptible NTS Entry Capacity, the bid price tendered by the User in respect of the Daily Interruptible NTS Entry Capacity allocated for the Day pursuant to paragraph 2.7.2.

2.11.4 For the purposes of paragraph 2.11.2, the amount of the User's Registered NTS Entry Capacity shall be determined Unadjusted pursuant to paragraph 2.9.4 (but for the avoidance of doubt Unadjusted pursuant to paragraphs 2.8.4 and 2.10.7).

2.11.5 Where Transco NTS accepts a daily capacity offer pursuant to paragraph 2.10 Transco NTS will pay to the User a charge ("**Capacity Surrender Charge**") in an amount determined as the amount of NTS Entry Capacity for which the daily capacity offer was accepted by Transco NTS multiplied by the offer price specified in the daily capacity offer.

2.11.6 The NTS Entry Commodity Charge payable by a User in respect of each Day will be determined for each NTS Entry Point as the User Daily Quantity Input less any quantity to which the NTS Optional Commodity Rate applies in accordance with Code multiplied by the Applicable Commodity Rate for such Commodity Charge.

2.11.7 NTS Entry Capacity Charges, NTS Entry Commodity Charges and Capacity Surrender Charges will be invoiced and payable in accordance with Section S.

2.12 **Overrun charges**

- 2.12.1 If for any reason the quantity of gas delivered by a User to the Total System at an Aggregate System Entry Point on any Day exceeds the User's aggregate Available NTS Entry Capacity (determined as Fully Adjusted), the User shall pay a charge ("**System Entry Overrun Charge**") in respect of NTS Entry Capacity at that Aggregate System Entry Point on that Day.
- 2.12.2 For the purposes of this paragraph 2.12, in respect of a User at an Aggregate System Entry Point for any Day, the "**overrun quantity**" is the amount by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the Aggregate System Entry Point exceeds the sum of the User's Fully Adjusted Available NTS Entry Capacity.
- 2.12.3 The System Entry Overrun Charge shall be calculated as the amount of the overrun quantity multiplied by whichever is the greatest of:
- (a) $(8 * A)$, where 'A' is the highest bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation under paragraphs 2.2, 2.3 and 2.4; and
 - (b) $(1.1 * B)$, where 'B' is the relevant average accepted offer price;
 - (c) $(1.1 * C)$, where 'C' is the relevant average accepted forward price; and
 - (d) $(1.1 * D)$, where 'D' is the relevant average accepted exercise price,

where (a), (b), (c) and (d) are calculated by reference to information available to Transco NTS at 02:00 hours on the relevant Day.

- 2.12.4 For the purposes of paragraph 2.12.3(b), in respect of an Aggregate System Entry Point the "**relevant average accepted offer price**" for a Day is calculated as:

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

where:

- n is the number of relevant successful offers;
- Q is the amount of Daily NTS Entry Capacity surrendered pursuant to each relevant successful offer (being in aggregate equal to the relevant capacity); and
- P is the offer price of each relevant successful offer,

and for the purposes of this paragraph 2.12.4 a "**relevant successful offer**" is an offer in respect of which relevant capacity was surrendered by a User and "**relevant capacity**" is that amount of NTS Entry Capacity equal to the first 25% of the total Firm NTS Entry Capacity surrendered by Users (determined by ranking all relevant successful offers for the Day in price order (the highest ranked first) and aggregating the Firm NTS Entry Capacity surrendered for each relevant successful offer, in descending order of bid price starting with the highest priced until the aggregate Firm NTS Entry Capacity surrendered equals the relevant capacity) in accordance with paragraph 2.10 and the

System Management Principles.

2.12.5 For the purposes of paragraph 2.12.3(c), in respect of an Aggregate System Entry Point the "**relevant average forward price**" for a Day is calculated as:

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

where:

n is the number of relevant forward arrangements;

Q is the amount of Daily NTS Entry Capacity surrendered (being in aggregate equal to the relevant forward capacity) pursuant to the relevant forward arrangements; and

P is the forward price of each relevant forward arrangement,

and for the purposes of this paragraph 2.12.5 a "**relevant forward arrangement**" is a Capacity Management Agreement pursuant to which relevant forward capacity was surrendered by a User for the relevant Day on any earlier Day and "**relevant forward capacity**" is that amount of NTS Entry Capacity equal to the first 25% of Firm NTS Entry Capacity surrendered by Users (determined by ranking all relevant forward offers for the Day in price order (the highest ranked first) and aggregating the Firm NTS Entry Capacity surrendered for each relevant forward offer, in descending order of bid price starting with the highest priced until the aggregate Firm NTS Entry Capacity surrendered equals the relevant forward capacity) in accordance with paragraph 2.10 and the System Management Principles.

2.12.6 For the purposes of paragraph 2.12.3(d), in respect of an Aggregate System Entry Point the "**relevant average accepted exercise price**" for a Day is calculated as:

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

where:

n is the number of relevant option arrangements;

Q is the amount of Daily NTS Entry Capacity surrendered (being in aggregate equal to the relevant option capacity) pursuant to the relevant option arrangements; and

P is the exercise price of each relevant option arrangement,

and for the purposes of this paragraph 2.12.5 a "**relevant option arrangement**" is a Capacity Management Agreement pursuant to which relevant option capacity was surrendered by a User for the relevant Day on any earlier Day following the exercise by Transco NTS of an option that NTS Entry Capacity be surrendered on such Day and "**relevant option capacity**" is that amount of NTS Entry Capacity equal to the first 25% of Firm NTS Entry Capacity surrendered by Users (determined by ranking all relevant option offers for the Day in price order (the highest ranked first) and aggregating the Firm NTS Entry Capacity surrendered for each relevant option offer, in descending order of bid price starting with the highest priced until the aggregate Firm NTS Entry Capacity surrendered equals the relevant option capacity) in accordance with paragraph 2.10 and the System Management Principles.

- 2.12.7 Where on any Day Transco NTS makes a Constrained Storage Renomination in respect of the Storage Connection Point of a Transco LNG Facility then, subject to the proviso below, the System Entry Overrun Charge for a User in respect of the Transco LNG Facility shall be zero for any overrun quantity but only to the extent and for such part of that Day that the implied rate derived from the Constrained Storage Renomination exceeds the implied rate derived from that User's Registered Storage Deliverability (as defined in Section Z) (in both cases for that LNG facility). This paragraph shall only apply in respect of a User where that User sends written notification to Transco NTS within three Business Days of the relevant Day stating (a) that the zero rate is to apply; (b) the overrun quantity and the period for which it is to apply; and (c) reasonable evidence to support its claim.
- 2.12.8 System Entry Overrun Charges shall be invoiced and payable in accordance with Section S.

2.13 Capacity Neutrality Arrangements

- 2.13.1 For each Aggregate System Entry Point the difference between amounts received or receivable and paid or payable by Transco NTS in respect of Relevant Capacity Charges and certain other amounts in respect of each Day in a calendar month shall be payable to or recoverable from relevant Users (and such amount shall not be reduced by any amount to be retained or borne by Transco NTS).
- 2.13.2 For each Aggregate System Entry Point, in relation to each Day:
- (a) "**Relevant Capacity Revenues**" are the aggregate of the amounts payable to Transco NTS by Users:
 - (i) by way of Capacity Charges in respect of:
 - (1) Daily NTS Entry Capacity where the User was registered at any time during the Day in question as holding the Daily NTS Entry Capacity in respect of that Day;
 - (2) Daily Interruptible NTS Entry Capacity; and
 - (3) any additional Firm NTS Entry Capacity made available by Transco NTS (as determined by Transco NTS acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Unsold NTS Entry Capacity,
- at the Aggregate System Entry Point;

- (ii) by way of System Entry Overrun Charges; and
- (iii) where any User has negative Available NTS Entry Capacity, by way of System Entry Overrun Charges pursuant to (and calculated in respect of the amount determined under) paragraph 5.5.2(b); and
- (iv) by way of Market Balancing Action Charges in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
- (v) by way of any other amounts payable to Transco NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
- (vi) by way of Physical Renomination Incentive Charges,

in respect of such Day;

- (b) "**Relevant Capacity Costs**" are the aggregate of the amounts payable by Transco NTS to Users by way of:
 - (i) Capacity Management Charges (for which purposes any premium payable by Transco NTS shall be attributable to the Day pro rata to the number of Days during which Transco NTS may exercise rights in respect of the surrender of Firm NTS Entry Capacity pursuant to the relevant Capacity Management Agreement); and
 - (ii) Aggregate Constraint Amounts pursuant to Section I3.7.2;
 - (iii) Market Balancing Action Charges in respect of each Market Balancing Buy Action (or negatively priced Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
 - (iv) any other amounts in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint.

in relation to the Aggregate System Entry Point in respect of such Day.

2.13.3 In relation to each Aggregate System Entry Point and a calendar month, Transco NTS shall pay to each relevant User an amount ("**Capacity Revenue Neutrality Charge**") determined as:

$$\text{RCR} * \text{UFAC} / \text{AFAC}$$

where:

RCR is the Relevant Capacity Revenues;

UFAC is the aggregate sum of the User's Fully Adjusted Firm Available NTS Entry Capacity at each Aggregate System Entry Point; and

AFAC is the aggregate sum of all User's Fully Adjusted Firm Available NTS Entry

Capacity at each Aggregate System Entry Point,

in each case as determined at 04:00 hours on the relevant Day.

2.13.4 In relation to each Aggregate System Entry Point and a calendar month, each relevant User shall pay to Transco NTS an amount ("**Capacity Cost Neutrality Charge**") determined as:

$$\text{RCC} * \text{UFAC} / \text{AFAC}$$

where:

RCC are the Relevant Capacity Costs,

and 'UFAC' and 'AFAC' have the meanings in paragraph 2.13.3.

2.13.5 For the purposes of this paragraph 2.13:

(a) the "**Second Capacity Adjustment Neutrality Amount**" for a Day in a calendar month (month 'm') is

(i) the sum of:

- (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to Transco NTS), which was due for payment to Transco NTS in month m-2 but were unpaid to Transco NTS as at the last Day of month m;
- (2) the amount of any interest paid (in accordance with Section S4.3.2) by Transco NTS to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (1) above;

less

(ii) the sum of:

- (1) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to Transco NTS) which:
 - (aa) was unpaid as at the last Day of month m-3 and was taken into account (under paragraph (a)(i) above) in calculating the Second Capacity Adjustment Neutrality Amount for month m-1, but
 - (bb) has been paid to Transco NTS since the last Day of month m-1;
- (2) the amount of any interest paid (in accordance with Section S4.3.2) by any User to Transco NTS on any Day in month m by virtue of late payment of any such charge as is referred to in paragraph (1) above,

divided by the number of Days in month 'm';

- (b) "**Capacity Neutrality Charges**" comprise Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Adjustment Neutrality Charges;
- (c) "**Relevant Capacity Charges**" comprise Relevant Capacity Revenues and Relevant Capacity Costs; and
- (d) a "**relevant User**" is a User registered as holding Firm NTS Entry Capacity at an Aggregate System Entry Point on the relevant Day.

2.13.6 In relation to a Day (and all Aggregate System Entry Points), where:

- (a) the Second Capacity Adjustment Neutrality Amount (if any) is negative, Transco NTS shall pay to each relevant User; and
- (b) the Second Capacity Adjustment Neutrality Amount (if any) is positive, each relevant User shall pay to Transco NTS,

an amount ("**Capacity Neutrality Adjustment Charge**") determined as:

$$\text{CNA}A * \text{UFAC} / \text{AFAC}$$

where CNA A is the Second Capacity Adjustment Neutrality Amount and 'UFAC' and 'AFAC' have the meanings in paragraph 2.13.3 (provided that in the event that no Firm NTS Entry Capacity was held by any User at any Aggregate System Entry Point on such Day, 'UFAC' and 'AFAC' shall be determined on the basis of the most recent preceding Day in respect of which a User held Firm NTS Entry Capacity at an Aggregate System Entry Point).

2.13.7 Capacity Neutrality Charges shall be invoiced and are payable in accordance with Section S.

2.14 Auction information

2.14.1 In respect of each annual invitation pursuant to paragraph 2.2.2(b), Transco NTS will by not later than 20:00 hours on each invitation date (under paragraph 2.2.3(b)) notify Users, in respect of each Aggregate System Entry Point and each relevant long term period, of the cumulative amounts of Quarterly NTS Entry Capacity in relation to which Users have in aggregate submitted Quarterly capacity bids at each price step on such and earlier annual invitation dates for each relevant Capacity Year.

2.14.2 Following each allocation of NTS Entry Capacity pursuant to paragraphs 2.2, 2.3, 2.4 and 2.5 Transco NTS will, in accordance with paragraphs 2.6.7 and 2.7.7 and in respect of each Aggregate System Entry Point and relevant long term period or (as the case may be) relevant short term period, notify Users of:

- (a) the price (in pence/kWh) accepted for NTS Entry Capacity by a User (and the amount of NTS Entry Capacity applied for);
- (b) the relevant step price group;
- (c) the lowest accepted bid price in respect of a successful capacity bid and the amount of NTS Entry Capacity applied for;
- (d) aggregate volume of NTS Entry Capacity allocated to successful capacity bids;

- (e) the number of Users who submitted successful capacity bids and the number of Users who submitted unsuccessful capacity bids;
- (f) the weighted average price 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 2.14.2(f), "**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 paragraphs 2.6.2 or 2.6.6 or (as the case may be) paragraph 2.7.2;

- (g) the amount of NTS SO Baseline Entry Capacity which remains unsold (if any) following the allocation; and
- (h) in the case of an allocation of Quarterly NTS Entry Capacity only, the number of Users who submitted, in respect of each step price group, a Quarterly capacity bid.

3 NTS EXIT CAPACITY

3.1 Introduction

3.1.1 Subject to the provisions of the Code, a Shipper User may:

- (a) by offtaking gas from the Total System at a NTS Supply Point Component, require a gas flow out of the NTS at that NTS Supply Point Component; or
- (b) offtake gas from the Total System at a NTS Connected System Exit Point.

3.1.2 No provision of the Code in relation to gas flows at NTS Exit Points confers on any Shipper User any rights or obligations in respect of offtake of gas from the Total System other than at System Exit Points.

3.1.3 In any case where there is more than one NTS Exit Point (including NTS/LDZ Offtakes) in respect of one Exit Zone, any reference in this paragraph 3 to a NTS Exit Point is a reference to all such NTS Exit Points.

3.2 Registration: NTS CSEPS

- 3.2.1 A User may at any time apply for NTS Exit Capacity ("**DM NTS Exit Capacity**") (subject to paragraph 3.4) at an NTS Connected System Exit Point, subject to and in accordance with this paragraph 3.2.
- 3.2.2 An application for DM CSEP Exit Capacity at an NTS Connected System Exit Point:
- (a) shall specify
 - (i) the identity of the User;
 - (ii) the Exit Zone;
 - (iii) the amount of DM NTS Exit Capacity applied for; and
 - (iv) the proposed date of registration (in accordance with paragraph 3.2.3);
 - (b) shall be submitted not earlier than 6 months nor later (other than in accordance with paragraph 3.2.12) than 4 Days before the proposed date of registration.
- 3.2.3 Subject to paragraph 5.4.2(b), a User may only be registered as holding DM NTS Exit Capacity in respect of an NTS Connected System Exit Point with effect from an Eligible Capacity Registration Date.
- 3.2.4 Transco NTS may reject an application for DM NTS Exit Capacity in respect of an NTS Connected System Exit Point:
- (a) where the requirements of paragraph 3.2.2 are not complied with,
 - (b) in accordance with Section V3, or
 - (c) in accordance with Section J5.10.2.
- 3.2.5 A User may withdraw an application for NTS Exit Capacity at an NTS Connected System Exit Point by so notifying Transco NTS by no later than 17.00 hours on the Day preceding the proposed date of registration (provided that where the User proposes a System Capacity Transfer for which the Transferred System Capacity comprises all or part of the NTS Exit Capacity in any application the User shall not be permitted to withdraw such application after notifying Transco NTS of such proposed System Capacity Transfer).
- 3.2.6 The application will be approved unless withdrawn under paragraph 3.2.5 or rejected in accordance with paragraph 3.2.4 within 3 Days after the application was made.
- 3.2.7 The User (if its application is approved) will be registered as holding DM NTS Exit Capacity at the relevant NTS Connected System Exit Point with effect from the date of registration for the period (the "**capacity period**") established in accordance with paragraph 3.2.9.
- 3.2.8 A User may apply at any time (in accordance with paragraph 3.2.1) to increase its Registered DM NTS Exit Capacity at a NTS Connected System Exit Point in which case (if its application is approved) paragraph 3.2.7 shall apply in respect of the increased or new DM NTS Exit Capacity.

- 3.2.9 The capacity period, in respect of an NTS Connected System Exit Point, shall be:
- (a) 12 months after the date of the registration; or
 - (b) where the User has increased its Registered DM NTS Exit Capacity at the NTS Connected System Exit Point (in accordance with paragraph 3.2.8(i)) 12 months after the date of the latest such registration.
- 3.2.10 During the capacity period a User's Registered DM NTS Exit Capacity at an NTS Connected System Exit Point shall not be reduced, and (subject to Section V4.3) the registration shall not be terminated.
- 3.2.11 On expiry of the capacity period the User shall cease to be registered as holding DM NTS Exit Capacity at the relevant NTS Connected System Exit Point, but without prejudice to any new registration pursuant to a further application under paragraph 3.2.1.
- 3.2.12 Until the expiry of a period of 3 months from the Day on which gas was first offtaken (by any User) from the System at an NTS Supply Meter Point, the Registered User may submit, by facsimile but otherwise in accordance with paragraph 3.2.2(a), an application for NTS Exit Capacity at a Firm NTS Supply Point Component which includes such Supply Meter Point by no later than 17:00 hours on the Day preceding the proposed date of registration; provided that the User may not withdraw (pursuant to paragraph 3.2.5) such an application.

3.3 Registration: NDM Supply Points

- 3.3.1 A User will be registered as holding NTS Exit Capacity ("**NDM NTS Exit Capacity**") in accordance with paragraph 3.3.3 at the relevant NTS/LDZ Offtake in respect of each Registered Firm NDM Supply Point Component in an Exit Zone with effect from the Supply Point Registration Date.
- 3.3.2 The User shall be deemed to have applied for NDM NTS Exit Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes a Firm NDM Supply Point Component, and shall not make a separate application for such capacity.
- 3.3.3 The NDM NTS Exit Capacity which the User is from time to time registered as holding in respect of each Firm NDM Supply Point Component will be determined in accordance with Section H4.1.
- 3.3.4 The User will cease to be registered as holding NDM NTS Exit Capacity at the NTS/LDZ Offtake in respect of a Firm NDM Supply Point Component in the relevant Exit Zone where the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

3.4 Registration: CSEPs

The CSEP Network Exit Agreement in relation to an NTS Connected System Exit Point may set out rules for the allocation of NTS Exit Capacity subject to and in accordance with Section J5.10. Where the CSEP Network Exit Agreement does not so provide, the provisions of paragraph 3.2 shall apply.

3.5 NTS Exit Charges

- 3.5.1 A User shall pay:
- (a) Capacity Charges ("**NTS Exit Capacity Charges**") in respect of its Registered NTS Exit Capacity at NTS Exit Points, and
 - (b) Commodity Charges ("**NTS Exit Commodity Charges**") in respect of its use of the NTS on any Day, or a charge payable by reference to the arrangements in Special Condition [C8B] of Transco NTS's Transporter's Licence.
- 3.5.2 The NTS Exit Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Point as the amount of its Registered NTS Exit Capacity multiplied by the Applicable Daily Rate.
- 3.5.3 The NTS Exit Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Point) as:
- (a) in the case of a NTS/LDZ Offtake, the amount of its User Daily NTS Offtake Quantity at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s); and
 - (b) in the case of a NTS Supply Point or a NTS Connected System Exit Point:
 - (i) the amount of its UDQO at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s); and
 - (ii) where a Storage Facility is connected to the Total System at the NTS Connected System Exit Point and in relation to which such facility the User is storage use gas provider, an amount equal to:

$$(SUG / n) * CR$$

where:

SUG is the quantity of storage use gas attributed to the User and is notified to Transco NTS pursuant to the terms of the Storage Connection Agreement in respect of the NTS Storage Facility;

n is the number of days in the calendar month in which such Day falls; and

CR is the Applicable Commodity Rate(s) that would apply in relation to a NTS Connected System Exit Point in the event the gas flowing out of the Total System at such System Point was not being delivered into a Storage Facility.

3.5.4 NTS Exit Capacity Charges and NTS Exit Commodity Charges will be invoiced and are payable in accordance with Section S.

3.5.5 Pursuant to the prevailing Transco NTS Transportation Statement, a User may elect that, for the purposes of paragraph 3.5.3, the Applicable Commodity Rate of NTS Exit Commodity Charge in respect of a Specified Exit Point shall be the NTS Optional Commodity Rate, determined in accordance with the following provisions:

- (a) For the purposes of Code:
 - (i) an "**Eligible Entry Point**" is an Aggregate System Entry Point which is not a Storage Connection Point;

- (ii) a "**Specified Entry Point**" is, in the case of a Supply Point, the Eligible Entry Point identified in the User's Nomination in accordance with Section G2.3.2(a) or, in the case of a CSEP, the Eligible Entry Point identified in the Conventional Notice in accordance with paragraph (vi);
 - (iii) a "**Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to Transco NTS as the Proposed Supply Point in the User's Nomination in accordance with paragraph G2.3.2(a) or, in the case of a CSEP, the System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph (vi);
- (b) The NTS Exit Commodity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as:
- (i) the UDQO multiplied by the NTS Optional Commodity Rate applicable for the capacity (calculated in accordance with paragraph (c)) and the distance (calculated in accordance with paragraph (d)); and
 - (ii) where the UDQI is less than the UDQO, the UDQO minus the UDQI multiplied by the difference between such NTS Commodity Rate as would apply if this paragraph 3.5.5 were not applied and the NTS Optional Commodity Rate;
 - (iii) provided that, where a User has nominated or identified more than one Specified Exit Point at a Specified Entry Point, the UDQI shall be prorated in relation to the UDQOs at the relevant Specified Exit Points (unless the User has notified Transco NTS and Transco NTS has confirmed an alternative allocation of the UDQI between the relevant Specified Exit Points);

and shall be invoiced in accordance with Section S.

- (c) For the purposes of this paragraph 3.5.5, the capacity of the Specified Exit Point shall be the Supply Point Capacity, determined in accordance with Section G5.4.1 except:
- (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for an LDZ Interruptible Supply Point the capacity shall be the Supply Point Capacity determined in accordance with paragraph 4.6.5;
 - (iii) for a Shared Supply Point the capacity shall be determined in accordance with Section G1.7.15;
 - (iv) for a NTS CSEP the capacity shall be the maximum aggregate amount of gas which it is feasible for Transco NTS to make available for offtake at the Connected System Exit Point in a period of 24 hours; or
 - (v) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2.

- (d) The distance (to the nearest 0.1 km) from the Specified Entry Point to the curtilage of the Specified Exit Point or the offtake from the Total System at the Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using six figure grid references. Transco NTS shall determine a six figure grid reference for each Specified Entry Point and each Specified Exit Point (which may be revised in accordance with paragraph (f) or Section G2.4.12).
- (e) An application for the NTS Optional Commodity Rate for a Supply Point shall be made in accordance with the provisions of Section G2.3.2(a) or G2.3.9 (as the case may be) and, for a CSEP, shall be made in accordance with the provisions of paragraph (f).
- (f) A CSEP User, or a proposing CSEP User, may apply for the NTS Optional Commodity Rate in the following manner:-
 - (i) by Conventional Notice to Transco NTS stating the CSEP User, the Specified Exit Point and the Specified Entry Point; and
 - (ii) Transco NTS shall offer the NTS Optional Commodity Rate and shall provide the distance between the Specified Exit Point and the Specified Entry Point, the capacity of the CSEP determined in accordance with paragraph (c) and the six figure grid references used; and
 - (iii) where the CSEP User disputes the distance specified by Transco NTS under paragraph (ii), the CSEP User may resubmit an application in accordance with paragraph (i) stating an alternative six figure grid reference for the Specified Exit Point with supporting evidence of calculation;
 - (iv) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (ii) not earlier than 15 days after the submission of the confirmation (or such lesser period as Transco NTS may specify) and not later than six months from the date of the offer.
- (g) The provisions of this paragraph 3.5.5 shall be without prejudice to the operation of Section G6.5.4.

3.6 Overrun Charges

3.6.1 Subject to paragraphs 3.6.6 and 3.6.7, if for any reason in any calendar month (an "**overrun month**") the quantity of gas offtaken by a User from the Total System at a Firm NTS Supply Point Component or a NTS Connected System Exit Point, on any Day or Days (each an "**overrun day**") exceeds the User's Available DM NTS Exit Capacity at the relevant NTS Exit Point, the User shall pay a charge ("**NTS Exit Overrun Charge**") in respect of NTS Exit Capacity at that NTS Exit Point in that month.

3.6.2 For the purposes of this paragraph 3.6, in respect of a User at a NTS Exit Point:

- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which in the case of a Firm NTS Supply Point or relevant NTS Connected System Exit Point, the User's UDQO in respect of that point exceeds the User's Available DM NTS Exit Capacity at that NTS Exit Point on that Day;

(b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity on any overrun day in that month.

3.6.3 The NTS Exit Overrun Charge shall be calculated by multiplying the chargeable overrun quantity by the relevant multiplier (determined as set out in the table below (subject to paragraph 3.6.4) by reference to the month in which the overrun occurred) of the Applicable Annual Rate of the NTS Exit Capacity Charge in respect of the relevant NTS Exit Point.

Month	Relevant multiplier
December to March	2.0
October, November, April, May	0.5
June to September	0.2

3.6.4 Where a month from December to March (inclusive) is an overrun month ("**second overrun month**") and the preceding month was an overrun month ("**first overrun month**") in relation to the amount of the chargeable overrun quantity in the second overrun month which is less than or equal to the chargeable overrun quantity in the first overrun month for which the multiplier was determined in accordance with paragraph 3.6.3 the multiplier shall instead be 0.5.

3.6.5 The NTS Exit Overrun Charge shall be invoiced and payable in accordance with Section S.

3.6.6 Where an NTS Supply Point Component comprises Shared Supply Meter Points:

(a) paragraph 3.6.1 shall apply only if and to the extent that the aggregate quantity offtaken from the Total System by all Sharing Registered Users at Firm DM Supply Point Components which include such Shared Supply Meter Point(s) exceeds the aggregate of such Users' Available NTS Exit Capacity at the relevant NTS Exit Point (the amount of such excess, the "**aggregate overrun excess**");

(b) for each such Sharing Registered User:

(i) the overrun quantity shall be determined as the amount (the "**individual overrun excess**") by which that User's UDQO exceeds its Available NTS Exit Capacity, divided by the sum of the individual overrun excesses for all such Sharing Registered Users, multiplied by the aggregate overrun excess;

(ii) the chargeable overrun quantity shall be determined by reference to the largest aggregate overrun excess of any overrun day in an overrun month (or if there is more than one such overrun day, the first such overrun day).

3.6.7 Where a User has made an application to increase the NTS Exit Capacity at a Firm NTS Supply Point Component which is subsequently accepted by Transco NTS or a

Proposing User has made a Supply Point Confirmation for an increase in NTS Exit Capacity, on any Day or Days where the gas offtaken by the User from the Total System at the Firm NTS Supply Point Component exceeds the User's Available DM NTS Exit Capacity at such Supply Point, but does not exceed the User's Available DM NTS Exit Capacity following the effective date of such application or confirmation, then no NTS Overrun Charge shall be payable in respect of such Day or Days.

3.7 Registration : DM Supply Points and non NTS CSEPs

3.7.1 A User will at any time be deemed to apply for DM NTS Exit Capacity ("**DM NTS Exit Capacity**") for each Exit Zone in its capacity as:

- (a) the Registered User of any Firm DM LDZ Supply Point Components;
- (b) the CSEP User of any LDZ Connected System Exit Points; or
- (c) the Registered User of a Firm NTS Supply Point Component;
- (d) subject to and in accordance with this paragraph 3.7.

3.7.2 The DM NTS Exit Capacity for each Exit Zone shall be calculated as:

- (a) the sum of the Supply Point Capacities for all Supply Points in paragraph 3.7.1(a) determined in accordance with Section G2.3.2(e); and
- (b) the sum of the Firm DM LDZ Capacities for all CSEPs in paragraph 3.7.1(b), determined in accordance with paragraph H2.2 and the relevant CSEP Network Exit Agreement; or
- (c) the Supply Point Capacity of the Supply Point Component in paragraph 3.7.1(c), determined in accordance with Section G5.

3.7.3 A User shall only be registered as holding DM NTS Exit Capacity, in accordance with this paragraph 3.7 in respect of such capacity held by the User as at the 10th of the calendar month, with effect from the 15th of each calendar month and for the period of one calendar month from such date (the "**capacity period**").

3.7.4 During the capacity period, a User's Registered DM NTS Exit Capacity shall not be reduced, and (subject to Section V4.3) the registration shall not be terminated.

3.8 Surrender of NTS Exit Capacity

3.8.1 Transco NTS may, in its discretion, agree to accept the surrender by a User of an amount (the **surrendered amount**) of NTS Exit Capacity at an NTS Exit Point (other than an NTS/LDZ Offtake) for a period (**surrender period**) of one or more Days.

3.8.2 Where Transco NTS accepts the surrender of NTS Exit Capacity:

- (a) the amount of the User's Registered NTS Exit Capacity at the NTS Exit Point on any Day during the surrender period shall be determined as:
 - (i) the amount of such capacity on such Day determined pursuant to applicable provisions of the Code (including where applicable paragraph 3.7.2 and accordingly provisions of Section G5.2, or provisions of any CSEP Network Exit Provisions), less

- (ii) the surrendered amount;
 - (b) the amount of the User's Available NTS Exit Capacity at the NTS System Exit Point on any Day during the surrender period shall be determined accordingly.
- 3.8.3 The amount payable (during a surrender period) by the User in respect of NTS Exit Capacity pursuant to paragraph 3.5 shall be determined in accordance with paragraph 3.8.2(a).
- 3.8.4 Transco NTS will prepare (in consultation with Users) and publish (or include in the statement prepared pursuant to Special Condition [C5(5)] of Transco NTS's Transporter's Licence) a statement setting out the principles on which (where it decides to do so) it will invite offers from Users to surrender NTS Exit Capacity.
- 3.8.5 Where Transco decides to invite offers from Users to surrender NTS Exit Capacity, it will do so in accordance with the principles in the prevailing statement published pursuant to paragraph 3.8.4, but nothing in the Code or such statement shall have the effect of requiring Transco NTS to accept any offer to surrender NTS Exit Capacity.

3.9 Firm Capacity Application

- 3.9.1 In this paragraph 3.9, **Firm Capacity Application** means an application by a User:
 - (a) to increase the amount of its NTS Offtake Capacity at an NTS/LDZ Offtake pursuant to paragraph 6.3;
 - (b) for an amount (or increased amount) of NTS Exit Capacity at an NTS Connected System Exit Point pursuant to paragraph 3.2;
 - (c) for or for an increase in the amount of its NTS Supply Point Capacity at an NTS DM Supply Point Component pursuant to Section G5;
 - (d) to redesignate an Interruptible NTS Supply Point as Firm pursuant to Section G6.
- 3.9.2 In determining in connection with a Firm Capacity Application whether it is feasible to make gas available for offtake at such NTS Exit Point at an increased rate or in an increased amount in any period, Transco NTS will take into account the effects of any surrender of NTS Exit Capacity pursuant to paragraph 3.8.
- 3.9.3 Where in connection with a Firm Capacity Application Transco NTS determines that it is not feasible to make gas available for offtake in the absence of a surrender of NTS Exit Capacity:
 - (a) Transco NTS will so inform the User;
 - (b) the User shall give notice to Transco NTS specifying:
 - (i) the date from which its application is made (not being less than 2 months after such notice is given), and
 - (ii) the period (commencing on the date specified under paragraph (i) and ending not later than 30 September 2008) for which it applies for the relevant amount or increased amount of System Capacity or (as the case may be) redesignation of the Interruptible Supply Point as Firm;

- (c) notwithstanding any other provision of the Code or any CSEP Network Exit Provisions, Transco NTS shall not be required to respond to the User's request until the expiry of a period of 2 months after the User's notice under paragraph (b);
- (d) Transco NTS will (in accordance with paragraph 3.8) seek offers for the surrender of NTS Exit Capacity, but for the avoidance of doubt it shall be for Transco NTS to determine in its discretion whether to accept any such offer (and accordingly whether to accept the Firm Capacity Application on the basis of the notice given under paragraph (b)).

3.9.4 Where (following a surrender of NTS Exit Capacity) Transco NTS accepts a Firm Capacity Application then, notwithstanding any other provision of this Section B or the Code or any CSEP Network Exit Provisions:

- (a) for the period specified under paragraph 3.9.3(b)(ii):
 - (i) in the case of an application for (or for an increase in) System Capacity, the absolute amount of the User's NTS Exit Capacity, NTS Offtake Capacity or (as the case may be) NTS Supply Point Capacity shall not be reduced (other than pursuant to an acceptance by Transco NTS of a subsequent offer to surrender NTS Exit Capacity pursuant to paragraph 3.8) below the level held by the User pursuant to acceptance of its Firm Capacity Application;
 - (ii) in the case of an application to redesignate an Interruptible Supply Point as Firm, the Supply Point shall not be redesignated as Interruptible;
- (b) following the expiry of such period (subject to the result of any other Firm Capacity Application by the User):
 - (i) in the case of an application for (or for an increase in) System Capacity, the amount of the User's NTS Exit Capacity, NTS Offtake Capacity or (as the case may be) NTS Supply Point Capacity shall be reduced to the level prevailing prior to the User's Firm Capacity Application under paragraph 3.9.2;
 - (ii) in the case of an application to redesignate an Interruptible Supply Point as Firm, the Supply Point shall be redesignated as Interruptible.

4 SUPPLY POINT AND LDZ CAPACITY

4.1 Introduction

Subject to the provisions of the Code, a User may:

- (a) offtake gas from the Total System at any Registered NTS or LDZ Supply Point Component;
- (b) by offtaking gas from the Total System at an LDZ System Exit Point, require a gas flow in the relevant LDZ; and
- (c) offtake gas from the Total System at a LDZ Connected System Exit Point.

4.2 Supply Point Capacity Registration: DM Supply Point Components

- 4.2.1 A User who submits a Supply Point Confirmation in respect of a Proposed Supply Point (whether a NTS Supply Point or an LDZ Supply Point) which includes a DM Supply Point Component shall thereby apply for Supply Point Capacity ("**DM Supply Point Capacity**") in accordance with Section G5.
- 4.2.2 The User will if its Supply Point Confirmation becomes effective be registered as holding Supply Point Capacity at the DM Supply Point Component with effect from the Supply Point Registration Date, subject to paragraph 4.2.3 and until the User ceases in accordance with Section G to be the Registered User in respect of the relevant Supply Point.
- 4.2.3 A User's Registered Supply Point Capacity in respect of the DM Supply Point Component of a Registered Supply Point:
- (a) may be increased or reduced subject to and in accordance with the conditions and requirements in Section G5;
 - (b) shall not be reduced nor (subject to paragraph 4.7) increased other than as provided in paragraph (a), nor (subject to Section V4.3) shall the registration be terminated, except as provided in paragraph 4.2.4.
- 4.2.4 The User will cease to be registered as holding DM Supply Point Capacity at the DM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

4.3 Supply Point Capacity Registration: NDM Supply Point Components

- 4.3.1 A User will be registered as holding Supply Point Capacity ("**NDM Supply Point Capacity**") in accordance with paragraph 4.3.3 at each Registered NDM Supply Point Component with effect from the Supply Point Registration Date.
- 4.3.2 The User shall be deemed to have applied for NDM Supply Point Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes an NDM Supply Point Component, and shall not make a separate application for such capacity.
- 4.3.3 The NDM Supply Point Capacity which the User is from time to time registered as holding will be determined in accordance with Section H4.1.
- 4.3.4 The User will cease to be registered as holding NDM Supply Point Capacity at the NDM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

4.4 LDZ Capacity Registration: LDZ Supply Point Components

- 4.4.1 A User will at all times be registered as holding LDZ Capacity at each LDZ Supply Point Component in an amount equal to the amount of the Supply Point Capacity which the User is for the time being registered as holding (pursuant to any provision of the Code) at that Supply Point Component; and Users will not make separate applications for such capacity.

4.4.2 In accordance with paragraph 4.4.1, a User will cease to be registered as holding LDZ Capacity at an LDZ Supply Point Component where it ceases to hold Supply Point Capacity at such Supply Point Component.

4.5 LDZ Capacity Registration: LDZ Connected System Exit Points

4.5.1 A CSEP User may hold LDZ Capacity at an LDZ Connected System Exit Point.

4.5.2 The basis on which a User may apply for or may be treated as having applied for and may be registered as holding LDZ Capacity at an LDZ Connected System Exit Point will be in accordance with the CSEP Network Exit Agreement.

4.5.3 The CSEP Network Exit Agreement may provide (subject to Section V3) for:

- (a) a minimum amount and a maximum amount of LDZ Capacity to be held by CSEP Users in aggregate at an LDZ Connected System Exit Point, and for such amounts to vary from time to time;
- (b) the LDZ Capacity held by each CSEP User at an LDZ Connected System Exit Point to vary from Day to Day.

4.6 LDZ, Supply Point Charges and CSEP Charges

4.6.1 A User shall pay:

- (a) Capacity Charges ("**LDZ Capacity Charges**") in respect of its Registered LDZ Capacity at LDZ System Exit Points,
- (b) Commodity Charges ("**LDZ Commodity Charges**") in respect of its use of each LDZ,
- (c) Customer Charges in respect of its Registered NTS and LDZ Supply Points, and
- (d) CSEP Charges in respect of each relevant Connected System Exit Point in relation to which it is a CSEP User.

4.6.2 The LDZ Capacity Charge payable by a User in respect of each Day will be determined (for each LDZ System Exit Point) as the amount of its Registered LDZ Capacity multiplied by the Applicable Daily Rate.

4.6.3 The LDZ Commodity Charge payable (for any Day) by a User will be determined (for each LDZ System Exit Point) as the amount of its User Daily Quantity Output multiplied by the Applicable Commodity Rate.

4.6.4 The Customer Charge payable by a User in respect of each Day will be determined (for each Supply Point):

- (a) as to the Capacity Variable Component (if any) thereof, as the amount of its Registered Supply Point Capacity multiplied by the Applicable Daily Rate;
- (b) as to the Commodity Variable Component (if any) thereof for a Day, as the amount of its UDQO multiplied by the Applicable Commodity Rate;
- (c) as to the Fixed Component (if any) thereof, as the applicable fixed charge.

- 4.6.5 Insofar as (pursuant to the Transportation Statement) the rate of any Transportation Charge in respect of any Supply Point is a function of Supply Point Capacity, in the case of the DM Supply Point Component of an Interruptible Supply Point such rate shall be determined (in accordance with the Transportation Statement) by reference to the Bottom-Stop Supply Point Capacity and not the Registered Supply Point Capacity.
- 4.6.6 For the avoidance of doubt no Capacity Charge is payable in respect of Supply Point Capacity.
- 4.6.7 The CSEP Charge payable by a User in respect of each Day will be determined for each relevant Connected System Exit Point in accordance with the relevant provisions of the Transportation Statement.
- 4.6.8 LDZ Capacity Charges, LDZ Commodity Charges, Customer Charges and CSEP Charges will be invoiced and payable in accordance with Section S.
- 4.6.9 Pursuant to the prevailing Transportation Statement, a User may elect that, for the purpose of paragraph 4.6.2, the Applicable Daily Rate of the LDZ Capacity Charge in respect of an LDZ Specified Exit Point shall be the LDZ Optional Capacity Rate, determined in accordance with the following provisions.
- (a) For the purpose of Code:
 - (i) a "**Notional NTS Connection Point**" is the point on the NTS which is derived by the Transporter in accordance with paragraph 4.6.10 and in the case of a Supply Point, identified by the Transporter in its Supply Point Offer in accordance with Section G2.4.2(1) or, in the case of a CSEP, the point identified by the Transporter in accordance with paragraph (f).
 - (ii) an "**LDZ Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to the Transporter as the Proposed Supply Point in the User's Supply Point Nomination in accordance with paragraph G2.3.2(j) or, in the case of a CSEP, the LDZ System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph (f);
 - (b) The LDZ Capacity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as the Registered LDZ Capacity multiplied by the LDZ Optional Capacity Rate applicable for the capacity (calculated in accordance with paragraph (ci)) and the distance (calculated in accordance with paragraph (f)) and shall be invoiced and are payable in accordance with Section S.
 - (c) For the purposes of this paragraph 4.6.9 the capacity of the LDZ Specified Exit Point shall be the Supply Point Capacity, determined in accordance with Section G5.4.1 except;
 - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
 - (ii) for an LDZ Interruptible Supply Point the capacity shall be the Supply Point Capacity determined in accordance with paragraph 4.6.5;

- (iii) for a Shared Supply Point the capacity shall be determined in accordance with Section G1.7.15;
 - (iv) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2.
- (d) The distance (to the nearest 0.1 km) from the Notional NTS Connection Point to the curtilage of the LDZ Specified Exit Point or the offtake from the Total System at the LDZ Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using eight figure grid references and the Transporter shall determine an eight figure grid reference for each Notional NTS Connection Point and each LDZ Specified Exit Point (which may be revised in accordance with paragraph (f) or Section G2.4.12).
- (e) An application for the LDZ Optional Capacity Rate for a Supply Point shall be made in accordance with the provisions of Section G2.3.2(j) and, for a CSEP, shall be made in accordance with the provisions of paragraph (f).
- (f) A CSEP User, or a proposing CSEP User, may apply for the LDZ Optional Capacity Rate in the following manner:
- (i) by Conventional Notice to the Transporter stating the CSEP User, the LDZ Specified Exit Point; and
 - (ii) the Transporter shall identify the Notional NTS Connection Point and offer the LDZ Optional Capacity Rate and shall provide the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point, the capacity of the CSEP determined in accordance with paragraph 4.5.2 and the eight figure grid references used; and
 - (iii) where the CSEP User disputes the distance specified by the Transporter under paragraph (ii), the CSEP user may resubmit an application in accordance with paragraph (i) stating an alternative eight figure grid reference for the LDZ Specified Exit Point with supporting evidence of calculation;
 - (iv) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (ii) not earlier than 15 days after the submission of the confirmation (or such lesser period as the Transporter may specify) and not later than six months from the date of the offer.
- (g) Where the User elects to pay the LDZ Optional Capacity Rate the LDZ Commodity Charge shall not be payable.

4.6.10 The Notional NTS Connection Point shall be derived by the Transporter as:

- (a) in the case of a Supply Point, the point on the NTS at which the NTS is nearest to either:
 - (i) the curtilage of the LDZ Specified Exit Point, or
 - (ii) the offtake from the Total System at the LDZ Specified Exit Point
 whichever gives the lesser distance.

- (b) in the case of a CSEP the point on the NTS at which the NTS is nearest to the LDZ Specified Exit Point.

4.7 Supply Point Ratchet

4.7.1 Subject to paragraphs 4.7.8, 4.7.9 and 4.7.10 if for any reason on any Day, other than a Day in the months of June to September inclusive, the quantity of gas offtaken by a User from the Total System at a Firm DM Supply Point Component exceeds the User's Registered DM Supply Point Capacity (such occurrence being a "**Supply Point Ratchet**"):

- (a) the User's Registered DM Supply Point Capacity at that Supply Point Component shall automatically be increased with effect from the following Day in accordance with paragraph 4.7.3; and
- (b) subject to paragraph 4.7.11, the User shall pay a charge ("**Supply Point Ratchet Charge**") in respect of the Capacity Ratchet Amount in accordance with paragraph 4.7.6.

4.7.2 For the purposes of this Section B, subject to paragraph 4.7.8, the "**Capacity Ratchet Amount**" shall be the amount by which the User's UDQO on the Day of the Supply Point Ratchet in respect of the DM Supply Point Component exceeds the User's Registered DM Supply Point Capacity.

4.7.3 Subject to Section G5.5.5, the increased amount (the "**Ratchetted Supply Point Capacity**") of the User's DM Registered Supply Point Capacity shall be the sum of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount.

4.7.4 Notwithstanding paragraph 4.7.3, and unless the User's Registered Supply Point Capacity is increased other than pursuant to the Supply Point Ratchet, until the last Day of the calendar month in which the Supply Point Ratchet occurred the LDZ Capacity Charge (in the case of an LDZ Supply Point Component) and the Capacity Variable Component of the Customer Charge payable in respect of the Supply Point Component shall be determined on the basis of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet (and not on the basis of the Ratchetted Supply Point Capacity).

4.7.5 For the avoidance of doubt (in the case of an LDZ Supply Point Component) the User's Registered LDZ Capacity will be increased so as to be equal to the Ratchetted Supply Point Capacity in accordance with paragraph 4.4.

4.7.6 The Supply Point Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:

- (a) 2 times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(b)) of the LDZ Capacity Charge (in the case of an LDZ Supply Point Component), and
- (b) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge;

the rate in each case being determined (where such rate is a function of LDZ Capacity or Supply Point Capacity) by reference to the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity at the DM and any NDM Supply Point

Component on the Day of the Supply Point Ratchet.

- 4.7.7 Subject to paragraph 4.7.11, the Supply Point Ratchet Charge shall be invoiced and payable in accordance with Section S.
- 4.7.8 Where a DM Supply Point Component comprises Shared Supply Meter Point(s):
- (a) paragraph 4.7.1 shall apply only if and to the extent that the aggregate quantity offtaken from the Total System by all Sharing Registered Users at Firm DM Supply Point Components which include such Shared Supply Meter Point(s) exceeds the aggregate of such Users' Registered Supply Point Capacity, other than capacity which is excluded pursuant to Section G1.7.20(d)(i), at such Supply Point Components (the amount of such excess, the "**aggregate ratchet excess**");
 - (b) for each such Sharing Registered User, the Capacity Ratchet Amount shall be determined as the amount (the "**individual ratchet excess**") by which that User's UDQO exceeds its Registered Supply Point Capacity, divided by the sum of the individual ratchet excesses for all such Sharing Registered Users, multiplied by the aggregate ratchet excess.
- 4.7.9 Without prejudice to Section G 2.7.3 to 2.7.6 (inclusive), where in accordance with Section G 2.3.1 the Proposing User has submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point First Nomination ("**Supply Point First Confirmation**") and this has become effective and has been registered in the name of the Proposing User ("**Supply Point First Registration**") and subsequent to the date of such Supply Point First Registration such User incurs and pays a Supply Point Ratchet Charge in respect of such Supply Point then, where such Proposing User has also submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point Second Nomination ("**Supply Point Second Confirmation**") and this has become effective and has been registered in the name of the Proposing User ("**Supply Point Second Registration**") then, subject to paragraph 4.7.10, the Transporter will reimburse the User the amount of such Supply Point Ratchet Charge which has been paid by the User for the period of 18 Days commencing from the Supply Point First Registration Date.
- 4.7.10 The amount of such reimbursement in accordance with paragraph 4.7.9 shall not exceed the amount of the Supply Point Ratchet Charge which applies in respect of the Confirmed Supply Point Capacity for the Supply Point Second Registration. For the purpose only of calculating the amount of such reimbursement, such Confirmed Supply Point Capacity shall not be treated as increased in accordance with Section G 2.7.4 (a) as a result of the occurrence of a Supply Point Ratchet.
- 4.7.11 Where on any Day(s) in any relevant Billing Period, on the occurrence of a Supply Point Ratchet the User's Registered DM Supply Point Capacity is greater than or equal to the Provisional Maximum Supply Point Capacity (the "**Relevant Day(s)**"), only the highest Supply Point Ratchet Charge incurred on the Relevant Day(s) in such relevant Billing Period shall be invoiced and payable in accordance with paragraph 4.7.7.

4.8 LDZ CSEP Overrun Charge

- 4.8.1 If for any reason in any calendar month (an "**overrun month**"), other than a month from June to September inclusive:
- (a) the quantity of gas offtaken by a CSEP User from the Total System at a relevant

LDZ Connected System Exit Point on any Day exceeds the User's Registered LDZ Capacity, and

- (b) (where pursuant to the CSEP Network Exit Agreement this paragraph (b) applies) the aggregate quantity of gas offtaken by all CSEP Users at the relevant Connected System Exit Point on such Day exceeds the sum of such CSEP Users' Registered LDZ Capacities,

(such Day being an "**overrun day**") the User shall pay a charge ("**LDZ CSEP Overrun Charge**") in respect of LDZ Capacity at that Connected System Exit Point in that month.

4.8.2 For the purposes of this paragraph 4.8, in respect of a CSEP User:

- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which the UDQO in respect of the relevant LDZ Connected System Exit Point exceeds the User's Registered LDZ Capacity;
- (b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity in respect of any overrun day in that month.

4.8.3 The LDZ CSEP Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by two (2) times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(b)) of the LDZ Capacity Charge.

4.8.4 The LDZ CSEP Overrun Charge shall be invoiced and payable in accordance with Section S.

5 CAPACITY TRANSFER

5.1 Basis of transfer

5.1.1 A User (the "**Transferor User**") may transfer all or part of:

- (a) its Available NTS Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9.12 and 2.10.3, in respect of an Aggregate System Entry Point; and/ or
- (b) its Available NTS Exit Capacity in respect of a NTS CSEP booked in accordance with the relevant CSEP Ancillary Agreement or in accordance with paragraph 3.2 to another User (the "**Transferee User**"), subject to and in accordance with this paragraph 5.

5.1.2 For the purposes of the Code a "**System Capacity Transfer**" is a transfer of System Capacity in accordance with paragraph 5.1.1.

5.1.3 A System Capacity Transfer may be for any Day or consecutive Days within the period for which the Transferor User holds (by virtue of registration or any System Capacity Transfer) such capacity.

5.1.4 Transco NTS may but shall not be required to reject a System Capacity Transfer where the Transferred System Capacity exceeds the Transferor User's Available System Capacity (in the case of Firm NTS Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9.12 and 2.10.3) at the Transfer System Point on any Day in the Transfer Period.

- 5.1.5 In respect of a System Capacity Transfer or proposed System Capacity Transfer:
- (a) the "**Transferred System Capacity**" is the System Capacity which is (or is to be) transferred;
 - (b) the "**Transfer Period**" is the Day or Days (in accordance with paragraph 5.1.3) for which the Transferred System Capacity is (or is to be) transferred;
 - (c) the "**Transfer System Point**" is the Aggregate System Entry Point or NTS CSEP at which System Capacity is (or is to be) transferred.

5.2 Procedure

5.2.1 Where a User proposes to make a System Capacity Transfer, each of the Transferor User and the Transferee User must notify the System Capacity Transfer to Transco NTS specifying:

- (a) the identity of the Transferor User and Transferee User;
- (b) the Transfer System Point;
- (c) the amount of the Transferred System Capacity;
- (d) the Transfer Period; and
- (e) in the case of NTS Entry Capacity, whether the Transferred System Capacity is Firm NTS Entry Capacity or Interruptible NTS Entry Capacity.

5.2.2 A proposed System Capacity Transfer may not be notified later than 04:00 hours on the Day or first Day of the Transfer Period.

5.2.3 Transco NTS may reject a System Capacity Transfer:

- (a) in accordance with paragraph 5.1.4;
- (b) where either the Transferor User or the Transferee User does not notify the System Capacity Transfer in accordance with paragraph 5.2.1 or 5.2.2, or
- (c) in accordance with Section V3.

5.2.4 A System Capacity Transfer shall be effective if it is approved by Transco NTS or is not rejected by Transco NTS within 60 minutes after it was notified by the Transferor User or (if later) the Transferee User under paragraph 5.2.1.

5.2.5 If:

- (a) Transco NTS purports to reject a System Capacity Transfer other than in accordance with paragraph 5.2.3, and
- (b) reasonably promptly thereafter the Transferor User and the Transferee User so notify Transco NTS, stating that they wish the transfer to be implemented

the Transferee User shall not be liable for any Overrun Charge which it would not have incurred had the System Capacity Transfer been approved (and where any such Overrun Charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with Section S).

5.3 Effect of Transfer

- 5.3.1 Except for the purposes of paragraph 5.3.3, and subject to paragraph 5.4, the Transferee User will be treated during the Transfer Period as the holder of the Transferred System Capacity.
- 5.3.2 A User's Available System Capacity at a System Point on a Day is its Registered System Capacity, adjusted in respect of any System Capacity Transfer(s) (for which that point is the Transfer System Point and the Transfer Period includes that Day) by adding the Transferred System Capacity where the User was the Transferee User, and deducting the Transferred System Capacity where the User was the Transferor User, subject to paragraph 5.4.
- 5.3.3 A User will remain liable for Capacity Charges in respect of its Registered System Capacity irrespective of any System Capacity Transfer.

5.4 Effect of Termination

- 5.4.1 Where during the Transfer Period in respect of a System Capacity Transfer the Transferor User ceases to be a User under Transco NTS's Code in accordance with Section V4.3:
- (a) Transco NTS will so notify the Transferee User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferor User;
 - (b) with effect from the User Discontinuance Date the System Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity;
 - (c) the Transferee User may elect to be registered in accordance with paragraph 5.4.2 as holding System Capacity (in addition to any such capacity held other than by virtue of the System Capacity Transfer) at the Transfer System Point:
 - (i) in an amount not exceeding the Transferred System Capacity, and
 - (ii) for any Day or consecutive Days (before or after the date of such election, but not before the User Discontinuance Date) within the Transfer Period.
- 5.4.2 Where under paragraph 5.4.1 the Transferee User elects to be registered as holding System Capacity:
- (a) the Transferee User shall notify Transco NTS, as soon as reasonably practicable and in any event not more than 5 Business Days after Transco NTS's notice under paragraph 5.4.1(a), of such election, specifying the System Capacity and the date or period in accordance with paragraphs 5.4.1(c)(i) and (ii);
 - (b) the Transferee User will be registered as holding System Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for the period of registration);
 - (c) the Transferee User will accordingly be liable for Capacity Charges in respect of the elected amount of System Capacity at the Transfer System Point for the

elected period.

- 5.4.3 Where during the Transfer Period in respect of a System Capacity Transfer the Transferee User ceases to be a User in accordance with Section V4.3:
- (a) Transco NTS will so notify the Transferor User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferee User;
 - (b) with effect from the User Discontinuance Date, the Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity which will revert to (and be treated as held by) the Transferor User.

5.5 Negative Capacity

- 5.5.1 A User's Available System Capacity (determined in accordance with paragraph 5.3.2) may become negative where:
- (a) the User is a Transferor User in respect of a System Capacity Transfer under which the Transferred System Capacity exceeds the Transferor User's Available System Capacity (in the case of Firm NTS Entry Capacity, on a Fully Adjusted basis) at the Transfer System Point; or
 - (b) the Transferor User submits a daily capacity offer (pursuant to paragraph 2.9) for an amount of NTS Entry Capacity which exceeds its Available Firm NTS Entry Capacity; or
 - (c) the User is a Transferee User in respect of a System Capacity Transfer, and (subject to any election under paragraph 5.4.2):
 - (i) the Transferee User has pursuant to a further System Capacity Transfer transferred System Capacity at the same Transfer System Point to another User, and
 - (ii) the first System Capacity Transfer lapses pursuant to paragraph 5.4.1.
- 5.5.2 Where and for so long as a User's Available System Capacity is negative the User will be liable to pay Overrun Charge(s) in accordance with paragraph 2.8 or 3.6 on the basis of an overrun quantity on each Day calculated as the sum of:
- (a) the magnitude of the User's negative Available System Capacity, and
 - (b) the amount (if any) determined to be the overrun quantity in accordance with paragraph 2.12.2 or 3.6.2(a) (as the case may be) if the User's Available System Capacity at the Transfer System Point were zero.

5.6 Daily NTS Entry Capacity Transfer

- 5.6.1 Where a User wishes to transfer all or part of its Available Daily NTS Entry Capacity the provisions of paragraph 5.6.2 shall apply.
- 5.6.2 For the purpose of paragraph 5.6.1, the provisions of paragraphs 5.1 to 5.5 (inclusive) shall apply, provided that:

- (a) the amount of Transferred System Capacity may not exceed the User's Registered Daily NTS Entry Capacity;
- (b) references therein to Available NTS Entry Capacity shall be treated as if they were references to Available Daily NTS Entry Capacity;
- (c) for the purposes of paragraph 5.2.1 the Transferee User need not notify (and shall not be entitled to notify) Transco NTS of a System Capacity Transfer and paragraphs 5.2.3(b), 5.2.4 and 5.2.5 shall be construed accordingly,
- (d) a proposed System Capacity Transfer may not be notified earlier than 16:00 hours on the Preceding Day or later than 04:00 during the Transfer Period;
- (e) the Transferor User may not withdraw a Proposed System Capacity Transfer following notification to Transco NTS; and
- (f) for the purpose of paragraph 5.3.3 the reference to Capacity Charges shall be treated as if it were a reference to Daily NTS Entry Charges.
- (g) the provisions of paragraph 5.6.3 shall apply.

5.6.3 Any Code Communication in connection with any application by a User for Daily NTS Entry Capacity or the transfer of Available Daily NTS Entry Capacity shall be made in accordance with the procedures published by Transco NTS from time to time, which shall include the form and format of any such Code Communication and any Code Communication not given in accordance with such procedures shall be deemed not to have been given and shall be of no effect.

6 NTS OFFTAKE CAPACITY

6.1 Introduction

- 6.1.1 Subject to and in accordance with the Code, a User may cause or permit the flow of gas from the NTS to a LDZ at a NTS/LDZ Offtake.
- 6.1.2 In accordance with paragraph 1.2.2, references in this paragraph 6 to Users are to DNO Users.

6.2 Offtake Capacity Statement

- 6.2.1 Transco NTS will issue to each DNO User, not later than 30 September in each Gas Year, a statement ("**Offtake Capacity Statement**") specifying, for each DNO User, for each of the Gas Years (each a **relevant** Gas Year) up to and including the Gas Year ending 30 September 2008, in relation to each NTS/LDZ Offtake:
 - (a) an amount of NTS Offtake (Flat) Capacity;
 - (b) an amount of NTS Offtake (Flexibility) Capacity;
 - (c) Assured Offtake Pressures (in accordance with Section J2.5).
- 6.2.2 The Offtake Capacity Statement prevailing at the date of the Code has been issued to DNO Users.
- 6.2.3 The Offtake Capacity Statement may be revised (as to any relevant Gas Year) in

accordance with paragraph 6.3.

- 6.2.4 The Offtake Capacity Statement issued in any Gas Year will, as respects each relevant Gas Year, contain the same details as were specified in the preceding year's statement for that Gas Year, subject to any revision pursuant to paragraph 6.3.

6.3 Registration

- 6.3.1 Subject to the further provisions of this paragraph 6.3, for each relevant Gas Year (or part thereof) a DNO User shall be registered as holding in respect of each relevant NTS/LDZ Offtake the amount of:

- (a) NTS Offtake (Flat) Capacity
- (a) NTS Offtake (Flexibility) Capacity

specified in respect of such Gas Year (or part thereof) in the prevailing Offtake Capacity Statement.

- 6.3.2 A DNO User may apply to increase the amount of its NTS Offtake Capacity at a NTS/LDZ Offtake:

- (a) in relation to any relevant Gas Year (year Y) or any relevant Gas Year after Year Y by submitting an application to Transco NTS during the period (the **Application Window**) 1 June to 31 July in Gas Year Y-1;
- (b) in relation to any relevant Gas Year (year Y) or the remaining part thereof where the DNO User might otherwise be unable to comply with the relevant conditions of its Transporter's Licence, by submitting an application to Transco NTS at any time after the end of the Application Window in Gas Year Y-1

subject to and in accordance with this paragraph 6.

- 6.3.3 An application for increased NTS Offtake Capacity at a NTS/LDZ Offtake shall specify:

- (a) the identity of the User;
- (b) the relevant NTS/LDZ Offtake;
- (c) the relevant Gas Year or Gas Years (or parts thereof) in respect of which the application is made;
- (d) the increased amount of NTS Offtake (Flat) Capacity and the amount of NTS Offtake (Flexibility) Capacity applied for.

- 6.3.4 Transco NTS may reject, or accept in part only, an application for increased NTS Offtake Capacity in respect of an NTS/LDZ Offtake where, or (as the case may be) to the extent that, Transco NTS determines that it would not be feasible to make gas available for offtake at the NTS/LDZ Offtake on the basis of such increased NTS Offtake Capacity throughout the period for which the application is made.

- 6.3.5 In making any determination under paragraph 6.3.4 in relation to applications made within an Application Window, Transco NTS will take into account all applications received by Transco NTS within the Application Window from DNO Users for

increases in NTS Offtake Capacity and from any Shipper User for an increase in NTS Exit Capacity at an NTS Exit Point other than an NTS/LDZ Offtake (and where relevant the provisions of paragraph 3.9).

6.3.6 Transco will:

- (a) in the case of an application under paragraph 6.3.2(a), by 30 September following the relevant Window Period, and
- (b) in the case of an application under paragraph 6.3.2(b), as soon as reasonably practicable after receiving the application

notify the User whether its application is accepted in whole or in part, or rejected, specifying (where the application is accepted in part), the amount of NTS Offtake (Flat) Capacity and/or NTS Offtake (Flexibility) Capacity for which the application is accepted.

6.3.7 Where Transco accepts an application (in whole or part), it will issue a revised Offtake Capacity Statement reflecting the increase.

6.3.8 The Ten Year Statement to be prepared and published by Transco NTS in accordance with Section O4 may include details of the amount of NTS Offtake Capacity held by Users at NTS/LDZ Offtakes.

6.4 Charges

6.4.1 No charges are payable by Users in respect of NTS Offtake Capacity.

6.5 Overruns

6.5.1 If for any reason the quantity of gas offtaken by a User at an NTS/LDZ Offtake on any Day exceeds the User's NTS Offtake (Flat) Capacity, there is an overrun ("**NTS Offtake (Flat) Overrun**").

6.5.2 The amount of the NTS Offtake (Flat) Overrun at an NTS/LDZ Offtake on any Day is the amount (if any) by which the quantity of gas offtaken by a User at an NTS/LDZ Offtake on any Day exceeds the User's NTS Offtake (Flat) Capacity.

6.5.3 If for any reason a User's Offtake Flexibility Quantity at an NTS/LDZ Offtake on any Day exceeds the User's NTS Offtake (Flexibility) Capacity, there is an overrun ("**NTS Offtake (Flexibility) Overrun**").

6.5.4 The amount of the NTS Offtake (Flexibility) Overrun ('NOFO') at an NTS/LDZ Offtake on any Day is the quantity determined as follows:

$$\text{NOFO} = \max \{(\text{OFQ} - \text{NOFC}), 0\}$$

where:

OFQ is the User's Offtake Flexibility Quantity determined in accordance with paragraph 6.5.5;

NOFC is the User's NTS Offtake (Flexibility) Capacity (which may be positive or negative).

6.5.5 A User's Offtake Flexibility Quantity ('OFQ') for a Day at an NTS/LDZ Offtake is the quantity determined as follows:

$$\text{OFQ} = (Q_{2200} * (1 - \text{FT})) - (Q_D * 16/24)$$

where:

Q_{2200} is the quantity of gas offtaken by the User at the NTS/LDZ Offtake between 0600 hours and 2200 hours on the Day;

FT is 0.015 (a 1.5% flexibility tolerance);

Q_D is the quantity of gas offtaken by the User at the NTS/LDZ Offtake in the whole of the Day.

6.5.6 No charge is payable by a User in respect of a NTS Offtake (Flat) Overrun or a NTS Offtake (Flexibility) Overrun.