

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION A – SYSTEM CLASSIFICATION

1 INTRODUCTION

1.1 System

1.1.1 In the Code:

(a) **"System"** means:

- (i) the National Transmission System; or
- (ii) a Local Distribution Zone;

(b) **"Total System"** means all the Systems taken together.

1.1.2 Subject to paragraph 1.7.2, a System does not include any independent system nor any pipeline to which gas can only be conveyed through a pipeline system operated by a gas transporter other than a Transporter.

1.1.3 A System does not include any Storage Facility.

1.1.4 Each System includes System Points of different classes, as described in this Section A.

1.1.5 For the purposes of the Code a reference to a System, 'the System' or 'the relevant System' is a reference:

- (a) in the context of a System Point, to the System on which that System Point is or is to be located;
- (b) in the context of a Transporter, to a System owned or operated by the Transporter;
- (c) in the context of a particular transportation activity, to the System in relation to which that transportation activity occurs or is to occur or is or is to be undertaken and otherwise, is a reference to any System.

1.1.6 For the avoidance of doubt a Transporter may be the owner or operator of (and licensee under a Transporter's Licence in relation to) more than one System.

1.2 NTS and LDZs

1.2.1 The **"National Transmission System"** or **"NTS"** is the pipeline system for the time being designated by Transco NTS as such, and described in Transco NTS's Ten Year Statement.

1.2.2 A **"Local Distribution Zone"** or **"LDZ"** is a pipeline system (other than the NTS), the conveyance of gas in which is authorised by a relevant Gas Transporter's Licence held by the owner or operator of such pipeline system, and which:

- (a) immediately before the UNC Implementation Date was designated by Transco as an LDZ; or

- (b) is subsequently designated by the owner or operator as an LDZ, after consultation with Transco NTS:
 - (i) consistently with the provisions of the owner or operator's Transporter's Licence; and
 - (ii) such that no part of any pipeline system (other than the NTS), the conveyance of gas in which is authorised by the relevant Gas Transporter's Licence, is not comprised in an LDZ; and
 - (iii) such that the requirements of the Offtake Arrangements Document are satisfied in respect of all Inter-System Offtakes which exist as a result of such designation
- as described in the owner or operator's Ten Year Statement.
- 1.2.3 For the purposes of paragraph 1.2.2, the relevant Gas Transporter's Licence is a Gas Transporter's Licence in which Special Standard Condition A11 has effect pursuant to a 'Standard Special Conditions Part A direction' in accordance with Standard Special Condition A1(2) of such licence.
 - 1.2.4 Where the context so requires a reference to an LDZ includes the area in which such pipe-line system is located.

1.3 Exit Zones

- 1.3.1 The area in which each LDZ is located is divided into one or more Exit Zones.
- 1.3.2 Subject to paragraph 1.3.3, an "**Exit Zone**" is an area (within one LDZ only) for the time being designated by Transco NTS (following consultation with each other relevant Transporter) as such, and described in Transco NTS's Transportation Statement.
- 1.3.3 Transco NTS may from time to time designate the point at which a NTS System Exit Point (in accordance with paragraph 3.2) is located as a separate Exit Zone, provided that in the absence of such designation an NTS System Exit Point shall be in the Exit Zone in which it is located.

1.4 System Points

- 1.4.1 For the purposes of the Code:
 - (a) an "**Individual System Point**" is a point on a System which is designed to permit gas to flow through a single pipe into or out of the System;
 - (b) a "**System Point**" is an Individual System Point or a composite group of Individual System Points of a class (defined according to provisions of the Code set out or referred to in this Section A) in respect of or by reference to which particular provisions of the Code apply.
- 1.4.2 The classes of System Point comprise:
 - (a) Individual System Entry Points, System Entry Points and Aggregate System Entry Points (in accordance with paragraph 2);
 - (b) Individual System Exit Points and System Exit Points (in accordance with paragraph 3);

(c) Inter-System Offtakes (in accordance with paragraph 3.5)

and sub-classes thereof in accordance with the further provisions of the Code.

1.4.3 For the avoidance of doubt a point on a System is a System Point whether or not any transportation arrangement pursuant to which gas flows into or out of the System at such point is made on the terms of the Code.

1.5 Storage Connection Point

1.5.1 The Individual System Points at which a Storage Facility is connected to a System shall be a System Point (which is in relation to such Storage Facility the "**Storage Connection Point**").

1.5.2 A Storage Connection Point shall be both a System Entry Point (and an Aggregate System Entry Point) and a Connected System Exit Point.

1.6 NTS and LDZ System Points

1.6.1 A System Point is an "**NTS**" or an "**LDZ**" System Point where the Individual System Point(s) comprised in that System Point are point(s) on the NTS or (as the case may be) on an LDZ; and references in the Code to an "**NTS**" or an "**LDZ**" System Point of any particular class shall be construed accordingly.

1.6.2 References to a System Exit Point (of any class) in an Exit Zone are to such a System Exit Point:

(a) on that part of any LDZ which is located in that Exit Zone; or

(b) in the case of an NTS System Exit Point, located in or at such Exit Zone.

1.6.3 Subject to Section G1.9.9(a)(ii), no System Point may comprise Individual System Points on more than one LDZ or in more than one Exit Zone or on an LDZ and the NTS.

1.7 Scottish Independent Networks

1.7.1 Subject to paragraph 1.7.5, each of the separate pipeline networks located in Scotland at Thurso, Wick, Campbeltown and Oban provisioned with LNG, and at Stranraer with gas, is a "**Scottish Independent Network**".

1.7.2 Except where otherwise provided and where the context otherwise requires, a reference to the Total System includes a reference to the Scottish Independent Networks.

1.7.3 A System Exit Point on a Scottish Independent Network is a "**SIN**" System Exit Point.

1.7.4 For the purposes of the Code:

(a) each Scottish Independent Network shall be treated as being a separate LDZ the area of which is one separate Exit Zone;

(b) there shall be deemed to be in relation to each such Exit Zone an NTS Exit Point ("**SIN NTS Exit Point**"), being a NTS/LDZ Offtake, at which gas is deemed to flow out of the NTS and into such Scottish Independent Network.

1.7.5 Pursuant to an arrangement set out or described in the relevant CSEP Ancillary Agreement, the separate pipeline network located at Stranraer is supplied with gas taken

from the Total System at a Connected System Exit Point and conveyed by means of pipes operated other than by a Transporter (and not forming part of the Total System); and accordingly in any provision of the Code referring to LNG Facilities, a reference to a Scottish Independent Network does not include the network at Stranraer.

2 SYSTEM ENTRY POINTS

2.1 Individual System Entry Point

An "**Individual System Entry Point**" is an Individual System Point (on the NTS or an LDZ) at which gas can flow into the Total System.

2.2 System Entry Point

2.2.1 A "**System Entry Point**" is a System Point comprising one or more Individual System Entry Points.

2.2.2 Section II.4 sets out the basis on which Individual System Entry Point(s) are or are to be comprised in a System Entry Point.

2.3 Aggregate System Entry Point

2.3.1 An "**Aggregate System Entry Point**" is a System Point comprising one or more System Entry Points.

2.3.2 Section II.5 sets out the basis on which System Entry Point(s) are or are to be comprised in an Aggregate System Entry Point.

3 EXIT POINTS

3.1 Individual System Exit Point

An "**Individual System Exit Point**" is an Individual System Point at which gas can flow out of the Total System.

3.2 System Exit Point

3.2.1 A "**System Exit Point**" is a System Point comprising one or more Individual System Exit Points.

3.2.2 The classes of System Exit Point are:

- (a) Supply Meter Points, Supply Point Components and Supply Points in accordance with paragraph 4, and further classes thereof in accordance with that paragraph; and
- (b) Connected System Exit Points.

3.3 Connected System Exit Point

3.3.1 A "**Connected System Exit Point**" (or "**CSEP**") is a System Point comprising one or more Individual System Exit Points which are not Supply Meter Points.

- 3.3.2 Section J1.4.2 sets out the basis on which Individual System Exit Point(s) are or are to be comprised in a Connected System Exit Point.
- 3.3.3 In the case of a Connected System Exit Point, in accordance with Section J6.1, the relevant provisions of the applicable CSEP Network Exit Provisions apply in addition to the provisions of the Code.
- 3.3.4 A Connected System Exit Point is an "**Unmetered**" Connected System Exit Point where at any Individual System Exit Point comprised in the Connected System Exit Point there is no meter for the purpose of measuring the volume of gas offtaken from the Total System, and otherwise is a "**Metered**" Connected System Exit Point.
- 3.3.5 Where so provided in the relevant CSEP Network Exit Provisions, a Connected System Exit Point may be treated as comprising separate System Exit Points for such purposes as are specified in such Network Exit Agreement, and references in the Code to Connected System Exit Points shall be construed accordingly.

3.4 NTS Exit Point

- 3.4.1 An "**NTS Exit Point**" is a System Point comprising one or more Individual System Points at which gas can flow out of the NTS (and either out of the Total System or into an LDZ).
- 3.4.2 The classes of NTS Exit Point are:
- (a) NTS Supply Points and NTS Connected System Exit Points (which are NTS System Exit Points); and
 - (b) NTS/LDZ Offtakes.
- 3.4.3 In the context of a particular Exit Zone a reference to an NTS Exit Point is a reference to:
- (a) the NTS/LDZ Offtake at which gas flows out of the NTS into the LDZ or that part of an LDZ located in that Exit Zone; and/or
 - (b) the NTS Supply Point and/or NTS Connected System Exit Point in that Exit Zone (in accordance with paragraph 1.6.2)
- and a reference to an Exit Zone in the context of a particular NTS Exit Point shall be construed accordingly.

3.5 Inter-System Offtakes

- 3.5.1 An "**Inter-System Offtake**" is a System Point comprising one or more Individual System Points at which gas can flow out of one System into another System which is not comprised in the same Distribution Network.
- 3.5.2 Inter-System Offtakes comprise NTS/LDZ Offtakes and LDZ/LDZ Offtakes.
- 3.5.3 For the avoidance of doubt, an Inter-System Offtake is not a System Exit Point except as provided in Section J.

4 SUPPLY POINTS

4.1 Supply Meter Points

- 4.1.1 Subject to paragraph 4.1.2, a "**Supply Meter Point**" is an Individual System Exit Point at which gas may (in accordance with the Code) be offtaken from the Total System for the purposes of supply directly to particular premises.
- 4.1.2 Where gas offtaken from the Total System at an Individual System Exit Point is or is to be conveyed through any pipe downstream of such Individual System Exit Point (other than a pipe comprised in a Sub-deduct Arrangement in accordance with Section G1.8) in which gas is conveyed to more than one premises, or to any other pipeline system as well as to any premises, such "**Individual System**" Exit Point is not a Supply Meter Point.
- 4.1.3 A "**Smaller**" or a "**Larger**" Supply Meter Point is a Supply Meter Point comprised respectively in a Smaller Supply Point or a Larger Supply Point.
- 4.1.4 A Supply Meter Point shall be classified as a "**DM Supply Meter Point**" where paragraph G1.5.1 applies and otherwise shall be classified as an "**NDM Supply Meter Point**".

4.2 Supply Point

- 4.2.1 In accordance with Section G1.1.1, a Supply Point is the Supply Meter Point or Supply Meter Points for the time being comprised in a Supply Point Registration.
- 4.2.2 A "**Larger Supply Point**" is a Supply Point in respect of which the Annual Quantity is greater than 73,200 kWh (2,500 *therms*) and a "**Smaller Supply Point**" is a Supply Point in respect of which the Annual Quantity is not greater than 73,200 kWh (2,500 *therms*).

4.3 Supply Point Components

- 4.3.1 A Supply Point may comprise a DM Supply Point Component or an NDM Supply Point Component or both.
- 4.3.2 A "**Supply Point Component**" is either:
 - (a) all (if any) of the Supply Meter Points comprised in one Supply Point which are DM Supply Meter Points (a "**DM Supply Point Component**");
 - (b) all (if any) of the Supply Meter Points comprised in one Supply Point which are NDM Supply Meter Points (an "**NDM Supply Point Component**").

4.4 Firm and Interruptible Supply Points

- 4.4.1 In accordance with Section G6.1 a Supply Point may be a "**Firm Supply Point**" or an "**Interruptible Supply Point**".
- 4.4.2 An "**Interruptible**" Supply Point Component is a Supply Point Component of an Interruptible Supply Point, and a "**Firm**" Supply Point Component is a Supply Point Component of a Firm Supply Point.

4.5 Further classification of DM Supply Point Components

- 4.5.1 A DM Supply Point Component may be a DMC Supply Point Component (including a VLDMC Supply Point Component) or a DMA Supply Point Component.
- 4.5.2 A Supply Point Component shall be classified as a "**DMC**" Supply Point Component

where it is:

- (a) a Firm or Interruptible DM Supply Point Component whose Annual Quantity is greater than 58,600,000 kWh (*2,000,000 therms*); or
 - (b) an SDMC(I) Supply Point Component in accordance with paragraph 4.5.3.
- 4.5.3 A Supply Point Component can be classified as a "**SDMC(I)**" Supply Point Component where it is an Interruptible DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), which is for the time being designated as requiring individual Output Nominations in accordance with Section G6.4.
- 4.5.4 A Supply Point Component shall be classified as a "**DMA**" Supply Point Component where it is:
- (a) a Firm DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*); or
 - (b) an Interruptible DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), which is not a SDMC(I) Supply Point Component.
- 4.5.5 A Supply Point Component shall be classified as a "**VLDMC**" Supply Point Component where it is a DMC Supply Point Component whose Annual Quantity is greater than 1,465,000,000 kWh (*50,000,000 therms*).

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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 an 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 an NTS/LDZ Offtake is capacity in the NTS which a DNO User is treated as utilising in causing or permitting the flow of gas from the NTS to an 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 an NTS/LDZ Offtake.
- 1.2.5 No User is treated as 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 an 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 an 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 timesuch 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 an 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 DN Operator 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 DN Operator 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;
- (b) the relevant DN Operator shall hold NTS Offtake Capacity at such Scottish Independent Network NTS Exit Point;
- (c) NTS Exit Capacity may be held by Users at the Scottish Independent Network NTS Exit Point;
- (d) for the purposes of paragraph 6.5 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 Ratchetted 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 the Transporter 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 paragraph 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 the Transporter 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 NTS 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; and
- (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 paragraph 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 paragraph 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 paragraph 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) paragraph 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:

- (a) **"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);

- (b) **"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);
- (c) **"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;
- (d) **"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
- (e) **"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 4 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 4 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 Capacity (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 Capability 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:

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

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 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 3 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:

$$RCR * UFAC / AFAC$$

where:

RCC is the Relevant Capacity Revenues;

UAFC 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:

$$RCC * UFAC / AFAC$$

where:

RCC are the Relevant Capacity Costs;

and 'UFAC' and 'AUFC' 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:

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

where CNAA 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 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 an 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 an 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 J6.7.2.
- 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 Provisions 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 J6.7. Where the CSEP Network Exit Provisions do 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 an 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 an NTS Supply Point or an 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 an 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 an 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; and
 - (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 an 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;

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 Provisions; 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 an amount 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 an 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 an 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 Provisions.
- 4.5.3 The CSEP Network Exit Provisions 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 Pointwhichever 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 Provisions 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 an 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 of the NTS 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;
 - (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; and
 - (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 an LDZ at a NTS/LDZ Offtake.
- 6.1.2 In accordance with paragraph 1.13, 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 UNC Implementation Date 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 an 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/or the increased 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 A DNO User may decrease the amount of its NTS Offtake Capacity at a NTS/LDZ Offtake in relation to any relevant Gas Year (year Y) or any relevant Gas Year after Year Y by notifying such decrease to Transco NTS during the Application Window in Gas Year Y-1, specifying:
 - (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 notification is made;
 - (d) the decreased amount of NTS Offtake (Flat) Capacity and/or the decreased amount of NTS Offtake (Flexibility) Capacity.
- 6.3.8 Where Transco accepts an application (in whole or part) for increased NTS Offtake Capacity, or where a DNO User decreases the amount of its NTS Offtake Capacity, Transco NTS will issue a revised Offtake Capacity Statement reflecting the increase or decrease.
- 6.3.9 The NTS Offtake (Flexibility) Capacity held by a DNO User at an NTS/LDZ Offtake on a Day may also be increased as provided in Section J7.3, but the Offtake Capacity Statement will not be revised to reflect such increase.

- 6.3.10 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:

$$\text{OFQ} = (\text{Q}_{2200} * (1 - \text{FT})) - (\text{Q}_D * 16/24)$$

where:

Q_{2200} is the quantity of gas offtaken by the User at the NTS/LDZ Offtake between 06:00 hours and 22:00 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.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION C – NOMINATIONS

1 INTRODUCTION

1.1 Nominations

1.1.1 Users will nominate quantities of gas for delivery to and offtake from the Total System each Day in accordance with this Section C for the purposes of enabling Transco NTS to plan and (subject to and in accordance with Section D) carry out the operation of the NTS and Operational Balancing.

1.1.2 For the purposes of the Code:

- (a) a "**Nomination**" is a nomination by a User in respect of a quantity of gas to be delivered to or offtaken from the Total System on a Day;
- (b) a "**Renomination**" is a Nomination which revises an earlier Nomination (including a Renomination) under paragraph 4, and includes a New Renomination (in accordance with paragraph 4.1.9(a)) and a Step Change Renomination (in accordance with paragraph 4.1.9(e));
- (c) an "**Output**" Nomination is a Nomination in respect of a quantity to be offtaken from the Total System;
- (d) an "**Input**" Nomination is a Nomination in respect of a quantity to be delivered to the Total System;
- (e) a "**Nomination Quantity**" is the quantity nominated for delivery or offtake in a User's prevailing Nomination;
- (f) the "**Nominated Quantity**" is the Nomination Quantity in a User's Nomination prevailing as at the end of the Gas Flow Day;
- (g) an "**Initial**" Nomination is the initial Nomination made or to be made before the Gas Flow Day (but does not include a New Renomination).

1.1.3 References in the Code to a Nomination prevailing at any time before or during the Gas Flow Day are to a Nomination as revised (in accordance with this Section C but not otherwise) up to that time.

1.1.4 For the purposes of the Code a Nomination is made by a User where the User has submitted a Nomination which has been approved or deemed to be approved by Transco NTS in accordance with this Section C.

1.1.5 Each User shall use all reasonable endeavours to secure that (without prejudice to paragraphs 2.3.2 and 3.3.2) it makes Initial Nominations and (subject to the provisions of this Section C) Renominations in accordance with this Section C for the quantities in which and rates and times at which it intends or expects to deliver gas to or offtake gas from the Total System each Day.

- 1.1.6 A User may make a Nomination for a quantity of zero (but paragraph 1.1.5 does not require such a Nomination to be made in any case).
- 1.1.7 For the avoidance of doubt, Users are not required to submit nominations to Transco NTS (or any other Transporter) in respect of gas flows on a Day at a NTS/LDZ Offtake.

1.2 Nomination Timetable

The "**DM Output Nomination Time**", "**NDM Output Nomination Time**", "**Input Nomination Time**", "**Scheduling Start Time**", "**Nomination Finalisation Time**" and "**Renomination Start Time**" in relation to the Gas Flow Day shall be the following respective times on the Preceding Day:

DM Output Nomination Time:	13:00
NDM Output Nomination Time:	14:00
Input Nomination Time:	16:00
Scheduling Start Time:	16:00
Nomination Finalisation Time:	17:00
Renomination Start Time:	17:30

1.3 Nomination balancing

Without prejudice to Section F2, the aggregate quantities of gas nominated by a User's Input Nominations and Output Nominations for a Day need not be equal.

1.4 Supply Point Groups

- 1.4.1 For the purposes of the Code, for each User in relation to each Exit Zone:
- (a) the "**DMA(F) Supply Point Group**" is all of its Registered Firm DMA Supply Point Components in aggregate in that Exit Zone;
 - (b) the "**DMA(I) Supply Point Group**" is all of its Registered Interruptible DMA Supply Point Components in aggregate in that Exit Zone;
 - (c) the "**NDM Supply Point Group**" is all of its Registered NDM Supply Point Components in aggregate in that Exit Zone.
- 1.4.2 "**DMA Supply Point Group**" means a DMA(F) Supply Point Group or a DMA(I) Supply Point Group, and "**Supply Point Group**" means an NDM Supply Point Group or a DMA Supply Point Group.

1.5 NDM Output Nominations

- 1.5.1 In respect of each Day Transco NTS will, subject to paragraph 4.2.2, on the basis of the daily demand forecasts under Section H5:

- (a) for each User determine in accordance with Section H2 the aggregate of the NDM Supply Meter Point Demands for all Registered NDM Supply Meter Points in each Exit Zone; and
 - (b) not later than each Demand Forecast Time (in accordance with Section H5):
 - (i) make or revise on behalf of each User an Output Nomination ("**NDM Output Nomination**") in respect of each NDM Supply Point Group; and
 - (ii) notify to each User the Nomination Quantity under each of its NDM Output Nominations or Renominations so made.
- 1.5.2 The Nomination Quantity under an NDM Output Nomination (including a Renomination thereof) for a User in respect of an NDM Supply Point Group will be the aggregate of the NDM Supply Meter Point Demands for all Registered NDM Supply Point Components in that Exit Zone, determined in accordance with paragraph 1.5.1(a).
- 1.5.3 The CSEP Network Exit Provisions may provide for Output Nominations in respect of a relevant Unmetered Connected System Exit Point to be treated (for such purposes of the Code as are specified in the CSEP Network Exit Agreement) as NDM Output Nominations (and references in the Code to NDM Output Nominations shall be construed accordingly).
- 1.6 Calorific value information**
- 1.6.1 Not later than 11:00 hours on the Gas Flow Day the Transporter will make available to Users:
 - (a) the calorific value applicable (in accordance with GT Section C3.3.1) in respect of each relevant LDZ for the Preceding Day;
 - (b) the Transporter's prevailing estimate of the calorific value applicable (in accordance with GT Section C3.3.1) in respect of each relevant LDZ for the Gas Flow Day.
- 1.6.2 If having failed to comply with paragraph 1.6.1(a) and (b) on any Day, the Transporter does not make available to Users the information in that paragraph by 16:00 on the Gas Flow Day, the Transporter will pay to each User with an associated UDQO in respect of Supply Point(s) in the relevant LDZ on the Preceding Day the amount of £50.
- 1.6.3 Where within 12 calendar months of making information available to Users pursuant to paragraph 1.6.1(a) the Transporter becomes aware that such information is incorrect, the Transporter will recalculate such information for each day during the affected period and make it available to Users within 5 Business Days of the recalculation being complete.
- 1.6.4 Where the Transporter fails to comply with the provisions of paragraph 1.6.3 above, the Transporter will make a payment to each User with an associated UDQO in respect of Supply Point(s) in the relevant LDZ during the relevant period of the amount of £250.
- 1.6.5 For the purposes of Section V10, the rules in paragraphs 1.6.2 and 1.6.4 are Compensation Rules within Compensation Group B; and in relation thereto the

"**payment month**" is the second month following the month in which the relevant information is made available to the User pursuant to paragraph 1.6.3.

1.7 UK Link set-up

Before first submitting a Nomination in respect of 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.

1.8 Implied Nomination Flow Rate

In respect of any Nomination the "**Implied Nomination Flow Rate**" is the rate (in kWh/ hour) determined as:

- (a) in the case of a Nomination which is not a Renomination, the Nomination Quantity divided by 24;
- (b) in the case of a New Renomination, the Nomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day;
- (c) in the case of any other Renomination, the Implied Nomination Flow Rate in respect of the Nomination prevailing immediately prior to such Renomination plus (where the Renomination increased the Nomination Quantity) or minus (where the Renomination decreased the Nomination Quantity) an incremental hourly rate determined as the Renomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day.

1.9 Hour-bar assumption

- 1.9.1 For the purposes of the Code it shall be assumed that any change in the rate of delivery of gas to or offtake of gas from the Total System by a User will occur on the hour.
- 1.9.2 The Renomination Effective Time of any Renomination shall be in accordance with paragraph 1.9.1.

1.10 Nomination Approval

Where under this Section C a Nomination (other than an NDM Output Nomination) is approved or deemed to be approved by Transco NTS:

- (a) the Nomination Quantity under such Nomination shall not subsequently be revised (other than by the User in accordance with this Section C);
- (b) subject to paragraph (a), such approval or deemed approval shall not amount to a waiver by Transco NTS of any failure of the Nomination to comply with any requirement of this Section C.

1.11 DNO Users

In this Section C references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.

2 OUTPUT NOMINATIONS

2.1 Basis of nominations

A User nominating quantities of gas for offtake on the Gas Flow Day from the Total System shall make Output Nominations subject to and in accordance with this paragraph 2.

2.2 Procedure and restrictions

2.2.1 The User shall submit a separate Output Nomination ("**DM Output Nomination**") in respect of:

- (a) each Connected System Exit Point;
- (b) each Registered DMC Supply Point Component;
- (c) each DMA(F) Supply Point Group;
- (d) each DMA(I) Supply Point Group.

2.2.2 Each DM Output Nomination shall specify:

- (a) the Gas Flow Day;
- (b) the identity of the User;
- (c) the System Exit Point, or (in the case of a DMA Supply Point Group) the Exit Zone; and
- (d) the quantity of gas nominated for offtake.

2.2.3 A User shall not submit a DM Output Nomination:

- (a) in respect of an NTS System Exit Point at which, under the prevailing Maintenance Programme, gas is not to be available for offtake from the relevant System on the Gas Flow Day; or
- (b) in respect of a relevant Connected System Exit Point or (subject to paragraph 2.2.5) DMC Supply Point Component, if the Implied Nomination Flow Rate exceeds:
 - (i) in the case of a DMC Supply Point Component, the Supply Point Offtake Rate pursuant to Section G;
 - (ii) in the case of a relevant Connected System Exit Point, any limit specified in the CSEP Network Exit Provisions for the purposes of this paragraph 2.2.3.

2.2.4 The relevant provisions of the CSEP Network Exit Provisions shall apply in addition to and (where in conflict with) instead of the provisions of this Section C as respects Output Nominations in respect of a Connected System Exit Point.

2.2.5 In relation to a DMC Supply Point Component which comprises Shared Supply Meter Point(s), paragraph 2.2.3(b)(i) shall apply only if the aggregate of the Implied

Nomination Flow Rates exceeds the aggregate of the Supply Point Offtake Rates in respect of all of the DMC Supply Point Components which comprise the same Shared Supply Meter Point(s).

- 2.2.6 If in respect of a System Exit Point, a User has not made a DM Output Nomination in respect of the Gas Flow Day, the User shall be deemed to have made a DM Output Nomination of zero at the Relevant Output Nomination Time.

2.3 Timing

- 2.3.1 Initial DM Output Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Relevant Output Nomination Time.
- 2.3.2 Initial DM Output Nominations will not be treated as made before the Relevant Output Nomination Time; and Users may, up to but (subject to paragraph 4) not after the Relevant Output Nomination Time, amend or replace Initial DM Output Nominations already submitted.
- 2.3.3 The "**Relevant Output Nomination Time**" is:
- (a) in respect of a Storage Connection Point the Input Nomination Time;
 - (b) except as provided in paragraph (a), the DM Output Nomination Time.

2.4 Nomination approval or rejection

- 2.4.1 Transco NTS may reject or (in its discretion) approve a DM Output Nomination which is not submitted in accordance with, or does not comply with:
- (a) the requirements in paragraph 2.2; or
 - (b) the requirements in paragraph 2.3.1.
- 2.4.2 Transco NTS will not approve or reject Initial DM Output Nominations before the Relevant Output Nomination Time.
- 2.4.3 If in respect of any System Exit Point:
- (a) a User has not submitted an Initial DM Output Nomination by the Relevant Output Nomination Time; or
 - (b) Transco NTS has rejected an Initial DM Output Nomination submitted by a User,
- the User shall have failed to make a Nomination (but without prejudice to any New Renomination) and (where relevant) the provisions of Section E4 as to Unauthorised Gas Flows shall apply.
- 2.4.4 An Initial DM Output Nomination submitted to Transco NTS which has not been rejected (in accordance with paragraph 2.4.1) within 60 minutes after the Relevant Output Nomination Time shall be deemed to have been approved.

2.5 NDM Output Nominations

- 2.5.1 Output Nominations in relation to NDM Supply Point Groups will be made in accordance with paragraph 1.5, and deemed for the purposes of paragraph 1.1.4 to be made by the User; and the User shall not submit such Nominations.
- 2.5.2 In accordance with paragraph 1.5, Transco NTS will notify to each User its Initial NDM Output Nominations no later than the NDM Output Nomination Time.

3 INPUT NOMINATIONS

3.1 Basis of nominations

- 3.1.1 A User nominating quantities of gas for delivery to the Total System on the Gas Flow Day shall make Input Nominations subject to and in accordance with this paragraph 3.

3.2 Procedure and restrictions

- 3.2.1 The User shall submit a separate Input Nomination in respect of each System Entry Point.
- 3.2.2 Each Input Nomination shall specify:
 - (a) the Gas Flow Day;
 - (b) the identity of the User;
 - (c) the System Entry Point;
 - (d) the quantity of gas nominated for delivery; and
 - (e) either the volume or the calorific value of the gas to be delivered.
- 3.2.3 A User shall not submit an Input Nomination in respect of a NTS System Entry Point at which, under the prevailing Maintenance Programme, gas is not to be delivered to the Total System on the Gas Flow Day.
- 3.2.4 If in respect of a System Entry Point located on the NTS, a User has not made an Input Nomination in respect of the Gas Flow Day, the User shall be deemed to have made an Input Nomination of zero at the relevant Input Nomination Time.

3.3 Timing

- 3.3.1 Initial Input Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Input Nomination Time.
- 3.3.2 Initial Input Nominations will not be treated as made before the Input Nomination Time; and Users may, up to but (subject to paragraphs 4 and 5) not after the Input Nomination Time, amend or replace Initial Input Nominations already submitted.

3.4 Approval and rejection

- 3.4.1 Transco NTS may reject or (in its discretion) approve an Input Nomination:

- (a) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.2, or which specifies a calorific value, or a volume which implies a calorific value, which is not in compliance with the applicable Gas Entry Conditions in accordance with Section I2.4;
 - (b) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.3.1.
- 3.4.2 Transco NTS will not approve or reject Initial Input Nominations before the Input Nomination Time.
- 3.4.3 If in respect of any System Entry Point:
 - (a) a User has not submitted an Initial Input Nomination by the Input Nomination Time; or
 - (b) Transco NTS has rejected an Initial Input Nomination submitted by a User, the User shall have failed to make a Nomination (but without prejudice to any New Renomination) and (where relevant) the provisions of Section E4 as to Unauthorised Gas Flows shall apply.
- 3.4.4 An Initial Input Nomination submitted to Transco NTS which has not been rejected (in accordance with paragraph 3.4.1) within 60 minutes after the Input Nomination Time shall be deemed to have been approved.

4 RENOMINATION

4.1 General

- 4.1.1 A User may not withdraw or, except as provided in paragraph 4.1.2, revise or replace an Output Nomination after the Relevant Output Nomination Time or an Input Nomination after the Input Nomination Time.
- 4.1.2 Subject to paragraph 4.1.3, a Nomination may be revised by a Renomination.
- 4.1.3 A User shall not be entitled to make a Renomination:
 - (a) (except in the case of a New Renomination) in respect of a System Point in respect of which the User has not made an earlier Nomination;
 - (b) earlier than the Renomination Start Time, or later than 04:00 hours on the Gas Flow Day;
 - (c) in the circumstances in Section D2.3.4;
 - (d) if the Implied Nomination Flow Rate (in the case of a Step Change Renomination in respect of any hour of the Day) is less than zero.
- 4.1.4 Without prejudice to Section I3.10.3, a User shall secure that it has not made a Renomination in respect of a System Entry Point under which the Implied Nomination Flow Rate exceeds 1/24 of the User's Available NTS Entry Capacity.

- 4.1.5 A Renomination shall be submitted in accordance with paragraph 2.2 or 3.2 (as appropriate), and shall in addition specify:
- (a) (except in the case of a New Renomination) the previous Nomination in respect of which it is made; and
 - (b) the Renomination Effective Time (in compliance with paragraph 4.1.9).
- 4.1.6 Transco NTS may reject or approve a Renomination in accordance with paragraph 2.4.1(a) or 3.4.1(a); and where Transco NTS rejects a Renomination the prevailing Nomination (if any) shall remain in place.
- 4.1.7 A Renomination submitted to Transco NTS which has not been rejected (in accordance with paragraph 4.1.6):
- (a) within 60 minutes after it was submitted; or
 - (b) in the case of a VLDMC Supply Point Component or a relevant Connected System Exit Point only, by the Renomination Effective Time, if earlier
- shall be deemed to have been approved as respects paragraph 2.4.1(a) or 3.4.1(a).
- 4.1.8 An approved Renomination (other than a New Renomination) shall replace the previous Nomination (but without prejudice to the application of this Section C in respect of the previous Nomination until the Renomination Effective Time).
- 4.1.9 For the purposes of the Code:
- (a) a "**New Renomination**" is an original Nomination in accordance with paragraph 4.1.11;
 - (b) the "**Renomination Quantity**" in respect of a Renomination is the amount by which the Nomination Quantity under an earlier Nomination was revised by such Renomination or, in the case of a New Renomination, the Nomination Quantity;
 - (c) the "**Renomination Effective Time**" in respect of a Renomination (other than an NDM Output Nomination) is the time (within the Gas Flow Day) with effect from which the change in gas flow rate (at the relevant System Point) in respect of which the Renomination is made is to occur.
 - (d) a "**Step Change Renomination**" is a Renomination which specifies the Nomination Quantity for each remaining hour of the Day.
- 4.1.10 The Renomination Effective Time of a Renomination shall:
- (a) in the case of a System Point other than a VLDMC Supply Point Component or a relevant Connected System Exit Point, be not less than 60 minutes;
 - (b) in the case of a VLDMC Supply Point Component or a relevant Connected System Exit Point, be not less than 15 minutes
- after the time at which the Renomination is submitted (and shall in addition comply with paragraph 1.9.2).

4.1.11 Where a User has not made an earlier:

- (a) Input Nomination for the Gas Flow Day in respect of a System Entry Point the User may make an original Input Nomination; or
- (b) Output Nomination for the Gas Flow Day in respect of a DMC Supply Point Component, an eligible Connected System Exit Point or DMA Supply Point Component, the User may make an original Output Renomination (in respect thereof)

for a Nomination Quantity determined by the User.

4.2 Renominations: Output Nominations

4.2.1 With effect from each Demand Forecast Time (after the NDM Output Nomination Time):

- (a) Transco NTS will by making a Renomination revise on behalf of each User its NDM Output Nomination for each NDM Supply Point Group in accordance with paragraph 1.5;
- (b) each User's NDM Output Nomination in respect of each relevant Unmetered Connected System Exit Point shall be revised in accordance with the applicable CSEP Network Exit Provisions.

4.2.2 A User may (subject to paragraph 4.1.3) make a Step Change Renomination.

4.2.3 Users are required to make Renominations in respect of Supply Points in respect of which the Transporter requires or ceases to require Interruption under Section G6.8.

4.3 Renomination review

4.3.1 Transco NTS shall not be required to determine whether a Renomination when made complies with the requirements of this paragraph 4 or Section I3.10, and may accept a non-compliant Renomination, but Transco NTS may reject a Renomination which does not so comply.

4.3.2 Transco NTS will, after the Gas Flow Day, keep under review (on a sample basis) Renominations made by Users; and (without prejudice to any other entitlement of Transco NTS under the Code) where it appears to Transco NTS that a User may have made one or more Renominations which materially or persistently failed to comply with the requirements of this paragraph 4 or Section I3.10:

- (a) Transco NTS will invite the User to provide to Transco NTS reasonable evidence that the Renomination(s) were compliant, and/or to provide to Transco NTS such information as the User may (in the light of paragraph (b)) wish;
- (b) if Transco NTS is not thereby reasonably satisfied that the User did not materially or persistently fail to comply with the requirements of this paragraph 4 or Section I3.10, Transco NTS will submit to the Authority a report identifying the User and containing details of the possible failure to comply together with any information provided by the User under paragraph (a); and

- (c) Transco NTS will not be required to take any further action in respect of the possible failure to comply.

5 TRADE NOMINATIONS

5.1 Basis of Trade Nominations

- 5.1.1 Where two Users, or (in accordance with paragraph 5.3) Transco NTS and a User, agree to do so, they may make in respect of any Day corresponding nominations (respectively a "**Disposing Trade Nomination**" and an "**Acquiring Trade Nomination**") for the purposes of paragraph 5.1.3, subject to and in accordance with this paragraph 5.
- 5.1.2 The quantities subject to a Disposing Trade Nomination and an Acquiring Trade Nomination (each a "**Trade Nomination**") must be equal.
- 5.1.3 The quantity ("**Trade Nomination Quantity**") subject to corresponding Trade Nominations will (in accordance with Section E5) be:
 - (a) deducted in determining the Daily Imbalance of the User making the Disposing Trade Nomination; and
 - (b) added in determining the Daily Imbalance of the User making the Acquiring Trade Nomination.
- 5.1.4 For the purposes of the Code (and without prejudice to any terms as between Users, with which Transco NTS shall not be concerned) a Trade Nomination shall have no other effect than under paragraph 5.1.3.
- 5.1.5 A User may make a Trade Nomination irrespective of whether the User makes any Input Nomination or Output Nomination for the Day in respect of which the Trade Nomination is made.
- 5.1.6 For the purposes of the Code a Trade Nomination is made by a User where the User has submitted a Trade Nomination which has not been rejected by Transco NTS in accordance with this Section C.

5.2 Content, timing and procedure

- 5.2.1 A Trade Nomination shall specify:
 - (a) the Gas Flow Day;
 - (b) the identity of the User;
 - (c) whether it is a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (d) the identity of the User making the corresponding Trade Nomination; and
 - (e) the Trade Nomination Quantity.
- 5.2.2 A Trade Nomination may not be made:
 - (a) earlier than 30 Days before the Gas Flow Day;

- (b) later than 04:00 hours on the Gas Flow Day.
- 5.2.3 A Trade Nomination shall not be effective and shall be rejected by Transco NTS:
 - (a) if it does not comply with paragraph 5.2.1;
 - (b) if the corresponding Trade Nomination is not submitted, in compliance with paragraph 5.2.1:
 - (i) where the first Trade Nomination was submitted before the Gas Flow Day, by 07:00 hours on the Gas Flow Day;
 - (ii) otherwise, within 60 minutes before or after the first Trade Nomination was made;
 - (c) if the Trade Nomination Quantity and the quantity subject to the corresponding Trade Nomination are not equal;
 - (d) in accordance with Section V3.
- 5.2.4 A Trade Nomination may be withdrawn by the User who submitted it at any time before the Gas Flow Day, but may not be amended or withdrawn within the Gas Flow Day (but without prejudice to any subsequent Trade Nomination).
- 5.3 System Trade Nominations**
 - 5.3.1 Where Transco NTS and a User (a "**System Trade User**") so agree, they may make corresponding Trade Nominations ("**System Trade Nominations**").
 - 5.3.2 The Trade Nomination Quantity pursuant to a System Trade Nomination shall be deemed to be sold and purchased pursuant to a System Clearing Contract:
 - (a) which shall arise upon the System Trade Nominations becoming effective and which shall be deemed fully performed;
 - (b) for the purposes of which:
 - (i) where the System Trade User made the Disposing Trade Nomination, Transco NTS is buyer and the System Trade User is seller;
 - (ii) where the System Trade User made the Acquiring Trade Nomination, Transco NTS is seller and the System Trade User is buyer;
 - (c) in relation to which there shall be no Clearing Price (as the System Trade Contract is effective pursuant to the agreement between Transco NTS and the User to make the System Trade Nominations).
 - 5.3.3 In relation to the System Trade User, the Trade Nomination Quantity pursuant to a System Trade Nomination shall be treated in accordance with paragraph 5.1.3.
 - 5.3.4 Transco NTS may agree with the System Trade User that the Trade Nomination to be made by Transco NTS shall (for the purposes of paragraph 5.2) be deemed to be submitted at the same time as that to be submitted by the System Trade User.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION D – OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

1 INTRODUCTION

1.1 Operational Balancing

1.1.1 For the purposes of the Code, "**Operational Balancing**" means maintaining:

- (a) both during and at the end of each Gas Flow Day; and
- (b) within such operational tolerance as Transco NTS may determine; and
- (c) after taking account of estimated shrinkage and intended changes in NTS Linepack and LDZ stock; and
- (d) having regard to all Transportation Constraints and other factors relevant to the operation of the Total System

the balance between the quantities of gas respectively delivered to and offtaken from the Total System; and references to an "**Operational Balance**" shall be construed accordingly.

1.1.2 For the purposes of Operational Balancing (and without prejudice to Section Q) Transco NTS may:

- (a) utilise Operating Margins in accordance with Section K; and/or
- (b) take Eligible Balancing Actions in accordance with this Section D.

1.1.3 For the purposes of the Code an "**Operational Balancing Requirement**" is any requirement for Operational Balancing Steps to be taken; and "**Operational Balancing Steps**" are steps taken by Transco NTS pursuant to the Code for the purposes of Operational Balancing.

1.1.4 It is acknowledged that the measures referred to in paragraph 1.1.2 are among the measures which are specified in the statement prepared by Transco NTS pursuant to Special Condition C5(5) of Transco NTS's Transporter's Licence, and that such statement does not form a part of and is not incorporated into, and is not binding upon Transco NTS pursuant to, the Code.

1.2 Operational Balancing Requirements

1.2.1 Without prejudice to the generality of paragraph 1.1.1, an Operational Balancing Requirement may arise:

- (a) where the quantities of gas expected to be delivered to the NTS over the whole of the Gas Flow Day are more or less (after taking account of NTS shrinkage and any intended changes in NTS Linepack) than those expected to be offtaken from the NTS over the whole of that Day;

- (b) irrespective of whether the circumstances in paragraph (a) apply, where at any time within the Gas Flow Day (by reason of differences in the times and/or rates at which gas is delivered to and offtaken from the NTS) pressures in the NTS and/or NTS Linepack are or are expected to be more or less than the operationally acceptable limit determined by Transco NTS.
- 1.2.2 Operational Balancing Steps taken for any Day in the circumstances in paragraph 1.2.1(b) may of themselves give rise to an Operational Balancing Requirement (for the same Day) under paragraph 1.2.1(a).
- 1.2.3 Subject to the provisions of Section C, Transco NTS will accept a Renomination for any Renomination Effective Time, irrespective of whether an Operational Balancing Requirement under paragraph 1.2.1(b) may arise as a result.

1.3 Operational Balancing decisions

- 1.3.1 In making decisions as to the taking of Operational Balancing Steps, Transco NTS will and shall be entitled to take into account such information as it shall judge appropriate, including:
 - (a) its own estimates of demand and profiles of demand within the Day;
 - (b) Nomination Information under Output Nominations (including Renominations pursuant to Interruption of Interruptible Supply Point Components and Constrained Storage Renominations); and, in respect of NExA Supply Meter Points and Connected System Exit Points, information provided pursuant to Section J4, J5 or J6 and the applicable Network Exit Provisions; and similar information provided to Transco NTS pursuant to any other transportation arrangement;
 - (c) Nomination Information under Input Nominations; and
 - (d) Local Operating Information.
- 1.3.2 "**Nomination Information**" means information, concerning the rates at and quantities in which gas is to be delivered to or offtaken from the Total System, which is provided under or can be inferred from Users' Nominations (including Renominations), System Trade Nominations and Transaction Details.
- 1.3.3 Without prejudice to Transco NTS's entitlement (under paragraph 1.3.1) to take account of such information as it judges appropriate, where after any Renomination is made there is any inconsistency (outside such tolerance as Transco NTS may reasonably determine to be appropriate) between Nomination Information and Local Operating Information in respect of any System Entry Point:
 - (a) Transco NTS may view Nomination Information as decreasingly reliable, and Local Operating Information as increasingly reliable, with the passage of time (during the Gas Flow Day) after the relevant Renomination;
 - (b) to the extent that Nomination Information proves to have been more accurate than any Local Operating Information on which Transco NTS may have relied, an additional Operational Balancing Requirement may arise.

1.4 Eligible Balancing Actions

1.4.1 For the purposes of the Code.

- (a) **"Eligible Balancing Actions"** are:
 - (i) Market Balancing Actions;
 - (ii) other actions provided for in the Code to be 'Eligible Balancing Actions';
- (b) the **"Market Balancing Action Charge"** is the amount payable by or to Transco NTS in respect of a Market Balancing Action;
- (c) a **"Market Balancing Action"** is a Market Balancing Buy Action or a Market Balancing Sell Action.
- (d) a **"Market Balancing Buy Action"** is the effecting of a Market Transaction (in which Transco NTS is one of the Trading Participants) pursuant to which the User agrees to make a Disposing Trade Nomination;
- (e) a **"Market Balancing Sell Action"** is the effecting of a Market Transaction (in which Transco NTS is one of the Trading Participants) pursuant to which the User agrees to make an Acquiring Trade Nomination;
- (f) **"Market Balancing Action Quantity"** is the Trade Nomination Quantity in respect of a Market Balancing Action.
- (g) **"NTS Linepack"** is, for a Day, the volume of gas within the National Transmission System (ascertained in accordance with the principles set out in the Operational Guidelines).

1.4.2 Transco NTS will maintain a record (which, without prejudice to any other provision of the Code, will not be available to Users) of each Eligible Balancing Action taken.

1.5 Localised Transportation Deficit

- 1.5.1 Where after 24:00 hours on the Preceding Day it appears to Transco NTS that a Localised Transportation Deficit is likely to arise or has arisen, Transco NTS will take (at such times as it judges operationally appropriate) Market Balancing Buy Action(s) at relevant System Point(s) with a view to gas flow rates at such System Points being increased or (as the case may be) decreased so as to avoid or remedy the Localised Transportation Deficit.
- 1.5.2 In paragraph 1.3 references to Operational Balancing shall be construed as including the taking of Market Balancing Buy Actions by Transco NTS under paragraph 1.5.1 in respect of a Localised Transportation Deficit or anticipated Localised Transportation Deficit and Market Balancing Sell Actions taken as a consequence with a view to maintaining an Operational Balance and references to Operational Balancing Steps and Operational Balancing Requirements will be construed accordingly.
- 1.5.3 For the purposes of the Code a **"Localised Transportation Deficit"** is a condition affecting a part of the NTS resulting in a deficiency in the quantities of gas which Transco NTS is able to make available for offtake from that part of the NTS whether such condition results from the size of any part of the NTS, the operation or failure to operate any part of the NTS or the extent or distribution of supply or demand in any part of the NTS but which does not result from a Transportation Constraint affecting a

particular System Entry Point or System Entry Points.

1.6 Emergencies

In accordance with Section Q in a Network Gas Supply Emergency the provisions of this Section D, other than this paragraph 1.6, shall not apply.

1.7 Scottish Independent Networks

- 1.7.1 References in this Section D to the NTS do not include references to the Scottish Independent Networks.
- 1.7.2 Injection of gas to LNG Facilities for the purposes described in Section B1.9.2 will take place only at certain times of the year and not at a uniform rate through the year; and accordingly quantities delivered by Users to the Total System with a view to balancing the quantities offtaken from the Scottish Independent Networks will at certain times of the year exceed, and at others be less than, the quantities offtaken from the Total System for injection into LNG Facilities for such purposes.
- 1.7.3 Transco NTS will manage and account for the differences in quantities referred to in paragraph 1.7.2 as changes in NTS Linepack (potentially giving rise to or contributing to Operational Balancing Requirements) each Day; and will not be treated as a User of the NTS in so doing.
- 1.7.4 In accordance with paragraph 1.7.3, Storage Injection Nominations made by the Transporter for the purposes referred to in paragraph 1.7.2 will not take effect as Output Nominations.

1.8 DNO Users

In this Section D references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.

2 TRADING ARRANGEMENTS

2.1 On the Day Market

- 2.1.1 Where Transco NTS appoints a person who has established a market for the purposes referred to in Standard Special Condition A16 of Transco NTS's Transporter's Licence, Transco NTS will make arrangements with such person pursuant to which such person will provide and operate an electronic trading system by means of which Users and Transco NTS may (if they have been admitted by such person as participants in such system) post and accept (and revise and withdraw) offers to effect Market Transactions.
- 2.1.2 Without prejudice to the provisions of Section V4, provided such person has complied with the relevant requirements of Section V2, Transco NTS will admit the Trading System Clearer as a User pursuant to Section V2.5.1 for the purposes only of making Trade Nominations (including System Trade Nominations) pursuant to Section C5.
- 2.1.3 For the purposes of the Code:
 - (a) **"Trading System"** is an electronic trading system provided and operated by the Trading System Operator for the purposes described in paragraph 2.1.1;

provided that references to the Trading System shall not include any part of such system by means of which transactions other than Market Transactions may be effected, or by means of which Market Transactions may be effected earlier than the 12:00 hours on the Day before the Gas Flow Day;

- (b) **"Trading System Operator"** is the person providing and operating the system referred to in paragraph (a);
- (c) **"Trading System Clearer"** is the Trading System Operator, or a person designated by the Trading System Operator to provide clearing services for the purposes of the Trading System;
- (d) **"Trading System Arrangements"** are the arrangements including the rules for use of the Trading System made by the Trading System Operator in respect of the provision and operation of the Trading System;
- (e) **"Trading System Contract"** is the contract between Transco NTS and the Trading System Operator setting out the arrangements made by Transco NTS for the purposes of paragraph 2.1.1.

2.1.4 The requirement to make arrangements in paragraph 2.1.1 is without prejudice to Transco NTS's rights of termination pursuant to the Trading System Contract and Transco NTS shall not be in breach of the obligation in paragraph 2.1.1 were the Trading System Contract to terminate as a consequence of:

- (a) Transco NTS exercising its rights of termination thereunder;
- (b) the Trading System Operator ceasing to, or otherwise being unable to, carry on its business in providing and operating the Trading System;
- (c) the giving of a Termination Notice by Transco NTS pursuant to paragraph 2.9.3 of the Network Code Supplement.

2.1.5 Transco NTS shall not be liable to any User for any act, omission or failure of the Trading System Operator under or relating to the terms of the Trading System Contract or the Trading System Arrangements and Transco NTS shall not be required to incur any liability or be required to take any steps, including the commencement of proceedings in connection with the enforcement against the Trading System Operator of its rights pursuant to the Trading System Contract.

2.2 Market Transactions and Trading Arrangements

2.2.1 For the purposes of the Code:

- (a) a **"Market Transaction"** is a transaction effected (by means of the Trading System) between two Trading Participants, pursuant to which the Trading System Clearer agrees with each of the Trading Participants separately to make equivalent Trade Nominations (so that the Trading System Clearer agrees with one such participant to make an Acquiring Trade Nomination, and with the other such participant to make a Disposing Trade Nomination);
- (b) the **"Originating Participant"** in relation to a Market Transaction is the Trading Participant which posted (using the Trading System) the offer, acceptance of which by Transco NTS or another User (the **"Accepting Participant"**) effected such transaction; and where the Originating Participant

is a User it is an "**Originating User**";

- (c) a "**Physical Market Transaction**" is a Market Transaction pursuant to which the Originating User agrees:
 - (i) to modify the quantity of gas to be delivered to and/or offtaken from the System by the User in aggregate on the Gas Flow Day by an amount equal to the Trade Nomination Quantity (and to modify the rate of such delivery and/or offtake accordingly); and
 - (ii) accordingly to make a Nomination(s) or Renomination(s) in accordance with paragraph 2.3;
- (d) a "**Locational Market Transaction**" is a Physical Market Transaction pursuant to which the Originating User agrees to make a Nomination or Renomination in respect of a specified System Point in accordance with paragraph 2.3;
- (e) a "**Non-physical Market Transaction**" is a Market Transaction which is not a Physical Market Transaction;
- (f) in respect of an Originating User and in relation to a Physical Market Transaction an "**Eligible Trading System Point**" is a System Point in respect of which the following conditions are satisfied:
 - (i) the System Point is:
 - (1) a System Entry Point in respect of which the User has complied with the requirement in Section B1.5; or
 - (2) a Supply Point in respect of which the User is the Registered User and in relation to which the User may submit a separate Output Nomination; or
 - (3) an eligible Connected System Exit Point in relation to which the User is a CSEP User; and
 - (ii) in the case of a Physical Market Transaction under which the Originating User has agreed to reduce:
 - (1) the quantity of gas to be delivered to the Total System at a System Entry Point, the User has made an Input Nomination for the Gas Flow Day at such System Entry Point; or
 - (2) the quantity of gas to be offtaken from the Total System at a System Exit Point, the User has made an Output Nomination for the Gas Flow Day at such System Exit Point

in either case for which the Implied Nomination Flow Rate is not less than the Market Transaction Flow Rate Change;

- (g) "**Contract Renomination**" is a Renomination made or to be made by a User (pursuant to a Physical Market Transaction) in accordance with paragraph 2.3;
- (h) in relation to a Physical Market Transaction the "**Contract Renomination Time**" is the later of 19:00 hours on the Day preceding the Market Offer Date

and that time falling 60 minutes after notification by the Trading System Operator to Transco NTS of the Transaction Details, but not later than 04:00 hours on the Market Offer Date;

- (i) in respect of a Market Transaction the "**Contract Renomination Time**" are those details to be provided to Transco NTS by the Trading System Operator (in accordance with the Trading System Arrangements) when the Trading System Operator notifies Transco NTS that the Market Transaction has been effected;
 - (j) "**Trading Participant**" means a User (other than one admitted pursuant to Section V2.5.1) or Transco NTS, which is for the time being admitted by the Trading System Operator as a participant under the Trading System in relation to Market Transactions;
 - (k) references to '**acceptance**' of an offer include acceptance by 'order matching', that is where the posting of the later posted of two matching orders acts as the acceptance of the earlier posted of such orders.
- 2.2.2 The Trading System Contract will provide for the Trading System Arrangements to be consistent with Annex D-1 and will in addition contain provision whereby the Trading System Operator shall covenant with Transco NTS not to make any modification, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of Annex D-1 other than with the prior written agreement of Transco NTS.
- 2.2.3 Transco NTS shall not agree with the Trading System Operator pursuant to the terms of the Trading System Contract to any amendment, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of Annex D-1 unless pursuant to a Code Modification Annex D-1 has been amended in a manner such that following such modification Annex D-1 is consistent with the Trading System Arrangements following the amendment, change or alteration thereto.
- 2.2.4 In the event that pursuant to a Code Modification the terms of Annex D-1 are modified, changed or otherwise altered, Transco NTS shall not be required to secure that the Trading System Operator modify the Trading System Arrangements such that they are made consistent with Annex D-1 following such Code Modification.
- 2.2.5 The Trading System Arrangements will provide that, following the effecting of a Market Transaction, the Trading System Operator will submit, on its own account (or where the Trading System Operator and the Trading System Clearer are different persons, on the Trading System Clearer's behalf) and as User Agent on behalf of the Originating and Accepting Participants, the Trade Nominations agreed to be made pursuant to such Market Transaction.
- 2.2.6 The Trading System Operator shall be deemed to have submitted Trade Nominations pursuant to paragraph 2.2.5 (and complying with Section C6.2) by notifying to Transco NTS details of the Market Transaction pursuant to those provisions of the Trading System Arrangements which comply with paragraph 5.4(c) of Annex D-1.
- 2.2.7 A Trading Participant may not post a Market Offer to effect a Physical Market Transaction in relation to which the Market Transaction Lead Time is less than one (1) hour.
- 2.2.8 Where Transco NTS takes a Market Balancing Action:

- (a) in the case of a Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) the Trading System Clearer shall pay to Transco NTS the Market Balancing Action Charge;
- (b) in the case of a Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) Transco NTS shall pay the Trading System Clearer the Market Balancing Action Charge.

2.2.9 Market Balancing Action Charges shall be invoiced and are payable in accordance Section S.

2.3 Contract Renominations

2.3.1 Subject to paragraph 2.3.6, where a Physical Market Transaction is effected, the Originating User shall make Contract Renomination(s) which are in compliance with the requirements in paragraphs 2.3.2 and 2.3.3.

2.3.2 The requirements referred to in paragraph 2.3.1 are that:

- (a) without prejudice to Section C4.1.3(b), the Contract Renomination(s) are submitted not earlier than the time the Trading System Operator notifies Transco NTS of the Transaction Details and not later than the Contract Renomination Time;
- (b) the Contract Renomination(s) shall be submitted in accordance with Section C4.1.5 and shall in addition specify:
 - (i) that the Renomination is a Contract Renomination;
 - (ii) the Physical Market Transaction in respect of which it is made;
- (c) a Contract Renomination may not for the purposes of paragraph (b) specify more than one Physical Market Transaction;
- (d) where the User is required to make Contract Renomination(s):
 - (i) other than pursuant to a Locational Market Transaction, the Contract Renomination(s) submitted by the User shall:
 - (1) be in respect of an Eligible System Trading Point(s); and
 - (2) be for Renomination Quantity(ies) in aggregate equal to the Trade Nomination Quantity in respect of which the relevant Physical Market Transaction was effected;
 - (ii) pursuant to a Locational Market Transaction, the Contract Renomination submitted by the User shall:
 - (1) be in respect of the Eligible System Trading Point in respect of which the Locational Market Transaction was effected; and
 - (2) be for a Renomination Quantity equal to the Trade Nomination Quantity in respect of which the relevant Locational Market Transaction was effected.

2.3.3 Without prejudice to the requirements of paragraph 2.3.2, where pursuant to the Physical Market Transaction:

- (a) the User has agreed to make a Disposing Trade Nomination, the User must make a Contract Renomination(s) which:
 - (i) revises the User's Input Nomination for a System Entry Point by increasing the Nomination Quantity; and/or
 - (ii) is an original Input Nomination for a System Entry Point in respect of which the User has made no earlier Nomination; and/or
 - (iii) is a Renomination which revises the User's Output Nomination for a System Exit Point by reducing the Nomination Quantity;
- (b) the User has agreed to make an Acquiring Trade Nomination, the User must make a Contract Renomination(s) which:
 - (i) revises the User's Input Nomination for a System Entry Point by reducing the Nomination Quantity; and/or
 - (ii) is an original Output Nomination for a System Exit Point in respect of which the User has made no earlier Nomination; and/or
 - (iii) is a Renomination which revises the User's Output Nomination for a System Exit Point by increasing the Nomination Quantity.

2.3.4 Where pursuant to a Physical Market Transaction in respect of which the Originating User agrees to make:

- (a) a Disposing Trade Nomination in relation to a System Entry Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Entry Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Entry Point;
- (b) an Acquiring Trade Nomination in relation to a System Exit Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Exit Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Exit Point.

2.3.5 The Renomination Effective Time of a Contract Renomination shall be the Transaction Effective Time of the Physical Market Transaction pursuant to which the Contract Renomination is to be made.

2.3.6 In relation to a Locational Market Transaction in the event the System Point in respect of which the User has agreed to submit Contract Renomination(s) is not an Eligible System Trading Point:

- (a) the User shall not be entitled, notwithstanding paragraph 2.3.1, to make a

Contract Renomination; and

- (b) paragraph 2.3.7 shall nonetheless apply.

2.3.7 Where a Physical Market Transaction is effected, in the event the Originating User:

- (a) does not submit a Contract Renomination in accordance with this paragraph 2.3;
- (b) submits a Contract Renomination(s) which does not comply with the provisions of this paragraph 2.3

the Originating User shall pay a charge ("**Physical Renomination Incentive Charge**") calculated in accordance with paragraph 2.3.8.

2.3.8 The Physical Renomination Incentive Charge shall be the greater of:

- (a) an amount calculated in accordance with the following formula:

$$\text{TNQ} * 0.005 \text{ pence}$$

where TNQ is the Trade Nomination Quantity in respect of which the relevant Physical Market Transaction was effected; and

- (b) £200.

2.3.9 The Physical Renomination Incentive Charge will be invoiced and payable in accordance with Section S.

2.4 Trading System Contingencies

2.4.1 Where Transco NTS is of the opinion that its ability to carry out Operational Balancing is prejudiced by an event or circumstance affecting the Trading System such that no Trading Participant is able to post or accept a Market Offer Transco NTS shall notify Users and with effect from the time specified in such notice Transco NTS shall cease to make use of the Trading System for the purposes of Operational Balancing and Transco NTS may make use of Contingency Balancing Arrangements.

2.4.2 Following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.1 where Transco NTS is of the opinion that the Trading System may be used by Transco NTS for the purposes of Operational Balancing, Transco NTS shall notify all Users of the Day with effect from the start of which Transco NTS shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.

2.4.3 In the event that:

- (a) Transco NTS exercises its rights of termination pursuant to the Trading System Contract;
- (b) the Trading System Operator ceases to, or is unable to, carry on its business as the provider and operator of the Trading System;
- (c) Transco NTS gives the Trading System Operator a Termination Notice pursuant to paragraph 2.9.3 of the Network Code Supplement

Transco NTS shall promptly notify Users, and with effect from the time specified in such notice Transco NTS shall cease to make use of the Trading System for the purposes of Operational Balancing and Transco NTS may make use of Contingency Balancing Arrangements.

- 2.4.4 Where Transco NTS is of the opinion that by reference to the aggregate quantities of gas for which Users have posted Market Offers and Nomination Information its ability to carry out Operational Balancing is or may be prejudiced Transco NTS shall notify Users of its opinion and request that Trading Participants post further Market Offers provided that the giving of such notice(s) shall be without prejudice to the provisions of Section Q and any actions Transco NTS may take in its capacity as NEC where so appointed.
- 2.4.5 Transco NTS may, with Condition A11(18) Approval of the Authority, following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.1, recommence use of the Trading System for Operational Balancing Purposes and in such circumstances Transco NTS shall notify all Users of the Day with effect from the start of which Transco NTS shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.
- 2.4.6 In relation to each Day in respect of which Transco NTS uses Contingency Balancing Arrangements the provisions of paragraph 2.3 as to Physical Renomination Incentive Charges will not apply.
- 2.4.7 For the purposes of the Code "**Contingency Balancing Arrangements**" are other arrangements provided for in the Code to be 'Contingency Balancing Arrangements'.

ANNEX D-1

TRADING SYSTEM ARRANGEMENTS

1 Introduction

1.1 This Annex D-1 sets out those terms and conditions relating to the Trading System to be incorporated into the Trading System Arrangements.

1.2 For the purposes of the Code:

- (a) "**Market Offer**" is an offer posted by a Trading Participant by way of the Trading System acceptance of which will effect a Market Transaction;
- (b) "**Market Offer Date**" is the Day which is to be the Gas Flow Day in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
- (c) "**Market Offer Price**" is the price (in pence/kWh) specified by the Originating Participant when posting a Market Offer;
- (d) the "**Market Transaction Quantity**" is the quantity which is the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
- (e) the "**Market Transaction Charge**" is the Market Transaction Quantity multiplied by the Market Offer Price;
- (f) the "**Market Transaction System Point**", in respect of a Locational Market Transaction, is the Eligible System Trading Point at which the Originating User offers to modify the gas flow rate;
- (g) the "**Market Transaction Lead Time**", in respect of a Market Offer to enter into a Physical Market Transaction, is the period in time (expressed in whole hours) required by the Originating User after the Contract Nomination Time before the Originating User will modify the gas flow rate at a System Point;
- (h) in relation to a Market Offer:
 - (i) to effect a Physical Market Transaction:
 - (1) the "**Market Offer Specified Quantity**" is the quantity which would be the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full;
 - (2) the "**Market Offer Derived Rate**" is the rate in kWh/Day calculated as the Market Offer Specified Quantity multiplied by 24 and divided by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
 - (3) the "**Market Offer Specified Rate**" is the rate in kWh/Day which would be equivalent to the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full and in relation to which the Transaction Effective Time is on or before 06:00 hours on the Market Offer

Date;

- (4) the "**Market Offer Derived Quantity**" is the quantity equivalent to the Market Offer Specified Rate divided by 24 and multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
- (ii) to enter into a Non-Physical Market Transaction, the "**Market Transaction Absolute Quantity**" is the maximum quantity which irrespective of the Transaction Effective Time would be the Trade Nomination Quantity in relation to the Trade Nominations to be submitted on acceptance of the Market Offer;
- (i) the three "**Market Transaction Types**" are:
 - (i) Non-physical Market Transactions;
 - (ii) Physical Market Transactions not being Locational Market Transactions;
 - (iii) Locational Market Transactions;
- (j) the "**Transaction Effective Time**" is, in respect of a Physical Market Transaction, the hour at which, after the Contract Nomination Time, the Market Transaction Lead Time elapses;
- (k) the "**Contract Nomination Time**" is, in relation to a Market Transaction, the hour next falling after the time at which the Market Offer giving rise to the Market Transaction was accepted as ascertained in accordance with the rules of the Trading System;
- (l) a "**Market Transaction ID**" is a unique reference number given to each individual Market Transaction by the Trading System Operator and the "**Transco NTS Batch Code**" is a unique reference number which identifies those Market Balancing Actions taken by Transco NTS for the purposes of a particular Operational Balancing Requirement;
- (m) the "**Transco NTS Reason Code**" is a code which identifies the nature of the Market Balancing Action which Transco NTS has taken or is seeking to take;
- (n) the "**Market Transaction Flow Rate Change**" is
 - (i) where no earlier Nomination was made in respect of the Eligible System Trading Point, the rate in kWh/hour at which gas the subject of a Market Offer for a Physical Market Transaction is to be delivered or offtaken from the System;
 - (ii) where an earlier Nomination was made in respect of the Eligible System Trading Point the amount in kWh/hour by which the gas flow rate is to be increased or (as the case may be) decreased in respect of the gas the subject of a Market Offer for a Physical Market Transaction.

- 1.3 For the purposes of the Code, 'Market Offer' (as defined in paragraph 1.2) includes both an 'offer' to make a Disposing Trade Nomination and an "offer" to make an Acquiring Trade Nomination.

2 Participation and Trading System

- 2.1 Each Trading Participant shall appoint the Trading System Operator as its User Agent, (and the Trading System Operator shall be required to act as each Trading Participant's User Agent) for the purposes of making Trade Nominations on behalf of Trading Participants pursuant to the acceptance of a Market Offer.
- 2.2 The identity of a Trading Participant making a Market Offer will not be disclosed to any other Trading Participant at any time prior to or after acceptance of the Market Offer except where a Market Offer in respect of a Physical Market Transaction is accepted where following such acceptance the identity of the Originating User will be disclosed to Transco NTS.

3 Market Transactions

- 3.1 A Market Offer to effect a Non-physical Market Transaction must indicate:
 - (a) that it is such a Market Offer;
 - (b) the Market Offer Date;
 - (c) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (d) the Market Transaction Absolute Quantity; and
 - (e) the Market Offer Price.
- 3.2 A Market Offer to effect a Physical Market Transaction must indicate:
 - (a) that it is such a Market Offer;
 - (b) the Market Offer Date;
 - (c) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (d) the Market Offer Specified Quantity or the Market Offer Specified Rate;
 - (e) the Market Offer Price;
 - (f) the Market Transaction Lead Time; and
 - (g) whether the Market Offer may only be accepted in full.
- 3.3 In addition to the requirements of paragraph 3.1 (other than pursuant to paragraph (a) thereof) a Market Offer to effect a Locational Market Transaction must specify:
 - (a) that it is such a Market Offer; and
 - (b) the Market Transaction System Point.
- 3.4 Where Transco NTS posts a Market Offer Transco NTS shall in addition to the requirements of paragraphs 3.1, 3.2 and 3.3 indicate the Transco NTS Reason Code.
- 3.5 The information to be indicated (other than pursuant to paragraph 3.4) in a Market Offer

will be capable of being displayed (by means of differing screens) on the Trading System.

4 Market Offer Restrictions and Options

- 4.1 Trading Participants may not post a Market Offer specifying a Market Offer Date falling more than 7 days after the day on which the Market Offer was posted.
- 4.2 There is no limit on the number of Market Offers a Trading Participant may make in respect of a Day.
- 4.3 A Market Offer may only specify:
 - (a) a Market Offer Specified Quantity which is expressed as a minimum of not less than 100,000 kWh; or
 - (b) a Market Offer Specified Rate (provided that for the purposes of calculating the Market Offer Derived Quantity such quantity shall be a minimum of not less than 100,000 kWh).
- 4.4 When posting a Market Offer an Originating Participant may specify that the Market Offer (an "**Option Market Offer**") is linked to other Market Offers (a "**Related Market Offer**") made by the Originating Participant; and on acceptance of an Option Market Offer each other Related Market Offer shall no longer be capable of being accepted by any Trading Participant.
- 4.5 For the purposes of paragraph 4.4 an Option Market Offer may specify no more than one other Market Offer of each other Market Transaction Type as being a Related Market Offer.
- 4.6 Trading Participants may revise or withdraw a Market Offer at any time prior to acceptance of the Market Offer.
- 4.7 A Trading Participant may when posting a Market Offer to enter into a Physical Market Transaction specify that the Market Offer is only capable of acceptance in full.
- 4.8 The Trading System Operator will reject any Market Offer which does not comply with the relevant requirements of paragraphs 3, 4.1, 4.3 and 4.5 and where a Market Offer does not so comply it will not be displayed on the Trading System.

5 Acceptance

- 5.1 Market Offers in respect of a Market Offer Date will be capable of acceptance by Trading Participants between 12:00 hours on the Day preceding the Market Offer Date and 03:35 hours on the Market Offer Date.
- 5.2 Where a Trading Participant accepts a Market Offer in full the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be equivalent to:
 - (a) in the case of a Market Offer to effect a Physical Market Transaction:
 - (i) where the Market Offer specified a Market Offer Specified Quantity, the Market Offer Specified Quantity;
 - (ii) where the Market Offer specified a Market Offer Specified Rate, the

Market Offer Derived Quantity;

- (b) in the case of a Market Offer to effect a Non-physical Market Transaction, the Market Transaction Absolute Quantity.
- 5.3 Where a Trading Participant partially accepts a Market Offer the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be, where the Market Offer:
- (a) was to effect a Physical Market Transaction; and
 - (i) specified a Market Offer Specified Quantity, that quantity in respect of which the Accepting Participant accepted the Market Offer;
 - (ii) specified a Market Offer Specified Rate, that quantity equivalent to the hourly rate in respect of which the Accepting Participant accepted the Market Offer multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
 - (b) was to effect a Non-physical Market Transaction, the quantity in respect of which the Accepting Participant accepted the Market Offer.
- 5.4 Subject to paragraph 5.5, following acceptance of a Market Offer the Trading System Operator will:
- (a) immediately inform both Trading Participants that a Market Transaction has been effected (and whether it is the Originating Participant in relation thereto) and which Market Offer has been accepted;
 - (b) where the Market Offer was to effect a Physical Market Transaction not later than 5 minutes after acceptance of the Market Offer, submit the following details to Transco NTS:
 - (i) the Market Transaction ID;
 - (ii) the Market Offer Date;
 - (iii) the identity of the Originating Participant;
 - (iv) whether the Originating Participant has agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination;
 - (v) the quantity in respect of which the Trading Participants effected the Market Transaction;
 - (vi) the relevant Market Transaction Type and, where acceptance has given rise to a Locational Market Transaction, the Market Transaction System Point;
 - (vii) the time at which the Market Offer was accepted and the Transaction Effective Time;
 - (viii) where Transco NTS is a party to the Market Transaction, the Market Offer Price (expressed to four decimal places and as either a positive or negative), the Transco NTS Reason Code and the Transco NTS Batch

Code;

- (c) not later than 5 minutes after the effecting of a Market Transaction, submit the following details to Transco NTS for the purpose of Section D2.2.5:
 - (i) the Gas Flow Day in respect of which the Market Transaction is effected;
 - (ii) the identity of the Market Participant;
 - (iii) whether the Market Participant had agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination;
 - (iv) the Market Transaction Quantity (calculated in accordance with paragraph 5.2 or 5.3).
- 5.5 For the purpose of paragraph 5.4(c)(iv), the Trading System Operator will be deemed to have provided such details by providing, for each Trading Participant, the cumulative quantities for which the Trading Participant has made Disposing Trade Nominations and/or Acquiring Trade Nominations in respect of the Market Offer Date up to the time at which the Trading System Operator submits such details.
- 5.6 Where a Market Transaction is effected on the Day preceding the Market Offer Date, the Trading System Operator may not submit the Trade Nominations for the purposes of Section D2.2.5 prior to 13:45 hours on the Day preceding the Market Offer Date.
- 5.7 A Market Offer will not be capable of acceptance by the Trading Participant posting the Market Offer.
- 5.8 Where Transco NTS accepts a Market Offer it shall indicate by means of the Trading System the relevant Transco NTS Reason Code.
- 6 Partial Acceptance**
 - 6.1 A Market Offer to effect a Non-physical Market Transaction, or a Physical Market Transaction which does not specify that it is only capable of acceptance in full, may be accepted by a Trading Participant for a quantity other than the Market Transaction Absolute Quantity, Market Offer Specified Quantity or Market Offer Derived Quantity and the Trading System will incorporate functionality that permits the partial acceptance of Market Offers by Trading Participants.
 - 6.2 Where a Trading Participant partially accepts a Market Offer (including an Option Market Offer) where the Market Transaction Quantity is less than the Market Offer Specified Quantity or, as the case may be, the Market Offer Derived Quantity (such amount the "**Residual Offer Quantity**") where the Residual Offer Quantity is greater than or equal to 100,000 kWh, the Originating Participant shall be deemed to have posted with effect from the time of such partial acceptance, a further Market Offer with the same specifications for the purposes of paragraph 3 as the original Market Offer but in respect of which the Market Offer Specified Quantity is equal to the Residual Offer Quantity.
 - 6.3 A Trading Participant may only partially accept a Market Offer such that the Market Transaction Quantity in relation to such partial acceptance is a quantity equivalent to not less than a minimum quantity of 100,000 kWh.

7 Market Quantities and Charges

In respect of each Day the Trading System Operator shall notify Transco NTS (by not later than 07:00 hours on the following Day) of:

- (a) the aggregate of the Market Transaction Quantities and the aggregate of the Market Transaction Charges in respect of Market Transactions effected in respect of such Day;
- (b) in respect of each Market Transaction effected in respect of such Day to which Transco NTS was a party, the Market Offer Date, the Market Transaction ID the Transco NTS Batch Code, the Market Transaction Quantity, the Market Offer Price, the Transco NTS Reason Code the Market Transaction Type, the time at which the Market Transaction was effected and whether Transco NTS made a Disposing Trade Nomination or an Acquiring Trade Nomination.

8 Additional Functionality

In addition to the functionality required to meet the requirements of paragraphs 1 to 7 (inclusive), the Trading System will have such additional functionality as the Trading Participants and the Market Operator shall in consultation agree.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION E – DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

1 INTRODUCTION

1.1 User Daily Quantities

1.1.1 For the purposes required by the Code, including determining:

- (a) NTS and LDZ Commodity Charges, and the Commodity Variable Component (if any) of Customer Charges;
- (b) Overrun Charges, CSEP Overrun Charges and Supply Point Ratchet Charges;
- (c) Daily Imbalances; and
- (d) Scheduling Charges

the quantities of gas treated as delivered to and offtaken from the Total System by each User each Day shall be determined in accordance with paragraphs 2 and 3.

1.1.2 For the purposes of the Code, in respect of any Day:

- (a) the "**User Daily Quantity Input**" or "**UDQI**" is the quantity of gas treated as delivered by a User to the Total System on that Day at a System Entry Point;
- (b) the "**User Daily Quantity Output**" or "**UDQO**" is the quantity of gas treated as offtaken by a User from the Total System on that Day at:
 - (i) a Supply Point Component; or
 - (ii) a Connected System Exit Point;
- (c) in relation to a System Entry Point, a "**Delivering User**" is a User treated as delivering gas to the Total System at that point on that Day;
- (d) in relation to a Connected System Exit Point, an "**Offtaking CSEP User**" is a User treated as offtaking gas from the Total System at that point on that Day.

1.1.3 For the purposes of this Section E a User is a "**nominating**" User for a Day:

- (a) with respect to any Registered NDM Supply Point Component or relevant Unmetered Connected System Exit Point; and
- (b) with respect to any other System Exit Point and any System Entry Point, if the User made or is deemed (pursuant to any provision of the Code) to have made a Nomination (including a New Renomination) for that Day in respect of that point or the DMA Supply Point Group in which it is comprised,

and otherwise is a "**non-nominating**" User with respect to a System Entry Point or System Exit Point.

1.1.4 Unless the context otherwise requires, references in the Code to quantities delivered to or offtaken from the Total System by a User are to the quantities treated in accordance with this Section E as being so delivered or offtaken.

1.1.5 For the avoidance of doubt, Section V1.2 shall apply for the purposes of ensuring that quantities of gas delivered to and offtaken from the Total System by Non-Code Shippers are taken into account in determining the quantities of gas delivered to and offtaken from the Total System by Users.

1.2 Daily Imbalance

1.2.1 For the purposes of the Code a Daily Imbalance shall be determined for each User in respect of each Day.

1.2.2 For each User the "**Daily Imbalance**" in respect of a Day is the imbalance between the quantities (adjusted to take account of Trade Nominations including System Trade Nominations) treated as delivered to and offtaken from the Total System by the User on that Day, determined in accordance with paragraph 5.

1.3 Reconciliation

1.3.1 For the purposes of Individual NDM Reconciliation, DM Reconciliation and Individual CSEP Reconciliation (collectively "**Individual Reconciliation**"), Reconciliation Values shall be calculated in accordance with paragraph 6.

1.3.2 "**Individual NDM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to a Larger NDM Supply Meter Point, in respect of differences between:

(a) where the Supply Meter Point does not have Daily Read Equipment installed:

- (i) the quantities determined as offtaken by a User in accordance with Section H2;
- (ii) the quantities subsequently determined to have been offtaken pursuant to Meter Reads (in accordance with Section M); or

(b) where the Supply Meter Point has Daily Read Equipment installed:

- (i) the quantities determined to have been offtaken by Meter Reads by such Daily Read Equipment; and
- (ii) the quantities determined to have been offtaken pursuant to a DM Check Read.

1.3.3 "**DM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to a DM Supply Meter Point, in respect of:

(a) differences between:

- (i) the quantities assumed to be offtaken on Failed Daily Read Day(s); and

- (ii) the quantities subsequently determined to have been offtaken upon the obtaining of a Valid Meter Reading; or
 - (b) differences between:
 - (i) the quantities determined to have been offtaken by Meter Reads by Daily Read Equipment; and
 - (ii) the quantities subsequently determined to have been offtaken pursuant to a DM Check Read.
- 1.3.4 **"Individual CSEP Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges:
- (a) in relation to a relevant Unmetered Connected System Exit Point except the Smaller Unmetered CSEPs comprised therein, in respect of differences between:
 - (i) the quantities initially assumed to be offtaken; and
 - (ii) the quantities subsequently determined (by reference to readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtakenin accordance with the applicable CSEP Network Exit Provisions; or
 - (b) in relation to a relevant Metered Connected System Exit Point, in respect of differences between:
 - (i) the quantities determined to have been offtaken by automated or estimated readings of the meter at the Connected System Exit Point, or by readings of such meter before any testing, verification or calibration thereof; and
 - (ii) the quantities subsequently determined to have been offtaken, by reference to (as the case may be) a periodic check reading, or a reading following such estimation, or a determination or estimation following testing, verification or calibration, of such meterin accordance with the applicable CSEP Network Exit Provisions.
- 1.3.5 **"Aggregate NDM Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to Smaller NDM Supply Meter Points and Smaller Unmetered CSEPs in aggregate in an LDZ, in respect of quantities determined in accordance with paragraph 7.
- 1.3.6 For the purposes of an Individual NDM Reconciliation, a DM Reconciliation, an Individual CSEP Reconciliation or an Aggregate NDM Reconciliation:
- (a) the **"Reconciliation Clearing Value"** is the value of the Reconciliation Quantity for the purposes of the System Clearing Contract referred to in paragraph 6.5 or 7.3.1;
 - (b) **"Reconciliation Transportation Charge Adjustments"** are the adjustments in

respect of NTS Commodity Charges, LDZ Commodity Charges and the Commodity Variable Component (if any) of Customer Charges to be made in paragraph 6.6 or 7.3.3;

(c) **"Reconciliation Values"** means:

- (i) NDM Reconciliation Quantities, DM Reconciliation Quantities or (as the case may be) Individual CSEP Reconciliation Quantities; and
- (ii) Reconciliation Clearing Values and Reconciliation Transportation Charge Adjustments.

1.3.7 For the purposes of paragraph 7, **"Smaller Unmetered CSEPs"** are those System Exit Points treated as comprised (as contemplated in Section A3.3.5 and provided in the relevant CSEP Network Exit Provisions) in an Unmetered Connected System Exit Point which relate to points of supply (to premises connected to the relevant Connected Offtake System) equivalent to Smaller Supply Points.

1.3.8 **"End of Year AQ Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, following a revision of the Annual Quantity, in respect of quantities determined in accordance with paragraph 7.4.

1.4 System Daily Quantities: Entry

1.4.1 In respect of each System Entry Point, the **"Entry Point Daily Quantity Delivered"** is the aggregate quantity of gas delivered to the Total System on a Day at that System Entry Point, ascertained as described in Section I2.5 (subject to paragraph 1.7.1).

1.4.2 The amount determined to be the Entry Point Daily Quantity Delivered in respect of any System Entry Point for the Gas Flow Day may be revised at any time up to and including the 5th following Day, but no revision will be made to such quantity after the 5th Day after the Gas Flow Day.

1.4.3 In respect of the Total System the **"Total System Daily Quantity Delivered"** is the aggregate quantity of gas delivered to the Total System on a Day, determined as the aggregate of the Entry Point Daily Quantities Delivered for all System Entry Points.

1.5 System Daily Quantities: Exit from NTS/LDZ

1.5.1 In respect of each LDZ:

- (a) the **"LDZ Daily Input Quantity"** is the aggregate quantity of gas treated as flowing into that LDZ on a Day, less the quantity (if any) treated as flowing out of the LDZ into another LDZ;
- (b) the **"LDZ Daily Quantity Offtaken"** is the aggregate quantity of gas treated as offtaken from the Total System on a Day at all Supply Point Components and Connected System Exit Points on that LDZ, determined by adjusting the LDZ Daily Input Quantity to take account of LDZ Shrinkage and changes (between the start and the end of the Day) in LDZ stock.

1.5.2 In respect of each Connected System Exit Point the **"CSEP Daily Quantity Offtaken"**

is the aggregate quantity of gas treated as offtaken from the Total System on a Day at that Connected System Exit Point, ascertained in accordance with the CSEP Network Exit Provisions (subject to paragraph 1.7.1).

- 1.5.3 In respect of each DM Supply Meter Point, the "**Supply Meter Point Daily Quantity**" is the quantity of gas (being the Metered Quantity) determined as offtaken from the Total System at the Supply Meter Point on a Day in accordance with Section M.

1.6 Information

- 1.6.1 On each Day (the "**information Day**"), from the first information Day until the date 6 months thereafter, each User will have access (by means of UK Link) to details (on the basis of information available up to the end of the Day before the information Day) for the Gas Flow Day of:

- (a) the Entry Point Daily Quantity Delivered for each System Entry Point and the Total System Daily Quantity Delivered; and
- (b) the User's UDQIs for each System Entry Point, UDQOs for System Exit Points (by Exit Zone in the case of LDZ Supply Point Components) and Daily Imbalance.

- 1.6.2 The first information Day is:

- (a) for the purposes of paragraph 1.6.1(a), the Day following the Gas Flow Day;
- (b) for the purposes of paragraph 1.6.1(b), the 2nd Day following the Gas Flow Day.

- 1.6.3 On information Days from the first information Day until the Day after the Day on which (in accordance with paragraph 2.1.2) initial Entry Allocation Statements are submitted, the details under paragraph 1.6.1(b) will be determined on the basis of UDQIs determined provisionally on the basis in paragraph 2.1.8.

- 1.6.4 The information available to Users under paragraph 1.6.1 in respect of a Day will be revised each Day until the Entry Close-out Date to take account of revisions notified to Transco NTS pursuant to paragraph 2 in the information from which it is derived.

1.7 Scottish Independent Networks

For the purposes of this Section E a reference to the Total System includes a reference to the Scottish Independent Networks (and accordingly quantities offtaken by a User from the Total System at System Exit Points on a Scottish Independent Network will be taken into account in determining the User's Daily Imbalance) and a reference to LDZ shall include a reference to each Scottish Independent Network.

1.8 Close-out rules

- 1.8.1 For the purposes of the Code:

- (a) the "**Entry Close-out Date**" is 24:00 hours on the 15th Business Day of the calendar month following the month in which the Gas Flow Day occurs;
- (b) the "**Exit Close-out Date**" is the 5th Day after the Gas Flow Day.

1.8.2 Without prejudice to paragraph 6, or Sections M4.8 and G1.1.4, no revision shall be made for any purposes of the Code (including the determination of Users' Daily Imbalances and Energy Balancing Charges):

- (a) after the Entry Close-out Date, to any quantity determined pursuant to the Code as being an UDQI;
- (b) after the Exit Close-out Date, to any quantity determined pursuant to the Code as being an UDQO, Supply Meter Point Daily Quantity or CSEP Daily Quantity Offtaken.

1.9 Combined entry and exit quantities

1.9.1 In relation to a Connected System Point, the Connected System Agreement may provide for the Connected System Operator to notify the Transporter in relation to each Day:

- (a) a quantity (the "**measured quantity**") which represents the aggregate physical quantity determined as having flowed on the Day at the Connected System Point, which will (if there were physical gas flows in both directions at different times during the Day) reflect the net amount of such flows; and
- (b) where on the Day (irrespective of whether there were physical gas flows in both directions at different times) Users' nominated gas flows both into and out of the Connected System at the Connected System Point:
 - (i) a quantity (the "**gross exit quantity**") which represents the aggregate amount to be treated as having flowed on the Day from the Total System to the Connected System at the CSEP, which will be a gross amount based on quantities which the Connected System Operator determines would have flowed in the absence of any nomination of a gas flow out of the Connected System at the Connected System Point; and
 - (ii) a quantity (the "**gross entry quantity**") which represents the aggregate amount to be treated as having flowed on the Day into the Total System from the Connected System at the System Entry Point, which will be a gross amount based on quantities which the Connected System Operator determines would have flowed in the absence of any nomination of a gas flow into the Connected System at the Connected System Point.

1.9.2 The Transporter shall have no responsibility to investigate or verify any quantity notified under paragraph 1.9.1(b).

1.9.3 Subject to paragraph 1.9.4 the gross exit quantity and the gross entry quantity, as notified by the Connected System Operator pursuant to paragraph 1.9.1(b)(i) and (ii), shall be the CSEP Daily Quantity Offtaken and the Entry Point Daily Quantity Delivered, respectively.

1.9.4 If for any Day the net sum of the gross entry quantity and the gross exit quantity is not equal to the measured quantity, or the Connected System Operator fails to notify to the Transporter the gross entry quantity and gross exit quantity by the time required under the Connected System Agreement, the CSEP Daily Quantity Offtaken (where the

measured quantity represents a flow out of the System) or the Entry Point Daily Quantity Delivered (where the measured quantity represents a flow into the System) shall be the measured quantity, and the other shall be zero.

1.9.5 If it appears that paragraph 1.9.4 will or may apply in relation to any Day, the Transporter will (before the latest time by which the Connected System Operator is required to provide the details referred to in that paragraph) so notify the Connected System Operator so as to give the Connected System Operator an opportunity to provide or correct such details and avoid the application of that paragraph.

1.9.6 In this paragraph 1.10.

- (a) **"Connected System Point"** means a System Point which (as contemplated in Section J1.4.6) is both a Connected System Exit Point and a System Entry Point;
- (b) **"Connected System Agreement"** means the combined Network Exit Provisions and Network Entry Provisions in respect of a Connected System Point;
- (c) **"Connected System"** means a Connected Offtake System which is also a Connected Delivery Facility;
- (d) references to the Connected System Operator include such operator as Delivery Facility Operator.

1.10 Energy balancing on NTS

For the purposes of the energy balancing provisions of Section F (and the System Clearing Contracts therein provided for), quantities of energy offtaken by Users from the Total System shall be treated as offtaken from the NTS, and accordingly:

- (a) Daily Imbalances shall be treated as imbalances in respect of quantities delivered to and offtaken from the NTS; and
- (b) Reconciliation Quantities shall be treated as quantities relating to (and representing differences between different quantities treated as offtaken from) the NTS.

1.11 DNO Users

1.11.1 In this Section E references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.

2 INPUT QUANTITIES

2.1 User Daily Quantity Inputs

- 2.1.1 For each nominating User the UDQI in respect of each System Entry Point for the Gas Flow Day shall be determined in accordance with this paragraph 2.1, subject to paragraph 2.3.
- 2.1.2 In respect of each System Entry Point, each nominating User shall and any non-nominating User may submit to Transco NTS, not later than the 7th Business Day after the Gas Flow Day, a statement ("**Entry Allocation Statement**") specifying:
- (a) the identity of the User;
 - (b) the identity of the System Entry Point;
 - (c) the Gas Flow Day; and
 - (d) the quantity of gas delivered by that User to the Total System on the Gas Flow Day at that System Entry Point.
- 2.1.3 Where an Entry Allocation Statement submitted by a User in accordance with paragraph 2.1.2 does not correctly reflect the User's entitlement to gas delivered to the Total System on the Gas Flow Day, the User may, not later than the Entry Close-out Date, revise its Entry Allocation Statement so as correctly to reflect its entitlement, provided that, where the conditions in paragraph 2.1.7 were satisfied in respect of the first-submitted Entry Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.
- 2.1.4 A revision under paragraph 2.1.3 of an Entry Allocation Statement shall not be made to reflect any dealing by the User and any other person after the Gas Flow Day in respect of entitlements in respect of gas delivered to the Total System.
- 2.1.5 For the avoidance of doubt, but without prejudice to paragraphs 2.2 and 2.3 and subject to Section V1.2, no person who is not a User may submit an Entry Allocation Statement or otherwise may claim to have delivered gas to the Total System, and Transco NTS will disregard any such purported submission or claim.
- 2.1.6 If for the Gas Flow Day in respect of a System Entry Point both of the conditions in paragraph 2.1.7 are satisfied:
- (a) each User who submitted an Entry Allocation Statement shall be a Delivering User;
 - (b) the UDQI for each nominating User shall be the quantity stated in the User's Entry Allocation Statement; and
 - (c) paragraph 4 shall apply in respect of any non-nominating User who submitted an Entry Allocation Statement.
- 2.1.7 The conditions referred to in paragraph 2.1.3 and 2.1.6 are:
- (a) that by the Entry Close-out Date, Entry Allocation Statements have been

submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User); and

- (b) that the aggregate of the quantities stated in all Entry Allocation Statements (submitted by or on behalf of nominating Users and non-nominating Users) and any Unclaimed Entry Allocation Statement under paragraph 2.3 is equal to the Entry Point Daily Quantity Delivered.
- 2.1.8 If for the Gas Flow Day in respect of a System Entry Point either condition in paragraph 2.1.7 is not satisfied, subject to paragraph 2.1.9:
- (a) each nominating User shall be a Delivering User; and
 - (b) the UDQI for each Delivering User shall be determined by allocating the Entry Point Daily Quantity Delivered between the Delivering Users in proportion to the Nominated Quantities under their respective Input Nominations for the Gas Flow Day in respect of that System Entry Point.
- 2.1.9 If no User made an Input Nomination for the System Entry Point for the Gas Flow Day, and gas was delivered to the Total System at that point:
- (a) each User who was (whether or not by virtue of this paragraph 2.1.9) a Delivering User on the Preceding Day shall be a Delivering User; and
 - (b) the Entry Point Daily Quantity Delivered shall be allocated to the Delivering Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph) allocated on the Preceding Day, and paragraph 4 shall apply in respect of each such User.

2.2 Entry Allocation Agents

- 2.2.1 In accordance with Section V6 a User may appoint a User Agent for the purposes of submitting Entry Allocation Statements in respect of a System Entry Point in accordance with paragraph 2.1.
- 2.2.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Entry Allocation Statements in respect of the System Entry Point for each such User.
- 2.2.3 Where (by virtue of being a Shrinkage Provider or for Operating Margins Purposes or otherwise) the Transporter is party to an agreement pursuant to which a person is appointed as User Agent pursuant to paragraph 2.2.1, no provision of such agreement and nothing done by the Transporter pursuant to such agreement shall modify or take effect as a waiver of any provision of the Code.

2.3 Unclaimed Entry Allocation

- 2.3.1 Subject to the conditions in paragraph 2.3.3, where in respect of any Day all of the Entry Allocation Statements submitted by Users ("**relevant Users**") in relation to a System Entry Point are submitted by the same person as User Agent the Users may arrange with the User Agent that he will also submit an Unclaimed Entry Allocation Statement.

- 2.3.2 An "**Unclaimed Entry Allocation Statement**" is an Entry Allocation Statement in which the quantity of gas specified as delivered to the Total System is not allocated to any User but is treated as allocated to an unclaimed account maintained by Transco NTS for the purposes of this paragraph 2.3.
- 2.3.3 The conditions referred to in paragraph 2.3.1 are:
- (a) that the conditions in paragraph 2.1.7 are satisfied (taking into account for such purposes the Unclaimed Entry Allocation Statement and the quantity stated therein);
 - (b) that the quantity specified in the Unclaimed Entry Allocation Statement is less than the Entry Point Daily Quantity Delivered; and
 - (c) that the Unclaimed Entry Allocation Statement does not identify (directly or indirectly) any person as a person to whom the quantity thereunder is allocated.
- 2.3.4 Where in respect of a Day an Unclaimed Entry Allocation Statement is submitted, relevant Users' UDQIs shall be those determined under paragraph 2.1.6 on the basis of their respective Entry Allocation Statements.
- 2.3.5 The User Agent may up to but not later than the Entry Close-out Date revise an Unclaimed Entry Allocation Statement, provided the conditions in paragraph 2.3.3 continue to be satisfied following such revision.
- 2.3.6 Each User undertakes:
- (a) that it will not, and will not authorise the User Agent to, do anything which would or might confer on any person (other than a User) any right or entitlement in respect of any quantity of gas the subject of a Unclaimed Entry Allocation Statement; and
 - (b) that (without prejudice to any revision of the User's Entry Allocation Statement in accordance with paragraph 2.1.4) it will not itself claim any right or entitlement to any such quantity of gas.
- 2.3.7 If any person makes any claim against Transco NTS in respect of any quantity of gas the subject of an Unclaimed Entry Allocation Statement:
- (a) Transco NTS will defend such claim in such manner and to such extent as (after consultation in accordance with paragraph (b)) it shall determine to be appropriate;
 - (b) Transco NTS will consult with and keep informed the Uniform Network Code Committee or any relevant Sub-committee as respects such defence;
 - (c) Transco NTS will be entitled to recover (in accordance with Section F4.5.3(a)(iii)) the costs and expenses reasonably incurred by it in such defence and any amount paid by it (whether in settlement or satisfaction of any such claim) to such person or other amount for which it may be liable in connection therewith.
- 2.3.8 Transco NTS shall not for any purposes be treated as a User in respect of the unclaimed account referred to in paragraph 2.3.2 (and any quantity allocated to such account will

not be taken into account in determining any User's Daily Imbalance nor in calculating Balancing Neutrality Charges under Section F, and is not required to be cleared under Section F).

3 OUTPUT QUANTITIES

3.1 Supply Point UDQO

3.1.1 For a nominating User the UDQO in respect of a Registered Supply Point Component for the Gas Flow Day shall be:

- (a) in the case of a NDM Supply Point Component, the sum of the NDM Supply Meter Point Demands (in accordance with Section H2) for each NDM Supply Meter Point comprised in that NDM Supply Point Component;
- (b) in the case of a DM Supply Point Component, the User SPDQ in accordance with paragraph 3.1.2.

3.1.2 The "**User SPDQ**" for a User in respect of a Registered DM Supply Point Component shall be the sum for each of the DM Supply Meter Points comprised in the Supply Point Component of:

- (a) subject to paragraph (b), the Supply Meter Point Daily Quantity;
- (b) in the case of a Shared Supply Meter Point, the portion of the Supply Meter Point Daily Quantity determined in respect of that User in accordance with the Shared Supply Meter Notification pursuant to Section G1.7.

3.1.3 The provisions of paragraph 4 shall apply in respect of the User SPDQ in respect of any Supply Point for which the Registered User was a non-nominating User.

3.2 Connected System Exit Points

3.2.1 For each nominating User the UDQO in respect of each Connected System Exit Point shall be determined in accordance with the applicable CSEP Network Exit Provisions and/or (where not inconsistent with the CSEP Network Exit Provisions) this paragraph 3.2.

3.2.2 In respect of each Connected System Exit Point, each nominating User shall and any non-nominating User may submit to the Transporter, not later than the Exit Close-out Date, a statement ("**Exit Allocation Statement**") specifying:

- (a) the identity of the User;
- (b) the identity of the Connected System Exit Point;
- (c) the Gas Flow Day; and
- (d) the quantity of gas offtaken by that User from the Total System on the Gas Flow Day at that Connected System Exit Point.

3.2.3 A User may, not later than the Exit Close-out Date, revise its Exit Allocation Statement, provided that where the conditions in paragraph 3.2.6 were satisfied in respect of the

first submitted Exit Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.

- 3.2.4 For the avoidance of doubt, but without prejudice to paragraph 3.3, no person who is not a User may submit an Exit Allocation Statement or otherwise may claim to have offtaken gas from the Total System and the Transporter will disregard any such purported submission or claim.
- 3.2.5 If for the Gas Flow Day in respect of a Connected System Exit Point both of the conditions in paragraph 3.2.6 are satisfied:
- (a) each User who submitted an Exit Allocation Statement shall be an Offtaking CSEP User;
 - (b) the UDQO for each nominating User shall be the quantity stated in the User's Exit Allocation Statement; and
 - (c) paragraph 4 shall apply in respect of any non-nominating User who submitted an Exit Allocation Statement.
- 3.2.6 The conditions referred to in paragraph 3.2.3 and 3.2.5 are:
- (a) that by the Exit Close-out Date, Exit Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User); and
 - (b) that the aggregate of the quantities stated in all Exit Allocation Statements (submitted by nominating Users and non-nominating Users) is equal to the CSEP Daily Quantity Offtaken.
- 3.2.7 If for the Gas Flow Day in respect of a Connected System Exit Point either condition in paragraph 3.2.6 above is not satisfied, subject to paragraph 3.2.8:
- (a) each nominating User shall be an Offtaking CSEP User; and
 - (b) the UDQO for each Offtaking CSEP User shall be determined by allocating the CSEP Daily Quantity Offtaken between the Offtaking CSEP Users in proportion to the Nominated Quantities under their respective Output Nominations for the Gas Flow Day in respect of that Connected System Exit Point.
- 3.2.8 If no User made an Output Nomination for the Connected System Exit Point for the Gas Flow Day (and accordingly C2.2.6 applies), or where all the Output Nominations for the Connected System Exit Point for the Gas Flow Day are submitted as zero, and gas was offtaken from the System at the point:
- (a) each User who was (whether or not by virtue of this paragraph 3.2.8) an Offtaking CSEP User on the Preceding Day shall be an Offtaking CSEP User; and
 - (b) the CSEP Daily Quantity Offtaken shall be allocated to the Offtaking CSEP Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph 3.2.8) allocated on the Preceding Day.

3.3 Exit Allocation Agents

- 3.3.1 In accordance with Section V6 a User may appoint a User Agent for the purposes of submitting Exit Allocation Statements in respect of a Connected System Exit Point in accordance with paragraph 3.2.
- 3.3.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Exit Allocation Statements in respect of the Connected System Exit Point for each such User.

3.4 Daily Read Errors

Where pursuant to Section M4.8 an Error Revised Quantity is established in respect of a DM Supply Meter Point for a Daily Read Error Day:

- (a) the Transporter will, as soon as reasonably practicable, determine (as nearly as may be) the amount (the "**Error Revised UDQO**") of the UDQO for the relevant DM Supply Point Component for the Day on the basis of such Metered Quantity;
- (b) adjustments will be made in respect of any Overrun Charges or Supply Point Ratchet Charges in accordance with Section B1.11 and in respect of certain Balancing Charges in accordance with Section F1.4;
- (c) except as provided in paragraph (b), in accordance with paragraph 1.8.2 no revision or recalculation of the quantities treated as offtaken from the System by Users, Users' Daily Imbalances or any Balancing Charges on or for the Daily Read Error Day will be made.

3.5 Gas illegally taken

3.5.1 Where:

- (a) gas offtaken from the Total System has been illegally taken at or at a point downstream of the point of offtake (in accordance with Section J3.7) at a Larger Supply Meter Point, insofar as the quantity of gas so taken has not been properly metered, and except as permitted by the Meter By-Pass Policy; and
- (b) the case is not one in which the Transporter is (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas,

subject to paragraph 3.5.2, such adjustments shall be made, in respect of the quantities treated as offtaken from the Total System by the Registered User for the purposes of determining the quantities subject to Individual NDM Reconciliation or (where applicable) DM Reconciliation (but no adjustment will be made in respect of the determination of any UDQO of the User for any other purpose).

3.5.2 Paragraph 3.5.1 shall not apply in a case to which Standard Condition 7(5) of Transco NTS's Transporter's Licence applies; and further, to give effect to that Condition (insofar as it relates to Energy Balancing Charges payable by Users):

- (a) Transco NTS may pay to the Registered User, in respect of gas which has been

or will be treated (pursuant to the Code) as offtaken by the User but is to be treated (pursuant to that Condition) as not having been taken out of the Total System, an amount estimated by Transco NTS to be the amount which has been or will be payable by way of Reconciliation Clearing Charges in respect of such quantity of gas;

- (b) Users acknowledge that it is not feasible to make any adjustment (beyond what is provided for in paragraph (a)) in respect of any amount by which such gas may have contributed to the User's Daily Imbalance for or Energy Balancing Charges payable in respect of any Day; and
- (c) amounts paid by Transco NTS pursuant to paragraph (a) will be additional Adjustment Reconciliation Neutrality Costs for the purposes of Section F6.5(a).

4 UNAUTHORISED GAS FLOWS

4.1 Unauthorised Gas Flow

4.1.1 Where a User is a non-nominating User for a Day in respect of a System Point, any delivery (in the circumstances under paragraph 2.1.6 or 2.1.9) or offtake (in accordance with paragraph 3.1.3 or in the circumstances under paragraph 3.2.5 or 3.2.8) of gas to or from the Total System by that User at that point on that Day is an "**Unauthorised Gas Flow**", the amount of which shall be:

- (a) in respect of a System Entry Point, the quantity of gas stated in the User's Entry Allocation Statement or as the case may be allocated under paragraph 2.1.9;
- (b) in respect of a DM Supply Point Component, the amount of the User SPDQ;
- (c) in respect of a Connected System Exit Point, the quantity of gas stated in the User's Exit Allocation Statement or as the case may be allocated under paragraph 3.2.8.

4.1.2 Subject to paragraph 4.1.3, an Unauthorised Gas Flow shall be an UDQI or (as the case may be) an UDQO for the User for the purposes of the Code.

4.1.3 The Unauthorised Gas Flow shall not be taken into account and shall not be treated as an UDQI or UDQO for the purposes of determining the User's Daily Imbalance under paragraph 5, and shall not be a relevant UDQI or relevant UDQO for the purposes of determining Balancing Neutrality Charges under Section F4 or Reconciliation Neutrality Charges under Section F6 or for the purposes of calculating the UDQI under Section B3.5.5.

4.2 Treatment of Unauthorised Gas Flows

4.2.1 The quantity of gas comprising an Unauthorised Gas Flow shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

4.2.2 For the purposes of such System Clearing Contract:

- (a) where the Unauthorised Gas Flow occurs at a System Entry Point:
 - (i) the seller is the User and the buyer is Transco NTS; and

- (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Sell Price;
 - (b) where the Unauthorised Gas Flow occurs at a System Exit Point:
 - (i) the seller is Transco NTS and the buyer is the User; and
 - (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Buy Price.
- 4.2.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.
- 4.2.4 The Unauthorised Gas Flow shall be extinguished by the System Clearing Contract.
- 4.2.5 The buyer shall pay the Clearing Charge in respect of the gas comprising the Unauthorised Gas Flow to the seller in accordance with Section S.

5 IMBALANCE

5.1 Daily Imbalance

- 5.1.1 The Daily Imbalance for each User shall be calculated in respect of each Day as the difference between:
- (a) the sum of:
 - (i) the aggregate of the User's UDQIs;
 - (ii) the aggregate of the Trade Nomination Quantities under any Acquiring Trade Nominations made by the User; and
 - (b) the sum of:
 - (i) the aggregate of the User's UDQOs;
 - (ii) the aggregate of the Trade Nomination Quantities under any Disposing Trade Nominations made by the User.
- 5.1.2 The Daily Imbalance is positive where the quantity under paragraph 5.1.1(a) is greater than the quantity under paragraph 5.1.1(b), and negative where the quantity under paragraph 5.1.1(b) is greater than the quantity under paragraph 5.1.1(a).

5.2 Treatment of Daily Imbalances

A User's Daily Imbalances will be extinguished under System Clearing Contracts in accordance with Section F2.3.

5.3 Incentivised Nomination Charges

- 5.3.1 At each Forecast Daily Imbalance Time (in respect of a Day) if a User's Prevailing

Forecast Daily Imbalance differs from the User's Daily Imbalance for the Day the User shall pay a charge ("**Incentivised Nomination Charge**") in accordance with this paragraph 5.3.

5.3.2 For the purposes of this paragraph 5.3:

- (a) "**Forecast Daily Imbalance**" is, in respect of a Day and in relation to a User, the User's projection of its Daily Imbalance for that Day;
- (b) "**Forecast Daily Imbalance Time**" is, in respect of a Day, each of 02:00 hours on the Preceding Day and 12:00 hours, 18:00 hours and 22:00 hours on the Day;
- (c) "**Initial**" Forecast Daily Imbalance is, in respect of a Day and in relation to a User, the Forecast Daily Imbalance prevailing at 17:00 hours on the Preceding Day;
- (d) "**Prevailing Forecast Daily Imbalance**" is, in respect of a Day and in relation to a User, the User's current Forecast Daily Imbalance (calculated in accordance with this paragraph 5) at a Forecast Daily Imbalance Time; and
- (e) "**Prevailing Provisional Daily Imbalance**" shall mean the projected Daily Imbalance of a User in respect of a Day (recorded on the UK Link System) at 17:00 hours on the Preceding Day determined by Transco NTS by reference to Nomination information available to it at such time, excluding the Forecast Daily Imbalance referred to in paragraph (a) above.

5.3.3 Each User may submit a notice ("**Forecast Daily Imbalance Nomination**") specifying its Forecast Daily Imbalance for a Day.

5.3.4 Each Forecast Daily Imbalance Nomination shall specify:

- (a) the identity of the User;
- (b) the Gas Flow Day; and
- (c) the Forecast Daily Imbalance for the Gas Flow Day.

5.3.5 A Forecast Daily Imbalance Nomination may be submitted no earlier than 30 Days before the Gas Flow Day and no later than 04:00 hours on a Gas Flow Day.

5.3.6 A User may revise an Initial Forecast Daily Imbalance Nomination in respect of a Gas Flow Day by submitting a further Forecast Daily Imbalance Nomination and where a User submits a further Forecast Daily Imbalance Nomination it shall replace the Initial Forecast Daily Imbalance Nomination or any subsequent Forecast Daily Imbalance Nomination (but without prejudice to the application of this paragraph 5.3 in respect of the Prevailing Forecast Daily Imbalance in respect of any earlier Forecast Daily Imbalance Time).

5.3.7 Without prejudice to paragraph 5.3.6, where a User does not submit a Forecast Daily Imbalance Nomination in respect of a Day by 17:00 hours on the Preceding day the User will be deemed to have submitted an Initial Forecast Daily Imbalance Nomination equal to the Prevailing Provisional Daily Imbalance.

5.3.8 For the purposes of the further provisions of this paragraph 5.3:

- (a) a User's "**Forecast Performance Measure**" at a Forecast Daily Imbalance Time in respect of a Day shall be calculated as follows:

$$FPM_t = \text{abs}(N_t - A)$$

where:

FPM_t is the Forecast Performance Measure at Forecast Daily Imbalance Time 't';

N_t is the User's Prevailing Forecast Daily Imbalance at Forecast Daily Imbalance Time 't';

A is the User's Daily Imbalance in respect of the Day; and

- (b) the "**Incentivised Nomination Price**" is, in respect of a relevant Day, the price (in pence/kWh) calculated as follows:

- (i) where the User's Daily Imbalance is positive for the relevant Day:

$$INP = PSFS * (SAP - SMSP)$$

- (ii) where the User's Daily Imbalance is negative for the relevant Day:

$$INP = PSPB * (SMBP - SAP)$$

where:

INP is the Incentivised Nomination Price for the relevant Day;

$PSFS$ is the Sell Price Scaling Factor for the relevant Day;

$PSFB$ is the Buy Price Scaling Factor for the relevant Day;

SAP is the System Average Price for the relevant Day;

$SMBP$ is the System Marginal Buy Price for the relevant Day;

$SMSP$ is the System Marginal Sell Price for the relevant Day; and

- (iii) the Sell Price Scaling Factor for the relevant Day is zero;

- (iv) the Buy Price Scaling Factor for the relevant Day is zero; and

- (c) the "**scaling factor**" in respect of each Forecast Daily Imbalance Time in respect of a Day is 0.25.

5.3.9 The Incentivised Nomination Charge payable by a User in respect of a Daily Imbalance Nomination Time shall be calculated as follows:

$$INS_t = (FPM_t * SF_t * INP)$$

where:

INS_t is the Incentivised Nomination Charge;

FPM_t is the User's Forecast Performance Measure;

SF_t is the scaling factor; and

INP is the Incentivised Nomination Price

in each case in respect of Forecast Daily Imbalance Time ' t '.

- 5.3.10 In respect of a User and in relation to a Day, the "**Total Incentivised Nomination Charge**" payable by a User is the sum of the Incentivised Nomination Charges payable (if any) by the User in respect of the Day and calculated as follows:

$$TINC = \sum_{t=1}^n INC_t$$

where:

$TINC$ is the Total Incentivised Nomination Charge; and

INC is the Incentivised Nomination Charge payable by the User in respect of each Forecast Daily Nomination Time ' t '

where ' n ' is the number of Forecast Daily Nomination Times in respect of a Day.

- 5.3.11 Total Incentivised Nomination Charges shall be invoiced and are payable in accordance with Section S.
- 5.3.12 In the event that Transco NTS does not undertake a Market Balancing Action on a Day then the Total Incentivised Nomination Charge payable by a User, in respect of that day, will be zero.

6 RECONCILIATION

6.1 Introduction

- 6.1.1 Individual NDM Reconciliation will be carried out (for all Days in the relevant Meter Reading Period) in respect of a Larger NDM Supply Meter Point, after each Valid Meter Read pursuant to Section M3.
- 6.1.2 DM Reconciliation will be carried out (for each relevant Day) in respect of a DM Supply Meter Point after a DM Check Read pursuant to Section M4.7 or (as the case may be) the determination, following a Failed Daily Read Day, of the volume offtaken on such Day pursuant to Section M4.4.4.
- 6.1.3 For each CSEP User, Individual CSEP Reconciliation will be carried out in respect of a relevant Connected System Exit Point (other than Smaller Unmetered CSEPs) in respect of the periods provided in and in accordance with the CSEP Network Exit Provisions.
- 6.1.4 For the purposes of this Section E:
- (a) in respect of a Larger NDM Supply Meter Point, the "**NDM Reconciliation Quantity**" is the amount (determined in accordance with paragraph 6.2) by

which on a Valid Meter Read the Metered Quantity differs from the aggregate of the quantities determined (as provided in paragraph 3.1.1(a)) each Day in accordance with Section H2, in respect of the Meter Reading Period;

- (b) in respect of any DM Supply Meter Point, in respect of any Failed Daily Read Day or (as the case may be) Day in the period between DM Check Reads, the **"DM Reconciliation Quantity"** is:
 - (i) the amount (the **"DM Check Reconciliation Quantity"**) by which the quantity determined pursuant to a Valid Meter Reading or the DM Check Read to have been offtaken from the Total System on the Day differs from the quantity (the **"previously assumed quantity"**) previously assumed or determined (as provided in Section M) to have been offtaken since the relevant preceding Meter Reading; or
 - (ii) in the case of a Shared Supply Meter Point, for each Existing Sharing Registered User, the quantity determined by allocating the DM Check Reconciliation Quantity between such Users in the same proportions as the previously assumed quantity was allocated in respect of such Day;
- (c) in respect of any relevant Connected System Exit Point and CSEP User, the **"Individual CSEP Reconciliation Quantity"** is the amount by which (for the relevant period provided in the CSEP Network Exit Provisions):
 - (i) in the case of an Unmetered Connected System Exit Point (other than the Smaller Unmetered CSEPs comprised therein), the quantity determined (upon readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken from the Total System differs from the quantity previously assumed to have been offtaken;
 - (ii) in the case of a Metered Connected System Exit Point, the quantity determined (upon a periodic check reading or a reading following estimation of the reading, or a determination or estimation following testing, verification or calibration, of the meter installed at the Connected System Exit Point) to have been offtaken from the Total System differs from the quantity previously determined or estimated to have been offtaken

in accordance with the CSEP Network Exit Provisions;

- (d) **"Reconciliation Quantity"** means an Individual NDM Reconciliation Quantity, a User Aggregate Reconciliation Quantity, a DM Reconciliation Quantity or CSEP Reconciliation Quantity.

6.1.5 Where (following a Supply Point Confirmation) a User (or potentially Users in the case of a Shared Supply Meter Point) becomes the Registered User(s) in respect of a Supply Meter Point, and:

- (a) in the case of an NDM Supply Meter Point, no Opening Meter Read was provided;
- (b) in the case of a DM Supply Meter Point, or a Shared Supply Meter Point, the

Supply Point Registration Date was a Failed Daily Read Day, or was not the Day of a DM Check Read,

upon the next following Individual NDM Reconciliation or (as the case may be) DM Reconciliation, the Reconciliation Values will be attributed entirely to such User (or as the case may be Existing Sharing Registered Users in amounts specified in paragraph 6.8), notwithstanding that a part thereof relates to a period before the Supply Point Registration Date; and accordingly such User (or Existing Sharing Registered Users) will obtain the benefit and bear the risk (and the User (or Users) who formerly was/were Registered User(s) of the Supply Meter Point will neither obtain the benefit nor bear the risk) of the Reconciliation Quantity insofar as attributable to the period before the Supply Point Registration Date.

- 6.1.6 For the purposes of giving effect to paragraph 6.1.5 in the case of an NDM Supply Meter Point where no Opening Meter Reading was provided, an Individual NDM Reconciliation will be carried out, as though a Meter Reading had been obtained on the Supply Point Registration Date, by reference to an assumed Meter Volume derived from the NDM Supply Meter Point Demand (in accordance with H2.2.2).

6.2 Individual NDM Reconciliation: Reconciliation Values

- 6.2.1 This paragraph 6.2 applies in respect of Individual NDM Reconciliation.

- 6.2.2 The Individual NDM Reconciliation Quantity shall be established by:

- (a) dividing the NDM Supply Meter Point Demand for each Day in the Meter Reading Period in respect of the NDM Supply Point Component by the relevant calorific value for that Day to determine the 'daily NDM volume';
- (b) aggregating the daily NDM volumes for all Days in the Meter Reading Period to determine the 'aggregate NDM volume';
- (c) dividing the Metered Volume by the aggregate NDM volume to determine the 'NDM reconciliation factor';
- (d) multiplying the NDM Supply Meter Point Demand for each Day in the Meter Reading Period by the NDM reconciliation factor to determine the 'daily metered quantity';
- (e) subtracting the daily metered quantity from the NDM Supply Meter Point Demand for each Day in the Meter Reading Period to establish the 'daily reconciliation quantity'; and
- (f) aggregating the daily reconciliation quantities for all Days in the Meter Reading Period.

- 6.2.3 The Individual NDM Reconciliation Quantity is negative where the NDM reconciliation factor (under paragraph 6.2.2(c)) is greater than one and positive where the NDM reconciliation factor is less than one.

- 6.2.4 The Reconciliation Clearing Value shall be established by:

- (a) multiplying the daily reconciliation quantity (under paragraph 6.2.2(e)) for each

Day in the Meter Reading Period by the System Average Price for such Day to determine the 'daily reconciliation clearing value'; and

- (b) aggregating the daily reconciliation clearing values for all Days in the Meter Reading Period.

6.2.5 Each of the Reconciliation Transportation Charge Adjustments shall be established by:

- (a) multiplying the daily reconciliation quantity (under paragraph 6.2.2(e)) for each Day in the Meter Reading Period by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge or (as the case may be) the Commodity Variable Component (if any) of the Customer Charge for such Day to determine the 'daily reconciliation charge adjustment'; and
- (b) aggregating the daily reconciliation charge adjustments for all Days in the Meter Reading Period.

6.3 DM Reconciliation: Reconciliation Values

6.3.1 This paragraph 6.3 applies in respect of DM Reconciliation.

6.3.2 The DM Check Reconciliation Quantity for a Day shall be determined as the Failed Daily Read Reconciliation Volume, or (as the case may be) the DM Check Reconciliation Volume, multiplied by the applicable calorific value for the Day.

6.3.3 The DM Check Reconciliation Quantity is negative where (in accordance with Section M) the Failed Daily Read Reconciliation Volume or (as the case may be) the DM Check Reconciliation Volume is negative, and positive where it is positive.

6.3.4 The Reconciliation Clearing Value for a Day shall be established by multiplying the DM Reconciliation Quantity by the System Average Price for the relevant Day.

6.3.5 Each of the Reconciliation Transportation Charge Adjustments for a Day shall be established by multiplying the DM Reconciliation Quantity by the Applicable Commodity Rate(s) of the NTS Commodity Charge, the LDZ Commodity Charge or (as the case may be) the Commodity Variable Component (if any) of the Customer Charge for such Day.

6.4 CSEP Reconciliation: Reconciliation Values

6.4.1 This paragraph 6.4 applies in respect of Individual CSEP Reconciliation.

6.4.2 For the purposes of Individual CSEP Reconciliation, for each CSEP User for the relevant period:

- (a) the CSEP Reconciliation Quantity will be determined;
- (b) the Reconciliation Clearing Value will be established by reference to the CSEP Reconciliation Quantity (or relevant part thereof) and the System Average Price(s) for Day(s) in the relevant period; and
- (c) each of the Reconciliation Transportation Charge Adjustments will be established on the basis of the CSEP Reconciliation Quantity (or relevant part

thereof) and the Applicable Commodity Rate of the NTS Commodity Charge or (as the case may be) the LDZ Commodity Charge,

in each case in accordance with the CSEP Network Exit Provisions.

6.5 Reconciliation Clearing

Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation the Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with Section F5.

6.6 Transportation Charge Adjustments

6.6.1 Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation the Reconciliation Transportation Charge Adjustments shall be payable by way of adjustment in respect of the NTS Commodity Charges, LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges overpaid or underpaid by the User in respect of gas offtaken during the relevant period.

6.6.2 The Reconciliation Transportation Charge Adjustments shall be payable:

- (a) where the Reconciliation Quantity is negative:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by the User to Transco NTS;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter;
- (b) where the Reconciliation Quantity is positive:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by Transco NTS to the User;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the Transporter to the User

and shall be invoiced and are payable in accordance with Section S.

6.7 Individual NDM Reconciliation: Agreed Opening Meter Readings

6.7.1 Where in relation to an NDM Supply Meter Point:

- (a) upon the Individual NDM Reconciliation in respect of an Opening Meter Reading, or (in the absence of such a reading) in accordance with paragraph 6.1.7, Reconciliation Values (the "**original Reconciliation Values**") are determined under this paragraph 6; and
- (b) the Transporter subsequently accepts an Agreed Opening Meter Reading pursuant to that Section M3.8.8;

then paragraph 6.7.2 shall apply.

6.7.2 In the circumstances in paragraph 6.7.1:

- (a) the Transporter will redetermine (on the basis of the Agreed Opening Meter Reading) the Reconciliation Values;
- (b) the Reconciliation Values determined under paragraph (a) will replace the original Reconciliation Values;
- (c) where the original Reconciliation Values have already been invoiced, the Transporter will determine and invoice (in accordance with Section S) such adjustments in respect thereof as are necessary to give effect to paragraph (b).

6.8 Shared Supply Meter Point Reconciliation: Reconciliation Values

6.8.1 This paragraph 6.8 applies in respect of DM Reconciliation in respect of Shared Supply Meter Points.

6.8.2 For the purposes of DM Reconciliation, at the Shared Supply Meter Point for the relevant period:

- (a) the Transporter will in accordance with M4.7.1 arrange a DM Check Read;
- (b) the DM Check Reconciliation Quantity will be calculated in accordance with paragraph 6.3.

6.8.3 **"Existing Sharing Registered User"** is a Sharing Registered User (who may be the Proposing User) in respect of an Existing Supply Point which is a Shared Supply Meter Point.

6.8.4 **"Allocation Methodology"** is a methodology for the allocation of the Reconciliation Quantity between Existing Sharing Registered Users:

- (a) used by the Transporter; or
- (b) used by a User Agent, where the Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent;

provided that the proportions allocated to each Existing Sharing Registered User aggregate unity.

6.8.5 Where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent:

- (a) the Transporter will notify the Reconciliation Quantity to the User Agent in such manner as the Transporter may specify in the Shared Supply Meter Point Procedures; and
- (b) where the User Agent does not provide its Allocation Methodology to the Transporter within twenty (20) Business Days of the Transporter's notification to the User Agent under paragraph (a) then the Transporter shall allocate the Reconciliation Quantity in accordance with the Default Allocation Methodology under Section G1.7.11(b)(iv).

7 AGGREGATE NDM RECONCILIATION

7.1 Introduction

- 7.1.1 Aggregate NDM Reconciliation will be carried out (for each LDZ in accordance with this paragraph 7) in respect of each Reconciliation Billing Period.
- 7.1.2 The quantities subject to Aggregate NDM Reconciliation shall be quantities (ascertained in accordance with this paragraph 7), equal in aggregate and opposite to the net aggregate quantities subject to Individual Reconciliation in an LDZ (in accordance with paragraph 7.2.4) over a specified period; and shall (in aggregate and as attributed to each User in accordance with this paragraph 7, and on a cumulative basis) be treated as representing the difference between the quantities determined (in accordance with Section H2) as offtaken at Smaller Supply Points and Smaller Unmetered CSEPs, and the quantities which were actually so offtaken.
- 7.1.3 Accordingly, Aggregate NDM Reconciliation shall be deemed for all purposes to be a sufficient reconciliation and adjustment (in aggregate and for each User) in respect of any such differences as is referred to in paragraph 7.1.2, and accordingly, subject to paragraph 7.5, no account shall be taken (for any purposes of the Code other than the determination of Annual Quantities in accordance with Section G1.6) of Meter Readings obtained from Supply Meters at Smaller Supply Points.

7.2 Definition and calculation of relevant terms

- 7.2.1 For the purposes of this paragraph 7:
- (a) **"Monthly Individual Reconciliation"** is Individual NDM Reconciliation in respect of Supply Meter Points with Monthly Read Meters, DM Reconciliation pursuant to paragraph 1.3.3(a) in respect of Supply Meter Points with Daily Read Supply Meters and Individual CSEP Reconciliation in respect of any Connected System Exit Point (other than Smaller Unmetered CSEPs comprised therein) and Individual NDM Reconciliation in relation to adjustments pursuant to paragraph 7.7.2(i);
 - (b) **"Annual Individual Reconciliation"** is Individual NDM Reconciliation in respect of Supply Meter Points with Annual Read Meters; Individual NDM Reconciliation and DM Reconciliation for gas illegally taken under paragraph 3.5.1 and Individual NDM Reconciliation in relation to adjustments pursuant to paragraph 7.7.2(ii);
 - (c) **"DM Check Individual Reconciliation"** is DM Reconciliation pursuant to paragraph 1.3.3(b) in respect of Supply Meter Points with Daily Read Supply Meters and Individual NDM reconciliation in relation to adjustments pursuant to paragraph 7.7.2(iii);
 - (d) **"Individual Reconciliation Sector"** means, in relation to each LDZ, System Exit Points of the kind in respect of which paragraph (a), (b) or (c) applies and LDZ Reconciliation.
- 7.2.2 For each Reconciliation Billing Period, for each LDZ and for each Individual Reconciliation Sector:
- (a) the **"Aggregate Reconciliation Quantity"** and **"Aggregate Reconciliation Clearing Value"** are the net aggregate respectively of the Reconciliation

Quantities and of the Reconciliation Clearing Values for System Exit Points in that LDZ and LDZ Reconciliation and Individual Reconciliation Sector for which Individual Reconciliation or LDZ Reconciliation was carried out in that Reconciliation Billing Period;

- (b) the "**Aggregate Reconciliation Transportation Charge Adjustments**" is the Aggregate Reconciliation Quantity multiplied by the sum of the Applicable Commodity Rate for Smaller Supply Points of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge, each applicable in relation to such Reconciliation Billing Period;
- (c) the "**Aggregate LDZ AQ**" is the sum for all Users of the User SP LDZ Aggregate AQs and the User CSEP LDZ Aggregate AQs: in determining the User LDZ Aggregate AQ, no account shall be taken of Smaller Supply Points to which Section G3.4.3 applies;
- (d) in relation to Smaller Supply Points:

- (i) for each User the "**User SP LDZ Aggregate AQ**" is the amount determined as follows:

$$\sum_{r=1}^R \sum_{d=1}^D \text{AQ}_{rd}$$

where, for each Smaller Supply Point ("r") in the relevant LDZ of which the User is Registered User on a Day ("d") in the Aggregate Reconciliation Period, 'Aqrd' is the Annual Quantity of such Supply Point;

- (ii) for each User the "**User SP Aggregate Reconciliation Proportion**" is the User LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (e) in relation to Smaller Unmetered CSEPs:
 - (i) for each User the "**User CSEP LDZ Aggregate AQ**" is the sum (for all such Smaller Unmetered CSEPs) of the quantities determined pursuant to the provisions of the relevant CSEP Network Exit Provisions as equivalent to the User SP LDZ Aggregate AQs;
 - (ii) for each User the "**User CSEP Aggregate Reconciliation Proportion**" is the User CSEP LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (f) "**Aggregate Reconciliation Period**" is:
 - (i) in relation to Monthly Individual Reconciliation and LDZ Reconciliation pursuant to paragraph 7.6.1(a), the calendar month;
 - (ii) in relation to Annual Individual Reconciliation, the period of six calendar months;

- (iii) in relation to DM Check Individual Reconciliation, the period of twelve calendar months

immediately preceding the month in which the relevant Reconciliation Invoice in respect of the Reconciliation Billing Period is to be submitted and for LDZ Reconciliation pursuant to paragraph 7.6.1(b) the Preceding Year.

7.2.3 For each User, in relation to each Reconciliation Billing Period and for each LDZ:

- (a) the **"User Aggregate Reconciliation Quantity"** and **"User Aggregate Reconciliation Clearing Value"** are the amounts determined as:

$$\begin{aligned} & \text{S} \qquad \text{S} \\ & \sum_{s=1} \text{USPs}_s * \text{Vs}_s + \sum_{s=1} \text{UCPs}_s * \text{Vs}_s \end{aligned}$$

- (b) the **"User Aggregate Transportation Charge Adjustment"** is the amount determined as:

$$\begin{aligned} & \text{S} \qquad \text{S} \\ & \sum_{s=1} \text{USPs}_s * \text{Vs}_s + \sum_{s=1} \text{UCPs}_s * \text{Vs}_s * \text{F} \end{aligned}$$

where for each Individual Reconciliation Sector ("s"):

USP_s is the **"User SP Aggregate Reconciliation Proportion"** in relation to that User, period and LDZ;

UCP_s is the **"User CSEP Aggregate Reconciliation Proportion"** in relation to that User, period and LDZ;

V_s is respectively the Aggregate Reconciliation Quantity, Aggregate Reconciliation Clearing Value or Aggregate Reconciliation Transportation Charge Adjustment for that period and LDZ;

F is the factor specified in the Transportation Statement for the purposes of this paragraph (representing an estimate of the average discount in the Applicable Commodity Rate for Smaller Unmetered CSEPs compared with such rate for Smaller Supply Points).

7.2.4 For the purposes of Aggregate NDM Reconciliation, where:

- (a) the User Aggregate Reconciliation Quantity is positive for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be negative; and
- (b) the User Aggregate Reconciliation Quantity is negative for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be positive.

7.3 Aggregate NDM Reconciliation Adjustments

- 7.3.1 Upon each Aggregate NDM Reconciliation the User Aggregate Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with Section F5.
- 7.3.2 For the purposes of Section F5, the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.3.1 shall be the User Aggregate Reconciliation Clearing Value.
- 7.3.3 Upon each Aggregate NDM Reconciliation, the User Aggregate Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges and CSEP Charge overpaid or underpaid by the User in respect of gas offtaken by the User in the relevant period.
- 7.3.4 For the purposes of Aggregate NDM Reconciliation the User Aggregate Transportation Charge Adjustment shall be payable:
 - (a) where the Reconciliation Quantity is negative:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by the User to Transco NTS;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter;
 - (b) where the Reconciliation Quantity is positive:
 - (i) in the case of the adjustment to the NTS Commodity Charges, by Transco NTS to the User;
 - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the Transporter to the User

and shall be invoiced and are payable in accordance with Section S.

7.4 Annual Quantity revision and End of Year AQ Reconciliation

- 7.4.1 Where upon the revision of the Annual Quantity of any Larger Supply Point pursuant to Section G1.6 the Supply Point becomes a Smaller Supply Point:
 - (a) on the next Valid Meter Read, Individual NDM Reconciliation will be carried out in respect of the period from the previous Valid Meter Read to the Day preceding the Day on which the Annual Quantity is treated as being revised pursuant to Section G1.6 and reference to Meter Reading Period in paragraphs 6.2.2(d), (e) and (f) shall be construed accordingly; and
 - (b) with effect from the Day on which the Annual Quantity is revised, the Annual Quantity shall be included in the calculation, in respect of the relevant Registered User of the User LDZ Aggregate AQ, and of the Aggregate LDZ AQ in the relevant LDZ for the purposes of paragraph 7.2.2.

7.4.2 Where upon the revision of the Annual Quantity of any Smaller Supply Point pursuant to Section G1.6 the Supply Point becomes a Larger Supply Point:

- (a) on the next Valid Meter Read Individual NDM Reconciliation will be carried out for the period from the Day on which the Annual Quantity is treated as being revised pursuant to Section G1.6 until the Meter Read Date and reference to Meter Reading Period in paragraphs 6.2.2(d), (e) and (f) shall be construed accordingly; and
- (b) with the effect from the Day on which the Annual Quantity is revised, the Annual Quantity shall be excluded from the calculation, in respect of the relevant Registered User of the User LDZ Aggregate AQ, and of the Aggregate LDZ AQ in the relevant LDZ for the purposes of paragraph 7.2.2.

7.4.3 Where, as a result of the revision of the Annual Quantity of a Smaller Supply Point pursuant to Section G1.6, the Supply Point becomes a Larger Supply Point and:

- (a) the Annual Quantity is increased by more than:
 - (i) 20% of the Annual Quantity at the start of the preceding Gas Year; and at least by
 - (ii) 15,000 kWh; and
- (b) there has not been a change in Registered User for the Supply Point since the last revision of the Annual Quantity of the Supply Point pursuant to Section G1.6; and
- (c) the Annual Quantity of the Supply Point was not increased such that the Smaller Supply Point became a Larger Supply Point prior to the Provisional Annual Quantity being calculated by the Transporter

then paragraph 7.4.4 will apply.

7.4.4 In the circumstances set out in sub-paragraph 7.4.3 above:

- (a) the User Annual Quantity Revision Difference shall be extinguished by a System Clearing Contract in accordance with Section F5;
- (b) for the purposes of Section F5, the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.4.4(a) shall be the User Annual Quantity Revision Difference Clearing Value;
- (c) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges underpaid by the User in respect of gas offtaken by the User in the relevant period, for which purposes:
- (d) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable:
 - (i) in respect of NTS Commodity Charges, by the User to Transco NTS;

- (ii) in respect of LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter.

7.4.5 For the purposes of this paragraph 7.4:

- (a) **"User Annual Quantity Revision Difference"** is the sum of:

$$(X - Y)$$

where:

X is the Annual Quantity of the Supply Point notified by the Transporter in respect of the Gas Year following the relevant Gas Year;

Y is the Annual Quantity of the Supply Point notified by the Transporter in respect of the relevant Gas Year;

- (b) the **"User Annual Quantity Revision Difference Clearing Value"** is the amount established by:

- (i) determining the additional NDM Supply Meter Point Demand as a result of the User Annual Quantity Revision Difference for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect;

- (ii) multiplying the daily additional NDM Supply Meter Point Demand by the System Average Price for such day to determine the daily User Annual Quantity Revision Difference Clearing Value; and

- (iii) aggregating the daily User Annual Quantity Revision Clearing Values for all days in the applicable period of the adjustment;

- (c) **"User Annual Quantity Revision Difference Transportation Charge Adjustment"** is the amount established by:

- (i) multiplying the daily additional NDM Supply Meter Point Demand (under paragraph 7.4.5(b)(i)) for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge for such day to determine the daily reconciliation charge adjustment; and

- (ii) aggregating the daily reconciliation charge adjustments for all days in the applicable period of the adjustment.

7.5 Transitional Reconciliation

7.5.1 For the purposes of this paragraph 7.5, **"First Reconciliation"** in respect of a Supply Meter Point is the Individual Reconciliation carried out in relation to a Meter Reading Period in which the Reconciliation by Difference Date falls.

7.5.2 For the purposes of First Reconciliation (and not for any subsequent Individual NDM

Reconciliation), Smaller Supply Meter Points the subject of a Supply Point Registration on the Reconciliation by Difference Date shall be subject to Individual NDM Reconciliation in accordance with paragraph 6.

7.5.3 Subject to paragraph 7.5.4, following First Reconciliation:

- (a) the Individual NDM Reconciliation Quantity or DM Reconciliation Quantity will be calculated separately in accordance with paragraph 6 in respect of that part of the Meter Reading Period:
 - (i) preceding the Reconciliation by Difference Date; and
 - (ii) from the Reconciliation by Difference Date;
- (b) the CSEP Reconciliation Quantity will be calculated separately in accordance with paragraph 6 in respect of that part of the relevant period provided in the CSEP Network Exit Provisions:
 - (i) preceding the Reconciliation by Difference Date; and
 - (ii) from the Reconciliation by Difference Date.

7.5.4 On First Reconciliation of a Smaller Supply Point (in accordance with paragraph 7.5.2) Individual NDM Reconciliation will only be carried out in respect of the period prior to the Reconciliation by Difference Date.

7.5.5 The Reconciliation Quantities calculated in accordance with paragraphs 7.5.3(a)(ii) and 7.5.3(b)(ii) shall be added to the Aggregate Reconciliation Quantity (for the relevant LDZ and relevant Individual Reconciliation sector) in the Reconciliation Billing Period in which First Reconciliation occurs.

7.5.6 The Reconciliation Transportation Charge Adjustments relating to the Reconciliation Quantities calculated in accordance with paragraphs 7.5.3(a)(ii) and 7.5.3(b)(ii) shall be added to the Aggregate Reconciliation Transportation Charge Adjustments (for the relevant LDZ and relevant Individual Reconciliation Sector) in the Reconciliation Billing Period in which First Reconciliation occurs.

7.6 LDZ Reconciliation

7.6.1 A reconciliation shall be carried out between the Transporter and the NTS Shrinkage Provider in respect of the relevant quantity of gas where:

- (a) after the Exit Close-out Date in relation to any Day, an adjustment is made in respect of the LDZ Daily Quantity Input for any LDZ and in respect of an amount calculated by multiplying such quantity of gas by the System Average Price for the Day on which such adjustment was deemed by the Transporter to relate;
- (b) pursuant to Section N3.4, an adjustment is made in respect of the aggregate amount of LDZ Shrinkage for any LDZ in any Gas Year and in respect of an amount as provided in the LDZ Shrinkage Adjustments Methodology.

7.6.2 For the purposes of this paragraph 7:

- (a) **"LDZ Reconciliation"** means a reconciliation pursuant to paragraph 7.6.1;
- (b) in relation to any LDZ Reconciliation:
 - (i) the quantities and amounts referred to in paragraph 7.6.1 shall be treated as being respectively a Reconciliation Quantity and a Reconciliation Clearing Value;
 - (ii) such quantity and amount shall be negative where the LDZ Daily Quantity Input is increased by such adjustment, and positive where the LDZ Daily Quantity Input is reduced by such adjustment.

7.6.3 Except pursuant to this paragraph 7, any such adjustment as is referred to in paragraph 7.6.2 shall have no effect for the purposes of the Code.

7.7 Adjustments

7.7.1 Following resolution of a relevant Invoice Query:

- (a) no adjustment shall be made to the calculation of Aggregate LDZ AQs in respect of any prior Reconciliation Billing Period;
- (b) any adjustment to the calculation of:
 - (i) Aggregate LDZ AQs;
 - (ii) User Aggregate Reconciliation Clearing Charges or User Aggregate Transportation Adjustment Charges properly payable by Users (other than the User who notified the Transporter of the relevant Invoice Query) in respect of any prior Reconciliation Billing Period

shall have effect from, or be accounted for in, the following Reconciliation Billing Period.

- 7.7.2 (a) A **"relevant Invoice Query"** for the purpose of paragraph 7.7.1 is an Invoice Query which disputes the proper calculation of User Aggregate Reconciliation Clearing Charges or User Aggregate Transportation Charge Adjustments on the basis of the calculation (in respect of an LDZ and Individual Reconciliation Sector) of the Aggregate LDZ AQ for the relevant Reconciliation Billing Period.
- (b) Where a relevant Invoice Query arises due to the improper calculation of the Aggregate LDZ AQ any such User Aggregate Reconciliation Quantity subsequently determined to be due, paragraph 7.2.4 shall apply and the amount shall be invoiced and is payable to the User in accordance with Section S and:
 - (i) where the effective period is less than 1 month the Reconciliation Quantity shall be subject to Monthly Individual Reconciliation in accordance with paragraph 7.2.1(a);
 - (ii) where the effective period is greater than or equal to 1 month but less than 4 months the Reconciliation Quantity shall be subject to Annual Individual Reconciliation in accordance with paragraph 7.2.1(b); or

- (iii) where the effective period is more than 4 months the Reconciliation Quantity shall be subject to DM Check Individual Reconciliation in accordance with paragraph 7.2.1(c);
- (c) The "**effective period**" for the purpose of this paragraph 7.7.2(b) is the period between the date at which improper calculation of the Aggregate LDZ AQ began and the date of resolution of such Invoice Query.

8 SUPPRESSED RECONCILIATION

8.1 General

8.1.1 In relation to Larger Supply Points with effect from the Reconciliation by Difference Date:

- (a) subject to paragraph (c) below, the Transporter shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM and DM Reconciliation was undertaken pursuant to a Meter Reading obtained by the Transporter pursuant to Section M3.6 and M4.2 ("**Suppressed Reconciliation Values**");
- (b) subject to paragraph (c) below, the User shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM Reconciliation and DM Reconciliation was undertaken other than pursuant to a Meter Reading obtained by the Transporter pursuant to Section M3.6 and M4.2 ("**User Suppressed Reconciliation Values**"); and
- (c) where Meter Information has or was due to have been provided by Users to the Transporter in accordance with Section M3.2 and the Transporter informs the User that such Meter Information is incomplete, out of date or otherwise incorrect, the User shall investigate any Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation and such Reconciliation Values shall be User Suppressed Reconciliation Values.

8.1.2 Those Reconciliation Values in respect of which this paragraph 8 will apply (Reconciliation Values that have been "**Suppressed**", being Suppressed Reconciliation Values and User Suppressed Reconciliation Values) shall be identified in the "**Network Code Reconciliation Suppression Guidelines**", the document so entitled prepared and revised from time to time by the Transporter (in consultation with Users).

8.1.3 For the purposes of this paragraph 8:

- (a) "**Investigate**" means an investigation:
 - (i) by the Transporter of the accuracy of a Suppressed Reconciliation Value; or
 - (ii) by the User of the accuracy of a User Suppressed Reconciliation Value;
- (b) "**relevant Reconciliation Billing Period**" is the Reconciliation Billing Period in respect of which a Reconciliation Invoice would have contained an Invoice

Item derived from a Suppressed Reconciliation Value had not paragraph 8.1.4 applied;

- (c) for each LDZ for each Reconciliation Billing Period the "**User LDZ Suppressed Reconciliation Proportion**" shall be the User's User Aggregate Reconciliation Proportion for Monthly Individual Reconciliation calculated in accordance with paragraph 7.2.2.

8.1.4 Where as a result of carrying out Individual NDM Reconciliation or DM Reconciliation a Reconciliation Value is Suppressed, neither the Suppressed Reconciliation Value nor the User Suppressed Reconciliation Value will be used for the purposes of calculating the relevant Invoice Items in a Reconciliation for the relevant Reconciliation Billing Period (Reconciliation Billing Period 'p').

8.1.5 Where a Termination Notice has been submitted to a User pursuant to Section V4.3, all User Suppressed Reconciliation Values for such User which are outstanding at the User Discontinuance Date or are subsequently created after the User Discontinuance Date shall be cancelled and deemed to be void ab initio and no further Reconciliation Values for the Meter Reading Periods to which the User Suppressed Reconciliation Values related shall be invoiced and payable.

8.2 Suppressed Reconciliation Values

8.2.1 In respect of each LDZ for each Reconciliation Billing period the Transporter will pay to the User (provided such amount is positive) the aggregate of:

- (a)

$$(G * H) - (M * £25)$$

where following Individual NDM Reconciliation in Reconciliation Billing Period 'p':

G is the User's SP Aggregate Reconciliation Proportion for Reconciliation Billing Period 'p + 1';

H is $((0.98 * A) - B * £20) + (C * £30)$;

where:

A is the number of Suppressed Reconciliation Values that have been Suppressed in Reconciliation Billing Period 'p';

B is the number of Suppressed Reconciliation Values that had been Suppressed in Reconciliation Billing Period 'p' which are not Suppressed in Reconciliation Billing Period 'p + 1';

C is the number of Suppressed Reconciliation Values that had been Suppressed in any Reconciliation Billing Period 'p' and which remain Suppressed in Reconciliation Billing Period 'p + 2' or any subsequent Reconciliation Billing Period;

M is number of Meter Reads obtained by the Transporter in relation to the User Section M3.6.1 that are Suppressed in Reconciliation Billing Period 'p';

and

(b)

$$(((0.98 * D) - E) * £40) + (F * £60))$$

where following DM Reconciliation in Reconciliation Billing Period 'p':

- D is the number of Reconciliation Values Suppressed in Reconciliation Billing Period 'p';
- E is the number of Reconciliation Values Suppressed in Reconciliation Billing Period 'p' which are not Suppressed in Reconciliation Billing Period 'p + 1';
- F is the number of Reconciliation Values suppressed in Reconciliation Billing Period 'p' and which remain Suppressed in Reconciliation Billing Period 'p + 2' or any subsequent Reconciliation Billing Period.

8.2.2 Amounts payable by the Transporter under paragraph 8 will be invoiced and are payable in accordance with Section S.

8.2.3 For the purposes of Section V10:

- (a) the rules in paragraph 8.2.1(a) are Compensation Rules within Compensation Group C; and
- (b) the rules in paragraph 8.2.1(b) are compensation Rules within Compensation Group D

and in relation thereto the "**payment month**" is the second month following Reconciliation Billing Period p + 2.

8.3 User Suppressed Reconciliation Values

8.3.1 For the purposes of this paragraph 8.3 the "**USRV Month**" shall be the period of one month commencing on the 21st day of the month.

8.3.2 The User shall use all reasonable endeavours to ensure that no less than 50% of User Suppressed Reconciliation Values that are Suppressed in a USRV Month are not Suppressed in the immediately following USRV Month.

8.3.3 With effect from the third USRV Month after the User Suppressed Reconciliation Date and subject to paragraphs 8.3.4 and 8.3.5, in respect of each LDZ for each USRV Month the User will pay to the Transporter the amount (provided such amount is positive) calculated as:

$$(((0.95 * A) - B) * £20) + ((A - C) * £30)$$

where following individual NDM Reconciliation in USRV Month 'p':

- A is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p';
- B is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p' which are not Suppressed in USRV Month 'p + 2';

- C is the number of User Suppressed Reconciliation Values for the User that are Suppressed in any USRV Month 'p' and which are not Suppressed in USRV Month 'p + 4'.

8.3.4 In the event that the number of User Suppressed Reconciliation Values for a User in a USRV Month:

- (i) is greater than 150% of the average for such User in the 6 previous USRV Months; and
- (ii) is no less than 20 User Suppressed Reconciliation Values greater than the average set out in (i) above

paragraph 8.3.3 shall not apply and, subject to paragraph 8.3.5, in respect of each LDZ and for such USRV Month the User will pay to the Transporter the amount (provided such amount is positive) calculated as:

$$(((0.95 * A) - B) * £20) + ((A - C) * £30)$$

where following Individual NDM Reconciliation in USRV Month 'p':

- A is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p'
- B is the number of User Suppressed Reconciliation Values for the User that are Suppressed in USRV Month 'p' which are not Suppressed in USRV Month 'p + 3';
- C is the number of User Suppressed Reconciliation Values for the User that are Suppressed in any USRV Month 'p' and which are not Suppressed in USRV Month 'p + 5' or any USRV Month after 'p + 5'.

8.3.5 The amount due from all Users under paragraphs 8.3.3 and 8.3.4 shall not exceed £100,000 and in the event that the aggregate of amounts due from all Users for a USRV Month exceeds such amount, the amounts due shall be reduced pro rata.

8.3.6 The Transporter shall retain 2% of all amounts received pursuant to paragraphs 8.3.3 and 8.3.4 above (as such amounts may be adjusted pursuant to paragraph 8.3.5) and shall credit the remainder to Users:

- (i) after each period of 3 calendar months and after the Transporter has received all payment due under paragraphs 8.3.3 and 8.3.4 from all Users for the relevant LDZ;
- (ii) pro rata according to the aggregate of the User SP LDZ Aggregate AQ in such 3 month period.

8.3.7 Amounts payable by the User under paragraph 8 will be invoiced and are payable in accordance with Section S.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION F – SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

1 GENERAL AND SYSTEM PRICES

1.1 Introduction

1.1.1 This Section F provides for:

- (a) the clearing of each User's Daily Imbalances;
- (b) the calculation and payment of Daily Imbalance Charges and Scheduling Charges;
- (c) the calculation and payment of Balancing Neutrality Charges;
- (d) the clearing of each User's Reconciliation Quantities; and
- (e) the calculation and payment of Reconciliation Neutrality Charges.

1.1.2 For the purposes of the Code:

- (a) a "**Daily Imbalance Charge**" is an amount payable by or to a User in respect of a Daily Imbalance, in accordance with paragraph 2;
- (b) "**Scheduling Charges**" are amounts payable by a User in respect of differences between quantities delivered and offtaken to or from the Total System each Day and the quantities Nominated for such delivery or offtake, in accordance with paragraph 3;
- (c) "**Balancing Charges**" are Daily Imbalance Charges and Scheduling Charges;
- (d) "**Balancing Neutrality Charges**" are amounts payable by or to Transco NTS, so that it does not gain or lose by the payment and receipt of Market Balancing Action Charges, Daily Imbalance Charges, Scheduling Charges and other amounts specified in and in accordance with paragraph 4;
- (e) "**Reconciliation Neutrality Charges**" are amounts payable by or to Transco NTS, so that it does not gain or lose by the payment and receipt of Reconciliation Clearing Values, in accordance with paragraph 6 (or in relation to NTS System Exit Points, paragraph 4).

1.2 System prices

1.2.1 Subject to paragraphs 1.2.2 and 1.2.5, for each Day:

- (a) the "**System Marginal Buy Price**" is the greater of:
 - (i) the System Average Price plus 0.0287 pence/kWh; and
 - (ii) the price in pence/kWh which is equal to the highest Market Offer Price

in relation to a Market Balancing Action taken for that Day;

- (b) the "**System Marginal Sell Price**" is the lesser of:
 - (i) the System Average Price less 0.0324 pence/kWh; and
 - (ii) the price in pence/kWh which is equal to the lowest Market Offer Price in relation to a Market Balancing Action taken for that Day;
- (c) the "**System Average Price**" for a Day is the price in pence/kWh calculated as the sum of all Market Transaction Charges divided by the sum of the Trade Nomination Quantities for all Market Transactions effected in respect of that Day

(and for the avoidance of doubt on a Day on which Transco NTS takes no Market Balancing Action the System Marginal Buy Price and the System Marginal Sell Price shall be the System Average Price).

1.2.2 Where for any Day no Market Transaction was effected (or none other than one excluded for the purposes of paragraph 1.2.1 pursuant to paragraph 1.2.3), the System Average Price for that Day shall be the arithmetic mean of the System Average Price determined under paragraph 1.2.1 (or under this paragraph) for each of the 7 preceding Days.

1.2.3 For the purposes of paragraph 1.2.1(a), (b) and (c) Primary Excluded Actions and Secondary Excluded Actions will be excluded in determining the System Marginal Sell Price, System Marginal Buy Price and the System Average Price.

1.2.4 For the purposes of paragraph 1.2.3:

- (a) a "**Primary Excluded Action**" is a Market Balancing Buy Action taken pursuant to Section D1.5 for the purposes of increasing or decreasing gas flows at a System Point for the purposes of avoiding or remedying a Localised Transportation Deficit;
- (b) "**Secondary Excluded Actions**" are the Market Balancing Sell Actions which are excluded, in relation to any Relevant Primary Excluded Actions, in accordance with the following rules, which shall be applied in the chronological order in which Relevant Primary Excluded Actions were accepted:
 - (i) all Relevant Sell Actions shall be ranked in order of Market Offer Price (the lowest ranked first, and bids of equal Market Offer Price ranked in chronological order of acceptance);
 - (ii) such Relevant Sell Actions shall be excluded (in the order ranked) until:
 - (1) the aggregate of the Market Balancing Action Quantities under the actions so excluded is equal to or first exceeds the Market Balancing Action Quantity(ies) under the Relevant Primary Excluded Actions (the amount of any such excess, the "**relevant deficit excess**"); or
 - (2) all such Relevant Sell Actions have been excluded, if the

aggregate of the Market Balancing Action Quantities thereunder does not exceed the Market Balancing Action Quantity(ies) under the Relevant Primary Excluded Actions;

- (iii) where there is a relevant deficit excess, the last Relevant Sell Action to be excluded under paragraph (ii)(1) shall be deemed, for the purposes of the further application of this paragraph 1.2.4, to be two Relevant Sell Actions, one (which shall not be treated as so excluded) for an Eligible Balancing Action Quantity equal to the relevant shortfall excess, and one (which shall be treated as so excluded) for a Market Balancing Action Quantity equal to the balance of the whole Market Balancing Action Quantity;
- (iv) for the purposes of this paragraph (b), in relation to any Relevant Primary Excluded Actions, a **"Relevant Sell Action"** is a Market Balancing Sell Action which:
 - (1) was taken by Transco NTS pursuant to a Market Transaction other than a Locational Market Transaction effected in respect of the System Point in respect of which the Primary Excluded Action was taken;
 - (2) was taken during the period commencing with the taking of the Relevant Primary Excluded Actions and expiring on the expiry of the first full hour (ending on the hour) to expire thereafter; and
 - (3) was not excluded pursuant to paragraph (b) in relation to any earlier accepted Relevant Excluded Primary Actions;
- (c) **"Relevant Primary Excluded Actions"** means one Primary Excluded Action or several Primary Excluded Actions which were accepted at the same time;
- (d) **"Excluded Balancing Actions"** are Primary Excluded Actions and Secondary Excluded Actions.

1.2.5 Where:

- (a) it appears to Transco NTS after consultation with the Uniform Network Code Committee or any relevant Sub-committee that there is an alternative basis for determining a price to apply each Day as the System Average Price for the purposes of paragraph 5, and that such basis would be more appropriate for such purposes than that set out in paragraphs 1.2.1 and 1.2.2 (or applying at the time pursuant to any prior application of this paragraph 1.2); and
- (b) upon Transco NTS's application the Authority has given Condition A11(18) Approval to Transco NTS's applying, with effect from the Day proposed by Transco NTS after such consultation, such alternative basis for such purposes

then with effect from such Day the price determined each Day pursuant to such alternative basis will be applied for the purposes of paragraph 5 and references to the System Average Price in that paragraph will be construed accordingly (but without prejudice to the continued application of the System Average Price determined under

paragraphs 1.2.1 and 1.2.2 for other purposes of the Code); and Transco NTS will as soon as reasonably practicable after the Authority gave such approval notify Users of such alternative basis.

1.3 Commissioning VLDMCs

- 1.3.1 Subject to paragraph 1.3.2 for the purposes of paragraphs 2.2.1 and 3.2.2 until the date specified or determined pursuant to the provisions (applying pursuant to Section J1.5.2(b)) of the applicable Network Exit Provisions as the date when commissioning of the Consumer's Plant is completed, a VLDMC Supply Point Component will be treated as a DMC Supply Point Component other than a VLDMC Supply Point Component.
- 1.3.2 Paragraph 1.3.1 will apply only where the Registered User gives notice to the Transporter of the commissioning and complies with any other procedural requirements in accordance with the applicable Network Exit Provisions.

1.4 Daily Read Errors

- 1.4.1 Where for a Daily Read Error Day an Error Revised UDQO has been determined (pursuant to Sections M4.8 and E3.5) for a DM Supply Point Component:
 - (a) the Transporter will, as soon as reasonably practicable, determine by reasonable estimation, and notify to the relevant User, the quantities and amounts referred to in this paragraph 1.4;
 - (b) this paragraph 1.4 shall apply on the basis of the quantities and amounts so determined by the Transporter.
- 1.4.2 Where the relevant Supply Point Component was a DMC Supply Point Component:
 - (a) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge exceeds the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, Transco NTS will pay to the User the amount of the excess;
 - (b) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge is less than the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, the User will pay to Transco NTS the amount of the deficit.
- 1.4.3 Subject to paragraph 1.4.4, where the magnitude of the User's Daily Imbalance for the Daily Read Error Day would have been greater had the Error Revised UDQO been used in the calculation under Section E5:
 - (a) if the Daily Imbalance was positive, Transco NTS will be liable to pay to the User;
 - (b) if the Daily Imbalance was negative, the User will be liable to pay to Transco NTS

the amount (if any) calculated as the relevant quantity multiplied by the relevant price

(in accordance with paragraph 1.4.5).

- 1.4.4 Where the User's Daily Imbalance would have been positive and not negative, or negative and not positive, had the Error Revised UDQO been used in the calculation under Section E5 paragraph 1.4.3 shall apply, irrespective of whether the magnitude of such Daily Imbalance would have been greater on the basis that the reference therein to whether the Daily Imbalance was positive or negative shall be to whether it would have been positive or negative.
- 1.4.5 For the purposes of this paragraph 1.4:
- (a) the "**relevant quantity**" is for the purposes of paragraph 1.4.4 the sum of the User's Daily Imbalance and the error quantity, less the Imbalance Tolerance Quantity;
 - (b) the "**relevant price**" is the difference between:
 - (i) for the purposes of paragraph 1.4.3(a), the System Marginal Sell Price;
or
 - (ii) for the purposes of paragraph 1.4.3(b), the System Marginal Buy Price and the System Average Price, each for the Daily Read Error Day (it being acknowledged that DM Reconciliation will separately provide an appropriate adjustment as to the System Average Price);
 - (c) the "**error quantity**" is the magnitude of the difference between the Error Revised UDQO and the UDQO originally determined under Section E3.
- 1.4.6 Amounts paid by Transco NTS pursuant to paragraph 1.4.2(a) or paid to Transco NTS pursuant to paragraphs 1.4.2(b) and 1.4.3 will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of paragraph 4.5.3 in the month in which such amounts are paid.
- 1.4.7 It is acknowledged that the payments to be made pursuant to this paragraph 1.4 are separate additional obligations for the purposes of the Code, and nothing in Section M4.8 or E3.5 or this paragraph 1.4 shall prejudice the liability of the Transporter or any User to make payments (determined on the basis of the original UDQO) pursuant to any other provision of the Code.

1.5 DNO User

In this Section F references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.

2 DAILY IMBALANCES

2.1 Introduction

- 2.1.1 The gas representing the amount of a User's Daily Imbalance in respect of a Day shall be deemed to be sold and purchased and the imbalance cleared in accordance with this paragraph 2.

- 2.1.2 The Daily Imbalance Charge in respect of a User's Daily Imbalance shall be determined in accordance with paragraph 2.3.

2.2 System Clearing Contract

- 2.2.1 The quantity of gas comprising a User's Daily Imbalance shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

- 2.2.2 For the purposes of such System Clearing Contract:

- (a) where the Daily Imbalance is positive, the seller is the User and the buyer is Transco NTS;
- (b) where the Daily Imbalance is negative, the seller is Transco NTS and the buyer is the User.

- 2.2.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.

- 2.2.4 The Daily Imbalance shall be extinguished by the System Clearing Contract.

2.3 Clearing Charge

- 2.3.1 The Daily Imbalance Charge shall be the Clearing Charge in respect of the System Clearing Contract under this paragraph 2 and shall be calculated by multiplying the Daily Imbalance of the User as follows:

- (a) where the Daily Imbalance is positive, the System Marginal Sell Price for the Gas Flow Day; and
- (b) where the Daily Imbalance is negative, the System Marginal Buy Price for the Gas Flow Day.

- 2.3.2 In the event of a Class A Contingency (in accordance with Section U6) occurring on the Gas Flow Day the references in paragraph 2.3.1(b) to System Marginal Sell Price and System Marginal Buy Price shall be to the System Average Price.

- 2.3.3 The buyer shall pay the Daily Imbalance Charge in respect of the Daily Imbalance to the seller.

- 2.3.4 The Daily Imbalance Charge shall be invoiced and payable in accordance with Section S.

3 SCHEDULING CHARGES

3.1 Introduction

- 3.1.1 Where on a Day the quantity of gas delivered to or offtaken from the Total System by a User at a System Point or group of System Points differs (by more than an allowed tolerance) from the quantities nominated by the User in respect of that System Point or group, the User shall pay a Scheduling Charge in accordance with this paragraph 3.

- 3.1.2 Scheduling Charges incurred under this paragraph 3 will be invoiced and are payable in

accordance with Section S.

- 3.1.3 No account shall be taken of gas flows at Inter-System Offtakes for the purposes of calculating Scheduling Charges.

3.2 Input Scheduling Charges

- 3.2.1 Subject to paragraph 3.4, for the purposes of the Code, for each User in respect of each Aggregate System Entry Point on each Day:

- (a) the "**Scheduling Input Nominated Quantity**" is the sum of the Nominated Quantities under its Input Nominations for each System Entry Point comprised in that Aggregate System Entry Point;
- (b) the "**Input Scheduling Quantity**" is the amount by which the sum of the UDQIs (in accordance with Section E2.1) for each System Entry Point comprised in that Aggregate System Entry Point was greater than or (as the case may be) less than the Scheduling Input Nominated Quantity;
- (c) the "**Inner Input Tolerance Quantity**" is 3% of the Scheduling Input Nominated Quantity;
- (d) the "**Outer Input Tolerance Quantity**" is 5% of the Scheduling Input Nominated Quantity;
- (e) the "**First Chargeable Input Scheduling Quantity**" is:
 - (i) where the magnitude of the Input Scheduling Quantity exceeds the Outer Input Tolerance Quantity, the amount of the difference between the Outer Input Tolerance Quantity and the Inner Input Tolerance Quantity;
 - (ii) where the magnitude of the Input Scheduling Quantity does not exceed the Outer Input Tolerance Quantity, the amount (if any) by which the magnitude of the Input Scheduling Quantity exceeds the Inner Input Tolerance Quantity;
- (f) the "**Second Chargeable Input Scheduling Quantity**" is the amount (if any) by which the magnitude of the Input Scheduling Quantity exceeds the Outer Input Tolerance Quantity.

- 3.2.2 Where the magnitude of the Input Scheduling Quantity exceeds the Inner Input Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the sum of:

- (a) the amount of the First Chargeable Input Scheduling Quantity multiplied by 2% of the System Average Price for the Gas Flow Day; and
- (b) the amount of the Second Chargeable Input Scheduling Quantity (if any) multiplied by 5% of the System Average Price for the Gas Flow Day.

3.3 Output Scheduling Charges

3.3.1 Subject to paragraph 3.3.4, for the purposes of this Section F, for each User:

- (a) an "**Output Scheduling Point or Group**" is:
 - (i) a Registered DMC Supply Point Component other than a SDMC(I) Supply Point Component; or
 - (ii) a relevant Connected System Exit Point; or
 - (iii) the Scheduling Firm Supply Point Group for any LDZ; or
 - (iv) the Scheduling Interruptible Supply Point Group for any LDZ;
- (b) for each LDZ:
 - (i) the "**Scheduling Firm Supply Point Group**" is all of the DMA(F) Supply Point Groups for each Exit Zone in that LDZ;
 - (ii) the "**Scheduling Interruptible Supply Point Group**" is all of the DMA(I) Supply Point Groups for each Exit Zone, and all of the Registered SDMC(I) Supply Point Components, in that LDZ.

3.3.2 Subject to paragraph 3.3.4, for the purposes of the Code, for each User in respect of each Output Scheduling Point or Group:

- (a) the "**Scheduling Output Nominated Quantity**" is:
 - (i) in the case of a Registered DMC Supply Point Component (other than a SDMC(I) Supply Point Component), the Nominated Quantity under its Output Nomination for the relevant System Exit Point;
 - (ii) in the case of a relevant Connected System Exit Point, the Nominated Quantity under its Output Nomination for the relevant System Exit Point;
 - (iii) in the case of a Scheduling Firm Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(F) Supply Point Groups for Exit Zones in the relevant LDZ; and
 - (iv) in the case of a Scheduling Interruptible Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(I) Supply Point Groups for Exit Zones, and for all Registered SDMC(I) Supply Point Components, in the relevant LDZ;
- (b) the "**Scheduling UDQO**" is:
 - (i) in respect of a Scheduling Firm Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Firm DMA Supply Point Components in the relevant LDZ;
 - (ii) in respect of a Scheduling Interruptible Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Interruptible

DMA Supply Point Components and all of the Registered SDMC(I) Supply Point Components in the relevant LDZ; and

- (iii) in respect of any other System Exit Point (other than an NDM Supply Point Component), the User's UDQO for that System Exit Point;
 - (c) the "**Output Scheduling Quantity**" is the amount by which the Scheduling UDQO was greater than or (as the case may be) less than the Scheduling Output Nominated Quantity;
 - (d) the "**Output Tolerance Quantity**" is:
 - (i) in respect of a DMC Supply Point Component other than a VLDMC Supply Point Component or SDMC(I) Supply Point Component, or a relevant Connected System Exit Point, the quantity which is 25% of the Scheduling Output Nominated Quantity;
 - (ii) in respect of a VLDMC Supply Point Component or relevant Connected System Exit Point, the quantity which is 3% of the Scheduling Output Nominated Quantity; and
 - (iii) in respect of a Scheduling Firm Supply Point Group, the quantity which is 20% of the Scheduling Output Nominated Quantity;
 - (iv) in respect of a Scheduling Interruptible Supply Point Group, the quantity which is 25% of the Scheduling Output Nominated Quantity;
 - (e) the "**Chargeable Output Scheduling Quantity**" is the amount (if any) by which the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity.
- 3.3.3 Where the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the Chargeable Output Scheduling Quantity multiplied by 1% of the System Average Price for the Gas Flow Day.
- 3.3.4 A DMC Supply Point Component, other than a SDMC(I) Supply Point Component, will not be an Output Scheduling Point or Group where:
- (a) in respect of any Supply Meter Point (other than a Supply Meter Point at which telemetry equipment is installed as part of the Supply Meter Installation) comprised therein, the Gas Flow Day was a Failed Daily Read Day; or
 - (b) the Transporter did not make gas available for offtake from the Total System at the Supply Point Component.

4 BALANCING NEUTRALITY CHARGES

4.1 Introduction

- 4.1.1 The difference between the amounts received or receivable and the amounts paid or payable by Transco NTS in respect of Balancing Charges and certain other amounts in each month is payable to or recoverable from relevant Users in accordance with this

paragraph 4.

4.1.2 For the purposes of this paragraph 4:

- (a) **"relevant User"** means any User other than a Shrinkage Provider, and Transco NTS when acting for Operating Margins Purposes;
- (b) **"relevant UDQI"** means a UDQI of a relevant User; and
- (c) **"relevant UDQO"** means a UDQO of a relevant User.

4.2 Payment of charge

4.2.1 Each relevant User shall pay to Transco NTS, or (as the case may be) Transco NTS shall pay to each relevant User, in respect of each Day (**"relevant Day"**) a Balancing Neutrality Charge.

4.2.2 For each relevant User the Balancing Neutrality Charge shall be calculated as the Unit Daily Neutrality Amount multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Day.

4.2.3 The Balancing Neutrality Charge is payable by Transco NTS to the User where it is negative and by the User to Transco NTS where it is positive.

4.2.4 Balancing Neutrality Charges shall be invoiced and are payable in accordance with Section S.

4.3 Unit Daily Neutrality Amount

The **"Unit Daily Neutrality Amount"** for a relevant Day is the sum of the Basic Net Neutrality Amount (under paragraph 4.4) and the Adjustment Neutrality Amount (under paragraph 4.5) for the relevant Day, divided by the sum of all relevant UDQIs and relevant UDQOs for all relevant Users.

4.4 Basic Net Neutrality Amount

4.4.1 For each relevant Day the **"Basic Net Neutrality Amount"** is Aggregate System Payments (in accordance with paragraph 4.4.3) less Aggregate System Receipts (in accordance with paragraph 4.4.2).

4.4.2 **"Aggregate System Receipts"** for a Day are the aggregate, for all Users, of the following:

- (a) the Market Balancing Action Charges payable to Transco NTS in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day (other than any 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 any other amounts payable to Transco NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint) in respect of such Day;

- (b) the Daily Imbalance Charges payable to Transco NTS in respect of each negative Daily Imbalance on that Day; and
- (c) the Scheduling Charges payable to Transco NTS in relation to Input Scheduling Quantities and Output Scheduling Quantities in respect of that Day;
- (d) the Physical Renomination Incentive Charges payable to Transco NTS in respect of that Day; and
- (e) Total Incentivised Nomination Charges payable to Transco NTS in respect of that Day.

4.4.3 **"Aggregate System Payments"** for a Day are the aggregate, for all Users, of the following:

- (a) the Market Balancing Action Charges payable by Transco NTS in respect of each Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day (other than any Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint) and any other amounts payable by Transco NTS in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint) in respect of such Day;
- (b) the Daily Imbalance Charges payable by Transco NTS under paragraph 2.2.1 in respect of each positive Daily Imbalance on that Day.

4.5 Adjustment Neutrality Amount

4.5.1 The **"Adjustment Neutrality Amount"** for a Day is the sum of:

- (a) the **"Daily Adjustment Neutrality Amount"** for the relevant Day in accordance with paragraph 4.5.2;
- (b) the amount of the **"Monthly Adjustment Neutrality Amount"** determined under paragraph 4.5.3 for the calendar month (the **"relevant month"**) in which the relevant Day falls, divided by the number of Days in the relevant month; and
- (c) the amount of the rounding adjustment in respect of the preceding Day in accordance with paragraph 4.5.5.

4.5.2 The **"Daily Adjustment Neutrality Amount"** for a relevant Day is the sum of:

- (a) the Daily Margins Recovery Amount in accordance with Section K5.2; and
- (b) the Clearing Charges payable by Transco NTS in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(a)) at System Entry Points; less
- (c) the Clearing Charges payable to Transco NTS in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(b)) at System Exit Points.

4.5.3 The **"Monthly Adjustment Neutrality Amount"** for the relevant calendar month

(month 'm') is:

- (a) the sum of the following amounts:
 - (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is positive;
 - (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to Transco NTS) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which were due for payment to Transco NTS in month m-2 but were unpaid to Transco NTS as at the last Day of month m;
 - (iii) the amount of any costs, expenses, payment or other amount incurred by Transco NTS as referred to in Section E2.3.7(c) in connection with any claim by a third party in respect of gas subject to an Unclaimed Entry Allocation Statement and paid in month m;
 - (iv) 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 (ii); and
 - (v) any other amount (an "**additional Monthly Adjustment Neutrality Cost**"):
 - (1) provided to be included in this paragraph (a) in relation to month m under any provision of the Code; or
 - (2) incurred by Transco NTS in month m where the Authority has, upon Transco NTS's application, given Condition A11(18) Approval to Transco NTS recovering such amount, or amounts of such kind, by inclusion in this paragraph (a);
 - (vi) the amount of the Reconciliation Clearing Charges, relating to DM Reconciliation in respect of NTS Supply Meter Points or CSEP Reconciliation in respect of NTS Connected System Exit Points, payable by Transco NTS in respect of Days in month m.

less:

- (b) the sum of the following amounts:
 - (i) the magnitude of the Balancing Neutrality Financing Adjustment for

each Day in month m for which it is negative;

- (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to Transco NTS) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which:
 - (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Monthly Adjustment Neutrality Amount for month m-1; but
 - (2) has been paid to Transco NTS since the last Day of month m-1;
 - (iii) 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 the late payment of Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Physical Renomination Incentive Charges, Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points; and
 - (iv) any other amount (an "**additional Monthly Adjustment Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code.
- 4.5.4 For the purposes of paragraphs 4.5.3(a)(v) and 4.5.3(b)(iv) any amount therein referred to shall be included in the month in which Transco NTS makes or receives payment of such amount, failing which in the month in which invoiced Balancing Charges in respect of the Day on which such amount accrued become due for payment pursuant to Section S.
- 4.5.5 The rounding adjustment for a Day is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Daily Neutrality Amount for the Day, the sum of all Balancing Neutrality Charges for the Day is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount.
- 4.5.6 For the purposes of paragraph 4.5.3(b), so much of any amounts received by Transco

NTS:

- (a) from any gas supplier pursuant to the undertaking required to be entered into by the supplier pursuant to Standard Condition 37 of the Supplier's Licence; or
- (b) from any consumer, pursuant to an arrangement which is exempt pursuant to the Gas Act 1986 Exemptions (No. 2) Order 1996,

as are calculated in like manner to, or may be considered to be equivalent to, Energy Balancing Charges, will be Additional Neutrality Adjustment Costs.

4.6 Balancing Neutrality Financing Adjustment

4.6.1 For the purposes of this paragraph 4, "**Balancing Neutrality Financing Adjustment**" for a Day is the amount calculated as the Neutrality Interest Rate for the Day multiplied by the closing cash balance for that Day.

4.6.2 For the purposes of this paragraph 4:

- (a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by Transco NTS from Users on that Day, less the amount of all payments made by Transco NTS for Users on that Day, in each case in respect of:
 - (i) any of the amounts taken into account (in accordance with paragraphs 4.4 and 4.5) in determining Balancing Neutrality Charges;
 - (ii) Balancing Neutrality Charges;
 - (iii) User Aggregate Reconciliation Clearing Charges;
 - (iv) Reconciliation Clearing Charges;
- (b) the "**opening cash balance**" for a Day is:
 - (i) for 1 March 1996, zero;
 - (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

4.6.3 For the purposes of paragraph 4.6.2(a)(i):

- (a) the amount of the Balancing Neutrality Financing Adjustment for a Day shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by Transco NTS,
- (b) the amount of the Daily Margins Recovery Amount for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by Transco NTS,

in each case on the date on which invoiced Balancing Charges in respect of that Day become due for payment pursuant to Section S.

4.6.4 The Balancing Neutrality Financing Adjustment for a Day is positive where the closing

cash balance represents (on a cumulative basis) payments made by Transco NTS exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to Transco NTS exceeding payments made by it.

5 RECONCILIATION CLEARING

5.1 System Clearing Contract

5.1.1 Upon each Individual Reconciliation, Aggregate NDM Reconciliation and End of Year AQ Reconciliation, the quantity of gas comprising the Reconciliation Quantity shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

5.1.2 Without prejudice to Section N4.5, for the purposes of such System Clearing Contract:

- (a) where the Reconciliation Quantity is positive, the seller is the User and the buyer is Transco NTS;
- (b) where the Reconciliation Quantity is negative, the seller is Transco NTS and the buyer is the User.

5.1.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.

5.1.4 The amount of the Reconciliation Quantity shall be extinguished by the System Clearing Contract.

5.2 Clearing Charge

5.2.1 The Clearing Charge ("**Reconciliation Clearing Charge**") in respect of the System Clearing Contract under this paragraph 5 shall be the Reconciliation Clearing Value determined in accordance with Section E6.1.5 and the Clearing Charge ("**User Aggregate Reconciliation Clearing Charge**") in respect of the System Clearing Contract under paragraph 5 shall be the User Aggregate Reconciliation Clearing Value in accordance with paragraph 7.2.3. The Clearing Charge ("**End of Year AQ Reconciliation Clearing Charge**") in respect of the System Clearing Contract under paragraph 5 shall be the Annual Quantity Revision Difference Clearing Value in accordance with Section E7.4.5.

5.2.2 The buyer shall pay the Reconciliation Clearing Charge, the User Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge to the seller.

5.2.3 Reconciliation Clearing Charges, User Aggregate Reconciliation Clearing Charges and End of Year AQ Reconciliation Clearing Charges shall be invoiced and are payable in accordance with Section S.

5.2.4 The Reconciliation Clearing Charge shall be treated as payable in respect of the Day on which there was provided to or obtained by the Transporter the later of the two Meter Readings on the basis of which the Individual NDM Reconciliation, DM Reconciliation or (as the case may be) Individual CSEP Reconciliation was carried out, or if later the 5th Day following the Meter Read Date in respect of such Meter Reading.

5.2.5 The User Aggregate Reconciliation Clearing Charge shall be treated as payable for the purposes of Aggregate NDM Reconciliation on the last Day in the relevant Reconciliation Billing Period.

5.2.6 The End of Year AQ Reconciliation Clearing Charge shall be treated as payable for the purposes of End of Year AQ Reconciliation as and when invoiced by Transco NTS in accordance with the provisions of Section S.

6 RECONCILIATION NEUTRALITY

6.1 Introduction

6.1.1 The difference between the amounts received or receivable and the amounts paid or payable by Transco NTS in respect of Residual Reconciliation Clearing Charges in each month is payable to or recoverable from relevant Users in accordance with this paragraph 6.

6.1.2 This paragraph 6 shall apply in respect of Individual NDM Reconciliation, DM Reconciliation and Individual CSEP Reconciliation, other than in respect of NTS Supply Meter Points and NTS Connected System Exit Points.

6.1.3 For the purposes of this paragraph 6:

- (a) **"relevant User"** means any User other than a Shrinkage Provider and Transco NTS when acting for Operating Margins Purposes;
- (b) **"relevant UDQO"** means a UDQO of a relevant User in respect of an NDM Supply Point Component or relevant Unmetered Connected System Exit Point.
- (c) **"Residual Reconciliation Clearing Charges"** are those Reconciliation Clearing Charges attributable to Reconciliation Clearing Values calculated:
 - (i) following First Reconciliation in respect of the period prior to the Reconciliation by Difference Date; or
 - (ii) after the Reconciliation by Difference Date but attributable to the period before such date.

6.2 Payment of charge

6.2.1 Each relevant User shall pay to Transco NTS, or (as the case may be) Transco NTS shall pay to each relevant User, in respect of each calendar month ("**relevant month**") a Reconciliation Neutrality Charge.

6.2.2 For each relevant User the Reconciliation Neutrality Charge shall be calculated as the Unit Reconciliation Neutrality Amount multiplied by the sum of the relevant User's relevant UDQOs for each Day in the relevant neutrality month.

6.2.3 The Reconciliation Neutrality Charge is payable by Transco NTS to the relevant User where it is negative and by the relevant User to Transco NTS where it is positive.

6.2.4 Reconciliation Neutrality Charges shall be invoiced and are payable in accordance with Section S.

6.2.5 The "**relevant neutrality month**" shall be, where the relevant month:

- (a) is before the Reconciliation by Difference Date, the relevant month;
- (b) is after the Reconciliation by Difference Date, the month ("**final neutrality month**") preceding the month in which the Reconciliation by Difference Date falls.

6.3 Unit Reconciliation Neutrality Amount

6.3.1 Subject to paragraph 6.3.2, the "**Unit Reconciliation Neutrality Amount**" for a relevant month is the sum of the Basic Net Reconciliation Neutrality Amount (under paragraph 6.4) and the Adjustment Reconciliation Neutrality Amount (under paragraph 6.5) for each Day in the relevant month, divided by the sum of all relevant UDQOs for each Day in the relevant neutrality month for all relevant Users.

6.3.2 Where in respect of any relevant neutrality month (the "**capped month**") the magnitude of the amount (where positive) determined under paragraph 6.3.1 exceeds 0.015 pence per kWh:

- (a) the magnitude of the Unit Reconciliation Neutrality Amount shall be equal to 0.015 pence per kWh;
- (b) the amount determined in accordance with paragraph 6.3.3 shall be carried forward and taken into account in determining the Adjustment Reconciliation Neutrality Amount for the following relevant neutrality month or in the final neutrality month, in the following Reconciliation Billing Period.

6.3.3 The amount referred to in paragraph 6.3.2(b) is the amount by which the amount (where positive) determined under paragraph 6.3.1 (disregarding paragraph 6.3.2(a)) in respect of the capped month exceeds 0.015 pence per kWh, multiplied by the sum of the relevant UDQOs for all relevant Users for each Day in the relevant neutrality month.

6.3.4 The rounding adjustment for a month is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Reconciliation Neutrality Amount for Days in that month, the sum of all Reconciliation Neutrality Charges is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Reconciliation Neutrality Amounts and the Reconciliation Adjustment Neutrality Amounts for all such Days.

6.4 Basic Net Reconciliation Neutrality Amount

For each relevant month the "**Basic Net Reconciliation Neutrality Amount**" is the aggregate amount of Residual Reconciliation Clearing Charges payable by Transco NTS in respect of Days in the Reconciliation Billing Period which commenced in that month, less the aggregate amount of Residual Reconciliation Clearing Charges payable to Transco NTS in respect of Days in that Reconciliation Billing Period, plus the amount of the rounding adjustment in respect of the preceding month in accordance with paragraph 6.3.4.

6.5 Adjustment Reconciliation Neutrality Amount

- (a) the sum of the following amounts:

- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is positive;
- (ii) the amount of any Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to Transco NTS) which were due for payment to Transco NTS in month m-2 but were unpaid to Transco NTS as at the last Day of month m;
- (iii) 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 (ii);
- (iv) the amount (if any) determined under paragraph 6.3.3; and
- (v) any other amount (an "**additional Adjustment Reconciliation Neutrality Cost**") provided to be included in this paragraph (a) in relation to month m under any provision of the Code;

less

- (b) the sum of the following amounts:
 - (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is negative;
 - (ii) the amount of any Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to Transco NTS) which:
 - (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Reconciliation Adjustment Neutrality Amount for month m-1, but
 - (2) has been paid to Transco NTS since the last Day of month m-1;
 - (iii) 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 Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges; and
 - (iv) any other amount (an "**additional Adjustment Reconciliation Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code.

6.6 Reconciliation Neutrality Financing Adjustment

6.6.1 For the purposes of this paragraph 6, "**Reconciliation Neutrality Financing Adjustment**" for a Day is the sum, for each Day in the relevant month, of the amounts calculated as the Neutrality Interest Rate for the Day multiplied by the closing cash balance for that Day.

6.6.2 For the purposes of this paragraph:

- (a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by Transco NTS from Users on that Day, less the amount of all payments made by Transco NTS for Users on that Day, in each case in respect of:
 - (i) any of the amounts taken into account (in accordance with paragraphs 6.4 and 6.5) in determining Reconciliation Neutrality Charges; and
 - (ii) Reconciliation Neutrality Charges;
 - (b) the "**opening cash balance**" for a Day is:
 - (i) on 1 March 1996, zero;
 - (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.
- 6.6.3 For the purposes of paragraph 6.6.2(a)(i), the amount of the Reconciliation Neutrality Financing Adjustment for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 6.5) by Transco NTS on the date on which invoiced Balancing Charges in respect of Days in that month become due for payment in accordance with Section S.
- 6.6.4 The amount determined under paragraph 6.6.2 for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by Transco NTS exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to Transco NTS exceeding payments made by it.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION G – SUPPLY POINTS

1 INTRODUCTION AND STRUCTURAL RULES

1.1 Supply Point and Registered User

1.1.1 For the purposes of the Code:

- (a) a "**Supply Point**" is a System Exit Point comprising the Supply Meter Point or Supply Meter Points for the time being registered in the name of a User pursuant to a Supply Point Registration, or (for the purposes of this Section G only) the subject of a Proposed Supply Point Registration;
- (b) the "**Registered User**" of a Supply Point is the User in whose name such Supply Meter Points are so registered;
- (c) a "**Supply Point Registration**" is the registration of one or more Supply Meter Points in the name of a User pursuant to paragraph 2.8.7(a) or 2.9.1 or (where applicable) to paragraph 2.1.6.

1.1.2 Without prejudice to paragraph 1.7, only one User may be the Registered User in respect of a Supply Point.

1.1.3 A User may apply for a Supply Point Registration ("**Proposed Supply Point Registration**") subject to and in accordance with paragraph 2, and may withdraw from a Supply Point Registration subject to and in accordance with paragraph 3.

1.1.4 A Supply Point Registration may be modified only as respects those details of the Supply Point Registration specified as capable of being amended in Annex G-1; and a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) will be required in respect of any change in any other details.

1.1.5 The "**Supply Point Registration Date**" in respect of a Supply Point is the date of the Supply Point Registration in accordance with paragraph 2.

1.1.6 A reference in the Code in the context of a User to a "**Registered**" Supply Point, Supply Point Component or Supply Meter Point is to a Supply Point, or (as the case may be) a Supply Point Component or Supply Meter Point comprised in a Supply Point, of which the User is the Registered User.

1.1.7 A reference in the Code to the Registered User of a Supply Point Component or Supply Meter Point is to the Registered User of the Supply Point (or in the case of a Shared Supply Meter Point any of the Supply Points) in which such Supply Point Component or Supply Meter Point is comprised.

1.1.8 In this Section G "**Supply Point Transportation Charges**" means Customer Charges, LDZ Capacity Charges, LDZ Commodity Charges, NTS Commodity Charges and NTS Exit Capacity Charges; and in the context of a Supply Point or Proposed Supply Point a reference to details of Supply Point Transportation Charges is to the applicable rate or amount thereof in accordance with Section B1.8.

1.2 Offtake responsibility for Supply Points

Subject to paragraph 3.4.2 the gas offtaken from the Total System at a Supply Point will (in accordance with Section E3 and where applicable paragraph 1.7) be attributed for the purposes of the Code to the Registered User; and the Registered User accepts (for the purposes of the Code) responsibility for such offtake of gas by itself or any other person whether or not authorised by the Registered User.

1.3 Supply Meter Points

- 1.3.1 In accordance with Section A4.1 a Supply Meter Point is an Individual System Exit Point at which gas may (in accordance with the Code) be offtaken from the Total System for the purposes of supply directly to particular premises.
- 1.3.2 A Supply Meter Point may (subject to and in accordance with paragraph 1.7) be included in more than one Supply Point.
- 1.3.3 In accordance with Section M2 a Supply Meter Installation is required to be installed at each Supply Meter Point; but a point may be a Supply Meter Point in accordance with paragraph 1.3.1 notwithstanding that no such installation is installed at such point.
- 1.3.4 Pursuant to this Section G, a Supply Meter Point which has not been Isolated will at all times be included in at least one Supply Point.
- 1.3.5 Paragraph 7.3 sets out the basis on which a New Supply Meter Point may be established.

1.4 Single Premises Requirement

- 1.4.1 A Supply Point must comply with the Single Premises Requirement.
- 1.4.2 The "**Single Premises Requirement**" is the requirement that where more than one Supply Meter Point is comprised in a Supply Point, gas offtaken from the Total System at all of such Supply Meter Points is to be supplied to premises:
 - (a) owned or occupied by one person;
 - (b) in close geographical proximity to each other;
 - (c) comprised within a common curtilage; and
 - (d) which serve each other in some necessary or reasonably useful way.
- 1.4.3 The Registered User shall:
 - (a) take all reasonable steps to ensure that the Single Premises Requirement does not cease to be satisfied in respect of a Supply Point without the Registered User's becoming aware of that fact; and
 - (b) if the Single Premises Requirement shall cease to be satisfied in respect of a Supply Point, as soon as it becomes aware of that fact:
 - (i) promptly so inform the Transporter; and

- (ii) apply (in accordance with paragraph 2) for two or more Supply Point Registrations (in respect of each of which such requirement is satisfied) in respect of the relevant Supply Meter Points.
- 1.4.4 If the Transporter becomes aware that the Single Premises Requirement has ceased to be satisfied in respect of a Supply Point the Transporter will promptly so inform the Registered User.
- 1.4.5 For the purposes of this Section G the premises to which gas offtaken from the Total System at a Supply Point is or is to be supplied are the "**Supply Point Premises**".
- 1.4.6 Following the rejection of a Supply Point Nomination pursuant to paragraph 2.3.6(a):
 - (a) the Proposing User may notify the Transporter that the User considers that the Single Premises Requirement is satisfied in respect of the Proposed Supply Point; and
 - (b) where the User so notifies the Transporter:
 - (i) the User shall at the same time provide its reasons for so considering and supporting evidence; and
 - (ii) the Transporter will consider the reasons and evidence provided by the User and where the Transporter is reasonably satisfied that the Single Premises Requirement is satisfied the Transporter will so inform the User and will not reject (on the grounds in paragraph 2.3.6(a)) a further Supply Point Nomination in respect of the Proposed Supply Point.

1.5 Daily Read Metering

- 1.5.1 Subject to paragraphs 1.5.5, 1.5.6(c) and 1.5.12(c) a Supply Meter Point shall be classified as a DM Supply Meter Point where:
 - (a) the Supply Meter Point is Daily Read in accordance with M1.3.1, or paragraph 1.5.13 applies; and
 - (b) either:
 - (i) the Daily Read Requirement applies; or
 - (ii) an election pursuant to paragraph 1.5.6(c) is in force in relation to such Supply Meter Point.
- 1.5.2 Subject to paragraph 1.5.4, the Daily Read Requirement shall apply in respect of:
 - (a) each relevant Supply Meter Point comprised in any Supply Point whose Annual Quantity is greater than 58,600,000 kWh (*2,000,000 therms*);
 - (b) each relevant Supply Meter Point comprised in an Interruptible Supply Point; and
 - (c) each Supply Meter Point which is an NTS Supply Point.
- 1.5.3 For the purposes of paragraph 1.5.2:

- (a) the "**Daily Read Requirement**" is the requirement that the Supply Meter at a Supply Meter Point shall be Daily Read; and
 - (b) a relevant Supply Meter Point is a Supply Meter Point in respect of which the Annual Quantity is greater than 2,196,000 kWh (*75,000 therms*).
- 1.5.4 If the Transporter determines and notifies the Registered User that it would not be practicable or economic for Supply Meters at a particular Supply Point to be Daily Read, unless upon application (made within 10 Business Days after such notification by the User) the Authority shall give Condition 9(3) Disapproval to the Transporter not installing Daily Read Equipment, the Daily Read Requirement pursuant to paragraph 1.5.3(a) shall not apply, and the Registered User may not make a request under paragraph 1.5.9, in respect of that Supply Point (and for the avoidance of doubt the relevant Supply Meter Points shall be NDM Supply Meter Points).
- 1.5.5 Where:
 - (a) a Supply Meter Point is a DM Supply Meter Point; and
 - (b) upon a change in the Annual Quantity of the Supply Meter Point or the Supply Point in which it is comprised, or the Supply Point's ceasing to be an Interruptible Supply Point, the Daily Read Requirement ceases to apply,

the Supply Meter Point shall not be required to be classified as an NDM Supply Meter Point, and in the absence of any Supply Point Confirmation or Reconfirmation, the Supply Meter Point shall continue to be a DM Supply Meter Point, but without prejudice to the entitlement of the Registered User to make a Supply Point Reconfirmation as an NDM Supply Point (to which paragraph 1.5.6 shall apply).
- 1.5.6 Where a User is, or following a Supply Point Confirmation (including a Reconfirmation) a User becomes, the Registered User of a Supply Meter Point in relation to which the Supply Meter is Daily Read (including pursuant to a request under paragraph 1.5.9), but the Daily Read Requirement does not apply:
 - (a) subject to paragraph (c), the Supply Meter Point shall be classified as an NDM Supply Meter Point;
 - (b) except where Daily Read Equipment was installed pursuant to a request under paragraph 1.5.9, the Transporter may at any time (unless at such time the User has made an election under paragraph (c)) inform the User that it wishes to remove the Daily Read Equipment and having given the User reasonable notice, thereof, remove the Daily Read Equipment at its own expense;
 - (c) where the Annual Quantity exceeds 73,200 kWh (*2,500 therms*) the User may elect in accordance with paragraph 1.5.7 that the Supply Meter Point shall be classified as a DM Supply Meter Point.
- 1.5.7 An election for the purposes of paragraph 1.5.6(c):
 - (a) shall be made by Nominating the Supply Meter Point as a DM Supply Meter Point:
 - (i) at the time of the Supply Point Confirmation or Reconfirmation referred to in paragraph 1.5.6; or

- (ii) in the case in paragraph 1.5.6(c) only, at any time thereafter, by way of Supply Point Reconfirmation;
 - (b) shall lapse with effect from the Supply Point Registration Date, where the Registered User or any other User submits a Supply Point Confirmation (including a Reconfirmation) which becomes effective in respect of a Supply Point including the relevant Supply Meter Point (and may be revoked accordingly).
- 1.5.8 Upon a change in the Annual Quantity of the Supply Meter Point such that the Annual Quantity becomes less than 73,200 kWh (2,500 *therms*) the Registered User shall be required to reclassify the Supply Meter Point as an NDM Supply Meter Point within 2 months of the change in Annual Quantity.
- 1.5.9 The Registered User may at any time request (subject to and pursuant to Siteworks Terms and Procedures as described in paragraph 7) that Daily Read Equipment be installed at any Supply Meter Point (other than one whose Annual Quantity does not exceed 73,200 kWh (2,500 *therms*)).
- 1.5.10 Where a User submits a Supply Point Nomination in respect of a Proposed Supply Point, with a Supply Meter Point, in relation to which the Supply Meter is not Daily Read, as a DM Supply Meter Point, the Transporter shall reject such Supply Point Nomination, unless the User has submitted such Supply Point Nomination in accordance with paragraph 7.3.5 and the New Supply Meter Point has been classified as a DM Supply Meter Point in accordance with paragraph 1.5.13.
- 1.5.11 Subject to paragraph 1.5.4, where (by reason of an increase in the Annual Quantity of a Supply Point or a Supply Meter Point at the start of the Gas Year, or upon a Supply Point being designated as Interruptible) the Daily Read Requirement applies in respect of a Supply Meter Point pursuant to paragraph 1.5.2(a) or 1.5.2(b), but is not satisfied:
- (a) the Transporter will arrange for the satisfaction of such requirement (by installation of Daily Read Equipment at the relevant Supply Meter), as soon as reasonably practicable, and will inform the Registered User when the Daily Read Requirement is satisfied; and the installation for the purposes of this paragraph 1.5.9 of Daily Read Equipment will not be Siteworks; and
 - (b) the relevant date for the purposes of paragraph 1.11.2 shall be the date on which the Supply Meter becomes Daily Read and the period referred to in that paragraph shall be 2 and not 3 months.
- 1.5.12 Where a User submits (pursuant to the provisions of this paragraph 1.5) a Supply Point Nomination (including a Renomination) pursuant to which an NDM Supply Meter Point is to become a DM Supply Meter Point:
- (a) where in relation to any Supply Meter Point to be comprised in the DM Supply Point Component:
 - (i) the Supply Meter was Daily Read during the period of 12 months preceding the date of submission of the Supply Point Nomination; and

- (ii) the Transporter and the User have not agreed that insufficient Valid Meter Readings (in accordance with Section M4) were obtained in the months of October to May in such period of 12 months

the Nominated Supply Point Capacity shall be not less than the Preceding Year Maximum Quantity in accordance with paragraphs 5.2.3 and 5.2.4, but paragraph 5.2.3(b) shall be read as though references to a Supply Meter Point being DM were to the relevant Supply Meter being Daily Read;

- (b) where paragraph (i) does not apply, the Nominated Supply Point Capacity shall not be less than the User's estimate (made in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care) of the maximum quantity of gas to be offtaken from the Total System at the DM Supply Point Component on any Day in the next 12 months, on the basis of reasonable assumptions as to weather conditions; and
- (c) the Supply Meter Point will become a DM Supply Point with effect from the Supply Point Registration Date.

1.5.13 Without prejudice to the other provisions of paragraph 1.5, a New Supply Meter Point which (pursuant to paragraph 7.3.5) is included in a Supply Point shall be classified as a DM Supply Meter Point, even though the Supply Meter is not Daily Read, where there is a Daily Read Requirement in accordance with paragraph 1.5.2 in respect of the Supply Meter at the Supply Meter Point but for any reason (other than due to an act or omission of the Registered User) Daily Read Equipment is not installed at the Supply Meter, or if installed is not operational in accordance with Section M4.1.7.

1.6 Annual Quantity

1.6.1 For the purposes of this paragraph 1.6:

- (a) the "**relevant Gas Year**" is the Gas Year in which the Annual Quantity of a Supply Meter Point is to apply;
- (b) the "**preceding Gas Year**" is the Gas Year ending at the start of the relevant Gas Year;
- (c) the "**AQ Review Date**" is a date which the Transporters determine but shall in any event be no later than 31 May in the preceding Gas Year; and
- (d) the "**User Provisional Annual Quantity**" is the Registered User's determination of what the Provisional Annual Quantity in respect of a Supply Meter Point should be.

1.6.2 For each relevant Gas Year no later than the AQ Review Date the Transporter shall determine the Provisional Annual Quantity in respect of each Supply Meter Point. The "**Provisional Annual Quantity**" shall be either:

- (a) in respect of an NDM Supply Meter Point which has been Isolated at any time during the Relevant Metered Period or for a DM Supply Meter Point which has been Isolated at any time during the period of 12 months ending on the AQ Review Date the Annual Quantity applicable for the preceding Gas Year;

- (b) in respect of a DM Supply Meter Point, where paragraph (a) does not apply, where there are Supply Meter Point Daily Quantities for each Day in the period of 12 months ending on the AQ Review Date, the sum of such Supply Meter Point Daily Quantities;
 - (c) in respect of an NDM Supply Meter Point where paragraph (a) does not apply or where Section H3.2.4 does not apply, the quantity assumed to be offtaken in a period of 12 months, determined in accordance with Section H3; or
 - (d) in respect of a Supply Meter Point where paragraphs (a), (b) and (c) do not apply, the Annual Quantity applicable for the Preceding Year unless the Supply Meter Point is a New Supply Meter Point in which case the Provisional Annual Quantity shall be the estimated quantity provided by the first Registered User in accordance with paragraph 7.3.6.
- 1.6.3 The Transporter shall no later than 31 May in the preceding Gas Year for Smaller Supply Meter Points and 30 June in the preceding Gas Year for Larger Supply Meter Points in respect of each Supply Meter Point notify to the Registered User the Provisional Annual Quantity in respect of the relevant Gas Year and supporting details including:
- (a) the Supply Meter Point Reference Number; and
 - (b) where available, the Meter Readings used by the Transporter to determine the Provisional Annual Quantity.
- 1.6.4 (a) Following the notification of the Provisional Annual Quantity the Registered User may, subject to paragraph 1.6.4(c) and where the provisions of paragraph 1.6.4(b) apply:
- (i) in the case of a Smaller Supply Point where it considers that the Provisional Annual Quantity should be greater or lesser than the Provisional Annual Quantity notified by the Transporter by not less than 20%; or
 - (ii) in respect of any Larger Supply Point
- not later than 13 August in the preceding Gas Year notify the Transporter that it considers that the Provisional Annual Quantity does not satisfy the requirement in paragraph 1.6.6 ("**User Provisional Annual Quantity**").
- (b) The provisions referred to in paragraph 1.6.4(a) are:
- (i) that the Registered User reasonably considers that the Transporter's calculation of the Provisional Annual Quantity is derived from:
 - (1) Meter Readings that are incorrect or were taken prior to Meter Readings available to the Registered User; or
 - (2) materially incorrect details of the Supply Meter Installation for the relevant Supply Meter Point;
 - (ii) where the Transporter has determined the Provisional Annual Quantity in accordance with paragraph G1.6.2(a) or G1.6.2(d).

- (c) Where, in respect of any Supply Point, the Registered User notifies the Transporter of a User Provisional Annual Quantity in accordance with paragraph 1.6.4(a) the Registered User shall warrant that:
 - (i) in reviewing the Provisional Annual Quantity it has applied a methodology that:
 - (1) is consistent to all Supply Points for which it is the Registered User; and
 - (2) does not materially differentiate in its treatment of Supply Points where the User Provisional Annual Quantity may be greater than the Provisional Annual Quantity notified by the Transporter and Supply Points where the User Provisional Annual Quantity may be less than the Provisional Annual Quantity notified by the Transporter; and
 - (ii) it has notified the Transporter of all User Provisional Annual Quantities resulting from the application of the methodology referred to in sub-paragraph (i) above that satisfy the requirements set out in paragraph 1.6.4.
- (d) The Transporter will be entitled to reject without consideration, notice or liability any notification by a User which does not comply with the requirement in paragraph 1.6.4.
- (e) The limitations upon notification contained in paragraph 1.6.4(a)(i) shall not apply where the User Provisional Annual Quantity will result in a Smaller Supply Point being re-classified as a Larger Supply Point.

1.6.5 When submitting a notification pursuant to paragraph 1.6.4, the Registered User:

- (a) shall specify, evidence as required by the Transporter including:
 - (i) the Supply Meter Point Reference Number;
 - (ii) two Meter Readings in accordance with Section H3;
 - (iii) where there has been one or more meter exchanges at the Supply Meter Point, two Meter Readings for each meter exchange which falls within the period between the Meter Read Dates of the two Meter Readings in paragraph (a) (ii); and
 - (iv) the User Provisional Annual Quantity.
- (b) where the Supply Meter Point has a Provisional Annual Quantity of greater than 293,000 kWh (*10,000 therms*), may specify (but shall not be required to specify) in addition to the Meter Readings in paragraph (a)(ii):
 - (i) two Meter Readings, for which one of the Meter Read Dates falls within a period from 1 November to 31 December of the preceding Gas Year and the other Meter Read Date falls within a period from 1 March to 30 April of the preceding Gas Year;

- (ii) where there has been one or more meter exchanges at the Supply Meter Point, two Meter Readings for each meter exchange which falls within the period between the Meter Read Dates of the two Meter Readings in paragraph (b)(i); and
- (iii) an estimate of the quantity offtaken derived from the two Meter Readings in paragraph (b)(i); and
- (c) shall record evidence (and shall make such evidence available for inspection where reasonably requested) to support the applicable provision of paragraph 1.6.4(b) and the warranty given pursuant to paragraph 1.6.4(c)

and if the Registered User fails to comply with this paragraph then the notification pursuant to paragraph 1.6.4 will be rejected and the Registered User shall be notified of such rejection.

- 1.6.6 The requirement referred to in paragraph 1.6.4 is that the Provisional Annual Quantity, User Provisional Annual Quantity or Annual Quantity of a Supply Meter Point should represent reasonable assumption(s) as to the quantity offtaken (or, in the case of a New Supply Meter Point or a Supply Meter Point notified to the Transporter under paragraph 1.6.13(a)(ii), which would have been offtaken) from the Total System in the period of 12 months by reference to which the Provisional Annual Quantity, User Provisional Annual Quantity and the Annual Quantity is determined. The variable that determines the End User Category of the Supply Point should reflect reasonable assumptions as to the quantity offtaken from the Total System during the period from 1 December to 31st March in the preceding Gas Year.
- 1.6.7 The "**Annual Quantity**" of a Supply Meter Point shall be either:
- (a) where following a notification under paragraph 1.6.4 the Transporter considers that the requirement in paragraph 1.6.6 is satisfied the User Provisional Annual Quantity; or
 - (b) where paragraph (a) does not apply, the Provisional Annual Quantity.
- 1.6.8 The "**Annual Quantity**" of a Supply Point or a Supply Point Component is the sum of the Annual Quantities for each Supply Meter Point comprised in that Supply Point or Supply Point Component.
- 1.6.9 Subject to paragraph 1.6.2, where a DM Supply Meter Point becomes an NDM Supply Meter Point or an NDM Supply Meter Point becomes a DM Supply Meter Point the Annual Quantity of the Supply Meter Point shall not be affected by a change in its status to NDM or DM.
- 1.6.10 Subject to paragraph 1.6.2, where a Supply Meter Point is Isolated the Annual Quantity for that Supply Meter Point shall remain unchanged.
- 1.6.11 For the purposes of this paragraph 1.6.11, the "**Effective Period**" shall mean the Gas Year excluding the period of time commencing from and including 1 August until and including 14 September. Where a Supply Point Confirmation made in respect of a Larger Supply Point becomes or will become effective during the Effective Period the Proposing User may during the Effective Period but not later than 23 Business Days after the Supply Point Registration Date nor more than 7 Business Days earlier, notify

the Transporter that the Proposing User considers the Annual Quantity of a Supply Meter Point or (as the case may be) variable that determines the End User Category of the Supply Point (pursuant to Section H 1.2), comprised in the Proposed Supply Point fails to satisfy the requirement in paragraph 1.6.6 and shall have the right to appeal the Annual Quantity under paragraph 1.6.13(a)(i).

1.6.12 The Transporter shall not later than 14 September in the preceding Gas Year notify to the Registered User the Annual Quantity for each Supply Meter Point for the relevant Gas Year and the applicable End User Category (where appropriate) in respect of each Supply Point.

1.6.13 Where following the notification of the Annual Quantity further to paragraph 1.6.12:

- (a) in respect of any Larger Supply Meter Point, the Registered User may not later than 31 July of the relevant Gas Year (or in the case of Larger Supply Meter Points under paragraph 1.6.11, 23 Business Days after the Supply Point Registration Date during the Effective Period) notify the Transporter that the Registered User considers that the Annual Quantity of that Supply Meter Point fails to satisfy the requirement in paragraph 1.6.6 either:
 - (i) on the basis of substantial evidence as to the actual consumption of gas; or
 - (ii) because of a change in the Consumer's Plant which results in a change in the basis on which gas is consumed;
- (b) notwithstanding the Registered User's right to appeal in paragraph (a), in respect of any Larger Supply Meter Point, the Registered User may not later than 31 July in the relevant Gas Year notify the Transporter that the Registered User considers that the Annual Quantity of a Supply Meter Point fails to satisfy the requirement in paragraph 1.6.6 provided that the Registered User may only so notify the Transporter in the case of:
 - (i) a Larger Supply Meter Point where the Registered User's reasonable estimate of the Annual Quantity, is equal to or less than 50% of the Annual Quantity or is equal to or greater than 200% of the Annual Quantity; and
 - (ii) a Smaller Supply Meter Point, where the User considers that it should be a Larger Supply Meter Point;
- (c) where a Registered User so notifies the Transporter:
 - (i) pursuant to paragraph (a)(i) or paragraph (b) and the Registered User shall with such notice provide to the Transporter details as set out in paragraph 1.6.5 together with the Registered User's reasons or evidence for its view and a reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point;
 - (ii) pursuant to paragraph (a)(ii) the Registered User shall with such notice provide to the Transporter in a format specified by the Transporter details of the Registered User's reasons or evidence for its view and a

reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point;

- (d) the Transporter will consider the details provided by the Registered User under paragraph (c), and where it is satisfied that the Annual Quantity or such variable notified to the Registered User pursuant to paragraph 1.6.12 fails to satisfy the requirement in paragraph 1.6.6 and that estimate of the Annual Quantity provided by the Registered User satisfies the requirement in paragraph 1.6.6, then the Transporter shall substitute the Annual Quantity with that estimate of the Annual Quantity (subject to paragraph 1.6.15 or (as the case may be) variable for the relevant Gas Year).

1.6.14 Where the Transporter agrees to revise the Annual Quantity or End User Category under paragraph 1.6.13(d) or paragraph 1.6.17:

- (a) the Registered User may submit a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) in respect of the relevant Supply Point on the basis of the revised Annual Quantity or End User Category;
- (b) with effect from the Supply Point Registration Date in respect of such Supply Point Reconfirmation, Supply Point Transportation Charges, UDQOs and Energy Balancing Charges (so far as to be determined by reference to or directly or indirectly a function of Annual Quantity or End User Category) shall be determined by reference to the revised Annual Quantity or End User Category;
- (c) no adjustment, revision or redetermination in respect of any such Supply Point Transportation Charge, UDQO and Energy Balancing Charge in respect of or accruing in respect of any Day before the Supply Point Registration Date will be made, it being agreed that such amounts and charges will be determined (and, in the case of charges, payable) by reference to the Annual Quantity and End User Category notified by the Transporter pursuant to the foregoing provisions of this paragraph 1.6 unless and until any revision is made pursuant to paragraph (a).

1.6.15 Where the Transporter notifies any Registered User of that Supply Meter Point in the relevant Gas Year that a material error has been made in the calculation of any such Annual Quantities or any variables, the Transporter and the User concerned will discuss in good faith the manner in which and time at which such error may be corrected, having regard in particular to the need to ensure that the Registered User continues to enjoy the benefit (in relation to the corrected Annual Quantity) of this paragraph 1.6.

1.6.16 A User which is the Registered User of a Smaller Supply Meter Point, in relation to which the Supply Point Premises are premises in respect of which the conditions of Condition 22 of the Supplier's Licence are satisfied, may make an election for the purposes of this paragraph by submitting to the Transporter at any time a notice of such election.

1.6.17 Where a Registered User makes an election pursuant to paragraph 1.6.16, the Supply Meter Point shall be a Larger Supply Meter Point and the Transporter shall agree to revise the Annual Quantity pursuant to paragraph 1.6.14.

1.7 Shared Supply Meter Points

1.7.1 Subject to and in accordance with this paragraph 1.7, a DM Supply Meter Point may be comprised in more than one Supply Point if the Registered Users in respect of such Supply Meter Point have submitted to the Transporter a notification confirming that they wish to be sharing Registered Users and specifying (in accordance with paragraph 1.7.6) the basis on which the quantity of gas offtaken each Day from the Supply Meter Point(s) comprised in such Supply Points is to be apportioned between such Users.

1.7.2 For the purposes of the Code:

- (a) a **"Shared Supply Meter Point"** is a Supply Meter Point which is pursuant to this paragraph 1.7 comprised in more than one Supply Point;
- (b) **"Sharing Registered Users"** are the Users which are the Registered Users of a Shared Supply Meter Point;
- (c) a **"Shared Supply Meter Point Notification"** is a notification given for the purposes of paragraph 1.7.1;
- (d) **"Shared Supply Meter Point Procedures"** are procedures established by the Transporter pursuant to paragraph 1.7.16

and for the purposes of this paragraph 1.7 a **"relevant"** Supply Point or DM Supply Point Component is a Supply Point or DM Supply Point Component which includes a Shared Supply Meter Point.

1.7.3 Paragraph 1.7.1 applies only in respect of:

- (a) a Supply Meter Point which at 1 March 1996 was comprised in more than one Supply Point; or
- (b) a Supply Meter Point in relation to which the following conditions are satisfied:
 - (i) the Supply Meter Point is not part of a Sub-deduct Arrangement;
 - (ii) the aggregate of the Annual Quantities of the Supply Meter Point and each other Supply Meter Point comprised in each relevant Supply Point exceeds 58,600,000 kWh (2,000,000 therms);
 - (iii) there is no NDM Supply Point Component of any relevant Supply Point; and
 - (iv) every other Supply Meter Point comprised in any relevant Supply Point is also a Shared Supply Meter Point subject to the same basis of apportionment.

1.7.4 Where there is a Shared Supply Meter Point the Single Premises Requirement shall apply to each of the relevant Supply Points (and accordingly the Supply Point Premises shall be the same for each such Supply Point).

1.7.5 A Shared Supply Meter Point may be comprised in a Firm Supply Point and in an Interruptible Supply Point; and a User may elect (by giving a Shared Supply Meter Point Notification subject to and in accordance with this paragraph 1.7) that a Supply

Meter Point of which the User is Registered User shall be comprised both in a Firm Supply Point and in an Interruptible Supply Point of each of which the User is Registered User (and accordingly to be treated as two Sharing Registered Users).

- 1.7.6 A Shared Supply Meter Point Notification may provide for the allocation of gas offtaken at the Shared Supply Meter Point(s) to be determined each Day:
- (a) by the Transporter, under standing instuctions notified to the Transporter in advance by the Sharing Registered Users, in accordance with paragraph 1.7.7;
 - (b) by a person appointed as User Agent on behalf of each Sharing Registered User, in accordance with paragraph 1.7.8.
- 1.7.7 A Shared Supply Meter Point Notification under paragraph 1.7.6(a) shall provide for allocation between the Sharing Registered Users either;
- (a) in tranches, in other words on the basis that the quantity of gas offtaken each Day which:
 - (i) does not exceed an amount;
 - (ii) exceeds an amount but does not exceed a higher amount; or
 - (iii) exceeds an amountin each case specified in the Shared Supply Meter Point Notification, is to be allocated to one of such Users, provided that such amounts shall be specified so that the whole quantity of gas offtaken each Day shall be allocated to one or more of such Users; or
 - (b) if none of the Supply Points in which the Shared Supply Meter Point is comprised is Interruptible, in percentages (aggregating 100%) specified in such notification.
- 1.7.8 A Shared Supply Meter Point Notification under paragraph 1.7.6(b) shall provide for the appointment (with effect from a single date) of one person (a "**Sharing Registered User Agent**") as User Agent by all Sharing Registered Users for the purposes of:
- (a) informing the Transporter of the portions of the Supply Meter Point Daily Quantity to be allocated to each of them in respect of each Day and for the purpose of paragraph 1.7.9; and
 - (b) complying with all Partial Interruption Rules and other provisions of paragraph 6.10 on behalf of all of the Sharing Registered Users.
- 1.7.9 Where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent:
- (a) the Transporter will notify the Supply Meter Point Daily Quantity to the User Agent not later than the specified time on the Day following the Gas Flow Day and (where such quantity is pursuant to any provision of the Code to be revised) may notify a revision of the quantity so notified to the User Agent not later than the specified time on the Exit Close Out Date;

- (b) if, by the specified time on the Day following the Gas Flow Day, and (where the Transporter notifies a revision of the Supply Meter Point Daily Quantity to the User Agent) by the specified time on the Day on which the Transporter notifies such revision, the User Agent has notified to the Transporter amounts, aggregating the Supply Meter Point Daily Quantity (as revised at the relevant time), to be allocated to the Sharing Registered Users:
 - (i) the amounts so notified may be revised (provided they continue to aggregate the Supply Meter Point Daily Quantity, as revised at the relevant time) by the User Agent at any time before the specified time on the Exit Close Out Day;
 - (ii) the Supply Meter Point Daily Quantity shall be allocated between the Sharing Registered Users in the amounts so notified or such revised amounts so notified not later than the specified time on the Exit Close Out Day;
- (c) if, by the specified time on the Day following the Gas Flow Day, or by the specified time on any Day on which the Transporter notifies to the User Agent any revision of the Supply Meter Point Daily Quantity, the User Agent has not so notified to the Transporter such amounts, the Supply Meter Point Daily Quantity shall be allocated between the Sharing Registered Users:
 - (i) in proportion to the Nominated Quantities under the Users' Output Nominations for the relevant DM Supply Point Components for the Day or (if such Nominated Quantity is zero for each such User) in proportion to the Registered Supply Point Capacities at each such DM Supply Point Component; or
 - (ii) if the User Agent shall have notified the Transporter (not less than 15 Days before the Gas Flow Day) of proportions aggregating unity for the purposes of allocation in the circumstances contemplated in this paragraph (c) , in such proportions

provided that if the Transporter is reasonably satisfied that such omission of the User Agent resulted from an administrative error (by the agent) of an infrequent nature, the Transporter may permit the User Agent to submit (by such time, not later than the specified time, on the Exit Close Out Day as the Transporter may require) a late notification or revised notification for the purposes of paragraph (b);
- (d) such of the Code Communications which may be given under paragraphs 2, 3 and 4 as are specified in the Shared Supply Meter Point Procedures:
 - (i) if to be given by the Transporter may be given to the User Agent;
 - (ii) if to be given by a User (other than a User who is not for the time being a Sharing Registered User) may only be given by the User Agent; and
- (e) if the Supply Meter Point Daily Quantity is allocated pursuant to paragraph (c) in respect of more than 12 Days in any Gas Year, the charges payable pursuant to paragraph 1.7.18 in respect of that Gas Year by the Sharing Registered Users shall be determined (in accordance with the Transportation Statement) as

though the Shared Supply Meter Point Notification were under paragraph 1.7.6(a).

1.7.10 A Shared Supply Meter Point Notification:

- (a) shall be submitted and signed by each of the Users proposed to be Sharing Registered Users (but may be submitted in separate but identical counterparts provided such counterparts are submitted simultaneously);
- (b) shall specify:
 - (i) the identity of each of such Users and relevant Supply Meter Point Reference Numbers(s);
 - (ii) the date, not earlier than 2 months (or such lesser period as the Transporter may specify in the Shared Supply Meter Point Procedures) after the notification is submitted, with effect from which such notification is to take effect;
 - (iii) (but without prejudice to the terms on which Users may apply for or increase or reduce Supply Point Capacity) the Supply Point Capacity which is intended that (following such notification) each Sharing Registered User should hold at the DM Supply Point Components which include Shared Supply Meter Points;
 - (iv) where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent a default allocation methodology for the apportionment of Reconciliation Quantity among Existing Shared Registered Users in percentages (aggregating 100%) ("**Default Allocation Methodology**"); and
 - (v) if an application for Partial Interruption status in accordance with paragraph 6.10.2 is being made;
- (c) shall be conditional upon a Supply Point Confirmation, for a Proposed Supply Point Registration Date which is the same as the proposed effective date of such notification, being submitted at least 20 Business Days prior to the Proposed Supply Point Registration Date:
 - (i) by any User proposed in such notification to be a Sharing Registered User who is not already a Registered User of the relevant Supply Meter Point;
 - (ii) by at least one of the Users proposed in such notification to be a Sharing Registered User, if any Existing Registered User is not proposed (in such notification) to be a Sharing Registered Userand becoming effective (an Existing Registered User accordingly being taken to have consented to such notification if no Supply Point Objection is submitted by it);
- (d) may not be withdrawn unless another such notification is submitted by all the Sharing Registered Users to take effect from such withdrawal;

- (e) may not be modified other than by notification:
 - (i) signed by each of the Sharing Registered Users and any new Sharing Registered User;
 - (ii) specifying the modification;
 - (iii) given not later than 2 months (or such lesser period as the Transporter may specify in the Shared Supply Meter Point Procedures) before the modification is required to take effect provided that no such modification shall be made with effect from a date less than 30 days after the preceding such modification; and
 - (iv) specifying (but without prejudice to the terms on which Users may apply for or increase or reduce Supply Point Capacity) the Supply Point Capacity which it is intended that (following such modification) each Sharing Registered User should hold at the DM Supply Point Components which include the Shared Supply Meter Point; and
- (f) shall take effect, where the Shared Supply Meter Point Procedures require it to take effect, as a Supply Point Nomination made by each of the Sharing Registered Users.

1.7.11 A Supply Point Confirmation (other than a Supply Point Reconfirmation) in respect of a Proposed Supply Point which includes a Shared Supply Meter Point will be rejected unless the requirements of this paragraph 1.7 are complied with.

1.7.12 In the case of a Shared Supply Meter Point which is comprised in relevant Supply Points of which at least one is Firm and one Interruptible (whether the Registered Users are the same or different Users), where an Interruption Notice was given:

- (a) in relation to any Day for which the requirement for Interruption applied for the whole of such Day:
 - (i) the requirement in paragraph 6.7.2(b) shall be treated as not complied with if and only if, in the case of Partial Interruption the requirement referred to in paragraph 6.10.4(a)(ii) is not satisfied and in any other case, the aggregate quantity of gas offtaken from the Total System on such Day by all Sharing Registered Users at the Shared Supply Meter Point exceeds the Supply Point Capacity (or aggregate such capacity), held by the Registered User(s) at relevant Firm DM Supply Point Components;
 - (ii) accordingly, the allocation of the gas offtaken at the Shared Supply Meter Point shall not be such that the UDQO (or sum of the UDQOs) in respect of the Firm Supply Point Component(s) exceeds the Supply Point Capacity (or aggregate such capacity), other than capacity which is so excluded, held by the Registered User(s) at such Firm Supply Point Component(s), and any gas which would otherwise be allocated to the Registered User of a relevant Firm Supply Point shall be (and shall be deemed to be) allocated to the Registered User(s) of the relevant Interruptible Supply Point(s);

- (iii) if there is more than one relevant Interruptible Supply Point and the basis of allocation pursuant to paragraph 1.7.6 does not result in compliance with paragraphs (i) and (ii) and the allocation of the whole of the Supply Meter Point Daily Quantity:
 - (1) the gas which falls (pursuant to paragraph (ii)) to be allocated to the Registered Users of the relevant Interruptible Supply Points shall be allocated to them in proportion to the Nominated Quantities under such Users' Output Nominations for the relevant DM Supply Point Components for the Day or (if such Nominated Quantity is zero for each such User) in proportion to the Registered Supply Point Capacities at each such DM Supply Point Component;
 - (2) the identity of the User(s) who failed to secure compliance with the requirement in paragraph 6.7.2(b) shall be established in accordance with paragraph (1);
 - (iv) any conflicting allocation determined under paragraph 1.7.7 or notified under paragraph 1.7.8 shall be disregarded to the extent of the conflict;
 - (b) in relation to any Day for which the requirement for Interruption applied for a part only of such Day:
 - (i) the requirement in paragraph 6.7.2(b) shall be treated as not complied with if the aggregate rate of offtake at any time (while such requirement applied) exceeds the aggregate of the Supply Point Offtake Rates in respect of relevant Firm DM Supply Point Components; and
 - (ii) where there is more than one relevant Interruptible Supply Point, each of the Sharing Registered Users of the Interruptible Supply Points shall be treated as having failed to secure compliance with such requirement;
 - (c) in relation to any Day for which the requirement for Interruption applied (whether for the whole or any part of such Day) and the requirement in paragraph 6.7.2(b) was not complied with, each of the Sharing Registered Users of the Interruptible Supply Points shall be responsible for payment of the aggregate of the charges, in respect of all the Interruptible Supply Points in which such Shared Supply Meter Point is comprised (irrespective of the Supply Point at which the failure occurred), arising as a result of such failure, in the same proportion as its allocation pursuant to paragraph 1.7.9(c).
- 1.7.13 Subject to Section M1.7.2, the liability of the Sharing Registered Users in respect of a Shared Supply Meter Point for obligations under the Code shall be several:
- (a) in the proportions in which they hold Supply Point Capacity at the DM Supply Point Components which include such Supply Meter Point; or
 - (b) if a Sharing Registered User Agent has notified (but so that paragraph 1.7.10(b)(ii) and (e)(iii) shall be deemed to apply to such notification) to the Transporter proportions (aggregating unity) for the purposes of this paragraph 1.7.13, in such proportions

except in the case of any such obligation which is not capable of being so divided, in which case the liability of the Sharing Registered Users shall be joint.

1.7.14 Where the rate of any Supply Point Transportation Charge is a function of Supply Point Capacity, the rate of such charge payable by a Sharing Registered User shall be determined on the basis of:

- (a) the aggregate of the Supply Point Capacities held by each Sharing Registered User at the relevant Firm DM Supply Point Components; and
- (b) the aggregate of the Supply Point Capacities held by each Sharing Registered User at the relevant Interruptible DM Supply Point Components or the aggregate of the Bottom-Stop Supply Point Capacities held by each Sharing Registered User at the relevant Interruptible DM Supply Point Components, whichever is the lesser.

1.7.15 The whole of the Annual Quantity of a Shared Supply Meter Point shall be counted (without any apportionment) in determining the Annual Quantity of each relevant Supply Point and relevant DM Supply Point Component.

1.7.16 For the purposes of this paragraph 1.7:

- (a) the Transporter will, after consultation with Users, prepare and from time to time revise and publish reasonable procedures to apply in respect of Shared Supply Meter Points;
- (b) Sharing Registered Users shall comply and (in the case of a Sharing Registered User Agent) procure that such User Agent complies with such procedures;
- (c) the procedures may specify the form of Shared Supply Meter Point Notifications;
- (d) the procedures may provide that, where a person appointed as User Agent by all of the Sharing Registered Users submits on their behalf all of the Code Communications required to notify and give effect to a modification to a Shared Supply Meter Point Notification, the period of notice required under paragraph 1.7.10(e)(iii) shall be less than would otherwise be required;
- (e) in relation to any provision of paragraph 1.7.9, the specified time is the time specified (in relation to such provision) in such procedures; and
- (f) the procedures shall specify that the Sharing Registered User Agent may vary the Default Allocation Methodology in accordance with paragraph 1.7.10(e).

1.7.17 All Code Communications made pursuant to paragraphs 1 to 3 of this Section G relating to a Supply Meter Point which is a Shared Supply Meter Point, or (with effect from such time as is specified in the Shared Supply Meter Point Procedures) is subject to a Shared Supply Meter Point Notification which has not yet become effective, shall be given as Conventional Notices.

1.7.18 Sharing Registered Users shall pay charges in respect of Shared Supply Meter Point Notifications in accordance with the prevailing Transportation Statement.

- 1.7.19 Where a Sharing Registered User submits a Supply Point Withdrawal which becomes effective pursuant to paragraph 3.2.4:
- (a) where only one of the Sharing Registered Users remains the Registered User of the Shared Supply Meter Point:
 - (i) it shall cease to be a Shared Supply Meter Point with effect from the effective date of the withdrawal (and with effect therefrom all gas offtaken at such point shall be allocated to the remaining Registered User);
 - (ii) partial interruption status at such Supply Point shall transfer to such remaining Registered User;
 - (b) where more than one of the Sharing Registered Users remain Registered Users of the Shared Supply Meter Point:
 - (i) in the case of a Shared Supply Meter Point Notification under paragraph 1.7.6(a), such notification shall be deemed to have been modified (with effect from the effective date of the withdrawal, but subject to any intervening modification made by the remaining Sharing Registered Users) as follows:
 - (1) where the notification provides for allocation under paragraph 1.7.7(a), the upper and lower limits of any higher tranche of any remaining Sharing Registered Users shall be reduced by the amount of the tranche associated with the Withdrawing User, or where the tranche of the Withdrawing User was the tranche within paragraph 1.7.7(a)(iii), the highest tranche of any remaining Sharing Registered User shall cease to have an upper limit and shall become the tranche within paragraph 1.7.7(a)(iii) (a higher tranche being a tranche having a lower limit not less than the upper limit of the Withdrawing User, and the highest tranche being the tranche having the highest upper limit);
 - (2) where the notification provides for allocation under paragraph 1.7.7(b), the percentages of the remaining Sharing Registered Users shall be increased pro rata so as to aggregate 100%;
 - (ii) in the case of a Shared Supply Meter Point Notification under paragraph 1.7.6(b), no quantity may be allocated by the Sharing Registered User Agent to the Withdrawing User on or after the effective date of the withdrawal;
- 1.7.20 Where the Transporter has given Termination Notice (under Section V4) to a User which was a Sharing Registered User, such User shall be deemed to have submitted a Supply Point Withdrawal for the purposes of paragraphs 1.7.19(a) and (b).
- 1.7.21 Where there is Partial Interruption status at a Supply Point which comprises a Shared Supply Meter Point and where there is Shared Supply Meter Point Notification which proposes to change the number or identity of any Sharing Registered Users, or a Supply Point Withdrawal, such Partial Interruption status shall be revoked upon the date such

Shared Supply Meter Point Notification or Supply Point Withdrawal is approved but the Sharing Registered User Agent may re-apply for Partial Interruption in accordance with paragraph 6.10.14.

1.8 Sub-deduct Arrangements

1.8.1 For the purposes of the Code:

- (a) a "**Sub-deduct Arrangement**" is an arrangement of pipes and meters, installed before 1 March 1996, which Transco recognised on such date as being such an arrangement, by which a part of the gas which is conveyed by a System to premises for the purposes of supply to those premises, is further conveyed to other premises for the purposes of supply to those other premises;
- (b) the System Point at which a meter comprised in the Sub-deduct Arrangement is installed, and upstream of which no other meter comprised in such arrangement is installed, shall be a Supply Meter Point (the "**Primary Supply Meter Point**");
- (c) the Primary Supply Meter Point is not a Connected System Exit Point;
- (d) the gas conveyed in a Sub-deduct Arrangement may be conveyed:
 - (i) by a person (other than the Transporter) exempted pursuant to but subject to the conditions of any order under Section 6A of the Act granting exemption from paragraph (a) of Section 5(1) of the Act, in which case (irrespective of whether such conditions are complied with) the Sub-deduct Arrangement does not form part of a System;
 - (ii) by the Transporter, in which case the Sub-deduct Arrangement forms a part of a System; and
- (e) in a Sub-deduct Arrangement:
 - (i) each of the meters referred to in paragraph (a) (other than a check meter in accordance with paragraph (iii)) and the Supply Meter installed at the Primary Supply Meter Point, is a "**relevant meter**";
 - (ii) a relevant meter (meter 'B') is "**dependent**" on another (meter 'A') where meter B is downstream of meter A and there is no relevant meter between meter A and meter B;
 - (iii) a meter is a check meter where all gas which flows through the meter also flows through one or more meters (in such arrangement) downstream of that meter.

1.8.2 Where a Sub-deduct Arrangement forms part of a System:

- (a) each of the points in the Sub-deduct Arrangement at which gas is offtaken from the Total System for the purposes of supply to premises is a Supply Meter Point; and

- (b) the point of offtake for each such Supply Meter Point shall be the point determined as the point of offtake in accordance with Section J3.7.1, and title and risk in gas offtaken from the Total System shall pass accordingly.

1.8.3 Where a Sub-deduct Arrangement does not form part of a System:

- (a) for the further purposes of this paragraph 1.8, the Primary Supply Meter Point shall be treated (for the purposes of the Code, but subject to paragraphs (b) and (d)) as being a number of Supply Meter Points each of which shall be associated with one relevant meter and so identified (by a unique reference) in the Supply Point Register;
- (b) the point of offtake in respect of each such Supply Meter Point shall be the point of offtake in accordance with Section J3.7.1 in respect of the Primary Supply Meter Point, and title and risk in gas offtaken from the Total System shall pass accordingly; and (for the purposes of Section J) the provisions of paragraph 1.8.5 and of Section G shall have effect for the purposes of determining which Users are offtaking gas from the Total System at that point, and in what proportions;
- (c) none of such Supply Meter Points shall be treated as being a Shared Supply Meter Point; and
- (d) no provision of this paragraph 1.8, nor the fact that the Supply Point Register records details in respect of the Supply Meter Points which are (pursuant to paragraph (a)) treated as existing at the Primary Supply Meter Point, shall be taken to imply that any User has arranged with the Transporter for the conveyance of gas beyond the Primary Supply Meter Point.

1.8.4 Where there is a Sub-deduct Arrangement:

- (a) each of the Supply Meter Points (including the Primary Supply Meter Point) referred to in paragraph 1.8.2(a), or (as the case may be) treated as existing in accordance with paragraph 1.8.3(a), is a "**Sub-deduct Supply Meter Point**";
- (b) each relevant meter shall for the purposes of Section M2 be treated as a Supply Meter (a "**Sub-deduct Supply Meter**") provided by the Transporter; provided that:
 - (i) the same person must be appointed as Meter Reader in respect of all Non-Daily Read Sub-deduct Supply Meters in a particular Sub-deduct Arrangement;
 - (ii) the Meter Reading Frequency in respect of each Non-Daily Read Sub-deduct Supply Meter shall be the Meter Reading Frequency of the primary Non-Daily Read NDM Sub-deduct Supply Meter;
 - (iii) where reasonably practicable, the Meter Reads for all Non-Daily Read Sub-deduct Supply Meters shall be undertaken on the same Day as a Meter Read in relation to the primary Non-Daily Read Sub-deduct Supply Meter; and a Meter Reading in respect of any Non-Daily Read Sub-deduct Supply Meter shall not be a Valid Meter Reading unless Meter Reads were undertaken for all Non-Daily Read Sub-deduct

Supply Meters within a period of 5 Business Days commencing on the Day 2 Business Days before the Day of a Meter Read in relation to the primary Non-Daily Read Sub-deduct Supply Meter;

- (iv) where the Transporter is the person appointed (pursuant to paragraph (i)) as Meter Reader, the Transporter agrees that its charges to Registered Users for Meter Reads at Non-Daily Read Sub-deduct Supply Meters (other than the primary such meter) will not be increased if the Meter Reading Frequency under paragraph (ii) is greater than that which would otherwise be required under Section M.3;
- (c) for the purposes of paragraph (b) the primary Non-Daily Read Sub-deduct Supply Meter is the Non-daily Read Sub-deduct Supply Meter which is furthest upstream in the Sub-deduct Arrangement (and for the avoidance of doubt may be the relevant meter at the Primary Supply Meter Point);
- (d) each Sub-deduct Supply Meter Point shall have a separate Annual Quantity, and may be the subject of separate Supply Point Nominations and/or Supply Point Confirmations and may be comprised in a separate Supply Point;
- (e) the details in the Supply Point Register will reflect the premises at which each Sub-deduct Supply Meter is actually located, and (in the case of a Sub-deduct Arrangement which forms part of a System) the Single Premises Requirement will apply accordingly; and
- (f) the Registered User of a Supply Point which includes a Sub-deduct Supply Meter Point is a "**Sub-deduct Registered User**".

1.8.5 Upon any Meter Reads in respect of the relevant meters in a Sub-deduct Arrangement:

- (a) in respect of each Sub-deduct Supply Meter there shall be attributed to the Sub-deduct Registered User a volume (the "**Sub-deduct Volume**") determined as the Metered Volume in respect of the associated relevant meter less the sum of the Metered Volumes for all dependent relevant meters;
- (b) the Metered Quantity determined in respect of each Sub-deduct Supply Meter in accordance with Section M1.4.4 will be determined on the basis of the Sub-deduct Volume.

1.8.6 In the case of a Sub-deduct Arrangement which forms part of a System, the Transporter reserves the right at its cost to undertake works to extend the relevant System by laying additional pipes so as to cause any Sub-deduct Supply Meter Point to cease to be comprised in the relevant Sub-deduct Arrangement; provided that the Transporter will not undertake such works without first obtaining the consent (not to be unreasonably withheld) of the Registered User of each Supply Point affected thereby and in undertaking such works will endeavour to minimise the disruption to the offtake of gas from the relevant System at such Supply Points (but subject thereto will not be in breach of its obligation to make gas available for offtake from the Total System by reason of the carrying out of such works).

1.8.7 Where, in relation to any relevant meter which is Daily Read, there is any dependent meter which is not Daily Read, the Supply Meter Point shall (notwithstanding that such meter is Daily Read and notwithstanding any other provision of the Code), unless

otherwise agreed between the Transporter and the Registered User, be an NDM Supply Meter Point.

1.9 Supply Point Register

- 1.9.1 Each Transporter has established and (without prejudice to paragraph 1.9.8) will maintain a register ("**Supply Point Register**") of all Supply Meter Points, Supply Points and Supply Point Premises located on a System(s) operated by the Transporter.
- 1.9.2 In the Supply Point Register:
- (a) each Supply Meter Point will be identified by a unique number (the "**Supply Meter Point Reference Number**") assigned with effect from 1 March 1996 or in the case of a new Supply Meter Point the date on which the Supply Meter Point is entered in the register in accordance with paragraph 7.3.1;
 - (b) for each Supply Meter Point:
 - (i) the post code ("**Meter Post Code**") of the address at which the Supply Meter is located will be recorded;
 - (ii) a code ("**Meter Link Code**") will be assigned to indicate whether the Supply Meter Point is a Sub-deduct Supply Meter Point, and if so whether it is the Primary Supply Meter Point;
 - (c) each Supply Point will be identified by a unique number (the "**Supply Point Registration Number**") assigned with effect from the Supply Point Registration Date; and
 - (d) the details specified in the UK Link Manual will be recorded in respect of each Supply Meter Point, Supply Point and Supply Point Premises.
- 1.9.3 The Supply Meter Point Reference Number will continue to be assigned to a Supply Meter Point which has been Isolated.
- 1.9.4 The Supply Point Registration Number of a Supply Point and the Supply Meter Point Reference Number of any Supply Meter Point comprised therein will not be changed during the relevant Supply Point Registration.
- 1.9.5 A User shall not be entitled to have access to the information contained in the Supply Point Register except to the extent the Code provides for such information to be made available to such User.
- 1.9.6 Upon a request by any User identifying a Supply Meter Point by quoting the Supply Meter Point Reference Number and Meter Post Code, the Transporter will provide to the User certain of the details (such details being specified in the UK Link Manual for the purposes of this provision) recorded in the Supply Point Register of the Supply Point(s) in which the Supply Meter Point is comprised.
- 1.9.7 Following the rejection of a Supply Point Nomination pursuant to paragraph 2.3.6(c) or a Supply Point Confirmation pursuant to paragraph 2.6.2(b) or (c):

- (a) the Proposing User may within 10 Business Days after such rejection notify the Transporter that the User considers that any details recorded in respect of the Proposed Supply Point in the Supply Point Register are incorrect, or that details which should be so recorded are absent from the Supply Point Register; and
- (b) where the User so notifies the Transporter:
 - (i) the User shall at the same time provide details of what it considers the relevant details should be and its reasons for so considering; and
 - (ii) the Transporter will, as soon as reasonably practicable after the User's notification, consider the details and reasons provided by the User, and where it is reasonably satisfied that any of the relevant details in the Supply Point Register are incorrect, or that details which should be so recorded are absent from the Supply Point Register, the Transporter will (within 5 Days after being so satisfied) amend the Supply Point Register in respect of such details and will not reject (on the same grounds) a further Supply Point Nomination or Supply Point Confirmation in respect of the Proposed Supply Point.

1.9.8 Without prejudice to any other provision of the Code, Users and the Transporter agree:

- (a) to cooperate with a view to ensuring that the information contained in the Supply Point Register is at all times as accurate as is possible; and
- (b) each to use reasonable endeavours to secure that it becomes aware, insofar as it might reasonably be expected to become aware, of any inaccuracy in the information contained in the Supply Point Register, and to inform (in the case of a User) the Transporter or (in the case of the Transporter) the Registered User of such inaccuracy,

but nothing in this paragraph 1.9.8 shall imply that the Supply Point Register is capable of being amended other than as provided in this Section G or Section M.

- (c) where at any time prior to the Supply Point Registration Date the User considers that any Annual Quantity of a New Supply Meter Point comprised in the New Supply Point which has been recorded on the Supply Point Register does not reflect the User's estimate of the correct quantity then the User shall promptly (and in any event before Supply Point Registration Date) notify the Transporter of the same together with its estimate of the correct Annual Quantity.

1.9.9 Where, by reason of a change in any detail of a kind by reference to which an Exit Zone is designated, the details recorded in the Supply Point Register in respect of a Supply Meter Point cease to be accurate:

- (a) the Registered User shall, within 12 months after becoming aware of such inaccuracy (and unless it earlier ceases to be such Registered User):
 - (i) subject to paragraph (ii), submit a Supply Point Reconfirmation for the purposes of amending the relevant details;

- (ii) where as a result of such change the requirement in Section A1.6.3 ceases to be satisfied in respect of the relevant Supply Point, apply for two or more Supply Point Registrations (in respect of each of which the requirement in Section A1.6.3 is satisfied) or submit a Supply Point Withdrawal in respect of the Supply Point;
 - (b) no Supply Point Nomination or Supply Point Confirmation (including a Supply Point Renomination) may be submitted other than on the basis of the correct details, and any Supply Point Offer (outstanding at the time of such change) in respect of a Proposed Supply Point which includes the relevant Supply Meter Point shall lapse.
- 1.9.10 The Transporter has established and shall maintain an information service (the "**Supply Point Information Service**") in accordance with and subject to the provisions of Standard Special Condition A31 of the Transporter's Licence.
- 1.9.11 Subject to paragraph 1.9.12, where a User requests information from the Supply Point Information Service, the Transporter shall provide in a timely manner such information that it is obliged to provide pursuant to Standard Special Condition A31 of the Transporter's Licence and subject to the provisions therein (the "**Supply Point Information**").
- 1.9.12 The Transporters shall publish a document as prepared and revised from time to time by the Transporters (in consultation with Users) setting out the methods by which a User may obtain the Supply Point Information (the "**Supply Point Information Service Guidelines**") and where a User requires any Supply Point Information, it shall follow the procedures as set out in the Supply Point Information Service Guidelines.
- 1.10 Business Day**
 - 1.10.1 In this Section G any reference to a "**Business Day**" is a reference to a Day other than:
 - (a) a Saturday, a Sunday or a bank holiday in England and Wales; and
 - (b) the Day which would (but for this paragraph (b)) be the first Business Day after 1 January.
 - 1.10.2 The Transporters will maintain and not later than 30 September in each year provide to each User a list of Days in the following calendar year (other than Saturdays and Sundays) which are not Business Days.
- 1.11 Supply Point Classification**
 - 1.11.1 Any change in the relevant classification of a Supply Meter Point Component shall be given effect only upon and by way of Supply Point Confirmation or (as the case may be) Supply Point Reconfirmation; and the requirements of Section A4 as the relevant classification shall be construed accordingly.
 - 1.11.2 Where, by virtue of a change in Annual Quantity or otherwise, a Supply Meter Point or Supply Point Component is required (in accordance with any provision of the Code) to be classified differently from the prevailing relevant classification, the Registered User shall make a Supply Point Reconfirmation to give effect to such revised classification

for a Supply Point Registration Date, subject to paragraph 1.5.11, not more than 3 months after the relevant date.

1.11.3 For the purposes of this paragraph 1.11:

- (a) **"relevant classification"** means the classification of a Supply Meter Point as a DM or NDM Supply Meter Point, or of a Supply Point Component as DMC or DMA or as VLDMC or not;
- (b) the relevant date is 1 October or other date with effect from the Annual Quantity of the Supply Meter Point or Supply Point Component in question changed, or other date with effect from which the requirement for reclassification first arises.

1.12 Contingencies

In the event of a Class A Contingency the times by which before the start of each Gas Year details of Annual Quantities and other information in respect of Supply Points are (pursuant to this Section G) to be provided to Users will be deferred by a period commensurate with the duration of the relevant Code Contingency.

1.13 Code Communications

- 1.13.1 For a period of 3 months after the User Accession Date, or if sooner until such time as the aggregate Transportation Charges payable by the User in aggregate to all Transporters in respect of any month exceed £20,000, a User may elect to make and receive all Code Communications under paragraphs 1 to 3 of this Section G as Conventional Notices.
- 1.13.2 Code Communications made under paragraph 1.13.1 must be made in the same format (as described in the UK Link Manual) as that in which such communications would have been made if made as UK Link Communications.

1.14 Failure to revise Supply Point Register

- 1.14.1 If on any Day, as a result of a failure by the Transporter to revise the Supply Point Register in accordance with the provisions of the Code:
 - (a) a Supply Meter Point, in respect of which the User has submitted a Supply Point Withdrawal which has become effective in accordance with paragraph 3.2, remains registered in the name of the User in the Supply Point Register; or
 - (b) a Supply Meter Point, in respect of which the User has submitted a Supply Point Confirmation which has become effective in accordance with paragraph 2.8.7(a) or 2.9.1, has not become registered in the name of the User in the Supply Point Register

then, in view of (and without prejudice to) Section E1.8.2, where the effect on the determination of the Energy Balancing Charges payable by the User is material, Transco NTS may make a payment to or require a payment from the User of an amount reasonably estimated by Transco NTS as required (having regard to the User's Daily Imbalance for the Day, whether such imbalance was positive or negative) to compensate the User or Transco NTS for the inclusion or (as the case may be) exclusion

(in the determination of such Energy Balancing Charges) of the quantity of gas offtaken from the Total System on the Day in the calculation of the User's Daily Imbalance.

- 1.14.2 Amounts paid by or to Transco NTS pursuant to paragraph 1.14.1 will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of Section F4.5.3 in the month in which they are paid.
- 1.14.3 For the avoidance of doubt, the Supply Meter Points which are to be taken into account in determining the Transportation Charges, Scheduling Charges and other charges (other than Energy Balancing Charges other than Scheduling Charges (but without prejudice to paragraph 1.14.1)) payable by a User shall be those which (but for any such failure as is referred to in paragraph 1.14.1) would be registered in the name of the User.

1.15 Interruptible Supply Point Firm Allowance (IFA)

- 1.15.1 The Registered User of an Interruptible Supply Point (the 'relevant Supply Point') which term shall include the Supply Point Component comprised in it) that is not comprised in a Shared Supply Meter Point which also includes Firm Supply Points, may apply (subject to paragraph 1.15.2) in accordance with paragraphs 1.15.3 and 1.15.4 for a firm allowance up to (or subject to paragraph 1.15.3, above) 14,650 kWh/Day (500 *therms/Day*) ("**the Firm Allowance**").
- 1.15.2 Where a Firm Allowance is in force under paragraph G1.15.3:
- (a) the Firm Allowance shall be treated as an exception to paragraph 6.7.2(b) such that the requirement that no gas shall be offtaken be read as no gas, other than the Firm Allowance shall be offtaken, and at a hourly rate not exceeding 12.5% of the Firm Allowance unless otherwise agreed with the Transporter in advance;
 - (b) the Registered User shall pay to the Transporter the Administration Charges (if any) set out in the Transporter's Transportation Statement;
 - (c) the rate of any Supply Point Transportation Charge shall be determined by reference to the Supply Point Capacity held by the Registered User at the relevant Supply Point at the time that the offer of Firm Allowance has been offered by the Transporter in accordance with paragraphs 1.15.3 and 1.15.4;
 - (d) the Registered User shall pay a charge ("**the IFA Charge**") to:
 - (i) Transco NTS, calculated as the NTS Exit Capacity Charge set out in Transco NTS'S Transportation Statement;
 - (ii) the relevant DN Operator, calculated as the LDZ Capacity Charge set out in the relevant DN Operator's Transportation Statement;
 - (e) for the purposes of determining the IFA Charges payable by the Registered User in respect of the provision of a Firm Allowance at the relevant Supply Point, the Firm Allowance shall be regarded as the Supply Point Capacity of a Firm Supply Point;

- (f) all amounts payable under this paragraph 1.15 shall be payable in a single payment, may be invoiced by way of an Ad Hoc invoice, at any time after the Registered User's election and shall be paid in accordance with Section S. The charges shall be fixed in accordance with paragraph 1.15.2(h) having regard to the date on which the period of the Firm Allowance commences in accordance with paragraph 1.15.3(c) or 1.15.4 and are not refundable;
- (g) where the Transporter requires Interruption at the relevant Supply Point the provisions of paragraph 6.7 shall apply;
- (h) the IFA Charge shall be determined for the period of the Firm Allowance commencing on 1 October in accordance with paragraph 1.15.3(c) or 1.15.4, or (if later in the Gas Year) on a pro rata basis for the period commencing on the date of receipt by the Transporter of the confirmation in accordance with paragraph 1.15.3(c) and ending on 30 September; and
- (i) where a change to the IFA Charge takes place at anytime during a Gas Year no adjustments will be made to the IFA Charge paid before such change.

1.15.3 Applications under paragraph 1.15.1 in respect of a relevant Supply Point in which there is no current Firm Allowance in force, or in respect of which an increase is required to a current Firm Allowance, the increase:

- (a) shall be for a period commencing 1 October or (if later in the Gas Year) the date of receipt by the Transporter of the confirmation in accordance with paragraph (c) and ending on 30 September;
- (b) shall be offered, or rejected by the Transporter within 10 Business Days;
- (c) if offered by the Transporter, are open for confirmation by the Registered User for 5 Business Days from the date of offer;
- (d) for a Firm Allowance of 14,650 kWh (*500 therms/Day*) or less shall be considered in the order in which they were received by the Transporter;
- (e) for a Firm Allowance in excess of 14,650 kWh/Day (*500 therms/Day*), received by the Transporter prior to 1 October in respect of the next Gas Year shall, unless otherwise indicated on the application, be treated initially as an application for a Firm Allowance of 14,650 kWh/Day (*500 therms/Day*) the balance being processed on or after 1 October, in the order in which they were received by the Transporter;
- (f) for a Firm Allowance in excess of 14,650 kWh/Day (*500 therms/Day*), received by the Transporter on or after 1st October in respect of the year commencing 1 October, shall be treated in the order in which they were received by the Transporter;
- (g) for a Firm Allowance greater than 30% of the Supply Point Capacity which exceeds 14,650 kWh/Day (*500 therms/Day*) shall be treated as if it were an application for 30 % of the Supply Point Capacity in accordance with paragraph (e) or (f); and

- (h) may be refused by the Transporter where the hourly rate of offtake is greater than 12.5% of the Firm Allowance or where in the Transporter's opinion the Firm Transportation Requirement is not satisfied in respect of such Supply Point.
- 1.15.4 Applications under paragraph 1.15.1 in respect of a relevant Supply Point for which a Firm Allowance is currently in force ("**a current Firm Allowance**"):-
 - (a) may be made by the Registered User in accordance with the following process;
 - (i) on or before 1 September, the Transporter shall issue to the Registered User of a relevant Supply Point with a current Firm Allowance a renewal notice, offering the Firm Allowance for the following year commencing 1 October;
 - (ii) the Registered User may accept all or part of such renewal offer at any time before 15 September; and
 - (b) shall be for a period of 12 months commencing on 1 October.
- 1.15.5 Where another User is to become the Registered User of a relevant Supply Point, the Proposing User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify the Transporter of such change. The Firm Allowance shall transfer to the new Registered User from the Supply Point Registration Date provided that the DM Supply Point Component of the Proposing User is the same as the DM Supply Point Component of the Registered User.
- 1.15.6 Where a Registered User changes the configuration of a relevant Supply Point, the Registered User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify the Transporter of such change. The Firm Allowance shall transfer to the new Supply Point from the Supply Point Registration Date provided that there is an equivalent effect on the System and that the Registered User has paid to the Transporter the Administration Charge (if any) set out in the Transportation Statement.
- 1.15.7 All Code Communications under this paragraph 1.15 shall be made by the Transporter and the Registered User by Conventional Notice.
- 1.15.8 An application under paragraph 1.15.1 shall not re-designate an Interruptible Supply Point as Firm for the purposes of the Network Code, and no Firm Allowance may be or remain in force in respect of a Shared Supply Meter Point which is comprised in a Firm Supply Point.

1.16 Mandatory Allocation Agencies

- 1.16.1 All Users agree that (subject to and in accordance with this paragraph 1.16) if the conditions in paragraph 1.16.2 are satisfied and any User (the "**applicant User**") shall so require, a Supply Meter Point (the "**relevant Supply Meter Point**") shall become a Shared Supply Meter Point, in relation to which the applicant User and each Existing Registered User shall be Sharing Registered Users and shall appoint the consumer as Sharing Registered User Agent pursuant to an Agreement (the parties to which shall be each such User and the consumer, but for the avoidance of doubt not the Transporter) in

the terms ("**Mandatory Allocation Agency Terms**"), subject to paragraph 1.16.2(e), in Annex G-2.

1.16.2 The conditions referred to in paragraph 1.16.1 are that:

- (a) the relevant Supply Meter Point is eligible (in accordance with paragraph 1.7.3) to be a Shared Supply Meter Point;
- (b) the requirement in paragraph 1.7.6 would be (or will continue to be) satisfied;
- (c) the applicant User is willing to appoint the consumer as Sharing Registered User Agent upon the Mandatory Allocation Agency Terms;
- (d) the consumer is willing to act as Sharing Registered User Agent upon the Mandatory Allocation Agency Terms; and
- (e) no existing Registered User would be obliged by virtue of Standard Condition 30 of the Shipper's Licence, by reason of a request made pursuant to Standard Condition 13(4)(a) of the Supplier's Licence, to submit a Supply Point Objection in respect of the Applicant User's Supply Point Confirmation.

1.16.3 Where the applicant User wishes to become a Sharing Registered User pursuant to paragraph 1.16.1:

- (a) the User shall submit to the Transporter a notification to that effect, identifying the consumer and the relevant Supply Meter Point, together with:
 - (i) an Agreement in the Mandatory Allocation Agency Terms, completed with details of the relevant Supply Meter Point, the effective date (consistent with paragraph 1.7.10(b)(ii) on the basis of paragraph (e) below) of the Agreement and the names of the applicant User and Existing Registered User(s) and the consumer (in the capacity of agent), in a number of originals equal to the number of proposed parties thereto, each executed by the applicant User and consumer but undated;
 - (ii) a signed irrevocable authority by the consumer in favour of the Transporter to date and deliver the Agreement in accordance with paragraph (d);
- (b) the Transporter will notify each Existing Registered User thereof enclosing a copy of the applicant User's notification and a copy of the Agreement;
- (c) pursuant to paragraph 1.16.1, each Existing Registered User shall, provided the conditions in paragraph 1.16.2 are satisfied, arrange for the execution of each original of the Agreement not later than the 10th Business Day after the Transporter's notification under paragraph (b);
- (d) when each Existing Registered User has complied with paragraph (c), the Transporter will (and each relevant User hereby authorises the Transporter to) date and deliver the Agreement on behalf of each such User and the consumer, and provide two originals to the applicant User and one each to each other such User; and

- (e) the Agreement once executed by each Existing Registered User shall take effect as a Shared Supply Meter Point Notification for the effective date specified in the Agreement, subject to paragraph 1.7.10(c), and no Supply Point Objection may be submitted by any Existing Registered User nor (if submitted) shall be effective.
- 1.16.4 Subject to paragraph 1.16.5, if any Existing Registered User fails to execute an Agreement pursuant to paragraph 1.16.3(c) by the date therein specified:
 - (a) such User shall be deemed to have submitted a Supply Point Withdrawal in respect of the relevant Supply Point, which shall be effective on the effective date specified in the Agreement, pursuant to paragraph 3.2.3; and
 - (b) the Agreement shall take effect (unless there was no other Existing Registered User), subject to paragraph 1.7.19, and the Supply Point Confirmation submitted by the applicant User shall become effective, and the applicant User shall not be entitled to submit a Supply Point Withdrawal within the period referred to in 3.2.4.
- 1.16.5 Paragraph 1.16.4 shall not apply if any Existing User submits to the Transporter by the date specified in paragraph 1.16.3(c) written confirmation to the effect that the condition in paragraph 1.16.2(e) is not satisfied.

1.17 Supply Point Enquiries

- 1.17.1 A User (an "**Enquiring User**") contemplating submitting a Supply Point Nomination (the "**prospective**" Supply Point Nomination) may first submit an enquiry (a "**Supply Point Enquiry**") as to the matters referred to in paragraph 1.17.6.
- 1.17.2 For the purposes of this paragraph 1.17, references to the 'Proposed Supply Point' are to what would be the Proposed Supply Point if the Enquiring User were to submit the prospective Supply Point Nomination.
- 1.17.3 A Supply Point Enquiry shall specify the details which would be required to be specified pursuant to paragraphs 2.3.2(a) to (d) in the prospective Supply Point Nomination.
- 1.17.4 The Transporter will reject, or may reject, the Supply Point Enquiry in any case in which (if the Supply Point Enquiry were a Supply Point Nomination) the Transporter would be required, or (as the case may be) entitled, to reject such Supply Point Nomination pursuant to paragraph 2.3.6.
- 1.17.5 Where the Transporter rejects a Supply Point Enquiry the Transporter will notify the Enquiring User of the reason for such rejection.
- 1.17.6 Where the Transporter does not reject the Supply Point Enquiry, the Transporter will submit a response to the enquiry specifying (in relation to the Proposed Supply Point) the details which the Transporter would be required to specify in a Supply Point Offer (in response to the prospective Supply Point Nomination) pursuant to paragraphs 2.4.2(b), (c), (d)(i), (f) and (g).

1.18 Site visit Appointments

1.18.1 This paragraph 1.18 applies where:

- (a) the User believes that the information set out in the Supply Point Register that:
 - (i) has been provided by the Transporter pursuant to the Code; or
 - (ii) subject to paragraph (e) below, relates to Meter assets

is incorrect;

- (b) the User has so notified the Transporter, providing details of the information which the User believes to be incorrect, what the User believes to be the correct information and the contact details for the consumer at the Supply Point Premises (the "**relevant consumer**");
- (c) following such notification, the Transporter has been unable (after examining the details contained in the Supply Point Register) to resolve the matter notified by the User (the "**relevant matter**");
- (d) subject to paragraph (e) below, the User has accordingly requested the Transporter and the Transporter has agreed to endeavour to contact the relevant consumer and has consequently arranged with such consumer a time and date when the Transporter may visit the Supply Point Premises to investigate the relevant matter (a "**Site Visit Appointment**");
- (e) a Site Visit Appointment shall not include any visit (whether undertaken or not) to the consumer's premises which:
 - (i) is subject to the standards of performance set out in the Gas (Standards of Performance) Regulations 2002;
 - (ii) after the Metering Separation Date, relates to Meter assets.

1.18.2 Where a Site Visit Appointment has been arranged as set out in paragraph 1.18.1, subject to paragraph 1.18.3, the Transporter will during normal business hours (08:30 hours to 17:00 hours), or on such date and time as the Transporter and the consumer may agree, visit the Supply Point Premises and (subject to being given the required access) investigate the relevant matter.

1.18.3 Where a Site Visit Appointment has been arranged, the Transporter may require that the User attend at the Supply Point Premises at such time and date, and where the Transporter so requires, the Transporter will not be required to investigate the relevant matter if the User does not so attend and such Site Visit Appointment shall be deemed to be a completed Site Visit Appointment for the purposes of paragraph 4.3.1.

1.18.4 If the Transporter is unable (upon such a visit) to obtain the access required to investigate the relevant matter, the Transporter shall not be required to revisit the Supply Point Premises; and

- (a) if the Transporter did not require (pursuant to paragraph 1.18.3) the User to attend, the Transporter will so inform the User as soon as reasonably practicable after making such visit; and
- (b) such Site Visit Appointment shall be deemed to be a completed Site Visit Appointment for the purposes of paragraph 4.3.1.

1.19 DNO Users

In this Section G references to Users exclude DNO Users.

2 SUPPLY POINT REGISTRATION

2.1 Introduction

- 2.1.1 A User may apply to become the Registered User in respect of a Supply Point in accordance with this paragraph 2.
- 2.1.2 In order for a User (the "**Proposing User**") to become the Registered User in respect of a Supply Point:
 - (a) where the Proposed Supply Point is a Larger Supply Point or a New Smaller Supply Point and there is more than one Supply Meter Point comprised in the Proposed New Smaller Supply Point, then the User must make a Supply Point Nomination in accordance with paragraph 2.3, in response to which the Transporter will (subject as provided in this Section G) submit to the Proposing User a Supply Point Offer in accordance with paragraph 2.4; and
 - (b) the Proposing User must make a Supply Point Confirmation in accordance with paragraphs 2.5 to 2.7 which become effective in accordance with paragraphs 2.8 to 2.11.
- 2.1.3 For the purposes of this paragraph 2 a "**Proposed**" Supply Point is the Supply Point which is the subject of a Proposed Supply Point Registration.
- 2.1.4 In respect of a Proposed Supply Point Registration:
 - (a) a "**Supply Point Nomination**" is a communication by a Proposing User in respect of a Larger Supply Point or, where required, a New Smaller Supply Point requesting a Supply Point Offer from the Transporter;
 - (b) a "**Supply Point Offer**" is a communication by the Transporter to a Proposing User providing information in respect of a Larger Supply Point or, where required, a New Smaller Supply Point; and
 - (c) a "**Supply Point Confirmation**" is a communication by a Proposing User to the Transporter requesting Supply Point Registration in respect of a Proposed Supply Point.
- 2.1.5 The Code provides that the Transporter will or may reject in certain cases a Supply Point Nomination or Supply Point Confirmation; and any reference in this Section G to such a rejection by the Transporter is to a rejection in accordance with any such provision of the Code.

- 2.1.6 Where the Transporter has given a Termination Notice (under Section V4) to a User, the Transporter may decide:
- (a) to reduce any of the periods and/or curtail any of the procedures provided for in this Section G in relation to any Supply Point Nomination or Supply Point Confirmation by any other User in respect of; or
 - (b) to implement any other procedure for the registration in the name of any other User (who wishes to become the Registered User) of
- any Supply Meter Points of which the Discontinuing User was the Registered User.
- 2.1.7 For the purposes of paragraphs 2.1.8, 2.1.9, 2.1.10, 2.1.11, 2.1.12 and 2.1.13:
- (a) where a User has been given a Termination Notice by Transco NTS (under Section V4), all Supply Meter Points in respect of which the Discontinuing User was the Registered User immediately prior to the User Discontinuance Date shall be known as the "**Terminated Supply Meter Points**";
 - (b) a "**Supplier of Last Resort**" is a supplier whom by virtue of Standard Condition 29 of the Supplier's Licence has been directed by the Authority to supply gas in accordance with that condition in respect of any or all of the Terminated Supply Meter Points;
 - (c) "**the Last Resort User**" is a User who is the first User, following the appointment of the Supplier(s) of Last Resort, to become the Registered User of all of the Terminated Supply Meter Points;
 - (d) "**day of issue**" is the Day following the day of notification;
 - (e) "**day of notification**" is the Day on which the Transporter receives written notice from the Authority of the appointment and identity of the Last Resort User; and
 - (f) "**TSMP Information**" is relevant information (including, but not limited to, Protected Information) relating to the Terminated Supply Meter Points to which the Discontinuing User would have had access through UK Link, immediately prior to the User Discontinuance Date.
- 2.1.8 Where Transco NTS has given a Termination Notice (under Section V4) to a User and the Authority directs a Supplier of Last Resort in respect of a Terminated Supply Meter Point, then notwithstanding any other provision of Code, the Last Resort User shall become the Registered User of the Terminated Supply Meter Points, thereby accepting the benefit of the rights and the burden of obligations under Code, the Framework Agreement and any relevant Ancillary Agreement, in respect of the Terminated Supply Meter Points (including without limitation the payment of Transportation Charges and Energy Balancing Charges in respect thereof) with effect from and including the date of the appointment of the Supplier of Last Resort.
- 2.1.9 To assist the Last Resort User in exercising its rights and discharging its obligations in respect of the Terminated Supply Meter Points the Transporter shall use reasonable endeavours, subject to paragraphs 2.1.11, 2.1.12 and 2.1.13, to provide to the Last

Resort User on the day of issue a copy of the TSMP Information which can be accessed by the Last Resort User through UK Link.

- 2.1.10 (a) The Transporter shall undertake a review of the Last Resort User's Code Credit Limit and (in the case of Transco NTS) Secured Credit Limit as soon as reasonably practicable following the day of notification, and shall advise the Last Resort User, as soon as reasonably practicable thereafter but in any event not later than 3 Days after the day of notification, of any further security that will be required to be provided by the Last Resort User in accordance with paragraph 2.1.10(b).
- (b) In the event that following the review referred to in paragraph 2.1.10 the Transporter notifies the Last Resort User that additional security is required, then the Last Resort User shall be obliged to provide the requisite security in accordance with the Code Credit Rules or Energy Balancing Credit Rules (as appropriate) in favour of the Transporter (or Transco NTS) as soon as reasonably practicable thereafter but in any event no later than 14 Days of the day of notification and upon receipt of that security the Transporter shall revise the Last Resort User's Code Credit Limit (and/or in the case of Transco NTS) Secured Credit Limit (as appropriate) as soon as reasonably practicable thereafter but in any event no later than 14 Days after the date of notification to take effect from the date of that revision.
- (c) In the event that security is required to be provided by the Last Resort User pursuant to paragraph 2.1.10 but the Last Resort User fails to provide the security in accordance with paragraph 2.1.10(b), then the Code Credit Limit and/or Secured Credit Limit (as appropriate) shall not be revised pursuant to this paragraph 2.1.10 and the Transporter shall be entitled to exercise those rights and remedies available to it pursuant to V3.3 or Section X, as appropriate.
- 2.1.11 By virtue of this paragraph 2.1.11 the Discontinuing User hereby is deemed to have given its written consent for the purposes of both paragraph V5.5.2(a) and Section 105 of the Utilities Act 2000 (as amended from time to time) to the Transporter to disclose to the Last Resort User the TSMP Information pursuant to paragraph 2.1.9 above.
- 2.1.12 It is acknowledged that the TSMP Information contains information which has been provided to the Transporter by the Discontinuing User and accordingly the Last Resort User hereby acknowledges and agrees that:
- (a) the TSMP Information disclosed to it pursuant to paragraph 2.1.9 above shall not have been independently verified;
- (b) it shall be solely responsible for making its own judgement and decision on the TSMP Information disclosed to it;
- (c) neither the Transporter, nor any of its employees, agents, consultants, advisers or directors, accept responsibility for, or make any representation or warranty (express or implied) regarding, the accuracy or completeness of the content of the TSMP Information; and

- (d) the Transporter shall have no liability to the Last Resort User, in respect of any of the contents of the TSMP Information.
- 2.1.13 For the purposes only of enabling the Transporter to comply with the provisions of paragraph 2.1.9, the Last Resort User shall execute all such documents, deeds and assignments and perform such acts as the Transporter may reasonably require, including, without limitation, executing any relevant documents, deeds and assignments, or perform such acts, necessary to ensure compliance with the provisions of the Data Protection Act 1998 (as may be amended from time to time).
- 2.1.14 Unless the context otherwise requires, references in this Section G to details to be included in a Supply Point Nomination, Supply Point Offer or Supply Point Confirmation are to details which would (if the Proposing User submits a Supply Point Confirmation and/or if the Supply Point Confirmation becomes effective) apply in respect of the Proposed Supply Point Registration.
- 2.2 Current, New and Existing Supply Points**
 - 2.2.1 Subject to paragraph 1.4, a Proposed Supply Point may be a Current Supply Point or a New Supply Point.
 - 2.2.2 A "**Current Supply Point**" is a Proposed Supply Point all of the Supply Meter Points comprised in which are (at the relevant time) all of the Supply Meter Points comprised in one Existing Supply Point; and a "**New Supply Point**" is any other Proposed Supply Point (including for the avoidance of doubt a Proposed Supply Point which includes a New Supply Meter Point).
 - 2.2.3 In relation to a Proposed Supply Point Registration:
 - (a) an "**Existing Supply Point**" is a Supply Point which (at the relevant time):
 - (i) is the subject of an existing Supply Point Registration (which may be a registration in the name of the Proposing User); and
 - (ii) includes one or more Supply Meter Points which are comprised in the Proposed Supply Point; and
 - (b) an "**Existing Registered User**" is a User (who may be the Proposing User) who is the Registered User in respect of an Existing Supply Point.
 - 2.2.4 Subject to paragraph 2.8.3, the Proposing User will not be entitled to have access to the identity of the Existing Registered User(s).
 - 2.2.5 A "**Supply Point Reconfirmation**" or a "**Supply Point Renomination**" is a Supply Point Confirmation or (as the case may be) Supply Point Nomination submitted by the Existing Registered User of the Current Supply Point; and where the Code provides for a Supply Point Reconfirmation to be made in respect of a Larger Supply Point, the Code shall be deemed also to provide for an appropriate Supply Point Renomination to be made.
 - 2.2.6 A "**Supply Point Commodity Rate Renomination**" is, where the Existing Registered User had previously confirmed in accordance with paragraph B3.5.5 that the Applicable Commodity Rate in respect of the Current Supply Point was to be the NTS Optional

Commodity Rate, a Supply Point Nomination submitted by the Existing Registered User of the Current Supply Point where:

- (a) the Existing Registered User nominates that the Applicable Commodity Rate at the Current Supply Point is not to be the NTS Optional Commodity Rate; or
- (b) the NTS Optional Commodity Rate having previously been de-applied in accordance with sub-paragraph (a) above, the Existing Registered User wishes to re-apply for the NTS Optional Commodity Rate at the Current Supply Point.

2.3 Supply Point Nomination

2.3.1 A User may make a Supply Point Nomination in respect of a Larger Supply Point or may, where required, make a Supply Point Nomination in respect of a New Smaller Supply Point in accordance with paragraph 2.1.2 and this paragraph 2.3. Where a Proposing User wishes to make a Supply Point Nomination in respect of a Larger Supply Point for the purpose of:

- (a) increasing Supply Point Capacity for such Supply Point;
- (b) changing the Supply Point Component of any Supply Meter Point;
- (c) specifying a New Supply Point

then the Proposing User may use the following process:

- (i) (provided that the Proposed Supply Point will be a Current Supply Point) the User may submit, as appropriate, one or more Supply Point Nominations in accordance with paragraph 2.3 to nominate:
 - (1) the prevailing Supply Point Capacity of the Supply Point;
 - (2) the existing Supply Point Component of each Supply Meter Point; or
 - (3) the Current Supply Point(any such Supply Point Nomination shall be referred to as a "**Supply Point First Nomination**"); and
- (ii) at any time up to the date of the Supply Point Offer in respect of the Supply Point First Nomination the User may also submit, as appropriate, in accordance with paragraph 2.3, one or more Supply Point Nominations to:
 - (1) increase the Supply Point Capacity for such Supply Point;
 - (2) change the Supply Point Component of any Supply Meter Point; or
 - (3) specify a New Supply Point(and any such Supply Point nomination shall be referred to as "**Supply Point Second Nomination**").

2.3.2 A Supply Point Nomination which is a Supply Point Commodity Rate Renomination shall comply with the provisions of paragraph 2.3.9 and any other Supply Point Nomination shall specify:

- (a) the identity of the Proposing User;
- (b) whether the Proposed Supply Point is a Current Supply Point or a New Supply Point, and in the case of a New Supply Point a description of the basis on which the Single Premises Requirement is satisfied;
- (c) the Supply Meter Point Reference Number in respect of:
 - (i) in the case of a Current Larger Supply Point, either one or all of the Supply Meter Points comprised in the Proposed Supply Point; or
 - (ii) in the case of a New Supply Point, all of the Supply Meter Points comprised in the Proposed Supply Point;
- (d) the Meter Post Code in respect of each Supply Meter Point for which the Supply Meter Point Reference Number is specified under paragraph (c);
- (e) where the Proposed Supply Point includes one or more DM Supply Meter Points, the proposed Supply Point Capacity and proposed Supply Point Offtake Rate in respect of the DM Supply Point Component, in compliance with the requirements of paragraph 5;
- (f) where the Proposed Supply Point includes an NDM Supply Meter Point:
 - (i) the proposed Meter Reader; and
 - (ii) where the Annual Quantity of the NDM Supply Point Component is less than 293,000 kWh (*10,000 therms*), whether the relevant Supply Meters are proposed to be a Monthly Read Meter (for the purposes of Section M3.4);
- (g) the Supply Meter Point Reference Number of any Supply Meter Point comprised in the Proposed Supply Point which is to become or (as the case may be) ceased to be a DM Supply Meter Point; and
- (h) any other details which are required to be specified in any particular case pursuant to any provision of this Section G; or
- (i) where a User wishes to apply for the NTS Optional Commodity Rate at an Eligible Exit Point, the Specified Exit Point and the Specified Entry Point; or
- (j) where a User wishes to apply for the LDZ Optional Capacity Rate, the LDZ Specified Exit Point.

2.3.3 In this Section G "**Nominated**" means proposed in a Supply Point Nomination.

2.3.4 Where a User makes a Supply Point Nomination:

- (a) the Transporter will submit a Supply Point Offer (in accordance with paragraph 2.4), or reject the Supply Point Nomination (in accordance with paragraph

2.3.6), or submit a referral notice (in accordance with paragraph 2.3.8), within 2 Business Days after the Supply Point Nomination was submitted;

- (b) where (in accordance with paragraph 2.3.8) the Transporter submitted a referral notice, the Transporter will submit a Supply Point Offer within 12 Business Days after the Supply Point Nomination was submitted.

2.3.5 If the Transporter does not comply with paragraph 2.3.4 it will in any event reject the Supply Point Nomination or make a Supply Point Offer or submit a referral notice as soon as reasonably practicable.

2.3.6 The Transporter will reject the Supply Point Nomination where:

- (a) the Transporter is not reasonably satisfied that the Single Premises Requirement is complied with in respect of the Proposed Supply Point; or
- (b) the Supply Point Nomination is not made strictly in accordance with the requirements of paragraph 2.3.2 and /or 2.3.9 (as the case may be); or
- (c) any of the Supply Meter Point Reference Number(s) specified pursuant to paragraph 2.3.2(c) is not identified in the Supply Point Register with the Meter Post Code(s) specified pursuant to paragraph 2.3.2(d);

and the Transporter may reject the Supply Point Nomination where the Supply Point Nomination does not comply with any other requirement provided for in this Section G or in accordance with Section V3 or in any other case where such rejection is provided for in the Code.

2.3.7 Where the Transporter rejects the Supply Point Nomination the Transporter will inform the Proposing User of the reason (under paragraph 2.3.6) for such rejection (and where such rejection was pursuant to paragraph 2.3.6(b), the requirement of paragraph 2.3.2 and /or 2.3.9 (as the case may be) which was not complied with)).

2.3.8 Where the Proposed Supply Point is a New Supply Point, or includes a New Supply Meter Point, or (in accordance with the further provisions of this Section G) it is necessary for the Transporter to assess the feasibility of making gas available for offtake from the Total System at the Proposed Supply Point, the Transporter may (unless it rejects the Supply Point Nomination) give notice (a "**referral notice**") to that effect to the Proposing User.

2.3.9 A Supply Point Nomination which is a Supply Point Commodity Rate Renomination shall specify:

- (a) the identity of the Proposing User;
- (b) the Supply Meter Point Reference Number in respect of the Supply Meter Points comprised in the Proposed Supply Point;
- (c) the Applicable Commodity Rate that the User wishes to be applied being either:
 - (i) the NTS Optional Commodity Rate; or
 - (ii) the Applicable Commodity Rate other than the NTS Optional Commodity Rate determined pursuant to paragraph B1.8.1;

- (d) the Proposed Supply Point Registration Date; and
- (e) any other details which are required to be specified in any particular case pursuant to any provision of this Section G.

2.4 Supply Point Offers

2.4.1 Where the Transporter does not reject (in accordance with paragraph 2.3.4) a Supply Point Nomination, the Transporter will submit to the Proposing User a Supply Point Offer in accordance with this paragraph 2.4.

2.4.2 A Supply Point Offer will specify in relation to the Proposed Supply Point:

- (a) the identity of the Proposing User;
- (b) the address(es) of the Supply Point Premises;
- (c) the Supply Meter Point Reference Number, manufacturer's serial number, and (where the Proposed Supply Point comprises a Sub-deduct Supply Meter Point) Meter Link Code of each Supply Meter Point comprised in the Proposed Supply Point Registration;
- (d) where the Proposed Supply Point includes one or more NDM Supply Meter Points:
 - (i) the Applicable End User Category in accordance with Section H1.7;
 - (ii) Supply Point Capacity and NTS Exit Capacity (in accordance with Section H4.1); and
 - (iii) the Nominated Meter Reading Frequency or (where more frequent) the minimum Meter Reading Frequency required under Section M3 in respect of each relevant Supply Meter;
- (e) where the Proposed Supply Point includes one or more DM Supply Meter Points:
 - (i) details in respect of Supply Point Capacity and Supply Point Offtake Rate in accordance with paragraph 2.4.3;
 - (ii) whether the Proposed Supply Point is a Firm Supply Point or an Interruptible Supply Point, and (if Interruptible) whether TNI and whether (as respects the DM Supply Point Component) SDMC(I);
 - (iii) details of the Daily Read Equipment installed and the Supply Meter Point Reference Number of each Supply Meter Point at which any such Daily Read Equipment is installed;
- (f) the Exit Zone and (where applicable) LDZ in which the Proposed Supply Point is located;
- (g) the Annual Quantity for each Supply Meter Point;
- (h) Supply Point Transportation Charges;

- (i) the Supply Meter Point Reference Number of any Supply Meter Point comprised in the Proposed Supply Point which has been Isolated; and
- (j) a number by which the Supply Point Offer may uniquely be identified; or
- (k) where a User has made a Supply Point Nomination in accordance with paragraph 2.3.2(h) or 2.3.9(c)(i), the distance between the Specified Entry Point and the Proposed Supply Point, the six figure grid references, the capacity of the Proposed Supply Point and the NTS Optional Commodity Rate; or
- (l) where a User has made a Supply Point Nomination in accordance with paragraph 2.3.2(h) the Notional NTS Connection Point, the distance between the Notional NTS Connection Point and the Proposed Supply Point, the eight figure grid references, the capacity of the Proposal Supply Point and the LDZ Optional Capacity Rate;
- (m) the identity of the Gas Act Owner;
- (n) the identity of the Meter Asset Manager.

2.4.3 Where the Proposed Supply Point includes a DM Supply Point Component:

- (a) the Supply Point Capacity ("**Offered Supply Point Capacity**") specified in the Supply Point Offer shall be:
 - (i) where the Nominated Supply Point Capacity is less than the Bottom-Stop Supply Point Capacity, the Bottom-Stop Supply Point Capacity;
 - (ii) otherwise, but subject to paragraph 5.5, the Nominated Supply Point Capacity (provided that where the Nominated Supply Point Capacity is not less than the Bottom-Stop Supply Point Capacity but less than the Prevailing Supply Point Capacity, paragraph 2.7.3 shall apply);
- (b) subject to paragraph 5.5, the Supply Point Offtake Rate specified in the Supply Point Offer shall be the Nominated Supply Point Offtake Rate; and
- (c) the Supply Point Offer will also specify (for information purposes, where not specified under paragraph (a)(i)) the Bottom-Stop Supply Point Capacity.

2.4.4 Subject to paragraphs 1.9.9(b), 2.4.5 and 2.7.3, and unless and until a Supply Point Confirmation is made which becomes effective, a Supply Point Offer will remain valid for a period of six (6) months after it was made.

2.4.5 Where the Proposed Supply Point includes a DM Supply Point Component, at any time at which the Proposing User has not submitted a Supply Point Confirmation:

- (a) if:
 - (i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence in any month of a Supply Point Ratchet (pursuant to Section B4.7) in respect of any Existing Supply Point; or

- (ii) at the start of a Gas Year, the Bottom-Stop Supply Point Capacity becomes (pursuant to paragraph 5.2) greater than the Offered Supply Point Capacity

the Transporter will so notify the Proposing User whereupon the Supply Point Offer will lapse (but without prejudice to any Supply Point Confirmation submitted before such notification was given, in respect of which paragraph 2.7.4 will apply);

- (b) if the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of a Capacity Revision Application (in accordance with paragraph 5.1.4) made by the Registered User for an increase in Supply Point Capacity in respect of any Existing Supply Point, paragraph 2.7.3 shall apply.

2.4.6 The Transporter will inform the Proposing User of the application of paragraph 2.7.3 pursuant to paragraph 2.4.5(b) within 5 Business Days after the occurrence of the event giving rise to the application of paragraph 2.7.3.

2.4.7 Where during the period for which a Supply Point Offer remains valid:

- (a) the Annual Quantity of the NDM Supply Point Component (if any) of the Proposed Supply Point is revised (including a revision to the Annual Quantity pursuant to a notice by an Existing Registered User under paragraph 1.6.8(a)), or such NDM Supply Point Component belongs to a different End User Category, from the Annual Quantity or End User Category specified in the Supply Point Offer:
 - (i) the Transporter will notify the Proposing User of the revised Annual Quantity or End User Category;
 - (ii) the Supply Point Offer shall be deemed to be modified accordingly (and shall remain valid);
- (b) the details of the Supply Point Transportation Charges are (upon a change in Annual Quantity or End User Category of any Supply Meter Point or the coming into force of a new Transportation Statement or otherwise) revised, the Transporter will not and is not required to notify the Proposing User of such change, and the Proposing User will be informed of the revised details only if it makes a Supply Point Confirmation which becomes effective.

2.4.8 There may be any number of Supply Point Offers outstanding, to different Proposing Users, in respect of a Proposed Supply Point or Proposed Supply Points comprising some or all of the same Supply Meter Points.

2.4.9 The details contained in a Supply Point Offer of the matters set out in paragraph 2.4.10 shall be binding upon the Transporter and the Proposing User where the User submits a Supply Point Confirmation in respect of such Supply Point Offer, notwithstanding any error in the details so stated (but without prejudice to the ability of the Transporter to withdraw a Supply Point Offer containing such erroneous details before a Supply Point Confirmation has been submitted).

2.4.10 The matters referred to in paragraph 2.4.9 are:

- (a) the Supply Meter Points comprised in the Proposed Supply Point;

- (b) the Annual Quantity, End User Category and Supply Point Capacity of the Proposed Supply Point; and
 - (c) whether at the date of the Supply Point Offer any Existing Supply Point (if Interruptible) is TNI, and (if so) the number of Days of the Interruption Allowance.
- 2.4.11 Except as provided in paragraph 2.4.9, where any detail contained in a Supply Point Offer is incorrectly stated:
 - (a) such error shall not bind the Transporter or the Proposing User and shall not prejudice the proper determination of such detail; and
 - (b) a Supply Point Confirmation made on the basis of such Supply Point Offer shall be valid notwithstanding such error.
- 2.4.12 Where the User disputes the distance specified by the Transporter under paragraph 2.4.2(k) or paragraph 2.4.2(l), the User may resubmit a Supply Point Nomination for the Proposed Supply Point stating alternative eight figure grid references for the Proposed Supply Point and the Notional NTS Connection Point as appropriate with supporting evidence of calculation.
- 2.4.13 For the purposes of the Code:
 - (a) **"Gas Act Owner"** is the consumer, holder of a Gas Transporter's Licence or relevant supplier that owns the meter (and for the purposes of this definition owner includes a lessee) and which in accordance with the Gas Code is responsible for keeping it in proper order for correctly registering the quantity of gas supplied;
 - (b) **"Meter Asset Manager"** is an organisation that works on behalf of another to install, replace, repair and maintain a Supply Meter Installation.

2.5 Supply Point Confirmations: General

- 2.5.1 A User may submit a Supply Point Confirmation to the Transporter:
 - (a) in respect of a Current Smaller Supply Point or a New Smaller Supply Point comprising of one Supply Meter Point (pursuant to the establishment of a New Supply Meter Point in accordance with G7.1.1(b(i)), in accordance with paragraph 2.6, at any time;
 - (b) in respect of a Larger Supply Point or New Smaller Supply Point comprising of more than one Supply Meter Point, in accordance with paragraph 2.7, after making a Supply Point Nomination, at any time where the condition in paragraph 2.5.2 is satisfied; or
 - (c) in respect of a Supply Point where information has been specified in accordance with paragraph 2.4.2(k) or paragraph 2.4.2(l) provided that a Supply Point Offer made in respect of paragraphs 2.4.2(a) to 2.4.2(j) and has been or, is simultaneously being confirmed by the User under this paragraph 2.5.1.
- 2.5.2 The condition referred to in paragraph 2.5.1(b) is that:

- (a) the Supply Point Confirmation is made at a time at which the Supply Point Offer remains (in accordance with paragraph 2.4.4) valid; and
 - (b) in the circumstances in paragraph 2.7.3, the Proposed Supply Point Registration Date is within the Capacity Reduction Period.
- 2.5.3 By making a Supply Point Confirmation in respect of a Proposed Supply Point the Proposing User:
 - (a) warrants to the Transporter:
 - (i) that; or
 - (ii) where the User will not be the supplier, that the supplier (or if there is more than one supplier, the suppliers between them) has (or have) warranted to the User that

as at the Proposed Supply Point Registration Date there will be in force a contract or contracts (including a deemed contract pursuant to paragraph 8(1) or 8(2) of the Gas Code) for the supply to the consumer of the gas oftaken by such User from the Total System at the Proposed Supply Point; and
 - (b) agrees (if the confirmation becomes effective):
 - (i) to be the Registered User in respect of the Proposed Supply Point; and
 - (ii) to be registered as holding:
 - (1) as to the NDM Supply Point Component (if any), Supply Point Capacity (and accordingly LDZ Capacity) and NTS Exit Capacity determined in accordance with Section H4;
 - (2) as to the DM Supply Component (if any), the Confirmed Supply Point Capacity (and accordingly LDZ Capacity);
 - (iii) that it consents to the disclosure of the information by the Transporter in accordance with paragraph 2.8.8(b).
- 2.5.4 Subject to paragraph 2.7.4(a), the "**Confirmed Supply Point Capacity**" in respect of the DM Supply Point Component of a Proposed Supply Point (for which the Supply Point Confirmation becomes effective) is the Offered Supply Point Capacity.
- 2.5.5 A Supply Point Confirmation may not be made, and the Transporter will reject any Supply Point Confirmation submitted:
 - (a) (except in respect of a Shared Supply Meter Point), in respect of a Proposed Supply Point comprising any Supply Meter Point comprised in a Proposed Supply Point in respect of which any other Supply Point Confirmation has been made and is (in accordance with paragraph 2.5.9) outstanding; and
 - (b) in respect of a Proposed Supply Point comprising any Supply Meter Point (other than a New Supply Meter Point) in respect of which there is any request for Siteworks outstanding or any Siteworks Contract which has not been

completed, and for which the Siteworks Applicant is a gas shipper other than the Proposing User.

- 2.5.6 The Transporter may reject a Supply Point Confirmation in accordance with Section V3.
- 2.5.7 The "**Proposed Supply Point Registration Date**" in respect of a Supply Point Confirmation is the date with effect from which the Proposing User wishes to become the Registered User in respect of the Proposed Supply Point.
- 2.5.8 The Proposed Supply Point Registration Date shall be:
- (a) not more than 30 Business Days after the Supply Point Confirmation is submitted; and
 - (b) not less than 15 Business Days after the Supply Point Confirmation is submitted unless:
 - (i) at the time that the Supply Point Confirmation is submitted a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point in which case the Proposed Supply Point Registration Date shall not be less than 8 Business Days;
 - (ii) there is no change in the identity of the Registered User in respect of the Supply Point, in which case the Proposed Supply Point Registration Date shall not be less than 8 Business Days; or
 - (iii) where the Supply Point Confirmation is resulting from a Supply Point Commodity Rate Renomination (a "**Supply Point Commodity Rate Confirmation**") in which case the Proposed Supply Point Registration Date shall not be less than 4 Business Days; and
 - (c) where the Supply Point Offer made in accordance with paragraph 2.4.2 is received by Batch Transfer Communication, not earlier than 2 months (or such lesser period as the Transporter may specify);
- after the Supply Point Confirmation is submitted.
- 2.5.9 A Supply Point Confirmation shall be outstanding until it is rejected by the Transporter in accordance with this paragraph 2 or lapses in accordance with paragraph 2.8.6, or (where it becomes effective) until the Supply Point Registration Date.
- 2.5.10 Every Supply Point Confirmation shall specify (in addition to what is required in paragraphs 2.6 and 2.7) the identity of the proposed supplier; and in any case where upon a change of the identity of the supplier a User continues to be a Registered User in respect of a Supply Point, such User shall either submit a Supply Point Confirmation or notify the Transporter, by such method as the Transporter shall require, (such method to be notified to Users from time to time) the identity of the new supplier as soon as reasonably practicable after such change of identity. By notifying the Transporter of the identity of the new supplier, such User warrants to the Transporter that such new supplier (or if there is more than one supplier, the suppliers between them) has (or have) warranted to the User that there will be in force a contract or contracts (including a deemed contract pursuant to paragraph 8(1) or 8(2) of the Gas Code) for the supply to

the consumer of the gas offtaken by such User from the Total System at the Proposed Supply Point.

- 2.5.11 Where the Transporter does not reject the Supply Point Confirmation it will within 2 Business Days after the Supply Point Confirmation was communicated, give notice to the Proposing User acknowledging the Supply Point Confirmation.
- 2.5.12 By making a Supply Point Confirmation in respect of a New Smaller Supply Point comprising one Supply Meter Point then the Proposing User shall be deemed to have included within the Supply Point Confirmation such relevant information as described under paragraph 2.4.2 as may be contained in the Supply Point Register in relation to the Proposed Supply Point.

2.6 Supply Point Confirmations: Smaller Supply Points

- 2.6.1 A Supply Point Confirmation in respect of a Smaller Supply Point shall specify:
 - (a) the identity of the Proposing User;
 - (b) the Supply Meter Point Reference Number in respect of one Supply Meter Point comprised in the Proposed Supply Point, and the Meter Post Code of such Supply Meter Point;
 - (c) the Proposed Supply Point Registration Date; and
 - (d) the proposed Meter Reading Frequency and Meter Reader.
- 2.6.2 the Transporter will reject the Supply Point Confirmation where:
 - (a) the Supply Point Confirmation is not made strictly in accordance with the requirements of paragraph 2.6.1; or
 - (b) in the case of paragraph 2.6.1(b), the Supply Meter Point Reference Number specified is not identified in the Supply Point Register with the specified Meter Post Code

and the Transporter may reject the Supply Point Confirmation where the Supply Point Confirmation does not comply with any other requirement provided for in this Section G or in any other case where such rejection is provided for in the Code.

- 2.6.3 Where the Transporter rejects the Supply Point Confirmation the Transporter will within 2 Business Days after the Supply Point Confirmation was communicated, inform the Proposing User of the provision of the Code pursuant to which the Supply Point Confirmation was rejected (and where such rejection was pursuant to paragraph 2.6.2(a), the requirement of paragraph 2.6.1 which was not complied with).
- 2.6.4 The Proposing User may in respect of a Smaller Supply Point cancel its Supply Point Confirmation in accordance with paragraph 2.8.1(c), where:
 - (a) a Consumer has cancelled the contract, or contracts, for the supply to the Consumer of the gas offtaken by such User from the Total System at the Proposed Supply Point, or where the Proposing User will not be the supplier,

the supplier has informed the Proposing User that a cancellation of such contract or contracts has occurred; or

- (b) the Proposing User has submitted a Supply Point Confirmation which is made in error.

2.6.5 The Proposing User will not submit a Confirmation in accordance with this paragraph 2.6 (in respect of a New Smaller Supply Point comprising one Supply Meter Point) where such Proposing User is aware that the Annual Quantity in respect of such Supply Point is greater than 73,200 kWh (2,5000 *therms*) and in such case any application in respect of the same shall be made in accordance with paragraph 2.3.

2.7 Supply Point Confirmations: Larger Supply Points and Smaller Supply Points subject to nomination

2.7.1 A Supply Point Confirmation in respect of a Larger Supply Point or Smaller Supply Point subject pursuant to paragraph 2.1.2(a) to the requirement to be Nominated shall specify:

- (a) the Supply Point Offer in respect of which it is made;
- (b) the Proposed Supply Point Registration Date; and
- (c) where the Annual Quantity in respect of the Supply Point is greater than 732,000 kWh (25,000 *therms*), the details (for making contact in an Emergency) required under Section Q2.3.

2.7.2 Subject to paragraphs 2.4.7(b) and 2.4.10, the details (other than any expressly required in this Section to be included) which are the subject of the Supply Point Confirmation are those specified in the Supply Point Offer, and no other detail may be specified in the Supply Point Confirmation which would conflict with or qualify any such details.

2.7.3 Where:

- (a) the Proposed Supply Point includes a DM Supply Point Component; and
- (b) the Prevailing Supply Point Capacity is, or (in accordance with paragraph 2.4.5(b)) at any time before a Supply Point Confirmation is submitted becomes, greater than the Offered Supply Point Capacity

a Supply Point Confirmation may be submitted only for a Proposed Supply Point Registration Date falling within the Capacity Reduction Period.

2.7.4 Where the Proposed Supply Point includes a DM Supply Point Component, at any time after a Supply Point Confirmation is submitted but before the Supply Point Registration Date:

- (a) if:
 - (i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence of a Supply Point Ratchet (pursuant to Section B4.7.1) in respect of any Existing Supply Point; or

- (ii) at the start of a Gas Year, the Bottom-Stop Supply Point Capacity becomes (pursuant to paragraph 5.2.3(a)(i)) greater than the Offered Supply Point Capacity

the Confirmed Supply Point Capacity will be the increased Prevailing Supply Point Capacity or (as the case may be) Bottom-Stop Supply Point Capacity;

- (b) if the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the Registered User in respect of any Existing Supply Point applying for an increase in its Registered Supply Point Capacity, the Confirmed Supply Point Capacity will be the Offered Supply Point Capacity.

2.7.5 In the circumstances in paragraph 2.7.4(a) the Transporter may, but is not required to, notify the Proposing User of the increased Confirmed Supply Point Capacity before the Supply Point Registration Date, but will not later than the 5th Business Day after the Supply Point Registration Date notify to the Proposing User the revised Confirmed Supply Point Capacity and revised details of Supply Point Transportation Charges (and the Transporter's notification under paragraph 2.8.8 or 2.9.2 shall to that extent be provisional).

2.7.6 Where the Proposed Supply Point is a New Supply Point and the Existing Supply Points include both a Firm Supply Point and an Interruptible Supply Point a Supply Point Confirmation may only be submitted before a Change Request Deadline and for a Proposed Supply Point Registration Date which is the Eligible Status Change Date.

2.7.7 Without prejudice to paragraph 2.7.1 a Supply Point Commodity Rate Confirmation shall specify:

- (a) the Supply Point Offer in respect of which it is made;
- (b) the Supply Meter Point Reference Number in respect of the Supply Meter Points comprised in the Proposed Supply Point; and
- (c) the Proposed Supply Point Registration Date.

2.8 Effect of Confirmation: Existing Supply Points not already withdrawn

2.8.1 Where, at the time a User submits a Supply Point Confirmation which is not rejected by the Transporter, there is any Existing Supply Point in respect of which a Supply Point Withdrawal has not been submitted:

- (a) the Transporter will, within 2 Business Days after the Supply Point Confirmation was submitted, notify the Existing Registered User of the submission of the Supply Point Confirmation and the Proposed Supply Point Registration Date, but not the identity of the Proposing User;
- (b) the Existing Registered User may, up to but not after the 7th Business Day after the date of notification to the Existing Registered User of the submission of the Supply Point Confirmation ("**Objection Deadline**"), submit to the Transporter an objection ("**Supply Point Objection**") in respect of such Existing Supply Point provided that the Existing Registered User shall not submit such Supply Point Objection where a domestic consumer supplied with gas at the Existing

Supply Point has ceased or is to cease to own or occupy the relevant premises;
and

- (c) the Proposing User may, subject to paragraph 2.8.8 (in the case of a Smaller Point) up to but not after the 8th Business Day before the Proposed Supply Point Registration Date (the Objection Deadline) submit to the Transporter a cancellation ("**Supply Point Confirmation Cancellation**") in respect of such Supply Point Confirmation.

2.8.2 No Supply Point Objection may be submitted, nor (if purportedly submitted) shall be effective:

- (a) by an Existing Registered User, after the Objection Deadline; nor
- (b) (for the avoidance of doubt) in respect of an Existing Supply Point in respect of which the Existing Registered User has submitted a Supply Point Withdrawal.

2.8.3 Where a User submits a Supply Point Objection to the Transporter:

- (a) the objecting User is required to declare its identity in the objection;
- (b) the Transporter will, within 2 Business Days after the Supply Point Objection was submitted, notify such objection, including (where declared in the objection) the identity of the objecting User, to the Proposing User;
- (c) where the objecting User did not comply with the requirement in paragraph (a):
 - (i) the Transporter will not reject the Supply Point Objection (which will accordingly be effective for the purposes of paragraph 2.8.6);
 - (ii) the Transporter will, if requested by the Proposing User, provide to the Proposing User the identity of the objecting User as soon as is reasonably practicable but (as is acknowledged by each User) does not undertake to do so before the Objection Deadline; and
- (d) the objecting User will declare in the objection the reason for its objection and if the objecting User fails to do so the Transporter may reject such Supply Point Objection which accordingly will not be effective for the purposes of paragraph 2.8.6;
- (e) and that Supply Point Objection was raised at the request (whether directly or indirectly) of the Consumer in respect of the affected Existing Supply Point, the Transporter will, where the reasons for the objection have been provided to the Transporter by the objecting User, within 2 Business Days after the Supply Point Objection was submitted, notify such reasons to the Proposing User.

2.8.4 The Transporter:

- (a) will not be concerned with the reason for any Supply Point Objection nor with any question as to whether such an objection is well founded;
- (b) shall, for the purposes of paragraph 2.8.1(b), notify the Existing Registered User of any notification received by the Transporter from the Proposing User that a domestic consumer supplied with gas at the Existing Supply Point has

ceased or is to cease to own or occupy the relevant premises and the Transporter will not be concerned with the reason for such notification nor with any question as to whether such notification is well founded.

- 2.8.5 A User may withdraw a Supply Point Objection up to but not after:
- (a) the 7th Business Day after the Supply Point Objection was made; or
 - (b) if earlier, the Objection Deadline.
- 2.8.6 Where a Supply Point Objection is made and is not withdrawn in accordance with paragraph 2.8.5, the Supply Point Confirmation shall lapse and be of no effect, and the Transporter will so inform each Existing Registered User not later than the fifth Day before the Proposed Supply Point Registration Date.
- 2.8.7 Where no Supply Point Objection is made, or all (if any) Supply Point Objections made are withdrawn, or where the Supply Point Objection has been rejected by the Transporter in accordance with paragraph 2.8.3(d):
- (a) subject to paragraph 2.11, the Supply Point Confirmation shall be effective and the Supply Meter Points comprised in the Proposed Supply Point shall be registered in the name of the Proposing User with effect from the Proposed Supply Point Registration Date; and
 - (b) each Existing Registered User shall be deemed to have submitted a Supply Point Withdrawal in accordance with paragraph 3 in respect of the relevant Existing Supply Point.
- 2.8.8 In the case of a Supply Point Confirmation within paragraph 2.8.1, after the Objection Deadline and not later than the fifth Day before the Proposed Supply Point Registration Date:
- (a) the Transporter will notify the Proposing User whether the Supply Point Confirmation has become effective, setting out (where it has become effective, and without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register;
 - (b) (where the Supply Point Confirmation has become effective) the Transporter will notify the User (which was the Existing Registered User immediately preceding the effective date of the Supply Point Confirmation) of the identity of the Proposing User (that has become the Registered User) and the identity of the supplier (that has become the supplier) in respect of the Supply Point recorded in the Supply Point Register and which is the subject of such Supply Point Confirmation.

2.9 Effect of Confirmation: Existing Supply Points already withdrawn

- 2.9.1 Where at the time a User submits a Supply Point Confirmation which is not rejected by the Transporter, a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point, subject to paragraph 2.11 the Supply Point Confirmation shall be effective and the Supply Meter Points comprised in the Proposed Supply Point shall be registered in the name of the Proposing User with effect from the Proposed Supply Point Registration Date.

- 2.9.2 In the case of a Supply Point Confirmation within paragraph 2.9.1, the Transporter will notify the Proposing User, as soon as reasonably practicable and not later than the fifth Day before the Proposed Supply Point Registration Date, that the Supply Point Confirmation has become effective, setting out (without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register.

2.10 Supply Point Confirmation: Effect of Isolation

- 2.10.1 A Supply Meter Point comprised in a Proposed Supply Point for which a Supply Point Confirmation has been submitted may, at the request of the Existing Registered User, be Isolated on any Day before (but not on or after) the Proposed Supply Point Registration Date.
- 2.10.2 Where a Supply Meter Point comprised in a Proposed Supply Point (for which a Supply Point Confirmation has been submitted) has been Isolated the Supply Point Confirmation may (in accordance with paragraph 2.8.7(a) or 2.9.1) become effective and the Proposing User will be the Registered User of a Supply Point which includes the Isolated Supply Meter Point.

2.11 Effect of Confirmation: New Supply Point

- 2.11.1 A Supply Point Confirmation in respect of a New Supply Point (other than one which comprises only New Supply Meter Points) shall not become effective and shall lapse (whether or not any Existing Registered User submitted or withdrew a Supply Point Objection) unless the requirement in paragraph 2.11.2 is satisfied.
- 2.11.2 The requirement referred to in paragraph 2.11.1 is that Supply Point Confirmations (whether submitted by the Existing Registered User or another User as Proposing User), for Proposed Supply Point Registration Date(s) the same as that for such New Supply Point, become effective for Proposed Supply Points which comprise all (if any) and only the Supply Meter Points (including any which are or are to be Isolated) which are comprised in each Existing Supply Point, other than that or those comprised in such New Supply Point.
- 2.11.3 the Transporter will not be concerned with the fact that, or the reason for which, any Existing Registered User may not submit a Supply Point Confirmation for the purposes of paragraph 2.11.1.
- 2.11.4 For the avoidance of doubt, it will be necessary for the Existing Registered User(s) to have submitted a Supply Point Nomination in sufficient time to have received a Supply Point Offer to allow any Supply Point Confirmation required under paragraph 2.11.1 to be submitted.

3 SUPPLY POINT WITHDRAWAL AND ISOLATION

3.1 Supply Point Withdrawal

- 3.1.1 In order for a User to cease to be the Registered User in respect of a Supply Point:
- (a) a User must submit, or be deemed in accordance with paragraph 2.8.7(b) to submit, a request ("**Supply Point Withdrawal**") for withdrawal; and
 - (b) the Supply Point Withdrawal must become effective

in accordance with this paragraph 3.

- 3.1.2 The Registered User in respect of a Supply Point (the "**Withdrawing Supply Point**") may at any time submit to the Transporter a Supply Point Withdrawal specifying:
- (a) the identity of the User (the "**Withdrawing User**"); and
 - (b) the Supply Point Registration Number of, and the Supply Meter Point Reference Number of one of the Supply Meter Points (the "**Withdrawing Supply Meter Points**") comprised in, the Withdrawing Supply Point.
- 3.1.3 Where a User submits or is deemed to submit a Supply Point Withdrawal, subject to paragraph 2.10.1, the User may but is not obliged to secure Isolation of any of the Withdrawing Supply Meter Points.
- 3.1.4 The Transporter will make available to all Users details of those Withdrawing Supply Meter Points which at any time have not become comprised in a Proposed Supply Point in respect of which a Supply Point Confirmation has become effective, identifying each Supply Meter Point (if any) which is or is to be Isolated.
- 3.1.5 Where a Withdrawing Supply Meter Point is comprised in a Proposed Supply Point for which the Supply Point Confirmation becomes effective, the Transporter will so notify the Withdrawing User not later than 2 Business Days after the date on which it is known that the Supply Point Confirmation will become effective.
- 3.1.6 Where a User submits a Supply Point Withdrawal in respect of a Supply Point which comprises Shared Supply Meter Point(s) the Transporter will inform each other Sharing Registered User of the submission of such withdrawal.

3.2 Effect of withdrawal

- 3.2.1 A Supply Point Withdrawal shall become effective ("**Effective Supply Point Withdrawal**") only where each of the Withdrawing Supply Meter Points:
- (a) is comprised in another Supply Point (of which the Registered User may be the Withdrawing User); and/or
 - (b) has been Isolated in accordance with paragraph 3.4

and the date of the Effective Supply Point Withdrawal shall be:

- (i) in the case of paragraph (a), the Supply Point Registration Date (of such other Supply Point); and
 - (ii) in the case of paragraph (b), the later of the date of such Isolation and the date of the Supply Point Withdrawal, or in the case of (a) and (b) the latest of any such date.
- 3.2.2 For so long as a Supply Point Withdrawal has not become effective in accordance with paragraph 3.2.1, the Withdrawing User shall remain liable for Supply Point Transportation Charges in respect of the Withdrawing Supply Point determined on the basis of the Supply Point Capacity, LDZ Capacity and (where applicable) NTS Exit Capacity held immediately before the submission of the Supply Point Withdrawal (or in

the case of an NDM Supply Point Component such capacities as revised with effect from 1 October in any Gas Year in accordance with Section H4 by reference to the new Annual Quantities and End User Categories) and for the purposes of Aggregate NDM Reconciliation the Annual Quantity of the Withdrawing Supply Point will continue to be included for the purposes of Section E7.2.2.

- 3.2.3 When a Supply Point Withdrawal has become effective in accordance with paragraph 3.2.1, the User shall cease to be the Registered User and the Supply Point (and the Supply Point Registration) shall be cancelled.
- 3.2.4 A Supply Point Withdrawal in respect of a Supply Point which comprises a Shared Supply Meter Point(s) shall be effective on the 15th Business Day after submission thereof, irrespective of whether any Shared Supply Meter Point has been Isolated, except where all of the Sharing Registered Users submit Supply Point Withdrawals on the same Day, in which case such withdrawals shall become effective only in accordance with paragraph 3.2.1.

3.3 Withdrawal: Closing Meter Read

- 3.3.1 Where a Supply Point Withdrawal becomes effective (under paragraph 3.2.1) in respect of an NDM Supply Meter Point and the Proposing User provides an Opening Meter Reading in accordance with Section M3.8, the Transporter will, within 5 Business Days after such Meter Reading was provided to it, notify such Meter Reading to the Withdrawing User and inform the Withdrawing User whether it passed the validation referred to in Section M3.3.8.
- 3.3.2 In accordance with Section M3.8.2 an Opening Meter Reading for an NDM Supply Meter Point obtained within a period of 5 Business Days commencing on the Day 2 Business Days before the Supply Point Registration Date will be deemed for all purposes of the Code to have been obtained on the Supply Point Registration Date (and the Reconciliation Values determined accordingly).

3.4 Isolation: General

- 3.4.1 For the purposes of the Code and subject to paragraph 3.8:
 - (a) **"Isolation"** of a Supply Meter Point shall mean the amendment of the Supply Point Register in accordance with paragraph 3.5.4 for the purposes of securing that gas cannot be offtaken from the Total System at such point and **"Isolate"** shall be construed accordingly;
 - (b) **"Re-establish"** shall mean the re-setting by the Transporter of the previously recorded Isolation status of a Supply Meter Point to indicate that gas can be offtaken from the Total System at such Point and **"Re-established"** and **"Re-establishment"** shall each be construed accordingly; and
 - (c) **"T/PR/GT4"** is the document relating to the cessation of the flow of gas entitled Transporters Sealing of Equipment to Protect against Theft of Gas and Tampering, as published by the Transporters from time to time.
- 3.4.2 For the avoidance of doubt and subject to paragraph 3.4.3, where a Supply Meter Point has been Isolated (and unless and until an Effective Supply Point Withdrawal) the

Registered User of the Supply Point in which it is comprised shall continue to be responsible for gas offtaken from the Total System at the Supply Meter Point.

- 3.4.3 In the case of a NDM Supply Meter Point which has been Isolated (and unless and until it is Re-established in accordance with paragraph 3.7) NDM Supply Meter Point Demand will cease to be determined in respect of that NDM Supply Meter Point in accordance with Section H2.

3.5 Isolation request

- 3.5.1 A Registered Supply Meter Point may be Isolated subject to and in accordance with this paragraph 3.5.

- 3.5.2 For the purposes of paragraph 3.5.1 the User shall:

- (a) provide to the Transporter a notification complying with the following:
 - (i) specify the identity of the User;
 - (ii) specify the relevant Supply Point Registration Number, and the Supply Meter Point Reference Number of the Supply Meter Point;
 - (iii) specify the date on which gas ceased to flow;
 - (iv) contain a Valid Meter Reading obtained on the date set out in sub-paragraph (iii) above;
 - (v) specify whether the Supply Meter Installation remains connected at the Supply Meter Point;
- (b) have complied with paragraph 3.5.5.

- 3.5.3 Subject to paragraph 3.5.4, within one Day of receipt of a notice complying with paragraph 3.5.2 the Transporter will amend the Supply Point Register to set the status of the Supply Meter Point to "**Isolated**".

- 3.5.4 Where the Supply Meter Point is a Shared Supply Meter Point the Transporter will not amend the Supply Point Register pursuant to paragraph 3.5.3 unless all Sharing Registered Users warrant that gas flow at all Supply Meter Points has ceased.

- 3.5.5 Where a User provides a notification in accordance with paragraph 3.5.2 such User shall have taken all reasonable steps to ensure that all work to cease the flow of gas has been carried out by suitably competent personnel using that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced person complying with applicable law, recognised industry standards and T/PR/GT4, engaged in the same type of undertaking and the Transporter will be entitled to assume that the User has complied with such obligation.

- 3.5.6 The Transporter will not amend the Supply Point Register pursuant to paragraph 3.5.3 in the event that:

- (a) the notification submitted pursuant to paragraph 3.5.2 does not comply with the requirements set out in such paragraph; or

- (b) the User submitting the notification is not the Registered User for the relevant Supply Meter Point on the Day that the notice is received by the Transporter.
- 3.5.7 A Supply Meter Point will be treated as Isolated for the purposes of the Code (until and unless Re-established in accordance with paragraph 3.7) with effect from the Day on which the Supply Point Register was amended pursuant to paragraph 3.5.3.
- 3.6 Urgent Cessation of Flow of Gas**
 - 3.6.1 Nothing in the Code shall prevent the Transporter from ceasing the flow of gas at any Supply Meter Point where it appears to the Transporter that it is necessary to do so for the purposes of ensuring safety; and, for the avoidance of doubt, where it does so the Transporter shall not be in breach of its obligation to make gas available for offtake.
 - 3.6.2 Where pursuant to paragraph 3.6.1 the Transporter undertakes work to cease the flow of gas at a Supply Meter Point other than at the request of the Registered User:
 - (a) the Transporter will inform the Registered User as soon as reasonably practicable after undertaking work to cease the flow of gas;
 - (b) nothing in the Code shall make the Registered User liable to make any payment to the Transporter in respect of the undertaking work to cease the flow of gas.
- 3.7 Re-establishment**
 - 3.7.1 Where a Supply Meter Point has been Isolated in accordance with paragraph 3.5.4 and the Transporter becomes aware that gas is capable of being offtaken at that time (without further action being taken) from the Total System at such point then the Transporter shall notify the Registered User of such fact.
 - 3.7.2 Where a Supply Meter Point has been Isolated and the Registered User becomes aware (whether pursuant to paragraph 3.7.1 or otherwise) that gas is capable of being offtaken at that time (without further action being taken) from the Total System at such point it shall forthwith notify the Transporter of such fact and the Transporter shall Re-establish such Supply Meter Point.
 - 3.7.3 For the avoidance of doubt, in the case of an NDM Supply Meter Point which has been Re-established, NDM Supply Meter Point Demand will be determined in respect of that NDM Supply Meter Point in accordance with Section H2 from the date of such Re-establishment.
 - 3.7.4 Where a Supply Meter Point has been Isolated and is Re-established, and an Effective Supply Point Withdrawal has not occurred and the Supply Meter continues to remain physically connected to a System during the period from the date of Isolation to the date of Re-establishment then where gas was or is being offtaken from the Total System during such period, each Registered User in respect of the period for which it is or was the Registered User shall be liable for all charges (including without limitation Transportation Charges) associated with such Supply Meter Point as if it had not been so Isolated.
 - 3.7.5 Without prejudice to the generality of paragraph 3.7.4 where a Supply Meter Point has been Isolated and an Effective Supply Point Withdrawal has occurred and the Supply Meter continues to remain physically connected to a System then:

- (a) where gas was or is being offtaken at such Supply Meter Point during such period the Relevant Registered User at the time of Isolation shall be liable for all charges (including without limitation Transportation Charges) associated with such Supply Meter Point, as if an Isolation or Effective Supply Point Withdrawal had not occurred;
- (b) where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during such period then the Relevant Registered User shall be liable for Capacity Charges and Customer Charges associated with such Supply Meter Point, as if an Isolation or Effective Supply Point Withdrawal had not occurred.

3.7.6 **"Relevant Registered User"** is the Registered User for the period commencing on the date of Isolation and ending on the next Supply Point Registration Date.

3.7.7 Charges payable in accordance with paragraph 3.7.5 shall cease to accrue on the date when a notice has been received by the Transporter that suitable works have been undertaken to ensure that the Supply Meter Point is no longer capable of offtaking gas (without further action being taken) or until Re-establishment, provided that the Transporter will be entitled to levy such charges where the Transporter discovers that suitable works have not been undertaken.

3.8 Disablement of Supply

3.8.1 In the event that a Supply Meter Point is Isolated and:

- (a) the Supply Meter Installation remains physically connected to a System, the User who is the Registered User at the time of such Isolation shall ensure that upon Effective Supply Point Withdrawal such Supply Meter Installation is physically disconnected from the System within 12 months from the date of such Effective Supply Point Withdrawal; and
- (b) in the event that the Supply Meter Installation is not physically disconnected within the period specified in sub-paragraph (a) above the Transporter will (where no supply of gas is required at the Supply Meter Point) take such actions to disable the flow of gas and the User who was the Registered User at the time of Effective Supply Point Withdrawal shall pay the Transporter's costs (as contained in the Transporter's Transportation Statement) in respect thereof.

4 Compensation Rules

4.1 Responding to Supply Point Nominations

4.1.1 For the purposes of this paragraph 4.1:

- (a) the Transporter **"responds"** to a Supply Point Nomination by rejecting such nomination (in accordance with paragraph 2.3.6) or submitting a Supply Point Offer (in accordance with paragraph 2.4.1) or submitting a referral notice (in accordance with paragraph 2.3.8); and the Transporter **"further"** responds to a referred Supply Point Nomination by submitting a Supply Point Offer (in accordance with paragraph 2.4.1);

- (b) periods within which the Transporter is to respond to a Supply Point Nomination run from the Business Day after the Supply Point Nomination was submitted; and
 - (c) a Supply Point Nomination is "**referred**" where paragraph 2.3.8 applies in relation thereto.
- 4.1.2 The Transporters will respond within 12 Business Days to not less than 97% of the referred Supply Point Nominations submitted by each User in any calendar month.
- 4.1.3 If, in respect of the referred Supply Point Nominations submitted by a User in any calendar month, the Transporters do not comply with the requirement in paragraph 4.1.2, the Transporters will (subject to the further provisions of the Code) pay to the User an amount calculated as:

$$((0.97 * A) - B - C) * £30$$

where for the relevant month:

- A is the number of referred Supply Point Nominations submitted by the User in that month;
 - B is the number of referred Supply Point Nominations submitted by the User in that month to which the Transporters did respond within 12 Business Days; and
 - C is the number of referred Supply Point Nominations where:
 - (a) the Transporter reasonably considered that a site visit was necessary (in accordance with the further provisions of this Section G); and
 - (b) the Transporter was unable to perform such site visit within 12 Business Days as a result of failure, acting reasonably, to obtain any consents necessary to undertake such site visit (and the Transporter shall not be required to seek any such consent after the 10th Business Day).
- 4.1.4 The Transporter will (subject to the further provisions of this paragraph 4) pay to the User £50 in respect of each referred Supply Point Nomination submitted by a User, if the Transporter does not respond within 17 Business Days provided that the Transporter will not be liable to pay such amounts where:
- (a) the Transporter reasonably considered that a site visit was necessary (in accordance with the further provisions of this Section G); and
 - (b) the Transporter was unable to perform such site visit within 17 Business Days as a result of failure, acting reasonably, to obtain any consents necessary to undertake such site visit (and the Transporter shall not be required to seek any such consent after the 15th Business Day).
- 4.1.5 Amounts payable under paragraph 4.1.4 are in addition to and irrespective of any amounts which may become payable in respect of any month under paragraph 4.1.3.

- 4.1.6 For the purposes of Section V10 the rules in paragraphs 4.1.3 and 4.1.4, are Compensation Rules within Compensation Group G; and in relation thereto the 'payment month' is the second month following that in which the relevant Supply Point Nomination was submitted.

4.2 Rejected Supply Point Confirmations

- 4.2.1 Where:

- (a) a Supply Point Offer submitted by the Transporter does not comply with the applicable requirements of Section G2.4 and the UK Link Manual;
- (b) the Proposing User submitted a Supply Point Confirmation (on the basis of such Supply Point Offer) in accordance with the requirements of this Section G; and
- (c) as a result of the Supply Point Offer's non-compliance (referred to in paragraph (a)) such Supply Point Confirmation was rejected

then paragraph 4.2.2 shall apply.

- 4.2.2 Where this paragraph 4.2.2 applies, the Transporter will (subject to the further provisions of the Code) pay to the Proposing User an amount of £50 for each Supply Point Confirmation rejected as described in paragraph 4.2.1(c).
- 4.2.3 For the purposes of Section V10, the rule in paragraph 4.2.2 is a Compensation Rule within Compensation Group E, and in relation thereto and subject to paragraph 4.2.4 the 'payment month' is the second month following that in which the Supply Point Confirmation was submitted.
- 4.2.4 The Transporter will not and is not required to monitor its performance in relation to the Compensation Rules under this paragraph 4.2, and will not be required to make any payment under this paragraph 4.2 unless the User in question notifies to the Transporter the circumstances in which such payment is due not later than the expiry of the second month following that in which the Supply Point Confirmation was submitted, in which case the payment month becomes the second month after the month of such notification.

4.3 Site visits

- 4.3.1 The Transporter shall be taken to have completed a Site Visit Appointment where the Transporter attends at the Supply Point Premises on a date which complies with paragraph 1.18; and
- (a) the Transporter investigates the relevant matter (as described in paragraph 1.18); or
 - (b) the User did not attend if required to do so in accordance with paragraph 1.18.3; or
 - (c) the Transporter was unable (after reasonable attempts to do so at the time of its visit) to obtain access to the Supply Point Premises.

- 4.3.2 If the Transporter does not complete all Site Visit Appointments in a calendar month, the Transporter will (subject to the further provisions of the Code) pay to the User an amount calculated as:

$$(A) - B) * £20$$

where for the relevant month:

- A is the number of Site Visit Appointments due to be carried out in that month;
- B is the number of Site Visit Appointments completed in accordance with paragraph 4.3.1.

- 4.3.3 For the purposes of Section V10, the rule in paragraph 4.3.2 is a Compensation Rule within Compensation Group H; and in relation thereto the 'payment month' is the second month following that in which the relevant Site Visit Appointment was due to be carried out.

4.4 Conventional Notices

This paragraph 4 shall not apply in respect of a User who has elected under paragraph 1.13.1 to give Code Communications as Conventional Notices.

5 DM SUPPLY POINT CAPACITY AND OFFTAKE RATE

5.1 Introduction

- 5.1.1 Except for paragraph 5.6, this paragraph 5 applies only in respect of DM Supply Point Components.
- 5.1.2 The Supply Point Capacity which a User is registered as holding at a DM Supply Point Component shall be subject to minimum and maximum requirements in accordance with this paragraph 5.
- 5.1.3 Subject to the provisions of this paragraph 5, the Registered User of a DM Supply Point Component may apply to reduce or increase its Registered DM Supply Point Capacity.
- 5.1.4 An application ("**Capacity Revision Application**") to revise (by increasing or decreasing) Registered DM Supply Point Capacity shall specify:
- (a) the Supply Point Registration Number;
 - (b) the Supply Meter Point Reference Number of one of the DM Supply Meter Points comprised in the Supply Point Component;
 - (c) the revised Supply Point Capacity and (in accordance with paragraph 5.3.2) Supply Point Offtake Rate; and
 - (d) the date in accordance with paragraph 5.1.5 with effect from which the revision is to take effect.

5.1.5 The date under paragraph 5.1.4(d) shall be:

- (a) except in paragraph (b), 5 Business Days; or
- (b) where it will (in accordance with paragraph 5.5) be necessary for the Transporter to assess the feasibility of making gas available for offtake, 21 Business Days,

after the application is submitted.

5.1.6 A User may withdraw a Capacity Revision Application by notice to the Transporter not less than 2 Business Days before the date specified pursuant to paragraph 5.1.4(d).

5.1.7 The Transporter may reject a Capacity Revision Application or an application (in accordance with paragraph 5.3.2) for a revised Supply Point Offtake Rate:

- (a) in the case of a Capacity Revision Application, where the requirements of paragraph 5.1.4 are not complied with, or (in the case of an application for an increase in Supply Point Capacity) in accordance with Section V3; and
- (b) where any other requirement of this paragraph 5 is not complied with, or in accordance with any provision of this paragraph 5 which provides for such rejection.

5.1.8 Subject to paragraph 5.1.7, the Transporter will approve a Capacity Revision Application or (pursuant to paragraph 5.3.2) an application for a revised Supply Point Offtake Rate, and will inform the Registered User where such application is approved.

5.2 Minimum capacity requirements

5.2.1 Subject to paragraph 5.2.10 a Registered User's Supply Point Capacity at a DM Supply Point Component:

- (a) shall not at any time be less than the Bottom-Stop Supply Point Capacity; and
- (b) except within the Capacity Reduction Period or in accordance with paragraph 2.7.4(b), shall not upon the Supply Point Registration Date be less than, or thereafter be reduced below, the Prevailing Supply Point Capacity.

5.2.2 For the purposes of the Code "**Capacity Reduction Period**" means the months of October, November, December and January in any Gas Year.

5.2.3 Subject to paragraph 5.2.4, at any time in the Gas Year:

- (a) subject to paragraph (d), the "**Bottom-Stop**" Supply Point Capacity in respect of a DM Supply Point Component is:
 - (i) the amount (the "**Preceding Year Maximum Capacity**") which is the highest User SPDQ for any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but not exceeding the Maximum Supply Point Capacity; or
 - (ii) if higher, but only in the case of a Firm DM Supply Point Component, where there has been a Supply Point Ratchet (in accordance with

Section B4.7) in the Gas Year, the amount of the Prevailing Supply Point Capacity (subject to and in accordance with paragraph 5.5.5) following such (or if more than one, the most recent) Supply Point Ratchet;

- (b) any New Supply Meter Point, and any Supply Meter Point which has become a DM Supply Meter Point, shall be disregarded in determining the Preceding Year Maximum Capacity of a DM Supply Point Component until the Gas Year which commences next after the first month of June which falls after the First Supply Point Registration Date or (as the case may be) the date on which the Supply Meter Point became DM;
 - (c) subject to paragraphs 5.2.5 and 5.2.6, the "**Prevailing**" Supply Point Capacity in respect of the DM Supply Point Component of a Supply Point is the Supply Point Capacity for the time being held by the Registered User; and
 - (d) in the case of a DM Supply Point Component which comprises Shared Supply Meter Point(s):
 - (i) the "**Aggregate Bottom-Stop Capacity**" shall be the amount determined (irrespective of whether there were, or which Users were, Sharing Registered Users at any relevant time) as the aggregate of the Bottom-Stop Supply Point Capacities in accordance with paragraphs (a)(i) and (ii) for all DM Supply Point Component(s) which comprised such Supply Meter Point(s);
 - (ii) for the purposes of paragraph (a)(i) the Day by reference to which the Preceding Year Maximum Capacities are determined shall be the Day of the highest aggregate User SPDQs in respect of all relevant Firm DM Supply Point Component(s);
 - (iii) the Sharing Registered Users jointly, or a User Agent on their behalf, may from time to time notify to the Transporter the amounts, and changes in the amounts, which are to be the Bottom-Stop Supply Point Capacities in respect of their respective Firm DM Supply Point Components, provided that in aggregate such amounts are equal to the Aggregate Bottom-Stop Capacity; and
 - (iv) upon any change in the Users who are Sharing Registered Users, unless Bottom-Stop Supply Point Capacities are notified to the Transporter in accordance with paragraph (iii) not later than such change, the Bottom-Stop Supply Point Capacity in respect of each Firm DM Supply Point Component shall be the Aggregate Bottom-Stop Capacity divided by the number of Firm DM Supply Point Components.
- 5.2.4 In respect of the DM Supply Point Component of a Proposed Supply Point which is a New Supply Point:
- (a) the Preceding Year Maximum Capacity shall be determined as the highest relevant daily quantity (in accordance with paragraph 5.2.5(a)) in respect of any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but shall not exceed the Maximum Supply Point Capacity; and

- (b) the Prevailing Supply Point Capacity shall be determined as the sum of the scaled relevant daily quantities (in accordance with paragraph 5.2.5(b)) for each DM Supply Meter Point comprised in the Proposed Supply Point.

5.2.5 For the purposes of paragraph 5.2.4:

- (a) the relevant daily quantity in respect of a Day is the sum of the Supply Meter Point Daily Quantities (or, in the case of a Shared Supply Meter Point, the relevant proportion thereof) for each DM Supply Meter Point comprised in the Proposed Supply Point in respect of that Day;
- (b) the scaled relevant daily quantity in respect of a DM Supply Meter Point comprised in an Existing Supply Point is the selected daily quantity (under paragraph (c)), multiplied by the Prevailing Supply Point Capacity, divided by the Preceding Year Maximum Capacity, in respect of the Existing Supply Point;
- (c) for the purposes of paragraph (b), the selected daily quantity is the Supply Meter Point Daily Quantity (or, in the case of a Shared Supply Meter Point, the relevant proportion thereof) for the Supply Meter Point in respect of the Day by reference to which the Preceding Year Maximum Capacity was determined under paragraph 5.2.4(a);
- (d) a New Supply Meter Point comprised in the Proposed Supply Point shall be disregarded; and
- (e) for the purposes of paragraphs (a) and (c), the relevant proportion is such proportion as the Sharing Registered Users jointly or a User Agent on their behalf may notify to the Transporter before the Proposed Supply Point Registration Date, provided that such proportions aggregate unity, failing which such proportion shall be one divided by the number of DM Supply Point Components which comprise the Shared Supply Meter Point.

5.2.6 At any time at which a Supply Point Offer is outstanding in respect of a Proposed Supply Point which includes a DM Supply Point Component:

- (a) the Proposing User may before submitting a Supply Point Confirmation notify the Transporter that the User considers that the circumstances in paragraph 5.2.7 apply;
- (b) where a User so notifies the Transporter:
 - (i) the User shall at the same time provide to the Transporter details of the User's reasons for its view and of the Supply Point Capacity which the User considers should be the Prevailing Supply Point Capacity, and evidence therefor;
 - (ii) the Transporter will consider the details and evidence provided by the User, and where it is reasonably satisfied that the circumstances in paragraph 5.2.7 do apply, will (after consultation with the User) notify the User of a reduced Supply Point Capacity; and
 - (iii) if the User submits a further Nomination (for the purpose of this paragraph 5.2.6) in respect of the Proposed Supply Point, the reduced

Supply Point Capacity under paragraph (ii) will be the Prevailing Supply Point Capacity for the purposes of the application of paragraph 2.7.3 in respect of any Supply Point Confirmation submitted by the User; and

- (c) where in the meantime the User has submitted a Supply Point Confirmation which has become effective, the User may by submitting a Supply Point Reconfirmation revise (consistently with such reduced Prevailing Supply Point Capacity) the Supply Point Capacity which it holds at the DM Supply Point Component, and (where the User does so) any Transportation Charges already invoiced and/or paid will be redetermined (but subject to paragraph 5.2.9) on the basis that the revised Supply Point Capacity was held with effect from the Supply Point Registration Date and appropriate invoicing adjustments made in accordance with Section S.

5.2.7 The circumstances referred to in paragraph 5.2.6 are that:

- (a) in applying for, or for an increase in, Supply Point Capacity, or in failing (in the Capacity Reduction Period) to apply for a reduction in Supply Point Capacity, an Existing Registered User acted either:
 - (i) in bad faith, in anticipation of or in consequence of the Proposing User's (or any other User's) Proposed Supply Point Registration; or
 - (ii) in good faith but in a manner which cannot reasonably be considered to have been commercially prudent for the Existing Registered User in the circumstances applicable to the Existing Registered User at the time; and
- (b) as a result, the Prevailing Supply Point Capacity is substantially higher than necessary.

5.2.8 For the purposes of paragraph 5.2.7:

- (a) the circumstances therein described do not include a change, since the application by the Existing Registered User for Supply Point Capacity or (as the case may be) an increase therein or the Capacity Reduction Period, in the nature or extent of the consumer's requirements for the supply of gas;
- (b) where the consumer's consumption of gas is weather-dependent, it shall not be considered commercially imprudent for the Existing Registered User to have held Supply Point Capacity equal to 1-in-20 peak day demand.

5.2.9 For the purposes of paragraph 5.2.6(c), no adjustment will be made in respect of any change in the Applicable Commodity Rate (where a function of Supply Point Capacity) in relation to any relevant Transportation Charge already invoiced or paid.

5.2.10 Where:

- (a) one of the Sharing Registered Users of a Supply Meter Point applies to increase its Registered Supply Point Capacity at a Firm DM Supply Point Component which includes such Supply Meter Point; and

- (b) another of such Sharing Registered Users applies to reduce its Registered Supply Point Capacity at such a Firm DM Supply Point Component with effect from the same date as, and by an amount which does not exceed the amount of, the increase applied for under paragraph (a)

then paragraph 5.2.1 shall not apply in respect of the application under paragraph (b).

5.3 Supply Point Offtake Rate

5.3.1 The "**Supply Point Offtake Rate**" in respect of a DM Supply Point Component is the maximum instantaneous rate (in kWh/hour) at which a User is permitted to offtake gas from the Total System at that Supply Point Component.

5.3.2 A User shall apply for a Supply Point Offtake Rate or revised Supply Point Offtake Rate:

- (a) when submitting a Supply Point Nomination (as a Proposing User) in respect of a Proposed Supply Point which includes a DM Supply Point Component;
- (b) when submitting a Capacity Revision Application (whether to increase or in the Capacity Reduction Period to reduce its Supply Point Capacity) in respect of a Registered DM Supply Point Component; and
- (c) whenever the User becomes aware that the maximum offtake rate at a Registered DM Supply Point Component may be or has been subject to any increase.

5.3.3 Wherever a User applies for a Supply Point Offtake Rate or a revised Supply Point Offtake Rate:

- (a) the User shall estimate the maximum offtake rate, in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care; and
- (b) the Supply Point Offtake Rate for which the User applies shall be not less than, nor substantially more than, such estimate.

5.3.4 A User shall take all reasonable steps to secure that it becomes aware of any increase (whether by reason of a change in the size or nature of, or the nature of the use of, the Consumer's Plant or otherwise) in the maximum offtake rate before and (in any event) as soon as reasonably practicable after such increase occurs (without prejudice to paragraph 5.5.4(c) or Section J3.8).

5.3.5 The Supply Point Offtake Rate prevailing at any time in respect of any DM Supply Point Component will be the Supply Point Offtake Rate specified in the Supply Point Offer, subject to any increase or decrease in such Supply Point Offtake Rate which has (at such time) been approved pursuant to paragraph 5.5.4.

5.3.6 In this paragraph 5.3, the "**maximum offtake rate**" is the maximum instantaneous rate (in kWh/hour) at which gas is or is likely to be offtaken from the Total System at a Registered DM Supply Point Component.

- 5.3.7 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), the maximum offtake rate is to be determined as at the time of the expected greatest instantaneous rate of offtake in aggregate at all of the Firm DM Supply Point Components which comprise such Shared Supply Meter Point(s).

5.4 Absolute requirement

- 5.4.1 A User's Supply Point Capacity in respect of a DM Supply Point Component shall not be greater than 24 times, or less than 4 times, the Supply Point Offtake Rate; provided that in the case of an NTS Supply Point Component the User's Supply Point Capacity shall be equal to 24 times the Supply Point Offtake Rate.
- 5.4.2 The Transporter will reject any Supply Point Nomination in respect of a Proposed Supply Point which includes a DM Supply Point Component where the Nominated Supply Point Capacity and Supply Point Offtake Rate are not in compliance with paragraph 5.4.1.
- 5.4.3 the Transporter will reject any Capacity Revision Application by the Registered User of a DM Supply Point Component where the Supply Point Offtake Rate (prevailing or applied for under paragraph 5.3.2(b)) and the increased or reduced Supply Point Capacity are not in compliance with paragraph 5.4.1.
- 5.4.4 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), the requirements in paragraph 5.4.1 shall apply by reference to the aggregate Supply Point Capacity held and the aggregate of the Supply Point Offtake Rates in respect of all the Firm DM Supply Point Components which comprise such Shared Supply Meter Point(s).

5.5 Other requirements

- 5.5.1 For the purposes of this Section G, in respect of a DM Supply Point Component:

- (a) the "**Maximum Supply Point Capacity**" is the quantity which (where it is necessary to do so under this Section G) the Transporter determines to be the maximum quantity which it is feasible to make available for offtake in a 24 hour period at the DM Supply Point Component; and
- (b) the "**Maximum Supply Point Offtake Rate**" is the instantaneous rate of offtake (in kWh/hour) which (where it is necessary to do so under this Section G) the Transporter determines to be the maximum instantaneous rate at which it is feasible to make gas available for offtake at the DM Supply Point Component

in each case consistently with the requirements of paragraph 5.4.

- 5.5.2 The "**Provisional Maximum Supply Point Capacity**" in respect of the DM Supply Point Component of a Supply Point (other than a Proposed Supply Point which is a New Supply Point and other than an NTS Supply Point) is whichever is the lesser of:
- (a) 2 times the Prevailing Supply Point Capacity; and
 - (b) 16 times the Supply Point Offtake Rate or (in the case of a Proposed Supply Point) Nominated Supply Point Offtake Rate.

- 5.5.3 Where a Proposing User submits a Supply Point Nomination (i) for a Current Supply Point, in which the Nominated Supply Point Capacity exceeds the Provisional Maximum Supply Point Capacity, or the Nominated Supply Point Offtake Rate exceeds the Supply Point Offtake Rate for the Existing Supply Point, or (ii) for a New Supply Point:
- (a) a Supply Point Offer will not be made until the Transporter has assessed whether it is feasible to make available gas for offtake at the Nominated Supply Point Offtake Rate or (in a 24 hour period) in the amount of the Nominated Supply Point Capacity;
 - (b) where the Transporter determines that the Nominated Supply Point Capacity exceeds the Maximum Supply Point Capacity, the Supply Point Capacity specified in the Supply Point Offer will be the Maximum Supply Point Capacity; and
 - (c) where the Transporter determines that the Nominated Supply Point Offtake Rate exceeds the Maximum Supply Point Offtake Rate, the Supply Point Offtake Rate specified in the Supply Point Offer will be the Maximum Supply Point Offtake Rate.
- 5.5.4 Where the Registered User of a DM Supply Point Component (i) submits a Capacity Revision Application (for an increase) in which the increased Supply Point Capacity exceeds the Provisional Maximum Supply Point Capacity, or the Supply Point Offtake Rate (applied for under paragraph 5.3.2(b)) exceeds the prevailing Supply Point Offtake Rate, or (ii) applies for an increased Supply Point Offtake Rate pursuant to paragraph 5.3.2(c):
- (a) the application will not be approved until the Transporter has assessed whether it is feasible to make available gas for offtake at the proposed Supply Point Offtake Rate or (in a 24 hour period) in the amount of the proposed Supply Point Capacity;
 - (b) where the Transporter determines that the increased Supply Point Capacity applied for exceeds the Maximum Supply Point Capacity, the application will be approved (if otherwise approved under this paragraph 5) for the Maximum Supply Point Capacity;
 - (c) where the Transporter determines that the proposed Supply Point Offtake Rate exceeds the Maximum Supply Point Offtake Rate, the application will be approved (if otherwise approved under this paragraph 5, where relevant) for the Maximum Supply Point Offtake Rate.
- 5.5.5 Where, following the occurrence of a Supply Point Ratchet in relation to a Firm DM Supply Point Component, the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity would exceed the Provisional Maximum Supply Point Capacity:
- (a) with effect from the following Day, and until the Transporter has assessed whether it is feasible to make available gas for offtake (in a 24 hour period) in the amount of such sum, the Ratchetted Supply Point Capacity shall be equal to the Provisional Maximum Supply Point Capacity;

- (b) with effect from the time at which the Transporter has assessed such feasibility, the Ratchetted Supply Point Capacity shall be equal to the lesser of:
 - (i) the Maximum Supply Point Capacity; and
 - (ii) the sum of the User's Registered Supply Point Capacity (immediately before the Supply Point Ratchet) and the Capacity Ratchet Amount; and
- (c) the Transporter will inform the Registered User of the Ratchetted Supply Point Capacity determined under paragraph (b) as soon as reasonably practicable after assessing such feasibility.

5.5.6 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), this paragraph 5.5 and paragraph 6.3.4 shall apply by reference to the aggregate of the Supply Point Capacities and Supply Point Offtake Rates, and the rates and quantities at and in which it is feasible to make gas available for offtake in aggregate, at or in respect of all the Firm DM Supply Point Components which comprise such Shared Supply Meter Point(s); and accordingly any determination pursuant to this paragraph 5.5 or paragraph 6.3.4 will be made by reference to the expected increment in the aggregate offtake of gas from the Total System at the relevant Shared Supply Meter Point(s).

5.6 Maximum NDM offtake rate

5.6.1 This paragraph 5.6 applies in respect of NDM Supply Point Components.

5.6.2 Where the Registered User becomes aware that (as a result in any change in the extent or nature of the consumer's requirements for consumption of gas) there will be or there has been a threshold rate increase in respect of an NDM Supply Point Component whose Annual Quantity exceeds 732,000 kWh (25,000 *therms*) paragraph 5.6.5 shall apply.

5.6.3 For the purposes of this paragraph 5.6, a "**threshold rate increase**" is an increase in the maximum rate at which gas is from time to time offtaken from the Total System at the NDM Supply Point Component of more than:

- (a) where the Annual Quantity does not exceed 2,196,000 kWh (75,000 *therms*), 100 kW;
- (b) where the Annual Quantity exceeds 2,196,000 kWh (75,000 *therms*), 300 kW.

5.6.4 The Registered User shall take all reasonable steps to secure that it is made aware of any threshold rate increase before such increase occurs.

5.6.5 In the circumstances in paragraph 5.6.2, the Registered User shall:

- (a) notify the Transporter not less than 21 Business Days before the first time at which the threshold rate increase will occur, or if later as soon as possible after becoming aware of such increase, providing reasonable details of the amount of or reason for the increase;

- (b) take reasonable steps to secure that no threshold rate increase, or no further offtake at the rate of the threshold rate increase, occurs until such time as the Transporter has either:
 - (i) provided to the User the notice referred to in paragraph (c); or
 - (ii) notified the User that it is feasible to make gas available for offtake at the Supply Point Component at the increased rate notified under paragraph (a); and
 - (c) where the Transporter notifies to the User a rate which the Transporter determines as being the maximum instantaneous rate at which it is feasible to make gas available for offtake at the Supply Point Component, secure that the rate of offtake of gas does not exceed such rate.
- 5.6.6 The Transporter will not be obliged under any provision of the Code to make gas available for offtake at an NDM Supply Point Component at any rate in excess of a rate in respect of which the requirements of this paragraph 5.6 have been complied with.

6 INTERRUPTIBLE SUPPLY POINTS

6.1 General

- 6.1.1 (a) Subject to the further provisions of this paragraph 6, where at any time a Supply Point is eligible to be an Interruptible Supply Point in accordance with paragraph 6.2, the Registered User may by giving notice to the Transporter not later than the Change Request Deadline designate the Supply Point as being Interruptible with effect from an Eligible Status Change Date.
- (b) Subject to the further provisions of this paragraph 6, where at any time a Firm Supply Point, other than a Firm Supply Point in which any Shared Supply Meter Point is comprised, is eligible to be an Interruptible Supply Point in accordance with paragraph 6.2, the Registered User of that Firm Supply Point and the Registered User of an Interruptible Supply Point, other than an Interruptible Supply Point in which any Shared Supply Meter Point is comprised, may, by giving written notice to the Transporter and on payment by the Registered User of the Interruptible Supply Point of the Administration Charges (if any) set out in the Transportation Statement, designate the Firm Supply Point and the Interruptible Supply Point to be Partner Supply Points with effect from the notification by the Transporter being no more than 20 Business Days from the date of the notice to the Transporter, the Transporter may, from time to time issue guidelines to Registered Users to ensure that Partner Supply Points create an equivalent effect on the relevant System.
- (c) A Supply Point which has been designated by the Registered User and confirmed by the Transporter to be a Partner Supply Point will remain so designated until and unless its designation is cancelled by the Registered User by giving at least 10 Business Days' written notice to the Transporter, or in accordance with paragraph (d).
- (d) Where another User is to become the Registered User of a Partner Supply Point, the Proposing User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date notify the Transporter of such

change. The Partner Supply Point shall transfer to the new Registered User from the Supply Point Registration Date as a Partner Supply Point.

- (e) Where the Partner Interruptible Supply Point has a Firm Allowance in place in accordance with paragraph 1.15, such Firm Allowance may not be transferred to the Partner's Firm Supply Point, unless in the Transporter's reasonable opinion the Transportation Requirement is satisfied.
- 6.1.2 A Supply Point which has been designated as Interruptible will continue to be so designated until and unless it is redesignated as Firm under paragraph 6.3 or paragraph 6.9.
- 6.1.3 For the purposes of the Code:
- (a) a Supply Point is "**Interruptible**" where the offtake of gas from the Total System at the Supply Point is subject to Interruption in accordance with paragraph 6.7, and otherwise is "**Firm**";
 - (b) an "**Interruptible Supply Point**" is a Supply Point which is for the time being designated as Interruptible;
 - (c) a "**Firm Supply Point**" is a Supply Point which is not for the time being designated as Interruptible (including one which has been redesignated as Firm);
 - (d) a Partner Supply Point is a Partner Interruptible Supply Point or a Partner Firm Supply Point;
 - (e) a Partner Interruptible Supply Point is an Interruptible Supply Point which has, for the time being, in accordance with paragraph 6.1.1(b) nominated a Firm Supply Point to be its Partner Supply Point;
 - (f) a Partner Firm Supply Point is a Firm Supply Point which has, for the time being, in accordance with paragraph 6.1.1(b) been nominated to be a Partner Supply Point to an Interruptible Supply Point;
 - (g) a Network Sensitive Load ("**NSL**") is an Interruptible Supply Point where its specific interruption may be required by the Transporter for the purpose of maintaining the offtake of gas at the Firm Supply Points which are located in the local area of, and are connected to the same local pipeline system as such Interruptible Supply Point. As a consequence, such Interruptible Supply Point is therefore likely to have a higher probability of interruption than an Interruptible Supply Point which is not an NSL.
- 6.1.4 For the purposes of this Section G:
- (a) a reference to a Supply Meter Point changing status is a reference to the Supply Point in which it is comprised becoming a Firm Supply Point where it was Interruptible or becoming an Interruptible Supply Point where it was Firm; and where a Supply Meter Point has changed status it will (but without prejudice to the provisions of this paragraph 6.1 pursuant to which it may change status) continue to be treated as having done so irrespective of the Registered User of any Supply Point in which it may subsequently be comprised;

- (b) an "**Eligible Status Change Date**" is a date with effect from which a Firm Supply Point may become Interruptible or an Interruptible Supply Point may become Firm;
 - (c) in relation to a Supply Point at any time an Eligible Status Change Date is:
 - (i) if no Supply Meter Point comprised in the Supply Point has at any time changed status, any date;
 - (ii) except as provided in paragraph (i) or (iii), the date is not less than 12 months after the most recent date on which any such Supply Meter Point changed status (for the purposes of which the date of a change in status of a Supply Meter Point pursuant to paragraph 6.3.7 shall not be counted); and
 - (iii) if the Interruptible status of a Supply Point is being transferred to one or more Firm Supply Points which create an equivalent effect on the Network, any date;
 - (d) in relation to an Eligible Status Change Date the "**Change Request Deadline**" is the Day two months before such Eligible Status Change Date; and
 - (e) where a User submits a Supply Point Confirmation which becomes effective in respect of a Supply Point, the Transporter will if requested by the User provide to the User as soon as reasonably practicable after the Supply Point Registration Date such information as may be necessary to enable the User to ascertain the Eligible Status Change Date or Dates.
- 6.1.5 Where a User submits a Supply Point Confirmation in respect of a Proposed Supply Point which includes any Supply Meter Point comprised in an Existing Supply Point which (at the Proposed Supply Point Registration Date) is Interruptible:
- (a) if each Existing Supply Point is Interruptible, the Proposed Supply Point will (if the Supply Point Confirmation becomes effective) be an Interruptible Supply Point, except that if the Supply Point Confirmation was submitted before the Change Request Deadline and the Proposed Supply Point Registration Date is not later than an Eligible Status Change Date, the Proposing User may (subject to and in accordance with paragraph 6.3) redesignate the Supply Point as Firm with effect from the Eligible Status Change Date; and
 - (b) (in accordance with paragraph 2.7.6) if there is another Existing Supply Point which (at the Proposed Supply Point Registration Date) is not Interruptible:
 - (i) the Proposed Supply Point Registration Date must be an Eligible Status Change Date; and
 - (ii) the Proposing User may designate (provided the Proposed Supply Point is eligible in accordance with paragraph 6.2.1, and subject to paragraph 6.3) the Proposed Supply Point as Interruptible or Firm.
- 6.1.6 Where a User has submitted a Supply Point Confirmation which will (in accordance with paragraph 2.8.7 or 2.9.1) become effective, no Existing Registered User may

submit a notice designating an Existing Supply Point as Interruptible or redesignating it as Firm.

- 6.1.7 A notice designating a Supply Point as Interruptible or redesignating a Supply Point as Firm with effect from an Eligible Status Change Date may be revoked by the Registered User before but not after the Change Request Deadline; and accordingly a User who submits a Supply Point Confirmation after the Change Request Deadline may not alter the designation (as Interruptible or Firm) of the Supply Point until the next following Eligible Status Change Date.
- 6.1.8 Without prejudice to the generality thereof, the indemnity provided for in Section V11.1.1 shall apply in respect of the taking of any steps or the exercise by the Transporter of any entitlement provided for in this paragraph 6.
- 6.1.9 In respect of an Interruptible Supply Point the Registered User (or Sharing Registered Users) shall:
 - (a) not be required to pay NTS Exit Capacity Charges and LDZ Capacity Charges; and
 - (b) be entitled to a payment, where in respect of an Interruptible Supply Point the Transporter requires Interruption on more than 15 Days in any Formula Year, calculated in the manner provided in the Transportation Statement.

6.2 Conditions for designation as Interruptible

- 6.2.1 A Supply Point is eligible to be designated an Interruptible Supply Point in any Gas Year for which its Annual Quantity is greater than 5,860,000 kWh (*200,000 therms*).
- 6.2.2 In accordance with paragraph 1.7, a Supply Point includes a Shared Supply Meter, the Shared Supply Meter Point Notification shall provide (pursuant to paragraph 1.7.6(a)) for allocation in tranches:
- 6.2.3 By designating a Supply Point as Interruptible with effect from an Eligible Status Change Date, or submitting a Supply Point Confirmation in respect of an Interruptible Supply Point, and by not redesignating an Interruptible Supply Point as Firm with effect from an Eligible Status Change Date, the Registered User represents to the Transporter that, or where the User is not the supplier that the supplier has represented to the User that, the requirement in paragraph 6.2.4 will be complied with.
- 6.2.4 The requirement referred to in paragraph 6.2.3 is that the contract or contracts of supply to the consumer, in force at the Eligible Status Change Date or (as the case may be) the Supply Point Registration Date, oblige the consumer to give effect to Interruption (including in the case where the requirement for Interruption is notified by the Transporter under paragraph 6.8.4).
- 6.2.5 Without prejudice to paragraph 6.2.4, a Supply Point which includes an NDM Supply Point Component may (subject to this paragraph 6.2) be designated as Interruptible.

6.3 Redesignation as Firm

- 6.3.1 Where a Supply Point is for the time being an Interruptible Supply Point:

- (a) subject to paragraph 6.3.2 and except where the Supply Point is or is to be a TNI Supply Point, the Registered User may redesignate the Supply Point as Firm with effect from an Eligible Status Change Date, by giving notice to the Transporter not later than the Change Request Deadline;
- (b) where the Supply Point ceases to be eligible in accordance with paragraph 6.2.1 in respect of any Gas Year, the Supply Point shall unless the Transporter otherwise determines be redesignated as Firm with effect from the first Eligible Status Change Date in that Gas Year.

6.3.2 Where:

- (a) pursuant to any provision of this paragraph 6 a Supply Point is to be redesignated or (pursuant to paragraph 6.1.5(b)(ii)) designated as Firm with effect from an Eligible Status Change Date; and
- (b) the Transporter determines and notifies the User that the Firm Transportation Requirement is not satisfied

the designation or redesignation as Firm will not be effective and (subject to paragraph 6.3.5) the Supply Point will continue to be an Interruptible Supply Point.

6.3.3 In the case of a redesignation as Firm pursuant to paragraph 6.3.1(a), any notification by the Transporter under paragraph 6.3.2(b) will be given not later than one month after the relevant Change Request Deadline.

6.3.4 For the purposes of the Code the "**Firm Transportation Requirement**" in respect of an Interruptible Supply Point is the requirement that (after taking into account the Transporter's ability to Interrupt at other Interruptible Supply Points) it would be feasible to make gas available for offtake at the Supply Point (if the Supply Point were Firm) at a rate not less than the Supply Point Offtake Rate (and as respects any NDM Supply Point Component, an appropriate estimated rate of offtake) and in quantities (in a 24 hour period) in the amount of the Supply Point Capacity which the User would (pursuant to paragraph 6.3.9) hold upon its redesignation as Firm.

6.3.5 Subject to paragraph 6.3.6, the Registered User may after an Eligible Status Change Date redesignate a Siteworks Specified Interruptible Supply Point as Firm in accordance with paragraph 7.4.6.

6.3.6 Subject to paragraph 6.3.7, a User may not redesignate a Supply Point as Firm pursuant to paragraph 7.4.6 unless the User had not later than the Change Request Deadline given notice under paragraph 6.3.1(a) of such redesignation which pursuant to paragraph 6.3.2 was not effective.

6.3.7 Where at any time:

- (a) a Supply Point is Interruptible; and
- (b) the Registered User demonstrates to the reasonable satisfaction of the Transporter that, by reason of a substantial change, which has occurred since and was not reasonably foreseeable at the most recent Change Request Deadline, in the physical nature of the consumer's requirements for the supply of gas, the consumer requires the Supply Point to be Firm

the User may (subject to paragraph 6.3.2) redesignate the Supply Point as Firm with effect from any later Day.

- 6.3.8 Where in any Gas Year a Supply Point is redesignated as Firm pursuant to paragraph 6.3.7, until the first Eligible Status Change Date which is more than 12 months after the date of such redesignation, no Supply Meter Point comprised in the Supply Point may be comprised in any Interruptible Supply Point (irrespective of the Registered User).
- 6.3.9 Where an Interruptible Supply Point is redesignated as Firm, or for the purposes of calculating charges where there has been a failure to Interrupt, the Registered Supply Point Capacity held by the Registered User at the DM Supply Point Component or the Supply Point respectively shall be whichever is the greater of the Prevailing Supply Point Capacity and the Bottom-Stop Supply Point Capacity (and the Supply Point Offtake Rate shall be unchanged).

6.4 SDMC(I) Supply Points

- 6.4.1 Where the Transporter reasonably determines, in relation to an Interruptible Supply Point with a DM Supply Point Component whose Annual Quantity does not exceed 58,600,000 kWh (2,000,000 therms), that (by reason of the location or other characteristics of the part of the System in which the Supply Point is located, or the nature of the Consumer's Plant) the operational benefits of the Transporter's ability to Interrupt the Supply Point would be materially diminished unless individual Output Nominations are made in respect of the Supply Point, the Transporter may designate the Supply Point as requiring individual Output Nominations for the purposes of Section A4.5.3.
- 6.4.2 Any designation under paragraph 6.4.1 shall be:
- (a) in the case of an existing Supply Point Registration, by notice to the Registered User not later than the 5th Business Day in September in the Gas Year preceding the first Gas Year in which such designation is to be effective; or
 - (b) in the case of a Proposed Supply Point Registration, in the Supply Point Offer.

6.5 TNI Supply Points

- 6.5.1 Where the Transporter determines that the relevant number of Days (in accordance with paragraph 6.5.2) would exceed 45 in any Gas Year, the Transporter may with effect from 1st October (or any other Day agreed with the Registered User) designate an Interruptible Supply Point as being a "**TNI Supply Point**" by giving notice of not less than 12 months (or such lesser period as the Registered User may agree) to the Registered User.
- 6.5.2 For the purposes of paragraph 6.5.1 the relevant number of Days is the number of Days on which, after taking into account the Transporter's ability to Interrupt at other Interruptible Supply Points, the Transporter estimates that, in a year of 1-in-50 Severe Annual Demand, Interruption would be required at the Supply Point.
- 6.5.3 Where the Transporter designates an Interruptible Supply Point as a TNI Supply Point, the Transporter's notice to the Registered User will specify the number of Days (exceeding 45) on which the Transporter may Interrupt the Supply Point or Tranche (in

accordance with paragraph 6.10.1(b)) at the Supply Point in accordance with paragraph 6.7.

- 6.5.4 The Transporter may from time to time by a further notice (of not less than 12 months) under paragraph 6.5.1 or by agreement with the Registered User alter the Interruption Allowance of a TNI Supply Point.
- 6.5.5 Subject to paragraph 6.3.6, the Registered User may (whether on or after an Eligible Status Change Date) redesignate a Siteworks Specified TNI Supply Point as Firm in accordance with paragraph 7.4.6 or apply to redesignate the Interruption Allowance in respect of a TNI Supply Point to a Siteworks Specified number of Days.
- 6.5.6 The Transporter may withdraw the designation of a Supply Point as a TNI Supply Point by giving notice of not less than 12 months (or such lesser period as the Registered User may agree) to the Registered User.
- 6.5.7 Where a User submits a Supply Point Confirmation which becomes effective in respect of an Interruptible Supply Point:
 - (a) if any Existing Supply Point is, or pursuant to a notice given by the Transporter to the Existing Registered User pursuant to paragraph 6.5.1 would have become, a TNI Supply Point, the Proposed Supply Point shall be, or as the case may be shall (with effect from the date when the Existing Supply Point would have become a TNI Supply Point) become, a TNI Supply Point;
 - (b) any Existing Supply Point is, but pursuant to a notice given by the Transporter pursuant to paragraph 6.5.6 would have ceased to be, a TNI Supply Point, the Proposed Supply Point shall (with effect from the date when the Existing Supply Point would have ceased to be a TNI Supply Point) cease to be a TNI Supply Point.
- 6.5.8 The Transporter will, within 10 Business Days after the date of any Supply Point Nomination in respect of an Interruptible Supply Point (or if later as soon as practicable thereafter), notify the Proposing User of whether (and where applicable the date from which) the Proposed Supply Point is or is to become, and/or is to cease to be, a TNI Supply Point pursuant to paragraphs 6.5.7.

6.6 Requirements as to Interruptible Supply Points

- 6.6.1 Where a User is or is to become the Registered User of one or more Interruptible Supply Points the User shall:
 - (a) not later than the relevant date (in accordance with paragraph 6.6.4) in respect of the first Interruptible Supply Point of which it becomes Registered User, provide to the Transporter at least one telephone number and at least one facsimile number (but not more than 4 numbers in total) by means of which the Transporter may contact, 24 hours a Day, a representative of the User, and the name(s) or title(s) of not more than 3 representatives of the User who may be contacted at such numbers;
 - (b) maintain the details provided under paragraph (a) up to date, and notify the Transporter of any change in such details before such change takes effect; and

- (c) secure that at all times on each Day one of such representatives is available and capable of being so contacted by telephone (with access to facsimile) or by facsimile.
- 6.6.2 A User shall, in relation to each Interruptible Supply Point of which it is or is to become the Registered User:
 - (a) not later than the relevant date (in accordance with paragraph 6.6.4), provide to the Transporter:
 - (i) in accordance with paragraph 6.6.2(e), the names and/or job titles of representatives of the consumer ("**interruption contacts**") (who, for the avoidance of doubt, may be the same contacts as those referred to in Section Q as "emergency contacts"), provided that the total number of interruption contacts provided for under this paragraph (and emergency contacts provided for under Section Q) shall not exceed 5 in relation to any Supply Point;
 - (ii) at least 1 (but not more than 4) telephone numbers for each interruption contact by means of which the Transporter may contact, 24 hours a day, at least one interruption contact; and
 - (iii) one facsimile number, for the purposes of receiving communications pursuant to Section G and Section Q, which is able to receive transmissions 24 hours a day;
 - (b) take all reasonable steps to secure that the details provided under paragraph (a) are maintained up to date and to notify the Transporter of any change in such details before such change takes effect;
 - (c) take all reasonable steps to secure that at all times on each Day one of such representatives is available and capable of being so contacted by telephone (with access to facsimile) and by facsimile;
 - (d) secure that the consumer acknowledges the right of the Transporter to contact the consumer in the circumstances in paragraph 6.8.4 and undertakes to comply with any notification by the Transporter thereunder; and
 - (e) for the purposes of paragraph 6.6.2(a):
 - (i) in the case of an Interruptible Supply Point in respect of any site which is manned 24 hours a day, provide to the Transporter the name(s) and/or job title(s) of at least 1 but not more than 4 interruption contacts; and
 - (ii) in the case of an Interruptible Supply Point in respect of any site which is not manned 24 hours a day, provide to the Transporter the name(s) and/or job title(s) of at least 1 but not more than 2 interruption contacts.
- 6.6.3 For the purposes of enabling the Transporter to plan the exercise of its rights as to Interruption of Interruptible Supply Points, in relation to each Gas Year the Registered User of an Interruptible Supply Point or a Partner Supply Point will, if so required by the Transporter, not later than the relevant date (in accordance with paragraph 6.6.4)

and thereafter from time to time upon any significant change in such details, obtain from the consumer or supplier and provide to the Transporter the consumer's best estimate of the following details:

- (a) whether or not gas is likely in normal circumstances to be offtaken at or between particular times of Day specified by the Transporter for the purposes of this paragraph 6.6.3;
- (b) the maximum quantity of gas to be offtaken on any Saturday and on any Sunday; and
- (c) holiday periods in each year during which gas will not be offtaken from the Total System at the Supply Point (or the DM Supply Point Component thereof).

6.6.4 For the purposes of this paragraph 6.6 the relevant date in respect of an Interruptible Supply Point or a Partner Supply Point is:

- (a) where the Registered User designates the Supply Point as Interruptible or as a Partner Supply Point from the date set in accordance with paragraph 6.6.1(b); or
- (b) the date on which the User submits a Supply Point Confirmation in respect of the Supply Point.

6.6.5 Where, in relation to any Interruptible Supply Point (but without prejudice to Section C in relation to Renominations), the Registered User or supplier:

- (a) exercises (other than pursuant to an Interruption Notice under paragraph 6.8.1) any entitlement to require the consumer to discontinue consuming gas offtaken from the Total System on a Day; or
- (b) having exercised such an entitlement, authorises the consumer to resume such consumption

the Registered User will as soon as reasonably practicable, and in accordance with paragraph 6.6.7, inform the Transporter of the matters set out in paragraph 6.6.6, provided that the Registered User shall use reasonable endeavours to inform the Transporter not more than one hour after such discontinuance and/or not less than one hour before such resumption.

6.6.6 The matters to be informed by the Registered User to the Transporter pursuant to paragraph 6.6.5 are:

- (a) the identity of the Interruptible Supply Point;
- (b) the time with effect from which the consumer will be required to discontinue, or authorised to resume, consumption; and
- (c) an estimate of the amount by which the quantity of gas offtaken will increase or decrease as a result of such discontinuance or resumption.

6.6.7 For the purposes of paragraph 6.6.5 the User will give the relevant information to the Transporter by means of telephone or facsimile, unless it has given to the Transporter not less than one month's notice of its intention to give such information by Batch Transfer Communication, in which case such User will give information to the

Transporter for the purposes of paragraph 6.6.5 only by Batch Transfer Communication, and will promptly inform the Transporter by telephone or facsimile of the transmission of each such Batch Transfer Communication.

- 6.6.8 Where the Transporter notifies a User that it is unable satisfactorily to access a Batch Transfer Communication transmitted pursuant to paragraph 6.6.7, that User will promptly send to the Transporter by facsimile the information contained in that Batch Transfer Communication.

6.7 Interruption

- 6.7.1 For the purposes of the Code "**Interruption**" at a Supply Point means interruption on the Transporter's instruction (for one or more Days or parts of a Day) of the offtake of gas from the Total System at each Supply Meter Point comprised in the Supply Point, and references to a Supply Point being Interrupted and to the Transporter's right to Interrupt a Supply Point shall be construed accordingly. Interruption at a Partner Firm Supply Point shall be treated as if the Interruption took place at the Partner Interruptible Supply Point.

- 6.7.2 Where (in accordance with this paragraph 6) the Transporter requires Interruption at a Supply Point:

- (a) the Registered User shall secure that (subject to paragraph 6.7.7) the requirement in paragraph (b) is complied with;
- (b) subject to paragraph 6.10.4, the requirement is that no gas (beyond the Shutdown Tolerance) shall be offtaken from the Total System at the Supply Point, with effect from the Interruption Start Time (in accordance with paragraph 6.8.1) and until such time as the Transporter shall specify in accordance with paragraph 6.8.5; and
- (c) the Registered User has a Firm Allowance greater than 3,000 kWh/Day (*100 therms/Day*) granted in accordance with paragraph 1.15 then no Shutdown Tolerance shall be available in accordance with paragraph (b). Where the Firm Allowance is less than 3,000 kWh/Day (*100 therms/Day*) a residual Shutdown Tolerance of 3,000 kWh/ Day (*100 therms/Day*) less the Firm Allowance shall be available.

- 6.7.3 Subject to paragraph 6.7.5, the Transporter may require Interruption at an Interruptible Supply Point:

- (a) on any Day on which there is or the Transporter anticipates that there would otherwise be a relevant Transportation Constraint (in accordance with paragraph 6.7.4);
- (b) on not more than 3 Days in any Gas Year, where the Transporter has any reasonable doubt as to whether the requirements in paragraph 6.2.4 are satisfied or the provisions of this paragraph 6 in relation to Interruption are or are capable of being complied with in respect of the Supply Point, for the purposes of verifying such matters; and
- (c) on any Day in respect of which, at any time, Forecast Total System Demand exceeds 85% of Total System 1-in-20 peak day demand

the Transporter may, where it has issued an Interruption Notice pursuant to one of the above sub-paragraphs, issue a replacement Interruption Notice pursuant to a different sub-paragraph. From the time at which such replacement notice takes effect all rights, obligations or restrictions applicable to such replacement notice shall apply accordingly and shall supersede those applicable to the replaced notice.

- 6.7.4 A relevant Transportation Constraint is a Transportation Constraint which would be relieved (in whole or in part) by the discontinuance or suspension of offtake at the Interruptible Supply Point (provided that the Transporter will not be required to exercise its entitlement to require Interruption in respect of an Interruptible Supply Point which is a Maintenance Affected Point pursuant to Section L4.3).
- 6.7.5 The number of Days (including parts of a Day) in respect of which the Transporter requires Interruption in respect of an Interruptible Supply Point in any Gas Year shall not exceed the following (the "**Interruption Allowance**"):
- (a) except in the case of a TNI Supply Point, 45 Days;
 - (b) in the case of a TNI Supply Point, the number of Days for the time being specified pursuant to paragraph 6.5.3

provided that a Day in respect of which the Transporter gives more than one Interruption Notice shall be counted only as one Day of Interruption at the Supply Point provided further that the Transporter may continue to require Interruption at certain Tranches at a Supply Point (up to the Interruption Allowance of such Tranches) where the Interruption Allowance of such Tranches is greater than that of other Tranches at the same Supply Point whose Interruption Allowances have been fully utilised.

- 6.7.6 Where a Supply Point Confirmation in respect of an Interruptible Supply Point becomes effective on a Day other than 1 October:
- (a) Days (in the Gas Year in which the Supply Point Registration Date falls) in respect of which the Transporter required Interruption of the Existing Supply Point, up to but not including the Supply Point Registration Date, shall be counted towards the use of the Interruption Allowance; provided that where the Proposed Supply Point is a New Supply Point the number of Days so counted shall be the average, weighted by reference to the Annual Quantity of each Supply Meter Point comprised in the New Supply Point, of the number of Days of Interruption in the relevant Gas Year in respect of each Interruptible Existing Supply Point;
 - (b) upon request of the Proposing User made after the Supply Point Registration Date, the Transporter will inform the Registered User of the number of Days counted towards the use of the Interruption Allowance pursuant to paragraph (a); and
 - (c) where the Proposed Supply Point comprises only New Supply Meter Points:
 - (i) if the Supply Point Registration Date is before 1 April in the relevant Gas Year, the Interruption Allowance shall be in accordance with paragraph 6.7.5;

- (ii) if the Supply Point Registration Date is on or after 1 April in the relevant Gas Year, the Interruption Allowance shall be reduced from that determined in accordance with paragraph 6.7.5 by 1/6th for each completed month in such Gas Year after 1 April and before the Supply Point Registration Date.
- 6.7.7 In the case of an Interruptible Supply Point which is not comprised in a Partner Supply Point or a Shared Supply Meter Point, other than as provided in paragraph 1.7.5, the Transporter may, at its discretion on application by the Registered User, allow the Registered User to satisfy the requirement for Interruption by a reduction in offtake rather than a total discontinuance in offtake at the Supply Point, in accordance with paragraph 6.10 ("**Partial Interruption**").
- 6.7.8 The exercise by the Transporter of any right (other than pursuant to this paragraph 6) to require or secure the discontinuance or reduction of offtake at any Supply Meter Point shall not count towards the use of the Interruption Allowance or otherwise count as Interruption for the purposes of this paragraph 6.
- 6.7.9 Without prejudice to the requirement under paragraph 6.7.2(b), it is acknowledged that pursuant to Section H a User will be treated as having offtaken gas from the Total System at an Interruptible NDM Supply Point Component on a Day on which the Transporter required Interruption, and that such treatment will not constitute failure to Interrupt for the purposes of paragraph 6.9.
- 6.7.10 The Transporter will notify the Registered User when the Transporter requires an Interruptible Supply Point to be designated as an NSL (for the time being). Such notice will be sent no less than 20 Business Days in advance of the date of the required status change.
- 6.7.11 Where the Transporter has designated an Interruptible Supply Point as an NSL and its interruption has been required in accordance with paragraph 6.1.3(g), then the provisions of paragraph 6.8.2 shall cease to apply to such Interruptible Supply Point for the period it is designated as an NSL.
- 6.7.12 When the Transporter no longer requires the Interruptible Supply Point to be designated as an NSL it shall notify the Registered User accordingly and from the date of such notification such Interruptible Supply Point shall cease to be so designated.
- 6.7.13 Any Interruptible Supply Point which has been designated as an NSL will not be treated as a TNI Supply Point unless such Interruptible Supply Point has been designated as a TNI Supply Point in accordance with paragraph 6.5.

6.8 Notification requirements

- 6.8.1 Where the Transporter requires or has a revised requirement for Interruption in respect of one or more Supply Points, the Transporter will give to the Registered User, not less than 5 hours before the time ("**Interruption Start Time**") with effect from which Interruption is required, notice ("**Interruption Notice**") specifying:
 - (a) the Supply Points (and Tranches where applicable) to be Interrupted;
 - (b) the Gas Flow Day;

- (c) the Interruption Start Time; and
 - (d) the Transporter's estimate (which shall not bind the Transporter) of the time at which the requirement for Interruption will cease to apply.
- 6.8.2 The User may request by telephone or facsimile an alteration to the Supply Points specified in the Interruption Notice; and where not less than 5 hours before the Interruption Start Time the Transporter and the User have agreed (but so that the Transporter shall not be required to agree) upon such an alteration, the Interruption Notice will be revised accordingly and resubmitted by the Transporter to the User as soon as reasonably practicable.
- 6.8.3 The User shall, by telephone or facsimile (or otherwise in accordance with this paragraph 6.8):
 - (a) not later than 30 minutes after Interruption Notice was given, acknowledge receipt of that notice;
 - (b) not later than 5 hours after Interruption Notice was given, confirm to the Transporter that Interruption (in accordance with such notice) has taken place or shall take place;
 - (c) as soon as reasonably practicable, notify the Transporter of any facts or circumstances known to the User that might prevent Interruption from taking place or cause Interruption to take place after the Interruption Start Time; and
 - (d) in the case of a Partner Interruptible Supply Point confirm to the Transporter, at which Partner Supply Point the Interruption has taken place or will take place.
- 6.8.4 Where the User has not acknowledged receipt of an Interruption Notice within 30 minutes after such notice was given, the Transporter may not less than 4 hours before the Interruption Start Time notify the requirement for Interruption at each relevant Supply Point directly to the consumer, specifying the Gas Flow Day and Interruption Start Time.
- 6.8.5 Where the Transporter has given an Interruption Notice in respect of any Supply Point, as soon as reasonably practicable after the Transporter determines that the requirement for Interruption no longer applies or will at a certain time cease to apply (having regard to the circumstances in accordance with paragraph 6.7.3 in which such notice was given), the Transporter will so notify the User specifying the time (where later than the time of such notification) at which the requirement for Interruption will no longer apply.
- 6.8.6 As soon as reasonably practicable after the Transporter has given one or more Interruption Notices, it will send to all relevant Registered Users an Active Notification Communication stating that, in relation to all Users who have made an election under paragraph 6.8.7, such Batch Transfer Communications have been sent by the Transporter.
- 6.8.7 A User may elect, by giving not less than one month's notice to the Transporter:
 - (a) to receive all Interruption Notices in respect of Supply Points in relation to which it is Registered User; and
 - (b) to give all confirmations pursuant to paragraph 6.8.3(b)

by means of Batch Transfer Communication.

6.8.8 Subject to paragraphs 6.8.9 and 6.8.10, where a User makes an election under paragraph 6.8.7, on expiry of the relevant period of notice Code Communications for the purposes of paragraphs 6.8.1 and 6.8.3(b) shall be given by Batch Transfer Communication, and where the User gives any Code Communication to the Transporter under this paragraph 6.8 by Batch Transfer Communication, the User must promptly inform the Transporter, by telephone or facsimile, of the transmission of such Batch Transfer Communication.

6.8.9 Where:

- (a) the Transporter has given to a User an Interruption Notice by Batch Transfer Communication;
- (b) the User is unable, in accordance with Section U 4.5, to access such Batch Transfer Communication; and
- (c) the User notifies the Transporter of such inability, by telephone or facsimile, not later than 30 minutes after the Interruption Notice was given

the Transporter will give to the User Interruption Notice by facsimile, and this facsimile shall constitute an Interruption Notice for the purpose of establishing the Interruption Start Time.

6.8.10 Where any User has made an election pursuant to paragraph 6.8.7, that User may elect by notice to the Transporter:

- (a) to receive all Interruption Notices in respect of Supply Points in relation to which it is Registered User; and
- (b) to give all confirmations under paragraph 6.8.3(b)

by facsimile, provided that no election may be made under this paragraph 6.8.10 less than one month after the date of an election by that User under paragraph 6.8.7.

6.8.11 Where a User makes an election under paragraph 6.8.10, on expiry of one month from the date of the relevant notice, or from such other date as the Transporter and the User may agree, Code Communications for the purposes of paragraph 6.8.1 and 6.8.3(b) shall be given by telephone or facsimile.

6.8.12 Where an Interruptible Supply Point comprises Shared Supply Meter Point(s):

- (a) paragraph 6.8.2 shall not apply in respect of such Supply Point;
- (b) where there is more than one Interruptible Supply Point which comprises such Shared Supply Meter Point(s), any requirement for Interruption will apply in respect of all (and not some only) of such Interruptible Supply Points; and
- (c) where a Sharing Registered User Agent is appointed, any Interruption Notice will be submitted (notwithstanding any requirement for submission to any User) to such Agent as well as to the Sharing Registered Users of the Interruptible Supply Points.

6.9 Failure to Interrupt

6.9.1 For the purposes of the Code:

- (a) subject to paragraph (b), there is a "**failure to Interrupt**" at an Interruptible Supply Point where, on any occasion on which the Transporter requires Interruption in respect of the Supply Point, the requirement in paragraph 6.7.2(b) is not complied with in respect of each Supply Meter Point at any time on any Day (the "**failure Day**") during the period referred to in that paragraph;
- (b) a failure to comply with a requirement for Interruption pursuant to paragraph 6.7.3(b):
 - (i) will not be counted as a failure to Interrupt for the purposes of paragraph 6.9.6;
 - (ii) subject to paragraph (i), will be counted as a failure to Interrupt if:
 - (1) the User does not demonstrate to the reasonable satisfaction of the Transporter that all appropriate steps are being taken to ensure that such a failure does not recur at the relevant Supply Point; or
 - (2) the failure is the third failure occurring at the relevant Supply Point during the same Gas Year to comply with a requirement for Interruption pursuant to paragraph 6.7.3(b);but not otherwise;
- (c) for the purposes of this paragraph 6.9 a Supply Point the subject of a Supply Point Reconfirmation shall be treated as being the same Supply Point as the Existing Supply Point;
- (d) the "**Period of Interruption**" is the period between the Interruption Start Time and the time specified in accordance with paragraph 6.8.5;
- (e) "**Shutdown**" means that in the event of interruption all of the gas consuming plant at the Supply Point has been turned off so that it is not consuming gas; and
- (f) "**Shutdown Tolerance**" means the amount of gas not exceeding 3,000kWh/Day (100 therms/Day) which may be offtaken, in the event of a Shutdown, at an Interruptible Supply Point, or in the case of a Shared Supply Meter Point that comprises more than one Interruptible Supply Point, in total at such Supply Points.

6.9.2 Where there is a failure to Interrupt at a Supply Point:

- (a) irrespective of whether the failure to Interrupt resulted from Force Majeure, where the Transporter determines that the failure to Interrupt results in a significant risk to the security of the relevant System the Transporter may take any steps available to it to isolate or disconnect any or all Supply Meter Points

(irrespective of whether any is a Shared Supply Meter Point) comprised in the Supply Point; and

- (b) subject to paragraph 6.10.5, save where the failure to Interrupt resulted from Force Majeure or, in exceptional circumstances, where the Registered User can demonstrate to the Transporter's reasonable satisfaction that it made all reasonable efforts to Shutdown (including but not limited to ensuring that appropriate action is taken at the Supply Point but despite such efforts gas in excess of the Shutdown Tolerance flowed):

(i) the Registered User shall on the first Day of the first failure to Interrupt in any Gas Year, pay a charge determined as 2 times the Applicable Annual Rate of the NTS Exit Capacity Charge in respect of an NTS Supply Point or LDZ Capacity Charge where the Supply Point is not an NTS Supply Point that would be payable (in respect of Supply Point Capacity in accordance with paragraph 6.3.9) if the Supply Point was designated as Firm; and

(ii) the Registered User shall pay, on all days other than the first Day of the first Period of Interruption in each Gas Year, a charge determined as:

$$X = 2 * Y * Z$$

where:

X is the amount payable in respect of each Day;

Y is the quantity of gas offtaken at the Supply Point (in kWh) on the Day;

Z in any Gas Year is the price difference (in pence/kWh) taken from the figures published in Table 26 of the DTI Energy Trends (or superseding publication), for the 1st Quarter of the calendar year in which the current Gas Year commenced, between the all consumer average for Gas Oil (shown in £/tonne and converted to pence/kWh using the estimated average calorific value for Gas Oil set out in Annex B of the Digest of United Kingdom Energy Statistics) and the price of gas, all consumers, Interruptible.

6.9.3 The charges payable under paragraphs 6.9.2(b)(i), 6.9.2(b)(ii), 6.9.4 and 6.10.3 will be invoiced and are payable in accordance with Section S.

6.9.4 Where the Transporter takes any such steps as are referred to in paragraph 6.9.2(a) the Registered User will be liable to reimburse to the Transporter the costs and expenses incurred by the Transporter in taking such steps and in any subsequent reconnection or restoration of the connection of the Supply Point.

6.9.5 The Registered User shall secure that there is made available to the Transporter such access to the Supply Point and all Supply Meter Points comprised in the Supply Point as shall be required for the purposes of paragraph 6.9.2(a).

6.9.6 In addition to the provisions of paragraphs 6.9.2 and 6.9.5, where (disregarding any failure to Interrupt which resulted from Force Majeure):

- (a) in any Gas Year in which there has on any Day been a failure to Interrupt at any Registered Interruptible Supply Point(s) of a User, there is on a later Day a failure to Interrupt (at the same or any other Registered Interruptible Supply Point(s)); and
- (b) the number of occasions (including the failure(s) on such later Day) on which there have been failures to Interrupt at the User's Registered Interruptible Supply Points is equal to or greater than:
 - (i) 5; or
 - (ii) if more, the number (rounded up to the nearest whole number) equal to 5% of the mean of the numbers of Interruptible Supply Points of which the User is the Registered User at the time of each such failure to Interrupt

in determining which each failure at any Supply Point shall count separately, paragraph 6.9.7 shall apply.

6.9.7 In the circumstances in paragraph 6.9.6, subject to paragraph 6.9.8:

- (a) all of the Interruptible Supply Points of which the User is Registered User, other than those within paragraph (b), shall automatically be redesignated as Firm with effect from the failure Day;
- (b) in relation to each such Supply Point in respect of which the Transporter determines that the Firm Transportation Requirement would not (without adjustment of the Supply Point Capacity or Supply Point Offtake Rate) be satisfied and in relation to such Supply Points as are specified in paragraph 6.9.8:
 - (i) the Supply Point shall be treated as being a Firm Supply Point for the purposes of determining the Supply Point Transportation Charges and any Supply Point Ratchet Charges or NTS Exit Overrun Charges payable by the User, but shall be treated (subject to paragraph (ii)) as being an Interruptible Supply Point for other purposes of the Code;
 - (ii) the Transporter will be at liberty to inform the supplier and consumer of the occurrence and consequences of the circumstances in paragraph 6.9.6;
 - (iii) the Transporter may elect that (in relation to any or all requirements for Interruption) paragraphs 6.8.1, 6.8.2 and 6.8.3 shall not apply and may notify the consumer in accordance with paragraph 6.8.4 but without first communicating with the User;
- (c) until the expiry of the Gas Year following that in which the failure to Interrupt occurred, the User may not designate any Supply Point (including any which was redesignated as Firm under paragraph (a) or is treated as Firm under paragraph (b)) as Interruptible and may not submit a Supply Point Confirmation in respect of any Proposed Supply Point which is Interruptible.

6.9.8 Paragraph 6.9.7 shall not apply where the User demonstrates to the Transporter's reasonable satisfaction that the User had taken all reasonable steps to comply with the requirement to Interrupt and that the failure to Interrupt occurred despite the taking of such steps.

6.9.9 Where an Interruptible Supply Point, other than one which was the subject of a failure to Interrupt referred to in paragraph 6.9.2, was redesignated as Firm pursuant to paragraph 6.9.7(a), any User who:

- (a) is the first User to have become the Registered User of a Firm Supply Point which includes a Supply Meter Point which was comprised in the Interruptible Supply Point; and
- (b) is not the User which was the Registered User of such Interruptible Supply Point

may designate such Firm Supply Point as Interruptible with effect from the Supply Point Registration Date.

6.9.10 No Day on which there is a failure to Interrupt at a Supply Point shall count towards use of the Interruption Allowance in respect of that Supply Point.

6.9.11 The following shall not be Force Majeure affecting a User for the purposes of this paragraph 6.9:

- (a) the unavailability of any such representative as is referred to in paragraph 6.6.1 or 6.6.2 of the User or the consumer to be contacted by the Transporter, other than for wholly unforeseeable and unavoidable reasons (which must also satisfy the conditions for being Force Majeure); and
- (b) the fact that there is no facility for the Consumer's Plant to operate with a supply of fuel or energy alternative to or in substitution for gas.

6.10 Partial Interruption

6.10.1 For the purposes of this paragraph 6.10:

- (a) **"Tranche"** means one of two or more increments by which the User of an Interruptible Supply Point may reduce its offtake (or by which Sharing Registered Users may reduce their offtake in aggregate) from the relevant System during a Period of Interruption;
- (b) **"Tranche Annual Quantity"** means in respect of each Tranche, the Tranche percentage multiplied by the Supply Point Annual Quantity;
- (c) **"Tranche Quantity"** means the quantity of gas, measured in kWh, that shall be allowed to be offtaken from the Total System at each Tranche in any period of 60 minutes in any Day in respect of which an Interruption Notice has been served; and
- (d) **"Tranche Percentage"** means in respect of each Tranche, the Tranche Quantity expressed as a percentage of the sum of all the Tranche Quantities at the Supply Point.

6.10.2 The Transporter may allow Partial Interruption at an Interruptible Supply Point provided that the following rules are satisfied:

- (a) the User (or Sharing Registered Users) shall specify the number of Tranches which it requires at the Supply Point, such number shall not exceed 9;
- (b) each Tranche Annual Quantity shall not be less than 5,860,000kWh (*200,000 therms*);
- (c) an application may be made by the User (or Sharing Registered Users) to the Transporter for a Partial Interruption status at a Supply Point at any time, for a period not exceeding 12 months, commencing on or after the operational date requested by the User (or Sharing Registered Users) and ending on the next 30 September;
- (d) the Transporter shall accept or reject all applications for Partial Interruption within 10 Business Days of their receipt by the Transporter from a Registered User or the Sharing Registered Users Agent as appropriate; and
- (e) Daily Read Equipment has been installed by the Transporter at the Supply Point prior to the commencement of Partial Interruption status.

6.10.3 Where Partial Interruption is in force at a Supply Point under paragraph 6.10, the Registered User (or Sharing Registered Users) in accordance with G1.7.14 shall pay to the Transporter the Administration Charge (if any) set out in the Transportation Statement. The Transporter shall (where applicable) issue an Ad-hoc Invoice in relation to the Administration Charge which will be invoiced and payable in accordance with Section S.

6.10.4 Where the Transporter requires Interruption at the Supply Point:

- (a) pursuant to paragraph 6.7.3(a) or 6.7.3(b):
 - (i) in any period of 60 minutes in the Day, and subject always to paragraph 5.3.1 and to the provisions of any relevant Network Exit Provisions, the Registered User will be allowed to offtake a quantity of gas (and Sharing Registered Users will be allowed to offtake a quantity of gas in aggregate), measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Supply Point in respect of which an Interruption Notice has not been served;
 - (ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the hourly offtake in paragraph (i) has been exceeded; and
 - (iii) the provisions of paragraphs 6.9.2(a) and 6.10.5 shall apply.
- (b) pursuant to paragraph 6.7.3(c):
 - (i) in respect of a period from the Interruption Start Time on the Day until the end of a period of 60 minutes following that Interruption Start Time, and subject always to paragraph 5.3.1 and to the provisions of any relevant Network Exit Provisions, the Registered User will be allowed to offtake a quantity of gas (and Sharing Registered Users will

be allowed to offtake a quantity of gas in aggregate) measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Supply Point in respect of which an Interruption Notice has not been served multiplied by the relevant number of periods of 60 minutes expired from the Interruption Start Time (it being acknowledged that the limit imposed by this paragraph 6.10.4(b)(i) relates to the aggregate amount offtaken from the Interruption Start Time and shall apply and be required to be satisfied at the end of each and every period of 60 minutes from the Interruption Start Time);

- (ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the quantity referred to in paragraph 6.10.4(b)(i) at the end of any period of 60 minutes following the Interruption Start Time has been exceeded;
- (iii) the provisions of paragraph 6.9.2(a) shall apply; and
- (iv) the provisions of paragraph 6.10.5 shall apply save that the excess failure quantity for any particular period of 60 minutes in the Day shall be the total quantity of gas offtaken from the Interruption Start Time on the Day until the end of that 60 minute period less the quantity permitted to be offtaken having regard to the provisions of paragraph 6.10.4(b)(i) above and Y shall be the amount of the highest excess failure quantity at any point in time during the Period of Interruption. Where the Transporter requires Interruption at the Supply Point on a Day pursuant to paragraph 6.7.3(a) or 6.7.3(b) and paragraph 6.7.3(c), the value of Y shall be the aggregate of that determined pursuant to this paragraph (iv) and that determined pursuant to paragraph 6.10.5(c)(ii).

6.10.5 Where there is a failure to Interrupt at a Supply Point with Partial Interruption status:

- (a) where this is the first failure to Interrupt at the Supply Point in the Gas Year, the Registered User (or Sharing Registered Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served;
- (b) for the remainder of the Gas Year any Tranche which has paid a failure to Interrupt charge in accordance with paragraph (a) above or paragraph (d) shall be termed a "**failed Tranche**"; and
- (c) where on any subsequent day in the Gas Year there is a failure to Interrupt at the Supply Point and the failure to Interrupt occurs only at failed Tranches, (determined in accordance with paragraph 6.10.5(b));
 - (i) for each period of 60 minutes in the Day, the quantity offtaken in excess of the Tranche Quantity of all Tranches in respect of which the Interruption Notice was not served shall be termed the "**excess failure quantity**";
 - (ii) the Registered User (or Sharing Registered Users) shall pay the charge calculated in accordance with paragraph 6.9.2(b)(ii), provided that Y shall be the total excess failure quantities in the Day; and

- (d) where on any subsequent day in the Gas Year there is a failure to Interrupt at the Supply Point and the failure to Interrupt occurs at one or more Tranches which are not failed Tranches (determined in accordance with paragraph 6.10.5(b)), the Registered User (or Sharing Registered Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served, less the sum of the Tranche Percentages of the failed Tranches (determined in accordance with paragraph 6.10.5(b)) in respect of which the Interruption Notice was served.
- 6.10.6 The Transporter shall revoke the Partial Interruptible status at a Supply Point if:
- (a) the Supply Point ceases to be an Interruptible Supply Point;
 - (b) subject to paragraph 6.10.7, the User ceases to be the Registered User of the Supply Point; or
 - (c) in the case of a Supply Point which comprises a Shared Supply Meter Point there is a Shared Supply Meter Point Notification which proposes to change the number or identity of any sharing Registered Users, or a Supply Point Withdrawal unless a re-application in accordance with paragraph 6.10.14 has been accepted.
- 6.10.7 Except in the case of a Shared Supply Meter Point, where another User is to become the Registered User of relevant Supply Point, the Proposing User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify the Transporter of such change. The Partial Interruption status of the Supply Point shall transfer to the new Registered User provided that the requirements of paragraph 6.10.2 remain satisfied.
- 6.10.8 If the Registered User (or Sharing Registered Users) wishes to change the number of Tranches or any of the Tranche Quantities, the Transporter shall, subject to paragraph 6.10.2, allow such change provided that the Interruption Allowance in relation to any Tranches shall not be changed.
- 6.10.9 Subject to paragraph 6.10.2(a), if the Registered User (or Sharing Registered Users) wishes to increase the Supply Point Capacity of the Interruptible Supply Point, the Transporter may grant such additional Supply Point Capacity as an additional Tranche with an Interruption Allowance which may be greater than the Interruption Allowance of any of the existing Tranches at the Supply Point.
- 6.10.10 If the Supply Point ceases to have Partial Interruption status, but continues to be an Interruptible Supply Point, the Interruption Allowance of the Supply Point shall be the greatest Interruption Allowance of any of the Tranches previously at the Supply Point.
- 6.10.11 Where any of the Tranches at the Interruptible Supply Point has an Interruption Allowance greater than 45 days, for the purposes of paragraph 6.5.4, the Interruption Allowance shall be determined by the sum of the products of the Tranche Percentage and the Interruption Allowance of each Tranche at the Interruptible Supply Point.
- 6.10.12 Nothing in this paragraph 6.10 shall prevent the Transporter from requiring Interruption at all Tranches at the Supply Point on the same Day.

6.10.13 In the case of a Partial Interruption at a Shared Supply Meter Point:

- (a) the Sharing Registered Users shall ensure that all actions which are required to be undertaken by the Sharing Registered Users in accordance with this paragraph 6.10 (including compliance with paragraph 6.10.2) shall be undertaken on behalf of all the Sharing Registered Users by the Sharing Registered Users Agent and for the purposes of this paragraph 6.10 all Code Communications shall be in accordance with paragraph 1.7.9(d); and
- (b) all references to Supply Point in this paragraph 6.10 shall be deemed to include references to the relevant Supply Point for the purposes of paragraph 1.7.

6.10.14 The Sharing Registered User Agent may re-apply for Partial Interruption at the relevant Supply Point in accordance with 6.10.2(c) and, pursuant to such re-application the Partial Interruption Status of the Supply Point shall transfer to the Sharing Registered Users identified in the re-application provided the requirements of paragraph 6.10.2 remain satisfied.

6.11 Partial Interruption at CSEPs

6.11.1 For the purposes of this paragraph 6.11:

- (a) **"Tranche"** means one of two or more increments by which the CSEP User of an Interruptible CSEP may reduce its offtake (or by which CSEP Users may reduce their offtake in aggregate) from the relevant System during a Period of Interruption;
- (b) **"Tranche Annual Quantity"** means in respect of each Tranche, the Tranche Percentage multiplied by the Interruptible CSEP Annual Quantity;
- (c) **"Tranche Quantity"** means the quantity of gas, measured in kWh, that shall be allowed to be offtaken from the Total System at each Tranche in any period of 60 minutes in any Day in respect of which a CSEP Interruption Notice has been served;
- (d) **"Tranche Percentage"** means in respect of each Tranche, the Tranche Quantity expressed as a percentage of the sum of all the Tranche Quantities at the Interruptible CSEP; and
- (e) **"CSEP Interruption Notice"** shall have the same meaning as that ascribed thereto by the term Interruption Notice except that it shall apply in respect of a CSEP rather than a Supply Point.

6.11.2 The Transporter may allow Partial Interruption at an Interruptible CSEP provided that the following rules are satisfied:

- (a) the CSEP User (or CSEP Users) shall specify the number of Tranches which it requires at the Interruptible CSEP, such number shall not exceed 9;
- (b) each Tranche Annual Quantity shall not be less than 5,860,000kWh (200,000 therms);

- (c) an application may be made by the CSEP User (or CSEP Users) to the Transporter for a Partial Interruption status at an Interruptible CSEP at any time, for a period not exceeding 12 months, commencing on or after the operational date requested by the CSEP User (or CSEP Users) and ending on the next 30 September;
 - (d) the Transporter shall accept or reject all applications for Partial Interruption within 10 Business Days of their receipt by the Transporter from a CSEP User or the CSEP User Agent as appropriate; and
 - (e) where requested by the Transporter, equipment (as set out in the relevant CSEP NExA) to provide information to the Transporter in aggregate to allow the Transporter to monitor the requirements in paragraph 6.11.4 shall be installed by the CSEP User (the identity of which has been notified by the CSEP User Agent where there is more than one CSEP User) prior to the commencement of Partial Interruption status.
- 6.11.3 Where Partial Interruption is in force at an Interruptible CSEP under this paragraph 6.11, the CSEP User (or CSEP Users) shall pay to the Transporter the relevant Administration Charge (if any) set out in the Transportation Statement. The Transporter shall (where applicable) issue an Ad-hoc Invoice in relation to the Administration Charge which will be invoiced and payable in accordance with Section S.
- 6.11.4 Where the Transporter requires Interruption at an Interruptible CSEP:
- (a) pursuant to paragraph 6.7.3(a) or 6.7.3(b):
 - (i) in any period of 60 minutes in the Day, and subject always to paragraph 5.3.1 and to the provisions of any relevant Network Exit Provisions, the CSEP User will be allowed to offtake a quantity of gas, (and CSEP Users will be allowed to offtake a quantity in aggregate), measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Interruptible CSEP in respect of which an Interruption Notice has not been served;
 - (ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the hourly offtake in paragraph (i) has been exceeded; and
 - (iii) the provisions of paragraph 6.9.2(a) and 6.11.5 shall apply;
 - (b) pursuant to paragraph 6.7.3(c):
 - (i) in respect of the period from the Interruption Start Time on the Day until the end of a period of 60 minutes following that Interruption Start Time, and subject always to paragraph 5.3.1 and to the provisions of any relevant Network Exit Provisions, the CSEP User will be allowed to offtake a quantity of gas (and CSEP Users will be allowed to offtake a quantity of gas in aggregate) measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Interruptible CSEP in respect of which an Interruption Notice has not been served multiplied by the relevant number of periods of 60 minutes expired from the Interruption Start Date (it being acknowledged that the limit

imposed by this paragraph 6.11.4(b)(i) relates to the aggregate amount offtaken from the Interruption Start Time and shall apply and be required to be satisfied at the end of each and every period of 60 minutes from the Interruption Start Time);

- (ii) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the quantity referred to in paragraph 6.11.4(b)(i) at the end of any period of 60 minutes following the Interruption Start Time has been exceeded;
- (iii) the provisions of paragraph 6.9.2(a) shall apply; and
- (iv) the provisions of paragraph 6.11.5 shall apply save that the excess failure quantity for any particular period of 60 minutes in the Day shall be the total quantity of gas offtaken from the Interruption Start Time on the Day until the end of that 60 minute period less the quantity permitted to be offtaken having regard to the provisions of paragraph 6.11.4(b)(i) above and Y shall be the amount of the highest excess failure quantity at any point in time during the Period of Interruption. Where the Transporter requires Interruption at the Supply Point on a Day pursuant to paragraph 6.7.3(a) or 6.7.3(b) and paragraph 6.7.3(c), the value of Y shall be the aggregate of that determined pursuant to this paragraph (iv) and that determined pursuant to paragraph 6.10.5(c)(ii).

6.11.5 Where there is a failure to Interrupt at an Interruptible CSEP with Partial Interruption status:

- (a) where this is the first failure to Interrupt at the Interruptible CSEP in the Gas Year, the CSEP User (or CSEP Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served;
- (b) for the remainder of the Gas Year any Tranche which has paid a failure to Interrupt charge in accordance with paragraph (a) above or paragraph (d) shall be termed a "**failed Tranche**";
- (c) where on any subsequent day in the Gas Year there is a failure to Interrupt at the Interruptible CSEP and the failure to Interrupt occurs only at failed Tranches (determined in accordance with paragraph 6.11.5(b));
 - (i) for each period of 60 minutes in the Day, the quantity offtaken in excess of the Tranche Quantity of all Tranches in respect of which the Interruption Notice was not served shall be termed the "**excess failure quantity**";
 - (ii) the CSEP User (or CSEP Users) shall pay the charge calculated in accordance with paragraph 6.9.2(b)(ii), provided that Y shall be the total excess failure quantities in the Day; and
- (d) where on any subsequent day in the Gas Year there is a failure to Interrupt at the Interruptible CSEP and the failure to Interrupt occurs at one or more Tranches which are not failed Tranches (determined in accordance with paragraph 6.11.5(b)), the CSEP User (or CSEP Users) shall pay the charge

determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served, less the sum of the Tranche Percentages of the failed Tranches (determined in accordance with paragraph 6.11.5(b)) in respect of which the Interruption Notice was served.

6.11.6 The Transporter shall revoke the Partial Interruptible status at an Interruptible CSEP if:

- (a) the CSEP ceases to be an Interruptible CSEP; or
- (b) subject to paragraph 6.11.7, any CSEP User ceases to be a CSEP User for any reason, or where a User becomes a CSEP User.

6.11.7 Where at an Interruptible CSEP there is only one CSEP User and an alternative CSEP User is to become the CSEP User of relevant CSEP, the Proposing CSEP User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify the Transporter of such change. The Partial Interruption status of the Interruptible CSEP shall transfer to the new CSEP User provided that the requirements of paragraph 6.11.2 remain satisfied.

6.11.8 Where, at an Interruptible CSEP, any CSEP User ceases to be a CSEP User for any reason or where a User becomes a CSEP User, then the CSEP User Agent may re-apply for Partial Interruption in accordance with paragraph 6.11.2 and pursuant to such re-application the Partial Interruption Status of the CSEP shall transfer to the CSEP User (or CSEP Users) identified in the re-application provided the requirements of paragraph 6.11.2 remain satisfied.

6.11.9 If the CSEP User (or CSEP Users) wishes to change the number of Tranches or any of the Tranche Quantities, the Transporter shall, subject to paragraph 6.11.2, allow such change provided that the Interruption Allowance in relation to any Tranches shall not be changed.

6.11.10 Subject to paragraph 6.11.2(a), if the CSEP User (or CSEP Users) wishes to increase the NTS Exit Capacity and LDZ capacity (as applicable) of the Interruptible CSEP, the Transporter may grant such additional NTS Exit Capacity and LDZ Capacity (as applicable) as an additional Tranche with an Interruption Allowance which may be greater than the Interruption Allowance of any of the existing Tranches at the Interruptible CSEP.

6.11.11 If the Interruptible CSEP ceases to have Partial Interruption status, but continues to be an Interruptible CSEP, the Interruption Allowance of the Interruptible CSEP shall be the greatest Interruption Allowance of any of the Tranches previously at the Interruptible CSEP.

6.11.12 Where any of the Tranches at the Interruptible CSEP has an Interruption Allowance greater than 45 days, for the purposes of paragraph 6.5.4, the Interruption Allowance shall be determined by the sum of the products of the Tranche Percentage and the Interruption Allowance of each Tranche at the Interruptible CSEP.

6.11.13 Nothing in this paragraph 6.11 shall prevent the Transporter from requiring Interruption at all Tranches at the Interruptible CSEP on the same Day.

6.11.14 In the case of Partial Interruption at an Interruptible CSEP:

- (a) the CSEP Users shall ensure that all actions which are required to be undertaken by the CSEP Users in accordance with this paragraph 6.11 (including compliance with paragraph 6.11.2) shall be undertaken on behalf of all the CSEP Users by the CSEP Users Agent; and
- (b) for the purpose of this paragraph 6.11 all Code Communications:
 - (i) if to be given by the Transporter may be given to the CSEP Users Agent;
 - (ii) if to be given by CSEP Users may only be given by the CSEP User Agent.

6.11.15 The CSEP User Agent may re-apply for Partial Interruption in accordance with 6.11.2(c) and, pursuant to such re-application, the Partial Interruption Status of the Interruptible CSEP shall transfer to the CSEP Users identified in the re-application provided the requirement of paragraph 6.11.2 remain satisfied.

6.11.16 All references within this paragraph 6.11 to sub-paragraphs of paragraph 6 shall be construed in accordance with the relevant CSEP Ancillary Agreement or the relevant CSEP NExA.

7 NEW SUPPLY METER POINTS AND OTHER SITEWORKS

7.1 General

7.1.1 For the purposes of the Code:

- (a) a "**New Supply Meter Point**" is a new Supply Meter Point;
- (b) "**Siteworks**" means works undertaken by the Transporter at the request of a User or other person in connection with a System for the purposes of:
 - (i) the establishment of a New Supply Meter Point;
 - (ii) enabling an increase in the rate or pressure at or quantities in which it is feasible to make gas available for offtake from the Total System at an existing Supply Meter Point;
 - (iii) modifying or replacing any part of a System located at the Supply Point Premises (but not the Supply Meter Installation at an existing Supply Meter Point);
 - (iv) enabling the Firm Transportation Requirement (in accordance with paragraph 6.3.4) to be satisfied in respect of an Interruptible Supply Point, or a reduction in the Interruption Allowance in respect of a TNI Supply Point to be secured; or
 - (v) furnishing, installing, removing, making operational and/or maintaining Daily Read Equipment;
- (c) Siteworks under paragraph (b)(i) may be:

- (i) for the construction and/or installation (and connection to a System) by the Transporter of the service pipe or any part thereof (but not the Supply Meter Installation); or
- (ii) for the purposes of making a connection to a System of any service pipe constructed or installed by any other person (but not the new Supply Meter Installation).

7.1.2 In respect of any Siteworks:

- (a) the "**Siteworks Applicant**" is the User or other person who has requested that the Siteworks be undertaken;
- (b) the "**Siteworks Contract**" is the contract between the Transporter and the Siteworks Applicant under which the Transporter is to undertake the Siteworks;
- (c) the "**Completion Date**" is the date of substantial completion (as defined or described in the Siteworks Contract) of the Siteworks;
- (d) the "**Target Completion Date**" means the intended Completion Date of the Siteworks as specified in or determined under the Siteworks Contract;
- (e) "**Connections Work**" is the connection of the service pipe (or any part thereof) for the establishment of a New Supply Meter Point on to the relevant System; and
- (f) "**Meter Fix Date**" is the date which has been notified to the Transporter as the date upon which a Supply Meter has been installed at a New Supply Meter Point.

7.1.3 Where the Siteworks Applicant is a User the Siteworks Contract shall not (unless it expressly provides to the contrary) be an Ancillary Agreement and does not form a part of and is not incorporated into the Code.

7.1.4 Where the Siteworks Applicant is not the Registered User of the relevant Supply Meter Point:

- (a) nothing in the Code shall make the Registered User liable for any payment becoming due under the Siteworks Contract; and
- (b) the Transporter will have no liability to the Registered User in respect of any breach of the Siteworks Contract.

7.1.5 The Registered User of a Supply Meter Point will not be liable for any breach of the Code which results from a breach by the Transporter of a Siteworks Contract relating to that Supply Meter Point.

7.2 Siteworks Terms and Procedures

7.2.1 The Transporter will from time to time publish Siteworks Terms and Procedures applicable to different types of Siteworks or Siteworks in relation to different Supply Meter Points.

- 7.2.2 **"Siteworks Terms and Procedures"** means the procedures by which and terms and conditions on and subject to which a User or other person may request the Transporter to provide a quotation (where the price is not published) for and to undertake Siteworks and a Siteworks Contract may be entered into.
- 7.2.3 Siteworks Terms and Procedures do not form a part of the Code; and (without prejudice to any Legal Requirement applying to the Transporter) nothing in the Code requires the Transporter to undertake any Siteworks or to do so on any particular terms.
- 7.2.4 The Transporter agrees to give to Users notice:
- (a) of not less than 2 months of any change in published prices of Siteworks; and
 - (b) of not less than 3 months of any other change to contract terms contained in Siteworks Terms and Procedures (other than the addition of terms and procedures for a type of Siteworks not previously covered).

7.3 New Supply Meter Points

- 7.3.1 Where the Transporter has been notified that Connections Work is to be or has been undertaken then on or as soon as reasonably practical after the relevant date (in accordance with paragraph 7.3.2) the Transporter will:
- (a) enter such New Supply Meter Point and the Supply Meter Point Reference Number for the same on to the Supply Point Register; and
 - (b) for the purposes of this Section G treat the same as a Supply Meter Point.
- 7.3.2 For the purposes of paragraph 7.3.1 the relevant date is the date upon which the Transporter has received notice of the (i) allocation of a specific Supply Meter Point Reference Number to a New Supply Meter Point, or (ii) completion of the Connections Work, from the person who has undertaken the same, where received earlier than such allocation notice.
- 7.3.3 Subject to paragraph 7.3.7, no person shall be entitled to offtake gas from the Total System at a New Supply Meter Point at any time before the First Supply Point Registration Date.
- 7.3.4 For the purposes of the Code, the **"First Supply Point Registration Date"** is the Supply Point Registration Date of the first Supply Point Registration to be made for a Supply Point comprising the New Supply Meter Point.
- 7.3.5 Any User may, at any time after the time at which a New Supply Meter Point was entered in the Supply Point Register, submit a Supply Point Nomination in accordance with paragraph 2.3.1 and (subject to having received a Supply Point Offer) submit a Supply Point Confirmation in respect of a Proposed Supply Point which includes a New Supply Meter Point.
- 7.3.6 Where a User submits
- (a) a Supply Point Nomination in accordance with paragraph 2.3 (in respect of a Larger Supply Point, or a New Smaller Supply Point and there is more than one Supply Meter Point comprised in the Proposed New Smaller Supply Point):

- (i) the User shall provide to the Transporter the User's estimate of the quantity which the User expects to be offtaken from the Total System at the Supply Meter Point in a 12 month period under seasonal normal conditions, which estimate shall (if the Supply Point Confirmation becomes effective) be the Annual Quantity for the Supply Meter Point;
 - (ii) where there is a DM Supply Point Component, the Nominated Supply Point Capacity shall not be less than the User's estimate of the maximum quantity of gas to be offtaken on any Day in the next 12 months on the basis of reasonable assumptions as to weather conditions;
 - (iii) where there is an NDM Supply Point Component, the User shall provide to the Transporter the User's estimate of the value of any variable by reference to which any End User Category (to which such Supply Point Component might belong) is in the relevant Gas Year defined in accordance with Section H; and
 - (iv) the User's estimates under paragraphs (i), (ii) and (iii) shall be made in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care;
- (b) a Supply Point Confirmation in accordance with paragraph 2.6 then the User shall be deemed to have provided User's estimate of the quantity which the User expects to be offtaken from the Total System at the Supply Meter Point in a 12 month period under seasonal normal conditions, which estimate shall (if the Supply Point Confirmation becomes effective) be the Annual Quantity for the Supply Meter Point.

7.3.7 In respect of both Smaller and Larger Supply Meter Points:

- (a) where a Supply Point Confirmation (including any subsequent Supply Point Confirmation) in respect of a New Supply Meter Point has been submitted then in the absence of a rejection of such Supply Point Confirmation:
 - (i) where the Meter Fix Date is prior to the date upon which such Supply Point Confirmation is submitted, the Proposing User which submitted such Supply Point Confirmation will be treated as being the Registered User (but not an Existing Registered User) from:
 - (1) the Meter Fix Date, where such Proposing User is the person that has submitted the Meter Fix Reading as described M3.8.11(a);
 - (2) the date such Supply Point Confirmation is submitted, where such Proposing User is not the person that has submitted the Meter Fix Reading as described in M3.8.11(a)until the Supply Point Registration Date;
 - (ii) where the Meter Fix Date is after or upon the date on which such Supply Point Confirmation is submitted, the Proposing User which submitted such Supply Point Confirmation will be treated as being the

Registered User (but not an Existing Registered User) from the Meter Fix Date until the Supply Point Registration Date;

- (b) where the Proposing User is treated as being the Registered User, the Proposing User shall, notwithstanding that there is no Supply Point Registration in respect of the Proposed Supply Point (and irrespective of the Proposed Supply Point Registration Date) be permitted to offtake gas from the Total System at such New Supply Meter Point;
- (c) the quantity of gas (if any) so offtaken on any Day will be counted as an UDQO of the User for the purposes of Code (and in particular the User will be liable to pay any appropriate Transportation Charges in relation thereto);
- (d) for the purposes of the first NDM Reconciliation the quantity of gas (if any) so offtaken will be counted as part of the Reconciliation Quantity (for which purposes a quantity of zero shall be assumed to have been offtaken); and accordingly the User will be liable to pay Reconciliation Clearing charges and Reconciliation Transportation Charge Adjustments in respect of the quantity of gas (if any) so offtaken; and
- (e) where any Supply Point Confirmation (including any subsequent Confirmation) has been rejected by the Transporter then the Proposing User whose Supply Point Confirmation has been rejected shall promptly take steps to ensure gas is not offtaken at the New Supply Meter Point.

7.4 Siteworks Specified Capacity, etc

7.4.1 The Siteworks Terms and Procedures allow for the Siteworks Contract to specify (at the request of the Siteworks Applicant):

- (a) a Supply Point or (without prejudice to the requirements of this Section G for submission of a Supply Point Nomination and/or Supply Point Confirmation) a Proposed Supply Point, or a Supply Point Component, in which the Supply Meter Point or New Supply Meter Point subject to the request for Siteworks is or is to be comprised; and
- (b) in relation to such Supply Point or Supply Point Component:
 - (i) in the case of a DM Supply Point Component, an amount of Supply Point Capacity and/or a Supply Point Offtake Rate (but without prejudice to the requirement subsequently to apply therefor);
 - (ii) in the case of an NDM Supply Point Component, a threshold rate increase (in accordance with paragraph 5.6.3(b));
 - (iii) a request that the Firm Transportation Requirement be satisfied or (in the case of a TNI Supply Point) the Interruption Allowance be reduced

following such Siteworks.

7.4.2 For the purposes of this Section G, in respect of any Siteworks a Supply Point Component, Supply Point Capacity, Supply Point Offtake Rate, threshold rate increase, Firm Transportation Requirement or reduced Interruption Allowance (as the case may

be) is "**Siteworks Specified**" where it is specified in a Siteworks Contract as described in paragraph 7.4.1.

7.4.3 Where:

- (a) a User submits (in accordance with paragraph 2.3), not later than the Target Completion Date or such later date as the Transporter shall have agreed (for the purposes of this paragraph) with the Siteworks Applicant, a Supply Point Nomination in respect of a Proposed Supply Point which includes a Siteworks Specified Supply Point Component which includes a New Supply Meter Point;
- (b) the Nominated Supply Point Capacity or Nominated Supply Point Offtake Rate does not exceed the Siteworks Specified Supply Point Capacity or Supply Point Offtake Rate

the Offered Supply Point Capacity or Supply Point Offtake Rate (in respect of the DM Supply Point Component) under a Supply Point Offer will be equal to the Nominated Supply Point Capacity or (as the case may be) Supply Point Offtake Rate.

7.4.4 Where a User applies, not later than the Target Completion Date or such later date as the Transporter shall have agreed (for the purposes of this paragraph 7.4.4) with the Siteworks Applicant, for increased Supply Point Capacity or an increased Supply Point Offtake Rate (in accordance with paragraph 5) at a Siteworks Specified Supply Point Component, which does not exceed the Siteworks Specified Supply Point Capacity or (as the case may be) Supply Point Offtake Rate, the Transporter will (subject to the provisions of the Code) accept such application.

7.4.5 Where a User notifies (in accordance with paragraph 5.6.5(a)), not later than the Target Completion Date or such other date as the Transporter shall have agreed (for the purposes of this paragraph 7.4.5) with the Siteworks Applicant, a threshold rate increase of not more than the Siteworks Specified threshold rate increase, the Transporter will give to the User the notification described in accordance with paragraph 5.6.5(b)(ii).

7.4.6 Where a User requests (in accordance with paragraph 6.3), not later than the Target Completion Date or such other date as the Transporter shall have agreed (for the purposes of this paragraph 7.4.6) with the Siteworks Applicant, that a Siteworks Specified Interruptible Supply Point be redesignated Firm in accordance with the Siteworks Specified Firm Transportation Requirement, or in respect of a TNI Supply Point a reduced Interruption Allowance not less than the Siteworks Specified reduced Interruption Allowance, the Transporter will accept such request.

7.4.7 A Siteworks Applicant may (subject to the Siteworks Terms and Procedures) request any Siteworks without at the same time requesting Siteworks for any reinforcement of a System that may be required to make it feasible to make gas available for offtake at any relevant Supply Meter Point; and accordingly, except to the extent expressly provided in this paragraph 7.4, the fact that the Transporter has entered into a Siteworks Contract or undertaken any Siteworks (for a New Supply Meter Point or otherwise) shall not commit the Transporter to accept a Supply Point Nomination or Supply Point Confirmation for any particular Nominated Supply Point Capacity or Supply Point Offtake Rate, nor any application for Supply Point Capacity or Supply Point Offtake Rate, or an increase therein, made by any User at any DM Supply Point Component nor a notification by any User of any particular threshold rate increase at any NDM Supply Point Component.

7.5 Undertaking Siteworks

- 7.5.1 The Transporter will not be in breach of its obligation to make gas available for offtake at a Supply Meter Point where or to the extent that its ability to do so is impaired by reason of its carrying out any Siteworks in respect of that Supply Meter Point.
- 7.5.2 Where the Transporter carries out Siteworks at a Supply Meter Point comprised in a Supply Point whose Annual Quantity exceeds 73,200 kWh (*2,500 therms*), and the Siteworks Applicant is not the Registered User, the Transporter will, unless the Siteworks Applicant has requested the Transporter not to do so, notify the Registered User of the Siteworks where practicable before and in any event promptly upon completing such Siteworks.

ANNEX G-1

REVISIONS TO SUPPLY POINT REGISTER NOT REQUIRING RECONFIRMATION

1. Subject to paragraph 2, the following revisions may be made (where and in the manner otherwise permitted under the Code) to the Supply Point Register without a Supply Point Reconfirmation by the Registered User:
 - (i) change in Supply Point Capacity;
 - (ii) change in Supply Point Offtake Rate;
 - (iii) change in Meter Reading Frequency;
 - (iv) change of Meter Reader;
 - (v) change in User emergency contacts;
 - (vi) change in User contacts' details for Interruptible Supply Points;
 - (vii) change in any details maintained pursuant to Standard Special Condition A50(8)(e) of the Transporter's Licence;
 - (viii) Isolation of a Supply Meter Point;
 - (ix) reconnection of a Supply Meter Point;
 - (x) change in supplier where there is no change of Registered User in respect of a Supply Point.
2. The revisions in items (i) and (ii) in paragraph 1 require a Supply Point Reconfirmation where such revisions are made following Siteworks.

ANNEX G-2

MANDATORY ALLOCATION AGENCY TERMS

THIS AGREEMENT is made on []

BETWEEN

- (1) the persons whose names and addresses are set out in Part 1 of the Schedule hereto (the "**Shippers**"); and
- (2) the person whose name and address are set out in Part 2 of the Schedule hereto (the "**Consumer**").

WHEREAS

- A The Consumer is or is to be supplied with gas at the Premises by each of the persons named in Part 3 of the Schedule.
- B The Shippers are or will be Sharing Registered Users in respect of the Supply Meter Point(s) and wish to appoint the Consumer as Sharing Registered User Agent.

IT IS AGREED as follows:

1. Definitions

In this Agreement:

"Supply Contract" means, in relation to each Supplier, the contract between the Consumer and that Supplier for the supply of gas at the Premises, as from time to time in force;

"Premises" means the premises specified in Part 4 of the Schedule hereto;

"Proper Quantity" means, in relation to any Shipper, a quantity of gas which is:

- (a) not more than what the relevant Supplier was obliged to deliver and the Consumer was entitled to take; and
- (b) not less than what the Consumer was obliged to take and the relevant Supplier was entitled to deliver

at the Premises on any Day pursuant to the relevant Supply Contract (having regard to all nominations or other notices given or other things done by or on behalf of the Consumer or the relevant Supplier pursuant to and in accordance with that contract on that or any previous Day);

"relevant Supplier" means in relation to any Shipper, the Supplier (whether or not being such Shipper itself) which supplies or is to supply to the Consumer gas offtaken from the Total System by such Shipper at the Supply Meter Point(s);

"Supplier" means a person specified in Part 3 of the Schedule (whether or not being a User) supplying gas to the Consumer at the Premises;

"Supply Meter Point(s)" means the Supply Meter Point or Points (at the Premises) specified in Part 5 of the Schedule hereto;

"the Transporter" means [].

Words and expressions defined in the Uniform Network Code and not otherwise defined herein shall have the meanings ascribed thereto in the Uniform Network Code, and references to Sections are to Sections of the Transportation Principal Document.

2. Duration

This Agreement shall become effective at 06:00 hours on the date specified in Part 6 of the Schedule and shall continue in force until and unless terminated by agreement of all of the Shippers.

3. Appointment and undertakings of User Agent

3.1 At the request of the Consumer, the Shippers hereby appoint the Consumer, and the Consumer agrees to act as Sharing Registered User Agent for the purposes of TPD Section G1.7.

3.2 The Consumer undertakes to each Shipper, in relation to each Day while this Agreement is in force:

- (a) that the Consumer (as Sharing Registered User Agent) will notify to the Transporter, in accordance with the requirements of TPD Section G1.7 and the Shared Supply Meter Point Procedures, an allocation (and where so required a revised allocation) between the Shippers of the Supply Meter Point Daily Quantity Offtaken in respect of the Supply Meter Point(s); and
 - (b) that the allocation so notified will be such that:
 - (i) TPD Section G1.7.9(b) applies;
 - (ii) the quantity of gas allocated to each Shipper is a Proper Quantity; and
 - (c) where any Supplier is a Qualifying Supplier, that the Consumer will not take gas from a Supplier other than a Qualifying Supplier where the quantity of gas which the Consumer takes (by way of supply at the Premises) from any Qualifying Supplier is less than the maximum quantity which the Consumer was entitled, after taking account of any interruption requirement (and any unwillingness of a Qualifying Supplier to supply gas) in relation to the relevant Day, so to take on the Day from such Qualifying Supplier.
- 3.3 The Consumer undertakes to each Shipper to indemnify the Shipper against:
- (a) any loss (including without limitation by reason of any System Price differing from the price payable to it by the relevant Supplier), liability or damage incurred, by reason of the operation of the Code, by the Shipper;
 - (b) where the Shipper is not the relevant Supplier, any liability of the Shipper to the relevant Supplier pursuant to the arrangements from time to time in force between the Shipper and the relevant Supplier

as a result (in either case) of any failure of the Consumer to comply with 3.2.

- 3.4 Where any Shipper is the relevant Supplier, nothing in this Agreement shall affect or prejudice the Supply Contract or any rights or obligations of the Shipper or Consumer thereunder; and in particular the Shipper shall not be taken, by reason of entering into this Agreement, to have assented to or waived any claim relating to the entering by the Consumer into any other Supply Contract.
- 3.5 The Consumer shall make no charge to any Shippers in respect of its services as Sharing Registered User Agent hereunder, and shall reimburse to each Shipper any amounts which the Shipper is liable to pay to the Transporter pursuant to TPD Section G1.7.18 by virtue of the Supply Meter Point being a Shared Supply Meter Point.
- 3.6 For the purposes of paragraph 3.2(c):
- (a) an "**interruption requirement**" is a requirement, imposed on the consumer by a Qualifying Supplier pursuant to any term of the relevant Supply Contract to limit the quantity of gas taken or not to take gas on a Day;
 - (b) a "**Qualifying Supplier**" is a Supplier whose Supply Contract came into force before 1st January 1998 and who was supplying gas to the Consumer at the Premises pursuant to its Supply Contract before the effective date specified in part 6 of the Schedule.

4. Miscellaneous

- 4.1 If any one or more of the provisions contained in this Agreement shall be invalid, illegal, or unenforceable in any respect the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.
- 4.2
- (a) No waiver by any Shipper or the Consumer of any default or defaults by another Shipper or the Consumer in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any other or further default or defaults whether of a like or different character.
 - (b) No failure or delay by any Shipper or the Consumer in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single partial exercise by such Shipper or the Consumer of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.
- 4.3 This Agreement shall be governed by and construed in all respects in accordance with English law and the Shippers and the Consumer agree to submit to the jurisdiction of the English Courts as regards any claim or matter arising in relation to this Agreement.
- 4.4 This Agreement constitutes the entire agreement and understanding between the Shippers and the Consumer in relation to the Shared Supply Meter Point and no Shipper nor the Consumer has relied on any warranty or representation of the other except as expressly stated or referred to in this Agreement.
- 4.5
- (a) Any notice to be given under this Agreement shall be in writing and shall be duly given if signed by or on behalf of a person duly authorised to do so by the person giving the notice and delivered by hand at, or by sending it by first class post or by facsimile transmission to the relevant address, or facsimile number

set out in Part 1 of the Schedule hereto in the case of the Shippers, and Part 2 of the Schedule hereto, in the case of the Consumer.

- (b) Any Shipper and the Consumer shall be entitled to amend in any respect the particulars which relate to it and which are set out in Parts 1 and 2 of the Schedule hereto by notice to the other Shippers and the Consumer.
- (c) Any such notice given as aforesaid shall be deemed to have been given or received:
 - (i) if sent by hand, at the time of delivery;
 - (ii) if sent by facsimile, upon transmission acknowledged by a correct transmission slip at the end of the message; and
 - (iii) if sent by post, 48 hours after posting.

IN WITNESS WHEREOF the parties have entered into this Agreement as of the day and year first above written

Signed by _____ for
and on behalf of
[INSERT NAMES OF SHIPPERS]

Signed by _____ for
and on behalf of
***[INSERT NAME OF THE
CONSUMER]***

SCHEDULE

Part 1 - the Shippers

[Names and addresses]

Part 2 - the Consumer

[Name and address]

Part 3 - the Suppliers

[Names]

Part 4 - the Premises

[Address]

Part 5 - the Supply Meter Point(s)

Supply Meter Point Reference Number:

Part 6 - effective date

[Date]

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION H – DEMAND ESTIMATION AND DEMAND FORECASTING

1 DEMAND MODELS AND END USER CATEGORIES

1.1 Introduction

- 1.1.1 Demand for gas at NDM Supply Point Components is required to be estimated (in accordance with this Section H) for purposes including determining Supply Point Capacity and NTS Exit Capacity under Section B, establishing nominations under Section C and daily offtakes under Section E, and determining Annual Quantities under Section G1.6.
- 1.1.2 For the purposes of such demand estimation, each NDM Supply Point Component will belong to an End User Category for which a Demand Model will be established in accordance with this paragraph 1.
- 1.1.3 In accordance with GT Section C2.6, references in this Section H to demand are:
 - (a) at the level of any System Exit Point or End User Category, exclusive of shrinkage;
 - (b) at the level of an LDZ, inclusive of LDZ shrinkage;
 - (c) at the level of LDZ Aggregate NDM Points, exclusive of shrinkage.
- 1.1.4 In its application in respect of NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 *therms*), certain provisions of this Section H are modified as herein provided.
- 1.1.5 For the purposes of the Code "**LDZ Aggregate NDM Points**" are in relation to an LDZ all the NDM Supply Point Components and all relevant Connected System Exit Points in the LDZ.

1.2 End User Categories

- 1.2.1 An "**End User Category**" is a category of NDM Supply Point Components in an LDZ defined by rules established in accordance with paragraph 1.6.9; and where appropriate a reference to an End User Category includes reference to the NDM Supply Point Components for the time being belonging to that category.
- 1.2.2 End User Categories will be defined:
 - (a) by reference only to variables values of which:
 - (i) are maintained in the Supply Point Register; and/or
 - (ii) can be derived from Meter Readings obtained with the Meter Reading Frequency required (in relation to relevant Supply Meters) under Section M3

in respect of NDM Supply Point Components belonging to the relevant

category; and

- (b) so that at any time every NDM Supply Point Component belongs to one and only one such category.

1.2.3 The "**Applicable End User Category**" in respect of an NDM Supply Point Component or NDM Supply Meter Point at any time is the End User Category to which the NDM Supply Point Component (or that in which that Supply Meter Point is comprised) belongs at that time.

1.2.4 The "**EUC Sample**" in relation to an End User Category is the Sampled NDM Supply Point Components (in accordance with paragraph 1.6.4) belonging to that category.

1.3 Demand Models

1.3.1 For the purposes of this Section H a "**Demand Model**" is a mathematical model which estimates, for an LDZ, an End User Category or LDZ Aggregate NDM Points, by reference to variables (including weather and day of week) specified by the Transporters for the purposes of the model, daily demand at the System Exit Points in the LDZ or (as the case may be) the EUC Sample or (as the case may be) LDZ Aggregate NDM Points.

1.3.2 The "**Applicable Demand Model**" in relation to an LDZ, an End User Category or LDZ Aggregate NDM Points is the Demand Model applicable in any Gas Year to such LDZ or End User Category or LDZ Aggregate NDM Points in accordance with this paragraph 1.

1.3.3 Notwithstanding GT Section C3.3.1, a Demand Model may estimate demand (for all relevant System Exit Points) on the basis of the flow weighted average calorific value referred to in GT Section C3.3.1(c)(iii).

1.4 Composite Weather Variable

1.4.1 The elements of a Demand Model will include:

- (a) a single variable (the "**Composite Weather Variable**") derived from a formula established by the Transporters and estimated to represent for the relevant LDZ the combined effect on demand of the components of weather (including actual temperature, seasonal normal temperature and windchill, with relative weights assigned to each) which affect demand; and
- (b) a single coefficient ("**Weather Variable Coefficient**") in respect of the element of demand (in the relevant LDZ or End User Category) which varies with weather as represented by the Composite Weather Variable.

1.4.2 Every 5 years, commencing 2000, the Transporters will, after consultation with the Uniform Network Code Committee or any relevant Sub-committee, review and where appropriate revise (with effect from the start of a Gas Year) the formula by which the Composite Weather Variable for an LDZ is determined on the basis of new weather experience; provided that the Transporters may (after such consultation) revise such formula at more frequent intervals where the Transporters determine it to be appropriate on the basis of unusual new weather experience in any shorter period.

1.4.3 Daily values of the Composite Weather Variable for an LDZ, required for the purposes

of developing Demand Models, will be established (by reference to the prevailing formula) on the basis of weather data relating to the relevant LDZ obtained by the Transporter in accordance with paragraph 5.2.

1.5 Seasonal Normal Demand

- 1.5.1 For the purposes of this Section H seasonal normal demand ("**SND**") for an LDZ, an EUC Sample or LDZ Aggregate NDM Points for any Day will be determined in accordance with the Applicable Demand Model on the basis of the seasonal normal value of the Composite Weather Variable for the Day in respect of that LDZ.
- 1.5.2 The "**seasonal normal value**" of the Composite Weather Variable for an LDZ for a Day in any year is the smoothed average of the values of the variable (derived from the formula prevailing in accordance with paragraph 1.4 for that year) for that Day in a significant number of consecutive previous years, up to and including a year not more than 6 years prior to the year in question, derived from weather records maintained by the Transporters.
- 1.5.3 Where the seasonal normal values of the Composite Weather Variable are revised, the Transporters will provide to Users the revised values not later than 30th June in the Gas Year before the Gas Year in which such values first apply.

1.6 NDM Sampling

- 1.6.1 For the purposes of development of End User Categories and Demand Models the Transporter (other than Transco NTS) will obtain data (which may, subject to paragraph 1.6.7, include estimates of missing data) as to daily offtakes of gas at the Supply Meter Points comprised in a sample of NDM Supply Point Components in each relevant LDZ.
- 1.6.2 For the purposes of paragraph 1.6.1:
 - (a) the Transporter shall be entitled at its cost to install, operate and read data recorders at NDM Supply Meter Points from time to time selected by the Transporter;
 - (b) the Transporter will designate (as sampled for such purposes) NDM Supply Meter Points at which Daily Read Equipment is installed or at which it wishes to install Daily Read Equipment and which are comprised in Supply Points whose Annual Quantities are not greater than 2,196,000 kWh (75,000 therms);
 - (c) the sample will be selected by the Transporter by random sampling from NDM Supply Point Components having different Annual Quantities and geographical locations.
- 1.6.3 For the purposes of paragraph 1.6.2:
 - (a) a data recorder is a device which captures Meter Readings at the start of each Day, but is capable of being read only at the Supply Point Premises;
 - (b) the Transporter will not select any NDM Supply Meter Point for installing a data recorder or Daily Read Equipment without the consent of the consumer.
- 1.6.4 For each Gas Year an NDM Supply Point Component at which a data recorder is for the

time being installed or which is for the time being designated under paragraph 1.6.2(b) is a "**Sampled**" NDM Supply Point Component.

1.6.5 The aggregate number of Sampled NDM Supply Point Components:

- (a) for all LDZs will be approximately 3,900 (of which approximately 2,700 will be subject to paragraph 1.6.2(a) and 1,200 subject to paragraph 1.6.2(b));
- (b) for a particular LDZ will be:
 - (i) the approximate number of Sampled NDM Supply Point Components specified by the Transporters in a document published by the Transporters for the purposes of this paragraph 1.6; and
 - (ii) comprised of NDM Supply Point Components located at points on the LDZ of a similar geographical location within the area in which the LDZ is located as was the case at 1 March 1996

or such other number as may be established pursuant to paragraph 1.6.6.

1.6.6 The Transporters will consult from time to time with all Users and the Authority on whether to increase or reduce the number or materially alter the identity or location of the NDM Supply Point Components for all LDZs or a particular LDZ which are Sampled.

1.6.7 The data obtained by the Transporter in accordance with paragraph 1.6.1 will be subject to validation by the Transporter (by techniques which provide reasonable statistical assurance of the validity of each data set), and such of the data as is so validated will be the demand data in respect of Sampled NDM Supply Point Components for the purposes of paragraph 1.7.2.

1.6.8 For NDM Supply Point Components whose Annual Quantity exceeds 2,196,000 kWh (75,000 therms) paragraphs 1.6.1 and 1.6.7 will not apply and the data used for the development of Demand Models will be data (including estimates of missing data) obtained for each Gas Year from Supply Meter Points comprised in Supply Point Components from a sample randomly selected by the Transporter having different Annual Quantities in the relevant LDZ; the aggregate number of such Supply Point Components for all such LDZs will be approximately 1,600 and reference to the EUC Sample shall be construed accordingly.

1.6.9 The Registered User will co-operate with the Transporter:

- (a) in enabling access (where required) to Supply Meters for the purposes of establishing the NDM samples of NDM Supply Point Components and in ensuring that such samples are and will continue to fulfil the requirement to obtain the data as described in paragraphs 1.6.1 and 1.6.8;
- (b) in obtaining the consent (where required) of any relevant person including the consumer for the installation, operation and reading of the data recorder or Daily Read Equipment at NDM Supply Meter Point.

1.7 Development of Demand Models and End User Categories

- 1.7.1 For each Gas Year, after 31 March in the Preceding Year, the Transporters will:
- (a) update the recorded data (maintained for the purposes of this paragraph from October 1994) by the relevant data in accordance with paragraph 1.7.2;
 - (b) select a set of such data with a view to achieving an appropriate balance between the objectives (so far as conflicting) of maximising the size of EUC Samples and the period to which such set of data relates;
 - (c) by statistical analysis (applied consistently as between End User Categories) of the selected data, develop or revise for each LDZ:
 - (i) definitions of a number of End User Categories for the LDZ;
 - (ii) a Demand Model for each such End User Category;
 - (iii) a Demand Model for the LDZ; and
 - (iv) a Demand Model for LDZ Aggregate NDM Pointswhich (on the basis of such data and analysis) in the Transporters' reasonable judgment are most appropriate having regard to the objectives in paragraph 1.7.3.
- 1.7.2 The relevant data is:
- (a) the demand data for each Sampled NDM Supply Point Component referred to in paragraph 1.6;
 - (b) the demand data for LDZ Aggregate NDM Points (such demand data being the LDZ Daily Quantity Offtaken less the aggregate sum for quantities offtaken at all DM Supply Point Components and relevant Connected System Exit Points in the LDZ and adjusted by deducting LDZ shrinkage); and
 - (c) demand data and daily values of the Composite Weather Variable for each LDZ, for a 12 month period ending in March in the Preceding Year
- and in respect of a Transporter relevant data is data in relation to a relevant System.
- 1.7.3 The objectives referred to in paragraph 1.7.1(c) are:
- (a) to define End User Categories so as to recognise significant differences in the annual profile of daily demand at different groups of NDM Supply Point Components; and
 - (b) to maximise the goodness of fit (in statistical terms) of the Demand Model applicable to each End User Category to the relevant updated data referred to in paragraph 1.7.1(a).
- 1.7.4 The definition of an End User Category may be the same for all or several LDZs, and an EUC Sample may include the Supply Point Components in more than one LDZ.
- 1.7.5 For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) the End User Categories (insofar as defined by reference to Annual

Quantities) will be those applicable for the Gas Year commencing 1 October 1995 and will not be revised annually; and to that extent paragraphs 1.7.1(c)(i) and 1.7.3(a) shall not apply in respect thereof.

1.8 Consultation on the Transporters' proposals

1.8.1 The Transporters will, in June of the Preceding Year, consult with the Uniform Network Code Committee or any relevant Sub-committee on proposed End User Category definitions and Demand Models developed under paragraph 1.6.9, and not later than 30 June in the Preceding Year will submit to all Users:

- (a) the proposed End User Category definitions and Demand Models developed under paragraph 1.6.9;
- (b) values of the Derived Factors (in accordance with paragraph 1.9.3), determined on the basis of such proposals;
- (c) any alternative End User Category definitions and Demand Models which the Transporters (in undertaking the exercise under paragraph 1.6.9) considered to be not significantly inferior (on the basis of the objectives in paragraph 1.7.3 and such other criteria as the Transporters may reasonably consider to be appropriate) to those proposed; and
- (d) a summary of the Transporters' analysis of the performance in the Preceding Year against the objectives in paragraph 1.7.3 of the End User Categories and Demand Models (applicable in the Preceding Year).

1.8.2 Upon the request (made not earlier than 1 May nor later than 31 May in the Preceding Year) of any User, the Transporters will not later than 15 June in the Preceding Year provide to that User (by electronic format chosen by the Transporters) the data referred to in paragraph 1.7.2 (aggregated by EUC Sample in the case of the data referred to in paragraph 1.6.8), together with other data used in the analysis referred to in paragraph 1.8.1(d), in a form which does not include the identity of Registered Users, Supply Point Premises, suppliers or consumers, nor details of the individual components of the Composite Weather Variable.

1.8.3 Users may submit to a Transporter representations in respect of the proposed End User Categories and Demand Models up to but not later than 15 July in the Preceding Year.

1.8.4 Between 16 July and 14 August in the Preceding Year, the Transporters:

- (a) will review the representations made by Users under paragraph 1.8.3;
- (b) will consult, so far as they deem appropriate, with any User in respect of representations made by them or any other User;
- (c) may convene meetings with any User or Users for the purposes of such consultation.

1.8.5 The Transporters will make available to Users reasonable details of the representations made to them under paragraph 1.8.3 and consultations held under paragraph 1.8.4 (but may do so by oral presentation at a meeting of Users convened under paragraph 1.8.4(c)); and shall be free to disclose to any User and the Authority any such

representation and details of any such consultation.

- 1.8.6 The Transporters may at any time convene a meeting of the Uniform Network Code Committee or any relevant Sub-committee for the purposes of consulting on any particular issue which may arise in the development or revision under paragraph 1.7.1 of End User Categories and Demand Models.

1.9 Finalisation of End User Categories and Demand Models

- 1.9.1 Not later than 15 August in the Preceding Year, the Transporters will submit to the Authority and all Users their final proposals for End User Categories and Demand Models (and corresponding values of the Derived Factors) with such changes as the Transporters may on the basis of Users' representations and consultation under paragraph 1.8 determine appropriate.
- 1.9.2 The End User Categories and Demand Models (and corresponding values of the Derived Factors) applicable to the Gas Year shall be those submitted by the Transporters under paragraph 1.9.1 unless upon the application of the Transporters or any User, made not later than the 5th Business Day after the final proposals were submitted, the Authority shall within a further five Business Days after such date give Condition A11(18) Disapproval to the Transporters applying any particular such End User Category or Demand Model (and corresponding values), in which case the Transporters will use the End User Categories and End User Category Demand Models applying in the Preceding Year to create corresponding values of the Derived Factors and such End User Categories and Derived Factors shall then apply to the Gas Year.
- 1.9.3 For the purposes of this Section H the "**Derived Factors**" are:
- (a) for each Day of the Gas Year, the Annual Load Profile and Daily Adjustment Factor (in accordance with paragraph 2) for each End User Category; and
 - (b) the EUC peak load factor for each End User Category and the peak load scaling factor (in accordance with paragraph 4).

1.10 DNO Users

In this Section H references to Users exclude DNO Users.

2 DETERMINATION OF SUPPLY METER POINT DEMAND

2.1 Supply Meter Point Demand

- 2.1.1 For the purposes of this Section H "**NDM Supply Meter Point Demand**" is the quantity of gas estimated or (as the case may be) deemed to be offtaken on a Day at an NDM Supply Meter Point.
- 2.1.2 Subject to paragraph 2.1.3 NDM Supply Meter Point Demand will be determined (in accordance with paragraph 2.2):
- (a) before and (as appropriate) during the Gas Flow Day, for the purpose ("**Nomination Determination**") of establishing Output Nominations for NDM Supply Point Groups, in accordance with Section C;

- (b) after the Gas Flow Day, for the purpose ("**Offtake Determination**") of establishing UDQOs for NDM Supply Point Components, in accordance with Section E.

- 2.1.3 For the purpose only of establishing an assumed metered volume to carry out individual NDM Reconciliation pursuant to Section E6.1.6, NDM Supply Meter Point Demand will be determined in accordance with paragraph 2.2.2.

2.2 Supply Meter Point Demand Formula ¹

- 2.2.1 NDM Supply Meter Point Demand ('SPD') for a Day (Day 't') shall be determined according to the following formula:

$$SPD = \frac{AQ}{365} \times ALP_t \times (1 + DAF_t \times WCF_t) \times SF_t$$

where AQ is the Annual Quantity (in kWh) in respect of the relevant NDM Supply Meter Point (in accordance with paragraph 3.1.5(a) in the case of a Shared Supply Meter Point);

and where for Day 't':

ALP_t is the value of the Annual Load Profile for the Applicable End User Category;

DAF_t is the value of the Daily Adjustment Factor for the Applicable End User Category;

WCF_t is the Weather Correction Factor for the relevant LDZ in accordance with paragraph 2.5;

SF_t is the Scaling Factor for the relevant LDZ in accordance with paragraph 2.5.

- 2.2.2 For the purposes of paragraph 2.1.3 NDM Supply Meter Point Demand ('SPD') for a Day (Day 't') shall be determined according to the following formula:

$$SPD = \frac{AQ}{365} \times ALP_t$$

Where AQ is the Annual Quantity (in kWh) in respect of the relevant NDM Supply Meter Point (in accordance with Paragraph 3.1.5(a) in the case of a Shared Supply Meter Point);

and where for Day 't'

ALP_t is the value of the Annual Load Profile for the Applicable End User Category.

¹ Definitions of 'SPD' at paragraphs 2.2.1 and 2.2.2 to be verified.

2.3 Annual Load Profile

- 2.3.1 The "**Annual Load Profile**" for an End User Category for a Day is a factor representing the Seasonal Normal Demand of the End User Category for that Day as a proportion of the average Seasonal Normal Demand (for all Days of the Gas Year) of the End User Category.
- 2.3.2 The Annual Load Profile ('ALP_t') for an End User Category for Day t shall be determined as:

$$ALP_t = \frac{SNDE_t}{\left(\frac{\sum_{t=1}^N SNDE_t}{N} \right)}$$

where:

SNDE_t is seasonal normal demand for the End User Category for Day t

N is the number of Days in the Gas Year.

2.4 Daily Adjustment Factor

- 2.4.1 The "**Daily Adjustment Factor**" for an End User Category for a Day is a factor representing the weather sensitivity of demand in that End User Category on that Day relative to the weather sensitivity of demand in the LDZ on that Day.
- 2.4.2 The Daily Adjustment Factor ('DAF_t') for an End User Category for a Day shall be determined as:

$$DAF_t = \frac{(WVCE_t / SNDE_t)}{(WVCN_t / SNDN_t)}$$

where for Day t:

WVCN_t is the value of the Weather Variable Coefficient (in accordance with paragraph 1.4) in the Demand Model for the LDZ Aggregate NDM Points for the relevant LDZ;

SNDN_t is the value of seasonal normal demand for LDZ Aggregate NDM Points for the relevant LDZ;

WVCE_t is the value of the Weather Variable Coefficient in the Demand Model for the End User Category;

SNDE_t is the value of seasonal normal demand for the End User Category.

2.5 Weather Correction Factor and Scaling Factor

For the purposes of paragraph 2.2 the "**Weather Correction Factor**" ('WCF_t') and "**Scaling Factor**" ('SF_t') in respect of an LDZ are (respectively) the factors determined

as follows:

$$SF_t = \frac{ASD_t}{NDMD_t}$$

$$WCF_t = \frac{ASD_t - SNDN_t}{SNDN_t}$$

ASD_t is:

- (a) for the purposes of Nomination Determination, Forecast LDZ Demand (at the relevant time of Nomination Determination) determined in accordance with paragraph 5.2 less the aggregate sum of DM Output Nominations (at the relevant time of Nomination Determination) at all DM Supply Point Components and relevant Connected System Exit Points in the LDZ and adjusted by deducting LDZ shrinkage;
- (b) for the purposes of Offtake Determination, that quantity comprised in the LDZ Daily Quantity Offtaken attributable to NDM Supply Point Components and relevant Connected System Exit Points (determined as the LDZ Daily Quantity Offtaken less the aggregate sum for quantities offtaken at all DM Supply Point Components and relevant Connected System Exit Points in the LDZ and adjusted by deducting LDZ shrinkage);

SNDN_t has the meaning in paragraph 2.4.2; and

NDMD_t is the aggregate for all NDM Supply Point Components and for any relevant Connected System Exit Point in the LDZ of the amounts determined by calculating Supply Point Demand for Day t in accordance with paragraph 2.2 with a Scaling Factor equal to one or (as the case may be) calculated in accordance with the relevant provisions of the CSEP Network Exit Provisions.

3 NDM ANNUAL QUANTITIES

3.1 Introduction

- 3.1.1 Subject to paragraphs 3.1.2 and 3.1.3, the Annual Quantity or the Provisional Annual Quantity of an NDM Supply Meter Point for each Gas Year shall be determined (on the basis of a standard 365 Day year) by seasonal normal adjustment of the metered quantity for a period ending before such Gas Year in accordance with this paragraph 3.
- 3.1.2 In the circumstances in paragraph 3.2.4 the Annual Quantity or the Provisional Annual Quantity of the NDM Supply Meter Point for a Gas Year shall be that applicable for the Preceding Year.
- 3.1.3 For the Gas Year in which a New Supply Meter Point is established its Provisional Annual Quantity shall be the quantity specified by the relevant User in accordance with Section G7.3.6.
- 3.1.4 Upon annual determination thereof in accordance with this paragraph 3, the Annual Quantity of an NDM Supply Meter Point will be notified to the Registered User in

accordance with Section G1.6.12.

3.1.5 In the case of a Shared Supply Meter Point which is an NDM Supply Meter Point:

- (a) the Annual Quantity shall be established for the Supply Meter Point as a whole (disregarding the Shared Supply Meter Notification);
- (b) thereafter a separate Annual Quantity shall be established (in accordance with Section G1.7.11) in respect of each Sharing Registered User.

3.2 Relevant Metered Period

3.2.1 For the purposes of this paragraph 3.2 the "**Relevant Metered Period**" in respect of a Gas Year is the period from the Day after the starting Meter Read (in accordance with paragraph 3.2.3) to the ending Meter Read (in accordance with paragraph 3.2.2).

3.2.2 The ending Meter Read is the latest Valid Meter Read (in accordance with Section M3) before 10 August in the Preceding Year.

3.2.3 The starting Meter Read shall be:

- (a) the latest Valid Meter Read before the target opening date, or if there was no such Meter Read less than three years before the target opening date;
- (b) subject to paragraph 3.2.4, the first Valid Meter Read after the target opening date.

3.2.4 If there was no Valid Meter Read less than three years before the target opening date or more than 6 months before the ending Meter Read, paragraph 3.1.2 shall apply.

3.2.5 For the purposes of this paragraph 3.2 the "**target opening date**" is the date which is:

- (a) where the NDM Supply Point Meter is a Monthly Read Meter, 50 weeks; or
- (b) where the NDM Supply Point Meter is an Annual Read Meter, 42 weeks before the ending Meter Read.

3.3 Relevant Metered Quantity

The "**Relevant Metered Quantity**" is the Metered Quantity or (if there was one or more intervening Valid Meter Reads in the Relevant Metered Period) the sum of the Metered Quantities for the Relevant Metered Period (in accordance with Section M1.4.4(b)).

3.4 Annual Quantity

3.4.1 The Annual Quantity ('AQ') for an NDM Supply Meter Point for a Gas Year shall be determined as follows:

$$AQ = RMQ \times \frac{365}{\sum_{t=1}^M (ALP_t \times (1 + DAF_t \times EWCF_t))}$$

where:

RMQ is the Relevant Metered Quantity;

M is the number of Days in the Relevant Metered Period;

and where for each Day (Day 't') in the Relevant Metered Period:

ALP_t is the value for the year in which Day t falls (the "**relevant year**") of the Annual Load Profile for the Applicable End User Category;

DAF_t is the value for the relevant year of the Daily Adjustment Factor for the Applicable End User Category;

EWCF_t is the value for the relevant year of the Estimated Weather Correction Factor (in accordance with paragraph 3.4.2).

- 3.4.2 The "**Estimated Weather Correction Factor**" for a Day in respect of an LDZ is the factor determined by calculating the Weather Correction Factor (in accordance with paragraph 2.5) for that Day substituting for the term 'ASD_t' the value of demand for the LDZ Aggregate NDM Points determined from the Applicable Demand Model for the relevant year (on the basis of the value of the Composite Weather Variable).

4 NDM CAPACITY

4.1 Introduction

The Supply Point Capacity ('SPC') and the NTS Exit Capacity ('NEC') which a User is registered as holding at or (as the case may be) in respect of an NDM Supply Point Component on any Day in the Gas Year will be determined in accordance with the following formula:

$$SPC = NEC = \frac{AQ}{PLF \times 365}$$

where:

AQ is the Annual Quantity of the NDM Supply Point Component for the Gas Year;

PLF is the EUC peak load factor in accordance with paragraph 4.2.

4.2 EUC peak load factor

The "**EUC peak load factor**" is a load factor for the Applicable End User Category determined as follows:

$$PLF = \frac{AAQ}{PDD - 365}$$

where:

AAQ is the sum of the Annual Quantities in respect of the NDM Supply Point Components in the EUC Sample; and

PDD is the 1-in-20 peak day demand of the Applicable End User Category determined under paragraph 4.33.

4.3 1-in-20 peak day demand

4.3.1 The Transporter will determine 1-in-20 peak day demand by simulation using the relevant Demand Model and otherwise in accordance with the methodology referred to in GT Section C2.6.6.

4.3.2 For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) 1-in-20 peak day demand will be determined as aggregate NDM Supply Meter Point Demand (for all Supply Meter Points comprised in the NDM Supply Point Component) in accordance with paragraph 2 on the basis that:

- (a) for the purposes of determining the values of 'ALP_t', 'DAF_t' and 'SNDN_t', Day 't' is the Day of the highest seasonal normal demand under the Applicable Demand Model for the relevant LDZ Aggregate NDM Points;
- (b) for the purpose of determining the value of 'WCF_t' under paragraph 2.5, the value of 'ASD_t' is 1-in-20 peak day demand for the relevant LDZ Aggregate NDM Points; and
- (c) the value of 'SF_t' is 1.

5 DAILY DEMAND FORECASTING

5.1 Weather forecasting

5.1.1 Transco NTS will obtain (from the Meteorological Office or other reputable meteorological services provider) at certain times within each Day:

- (a) forecasts of temperatures and wind speeds at a number of weather stations at intervals during the remainder of that Day and the following Day;
- (b) details of the temperatures and wind speeds recorded at such weather stations at intervals during that Day and the preceding Day.

5.1.2 The times at which Transco NTS will obtain weather data under paragraph 5.1.1 include the following approximate times: 11:30 hours, 15:15 hours and 23:30 hours on the Preceding Day and 07:30 hours, 11:30 hours and 15:15 hours on the Gas Flow Day.

5.2 LDZ Demand Forecasting

5.2.1 The Transporter will (during the Preceding Day and the Gas Flow Day in accordance with paragraph 5.2.3) forecast and notify to Users:

- (a) in the case of a DN Operator, demand in each relevant LDZ;
- (b) in the case of Transco NTS, demand for the Total System

for the Gas Flow Day, using Short Term Demand Models, on the basis of the weather data most recently obtained in accordance with paragraph 5.1 (in the case of LDZ demand, for the weather station(s) located in or closest to the relevant LDZ).

- 5.2.2 A "**Short Term Demand Model**" is a mathematical model established by the Transporters on the basis of historic demand and other data, which estimates (at a given time) for an LDZ and the Total System and for any Day demand, by reference to data including:
- (a) forecasts of temperature and wind speeds for the Gas Flow Day or the remainder thereof;
 - (b) recorded temperature and wind speeds for the Preceding Day and (where relevant) the Gas Flow Day up to the time of forecasting; and
 - (c) actual demand (assessed by reference to gas flows at NTS/LDZ Offtakes adjusted for estimated changes in LDZ stock) for the Preceding Day and (where relevant) the Gas Flow Day up to the time of forecasting.
- 5.2.3 The Transporter will notify demand under paragraph 5.2.1 after receipt of weather data under paragraph 5.1.1 not later than the following times: 14:00 hours, and 02:00 hours on the Preceding Day and 12:00 hours, 15:00 hours, 18:00 hours and 21:30 hours on the Gas Flow Day.
- 5.2.4 The Transporter may in addition and at its discretion notify demand (for a relevant System) at other times for any reason it considers appropriate including, but not limited to, where it appears to the Transporter that the prevailing Forecast LDZ Demand may be substantially inaccurate; and where it does so it will inform Users of the reasons for its view.
- 5.2.5 Where there is a delay in the provision of forecast and other information to the Transporter as described in paragraph 5.1, the Transporter may defer the time at which it notifies demand under paragraph 5.2.3 by a commensurate period.
- 5.2.6 For the purposes of the Code:
- (a) "**Forecast LDZ Demand**" means aggregate demand for the Gas Flow Day in an LDZ, forecast in accordance with this paragraph 5;
 - (b) "**Forecast Total System Demand**" means aggregate demand for the Gas Flow Day on the Total System, forecast in accordance with this paragraph 5;
 - (c) "**Demand Forecast Time**" means any time at which (in accordance with paragraph 5.2.3 or 5.2.4) the Transporter notifies Forecast LDZ Demand under paragraph 5.2.1.
- 5.2.7 In forecasting demand under this paragraph 5, the Transporter will act in good faith and will exercise reasonable skill and care, but the Transporter will not be liable (as to any loss or liability incurred by a User or otherwise) to any User in respect of or in consequence of anything done or omitted to be done by the Transporter under this paragraph 5.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION I – ENTRY REQUIREMENTS

1 GENERAL

1.1 Introduction

- 1.1.1 The provisions of this Section I shall apply in respect of the delivery of gas to the Total System at System Entry Points.
- 1.1.2 Users delivering gas to the Total System at a System Entry Point shall comply with the relevant requirements of this Section I.
- 1.1.3 Nothing in the Code confers on any person any entitlement to have any pipeline, plant or other installation connected to the Total System for the purposes of delivering gas to the Total System.
- 1.1.4 The provisions of this Section I shall not apply in respect of gas flows at Inter-System Offtakes.

1.2 Connected Delivery Facility

- 1.2.1 For the purposes of this Section I a "**Connected Delivery Facility**" is a single facility or system (comprising pipeline(s), plant and/or other installations), operated by one person (or jointly operated by several persons), and connected to the Total System at one or more Individual System Entry Points.
 - 1.2.2 Without prejudice to paragraph 1.1.3, a Connected Delivery Facility may be:
 - (a) a facility for processing gas produced (and transported to such facility) from offshore or onshore oil or gas fields;
 - (b) a facility for the storage of gas;
 - (c) the pipeline system operated by another gas transporter;
 - (d) a pipeline interconnector by which gas is transported from another country; or
 - (e) any other pipeline or pipeline system.
 - 1.2.3 A "**Delivery Facility Operator**" is the operator of a Connected Delivery Facility.
 - 1.2.4 A Connected Delivery Facility may (in accordance with Section J1.4.6) also be a Connected Offtake System.
- ##### 1.3 Network Entry Agreement
- 1.3.1 Subject to paragraph 1.6, a User may not deliver gas to the Total System at any System Entry Point unless there is in force an Agreement ("**Network Entry Agreement**") to which the parties include both the Transporter and the Delivery Facility Operator, containing Network Entry Provisions and (if not incorporated into the Network Entry

Provisions) Local Operating Procedures applicable in respect of the System Entry Point.

- 1.3.2 For the purposes of the Code "**Network Entry Provisions**" are terms and conditions or other provisions which specify requirements (for the purposes of the Code) in respect of the delivery of gas to the Total System.
- 1.3.3 Where in relation to a Connected Delivery Facility there is (in accordance with paragraph 1.4.2) more than one System Entry Point the Network Entry Provisions applicable in respect of each System Entry Point may be contained in one Network Entry Agreement.
- 1.3.4 A Network Entry Agreement may contain provisions other than Network Entry Provisions.
- 1.3.5 The existence of a Network Entry Agreement shall not relieve Users of any obligation under the Code, and the Transporter shall not be required (for itself or for the benefit of any User) to secure in a Network Entry Agreement any remedy against the Delivery Facility Operator nor to take steps to enforce any provision of a Network Entry Agreement.
- 1.3.6 There may be other persons (in addition to the Transporter and the Delivery Facility Operator) party to a Network Entry Agreement; but a User shall not (in its capacity as User) be required or entitled to be a party to a Network Entry Agreement.

1.4 System Entry Point

- 1.4.1 Subject to paragraph 1.4.2, a System Entry Point is the Individual System Entry Point or Individual System Entry Points at which a Connected Delivery Facility is connected to the Total System.
- 1.4.2 The Individual System Entry Points at which a Connected Delivery Facility is connected to the Total System may form more than one System Entry Point.
- 1.4.3 The Individual System Entry Point or Individual System Entry Points comprised in a System Entry Point will be specified in the applicable Network Entry Provisions.
- 1.4.4 Where so specified pursuant to paragraph 1.4.3 by agreement of the Delivery Facility Operators, a System Entry Point may comprise the Individual System Entry Points at which more than one Connected Delivery Facility, each in operation at 1 March 1996, is connected to the Total System.

1.5 Aggregate System Entry Point

- 1.5.1 An Aggregate System Entry Point is a System Entry Point, or (in the case where in relation to a Connected Delivery Facility there is more than one System Entry Point and/or there are several adjacent Connected Delivery Facilities) any two or more of the System Entry Points in respect of such Connected Delivery Facility(ies) so designated by Transco NTS pursuant to paragraph 1.5.2.
- 1.5.2 Transco NTS will designate the System Entry Point or System Entry Points which are comprised in an Aggregate System Entry Point, and may from time to time after consultation with Users change such designation upon notice to Users of not less than 12 months or a lesser period of notice if the Authority shall upon Transco NTS's

application give Condition A11(18) Approval to its giving notice of such lesser period.

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

1.6 No Network Entry Agreement

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

- (a) paragraph 1.3.1 shall not apply;
- (b) the Individual System Entry Points comprised in the System Entry Point will be as designated by Transco on or before 1 March 1996;
- (c) the Network Entry Provisions shall be those provisions which relate (in respect of the delivery of gas to the Total System) to the matters described in paragraphs 2.3.1(c)(iii), 2.4, and 2.5, of contractual arrangements (other than transportation agreements) in force immediately before 1 March 1996 (and disregarding any subsequent amendment unless made with the assent of Transco plc and any other person which provide for or relate to the delivery of gas (in a commingled stream, where gas is so delivered) to the Total System at the relevant System Entry Point;
- (d) Local Operating Procedures shall be such procedures as the Delivery Facility Operator and the Transporter shall separately establish;
- (e) the further provisions of this paragraph 1.6 shall apply.

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

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

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

- (a) under such proposed Network Entry Agreement the Network Entry Provisions which will apply for the purposes of paragraphs 2.4 and 2.5 are different from those which applied pursuant to paragraph 1.6.1(c);
- (b) such difference may reasonably be considered to be materially adverse to the

interests of Users delivering gas to the Total System at the System Entry Point at the time of such proposal; and

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

1.7 DNO Users

In this Section I references to Users exclude DNO Users.

2 NETWORK ENTRY PROVISIONS

2.1 Availability of Network Entry Provisions

- 2.1.1 Subject to paragraph 2.1.3, the Transporter will make available to any User on request a copy of the Network Entry Provisions and Local Operating Procedures applicable to any System Entry Point, but shall not be required to provide to any User any other details of a Network Entry Agreement.
- 2.1.2 A User who applies (in accordance with Section B) for System Entry Capacity at an Aggregate System Entry Point, or delivers gas to the Total System at a System Entry Point, shall be responsible for obtaining and shall be deemed to have obtained and to be fully informed of the applicable Network Entry Provisions and Local Operating Procedures.
- 2.1.3 Paragraph 2.1.1 shall not apply in respect of any particular provision of the Network Entry Provisions applicable pursuant to paragraph 2.3.3 or Local Operating Procedures where the disclosure of such provision would be materially prejudicial to the commercial interests of the Delivery Facility Operator or where the provision contains personal or confidential information relating to individuals or refers to any other agreement to which the Delivery Facility Operator is party.

2.2 Amendment of Network Entry Provisions

- 2.2.1 Subject to paragraphs 1.6.4, 2.2.3 and 2.3.3(a), the Network Entry Provisions applicable pursuant to paragraph 2.3.1 in respect of any System Entry Point will not be modified other than by agreement between the Transporter and the relevant Delivery Facility Operator.
- 2.2.2 The Transporter will not agree (for the purposes of paragraph 2.2.1) to a modification of the Network Entry Provisions applicable pursuant to paragraph 2.3.1 except:
 - (a) with the consent in writing of all Users who are registered at the date when such amendment is to take effect as holding NTS Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised; or
 - (b) in accordance with paragraph 2.2.3.
- 2.2.3 Where the Transporter and the relevant Delivery Facility Operator have agreed (subject to a Code Modification) upon an amendment to any such Network Entry Provisions, such Network Entry Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules, for which purposes only the

Network Entry Provisions shall be deemed to form a part of the Code.

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

- (a) the Transporter; or
- (b) the relevant Delivery Facility Operator to comply with any Legal Requirement.

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

2.2.6 The Transporter will notify to all Users:

- (a) any modification to the Network Entry Provisions (other than any such provisions to which paragraph 2.1.3 applies) applicable to any System Entry Point, not later than the date upon which such modification becomes effective; and
- (b) except to the extent prevented from doing so by any duty of confidence, any requirement for modification of Network Entry Provisions under paragraph 2.2.4(a) as soon as reasonably practicable after the Transporter becomes aware of such requirement.

2.3 Network Entry Provisions

2.3.1 Network Entry Provisions will:

- (a) identify the Connected Delivery Facility (by name, location or otherwise);
- (b) specify the Individual System Entry Points comprised in the relevant System Entry Point; and
- (c) specify for such System Entry Point:
 - (i) Gas Entry Conditions in accordance with paragraph 2.4;
 - (ii) Measurement Provisions in accordance with paragraph 2.5; and
 - (iii) the point or points of delivery in accordance with paragraph 3.6.1.

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

2.3.3 Network Entry Provisions may include:

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

- (b) terms entitling the Transporter and the Delivery Facility Operator to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Network Entry Provisions, or requiring them to procure and facilitate audit of such compliance;
- (c) terms according to which, and circumstances in which, it is permitted to deviate or depart from any other Network Entry Provision;
- (d) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the delivery of gas to the Total System or (in relation to such delivery) the Connected Delivery Facility; and
- (e) procedures applicable to gas flows applicable in the event of any emergency circumstances affecting the Transporter or the Delivery Facility Operator (including any Emergency in accordance with Section Q).

2.3.4 Where and for so long as:

- (a) any requirement (other than a requirement which is to be performed by the Transporter, and save as regards Gas Entry Conditions where paragraph 3.3 shall apply) of the Network Entry Provisions is not for the time being complied with or is incapable of being complied with (other than as a result of a failure by the Transporter to perform any requirement under the Network Entry Agreement); and
- (b) either:
 - (i) such non-compliance or inability to comply materially and adversely affects the ability of the Transporter to operate the relevant System or to comply with any Legal Requirement or any provision (other than a provision the failure to comply with which has no significant consequences for the Transporter or any User) of the Code; or
 - (ii) upon the Transporter's application, on the basis that in its opinion non-compliance or inability to comply adversely affects the interests pursuant to the Code of Users other than in respect of NTS Entry Capacity or the delivery of gas to the Total System at the relevant System Entry Point, the Authority has given Condition A11(18) Approval to its doing so,

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

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

2.3.6 Nothing contained in a Network Entry Agreement shall be taken to constrain the basis

upon which the Transportation Statement may provide for the determination of any Transportation Charges.

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

2.3.8 Where:

- (a) a Connected Delivery Facility is or forms part of an Interconnected System; and
- (b) at the relevant System Entry Point only gas which has first been offtaken from the relevant System can be delivered to the relevant System

certain Network Entry Provisions may not be required.

2.4 Gas Entry Conditions

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

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

- (a) composition limits:
 - Gross calorific value (maximum and minimum, MJ/m³);
 - Wobbe number (maximum and minimum, MJ/m³);
 - Hydrogen Sulphide (maximum, ppm);
 - Hydrocarbon Dewpoint (maximum °C for specified maximum pressure);
 - Water Dewpoint (maximum °C for specified maximum pressure);
 - Total Sulphur (maximum volume, ppm expressed as H₂S);
 - Oxygen (maximum volume, ppm);
 - Inert gases (maximum mol%), including:
 - Carbon Dioxide (maximum mol%); and
 - Nitrogen (maximum mol%);
- (b) delivery temperature (minimum and maximum °C);
- (c) contaminants - materials, dust or other solid or liquid matter;
- (d) odour; and
- (e) the pressure (maximum and minimum, bar g) at which and against which gas may be required to be delivered to the Total System.

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

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

2.4.5 Where under any new or changed Legal Requirement there is any requirement, applicable to the characteristics (other than odour) of gas conveyed by means of or tendered for delivery to the Total System, which either does not apply or is more stringent than any which does apply under the prevailing Gas Entry Conditions, such requirement shall (unless expressly provided otherwise under any Special Delivery Arrangement) at the time at which it comes into force be deemed to be incorporated in the Gas Entry Conditions (which will be amended accordingly as soon as reasonably practicable thereafter).

2.5 Measurement Provisions

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

- (a) gas delivered or tendered for delivery to the Total System at that point will be measured, sampled and analysed;
- (b) the volume, calorific value, quantity, and delivery characteristics of such gas will be determined; and
- (c) the Transporter and the Delivery Facility Operator will inform each other of the determinations made under paragraph (b).

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

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

2.5.4 Measurement Provisions may include:

- (a) standards of accuracy and procedures for testing and calibration of Measurement Equipment;
- (b) terms by which volume, calorific value, quantity or any delivery characteristic of gas delivered or tendered for delivery may be estimated in the case of failure or defect of any Measurement Equipment, non-compliance with any of the Measurement Provisions or otherwise; and
- (c) terms upon which any difference or dispute between the Delivery Facility Operator and the Transporter as to the volume, calorific value, quantity or delivery characteristic of gas delivered or tendered for delivery will be resolved (which may include resolution by agreement between them).

2.5.5 Each User acknowledges that the volume, calorific value, quantity and delivery characteristics of gas delivered or tendered for delivery (by Users in aggregate) to the Total System at a System Entry Point, and the compliance or non-compliance with the

applicable Gas Entry Conditions in respect thereof, will be established (by the Transporter and the Delivery Facility Operator pursuant to the Network Entry Provisions) in accordance with the applicable Measurement Provisions and by means of the Measurement Equipment, and agrees to be bound (for the purposes of the Code) by what is so established.

2.6 Local Operating Procedures

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

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

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

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

- (a) by Transco NTS (in accordance with Section D1.3) in operating and planning the operation of the NTS and for the purposes of Operational Balancing;
- (b) by a DN Operator in the operating and planning the operation of its System(s).

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

- (a) for the purposes of enabling any inspection, repair or maintenance to be carried out in respect of the Connected Delivery Facility or any related part of a relevant System;
- (b) for the purposes of avoiding a Transportation Constraint, or enabling the delivery of gas notwithstanding a Transportation Constraint; or
- (c) in any other circumstances (affecting facilities upstream of the System Entry Point) provided for in such procedures,

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

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

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

3 DELIVERY OF GAS TO THE TOTAL SYSTEM

3.1 Delivering Users

- 3.1.1 Subject to Sections E2.3 and Q3.3.4, all gas delivered or tendered for delivery to the Total System at a System Entry Point on a Day shall be deemed to be delivered or tendered for delivery by the Delivering User(s), irrespective of any act or omission of the Delivery Facility Operator or any other person.
- 3.1.2 For the purposes of this Section I the "**Delivery Proportion**" for a Delivering User on a Day in respect of a System Entry Point is that User's UDQI for that Day divided by the Entry Point Daily Quantity Delivered in accordance with Section E.

3.2 Delivered gas

- 3.2.1 The gas delivered or tendered for delivery to the Total System at an Individual System Entry Point shall for all purposes of the Code be assumed to be a single homogenous gas stream.
- 3.2.2 Where on a Day more than one User delivers gas or tenders gas for delivery to the Total System at a System Entry Point:
- (a) each such User shall be treated as delivering or tendering for delivery at each Individual System Entry Point gas of the same delivery characteristics as that delivered or tendered for delivery at such System Entry Point by each other such User; and
 - (b) the gas delivered or tendered for delivery at each System Entry Point at any time on such Day shall, irrespective of differences in such delivery characteristics as between Individual System Entry Points, be treated as delivered or tendered for delivery by each Delivering User as to its Delivery Proportion thereof.
- 3.2.3 Subject to the terms of any Special Delivery Arrangement, where the delivery characteristics of gas delivered or tendered for delivery at Individual System Entry Points comprised in the same System Entry Point differ, the Transporter may exercise its rights under paragraph 3.3.2 separately in respect of each Individual System Entry Point.

3.3 Compliance with Gas Entry Conditions

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

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

- (a) refuse to accept delivery or continued delivery of such gas; or
- (b) (subject to any Legal Requirement) accept such delivery or accept such delivery as to part only of what is tendered for delivery.

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

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

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

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

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

3.3.8 Where and for so long as a Special Delivery Arrangement under paragraph 3.5.1 is in force and the terms thereof are being complied with, gas subject to such Special Delivery Arrangement shall not be non-compliant gas by reason only of its not complying with the Gas Entry Conditions as to the delivery characteristic(s) in respect of which the Special Delivery Arrangement was made.

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

3.4 Payment in respect of non-compliant gas

- 3.4.1 Subject to paragraphs 3.4.2 and 3.4.3, the amount payable by a Delivering User to the Transporter under paragraph 3.3.5 shall be its Delivery Proportion of all reasonable costs and expenses reasonably incurred by the Transporter in consequence of the delivery of the non-compliant gas, including (without limitation) costs and expenses incurred:
- (a) in cleaning or clearing any part of the relevant System; and/or
 - (b) in taking reasonable measures (excluding any Operational Balancing Steps) to secure that the relevant System can be operated in accordance with applicable Legal Requirements notwithstanding the delivery or continued delivery of such non-compliant gas.
- 3.4.2 The amount payable by a Delivering User pursuant to paragraph 3.4.1 shall not exceed 10% of its Delivery Proportion of the amount calculated as the total quantity of non-compliant gas delivered to the Total System at the relevant System Entry Point on the relevant Day multiplied by the Applicable Liability Gas Price.
- 3.4.3 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the delivery of non-compliant gas to the Total System at a System Entry Point on more than one Day:
- (a) references in paragraphs 3.4.1 and 3.4.2 to a User's Delivery Proportion shall be deemed to be references to a weighted average Delivery Proportion determined for each Delivering User as the sum, for all such Days, of the User's Delivery Proportion for each Day multiplied by the Entry Point Daily Quantity Delivered, divided by the sum of the Entry Point Daily Quantities Delivered for all such Days;
 - (b) the reference in paragraph 3.4.2 to the total quantity of non-compliant gas delivered on the relevant Day shall be to the total quantity of non-compliant gas delivered on all such Days.
- 3.4.4 Where any amount has become payable to the Transporter pursuant to paragraph 3.3.5:
- (a) the Transporter shall as soon as reasonably practicable after the Entry Close-out Date so notify each Delivering User specifying:
 - (i) the relevant System Entry Point and the Day or Days on which non-compliant gas was delivered to the Total System;
 - (ii) the total quantity of non-compliant gas referred to in paragraph 3.4.2, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the applicable Gas Entry Conditions;
 - (iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the purposes for which they were incurred;
 - (iv) each Delivering User's Delivery Proportion; and
 - (b) the amounts payable by each Delivering User shall be invoiced and are payable in accordance with Section S.

- 3.4.5 Any dispute (other than one resolved pursuant to Network Entry Provisions under paragraph 2.5.4) as to anything specified by the Transporter under paragraph 3.4.4(a) shall be referred to Expert Determination.
- 3.4.6 Paragraph 3.3.5 and this paragraph 3.4 do not apply and Delivering Users shall not be liable thereunder to the extent that the failure (of gas delivered or tendered for delivery) to comply with Gas Entry Conditions was a failure to comply with a requirement as to pressure or odour; and references in those paragraphs to non-compliant gas shall be construed accordingly.
- 3.4.7 Where for the purposes of clearing non-compliant gas from a System it is necessary for the Transporter to vent gas from the System, each Delivering User's Delivery Proportion of the quantity of gas so vented shall for the purposes of Sections E5 and F2 (but not otherwise) be treated as having been offtaken from the Total System by and accordingly deemed to be an UDQO of the Delivering User; and in such circumstances Transco NTS will inform all Users (or those who made Nominations for the relevant System Entry Point) as soon as reasonably practicable after such venting.
- 3.4.8 In the case of a System Entry Point designated by Transco on or before 1 March 1996 for the purposes of this paragraph 3.4.8, where (in respect of a Day or Days on which non-compliant gas was delivered to the Total System at a System Entry Point) not later than the Entry Close-out Date all Delivering Users jointly submit to a notice signed by or on behalf of all of them:
- (a) stating that some only of them (the "**Non-compliant Delivering Users**") are to be treated as having delivered non-compliant gas to the Total System at the System Entry Point; and
 - (b) identifying the Non-compliant Delivering Users and specifying the proportions (aggregating to unity) in which they are to be treated as having delivered non-compliant gas to the Total System at a System Entry Point

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

- 3.4.9 Each User who is for the time being a Delivering User in respect of such a System Entry Point as is referred to in paragraph 3.4.8 hereby irrevocably and unconditionally appoints the Delivery Facility Operator for the time being as User Agent to sign and submit on behalf of such User a notice for the purposes of that paragraph.

3.5 Special Delivery Arrangement

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

in an Ancillary Agreement or both.

3.5.3 The terms of a Special Delivery Arrangement may include:

- (a) the basis on which the Transporter shall be remunerated (whether by the Delivery Facility Operator or Users) for the measures taken by it to allow, or otherwise for, acceptance of gas subject to the Special Delivery Arrangement;
- (b) any restrictions or requirements as to, or by reference to, the rates, times, quantities and/or characteristics:
 - (i) of the gas or delivery of the gas subject to the Special Delivery Arrangement; and/or
 - (ii) of any other gas or the flow of any other gas flowing at any point in the relevant System; and
- (c) any terms (in addition to those provided for in this Section I) upon which the delivery to the Total System of gas subject to the Special Delivery Arrangement may be required to be curtailed, suspended or discontinued.

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

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

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

3.5.7 Where:

- (a) under the terms of a Special Delivery Arrangement any amount (the "**Special Delivery Arrangement Charge**") payable to the Transporter is payable by Users pro rata to their UDQIs (in relation to the relevant System Entry Point); and
- (b) a person appointed by any User or Users as User Agent submits to the Transporter a statement (differing from Users' Entry Allocation Statements) of the whole of the Entry Point Daily Quantity delivered to or between the User or Users appointing such Agent for the purpose of allocating the Special Delivery Arrangement Charge

then the Special Delivery Arrangement Charge shall be payable by such User or Users

pro rata to their respective Special Delivery Arrangement Charging allocations and not pro rata to Users' UDQIs.

3.6 Delivery of gas

- 3.6.1 The applicable Network Entry Provisions will identify (by description or a diagram or both) a point of delivery at each Individual System Entry Point comprised in a System Entry Point.
- 3.6.2 Title and (without prejudice to any other provision of this Section I) risk in gas delivered to the Total System at a System Entry Point shall pass to the Transporter at the relevant point of delivery established in accordance with paragraph 3.6.1.
- 3.6.3 Each User warrants to the Transporter:
- (a) that such User will have title (at the point of delivery) to all gas delivered or tendered for delivery to the Total System at any System Entry Point by that User; and
 - (b) that all such gas will (at such point) be free of any lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and tendering of gas arising on or before delivery thereof to the Total System.
- 3.6.4 Each User shall indemnify the Transporter and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against the Transporter in consequence of any breach of the warranties in paragraph 3.6.3.
- 3.6.5 The warranty in paragraph 3.6.3(a) shall be treated as satisfied where the User has arranged for delivery or tender for delivery of gas to the Total System by a person or persons who has or jointly have title (at the point of delivery) to such gas and such person passes or persons jointly pass title to such gas to the Transporter.

3.7 Acceptance of gas delivered to the Total System

- 3.7.1 Subject to the provisions of the Code, the Transporter will accept into the Total System at any time gas tendered for delivery by Users at the System Entry Points comprised in an Aggregate System Entry Point, at a rate (in kWh/Day) in aggregate not exceeding the aggregate Available Firm NTS Entry Capacity held by Users at that Aggregate System Entry Point, as Adjusted pursuant to Section B2.10.8.
- 3.7.2 Subject to the provisions of the Code, if for any period (a "**constraint period**") during any Day the Transporter fails to comply with its obligation under paragraph 3.7.1, Transco NTS will pay to relevant Users in accordance with paragraph 3.7.3 amounts which (subject to paragraph 3.7.4) in aggregate are equal to the amount ("**Aggregate Constraint Amount**") determined as:

$$A * B$$

where for each constraint period during the Day:

A is the shortfall between (i) the quantity of gas of which delivery would have

been accepted at rate X_t and (ii) the quantity of gas of which delivery was accepted at rate Y_t during the constraint period, determined by integrating $(X_t - Y_t)$ with respect to time over the constraint period;

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

- X_t is the aggregate Available Firm NTS Entry Capacity held by Users at that Aggregate System Entry Point, as Adjusted pursuant to Section B2.10.8;
- Y_t is the rate (in kWh/Day) in aggregate at which delivery of gas into the Total System at the Aggregate System Entry Point was accepted;
- B is the charge rate determined as the greater of the rates $R1$ and $R2$, where:
- $R1$ is $(F1 * ADR)$, where ADR is the Applicable Daily Rate determined as the weighted average price of Quarterly NTS Entry Capacity and Monthly NTS Entry Capacity in respect of capacity bids for which NTS Entry Capacity was allocated calculated as:

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

where:

- n is the number of successful relevant capacity bids;
- Q is the amount of NTS Entry Capacity allocated to each successful relevant capacity bid; and
- p is the bid price of each successful relevant capacity bid

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

- $R2$ is the rate determined as:

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

where:

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

Q is the Constrained Amount;

F1 is six (6); and

F2 is one decimal four (1.4)

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

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

$$ACA * U / A$$

where:

ACA is the Aggregate Constraint Amount;

U is the User's Available Firm NTS Entry Capacity, as Adjusted pursuant to Section B2.10.8, at the Aggregate System Entry Point for the Day;

A is the aggregate Available Firm NTS Entry Capacity, as Adjusted pursuant to Sections B2.8.4, B2.9.4 and B2.10.8, held by Users at the Aggregate System Entry Point for the Day.

- 3.7.4 The amount payable by Transco NTS to a relevant User pursuant to paragraph 3.7.3 shall not exceed the amount determined as:

$$(U - ADQI) * B$$

where:

B has the meaning in paragraph 3.7.2;

U has the meaning in paragraph 3.7.3; and

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

and for the purposes of Section B2.13 the Aggregate Constraint Amount shall be reduced by the amount in aggregate by which the amounts payable (in accordance with this paragraph 3.7.4) to relevant Users are less than the amounts determined pursuant to paragraph 3.7.3.

- 3.7.5 The Transporter will be deemed not to comply with paragraph 3.7.1 for any period

during which, as a result of steps taken by the Transporter pursuant to paragraph 3.9.1, the aggregate rate at which gas is delivered or tendered for delivery by Users at the System Entry Points comprised in an Aggregate System Entry Point is less than the aggregate Fully Adjusted Firm Available NTS Entry Capacity held by Users at that Aggregate System Entry Point.

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

3.7.7 For the purposes of paragraph 3.7.2:

- (a) in relation to a particular Aggregate System Entry Point and a given quantity of the Constrained Amount, the **"aggregate notional surrender cost"** is the aggregate of the amounts which Transco NTS would have paid by way of Capacity Surrender Charges if Transco NTS had accepted remaining daily capacity offers for that quantity pursuant to and in accordance with Section B2.10; where subject to paragraph (b) **"remaining"** daily capacity offers are daily capacity offers remaining:
 - (i) after acceptance of those daily capacity offers which Transco NTS did accept for the relevant Day;
 - (ii) for the purposes of determining 'N' in paragraph 3.7.2, after excluding daily capacity offers to the extent taken into account in determining 'M' in that paragraph; and
 - (iii) after excluding daily capacity offers to the extent taken into account in any earlier application (pursuant to any provision of the Code) of that paragraph in respect of that Day;
- (b) for the purposes of paragraph (a) above, where, after selection of all available capacity offers, there remains any outstanding unsatisfied Firm Capacity Shortfall amount, there shall be deemed (for the purposes only of paragraph (a)) to have been accepted a further notional daily capacity offer for the unsatisfied Firm Capacity Shortfall amount specifying an offer price equal to 'R1' (in relation to the particular Aggregate System Entry Point) in paragraph 3.7.2 above;
- (c) the **"Constrained Amount"** in relation to an Aggregate System Entry Point is the aggregate of the constrained amounts for all Users;
- (d) the **"highest-priced Aggregate System Entry Point"** in relation to quantity 'N' is the Aggregate System Entry Point for which the aggregate notional surrender costs for that quantity would be the highest.

3.8 ISEP capability

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

3.9 Restricted delivery of gas

- 3.9.1 Where the Transporter determines that (notwithstanding the steps if any taken under Section B2.8 and/or B2.9) a Transportation Constraint is imminent or has arisen at a System Entry Point the Transporter may take any available steps to curtail (or by so informing the Delivery Facility Operator or Users to secure the curtailment of) gas flow rates at the relevant System Entry Point.
- 3.9.2 Where a Transportation Constraint affects more than one System Entry Point and the Transporter takes any steps under paragraph 3.9.1, it will do so with a view so far as is practicable to apportioning the curtailment of gas flow rates in such manner as appears equitable to the Transporter.
- 3.9.3 Without prejudice to the applicable Local Operating Procedures and any applicable Legal Requirement, to the extent that the Transporter is not obliged (pursuant to paragraph 3.7.1) to accept delivery of gas at a System Entry Point, nothing in the Code shall be taken to require the Transporter to take any steps to prevent the increase of pressure within the Total System adjacent to a System Entry Point to a level at which gas will not flow from the Connected Delivery Facility into the Total System.

3.10 Rates of delivery

- 3.10.1 Each User shall use all reasonable endeavours to secure that the requirements of paragraph 3.10.2 are complied with, and in taking decisions as to Operational Balancing Steps Transco NTS may assume that Users will do so; provided that nothing in the Code shall require Transco NTS to verify whether such requirements have been complied with nor to take any action in respect of any failure to comply with such requirements.
- 3.10.2 The requirements referred to in paragraph 3.10.1 are that (after allowing for the time required to implement an increase or decrease in the rate of delivery), for each User:
 - (a) the rate at which it delivers gas to the Total System at a System Entry Point changes only with effect from the start of the Day and (within the Day) with effect from the Renomination Effective Time of a Renomination in respect of that point; and
 - (b) gas is delivered to the Total System at the prevailing Implied Nomination Flow Rate.
- 3.10.3 A User shall not be in breach of paragraph 3.10.1 by reason of anything done pursuant to Local Operating Procedures in accordance with paragraph 2.6.5.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION J – EXIT REQUIREMENTS

1 GENERAL

1.1 Introduction

- 1.1.1 The provisions of this Section J shall apply in respect of the offtake of gas from a System at System Exit Points.
- 1.1.2 Nothing in the Code confers on any person any entitlement to have any premises, pipeline, plant or other installation connected to a System for the purposes of offtaking gas from the Total System.

1.2 System Exit Point

- 1.2.1 In accordance with Section A3, a System Exit Point may be a Supply Point (or Supply Meter Point or Supply Point Component comprised therein) or a Connected System Exit Point, subject to paragraph 1.2.2.
- 1.2.2 In this Section J references to System Exit Points include Inter-System Offtakes.
- 1.2.3 Paragraphs 5, 6 and 7 set out provisions applying (in addition to other applicable provisions of this Section J) in respect of NExA Supply Meter Points, Connected System Exit Points and Inter-System Offtakes respectively.
- 1.2.4 In this Section J "**Relevant User**" means:
 - (a) in relation to a Supply Meter Point or Supply Point, the Registered User (or any of the Joint Registered Users);
 - (b) in relation to a Connected System Exit Point, a CSEP User;
 - (c) in relation to an Inter-System Offtake, the downstream DN Operator.

1.3 Inter-System Offtakes

- 1.3.1 In relation to any Inter-System Offtake or the flow of gas at an Inter-System Offtake from the NTS or an LDZ to an LDZ, at any time:
 - (a) the upstream System is the NTS or (as the case may) the LDZ from which gas flows at such Inter-System Offtake;
 - (b) the downstream System is the LDZ to which gas flows at such Inter-System Offtake;
 - (c) the upstream Transporter is the Transporter which operates the upstream System;
 - (d) the downstream DN Operator is the DN Operator which operates the downstream System (in its capacity, where the context requires, as DNO User).

1.3.2 Where gas flows at an Inter-System Offtake:

- (a) the gas is (and shall be treated as being) taken out of the upstream System and put into the downstream System by Shipper Users;
- (b) title and risk in such gas shall pass (as the gas is taken out of the upstream System) from the upstream Transporter to Shipper Users (in accordance with paragraph 3.7), and simultaneously (as the gas is put into the downstream System) from the Shipper Users to the downstream DN Operator (for which purposes only Section I3.6.3 shall apply as if the Inter-System Offtake were an LDZ System Entry Point);
- (c) no requirements apply as between any Transporter and any Shipper User as to the composition or pressure of such gas;
- (d) notwithstanding the fact that the upstream Transporter or downstream DN Operator may cause or permit such gas flow, no Transporter shall be treated as taking the gas out of the upstream System or putting it into the downstream System, and nothing in the Code shall be construed as having any contrary effect.

1.3.3 So far as it may be necessary for any purpose to determine the same, in relation to any Inter-System Offtake and any Day, the proportions in which Shipper Users:

- (a) take gas out of the upstream System;
- (b) put gas into the downstream System; and
- (c) have title and risk in such gas

shall be equal to the proportions of the sums respectively of their UDQOs in respect of the LDZ served by that Inter-System Offtake.

1.3.4 In this Section J, references to a downstream DN Operator offtaking gas from the upstream System at an Inter-System Offtake shall be construed as references to the DN Operator causing or permitting the flow, or a change in the flow, of gas from the upstream System to the downstream System, and otherwise in accordance with and subject to paragraph 1.3.2; and references to the offtake of gas (or to the upstream Transporter making gas available for offtake) at an Inter-System Offtake shall be construed accordingly.

1.3.5 For the avoidance of doubt, gas which (in an upstream System) is the subject of rights and obligations (pursuant to this Section J) as between an upstream Transporter and a downstream DN Operator may (in the downstream System) be the subject of rights and obligations (pursuant to this Section J) as between the downstream DN Operator and Users; and (without prejudice to GT Section B3) such rights and obligations shall take effect separately in relation to each System and shall not be affected by any breach or failure in respect of such rights or obligations in relation to any other System.

1.4 Connected System Exit Points

1.4.1 In accordance with Section A3.3, a Connected System Exit Point is a System Exit Point (other than an Inter-System Offtake) comprising one or more Individual System Exit

Points which are not Supply Meter Points.

- 1.4.2 The Individual System Exit Point or Individual System Exit Points comprised in a Connected System Exit Point will be specified in the applicable Network Exit Provisions.
- 1.4.3 For the purposes of the Code a "**Connected Offtake System**" is a single system or facility (comprising pipeline(s), plant and/or other installations) operated by one person (or jointly operated by several persons) and connected to the relevant System at the Individual System Exit Point(s) comprised in a Connected System Exit Point.
- 1.4.4 Without prejudice to paragraph 1.1.2, a Connected Offtake System may be:
- (a) a facility for the storage of gas;
 - (b) the pipeline system operated by another gas transporter;
 - (c) a pipeline interconnector by which gas is transported to another country;
 - (d) any other pipeline (other than a pipeline connecting the relevant System directly to single premises) or pipeline system.
- 1.4.5 A "**Connected System Operator**" is the operator of a Connected Offtake System.
- 1.4.6 A Connected Offtake System may also be a Connected Delivery Facility where gas can flow in either direction between such system and the Total System (for example in the case of a Storage Facility), in which case the provisions of the Network Entry Agreement and the Network Exit Provisions may be contained in a single document.

1.5 Network Exit Provisions

- 1.5.1 For the purposes of the Code "**Network Exit Provisions**" are provisions relating to or to the offtake of gas from a System at a System Exit Point, made between the Transporter and:
- (a) in the case of a Supply Meter Point, either the consumer (subject to paragraph 1.5.7) or the Registered User (or, if the Transporter shall so agree, both of them);
 - (b) in the case of a Connected System Exit Point, the Connected System Operator; or
 - (c) in the case of an Inter-System Offtake, the downstream DN Operator.
- 1.5.2 Network Exit Provisions are required to be in force in respect of:
- (a) any Connected System Exit Point;
 - (b) unless the Transporter otherwise determines in any case, any Supply Meter Point comprised in a VLDMC Supply Point; and
 - (c) each Inter-System Offtake;

and where Network Exit Provisions are required to be in force a User will not be

entitled to offtake gas from the System at the relevant System Exit Point unless there are such provisions in force.

1.5.3 Network Exit Provisions may be in force in respect of any other Supply Meter Point.

1.5.4 Network Exit Provisions:

- (a) in relation to a Supply Meter Point or Connected System Exit Point, are to be contained in an "**Network Exit Agreement**";
- (b) in relation to an Inter-System Offtake, are to be contained in the Offtake Arrangements Document and the relevant Supplemental Agreement

and references to Network Exit Provisions being in force shall be construed accordingly.

1.5.5 A User shall not (in its capacity as User) be required or entitled to be a party to a Network Exit Agreement in respect of a Connected System Exit Point or a Supply Meter Point where the consumer is already party to a Network Exit Agreement.

1.5.6 Nothing in the Code shall be taken to require the execution of a Network Exit Agreement in respect of any Supply Meter Point which is not a New Supply Meter Point where there is a Registered User for the time being.

1.5.7 A Network Exit Agreement in respect of a Supply Meter Point (where not made with the Registered User) may be made with a person other than or in addition to the consumer, where such person is the operator of the Consumer's Plant; and in such a case references in paragraph 5 to the consumer shall be construed as references to such person.

1.5.8 Where Supply Point Network Exit Provisions are made between the Transporter and the Registered User:

- (a) the Network Exit Agreement shall be an Ancillary Agreement, and Section V1.1.6 shall apply in respect of the Network Exit Agreement as though that Section also referred to Ancillary Agreements in respect of Supply Meter Points; and
- (b) the Registered User shall secure that the consumer is provided with a copy of the Network Exit Provisions and any amendments thereto.

1.5.9 References in this Section J to the termination, suspension or expiry of Network Exit Provisions:

- (a) in the context of a Supply Meter Point or a Connected System Exit Point, are to the termination, suspension or expiry of the relevant Network Exit Agreement;
- (b) in the context of an Inter-System Offtake, are to the upstream Transporter or downstream DN Operator ceasing to be party to the Offtake Arrangements Document or (as the case may be) the termination, suspension or expiry of the relevant Supplemental Agreement.

1.5.10 For the purposes of this Section J:

- (a) a "**NExA Supply Meter Point**" is a Supply Meter Point in respect of which there are Network Exit Provisions in force;
- (b) "**Supply Point Network Exit Provisions**" are Network Exit Provisions in respect of a Supply Meter Point;
- (c) "**CSEP Network Exit Provisions**" are Network Exit Provisions in respect of a Connected System Exit Point.

1.6 Offtake metering at Supply Points

Section M applies in respect of the metering of gas offtaken at Supply Points.

1.7 Antifluctuators, etc

1.7.1 Each User shall as soon as reasonably practicable notify the Transporter if such User becomes aware in relation to any Supply Meter Point of which it is the Registered User:

- (a) that any requirement applying to the relevant consumer under paragraph 17 of the Gas Code has not been or is not being complied with; or
- (b) of circumstances in which the relevant Transporter would be entitled to exercise its rights under paragraph 18 of the Gas Code.

1.7.2 Where pursuant to paragraph 17 of the Gas Code the Transporter seeks to give any notice to or exercise any other entitlement in relation to any consumer the Registered User in respect of the relevant Supply Point agrees to extend reasonable cooperation to the Transporter so as to facilitate the exercise of such entitlements (and in particular but without limitation agrees if so requested to secure that there is conveyed on behalf of the Transporter to the relevant consumer any communication to be given by the Transporter pursuant to such paragraph 17).

1.7.3 The Transporter will inform the Registered User before or as soon as reasonably practicable after giving any notice to or exercising any other entitlement in relation to any consumer pursuant to paragraph 17 or 18 of the Gas Code.

1.7.4 Users acknowledge that where Network Exit Provisions are in force in relation to a Supply Point such provisions may provide for additional terms in respect of the matters subject to paragraphs 17 and 18 of the Gas Code.

1.7.5 If so requested on reasonable grounds by the Transporter, the Registered User in respect of any Supply Point shall (within a reasonable period specified by the Transporter) make reasonable enquiries of the consumer or supplier with a view to ascertaining and obtaining reasonable evidence as to whether the requirements of paragraph 17 of the Gas Code are applicable or (where applicable) are being complied with, and inform the Transporter of the outcome of such enquiries; and where the Registered User fails so to make reasonable enquiries or inform the Transporter of such outcome within such period the User shall reimburse to the Transporter any expenses reasonably incurred by the Transporter in ascertaining any such matter itself (including without limitation any expenses paid by the Transporter pursuant to paragraph 17(6) of the Gas Code).

1.8 Entitlements under the Act

1.8.1 Nothing in the Code shall prevent a Transporter from exercising any entitlement or

discharging any duty under the Gas Code or otherwise under the Act or pursuant to the Transporter's Licence which may involve the disconnection of or refusal to convey gas to or to allow gas to be conveyed to any premises.

- 1.8.2 Where under the Gas Code or otherwise under the Act or pursuant to the Transporter's Licence a Transporter is not required to connect or to maintain a connection of, or has exercised or is entitled to exercise any right to disconnect, or is required to disconnect, any premises, or (having disconnected them) is not required to reconnect any premises, or is entitled to refuse to convey gas to or to allow gas to be conveyed to any premises, the Transporter will not be in breach of its obligation to make gas available for offtake from the Total System at the relevant System Exit Point(s).
- 1.8.3 The Transporter will inform the Relevant User(s) as soon as reasonably practicable after exercising an entitlement (as described in paragraph 1.8.2) to disconnect or refuse to convey gas or allow gas to be conveyed.

1.9 DNO Users

In this Section J references to Users shall include DNO Users.

2 OFFTAKE REQUIREMENTS

2.1 Applicable Offtake Requirements

- 2.1.1 For the purposes of the Code, the "**Applicable Offtake Requirements**" are:

- (a) subject to paragraph 2.1.1(b):
 - (i) except as provided in paragraph (ii), the Standard Offtake Requirements;
 - (ii) subject to paragraph 2.1.5, as respects the pressure of gas made available for offtake:
 - (1) at NTS Supply Meter Points, a pressure of 25 bar;
 - (2) at NTS/LDZ Offtakes, the Assured Offtake Pressure in accordance with paragraph 2.5;
- (b) to the extent inconsistent with paragraph 2.1.1(a), but subject to paragraph 2.1.5:
 - (i) any requirement as to the pressure of gas made available for offtake at a Supply Meter Point which applies pursuant to paragraph 2.2.5;
 - (ii) the specification applicable pursuant to any Special Offtake Arrangement in accordance with paragraph 2.3;
 - (iii) any provision contained in Network Exit Provisions as to the pressure of gas made available for offtake at a System Exit Point.

- 2.1.2 The "**Standard Offtake Requirements**" are the requirements as to gas composition and pressure of the regulations from time to time applying pursuant to Section 16(1) of the Act as they apply in respect of gas made available by the Transporter for offtake at any System Exit Point which requirements shall be treated for the purpose of the Code as

applying (subject to paragraph 2.1.1(b)) in respect of any LDZ Connected System Exit Point.

- 2.1.3 Network Exit Provisions or an Ancillary Agreement may include any tolerances within which (for any periods or in any circumstances) deviation from any of the Applicable Offtake Requirements are permitted.
- 2.1.4 The "**Applicable Offtake Pressure**" is the requirement as to pressure of gas made available for offtake from the System at an Individual System Exit Point for the time being applicable in accordance with this paragraph 2.1.
- 2.1.5 Where at any time, by reason of any building, mining or engineering developments (other than a development planned by the Transporter), or changes in population density, in the vicinity of any part of the System, it is not or ceases or will cease to be feasible safely or in accordance with any Recognised Standard to maintain at any Individual System Exit Point a pressure of at least the Applicable Offtake Pressure (applicable at the time in accordance with paragraph 2.1.1, this paragraph 2.1.5, or paragraph 2.2.5):
- (a) the Transporter will, as soon as reasonably practicable after becoming aware that (by reason of such circumstances) such pressure cannot be maintained, so inform the Relevant User(s) specifying the date with effect from which it will be necessary to reduce such pressure and the reduced pressure which can (after such date) be so maintained; and
 - (b) with effect from the date specified by the Transporter (and as respects any User who may become the Relevant User), the reduced pressure so specified shall be the Applicable Offtake Pressure.
- 2.1.6 The Transporter will not be in breach of its obligation to make gas available for offtake from a System at a System Exit Point if for any reason the pressure of the gas immediately downstream of the point of offtake (in accordance with paragraph 3.7) exceeds the Applicable Offtake Pressure.

2.2 Special offtake pressure

- 2.2.1 Upon the request of the Registered User in respect of a Supply Point, specifying (in respect of a Supply Meter Point comprised in the Supply Point) a particular pressure (the "**specified pressure**") greater than the prevailing Applicable Offtake Pressure, the Transporter will advise the User:
- (a) whether the anticipated normal offtake pressure is greater or less than the specified pressure; and
 - (b) insofar as it is reasonably practicable to do so, of the circumstances (other than Excluded Offtake Circumstances in accordance with paragraph 3.2.2) in which the Transporter anticipates at the time of the request that the pressure of gas available for offtake at the Supply Meter Point may fall below the specified pressure.
- 2.2.2 Where the Transporter has advised a User under paragraph 2.2.1 that anticipated normal offtake pressure is not less than the specified pressure, the Transporter will advise the User, not less than 24 months (in the case of an LDZ Supply Point) or 36 months (in the

case of an NTS Supply Point) before such change, of any reduction in anticipated normal offtake pressure below the specified pressure (but without prejudice to the Applicable Offtake Pressure).

- 2.2.3 In this paragraph 2.2, "**anticipated normal offtake pressure**" means the pressure or (within a range of pressures) lowest pressure at which the Transporter expects (having regard to the period of notice of any reduction required under paragraph 2.2.2) that, under normal System operating conditions, gas will be available for offtake at a Supply Meter Point.
- 2.2.4 Where a User makes a request to the Transporter under paragraph 2.2.1, the User may in addition propose to the Transporter to enter into an Ancillary Agreement pursuant to which the Transporter would undertake the works in respect of the relevant System necessary to enable it to make available for offtake under all operating conditions (other than Excluded Offtake Circumstances) gas at the specified pressure.
- 2.2.5 Where, following the proposal of a User under paragraph 2.2.4, the User and the Transporter so agree, they shall enter into an Ancillary Agreement (upon such terms including terms as to payment by the User as shall be agreed between them), and the Applicable Offtake Pressure will (for such period as may be specified in such Ancillary Agreement) be the specified pressure or such other pressure as shall be specified in such Ancillary Agreement.

2.3 Special Offtake Arrangement

- 2.3.1 Pursuant to an arrangement ("**Special Offtake Arrangement**") provided for in Network Exit Provisions, a Transporter may agree to make gas available for offtake from the System at a System Exit Point in circumstances where the Standard Offtake Requirements are not complied with pursuant to the terms of any Network Exit Provisions, or where the Standard Offtake Requirements are not (and are not treated pursuant to paragraph 2.1.2 as being) appropriate.
- 2.3.2 Without prejudice to any Legal Requirement, a Special Offtake Arrangement may be in force where, by reason of a Special Delivery Arrangement under Section I3.5, gas available for offtake at a System Exit Point does not or will not comply with the Standard Offtake Requirements.

2.4 Notice of specification change

- 2.4.1 Where:
 - (a) the Registered User wishes to be informed of changes in particular characteristics ("**relevant characteristics**") of gas offtaken from the Total System at a Supply Meter Point comprised therein; and
 - (b) the User so requests the Transporter, specifying the Supply Meter Point and the relevant characteristics,

the Transporter will, where in its reasonable opinion it is feasible to do so, and upon such reasonable terms (if any) as it may notify to the User, agree that paragraph 2.4.3 shall apply.

- 2.4.2 Where the Transporter notifies any terms to the User pursuant to paragraph 2.4.1,

paragraph 2.4.3 shall apply only if the User notifies the Transporter of its acceptance of such terms, which terms (if so accepted) shall form an Ancillary Agreement between the Transporter and such User.

- 2.4.3 Where this paragraph applies, the Transporter will use reasonable endeavours to notify the Registered User as soon as reasonably practicable after the Transporter becomes aware that a change in relevant characteristics of gas available for offtake at the Supply Point has occurred or will occur.
- 2.4.4 Where paragraph 2.4.3 applies the Transporter reserves the right at any time and from time to time to make a charge to the User (for so long as it is the Registered User) in respect of the reasonable costs incurred by the Transporter in performing its obligations under that paragraph.

2.5 Assured Offtake Pressure

2.5.1 For the purpose of the Code, in relation to an NTS/LDZ Offtake:

- (a) 0600 and 2200 pressures are pressures at 06:00 hours and 22:00 hours on a Day;
 - (b) for each Day in any Gas Year, the "**Assured Offtake Pressures**" are the 0600 and 2200 pressures specified for that Gas Year in the Offtake Capacity Statement;
 - (c) the requirement to make gas available for offtake at the Assured Offtake Pressure is the requirement that the pressure (of gas made available, at the point of offtake):
 - (i) at 06:00 hours is not less than the 0600 pressure; and
 - (ii) at all other times is not less than the 2200 pressure
 - (iii) comprised in the Assured Offtake Pressure.
- 2.5.2 In accordance with Section B6.2.4, the 0600 and 2200 pressures specified (in relation to any NTS/LDZ Offtake) for any Gas Year in the Offtake Capacity Statement issued in any Gas Year will be the same as those specified in the preceding year's statement for such Gas Year, subject to any revision pursuant to paragraph 2.5.5.
- 2.5.3 For the purposes of Section B6.3, in connection with an application for increased NTS Offtake Capacity, Transco NTS will not determine that it is feasible to make gas available for offtake on the basis of such increase to the extent that the 0600 and 2200 pressures at which it expects that, under normal NTS operating conditions, gas would (if such application were accepted) be available for offtake at the NTS/LDZ Offtake on any Day during any relevant Gas Year would be reduced below the prevailing Assured Offtake Pressures.
- 2.5.4 A DNO User may, at the times at which it may apply (in accordance with Section B6) for an increase in NTS Offtake Capacity, apply to increase the Assured Offtake Pressures at an NTS/LDZ Offtake for a relevant Gas Year.
- 2.5.5 Transco NTS may reject, or accept in part only, any application for increased Assured

Offtake Pressures in respect of an NTS/LDZ Offtake in a Gas Year where, or (as the case may be) to the extent that, Transco NTS determines (having regard, inter alia, to the amounts of NTS Offtake Capacity and NTS Exit Capacity held by Users) it would not be possible (under all credible NTS operating conditions) to make gas available for offtake at the NTS/LDZ Offtake on any Day during that Gas Year at the increased Assured Offtake Pressures applied for.

- 2.5.6 For the purposes of paragraph 2.5.5, the reference to all credible NTS operating conditions is to all conditions other than a condition the existence of which would amount to Force Majeure affecting Transco NTS.

3 OFFTAKE OF GAS FROM THE SYSTEM

3.1 Offtaking User

- 3.1.1 For the purposes of this Section J an "**Offtaking User**" is:

- (a) in respect of a Supply Meter Point, the Registered User of the Supply Point (or, in the case of a Shared Supply Meter Point, of any of the Supply Points) in which the Supply Meter Point is comprised;
- (b) in respect of a Connected System Exit Point, on any Day, any Offtaking CSEP User; and
- (c) in respect of an Inter-System Offtake, the downstream DN Operator.

- 3.1.2 The "**Offtake Proportion**" of an Offtaking User for a Day in respect of a System Exit Point is:

- (a) in the case of a Supply Meter Point:
 - (i) except as provided in paragraph (ii), one (1);
 - (ii) in the case of a Shared Supply Meter Point, the proportion which the quantity allocated to that User in respect of the Day in accordance with the Shared Supply Meter Notification bears to the Supply Meter Point Daily Quantity;
- (b) in the case of a Connected System Exit Point, that User's UDQO for that Day divided by the CSEP Daily Quantity Offtaken in accordance with Section E3.2; and
- (c) in the case of an Inter-System Offtake, one (1) .

- 3.1.3 For the purposes of this Section J:

- (a) references to quantities of gas offtaken on a Day at an NDM Supply Meter Point are to the quantities determined to have been offtaken pursuant to Section H2;
- (b) no adjustments to any amount, payment or quantity ascertained under this Section J shall be made by reason of DM Reconciliation, NDM Reconciliation or CSEP Reconciliation;

- (c) references to quantities of gas offtaken on a Day at an Inter-System Offtake are to the quantities determined to have flowed pursuant to the measurement provisions contained in the Network Exit Provisions (and not, for the avoidance of doubt, by reference to quantities treated as offtaken by Shipper Users from the downstream System pursuant to Section E).

3.2 Obligation to make gas available for offtake

- 3.2.1 Subject to the provisions of the Code, the Transporter will make gas available for offtake by User(s) from the System at the point of offtake (in accordance with paragraph 3.7) in accordance with the requirements of paragraph 3.3.1 at each System Exit Point where the requirements (other than requirements to be complied with by the Transporter) of this Section J are complied with.
- 3.2.2 For the purposes of the Code, "**Excluded Offtake Circumstances**" are circumstances in which, in accordance with the Code, the Transporter is not obliged or not in breach of its obligation to make gas available for offtake at a System Exit Point or is not liable in respect of any failure to do so.
- 3.2.3 For the avoidance of doubt, a User's obligations to pay Capacity Charges shall not be affected by the existence of any Excluded Offtake Circumstances except as provided in paragraph 3.6 in respect of Force Majeure.

3.3 Compliance with offtake requirements

- 3.3.1 Gas made available by the Transporter for offtake at any System Exit Point will comply with the Applicable Offtake Requirements, subject to paragraph 3.3.6.
- 3.3.2 Where non-compliant gas is made available for offtake from the relevant System at a System Exit Point, the Offtaking User(s) may, from time to time until such time as the Applicable Offtake Requirements are complied with in respect of gas made available for offtake at such point, in its or their discretion, either:
 - (a) offtake or continue to offtake such gas, in which case paragraph 3.4 shall apply; or
 - (b) decline to offtake or to continue to offtake such gas, in which case paragraph 3.5 shall apply.
- 3.3.3 A User's rights under paragraph 3.3.2 shall not be prejudiced by its election to offtake non-compliant gas (whether or not it is aware that the gas is non-compliant).
- 3.3.4 Subject to paragraph 3.4.7, where non-compliant gas has been offtaken on any Day from the System, the Transporter shall be liable to pay to each Offtaking User an amount determined in accordance with paragraph 3.4.
- 3.3.5 Where the Transporter becomes aware that non-compliant gas is being made available for offtake at any System Exit Point (other than where the failure to comply is not material), the Transporter will endeavour to inform the Relevant User(s) (and, in the case of a Connected System Exit Point, the Connected System Operator) of that fact as soon as reasonably practicable, but in the case of a Supply Meter Point whose Annual Quantity does not exceed 732,000 kWh (25,000 *therms*) a notice to all Shipper Users generally that gas in any part of the relevant System is non-compliant shall be sufficient.

- 3.3.6 Subject to paragraph 3.4.7, for the purposes of this paragraph 3 **"non-compliant gas"** is gas made available for offtake from a System in respect of which (after taking account of any tolerance referred to in paragraph 2.1.3) any of the Applicable Offtake Requirements is not or was not complied with.
- 3.3.7 In assessing whether the hydrocarbon dewpoint and water dewpoint of gas conveyed in the NTS will interfere with the integrity or operation of the pipes comprised in an LDZ, Transco NTS will (and shall be entitled to) assume that the DNO will operate the LDZ so as to secure that, at all points on the LDZ at which the pressure of gas is reduced, the temperature of the gas does not (at any time during such pressure reduction) fall below zero degrees celcius (0°C).

3.4 Payment in respect of non-compliant gas

- 3.4.1 Subject to paragraphs 3.4.3 and 3.4.4, the amount payable by the Transporter to an Offtaking User under paragraph 3.3.4 shall be all reasonable costs and expenses reasonably incurred by the User in consequence of the offtake of non-compliant gas, including (without limitation) costs and expenses incurred:

- (a) in cleaning or clearing any part of the relevant offtake facility; and/or
- (b) in taking reasonable measures (excluding in the case of a Connected Offtake System or a downstream System any measures equivalent to Operational Balancing Steps) to secure that:
 - (i) in the case of a Supply Point, the non-compliant gas can be made fit for use in the relevant offtake facility;
 - (ii) in the case of a Connected System Exit Point or Inter-System Offtake, the relevant offtake facility can be operated in accordance with applicable Legal Requirements notwithstanding the offtake or continued offtake of such non-compliant gas; and/or
- (c) in relation to an Inter-System Offtake (to the extent that, as a result of the offtake of non-compliant gas, the downstream DN Operator as Offtaking User itself makes non-compliant gas available for offtake from the downstream System), by way of liability to Users
 - (i) under paragraphs (a) and (b) (pursuant to paragraph 3.3.2(a)); and/or
 - (ii) under paragraph 3.5 (pursuant to paragraph 3.3.2(b))

provided that (in either case) the downstream DN Operator acts and has acted as a Reasonable and Prudent Operator with a view to avoiding or limiting the effects of its offtake (at the Inter-System Offtake) of non-compliant gas on its ability to make gas (complying with the Applicable Offtake Requirements) available for offtake from the downstream System.

- 3.4.2 For the purposes of paragraph 3.4.1:

- (a) "relevant offtake facility" means:
 - (i) in the case of a Supply Point, the Consumer's Plant;

- (ii) in the case of a Connected System Exit Point, the Connected Offtake System; and
 - (iii) in the case of an Inter-System Offtake, the downstream System;
 - (b) references to costs and expenses incurred by an Offtaking User include costs and expenses incurred by:
 - (i) in the case of a Supply Point, the supplier or consumer;
 - (ii) in the case of a Connected System Exit Point, the Connected System Operator.
- 3.4.3 The amount payable by the Transporter to an Offtaking User (excluding amounts under paragraph 3.4.1(c)(ii)) shall not exceed 10% of the amount calculated as the User's Offtake Proportion of the total quantity of non-compliant gas offtaken from the System at the relevant System Exit Point on the relevant Day multiplied by the Applicable Liability Gas Price.
- 3.4.4 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the offtake of non-compliant gas from the relevant System on more than one Day at a Shared Supply Meter Point or Connected System Exit Point:
- (a) references in paragraphs 3.4.1 and 3.4.3 to a User's Offtake Proportion shall be deemed to be references to a weighted average Offtake Proportion determined for each Offtaking User as the sum, for all such Days, of the User's Offtake Proportion for each Day multiplied by the Supply Meter Point Daily Quantity or (as the case may be) CSEP Daily Quantity Offtaken, divided by the sum of the Supply Meter Point Daily Quantities or (as the case may be) CSEP Daily Quantities Offtaken for all such Days; and
 - (b) the reference in paragraph 3.4.3 to the total quantity of non-compliant gas offtaken on the relevant Day shall be to the total quantity of non-compliant gas offtaken on all such Days.
- 3.4.5 Where any amount has become payable to an Offtaking User pursuant to paragraph 3.3.4:
- (a) the User shall as soon as reasonably practicable after the Exit Close-out Date so notify the Transporter, specifying:
 - (i) the relevant System Exit Point and the Day or Days on which non-compliant gas was offtaken from the System;
 - (ii) the total quantity of non-compliant gas referred to in paragraph 3.4.3, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the Applicable Offtake Requirements;
 - (iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the person(s) by whom and purposes for which they were incurred;
 - (iv) the Offtaking User's Offtake Proportion; and

- (b) the amount payable by the Transporter shall be invoiced and paid in accordance with Section S.
- 3.4.6 Any dispute as to anything specified by a User under paragraph 3.4.5(a) (other than a dispute as to anything specified under paragraph 3.4.5(a)(i) or (i) which was resolved pursuant to Network Exit Provisions) shall be referred to Expert Determination.
- 3.4.7 Paragraph 3.3.4 and this paragraph 3.4.7 do not apply and the Transporter shall not be liable thereunder to the extent that the failure (of gas offtaken) to comply with Applicable Offtake Requirements was a failure to comply with the Applicable Offtake Pressure; and references in those paragraphs to non-compliant gas shall be construed accordingly.
- 3.4.8 Where non-compliant gas was offtaken from the Total System and for the purposes of clearing such non-compliant gas from the Consumer's Plant or a Connected Offtake System it is necessary for the consumer or (as the case may be) the Connected System Operator to vent gas from such plant or system, the quantity of gas which each Offtaking User is treated as having offtaken from the Total System on the relevant Day shall be reduced by its Offtake Proportion of the quantity of gas so vented (and the User's UDQO shall be determined accordingly).

3.5 Gas not made available for offtake

3.5.1 Where:

- (a) the Transporter is or has been in breach of its obligation to make gas available for offtake from the System at a System Exit Point; or
- (b) gas made available for offtake from the System at a System Exit Point does not comply with the Applicable Offtake Requirements and an Offtaking User declined (in accordance with paragraph 3.3.2(b)) to offtake such gas

the further provisions of this paragraph 3.5 shall apply.

- 3.5.2 In the case of a Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms) per annum and where the supply of gas is not taken wholly or mainly for domestic purposes, where as a result of the relevant failure gas is not available for offtake for a period of not less than 24 hours, the Transporter will pay to the Registered User an amount of £50 for each consecutive period of 24 hours or part of such a period, commencing with the expiry of the first 24 hours of such failure, during which the relevant failure continued.
- 3.5.3 In the case of a Supply Point Component whose Annual Quantity exceeds 73,200 kwh (2,500 therms) per annum and where the supply of gas is not taken at the Supply Point Component wholly or mainly for domestic purposes, the Transporter will pay to the Registered User an amount determined as:
 - (a) subject to paragraph (b), the amount calculated according to the following formula:

$$C * (1 - X/Y) * P * F$$

where:

- C is the amount of the Supply Point Capacity held by the User at the Supply Point Component on the relevant Day, or in relation to an Interruptible Supply Point Component only, if less, the Bottom-stop Supply Point Capacity;
- X is in the case of a DM Supply Point Component, the quantity of gas which was made available for offtake from the System on the relevant Day;
- Y is in the case of a DM Supply Point Component, the Nominated Quantity (subject to paragraph 3.5.4) under the Output Nomination for the relevant Supply Point Component, provided that:
 - (i) no account shall be taken of any Renomination, on the Day when the failure occurred or first occurred, made after the time at which the Registered User first became aware of such failure; and
 - (ii) Y shall not exceed the amount of the User's Registered Supply Point Capacity at the Supply Point Component, disregarding any increase therein applied for after the relevant failure first occurred;

X/Y is, in the case of an NDM Supply Point Component, zero;

- P is the sum of the Applicable Daily Rates of:
 - (i) the Capacity Variable Component of the Customer Charge; and
 - (ii) in the case of an LDZ Supply Point, the LDZ Capacity Charge; and
 - (iii) the applicable NTS Exit Capacity Charge,

F is ten (10) in relation to a Firm Supply Point Component and five (5) in relation to an Interruptible Supply Point Component;

(b) where:

- (i) as a result of the relevant failure gas is not available for offtake for a period of 24 hours; and
- (ii) the amount determined under paragraph (a) would for each consecutive period of 24 hours during which the relevant failure continued to be less than £50 in relation to an NDM Supply Point Component and £250 in relation to a DM Supply Point Component

for each consecutive period of 24 hours or part of such a period, commencing with the expiry of the first 24 hours of such failure, during which the relevant failure continued, an amount of £50 in relation to an NDM Supply Point Component and an amount of £250 in relation to a DM Supply Point Component.

3.5.4 For the purposes of this paragraph 3.5:

- (a) in determining 'Y' in paragraph 3.5.3, in the case of a DMA Supply Point Component there shall be deemed to be a Nomination Quantity in respect of each DMA Supply Point Component in the relevant DMA Supply Point Group, determined by apportioning the Nomination Quantity for such Supply Point Group between such Supply Point Components in proportion to their respective Annual Quantities.
- (b) in relation to an Interruptible Supply Point Component, the Applicable Daily Rates in 'P' in paragraph 3.5.3 shall be determined as though the Supply Point Component were Firm; and
- (c) for the purposes of paragraphs 3.5.2 and 3.5.3(b), any such period of 24 hours as is referred to in Section L4.3.2(e) is concurrent with and not in addition to the first 24 hours referred to in paragraph 3.5.2 or 3.5.3(b), and accordingly (notwithstanding Section L4.3.1) any period of Programmed Maintenance (in respect of the Supply Point) shall count towards such first 24 hours.

3.5.5 In the case of a Connected System Exit Point, the Transporter will pay to each CSEP User an amount determined as:

$$C \times (1 - X / Y) \times P$$

where:

- C is the amount of the Relevant Exit Capacity held by the CSEP User at the Connected System Exit Point on the relevant Day;
- X is the relevant proportion of the quantity of gas which was made available for offtake from the Total System by CSEP Users in aggregate on the relevant Day;
- Y is the Nominated Quantity (subject to paragraph 3.5.4) under the CSEP User's Output Nomination for the Connected System Exit Point, provided that:
 - (i) no account shall be taken of any Renomination, on the Day when the failure occurred or first occurred, made after the time at which the CSEP User first became aware of such failure; and
 - (ii) Y shall not exceed the amount of the User's Relevant Exit Capacity at the Connected System Exit Point, disregarding any increase therein applied for after the relevant failure first occurred;
- P is the sum of the Applicable Daily Rates of:
 - (i) the CSEP Charge to the extent of any component thereof which varies with Relevant Exit Capacity;
 - (ii) in the case of an LDZ Connected System Exit Point, the LDZ Capacity Charge; and
 - (iii) the applicable NTS Exit Capacity Charge.

3.5.6 For the purposes of paragraph 3.5.5:

- (a) a CSEP User's "**Relevant Exit Capacity**" is, in the case of an LDZ Connected System Exit Point, its Registered LDZ Capacity and, in the case of an NTS Connected System Exit Point, its Available NTS Capacity, at such Connected System Exit Point; and
- (b) the relevant proportion of a CSEP User is the amount determined as 'Y' for the User on the relevant Day in accordance with paragraph 3.5.5 divided by the aggregate of the amounts so determined as 'Y' for all CSEP Users.

3.5.7 In the case of an Inter-System Offtake, where:

- (a) as a result of the relevant failure the downstream Transporter itself fails to make gas available for offtake (in accordance with its obligations under the Code) at any System Exit Point on the downstream System; and
- (b) the downstream Transporter acts and has acted as a Reasonable and Prudent Operator with a view to avoiding or limiting the effect of such failure (of the upstream Transporter) on its ability so to make gas available for offtake

the Transporter shall pay to the Offtaking User an amount equal to the amounts for which the downstream Transporter was liable pursuant to this paragraph 3.5 in respect of the downstream Transporter's failure to make gas available for offtake, to the extent to which such failure resulted from the relevant failure of the upstream Transporter.

3.5.8 For the purposes of paragraphs 3.4.1(c)(ii), 3.5.7 and 7.4.1, references to amounts for which a downstream DN Operator or Transco NTS is liable pursuant to this paragraph 3.5:

- (a) (other than in relation to paragraph (b)) shall be determined subject to the effect of Section V10;
- (b) shall be deemed to include amounts for which the downstream DN Operator or Transco NTS was liable by way of compensation under (and pursuant to regulations made under) Section 33AA of the Act.

3.5.9 For the purposes of Section V10, the rules in paragraphs 3.5.2, 3.5.3 and 3.5.5 (but not paragraph 3.5.7, but without prejudice to paragraph 3.5.8(a)) are Compensation Rules within Compensation Group J; and in relation thereto the 'payment month' is the second month following the month in which the relevant failure commenced.

3.5.10 For the purposes of paragraphs 3.5.3, 3.5.5 and 3.5.7, any dispute as to the quantity of gas which was made available for offtake at the relevant DM Supply Point Component, Connected System Exit Point or Inter-System Offtake on the relevant Day shall be referred to Expert Determination.

3.6 Force Majeure

3.6.1 Where:

- (a) by reason of Force Majeure affecting the Transporter, the Transporter is relieved from liability in respect of its obligation to make gas available for

offtake from the Total System at a System Exit Point; and

- (b) the occurrence of Force Majeure continues for a period of more than 7 Days,

for each Day after the 7th Day on which the Transporter continues to be relieved of such obligation, the User(s) registered as holding System Capacity at such point will cease to be liable to pay the Capacity Charges referred to in paragraph 3.6.2.

3.6.2 Subject to paragraph 3.6.3, the relevant Capacity Charges are:

- (a) in the case of any System Exit Point, the LDZ Capacity Charges (where relevant) and the Capacity Variable Component of the Customer Charge payable by the User in respect of such point; and
- (b) in the case of a System Exit Point other than an Interruptible Supply Point, NTS Exit Capacity Charges in respect of an amount of NTS Exit Capacity (in respect of the relevant NTS Exit Point) equal to the User's Registered LDZ Capacity.

3.6.3 Where in relation to any Day (after the 7th Day) the effect of the occurrence of Force Majeure is a partial (rather than total) reduction in the availability of gas for offtake from the Total System, the relevant Capacity Charges will be that proportion of those described in paragraph 3.6.2 determined as:

$$(C - X) / C$$

where:

- C is the amount of the User's Registered LDZ Capacity (as at the Day when the occurrence of Force Majeure commenced) at the relevant System Exit Point; and
- X is the quantity of gas which was made available for offtake from the relevant System at the relevant System Exit Point on the Day.

3.7 Point of offtake

3.7.1 The point of offtake in respect of each Individual System Exit Point comprised in any System Exit Point shall be:

- (a) in the case of a Supply Point:
 - (i) except as provided in paragraph (ii), the outlet of the customer control valve on the service pipe;
 - (ii) where there is in force a Network Exit Agreement which identifies (by description or a diagram or both) the point(s) of offtake, the point or points so identified; and
- (b) in the case of a Connected System Exit Point or Inter-System Offtake, the point of offtake identified in accordance with paragraph 3.7.2.

3.7.2 The Network Exit Provisions in force in respect of a Connected System Exit Point or Inter-System Offtake will identify (by description or a diagram or both) a point of

offtake in respect of each Individual System Exit Point comprised in the Connected System Exit Point or Inter-System Offtake.

3.7.3 Title and (without prejudice to paragraph 3.4) risk in gas offtaken from the relevant System at a System Exit Point (other than an Inter-System Offtake) shall pass to the Offtaking User at the relevant point of offtake in accordance with paragraph 3.7.1.

3.7.4 The Transporter warrants to each Shipper User that the Transporter will have title (at the point of offtake) to all gas:

- (a) made available for offtake from the Total System at any System Exit Point by that User; and
- (b) taken out of the upstream System by that User at an Inter-System Offtake

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

3.7.5 The Transporter shall indemnify each User and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against such User in consequence of any breach of the warranty in paragraph 3.7.4.

3.8 User offtake obligations: DM Supply Point Components

3.8.1 A User is not entitled to offtake gas from the Total System at a DM Supply Point Component at a rate which exceeds the Supply Point Offtake Rate, and shall take all reasonable steps to ensure that gas is not offtaken at such a rate.

3.8.2 Where:

- (a) the Transporter believes on reasonable grounds that gas is being or will be offtaken from the Total System at a DM Supply Point Component at a rate which exceeds the Supply Point Offtake Rate; and
- (b) in the Transporter's reasonable judgment the security of the relevant System may be prejudiced as a result

the Transporter may take any steps available to it to secure the required reduction in the rate of or the discontinuance of the offtake of gas from the relevant System at the Supply Point Component.

3.8.3 The steps referred to in paragraph 3.8.2 include the disconnection of the relevant premises; but (without prejudice to any provision of the Gas Code) the Transporter will endeavour not to take this step where alternative steps are available and adequate in the circumstances.

3.8.4 The Transporter will not be obliged under any provision of the Code to make gas available for offtake from the Total System by a User at a DM Supply Point Component:

- (a) at any time, at a rate which exceeds the Permitted Supply Point Offtake Rate;

or

- (b) on any Day, in a quantity which exceeds the User's Registered Supply Point Capacity.
- 3.8.5 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), a User shall not be in breach of paragraph 3.8.1, and paragraph 3.8.2 shall not apply, if the aggregate rate at which gas is offtaken from the Total System at all of the DM Supply Point Components which comprise such Shared Supply Meter Point does not exceed the aggregate of the Supply Point Offtake Rates in respect of such Supply Point Components.

3.9 User offtake obligations: CSEPs

- 3.9.1 A CSEP User is not entitled to offtake gas from the Total System at a relevant Connected System Exit Point at a rate which exceeds the maximum rate permitted (for that CSEP User) in accordance with the CSEP Network Exit Agreement.

3.9.2 Where:

- (a) the Transporter believes on reasonable grounds that gas is being or will be offtaken from the Total System at a rate which exceeds the maximum aggregate rate permitted in accordance with the CSEP Network Exit Agreement; and
- (b) in the Transporter's reasonable judgement the security of the relevant System may be prejudiced as a result,

the Transporter may (subject to and/or in accordance with any provisions of the CSEP Network Exit Agreement) take any steps available to it to secure the required reduction in the rate of or discontinuance of offtake of gas from the Connected System Exit Point.

- 3.9.3 The Transporter will not be obliged under any provision of the Code to make gas available for offtake from the Total System at a relevant Connected System Exit Point:

- (a) by CSEP Users in aggregate, at any time, at a rate which exceeds the maximum aggregate rate permitted in accordance with the CSEP Network Exit Agreement; and
- (b) by a CSEP User, on any Day, in a quantity which exceeds the User's Registered LDZ Capacity (in the case of a relevant LDZ Connected System Exit Point) or Available NTS Exit Capacity (in the case of a relevant NTS Connected System Exit Point).

3.10 User offtake obligations: Inter-System Offtakes

- 3.10.1 A DNO User is not entitled to offtake gas from the upstream System at an Inter-System Offtake at a rate which exceeds the maximum permitted rate in accordance with paragraph 3.10.2 or 3.10.3 (as applicable), and shall take all reasonable steps to ensure that gas is not offtaken at such a rate.

- 3.10.2 The maximum permitted rate in respect of an NTS/LDZ Offtake is a rate calculated as:

$$(C_{\text{FLAT}} / 24) + (C(M)_{\text{FLEX}} / 4)$$

where:

C_{FLAT} is the DNO User's NTS Offtake (Flat) Capacity;

$C(M)_{\text{FLEX}}$ is the magnitude of the DNO User's NTS Offtake (Flexibility) Capacity.

3.10.3 The maximum permitted rate in respect of an LDZ/LDZ Offtake is the rate specified in or determined pursuant to the Network Exit Provisions.

3.10.4 Where:

- (a) the upstream Transporter believes on reasonable grounds that gas is being or will be offtaken from the upstream System at an Inter-System Offtake at a rate which exceeds the maximum permitted rate;
- (b) in the upstream Transporter's reasonable judgment the security of the upstream System may be prejudiced as a result; and
- (c) the upstream Transporter may take any steps available to it in accordance with (and subject to) the provisions of the Offtake Arrangements Document to secure the required reduction in the rate of or the discontinuance of the offtake of gas from the upstream System at the Inter-System Offtake.

3.10.5 The upstream Transporter will not be obliged under any provision of the Code to make gas available for offtake from the upstream System by a User:

- (a) at an NTS/LDZ Offtake:
 - (i) at any time, at a rate which exceeds the maximum permitted rate (in accordance with paragraph 3.10.2);
 - (ii) on any Day, in a quantity which exceeds the User's NTS Offtake (Flat) Capacity; or
 - (iii) in the period between 06:00 hours and 22:00 hours on any Day, in a quantity which exceeds $(\text{NOFC} + 16/24 * Q_D)$ (as those terms are defined in Section B6.5);
- (b) at an LDZ/LDZ Offtake:
 - (i) at any time, at a rate which exceeds the maximum permitted rate (in accordance with paragraph 3.10.3);
 - (ii) on any Day, in a quantity which exceeds the maximum permitted quantity in accordance with the Network Exit Provisions.

3.11 Alternative arrangements for CSEPs

3.11.1 This paragraph 3.10 shall apply, in addition to and (to the extent in conflict with) in substitution for the provisions of paragraphs 3.4 and 3.5, in the case of an LDZ Connected System Exit Point, where the Connected System Operator is the holder of a

Gas Transporter's Licence and the Connected Offtake System is a pipeline system the conveyance of gas in which is either authorised by such licence or exempt (from the requirement to be so licensed) pursuant to an order (under Section 6A of the Act) granting temporary exemption from such requirement.

3.11.2 For the purposes of paragraph 3.4, where the condition in paragraph 3.11.4 is satisfied:

- (a) subject to the limit in paragraph 3.4.3, the costs and expenses referred to in paragraph 3.4.1 shall include costs and expenses incurred in cleaning or clearing plant and/or equipment at Connected System Premises in which the non-compliant gas has been used;
- (b) the limit in paragraph 3.4.3 shall apply only in relation to the amount of the costs and expenses in paragraph 3.11.2(a);
- (c) the amount payable by the Transporter to an Offtaking User in relation to the costs and expenses referred to in paragraph 3.4.1 (including subject to the limit in paragraph 3.4.3 those within paragraph (a)) shall be the User's Offtake Proportion of the CSEP Liability Sharing Proportion of such costs and expenses.

3.11.3 For the purposes of paragraph 3.5, where the condition in paragraph 3.11.4 is satisfied:

- (a) paragraph 3.5.5 shall not apply;
- (b) the Transporter shall pay to each CSEP User an amount calculated as the CSEP Liability Sharing Proportion of:
 - (i) the amount determined under paragraph 3.11.6, where that paragraph applies; and
 - (ii) the User's Offtake Proportion of any costs and expenses incurred by the Connected System Operator, directly as a consequence of the failure by the Transporter to make gas available for offtake at the Connected System Exit Point, so that the Connected Offtake System can be operated in accordance with applicable Legal Requirements.

3.11.4 The condition referred to in paragraphs 3.11.2 and 3.11.3 is that the Connected System Operator:

- (a) shall (to the maximum extent permitted by law) fully and effectively have waived any claim against the Transporter in respect of any liability (in contract, tort or otherwise) in respect of the making available for offtake from the Total System of non-compliant gas, or (as the case may be) the failure to make gas available for offtake, or (in either case) the event or circumstances giving rise thereto;
- (b) shall have taken all such steps as are reasonable in the circumstances and having regard to any such provisions of the CSEP Network Exit Agreement as are referred to in paragraph 4.3.3(d) to avoid or limit the consequences of the relevant occurrence in relation to which such costs and expenses referred to in paragraph 3.11.2 or 3.11.3 are incurred, and to limit such costs and expenses;
- (c) shall have agreed insofar as is reasonable in the circumstances that, if the

Transporter so requires, all or some of the works necessitated by the relevant occurrence shall be undertaken by the Transporter at the Transporter's cost (offsetting the cost of such works against the amounts payable by the Transporter pursuant to paragraphs 3.11.2(c) and 3.11.3(b)(ii)) and on such other terms as shall be reasonable for the Transporter and the Connected System Operator to agree.

3.11.5 Paragraph 3.11.6 applies where:

- (a) in consequence of the failure (for whatever period of time) to make gas available for offtake from the Total System at the Connected System Exit Point, the Connected System Operator fails to make gas available for offtake from the Connected Offtake System at Connected System Premises; and
- (b) a commitment exists on the part of the Connected System Operator or a relevant supplier to make a payment, in consequence of such failure, to the consumer at the Connected System Premises.

3.11.6 Where this paragraph applies, the amount referred to in paragraph 3.11.3(b)(i) is the aggregate, for all of the Connected System Premises to which the CSEP User has (at the relevant time) arranged for gas to be conveyed by the Connected System Operator, of the amount (in respect of each such premises) ascertained pursuant to paragraph (a) or (b) below:

- (a) where the rate at which gas is expected to be supplied to the consumer at the Connected System Premises does not exceed 73,200 kWh (*2,500 therms*) per annum, for each consecutive period of 24 hours, or part of such period, after the first period of 24 hours, for which the failure by the Connected System Operator to make gas available continues, the lesser of £30 and the amount which the Connected System Operator or relevant supplier is (as described in paragraph 3.11.5(b) committed to pay to the consumer, provided always that:
 - (i) the Transporter shall not be liable to pay a sum in excess of £1,000 in respect of a consumer at a Connected System Premises in any one relevant failure to make gas available; and
 - (ii) the Transporter shall not be liable to make any payment where the number of Connected System Premises exceeds 50,000 in any one relevant failure to make gas available;
- (b) where the rate at which gas is expected to be supplied to the consumer at the Connected System Premises exceeds 73,200 kWh (*2,500 therms*) per annum, the lesser of the amount which the Connected System Operator or relevant supplier is (as described in paragraph 3.11.5(b)) committed to pay to the consumer, and the amount which (if the Connected System Premises were connected to the System at a Supply Point) the Transporter would be required to pay pursuant to paragraph 3.5.3.

3.11.7 For the purposes of this paragraph 3.11:

- (a) the "**CSEP Liability Sharing Proportion**" in relation to a Connected System Exit Point at any time shall be the proportion from time to time specified in or determined pursuant to the CSEP Network Exit Provisions, or determined (for

the purposes of this paragraph 3.11) by Transco with Condition A11(18) Approval of the Authority (where the CSEP Network Exit Provisions do not so specify or provide for such determination);

- (b) **"Connected System Premises"** are premises connected to the Connected Offtake System.

3.11.8 For the purposes of Section V10, the rule in paragraph 3.11.3 is a Compensation Rule within Compensation Group J; and in relation thereto the **"payment month"** is the second month following the month in which the relevant failure commenced.

4 REQUIREMENTS UNDER NETWORK EXIT PROVISIONS

4.1 General

4.1.1 Requirements (further to those in the foregoing provisions of this Section J) in respect of the plant and equipment to be installed at and the offtake of gas from the relevant System at certain System Exit Points are set out:

- (a) in relation to NExA Supply Meter Points, Connected System Exit Points and Inter-System Offtakes generally, in this paragraph 4;
- (b) in relation to NExA Supply Meter Points specifically, in paragraph 5;
- (c) in relation to Connected System Exit Points specifically, in paragraph 6;
- (d) in relation to Inter-System Offtakes specifically, in paragraph 7.

4.1.2 The relevant requirements referred to in paragraph 4.1.1 apply:

- (a) in the case of a NExA Supply Meter Point, as and to the extent so required by the Transporter pursuant to the Network Exit Provisions (and, in the case of each of paragraphs 4.5 to 4.7 and 5.6 to 5.8, where the Network Exit Provisions contains provisions, whether or not expressly referring to such paragraph, by reference to which such paragraph is capable of applying);
- (b) in the case of a Connected System Exit Point, where the relevant Network Exit Provisions provide for that requirement to apply (or where the application of such requirement is not limited to 'relevant' Connected System Exit Points);
- (c) in the case of all NTS/LDZ Offtakes, and to the extent provided in the Network Exit Provisions in the case of a LDZ/LDZ Offtake.

4.1.3 For the purposes of any provision of paragraphs 4.5 to 4.7, a "relevant" System Exit Point is an Inter-System Offtake, a NExA Supply Meter Point or a Connected System Exit Point in respect of which such provision is (in accordance with paragraph 4.1.2) to apply.

4.2 Failure to comply

4.2.1 Where and for so long as:

- (a) any requirement applying pursuant to this paragraph 4 or paragraph 5, 6 or 7

(other than a requirement applying to the Transporter) of the Network Exit Provisions is not for the time being complied with or is incapable of being complied with in relation to a NExA Supply Meter Point, Connected System Exit Point or Inter-System Offtake; and

- (b) in the Transporter's reasonable opinion such non-compliance or inability to comply may prejudice the security of the relevant System

the Transporter shall (until such time as it is reasonably satisfied that such non-compliance has been remedied) be entitled to require by notice to the Relevant User that the offtake of gas shall, subject to any contrary provisions in the Network Exit Provisions, be discontinued or its rate reduced, and may in any event take any steps available to it to secure such discontinuance or reduction, provided that where the Transporter takes such steps it will so notify the Relevant User as soon as reasonably practicable after so doing.

4.3 Network Exit Provisions

4.3.1 Network Exit Provisions in respect of a NExA Supply Meter Point, Connected System Exit Point or Inter-System Offtake:

- (a) will specify the point of offtake in accordance with paragraph 3.7.1(a);
- (b) will specify the plant and equipment installed pursuant to paragraph 4.4;
- (c) may provide (whether by express reference to such provisions or otherwise) for the application of any of paragraphs 4.5 to 4.7;
- (d) may provide for a Special Offtake Arrangement in accordance with paragraph 2.3.1;
- (e) may specify requirements (without prejudice to paragraph 2.1.5) as to the pressure at which gas is to be made available for offtake from the relevant System, and/or stipulate that the point at which the Applicable Offtake Pressure is to apply is a point other than the point of offtake;
- (f) will specify (in the case of an Connected System Exit Point or NTS Exit Point) for the purposes of Section L4.3.2(a) the numbers of Days of permitted Planned Maintenance in any Planned Maintenance Period and any three consecutive Planned Maintenance Periods, or (in the case of an NTS/LDZ Offtake) for the purposes of Section L4.3.2(b) the number of Days of permitted Flow Relevant Maintenance in any Gas Year;
- (g) may specify other matters relating to the offtake of gas for purposes of commissioning the Consumer's Plant, Connected Offtake System or (as the case may be) downstream System, or any plant or equipment referred to in paragraph (b); and
- (h) may specify procedures applicable in the event of any emergency circumstances affecting the Transporter or the consumer, Connected System Operator or (as the case may be) downstream DN Operator (including any Emergency in accordance with Section Q).

4.3.2 Network Exit Provisions may also provide for:

- (a) the Transporter and the consumer, Connected System Operator or (as the case may be) downstream DN Operator to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Network Exit Provisions;
 - (b) terms according to which and circumstances in which the Network Exit Provisions may be terminated or expire; and
 - (c) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the offtake of gas from the System or (in relation to such offtake) the Consumer's Plant, Connected Offtake System or (as the case may be) downstream System.
- 4.3.3 In addition to or in substitution of provisions pursuant to paragraph 4.3.1, Network Exit Provisions in relation to a Connected System Exit Point or Inter-System Offtake:
- (a) except in the case of an Unmetered Connected System Exit Point, will specify the procedures, methods and standards by which the volume and quantity of gas offtaken each Day from the relevant System at the System Exit Point is to be determined;
 - (b) may specify the basis on which the pressure and composition of gas made available for offtake each Day at the System Exit Point is to be determined;
 - (c) will specify the measurement equipment required to be installed (whether on the Connected Offtake System or downstream System, or on the relevant System) in connection with the requirements (where applicable) specified under paragraphs (a) and (b);
 - (d) may require plant and equipment (in addition to or substitution of that contemplated in paragraph 4.4) to be installed, maintained and operated by the Connected System Operator, downstream DN Operator or the Transporter;
 - (e) may contain provisions (including operating procedures, requirements as to notifications by the Connected System Operator or downstream DN Operator, and provisions as to the control or setting of any plant, equipment or installation installed pursuant to paragraph (d)) pursuant to which the offtake of gas from the System at the System Exit Point may be discontinued or restricted, or changes (including reductions) in the rate of such offtake limited; and the Transporter will not be in breach of its obligation to make gas available for offtake at the System Exit Point by virtue of the operation (in accordance with its terms) of any such provision;
 - (f) may specify requirements as to the rate or rates at which gas is permitted to be offtaken from the relevant System at the Connected System Exit Point.
- 4.3.4 In the case of a NExA Supply Meter Point (where the Supply Point Network Exit Agreement is made with the consumer) or a Connected System Exit Point, the Transporter shall not be required (for itself or for the benefit of any User) to secure in the Network Exit Agreement any remedy against the relevant consumer or Connected System Operator, nor to take any steps to enforce any provision of such a Network Exit Agreement.

- 4.3.5 The Transporter will not be required to make gas available for offtake at a NExA Supply Meter Point, Connected System Exit Point or Inter-System Offtake where (other than by reason of a breach by the Transporter thereof) the applicable Network Exit Provisions have been suspended or terminated in accordance with its terms.

4.4 Plant and equipment

- 4.4.1 The plant and equipment installed at a NExA Supply Meter Point or Connected System Exit Point may include:

- (a) volumetric control or override, by means of which the instantaneous rate (in terms of volume) at which gas may be offtaken may be limited (and such limit set remotely by the Transporter);
- (b) remote isolation valve, by means of which the Transporter may remotely cause the offtake of gas to be discontinued;
- (c) calorimetric equipment, by means of which the calorific value of gas offtaken may be continuously monitored; and
- (d) preheating equipment, by means of which the temperature of gas offtaken may be maintained (having regard to the operation of any other plant or equipment installed pursuant to this paragraph 4.4.1 or paragraph 4.4.2) at a given temperature (not less than 0°C).

- 4.4.2 The plant and equipment installed or to be installed pursuant to paragraph 4.4.1 will be specified in the relevant Network Exit Provisions (and may where so provided in such Network Exit Provisions be or have been furnished and installed by the Transporter).

- 4.4.3 Where volumetric control or override is installed pursuant to paragraph 4.4.1(a), the Transporter may, but (subject to any provision of the Network Exit Provisions) shall not be required to, set such control or override, or require it to be set, so as to limit the rate (in volume terms) at which gas is offtaken to a rate equivalent (on the basis of the applicable calorific value) to the Prevailing Offtake Rate, or otherwise as may be provided in the Network Exit Provisions.

- 4.4.4 Where a remote isolation valve is installed pursuant to paragraph 4.4.1(b), the Transporter may, but (subject to any provision of the Network Exit Provisions) shall not be required to, operate such valve in any circumstances in which, in accordance with the Code or the Act, the Transporter is permitted to interrupt or cause the discontinuance or reduction of offtake, or disconnect the Supply Point Premises or (as the case may be) Connected Offtake System.

- 4.4.5 The Transporter will not be in breach of its obligation to make gas available for offtake at the NExA Supply Meter Point or (as the case may be) Connected System Exit Point:

- (a) where and to the extent that:
 - (i) any plant or equipment installed pursuant to paragraph 4.4.1 operates (in accordance with any provisions of the Network Exit Provisions as to such operation or the control or setting of such plant or equipment) so as to limit or discontinue the offtake of gas from the Total System; or

- (ii) the Transporter takes any action in accordance with any provisions of this paragraph 4 or of Network Exit Provisions which limits or discontinues the offtake of gas from the Total System; and
- (b) in the event of any failure of or defect in any plant or equipment installed by the Transporter at the System Exit Point, or requirement for maintenance thereof, until and unless:
 - (i) the User, the Connected System Operator or the consumer has notified the Transporter of such failure, defect or requirement; and
 - (ii) following such notice the Transporter has not, within 24 hours after such notification or such other period as may be provided in the Network Exit Provisions, and subject to having such access as shall be reasonable in the circumstances, repaired or replaced the relevant plant or equipment or carried out the required maintenance (but so that nothing in the Code or the Network Exit Provisions shall require the Registered User to pay for any such repair, replacement or maintenance).

4.5 Offtake Profile Notice

- 4.5.1 In relation to a relevant System Exit Point, a notification ("**Offtake Profile Notice**") shall be provided to the Transporter, not later than the time on the Preceding Day specified in the Network Exit Provisions, setting out rates of offtake throughout the Gas Flow Day.
- 4.5.2 The rates of offtake set out in an Offtake Profile Notice (or revised such notice) shall not exceed the Permitted Offtake Rate.
- 4.5.3 For the purposes of this paragraph 4, "**rate of offtake**" means the instantaneous rate (expressed in MW) of offtake of gas from a System at a relevant System Exit Point (and references to the rate of offtake include a rate of zero where gas is not offtaken, and references to a change in rate of offtake shall be construed accordingly).
- 4.5.4 In relation to a relevant System Exit Point, the Network Exit Provisions will prescribe a period of notice to be given (by way of modified Offtake Profile Notice) to the Transporter of any change ("**Offtake Rate Change**"), by reference to the prevailing Offtake Profile Notice, in the rate of offtake of gas, which period of notice may depend:
 - (a) on whether the Offtake Rate Change is an increase or a decrease in rate of offtake;
 - (b) on the amount of the Offtake Rate Change, expressed as an absolute amount or a percentage of a rate determined from the Permitted Offtake Rate or otherwise; and
 - (c) on whether any earlier change in the rate of offtake has been notified or occurred within any specified period before the Offtake Rate Change.
- 4.5.5 The Offtake Profile Notice may be modified, as to the rate of offtake from and after any time, by notice before that time of the period referred to in paragraph 4.5.4 but (without prejudice to paragraph 5.6 or 5.8 where either applies) not otherwise.

4.5.6 Where, upon a request to that effect, the Transporter determines that it is feasible, consistently (so far as the Transporter can judge in the circumstances) with the expectation in paragraph 4.5.7, and in the case of Transco NTS, in accordance with paragraph 7.3.2, to make gas available for offtake:

- (a) at the relevant System Exit Point at a changed rate of offtake (specified in such request) upon a lesser period of notice than that referred to in paragraph 4.5.4, the Offtake Profile Notice may be modified in accordance with such request;
- (b) at an NTS/LDZ Offtake, in accordance with a request pursuant to paragraph 7.3.1, an Offtake Profile Notice may be submitted or modified in accordance with such request.

4.5.7 The expectation referred to in paragraph 4.5.6 is that:

- (a) for the purposes of paragraph 4.5.6(a), the change in rate of offtake on such lesser period of notice
- (b) for the purposes of paragraph 4.5.6(b), the offtake of gas at the rates of offtake in the requested Offtake Profile Notice

should not, of itself and at the time, give rise to an Operational Balancing Requirement (but it is recognised that such change or rates of offtake may contribute to any such requirement at any later time)

4.5.8 No communication to the Transporter pursuant to this paragraph 4.5 shall be (or shall be treated as in substitution for) a Nomination or Renomination under Section C.

4.5.9 Without prejudice to this paragraph 4, the Relevant User shall in any event ensure that as much notice as is reasonably practicable is given to the Transporter of any change in the rate of offtake.

4.5.10 In this paragraph 4.5 "**Permitted Offtake Rate**" means:

- (a) in relation to a Supply Meter Point, the Supply Point Offtake Rate;
- (b) in relation to a Connected System Exit Point, the maximum permitted rate of offtake in accordance with the Network Exit Provisions;
- (c) in relation to an Inter-System Offtake, the maximum permitted rate of offtake in accordance with paragraph 3.10.2 or 3.10.3.

4.6 Prevailing Offtake Rate

4.6.1 At any time on the Gas Flow Day the "**Prevailing Offtake Rate**" is the rate of offtake set out in respect of such time in the Offtake Profile Notice (as from time to time modified pursuant to paragraph 4.5.5).

4.6.2 Subject (in the case of a NExA Supply Meter Point) to paragraph 5.6 and 5.8, gas may not be offtaken from a System:

- (a) at a relevant System Exit Point; and
- (b) at certain NTS/LDZ Offtakes (as specified in the Network Exit Provisions) in

aggregate;

- (c) at any time on any Day at a rate of offtake (or aggregate rate of offtake) which exceeds or is less than the Prevailing Offtake Rate (or aggregate of the Prevailing Offtake Rates) by more than the relevant tolerance specified (for the purposes of this requirement) in the Network Exit Provisions.
- 4.6.3 Subject (in the case of a NExA Supply Meter Point) to paragraph 5.8, the Transporter will not be required to make gas available for offtake from the System:
- (a) at a relevant System Exit Point; and
 - (b) at certain NTS/LDZ Offtakes (as specified in the Network Exit Provisions) in aggregate

at any time on any Day at a rate of offtake (or aggregate rate of offtake) which exceeds the Prevailing Offtake Rate (or aggregate of the Prevailing Offtake Rates).

4.7 Ramp Rates

- 4.7.1 Network Exit Provisions may prescribe maximum rates of change (expressed in MW/minute or other units of rate of change) of the rate of offtake.
- 4.7.2 In relation to a relevant System Exit Point, subject (in the case of a NExA Supply Meter Point) to paragraph 5.8, at any time on the Gas Flow Day at which there is a change (pursuant to the Offtake Profile Notice) in the Prevailing Offtake Rate, the rate of change of the rate of offtake shall not exceed the rate of change prescribed (in accordance with paragraph 4.7.1) in the Network Exit Provisions.
- 4.7.3 Subject (in the case of a NExA Supply Meter Point) to paragraph 5.8, the Transporter will not be required to make gas available for offtake from the System at a relevant System Exit Point at an increasing rate the rate of change of which exceeds the rate of increase prescribed (in accordance with paragraph 4.7.1) in the Network Exit Provisions.

5 NEXA SUPPLY METER POINTS – SPECIAL PROVISIONS

5.1 General

- 5.1.1 Subject to paragraph 5.6, nothing in paragraph 4 or this paragraph 5 affects the application of any provision of the Code to any other Supply Meter Point comprised in the same Supply Point as a NExA Supply Meter Point.

5.2 Network Exit Provisions – general provisions

- 5.2.1 Where Supply Point Network Exit Provisions made with the consumer are in force and there is a Registered User in respect of the NExA Supply Meter Point, the Transporter will not, unless upon the Transporter's application the Authority shall give Condition A11(18) Approval to its doing so, agree to any modification of the Network Exit Provisions without the approval of the Registered User(s) for the time being.
- 5.2.2 Where a User submits a Supply Point Nomination in respect of a Supply Point which

includes a NExA Supply Meter Point, the Transporter will inform the User of the existence (but not of the terms) of the Network Exit Provisions, and the User shall be responsible for ascertaining the terms thereof from the relevant consumer; and where the User subsequently submits a Supply Point Confirmation the User shall be deemed to be fully informed of such terms.

- 5.2.3 Except as provided in paragraph 5.2.2 the Transporter will not, unless the terms of the Network Exit Provisions expressly so permit, disclose the provisions of Supply Point Network Exit Provisions to any User (including a User who has submitted a Supply Point Nomination or Supply Point Confirmation) other than the Registered User.

5.3 Application

- 5.3.1 The Registered User, or (where relevant) the Sharing Registered Users jointly, shall be responsible for securing that the requirements of paragraphs 4.5, 4.6, 4.7 and 5.7 are complied with in respect of a NExA Supply Meter Point.
- 5.3.2 The requirements of paragraphs 4.5, 4.6, 4.7, 5.7 and 5.8 apply as to the offtake of gas from the Total System at a NExA Supply Meter Point in aggregate by all Sharing Registered Users (where applicable).

5.4 Further Network Exit Provisions

- 5.4.1 Network Exit Provisions in respect of a NExA Supply Meter Point:
- (a) may contain provisions applicable for the purposes of paragraph 5.5;
 - (b) may specify details and/or standards for the design, specification and manufacture and/or the accuracy of the Supply Meter, and/or contain provisions (which may differ from those of Section M) as to any of the matters provided for in Section M;
 - (c) where the Consumer's Plant is generating plant, will specify the basis for determining the date at which commissioning of the Consumer's Plant shall be treated as completed (by reference to the successful completion of that part of the commissioning programme which tests the ability of the Consumer's Plant to run reliably for a continuous period of 30 days).

5.5 Requirement for User Agent

- 5.5.1 The Transporter may agree, pursuant to Network Exit Provisions, that no person shall be a Registered User in respect of a NExA Supply Meter Point unless such person has agreed (together with any other Sharing Registered User):
- (a) to appoint the consumer or any other person as User Agent for such purposes as may be specified in the Network Exit Provisions, and/or to cooperate in such manner as may be prescribed in the Network Exit Provisions with the consumer and (where there are Sharing Registered Users) with each other Sharing Registered User to secure coordinated communications with the Transporter in respect of the offtake of gas from the Total System; and
 - (b) to enter into or accede to any agreement in writing with the relevant consumer and any other Sharing Registered User for the purposes of paragraph 4.3.3(a)

(to which agreement the Transporter may or may not be party).

- 5.5.2 The Transporter shall be entitled to reject a Supply Point Confirmation made by a User who has not complied with any such requirement as is referred to in paragraph 5.5.1.

5.6 Preheating offtake

- 5.6.1 Where in accordance with the Network Exit Agreement preheating equipment is installed (whether or not pursuant to paragraph 4.4.1(d)) at a NExA Supply Meter Point:

- (a) the point at which gas is offtaken from the Total System for consumption by such preheating equipment shall be a Supply Meter Point (in respect of which the Network Exit Agreement shall specify the point of offtake for the purposes of paragraph 3.7.1);
- (b) Daily Read Equipment will be installed at such Supply Meter Point (which shall accordingly be a DM Supply Meter Point);
- (c) such Supply Meter Point shall be treated for all purposes of the Code as comprised in the same Supply Point as the NExA Supply Meter Point; and
- (d) the gas offtaken from the Total System at such Supply Meter Point shall for all purposes of the Code be treated as offtaken by the Registered User or Sharing Registered Users.

- 5.6.2 Where the NExA Supply Meter Point is a Shared Supply Meter Point, the Supply Meter Point referred to in paragraph 5.6.1 shall be deemed to be a Shared Supply Meter Point and subject to the same Shared Supply Meter Notification.

5.7 Intertripping and forced outages

- 5.7.1 Supply Point Network Exit Provisions may prescribe particular circumstances in which, by reason of a sudden interruption in the operation of the Consumer's Plant, the rate of offtake may be reduced suddenly.

- 5.7.2 Where this paragraph 5.7 applies, in such circumstances and subject to such requirements as may be so prescribed in the Network Exit Provisions:

- (a) the requirements (as to notice and rate of reduction of rate of offtake) of paragraphs 4.5.4 and 4.7 shall not apply; and
- (b) the requirements (as to notice of increase of rate of offtake) of paragraph 4.5.5 shall not apply in respect of a subsequent increase in the rate of offtake not exceeding such amount, and within such period (after the occurrence of the sudden interruption referred to in paragraph 5.7.1), as may be prescribed in the Network Exit Provisions.

5.8 Frequency Response

- 5.8.1 Where the Consumer's Plant is gas fired generating plant subject to Central Despatch by the National Grid Company plc, Scottish and Southern Energy plc or Scottish Power plc acting as operators of the electricity transmission in Great Britain ("**the Grid Operators**"), it may be required, at the request of the Grid Operators, to respond

automatically and rapidly to changes in the electrical frequency of such system by rapidly increasing or subsequently decreasing the rate of offtake, by up to 25% of the Supply Point Offtake Rate ("**Frequency Response**"). "**Central Despatch**" is the process of scheduling and issuing direct instructions by the Grid Operators in accordance with their grid codes.

5.8.2 Where this paragraph 5.8 applies:

- (a) there shall be Network Exit Provisions in force at the NExA Supply Meter Point;
- (b) the Registered User of the NExA Supply Meter Point shall notify the Transporter by Conventional Notice that it requires the Frequency Response service subject to the conditions set out in paragraphs (c) to (i) below;
- (c) the Registered User shall pay such amount (if any) as is identified in the Transportation Statement for Frequency Response;
- (d) where the Registered User has so elected, the requirements of paragraphs 4.6.2, 4.7 and 5.6 shall be disapplied during any period (not exceeding one hour) when the Consumer's Plant is responding to a specific request by a Grid Operator to provide Frequency Response ("**Frequency Response Period**");
- (e) except as set out in this paragraph 5.8 the requirements set out in the Network Exit Agreement shall apply;
- (f) during any Frequency Response Period any provision contained in the Network Exit Agreement as to the pressure of gas made available for offtake at the NExA Supply Meter Point shall be suspended;
- (g) during any Frequency Response Period any provision contained in the Network Exit Agreement as to the ramp rates, in accordance with paragraph 4.7, shall be amended such that the rate of increase or decrease in the rate of offtake shall not exceed 25% of the maximum offtake rate in a period of 10 seconds during any Frequency Response Period;
- (h) in respect of any Frequency Response Period any provision contained in the Network Exit Agreement as to the period of notice to be given to the Transporter in accordance with paragraph 4.5.4 shall be amended such that:
 - (i) the Registered User(s) shall notify the Transporter within 30 minutes of a Frequency Response Period having commenced at the NExA Supply Meter Point; and
 - (ii) the Offtake Profile Notice submitted on the Day following any Day on which a Frequency Response Period was actually provided shall state the time and duration of any period(s) of Frequency Response; and
- (i) during any Frequency Response Period any provision contained in the Network Exit Agreement as to the temperature of gas, where preheating equipment has been installed in accordance with paragraph 5.6, shall be suspended.

5.8.3 The Transporter may, on written notice, or verbal notice subsequently confirmed in

writing, to the Registered User withdraw the right of the Registered User, to take Frequency Response at the Consumer's Plant where the Transporter considers that there has been, or is likely to be, a serious detrimental effect on the safe and effective operation of the Total System by reason of the provision of Frequency Response at the Consumer's Plant.

- 5.8.4 The Transporter may temporarily suspend, by giving 10 Working Days' notice in writing (or immediately on verbal notice in the case of an Emergency, subsequently confirmed in writing) to the Registered User(s), provision of Frequency Response where maintenance activities on the relevant System may impact the Transporter's ability to provide Frequency Response at the Customer's Plant.
- 5.8.5 In providing Frequency Response, or following any material change in the Supply Point Offtake Rate at the Specified Exit Point, the Transporter shall require that a flow test be performed at the Specified Exit Point. Following any material change in the operating conditions of the Total System, the Transporter may require that a flow test be performed at the Specified Exit Point. Any charges for provision of the flow test (if any) shall be set out in the Transportation Statement. If the results of the flow test are unsatisfactory, the Transporter may decline to provide or withdraw Frequency Response at the Specified Exit Point with effect from a specified date.

5.9 Metering and Measurement

- 5.9.1 Where (in accordance with paragraph 5.4.1(b)) the Network Exit Agreement contains provisions alternative to those contained in Section M, such provisions shall apply as between the Transporter and the Registered User (and any inconsistent provisions of Section M shall not apply).

6 CONNECTED SYSTEM EXIT POINTS – SPECIAL PROVISIONS

6.1 Network Exit Provisions

- 6.1.1 The Transporter will make available to any User on request a copy of the CSEP Network Exit Provisions applicable to a Connected System Exit Point where the Connected System Operator either is a Gas Transporter or has consented to the Transporter's doing so, but not otherwise.
- 6.1.2 A User who becomes a CSEP User (in accordance with paragraph 6.3) in respect of a Connected System Exit Point shall be responsible for obtaining and shall be deemed to have obtained and to be fully informed of the applicable CSEP Network Exit Provisions.
- 6.1.3 Each CSEP User acknowledges and shall be bound by the terms of the CSEP Network Exit Provisions as they apply pursuant to the Code, including those relating to the determination of System Capacity held by the User, nomination of quantities for offtake by the User and measurement or determination of quantities of gas offtaken by the User.
- 6.1.4 CSEP Network Exit Provisions may contain provisions in addition to those contemplated by the Code; and in such a case references in this paragraph 6.1 to the Network Exit Provisions are to those of the provisions which are contemplated by the Code.

6.2 Eligible Connected System Exit Point

6.2.1 For the purposes of any provision of the Code:

- (a) a "**relevant**" Connected System Exit Point is a Connected System Exit Point to which, pursuant to the applicable Network Exit Provisions, that provision is to apply;
- (b) an "**eligible**" Connected System Exit Point is a Connected System Exit Point:
 - (i) at which immediately prior to the coming into effect of the Code Modification pursuant to which this paragraph has effect, a CSEP User may, pursuant to the applicable Network Exit Agreement (as it applied at such date), have offered to buy or sell gas to the Transporter by offtaking, by increasing the offtake or by decreasing the offtake of gas from the Total System; and
 - (ii) which, pursuant to the applicable Network Exit Agreement, is to be such a Connected System Exit Point.

6.3 CSEP User

- 6.3.1 No User may apply for or hold System Capacity at or offtake gas at a Connected System Exit Point unless the User has given notice (but subject to paragraphs 6.3.4 and 6.6.1) to the Transporter of its intention to do so.
- 6.3.2 Where a User has given notice under paragraph 6.3.1 the notice shall not be withdrawn other than in accordance with the relevant CSEP Network Exit Provisions.
- 6.3.3 In respect of any Connected System Exit Point a "**CSEP User**" is a User who has given and has not withdrawn notice under paragraph 6.3.1 in respect of that Connected System Exit Point.
- 6.3.4 A User shall not be entitled to give notice pursuant to paragraph 6.3.1 until and unless the User has complied with such conditions as may be specified in the relevant CSEP Network Exit Provisions and (where required pursuant to paragraph 6.6.1) has acceded to the CSEP Ancillary Agreement.

6.4 Amendment of Network Exit Provisions

- 6.4.1 The Transporter will not agree with the Connected System Operator to amend any provision of CSEP Network Exit Provisions which governs or otherwise is directly relevant to the arrangements between the Transporter and Users pursuant to the Code except:
 - (a) in the case where the Connected System Operator is a Gas transporter, by way of modification pursuant to the Modification Rules (subject to paragraph 6.4.3), for which purposes the relevant provision of the CSEP Network Exit Provisions shall be deemed to form a part of the Code; and
 - (b) in any other case, with the approval of each User who is at the relevant time a CSEP User (in respect of the relevant Connected System Exit Point), unless the Authority shall (upon the Transporter's application) give Condition A11(18) Approval to the Transporter's agreeing to such amendment without the approval of such a User.

- 6.4.2 Paragraph 6.4.1 shall not apply in respect of any amendment of CSEP Network Exit Provisions made in order to comply with any Legal Requirement.
- 6.4.3 Where the Connected System Operator is a Gas transporter a CSEP Network Exit Agreement may provide:
- (a) for the Transporter or the Connected System Operator to propose a modification to its own code where a modification (affecting the Connected System Exit Point) is proposed to the other's code (for the purposes of which the Transporter's own code is the Code and the Connected System Operator's own code is its relevant network code); and
 - (b) (so far as consistent with each Gas Transporter's Licence) for the coordination of such modifications.

6.5 Further Network Exit Provisions

6.5.1 CSEP Network Exit Provisions:

- (a) may contain any provision contemplated by any other Section of the Code;
 - (b) may provide for any Code Communication to be made at a different time from that applicable under the usual provisions of the Code;
 - (c) may provide for the Connected System Operator to implement any reduction in the rate of or discontinuance of offtake of gas from the Connected Offtake System (including disconnection of any premises therefrom) where the Transporter or the Connected System Operator believes on reasonable grounds that gas is being or will be offtaken from the System by a CSEP User or CSEP Users in aggregate at a rate which exceeds the maximum rate or maximum aggregate rate (as the case may be) permitted in accordance with the CSEP Network Exit Agreement and in the Transporter's judgement the security of the Total System may be prejudiced as a result;
 - (d) may provide for the Connected System Operator to implement any disconnection of premises from the Connected Offtake System in connection with any Termination Notice given by the Transporter under Section V4.3;
 - (e) may provide for the CSEP User to be relieved from liability to pay LDZ CSEP Overrun Charges pursuant to arrangements for commissioning referred to in paragraph 4.3.1(g); and
 - (f) will for an NTS CSEP specify the method by which NTS Exit Capacity shall be allocated and registered to the CSEP User or shall reference the CSEP Ancillary Agreement which specifies the method by which NTS Exit Capacity shall be booked by the CSEP User.
- 6.5.2 A CSEP Network Exit Agreement may provide for the Connected System Operator or any other person (including the Transporter) to be appointed as User Agent by each User intending to hold System Capacity or offtake gas at the Connected System Exit Point for such purposes as are specified in the Network Exit Agreement, and may provide for each such User to be party to a specified Agreement for the purposes of such appointment (which Agreement may contain terms upon which such person is so

appointed including terms as to remuneration of such person); and where the CSEP Network Exit Agreement so provides a User shall not be entitled to give notice pursuant to paragraph 6.3.1 until and unless the User has appointed such person as agent for such purposes and (if so required) has entered into or acceded to such agreement.

6.5.3 The CSEP Network Exit Agreement in respect of an Unmetered Connected System Exit Point:

- (a) will provide for the basis on which the quantities offtaken by CSEP Users individually and in aggregate are to be determined;
- (b) will provide for adjustment in respect of quantities assumed or determined to have been offtaken in respect of gas which is lost from or unaccounted for in the Connected Offtake System; and
- (c) may provide for circumstances in which the Connected System Exit Point must cease to be Unmetered.

6.6 CSEP Ancillary Agreement

6.6.1 The Transporter may require, as a condition of a User's giving notice pursuant to paragraph 6.3.1, that the User enter into or accede to an Ancillary Agreement ("**CSEP Ancillary Agreement**") in a form designated by the Transporter with Condition A11(18) Approval of the Authority setting out terms (in addition to or by way of variation of the terms of the Code) in relation to the use of the relevant System for the purposes of offtake of gas at a Connected System Exit Point.

6.6.2 A CSEP Ancillary Agreement shall be deemed to be a part of the Code for the purposes of enabling such Agreement to be modified pursuant to the Modification Rules.

6.6.3 A CSEP Ancillary Agreement may contain any provision which may be included in a CSEP Network Exit Agreement, in which case any requirement that the CSEP Network Exit Agreement contain such a provision shall not apply.

6.6.4 The Transporter will make available to any User on request a copy of any CSEP Ancillary Agreement.

6.7 NTS Exit Capacity at relevant NTS Connected System Exit Points

6.7.1 In accordance with paragraph 3.9, but subject to paragraph 6.7.6, the aggregate of the maximum permitted rates (for each CSEP User) of offtake at a relevant NTS Connected System Exit Point shall not exceed the maximum instantaneous rate at which it is feasible for Transco NTS to make gas available for offtake at the relevant NTS Connected System Exit Point; and the aggregate amount of NTS Exit Capacity which Users may be holding at a relevant NTS Connected System Exit Point shall not exceed 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.

6.7.2 Without prejudice to any provisions for allocation of NTS Exit Capacity contained in the CSEP Network Exit Agreement or any CSEP Ancillary Agreement, or the further provisions of this paragraph 6.7, Transco NTS shall be entitled to reject any application for (or for an increase in) NTS Exit Capacity at a relevant NTS Connected System Exit Point where the requirement in paragraph 6.7.1 would be infringed if it accepted such

application.

- 6.7.3 Transco NTS may agree, pursuant to the CSEP Network Exit Agreement or CSEP Ancillary Agreement, and subject to any conditions contained in such Agreement, that, with effect from the expiry of the capacity period (as defined in such Agreement) in respect of any prevailing registration in the name of any User of NTS Exit Capacity at an NTS Connected System Exit Point, the User shall be entitled to apply for and may be registered (in priority to any other User) as holding NTS Exit Capacity in an amount subject to such prevailing registration.
- 6.7.4 The CSEP Network Exit Agreement or a CSEP Ancillary Agreement may include a requirement to the effect that a User applying for NTS Exit Capacity at a relevant NTS Connected System Exit Point shall demonstrate (as a condition of such application) to the reasonable satisfaction of Transco NTS that it, or a person purchasing gas from it, is entitled to have gas which has been offtaken by such User from the Total System at the relevant NTS Connected System Exit Point (in the maximum amounts and at the maximum rates commensurate with the NTS Exit Capacity applied for and for a period commensurate with the proposed capacity period) conveyed in the Connected Offtake System.
- 6.7.5 Unless Transco NTS shall otherwise agree, any application by a User for NTS Exit Capacity at a relevant NTS Connected System Exit Point shall be made by way of Conventional Notice; and any registration of NTS Exit Capacity at a relevant NTS Connected System Exit Point in respect of which this paragraph 6.7.5 is not complied with shall be invalid and ineffective notwithstanding such registration may be recorded in UK Link and notwithstanding Transco NTS may have invoiced NTS Exit Capacity Charges pursuant to such registration.
- 6.7.6 Transco NTS may agree pursuant to a CSEP Network Exit Agreement or a CSEP Ancillary Agreement, upon such terms and subject to such conditions as may be provided in such Agreement, that:
- (a) a relevant NTS Connected System Exit Point may be treated, pursuant to Section A3.3.5, as comprising two separate Connected System Exit Points (respectively a "**Firm CSEP**" and an "**Interruptible CSEP**") for the purposes described in this paragraph 6.7.6 and such other purposes as may be specified in such Agreement;
 - (b) a CSEP User may apply for and hold NTS Exit Capacity at the Interruptible CSEP the basis that Transco NTS shall be entitled to require the User to reduce or discontinue the offtake of gas from the Total System at the Connected System Exit Point:
 - (i) where it would not otherwise be feasible for Transco NTS to make available gas for offtake from the Total System by CSEP Users at the Firm CSEP pursuant to the exercise of their entitlements so to offtake gas;
 - (ii) in any such other circumstances as may be provided in such Agreement; and
 - (c) a CSEP User will not be liable to pay NTS Exit Capacity Charges, or will be liable to pay such charges only at a reduced rate, in respect of NTS Exit

Capacity held (in accordance with paragraph (b)) at the Interruptible CSEP and in such a case the Firm CSEP, but not the Interruptible CSEP, shall be a relevant Connected System Exit Point for the purposes of paragraph 6.7.1.

7 INTER-SYSTEM OFFTAKES – SPECIAL PROVISIONS

7.1 General

- 7.1.1 The obligations of the upstream Transporter and downstream Transporter under this Section J in relation to the offtake and availability of gas for offtake at an Inter-System Offtake are subject to the provisions of the Offtake Arrangements Document.

7.2 Offtake Profile Notice

- 7.2.1 In addition to the requirements in paragraph 4.5, an Offtake Profile Notice submitted in relation to an NTS/LDZ Offtake must satisfy the requirement in paragraph 7.2.2.
- 7.2.2 The requirement is that the offtake of gas (at the NTS/LDZ Offtake) from the NTS at the rates of offtake specified in the Offtake Profile Notice would not result:
- (a) in an NTS Offtake (Flat) Overrun, or
 - (b) in an NTS Offtake (Flexibility) Overrun.

7.3 Short-term increase in capacity

- 7.3.1 In relation to an NTS/LDZ Offtake, for the purposes of paragraph 4.5.5:
- (a) a request referred to in paragraph 4.5.6(b) is a request for an increase in the amount of NTS Offtake (Flexibility) Capacity held by the DN Operator at the NTS/LDZ Offtake for the Day;
 - (b) such a request may be made by submitting a proposed Offtake Profile Notice which (in the absence of such an increase in NTS Offtake (Flexibility) Capacity) would not comply with the requirement in paragraph 7.2.2(b);
 - (c) Transco NTS may accept such request by accepting such proposed Offtake Profile Notice, in which case the DN Operator's NTS Offtake (Flexibility) Capacity for the Day shall be increased by the lowest amount which results in the requirement in paragraph 7.2.2(b) being satisfied in relation to the Offtake Profile Notice.
- 7.3.2 Where (at any time) more than one User has made a request pursuant to paragraph 4.5.5(a) or (b), Transco NTS shall consider such requests on the basis of such allocation principles as Transco NTS shall from time to time establish and publish for the purposes of this paragraph 7.3.2.

7.4 Liability of downstream DN Operator

- 7.4.1 If and to the extent that, on any Day, in relation to an NTS/LDZ Offtake (after taking account of the acceptance of any request under paragraph 7.3.1):

- (a) there is an NTS Offtake (Flat) Overrun or an NTS Offtake (Flexibility) Overrun;
- (b) as a result of the offtake of gas giving rise to such NTS Offtake (Flat) Overrun or an NTS Offtake (Flexibility) Overrun, Transco NTS itself fails to make gas available for offtake (in accordance with its obligations under the Code) at any NTS System Exit Point; and
- (c) Transco NTS acts and has acted as a Reasonable and Prudent Operator with a view to avoiding or limiting the effect of such offtake (by the DN Operator, giving rise to the NTS Offtake (Flat) Overrun or an NTS Offtake (Flexibility) Overrun) on its ability so to make gas available for offtake;

then the DN Operator shall be liable to Transco NTS for all amounts (if any) for which Transco NTS was liable (pursuant to the provisions of paragraph 3.5) to any Shipper User or any other DNO User or any other person in consequence of the upstream Transporter's failure to make gas available for offtake (as referred to in paragraph (b)).

- 7.4.2 Amounts for which a DN Operator is liable pursuant to paragraph 7.4.1 shall be invoiced and are payable in accordance with Section S.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION K – OPERATING MARGINS

1 GENERAL

1.1 Introduction

1.1.1 Transco NTS shall be entitled:

- (a) to enter into arrangements ("**Operating Margins Capacity Arrangements**") pursuant to which Transco NTS will hold Operating Margins Capacity in Operating Margins Facilities, and may input (whether by injection, unloading of sea-going vessels or otherwise) gas into, hold gas in, and withdraw gas from such facilities; and
- (b) to enter into arrangements ("**Operating Margins Gas Delivery Arrangements**") with third parties which hold Operating Margins Capacity in Operating Margins Facilities, for such third parties to input (whether by injection, unloading of sea-going vessels or otherwise) gas into, hold gas in, and withdraw gas from such facilities for delivery to Transco NTS in such quantities and at such times as Transco NTS and the third party in question may agree

in each case subject to and in accordance with this Section K, for the purpose of meeting the requirements ("**Operating Margins Requirements**") set out in paragraph 2.1.

1.1.2 For the purposes of the Code:

- (a) anything done or to be done by Transco NTS pursuant to any provision of this Section K for the purposes of meeting or otherwise in connection with Operating Margins Requirements is done or to be done for "**Operating Margins Purposes**";
- (b) references to "**Operating Margins**" are to the Operating Margins Capacity and gas which Transco NTS holds in storage at Operating Margins Facilities, or to the gas in storage at Operating Margins Facilities which Transco NTS can call on pursuant to Operating Margins Gas Delivery Arrangements, in any Storage Year for Operating Margins Purposes;
- (c) a reference to the utilisation of Operating Margins is to the withdrawal of gas from an Operating Margins Facility in which Transco NTS holds Operating Margins;
- (d) references to "**Operating Margins Capacity**" are references to Storage Capacity and LNG Importation Capacity;
- (e) references to "**Operating Margins Facilities**" are references to Storage Facilities and LNG Importation Facilities;
- (f) references to "**Operating Margins Space**" are references to Storage Space and LNG Importation Space;

- (g) references to "**Operating Margins Injectability**" are references to Storage Injectability and LNG Importation Injectability;
 - (h) references to "**Operating Margins Deliverability**" are references to Storage Deliverability and LNG Importation Deliverability; and
 - (i) references to "**Operating Margins Facility Terms**" are references to Storage Terms and LNG Importation Terms.
- 1.1.3 Certain costs incurred and/or revenues received by Transco NTS for Operating Margins Purposes will be recovered from or paid to Users in accordance with paragraph 4.
- 1.2 Transco NTS as Storage User or LNG Importation User**
- 1.2.1 Subject to paragraph 1.2.2, Transco NTS shall be entitled to be a Storage User or a LNG Importation User (as the case may be) in respect of Operating Margins Facilities for Operating Margins Purposes, and in particular Transco NTS:
- (a) may apply for and hold Operating Margins Capacity in, and inject and withdraw gas to and from Operating Margins Facilities; and
 - (b) may make Storage Gas Transfers
- pursuant to the relevant Operating Margins Facility Terms.
- 1.2.2 For the purposes of Section R4, no Constrained Storage Renomination may be made for withdrawal of gas-in-storage held by Transco NTS for Operating Margins Purposes.
- 1.2.3 For Operating Margins Purposes, the requirements of Section Z as to Storage Duration in relation to Transco LNG Storage Facilities do not apply.
- 1.2.4 Transco NTS will (as provided in Section Z) have priority over all other Users in applications for Storage Capacity for Operating Margins Purposes in Transco LNG Storage Facilities.
- 1.3 Transco NTS as NTS User**
- 1.3.1 Transco NTS will be a User for the purposes of the Code in respect of the NTS for Operating Margins Purposes; and in particular Transco NTS:
- (a) may apply for and hold NTS Entry Capacity at System Entry Points (subject to paragraph 1.3.2) and NTS Exit Capacity at Storage Connection Points in accordance with Section B;
 - (b) will make Nominations in accordance with Section C;
 - (c) may make Acquiring Trade Nominations in accordance with Section C;
 - (d) will pay and receive Balancing Charges in accordance with Section F.
- 1.3.2 In particular, on any Day on which Transco NTS withdraws gas from an Operating Margins Facility for delivery to the Total System (pursuant to Operating Margins Capacity Arrangements) or has gas delivered to it by a third party (pursuant to

Operating Margins Gas Delivery Arrangements) for Operating Margins Purposes, Transco NTS will (by virtue of the fact that it does not and is not deemed to offtake gas from the Total System and does not make Disposing Trade Nominations) have a Daily Imbalance equal (subject to anything else done by it) to the quantity of gas so withdrawn or delivered, and will receive Daily Imbalance Charges accordingly.

- 1.3.3 The general provisions of the Code are (as provided in the relevant Section) modified in respect of their application to Transco NTS for Operating Margins Purposes as follows:
- (a) Balancing Neutrality Charges and Reconciliation Neutrality Charges are not payable by or to Transco NTS for Operating Margins Purposes;
 - (b) Initial Input Nominations may be made at any time up to 04:00 hours on the Gas Flow Day.

- 1.3.4 Transco NTS will not take Market Balancing Actions for Operating Margins Purposes.

1.4 DNO User

In this Section K references to Users exclude DNO Users.

2 OPERATING MARGINS

2.1 Operating Margins Requirements

- 2.1.1 Operating Margins Requirements are requirements for gas to be delivered to the NTS:
- (a) for the purposes of Operational Balancing to the extent that Transco NTS determines at any time on the Gas Flow Day that there is an Operational Balancing Requirement which cannot be satisfied by the taking of any Market Balancing Action (because there are no or insufficient Market Offers which are operationally suitable);
 - (b) for the purposes of Operational Balancing where and for so long as Transco NTS determines that, as a result of damage to or failure of any part of the NTS (other than Programmed Maintenance) occurring on the Gas Flow Day, there is an Operational Balancing Requirement, whether or not capable of being satisfied by the taking of a Market Balancing Action;
 - (c) in an Emergency (in accordance with Section Q), for the purposes of maintaining safe pressures in the NTS during the period in which (pursuant to Emergency Steps in relation to demand under Section Q3.4) the NTS is run down.
- 2.1.2 For the purposes of paragraph 2.1.1(b) damage or failure to the NTS includes the failure of any compression facility within the NTS to operate (or continue to operate) or a break in any pipe forming part of the NTS.

2.2 Annual estimation of Operating Margins Requirements

- 2.2.1 For each Storage Year Transco NTS will estimate:
- (a) an aggregate quantity of gas required for Operating Margins Requirements for

the Storage Year;

- (b) the maximum rate of delivery on any Day of gas to the NTS required for Operating Margins Requirements;
- (c) on the basis of the amounts under paragraphs (a) and (b), the aggregate amounts of Operating Margins Space and Operating Margins Deliverability required for Operating Margins Requirements (irrespective of whether such Operating Margins Space and Operating Margins Deliverability is held or is to be held by Transco NTS pursuant to Operating Margins Capacity Arrangements or by a third party pursuant to Operating Margins Gas Delivery Arrangements); and
- (d) a profile ("**Operating Margins Profile**") of the quantity of gas-in-storage for Operating Margins Requirements at different times during the Storage Year, and the aggregate ("**Aggregate Operating Margins Profile**"), the maximum amount of which being the quantity under paragraph (a) of such profiles for all Operating Margins Facilities.

2.2.2 The estimates under paragraph 2.2.1 will be made:

- (a) on the basis of such assumptions as Transco NTS shall (in the light of the circumstances prevailing at the time and experience of a number of years) reasonably determine to be appropriate as to the probable extent and frequency of occurrence of the circumstances in which Operating Margins Requirements under paragraphs 2.1.1(a) and (b) may arise;
- (b) having regard to the need to balance the costs of Operating Margins with the risk of there being insufficient gas-in-storage and/or Operating Margins Deliverability for such requirements;
- (c) having regard to the location on the Total System and operational characteristics of each Operating Margins Facility;
- (d) on the basis of the estimate of 1-in-50 Severe Annual Demand as may be published from time to time by Transco NTS (provided publication occurs at an interval of not more than 12 months); and
- (e) on the basis of such other reasonable assumptions as Transco NTS shall determine to be appropriate in the circumstances (but for the avoidance of doubt assuming that shrinkage requirements will be provided for by NTS Shrinkage Provider).

2.2.3 Transco NTS will, not later than 1 March in each Storage Year, provide to Users and the Authority a statement (an "**Operating Margins Statement**") containing details of:

- (a) the assumptions made pursuant to paragraph 2.2.2; and
- (b) the amounts estimated under paragraph 2.2.1 and (on the basis of the assumptions referred to in paragraph (a)) the calculation of such estimated amounts.

2.2.4 Transco NTS's assumptions and estimates under paragraphs 2.2.1 and 2.2.2 will be made in good faith; but (provided that Transco NTS has entered into Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements on the

basis of such assumptions and estimates, and procured and injected gas, in accordance with paragraph 4) to the extent that on any Day:

- (a) the quantities or rates of delivery of gas for Operating Margins Requirements exceed the quantities of gas-in-storage and/or the Operating Margins Deliverability held by, or available to, Transco NTS pursuant to Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements for Operating Margins Purposes; and
- (b) as a result, Transco NTS is unable (after utilising in accordance with paragraph 2.3.1 such Operating Margins as are available) to maintain an Operational Balance in the Total System or any part thereof (or to do so without taking Emergency Steps)

Transco NTS (and each other Transporter) will not be liable under Section J3.2.1 in respect of any resulting failure to make gas available for offtake from the Total System.

2.2.5 Transco NTS shall be entitled to:

- (a) acquire Operating Margins Capacity and procure and inject (into Operating Margins Facilities) gas for Operating Margins Requirements in accordance with paragraphs 3.1 to 3.9; and
- (b) enter into Operating Margins Gas Delivery Arrangements, and accept delivery of gas from Storage Facilities and LNG Importation Facilities for Operating Margins Requirements in accordance with paragraphs 3.10 to 3.11

and for the avoidance of doubt, nothing shall prevent Transco NTS from entering into Operating Margins Capacity Arrangements and Operating Margins Gas Delivery Arrangements in respect of the same Operating Margins Facility for the same or an overlapping period.

2.2.6 Transco NTS will in or before the Storage Year enter into such Operating Margins Capacity Arrangements and/or Operating Margins Gas Delivery Arrangements as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.

2.2.7 Where Transco NTS has entered into an Operating Margins Capacity Arrangement, nothing shall (subject to the relevant Storage Terms or LNG Importation Terms) prevent Transco NTS terminating such Operating Margins Capacity Arrangement during a Storage Year, disposing of the gas-in-storage at or prior to the time of such termination (provided always that such disposal is carried out in accordance with this Section K as if such gas was Residual Surplus Gas), and entering into Operating Margins Gas Delivery Arrangements in respect of such quantities of gas as Transco NTS may determine at the relevant time.

2.2.8 Where Transco NTS has entered into an Operating Margins Gas Delivery Arrangement, nothing shall (subject to the relevant Storage Terms or LNG Importation Terms) prevent Transco NTS terminating such Operating Margins Gas Delivery Arrangement during a Storage Year, entering into Operating Margins Capacity Arrangements in respect of such quantities of Operating Margins Capacity as Transco NTS may

determine at the relevant time, and procuring such amounts of gas as is required by Transco NTS to fill the Operating Margins Space forming part of the Operating Margins Capacity Service (provided always that such procurement is carried out in accordance with this Section K).

2.3 Utilisation of Operating Margins

- 2.3.1 Transco NTS shall be entitled to utilise Operating Margins (in such Operating Margins Facility or Facilities as it shall determine to be operationally appropriate in the circumstances) with a view to meeting Operating Margins Requirements in accordance with the relevant provisions of paragraph 2.1.1.
- 2.3.2 Transco NTS will utilise Operating Margins for the requirements in paragraph 2.1.1(b) only on the Day on which the damage or failure referred to in that paragraph occurs.

3 CAPACITY TRANSFERS, PROCUREMENT AND INJECTION

3.1 Capacity and pre-Storage Year transfers (Operating Margins Capacity Arrangements)

- 3.1.1 Paragraphs 3.1 to 3.9 shall apply in respect of Operating Margins Capacity Arrangements entered into by Transco NTS, and Operating Margins held by Transco NTS pursuant to such Operating Margins Capacity Arrangements and paragraphs 3.10 to 3.11 shall apply in respect of Operating Margins Gas Delivery Arrangements entered into by Transco NTS, and Operating Margins held by Transco NTS pursuant to such Operating Margins Gas Delivery Arrangements.
- 3.1.2 Transco NTS may apply for and be registered as holding Operating Margins Capacity in respect of the amounts not exceeding (when aggregated with those amounts subject to Operating Margins Gas Delivery Arrangements) the amounts estimated for Operating Margins Purposes under paragraph 2.2.1(c), together with such amounts of Operating Margins Injectability as Transco NTS may deem necessary.
- 3.1.3 Following 1 February in a Storage Year, Transco NTS may, in respect of each Operating Margins Facility, estimate:
 - (a) the Relevant Residual Gas that will be held by each Relevant System Manager in the Operating Margins Facility at the end of the Storage Year (the "**estimated Relevant Residual Gas**");
 - (b) the amount (if any) (the "**pre-Storage Year estimated surplus**") by which the estimated Relevant Residual Gas of a Relevant System Manager (the "**pre-Storage Year transferor**") exceeds the amount of Operating Margins Space that Transco NTS estimates will be held for the following Storage Year in that Operating Margins Facility by the Relevant System Manager.
- 3.1.4 In respect of an Operating Margins Facility where there exists a pre-Storage Year estimated surplus, Transco NTS may on behalf of a pre-Storage Year transferor seek to make a transfer in favour of a User(s) in respect of the pre-Storage Year estimated surplus before the end of the Storage Year by way of:
 - (a) Storage Gas Transfer(s);

- (b) Storage Gas Transfer(s) between relevant Operating Margins Facilities; or
 - (c) withdrawal from a relevant Operating Margins Facility and Trade Nominations in respect of the quantity of gas withdrawn by conducting a tender or a series of tenders.
- 3.1.5 For the purposes of a tender referred to in paragraph 3.1.4, the provisions of paragraph 3.3.2(a) to (h) shall apply as if the references therein to Residual Surplus Gas were references to the pre-Storage Year estimated surplus, as if references to Residual Gas Transfer were references to a transfer under paragraph 3.1.4 and as if the reference at paragraph 3.3.2(f)(ii) to paragraph 3.3.6(b) did not apply.

3.2 Start of Storage Year gas transfers (Operating Margins Capacity Arrangements)

- 3.2.1 At the start of each Storage Year Transco NTS will determine, in respect of each Storage Facility and LNG Importation Facility:
- (a) the amount (the "**Relevant Residual Gas**") of gas-in-storage held at the end of the preceding Storage Year by each Relevant System Manager;
 - (b) whether, and if so the amount (the "**relevant surplus**") by which the Relevant Residual Gas of a Relevant System Manager (the "**transferor**") exceeds the amount of Storage Space or LNG Importation Space held for the Storage Year in that Storage Facility or LNG Importation Facility by that Relevant System Manager; and
 - (c) whether, and if so the amount (the "**relevant deficit**") by which the Relevant Residual Gas of another Relevant System Manager (the "**transferee**") is less than the amount of Storage Space or LNG Importation Space held for the Storage Year in that Storage Facility or LNG Importation Facility by that Relevant System Manager.
- 3.2.2 Subject to the relevant Storage Terms or LNG Importation Terms, a transferor may effect from the start of the Storage Year a Storage Gas Transfer in favour of a transferee in respect of the lesser of the relevant surplus and the relevant deficit, and the transferee shall pay to the transferor an amount determined by multiplying the amount of the transferred gas-in-storage by the relevant WACOG of the transferor.
- 3.2.3 Where in relation to a Storage Facility or an LNG Importation Facility there is more than one transferor or transferee paragraph 3.2.2 shall apply to each so far as practicable pro rata their respective relevant surpluses or relevant deficits.
- 3.2.4 Following Transco NTS's determination pursuant to paragraph 3.2.1, Transco NTS shall (subject to paragraph 3.2.7) determine in respect of each Relevant System Manager:
- (a) for each Storage Facility and LNG Importation Facility (a "**surplus**" Storage Facility or LNG Importation Facility) whether, and if so the amount (the "**remaining surplus**") by which, any relevant surplus exceeds the amount(s) to be transferred by the Relevant System Manager in accordance with paragraph 3.2.2; and
 - (b) for each Storage Facility and LNG Importation Facility (a "**deficit**" Storage Facility and LNG Importation Facility) whether, and if so the amount (the

"**remaining deficit**") by which, any relevant deficit exceeds the amount(s) to be transferred to the Relevant System Manager in accordance with paragraph 3.2.2.

3.2.5 Where this would be consistent with the requirements of paragraph 3.4.1, a Relevant System Manager may choose to make all or part of its Margins Gas Procurement Arrangements in respect of any deficit Storage Facility or LNG Importation Facility by arranging for the withdrawal from a surplus Storage Facility or LNG Importation Facility and injection into a deficit Storage Facility or LNG Importation Facility in the relevant Storage Year of a quantity of gas not in aggregate exceeding the lesser of the remaining surplus and the remaining deficit (the aggregate quantity of gas which is to be so withdrawn and injected, the "**Carry-Across Gas**").

3.2.6 For the purposes of this paragraph 3:

- (a) a "**Relevant System Manager**" is Transco NTS acting for Operating Margins Purposes;
- (b) references to the amount of Storage Space or LNG Importation Space held by a Relevant System Manager are to the amount held pursuant to the relevant provisions of this Section K;
- (c) relevant WACOG is Operating Margins WACOG at the end of the preceding Storage Year.

3.2.7 For the purposes of the Code:

- (a) "**Winter Carry-Across Gas**" means gas withdrawn from one Storage Facility or LNG Importation Facility by a Relevant System Manager and injected into another Storage Facility or LNG Importation Facility by the same or another Relevant System Manager;
- (b) a "**Winter Storage Gas Transfer**" means a Storage Gas Transfer in respect of a Storage Facility or LNG Importation Facility made by a Relevant System Manager as transferee with another Relevant System Manager or other User as transferor

for the purposes of avoiding or limiting or curing (in accordance with the relevant provisions of this Section K or Section R) a deficiency of gas-in-storage by reference to the Operating Margins Profile or Aggregate Weekly Minimum Requirement respectively.

3.2.8 Where two Relevant System Managers make a Winter Storage Gas Transfer the transferee shall pay to the transferor an amount determined by multiplying the amount of the transferred gas-in-storage by the relevant WACOG (in accordance with paragraph 3.2.6(c)), but as at the Day for which such Nomination was made) of the transferor.

3.3 Disposal of residual gas (Operating Margins Capacity Arrangements)

3.3.1 For the purposes of this Section K:

- (a) in relation to a Storage Year "**Residual Surplus Gas**" is the amount (if any) of

a Relevant System Manager's Relevant Residual Gas in a Storage Facility or LNG Importation Facility at the end of the preceding Storage Year which after taking account of any Storage Gas Transfer and any Carry-Across Gas (in relation to which the Storage Facility is the surplus facility) under paragraphs 3.1.2 and/or 3.2 exceeds the Storage Space or LNG Importation Space held by the Relevant System Manager for the Storage Year in that facility;

- (b) a "**Residual Gas Transfer**" is a transfer in favour of a User by Transco NTS on behalf of a Relevant System Manager in respect of Residual Surplus Gas by way of:
 - (i) a Storage Gas Transfer; or
 - (ii) withdrawal from a relevant Storage Facility or LNG Importation Facility and Trade Nominations in respect of the quantity of gas withdrawn.

3.3.2 Transco NTS on behalf of each Relevant System Manager will, as soon as reasonably practicable after the start of the Storage Year, seek to make Residual Gas Transfers in respect of the Residual Surplus Gas in each relevant Storage Facility or LNG Importation Facility by conducting a tender as follows:

- (a) Transco NTS will issue a tender document to all Users specifying the aggregate amount of Residual Surplus Gas in each Storage Facility or LNG Importation Facility and inviting each User to bid a price at which it would be willing to enter into a Residual Gas Transfer in respect of a quantity of gas, to be specified by such User, not exceeding the aggregate amount of the Residual Surplus Gas in each Storage Facility or LNG Importation Facility;
- (b) the terms of the tender document (including the tranches of Residual Surplus Gas, if any, for which bids may be made, the times at or periods within which bids are to be made and accepted, the times at or periods within which Residual Gas Transfers will be made, and the terms of payment by Users whose bids are accepted) will be determined by Transco NTS;
- (c) a bid submitted by a User pursuant to the tender document shall be an offer capable of acceptance by Transco NTS, and may not be made conditional (save as to any condition provided for in the tender document) in any respect;
- (d) any bid shall be capable of acceptance as to all, or (for the purpose of paragraph (g), and unless the User expressly states otherwise) any part of the quantity specified by the User;
- (e) the terms of the tender document will set out the basis on which Residual Gas Transfers are to be made pursuant to an accepted bid, and may authorise Transco NTS to make such a Residual Gas Transfer on behalf of any User;
- (f) the tender document:
 - (i) will not (but without prejudice to paragraph 3.3.7) provide for any reserve price below which bids would not be accepted;
 - (ii) may (where it provides for alternative times or forms of Residual Gas Transfer, and/or offers Residual Storage Gas in more than one Storage

Facility or LNG Importation Facility, at the bidding User's option) provide for adjustments to the bid price payable by a User (in respect of a bid accepted by Transco NTS in accordance with paragraph (g)) to reflect different costs incurred (as a result of the option chosen by the User) by Relevant System Managers (or Transco NTS on their behalf) in making the Residual Gas Transfer and/or (where paragraph 3.3.7 applies) in Margins Gas Procurement Arrangements;

- (g) Transco NTS will accept bids in order of price (the highest priced being accepted first) for the whole of the quantity specified in each bid (subject to paragraph (h)) until it has accepted bids for that amount of gas equal to the difference between the aggregate remaining surpluses and the aggregate remaining deficits as determined by Transco NTS in accordance with 3.2.3 (provided that Transco NTS shall not be required to accept bids for Residual Surplus Gas at a relevant Storage Facility or LNG Importation Facility in excess of the amount of Residual Surplus Gas at such relevant Storage Facility or LNG Importation Facility);
 - (h) the last bid (for the lowest price) accepted may be accepted for a part of the quantity specified in the bid, and if more than one such bid has the same price such bids will be accepted pro rata the amounts of each, disregarding any bid which states that it may only be accepted for the whole of the specified quantity.
- 3.3.3 A Relevant System Manager will not transfer or surrender Storage Capacity or LNG Importation Capacity when making Residual Gas Transfers in respect of Residual Surplus Gas.
- 3.3.4 If after the tender under paragraph 3.3.2 there is any remaining Residual Surplus Gas, Transco NTS (on behalf of Relevant System Managers) will take such other reasonable action as it shall think fit to dispose thereof (it being apparent that no User is willing at any price to enter into a Storage Gas Transfer thereof); and any reasonable costs incurred by Transco NTS in so doing (including costs incurred by reason of having gas-in-storage in excess of its Storage Space or LNG Importation Space) shall be costs of the Relevant System Manager for the purposes of this Section K.
- 3.3.5 Where more than one Relevant System Manager holds Residual Surplus Gas in a Storage Facility or LNG Importation Facility, the gas-in-storage subject to Residual Gas Transfers and the proceeds of the tender under paragraph 3.3.2 and any costs under paragraph 3.3.4 will be apportioned pro rata their respective quantities of Residual Surplus Gas in the facility.
- 3.3.6 Transco NTS may provisionally determine the amount of the Residual Surplus Gas for the purposes of the tender document under paragraph 3.3.2 before determining (under paragraph 3.2.4) the amount of Carry-Across Gas in which case:
- (a) the tender document shall state that the amounts of Residual Surplus Gas subject to tender are liable to be reduced following determination of the amounts of Carry-Across Gas; and
 - (b) the amounts of Carry-Across Gas may be determined having regard to the prices which are bid pursuant to such tender.

3.4 Treatment of residual gas for Operating Margins Purposes (Operating Margins Capacity Arrangements)

- 3.4.1 The amounts (if any) received by Transco NTS for Operating Margins Purposes pursuant to any Storage Gas Transfer under paragraph 3.2 or tender in respect of Residual Surplus Gas pursuant to paragraph 3.3, less certain amounts incurred by Transco NTS in connection with the procurement and injection of gas for Operating Margins Purposes, will be refunded to Users in accordance with paragraph 4.5.
- 3.4.2 The amounts (if any) paid by Transco NTS for Operating Margins Purposes pursuant to any Storage Gas Transfer under paragraph 3.2 will count in determining relevant Margins WACOG in accordance with paragraph 4.2.
- 3.4.3 For the purposes of this Section K, in respect of each Operating Margins Facility the "**Carry-over Margins Gas**" is the amount of Relevant Residual Gas held by Transco NTS for Operating Margins Purposes after taking account of any Storage Gas Transfer under paragraph 3.2 and less the amount of the Residual Surplus Gas (if any) under paragraph 3.3.

3.5 Procurement (Operating Margins Capacity Arrangements)

- 3.5.1 Transco NTS will in or before the Storage Year make such arrangements ("**Margins Gas Procurement Arrangements**") for the procurement of gas (in excess of the aggregate Carry-over Margins Gas) for injection into the Operating Margins Space held by it pursuant to paragraph 3.1 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.
- 3.5.2 In particular Transco NTS may (with a view to meeting the objectives in paragraph 3.5.1):
- (a) contract with Users or others for the purchase of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
 - (b) contract for the purchase of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over a period (subject to paragraph (e)) of up to 12 months, and/or on a spot basis;
 - (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require Transco NTS to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser of gas in comparable circumstances would not do so);
 - (d) make Acquiring Trade Nominations on any terms as to payment and quantity;
 - (e) make Storage Gas Transfers (as transferee) on terms requiring payment and upon any other terms as to payment and quantity; and
 - (f) where permitted under this Section K, make Output Nominations (for injections

at a Storage Connection Point) for a Day without delivering gas to the NTS or making an Acquiring Trade Nomination.

- 3.5.3 Transco NTS will make its Margins Gas Procurement Arrangements for material quantities of gas under paragraph 3.5.1 on the basis in paragraph 3.5.2(c) where reasonably feasible in the circumstances (and having regard to the time or times for delivery of such gas); and in any case where such arrangements are not made on such basis agrees to inform Users of the circumstances in which its arrangements were not so made.
- 3.5.4 Without prejudice to paragraph 3.5.3, Transco NTS may procure gas (in accordance with paragraph 3.2) for Operating Margins Purposes and on behalf of the NTS Shrinkage Provider on an integrated basis; but Transco NTS shall in any event maintain separate records of the quantities of gas procured for Operating Margins Purposes and the NTS Shrinkage Provider.

3.6 Injection – general (Operating Margins Capacity Arrangements)

Transco NTS will arrange its injections of gas (in accordance with the relevant Operating Margins Facility Terms) in respect of Operating Margins Space allocated to it under paragraph 3.1 (after taking account of Carry-over Margins Gas and any Margins Gas Procurement Arrangement under paragraph 3.5.2(e)) on such basis as it shall in its discretion determine having regard to:

- (a) the requirement to secure injection of quantities in aggregate equal to its Operating Margins Space;
- (b) the injection rules under the relevant Operating Margins Facility Terms;
- (c) the extent to which it has (under paragraph 3.5.2) chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (d) any differences in the rates of injection charges at different times in the relevant injection periods.

3.7 Additional injection (Operating Margins Capacity Arrangements)

- 3.7.1 Where at any time in the Storage Year (as a result of the utilisation of Operating Margins earlier in the year) the quantity of gas-in-storage held by Transco NTS for Operating Margins Purposes in any Operating Margins Facility is less than the quantity shown as required at that time according to the Operating Margins Profile for that Operating Margins Facility (the amount by which it is less being the "**Operating Margins Profile Deficiency**"), Transco NTS will, but only to the extent that and at a time at which it is reasonably practicable to do so:

- (a) if and to the extent that any other Operating Margins Facility in which Transco NTS has gas-in-storage for Operating Margins Purposes is Available (in accordance with paragraph 3.8), make an Input Nomination (and a corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas) in respect of that other facility for a quantity of gas;
- (b) where any User offers to do so, on terms which Transco NTS reasonably

determines to be acceptable, make an Acquiring Trade Nomination in respect of a quantity of gas;

- (c) to the extent, if any, to which its Margins Gas Procurement Arrangements permit it do so on terms which Transco NTS reasonably determines to be acceptable, secure that a quantity of gas (in addition to any other quantity to be delivered) is delivered to the Total System on the Gas Flow Day

the amount or aggregate amount of which does not exceed the amount of the relevant deficiency; and (except in the case of a Winter Storage Gas Transfer) inject such quantity into the Operating Margins Facility for Operating Margins Purposes.

- 3.7.2 Paragraph 2.2.4 shall not be affected by any inability of Transco NTS to do any of the things referred to in paragraph 3.7.1.

3.8 Winter Carry-Across and Winter Storage Gas Transfers (Operating Margins Capacity Arrangements)

- 3.8.1 In relation to any possible withdrawal of Winter Carry-Across Gas or Winter Gas Storage Transfer, an Operating Margins Facility is "**Available**" for Operating Margins Purposes if at the relevant time:

- (a) Transco NTS holds gas in storage in the facility for Operating Margins Purposes;
- (b) the aggregate gas-in-storage held by Transco NTS for Operating Margins Purposes is not less than the Aggregate Operating Margins Profile; and
- (c) no Operating Margins Profile Deficiency in respect of such facility exists or would arise as a result of such withdrawal or transfer.

- 3.8.2 For the purposes of paragraph 4, Winter Carry-Across Gas injected by Transco NTS for Operating Margins Purposes shall be treated as if it were Carry-Across Gas pursuant to paragraph K3.3.4, except that the reference in paragraph 4.2.4(a) to the last Day of the Storage Year shall be treated as a reference to the Day for which such Nomination was made.

- 3.8.3 For the avoidance of doubt, injection of Winter Carry-Across Gas by Transco NTS for Operating Margins Purposes and any Winter Storage Gas Transfer made for such purposes by it as transferee, shall be treated as part of the Margins Gas Procurement Arrangements.

- 3.8.4 Amounts accruing due on any Day to Transco NTS (Margins) in respect of Winter Carry-Across Gas or Winter Storage Gas Transfer made by it as transferor shall be counted as Eligible Margins Revenues for the purposes of paragraph 4.3.3.

3.9 Transfers Operating Margins Deliverability (Operating Margins Capacity Arrangements)

For the purposes of avoiding or reducing the liability of a Relevant System Manager to pay Storage Overrun Charges under Section Z or equivalent charges under other Operating Margins Facility Terms in respect of the withdrawal of gas on any Day from an Operating Margins Facility, Transco NTS may on behalf of a Relevant System Manager make, subject to the relevant Operating Margins Facility Terms, a Storage Gas

Transfer in favour of another Relevant System Manager.

3.10 Capacity and volumes (Operating Margins Gas Delivery Arrangements)

Transco NTS may enter into Operating Margins Gas Delivery Arrangements in respect of the amounts not exceeding (when aggregated with those amounts subject to Operating Margins Capacity Arrangements) the amounts estimated for Operating Margins Purposes under paragraph 2.2.1(c).

3.11 Procurement (Operating Margins Gas Delivery Arrangements)

3.11.1 Transco NTS will in or before the Storage Year make such arrangements ("**Margins Delivery Procurement Arrangements**") for the delivery of gas to it pursuant to paragraph 3.10 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure delivery in accordance with the provisions of the relevant Operating Margins Facility Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.

3.11.2 In particular Transco NTS may (with a view to meeting the objectives in paragraph 3.11.1):

- (a) contract with Users or others for the delivery of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
- (b) contract for the delivery of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over such period as it may determine, and/or on a spot basis; and
- (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require Transco to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser in comparable circumstances would not do so).

3.11.3 Transco NTS may procure delivery of gas for Operating Margins Purposes and on behalf of the NTS Shrinkage Provider on an integrated basis; but Transco NTS shall in any event maintain separate records of the quantities of deliveries of gas procured for Operating Margins Purposes and for the NTS Shrinkage Provider.

4 RECOVERY OF OPERATING MARGINS COSTS

4.1 Introduction

Certain of the costs incurred by Transco NTS in connection with Margins Gas Procurement Arrangements and in utilising Operating Margins in accordance with this Section K will subsequently be recovered from Users by virtue of the inclusion of the Daily Margins Recovery Amount in the calculation of Balancing Neutrality Charges under Section F.

4.2 Operating Margins WACOG

4.2.1 In respect of each Operating Margins Facility "**Operating Margins WACOG**" is:

- (a) where Transco NTS has entered into Operating Margins Capacity Arrangements in respect of that Operating Margins Facility, the weighted average cost of gas-in-storage for the time being held by Transco NTS for Operating Margins Purposes pursuant to those Operating Margins Capacity Arrangements in that facility; and
 - (b) where Transco NTS has entered into Operating Margins Gas Delivery Arrangements in respect of that Operating Margins Facility, the weighted average cost of gas delivered to Transco NTS for Operating Margins Purposes pursuant to those Operating Margins Gas Delivery Arrangements from that facility.
- 4.2.2 In this paragraph 4 "**Transco NTS (Margins)**" means Transco NTS acting for Operating Margins Purposes.
- 4.2.3 For the purposes of:
 - (a) paragraph 4.2.1(a), the Operating Margins WACOG shall be calculated:
 - (i) so as to take account of the costs set out in paragraph 4.2.4 (and where such costs are incurred by Transco NTS (Margins) in connection with injection on a Day into more than one Operating Margins Facility, allocating such costs in proportion to the quantities of gas injected into each such Operating Margins Facility); and
 - (ii) on the basis that any reduction (by withdrawal or Storage Gas Transfer) in the amount of gas-in-storage held by Transco NTS (Margins) shall be valued at Operating Margins WACOG at the time of such reduction;
 - (b) paragraph 4.2.1(b), the Operating Margins WACOG shall be calculated in accordance with the principles set out in the relevant Operating Margins Statement.
- 4.2.4 The relevant costs of Transco NTS (Margins) are the following amounts:
 - (a) the quantity of the relevant Carry-Over Margins Gas multiplied by the Operating Margins WACOG as at the last Day of such Storage Year;
 - (b) the amounts which have accrued due from Transco NTS (Margins) pursuant to the Margins Gas Procurement Arrangements in respect of:
 - (i) quantities of gas delivered to the Total System; and
 - (ii) Acquiring Trade Nominations (irrespective of whether such amounts have been paid or have become due for payment by Transco NTS (Margins));
 - (c) the amounts which have accrued due from Transco NTS (Margins) in respect of any Storage Gas Transfers (including Winter Storage Gas Transfers) made in favour of Transco NTS (Margins);
 - (d) the amounts payable by Transco NTS (Margins) by way of Transportation Charges (in respect of the delivery of gas to the NTS at System Entry Points

and the offtake of gas from the NTS at Storage Connection Points for injection to Operating Margins Facilities), determined on a daily basis;

- (e) amounts incurred by Transco NTS (Margins) by way of Balancing Charges payable to Transco NTS;
 - (f) the amounts paid or payable by Transco NTS (Margins) by way of injection charges in respect of injection on relevant Days into the relevant Operating Margins Facility;
 - (g) amounts payable by Transco NTS (Margins) (or Transco NTS (Margins) share of amounts payable by Transco NTS) by way of fees to a User Agent appointed by it in accordance with Section E2.2; and
 - (h) the amounts paid or payable by Transco NTS (Margins) by way of withdrawal charges in respect of withdrawal on relevant Days of Carry-Across Gas from a surplus Operating Margins Facility in relation to which the relevant Operating Margins Facility is the deficit Operating Margins Facility.
- 4.2.5 Where the amount of any cost under paragraph 4.2.4 is not known at any time at which Operating Margins WACOG is calculated, Transco NTS will use an estimate of such amount.
- 4.2.6 For the purposes of this paragraph 4 "**Net Margins WACOG**" is:
- (a) where Transco NTS has entered into Operating Margins Capacity Arrangements, Operating Margins WACOG calculated in accordance with this paragraph 4.2 but on the basis that the amounts under paragraphs 4.2.4(c) and (e) are excluded from such calculation, and that in respect of amounts under paragraphs 4.2.4(a) and (b) an appropriate deduction shall be made to remove amounts reflected in the value of the gas or gas-in-storage acquired for Operating Margins Purposes attributable to Transportation Charges and injection charges at the rates applicable at the start of the relevant Storage Year; and
 - (b) where Transco NTS has entered into Operating Margins Gas Delivery Arrangements, the amount determined in accordance with the principles set out in the relevant Operating Margins Statement.
- 4.2.7 In determining Operating Margins WACOG in respect of a surplus or a deficit Operating Margins Facility, gas withdrawn or injected as Carry-Across Gas shall be treated as having been withdrawn from or (as the case may be) injected to such facility on the Day such withdrawal or injection occurs.

4.3 Daily Margins Recovery Amount

4.3.1 The "**Daily Margins Recovery Amount**" in respect of each Day is Eligible Margins Costs less Eligible Margins Revenues.

4.3.2 "**Eligible Margins Costs**" in respect of a Day is the sum of:

- (a) the amount of gas withdrawn, or delivered to Transco NTS, from each Operating Margins Facility on the Day for Operating Margins Purposes

multiplied by Net Margins WACOG; and

- (b) the amount of any Balancing Charges payable by Transco NTS (Margins) in respect of the Day.
- 4.3.3 **"Eligible Margins Revenues"** in respect of a Day on which Operating Margins were utilised is the amount of the Daily Imbalance Charge payable to Transco NTS (Margins) in respect of the Day (and reflecting the imbalance resulting from the delivery of gas to the Total System for Operating Margins Requirements and anything done under the Margins Gas Procurement Arrangements).
- 4.3.4 The withdrawal of gas from a surplus Operating Margins Facility as Carry-Across Gas shall not be treated as utilisation of such gas for Operating Margins Purposes, and such gas shall not be treated as withdrawn for Operating Margins Purposes for the purposes of paragraphs 4.3.1 and 4.3.2.

4.4 Closing Margins Adjustment Charge

- 4.4.1 For the avoidance of doubt, this paragraph 4.4 applies only to Operating Margins Capacity Arrangements.
- 4.4.2 Following each Storage Year the difference between:
- (a) the aggregate (for each Operating Margins Facility for Operating Margins Purposes) of the quantities of gas:
 - (i) subject to Residual Gas Transfers (as Residual Surplus Gas) under paragraph 3.4 multiplied by Operating Margins; and
 - (ii) WACOG for the relevant Operating Margins Facility (as at the end of the Storage Year following which such transfers are made); and
 - (b) the aggregate amounts received (in accordance with paragraphs 3.3 and 3.4) by Transco NTS (Margins) in respect of the Storage Gas Transfers or Residual Gas Transfers referred to in paragraph (a) less any amounts received (if any) pursuant to any adjustment under (ii) to the bid prices payable by Users as a result of the Relevant System Manager or Transco NTS on their behalf) incurring withdrawal charges or other costs in connection with Residual Gas Transfers.

is payable to or recoverable from relevant Users in such Storage Year in accordance with this paragraph 4.4.

- 4.4.3 The amount under paragraph 4.4.2 is positive where the amount under paragraph (a) thereof exceeds that under paragraph (b), and otherwise is negative.
- 4.4.4 Following each Storage Year Transco NTS (Margins) shall pay to each relevant User, or (as the case may be) each relevant User shall pay to Transco NTS (Margins), a charge (the **"Closing Margins Adjustment Charge"**) calculated as the amount under paragraph 4.4.2 divided by the sum of all relevant Users' relevant UDQIs and relevant UDQOs for such Storage Year, multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for such Storage Year.

- 4.4.5 For the purposes of this paragraph 4.4 relevant User, relevant UDQI and relevant UDQO have the same meanings as in Section F4.1.2.
- 4.4.6 Transco NTS (Margins) will as soon as reasonably practicable in the following Storage Year determine the Closing Margins Adjustment Charges.
- 4.4.7 The Closing Margins Adjustment Charges shall be invoiced and are payable in accordance with Section S.
- 4.4.8 It is acknowledged (without prejudice to the determination of relevant Margins WACOG in each Storage Facility) that it is not necessary to account for Carry-Across Gas in determining the Closing Margins Adjustment Charge as such gas will continue to be held by Transco NTS (Margins) relevant Margins WACOG for Operating Margins Purposes.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION L – MAINTENANCE AND OPERATIONAL PLANNING

1 GENERAL

1.1 Introduction

1.1.1 Users are required to provide information to Transco NTS in accordance with this Section L for the purposes of enabling Transco NTS:

- (a) to plan (on a weekly basis) the operation of the NTS;
- (b) to comply with its obligations pursuant to applicable Legal Requirements in relation to the maintenance of the NTS;
- (c) to estimate calorific values; and
- (d) to prepare Maintenance Programmes in accordance with paragraph 3.

1.1.2 Transco NTS will establish and update each year a Maintenance Programme in accordance with this Section L.

1.1.3 In undertaking maintenance activities the Transporter will be relieved of its obligations in respect of the offtake of gas subject to and in accordance with paragraph 4.3.

1.1.4 References in the Code to maintenance (of a System or any part of it) include:

- (a) maintenance, inspection, repair, replacement, reinstatement and recommissioning of a System or such part of it;
- (b) works for the expansion, reinforcement or extension of a System, including works in relation to existing parts of a System (including taking any part of a System out of service, whether on a provisional or permanent basis) to enable such works to be carried out; and
- (c) any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of a System into or back into service.

1.2 NTS Maintenance Programme

1.2.1 For the purposes of this Section L a "**Maintenance Programme**" is a programme (or an updated programme) of planned maintenance of the NTS, as amended pursuant to paragraph 4.1.2, containing in relation to the relevant Planning Period the information specified in paragraph 3.2 and such other information as Transco NTS shall decide to include.

1.2.2 A "**Planning Period**" is a period of 24 months commencing 1 April or 1 October in any year.

1.2.3 The "**April Maintenance Programme**" and the "**October Maintenance Programme**"

respectively are the Maintenance Programmes for the Planning Periods commencing 1 April and 1 October in any year (the October Maintenance Programme being the April Programme updated in respect of updated information and extended for a further 6 months).

1.3 NTS Planned Maintenance Period

- 1.3.1 A "**Planned Maintenance Period**" is the months of April to October inclusive in any year.
- 1.3.2 A Maintenance Programme will not provide for maintenance of the NTS other than during a Planned Maintenance Period.

1.4 NTS Maintenance Relevant Parties, etc

For the purposes of this Section L a "**Maintenance Relevant Facility**" is a Connected Delivery Facility or Connected Offtake System or the Consumer's Plant at an NTS Supply Point, and a "**Maintenance Relevant Party**" is any User, a relevant Transporter, a Delivery Facility Operator, Connected Offtake System Operator or (in relation to an NTS Supply Point) the consumer.

1.5 NTS Planning timing

The timetable for preparation during each Gas Year of Maintenance Programmes will normally be as follows:

- (a) in relation to the April Maintenance Programme:
 - (i) by 30 November, Users will provide estimates in accordance with paragraph 2.1;
 - (ii) by 1 February, Transco NTS will publish a draft of the Maintenance Programme in accordance with paragraph 3.3.1(a);
 - (iii) by 1 March, Transco NTS will hold the Annual Maintenance Meeting(s) in accordance with paragraph 3.3.1(b);
 - (iv) by 1 April Transco NTS will publish the Maintenance Programme in accordance with paragraph 3.1; and
- (b) in relation to the October Maintenance Programme:
 - (i) by 30 June, Users will provide updated estimates in accordance with paragraph 2.1;
 - (ii) by 1 September, Transco NTS will publish a draft of the Maintenance Programme in accordance with paragraph 3.3.7;
 - (iii) until 15 September, Users may submit comments on the draft Maintenance Programme in accordance with paragraph 3.3.2(a);
 - (iv) by 1 October (of the following Gas Year) Transco NTS will publish the Maintenance Programme in accordance with paragraph 3.1.

1.6 DNO Users

In this Section L references to Users exclude DNO Users.

2 USER INFORMATION REQUIREMENTS

2.1 Planning information

2.1.1 In each year each User shall provide, not later than the respective dates determined under paragraph 1.5, for the purposes of the April Maintenance Programme an estimate, and for the purposes of the October Maintenance Programme an updated estimate, in respect of each week in the relevant Planning Period, of the following:

- (a) the quantities of gas expected to be offtaken from the System on a Day (in each such week) at LDZ Supply Points in aggregate by LDZ, and at each NTS Supply Point, each Storage Connection Point and each other Connected System Exit Point;
- (b) the quantities of gas expected to be delivered to the System on a Day (in each such week) at each System Entry Point (including Storage Connection Points), and the extent to which the User expects to be able to vary such expected deliveries by delivering quantities at other System Entry Points;
- (c) the average calorific value and Wobbe Index value of gas to be delivered at each System Entry Point; and
- (d) such further information (if any) as Transco NTS may reasonably require for the purposes of this Section L.

2.1.2 The quantities referred to in paragraphs 2.1.1(a) and (b) are the average quantities expected (in accordance with paragraph 2.1.4) to be offtaken or delivered on a Business Day in the relevant week.

2.1.3 The information required under paragraph 2.1.1 is to be provided in such format as Transco NTS, after consultation with the Uniform Network Code Committee or any relevant Sub-committee, shall from time to time notify to Users.

2.1.4 The estimates under paragraphs 2.1.1(a) and (b) are to be provided separately on the assumption of seasonal normal conditions and on the assumption of 1-in-20 peak day demand.

2.1.5 Estimates concerning quantities to be offtaken at Supply Points are to be provided in relation to those Supply Points of which the User is the Registered User (and at Connected System Exit Points, in relation to the premises in respect of which the User is the relevant shipper) at the date one month before the date by which (in accordance with paragraph 1.5 or 2.3) the information is to be provided.

2.1.6 Each User shall provide to each relevant Transporter the information in paragraph 2.1.1(a), (b) and (c) at the same time as it provides the information to Transco NTS.

2.2 Maintenance Relevant Facilities

2.2.1 Users may provide to Transco NTS and the relevant Transporter, at the same time as

providing their estimates under paragraph 2.1.1, details of the times and periods for which maintenance of Maintenance Relevant Facilities is planned during the relevant Planning Period.

2.2.2 Users are not obliged to provide information under paragraph 2.2.1, but Users acknowledge that (except where the relevant Maintenance Relevant Party may have provided such information) the extent to which:

(a) Transco NTS is able, in planning the maintenance of the NTS in accordance with paragraph 3.4.1;

(b) the relevant Transporter is able in carrying out Programmed Maintenance

to take account of information concerning maintenance of Maintenance Relevant Facilities, may depend on whether they do so.

2.3 NTS Operational planning

Not later than the 1st Day of each month Users are required to provide to Transco NTS updated estimates (in accordance with paragraph 2.1.5) of the information required under paragraph 2.1 for the 12 month period commencing on the 1st Day of the following month.

3 NTS MAINTENANCE PROGRAMMING

3.1 General

(a) Transco NTS will each year, not later than the respective dates determined under paragraph 1.5, prepare and publish a Maintenance Programme for the Planning Period commencing 1 April and an updated Maintenance Programme for the Planning Period commencing 1 October.

(b) Transco NTS will not less than one week prior to the first invitation date referred to in Section B2.3 for the sale of at least six months of NTS Entry Capacity commencing on 1 October in any Gas Year, prepare and publish an indicative Maintenance Programme ("**the indicative programme**") for the Planning Period of 12 months commencing with the 1 October date referred to in the above mentioned invitation ("**indicative period**").

(c) Such indicative programme shall be based on the Maintenance Programme issued for the period commencing with 1 April immediately preceding the 1 October referred to in (a) above, but should take into account relevant maintenance matters that Transco NTS has become aware of prior to the preparation of the indicative programme in respect of the indicative period.

3.2 Content of programme

3.2.1 A Maintenance Programme will identify:

(a) the NTS System Entry Points and NTS System Exit Points at which the ability of Transco NTS to accept delivery of gas or to make gas available for offtake will be affected by planned maintenance of the NTS;

- (b) the periods (within the relevant Planned Maintenance Period) for which such System Points will be so affected; and
 - (c) where Transco NTS expects that it will continue within such period (or part thereof) to be able to accept delivery of gas or make gas available for offtake at any such System Point, but (by reason of such maintenance) on a restricted basis, an indicative estimate (on the basis of seasonal normal conditions and assumptions as to supply and demand under Transco NTS's Ten Year Statement) of the maximum rate at which Transco NTS expects to be able to accept delivery of gas or make gas available for offtake at such point.
- 3.2.2 The information specified in paragraph 3.2.1 will be identified for NTS Supply Points, NTS Connected System Exit Points and NTS System Entry Points individually.
- 3.2.3 The Maintenance Programme will contain:
 - (a) firm maintenance periods and details for the first 7 months (in the case of an April Maintenance Programme) or 6 months (in the case of an October Maintenance Programme) of the Planning Period, which will be subject to change only in accordance with paragraph 4.1.2; and
 - (b) provisional maintenance periods and details for the second 5 or (as the case may be) 6 months of the Planning Period and outline maintenance periods and details for the last 12 months of that period, which will be subject to change in the next Maintenance Programme.
- 3.2.4 A Maintenance Programme may contain information in relation to the operational planning of the NTS, or maintenance which will not affect Transco NTS's ability to accept delivery of gas or make gas available for offtake, but such information will not be binding on Transco NTS or any User for the purposes of the Code.
- 3.2.5 Neither Transco NTS nor any other person will be required, by virtue of anything contained in a Maintenance Programme, to carry out any particular maintenance works or (but without prejudice to paragraph 1.3.2) to do so at any particular time.

3.3 NTS Maintenance consultation

- 3.3.1 Before publishing an April Maintenance Programme Transco NTS will (in accordance with paragraph 1.5):
 - (a) publish a draft Maintenance Programme; and
 - (b) convene, on not less than 21 Days' notice to persons invited in accordance with paragraph 3.3.5, a meeting ("**Annual Maintenance Meeting**"), or if Transco NTS so decides more than one such meeting, for review of the timing of planned maintenance of the NTS under such draft Maintenance Programme.
- 3.3.2 Users may, up to but not later than 7 Days before the date of the Annual Maintenance Meeting (or first such meeting):
 - (a) submit to Transco NTS details of the dates and periods of maintenance planned in respect of any Maintenance Relevant Facility and/or comments in relation to the timing of any planned maintenance under the draft Maintenance

Programme; and

- (b) request Transco NTS to invite any Maintenance Relevant Party to an Annual Maintenance Meeting.
- 3.3.3 Before holding the Annual Maintenance Meeting(s) Transco NTS will discuss with each User, to such extent as it deems appropriate, the details and comments submitted to it by that User under paragraph 3.3.2(a).
- 3.3.4 Without prejudice to paragraph 3.4.2, Transco NTS will be at liberty to discuss any aspect of the draft Maintenance Programme with any Maintenance Relevant Party and to take into consideration any comments made or details (of maintenance of any Maintenance Relevant Facility) provided by such party.
- 3.3.5 Transco NTS will invite to an Annual Maintenance Meeting each User, any Maintenance Relevant Party requested under paragraph 3.3.2(b) and such other Maintenance Relevant Parties and other persons as Transco NTS may determine; provided that no such meeting shall have power to take decisions binding on Transco NTS or any other party, and no User or other party whom Transco NTS may accidentally have omitted to invite to any such meeting shall have any grounds for claim or complaint against Transco NTS.
- 3.3.6 An Annual Maintenance Meeting will be chaired by Transco NTS and will be conducted on an informal basis with a view (subject always as provided in this paragraph 3) to Transco NTS ascertaining the views of Users and other Maintenance Relevant Parties as to the timing of planned maintenance of the NTS, and to facilitating (insofar as maintenance requirements for the NTS so permit) the resolution of any conflicts between such views.
- 3.3.7 In respect of the October Maintenance Programme, Transco NTS will publish a draft Maintenance Programme upon which Users may provide comment (in accordance with paragraph 3.3.2(a)); but no meeting need be held for discussion of such programme.

3.4 Confidentiality

- 3.4.1 Subject to Transco NTS's duties under Transco NTS's Transporter's Licence and the Act, a Maintenance Programme will not identify Users or Maintenance Relevant Parties by name (but the identity of Maintenance Relevant Facilities may be apparent from the details contained therein pursuant to paragraph 3.2.2).
- 3.4.2 Unless a User notifies Transco NTS that, by reason of its commercial sensitivity, any information provided to Transco NTS by that User pursuant to this Section L should not be so included or disclosed, Transco NTS will be at liberty to include such information in a Maintenance Programme and to disclose such information to any other User and any Maintenance Relevant Party or at an Annual Maintenance Meeting.
- 3.4.3 It is acknowledged that Transco NTS's ability to take account of information provided to it, in planning the maintenance of the NTS in accordance with this Section L, may be limited where the person who provided such information notified Transco NTS that such information should not be included or disclosed.

3.5 NTS Maintenance planning

- 3.5.1 Subject to paragraphs 3.4.3 and 3.5.2, insofar as information concerning the maintenance of Maintenance Relevant Facilities has been provided to it pursuant to this Section L, Transco NTS will plan the maintenance of the NTS and prepare Maintenance Programmes in good faith with a view, so far as is practicable having regard to the nature and urgency of the requirements for such maintenance and any Legal Requirement applying to Transco NTS, and consistent with Transco NTS's normal working practices, to coordinating the timing of such maintenance with the timing of maintenance of Maintenance Relevant Facilities and thereby minimising disruption to the operation of Maintenance Relevant Facilities.
- 3.5.2 Notwithstanding paragraph 3.5.1, decisions as to Maintenance Programmes shall be taken by Transco NTS in its sole discretion, after consultation in accordance with paragraph 3.3.
- 3.5.3 To the extent any information (whether to be provided by a User or another person) which is required to be provided to Transco NTS under this Section L, or otherwise is requisite or desirable for the preparation of a Maintenance Programme, is not provided to it, Transco NTS will use its own best estimates of the information required.
- 3.5.4 Where any information provided to Transco NTS by a Maintenance Relevant Party conflicts with information provided by a User, Transco NTS will (so far as is reasonable in the circumstances, and subject to any duties of confidence) inform the relevant parties of the conflict, and if such conflict is not resolved will make such assumptions concerning the matter in question as it shall reasonably deem appropriate.

4 SYSTEM MAINTENANCE

4.1 Maintenance of the NTS under the Maintenance Programme

- 4.1.1 The provisions of this paragraph 4.1 apply to maintenance only insofar as it may affect the offtake of gas from the NTS at an NTS System Exit Point; and nothing in this Section L requires Transco NTS to adhere to any Maintenance Programme in carrying out maintenance insofar as such maintenance affects the delivery of gas to the NTS at System Entry Points.
- 4.1.2 In carrying out maintenance of the NTS, Transco NTS will adhere so far as is reasonably practicable to the dates and periods provided for (in respect of the first 6 months of the relevant Planning Period) in the applicable Maintenance Programme, but without prejudice to paragraph 4.1.3.
- 4.1.3 Transco NTS may (subject to paragraph 1.3.2) revise the Maintenance Programme by providing for additional maintenance and/or by varying the dates or periods of any maintenance already provided for, upon notifying relevant Users and the relevant Transporter not less than 30 Days (or such lesser period as relevant Users may agree) before:
 - (a) the date on which (following such revision) such maintenance is to commence; or
 - (b) where the effect of the revision is to defer maintenance, the date of commencement thereof as shown in the Maintenance Programme before such

revision.

- 4.1.4 Transco NTS will notify relevant Users, by way of reminder, of the carrying out of maintenance provided for in the Maintenance Programme (as revised under paragraph 4.1.2) not less than 7 Days before the commencement of such maintenance, provided that no accidental omission so to notify a User shall prejudice the provisions of paragraph 4.3 and Transco NTS's entitlements thereunder.
- 4.1.5 For the purposes of this paragraph 4.1, a relevant User is a User who at the relevant time holds NTS Exit Capacity at an NTS Exit Point at which the offtake of gas shall be affected by maintenance provided for by a Maintenance Programme or any proposed revision thereto; provided that Transco NTS may elect to give any notification under this paragraph 4.1 to all Users generally.

4.2 Programmed maintenance

- 4.2.1 For the purposes of the Code, maintenance of any part of a relevant System carried out by the Transporter on any Day (the "**maintenance day**") is "**Programmed Maintenance**" as respects any User in relation to a relevant System Point (other than an NTS Entry Point) where:
- (a) in the case of an NTS Exit Point:
 - (i) subject to paragraph (ii), the maintenance day was a Day (in a Planned Maintenance Period) on which such maintenance was planned under the Maintenance Programme (including any revision of the Maintenance Programme notified to such User in accordance with paragraph 4.1.2);
 - (ii) in the case of an NTS/LDZ Offtake, the maintenance day was a Flow Relevant Maintenance Day pursuant to OAD Section G2.5;
 - (b) in the case of an LDZ System Exit Point (subject to paragraph 4.2.5), the Transporter gave the notification required under paragraph 4.2.2 to the User:
 - (i) in the case of a Connected System Exit Point, in accordance with the applicable requirements, if any, of the Network Exit Provisions, or in the absence of any such requirements, not less than 30 Days before the maintenance day;
 - (ii) in the case of a Supply Point whose Annual Quantity exceeds 732,000 kWh (25,000 therms), not less than 30 Days before the maintenance day;
 - (iii) in the case of a Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 therms) but does not exceed 732,000 kWh (25,000 therms), not less than 7 Days before the maintenance day; and
 - (c) in the case of a Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms) where the Transporter gives to the consumer not less than 7 Days' notice (or with the consumer's consent less notice) of the carrying out of such maintenance (but so that the Transporter shall not be required to give any notice thereof to the Registered User).

4.2.2 For the purposes of paragraph 4.2.1(b):

- (a) the notification required is a notification that the availability of gas for offtake, at the relevant System Point will be affected by the carrying out of such maintenance;
- (b) the notification is required to be given to a User only where, at the time the notification is (in accordance with that paragraph) required to be given, the User is a CSEP User in relation to the Connected System Exit Point, Registered User in respect of the Supply Point, in question.

4.2.3 Notification under paragraph 4.2.1 may identify LDZ Supply Points which do not include DM Supply Point Components in groups, by geographic area, rather than individually.

4.2.4 Programmed Maintenance of any part of the System other than the NTS is not limited to Planned Maintenance Periods.

4.2.5 Where a User has, after the time at which a notification under paragraph 4.2.1(b) was required to be given, but not less than 3 Business Days before the maintenance day or first maintenance day, become a CSEP User in relation to the Connected System Exit Point, Registered User in respect of the Supply Point, the Transporter will use reasonable endeavours to notify such User of the carrying out of the relevant maintenance.

4.3 Maintenance entitlements of the Transporter

4.3.1 To the extent that on any Day it is not feasible for the Transporter to make available gas for offtake from the Total System by a User at a System Exit Point, or its ability to do so is restricted, by reason of its or any other Transporter carrying out any Programmed Maintenance:

- (a) such System Point is a "**Maintenance Affected Point**"; and
- (b) subject to paragraph 4.3.2, the Transporter will be relieved of its obligations under Section J3.2 to make gas available for offtake from the System, at such System Point.

4.3.2 Subject to paragraph 4.3.3 and GT Section B3, the Transporter will not be relieved by virtue of paragraph 4.3.1(b) of its obligations therein referred to in respect of a Maintenance Affected Point:

- (a) in the case of a Connected System Exit Point or NTS Supply Point, on more than the number of Days in any Planned Maintenance Period or on more than the number of Days in any three consecutive Planned Maintenance Periods in each case specified (pursuant to Section J4.3.1) in the applicable Network Exit Provisions;
- (b) in the case of a NTS/LDZ Offtake, on more than the number of Days in any Gas Year specified in or determined in accordance with OAD Section G2.5.4;
- (c) in the case of an LDZ Supply Point whose Annual Quantity exceeds 732,000 kWh (25,000 therms), on more than 8 Days in any Gas Year or on more than 20

Days in any three consecutive Gas Years;

- (d) in the case of an LDZ Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 *therms*) but does not exceed 732,000 kWh (25,000 *therms*), on more than 5 Days in any Gas Year or on more than 10 Days in any 5 consecutive Gas Years; and
 - (e) in the case of an LDZ Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 *therms*), for a period exceeding 24 hours (or any longer period requested by the consumer) on any one occasion.
- 4.3.3 Where for reasons of Force Majeure, including in the case of maintenance of an LDZ Supply Point any failure of the consumer after being so requested to provide any required access to Supply Point Premises, the Transporter is unable to commence or to complete any Programmed Maintenance in respect of any System Exit Point:
- (a) the relevant number of Days or period specified in or pursuant to paragraph 4.3.2 shall be increased by such period for which the completion of the Programmed Maintenance was delayed by reasons of Force Majeure (but in the case of maintenance of the NTS, not beyond the end of the relevant Planned Maintenance Period); and
 - (b) if the Transporter has commenced such Programmed Maintenance, for so long as the Transporter is unable to carry out or to continue to carry out the Programmed Maintenance, such point shall nevertheless continue to be a Maintenance Affected Point.
- 4.3.4 For the avoidance of doubt (but without prejudice to Section J3.5 where applicable or to any other provision of the Code pursuant to which the User may be released from such liability) a User will remain liable to pay Capacity Charges in respect of its Registered System Capacity at any System Point notwithstanding that the Transporter is unable to make gas available for offtake at such point by reason of the carrying out of maintenance of the System.
- 4.3.5 If requested by the Transporter the Registered User will cooperate with the Transporter with a view to ensuring that the offtake of gas is discontinued at any Supply Point which is (and for so long as it continues to be) a Maintenance Affected Point (other than one referred to in paragraph 4.2.1(c)).

4.4 On-line inspection

- 4.4.1 A Network Entry Agreement or Network Exit Provisions may provide for the rates of delivery or offtake at a particular System Entry Point or NTS Exit Point to be controlled so as to ensure fixed rates of gas flow in any part of the Total System for a period where required for certain pipeline inspection activities.
- 4.4.2 Where the Transporter notifies a User that on any Day such a provision as is referred to in paragraph 4.4.1 is to be implemented in respect of any System Point and provides to the User such details as may be necessary to enable the User to do so, the User shall make Nominations for that Day in respect of that System Point consistent with the requirements of that provision.
- 4.4.3 A User shall not be in breach of Section I3.10, J3.7 or J3.8 by reason of complying with

paragraph 4.4.2 on any Day; and to the extent that (by reason of such compliance) the quantity of gas delivered to or offtaken from the Total System on the relevant Day at the relevant System Point exceeds the System Capacity held by the User at or in respect of such point, such excess will not be an overrun quantity for the purposes of Section B2.6 or B3.6.

- 4.4.4 Inspection of the kind referred to in paragraph 4.4.1 will count as maintenance for the purposes of this Section L (and the relevant Day as a Day of Programmed Maintenance for the purposes of paragraph 4.3.2) if and only if the control of flow rates pursuant to that paragraph results in any inability or restriction on the ability of the Transporter to accept into the Total System gas tendered for delivery or make available gas for offtake from the Total System (or which would have been so tendered but for Renominations made by Users to comply with paragraph 4.4.2).

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION M – SUPPLY POINT METERING

1 GENERAL

1.1 Introduction

This Section M contains provisions for the metering of the offtake of gas from the Total System at Supply Meter Points and the determination pursuant to such metering of the quantities so offtaken.

1.2 Supply Meter Installation

1.2.1 Paragraph 2 sets out requirements in respect of the installation of meters and other equipment at Supply Meter Points.

1.2.2 For the purposes of the Code, in relation to a Supply Meter Point:

- (a) the "**Supply Meter Installation**" is the meter and associated equipment and installations installed or to be installed at a consumer's premises, including associated pipework, regulator filters, valves, seals, and mountings;
- (b) the "**Supply Meter**" is the meter comprised in the Supply Meter Installation.

1.2.3 A Supply Meter Installation includes (where installed pursuant to this Section M) any meter by-pass (under paragraph 2.4) and/or any convertor (where installed pursuant to the Gas (Calculation of Thermal Energy) Regulations 1996).

1.2.4 Subject to paragraph 1.7, references in this Section M to the Registered User in the context of a Supply Meter Installation or a Supply Meter are to the Registered User of the Supply Meter Point at which it is installed.

1.3 Daily Read and Non-Daily Read Supply Meters

1.3.1 Subject as provided in Sections G1.5.5 and G1.5.6, a Supply Meter is a "**Daily Read**" Supply Meter where Daily Read Equipment is connected to the Supply Meter Installation and has become operational in accordance with paragraph 4.1.6.

1.3.2 The circumstances in which a Supply Meter is required to be, or otherwise may be, Daily Read are set out in Section G1.5.

1.3.3 A Supply Meter which is not a Daily Read Supply Meter is a "**Non-Daily Read**" Supply Meter.

1.4 Meter Reading

1.4.1 The requirements of the Code for obtaining Meter Readings:

- (a) from Non-Daily Read Supply Meters are set out in paragraph 3;
- (b) from Daily Read Supply Meters are set out in paragraph 4.

1.4.2 For the purposes of this Section M, in relation to a User a "**Relevant**" Supply Meter is the Supply Meter at a Supply Meter Point comprised in a Supply Point of which the User is the Registered User.

1.4.3 For the purposes of the Code, in relation to a Supply Meter:

- (a) a "**Meter Reading**" is:
 - (i) the reading of the index of the Supply Meter; and
 - (ii) where a convertor is installed as described in paragraph 1.2.3, the converted and the unconverted readings of the convertor
except that where Daily Read Equipment and such a convertor are installed, a Meter Reading need not include both the reading under paragraph (i) and the unconverted reading under paragraph (ii);
- (b) a "**Meter Read**" is the obtaining (by appropriate means, including, in the case of a Calculated Gas Card Reading, by calculation) of a Meter Reading and in the case of a Non-Daily Read Supply Meter the further details required;
- (c) an "**On-site Meter Read**" is a Meter Read undertaken by a person visiting the Supply Point Premises (as opposed to an automated meter read);
- (d) a "**Customer Read**" is a Meter Reading in respect of a Supply Meter obtained by inspection of the Supply Meter by the owner or occupier of the Supply Point Premises (and not by inspection by a Meter Reader or automated meter read);
- (e) except in the case of a Meter Reading obtained by Daily Read Equipment, a Meter Reading obtained at any time on a given Day shall be treated as obtained at the start of that Day;
- (f) "**Gas Card Reading**" is a Meter Reading provided by the User in respect of a Supply Meter obtained by means of a Gas Card;
- (g) "**Gas Card**" is an electronic card used by a consumer to purchase gas by way of pre payment facility and containing the Meter Reading that such card collects from time to time;
- (h) "**Calculated Gas Card Reading**" is a Meter Reading which has been derived by the use of not less than two Gas Card Readings which have been provided in compliance with the estimation methodology contained in the Network Code Validation Rules;
- (i) "**Remote Read**" is a Meter Reading provided by the User in respect of a Supply Meter obtained by means of a Remote Meter Reading Equipment;
- (j) "**Remote Meter Reading Equipment**" is equipment which enables Meter Readings to be obtained remotely at set intervals and which comprises a device for capturing from the Supply Meter, and/or (where installed) a convertor, data which constitutes or permits a derivation of a Meter Reading and suitable equipment as shall be required for transmitting such data.

1.4.4 In relation to a Meter Read:

- (a) the "**Metered Volume**" is the volume (converted for temperature and pressure in accordance with the Gas (Calculation of Thermal Energy) Regulations 1996) of gas determined as having been offtaken at the Supply Meter Point during:
 - (i) in the case of a Non-Daily Read Supply Meter, the Meter Reading Period (as defined in paragraph 3.1.7(e)(ii)); or
 - (ii) in the case of a Daily Read Supply Meter or a Supply Meter at a DM Supply Meter Point the relevant Day or other period in accordance with paragraph 4;
- (b) the "**Metered Quantity**" is the quantity determined by multiplying the Metered Volume by the applicable calorific value.

1.4.5 A "**Meter Reader**" is a person appointed to undertake Meter Reads in respect of a Supply Meter.

1.5 Validation

1.5.1 Meter Readings are required (for the purposes of the Code) to be subjected to validation.

1.5.2 For the purposes of this Section M "**validation**" means the testing, by tolerance checking in accordance with and for the purposes described in the Uniform Network Code Validation Rules (as applicable in respect of the relevant Supply Meter and Meter Reading), of the validity of the Meter Reading.

1.5.3 The "**Uniform Network Code Validation Rules**" are the rules and procedures contained in the document issued by the Transporters at the UNC Implementation Date and so entitled, as from time to time amended, after consultation with the Uniform Network Code Committee or any relevant Sub-committee, by the Transporters upon notice of not less than 3 months to Users, unless the Authority shall, upon application by any User made within one month after such notice, give Condition A11(18) Disapproval to the Transporters making any particular such amendment.

1.6 IGE Recommendations

In this Section M "**IGE Meter Recommendation**" means any recommendation or standard from time to time issued or updated by the Institute of Gas Engineers in respect of the nature, type, design, specification or manufacture of any Supply Meter Installation or part thereof (which do not form a part of the Code).

1.7 Shared Supply Meter Points

1.7.1 All of the Sharing Registered Users shall be responsible jointly for the performance of the obligations and responsibilities of a User under this Section M in respect of a Shared Supply Meter Point.

1.7.2 The amount payable under paragraph 4.1.5 in respect of Daily Read Equipment installed at a Shared Supply Meter Point will be payable in equal parts by the Sharing Registered Users.

1.8 Ownership of meter reading data

- 1.8.1 Section V5.8 applies in respect of the ownership of data relating to Meter Readings.
- 1.8.2 Each User shall secure that its arrangements with any Meter Reader are consistent with Section V5.8.

1.9 Meter error

- 1.9.1 Where a meter examiner finds (in accordance with paragraph 4(3) of the Gas Code) or the Transporter or a User believes that a Supply Meter is or has been registering erroneously, without prejudice to Section E1.9.2 the relevant adjustment shall be made:
 - (a) in the case of a Non-Daily Read Supply Meter, as an adjustment in respect of the Metered Quantity for the purposes of NDM Reconciliation pursuant to Section E6 (and accordingly since the date of the preceding Valid Meter Read);
 - (b) in the case of a Daily Read Supply Meter, by way of DM Reconciliation on the basis that the adjusted Meter Reading is treated as an Annual Check Read (irrespective of the period since the preceding Annual Check Read) in accordance with paragraph 4.7.
- 1.9.2 The relevant adjustment is an adjustment in respect of the amount by which it is determined that the Supply Meter has over- or under-registered the volume of gas offtaken from the Total System at the relevant Supply Meter Point, which amount shall be:
 - (a) in the case under paragraph 4(3) of the Gas Code, ascertained on the basis described in that paragraph;
 - (b) except as in paragraph (a):
 - (i) the amount agreed by the Transporter and the User; or
 - (ii) if either the Transporter or the User shall so require, determined by Expert Determination.
- 1.9.3 Paragraphs 1.9.1(a) and 1.9.1(b) are without prejudice to the period for which it may be agreed or determined that the Supply Meter has been registering erroneously.
- 1.9.4 The Transporter may issue guidance for assisting with the agreement of adjustment amounts under paragraph 1.9.2(b)(i), but any such guidance shall not be binding on any User or the Transporter.

1.10 Business Day

In this Section M Business Day shall have the same meaning as in Section G1.10.

1.11 DNO Users

In this Section M references to Users exclude DNO Users.

2 SUPPLY METER INSTALLATION

2.1 Supply Meter and other equipment

- 2.1.1 The Registered User shall secure that at each Supply Meter Point (other than a Supply Meter Point which has been Isolated) there is installed, operated and maintained in proper working order, for registering the volume of gas offtaken from the System at the Supply Meter Point, a Supply Meter Installation.
- 2.1.2 The Supply Meter Installation shall:
- (a) be of a type and standard of design and accuracy complying with, and shall be installed in compliance with, the IGE Meter Recommendations, the Gas (Meters) Regulations 1983, the Gas Safety (Installation and Use) Regulations 1998 and any other applicable Legal Requirements, as in force at the date of installation of the Supply Meter Installation, and shall be stamped in accordance with Section 17 of the Act;
 - (b) include such equipment (including any convertor) as may be required in accordance with the further provisions of Section M.
- 2.1.3 The point at which the Supply Meter Installation is to be installed shall be such point as shall be required by or shall be in accordance with paragraph 5 of the Gas Code and the Gas Safety (Installation and Use) Regulations 1998.
- 2.1.4 For the avoidance of doubt, but without prejudice to the requirements of paragraph 2.1.1, the Supply Meter shall be the meter referred to in the Gas Code, and may be provided and owned by a person and/or installed by a person other than the Registered User.
- 2.1.5 Nothing in this Section M prevents a User from securing that a Supply Meter Installation conforms to higher standards than are (or provides any function in addition to what is) required pursuant to paragraph 2.1.2.
- 2.1.6 The design and specification of certain Supply Meter Installations (where required to be installed) will be agreed with the Transporter in accordance with the T/PR/GT2 and will comply with the relevant Ofgem Codes of Practice.
- 2.1.7 Supply Meter Installations installed at 1 March 1996 and before the "**Metering Separation Date**" shall be deemed (for the purposes of the Code) to comply with the requirements of paragraphs 2.1.2 and 2.1.3, provided that this shall not prejudice any requirement for the installation of a different Supply Meter Installation arising by reason of a change in the nature of or the use of the Consumer's Plant after the Supply Meter Installation was installed.
- 2.1.8 Whenever a Supply Meter Installation is replaced or modified the Registered User shall provide to the Transporter, Meter Information in accordance with paragraph 3 and such information concerning the replacement or modification, within such period, as the Transporter may reasonably prescribe.
- 2.1.9 In respect of each Supply Meter Point at which the Daily Read Requirement applies, the Registered User will ensure that the Supply Meter Installation will be suitable and will remain suitable to enable the attachment, installation, maintenance and continuing operation of the Daily Read Equipment. This will require the Supply Meter to incorporate a port (Interface) capable of indicating a pulse representing a discrete amount of gas (usually 0.1, 1, 10, 100 or 1000 units) dependent on the make and size of meter, being a port on the Supply Meter providing such indication by cyclic changes in

the electrical resistance across such port or otherwise (including but not limited to ports known as 'R5').

- 2.1.10 The Registered User shall take all reasonable steps to secure that any notice affixed for safety reasons to the Supply Meter Installation shall not be removed or defaced.
- 2.1.11 Where in the opinion of the Transporter the Supply Meter Installation is unsafe or is in imminent risk of becoming unsafe then the Transporter will be entitled to take any steps to make the Supply Meter Installation safe.
- 2.1.12 For the purposes of this Section M:
 - (a) **"T/PR/GT2"** is the document entitled Procedures for Obtaining Authorisation for the Setting and Sealing of the Meter Regulator and any Associated Pressure Control and Protection Device(s) associated with the Gas Supply Meter Installation as published by the Transporter from time to time;
 - (b) **"Ofgem Codes of Practice"** are:
 - (i) Ofgas COP/1a: Code of practice for low-pressure diaphragm and electronic meter installations with badged meter capacities not exceeding 6m³/hr;
 - (ii) Ofgas COP/1b: Code of Practice for low pressure diaphragm and rotary displacement meter installations with badged meter capacities exceeding 6m³/hr (212ft³/hr) but not exceeding 1076m³/hr (38,000 ft³/hr); and
 - (iii) Ofgas COP/1c: Code of practice for all high pressure and other low-pressure meter installations not covered by COP/1a or COP/1b.

2.2 Failure of Supply Meter Installation

- 2.2.1 Where as a result of any failure or defect in any Supply Meter Installation gas cannot be offtaken from the Total System at the relevant Supply Meter Point, and except where Section J4.4.5(b) applies, the Transporter will not be in breach (by reason thereof) of its obligation to make gas available for offtake from the Total System.

2.3 Interference with meters and meter by-pass utilisation

The Registered User shall take all reasonable steps to ensure that:

- (a) no person improperly breaks any seal affixed to any part of the Supply Meter Installation or tampers or otherwise interferes with any Supply Meter Installation, utilises a meter by-pass other than as permitted by T/PR/GT3, or utilises a temporary alternative arrangement;
- (b) upon each visit to the Supply Point Premises by any representative of that User or the supplier, or by any person engaged (by that User, the supplier or the consumer) to obtain an On-site Meter Read, there is promptly reported to the Transporter any evidence which is or ought (having regard to the purposes for which such person is visiting the premises) to be apparent to such representative or person of the breaking of any such seal or of any such tampering or

interference (including any activated tamper alarm) or otherwise of theft or attempted theft of gas, or the utilisation of a meter by-pass other than as permitted by T/PR/GT3, or the utilisation of a temporary alternative arrangement.

2.4 Meter by-pass

2.4.1 In the circumstances permitted by the Registered User in accordance with T/PR/GT3 a meter by-pass may be installed (as a part of the Supply Meter Installation), or a temporary alternative arrangement may be utilised, at a Supply Meter Point.

2.4.2 For the purposes of the Code:

- (a) a **"meter by-pass"** is any pipe, and associated gas fittings used in connection with it, used to supply gas to a consumer without passing through the Supply Meter, and thereby secure the continued offtake of gas at the Supply Meter Point, in the event of any failure of, or any work on, part of the Supply Meter Installation which would impede the flow of gas through the Supply Meter;
- (b) a **"temporary alternative arrangement"** is an arrangement other than by means of a meter by-pass to temporarily enable the flow of gas to the premises of a consumer without measurement by a Supply Meter;
- (c) **"T/PR/GT3"** is the document entitled Procedures for Meter By-pass Provision, Use and Approval relating to the installation and utilisation of meter by-passes, as published by the Transporter from time to time.

2.4.3 Where the Registered User has permitted a meter by-pass to be installed, or temporary alternative arrangement to be utilised, at a Supply Meter Point it shall notify the Transporter as soon as reasonably practicable following such installation or utilisation.

2.4.4 Where a meter by-pass is installed, or a temporary alternative arrangement utilised, at a Supply Meter Point then in the event of a cessation of use:

- (a) within 2 Business Days following the Day on which such discontinuance occurred, the Registered User shall notify the Transporter of the following information:
 - (i) the MPRN;
 - (ii) the Shipper ID;
 - (iii) the type of Supply Meter Point (identified as an NDM Supply Meter Point or DM Supply Meter Point);
 - (iv) the date on which the meter by-pass was opened or the temporary alternative arrangement commenced;
 - (v) the time at which the meter by-pass opened or the temporary alternative arrangement commenced;
 - (vi) the Meter Reading at the time on which the meter by-pass opened or the temporary alternative arrangement commenced;

- (vii) the date on which the meter by-pass was closed or the temporary alternative arrangement ceased;
 - (viii) the time on which the meter by-pass was closed or the temporary alternative arrangement ceased;
 - (ix) the Meter Reading at the time on which the meter by-pass was closed or the temporary alternative arrangement ceased;
 - (b) within 15 Business Days following the Day on which cessation occurred, the Registered User shall notify the Transporter of its estimate of gas used in accordance with paragraph 2.4.5 or 2.4.6 where such estimate is 10,000 kWh (340 therms) or greater.
- 2.4.5 Where a meter by-pass is open or the temporary alternative arrangement is in use on any Day at an NDM Supply Meter Point, subject to paragraph 2.4.7:
- (a) an estimate of the gas offtaken for each such Day will be calculated by the Registered User by dividing the Annual Quantity for such NDM Supply Meter Point by 365;
 - (b) for less than one Day, the estimate of the gas offtaken for such part Day will be calculated by the Registered User by dividing the estimate generated for such Day in accordance with paragraph (a) by 24 to produce an hourly estimate which will in turn be multiplied to the nearest whole number by the number of hours during such Day that the meter by-pass was open
- and on receipt of the next Valid Meter Reading, any estimates notified to the Transporter in accordance with paragraph 2.4.4(b) will be used by the Transporter as the Metered Quantity for such Day(s) in order to calculate the NDM Reconciliation Quantity.
- 2.4.6 Where a meter by-pass is open or a temporary alternative arrangement commences on any Day at a DM Supply Meter Point, subject to paragraph 2.4.7:
- (a) an estimate of the gas offtaken for each such Day will be calculated on the basis that the Metered Volume for such Day shall be assumed to be the same as the Metered Volume for the same Day in the immediately preceding week;
 - (b) for less than one Day, the estimate for such part Day will be generated by dividing the estimate calculated for such Day in accordance with paragraph (a) by 24 to produce an hourly estimate which will in turn be multiplied to the nearest whole number of hours during such Day that the meter by-pass was open, or the temporary alternative arrangement was utilised
- and on receipt of the next Valid Meter Reading, any estimates notified to the Transporter in accordance with paragraph 2.4.4(b) will be used by the Transporter as the Metered Volume for such Day(s) in order to calculate the DM Reconciliation Quantity.
- 2.4.7 Where information is available the Transporter or the Registered User to ascertain a more accurate estimate of the gas offtaken, such information will be used for such purpose in substitution of the estimate derived by paragraph 2.4.5 or 2.4.6.
- 2.4.8 Such estimate of gas will be used by the Transporter to calculate and adjust the quantities of gas treated as offtaken from the Total System by the Registered User

during the period of the utilisation of the meter by-pass or temporary alternative arrangement at Larger Supply Points for the purpose of individual NDM Reconciliation or (where applicable) DM Reconciliation save that no adjustment will be made in respect of the determination of any UDQO of the User or for any other purpose.

2.4.9 The Registered User will ensure that:

- (a) the meter by-pass is released promptly;
- (b) further use of the temporary alternative arrangement is no longer possible following cessation of its use.

2.5 Prepayment meters

2.5.1 Where the Supply Meter Installation includes a prepayment installation:

- (a) the Registered User will be responsible for making arrangements for payment collection (including emptying or replacement of coin or token boxes or arrangements with any issuer of payment tokens or cards), and for remedying faults resulting from the abuse or defective use of the prepayment installation;
- (b) any theft or other loss in respect of monies representing payments made into the prepayment facility will be for the User's account and the Transporter will have no responsibility to the User or supplier or consumer therefor.

2.5.2 Where:

- (a) a Supply Meter Installation includes a prepayment installation;
- (b) the Transporter takes any step under paragraph 18 or 19 of the Gas Code (Disconnections) in respect of gas not flowing to the Supply Point Premises or to appliances at such premises; and
- (c) after taking such steps the Transporter ascertains that the cause of gas not flowing is the inability of the consumer to utilise the prepayment installation, overfilling of a coin or token box, use of defective payment tokens or cards, or any fault in or tampering with a prepayment facility

then paragraph 2.5.3 shall apply.

2.5.3 In the circumstances in paragraph 2.5.2:

- (a) the Transporter shall be entitled (without liability to the Registered User) to take any reasonable steps to ensure the restoration of supply to the consumer through the Supply Meter Installation until the end of the next following Business Day (making such assumption as to the rate of offtake as shall appear reasonable);
- (b) the Registered User shall reimburse to the Transporter the cost and expense incurred by the Transporter in taking the steps referred to in paragraph 2.5.2(b) and paragraph (a) above (including the value of any coins, tokens or cards utilised for the purpose in paragraph (a)).

3 METER READING: NON-DAILY READ SUPPLY METERS

3.1 General

- 3.1.1 Meter Readings are required to be obtained from Non-Daily Read Supply Meters and provided to the Transporter for the purposes of:
- (a) Individual NDM Reconciliation under Section E6; and
 - (b) the determination of Annual Quantities under Section H3.
- 3.1.2 Users are responsible for obtaining Meter Readings from Non-Daily Read Supply Meters in accordance with this paragraph 3 and for the validation (in accordance with paragraph 1.5) of such Meter Readings.
- 3.1.3 Without prejudice to any other provision of this Section M, a Meter Read in respect of a Non-Daily Read Supply Meter may be undertaken by any Meter Reader.
- 3.1.4 A Meter Reading obtained from a Non-Daily Read Supply Meter is a "**Valid Meter Reading**", and the relevant Meter Read a "**Valid Meter Read**", where the following conditions are satisfied and not otherwise:
- (a) except in the case of a Customer Read permitted under paragraph 3.1.6, or an Opening Meter Reading permitted under paragraph 3.1.4(f), the Meter Reading was provided by a Meter Reader appointed in accordance with paragraph 1.4.5;
 - (b) except in the case of an Opening Meter Reading, the Meter Reading has been subject to validation in accordance with paragraph 1.5;
 - (c) where the Meter Reading was rejected by such validation, the Registered User has taken or secured the taking of such further steps as it determines to be necessary to investigate the validity of the Meter Reading and has thereby confirmed such validity; and
 - (d) the Meter Reading together with the details required pursuant to 3.3.1 are provided to the Transporter in accordance with that paragraph;
 - (e) the details provided pursuant to paragraph 3.3.1 are consistent with the equivalent Meter Information appearing in the Supply Point Register;
 - (f) in the case of an Opening Meter Reading obtained and provided in accordance with M3.8.2, the Meter Reading is a Gas Card Reading or a Calculated Gas Card Reading;
 - (g) the Meter Reading was provided by means of a Remote Read.
- 3.1.5 In the circumstances in paragraph 3.1.4(c) the Registered User shall when providing the Meter Reading to the Transporter in accordance with paragraph 3.3.1 notify the Transporter that the validity of the Meter Reading was not confirmed by validation, and certify that the validity thereof has been confirmed by further steps as required in paragraph 3.1.4(c).
- 3.1.6 A Customer Read obtained in any calendar month will (subject to the requirements of paragraph 3.1.4) be a Valid Meter Reading.

3.1.7 For the purposes of this Section M:

- (a) the "**Meter Reading Frequency**" in respect of a Non-Daily Read Supply Meter is the expected frequency of Meter Reads for the purposes of the Code;
- (b) the Meter Reading Frequency of a Non-Daily Read Supply Meter (a "**Monthly Read Meter**") is monthly where:
 - (i) it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is not less than 293,000 kWh (10,000 therms); or
 - (ii) the Registered User has (in accordance with Section G2.3.2(f)(ii)) so elected;
- (c) subject to paragraph (d) the Meter Reading Frequency of a Non-Daily Read Supply Meter other than a Monthly Read Meter (an "**Annual Read Meter**") is annual;
- (d) all Non-Daily Read Supply Meters at the Supply Meter Points comprised in a Supply Point must have the same Meter Reading Frequency;
- (e) in relation to a Non-Daily Read Supply Meter:
 - (i) the "**Meter Read Date**" is the date of a Valid Meter Read;
 - (ii) the "**Meter Reading Period**" in respect of a Meter Read is the period to the Meter Read Date from the preceding Meter Read Date.

3.2 Meter Information

- 3.2.1 For the purposes of facilitating compliance with the Code, the Shipper Licence and the Transporter's Licence, the Registered User and the Transporter shall in accordance with paragraph 3.2 each provide timely and accurate Meter Information to the other in accordance with the requirements in the UK Link Manual.
- 3.2.2 The Registered User will provide to the Transporter Meter Information which is:
- (a) C&D Information by means of a Meter Information Notification;
 - (b) not C&D Information by means of a Meter Information Update Notification.
- 3.2.3 Within 6 Business Days from the Day on which the Registered User receives Meter Information in respect of the installation, removal, exchange or repositioning of a Supply Meter Installation the Registered User shall provide the Transporter with such information by means of a Meter Information Notification and/or Meter Information Update Notification as appropriate.
- 3.2.4 Where C&D Information is received by the Transporter:
- (a) by means of a Meter Information Notification from the Registered User (being the Registered User on the date specified in the Metering Information Notification as the date on which such Meter Work was completed) then the Transporter will record such information and update the Supply Point Register

accordingly;

- (b) by means of a Meter Information Notification, from the Proposing User (in respect of a Supply Meter Point comprised in a Proposed Supply Point, in respect of which the Supply Point Confirmation has become effective) the Transporter will record such C&D Information and update the Supply Point Register accordingly;
 - (c) by means of a C&D Notification, from any User, other than a Registered User or Proposing User, the Transporter will only record such C&D Information;
 - (d) by means of a C&D Notification, from a Meter Worker the Transporter will only record such C&D Information.
- 3.2.5
- (a) The Transporter will update the Supply Point Register where it receives a Meter Information Update Notification only from a Registered User and no other.
 - (b) As soon as reasonably practicable after a Meter Information Update Notification is submitted, the Transporter will revise the Meter Information in accordance with such notification, unless the Transporter is not satisfied that the details contained in the notification are valid, in which case it will so notify the Registered User and the Transporter and the Registered User shall co-operate with a view to establishing the correct details, and once such details are established the Transporter will make any required revision of the Meter Information.
 - (c) A Meter Information Update Notification shall be "**outstanding**" for the purpose of the Code until the Meter Information has been revised pursuant to this paragraph 3.2.5.
 - (d) A Meter Information Notification shall be outstanding for the purposes of paragraphs 3.2.6, 3.2.7, 3.2.8 and 3.2.10 until the Meter Information has been revised pursuant to this paragraph 3.2.5.
- 3.2.6
- Where in respect of a Supply Meter Point, C&D Information is received by the Transporter from a Meter Worker or User in accordance with paragraph 3.2.4(c) or (d), the Transporter will provide a copy of such C&D Information to the Registered User within 2 Business Days from the Day on which the identity of the such Registered User is known to the Transporter, and the Registered User will:
- (a) submit such C&D Information to the relevant supplier;
 - (b) review the suppliers' response and within 30 Days from the date that such C&D Information was received by the Registered User, by means of a Meter Information Notification, use its best endeavours to provide the Transporter with the corrected C&D Information (if it is not correct) or confirmation that such C&D Notification is correct;
 - (c) notify the Transporter as soon as reasonably practicable where the Registered User is unable to comply with (b), together with the reasons for such non-compliance.
- 3.2.7
- Where in respect of a Supply Meter Point comprised in a Proposed Supply Point,

(whether a New Supply Point or a Current Supply Point) C&D Information is received by the Transporter from a Meter Worker or User in accordance with paragraph 3.2.4(c) or (d), before the Supply Point Registration Date (and therefore the identity of the Registered User is not known to the Transporter at that time) then within 2 Business Days following the Day on which such C&D Information was received and after Supply Point Confirmation becomes effective, the Transporter will provide a copy of such C&D Information (together with any additional relevant data in the possession of the Transporter at such time) to the Proposing User and the Proposing User will:

- (a) submit such C&D Information to the relevant supplier;
- (b) review the supplier's response and within 30 Days from the date that such C&D Information was received by the Proposing User, by means of a Meter Information Notification, use its best endeavours to provide the Transporter with the corrected C&D Information (if it is not correct) or confirmation that such C&D Notification is correct;
- (c) notify the Transporter as soon as reasonably practicable where the Proposing User is unable to comply with (b), together with the reasons for such non-compliance.

3.2.8 Where in respect of a Supply Meter Point comprised in a Proposed Supply Point which is a Current Supply Point, C&D Information is received from a Meter Worker or User in accordance with paragraph 3.2.4(c) or (d), and at the date of receipt by the Transporter of such C&D Information there is a Proposing User and a Registered User, then on the Day on which the Supply Point Confirmation becomes effective the Transporter will submit a copy of such C&D Information to such Proposing User and Registered User and the Proposing User will:

- (a) submit such C&D Information to the relevant supplier;
- (b) review the relevant supplier's response and within 30 Days from the date that such C&D Information was received by Proposing User, by means of a Meter Information Notification, use its best endeavours to provide the Transporter with the corrected C&D Information (if it is not correct) or confirmation that such C&D Notification is correct;
- (c) notify the Transporter as soon as reasonably practicable where the Proposing User is unable to comply with (b), together with the reasons for such non-compliance.

3.2.9 In respect of a Supply Meter Point comprised in a Proposed Supply Point in respect of which the Supply Point Confirmation has become effective, the Transporter will provide to the Proposing User the Meter Information (as held on the Supply Point Register) on the 7th Business Day before the Proposed Supply Point Registration Date.

3.2.10 Where the Transporter receives C&D Information from any User which subsequently becomes a Registered User then the Transporter will not resubmit such C&D Information to such User.

3.2.11 In order to ensure that Meter Information is as accurate as practicable, where at any time a Registered User becomes aware that there are material changes to the Meter Information it will:

- (a) validate this and use its best endeavours to submit a Meter Information Update Notification to the Transporter within 30 Business Days from the Day it first becomes aware of such change; or
 - (b) as soon as reasonably practicable notify the Transporter where the Registered User is unable to so comply together with the reasons for such non-compliance; and
 - (c) in accordance with Section G1.9.8(b) use reasonable endeavours to secure that it becomes aware of any respect in which Meter Information provided to it is or becomes incorrect or out of date, including giving appropriate instructions to the Meter Reader for the time being.
- 3.2.12 The Transporter will update the Supply Point Register in accordance with paragraph 3.2.16 where the Transporter has received a Meter Information Notification:
- (a) in respect of a Current Supply Point (in accordance with paragraph 3.2.7 or 3.2.8) from the User that is the Proposing User on or after the Supply Point Confirmation becoming effective;
 - (b) in respect of a New Supply Point (in accordance with paragraph 3.2.8) from the User that is the Proposing User on or after the Supply Point Confirmation.
- 3.2.13 Where a Meter Information Update Notification is received from the Registered User and the Meter Information contained therein has resulted or may result in the amount of Transportation Charges paid or payable by the Registered User being inaccurate and a Meter Reading in respect of the Supply Meter at such Supply Meter Point:
- (a) is not received from the Registered User at the time of receipt of such Meter Information Update Notification then the Transporter will determine a notional Meter Reading in respect of such Supply Meter to be effective upon either:
 - (i) the date provided within the Meter Information Update Notification; or
 - (ii) if (such date has not been so provided) the date on which the Meter information Update Notification was processed by the Transporterand where no Opening Meter Reading is provided in accordance with M3.8.2(b) or 3.8.5(a) and the notional Meter Reading applies in respect of a Non-Daily Read Meter, such notional Meter Reading will be utilised by the Transporter as the Opening Meter Reading and this will be effective at the Supply Point Registration Date and paragraphs 3.8.6 and 3.8.7 will not apply;
 - (b) is received from the Registered User at the time of receipt of such Meter Information Update Notification but no Opening Meter Reading is provided in accordance with M3.8.2(b) or 3.8.5(a) then the Meter Reading provided within the Meter Information Update Notification where it applies in respect of a Non-Daily Read Meter, will be utilised by the Transporter as the Opening Meter Reading and this will be effective at the Supply Point Registration Date and paragraphs 3.8.6 and 3.8.7 will not apply.
- 3.2.14 Prior to the submission of any Meter Information to the Transporter, the Proposing User and/or Registered User will consider any known data inconsistencies with the relevant supplier (or any person acting on its behalf) and where appropriate ensure that the Meter

Information which is submitted has been corrected.

- 3.2.15 Where at any time in respect of any Supply Meter Point the Transporter becomes aware that the Meter Information held in the Supply Point Register is incorrect (other than where the Transporter has received this information from the Registered User) within 6 Business Days of the Day upon which it becomes aware of this, the Transporter will so notify the Registered User and provide all relevant details and the Registered User will as soon as reasonably practicable review such details, and where necessary update the Meter Information and submit to the Transporter a Meter Information Notification or a Meter Information Update Notification containing such update in respect of such Supply Meter Point.
- 3.2.16 Upon receipt of a change of Meter Information from the Registered User, or the Proposing User in accordance with paragraph 3.2.12, the Transporter will within 2 Business Days of such receipt revise the details held in the Supply Point Register as specified in the Meter Information Notification and Transporter will ensure the Supply Point Register reflects the Meter Information as supplied by the Registered User or Proposing User.
- 3.2.17 Where the Transporter receives from the Registered User a revised Meter Information Update Notification in respect of a Supply Meter Point that has resulted or may result in the amount of Transportation Charges paid or payable by the Registered User or the Previous Registered User (if any) being inaccurate then by the end of the month following the month in which it receives such Meter Information Update Notification the Transporter will so notify such Registered User and provide to each Previous Registered User (if any) for such Supply Meter Point the revised Meter Information.
- 3.2.18 Without prejudice to the Meter Information Notification obligations in paragraph 3.2.2, the Registered User will submit as a Meter Information Notification or as a Meter Information Update Notification, additional data items relating to the Supply Meter Installation, that are required by the Transporter to operate in accordance with its Code or other obligations. Such data items may include but are not limited to:
- (a) meter serial number, dials and digits;
 - (b) metric/imperial indicator;
 - (c) convertor number of dials (unconverted/converted);
 - (d) meter/convertor round the clock count;
 - (e) meter pulse value;
 - (f) the identity of the Gas Act Owner;
 - (g) the identity of the Meter Asset Manager;
 - (h) conversion factors; and
 - (i) physical works on convertors where not performed in association with physical works on the Meter.
- 3.2.19 Where the Transporter believes that a User is not undertaking its Code obligations for the calculation of consumption in conjunction with the validation of meter readings,

then where the Transporter and such User are unable to resolve such matter the Transporter may notify the User with reasons for such belief and require the User to provide to the Transporter evidence of its compliance with such obligations by means of either:

- (a) sufficient data to enable the Transporter to examine whether the User has so complied; or
- (b) an audit report produced by an external independent Auditor

and where the User has not produced such data or report, or where following examination by the Transporter of such data, the Transporter believes it has evidence that the User has not complied with such Code obligations, or the report finds that the User has not so complied then the Transporter will be entitled to submit a report to the Competent Authority detailing its findings. The cost and expense of such report shall be borne by the User unless the report finds that the User has complied with such Code obligations in which case the cost and expense shall be borne by the Transporter.

3.2.20 For the purposes of the Code:

- (a) **"C&D Information"** is information obtained in respect of Meter Work;
- (b) **"C&D Notification"** is a notification (which is not a Meter Information Notification) containing C&D Information;
- (c) **"Meter Information"** is the information in relation to a Supply Meter Installation, comprising the details set out in the UK Link Manual, including but not limited to:
 - (i) the location of the Supply Meter Installation at the Supply Point Premises;
 - (ii) number of dials and serial numbers of the Supply Meter and any convertor;
 - (iii) meter access details; and
 - (iv) C&D Information.
- (d) **"Meter Information Notification"** is a notification in accordance with the UK Link Manual containing Meter Information that is C&D Information;
- (e) **"Meter Information Update Notification"** is a notification in accordance with the UK Link Manual containing Meter Information that is not C&D Information;
- (f) **"Meter Work"** is work performed in respect of which a notice has been served under Schedule 2B of the Gas Act in accordance with the Gas Meters (Information on Connection and Disconnection) Regulations 1996;
- (g) **"Meter Worker"** is a person that has performed Meter Work;
- (h) **"Previous Registered User"** is any Registered User (other than the existing Registered User) who was the Registered User at the Supply Meter Point at any

time within a period of 18 months preceding the date upon which the Transporter records such Meter Information Update Notification or, if earlier, the date upon which the Transporter revised Meter Information which was capable of affecting the amount of the Transportation Charge at such Supply Meter Point.

3.3 Provision of Meter Readings to the Transporter

- 3.3.1 Meter Readings are required to be provided to the Transporter by way of UK Link Communication by the means and in the form described in the UK Link Manual, and accompanied by the details specified in the UK Link Manual.
- 3.3.2 Except as otherwise provided in this Section M, the Transporter will accept Meter Readings provided to it in accordance with paragraph 3.3.1 for the purposes of NDM Reconciliation, provided that the Transporter will not be required to accept a Meter Reading which is not a Valid Meter Reading.
- 3.3.3 Each User shall use best endeavours to comply with the requirements in paragraph 3.3.4.
- 3.3.4 The requirement referred to in paragraph 3.3.3 is that, of the Valid Meter Readings obtained by a User pursuant to paragraphs 3.4 and 3.5 in respect of Relevant Non-daily Read Supply Meters on any particular Day:
- (a) not less than 50% are provided (in accordance with paragraph 3.3.1) by the 5th Business Day after the Meter Read Date;
 - (b) not less than 100% are provided (in accordance with paragraph 3.3.1) by the 10th Business Day after the Meter Read Date.
- 3.3.5 Subject to paragraphs 3.3.6 and 3.3.7, the Transporter will not be required to accept any Meter Readings in respect of which the requirement in paragraph 3.3.4 is not complied with.
- 3.3.6 Where :
- (a) a User submits to the Transporter any Meter Reading in respect of which the requirement in paragraph 3.3.4 is not complied with; and
 - (b) it is feasible for the Transporter to accept such Meter Reading and in the Transporter's reasonable opinion the circumstances make it appropriate that it should do so; and
 - (c) if the number of such Meter Readings submitted on a Day exceeds 1% of the total number of Meter Readings submitted by the User on the Day, the User has first requested the Transporter to do so the Transporter will accept such Meter Reading pursuant to paragraph 3.3.2.
- 3.3.7 Where in relation to a Supply Meter a Meter Information Notification is outstanding at the Meter Read Date or is submitted not later than the 10th Business Day after the Meter Read Date, paragraph 3.3.5 shall not apply upon the submission or resubmission, following resolution of the Meter Information Notification, of a Meter Reading in respect of such Supply Meter.

- 3.3.8 The Transporter will subject Opening Meter Readings submitted to it to validation (which is additional to that required to be undertaken by Users), and may subject any other Meter Reading submitted to it to validation; but the Transporter will accept Meter Readings notwithstanding that such validation may be failed.
- 3.3.9 For the purposes of paragraph 3.3.1, where a convertor is installed at a Supply Meter all readings comprised (in accordance with paragraph 1.4.3(a)) in the Meter Reading are required to be provided to the Transporter.

3.4 Cyclic reading: Monthly Read Meters

- 3.4.1 Each User shall secure, in relation to Monthly Read Meters, that a Valid Meter Reading is obtained:
- (a) for each Relevant Monthly Read Meter, not less frequently than once every 4 calendar months;
 - (b) in each calendar month, in accordance with paragraph 3.4.2, for not less than 90% of the number of Monthly Read Meters which are Relevant Supply Meters for the whole of the month.
- 3.4.2 For the purposes of paragraph 3.4.1(b) the Meter Read Date in respect of a Monthly Read Meter is required to be not less than 23 Days (or in the month of December 16 Days) and not more than 37 Days (or in the month of January 44 Days) after the Meter Read Date of the preceding Meter Read under paragraph 3.4.1.

3.5 Cyclic reading: Annual Read Meters

- 3.5.1 Each User shall secure, in relation to Annual Read Meters, that a Valid Meter Reading is obtained:
- (a) for each Relevant Annual Read Meter, not less frequently than once every 24 months, subject to paragraph 3.5.4;
 - (b) in any period of 12 months, for not less than the relevant percentage of the number of Relevant Annual Read Meters at the end of such period.
- 3.5.2 For the purposes of paragraph 3.5.1(b) the relevant percentage is:
- (a) where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised does not exceed 73,200 kWh (2,500 therms), 70%;
 - (b) except as provided in paragraph (a), 90%.
- 3.5.3 In respect of a New Supply Meter Point the Meter Read Date of the first Meter Read obtained pursuant to paragraph 3.5.1(a) shall be not less than 1 nor more than 12 months after the First Supply Point Registration Date.

3.6 Failure to obtain readings

- 3.6.1 Subject to paragraphs 3.6.4 and 3.6.5, where at the end of any calendar month a User has failed to comply with the requirement in paragraph 3.4.1(a) or 3.5.1(a) in respect of a Monthly Read Meter or (as the case may be) Annual Read Meter:

- (a) the Transporter will, unless in the case of a Monthly Read Meter it appears to the Transporter (in its sole discretion) that the circumstances are such that it would be inappropriate to do so, use reasonable endeavours to obtain a Meter Reading from such Meter;
 - (b) the User shall, irrespective of whether the User remains the Registered User of the relevant Supply Point, pay (in accordance with Section S) to the Transporter the amount shown as payable in such circumstances in the Transporter's Transportation Statement.
- 3.6.2 The Transporter will not initiate a Meter Read pursuant to paragraph 3.6.1 for a Meter Read Date earlier than the 10th Business Day of the calendar month (the "**following month**") following the month of the failure referred to in that paragraph.
- 3.6.3 Where the Transporter has initiated a Meter Read pursuant to paragraph 3.6.1(a), and (before such Meter Read takes place) the User subsequently provides a Valid Meter Reading in respect of the relevant Supply Meter, the Transporter will endeavour to cancel the Meter Read, but the User will be liable to make payment pursuant to paragraph 3.6.1(b) irrespective of whether such Meter Read is so cancelled.
- 3.6.4 Where not less than 10 Business Days before the beginning of the following month the User has submitted a Meter Information Notification in respect of the relevant Supply Meter, paragraph 3.6.1 shall not apply until the expiry of a period of 10 Business Days after the Meter Information Notification ceases to be outstanding.
- 3.6.5 If:
 - (a) before the Transporter has initiated a Meter Read pursuant to paragraph 3.6.1, the User notifies the Transporter (by Conventional Notice) that the User is taking steps to obtain a Meter Reading in respect of the relevant Supply Meter, specifying the expected date of the Meter Read;
 - (b) not later than the 10th Business Day of the following month the User provides to the Transporter a copy of a warrant (granted under the Rights of Entry (Gas and Electricity Boards) Act 1954, as amended) authorising entry to the relevant premises, or a copy of an application for such a warrant, or demonstrates to the Transporter's reasonable satisfaction that a Meter Reading can be obtained without such a warrant; and
 - (c) a Valid Meter Reading is provided to the Transporter in respect of the relevant Supply Meter not later than the 20th Business Day after the start of the following monththen paragraph 3.6.1 shall not apply.
- 3.6.6 Where the Transporter obtains a Meter Reading under paragraph 3.6.1, such Meter Reading shall be treated for all purposes of the Code as a Meter Reading obtained in accordance with the requirements of this Section M.
- 3.6.7 Where a User materially or persistently fails to comply with the requirement in paragraph 3.4.1(b) or 3.5.1(b), the Transporter may require the User:
 - (a) to submit to the Transporter an explanation for the User's failure to comply

together with a proposal to remedy such non-compliance;

- (b) to implement the User's proposal under paragraph (a) as modified after discussion with the Transporter;
- (c) if and for so long as the User fails to comply with paragraphs (a) and (b), to agree to a scheme under which the Transporter will (at the User's expense on the same basis as under paragraph 3.6.1(b)) obtain sufficient Meter Readings from time to time each month to remedy the User's failure to comply with paragraph 3.4.1(b) or 3.5.1(b).

3.7 More frequent readings and revised readings

- 3.7.1 Subject to paragraph 3.7.2, a User may secure and provide to the Transporter Valid Meter Readings in respect of any Non-Daily Read Supply Meter more frequently than is required by this paragraph 3.
- 3.7.2 The Transporter will not be required to accept under paragraph 3.7.1 a Meter Reading (other than one required under paragraph 3.8 or paragraph 3.9) for which:
 - (a) in the case of a Monthly Read Meter, the Meter Read Date is less than 23 Days (or in December 16 Days);
 - (b) in the case of an Annual Read Meter, the Meter Read Date is less than 5 months after the Meter Read Date of the preceding Meter Reading (excluding any required under paragraph 3.8 or 3.9) for the same Supply Meter.
- 3.7.3 In respect of the most recent Valid Meter Reading provided to the Transporter in accordance with paragraph 3.4 or 3.5 a User may at any time secure and provide to the Transporter a revised value of such Valid Meter Reading ("**Revised Meter Reading**").
- 3.7.4 The Transporter will only accept such Revised Meter Reading where the Meter Read Date of such Revised Meter Reading is the same as or later than the Meter Read Date of the most recent Valid Meter Reading recorded by the Transporter.

3.8 Opening Meter Readings

- 3.8.1 Where a User submits a Supply Point Confirmation which becomes effective for a Proposed Supply Point which includes one or more NDM Supply Meter Points, this paragraph 3.8 applies in respect of the Non-Daily Read Meter installed at each such Supply Meter Point provided that this paragraph 3.8 shall only apply where the Supply Point Confirmation submitted by a User records a change to one or more of the User identity or the Supply Meter Point configuration.
- 3.8.2 The Proposing User shall secure that a Valid Meter Reading (an "**Opening Meter Reading**") is:
 - (a) obtained for a Meter Read Date within the required date range; and
 - (b) provided to the Transporter not later than 16:00 hours on the 7th Business Day after the Supply Point Registration Date

from each Non-Daily Read Meter referred to in paragraph 3.8.1.

- 3.8.3 For the purposes of this paragraph 3.8 the required date range is the period of eleven (11) Business Days commencing five (5) Business Days before the Supply Point Registration Date.
- 3.8.4 The Transporter will not accept an Opening Meter Reading which is not obtained in accordance with paragraph 3.8.2(a) but may (though shall not be required to) accept a Valid Meter Reading obtained in accordance with paragraph 3.8.2(a) as an Opening Meter Reading if provided to the Transporter not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date.
- 3.8.5 Without prejudice to paragraph 3.8.10, where an Opening Meter Reading is not provided to the Transporter by the date required under paragraph 3.8.2(b):
- (a) a notional Meter Reading will be used for the purposes of Individual NDM Reconciliation in accordance with Section E6.1.6 (and for the purposes of calculating such notional Meter Reading the Transporter may utilise any Meter Reading provided by the Proposing User to the Transporter not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date); and
 - (b) the Transporter shall not later than 15 Business Days after the Supply Point Registration Date provide such notional Meter Reading to the Proposing User and the Withdrawing User as an estimated Meter Reading.
- 3.8.6 The Withdrawing User may (if it has bone fide and material grounds for doing so) notify the Transporter that it objects to the Opening Meter Reading (or the estimated Meter Reading under paragraph 3.8.5), in which case:
- (a) the Transporter will inform the Withdrawing User of the identity of the Proposing User, but (except as provided in paragraph 3.8.8(b)) will not be further concerned with the objection;
 - (b) if the Withdrawing User notifies the Proposing User of its objection, the Proposing User agrees to use reasonable endeavours (without thereby being in breach of any provision of the Code) to secure that no other Meter Reading (in respect of the relevant Supply Meter) is provided to the Transporter until the objection has been resolved between such Users, and GT Section B2.4.1 shall not apply in respect of this paragraph (b) (but the Transporter shall not be concerned with this paragraph (b)).
- 3.8.7 Subject to paragraph 3.8.9, the Proposing User may notify to the Transporter a revised value of a Meter Reading (an "**Agreed Opening Meter Reading**") for a Non-Daily Read Supply Meter which is agreed between the Proposing User and the Withdrawing User as being valid for a date within the required date range and is to replace the Opening Meter Reading (or estimated Meter Reading under paragraph 3.8.5).
- 3.8.8 Subject to paragraph 3.8.9, where a User notifies to the Transporter an Agreed Opening Meter Reading under paragraph 3.8.7:
- (a) the User shall be deemed thereby to warrant to the Transporter and to the Withdrawing User that such reading has been agreed by the Withdrawing User (and GT Section B2.4.1 shall not apply in respect of this paragraph (a));

- (b) the Transporter will accept such reading;
- (c) the Individual NDM Reconciliation in relation to the Withdrawing User (determined under Section E6.2 in accordance with the original Opening Meter Reading or estimated Meter Reading under paragraph 3.8.5) shall be revised in accordance with Section E6.7.2; and
- (d) the Transporter will notify the Agreed Opening Meter Reading to the Withdrawing User.

3.8.9 A User may not give notice under paragraph 3.8.7, and the Transporter will not accept (under paragraph 3.8.8(b)) an Agreed Opening Meter Reading which is notified to it, at any time after any other Meter Reading (for a Meter Read Date after the Supply Point Registration Date) has been provided to the Transporter for the relevant Non-Daily Read Supply Meter.

3.8.10 Where Users submit Supply Point Confirmations in respect of Smaller Supply Points ("**SSP qualifying transfers**"):

- (a) without prejudice to paragraph (c) and in respect of each Proposing User, in the event that in any calendar month (or part thereof) less than 90% of Opening Meter Readings for SSP qualifying transfers are provided to Transporters in accordance with paragraph 3.8.2(b), the Proposing User shall pay to the Transporter the charge, if any, set out in the Transporter's Transportation Statement for the provision of that number of estimated Meter Readings determined in accordance with (c) and (d) (where provided by the Transporter pursuant to paragraph 3.8.5);
- (b) for the purposes of paragraph (a), no account shall be taken of Proposed Supply Point transfers which relate to Supply Meter Points at which the Supply Meter Installation includes a prepayment installation and in respect of such Supply Meter Points the Transporter shall not be required to provide an estimated Meter Reading pursuant to paragraph 3.8.5;
- (c) the number of estimated Meter Readings in respect of which the Proposing User shall be required to pay the charge under paragraph (a) shall be calculated as:

$$(0.90 * A) - B$$

where for each Proposing User:

- A is the number of SSP qualifying transfers; and
- B is the number of Opening Meter Reads provided to Transporters for SSP qualifying transfers in accordance with paragraph 3.8.2(b);
- (d) for the purposes of paragraph (c):
 - (i) the Transporter will notify the Proposing User of the number of estimated Meter Readings for a calendar month in respect of which the Proposing User shall be required to pay the Transporter the charge under paragraph (a);

- (ii) the number of estimated Meter Readings notified by the Transporters in respect of a calendar month under paragraph (i) shall in aggregate equal the number of estimated Meter Readings calculated in accordance with paragraph (c) for such calendar month.

3.8.11 For the purposes of paragraph 3.8.2, where in respect of the installation of a Supply Meter Installation, the Transporter receives a notice in accordance with the Gas Meters (Information on Connections and Disconnections) Regulations 1996 which provides a Meter Reading ("**Meter Fix Reading**"):

- (a) where such Meter Fix Reading has been submitted to the Transporter by a User in accordance with the User's Shipper's Licence and such User is the Registered User of the relevant Supply Point, the Meter Fix Reading shall be treated as the Opening Meter Reading of the Supply Meter Point and any Opening Reading subsequently submitted by such Registered User shall be disregarded; and
- (b) where an Opening Meter Reading (which differs from the Meter Fix Reading) has been submitted to the Transporter by the Registered User and such Registered User is not the person which provided the Meter Fix Reading to the Transporter in accordance with the above regulations, then such Meter Reading submitted (and not any Meter Fix Reading) shall be treated as the Opening Meter Reading.

3.9 Other non-cyclic meter reading requirements

3.9.1 The Registered User shall secure that a Valid Meter Reading is obtained and provided to the Transporter:

- (a) (as required by Section G3.5.3(iv) upon the Isolation of any Supply Meter Point in accordance with Section G3.5;
- (b) upon the replacement (whether for examination, inspection, repair, maintenance or exchange or otherwise) of any Supply Meter, in respect of both the replaced and the replacement meter.

3.10 Metered volume and quantity calculation

3.10.1 Upon the provision of a Valid Meter Reading in respect of a Non-Daily Read Supply Meter the Transporter will calculate the Metered Volume and the Metered Quantity.

3.10.2 The Transporter will maintain records of Valid Meter Readings provided to it, in such form and for such time (but not in any event exceeding 5 years) as shall be requisite for the purposes of paragraph 3.10.1.

4 DAILY READ SUPPLY METERS

4.1 Daily Read Equipment

4.1.1 Subject to paragraph 4.9, for the purposes of the Code "**Daily Read Equipment**" is equipment, of a design and standard of manufacture specified (consistently with any Legal Requirement) by the Transporter for the purposes of this Section, which enables Meter Readings to be obtained by the Transporter remotely at set intervals.

4.1.2 Daily Read Equipment comprises:

- (a) a device for capturing from the Supply Meter, and/or (where installed) a convertor, data which constitutes or permits the derivation of a Meter Reading; and
- (b) a telephone line or radio transmitter and/or such other equipment as shall be required for transmitting such data to the Transporter in accordance with the relevant requirements of the UK Link Manual.

4.1.3 Daily Read Equipment may (where designed to be capable of such installation) be installed in connection with more than one Supply Meter at a single Supply Point Premises.

4.1.4 Where installation of Daily Read Equipment is required pursuant to Section G1.5 or 6.10.2(e) the Transporter will have the sole entitlement and responsibility for:

- (a) furnishing, installing, removing, making operational and maintaining Daily Read Equipment (including its connection or reconnection to the Supply Meter Installation); and
- (b) repairing or replacing the Daily Read Equipment where such repair or replacement is necessary as a result of the failure (including by reason of damage, normal wear or tear or defective design or manufacture) thereof.

4.1.5 Where the Transporter furnishes or has furnished Daily Read Equipment, with effect from the date upon which the relevant Supply Meter Point becomes a DM Supply Meter Point, the Registered User shall (unless the cost thereof has been paid pursuant to a Siteworks Contract) pay the appropriate charges in accordance with the Transporter's Metering Charges Statement.

4.1.6 Daily Read Equipment installed at a Supply Meter Point will be treated as being operational (for the purposes of paragraph 1.3.1) with effect from the later of:

- (a) the Day on which the Transporter notifies the Registered User that the equipment is operational; and
- (b) the first Day on which the Transporter provides to the User a Valid Meter Reading obtained by means of such equipment.

4.1.7 Subject to Section G 1.5.4, where a New Supply Point has been classified in accordance with Section G1.5.13, the Transporter will, as soon as reasonably practicable, furnish, install, make operational and maintain Daily Read Equipment at the relevant Supply Meter, and shall inform the Registered User when Daily Read Equipment has been installed and made operational in accordance with paragraph 4.1.6. In the event of undue delay being experienced, the Transporter will:

- (a) promptly notify the Registered User of the nature of the delay and of an expected timescale for resolution;
- (b) ensure that the Registered User is regularly advised of progress and promptly notified when the Daily Read Equipment has been installed and made operational.

- 4.1.8 Where the Transporter is unable to obtain or install the telephone line or experiences undue delay in obtaining or installing it and this is not due to the act or omission of any other person then where practicable the Transporter will install a radio transmitter provided there is a suitable site at the Supply Point Premises for such purposes and security as may be required.
- 4.1.9 Where requested by the Transporter, the Registered User will:
- (a) procure permission and access for the Transporter to:
 - (i) install and make operational the Daily Read Equipment;
 - (ii) attach the Daily Read Equipment to the Supply Meter Installation;
 - (b) facilitate inspection and maintenance and any activity referred to in paragraph 4.1.4 by the Transporter as required for the purposes of keeping such equipment operational (including any requirement for resynchronisation and/or adjustment);
 - (c) procure that a suitable site including support, protection and security for the Daily Read Equipment is available at the Supply Point Premises.
- 4.1.10 Where the Registered User intends, or becomes aware that the consumer or any other person intends, to undertake works on the Supply Meter Installation (or any part of it) which will or is likely to impact on the ability of the Transporter to obtain accurate and timely Valid Daily Meter Readings then:
- (a) the Registered User will use reasonable endeavours, to notify the Transporter at least two Business Days prior to the commencement of such works:
 - (i) of the date when disconnection of Daily Read Equipment from such Supply Meter Installation will occur and subject to (ii) such date will be the date when reconnection of Daily Read Equipment to the Supply Meter Installation is required;
 - (ii) of the date when reconnection of Daily Read Equipment to the Supply Meter Installation is required if different from (i);
 - (b) the Transporter will within two Business Days of the reconnection date stated in (ii) use reasonable endeavours to reconnect and resynchronise its Daily Read Equipment with the Supply Meter Installation.
- 4.1.11 The Registered User shall take reasonable steps to secure that the Daily Read Equipment is not damaged or otherwise mistreated.
- 4.1.12 Ownership of the Daily Read Equipment shall remain with the Transporter (or any person to whom the Transporter may transfer ownership).

4.2 Daily Meter Readings

4.2.1 Where a Supply Meter is Daily Read:

- (a) the Transporter will obtain (and the User authorises the Transporter to obtain) by means of the Daily Read Equipment (where it is operational) a Meter

Reading for the start and for the end of each Day;

- (b) the Transporter may so obtain Meter Readings at other times within the Day.
- 4.2.2 The Transporter is responsible for validation of the Meter Readings in accordance with paragraph 1.5.
- 4.2.3 In respect of a Daily Read Supply Meter:
- (a) **"Daily Meter Readings"** for a Day are Meter Readings obtained by the Transporter in accordance with paragraph 4.2.1(a) for the start and the end of the Day;
 - (b) subject to paragraphs (c) and 4.8 **"Valid Meter Readings"** for a Day are Daily Meter Readings which have been subject to and not rejected by validation in accordance with paragraph 1.5, and are provided to the relevant User in the format and by the means specified in the UK Link Manual;
 - (c) the Daily Meter Reading for the start of a Day will not be a Valid Meter Reading if it differs from the Valid Meter Reading for the end of the preceding Day; and
 - (d) the User will pay appropriate charges in accordance with the Transporter's Metering Charges Statement in respect of such Daily Meter Readings obtained by the Transporter.
- 4.2.4 In relation to a DM Supply Meter Point so classified in accordance with Section G1.5.13, the Transporter shall use all reasonable endeavours to obtain Meter Readings by procuring On-Site Meter Reads, for each Day commencing with the Supply Point Registration Date; and the Registered User shall cooperate with the Transporter in relation thereto.
- 4.2.5 When the Supply Meter at the DM Supply Meter Point classified in accordance with Section G1.5.13 becomes a Daily Read Supply Meter the Transporter will obtain Meter Readings in accordance with paragraph 4.2.1.
- 4.2.6 When the Transporter cannot obtain Meter Readings under paragraph 4.2.4 for the Supply Point Registration Date or for any of the six consecutive Days thereafter, then for each Day for which Meter Readings are not obtained the Metered Quantity shall be deemed to be the Annual Quantity for the DM Supply Point divided by 365, and the Metered Volume determined (by reference to the relevant calorific value) accordingly, but thereafter paragraph 4.4 shall apply as though a Meter Reading obtained under paragraph 4.2.4 were a Valid Meter Reading obtained from Daily Read Equipment.
- 4.3 Metered Volume and Metered Quantity calculation**
- Subject to paragraph 4.4, the Transporter will calculate for each Daily Read Supply Meter each Day:
- (a) the Metered Volume, by reference to the Valid Meter Readings for the Day obtained in accordance with paragraph 4.2.1(a) or by reference to the Meter Readings for the Day obtained in accordance with paragraph 4.2.4; and

- (b) the Metered Quantity, by reference to the Metered Volume.

4.4 Failure to obtain meter readings

- 4.4.1 Subject to paragraph 4.8, Valid Meter Readings for a Day obtained from Daily Read Equipment at any time up to and including the Exit Close Out Date will be used for the purposes of paragraph 4.3.
- 4.4.2 Where for any Day (a "**Failed Daily Read Day**") Valid Meter Readings for the Day are not obtained by the Exit Close-Out Date:
 - (a) the Metered Volume for the Failed Daily Read Day shall (irrespective in the case of a Supply Meter Point comprised in an Interruptible Supply Point of whether Interruption was required on the Day or the same Day in the preceding week) be assumed to be the same as the Metered Volume (whether determined under paragraph 4.3.1 or this paragraph 4.4.2) for the same Day in the immediately preceding week; and
 - (b) there will be a subsequent DM Reconciliation in accordance with Section E6.
- 4.4.3 Where a Day is a Failed Daily Read Day, except in the circumstances in paragraph 4.4.5(a), irrespective of the Metered Quantity derived from the assumed Metered Volume determined under paragraph 4.4.2, the Day shall not be a Ratchet Day (in accordance with Section B4.7).
- 4.4.4 After a Failed Daily Read Day, upon the restoration of operation of the Daily Read Equipment (except where paragraph 1.9 applies), the Transporter will determine:
 - (a) the volume offtaken on such Day, by reference to a Valid Meter Reading then obtained, in accordance with paragraph 4.4.5; and
 - (b) for the purposes of DM Reconciliation, the amount (the "**Failed Daily Read Reconciliation Volume**") by which the Metered Volume assumed under paragraph 4.4.2 is greater (in which case such amount shall be positive) or less (in which case such amount shall be negative) than the volume determined under paragraph (a).
- 4.4.5 For the purposes of paragraph 4.4.4(a):
 - (a) where:
 - (i) the reason for the earlier failure to obtain Valid Meter Readings for the Failed Daily Read Day was the failure of that part of the Daily Read Equipment referred to in paragraph 4.1.2(b) and not the part referred to in paragraph 4.1.2(a)); and
 - (ii) accordingly, Valid Meter Readings are later obtained for the Failed Daily Read Daythe volume offtaken on the Day shall be the Metered Volume determined on the basis of such Valid Meter Readings;
 - (b) except as provided in paragraph (a):

- (i) the Metered Volume for the period of all of the consecutive Failed Meter Read Days will be determined (on the basis of the Valid Meter Reading obtained for the start of the first such Day and for the end of the last such Day under paragraph 4.3 or paragraph (a) above); and
- (ii) such Metered Volume will be apportioned between such Days in the proportions of the assumed Metered Volumes under paragraph 4.4.2.

4.5 Provision of Meter Readings to Users

Paragraph 5 shall apply in respect of the provision by the Transporter to Users of Meter Readings from Daily Read Supply Meters.

4.6 User or consumer access to Daily Read Equipment

4.6.1 Where Daily Read Equipment is furnished and installed by the Transporter in accordance with paragraph 4.1.4 the Transporter will, upon request by the Registered User and provided it is operationally feasible to do so make available to the Registered User, readings received from the Daily Read Equipment in respect of each hour of a Day, and provide such readings to the User at four hourly intervals.

4.6.2 Data obtained by the Registered User or consumer under paragraph 4.6 shall have no significance for the purposes of the Code.

4.7 DM Check Read

4.7.1 The Transporter will at intervals of approximately 12 months, or as soon as reasonably practicable following a Supply Meter Point first becoming a Shared Supply Meter Point, and may on other occasions on which it undertakes an inspection, repair or maintenance of the Daily Read Equipment, arrange an On-Site Meter Read (a "**DM Check Read**") in respect of each Daily Read Supply Meter.

4.7.2 The Registered User shall use best endeavours to secure that the Transporter is given such access to the Supply Point Premises and the Supply Meter as it reasonably requires to carry out a DM Check Read.

4.7.3 In respect of any DM Check Read the Metered Volume will be determined by reference to the period to the date of such Meter Read from the date of the preceding DM Check Read.

4.7.4 Where upon a DM Check Read the Metered Quantity differs from the sum (the "**previous metered quantity**") of the Metered Quantities determined in accordance with the foregoing provisions of this paragraph 4 (including paragraph 4.4) for each Day of the period referred to in paragraph 4.7.3 by more than 100,000 kWh (3,413 therms), the Transporter will determine and notify to the Registered User:

- (a) the amount of such difference; and
- (b) for each Day in such period, a part (the "**DM Check Reconciliation Volume**", which shall be positive where the previous metered quantity exceeds the Metered Quantity in respect of the DM Check Read, and otherwise negative) of the amount determined under paragraph (a), in accordance with paragraph 4.7.5.

4.7.5 For the purposes of paragraph 4.7.4(b) the amount determined under paragraph 4.7.4(a) will be apportioned to Days in the relevant period in the same proportions as the Metered Volumes determined for such Days under paragraphs 4.2 and 4.4.

4.7.6 DM Reconciliation in respect of the DM Check Reconciliation Volume for each Day will be carried out in accordance with Section E6.3.

4.8 Daily Read Errors

4.8.1 For the purposes of this paragraph 4.8:

- (a) there is a "**Daily Read Error**" in respect of a Daily Read Supply Meter on a Day where, by reason of the Daily Read Equipment not functioning correctly, and not by reason of a failure of any other part of the Supply Meter Installation, the volume of gas which is determined on the basis of the Daily Meter Readings provided by the Transporter to the User (pursuant to paragraph 4.5) differs from the metered consumption;
- (b) "**metered consumption**" is the volume of gas which was offtaken from the Total System at the Supply Meter Point on the Day, as registered by the Supply Meter and any convertor (and not what is determined by reference to the Daily Meter Readings obtained by the Daily Read Equipment);
- (c) where the Supply Meter Installation includes a convertor, references to volume are to volume as converted for temperature and/or pressure by such convertor;
- (d) Daily Read Equipment functions correctly where it functions within a tolerance of accuracy of 1%;
- (e) a reference to Daily Read Equipment shall include a reference to the elements of UK Link by which messages sent by Daily Read Equipment located at the Supply Point Premises are processed and submitted as Daily Meter Readings to the Registered User.

4.8.2 In respect of any Day (a "**Daily Read Error Day**"), other than a Failed Daily Read Day, a User may until the 5th Day after the Day on which the Transporter provided to the User the Daily Meter Readings in respect of a Relevant Daily Read Supply Meter, give notice ("**Daily Read Error Notice**") to the Transporter:

- (a) to the effect that (notwithstanding validation under paragraph 1.5) the User considers that there was a Daily Read Error on the Day; and
- (b) specifying the volume (the "**User Volume Estimate**") which the User considers to have been the metered consumption on the Day.

4.8.3 Where a User gives a Daily Read Error Notice:

- (a) the Transporter will, as soon as reasonably practicable and wherever possible within 3 Business Days after such notice, ascertain whether the elements of UK Link referred to in paragraph 4.8.1(e) are functioning correctly, and (if they are) visit and (subject to being given sufficient access) to the Supply Meter Installation and/or the Daily Read Equipment) inspect the Daily Read Equipment;

- (b) upon or as soon as reasonably practicable after its inspection, the Transporter will provide to the User a notice stating:
 - (i) whether in the Transporter's judgement the Daily Read Equipment is functioning correctly; and
 - (ii) where in the Transporter's judgement the Daily Read Equipment is not functioning correctly, the Transporter's estimate (the "**Transporter's Volume Estimate**"), in accordance with paragraph 4.8.4 where applicable, and after taking account of the User Volume Estimate, of what was the metered consumption for the Daily Read Error Day, and the basis for its estimate;
 - (c) notwithstanding the Daily Read Error Notice and the Transporter's notice under paragraph (b), except as provided in paragraph 4.8.8 the volume determined by reference to the Daily Meter Readings shall be used to determine the User's UDQO for the purposes of the Code;
 - (d) subject to paragraph (c), and unless otherwise agreed, the Transporter's statement under paragraph (b) will be final and its estimate will apply for the purposes of paragraph 4.8.10 unless within 5 Business Days after the Transporter's notice under paragraph (b) the User gives notice ("**rejection notice**") to the Transporter that the User does not accept the Transporter's judgement under paragraph (b)(i) or its estimate under paragraph (b)(ii);
 - (e) upon receiving the rejection notice, the Transporter will enter into a dialogue with the User to attempt to resolve the difference. Where such resolution is not promptly achieved and in any event within 5 Business Days following receipt of the rejection notice, paragraph 4.8.6 will apply;
 - (f) where correction of the fault (by repair or replacement of the Daily Read Equipment) is not possible at the same time as the inspection, the Transporter will correct such fault as soon as possible following such inspection.
- 4.8.4 Where the Daily Read Equipment is found not to be functioning correctly, and it is not apparent when the equipment started to function incorrectly, unless the Transporter and the User otherwise agree it shall be assumed (for the purposes of estimating the metered consumption for the Daily Read Error Day) that such equipment started to function incorrectly half way through the period from when the equipment was last inspected by the Transporter (whether pursuant to this paragraph 4.8 or any annual or other maintenance inspection) to the Day of the Transporter's inspection under paragraph 4.8.3(a).
- 4.8.5 The costs and expenses incurred by the Transporter in carrying out the inspection pursuant to paragraph 4.8.3(a) shall be borne:
- (a) by the User, if the amount of the User Volume Estimate differs from the volume determined by reference to the Daily Meter Readings by less than 10%;
 - (b) except as provided in paragraph (a):
 - (i) where the User did not give a rejection notice:
 - (1) by the User where in the Transporter's judgement the Daily

- (2) Read Equipment was functioning correctly; and
 otherwise by the Transporter;
- (ii) where the User gave rejection notice:
- (1) by the Transporter, where it was agreed or the expert
 determined that the Daily Read Equipment was not functioning
 correctly (under paragraph 4.8.6(a)(i)) or it was agreed or the
 expert determines under paragraph 4.8.6(a)(ii) that the metered
 consumption was closer to the User Volume Estimate than to
 the the Transporter Volume Estimate; and
- (2) otherwise by the User:
- 4.8.6 Where the User gives a rejection notice, then unless the Transporter and the User agree
 otherwise:
- (a) there shall be referred to Expert Determination the following questions:
- (i) whether the Daily Read Equipment was functioning correctly, unless in
 the Transporter's judgement (under paragraph 4.8.3(b)(i)) it was not;
 and
- (ii) unless the expert determines that the Daily Read Equipment was
 functioning correctly, what is the best available estimate (in accordance
 with paragraph 4.8.4 where applicable) of the metered consumption;
- (b) the costs of the expert shall (notwithstanding any contrary provision of GT
 Section A) be borne by the User where:
- (i) the expert determines (under paragraph (a)(i)) that the Daily Read
 Equipment was functioning correctly; or
- (ii) the metered consumption determined (under paragraph (a)(ii)) by the
 expert was closer to the the Transporter Volume Estimate than to the
 User Volume Estimate;
- and otherwise by the Transporter.

- 4.8.7 Where:
- (a) a User has submitted a Daily Read Error Notice in respect of a Day;
 - (b) the User considers that there was a Daily Read Error in respect of any subsequent Day, up to:
 - (i) the Day of the Transporter's inspection under paragraph 4.8.3(a); or
 - (ii) (where the Daily Read Equipment is found not to be functioning correctly) the Day of its repair or replacement under paragraph 4.8.11, then unless the Transporter agrees otherwise the further provisions of this paragraph 4.8 shall not apply in relation to such subsequent Day unless the User gives a Daily Read Error Notice for such Day, but the giving of such notice shall not require a further inspection pursuant to paragraph 4.8.3.

- 4.8.8 For the purposes of determining the User's UDQO, where a User submits a Daily Read Error Notice not later than the Exit Close-out Date in relation to the Daily Read Error Day:
- (a) if by the Exit Close-out Date:
 - (i) the Transporter has undertaken an inspection under paragraph 4.8.3(a); and
 - (ii) the User has informed the Transporter that it accepts the Transporter's Volume Estimate notified by the Transporter under paragraph 4.8.3(b)
the value of the Metered Quantity derived from the the Transporter Volume Estimate shall be substituted for the value of the Metered Quantity derived from the original Daily Meter Readings;
 - (b) the Transporter may (before the Exit Close-out Date) by agreement with the User substitute, for the value of the Metered Quantity derived from the original Daily Meter Readings, the value derived from the User Volume Estimate or such other value as the Transporter and the User shall agree.
- 4.8.9 The Transporter may also agree with the User to adjust (for the purposes of determining the User's UDQOs) the Metered Quantity determined for each Day after the first Daily Read Error Day, until the Day referred to in paragraphs 4.8.7(b)(i) or (ii), on a basis reflecting an agreed degree of error.
- 4.8.10 Except in a case where a substituted or adjusted value of the Metered Quantity was (before the Exit Close-out Date) used pursuant to paragraph 4.8.8 or 4.8.9, upon the estimated metered consumption being agreed or established (pursuant to this paragraph 4.8):
- (a) the Transporter will determine (as nearly as may be) the Metered Quantity ("**Error Revised Quantity**") for the Day on the basis of such metered consumption;
 - (b) revisions and adjustments will be made in accordance with Sections B1.11, E3.5 and F1.4.
- 4.8.11 Where it is agreed or determined that the Daily Read Equipment is not functioning correctly, the Transporter will at its expense as soon as is reasonably practicable (but subject to paragraph 5.2.4) repair or replace the Daily Read Equipment.
- 4.8.12 For the purposes of paragraph 5 (and notwithstanding paragraph 4.2.3), where a User gives a Daily Read Error Notice:
- (a) subject to paragraph (b), where:
 - (i) in the Transporter's judgement (in accordance with paragraph 4.8.3(b)) the Daily Read Equipment is not functioning correctly;
 - (ii) by agreement between the Transporter and the User pursuant to paragraph 4.8.8(b) a substituted Metered Quantity has been used, or an estimate of metered consumption, other than the metered consumption derived from the original Daily Meter Readings, has been agreed by the Transporter and the User for the purposes of paragraph 4.8.10

the Daily Meter Readings provided in respect of the Daily Read Error Day shall not be Valid Meter Readings;

- (b) where the Metered Quantity for any of the next 6 Days following the first Daily Read Error Day has (by agreement between the Transporter and the User pursuant to paragraph 4.8.9) been adjusted, the Daily Meter Readings provided by the Transporter for such Days shall be deemed for the purposes of paragraphs 5.2.1 and 5.2.2 to be Valid Meter Readings;
- (c) where in the Transporter's judgement the Daily Read Equipment is functioning correctly and the User gave a rejection notice:
 - (i) the Daily Meter Readings for the Daily Read Error Day, and (subject to paragraph (ii)) for subsequent Days, shall be Valid Meter Readings (if otherwise valid in accordance with paragraph 4.2.3);
 - (ii) where the expert determines that the Daily Read Equipment is not functioning correctly, the Daily Meter Readings provided in respect of each Daily Read Error Day, from the Day on which the expert made known his determination to the Transporter until such time as the Transporter has repaired or replaced the Daily Read Equipment in accordance with paragraph 4.8.11, shall not be Valid Meter Readings.

4.9 Telemetry equipment

- 4.9.1 By agreement between the Transporter and the Registered User or the consumer, telemetry equipment may be installed at a Supply Meter instead of such equipment as is described in paragraph 4.1.2.
- 4.9.2 Subject to any conflicting provisions of Supply Point Network Exit Provisions, a reference to Daily Read Equipment includes telemetry equipment where installed at a Supply Meter, and this paragraph 4 shall apply (so far as capable of applying, and except as may otherwise be agreed by the Transporter and the Registered User or consumer) in respect of such telemetry equipment; but paragraph 5 shall not apply in respect of a Supply Meter at which telemetry equipment is installed.

5 PROVISION OF DAILY READ METER READINGS TO USERS

5.1 General

- 5.1.1 For the purposes of this paragraph 5:

- (a) subject to paragraphs 5.1.2, 5.1.3 and 5.2.3, for any User a "**Performance Relevant Supply Meter**" is:
 - (i) a Relevant Supply Meter which at 1 March 1996 was subject to the Daily Read Requirement pursuant to Section G1.5.2(a) or (c) or (where the request referred to in Section G1.5.7 was made before 1 January 1996) Section G1.5.2(b); and
 - (ii) with effect from the date upon which the Supply Meter Point becomes a DM Supply Meter Point, any other Supply Meter at which for the time being Daily Read Equipment is installed and has become operational (in accordance with paragraph 4.1.6)

in either case until such time (if any) at which the Registered User makes an election pursuant to Section G1.5.5 that the Supply Meter cease to be Daily Read;

- (b) in relation to a Performance Relevant Supply Meter, Valid Meter Readings (for the start and end of a Day) shall be counted as one Valid Meter Reading;
- (c) where a single item of Daily Read Equipment is installed and has become operational (in accordance with paragraph 4.1.6) in connection with more than one Performance Relevant Supply Meter:
 - (i) the Transporter will be treated as providing Valid Meter Readings only where it provides a Valid Meter Reading in respect of each such Supply Meter;
 - (ii) without prejudice to paragraph (i), for all other purposes of this paragraph 5 all of such Supply Meters collectively shall be counted as a single Performance Relevant Supply Meter, and all of the Valid Meter Readings for a Day in respect thereof shall be counted as a single Valid Meter Reading; and accordingly payments made by reference to a Performance Relevant Supply Meter or the number of such Supply Meters shall be made by reference to an item of Daily Read Equipment or the number of such items;
- (d) a Performance Relevant Supply Meter will not be treated as one in relation to which the Transporter did not provide a Valid Meter Reading where the Transporter was unable to provide a Valid Meter Reading in respect of such Performance Relevant Supply Meter by reason of Force Majeure;
- (e) a Performance Relevant Supply Meter will not be treated as one in relation to which the Transporter did not provide a Valid Meter Reading in respect of such Performance Relevant Supply Meter where the Transporter was unable to provide a Valid Meter Reading by reason of:
 - (i) failure or unavailability of the Supply Meter Installation in which the Performance Relevant Supply Meter is contained; or
 - (ii) the Transporter is unable to perform any of the activities in paragraph 4.1.5 due to the failure of the Registered User to comply with the Transporter's request in accordance with paragraph 4.1.10 in respect of its Daily Read Equipment and/or the Supply Meter Installation; or
 - (iii) Meter Information in respect of such Performance Relevant Supply Meter relevant to the calculation by the Transporter of the Metered Quantity being absent, out of date or subsequently found to be incorrect, which has or should have been provided in accordance with Section M, paragraph 3.2.

5.1.2 Where:

- (a) a User has given a Daily Read Error Notice, or it appears to the Transporter that the Daily Read Equipment may not be functioning correctly
- (b) the Transporter has, upon reasonable notice to the User, sought to arrange or

gain access (pursuant to paragraph 2.2.2(c)(iii) at a reasonable time to the relevant premises for the purposes of inspecting, and/or repairing or replacing, the Daily Read Equipment but has been unable to gain access to the relevant premises or to the Daily Read Equipment; and

- (c) the Transporter has promptly notified the Registered User, providing details of the circumstances in which it was unable to arrange or gain access, and requesting that such access be arranged at a reasonable time,

the relevant Supply Meter(s) shall not be a Performance Relevant Supply Meter until such time as the Transporter has been given such access as it may reasonably require for the purposes of such inspection, repair or replacement.

5.1.3 Where, upon an inspection (pursuant to a Daily Read Error Notice or otherwise) of Daily Read Equipment, the Transporter finds that there is a failure or unavailability of the Supply Meter Installation and this is the cause of the Daily Read Equipment not functioning correctly:

- (a) the Transporter shall so notify the Registered User promptly after its inspection;
- (b) where the Registered User receives notice under paragraph 5.1.3 or otherwise becomes aware of a failure or unavailability of the Supply Meter Installation that may impact on the Transporter's ability to procure accurate and timely Valid Daily Meter Readings, the Registered User will promptly advise the Transporter when it becomes aware of such failure or unavailability;
- (c) in the event of (a) or (b) the User will:
 - (i) promptly arrange for the repair/replacement of the Supply Meter Installation by a competent person;
 - (ii) notify the Transporter when the Supply Meter Installation has been repaired or replaced;
 - (iii) unless the Supply Meter Installation has been repaired or replaced, no later than one month after either of the events in (a) or (b) inform the Transporter of the date by which the User is expecting the Supply Meter Installation to be repaired or replaced and thereafter notify the Transporter of any changes to the expected date;
- (d) upon notification that a Supply Meter Installation has been repaired/replaced, the Transporter will arrange for the prompt resynchronisation of the Daily Read Equipment;
- (e) with effect from the Day of the Transporter's inspection, or if later from the 5th Business Day before the Transporter's notification to the User under paragraph (a), and until such time as the Supply Meter Installation has been repaired or replaced and resynchronised, the Supply Meter will not be a Performance Relevant Supply Meter.

5.2 Provision of Meter Readings

5.2.1 The Transporters will provide not less than 97.5% of the required number of Valid Meter Readings to each User, in respect of each month in each case not later than 11:00

hours on the Day following the Day to which the relevant Meter Reading relates; and for the purposes of this paragraph, the required number of Valid Meter Readings in respect of a User in a month is the sum of the numbers of the Performance Relevant Supply Meters of the User on each Day of such month.

- 5.2.2 Subject to paragraph 5.2.3, if in respect of any month the Transporters do not comply with the requirement in paragraph 5.2.1, the aggregate amount payable to the User shall be an amount calculated as:

$$((0.975 * A) - B) * £30$$

where for the relevant month:

- A is the sum for all Days in the month of the number of the User's Performance Relevant Supply Meters;
- B is the sum for all Days in the month of the number of Valid Meter Readings in respect of the User's Performance Relevant Supply Meters which the Transporters provided by 11:00 hours on the following Day.

- 5.2.3 In respect of each Performance Relevant Supply Meter, if for each of 4 consecutive Days the Transporter does not provide to a User a Valid Meter Reading by 11:00 hours on the Day following each such Day then for each further Day (after the 4th) for which the Transporter fails to provide a Valid Meter Reading by 11:00 hours on the following Day:

- (a) the Transporter will pay to the User (subject to paragraph 5.2.4) £75;
and
- (b) such Meter shall not be counted as a Performance Relevant Supply Meter for the purposes of paragraph 5.2.2.

- 5.2.4 In the case of a Shared Supply Meter Point the amount payable to a User pursuant to paragraph 5.2.3 will be the amount specified under that paragraph divided by the number of Sharing Registered Users.

- 5.2.5 For the purposes of Section V10, the rules in paragraphs 5.2.2 and 5.2.3 are Compensation Rules within Compensation Group A; and in relation thereto the 'payment month' is the second month following:

- (a) for the purposes of paragraph 5.2.2, the relevant month;
- (b) for the purposes of paragraph 5.2.3, that in which the relevant Day fell.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION N - SHRINKAGE

1 GENERAL

1.1 Introduction

- 1.1.1 For the purposes of the Code "**shrinkage**" means gas in a System which is used by the Transporter in connection with the operation of, or which is unaccounted for as offtaken from, a System; and where the context admits a reference to shrinkage includes the quantity of such gas.
- 1.1.2 Shrinkage will be for the account of the relevant Shrinkage Provider in accordance with paragraph 4.
- 1.1.3 Shrinkage quantities will be determined separately for the NTS and each LDZ.
- 1.1.4 Shrinkage comprises own use gas in accordance with paragraph 1.2 and unaccounted for gas in accordance with paragraph 1.3.

1.2 Own use gas

For the purposes of this Section N own use gas is gas used by Transco NTS in connection with the operation of the NTS ("**NTS own use gas**") or by a DN Operator in connection with the operation of an LDZ ("**LDZ own use gas**"), including gas used in running compressors, gas used for preheating and vented gas (such venting being counted for the purposes hereof as use by the relevant DN Operator).

1.3 Unaccounted for gas

- 1.3.1 For the purposes of this Section N unaccounted for gas is gas which is lost or otherwise not accounted for as offtaken from the NTS ("**NTS unaccounted for gas**") or from an LDZ ("**LDZ unaccounted for gas**"), including gas lost or unaccounted for by reason of unidentified theft, error in meter correction and leakage and (in respect of the NTS) CV shrinkage.
- 1.3.2 Shrinkage in a System shall:
 - (a) include gas offtaken from the System which has been illegally taken:
 - (i) upstream of the point of offtake (in accordance with Section J3.7) at any System Exit Point (it being recognised the effect of Standard Condition 7(3) of the Transporter's Licence is that the rates of Transportation Charges may reflect the taking of such gas); and
 - (ii) subject to paragraph (b)(ii), at or at a point downstream of the point of offtake at a System Exit Point, in a case in which the Transporter is (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas;

- (b) not include gas offtaken from the System:
 - (i) except as provided in paragraph (a)(ii), illegally taken at or downstream of the point of offtake at any System Exit Point (but without prejudice to Section E3.5.2 or to any reduction of Transportation Charges pursuant to Standard Condition 7(3) of the Transporter's Licence); and
 - (ii) taken at (or at a point downstream of) the point of offtake, at a Supply Meter Point of which the Registered User has ceased to be a User pursuant to Section V4.3, except in a case where, after the Supply Meter Point has been Isolated, the Transporter becomes (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas.

1.4 Determination of shrinkage

1.4.1 In accordance with this Section N, shrinkage will be:

- (a) estimated for each Day (before and after the Day), on the basis of Shrinkage Factors determined before the Day; and

- (b) subsequently assessed, on the basis of information available after the Day

and references respectively to estimated and assessed shrinkage shall be construed accordingly.

1.4.2 The "**NTS Daily Quantity Delivered**" is the Total System Daily Quantity Delivered less the sum of the Entry Point Daily Quantities Delivered in respect of any LDZ System Entry Points.

1.4.3 A "**Shrinkage Factor**" is a factor determined before each Day by which the shrinkage attributable to any gas flow in a part of a System on that Day may be estimated.

1.4.4 The "**Daily Shrinkage Quantity**" is the estimated shrinkage in the NTS or an LDZ on a Day, determined:

- (a) in respect of the NTS as the NTS Shrinkage Factor multiplied by the NTS Daily Quantity Delivered;
- (b) in respect of an LDZ as the applicable LDZ Shrinkage Factor multiplied by the LDZ Daily Quantity Offtaken.

1.4.5 Differences between assessed shrinkage and estimated shrinkage for any period will (in accordance with the further provisions of this Section N) be taken into account in the Shrinkage Factors for a Day or Days subsequent to that period.

1.5 DNO Users

In this Section N references to Users exclude, except in relation to paragraph 4, DNO Users.

2 NTS SHRINKAGE

2.1 NTS Shrinkage Factor

- 2.1.1 For the purposes of establishing the Shrinkage Factor ("**NTS Shrinkage Factor**") applicable in respect of the NTS, Transco NTS will estimate:
- (a) each Day, the quantity of NTS own use gas and CV shrinkage on the following Day;
 - (b) by the end of each month, the average daily quantity of NTS unaccounted for gas (other than CV shrinkage) in the following month.
- 2.1.2 The NTS Shrinkage Factor for a Day will be determined (by reference to expected gas flows in the NTS on the Day) on the basis of the estimates (for that Day or the month in which it occurs) under paragraph 2.1.1 of NTS own use gas and NTS unaccounted for gas, adjusted in respect of differences (insofar as not taken into account in determining NTS Shrinkage Factors for any earlier Day(s)) between the Daily Shrinkage Quantity and assessed NTS shrinkage for Days in the preceding month as determined under paragraph 2.3.

2.2 Notification of NTS Shrinkage Factor

- 2.2.1 The NTS Shrinkage Factor for the Gas Flow Day will be made available to Users not later than 13:30 hours on the Preceding Day.
- 2.2.2 Transco NTS will provide to Users:
- (a) not later than 1 September in the Preceding Year, for each month in the Gas Year, a provisional forecast of the NTS Shrinkage Factor to apply in such month;
 - (b) not later than the last Day of each month, for each Day in the following month, a forecast of the NTS Shrinkage Factor to apply in respect of such Day.
- 2.2.3 The forecasts of NTS Shrinkage Factors under paragraph 2.2.2 are indicative only and will not bind Transco NTS, the NTS Shrinkage Provider or Users.

2.3 Assessed NTS Shrinkage

- 2.3.1 Assessed NTS shrinkage for a Day will be determined as the NTS Daily Quantity Delivered less the aggregate of the LDZ Daily Input Quantities for each LDZ, the Supply Meter Point Daily Quantities for each NTS Supply Meter Point and the CSEP Daily Quantity Offtaken for each NTS Connected System Exit Point, adjusted by the amount of the change in NTS linepack for the Day.
- 2.3.2 Transco NTS will assess NTS shrinkage for each Day in each month, and provide to Users details of the average assessed NTS shrinkage for Days in that month, not later than the 15th Day of the following month.

3 LDZ SHRINKAGE

3.1 LDZ Shrinkage Factor

- 3.1.1 Subject to paragraph 3.1.3, for the purposes of establishing the Shrinkage Factor ("**LDZ Shrinkage Factor**") applicable in respect of a relevant LDZ, the Transporter will estimate by 1 September in the Preceding Year, the average daily amounts of LDZ own use gas and LDZ unaccounted for gas for that LDZ in the Gas Year.
- 3.1.2 Subject to paragraph 3.1.3, the LDZ Shrinkage Factor for each Day in the Gas Year will be determined (by reference to expected average gas flows in the LDZ on each such Day) on the basis of the estimates under paragraph 3.1.1 of own use gas and unaccounted for gas in the LDZ, adjusted in respect of the difference between the estimated and assessed own use gas and unaccounted for gas for the 12 month period ending 31 August in the Preceding Year.
- 3.1.3 When the Transporter determines that the basis on which it estimates LDZ unaccounted for gas is sufficiently robust to permit its valid estimation more frequently than annually, the Transporter will increase (after giving Users not less than 30 Days' notice) the frequency with which it estimates LDZ unaccounted for gas, and accordingly reduce the period by reference to which adjustments are made for differences between estimated and assessed LDZ unaccounted for gas.
- 3.1.4 The Transporters will, not later than 1 July in the Preceding Year, submit to all Users:
- (a) the estimated LDZ Shrinkage Factor for each LDZ in the Gas Year;
 - (b) the methodology by which the estimate was determined
- and Users may submit to a Transporter representations in respect of the estimated LDZ Shrinkage Factor up to but not later than 1 August in the Preceding Year.
- 3.1.5 Between 1 and 15 August in the Preceding Year, the Transporters:
- (a) will review any representations made by Users under paragraph 3.1.4;
 - (b) will consult, so far as the Transporters deem appropriate, with any User in respect of any representations made by it or any other User;
 - (c) may convene meetings with any User or Users for the purposes of such consultation.
- 3.1.6 The Transporters will make available to Users reasonable details of the representations made to them under paragraph 3.1.4 and consultations under paragraph 3.1.5 (but may do so by oral presentation at a meeting of Users convened under paragraph 3.1.5(c)), and shall be free to disclose to any User and the Authority any such representation and details of any such consultation.
- 3.1.7 Not later than 1 September in the Preceding Year, the Transporters will submit to the Authority and all Users their final estimates of the LDZ Shrinkage Factor for each LDZ in the Gas Year with such changes as they may on the basis of Users' representations and consultation under paragraphs 3.1.4 and 3.1.5 determine appropriate.
- 3.1.8 The estimate of the LDZ Shrinkage Factor for each LDZ applicable to the Gas Year shall be those submitted under paragraph 3.1.7 unless upon the application of the Transporters or any User, made no later than 15 September, the Authority shall give Condition A11(18) Disapproval to the Transporters applying a particular estimate of the

LDZ Shrinkage Factor, in which case the estimate of the LDZ Shrinkage Factor in the relevant LDZ shall be that applying in the Preceding Year.

3.2 Notification of LDZ Shrinkage Factor

- 3.2.1 Subject to paragraph 3.2.2, the LDZ Shrinkage Factor for each relevant LDZ for the Gas Year will be notified to Users by the Transporter not later than 1 September in the Preceding Year.
- 3.2.2 Where the frequency of estimation of LDZ Shrinkage Factors is increased under paragraph 3.1.3:
- (a) the LDZ Shrinkage Factor for each relevant LDZ for the Gas Year will be notified to Users on a basis commensurate with such increased frequency;
 - (b) the Transporter will provide to Users, not later than 1 September in the Preceding Year, a provisional forecast of the LDZ Shrinkage Factors to apply in each relevant period in the Gas Year.
- 3.2.3 The forecast of LDZ Shrinkage Factors under paragraph 3.2.2(b) are indicative only and will not bind the relevant Transporter, the relevant Shrinkage Provider or Users.

3.3 Assessed LDZ Shrinkage

- 3.3.1 The Transporter will assess LDZ shrinkage in each relevant LDZ at intervals of approximately 12 months, on the basis of such historic information as may be available to it, by technical and statistical analysis including extrapolation of sampled information and identification of any long term trends.
- 3.3.2 The sources of the information referred to in paragraph 3.3.1 include:
- (a) as respects quantities consumed at preheating facilities, meter readings (where such facilities are metered);
 - (b) as respects leakage, assumptions which may be made from measurement of pressure profiles in each relevant LDZ.
- 3.3.3 Not later than 31 March in each Gas Year the Transporter will provide to Users a report setting out in respect of the Preceding Year:
- (a) values (for the whole year and/or on an average daily basis) of assessed LDZ shrinkage for each relevant LDZ together with a summary of the statistics and information from which (as described in paragraph 3.3.1) such values were derived; and
 - (b) a comparison of such assessed values with the values of LDZ shrinkage estimated before the Preceding Year in accordance with paragraph 3.1.

3.4 LDZ Shrinkage Adjustment

- 3.4.1 Not later than 31 March in the Gas Year, the Transporters will in respect of the Preceding Year review the estimate of the LDZ Shrinkage Factor for each LDZ established under paragraph 3.3.1 and the aggregate LDZ Shrinkage for each LDZ, and

where appropriate undertake a reconciliation in accordance with the LDZ Shrinkage Adjustment Methodology for the purposes of Section E7.6.

- 3.4.2 The "**LDZ Shrinkage Adjustments Methodology**" is the methodology from time to time established and revised by the Transporters and issued to Users setting out the calculations for the reconciliation to be carried out under paragraph 3.4.1.

4 ACCOUNTING FOR SHRINKAGE

4.1 Shrinkage Provider

- 4.1.1 Shrinkage shall be for the account of the relevant Shrinkage Provider (and treated for certain purposes as gas deemed to be offtaken from a System) in accordance with this paragraph 4.

- 4.1.2 For the purposes of the Code:

- (a) "**Shrinkage Provider**" means the NTS Shrinkage Provider and an LDZ Shrinkage Provider;
- (b) in relation to the NTS the "**NTS Shrinkage Provider**" means Transco NTS;
- (c) in relation to an LDZ the "**LDZ Shrinkage Provider**" means the relevant Transporter as DNO User

or any person to whom the responsibility for shrinkage in the relevant System has for the time being been assigned in accordance with paragraph 4.1.3.

- 4.1.3 In respect of a relevant System the Transporter may (by agreement with such person) assign to any person the responsibility for shrinkage in the System at any time and for any period and upon any terms as to payment or otherwise.

- 4.1.4 Where a person other than the relevant Transporter is Shrinkage Provider:

- (a) such person shall be required first to become a User of the NTS in accordance with Section V2;
- (b) if such person is or becomes a User for purposes other than those of Shrinkage Provider, it shall be a separate User of the NTS in its capacity as Shrinkage Provider and the provisions of paragraph 4.2 shall apply only in respect of such capacity as Shrinkage Provider.

4.2 Shrinkage Provider as User

- 4.2.1 A Shrinkage Provider shall be a User of the NTS, subject as provided in paragraph 4.2.2, and in relation to LDZ Shrinkage the NTS/LDZ Offtakes (in aggregate) in relation to an LDZ shall be deemed to be a System Exit Point for the purposes of the further provisions of this paragraph 4.

- 4.2.2 A Shrinkage Provider:

- (a) may purchase gas in respect of shrinkage:

- (i) provided such terms include a requirement that the Shrinkage Provider and the counterparty shall give effect to the sale and purchase of shrinkage gas by making Trade Nominations in accordance with C5; and
 - (ii) save for the requirement in (i) above, on such other terms as it thinks fit;
 - (b) may make Acquiring Trade Nominations and Disposing Trade Nominations in accordance with Section C5: provided always that a Shrinkage Provider may only make a Disposing Trade Nomination in respect of a Gas Day where the aggregate Trade Nomination Quantity of all Disposing Trade Nominations made by the Shrinkage Provider in respect of such Gas Day is less than or equal to the aggregate Trade Nomination Quantity of all Acquiring Trade Nominations made by the Shrinkage Provider in respect of the same Gas Day;
 - (c) shall not be required to apply for and pay for NTS Exit Capacity, LDZ Capacity or Commodity Charges;
 - (d) may post Market Offers;
 - (e) subject to paragraph (f), will make or receive payments in respect of Balancing Charges, in accordance with Section F; and
 - (f) shall not be required to pay Scheduling Charges in respect of Output Nominations, nor to pay Balancing Neutrality Charges or Reconciliation Neutrality Charges.
- 4.2.3 For the avoidance of doubt, Transco NTS may not take a Market Balancing Action for the purposes of buying or selling gas for the account of a Shrinkage Provider.

4.3 Shrinkage offtake

- 4.3.1 For the purposes of determining a Shrinkage Provider's Daily Imbalance in respect of any Day in accordance with Section E, the Daily Shrinkage Quantities for that Day shall be treated as quantities offtaken by the Shrinkage Provider (and accordingly shall be deemed to be UDQOs for the purposes of that Section E).
- 4.3.2 In accordance with paragraph 4.3.1, a Shrinkage Provider's Daily Imbalance for a Day will not take account of differences between estimated and assessed shrinkage (which will be taken into account by adjustment of Shrinkage Factors subsequently applicable in accordance with paragraphs 2 and 3).
- 4.3.3 For the purposes of Renominations (under C4) and Daily Imbalance Charges (under Section F2) the quantities treated as offtaken by a Shrinkage Provider shall be treated as though they were offtaken at NDM Supply Point Components.

4.4 Shrinkage Output Nominations

- 4.4.1 Subject to paragraph 4.4.2, Output Nominations and Renominations for a Shrinkage Provider will be made for the Shrinkage Provider by Transco NTS.
- 4.4.2 For each Day, there will (notwithstanding Section C) be a single Output Nomination for

a Shrinkage Provider.

4.4.3 The Nomination Quantity under each such Output Nomination will be:

- (a) in respect of the NTS Shrinkage Provider, Forecast Total System Demand, less the aggregate of the Nomination Quantities under Input Nominations in respect of LDZ System Entry Points, multiplied by the NTS Shrinkage Factor; and
 - (b) in respect of an LDZ Shrinkage Provider, Forecast LDZ Demand for the relevant LDZ(s) multiplied by the relevant LDZ Shrinkage Factor
- at the relevant Demand Forecast Time.

4.5 Reconciliation

Where following DM Reconciliation and CSEP Reconciliation in respect of an NTS Supply Meter Point or NTS Connected System Exit Point:

- (a) where, for the purposes of Section F5.1.1, the Reconciliation Quantity:
 - (i) is positive, the seller is the User and the buyer is the NTS Shrinkage Provider;
 - (ii) is negative, the seller is the NTS Shrinkage Provider and the buyer is the User; and
- (b) the Reconciliation Clearing Charges are payable:
 - (i) to the User, they shall be payable by the NTS Shrinkage Provider;
 - (ii) by the User, they shall be payable to the NTS Shrinkage Provider.

4.6 Information Provision

4.6.1 For the purposes of this paragraph 4.6:

- (a) **"relevant shrinkage disposals"** shall mean all gas disposed of by the NTS Shrinkage Provider, which gas had previously been purchased by the NTS Shrinkage Provider in respect of NTS shrinkage for the relevant Gas Flow Day;
- (b) **"relevant shrinkage purchases"** shall mean all gas purchased by the Shrinkage Provider in respect of NTS shrinkage for the relevant Gas Flow Day;
- (c) prices shall be quoted in pence per kWh and, to the extent that the NTS Shrinkage Provider is reasonably able to do so, shall take into account any discounts or premiums applied or charged in respect of relevant shrinkage purchases or relevant shrinkage disposals, provided the amount of such discounts and premiums were known to the NTS Shrinkage Provider at the time of the calculation of the relevant prices and were reasonably able to be applied to one or more relevant shrinkage purchases or relevant shrinkage disposals;
- (d) where the NTS Shrinkage Provider has entered into a transaction for an amount on each Gas Flow Day for a specific period it shall, for the purpose of calculating the number of transactions entered into, be deemed to be a separate

transaction in respect of each and every Gas Flow Day to which it relates; and

- (e) whilst all information published by the NTS Shrinkage Provider will so far as reasonably practicable be reflective of the information in its possession at a time as close as reasonably practicable to the time of publication, it will not be reflective of information which comes into its possession subsequently (or of any subsequent relevant shrinkage purchases or relevant shrinkage disposals in respect of the relevant Gas Flow Day), will not bind Transco NTS or the NTS Shrinkage Provider and will be without prejudice to the provisions in this Section N and elsewhere in the Code whether to later adjustment, assessment, reconciliation or otherwise.

4.6.2 The NTS Shrinkage Provider shall, no later than the end of the fifth Day following the relevant Gas Flow Day (or, if such Day is not a Business Day, the end of the first Business Day thereafter), publish the following information (where such information is available) in relation to relevant shrinkage purchases and relevant shrinkage disposals made in respect of that Gas Flow Day;

- (a) the net quantity of gas purchased (being the quantity derived as the aggregate quantity of gas purchased pursuant to relevant shrinkage purchases less the aggregate quantity of gas disposed of pursuant to relevant shrinkage disposals);
- (b) the aggregate quantity of gas purchased pursuant to relevant shrinkage purchases;
- (c) the aggregate quantity of gas disposed of pursuant to relevant shrinkage disposals;
- (d) the aggregate number of transactions entered into in respect of relevant shrinkage purchases;
- (e) the aggregate number of transactions entered into in respect of relevant shrinkage disposals;
- (f) the weighted average price of relevant shrinkage purchases;
- (g) the weighted average price of relevant shrinkage disposals;
- (h) the minimum price paid under a transaction for a relevant shrinkage purchase;
- (i) the maximum price paid under a transaction for a relevant shrinkage purchase;
- (j) the minimum price received under a transaction for a relevant shrinkage disposal; and
- (k) the maximum price received under a transaction for a relevant shrinkage disposal.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION O – SYSTEM PLANNING

1 GENERAL

1.1 Introduction

1.1.1 Each year:

- (a) Transco NTS will publish assumptions and information in respect of supply and demand for gas, and in respect of the Total System and its use, in accordance with the requirements of Transco NTS's Transporter's Licence; and
- (b) each Transporter will publish information in respect of supply and demand for gas, and in respect of relevant System(s) and its use, in accordance with the requirements of its Transporter's Licence.

1.1.2 The Transporter needs Users to provide (and cooperate in the provision of) information to the Transporter for the purposes of enabling the Transporter:

- (a) to comply with its obligations pursuant to the Act and the Transporter's Licence in relation to the development of the relevant System(s); and
- (b) to prepare and publish the assumptions and/or information referred to in paragraph 1.1.1 and otherwise contemplated under this Section O.

1.1.3 The information to be provided by Users pursuant to this Section O shall be treated as having been requested by the Transporter for the purposes of Standard Condition 9(1) of the Shipper's Licence.

1.1.4 Pursuant to paragraph 1.1.3, to the extent that a User is required by virtue of Standard Condition 9(1) of the Shipper's Licence to comply with any requirement for information to be provided to the Transporter under this Section O, this Section O does not create an additional obligation for the User to provide such information.

1.2 Base Plan Assumptions and Ten Year Statement

1.2.1 Each year Transco NTS will publish Base Plan Assumptions and subsequently a Ten Year Statement in accordance with paragraphs 3 and 4.

1.2.2 "Base Plan Assumptions" is a document setting out initial assumptions as to supply and demand in Gas Years and requesting information from Users and other persons.

1.2.3 A "Ten Year Statement" is a document containing:

- (a) in the case of Transco NTS, the statement (or revised statement) required to be prepared pursuant to Standard Special Condition C2 of Transco NTS's Transporter's Licence and any direction of the Authority pursuant thereto;
- (b) in the case of a DN Operator, the statement (or revised statement) required to be prepared pursuant to Special Condition D3 of its Transporter's Licence and any

direction of the Authority pursuant thereto

and such further information which may be required for the purposes of the Code (in particular, Section Q) or which the Transporter may decide to include in such document.

- 1.2.4 Where the context admits, any reference in the Code to a Ten Year Statement is a reference to the most recently published such statement at any time, and a reference to a Ten Year Statement applicable to a particular Gas Year is to the statement for which (in accordance with paragraph 1.4) such year is year 0.

1.3 Status of planning documents

No Transporter will be liable pursuant to the Code to any User in relation to any estimate, forecast or other information contained in or omitted from the Base Plan Assumptions or Ten Year Statement, and nothing contained therein will bind a Transporter to undertake any reinforcement of any relevant System(s).

1.4 Planning years

For the purposes of this Section O, in relation to the planning activities undertaken in accordance with this Section O in any year, year 0 is the Gas Year in which such activities are being undertaken, year 1 is the immediately following Gas Year and years 2 to 9 are the following 8 Gas Years, and years - 3 to - 1 are the three Gas Years preceding year 0.

1.5 DNO Users

In this Section O references to Users exclude DNO Users.

2 SUPPLY AND DEMAND

2.1 Demand

- 2.1.1 For the purposes of this Section O references to demand exclude demand for gas offtaken to Storage Facilities, but include demand for gas offtaken to Connected Oftake Systems other than Storage Facilities.
- 2.1.2 Except in paragraph 3.2, references in this Section O to demand are inclusive of shrinkage.
- 2.1.3 For the purposes of this Section O:
- (a) demand may be estimated on different assumptions as to the inclusion or exclusion of and the nature of interruptible demand (for these purposes being demand under contracts of sale or supply which permit the interruption of the supply of gas); and
 - (b) where the Transporter publishes or requests information as to estimated demand it may specify the assumptions (or alternative assumptions) as to interruptible demand on which such estimates are made or to be made.
- 2.1.4 For the purposes of determining Total System 1-in-20 peak day demand, Total System

1-in-50 Severe Annual Demand, System 1-in-20 peak day demand or System 1-in-50 Severe Annual Demand, peak day demand excludes interruptible demand, and annual demand excludes interruptible demand on Days of permitted Interruption (within the Interruption Allowance) in the period from 1 October to 31 March.

2.2 Supply

2.2.1 For the purposes of this Section O, in respect of any Gas Year, in relation to the Total System or any System Entry Point "**maximum daily supply**" is the maximum availability of gas for supply on one Day in that year; where availability of gas for supply is the quantity of gas that can be delivered on a Day to the Total System at a System Entry Point or System Entry Points, other than from Storage Facilities.

2.2.2 For the purposes of paragraph 2.2.1:

- (a) availability of gas for supply in any year may be estimated on assumptions which include, in addition to contractual commitments as to the supply of gas, assumptions as to such commitments expected to be made before or during the year, and/or supplies of gas expected to be available on a spot basis during such year, and/or sources of gas expected to be developed before or during such year; and
- (b) where the Transporter publishes or requests information as to estimated availability of gas for supply it may specify the assumptions (or alternative assumptions) on which such estimates are made or to be made.

2.3 Sources of information

Except as provided in the Code, no Transporter is party to any agreement for the sale of gas offtaken from the Total System, or the purchase of gas delivered to the Total System; and accordingly each Transporter depends on the information provided by persons who are party to such agreements, and on other sources of information (including any information requirements under Network Entry Agreements and Network Exit Provisions, and the Transporter's historic records), in estimating under this Section O demand and availability of gas for supply.

3 BASE PLAN ASSUMPTIONS

3.1 Publication and content

3.1.1 In October of each year (year 0), Transco NTS will publish for consultation the Base Plan Assumptions, and invite comments from Users and others thereon in accordance with paragraph 3.2.

3.1.2 The Base Plan Assumptions will typically include:

- (a) details for each of years - 3 to - 1 of actual peak day demand:
 - (i) for the Total System; and
 - (ii) for System Exit Points (other than Unmetered Connected System Exit Points) in accordance with paragraph 3.1.3;

- (b) estimates for each of years 0 to 9 (or for certain of such years) of:
 - (i) Total System 1-in-20 peak day demand and the Total System seasonal normal annual demand, upon each of the demand growth assumptions under paragraph (e) below; and
 - (ii) 1-in-20 peak day demand for System Exit Points in accordance with paragraph 3.1.3;
 - (c) estimates for each of years 0 to 9 (or for certain of such years) of maximum daily supply for the Total System, by System Entry Point, and the assumptions (in accordance with paragraph 2.2.1) on which such estimates were made;
 - (d) an estimate for year 1 of the amounts by which maximum daily supply falls short of Total System 1-in-20 peak day demand;
 - (e) different assumptions (high, low and central) as to overall growth in demand for gas in years 0 to 9 or certain of such years;
 - (f) the principal economic and other assumptions made by Transco NTS in preparing such estimates; and
 - (g) a reference date for the making of estimations of demand.
- 3.1.3 The details or estimates in respect of System Exit Points under paragraphs 3.1.2(a)(ii) and (b)(ii) will be given:
- (a) in respect of LDZ Supply Points, on an aggregated basis by LDZ;
 - (b) in respect of NTS Supply Points, on an aggregated basis for the Total System as a whole; and
 - (c) in respect of each LDZ Connected System Exit Point on an aggregated basis by LDZ (but not for Storage Connection Points).

3.2 User information requirements

- 3.2.1 Each User shall provide to the Transporter, by the date (not less than one month after the Base Plan Assumptions were published) and in the format specified in the Base Plan Assumptions:
- (a) estimates for years 1 to 3 of 1-in-20 peak day demand and seasonal normal annual demand at Supply Points of which it is the Registered User and (as respects demand for gas attributable to it) at Connected System Exit Points other than Storage Connection Points;
 - (b) such estimates for years 1 to 3 of availability of gas for supply (in accordance with paragraph 2.2.1) to such User, upon such assumptions (as referred to in paragraph 2.2.2), as may be required pursuant to the Base Plan Assumptions; and
 - (c) in the case of Transco NTS, such further information as may reasonably be requested by Transco NTS under the Base Plan Assumptions.

3.2.2 The information required under paragraph 3.2.1 is to be provided:

- (a) as respects LDZ Supply Points, for each LDZ, on an aggregated basis by reference to bands of demand (specified by the Transporter) at Firm Supply Points, and on an aggregated basis for Interruptible Supply Points;
- (b) as respects NTS Supply Points and Connected System Exit Points, by System Point; and
- (c) as respects availability of gas for supply, by Aggregate System Entry Point

and on such basis of estimation or otherwise as may be specified in the Base Plan Assumptions.

3.2.3 Subject to paragraph 3.2.4, in order to ensure consistency of information provided to the Transporter and to avoid duplication in estimation of demand, a User's estimates of demand are to be in relation to Supply Points in respect of which the User is Registered User and other sources of demand as at the reference date specified (pursuant to paragraph 3.1.2(g)) in the Base Plan Assumptions, and Users should not take into account anticipated changes in their portfolios of Supply Points or in market share, other than as respects new loads in accordance with paragraph 3.2.4.

3.2.4 In providing estimates and information under paragraph 3.2.1(a) each User will be required in particular to provide information in relation to the new sources of demand of the User such as new residential, commercial or industrial developments, and to indicate the extent to which the User has secured or expects to secure contractual commitments for the sale of gas in connection with such developments.

3.2.5 References to demand in this paragraph 3.2 are exclusive of shrinkage.

3.3 Confidential information

3.3.1 The Transporter and Users acknowledge that Users will be required under paragraph 3.2.1 to provide information which may be commercially sensitive vis-à-vis other Users.

3.3.2 Where the Base Plan Assumptions specify the form in which information provided to Transco NTS pursuant thereto is to be published, a person providing information to the Transporter for the purposes of this Section O will be deemed to have consented to:

- (a) the disclosure of such information by a Transporter to Transco NTS; and
- (b) the publication by the Transporter of such information in such form unless such person expressly notifies the Transporter otherwise.

3.3.3 Subject to paragraph 3.3.2 and to the Transporter's duties under the Transporter's Licence and the Act, and except where any such person consents thereto, the Transporter agrees that the Ten Year Statement, and in the case of Transco NTS only the Base Plan Assumptions, will not identify by name any particular Users nor (insofar as any User shall have provided information to the Transporter relating to such person) any supplier, consumer or person producing or selling gas before its delivery to the Total System.

3.4 Information requested under Licence

If a User intends, pursuant to Standard Condition 8(2) of the Shipper's Licence, to refuse to provide any item of information requested by the Transporter, the User undertakes promptly:

- (a) to inform the Transporter of such intention;
- (b) if requested by the Transporter, to discuss with the Transporter whether there is a form in which the information can be provided or alternative information which can be provided; and
- (c) if requested by the Transporter, to refer or cooperate with the Transporter in referring its refusal to the Authority for determination under that condition.

3.5 Information from other persons

- 3.5.1 Subject to paragraph 3.5.2, each User will, in so far as lies within its power, cooperate with and provide reasonable assistance to the Transporter in obtaining information requested under the Base Plan Assumptions from persons not bound by the Code, including Delivery Facility Operators in respect of Connected Delivery Facilities at Aggregate System Entry Points and Offtake System Operators in respect of Connected Offtake Systems at Connected System Exit Points at which the User holds capacity, persons from whom the User has contracted to purchase gas, suppliers to whom the User has contracted to sell gas and consumers who are customers of such suppliers or of the User directly.
- 3.5.2 Users will not be required pursuant to paragraph 3.5.1 to incur significant expenditure or to infringe any obligation of confidentiality or other obligation, and will not (by virtue of anything done pursuant to that paragraph) be responsible for any information provided by any person (other than a User) referred to in that paragraph.

4 TEN YEAR STATEMENT AND GS(M)R SAFETY CASE STORAGE VOLUME

4.1 Publication and content of Ten Year Statement

On the basis of the information provided:

- (a) to Transco NTS by Users, other responses to the Base Plan Assumptions and other information available to it, Transco NTS will;
- (b) to the Transporter by Users and other information available to it, the Transporter will

prepare by such date as may be required pursuant to its Transporter's Licence in year 0, and publish a Ten Year Statement.

4.2 GS(M)R Safety Case Storage Volume details

- 4.2.1 Transco NTS will prepare and publish as GS(M)R Safety Case Storage Volume, by the time such estimates are required for the purposes of Section Q (and accordingly before preparing the Ten Year Statement) estimates for year 1 of:

- (a) Total System 1-in-20 peak day demand and Total System 1-in-50 Severe Annual Demand; and
- (b) maximum daily supply for the Total System

which will, subject to paragraph 4.2.5, be the values thereof used for the purposes of the Code (including those of Section Q).

- 4.2.2 The Estimated GS(M)R Safety Case Storage Volume will state the assumptions as to interruptible demand (in accordance with paragraph 2.1.3) and availability of gas for supply (in accordance with paragraph 2.2.2) made for the purposes of the estimates made pursuant to paragraph 4.2.1.
- 4.2.3 Without prejudice to the generality of paragraph 4.2.2, the GS(M)R Safety Case Storage Volume will include assumptions as respects demand and supply at any System Point at which an interconnector (connecting the Total System with a pipeline system in another country) is connected to the Total System.
- 4.2.4 The Ten Year Statement may contain up-dated details of the matters of which details for year 1 are contained in the GS(M)R Safety Case Storage Volume, notwithstanding which the details in the GS(M)R Safety Case Storage Volume will prevail for the purposes of the Code.
- 4.2.5 Transco NTS may (but shall not be obliged to) revise estimates under paragraph 4.2.1, on any date from 1 May up to and including 1 October in year 1, for the purposes of Section Q.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION Q – EMERGENCIES

1 GENERAL

1.1 Introduction

1.1.1 In this Section Q:

- (a) "**Regulations**" means the Gas Safety (Management) Regulations 1996, and references to particular Regulations shall be construed accordingly;
- (b) "**supply emergency**" has the meaning ascribed thereto in the Regulations;
- (c) "**NEC**" means the person from time to time who is the network emergency coordinator in accordance with the Regulations;
- (d) references to Transco NTS do not include Transco NTS in its capacity as NEC where it has been so appointed;
- (e) "**NEC Safety Case**" means the safety case (in accordance with Regulation 2(5)) of the NEC.

1.1.2 Users and the Transporter acknowledge that the conveyance of gas by pipelines involves risk of supply emergency, in the context of which (and of the duties of the Transporter in relation to supply emergencies pursuant to the Regulations and any other Legal Requirement) the provisions of this Section Q are appropriate and reasonable.

1.1.3 This Section Q provides for the following matters:

- (a) requirements to be complied with by Users in respect of Gas Supply Emergencies to enable the Transporter to discharge its duties (pursuant to the Regulations and any other Legal Requirement) in respect of Gas Supply Emergencies;
- (b) the consequences for the Transporter and Users of a Gas Supply Emergency in respect of the application of the Code.

1.1.4 Without prejudice to the duty of cooperation under Regulation 6(1) (*Co-operation*), a User shall not be required in a Gas Supply Emergency to comply with any requirement under this Section Q where it would be manifestly unreasonable to expect the User to do so; but where a User is of the opinion that it is (by reason of this paragraph 1.1.4) excused from complying with any requirement under this Section Q it shall forthwith notify the Transporter of that fact and if so requested cooperate with the Transporter to the maximum extent reasonable in the circumstances to establish what alternative requirement (whether or not contemplated by this Section Q) it would be able to comply with; provided that paragraph 4.2 shall (insofar as capable of applying) apply in respect of compliance with any such alternative requirement.

1.1.5 A User shall not be excused by virtue of paragraph 1.1.4 from any payment obligation

under paragraph 4.

1.2 Gas Supply Emergency

- 1.2.1 For the purposes of the Code, a "**Gas Supply Emergency**" is a gas supply emergency (as referred to in the NEC Safety Case), namely the occurrence of an event or existence of circumstances which have resulted in, or which give rise to a significant risk of, a loss of pressure in the Total System or a part of the Total System which itself has resulted in or might result in a supply emergency; and any reference in any other Section of the Code to an "**Emergency**" is a reference to a Gas Supply Emergency.
- 1.2.2 In particular, but without limitation, a Gas Supply Emergency may exist where the Transporter's ability to maintain safe pressures within a System is affected or threatened by any actual or potential interruption or disruption to or insufficiency of deliveries of gas to the System, or by any actual or potential failure of or damage to any part of the System.
- 1.2.3 For the purposes of the Code:
- (a) a "**Network Gas Supply Emergency**" is a network gas supply emergency (as referred to in the NEC Safety Case), namely a Gas Supply Emergency which involves or may involve a loss of pressure in the NTS;
 - (b) a "**Network Gas Supply Emergency Gas Deficit Emergency**" is a Network Gas Supply Emergency which arises as a result of:
 - (i) deliveries of gas to the Total System being insufficient for the purpose of meeting demand for gas on the Total System;
 - (ii) or a Transportation Constraint affecting the deliveries of gas to the Total System;
 - (iii) or a Transportation Constraint on a System which does not prejudice the ability of Users to offtake gas from the Total System;
 - (iv) or a potential or actual breach of a Safety Monitor.
 - (c) a "**Network Gas Supply Emergency Critical Transportation Constraint Emergency**" is a Network Gas Supply Emergency which is not a Network Gas Supply Emergency Gas Deficit Emergency; and
 - (d) any other Gas Supply Emergency is a "**Local Gas Supply Emergency**" (that is, local gas supply emergency as referred to in the NEC Safety Case).
- 1.2.4 In accordance with the NEC Safety Case, the existence, duration and cessation of a Network Gas Supply Emergency is to be determined by the NEC.
- 1.2.5 The Transporter confirms that in its opinion any Gas Supply Emergency including, in the opinion of Transco NTS, a Potential Network Gas Supply Emergency will constitute a pipeline system emergency (as referred to in Standard Licence Condition 5(1)(b) of the Shipper's Licence).

1.2.6 In this Section Q:

- (a) **"Stage"** means a stage (from 1 to 5) of the Network Gas Supply Emergency Procedure as described in the NEC Safety Case, and a Network Gas Supply Emergency is of a particular Stage where the NEC has determined that the relevant stage of such procedures applies in relation to such Gas Supply Emergency;
- (b) a **"Potential Network Gas Supply Emergency"** is a potential network gas supply emergency as described in the Network Gas Supply Emergency Procedures, namely a case where the NEC has initiated Stage 1 of the Network Gas Supply Emergency Procedure and is for the time being of the opinion that a Network Gas Supply Emergency can be averted by Emergency Steps which may be taken in Stage 1;
- (c) unless expressly otherwise provided, references to a Gas Supply Emergency or a Network Gas Supply Emergency do not include a Potential Network Gas Supply Emergency.

1.2.7 The existence of a Local Gas Supply Emergency in relation to a relevant System(s) shall be determined by the Transporter in its sole judgement and irrespective of the cause of and of whether the Transporter or any other person may have caused or contributed to the Local Gas Supply Emergency.

1.2.8 A Local Gas Supply Emergency will continue until such time as the Transporter determines that the circumstances which resulted in or might result in a supply emergency no longer apply, that no further Emergency Steps are required, and that normal operation of the relevant part of the Total System and implementation of the Code may be resumed.

1.3 Emergency Steps

1.3.1 For the purposes of the Code, **"Emergency Steps"** are steps to be taken by the Transporter or a User:

- (a) to avert and/or to reduce the probability of or the probable scale of a Gas Supply Emergency, and/or to prepare for the occurrence of a Gas Supply Emergency; or
- (b) to overcome or contain a Gas Supply Emergency and/or to avert or reduce the hazard presented by it, and/or restore gas supply and normal operation of the relevant part of the Total System and facilitate appropriate reinstatement of the provisions of the Code following the taking of any such steps.

1.3.2 Users and the Transporter acknowledge that in a Gas Supply Emergency their business interests will be subordinate to the need to take Emergency Steps in accordance with this Section Q.

1.3.3 Nothing in this Section Q or the Emergency Procedures shall limit the ability of the Transporter to take any action or step necessitated in its judgement in the interests of safety by a Gas Supply Emergency (including in the case of Transco NTS in a Potential Network Gas Supply Emergency).

- 1.3.4 No Emergency Step taken or other thing done or not done, by the Transporter, any other Transporter or any User, pursuant to (and in compliance with any requirements under) this Section Q or Condition 5(2) of the Shipper's Licence shall be a breach of any provision of the Code; and in particular the Transporter will not be in breach of its obligation to accept gas tendered for delivery to the Total System at a System Entry Point or to make gas available for offtake from the Total System at a System Exit Point to the extent that (as a result of any such step taken or thing done or not done) gas tendered for delivery is not accepted or gas is not made available for offtake and in accordance with the Applicable Offtake Requirements.
- 1.3.5 It is acknowledged that, in a Gas Supply Emergency (including a Potential Network Gas Supply Emergency), if so authorised by the NEC pursuant to Regulation 8(2) (*Content and other characteristics of gas*), the Transporter may permit gas which does not comply with the applicable Gas Entry Conditions to be delivered to the Total System at a System Entry Point.

1.4 Emergency Procedures

- 1.4.1 "**Emergency Procedures**" means in relation to a Network Gas Supply Emergency, the document issued by Transco NTS entitled 'Network Gas Supply Emergency Procedure', and in relation to a Local Gas Supply Emergency the document issued by the Transporters entitled 'Local Gas Supply Emergency Procedure', containing details (inter alia) of planned Emergency Steps, as from time to time revised by Transco NTS or the Transporters in consultation with the Health and Safety Executive, Users and others.
- 1.4.2 Transco NTS or (as the case may be) the Transporters will provide without charge to each User a reasonable number of copies of the relevant Emergency Procedures not later than the User Accession Date, and thereafter of any update thereof or revision thereto upon making such update or revision.

1.5 Large Firm Supply Points

- 1.5.1 For the purposes of this Section Q, a "**Large Firm Supply Point**" is a Firm Supply Point whose Annual Quantity is greater than 732,000 kWh (25,000 therms).
- 1.5.2 Where the Emergency Steps to be taken in any Gas Supply Emergency include a reduction in demand at Firm Supply Points, consumers at Large Firm Supply Points will (in accordance with the Emergency Procedures) be required to reduce demand before other categories of consumer.

1.6 Priority Consumers

For the purposes of this Section Q:

- (a) a "**Priority Consumer**" is a consumer whose name appears on the list established (and from time to time amended) by the Transporter in accordance with Standard Condition 6(17) of the Transporter's Licence; and the relevant Supply Point is a "**Priority Supply Point**";
- (b) "**Priority Criteria**" means the criteria designated by the Secretary of State pursuant to that condition and, if the Secretary of State has not designated criteria, or to the extent that such designated criteria are not expressed to be

exhaustive, any other criteria which the Transporter may from time to time notify to Users for the purposes of assisting the Transporter to determine which consumers should be given priority in accordance with that condition.

1.7 Connected Systems

The Transporter may agree pursuant to a Network Entry Agreement or Network Exit Provisions (or other agreement with the relevant person) upon procedures or steps to be taken in a Gas Supply Emergency by the Transporter or another Transporter or a Delivery Facility Operator or Connected System Operator and may give effect to such procedures or steps in addition to or in lieu of any Emergency Steps pursuant to this Section Q.

1.8 Scope of this Section

1.8.1 This Section Q does not apply in respect of:

- (a) the Transporter's duties under Regulation 7 (*Gas escapes and investigations*) nor the arrangements referred to in paragraphs (1), (8) of Standard Special Condition A8 of the Gas Transporter's Licence, it being understood that such arrangements (and any co-operation required of Users pursuant to Regulation 6(1) (*Co-operation*) in relation to such duties and any arrangements which the Transporter and any User may make in connection with Standard Condition 5(1)(b) of the Shipper's Licence) are matters outside the scope of the Code;
- (b) any other duties of the Transporter pursuant to the Regulations relating to matters other than Gas Supply Emergencies, it being understood that any cooperation required of Users pursuant to Regulation 6(1) in relation to any such matter is a matter outside the scope of the Code;
- (c) any circumstances constituting a pipeline system emergency where such circumstances do not also constitute a Gas Supply Emergency, it being understood that any request given by the Transporter for the purposes of Standard Condition 5(1)(b) of the Shipper's Licence in such circumstances is a matter outside the scope of the Code.

1.8.2 In accordance with paragraph 1.8.1(a) an escape of gas is not of itself a Gas Supply Emergency (but subject thereto an escape of gas may be a circumstance which gives rise to a Gas Supply Emergency); and Gas Supply Emergency and Emergency Steps shall be construed accordingly.

1.9 Shipper's Licence

1.9.1 Any request or instruction given by the Transporter to a User in a Gas Supply Emergency shall be treated as being:

- (a) a request for the purposes of Standard Licence Condition 5(2) of the Shipper's Licence;
- (b) a request for cooperation pursuant to Regulation 6(1); and
- (c) to the intent that paragraph 4 shall (where relevant) apply in relation thereto, a

request or instruction made pursuant to this Section Q

unless in any case such request or instruction is not capable of being construed as such.

- 1.9.2 Without prejudice to paragraph 1.9.1(b), nothing in this Section Q shall preclude the Transporter from making any request to a User for the purposes of Standard Licence Condition 5(2) of the Shipper's Licence or for cooperation pursuant to Regulation 6(1).
- 1.9.3 Nothing in this Section Q shall be construed as precluding the Transporter from giving any direction to any person pursuant to Regulation 6(4) (*Co-operation*).

1.10 Code Communications

The provisions of the UK Link Manual as to the giving of Code Communications are without prejudice to the provisions of the Emergency Procedures and such other requirements as the Transporter may specify for communicating in a Gas Supply Emergency.

1.11 DNO Users

In this Section Q references to Users exclude DNO Users, other than (in paragraph 4 only) a DNO User in its capacity as an LDZ Shrinkage Provider.

2 EMERGENCY PREPAREDNESS

2.1 Introduction

- 2.1.1 Users are required to comply with the requirements in this paragraph 2 with a view to ensuring an adequate level of preparedness for the occurrence of a Gas Supply Emergency.
- 2.1.2 Each User shall ensure that suppliers supplying gas at Supply Points of which the User is the Registered User are aware of the terms of this Section Q in so far as they may be affected thereby.

2.2 User emergency contacts

- 2.2.1 Each User shall provide to the Transporter:
 - (a) a single telephone number and a single facsimile number by means of each of which the Transporter may contact, 24 hours a Day, a representative of the User in a Gas Supply Emergency for any purpose pursuant to this Section Q;
 - (b) the name(s) or title(s) of the User's representatives who may be contacted at such numbers.
- 2.2.2 Each such representative shall be a person having appropriate authority and responsibilities within the User's organisation to act as the primary contact for the Transporter in the event of a Gas Supply Emergency.
- 2.2.3 The details required under paragraph 2.2.1 shall be provided by an Applicant User before becoming a User and shall at all times be maintained up to date; and for these

purposes the User shall notify to the Transporter any change in such details promptly and where possible in advance.

2.3 Large Firm Supply Points

2.3.1 A User shall in respect of each Large Firm Supply Point of which it is the Registered User provide to the Transporter:

- (a) in accordance with paragraph 2.3.2, the names and/or job titles of representatives of the consumer ("**emergency contacts**") each of which has the power and authority to comply with any direction given pursuant to Regulation 6(4);
- (b) at least one (but not more than four) telephone numbers for each emergency contact by means of which the Transporter may contact, 24 hours a day, at least one emergency contact; and
- (c) in the case of a Large Firm Supply Point the Annual Quantity of which is greater than 1,464,000 kWh (*50,000 therms*), one facsimile number, for the purposes of receiving communications pursuant to this Section Q, which is able to receive transmissions 24 hours a day.

2.3.2 For the purposes of paragraph 2.3.1(b):

- (a) in the case of a Large Firm Supply Point in respect of any site which is manned 24 hours a day, the Registered User will provide to the Transporter the name(s) and/or job title(s) of at least one but not more than 5 emergency contacts; and
- (b) in the case of a Large Firm Supply Point in respect of any site which is not manned 24 hours a day, the Registered User will provide to the Transporter the names and/or job titles of at least 3 but not more than 5 emergency contacts.

2.3.3 A User shall comply with the requirements of paragraph 2.3.1:

- (a) where the User becomes the Registered User in respect of a Large Firm Supply Point, when submitting the Supply Point Confirmation;
- (b) where for any Gas Year a Supply Point of which a User is the Registered User becomes (by virtue of a change in its Annual Quantity or being designated as Firm) a Large Firm Supply Point, as soon as reasonably practicable, and in any event not later than 30 September in that Gas Year.

2.3.4 The details required under paragraph 2.3.1 shall at all times be maintained up to date; and for these purposes the User shall notify to the Transporter any change in such details as soon as reasonably practicable and where possible in advance of such change.

2.4 Interruptible Supply Points

2.4.1 A User shall in respect of each Interruptible Supply Point of which it is the Registered User provide to the Transporter:

- (a) the name and (in the case of a corporation) registered office of the consumer;

- (b) in accordance with paragraph 2.4.2, the names and/or job titles of representatives of the consumer ("**emergency contacts**") each of which has the power and authority to comply with any direction given pursuant to Regulation 6(4);
- (c) at least one (but not more than 4) telephone numbers for each emergency contact by means of which the Transporter may contact, 24 hours a day, at least one emergency contact; and
- (d) one facsimile number, for the purposes of receiving communications pursuant to Section G and Section Q, which is able to receive transmissions 24 hours a day

and for the avoidance of doubt, the emergency contacts provided for under this paragraph may be the same contacts as those referred to in Section G 6.6.2 as 'interruption contacts'. The total number of emergency contacts provided for under this paragraph (and interruption contacts provided for under Section G 6.6.2) shall not exceed 5 in relation to any Interruptible Supply Point.

2.4.2 For the purposes of paragraph 2.4.1(b):

- (a) in the case of any Interruptible Supply Point in respect of any site which is manned 24 hours a day, the Registered User will provide to the Transporter the name(s) and/or job title(s) of at least one but not more than 4 emergency contacts; and
- (b) in the case of any Interruptible Supply Point in respect of any site which is not manned 24 hours a day, the Registered User will provide to the Transporter the names and/or job titles of at least 3 but not more than 4 emergency contacts.

2.4.3 A User shall comply with the requirements of paragraph 2.4.1 where the User becomes the Registered User in respect of an Interruptible Supply Point, when submitting the Supply Point Confirmation.

2.4.4 The details required under paragraph 2.4.1 shall at all times be maintained up to date; and for these purposes the User shall notify to the Transporter any change in such details as soon as reasonably practicable and where possible in advance of such change.

2.5 Priority Supply Points

2.5.1 Each User shall:

- (a) take all reasonable steps to ascertain, in relation to any Supply Point in respect of which the User submits a Supply Point Nomination, or of which it is the Registered User, whether the consumer satisfies or (as the case may be) has come to satisfy the Priority Criteria;
- (b) where it believes that the consumer does satisfy the Priority Criteria (where it is the Registered User, promptly upon forming that belief) so notify the Transporter, stating the identity of the consumer and the basis for its belief; and
- (c) where:

- (i) a User becomes the Registered User at a Supply Point in relation to which the consumer is a Priority Consumer; or
- (ii) the Transporter confirms pursuant to paragraph 2.5.2 that a consumer in relation to which that User is the Registered User is a Priority Consumer

notify that consumer (in terms reasonably specified by the Transporter having regard to Standard Special Condition A8 of the Transporter's Licence) of the circumstances in which it need not comply with instructions to reduce or cease, or in which it may resume or increase, the consumption of gas in a Gas Supply Emergency.

2.5.2 Where the Transporter adds the name of a consumer to the list described in paragraph 1.6(a) it shall inform the Registered User in relation to that consumer of such addition.

2.5.3 The Registered User shall promptly inform the Transporter if it becomes aware (and shall take reasonable steps to ensure that it does become aware) that the consumer at a Priority Supply Point ceases to satisfy the Priority Criteria.

2.5.4 Where the Transporter removes the name of a consumer from the list described in paragraph 1.6(a) it shall inform the User that is the Registered User in relation to that consumer of such removal.

2.5.5 Where the Transporter informs a User that a consumer in relation to which that User is the Registered User has been removed from the list described in paragraph 1.6(a), that User shall notify the consumer of the change to the circumstances in which it may reduce, cease, resume or increase the consumption of gas in a Gas Supply Emergency.

2.5.6 A User may not designate a Priority Supply Point as Interruptible except as otherwise set out in the Priority Criteria.

2.5.7 Each User shall (subject to the other requirements of this Section Q), in respect of each Priority Supply Point of which it is the Registered User, provide to the Transporter the name and/ or title of one representative of the consumer, together with a telephone number by means of which the Transporter may contact such representative during normal working hours on a Business Day.

2.6 Emergency Procedures

2.6.1 Each User shall secure that all of its relevant personnel are familiar with the Emergency Procedures.

2.6.2 For the purposes of paragraph 2.6.1 a User's relevant personnel are personnel employed or engaged by the User whose functions or areas of responsibility are such that (in order to enable the User to comply with any requirement of this Section Q) they are likely to be required to take any decision or action in a Gas Supply Emergency.

2.7 User procedures

2.7.1 Each User shall establish and maintain such procedures as may be necessary:

- (a) to facilitate compliance by the User with the requirements of this paragraph 2;
 - (b) to enable the User to comply with the requirements of paragraph 3 in a Gas Supply Emergency.
- 2.7.2 Each User shall take all reasonable steps within its power to ensure that, in so far as may be necessary to give effect to the requirements of this Section Q and to the Emergency Procedures, the procedures established by it under paragraph 2.7.1 are coordinated:
 - (a) with the Emergency Procedures; and
 - (b) if the Transporter shall so notify the User identifying the other person(s) and specifying the coordination required, with any procedures established by Delivery Facility Operators or Offtake System Operators or another Transporter relating to Gas Supply Emergencies, or the procedures established by other Users under this paragraph 2.7; and shall consult with such other parties accordingly.
- 2.7.3 The User shall if requested by the Transporter provide to the Transporter a copy of the procedures from time to time established by it under paragraph 2.7.1; and the Transporter shall be at liberty to disclose to and discuss with any Competent Authority any such procedures provided to it.

3 OCCURRENCE OF A GAS SUPPLY EMERGENCY

3.1 General

- 3.1.1 Where the NEC declares a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency) Transco NTS, or where a Local Gas Supply Emergency arises the Transporter, will:
 - (a) inform Users, in accordance with the Emergency Procedures and (except in the case of a Gas Supply Incident as described in such Procedures) as soon as reasonably practicable, of the commencement of the Gas Supply Emergency, whether it is a Local or a Network Gas Supply Emergency and (in the case of a Network Gas Supply Emergency) whether it is a Potential Network Gas Supply Emergency or of the Stage thereof, and (in the case of a Network Gas Supply Emergency which is not a Potential Network Gas Supply Emergency) whether it is a Network Gas Supply Emergency Gas Deficit Emergency or a Network Gas Supply Emergency Critical Transportation Constraint Emergency, and (in the case of any Gas Supply Emergency), in so far as reasonably practicable, of the nature, extent and expected duration of the Gas Supply Emergency and the part of the Total System affected thereby;
 - (b) thereafter keep Users reasonably informed as to material changes to the information provided under paragraph (a) (including any change in the Stage of a Network Gas Supply Emergency) and material developments in respect of the Gas Supply Emergency (including, without limitation, any determination made by Transco NTS pursuant to paragraph 3.5.1); and
 - (c) inform Users as soon as reasonably practicable when the NEC has informed the

Transporter, or (as the case may be) the Transporter has determined (in accordance with paragraph 1.2.7), that the Gas Supply Emergency is no longer continuing.

- 3.1.2 Upon being informed of a Gas Supply Emergency (including a Potential Network Gas Supply Emergency) a User shall brief all relevant personnel (as defined in paragraph 2.6.2) as to the existence and nature of the Gas Supply Emergency.
- 3.1.3 During a Gas Supply Emergency each User is required:
- (a) to comply with the Emergency Procedures in so far as applicable to the User in the circumstances;
 - (b) to comply (in the case of a Network Gas Supply Emergency, including a Potential Network Gas Supply Emergency) with the requirements of paragraph 3.3.1, and (in the case of any Gas Supply Emergency) with the requirements (insofar as applicable to Users) of paragraph 3.4, as to Emergency Steps in relation to the delivery and offtake of gas to and from the Total System;
 - (c) to cooperate with the Transporter, to the extent within the User's power (and without thereby rendering the User unable to comply with any requirement to take Emergency Steps itself), so as to enable the Transporter to take Emergency Steps in accordance with the Emergency Procedures; and
 - (d) in so doing to comply with the Transporter's instructions and requests (made for the purposes of paragraphs (a), (b) and (c)) as soon as reasonably practicable.
- 3.1.4 Where there is any conflict between any requirement under this Section Q or the Emergency Procedures as to anything to be done by a User, the Transporter may decide which requirement is to prevail and will inform the relevant User of its decision, which decision will relieve the User of any obligation under the Code to comply with the conflicting requirement.
- 3.1.5 A User shall not be required to comply with any requirement under this paragraph 3 applying in respect of any Gas Supply Emergency (including a Potential Network Gas Supply Emergency) until and unless the User has been informed by the Transporter (or Transco NTS in the case of Potential Network Gas Supply Emergency) of the existence of such Gas Supply Emergency.

3.2 Supply and demand control

- 3.2.1 Emergency Steps may require (in the case of a Network Gas Supply Emergency) increases and/or reductions in deliveries of gas to the Total System, and (in the case of any Gas Supply Emergency) reductions in the offtake of gas from the Total System.
- 3.2.2 In a Network Gas Supply Emergency Gas Deficit Emergency the application of Section D (other than paragraph 2.4 thereof) will be suspended and with effect from the time the Network Gas Supply Emergency Gas Deficit Emergency was declared, and in respect of any later Gas Flow Day falling within the duration of a Network Gas Supply Emergency Gas Deficit Emergency, Transco NTS will not take any Market Balancing Actions; and (in lieu thereof) the Emergency Procedures will apply and Transco NTS's decisions as to the delivery and offtake of gas to and from the Total System will be

implemented pursuant to paragraphs 3.3 and 3.4.

3.3 Supply-side steps

- 3.3.1 In a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency) each User shall:
- (a) comply with any request from time to time made by Transco NTS to inform and/or keep informed Transco NTS of the maximum rates at which and/or quantities in which gas can be delivered to the Total System by the User at any System Entry Point at such time(s) or over such period(s) as Transco NTS may specify;
 - (b) if requested by Transco NTS, take such steps as may be available (pursuant to contract) to the User to secure any increase in the maximum rates or quantities referred to in paragraph (a), for example by arranging the deferment of maintenance or other works in respect of gas production or processing facilities (but without being obliged pursuant to this paragraph (b) to secure any increase in the actual rates or quantities of delivery).
- 3.3.2 In a Network Gas Supply Emergency Gas Deficit Emergency each User shall comply with all instructions by Transco NTS to deliver gas to the Total System at System Entry Points in such quantities and at such rates as Transco NTS may specify, up to the maximum quantities or rates which are available (by the exercise of all contractual rights as to the supply of gas or otherwise) to the User, irrespective of the commercial terms of such supplies, and irrespective of the quantities of gas being offtaken from the Total System by the User.
- 3.3.3 In any Network Gas Supply Emergency Transco NTS may (where appropriate, in lieu of applying paragraph 3.3.2 in relation to gas-in-storage) issue direct instructions to the Operator of any Storage Facility in relation to which appropriate arrangements exist in the relevant Storage Connection Agreement to deliver gas to the Total System at the relevant Storage Connection Point (in which case relevant Users shall be treated as having delivered to the Total System, at the relevant Storage Connection Point, such quantities of gas as have been notified to Transco NTS by the relevant Storage Operator).

3.4 Demand-side steps

- 3.4.1 Where Emergency Steps include the reduction or discontinuance of offtake of gas at Firm as well as Interruptible Supply Points (in a Local Gas Supply Emergency or a Stage 3 Network Gas Supply Emergency), such steps will (insofar as is practicable and as may be required by Standard Special Condition A8(15) of the Transporter's Licence) be applied in the following order:
- (a) first, at Interruptible Supply Points (insofar as offtake has not already been interrupted at such points);
 - (b) secondly, at Supply Points, other than Priority Supply Points, which include VLDMC Supply Point Components;
 - (c) thirdly, at other Large Firm Supply Points other than Priority Supply Points;

- (d) lastly, at Firm Supply Points (including for the avoidance of doubt Supply Points whose Annual Quantities do not exceed 73,200 kWh (2,500 *therms*)) and at Priority Supply Points.
- 3.4.2 To the extent that Emergency Steps include the isolation of any part of a System in which several Supply Points are located, the order in paragraph 3.4.1 may not apply.
- 3.4.3 The manner in and priority with which Emergency Steps may be taken for the reduction or discontinuance of offtake of gas at a Connected System Exit Point will be in accordance with the relevant Network Exit Provisions (which will where appropriate take account of the requirements of Standard Special Condition A8(15) of the Transporter's Licence); and the Transporter and the Connected System Operator shall be at liberty to take Emergency Steps in accordance therewith.
- 3.4.4 In a Gas Supply Emergency (including for the purposes of paragraph (a) below a Potential Network Gas Supply Emergency):
 - (a) unless the Transporter notifies a User otherwise, instructions to consumers in relation to interruption of offtake at Interruptible Supply Points will be given by Users;
 - (b) instructions to consumers in relation to the reduction or discontinuance of offtake at Large Firm Supply Points will be given by the Transporter;
 - (c) appeals, directions or other communications to other consumers will be made by the Transporter.
- 3.4.5 The relevant provisions of Section G6 will apply for the purposes of Interruption in a Gas Supply Emergency (including a Potential Network Gas Supply Emergency) or Local Gas Supply Emergency, except that:
 - (a) the Transporter shall not be required to give 5 hours' notice of Interruption but may require Interruption as soon as practicable following the Transporter's Interruption Notice;
 - (b) the User may not request an alteration pursuant to Section G 6.8.2 to the Supply Points to be Interrupted;
 - (c) any Day or Days of Interruption pursuant to this Section Q shall not count towards the use of the Interruption Allowance under Section G 6.7.5;
 - (d) the provisions of Section G 6.9 (other than Section G 6.9.2(a)) in respect of a failure to Interrupt shall not apply.
- 3.4.6 Notwithstanding paragraph 3.4.5, where pursuant to the Emergency Procedures the Transporter instructs a User to give any notification or communication to a consumer or supplier, the User shall comply with that instruction.
- 3.4.7 Without prejudice to the Transporter's ability to take any Emergency Step, the Transporter may take steps physically to isolate any Large Firm Supply Point where the consumer does not comply with any instruction given under paragraph 3.4.4(b).

3.5 Network Gas Supply Emergency Critical Transportation Constraint Emergency

- 3.5.1 If, in the event of a Network Gas Supply Emergency Critical Transportation Constraint Emergency, Transco NTS determines at any time that the application of Section D may have a detrimental effect on Transco NTS's immediate ability to take Emergency Steps in accordance with paragraph 1.3.1 above, then the application of Section D (other than paragraph 2.4 thereof) will be suspended with effect from such time as may be determined by Transco NTS and notified to Users pursuant to paragraph 3.1.1(b) and in respect of any later Gas Flow Day falling within the duration of a Network Gas Supply Emergency Critical Transportation Constraint Emergency. Transco NTS will not take any Market Balancing Actions from such time and (in lieu thereof) the Emergency Procedures will apply and Transco NTS's decisions as to the delivery and offtake of gas to and from the Total System will be implemented pursuant to paragraphs 3.3 and 3.4.
- 3.5.2 In the event that paragraph 3.5.1 applies, the provisions of paragraphs 3.3.2, 4.1.1 and 4.2 shall, from the time determined by Transco NTS pursuant to paragraph 3.5.1, apply mutatis mutandis to the Network Gas Supply Emergency Critical Transportation Constraint Emergency as if all references in such paragraphs to a Network Gas Supply Emergency Gas Deficit Emergency were to the Network Gas Supply Emergency Critical Transportation Constraint Emergency.

3.6 Return to normal operation

- 3.6.1 The order in which during a Gas Supply Emergency offtake of gas at Supply Points is restored will (so far as is practicable and subject to any requirements in relation to Priority Supply Points) be the inverse of that under paragraph 3.4.1.
- 3.6.2 For the purposes of paragraph 4, a Network Gas Supply Emergency will be considered to have ceased only:
- (a) when integrity of the NTS is restored, such that any loss of pressure in the NTS (or risk of such loss arising as a result of a Gas Supply Emergency) has ceased; and
 - (b) where the Transporter is reasonably able to provide forecasts and demand information in accordance with Section H;
 - (c) with effect from the start of a Day; and
 - (d) upon notice to Users given not later than 10:00 hours on the Preceding Day.

4 CONSEQUENCES OF EMERGENCY

4.1 Suspension of certain provisions of the Code

- 4.1.1 In respect of each Day or part of a Day during a Network Gas Supply Emergency Gas Deficit Emergency:
- (a) the provisions of Section B as to Overrun Charges, LDZ CSEP Overrun Charges and Supply Point Ratchets will not apply and the provisions of Section B2 as to Daily NTS Entry Capacity, Interruptible NTS Entry Capacity, surrender of NTS Entry Capacity and curtailment of NTS Entry Capacity shall

not apply (and in relation to the first such Day or part of a Day, amounts payable pursuant to the application of those paragraphs on the Preceding Day shall cease to be payable);

- (b) Section C will not apply, except to the extent to which Transco NTS may wish to use the Nomination process as a means for Users to communicate with Transco NTS;
 - (c) in accordance with paragraph 3.2.2, Section D (other than paragraph 2.4 thereof) will not apply (and for the avoidance of doubt the provisions as to Physical Renomination Incentive Charges will not apply);
 - (d) Section E will apply, subject to paragraph (f); but the Exit Close-out Date may be deferred;
 - (e) Section F2 will apply on the basis in paragraph 4.2; Section F3 will not apply (so that no Scheduling Charges will be payable); Section F4 will apply, modified in accordance with paragraph 4.2 (and in consequence of the provisions of this paragraph 4.1.1); and Sections F5 and F6 will apply;
 - (f) the application of Section H will be modified with a view to ensuring (on such approximate basis as is reasonably practicable in the circumstances) that gas is not treated as offtaken at NDM Supply Point Components at which the offtake of gas has been discontinued pursuant to Emergency Steps as described in paragraph 3.4.1;
 - (g) Section I3.10 (as to rates of delivery of gas) will not apply, and where the Transporter requests or permits the delivery of gas to the Total System which does not comply with the applicable Gas Entry Conditions, Section I3.4 will not apply;
 - (h) the provisions of Sections G and M as to payments by the Transporter to Users in respect of the performance or failure to perform the Transporter's obligations under those Sections will not apply to the extent any failure in such performance results from the Gas Supply Emergency or the taking of Emergency Steps; and
 - (i) the Transporter may by notice to Users suspend the implementation (as respects all Users) of any of the provisions of Section G.
- 4.1.2 In a Gas Supply Emergency any other provision of the Code which would in any particular case conflict with the implementation of this Section Q shall to that extent not apply.
- 4.2 Clearing of gas balances following a Network Gas Supply Emergency Gas Deficit Emergency**
- 4.2.1 In a Network Gas Supply Emergency Gas Deficit Emergency Section F2 will apply on such modified basis as is appropriate to give effect to paragraph 4.2.2 (and in particular without the application of any tolerances, or of any price other than the relevant price under paragraph 4.2.3).

- 4.2.2 In respect of each Day during a Network Gas Supply Emergency Gas Deficit Emergency:
- (a) Transco NTS shall pay to each User who delivered on a Day more gas to the Total System than it offtook on such Day an amount determined as the User's Daily Imbalance multiplied by the relevant price, subject to paragraph 4.2.5;
 - (b) each User who offtook on a Day more gas from the Total System than it delivered on such Day shall pay to Transco NTS an amount determined as the User's Daily Imbalance multiplied by the relevant price.
- 4.2.3 For the purposes of this paragraph 4.2 the "**relevant price**" is the value of the arithmetic mean of the System Average Prices determined under Section F1.2.1 or F1.2.2 but by reference to the 30 Days preceding the Day on which the Network Code Gas Supply Emergency Gas Deficit Emergency started.
- 4.2.4 In applying Section F4 in respect of Days during a Network Gas Supply Emergency Gas Deficit Emergency, to the extent amounts payable by Transco NTS to Users pursuant to paragraph 4.2.5 exceed the amounts payable pursuant to paragraph 4.2.2, the excess amounts will be taken into account as though such amounts were Market Balancing Action Charges payable by Transco NTS (for the purposes of Section F 4.4.3).
- 4.2.5 Where a User (the "**claimant**") believes that it will suffer a financial loss by reason of being paid only the relevant price in respect of any gas delivered to the Total System on a Day during a Network Gas Supply Emergency Gas Deficit Emergency (but not in respect of a quantity of gas which exceeds the amount of the claimant's Daily Imbalance if any under paragraph 4.2.2(a)):
- (a) the claimant may within such time as Transco NTS shall reasonably require submit to Transco NTS a claim to be paid at a higher price, together with details of the basis on which it believes it will suffer a financial loss and the amount of such loss;
 - (b) Transco NTS will appoint an independent accountant or other appropriately qualified person as "**claims reviewer**" to review each claimant's claim and advise Transco NTS of whether the claim appears to the claims reviewer to be justified and the amount which (in the claims reviewer's opinion) the claimant should be paid, in excess of what is payable calculated at the relevant price, so that it will not suffer such financial loss;
 - (c) the claimant shall be required (as a condition to its claim being considered, but subject to the claims reviewer accepting a reasonable obligation of confidence) to provide such information, access to records and cooperation as the claims reviewer shall reasonably require;
 - (d) the fees and costs of the claims reviewer shall be paid by Transco NTS and shall be additional Monthly Adjustment Neutrality Costs for the month in which they are paid;
 - (e) Transco NTS will (after consultation with the claimant and the Authority) pay to the claimant the amount advised by the claims reviewer (unless on Transco

NTS's application after consultation with the claimant the Authority shall give Condition A11(18) Approval to Transco NTS's paying a different amount).

4.3 Consequences of Network Gas Supply Emergency Critical Transportation Constraint Emergency

4.3.1 Save where paragraph 3.5.1 applies (in which event this paragraph 4.3 shall be of no effect), where a User (the "**claimant**") believes that it will suffer a financial loss in respect of any gas delivered to the Total System on a Day during a Network Gas Supply Emergency Critical Transportation Constraint Emergency in accordance with Transco NTS's instructions to the operator of a Storage Facility (in which the User had gas-in-storage) pursuant to paragraph 3.3.3:

- (a) the claimant may within such time as Transco NTS shall reasonably require submit to Transco NTS a claim in respect of such financial loss together with details of the basis on which it believes it will suffer such loss and the amount thereof;
- (b) Transco NTS will appoint an independent accountant or other appropriately qualified person as "**claims reviewer**" to review each claimant's claim and advise Transco NTS of whether the claim appears to the claims reviewer to be justified and the amount which (in the claims reviewer's opinion) the claimant should be paid so that it will not suffer such financial loss;
- (c) the claimant shall be required (as a condition to its claim being considered, but subject to the claims reviewer accepting a reasonable obligation of confidence) to provide such information, access to records and cooperation as the claims reviewer shall reasonably require;
- (d) the fees and costs of the claims reviewer shall be paid by Transco NTS and shall be additional Monthly Adjustment Neutrality Costs for the month in which they are paid; and
- (e) Transco NTS will (after consultation with the claimant and the Authority) pay to the claimant the amount advised by the claims reviewer (unless on Transco NTS's application after consultation with the claimant the Authority shall give Condition A11(18) Approval to Transco NTS's paying a different amount).

4.3.2 Save where paragraph 3.5.1 applies, in applying Section F4 in respect of Days during a Network Gas Supply Emergency Critical Transportation Constraint Emergency:

- (a) amounts payable by Transco NTS to Users pursuant to paragraph 4.3.1; and
- (b) all such costs as Transco NTS may reasonably incur pursuant to paragraph 3.4

will be taken into account as though such amounts were Market Balancing Action Charges payable by Transco NTS (for the purposes of Section F4.4.3).

4.4 Further consequences

The Transporter and Users acknowledge that during any Gas Supply Emergency it may be necessary for each of them to divert resources from other activities which may

potentially result in a temporary impairment of their abilities subsequently to perform their respective obligations pursuant to the Code; and acknowledge that any such impairment resulting from such diversion of resources may be Force Majeure for the purposes of GT Section B3.

5 SAFETY MONITOR AND FIRM GAS MONITOR

5.1 Introduction

5.1.1 For the purposes of paragraph 5:

- (a) **"Annual Firm Severe Demand"** means that element of the 1 in 50 Severe Annual Demand which is attributable to all Firm Supply Points;
- (b) **"Annual NDM/Priority Severe Demand"** means the element of the 1 in 50 Severe Annual Demand which is attributable to those Supply Points identified in the Transco Safety Case as being 'protected by monitor';
- (c) **"Firm Gas Monitor"** means, for each day of the Winter Period and each Storage Facility Type, that portion of the Stored Firm Gas Requirement allocated in aggregate to that Storage Facility Type by Transco NTS;
- (d) **"Peak Firm Demand"** means the peak day demand at Firm Supply Points;
- (e) **"Peak NDM/Priority Demand"** means the peak day demand at those Supply Points identified in the Transco Safety Case as being 'protected by monitor';
- (f) **"Safety Monitor"** means, for each day of the Winter Period and each Storage Facility Type, that portion of the Stored Safety Gas Requirement allocated in aggregate to that Storage Facility Type in accordance with the principles set out in the Transco Safety Case, together with an amount of gas for each Storage Facility Type to permit the safe shutdown of those Supply Points not identified in the Transco Safety Case as being 'protected by monitor';
- (g) **"Storage Facility Type"** means one of the types (as determined by Transco NTS from time to time and notified to Users pursuant to paragraph 5.2.1(f) of Storage Facility or (where the context requires) all Storage Facilities of such a type;
- (h) **"Storage Firm Deliverability Requirement"** means the amount by which the Peak Firm Demand exceeds the maximum daily supply;
- (i) **"Storage Safety Deliverability Requirement"** means the amount by which the Peak NDM/Priority Severe Demand exceeds the maximum daily supply;
- (j) **"Stored Firm Gas Requirement"** means the amount (in kWh) by which the Annual Firm Severe Demand exceeds the maximum daily supply;
- (k) **"Stored Safety Gas Requirement"** means the amount (in kWh) by which the Annual NDM/Priority Demand exceeds the level of demand equal to the maximum daily supply; and

- (l) **"Transco Safety Case"** means the safety case (in accordance with Regulation 2(5)) of Transco NTS acting in its capacity as a gas transporter in relation to the NTS.

5.2 Information Requirements

5.2.1 Transco NTS will by 31 May in each Gas Year, notify Users of the following in respect of the coming Winter Period:

- (a) Stored Safety Gas Requirement;
- (b) Storage Safety Deliverability Requirement;
- (c) Stored Firm Gas Requirement;
- (d) Storage Firm Deliverability Requirement;
- (e) maximum daily supply; and
- (f) the number and designation of Storage Facility Types, together with the classification criteria used in the determination of those Storage Facility Types and (where the classification criteria has changed from that used in respect of the previous Winter Period) details of any change to such classification criteria.

5.2.2 Transco NTS will, by 31 May in each Gas Year, determine whether the available Storage Space and/or Storage Deliverability is in aggregate less than the quantities detailed in paragraph 5.2.1(a) to (d) and shall notify Users of any shortfall and the extent thereof. In this event, the Safety Monitor and the Firm Gas Monitor notified pursuant to paragraph 5.2.3 will reflect the available Storage Space and/or Storage Deliverability.

5.2.3 Transco NTS will, by 1 October in each Gas Year, notify Users of the Safety Monitor and the Firm Gas Monitor for each day of the coming Winter Period in respect of each Storage Facility Type.

5.2.4 Calculations of available Storage Space and/or Storage Deliverability made pursuant to this paragraph 5 shall exclude:

- (a) Storage Capacity booked by Transco for Operating Margins Purposes; and
- (b) Storage Capacity in respect of Storage Facilities where there are relevant operational and/or physical characteristics that would make use of their Storage Capacity and/or gas-in-storage inappropriate in the calculation of any of the information specified in paragraphs 5.2.1, 5.2.2 and/or 5.2.3.

5.2.5 Transco NTS will keep under review the information previously notified pursuant to paragraphs 5.2.1, 5.2.2 and/or 5.2.3, and may:

- (a) reallocate the Safety Monitor and/or the Firm Gas Monitor between Storage Facility Types in order to enhance the security provided by current storage stocks;

- (b) reduce a Safety Monitor and/or a Firm Gas Monitor to reflect longer-term demand forecasts (for example, during the later Days of the Winter Period); and
 - (c) adjust a Safety Monitor and/or a Firm Gas Monitor to reflect the occurrence of severe weather.
- 5.2.6 Where Transco NTS undertakes any of the actions specified in paragraph 5.2.5, Transco NTS will notify Users of any material changes in the information previously notified pursuant to paragraphs 5.2.1, 5.2.2 and/or 5.2.3.
- 5.2.7 Transco NTS will:
 - (a) notify Users, on a weekly basis, of the aggregate physical gas-in-storage level (in kWh) in each Storage Facility Type; and
 - (b) where Transco NTS calculates that the aggregate physical gas-in-storage level in a Storage Facility Type exceeds the Safety Monitor for that Storage Facility Type by a quantity (in kWh) equal to or less than the amount of gas that could be withdrawn from the Storage Facility Type in two (2) Days at the maximum withdrawal rate applicable to that Storage Facility Type, notify Users of:
 - (i) the quantity (in kWh) by which the physical gas-in-storage levels of that Storage Facility Type exceeds the Safety Monitor for that Storage Facility Type; and
 - (ii) the sum of all Storage Withdrawal Nominations for all Storage Facilities of that Storage Facility Type.

These physical gas-in-storage levels and the maximum withdrawal rate may reflect gas-in-storage and other information provided by the relevant Storage Operator(s), as well as Input and Output Nominations.

- 5.2.8 Transco NTS shall notify all Users of potential or actual breaches of either a Safety Monitor or a Firm Gas Monitor as a result of:
 - (a) insufficient bookings of Storage Space and/or Storage Deliverability as notified to Transco NTS by the relevant Storage Operator(s);
 - (b) anticipated shortfall of gas-in-storage based upon current stock levels and the injection and withdrawal information notified to Transco NTS by the relevant Storage Operator(s);
 - (c) Renominations or other relevant within day information.

5.3 Storage Information

- 5.3.1 Transco NTS shall have access to such details of the use of a Storage Facility by all Storage Users as may be provided for under the relevant Storage Connection Agreement.
- 5.3.2 In particular, each Storage Operator will provide to Transco NTS:

- (a) where Transco NTS so requests, the details of the amounts of aggregate Storage Capacity allocated to Storage Users for each Storage Facility for the Storage Year or remaining part of the Storage Year pursuant to applications for Storage Capacity under the relevant Storage Terms;
 - (b) on a daily basis throughout the Storage Year, details for each Storage Facility of Storage Users' aggregate Storage Capacity, injections, withdrawals and gas-in-storage; and
 - (c) where Transco NTS so requests, details of the Applicable Total Storage Space, the Applicable Total Storage Deliverability and Maximum Injection Rate of each Storage Facility.
- 5.3.3 Each Storage Operator shall ensure that its Storage Terms permit the disclosure by the Storage Operator to Transco NTS of the information referred to in paragraph 5.3.2(a) and (b) and the subsequent publication of this information by Transco NTS pursuant to the provisions of this paragraph 5 (or as otherwise required by the Code).

5.4 Actions to Prevent Monitor Breaches

- 5.4.1 Other than notifying Users in accordance with paragraph 5.2.8, and subject to taking such steps as it is required to take under the Transco Safety Case, Transco NTS will not take any specific action as a consequence of identifying a potential or actual breach of a Safety Monitor or a Firm Gas Monitor.
- 5.4.2 Where Transco NTS has assessed that any actions taken by it pursuant to the Transco Safety Case and any actions taken by Users in response to the notification made under paragraph 5.2.8 have not been or, in Transco NTS's opinion, would not be sufficient to prevent a breach of a Safety Monitor, Transco NTS shall liaise with the Network Emergency Coordinator to declare a Network Gas Supply Emergency.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION R – STORAGE

1 GENERAL

1.1 Introduction

1.1.1 This Section R sets out provisions (in addition to or in substitution for those of Sections I and J) as to the terms on which Users may offtake gas from the Total System for injection to Storage Facilities, and deliver gas withdrawn from Storage Facilities and LNG Importation Facilities to the Total System, and otherwise relating to Storage Connection Points, Storage Facilities and LNG Importation Facilities.

1.1.2 Provisions as to the terms on which Transco LNG Storage makes available the services of its LNG Facilities are contained in Section Z.

1.2 Storage Facilities and LNG Importation Facilities

1.2.1 For the purposes of the Code:

- (a) a "**Storage Facility**" is a facility:
 - (i) which is directly connected to the Total System;
 - (ii) whose principal purpose is the storage of gas;
 - (iii) in which gas offtaken from the Total System, together with (if any) gas located within a storage facility which has not been injected from the Total System nor any other system or facility ("**native gas**"), and only gas offtaken from the Total System and native gas (if any) may be stored, and from which stored gas may be delivered to the Total System whether or not gas withdrawn from such storage may also be delivered other than to the Total System;
 - (iv) which is not a facility operated and used by the Transporter solely for diurnal storage;
- (b) a "**Storage Operator**" is the person (or several persons jointly) operating a Storage Facility (and, for the avoidance of doubt, Transco LNG Storage may be a Storage Operator);
- (c) an "**LNG Facility**" is a Storage Facility in which gas is liquefied, stored as liquefied natural gas ("**LNG**") and either:
 - (i) regasified for purposes of withdrawal; or
 - (ii) withdrawn as LNG by tanker(s).
- (d) "**stored gas**" is gas which has been injected into a Storage Facility from the Total System by Storage Users and which Storage Users are entitled to withdraw from the facility in accordance with the relevant Storage Terms (and

accordingly does not include either native gas or gas which has been injected into the Storage Facility from the Total System by the relevant Storage Operator for purposes related to, or otherwise connected with, the operation of the facility).

- (e) **"storage use gas provider"** means in relation to a Storage Facility, the User who, by agreement with the Storage Operator, has responsibility for storage use gas at a Storage Facility.
- (f) an "LNG Importation Facility" is a facility:
 - (i) which is directly connected to the Total System;
 - (ii) whose principal purpose is the receipt of liquefied gas from a sea going vessel, the storage of such liquefied gas and the regasification of such gas for delivery to the Total System;
 - (iii) from which stored gas may be delivered to the Total System whether or not gas withdrawn from such storage may also be delivered other than to the Total System.

1.2.2 Pursuant to Sections I1.2.2 and J1.4.4, a Storage Facility is a Connected Offtake System (in relation to which the Storage Operator is the Connected System Operator) in relation to the Connected System Exit Point, and a Connected Delivery Facility (in relation to which the Storage Operator is the Delivery Facility Operator) in relation to the System Entry Point, at which it is connected to the Total System.

1.2.3 A Storage Operator may be, but shall not (by reason only of having the Storage Facility connected to the Total System) be required to be, a User.

1.2.4 The Entry Point Daily Quantity Delivered and CSEP Daily Quantity Offtaken at the Storage Connection Point in respect of a Storage Facility will be established by means of measurement equipment installed (and operated, maintained, tested and calibrated) by the Transporter or the Storage Operator in accordance with procedures established by the Transporter or the Storage Operator for such purposes (details of which Users may obtain from the Storage Operator).

1.3 Storage Connection Agreement

1.3.1 A **"Storage Connection Agreement"** is a single document constituting (as contemplated by Section J1.4.6) the Network Entry Agreement and the Network Exit Provisions in respect of a Storage Facility.

1.3.2 A Storage Connection Agreement in respect of a Storage Facility:

- (a) will provide that, as a condition to such agreement having effect and continuing to have effect, the Storage Operator has an agreement with one or more Users whereby the User(s) have responsibility for storage use gas;
- (b) will provide that for the purposes of Section B3.5.3, the Storage Operator shall notify the Transporter, by not later than the fifth Business Day of each calendar month:

- (i) the quantity of storage use gas; and
- (ii) the identity of each storage use gas provider

and where there is more than one storage use gas provider, the Storage Operator will in addition notify the Transporter of the quantities of storage use gas attributable to each storage use gas provider (and the quantities so attributed shall in aggregate equal the quantity notified under paragraph (i));

- (c) will specify the procedures, methods and standards by which the quantity of storage use gas in relation to a calendar month is to be calculated; and
- (d) will provide the Transporter with a right to review the Storage Operator's calculations of quantities of storage use gas and will contain procedures for the resolution of any dispute between the Transporter and the Storage Operator as to the proper calculation of a quantity of storage use gas.

1.4 Storage Year

For the purposes of the Code a "**Storage Year**" is a 12 month period from 1 May in any year to the following 30 April.

1.5 References to storage and LNG Importation services

1.5.1 For the purposes of the Code:

- (a) "**Storage Terms**" means the terms and conditions on and subject to which the Storage Operator permits Storage Users or a particular Storage User to utilise the services of the Storage Facility;
- (b) a "**Storage User**" is any person (including the Storage Operator), whether or not such a person is a User, which utilises or is entitled to utilise the services of the Storage Facility;
- (c) "**Applicable Total Storage Space**" is in respect of:
 - (i) a Transco LNG Storage Facility, the Total Storage Space;
 - (ii) any other Storage Facility, the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility when full of stored gas;
 - (iii) a LNG Importation Facility, the maximum quantity of gas that the operator of that facility determines can be withdrawn from the facility when full of stored gas;
- (d) "**Applicable Total Storage Deliverability**" is in respect of:
 - (i) a Transco LNG Storage Facility, the Total Storage Deliverability;
 - (ii) any other Storage Facility, the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility in a period of 24 hours during the calendar months of January and February in any Storage Year;

- (iii) a LNG Importation Facility, the maximum quantity of gas that the operator of that facility determines can be withdrawn from the facility in a period of 24 hours during the calendar months of January and February in any Storage Year;
- (e) "Applicable Storage Nomination Time" in respect of:
 - (i) a Transco LNG Storage Facility, is the LNG Storage Injection Nomination Time and/or the LNG Storage Withdrawal Nomination Time (as the case may be);
 - (ii) any other Storage Facility, is the time identified in the relevant Storage Terms after which time the Storage Operator is not required to act on nominations made by the Storage User;
- (f) an "**LNG Importation User**" is any person (including the operator of the LNG Importation Facility), whether or not such a person is a User, which utilises or is entitled to utilise the services of the LNG Importation Facility;
- (g) "**LNG Importation Terms**" means the terms and conditions on and subject to which the operator of an LNG Importation Facility permits LNG Importation Users or a particular LNG Importation User to utilise the services of the LNG Importation Facility;
- (h) "**Isle of Grain LNG Importation Facility**" is the LNG Importation Facility located at the Isle of Grain, Rochester, Kent;
- (i) "**Isle of Grain LNG Importation Facility User**" is any person (including the operator of the Isle of Grain LNG Importation Facility), whether or not such a person is a User, which utilises or is entitled to utilise the services of the Isle of Grain LNG Importation Facility;
- (j) "**Uncommitted**" Storage Space or Storage Deliverability is:
 - (i) in respect of a Transco LNG Storage Facility, the Maximum Storage Space or Maximum Storage Deliverability less the aggregate Storage Space or Storage Deliverability at such time registered as held by Storage Users or Transco NTS pursuant to applications, or subject to applications made but not yet approved under Sections K and Z;
 - (ii) in respect of any other Storage Facility, the maximum Storage Space or Maximum Storage Deliverability of that facility less the aggregate Storage Space or Storage Deliverability at such time registered as held by Storage Users pursuant to applications, or subject to applications made but not yet approved under the relevant Storage Terms;
- (k) "**Uncommitted**" LNG Importation Space or LNG Importation Deliverability is the maximum LNG Importation Space or maximum LNG Importation Deliverability of that facility less the aggregate LNG Importation Space or LNG Importation Deliverability at such time registered as held by LNG Importation Users pursuant to applications, or subject to applications made but not yet approved under the relevant LNG Importation Terms;

- (k) (l) "Applicable Storage Space Charge Rate" or "Applicable Storage Deliverability Charge Rate" respectively is:
 - (i) in respect of a Transco LNG Storage Facility, the amount determined in accordance with Section Z2.6.3;
 - (ii) in respect of any other Storage Facility, the annual rate payable in respect of Storage Space, in pence per kWh of Storage Space, for a Storage Year or (as the case may be) Storage Deliverability, in pence per kWh/Day of Storage Deliverability, for a Storage Year;
 - (i) in respect of a LNG Importation Facility, the annual rate payable in respect of LNG Importation Space, in pence per kWh of LNG Importation Space, for a Storage Year or (as the case may be) LNG Importation Deliverability, in pence per kWh/Day of LNG Importation Deliverability, for a Storage Year;
- (m) **"Storage Space Charge"** is:
 - (i) in respect of a Transco LNG Storage Facility, the amount determined in accordance with Section Z2.6.2(c);
 - (ii) in respect of any other Storage Facility, a charge in respect of, and determined by reference to the amount of, a Storage User's Storage Space in that Storage Facility calculated in accordance with the relevant Storage Terms;
 - (iii) in respect of an LNG Importation Facility, a charge in respect of, and determined by reference to the amount of, a LNG Importation User's LNG Importation Space in that LNG Importation Facility calculated in accordance with the relevant LNG Importation Terms;
- (n) **"Storage Deliverability Charge"** is:
 - (i) in respect of a Transco LNG Storage Facility, the amount determined in accordance with Section Z2.6.2(b);
 - (ii) in respect of any other Storage Facility, a charge in respect of, and determined by reference to the amount of, a Storage User's Storage Deliverability in that Storage Facility calculated in accordance with the relevant Storage Terms;
 - (iii) in respect of an LNG Importation Facility, a charge in respect of, and determined by reference to the amount of, an LNG Importation User's LNG Importation Deliverability in that LNG Importation Facility calculated in accordance with the relevant LNG Importation Terms;

1.5.2 In relation to any Storage Facility:

- (a) **"injection"** is the transfer of gas offtaken from the Total System to storage in (or for use in connection with the operation of) the Storage Facility, and **"withdrawal"** is the transfer of gas from storage in the Storage Facility for delivery to the Total System, in each case whether or not the User offtaking or delivering such gas is the same person as the Storage User effecting such transfer;

- (b) a Storage User's "**gas-in-storage**" at any time is the amount in aggregate of gas which (in accordance with the relevant Storage Terms) the Storage User is entitled to withdraw from the Storage Facility (and reflecting its injections to and withdrawals from and any transfers of its entitlements in respect of gas stored in such facility);
- (c) "**Storage Injectability**" is (as the context may require) the capability of the Storage Facility to have gas injected, or the entitlement (pursuant to the relevant Storage Terms) of a Storage User to inject gas into the Storage Facility, expressed as a rate or a quantity in a given period;
- (d) "**Storage Space**" is (as the context may require) the capability of the Storage Facility to have gas stored, or the entitlement (pursuant to the relevant Storage Terms) of a Storage User to have gas-in-storage in the Storage Facility, expressed as a quantity;
- (e) "**Storage Deliverability**" is (as the context may require) the capability of the Storage Facility to have gas withdrawn, or the entitlement (pursuant to the relevant Storage Terms) of a Storage User to withdraw gas from the Storage Facility, expressed as a rate or a quantity in a given period;
- (f) "**Storage Capacity**" means Storage Injectability, Storage Space and Storage Deliverability, or any of them, as the context may require;
- (g) a "**Storage Gas Transfer**" in relation to a Storage Facility, is a transfer (subject to and in accordance with the relevant Storage Terms) of or in respect of Storage Capacity or gas-in-storage; and
- (h) "**Total Storage Duration**" in respect of a Storage Facility is the number of Days obtained by dividing the Applicable Total Storage Space by Applicable Total Storage Deliverability.

1.5.3 In relation to any LNG Importation Facility:

- (a) "**injection**" or "**input**" is the transfer of gas into storage from a sea-going vessel or otherwise into (or for use in connection with the operation of) the LNG Importation Facility, and "**withdrawal**" is the transfer of gas from storage in the LNG Importation Facility for delivery to the Total System, whether or not the User delivering such gas is the same person as the LNG Importation User effecting such transfer;
- (b) an LNG Importation User's "**gas-in-storage**" at any time is the amount in aggregate of gas which (in accordance with the relevant LNG Importation Terms) the LNG Importation User is entitled to withdraw from the LNG Importation Facility (and reflecting its injections to and withdrawals from and any transfers of its entitlements in respect of gas stored in such facility);
- (c) "**LNG Importation Injectability**" is (as the context may require) the capability of the LNG Importation Facility to accept gas injected, or the entitlement (pursuant to the relevant LNG Importation Terms) of an LNG Importation User to inject gas into the LNG Importation Facility, expressed as a rate or a quantity in a given period;

- (d) **"LNG Importation Space"** is (as the context may require) the capability of the LNG Importation Facility to have gas stored, or the entitlement (pursuant to the relevant LNG Importation Terms) of an LNG Importation User to have gas-in-storage in the LNG Importation Facility, expressed as a quantity;
- (e) **"LNG Importation Deliverability"** is (as the context may require) the capability of the LNG Importation Facility to have gas withdrawn, or the entitlement, (pursuant to the relevant LNG Importation Terms) of an LNG Importation User to withdraw gas from the LNG Importation Facility, expressed as a rate or a quantity in a given period;
- (f) **"LNG Importation Capacity"** means LNG Importation Injectability, LNG Importation Space and LNG Importation Deliverability, or any of them, as the context may require;
- (g) a **"Storage Gas Transfer"** in relation to an LNG Importation Facility, is a transfer (subject to and in accordance with the relevant LNG Importation Terms) of or in respect of LNG Importation Capacity or gas-in-storage;

1.6 Simultaneous offtakes and deliveries

A Storage Connection Agreement may provide for the application of Section E1.9, irrespective of whether there is a Storage Balancing Arrangement in force pursuant to paragraph 2.2, provided that Section E1.9.4 may be substituted by provisions in the relevant Storage Connection Agreement.

1.7 Transco LNG Storage

1.7.1 For the purposes of the Code:

- (a) **"Transco LNG Storage"** means Transco NTS acting as operator of the Transco LNG Storage Facilities (whether or not, pursuant to Special Condition C2(7) of Transco NTS's Transporter's Licence, the arrangements which relate to the utilisation of such facilities are for the time being arrangements falling within Special Condition C2(6) thereof); and
- (b) **"Transco LNG Storage Facilities"** means the LNG Facilities which are from time to time operated by Transco NTS and are located at Glenmavis, Partington, Dynevor Arms and Avonmouth.

1.7.2 In relation to each of the Transco LNG Storage Facilities there shall be a document, in the form of a Storage Connection Agreement, which shall act and take effect for the purposes of the Code as a Storage Connection Agreement in respect of the relevant Storage Connection Point and this Section R shall apply (in relation to such Transco LNG Storage Facility) by reference to such document as though such document were enforced (as a Storage Connection Agreement) by Transco NTS consistently with its enforcement of Storage Connection Agreements with other Storage Operators.

1.7.3 Transco LNG Storage may be a User for the purposes of the Code.

1.8 Transco NTS as Storage User and LNG Importation User

1.8.1 Transco NTS may be:

- (a) a Storage User in respect of Storage Facilities for Operating Margins purposes pursuant to Section K;
 - (b) an LNG Importation User in respect of LNG Importation Facilities for Operating Margins purposes pursuant to Section K.
- 1.8.2 Where Transco NTS (as Storage User) has agreed (pursuant to the relevant Storage Connection Agreement or the relevant Storage Terms) with the Storage Operator, for Operating Margins Purposes terms and conditions for the provision of storage services which differ from the published standard Storage Terms applying to other Storage Users, copies of any such agreed differences shall be made available to Users on request.

1.9 Offtake and input requirements

- 1.9.1 The Transporter may require, as a condition of a User applying for or holding NTS Entry Capacity or delivering gas to the Total System at a Storage Connection Point, that the User has complied with such conditions as may be specified in the relevant Storage Connection Agreement.
- 1.9.2 The Transporter may require, as a condition of a User applying for or holding NTS Entry Capacity or delivering gas to the Total System at a System Entry Point in respect of an LNG Importation Facility, that the User has complied with such conditions as may be specified in the relevant Network Entry Agreement.

1.10 Scottish Independent Networks and Transco LNG Storage

The relevant Transporter will enter into an arrangement with Transco LNG Storage (in accordance with Section Z) in respect of a Transco LNG Storage Facility, pursuant to which the relevant Transporter may withdraw gas from the facility as LNG loaded on to road tankers, for the purposes of enabling the relevant Transporter to provide Scottish Independent Networks with LNG as provided in Section B1.9.2.

1.11 DNO Users

In this Section R references to Users exclude DNO Users other than a DNO User in its capacity as an LDZ Shrinkage Provider.

2 TERMS RELATING TO STORAGE FACILITIES

2.1 Storage Nomination Arrangements

2.1.1 For the purposes of the Code:

- (a) "**Storage Injection Nomination**" in respect of a Storage Facility is a nomination in respect of a quantity of gas to be injected into the Storage Facility;
- (b) a "**Storage Withdrawal Nomination**" in respect of a Storage Facility is a nomination in respect of a quantity of gas to be withdrawn from the Storage Facility;
- (c) a "**Storage Nomination**" is a Storage Injection Nomination or a Storage Withdrawal Nomination;

- (d) a "**Storage Renomination**" is a Storage Nomination which is made before or after (in each case to the extent permitted by the relevant Storage Terms) the Applicable Storage Nomination Time and which revises an earlier Storage Nomination (including a Storage Renomination); and
- (e) "**Storage Nomination Quantity**" is the quantity nominated for injection or withdrawal under a User's prevailing Storage Nomination.

3 OFFTAKE OF GAS AT STORAGE CONNECTION POINTS

3.1 NTS Exit Capacity

- 3.1.1 If, upon the application of a User, Transco NTS has informed the User that a Storage Connection Point is 'eligible for firm transportation' for the purposes of this paragraph 3.1, the User may elect to hold (and pay NTS Exit Capacity Charges in respect of) NTS Exit Capacity at the Storage Connection Point.
- 3.1.2 For the purposes of this paragraph 3, in relation to a Storage Connection Point:
 - (a) a "**Firm User**" is a User who holds Available NTS Exit Capacity at that point (pursuant to an election by that or another User under paragraph 3.1.1);
 - (b) the "**Aggregate Firm Offtake Rate**" is the rate of offtake determined as 1/24 of the aggregate amount (if any) of the NTS Exit Capacity for the time being held by Firm Users at that point;
 - (c) a User's "**Interruptible UDQO**" for a Day in relation to that point is:
 - (i) subject to paragraph (ii), that User's UDQO;
 - (ii) in the case of a Firm User, the amount (if any) by which its UDQO exceeds the amount of its Available NTS Exit Capacity at the point.

3.2 Interruption

- 3.2.1 The Transporter shall be entitled to require interruption (including a reduction in the rate) of the offtake (in aggregate by all Users) of gas from the Total System at a Storage Connection Point, by giving notice ("**SCP Interruption Notice**") to the Storage Operator and each Storage CSEP User, specifying:
 - (a) the time ("**interruption time**"), not being less than 5 hours after such notice was given, with effect from which such offtake of gas is to be interrupted; and
 - (b) the reduced aggregate rate (or discontinuance) of offtake required by such interruption; provided that such rate shall not be less than the Aggregate Firm Offtake Rate.
- 3.2.2 Sections G6.7.3 (other than G6.7.3(b)) and G6.7.4 shall apply in respect of interruption under paragraph 3.2.1 at a Storage Connection Point.
- 3.2.3 Storage CSEP Users shall secure compliance with any SCP Interruption Notice and shall be responsible for submitting Output Renominations accordingly.

- 3.2.4 The Transporter may (but shall not be required to) agree pursuant to the Storage Connection Agreement that the Storage Operator will take such steps as are necessary to interrupt or reduce the rate of offtake of gas at the Storage Connection Point so as to comply with an SCP Interruption Notice.
- 3.2.5 Where the Transporter has given an SCP Interruption Notice, as soon as reasonably possible after the Transporter determines that the requirement for interruption no longer applies or will at a certain time cease to apply, the Transporter will so notify the Storage Operator and Storage CSEP Users specifying the time at which the requirement for such interruption will no longer apply.

3.3 Days of interruption

- 3.3.1 The number of Days on which the Transporter requires interruption at a Storage Connection Point shall be determined in accordance with Section G6.7.5.
- 3.3.2 For the purposes of this paragraph 3, Section G6.5 (other than G6.5.6, 6.5.8 and 6.5.9) shall apply.
- 3.3.3 The Transporter will not require interruption at a Storage Connection Point on more than 15 Days outside the Winter Period in any Gas Year.

3.4 Failure to interrupt

- 3.4.1 Section G6.5 (other than G6.5.6) shall apply for the purposes of this paragraph 3, subject as follows.
- 3.4.2 For the purposes of Section G6.9.2(b)(i), in the context of interruption required at a Storage Connection Point, the amount payable by Storage CSEP Users in aggregate shall be calculated:
 - (a) by reference to the basis of the Applicable Annual Rate of NTS Exit Capacity Charge for the Exit Zone in which the Storage Connection Point is located; and
 - (b) on the basis of a notional Supply Point Capacity calculated as the difference between the rate (in MW) of offtake of gas at the Storage Connection Point immediately before the interruption time, and the reduced rate (including zero, subject to the proviso to paragraph 3.2.1(b)) of offtake (in MW) required by such interruption, multiplied by the period (in hours, divided by 24) from the interruption time until the end of the Gas Flow Day.
- 3.4.3 For the purposes of Section G6.9.2(b)(ii), in the context of interruption required at a Storage Connection Point, the term 'Y' shall be the aggregate quantity of gas offtaken, at times when the SCP Interruption Notice was in force, at a rate in excess of the reduced rate (including zero, subject to the proviso to paragraph 3.2.1(b)) of offtake (in MW) required by such interruption.
- 3.4.4 Section G6.9.8 shall not apply, but the Storage Connection Point shall be counted as a Registered Interruptible Supply Point for the purposes of the further application of Section G6.9.7.
- 3.4.5 Subject to paragraph 3.4.6, in relation to a Storage Connection Point, Storage CSEP Users (including the Storage Operator) shall be liable for the aggregate amounts payable

pursuant to paragraph 3.4.1 in respect of a Day in the proportions of their respective Interruptible UDQOs in respect of the Storage Connection Point.

- 3.4.6 Where Storage CSEP Users have appointed a User Agent for the purposes of determining the allocation of such amounts:
- (a) the Transporter will notify to such agent the aggregate amounts payable pursuant to paragraph 3.4.1 not later than 6 Days after the Gas Flow Day;
 - (b) where the agent notifies the Transporter, not later than the Exit Close-out Date, an allocation of such amounts (in aggregate equal to the aggregate amount notified by the Transporter under paragraph (a)) between particular Storage CSEP Users specified by the agent, paragraph 3.4.5 shall not apply, and Storage CSEP Users will be liable for such amounts in accordance with the agent's notification to the Transporter.

3.5 Interpretation

- 3.5.1 In this paragraph 3 "**Storage CSEP User**" means a CSEP User in respect of a Storage Connection Point.
- 3.5.2 Where any provision of Section G6 is to apply for the purposes of this paragraph 3, such references in Section G6 to the terms in the first column in the table below shall be construed as references to the terms (as used in relation to a particular Storage Connection Point in this paragraph 3) in the second such column:

Section G6	This paragraph 3
Interruption	Interruption under paragraph 3.2
Interruption Notice	SCP Interruption Notice
Supply Point or Interruptible Supply Point	Storage Connection Point
Supply Meter Point	Any Individual System Exit Point comprised in the Storage Connection Point
User or Registered User	All of the Storage CSEP Users, or where the context admits, a particular Storage CSEP User
The requirement in Section G6.7.2(b)	The requirement for interruption under paragraph 3.2
TNI Supply Point	A Storage Connection Point subject to a designation by the Transporter pursuant to Section G6.5.1

4 CONSTRAINED STORAGE

4.1 Introduction

- 4.1.1 The Storage Facilities for which Transco LNG Storage is the Storage Operator at Dynevor Arms and Avonmouth are each a "**Constrained Storage Facility**" in relation to a Storage Year for the purposes of this paragraph 4.

- 4.1.2 Transco NTS shall be entitled to require Storage Users to nominate gas for withdrawal from a Constrained Storage Facility in accordance with this paragraph 4.
- 4.1.3 Where any Storage Facility is to be a Constrained Storage Facility for a Storage Year, Transco NTS will, not later than 1 March before the start of such Storage Year, publish a document (the "**Constrained Storage Statement**") containing the following details for each Constrained Storage Facility:
- (a) the "**Constrained Point(s)**", being a point or points on the NTS as identified by Transco NTS as being relevant, for the purposes of this paragraph 4, to a Constrained Storage Facility;
 - (b) the rate of flow ("**Constrained Threshold Demand Flow**") at a Constrained Storage Point at which Transco NTS may make Constrained Storage Renominations in respect of the relevant Constrained Storage Facility;
 - (c) the Capacity Charges for NTS Entry Capacity at the relevant Storage Connection Point; and
 - (d) a percentage for each Week in the Winter Period for the purposes of paragraph 4.4.3.
- 4.1.4 The Storage Operator and Transco NTS will (and Transco NTS is authorised to) provide to each other all such information concerning Users holding Storage Space in a Constrained Storage Facility (including details of their gas-in-storage and Storage Space) as may be required to give effect to this paragraph 4; and Transco NTS may delegate to the Storage Operator the making of any determination which is required for the implementation of this paragraph 4.
- 4.1.5 This paragraph 4 shall not apply to Transco NTS when acting for Operating Margins Purposes as a Storage User of a Constrained Storage Facility, and references in this paragraph 4 to Users do not include a reference to Transco NTS when so acting.
- 4.1.6 The amounts payable by Users by way of Capacity Charges for NTS Entry Capacity at the Storage Connection Point at a Constrained Storage Facility shall be adjusted on the basis set out in Transco NTS's Transportation Statement.

4.2 Constrained Storage Renominations

- 4.2.1 Each User holding Storage Space in a Constrained Storage Facility authorises Transco NTS to make an Input Nomination ("**Constrained Storage Renomination**") in respect of the relevant Storage Connection Point on behalf of the User in accordance with this paragraph 4.
- 4.2.2 Subject to paragraph 4.4, a Constrained Storage Renomination will be made as a Renomination, including a New Renomination where the relevant User has not already made an Input Nomination in respect of the relevant Storage Connection Point (and accordingly will not be made by the Applicable Storage Nomination Time).
- 4.2.3 Transco NTS may make Constrained Storage Renominations in respect of a Constrained Storage Facility in respect of any Day (a "**Constrained Storage Day**") where at 16:00 on the Preceding Day and/or at any subsequent Demand Forecast Time, the forecast flow, at the relevant Constrained Point, exceeds the Constrained Threshold

Demand Flow; and where Transco NTS makes a Constrained Storage Renomination, it will notify Users of the forecast flow at the Constrained Point.

4.2.4 The Nomination Quantity ("**Constrained Nomination Quantity**") under a Constrained Storage Renomination shall be:

- (a) in the case of a Transco LNG Storage Facility, the Storage Constrained Nomination Quantity determined in accordance with Section Z6.9; and
- (b) in the case of any other Storage Facility, the quantity determined in accordance with the relevant Storage Terms.

4.2.5 Without prejudice to Section Z6.2.8, on a Constrained Storage Day a User may not make any Renomination in respect of the relevant Storage Connection Point to reduce the Constrained Nomination Quantity (and any such Renomination purportedly made may be disregarded); provided that a User may post a Market Offer to effect a Locational Market Transaction in relation to which the User agrees to make an Acquiring Trade Nomination for the System Entry Point comprising the relevant Storage Connection Point for a Constrained Storage Day.

4.2.6 Where, on a Constrained Storage Day after Constrained Storage Renominations have been made, actual flow for a Constrained Point increases, Transco NTS will notify Users and may make further Constrained Storage Renominations in accordance with this paragraph 4.

4.2.7 Where, on a Constrained Storage Day after Constrained Storage Renominations have been made, actual flow in respect of a Constrained Point is reduced to less than 90% of the Constrained Threshold Demand Flow, Transco NTS will notify Users and revise the Constrained Storage Renominations such that the Constrained Nomination Quantities are, in the case of Constrained Storage Renominations:

- (a) in respect of a Transco LNG Storage Facility, equivalent to the Storage Constrained Nomination Quantities determined in accordance with Section Z6.9.4; and
- (b) in respect of any other Storage Facility, equivalent to the quantities determined in accordance with the relevant Storage Terms.

4.2.8 The aggregate amount ("**Total Constrained Quantity**") of gas for which Transco NTS on a Constrained Storage Day makes Constrained Storage Renominations in respect of a Constrained Storage Facility shall not exceed either:

- (a) the maximum Storage Deliverability for that facility (as specified in the Storage Connection Agreement or otherwise agreed between Transco NTS and the Storage Operator); or
- (b) the aggregate amount of all Users' gas-in-storage in that facility on the relevant Day.

4.3 Effect of nomination

4.3.1 The relevant Storage Terms will provide in relation to a User holding Storage Space in a Constrained Storage Facility to authorise the Storage Operator to deliver gas to the

Total System at the Storage Connection Point pursuant to a Constrained Storage Renomination.

- 4.3.2 Users will be responsible for ensuring they have sufficient Storage Deliverability to enable any Constrained Storage Renomination to be complied with, and Transco NTS will not be concerned with any question whether the Storage Renomination Quantity exceeds the User's Storage Deliverability in the Constrained Storage Facility; and the Storage Connection Agreement will require the Storage Operator to comply with the Constrained Storage Renomination irrespective of whether it will (in accordance with the Storage Terms) result in the User becoming liable for any charge to the Storage Operator.

4.4 Minimum inventory requirements

- 4.4.1 Subject to paragraph 4.4.4, on each Day in each week in the Winter Period, a User's gas-in-storage in each Constrained Storage Facility shall not be less than the Weekly Minimum Requirement.
- 4.4.2 Each User holding Storage Space in a Constrained Storage Facility shall secure that the requirement in paragraph 4.4.1 is at all times in the Winter Period satisfied.
- 4.4.3 For each User the "**Weekly Minimum Requirement**" for a Constrained Storage Facility in respect of any week in the Winter Period is the amount determined as the relevant percentage of the User's Available Storage Space (as defined in Section Z), for which purpose the relevant percentage is the percentage set out in respect of such week for such facility in the Constrained Storage Document; and the "**Aggregate Weekly Minimum Requirement**" in respect of any such week is the amount determined as the relevant percentage of the Maximum Storage Space (less Storage Space held by Transco NTS for Operating Margins Purposes) in the Constrained Storage Facility.
- 4.4.4 Without prejudice to paragraph 4.4.5, the requirement in paragraph 4.4.1 shall not be treated as not being satisfied where by reason of a Constrained Storage Renomination a User's gas-in-storage in a Constrained Storage Facility becomes less than the Weekly Minimum Requirement.
- 4.4.5 Where at any time in the Winter Period a User's gas-in-storage in a Constrained Storage Facility is for the time being less than the Weekly Minimum Requirement (whether or not as a result of any Constrained Storage Renomination), the User may not make any Input Nomination in respect of the relevant Storage Connection Point for the relevant Constrained Storage Facility; but Transco NTS may continue to make Constrained Storage Renominations in accordance with this paragraph 4.
- 4.4.6 Transco NTS may but shall not be required to reject an Input Nomination in respect of the relevant Storage Connection Point for the Constrained Storage Facility which would result in the requirement in paragraph 4.4.1 ceasing to be satisfied or is made at a time at which such requirement is not satisfied.
- 4.4.7 Where as respects any User and any Constrained Storage Facility:
- (a) on the first Day of the Winter Period the requirement in paragraph 4.4.1 is not satisfied; or
 - (b) on any other Day in the Winter Period (subject to paragraph 4.4.4) the

requirement in paragraph 4.4.1 ceases to be satisfied

paragraph 4.4.8 shall apply.

4.4.8 In the circumstances in paragraph 4.4.7:

- (a) the Storage Connection Agreement and Storage Terms will provide that, or will provide that Transco NTS may elect that (on such terms as between the Storage Operator and User, as may be provided in the Storage Terms) the Storage Operator (as User) shall make Output Nominations in respect of the Storage Connection Point (for injection to the Constrained Storage Facility), on or as soon as reasonably practicable after the relevant Day under paragraph 4.4.7, for a quantity or quantities equal in aggregate to the relevant quantity (and may but shall not be obliged to secure the delivery to the Total System of a quantity of gas not exceeding the relevant quantity);
- (b) such injection quantity(ies) will be treated as injected by the User to the Constrained Storage Facility, for the purposes of the relevant Storage Terms, but will not be treated as offtaken from the Total System by the User.

4.4.9 For the purposes of paragraph 4.4.8 the relevant quantity is the amount by which the User's gas-in-storage in the relevant Constrained Storage Facility was, on the relevant Day under paragraph 4.4.7, less than the Weekly Minimum Requirement.

4.4.10 A User will not make a Storage Withdrawal Nomination which would result in the requirement in paragraph 4.4.1 ceasing to be satisfied or at a time at which such requirement is not satisfied.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION S – INVOICING AND PAYMENT

1 INVOICING

1.1 Introduction

1.1.1 The amounts payable by Users to the Transporter and by the Transporter to Users in accordance with the Code will be invoiced and payable in accordance with this Section S.

1.1.2 The Transporter will submit to each User Invoice Documents in respect of each Billing Period in accordance with this Section S.

1.1.3 For the purposes of this Section S:

- (a) subject to paragraph 2.5.3, a **"Billing Period"** is a calendar month; provided that in relation to a Reconciliation Invoice the Billing Period is the Reconciliation Billing Period;
- (b) a **"Billing Day"** is a Day in a Billing Period;
- (c) an **"Invoice Document"** is an invoice document submitted by the Transporter to a User pursuant to this Section S;
- (d) **"Invoice Item"** is an item (in respect of all charges of a particular kind) shown as payable by the Transporter or by a User in an Invoice Document (including where relevant a self-bill amount in accordance with paragraph 1.1.4);
- (e) the **"Invoice Amount"** in relation to an Invoice Item is the amount shown as payable by the User or the Transporter in respect of that item under the relevant Invoice Document;
- (f) a **"Reconciliation Billing Period"** is the period of one month (or in the event of a change in the last reconciliation day a shorter or longer period) ending on the last reconciliation day; for which purposes the last reconciliation day is the Day of the month (not more than 8 Business Days before the prevailing date on which the relevant Reconciliation Invoice is to be submitted pursuant to paragraph 1.4), from time to time advised by the Transporters to Users as being the last Day on which the Transporters are able to undertake calculations of Individual NDM Reconciliation and Aggregate NDM Reconciliation for inclusion in the next Reconciliation Invoice to be submitted.

1.1.4 An Invoice Document may show as an Invoice Amount an amount (a **"self-bill amount"**) payable by the Transporter to a User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply.

1.1.5 An Invoice Document may contain an adjustment by way of credit (**"Invoice Credit"**) in respect of an Invoice Amount in another Invoice Document.

- 1.1.6 An Invoice Document shall take effect as a separate invoice in respect of each Invoice Item, but without prejudice to paragraph 4.
- 1.1.7 No delay by the Transporter in submitting an Invoice Document shall prejudice the liability (once such Invoice Document has been submitted) of the Transporter or the User for the amounts subject thereto.

1.2 Invoice types

- 1.2.1 For each Billing Period separate Invoice Documents (as described in paragraph 1.2.2) will be submitted to each User in respect of amounts payable (if any) under different provisions of the Code.
- 1.2.2 The types (each an "**Invoice Type**") of Invoice Document to be submitted are NTS Entry Capacity Invoices, NTS Exit Capacity Invoices, LDZ Capacity Invoices, Balancing Invoices, Commodity Invoices, Reconciliation Invoices, Adjustment Invoices, Interest Invoices and Ad-hoc Invoices in accordance with paragraph 2.

1.3 Form and content of Invoice Document

- 1.3.1 Each Invoice Document will specify:
 - (a) the identity of the User;
 - (b) the Billing Period to which the Invoice Document (other than as respects any Invoice Credit) relates;
 - (c) the Invoice Type;
 - (d) in respect of each Invoice Item, the Invoice Amount;
 - (e) a unique number by which the Invoice Document may be identified, and a reference number for each Invoice Item; and
 - (f) the amount of Value Added Tax (if any) payable in respect of each Invoice Item and the further details required under Regulation 14 of the Regulations referred to in paragraph 1.1.4.
- 1.3.2 An Invoice Document which contains an Invoice Credit will also identify the Invoice Document and Invoice Item to which the Invoice Credit relates and the amount of the Invoice Credit.
- 1.3.3 Each Invoice Document will be accompanied by a remittance advice ("**Invoice Remittance Advice**"), to be completed by the User in accordance with paragraph 3.4.
- 1.3.4 Subject to paragraph 1.3.6 and to Section U6, Invoice Documents will be submitted to Users either by UK Link Communication in the form and manner described in the UK Link Manual or by Conventional Notice in the specific circumstances set out in the UK Link Manual, and subject to paragraph 1.3.5 will be accompanied by the supporting data specified in respect of each Invoice Item in the UK Link Manual (the supporting data in respect of any such UK Link Communication comprising all data contained therein other than that described in paragraph 1.3.1).

- 1.3.5 An Invoice Document will not be invalid solely by reason of its not being accompanied by any particular item of supporting data, but (in accordance with paragraph 4.2.1(c)(i)) the specificity of any Invoice Query will depend on the extent to which such data was provided.
- 1.3.6 Supporting data in respect of an Ad-Hoc Invoice may be submitted on paper unless it would be unreasonable to expect a User to process such data so submitted by the relevant Invoice Due Date.

1.4 Invoice timing

- 1.4.1 Subject to paragraphs 1.7 and 2.5.2, Invoice Documents of different Invoice Types will be submitted at different times after the Billing Period to which they relate.
- 1.4.2 Subject to paragraphs 1.7 and 2.5.2, the Transporters will inform every User:
 - (a) of the expected timing of the submission of each Invoice Type referred to in Annex S-1 (which shall be the same for each Transporter submitting each such Invoice Type);
 - (b) upon not less than 6 months notice to Users, of any change in such expected timing;
 - (c) upon becoming aware that such delay will occur, of any delay of more than 5 Business Days (by reference to such expected timing) in the submission of an Invoice Document in respect of a particular Billing Period (but the Transporter may not by notifying such delays avoid the requirements under paragraphs (b) and 1.4.3)).
- 1.4.3 Subject to paragraph 1.7, the Transporters will not change the expected timing of Invoice Documents of a particular Invoice Type more than once in any period of 12 months.

1.5 Divided Invoices

- 1.5.1 Without prejudice to paragraph 2.5.2, the Transporter may, in the circumstances in paragraph 1.5.2, after notifying the User and (in the cases in paragraph 1.5.2(b) and (c)) explaining the reason therefor in reasonable detail and providing reasonable evidence thereof, submit to a User more than one Invoice Document of the same Invoice Type in respect of a particular Billing Period.
- 1.5.2 The circumstances referred to in paragraph 1.5.1 are:
 - (a) where the User has requested that more than one such Invoice Document is submitted, provided it is reasonably practicable for the Transporter to accommodate such request;
 - (b) where a problem in the operation of UK Link, which it was reasonable for the Transporter not to have foreseen at the UNC Implementation Date, adversely affects the ability of the Transporter to produce or submit to the User an Invoice Document in respect of a given Billing Period;

- (c) where anything required to be done (for or on behalf of or in relation to the User) by a person other than the Transporter (whether acting as Meter Reader or otherwise, and including an agent or contractor of the Transporter) to enable an Invoice Document to be produced or submitted is not done or not done by the required time.
- 1.5.3 The charges subject to each Invoice Document submitted pursuant to paragraph 1.5.1 will be allocated between such Invoice Documents by reference to the LDZ of the System Points in respect of which such charges arise or on another basis agreed with the User.
- 1.5.4 Such Invoice Documents may be submitted on different Days and each such Invoice Document will be treated as a separate Invoice Document for the purposes of this Section S; provided that the Invoice Due Date in respect of each such Invoice Document shall be:
 - (a) in the cases under paragraph 1.5.2(a) and (c):
 - (i) the Invoice Due Date (in accordance with paragraph 3.1.2) of the first submitted such Invoice Document; or
 - (ii) where later, the date which is 5 Business Days after the date on which the relevant Invoice Document is submitted; provided that in such a case (notwithstanding such later Invoice Due Date) interest shall be payable pursuant to paragraph 3.5.1 as though the Invoice Due Date were the date established under paragraph (i);
 - (b) in the cases under paragraph 1.5.2(b), the Invoice Due Date (in accordance with paragraph 3.1.2) of the last-submitted such Invoice Document.
- 1.5.5 The Transporter will give the User as much notice (pursuant to paragraph 1.5.1) as is reasonably practicable, and the Transporter and the User will coordinate with each other to facilitate the giving and receiving of such Invoice Documents.

1.6 Value Added Tax

- 1.6.1 All amounts expressed as payable by a User or the Transporter pursuant to the Code, and whether the amount thereof is set out in the Code or determined by reference to a Transportation Statement, a Metering Charges Statement or otherwise, are exclusive (unless expressly otherwise stated) of any applicable Value Added Tax (and accordingly Value Added Tax shall be paid by the paying party where payable in respect of any such amount).
- 1.6.2 Where:
 - (a) any amount has been included in any Adjustment Neutrality Amount or Adjustment Reconciliation Neutrality Amount pursuant to Section F4.5.3(a)(ii) or Section F6.5.1(a)(ii), by reason of any amount (as therein referred to) being unpaid by a User;
 - (b) any Value Added Tax (unpaid by the User) in respect of the unpaid charge was also so included; and

- (c) Transco NTS, having accounted for the unpaid Value Added Tax, subsequently recovers any amount from the relevant authorities in respect of the unpaid Value Added Tax

the amount which was so recovered in respect of Value Added Tax will be included as an additional Monthly Adjustment Neutrality Revenue for the purposes of Section F4.5.3(b) in the month in which it is paid to Transco NTS.

1.7 Termination and Insolvency

- 1.7.1 Notwithstanding paragraph 1.4, the Transporter may, at any time (whether before or after the User Discontinuance Date) after the Transporter submits to a User a Termination Notice under Section V4.3, submit to that User any Invoice Document in respect of any Billing Period or part of a Billing Period ending at or before the time at which the Transporter submits such Invoice Document.
- 1.7.2 Where the Transporter has submitted a Termination Notice to a User, all amounts payable by that User to the Transporter or by the Transporter to the User (whether the Invoice Document in which such amounts are shown was submitted before or after the date of the Termination Notice) shall be immediately payable notwithstanding paragraph 3.1.
- 1.7.3 Notwithstanding paragraph 1.4, the Transporter may, at any time on or following the occurrence of any of the events set out in paragraph V4.3.1(e) in relation to any User, submit to that User any Invoice Document in respect of any Billing Period or part of a Billing Period ending at or before the time at which the Transporter submits such Invoice Document.
- 1.7.4 In relation to a User, on the occurrence of any of the events set out in paragraph V4.3.1(e), all amounts payable to the Transporter (whether the Invoice Document in which such amounts are shown was submitted before or after the date of the occurrence of any of the events set out in paragraph V4.3.1(e)) shall be immediately payable notwithstanding paragraph 3.1.

1.8 Invoice adjustment

- 1.8.1 Subject to paragraph 1.8.3, where it appears to the Transporter that any Invoice Amount has been incorrectly stated in an Invoice Document, the Invoice Amount may be adjusted by an Adjustment Invoice or as the case may be an Ad-hoc Invoice submitted by the Transporter in accordance with paragraph 2.2 or 2.4 (and the Transporter will not be required to revise and resubmit the original Invoice Document).
- 1.8.2 An adjustment (by way of debit) representing an increase in an Invoice Amount shall be a new Invoice Amount in respect of which the Invoice Due Date will be the Invoice Due Date of the relevant Adjustment Invoice or Ad-hoc Invoice.
- 1.8.3 In the absence of fraud, after the expiry of 18 months (or any other period agreed between the Transporter and the User) after the Invoice Due Date (in accordance with paragraph 3.1) in respect of any Invoice Document:
 - (a) no adjustment may be made to an Invoice Amount under that Invoice Document, other than:

- (i) an adjustment of which the Transporter had given notice to the User; or
 - (ii) an adjustment pursuant to an Invoice Query raised by a User (in accordance with paragraph 4)before the expiry of such period;
 - (b) no Invoice Query may be raised in respect of the Invoice Document; and
 - (c) the Invoice Document shall (subject to any adjustments already made and any permitted under paragraph (a)) be deemed to be final and conclusive as to the amounts shown as payable thereunder.
- 1.8.4 The provisions of this Section S whereby an Invoice Amount may be adjusted or an Invoice Query raised are without prejudice to the provisions of the Code pursuant to which determinations of quantities delivered to and offtaken from the Total System are made final.
- 1.9 Contingencies**
- 1.9.1 Subject to paragraph 1.9.4, in the event that, as a result of a Code Contingency, the Transporter is unable to produce or submit any Invoice Documents within 7 Days after the expected date (in accordance with paragraph 1.4) of submission thereof:
- (a) the Transporter may prepare and submit an Invoice Document (as an Ad-hoc Invoice) containing estimated Invoice Amounts;
 - (b) such an Invoice Document will be a valid Invoice Document; and
 - (c) for the purposes of paragraph 1.3.4, the supporting data to be provided with the Invoice Document will be an explanation of the basis of estimation.
- 1.9.2 Where the User believes that the Transporter's estimate or basis of estimation is materially inaccurate, the User shall as soon as reasonably practicable after receiving the Invoice Document (and in any event before the Invoice Due Date) contact the Transporter and discuss the estimate or basis of estimation with a view to agreeing upon a more accurate estimate of the amount which is payable, which amount (if so agreed) shall be the amount payable by the User in respect of the estimated Invoice Document, but without prejudice to paragraph 1.8.1 or 4.3.
- 1.9.3 Where (following discussion under paragraph 1.9.2) the User raises an Invoice Query under paragraph 4.2.1:
- (a) paragraph 4.2.1(c)(i) shall apply on the basis of the detail provided of the basis of estimation; and
 - (b) for the purposes of paragraph 4.2.1(c)(ii), the User shall specify the amount by which the User reasonably believes the Transporter's estimate to be under-or over-stated.
- 1.9.4 Except with the agreement of a User, the Transporter may not on the occurrence of any Code Contingency submit Invoice Documents containing estimated Invoice Amounts under this paragraph 1.9 in respect of consecutive Billing Periods.

- 1.9.5 Where in accordance with the Contingency Procedures the Transporter submits Invoice Documents, which do not contain estimated Invoice Amounts, such Invoice Documents shall be submitted in the format required in paragraph 1.3.4.

1.10 Adjustment neutrality

Where any Energy Balancing Charge has been invoiced and, upon the resolution of an Invoice Query or pursuant to paragraph 1.8.1 or (unless expressly otherwise provided) following a Code Modification or otherwise, any adjustment is subsequently made in respect of such Energy Balancing Charge, any amount payable by Transco NTS to a User or by a User to Transco NTS pursuant to such adjustment shall be:

- (a) except as provided in paragraph (b), an additional Monthly Adjustment Neutrality Cost, or (as the case may be) an additional Monthly Adjustment Neutrality Revenue for the purposes of Section F4.5.3(a) or (b) in respect of the month(s) to which the adjustment relates; and
- (b) where the relevant Energy Balancing Charge was a Reconciliation Clearing Charge other than in respect of an NTS System Exit Point or a Reconciliation Neutrality Charge, an additional Adjustment Reconciliation Neutrality Cost or (as the case may be) additional Adjustment Reconciliation Neutrality Revenue for the purposes of Section F6.5(a) or (b) (applying pursuant to Section F6.1.2), in respect of the month in which the amount of such adjustment was determined.

1.11 DNO Users

In this Section S references to Users include DNO Users.

2 INVOICE TYPES

2.1 General

- 2.1.1 NTS Entry Capacity Invoices, NTS Exit Capacity Invoices, LDZ Capacity Invoices, Balancing Invoices, Commodity Invoices and Reconciliation Invoices are Invoice Documents of the Invoice Types described in Annex S-1.
- 2.1.2 Subject to paragraphs 2.1.3 and 2.1.5, the Invoice Items to be comprised in each of the Invoice Types referred to in paragraph 2.1.1 are set out in Annex S-1.
- 2.1.3 Upon not less than 3 months notice to Users, the Transporter may include in any Invoice Document of an Invoice Type referred to in paragraph 2.1.1 Invoice Items which previously were or would have been contained in an Ad-hoc Invoice (but for the avoidance of doubt only in respect of Invoice Items in respect of charges payable pursuant to the Code).
- 2.1.4 The provisions of paragraph 2 and Annex S-1 as to the scope and contents of particular Invoice Documents shall be deemed from time to time to be modified to the extent necessary to be consistent with any Manual Modification under Section U8 (but for the avoidance of doubt only in respect of Invoice Items in respect of charges payable pursuant to the Code).
- 2.1.5 An amount which:

- (a) is payable under the Code in relation to, or in connection with the holding of System Capacity at or the offtake of gas at, a Connected System Exit Point, a Shared Supply Meter Point, a VLDMC Supply Point Component, or a System Exit Point in a part of an LDZ to which GT Section C3.3.4 applies; and
 - (b) would otherwise be an Invoice Item within an Invoice Type in Annex S-1,
- may be contained in an Ad-hoc Invoice.

2.2 Adjustment Invoice

- 2.2.1 An Adjustment Invoice is an Invoice Document containing Invoice Credits or Invoice Amounts (if not contained in an Ad-hoc Invoice) representing adjustments (by way of credit or debit) to Invoice Amounts contained in one or more LDZ Capacity Invoices or Commodity Invoices.
- 2.2.2 The amount of interest (if any) payable in respect of any amount payable or repayable pursuant to an Adjustment Invoice will be shown in an Ad-hoc Invoice or Interest Invoice and not in the relevant Adjustment Invoice.

2.3 Interest Invoice

An Interest Invoice is an Invoice Document containing Invoice Amounts representing interest payable pursuant to paragraph 3.5 (other than pursuant to paragraph 4.2.4) by a User or the Transporter in respect of an Invoice Amount under any Invoice Document (including an earlier Interest Invoice).

2.4 Ad-hoc Invoice

- 2.4.1 An Ad-hoc Invoice is an Invoice Document in respect of an amount not included in another Invoice Type.
- 2.4.2 The Transporter may submit an Ad-hoc Invoice to any User at any time (but subject to paragraph 1.8.3) in respect of any amount (not included in another Invoice Type) which, at any time prior to the submission of such Invoice Document, becomes payable or repayable by the User or the Transporter to the other pursuant to any provision of the Code or otherwise pursuant to Section B 1.7.9 or (unless otherwise therein provided) pursuant to any Ancillary Agreement.
- 2.4.3 An Ad-hoc Invoice may also contain adjustments (by way of credit or debit) in respect of any Invoice Amount, other than adjustments to be contained (in accordance with paragraph 2.2) in Adjustment Invoices.
- 2.4.4 The Transporter will submit (as an Ad-hoc Invoice) an Invoice Document in respect of amounts becoming payable by the Transporter to a User pursuant to Sections G4 and M5 as soon as reasonably practicable after the month in which the liability to pay such amounts accrues.
- 2.4.5 The liability of the Transporter pursuant to any provision referred to in paragraph 2.4.4 or Section I3.7 or J3.5 to make any payment to a User is without prejudice to the User's liability for any charge payable to the Transporter, and the Transporter shall not be entitled to discharge its liability by releasing the User from any such liability of the

User; and the Transporter shall secure that (where relevant) the Invoice Amounts in relevant Ad-hoc Invoices are stated accordingly.

- 2.4.6 Transco NTS will, at the same time as it submits a Balancing Invoice in relation to any Billing Period, submit (as an Ad-hoc Invoice) an Invoice Document in respect of amounts payable by or to Transco NTS pursuant to Section D3 in respect of such Billing Period.
- 2.4.7 The management of the issuing of Ad-hoc Invoices and the services provided in respect of Ad-hoc Invoices are contained in the 'Operational Rules Governing the Supply of Invoice Charges via the Ad-hoc Process' which is the document so entitled and issued and revised from time to time by the Transporters (following consultation with Users) and such document does not form part of Code.

2.5 Miscellaneous

- 2.5.1 An Adjustment Invoice, Interest Invoice or Ad-hoc Invoice may contain Invoice Amounts (or Invoice Credits in respect of Invoice Amounts) accruing (before such invoice is submitted):
 - (a) in the calendar month in which the Invoice Document is submitted; and/or
 - (b) in more than one calendar month.
- 2.5.2 Without prejudice to paragraph 2.4.6, there is no expected timing within a calendar month for the submission of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice; and, except in the case of an Interest Invoice, more than one such Invoice Document may be submitted to a User in the same calendar month.
- 2.5.3 A reference to a Billing Period in the context of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice (other than where submitted pursuant to paragraph 2.4.6) is to the period from the date of accrual of the first to that of the last accruing Invoice Amount contained in such Invoice Document.

3 INVOICE PAYMENT

3.1 Invoice Due Date

- 3.1.1 Subject to paragraphs 1.7.2, 1.7.4 and 4.2.2, the Invoice Amounts under each Invoice Document shall be paid (by the User to the Transporter or by the Transporter to the User, as the case may be) on or before the Invoice Due Date.
- 3.1.2 The "**Invoice Due Date**" in respect of an Invoice Document is the day ending at 24:00 hours on:
 - (a) subject to paragraphs (b) and (c), whichever is the later of:
 - (i) the 12th Day after the Day on which the Invoice Document was deemed to be received in accordance with Section U and GT Section B5; and
 - (ii) the 20th Day after the last Day of the Billing Period to which the Invoice Document relates;

- (b) in the case of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice, subject to paragraph (c), the 12th Day after the Day on which the Invoice Document was deemed to be received in accordance with Section U and GT Section B5;
 - (c) where the Day (the "**target due date**") determined under paragraph (a) or (b) is not a Business Day:
 - (i) subject to paragraph (ii), the Business Day (whether before or after the target due date) which is nearest to the target due date; or
 - (ii) if the nearest Business Days before and after the target due date are equally near, the nearest Business Day after the target due date.
- 3.1.3 Where a Balancing Invoice contains Invoice Amounts payable both by and to a User, only the net amount (the "**Net Invoice Amount**") shall be payable.

3.2 Payment details

- 3.2.1 Payment of any amount payable under the Code shall be made in pounds sterling in same day funds to the account of the payee at a bank in the United Kingdom notified to the paying party in accordance with paragraph 3.2.2.
- 3.2.2 The Transporter will notify each User, and each User shall notify the Transporter, of the account name and number, and the name, address and sort code of the account bank, to which payments to the Transporter by such User or (as the case may be) to such User by the Transporter are to be made, within 5 Business Days after the User Accession Date, and of any change in such details not less than 30 Days before such change occurs.
- 3.2.3 The payer shall instruct the bank remitting payment of any amount payable under the Code to quote the number (under paragraph 1.3.1(e)) of the relevant Invoice Document to the payee's bank when remitting such payment.

3.3 Deductions, withholdings, taxes etc

- 3.3.1 Without prejudice to paragraph 4.2.2, amounts payable under the Code shall be paid:
- (a) free and clear of any restriction, reservation or condition; and
 - (b) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the paying party, whether by way of set off, counterclaim or otherwise.
- 3.3.2 If, in respect of a payment to be made to the Transporter by a User, any deduction or withholding is required to be made by the law of any country other than a country of the United Kingdom, the User shall:
- (a) ensure that the amount of such withholding or deduction does not exceed the minimum so required;
 - (b) forthwith pay the Transporter such additional amounts as will ensure that the net amount received by the Transporter will be equal to that which would have been received had no deduction or withholding been made; and

- (c) pay the amount withheld or deducted to the relevant authority in accordance with the relevant requirement of law, and provide to the payee a receipt issued by such authority or (if such a receipt is not available) a certificate in respect of such payment.

3.4 Remittance advice

- 3.4.1 Where payment of any amount is made pursuant to an Invoice Document, the User shall complete and submit to the payee the Invoice Remittance Advice not later than the Day on which payment is made (but no inability of the User to do so shall affect its obligation to make payment).
- 3.4.2 The completed Invoice Remittance Advice shall specify:
 - (a) the date when payment is to be made;
 - (b) the amounts, by reference to each Invoice Item (payable to the Transporter) specified in the Invoice Document, in respect of which the payment is to be made, and the total amount to be paid; and
 - (c) any amount or amounts, by reference to each Invoice Item, in respect of which payment is not being made pursuant to paragraph 4.2.2.
- 3.4.3 Where the Transporter makes payment of any amount pursuant to an Invoice Document, the Transporter will not later than the date on which payment is made notify the User of details equivalent to those to be specified in an Invoice Remittance Advice pursuant to paragraph 3.4.2 (but no inability of the Transporter to do so shall affect its obligation to make payment).
- 3.4.4 Where the Transporter or a User makes payment under more than one Invoice Document on the same Day, it shall secure that a separate remittance is made in respect of each Invoice Document.
- 3.4.5 Where the Invoice Document number is not quoted (in accordance with paragraph 3.4.4) with any remittance made by or on behalf of a User, and no Invoice Remittance Advice corresponding to the remittance is submitted, the Transporter will endeavour to obtain the User's instructions (by telephone or facsimile) as to the application thereof; but if it has not (by the Business Day following the Day of the remittance) obtained such instructions, the Transporter will apply the amount remitted to or towards Invoice Amount(s) in order of Invoice Due Date (the earliest first) and proportionately as between Invoice Amounts with the same Invoice Due Date, but applying such amount last to any Invoice Amounts which are subject to an Invoice Query.

3.5 Late payment

- 3.5.1 Without prejudice to Section V4.3.1, where any amount payable under an Invoice is not paid on or before the Invoice Due Date, the paying party shall pay interest, after as well as before judgment, at the Applicable Interest Rate, on the unpaid amount from the Invoice Due Date until the Day on which payment is made.
- 3.5.2 For the avoidance of doubt paragraph 3.5.1 shall not be construed as permitting late payment of any Invoice Amount.

3.5.3 Without prejudice to any other rights of the Transporter under the Code, including without limitation those under Section V4.3, where, in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by a User under the Code (excluding for the avoidance of doubt amounts which are the subject of an Invoice Query which by virtue of paragraph 4.2.2 have not become due for payment) and the relevant User has not paid the amount in full by the due date for payment the Transporter shall be entitled to reject or refuse to accept all or any of the following by the relevant User:

- (a) an application for System Capacity or increased System Capacity at any System Point under Section B or Section G5; and
- (b) a System Capacity Trade under Section B5 in respect of which the User is Transferee User; and
- (c) a Supply Point Nomination or Supply Point Confirmation under Section G, other than a Supply Point Renomination or Supply Point Reconfirmation (unless made in the context of an application under paragraph (a) (above))

with effect from the day after the due date for payment until such time as the relevant User has paid the amount due for payment in full.

3.6 Interest

3.6.1 Where pursuant to any provision of this Section S interest is payable by the Transporter or a User, such interest shall accrue on a daily basis and on the basis of a 365 day year.

3.6.2 Interest payable under this Section S will be compounded to the extent and by virtue of being invoiced in an Interest Invoice, late payment of which will itself be subject to interest under this paragraph 3.6.

3.6.3 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or subject to repayment, under the Code.

3.6.4 The Applicable Interest Rate shall be the base rate for the time being of Barclays Bank PLC plus:

- (a) except as provided in paragraph (b), three (3) percentage points per annum; and
- (b) for the purposes only of paragraphs 1.5.4(a)(ii), 4.2.5 and 4.3.2, or where otherwise expressly provided in the Code one (1) percentage point per annum.

3.7 Statement of account

3.7.1 The Transporter will provide to each User each month a statement of account showing, by reference to individual Invoice Documents (but not individual Invoice Items) and in aggregate:

- (a) the amounts shown under paragraph (d) in the preceding statement of account (if any) as payable by the User or the Transporter;

- (b) the amounts shown as payable by the User or the Transporter under Invoice Documents submitted to the User since the date of the preceding statement of account (if any), including any amount for which the Invoice Due Date is after the date of the statement of account for the current month;
 - (c) the amounts paid by the User or the Transporter since the date of the preceding statement of account (if any); and
 - (d) the sum of the amounts shown under paragraphs (a) and (b) less the amounts shown under paragraph (c).
- 3.7.2 Each statement provided under paragraph 3.7.1 shall state that it is not a tax invoice for Value Added Tax purposes.
- 3.7.3 No payment obligation of any User or the Transporter shall be affected by any delay or failure by the Transporter in producing a statement of account.

4 INVOICE QUERIES, ETC

4.1 Invoice Queries

- 4.1.1 For the purposes of this Section S an **"Invoice Query"** is any question or dispute as to the proper calculation of any amount shown as payable by a User or the Transporter under an Invoice Document or as to whether any such amount is or was properly payable and references to the amount of an Invoice Query are to the amount by which the User submitting the Invoice Query considers the Invoice Amount to be incorrect.
- 4.1.2 A User may notify an Invoice Query by telephone (subject to paragraph 4.1.3), by Conventional Notice or by UK Link Communication.
- 4.1.3 Where a User notifies an Invoice Query by telephone, the Transporter may (at the time of the telephone communication) require that the Invoice Query be notified by Conventional Notice or UK Link Communication, in which case the Invoice Query shall be deemed not to have been raised for the purposes of paragraph 4.2.1 until so notified.
- 4.1.4 The Transporter and the relevant User will endeavour to resolve Invoice Queries by agreement.
- 4.1.5 Any reference in this Section S:
- (a) to the resolution of an Invoice Query is a reference to the resolution thereof by agreement (at any time) between the Transporter and the relevant User or by determination thereof (in accordance with paragraph (b));
 - (b) to the determination of an Invoice Query is a reference:
 - (i) to the resolution of a dispute in respect thereof under any provision of GT Section A where applicable; and
 - (ii) except as provided in paragraph (i), to the outcome of any proceedings commenced by the Transporter or the relevant User in respect thereof.

- 4.1.6 Without prejudice to any obligation (including any liability to pay interest pursuant to paragraph 4.2.4) of Users pursuant to this Section, the Transporter agrees that it will make available such resources as are in its reasonable opinion reasonably adequate to deal reasonably promptly with reasonable Invoice Queries.
- 4.1.7 In paragraph 4.1.8 'appropriate resources' shall mean the application by the Transporter in respect of an Invoice Query, of available resources that are commensurate with and appropriate to the value of the Invoice Query.
- 4.1.8 In relation to an Invoice Query, for which there exists an Invoice Query Methodology, relating to an Invoice Document in respect of which the relevant Billing period is February 1998 or any subsequent month:
- (a) where it has not been possible to resolve the Invoice Query by applying appropriate resources; or
 - (b) the Transporter is of the opinion that the Invoice Query will not be resolved by applying appropriate resources

the Transporter shall, where agreed with the User, calculate, in accordance with the Invoice Query Estimation Methodology, an estimated value for the Invoice Amount which is the subject of the Invoice Query.

- 4.1.9 Without prejudice to paragraph 4.1.5 where the Transporter calculates an estimated value for the amount of an Invoice Query in accordance with paragraph 4.1.8, the Invoice Query shall be held to have been resolved on the basis of such estimated value, which estimated value shall be deemed to be final and conclusive as to the proper calculation of the amount payable.
- 4.1.10 An "**Invoice Query Estimation Methodology**" is a document so entitled prepared and revised from time to time by Transporters (in consultation with Users) setting out (inter alia) the methodology to be applied by the Transporter for the purposes of calculating an estimated value of the amount of each Invoice Query.
- 4.1.11 In the preparation (and revision) of an Invoice Query Methodology the Transporters shall seek to ensure that the methodology is designed to apply in such a manner that the estimated values calculated for amounts that are the subject of Invoice Queries are, as between the Transporter and Users and as between Users, fair and equitable.
- 4.1.12 Without prejudice to paragraphs 4.1.6, 4.1.8 and 4.1.9, where a User gives simultaneous notification to the Transporters of thirty or more relevant Invoice Queries, the User may also notify the Transporters that it elects that paragraph 4.5 apply to the resolution of the relevant Invoice Queries (an "**Invoice Query Batch**").
- 4.1.13 For the purposes of paragraph 4.1.12, a "**relevant Invoice Query**" is an Invoice Query:
- (a) which relates to a Larger Supply Point, other than in respect of an Invoice Item on a Commodity Invoice or Reconciliation Invoice determined by reference to the Metered Quantity or Reconciliation Quantity respectively; and
 - (b) where the amount is less than £40.

4.2 Invoice Queries before payment

4.2.1 Where a User wishes to raise any Invoice Query in respect of an amount shown as payable by the User under an Invoice Document, the User may, not later than the Day before the Invoice Due Date, notify (in accordance with paragraph 4.1.2 and 4.1.3) such Invoice Query to the Transporter, specifying:

- (a) the Invoice Type, date and number of the Invoice Document;
- (b) the Invoice Item to which the Invoice Query relates;
- (c) an explanation of the basis on which the Invoice Query arises, and the amount of the Invoice Amount which is subject to the Invoice Query:
 - (i) identified by reference to the particular item of supporting data (in accordance with paragraph 1.3.4) in respect of which the Invoice Query arises, on the basis of the level of greatest detail of such supporting data provided for in the UK Link Manual, to the extent that such data was provided by the Transporter, and subject to paragraph 4.2.6 where applicable; and
 - (ii) where the basis of the Invoice Query is that the value of any parameter by reference to which the Invoice Amount is determined is incorrectly stated in such supporting data, the amount (estimated as accurately as is reasonably practicable) by which such value is incorrectly stated; and
- (d) the amount of the Invoice Amount which is not subject to the Invoice Query, determined on the basis that only so much of the Invoice Amount as is identified in paragraph (c) is subject to the Invoice Query.

4.2.2 Where a User raises an Invoice Query in accordance with the requirements of paragraph 4.2.1 (but not otherwise), the amount subject to the Invoice Query (in accordance with paragraph 4.2.1(c)) shall not be payable on the Invoice Due Date, but without prejudice to paragraph 4.2.4.

4.2.3 Except as provided in paragraph 4.2.2, but without prejudice to paragraph 4.3.1, the whole amount shown as payable by a User in any Invoice Document shall be payable on the Invoice Due Date.

4.2.4 Where pursuant to paragraph 4.2.2 any amount is not paid on the Invoice Due Date by a User, the amount (if any) which is agreed or determined (following resolution of the Invoice Query) to be payable by the User shall be payable upon such resolution, and interest from the Invoice Due Date shall be payable in accordance with paragraph 3.5 (but subject to paragraph 4.2.5) on such amount.

4.2.5 For the purposes of paragraph 4.2.4, where it is agreed or determined that the question or dispute the subject of the Invoice Query pursuant to paragraph 4.2.2 was a bona fide question or dispute, the Applicable Interest Rate shall be:

- (a) for Invoice Items other than those listed in paragraph 5 of Annex S-1, the rate under paragraph 3.6.4(b); and

- (b) for Invoice Items listed in paragraph 5 of Annex S-1 the rate under paragraph 3.6.4(b) until the expiry of 2 Business Days after the date of resolution of the Invoice Query.
- 4.2.6 Where, by reason of a delay (after the UNC Implementation Date) in the preparation or submission of any Invoice Documents:
 - (a) the Transporter submits to a User, in the same month, Invoice Documents of the same Invoice Type (other than the Invoice Types referred to in paragraph 4.2.8) in respect of several Billing Periods to a User; or
 - (b) the Transporter submits to a User in any month Invoice Documents of different Invoice Types (other than the Invoice Types referred to in paragraph 4.2.8) at intervals which are substantially less (so that they are submitted on the same Day or within the space of a few Days) than those allowed for by the expected timing under paragraph 1.4.2

paragraph 4.2.7 shall apply.
- 4.2.7 In relation to any such Invoice Document as is referred to in paragraph 4.2.6:
 - (a) the level of detail by reference to which (for the purposes of paragraph 4.2.1) any Invoice Query is required to be given shall be such as is reasonable having regard to the extent of the supporting data and the time (from submission of the Invoice Document until the Invoice Due Date) available for the User to review such Invoice Documents and the supporting data; and
 - (b) where the User raised an Invoice Query containing less detail than would have been required but for paragraph (a):
 - (i) the User shall as soon as is reasonable provide to the Transporter the details which were omitted; and
 - (ii) to the extent that the User does not comply with paragraph (i), the suspension (pursuant to paragraph 4.2.2) of the User's obligation to pay shall cease to apply.
- 4.2.8 The Invoice Types excluded from paragraph 4.2.6(a) and (b) are Invoice Types within paragraph 2.5.1, except that Ad-hoc Invoices submitted pursuant to paragraph 1.9.1 shall be included.

4.3 Other Invoice Queries

- 4.3.1 Subject to paragraph 1.8.3, nothing in this paragraph 4 shall prevent a User from raising any Invoice Query other than pursuant to paragraph 4.2.1, including in respect of any amount after payment has been made in respect of such amount, or from paying any such amount at the same time as notifying an Invoice Query in respect thereof; provided that (without prejudice to the resolution of the Invoice Query) no constructive trust or other implied term as to the receipt or application by the payee of the amount paid shall arise.
- 4.3.2 Where, upon the resolution of an Invoice Query or otherwise, it is agreed or determined that any amount or part of any amount paid should not have been paid, the payee shall

repay such overpaid amount with interest at the Applicable Interest Rate from the date on which payment was made to it or if later the Invoice Due Date until the date of such repayment.

- 4.3.3 Notwithstanding paragraph 4.2.2, a User shall pay the Invoice Amount in respect of NTS Entry Capacity Charges in respect of Daily NTS Entry Capacity, NTS Entry Capacity Charges in respect of Interruptible NTS Entry Capacity and (where payable by the User) Capacity Neutrality Charges under each NTS Entry Capacity Invoice in full on the Invoice Due Date, notwithstanding any Invoice Query, and paragraphs 4.3.1 and 4.3.2 will apply in respect of any such Invoice Query.

4.4 Invoicing of resolved Queries

- 4.4.1 As soon as reasonably practicable after any Invoice Query is resolved, and in any event by the end of the second following month, the Transporter will prepare and submit to the relevant User an appropriate Invoice Document in respect of the amount (if any) agreed or determined to be payable or repayable by the Transporter or the relevant User.
- 4.4.2 Save in respect of an Invoice Query relating to charges in respect of the Invoice Items listed in paragraph 5 of Annex S-1, as soon as reasonably practicable after any Invoice Query is resolved, and in any event by the end of the third following month, the Transporter will prepare and submit to the relevant User an appropriate Invoice Document in respect of the amount (if any) of interest payable by the Transporter or the User in respect of such Invoice Query.

4.5 Invoice Query Batch sampling

- 4.5.1 Following an election by a User pursuant to paragraph 4.1.12:
- (a) the Transporters shall take a batch sample from the Invoice Query Batch and determine in respect of each Invoice Query in the batch sample whether the Invoice Query complies with paragraph 4.2.1;
 - (b) where:
 - (i) more than 5% (in number) of the Invoice Queries in the batch sample do not comply with the requirements of paragraph 4.2.1, all Invoice Queries in the Invoice Query Batch shall be deemed not to comply with paragraph 4.2.1;
 - (ii) 5% or fewer (in number) of the Invoice Queries in the batch sample do not comply with the requirements of paragraph 4.2.1, all Invoice Queries in the Invoice Query Batch shall be deemed to comply with paragraph 4.2.1;
 - (c) where paragraph (b)(i) applies:
 - (i) the Transporters will provide the User with details of the Invoice Queries in the batch sample which did not comply with paragraph 4.2.1;
 - (ii) the User shall be deemed not to have notified the Transporters of any of the Invoice Queries in the Invoice Query Batch and the User may notify

the Transporter of such Invoice Queries pursuant to paragraph 4.2.1 or 4.1.12;

- (iii) where paragraph (b)(ii) applies, the Transporters shall calculate the average invoice query factor;
 - (d) the "**average invoice query factor**" shall be, for each Invoice Query in the batch sample which complied with paragraph 4.2.1, the sum of the amounts determined by the Transporters as being the amount which should have properly been the subject of the Invoice Query divided by the sum of the amounts as notified by the User; and
 - (e) in respect of each Invoice Query in the Invoice Query Batch, the amount which should have properly been the subject of the Invoice Query shall be, where the average invoice query factor is:
 - (i) less than or greater than 1, the amount notified by the User multiplied by the average invoice query factor;
 - (ii) equal to 1, the amount notified by the User.
- 4.5.2 For the purposes of paragraph 4.5.1, the "**batch sample**" shall comprise, where the number of Invoice Queries comprised in the Invoice Query Batch:
- (a) exceeds 10,000, a random sample of 222 Invoice Queries;
 - (b) is greater than 30 but less than 10,000, a random sample of such number of Invoice Queries ('s') determined as follows:

$$s = (nl + (f * (nh - nl)))$$

where: f equals $(N - NI)/(Nh - NI)$;

N is the number of Invoice Queries in the Invoice Query Batch;

'NI' is the closest batch size below (lower batch size) the actual number of queries is an Invoice Query Batch; and

'Nh' is the closest batch size above (higher batch size) the actual number of queries in the Invoice Query Batch

'nl' and 'nh' are the appropriate sample size set out in Annex S-2.

4.6 GRE Invoice Query Incentive Scheme Methodology

4.6.1 For the purposes of this section:

- (a) the "**GRE Invoice Query Incentive Scheme Methodology**" is a document prepared by Transco NTS and agreed with the Authority dated February 2003 setting out the methodology for the calculation of Incentive Payments;

- (b) the "**GRE Invoice Query**" shall mean an Invoice Query raised by a User for the overpayment of Reconciliation Clearing Charges as determined in accordance with the GRE Invoice Query Incentive Scheme Methodology;
 - (c) a "**Valid GRE Invoice Query**" is a GRE Invoice Query which results in a financial adjustment for the overpayment of Reconciliation Clearing Charges;
 - (d) a "**month**" for the purposes of this paragraph is the period from the 6th day in one month until and including the 5th day in the following month;
 - (e) the "**Query Receipt Month**" shall mean the month in which the GRE Invoice Query is received by Transco NTS;
 - (f) the "**Service Standard Adjustment Month**" shall mean the target month for the processing of financial adjustments in respect of a Valid GRE Invoice Query and this will be the third month following the Query Receipt Month;
 - (g) the "**Relevant Month**" shall mean the month in which the financial adjustment for the overpayment of the Reconciliation Charge is paid by Transco NTS to the User in accordance with the service standard as defined within the GRE Invoice Query Incentive Scheme Methodology; and
 - (h) the "**Incentive Payment**" shall mean the amount payable by Transco NTS the User and such amounts will be determined in accordance with the GRE Invoice Query Incentive Table contained within the GRE Invoice Query Incentive Scheme Methodology.
- 4.6.2 For the purposes of Section V10, the rules in this paragraph are Compensation Rules within Compensation Group F; and in relation thereto the 'payment month' is the second month following the Relevant Month.
- 4.6.3 Amounts payable by Transco NTS pursuant to this GRE Invoice Query Incentive Scheme Methodology will be invoiced and are payable in accordance with Section S.

4.7 Operational Queries

- 4.7.1 For the purposes of this Section S:
- (a) the "**Guidelines**" is the document entitled 'Standards of Service Query Management Operational Guidelines' as prepared and revised from time to time by the Transporters (in consultation with Users);
 - (b) "**Queries**" shall have the meaning of 'Invoice and Operational queries for both Gas Transportation (GT) and Meter Asset Queries' as defined in the Guidelines but not including Excluded Queries and "**Query**" shall be defined accordingly;
 - (c) the "**Query Receipt Day**" shall mean the day in which a Query is received by the Transporter in accordance with the Guidelines;
 - (d) a "**Query Count Day**" shall have the same meaning as 'Transporter Day' in the Guidelines being a Business day where the resolution of the query is within the direct control of the Transporter;

- (e) an "**Excluded Query**" shall (subject to paragraph 4.8.8) be a Query of a type that is to be excluded from the calculation of liability payments under this Section as further set out in the Guidelines in relation to 'Query Categories Excluded';
- (f) "**Final Achieved Performance**" is the performance figure for the resolution of Queries calculated in accordance with the Guidelines; and
- (g) "**Query Standard**" shall mean:
 - (i) from the Query Implementation Date (subject to paragraph (ii) below), the appropriate percentage set out in the "**Query Implementation Date**" column in Annex S-3;
 - (ii) from the first day of the calendar month that is no less than 6 months after the Query Implementation Date (subject to paragraph (iii) below), the appropriate percentage set out in the '6 month' column in Annex S-3;
 - (iii) from the first day of the calendar month that is no less than 12 months after the Query Implementation Date (subject to paragraph (iv) below), the appropriate percentage set out in the '12 month' column in Annex S-3;
 - (iv) from the first day of the calendar month that is no less than 18 months after the Query Implementation Date, the appropriate percentage set out in the '18 month' column in Annex S-3.

4.7.2 In respect of Queries relating to Smaller Supply Points and Larger Supply Points respectively, Transporters are required to resolve within a calendar month not less than the appropriate Query Standard set out for 'metering' Queries and 'GT' Queries respectively (and as such terms are further described in the guidelines).

4.7.3 Where Final Achieved Performance for Smaller Supply Points is less than the relevant Query Standard for a User within a calendar month Transporters will in aggregate pay to the User an amount calculated as the aggregate of:

$$\begin{aligned}
 (a) \quad & (((SGT_4/100)*A) - B_4 - C) * £1) + \\
 & (((SGT_{10}/100)*A) - B_{10} - C) * £3) + \\
 & (((SGT_{20}/100)*A) - B_{20} - C) * £6) +
 \end{aligned}$$

where:

SGT_4 is the relevant Query Standard for '4 day standard' for Smaller Supply Points: GT set out in Annex S-3;

SGT_{10} is the relevant Query Standard for '10 day standard' for Smaller Supply Points: GT set out in Annex S-3;

SGT_{20} is the relevant Query Standard for '20 day standard' for Smaller Supply Points: GT set out in Annex S-3;

- A is the number of Queries resolved in the calendar month relating to gas transportation at Smaller Supply Points;
- B₄ is the number of Queries resolved within 4 Query Count Days for Smaller Supply Points in the calendar month relating to gas transportation;
- B₁₀ is the number of Queries resolved within 10 Query Count Days for Smaller Supply Points in the calendar month relating to gas transportation;
- B₂₀ is the number of Queries resolved within 20 Query Count Days for Smaller Supply Points in the calendar month relating to gas transportation;
- C is the number of Excluded Queries resolved for the User within the calendar month; and

$$(b) \quad \begin{aligned} & (((SM_4/100)*A) - B_4 - C) * £1) + \\ & (((SM_{10}/100)*A) - B_{10} - C) * £3) + \\ & (((SM_{20}/100)*A) - B_{20} - C) * £6) + \end{aligned}$$

where:

- SM₄ is the relevant Query Standard for '4 day standard' for Smaller Supply Points: metering set out in Annex S-3;
- SM₁₀ is the relevant Query Standard for '10 day standard' for Smaller Supply Points: metering set out in Annex S-3;
- SM₂₀ is the relevant Query Standard for '20 day standard' for Smaller Supply Points: metering set out in Annex S-3;
- A is the number of Queries resolved in the calendar month relating to metering at Smaller Supply Points;
- B₄ is the number of Queries resolved within 4 Query Count Days for Smaller Supply Points in the calendar month relating to metering;
- B₁₀ is the number of Queries resolved within 10 Query Count Days for Smaller Supply Points in the calendar month relating to metering;
- B₂₀ is the number of Queries resolved within 20 Query Count Days for Smaller Supply Points in the calendar month relating to metering; and
- C is the number of Excluded Queries resolved for the User within the calendar month.

- 4.7.4 If for a Smaller Supply Point the Transporter does not resolve the Query within 40 Query Count Days the Transporter will be liable to pay to the User £20 and the Transporter will further pay an additional £20 for each further period of not less than 20

Query Count Days in which the Query remains unresolved. Such payment to become due upon resolution of such Query.

- 4.7.5 Where Final Achieved Performance for Larger Supply Points is less than the relevant Query Standard for a User within a calendar month Transporters will pay in aggregate to the User an amount calculated as the aggregate of:

$$(a) \quad (((LGT_{10}/100)*A) - B_{10} - C) * £5) + (((LGT_{20}/100)*A) - B_{20} - C) * £30)$$

where:-

LGT_{10} is the relevant Query Standard for '10 day standard' for Larger Supply Points: GT set out in Annex S-3;

LGT_{20} is the relevant Query Standard for '20 day standard' for Larger Supply Points: GT set out in Annex S-3;

A is the number of Queries resolved in the calendar month relating to gas transportation at Larger Supply Points;

B_{10} is the number of Queries resolved within 10 Query Count Days for Larger Supply Points in the calendar month relating to gas transportation;

B_{20} is the number of Queries resolved within 20 Query Count Days for Larger Supply Points in the calendar month relating to gas transportation;

C is the number of Excluded Queries resolved for the User within the calendar month; and

$$(b) \quad (((LM_{10}/100)*A) - B_{10} - C) * £5) + \\ (((LM_{20}/100)*A) - B_{20} - C) * £30)$$

where:-

LM_{10} is the relevant Query Standard for '10 day standard' for Larger Supply Points: metering set out in Annex S-3;

LM_{20} is the relevant Query Standard for '20 day standard' for Larger Supply Points: metering set out in Annex S-3;

A is the number of Queries resolved in the calendar month relating to metering at Larger Supply Points;

B_{10} is the number of Queries resolved within 10 Query Count Days for Larger Supply Points in the calendar month relating to metering;

B_{20} is the number of Queries resolved within 20 Query Count Days for Larger Supply Points in the calendar month relating to metering; and

C is the number of Excluded Queries resolved for the User within the calendar month.

- 4.7.6 If for a Larger Supply Point the Transporter does not resolve the Query within 40 Query Count Days the Transporter will be liable to pay to the User £70 and the Transporter will further pay an additional £70 for each further period of not less than 20 Query Count Days in which the Query remains unresolved. Such payment to become due upon resolution of such Query.
- 4.7.7 Where the volume of Queries submitted by a User on a day exceeds the volume daily limits set out in the Guidelines, the rules for dealing with such daily excess submissions set out in the Guidelines will be applied.
- 4.7.8 Queries relating to Meter assets shall be Excluded Queries from Metering Separation Date.
- 4.7.9 For the purposes of Section V10, the rules in this paragraph are Compensation Rules within Compensation Group L; and in relation thereto the "**payment month**" is the second month following the month in which the Query was resolved.

Annex S-1

INVOICE TYPES AND INVOICE ITEMS

1 NTS Entry Capacity Invoice

An "**NTS Entry Capacity Invoice**" is an Invoice Document in respect of the following separate Invoice Items:

- (a) NTS Entry Capacity Charges in respect of Monthly NTS Entry Capacity;
- (b) NTS Entry Capacity Charges in respect of Daily NTS Entry Capacity;
- (c) NTS Entry Capacity Charges in respect of Interruptible NTS Entry Capacity;
- (d) Capacity Surrender Charges;
- (e) Firm Curtailment Charges;
- (f) System Entry Overrun Charges; and
- (g) Capacity Neutrality Charges.

2 NTS Exit Capacity Invoice

An "**NTS Exit Capacity Invoice**" is an Invoice Document in respect of the following separate Invoice Items:

- (a) NTS Exit Capacity Charges – DM NTS Exit Capacity;
- (b) NTS Exit Capacity Charges – NDM NTS Exit Capacity; and
- (c) NTS Exit Overrun Charges.

3 LDZ Capacity Invoice

An "**LDZ Capacity Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) LDZ Capacity Charges;
- (b) Customer Charges - Capacity Variable Component; and
- (c) Customer Charges - Fixed Component.

4 Commodity Invoice

A "**Commodity Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) (i) NTS Entry Commodity Charges;
- (a) (ii) NTS Exit Commodity Charges; and
- (a) (iii) NTS Optional Commodity Charges;
- (b) LDZ Commodity Charges;
- (c) Customer Charges - Commodity Variable Component;
- (d) Supply Point Ratchet Charges - LDZ Capacity Charges; and
- (e) Supply Point Ratchet Charges - Capacity Variable Component of Customer Charge

5 Balancing Invoice

A "**Balancing Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Market Balancing Action Charges in respect of Market Balancing Sell Actions;
- (b) Daily Imbalance Charges in respect of which Transco NTS is the seller;
- (c) Scheduling Charges - Input;
- (d) Scheduling Charges - Output;
- (e) Balancing Neutrality Charges;
- (f) Not used;
- (g) Reconciliation Neutrality Charges - NDM Reconciliation and CSEP Reconciliation for Unmetered Connected System Exit Points;
- (h) Reconciliation Neutrality Charges - DM Reconciliation and CSEP Reconciliation for Metered Connected System Exit Points;
- (i) Market Balancing Action Charges in respect of Market Balancing Buy Actions (a self-bill amount);
- (j) Daily Imbalance Charges in respect of which the User is the seller (self-bill amount);
- (k) Physical Renomination Incentive Charges; and
- (l) Total Incentivised Nomination Charges.

6 Reconciliation Invoice

A "**Reconciliation Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Reconciliation Clearing Charge;
- (b) Reconciliation Transportation Charge Adjustments in respect of the NTS Exit Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component of Customer Charges;
- (c) User Aggregate Reconciliation Clearing Charges; and
- (d) User Aggregate Transportation Charge Adjustments in respect of the NTS Exit Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component of Customer Charges.

Annex S-2

Invoice Query Batch Size (NI/Nh)	Sample Size (nl/nh)
30	30
50	41
100	69
200	105
300	128
500	154
1,000	182
2,000	200
10,000	217

Annex S-3

QUERY STANDARD	Query Implementation Date	6 month	12 month	18 month
Smaller Supply Points: GT				
4 Day Standard: GT (SGT ₄)	50%	65%	75%	80%
10 Day Standard: (SGT ₁₀)	85%	90%	95%	95%
20 Day Standard (SGT ₂₀)	98%	98%	98%	98%
SMALLER SUPPLY POINTS: METERING				
4 Day Standard: GT (SM ₄)	50%	65%	75%	80%
10 Day Standard: (SM ₁₀)	85%	90%	95%	95%
20 Day Standard (SM ₂₀)	98%	98%	98%	98%
Larger Supply Points: GT				
4 Day Standard: (LGT ₄)	50%	65%	75%	80%
10 Day Standard: (LGT ₁₀)	85%	90%	95%	95%
20 Day Standard (LGT ₂₀)	98%	98%	98%	98%
LARGER SUPPLY POINTS: METERING				
4 Day Standard: (LM ₄)	50%	65%	75%	80%
10 Day Standard: (LM ₁₀)	85%	90%	95%	95%
20 Day Standard (LM ₂₀)	98%	98%	98%	98%

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION U – UK LINK

1 GENERAL

1.1 Introduction

- 1.1.1 The Transporters will secure the establishment and operation of UK Link, and will afford to Users access to and use of UK Link, and each Transporter and each User will communicate with each other by means of UK Link, subject to and in accordance with this Section U.
- 1.1.2 UK Link Users are required to comply with the relevant requirements of this Section U in respect of access to and use of UK Link.
- 1.1.3 For the purposes of the Code:
- (a) the "**UK Link Network**" is an information exchange system (described in the UK Link Manual), as from time to time modified in accordance with paragraph 8, which runs on a wide area network, allowing the electronic transfer of information between a Transporter and UK Link Users and certain access (as described in the UK Link Manual) by UK Link Users to the UK Link System;
 - (b) the "**UK Link System**" means the computer systems (described in the UK Link Manual), as from time to time modified in accordance with paragraph 8, operated by Transporters to support implementation of certain provisions of the Code and the giving of certain communications by a Transporter and UK Link Users;
 - (c) "**UK Link**" means the UK Link Network and, to the extent to which (as described in the UK Link Manual) Users have access to and use of it, the UK Link System.
- 1.1.4 A "**UK Link User**" is:
- (a) any User, provided that a Discontinuing User shall cease to be a UK Link User upon the User Discontinuance Date; and
 - (b) any other person permitted to have access to and use of UK Link under paragraph 1.3.
- 1.1.5 For the purposes of the Code a "**UK Link Communication**" is a message transmitted by a Transporter or by a UK Link User by means of UK Link (which shall be deemed for this purpose to include the Active Notification System) in accordance with the requirements of paragraph 4; and for these purposes a "**message**" is a discrete transmission electronically sent or electronically posted by a Transporter or by a UK Link User.
- 1.1.6 Without prejudice to any contractual obligation binding on a Transporter other than under the Code, a Transporter accepts no responsibility for the accuracy of any communication which is not a Code Communication and is made as a UK Link

Communication.

- 1.1.7 In this Section U "**UK Link Committee**" means the Uniform Network Code Committee or any relevant Sub-committee.

1.2 Code Communications

- 1.2.1 A UK Link Communication given in accordance with this Section U shall be treated as an effective and valid Code Communication, and the Transporter and each User confirms that it intends and agrees that UK Link Communications shall have legal effect for the purposes of the Code.
- 1.2.2 The UK Link Manual specifies in respect of each Code Communication therein listed whether it is to be given as a UK Link Communication, by Conventional Notice, by facsimile or by telephone, and in some cases alternative such means by which it may be given; and (subject to paragraph 1.2.4 and GT Section B5.1.2) a Code Communication may only be given by the means so specified or (where alternative such means are specified) by one of such alternative means.
- 1.2.3 Where the Code or the UK Link Manual specifies the form and/or format of UK Link Communication by which a particular Code Communication is required to be given, that Code Communication may be given only in that form and/or that format.
- 1.2.4 In the event of certain failures (referred to in paragraph 6) of UK Link, Code Communications shall be (and are permitted to be) given in accordance with paragraph 6.
- 1.2.5 Where a Code Communication which is required to be given as a UK Link Communication (and is not permitted to be given by another means except pursuant to paragraph 1.2.4) is not given in accordance with the requirements of this Section U and the UK Link Manual, and as a result is not properly received by the intended recipient, it shall be deemed not to have been given and shall be of no effect.
- 1.2.6 The failure of a UK Link User or the Transporter to comply with a requirement that a Code Communication be given as a UK Link Communication, or as to the form or format in which such UK Link Communication is to be given, shall not of itself be a breach of the Code (but without prejudice to paragraph 1.2.5 or to any breach which may result from the failure to give the Code Communication).

1.3 External UK Link Users

- 1.3.1 Users acknowledge that the Transporters may permit persons (other than Users), within any of the categories set out in paragraph 1.3.2, to have access to and use of UK Link.
- 1.3.2 The categories of persons referred to in paragraph 1.3.1 are as follows:
- (a) the Authority;
 - (b) Meter Readers;
 - (c) User Agents;
 - (d) Delivery Facility Operators and Connected System Operators; and

(e) the Transporter Agency.

- 1.3.3 No such person will be permitted to have access to or use of UK Link unless such person has executed an agreement substantially in the form set out (for the purposes of this paragraph 1.3.3) in the UK Link Manual; provided that in the case of the Authority the Transporters may waive or modify this requirement and such agreement shall not be required to contain a provision limiting the ability of the Authority to disclose information.
- 1.3.4 Insofar as differing from those under this Section U, the procedure by and terms upon which such a person may become a UK Link User are set out in the UK Link Manual.
- 1.3.5 Such a person will cease to be a UK Link User in accordance with the provisions (as to such cessation) of the agreement referred to in paragraph 1.3.3.
- 1.3.6 The extent to which any such person may have access to and use of UK Link will be as set out in the UK Link Manual.

1.4 UK Link Manual

- 1.4.1 The "**UK Link Manual**" means the document so entitled and issued by the Transporters, as from time to time revised in accordance with paragraph 8.
- 1.4.2 It shall be an obligation of the Transporter or a UK Link User to comply with a provision of the UK Link Manual where such provision is expressly identified in the UK Link Manual as one which is made binding on the Transporter or such UK Link User by this Section U, and not otherwise; but it is acknowledged that as respects all provisions of the UK Link Manual (whether or not made binding by this Section U) a User may be unable to make a UK Link Communication (and so may be unable to exercise an entitlement to make a Code Communication required to be made as such) where the User does not comply with such provisions.
- 1.4.3 The UK Link Manual does not form a part of the Code (subject to paragraph 8.5.1); and in case of any conflict between the Code and the UK Link Manual, the Code shall prevail.
- 1.4.4 The Transporters reserve the right to charge any UK Link User for any copy of the UK Link Manual or any revision or update thereto (including on a serviced basis which includes the provision of all revisions and updates up to a specified date), other than such number of copies as may be provided (as described in the UK Link Manual) free of charge to UK Link Users, and other than any copies the provision (without charge) of which is covered by the terms of any charge within paragraph 1.6.1(a).

1.5 Help desk

- 1.5.1 The Transporters will provide a help desk, with reasonable resources to meet reasonable requests made by UK Link Users, as described in the UK Link Manual, which will assist UK Link Users in identifying the nature and cause of any operational problems experienced in accessing or using UK Link.
- 1.5.2 Without prejudice to paragraph 7.3 or to the terms on which the Transporters may supply or maintain any Transporter Available Equipment or Licensed Software pursuant to paragraph 2.3, where (following any assistance from such help desk or the

identification of any such operational problem or otherwise) the Transporters agree to provide any further assistance to a UK Link User in the remedying of such an operational problem as is referred to in paragraph 1.5.1 (other than one resulting from any default of the Transporters), the Transporters reserve the right to make a charge therefor in accordance with the UK Link Manual.

- 1.5.3 Except where the Code or the UK Link Manual expressly provides otherwise, no communication by or to the help desk shall take effect as a Code Communication.

1.6 UK Link User Charges

- 1.6.1 The Transporters reserve the right to require any UK Link User to pay:
- (a) an initial and/or periodic subscription charge or charges for access to and use of UK Link or any class of such access and use;
 - (b) charges in respect of the provision by the Transporters of training in the use of UK Link to personnel of the UK Link Users.
- 1.6.2 Any charge payable under paragraph 1.6.1 shall be in addition to any amounts payable pursuant to paragraphs 1.4.4, 1.5.2 and 2.3.4.
- 1.6.3 In any case where the amount or rate of any charge payable by a User under this Section U does not fall to be included in the Transportation Statement, the amount or rate of such charge shall be as set out in the UK Link Manual; provided that a charge payable by a UK Link User who is not a User may either be as specified in the Transportation Statement or as specified in the UK Link Manual.
- 1.6.4 Amounts payable by Users pursuant to this Section U will be invoiced and are payable in accordance with Section S.
- 1.6.5 The terms of invoicing and payment of any amount payable pursuant to this Section U by a UK Link User who is not a User shall be as set out in the UK Link Manual.

1.7 Additional Access to UK Link System

- 1.7.1 UK Link incorporates (in addition to facilities for making Code Communications referred to elsewhere in this Section U) certain facilities, as described in the UK Link Manual, enabling Users:
- (a) to obtain certain information concerning the User's entitlements and obligations under the Code or other information relating to the User and maintained by the Transporter under the Code; and
 - (b) to verify the accuracy of or otherwise to validate UK Link Communications made by that User.
- 1.7.2 A User may, by using the UK Link Network, access the facilities within the UK Link System referred to in paragraph 1.7.1, subject to and in accordance with the UK Link Manual, for the purposes set out in paragraphs 1.7.1(a) and (b).
- 1.7.3 Notwithstanding paragraph 1.7.2, each User shall be responsible (without relying on the facilities referred to in paragraph 1.7.1) for maintaining appropriate records of its

entitlements and obligations under the Code and other information relating to that User, and for the accuracy and validity (and for maintaining such information as will ensure the accuracy and validity) of Code Communications made by it.

- 1.7.4 Accordingly a User shall not be relieved of any obligation or liability under the Code by reason of any failure (including defective operation) of any such facility as is referred to in paragraph 1.7.1, and the Transporter will not be responsible for the consequences of any such failure, provided that the Transporter will notify Users as soon as reasonably practicable upon becoming aware of any such failure.
- 1.7.5 No message transmitted by or to a User in the course of accessing the facilities referred to in paragraph 1.7.1 shall be a Code Communication.
- 1.7.6 Paragraphs 1.7.3 and 1.7.4 are without prejudice to any express obligation of a Transporter under the Code to provide information to Users, or as to the accuracy of information subject to any such obligation.

1.8 Operational Security

- 1.8.1 Each UK Link User and each Transporter undertakes to implement and maintain all security procedures and measures required under 'UK Link Security Policy' by the UK Link Manual to prevent unauthorised access to or use of UK Link and to ensure the protection of UK Link Communications against the risk of resulting alteration, delay, disruption or loss.
- 1.8.2 If a UK Link User becomes aware that (notwithstanding paragraph 1.8.1) any unauthorised access to or use of UK Link has or may have occurred, it shall promptly by telephone or facsimile so notify the Transporters and take such other steps as may be required under the UK Link Manual.
- 1.8.3 If a Transporter becomes aware that (notwithstanding paragraph 1.8.1) any unauthorised access to or use of UK Link has or may have occurred, it shall promptly by telephone or facsimile so notify any UK Link User who may be affected thereby (a User being so affected where a UK Link Communication given by or to such UK Link User may have been affected thereby, or where there may have been unauthorised access to information relating to such UK Link User), and take such other steps as may be required under the UK Link Manual.
- 1.8.4 Upon any notification under paragraph 1.8.2 or 1.8.3, the Transporters and the relevant User(s) shall discuss what steps if any (in addition to those required under the UK Link Manual) may be appropriate to reduce the risk of any further unauthorised access to or use of UK Link, and the extent to which any modification under paragraph 8 may be appropriate in the light thereof.
- 1.8.5 If through UK Link a UK Link User obtains or receives unauthorised access to information concerning another UK Link User, or receives a Code Communication sent to another UK Link User, the first UK Link User will promptly so inform the Transporters and will close the screen on which such information or communication appears or delete the same from its UK Link User Equipment and any other equipment without making any copy thereof (and destroying any copy accidentally made) and make no further use thereof.

1.9 Virus protection

Each Transporter and each UK Link User shall:

- (a) implement and maintain policies and procedures, in accordance with the requirements of the UK Link Manual, designed to prevent harmful code or programming instruction(s):
 - (i) from being transmitted to the other or incorporated into UK Link or into any computer program material or medium delivered to the other by reason of anything done by such party pursuant to this Section U; or
 - (ii) if received by it from the other, from being incorporated into its own computer hardware or software; and
- (b) promptly notify the other (in accordance with the relevant procedures set out in the UK Link Manual) if it knows or has any reason to believe that (notwithstanding paragraph (a)) any such code or instruction has been so transmitted or incorporated or received.

1.10 Liability

- 1.10.1 For the purposes of Section V8.1.1, damage or loss to or corruption of any software or data or information contained in a computer system, resulting from a wilful breach of paragraph 1.8 or 1.9(a), shall be deemed to be physical damage.
- 1.10.2 GT Section B2.4.1 shall not apply in respect of paragraph 1.10.1.
- 1.10.3 The Transporter or (as the case may be) a UK Link User shall not be liable in respect of any such damage or loss as is referred to in paragraph 1.10.1 to the extent the breach giving rise thereto occurred as a result of the breach by another UK Link User or (as the case may be) another Transporter of a provision of this Section U.

1.11 Planned UK Link downtime

- 1.11.1 To enable the Transporters to operate and maintain UK Link, on each Day and/or particular Days UK Link, or (where so specified in the UK Link Manual) particular parts of UK Link, will not be operational at certain times and for certain periods ("**planned UK Link downtime**") specified in or determined in accordance with the UK Link Manual.
- 1.11.2 During planned UK Link downtime, UK Link Users and Transporters will not be able to have access to or use UK Link or the relevant part thereof, and accordingly will not be able to make UK Link Communications, except to the extent, if any, provided for in the UK Link Manual.
- 1.11.3 During planned UK Link downtime, notwithstanding any other provision of the Code, Users and the Transporter will not be entitled to make any Code Communication which is required to be made as a UK Link Communication, except to the extent (if any) provided for in the UK Link Manual or (where part only of UK Link is subject to such downtime) where such part is not required to enable such communication to be made, and their respective rights under the Code shall be construed accordingly.
- 1.11.4 Except as provided in paragraph 6.1.3(b), the unavailability of UK Link during planned UK Link downtime will not be a Code Contingency for the purposes of paragraph 6; but

any such unavailability which extends or the Transporters reasonably anticipate will extend beyond the period of planned UK Link downtime will (subject to and in accordance with the Contingency Procedures) be a Code Contingency.

1.12 DNO Users

In this Section U references to Users exclude DNO Users other than a DNO User in the capacity of an LDZ Shrinkage Provider.

2 EQUIPMENT AND OPERATIONAL REQUIREMENTS

2.1 Introduction

2.1.1 This paragraph 2 sets out requirements (in respect of the provision of computer hardware, telecommunications facilities and equipment and computer software, and operational requirements) applicable to UK Link Users in relation to access to and use of UK Link.

2.1.2 UK Link has been designed to function:

- (a) on and with certain hardware and software configurations;
- (b) in accordance with the address strategy; and
- (c) in accordance with defined standards and protocols

all as described in the UK Link Manual.

2.2 User Equipment and User Software

2.2.1 It is the responsibility of each UK Link User, at its expense (but subject to paragraph 2.2.13), to secure that there are provided at its premises (except that the Active Notification Device referred to in paragraph 4.6.4 need not be held on the premises) and maintained and from time to time (as required by any UK Link Modification in accordance with paragraph 8) modified, upgraded or replaced, the computer hardware and other equipment, software and telecommunication facilities, and the other facilities and resources, necessary to enable the UK Link User to access and use UK Link and transmit, receive, translate, record and store UK Link Communications, as described in the UK Link Manual.

2.2.2 The Transporters and each UK Link User shall take all reasonable steps:

- (a) to secure that the equipment, software and facilities to be installed by it in connection with UK Link are adequately protected against damage and security risks; and
- (b) to implement and maintain at its premises the operational environment required for the operation of the UK Link Network.

2.2.3 In accordance with the UK Link Manual, UK Link Users will be classified according to indicators of expected use of and access to UK Link; and the minimum scope and configuration of the equipment, software, facilities and resources from time to time to be provided by a UK Link User in accordance with paragraph 2.2.1 will be determined

(as described in the UK Link Manual) by reference to such classification.

2.2.4 For the purposes of this Section U:

- (a) **"UK Link User Equipment"** is the computer hardware and other equipment from time to time provided by a UK Link User in accordance with paragraph 2.2.1;
- (b) **"UK Link User Software"** is the software from time to time installed on the UK Link User Equipment in accordance with paragraph 2.2.1.

2.2.5 A UK Link User shall not access or use UK Link other than by means of the UK Link User Equipment and UK Link User Software and in accordance with the protocols and standards and other requirements set out in the UK Link Manual.

2.2.6 Except in so far as provided by the Transporters in accordance with paragraph 2.3, it is the responsibility of each UK Link User to ensure that the UK Link User Equipment and UK Link User Software comply with the specifications and satisfy the configurations described in the UK Link Manual.

2.2.7 In accordance with the UK Link Manual, a UK Link User must obtain and the Transporters will provide under licence certain of the software required to be installed pursuant to paragraph 2.2.1.

2.2.8 Except as provided in paragraph 2.2.7 and as otherwise provided in the UK Link Manual, and without prejudice to the requirements of this paragraph 2.2, UK Link Users may procure from any source any of the equipment, facilities and software required under paragraph 2.2.1.

2.2.9 Where the UK Link Manual specifies (in addition to what is specified for the purposes of paragraph 2.2.1) any benchmark ("**Benchmark UK Link Configuration**") for the specification, standard or configuration of equipment, software or other facilities to be installed pursuant to paragraph 2.2.1:

- (a) a UK Link User shall not be required to secure that its UK Link User Equipment and UK Link User Software comply with the Benchmark UK Link Configuration (but without prejudice to paragraph 2.2.1); but
- (b) a UK Link User who does not secure compliance with the Benchmark UK Link Configuration shall be responsible for satisfying himself and securing that the equipment, software and facilities installed by him are capable of operating in accordance with the requirements of this Section U and allowing UK Link to function thereon.

2.2.10 The Benchmark UK Link Configuration expressly excludes any computer hardware or software whose functions are beyond the scope of what is required (in accordance with paragraph 2.2.1) for the use of and access to UK Link.

2.2.11 The Transporters agree that they will, in consultation with the UK Link Committee, from time to time review the Benchmark UK Link Configuration in the light of technological developments in the computer hardware and software generally available to Users with a view to determining whether it would be appropriate (as a UK Link Modification) to modify such configuration.

- 2.2.12 Where the UK Link Manual so requires in respect of any UK Link User Equipment (not including an Active Notification Device), a UK Link User shall inform the Transporters of the premises at which such UK Link User Equipment is installed and shall not relocate such equipment from such premises except in accordance with the requirements of the UK Link Manual.
- 2.2.13 Paragraph 2.2.1 is without prejudice to any term referred to in paragraph 2.3.4 pursuant to which the cost of maintenance of any Transporter Available Equipment is to be borne by the Transporters.

2.3 Transporter Available Equipment and Software

- 2.3.1 For the purposes of this Section U "**Transporter Available Equipment**" and "**Transporter Available Software**" are respectively those items of computer hardware and other equipment, and computer software (excluding that referred to in paragraph 2.2.7), which are available to be provided by the Transporters as described in the UK Link Manual.
- 2.3.2 Upon request by a UK Link User (by notice to the Transporters and otherwise subject to and in accordance with the UK Link Manual), the Transporters will provide on hire any Transporter Available Equipment and/or supply Transporter Available Software.
- 2.3.3 The Transporters will not provide (and shall not be deemed to have provided) to a UK Link User any Transporter Available Software except on terms that the Transporters do not license and is not a party to any licence of such software to the UK Link User and that the existence and terms of the licence between the UK Link User and the person entitled to grant such a licence will be as prescribed by such person or as otherwise agreed between such person and the UK Link User.
- 2.3.4 The terms (including without limitation terms as to hire and other charges or fees) upon which the Transporters provide any Transporter Available Equipment or Transporter Available Software, or maintain any Transporter Available Equipment, shall be those set out in the UK Link Manual or otherwise agreed between the Transporters and the UK Link User, and do not form part of the Code and are not an Ancillary Agreement; provided that where a UK Link User has not entered into an agreement with the Transporters in respect thereof, it shall be deemed to have agreed to the applicable terms in the UK Link Manual.
- 2.3.5 UK Link User Equipment (including replacement parts) which is provided by the Transporters shall be deemed to comply with the Benchmark UK Link Configuration.

2.4 Means of Telecommunication

The means of telecommunication to be used for the purposes of the UK Link Network, including the telecommunication protocols and requirements as to third party service provider(s) will be as set out in the UK Link Manual.

2.5 Authorised Representative

- 2.5.1 Where so specified in the UK Link Manual, a UK Link User may only have access to and use of certain parts ("**individual access parts**") of UK Link by an Authorised Representative.
- 2.5.2 An "**Authorised Representative**" is a representative of a UK Link User who has been designated by the UK Link User in accordance with paragraph 2.5.3 and for whom a UK Link Identity under paragraph 2.6.1(b) has been issued.
- 2.5.3 Each UK Link User shall designate one or more representatives of that UK Link User as having authority to access and use, on behalf of that UK Link User, individual access parts of UK Link.
- 2.5.4 A designation, and any withdrawal of the designation, of a representative under paragraph 2.5.3 shall be made by the nominating UK Link User by Conventional Notice to the Transporters specifying:
- (a) the name of the representative;
 - (b) the date (not, unless the Transporters shall agree otherwise, being less than 5 Business Days after such notification is given) with effect from which such designation or withdrawal is to take effect.
- 2.5.5 A representative designated under paragraph 2.5.3 shall become an Authorised Representative with effect from the date when a UK Link Identity is issued for his use in accordance with paragraph 2.6.2(b).
- 2.5.6 Each UK Link User shall comply, and secure that its Authorised Representatives shall comply, with the provisions of the UK Link Manual in respect of the designation and actions of Authorised Representatives.
- 2.5.7 Subject to paragraph 2.5.8, a UK Link User shall not be entitled to have access to or use of individual access parts of UK Link other than by its Authorised Representatives.
- 2.5.8 Where, in accordance with any relevant requirements under the UK Link Manual, any access to or use of any individual access part of UK Link by a UK Link User is initiated by a computer system of the UK Link User on an automated basis pursuant to an arrangement made by an Authorised Representative, such access or use shall be treated as being by such Authorised Representative.

2.6 User Identification and Passcode

- 2.6.1 A "**UK Link Identity**" is the user identification(s) and passcode(s) (as described in the UK Link Manual) by means of which:
- (a) a UK Link User; or
 - (b) as respects individual access parts of UK Link, a representative of a UK Link User
- may have access to UK Link.

- 2.6.2 The Transporters shall issue to each UK Link User in accordance with the UK Link Manual:
- (a) a UK Link Identity under paragraph 2.6.1(a); and
 - (b) upon receipt of notice from a UK Link User under paragraph 2.5.4, a UK Link Identity under paragraph 2.6.1(b) for the use of the representative designated in such notice.
- 2.6.3 A UK Link User shall be responsible for the actions of persons to whom it may make known its UK Link Identity under paragraph 2.6.1(a), and of its Authorised Representatives, and for the security of its and of each of its Authorised Representatives' UK Link Identities, which shall not be assigned or transferred or made known to any third party, nor (in the case of a UK Link Identity under paragraph 2.6.1(b)) to any representative of the UK Link User other than the Authorised Representative for whose use it was issued.
- 2.6.4 The passcode(s) comprised in each UK Link Identity are subject to requirements for periodic change in accordance with the UK Link Manual.
- 2.6.5 For security reasons, in the circumstances described in and otherwise in accordance with the UK Link Manual, a new UK Link Identity may be issued to a UK Link User or an Authorised Representative.
- 2.6.6 The Transporter shall be entitled to assume that any person using a UK Link User's UK Link Identity under paragraph 2.6.1(a), and any Authorised Representative of a UK Link User, is fully authorised to access and use UK Link (and in particular to initiate, authorise and transmit, and to receive or access for the purposes of receiving, UK Link Communications); and any UK Link Communication transmitted by such a person or (as the case may be) an Authorised Representative shall be treated as given by the UK Link User.

2.7 Temporary inhibition of access

- 2.7.1 Where at any time:
- (a) a UK Link User is not complying with any requirement of this Section U or the UK Link Manual in respect of access to or use of UK Link;
 - (b) such non-compliance does not result from:
 - (i) any action by a Transporter, other than an action which it is required to take or might reasonably be expected to take to comply with a requirement of this Section U or the UK Link Manual; or
 - (ii) a failure by a Transporter to comply with a requirement of this Section U or the UK Link Manual; and
 - (c) in the reasonable opinion of the Transporters such non-compliance is resulting in or will result in material disruption to the access to or use of UK Link by other UK Link Users and/or the Transporter and/or other Transporters

the Transporters may take any reasonable steps to inhibit or (but only where

appropriate) discontinue access to UK Link by the defaulting UK Link User.

- 2.7.2 The Transporters will notify a UK Link User by telephone (followed by facsimile) of any steps under paragraph 2.7.1 wherever practicable before and in any event as soon as practicable after taking such steps; and will restore the UK Link User's access to UK Link promptly upon the UK Link User demonstrating to the Transporters' reasonable satisfaction that the non-compliance referred to in paragraph 2.7.1(c) will not recur.

2.8 Termination

Upon ceasing to be a UK Link User under Transco NTS's Network Code for any reason, a former UK Link User shall:

- (a) return all Transporter Available Equipment which has been supplied (other than by way of sale) by the Transporters to the former UK Link User forthwith and in accordance with the terms on which that Equipment was supplied as set out in the UK Link Manual;
- (b) return the Licensed Software and all copies of the Licensed Software and documents relating to the Licensed Software or supply to the Transporters a certificate signed by an authorised officer of the former UK Link User confirming that the Licensed Software, related documentation and all copies thereof have been destroyed;
- (c) return all copies of the UK Link Manual forthwith to the Transporter or supply a certificate to the Transporters signed by an authorised officer of the former UK Link User confirming that all copies of the UK Link Manual have been destroyed;
- (d) ensure that its Authorised Representatives discontinue access to and use of UK Link.

3 LICENCE

3.1 Introduction

- 3.1.1 Subject to the restrictions in paragraph 3.1.2, a UK Link User may for the purposes contemplated by the Code or the UK Link Manual (including such purposes under an Ancillary Agreement, Network Entry Agreement or Network Exit Provisions), but not otherwise:

- (a) have access to and use UK Link;
- (b) use the Licensed Software; and
- (c) make use of the UK Link Manual.

- 3.1.2 The licence granted in paragraph 3.1.1 to each UK Link User is royalty-free (but without prejudice to paragraph 1.6) and non-exclusive and non-transferable and shall terminate automatically upon that UK Link User ceasing to be a UK Link User for any reason.

- 3.1.3 In respect of each UK Link User, the "**Licensed Software**" means the software referred

to in paragraph 2.2.6 (as described in the UK Link Manual) and provided to the UK Link User (in object code or other form), and new releases of that software.

- 3.1.4 UK Link, the Licensed Software, any accompanying documentation, the UK Link Manual and all copyright and other intellectual property rights of whatever nature therein are and shall at all times remain as between the Transporters and each UK Link User the property of the Transporters.

3.2 Restrictions on the Use of Licensed Software and the UK Link Manual

- 3.2.1 A UK Link User may use the Licensed Software only on the UK Link User Equipment.

- 3.2.2 A UK Link User may not:

- (a) copy the Licensed Software, any documentation including any manual accompanying the Licensed Software, or the UK Link Manual, except for the purpose of making 2 back-up copies of these materials;
- (b) sub-license use of the Licensed Software to a third party;
- (c) except as may be permitted by law, decompile, disassemble or modify the whole or any part of the Licensed Software;
- (d) charge or otherwise deal in or encumber the Licensed Software or any accompanying documentation;
- (e) delete, remove or in any way obscure any proprietary notices of a Transporter or a third party on any copy of the Licensed Software, accompanying documentation or the UK Link Manual.

- 3.2.3 Without prejudice to the provisions as to confidentiality of Section V5 or (as the case may be) the agreement referred to in paragraph 1.3.3, each UK Link User shall:

- (a) reproduce a Transporter's copyright notices on any copy made by it of the Licensed Software, accompanying documentation or the UK Link Manual;
- (b) keep records of the making of each copy of the Licensed Software, accompanying documentation or the UK Link Manual and location of such copies, and upon request forthwith produce such records to a Transporter; and
- (c) without prejudice to the foregoing, subject to paragraph 3.2.4, take all such other reasonable steps which shall from time to time be necessary in the reasonable opinion of the Transporters to protect the confidential information and intellectual property rights of the Transporters in the Licensed Software, accompanying documentation and the UK Link Manual.

- 3.2.4 Except where the UK Link User is in breach of this paragraph 3.2, paragraph 3.2.3(c) shall not require a UK Link User to take or join in taking any legal proceedings:

- (a) where the UK Link User is (in its reasonable opinion) justified in declining to do so on the grounds that it does not wish to be involved in legal proceedings against the particular third party(ies) involved; and
- (b) except on terms that the Transporters indemnify the UK Link User in respect of

all costs and liabilities incurred in so doing and on such other terms as the UK Link User may reasonably require.

- 3.2.5 A UK Link User shall not, and shall not attempt to, download, delete, modify or knowingly damage or access for any purpose other than as authorised under this Section U, any software program comprised in the UK Link System or installed on any equipment (other than the UK Link User Equipment) forming part of UK Link.

3.3 Interoperability of Licensed Software

- 3.3.1 To the extent permitted by the Transporters under the terms of any head licence the Transporters may have with a third party in respect of any of the Licensed Software, the Transporters will provide on request from a UK Link User to that UK Link User information regarding interfaces and standard protocols relating to the Licensed Software, to enable the Licensed Software to be used in conjunction with other software which is not provided by the Transporters.
- 3.3.2 The Transporters give no warranty regarding the interoperability of the Licensed Software with other software (other than any other software comprised in the Benchmark UK Link Configuration).

3.4 Releases

- 3.4.1 The Transporters may issue from time to time new versions of any of the Licensed Software by way of UK Link Modification subject to and in accordance with paragraph 8.
- 3.4.2 Each UK Link User shall be obliged to install new releases of the Licensed Software on the UK Link User Equipment by the date and time specified (so as to provide reasonable notice to the UK Link User) by the Transporters.
- 3.4.3 Within a reasonable time after installation of a new release, a UK Link User shall destroy all copies or any part of the superseded version of the Licensed Software, as required by the Transporters.

3.5 Copyright

- 3.5.1 The Transporters warrant to each UK Link User that the licence granted to such UK Link User in respect of the Licensed Software under paragraph 3.1, and the use by such UK Link User of the Licensed Software in compliance with the requirements of this Section U, does not and will not infringe the intellectual property rights of any third party.
- 3.5.2 In the event that any of the Licensed Software or any part of UK Link becomes, or in the Transporters' reasonable opinion is likely to become, the subject of a claim for infringement of copyright or any other intellectual property rights owned by a third party, the Transporters may (without prejudice to any other action it may take in respect of such claimed infringement) in accordance with paragraph 8 but without prejudice to paragraph 7 replace or modify that Licensed Software or part of UK Link so as to make it non-infringing (but notwithstanding paragraph 8.1.3(b) the Transporters will reimburse the reasonable costs incurred by UK Link Users in implementing such replacement or modification).

3.6 Indemnities

- 3.6.1 Each UK Link User shall indemnify and hold harmless the Transporter from and against any and all loss, liability, damage, claim, action, proceeding, cost and expense resulting from any breach by such UK Link User of paragraph 3.2.
- 3.6.2 The Transporters shall indemnify and hold harmless each UK Link User from and against any and all loss, liability, damage, claim, action, proceeding, cost and expense resulting from any breach by the Transporters of paragraph 3.5.
- 3.6.3 Where any claim has been made against the Transporters or (as the case may be) a UK Link User (the "**indemnified party**") on the basis of facts, events or circumstances which are or may be the subject of the indemnity given under paragraph 3.6.1 or 3.6.2 by a UK Link User or (as the case may be) the Transporter (the "**indemnifying party**"), and the indemnified party would intend to enforce such indemnity in respect of such claim, the indemnifying party:
- (a) if so requested by the indemnified party, agrees to provide reasonable assistance, not being financial assistance (but without prejudice to the indemnity itself), to the indemnified party in defending the claim;
 - (b) agrees that where it may reasonably be concluded, having regard to the extent to which the indemnified party has defended the claim, from a finding of a court of competent jurisdiction against the indemnified party that the indemnifying party was in breach of paragraph 3.2 or (as the case may be) paragraph 3.5, such breach will be taken to be established by such finding of such court;
 - (c) acknowledges that there will be circumstances in which it is commercially appropriate that the indemnified party should settle or cease to defend such claim, and agrees (if requested) to discuss in good faith with the indemnified party such settlement or ceasing to defend, or any other arrangements by which the financial and other burden of continued defence would be borne by the indemnifying party.

4 UK LINK COMMUNICATION

4.1 Introduction

- 4.1.1 The forms of UK Link Communication comprise the following:
- (a) T-U On-Line Communication (given by a Transporter) in accordance with paragraph 4.3;
 - (b) U-T On-Line Communication (given by a UK Link User) in accordance with paragraph 4.4;
 - (c) Batch Transfer Communication (given by a Transporter or a UK Link User) in accordance with paragraph 4.5;
 - (d) Active Notification Communication (given by a Transporter) in accordance with paragraph 4.6.

- 4.1.2 The form in which particular Code Communications are to be given as a UK Link Communication is described in the UK Link Manual.

4.2 Particular communication facilities

- 4.2.1 For the purposes of UK Link Communications, UK Link includes Gateways and certain Automatic Audit Trail Facilities.

- 4.2.2 In respect of certain forms of UK Link Communication, an "**Automatic Audit Trail Facility**" is a facility (described in the UK Link Manual) forming part of the UK Link System installed at premises designated by the Transporters, which will automatically record the sending or the receipt by the Transporter of the message comprised in such UK Link Communication and log the date and time of such sending or receipt.

- 4.2.3 A "**Gateway**" is a computer server (as described in the UK Link Manual), forming part of the UK Link Network, installed at premises designated by the Transporters and of each UK Link User (and in the case of a UK Link User forming part of the UK Link User Equipment and including Licensed Software).

4.3 T-U On-Line Communication

- 4.3.1 A "**T-U On-Line Communication**" is a message transmitted by a Transporter to a UK Link User or UK Link Users by means of UK Link, as described in the UK Link Manual.
- 4.3.2 A message transmitted as a T-U On-Line Communication will reside in the UK Link System at premises designated by the Transporters, and can be accessed by the UK Link User on-line by means of the UK Link Network as described in the UK Link Manual.
- 4.3.3 Any T-U On-Line Communication is (as described in the UK Link Manual) either:
- (a) a message posted by a Transporter to a particular UK Link User or group of UK Link Users; or
 - (b) a message posted on a public electronic notice board accessible by all UK Link Users or (if so specified in the UK Link Manual) all Users.
- 4.3.4 A T-U On-Line Communication will remain accessible by a UK Link User or Users for the period specified (in respect of the relevant communication) in the UK Link Manual, following which it will no longer be accessible.
- 4.3.5 UK Link Users shall be responsible for accessing (in accordance with paragraph 4.3.2) T-U On-Line Communications at such intervals as shall be appropriate and prudent (having regard without limitation to paragraph 4.3.4).
- 4.3.6 A Code Communication given as a T-U On-Line Communication shall be deemed to have been received by a UK Link User to whom it is transmitted at the time the message is logged 'as sent' by the Automatic Audit Trail Facility, irrespective of whether or when accessed in accordance with paragraph 4.3.5 by that UK Link User.

4.4 U-T On-Line Communication

- 4.4.1 A "**U-T On-Line Communication**" is a message transmitted on-line by a UK Link

User to a Transporter by UK Link, as described in the UK Link Manual.

- 4.4.2 A Code Communication given as a U-T On-Line Communication shall be deemed to have been received by the Transporter at the time the message is logged 'as received' by the Automatic Audit Trail Facility.

4.5 Batch Transfer Communication

- 4.5.1 A "**Batch Transfer Communication**" is a data file containing one or more messages transmitted by a Transporter or by a UK Link User by means of the UK Link Network, as described in the UK Link Manual.
- 4.5.2 Where the UK Link Manual specifies (in respect of particular Code Communications or in particular circumstances) times at or periods within which Batch Transfer Communications may be given, Code Communications may be given as Batch Transfer Communications only at the times or within the periods so specified.
- 4.5.3 A message transmitted as a Batch Transfer Communication will reside at the recipient's Gateway, and can be accessed by the recipient as described in the UK Link Manual.
- 4.5.4 A Batch Transfer Communication will remain accessible by a UK Link User or the Transporter at its Gateway until deleted by it or deleted automatically (after the period and/or in the circumstances described in the UK Link Manual).
- 4.5.5 Each UK Link User and the Transporter shall be responsible for accessing (from its Gateway) Batch Transfer Communications transmitted to it at such intervals as shall be appropriate and prudent (having regard without limitation to paragraph 4.5.4).
- 4.5.6 Each Gateway incorporates facilities (as described in the UK Link Manual) by which:
- (a) where a Batch Transfer Communication is transmitted, a message is automatically transmitted from the recipient's Gateway to the sender's Gateway acknowledging receipt thereof;
 - (b) if a Batch Transfer Communication is transmitted and no acknowledging message (in accordance with paragraph (a)) is received at the sender's Gateway, the Batch Transfer Communication will be re-transmitted as described in the UK Link Manual.
- 4.5.7 Subject to paragraph 4.5.9(e), a Batch Transfer Communication shall be deemed to have been received by the recipient at the time the message referred to in paragraph 4.5.6(a) acknowledging receipt thereof is received at the sender's Gateway.
- 4.5.8 Where the Transporter or a UK Link User has transmitted a Batch Transfer Communication and has not received an acknowledging message (in accordance with paragraph 4.5.6(a)), paragraph 4.5.9 shall apply.
- 4.5.9 In the circumstances in paragraph 4.5.8:
- (a) the sender of the Batch Transfer Communication shall, as soon as it becomes aware that no acknowledging message was received, endeavour to contact (by telephone or facsimile) and so notify the intended recipient of that Batch Transfer Communication;

- (b) following such notification the sender and the intended recipient shall immediately take all reasonable steps (other than steps involving the investigation of equipment installed at the other's premises) to identify the cause of the recipient's non-receipt of an acknowledging message, and if either of them shall so identify such cause it shall promptly so inform the other (by telephone or facsimile);
- (c) upon the identification of such cause the party responsible for such cause shall promptly remedy any non-compliance with any operational requirement for the proper functioning of the UK Link Network and take any other reasonable steps available to it to restore proper communication between their respective Gateways;
- (d) as soon as such communication has been restored, the sender shall retransmit the Batch Transfer Communication;
- (e) unless the sender informed the intended recipient under paragraph (b), or the intended recipient is able to demonstrate, that the sender had failed to comply with any operational requirement for the proper functioning of the UK Link Network, the Batch Transfer Communication when retransmitted under paragraph (d) shall be deemed to have been received by the recipient at the time (as logged by the sender's Gateway) of the sender's first transmission referred to in paragraph 4.5.8.

4.5.10 Where the Transporter Agent transmits a Batch Transfer Communication it may contain messages from more than one Transporter in respect of more than one System.

4.5.11 Where a UK Link User transmits a Batch Transfer Communication it may contain messages in respect of more than one System.

4.6 Active Notification

4.6.1 An "**Active Notification Communication**" is a message transmitted by a Transporter by means of the Active Notification System, as described in the UK Link Manual.

4.6.2 The "**Active Notification System**" is the system (as described in the UK Link Manual) for transmitting messages to a warning device ("**Active Notification Device**") forming part of the UK Link User Equipment.

4.6.3 An Active Notification Communication shall be deemed to have been received by the UK Link User to whom it is transmitted at the time it is logged 'as sent' by the Active Notification System.

4.6.4 Each UK Link User shall ensure that at all times a representative of the UK Link User has an Active Notification Device in his continuous possession and control.

4.6.5 An Active Notification Communication may (where so provided in the UK Link Manual) be notice to the effect that a Code Communication has been given by some other permitted means (in which case the Active Notification Communication will not contain the Code Communication itself).

4.7 Audit Trail

- 4.7.1 The Transporter will retain a complete and chronological record of all UK Link Communications it transmits and receives, for the minimum period applicable in respect of the relevant communication, as specified in the UK Link Manual, following transmission or receipt.
- 4.7.2 The Transporter and each UK Link User shall ensure that electronic or computer records containing UK Link Communications are readily accessible and are capable of being reproduced in a human readable form and of being printed, if required.
- 4.7.3 Records made by the Automatic Audit Trail Facility of the transmission or receipt of UK Link Communications, and (as respects UK Link Communications the transmission or receipt of which is not so recorded) other records retained by the Transporter and/or UK Link Users in accordance with this paragraph 4.7, shall be prima facie evidence of the transmission or receipt of such UK Link Communications.
- 4.7.4 In the event of a dispute between a Transporter and the UK Link User as to any Code Communication the sending of which was (as a UK Link Communication) recorded by the Automatic Audit Trail Facility, the Transporter will, as soon as reasonably practicable after a request to do so, provide to the UK Link User a copy of what is recorded (in respect of such communication) in such facility.

5 TRADING BETWEEN USERS

5.1 General

- 5.1.1 Users may use the UK Link Network (in addition to use for communicating with the Transporter) for the purposes of making User Trade Communications, in accordance with and subject to the relevant provisions of the UK Link Manual.
- 5.1.2 A "User Trade Communication" is:
 - (a) an invitation by a User to other Users to make such an offer as is referred to in paragraph (b);
 - (b) an offer by a User to another User to make:
 - (i) a System Capacity Transfer, as Transferee User;
 - (ii) a Storage Transfer, as transferee;
 - (c) an acceptance by a User of such an offer (made by another User) as is referred to in paragraph (b) (such Users, the "**Trading Users**").
- 5.1.3 A User Trade Communication shall be a UK Link Communication but (without prejudice to paragraph 5.4.1) is not a Code Communication.
- 5.1.4 Without prejudice to any other provision of the Code, nothing in this paragraph 5 prevents any User agreeing with another User a Capacity Transfer, Trade Nomination or Storage Transfer other than pursuant to a User Trade Communication.

5.2 Basis of User Trade Communications

- 5.2.1 A User Trade Communication shall be made as a U-T On-line Communication (by the sending User) and received as a T-U On-line Communication (by the receiving User); and for these purposes the UK Link System includes a facility (as described in the UK Link Manual) by which on receipt of the U-T On-line Communication (designated by the sending User as a User Trade Communication) the related T-U On-line Communication is automatically transmitted (and without prejudice to paragraph 5.4.1 there is no instrumentality of the Transporter in such transmission nor will the Transporters be concerned with such User Trade Communication).
- 5.2.2 The sending and receiving of a User Trade Communication will be logged by the Automatic Audit Trail Facility in accordance with paragraphs 4.3.6 and 4.4.2.
- 5.2.3 The UK Link Manual sets out:
- (a) the basis on which a User Trade Communication may be made, and restrictions applying thereto;
 - (b) details of the information concerning the User making the User Trade Communication, or comprised in that communication, which will be available to or accessible by other Users by or on the UK Link Network.

5.3 Effect of User Trade Communications: Users

- 5.3.1 Each User agrees with each other User that:
- (a) a User Trade Communication shall be treated as a valid and effective communication as between Users;
 - (b) a User Trade Communication under paragraph 5.1.2(b) shall be an offer capable of acceptance by the User to whom it is addressed;
 - (c) a User Trade Communication under paragraph 5.1.2(c) shall be an acceptance of an offer giving rise to a contract between the relevant Users.
- 5.3.2 The terms of the contract referred to in paragraph 5.3.1(c) shall be those terms contained in the relevant User Trade Communication(s) and such other terms as shall have been agreed by the Trading Users or in default of such agreement the terms in Annex U-1.
- 5.3.3 GT Section B2.4.1 shall not apply in respect of paragraphs 5.3.1 and 5.3.2.

5.4 Effect of User Trade Communication: Transporter

- 5.4.1 Upon a User making a User Trade Communication under paragraph 5.1.2(c), the Trade Notices will (as described in the UK Link Manual) automatically be given, and shall be treated as having been given for all purposes of the Code, by that User and the User who made the corresponding User Trade Communication under paragraph 5.1.2(b).
- 5.4.2 For the purposes of paragraph 5.4.1, the "**Trade Notices**" are:
- (a) in the case of a System Capacity Transfer, the notices required under Section

B5.2.1;

- (b) in case of a Storage Gas Transfer, the notices required by the relevant Storage Terms.

5.4.3 Except as provided in paragraph 5.4.1 or where the Transporter is acting as User, the Transporter shall not be concerned with a User Trade Communication or any contract referred to in paragraph 5.3.2 (and in particular shall not be a party to such a contract).

6 CONTINGENCY ARRANGEMENTS

6.1 General

6.1.1 For the purposes of the Code:

- (a) the "**Contingency Procedures**" are procedures forming part of the UK Link Manual for the Transporter and Users to communicate with each other in the event of a Code Contingency;
- (b) a "**Code Contingency**" is an event or circumstance affecting UK Link, of a kind specified in the Contingency Procedures, which affects the ability of the Transporters or Users (or where so specified in the Contingency Procedures, of a particular Transporter or User or particular Transporters or Users) to give or receive UK Link Communications, or to generate information to be contained in a Code Communication.

6.1.2 The Transporter and UK Link Users agree to adopt and (in the event of a Code Contingency) to implement the relevant Contingency Procedures.

6.1.3 A Code Contingency may (where so specified in the Contingency Procedures) include:

- (a) a degradation in performance of UK Link which falls short of a failure thereof (where the Contingency Procedures are likely, having regard to such degradation, to provide a superior method of communicating);
- (b) planned UK Link downtime which occurs other than between 04:00 hours and 06:00 hours on any Day.

6.2 Code Communications

6.2.1 In the event of a Code Contingency, where so provided in the Contingency Procedures, a Code Communication which would normally be required to be given as a UK Link Communication may (notwithstanding any other provision of the Code or the UK Link Manual) be given by any means provided for in the Contingency Procedures.

6.2.2 Except as provided in the Code or the Contingency Procedures, the provisions of the Code will apply in and will not be affected by a Code Contingency; and in particular any requirements under the Code or the UK Link Manual as to the timing and content of any Code Communication, and the giving of communications by means other than UK Link, will continue to apply.

- 6.2.3 Where the Contingency Procedures specify intervals or other requirements for the giving in a Code Contingency of any Code Communication which would normally be given as a T-U On-Line Communication under paragraph 4.3.3(b), the giving of such communication at such intervals will be treated as complying with the relevant requirements of the Code.
- 6.2.4 Under the Contingency Procedures communication resources of the Transporters and Users will be used for the purposes of facilitating the continued giving (in accordance with the Contingency Procedures) of certain kinds of Code Communications in a Code Contingency, and so may not be available for other kinds of Code Communications; and accordingly in any case where the Contingency Procedures do not make provision for the giving of a particular kind of Code Communication (which is required to be given as a UK Link Communication), it may not be possible for Code Communications of that kind to be given.

6.3 Class A Contingencies

- 6.3.1 It is agreed that where certain Code Contingencies occur or continue for particular periods or at particular times:
- (a) the application of certain provisions of the Code (in particular, the requirement for Users to pay certain charges, or the basis on which such charges are determined), will be modified); and/or
 - (b) the timetable provided for in the Code for the giving of certain Code Communications may be extended
- as provided in the relevant Section of the Code.
- 6.3.2 A Code Contingency of the kind referred to in paragraph 6.3.1 is a "**Class A Contingency**".
- 6.3.3 The Code Contingencies which are Class A Contingencies are specified, for the purposes of the relevant provisions of the Code, in the Contingency Procedures.

6.4 Short-term suspension of access

Where at any time a failure in or degradation in the performance of any part of UK Link is likely to occur, or such a degradation has occurred, and in the Transporters' judgement it will be possible to prevent such failure or degradation, or remedy such degradation, by suspending access to and use of UK Link or a part thereof at a time and for a period which will not result in significant inconvenience to Users in the use of UK Link for making Code Communications:

- (a) the Transporters shall be entitled, without initiating any Contingency Procedures (but subject to paragraph (b)) which otherwise would be applicable, to suspend access to and use of UK Link (in accordance with such procedures as to notification of UK Link Users and otherwise as may be provided in the UK Link Manual);
- (b) if at any time subsequently it becomes apparent to the Transporters that such suspension will continue for a period or at a time at which it will result in such inconvenience to Users, any applicable Contingency Procedures will be

initiated.

7 FAILURE OF UK LINK

7.1 Performance levels

7.1.1 The Transporters and UK Link Users agree and acknowledge:

- (a) that it would not be economical for UK Link to be designed, built or operated so as to reduce the probability of its failure below a certain level, and accordingly that such failures may occur; and
- (b) that the Contingency Procedures referred to in paragraph 6 for giving Code Communications in circumstances of such a failure have been established in recognition of what is stated in paragraph (a), and are reasonable and adequate for the purposes of implementation of the Code in such circumstances.

7.1.2 UK Link is designed and built and will be operated with a view to achieving over particular periods ("**Performance Periods**") the performance levels ("**Performance Levels**") set out in the UK Link Manual for the purposes of this paragraph 7, subject to paragraph 7.1.3 and otherwise subject as provided in the UK Link Manual.

7.1.3 In respect of any Performance Level in relation to which the UK Link Manual specifies a design maximum volume of access to and use of UK Link, UK Link is not designed and will not be operated to achieve the Performance Levels if the volume ("**Usage Volume**") of access to and use of UK Link (defined and determined as provided in the UK Link Manual) exceeds such design maximum volume.

7.1.4 The Transporters will each month prepare and provide to UK Link Users a statement of:

- (a) the achievement during the Performance Periods (excluding any period during an Emergency) up to the end of the preceding month of UK Link in respect of the parameters ("**Performance Parameters**") by which the Performance Levels are defined, and whether the Performance Levels were achieved;
- (b) Usage Volumes during those Performance Periods, and whether any design maximum volume was exceeded.

7.1.5 To the extent that Usage Volume(s) exceed design maximum volume(s), the Transporters will not be required to undertake any works in respect of UK Link to enable any Performance Level to be achieved at such higher Usage Volume(s) except as a UK Link Modification within paragraph 8.2.4(a); provided that if any User so requests, the Transporters will propose such a UK Link Modification.

7.2 UK Link operational performance

7.2.1 The software programming within UK Link is intended to operate:

- (a) in a manner which is consistent with the functions of UK Link described in this Section U and the UK Link Manual; and

- (b) as respects any Code Communication to be given by UK Link Communication, in a manner which is consistent with the requirements of the Code as to the form and content of such communication.

7.2.2 For the purposes of this paragraph 7:

- (a) subject to paragraphs (b) and (c), the software programming within UK Link contains a software error if and only if such software programming operates in a way which is inconsistent with the functions referred to in paragraph 7.2.1(a) or the requirements referred to in paragraph 7.2.1(b);
- (b) references to software programming do not include Transporter Available Software;
- (c) software programming comprised in the Licensed Software shall be deemed not to contain a software error if such software programming when installed in the Benchmark UK Link Configuration operates in a manner which is consistent with the functions referred to in paragraph 7.2.1(a) and the requirements referred to in paragraph 7.2.1(b), irrespective of any such inconsistency in operation when installed by any UK Link User other than in the Benchmark UK Link Configuration.

7.2.3 Where:

- (a) a software error has been identified; but
- (b) there are means, not involving significant expense or inconvenience to UK Link Users with the Benchmark UK Link Configuration or to the Transporters, by which the impact or incidence of the software error can be avoided or corrected so that UK Link Users can continue to have access to and use of UK Link without the software error itself being corrected

the software error is a "**minor**" software error.

7.2.4 The Transporters will each month prepare and provide to each UK Link User a report of all software errors identified during the preceding month as being contained within UK Link, specifying those software errors which are minor software errors, describing (in relation to each such minor software error) the means referred to in paragraph 7.2.3(b) and stating whether the error is to be corrected in accordance with paragraph 7.2.5.

7.2.5 Implementation of the means referred to in paragraph 7.2.3(b) shall not be a breach by a UK Link User or the Transporter of any conflicting requirement of the Code or the UK Link Manual nor shall a UK Link Communication given in accordance with such means be invalidly given for the purposes of paragraph 1.2.

7.2.6 Where the existence of a minor software error would otherwise result in a UK Link User or the Transporter being in breach of this Section U or would invalidate a particular UK Link Communication, such party shall not be in such breach and such UK Link Communication shall not be so invalidated.

7.2.7 The Transporters may elect to correct (as a Class 1 or Class 2 Modification in accordance with paragraph 8) a minor software error by way of issuing an updated version of the Licensed Software (and not pursuant to paragraph 7.3), provided that the

Transporters will not normally so correct minor software errors at intervals of less than 3 months, nor (where it elects to correct such errors) of more than 12 months.

7.3 Performance liability

7.3.1 Subject to paragraph 7.4, where:

- (a) either:
 - (i) any statement published by the Transporters under paragraph 7.1.4 shows or it is otherwise established:
 - (1) that UK Link failed to achieve any Performance Level; and
 - (2) that such failure did not arise by reason of Usage Volumes during the relevant Performance Period(s) exceeding the design maximum volume; or
 - (ii) it is established that the software programming within UK Link contains any error (other than a minor software error which the Transporters have elected to correct under paragraph 7.2.7, unless the Transporters elected to but failed to correct a minor software error); and
- (b) such failure of or error in UK Link affects the ability of any User or any Transporter to give or receive Code Communications in such a way as adversely to affect the conduct by or cost to such User or Users of operations under the Code

then, except where such adverse effect on the conduct or cost of operations is not material and the cost to the Transporters of remedying the matter would be material, paragraph 7.3.2 shall apply.

7.3.2 In the circumstances in paragraph 7.3.1, the Transporters will at their cost:

- (a) prepare and propose as a Class 2 Modification:
 - (i) a programme of works for (as the case may be):
 - (1) the improvement of the performance of UK Link (in respect of the Performance Parameter(s) in respect of which the failure occurred) to such a level as, on the assumption that Usage Volume(s) will not exceed the relevant design maximum volume(s), will allow the Performance Levels to be achieved; or
 - (2) the correction of the relevant error in software programming; and
 - (ii) a timetable for the carrying out of such works as soon as shall be reasonably practicable in the circumstances;

- (b) subject to paragraph 8.4, implement such programme of works in accordance (so far as is reasonably practicable) with such timetable.
- 7.3.3 Except as provided in paragraph 7.3.2, and without prejudice to any other provision of the Code, the Transporter will not be liable to any User or other UK Link User for or for the consequences (including as respects Users under the Code generally) of any failure, error or defect in or in the operation or performance of UK Link or any other part of the UK Link System (whether in respect of the Performance Parameters, the software programming or otherwise).

7.4 Defects not attributable to a Transporter

7.4.1 For the purposes of this paragraph 7:

- (a) references to UK Link:
 - (i) will be considered as including a reference to any Licensed Software and any requirement contained in the UK Link Manual as to the specification for equipment, other software and any facility to be provided (in accordance with paragraph 2) by a UK Link User;
 - (ii) except as provided in paragraph (i), will not be considered as extending to or including any UK Link User Equipment or UK Link User Software;
 - (b) in determining the performance of UK Link or whether there is an error in software programming within UK Link, there shall be excluded all occurrences, errors, delays or failures which:
 - (i) result from or are attributable to any defect in, or in the installation, performance, operation or use of, any UK Link User Equipment or UK Link User Software other than Licensed Software, or any other equipment, facility or software provided by a UK Link User;
 - (ii) result from or are attributable to any failure (not being the failure of UK Link or software error in question itself) by any UK Link User, in its use of or access to UK Link, to comply with the requirements of this Section U and the UK Link Manual, except as respects any error (in accordance with paragraph 8.2.8 where applicable) in the UK Link Manual;
 - (iii) would not have arisen but for the election of a UK Link User not to provide the Benchmark UK Link Configuration; or
 - (iv) are attributable to the provider(s) of telecommunication services (as referred to in paragraph 2.4).
- 7.4.2 Paragraph 7.4.1 shall apply irrespective of whether the Transporters provided to a particular UK Link User any UK Link User Equipment or UK Link User Software, but without prejudice to the terms of provision or maintenance by the Transporters of any UK Link User Equipment pursuant to paragraph 2.3.

- 7.4.3 Without prejudice to paragraph 7.4.1(b)(iv), where a provider of telecommunications services (for the purposes of UK Link) is failing to perform its obligations in respect of the provision of such services, the Transporters agree to take reasonable steps to secure that such person resumes such performance.

7.5 UK Link Performance Monitoring Procedures and Review

- 7.5.1 The Transporters will establish and implement procedures (such procedures, as from time to time revised by the Transporters the "**UK Link Performance Monitoring Procedures**") for the collection and monitoring of data samples relating to the achievement of UK Link in respect of the Performance Parameters (to enable the Transporters to prepare the statements required under paragraph 7.1.4).
- 7.5.2 The Transporters will appoint in relation to each relevant period in accordance with paragraph 7.5.4 an independent and appropriately qualified person (the "**UK Link Performance Auditor**"):
- (a) to conduct a review, following any material revision of the UK Link Performance Monitoring Procedures, of whether in the opinion of such person the UK Link Performance Monitoring Procedures are in all material respects adequate (having regard to the technical feasibility, cost and administrative burden of implementing such procedures) to ensure on a continuing basis the collection and monitoring of such data samples as are necessary to ascertain with reasonable certainty Usage Volumes and the level of achievement over Performance Periods of UK Link in respect of the Performance Parameters against the Performance Levels;
 - (b) to conduct a review, after each relevant period, of whether in the opinion of such person, in each relevant period, the Transporters have:
 - (i) in all material respects implemented the UK Link Performance Monitoring Procedures in accordance with their terms; and
 - (ii) made any material revision in the relevant period to the UK Link Performance Monitoring Procedures without subsequently initiating a review pursuant to paragraph (a)).
- 7.5.3 For the purposes of this paragraph 7.5 "**relevant period**" means each Gas Year or any other period (whether shorter or longer than a Gas Year) proposed by the Transporters after consultation with the UK Link Committee where the Authority (upon the Transporters' application) gives Condition A11(18) Approval to the Transporters implementing this paragraph 7.5 on the basis of such other period.
- 7.5.4 The person appointed as UK Link Performance Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 7.5) the terms of his appointment, including the scope and objectives of the reviews under paragraph 7.5.2, shall be the person, period and terms from time to time agreed by the UK Link Committee, unless (upon the application of the Transporters or any User made within 10 Business Days after the Transporters have notified to Users the decision of the UK Link Committee) the Authority in any case shall give Condition A11(18) Disapproval to the Transporters making an appointment of the UK Link Performance Auditor on such basis (in which case the Transporters will arrange for an alternative proposal to be considered by the UK Link Committee).

7.5.5 The terms of appointment will require that:

- (a) the UK Link Performance Auditor shall present to and discuss with the Transporters its draft findings before reporting under paragraph (b);
- (b) the UK Link Performance Auditor shall report his findings to the Transporters and the UK Link Committee;
- (c) without prejudice to paragraph (b), the UK Link Performance Auditor shall agree to permit a representative of each User to attend a meeting of the UK Link Committee at which the UK Link Performance Auditor's report is presented;
- (d) where he finds that the UK Link Performance Monitoring Procedures are not in all material respects adequate (as described in paragraph 7.5.2(a)), the UK Link Performance Auditor shall make recommendations as to how such procedures should be revised so as to be adequate (as so described);
- (e) the UK Link Performance Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the UK Link Performance Auditor in the course of his review.

7.5.6 A copy of the UK Link Performance Auditor's full report will be provided by the Transporters to each User and to the Authority.

7.5.7 The fees and costs of the UK Link Performance Auditor (in connection with the reviews under paragraphs 7.5.2(a) and (b)) will be paid by Transco NTS and (subject to paragraph 7.5.8) recovered from Users as follows:

- (a) before each relevant period the fees and costs of the UK Link Performance Auditor will be estimated by the Transporters and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(iv) for each month in the relevant period;
- (b) when the UK Link Performance Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (a) will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(iv) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under Section F4.5.3(b)(iv) for the month following that in which the final account is rendered.

7.5.8 Where a report of the UK Link Performance Auditor in respect of a review under paragraph 7.5.2(b) contains a finding that the Transporters:

- (a) failed in a material respect to implement the UK Link Performance Monitoring Procedures; or
- (b) made any material revision in the relevant period to the UK Link Performance Monitoring Procedures without subsequently initiating a review pursuant to paragraph 7.5.2(a),

the fees and costs of the UK Link Performance Auditor in connection with such review, or such proportion of such fees and costs as he shall specify as being appropriate for the

purposes of this paragraph 7.5.8, shall be borne by the Transporters and not recovered from Users pursuant to paragraph 7.5.7.

- 7.5.9 Where a report of the UK Link Performance Auditor in respect of a review under paragraph 7.5.2(a) contains a finding that the UK Link Performance Monitoring Procedures are not in all material respects adequate (as described in that paragraph) and a recommendation as to how such procedures should be revised so as to be so adequate, the Transporters will revise such procedures in accordance with such recommendations unless the Authority shall upon the application of the Transporters give Condition A11(18) Approval to the Transporters not doing so.

7.6 Failure Liability

- 7.6.1 For the purposes of this Section:

- (a) a **"UK Link Failure"** is a system failure as defined within priority level P1 of the UK Link Manual;
- (b) an **"Affected UK Link User"** is a UK Link User who was using UK Link at the time of a system failure and reported that they were unable to access the failed system in accordance with the Problem Management process within the UK Link Manual;
- (c) **"Problem Management Process"** shall mean the problem management process set out within the UK Link Manual;
- (d) **"recover"** shall mean the successful return of service for the affected element within UK Link and **"recovery"** shall be construed accordingly;
- (e) **"recovery period"** be the period commencing on the earlier of:
 - (i) where the Transporter becomes aware of a UK Link Failure by way of a User communication, the time that the problem is defined as priority level P1; else
 - (ii) the time that a Transporter becomes aware of the UK Link Failure until the completion of recovery;
- (f) a **"Repeated Failure of UK Link"** is a reoccurrence within 24 hours of a UK Link Failure, recorded by a Transporter in accordance with the Problem Management Process;
- (g) an **"Inappropriate User Action"** is a failure by a UK Link User as set out in paragraph 7.4.1(b)(ii) that results in or contributes to a UK Link Failure.

- 7.6.2 In the event of a UK Link Failure, the Transporters will endeavour to recover UK Link within a 5 hour recovery period.

- 7.6.3 Subject to paragraphs 7.6.4 and 7.6.7, if the recovery period for a UK Link Failure exceeds 5 hours then the Transporters will pay each Affected UK Link User £50.

- 7.6.4 In the event of a Repeated Failure or series of Repeated Failures of UK Link, paragraphs 7.6.2 and 7.6.3 shall apply save that in the event that a User is an Affected UK Link User for both the original UK Link Failure and subsequent Repeated Failure(s) of UK Link, paragraph 7.6.3 shall apply in respect of the subsequent Repeated UK Link Failure as though the amount set out were 200% of the payment due in respect of the immediately preceding UK Link Failure or Repeated Failure (as the case may be).
- 7.6.5 In the event of a UK Link Failure where the recovery period is greater than 24 hours, the Transporters will (subject to paragraph 7.6.7) pay to each Affected UK Link User an amount of £1,000.
- 7.6.6 For Batch Transfer Communications, where the Transporters fail to make the UK Link Network available (as defined in the UK Link Manual) for a period greater than 24 hours over and above the timescales permitted for processing Batch Transfer Communications as specified in the Network Code, the Transporters will (subject to paragraph 7.6.7) pay to each Affected UK Link User an amount of £1,000.
- 7.6.7 The Transporters shall not be liable to pay:
- (a) the amounts set out in paragraphs 7.6.3 and 7.6.4 where a UK Link Failure has been caused by the performance levels (as set out in the UK Link Manual) being exceeded;
 - (b) the amounts set out in paragraphs 7.6.3, 7.6.4, 7.6.5 and/or 7.6.6 in the event that the UK Link Failure was in whole or part the result of an Inappropriate User Action;
 - (c) the amounts set out in this paragraph 7.6 to the extent that the UK Link Committee (if the Transporters so request) agrees by majority decision to suspend any obligation to make payment (or reduce the amount of such payment) under this paragraph 7.6 for the period of such suspension (or reduction).
- 7.6.8 The performance standards set out in this paragraph 7.6 shall be in addition to and not replacement of the performance standards set out in paragraphs 7.2 and 7.
- 7.6.9 For the purposes of Section V10 (Compensation Rules), the rules in paragraphs 7.6.3, 7.6.4, 7.6.5 and 7.6.6 are Compensation Rules within Compensation Group K; and the relevant '**payment month**' will be the second month following the month in which the relevant failure occurred.

8 UK LINK MODIFICATIONS

8.1 Introduction

- 8.1.1 The Transporters may not make UK Link Modifications other than in accordance with this paragraph 8.
- 8.1.2 For the purposes of this Section U:
- (a) "**UK Link Modification**" means a Transporter System Modification, a User System Modification or a Manual Modification;

- (b) **"Transporter System Modification"** means a modification to the specification of the UK Link System or the UK Link Network or any modification to any equipment or software comprised therein and installed at premises designated by the Transporters;
 - (c) **"User System Modification"** means a modification to the specification required under the UK Link Manual of the equipment, software and other facilities required to be provided by a UK Link User under paragraph 2;
 - (d) **"Manual Modification"** means any amendment to the UK Link Manual.
- 8.1.3 Except in the case of a Class 3 Modification, or as otherwise provided in this Section U, where any UK Link Modification is to be made:
- (a) the Transporters will bear the costs of developing any required change in the Licensed Software;
 - (b) each UK Link User will bear the costs of any modification to the UK Link User Equipment or (except as provided in paragraph (a)) UK Link User Software required to implement the UK Link Modification (or to enable the UK Link User to continue to comply with this Section U following such modification), and all other costs incurred by the UK Link User in consequence of the UK Link Modification;
 - (c) the Transporters will bear all other costs incurred for the purposes of making the UK Link Modification.
- 8.1.4 A User will not be in breach of any provision of the Code by reason of any inability of the User to comply with such provision which results from disruption to the User's use of or access to UK Link during and occasioned by the making of a UK Link Modification, provided that the UK Link User shall have complied with any reasonable requirements proposed by the Transporters for implementing the modification and for making UK Link Communications during the making of such modification.

8.2 Modification Classes

- 8.2.1 UK Link Modifications are classified for the purposes of this paragraph 8 as Class 1, Class 2 and Class 3 Modifications in accordance with this paragraph 8.2.
- 8.2.2 A **"Class 1 Modification"** is:
- (a) a Transporter System Modification which will have no adverse operational or other adverse impact on any UK Link User and will not require any UK Link User to incur any cost to be borne by it in accordance with paragraph 8.1.3(b), or which has been consented to by all UK Link Users on whom such modification will have such an impact; or
 - (b) a Manual Modification (other than one within paragraph 8.2.4(b)) required:
 - (i) as a consequence of any Transporter System Modification or User System Modification made in accordance with this paragraph 8; or
 - (ii) to correct any inaccuracy in the UK Link Manual so that it correctly

describes any aspect of UK Link which is not itself the subject of a Transporter System Modification or User System Modification.

8.2.3 A "**Class 2 Modification**" is:

- (a) a UK Link Modification which is required under paragraph 7.3.2;
- (b) a User System Modification which is required to enable a Transporter System Modification which is a Class 2 Modification or a Class 3 Modification to be implemented;
- (c) any other UK Link Modification (other than a Manual Modification within paragraph 8.2.4(b)) proposed by the Transporters in any of the following circumstances:
 - (i) where:
 - (1) the Transporters reasonably determine that the functionality or performance of UK Link is insufficient to support the implementation of relevant provisions of the Code, notwithstanding that such modification may not be required under paragraph 7.3.2, and such modification is required to make the required improvement to such performance; and
 - (2) the Transporters do not intend that the costs incurred by the Transporters in making such modification should be recovered from UK Link Users; and
 - (3) the costs (of revising or replacing any computer hardware or software) for UK Link Users entailed by the making of the modification are reasonable in the circumstances; or
 - (ii) where each of the conditions in paragraph 8.2.5 is satisfied in respect of such modification; or
 - (iii) where the modification is required by or in connection with a modification to the Code which is made pursuant to the Modification Rules; or
 - (iv) where the modification is to be made pursuant to paragraph 3.5.2; or
 - (v) where the modification is made to correct a minor software error in accordance with and subject to paragraph 7.2.4.

8.2.4 A "**Class 3 Modification**" is:

- (a) any Transporter System Modification where the Transporters do not intend to make such modification unless the costs of making the modification are to be recovered from UK Link Users;
- (b) any of the following Manual Modifications:
 - (i) a change in the Contingency Procedures which would materially worsen the ability of the Transporters and UK Link Users to

communicate pursuant to the Contingency Procedures;

- (ii) a modification of any provision of the UK Link Manual which is (pursuant to paragraph 1.4.2) expressly identified as binding on the Transporters or UK Link Users;
- (iii) a modification in respect of the means (as described in paragraph 1.2.2) of giving a Code Communication, or the form (as described in paragraph 4.1.2), other than the inclusion of an additional such form, of giving any UK Link Communication; or
- (c) any other UK Link Modification which is not a Class 1 or Class 2 Modification or is one which the Transporters elect to treat as a Class 3 Modification.

8.2.5 The conditions referred to in paragraph 8.2.3(c)(ii) are that, in respect of a proposed UK Link Modification:

- (a) such modification would not materially increase the scope of information concerning a User to which other UK Link Users have access by virtue of UK Link;
- (b) such modification would not adversely affect the functions or facilities of UK Link which are available to UK Link Users, nor reduce the scope of the information which the Transporters make available to Users by means of UK Link;
- (c) such modification would not result in a UK Link User with the Benchmark UK Link Configuration incurring material cost, after taking account of any quantifiable savings in cost which such a User acting reasonably efficiently and prudently would reasonably be expected to enjoy as a result of making the modification; and
- (d) where such modification is a Manual Modification, the modification would not result in any of the following provisions of this Section U applying or taking effect in a way which is (as respects the interests of UK Link Users) materially and adversely different from that in which it applies or takes effect in the absence of such modification: paragraphs 1.2.2, 1.6, 1.8, 1.9, 2.2.9, 2.3.4, 6.3.7 and this paragraph 8.

8.2.6 The condition in paragraph 8.2.5(b) shall not be regarded as infringed by reason only of a reasonable level of disruption for the purposes of implementation of a UK Link Modification.

8.2.7 Where there is any bona fide doubt as to whether an inconsistency between the operation of the software programming within UK Link and the relevant functions described in the UK Link Manual is a software error (in accordance with paragraph 7.2) or an inaccuracy in the UK Link Manual (in accordance with paragraph 8.2.2(b)(i)):

- (a) subject to paragraph (b), the Transporters will resolve such doubt in the manner which is most consistent with the proper implementation of the Code or (failing that) in such manner as the Transporters shall reasonably determine after consultation with the UK Link Committee;

- (b) if upon the application (within 5 Business Days after the Transporters have notified Users of their proposed resolution) of any User, the Authority shall give Condition A11(18) Disapproval to the Transporters resolving the matter in the proposed manner under paragraph (a), the Transporters will resolve the matter in such other manner to which the Authority shall upon the Transporters' application give Condition A11(18) Approval.

8.3 Class 1 Modifications

- 8.3.1 The Transporters shall be entitled to make a Class 1 Modification at any time.
- 8.3.2 Where possible before or (failing that) as soon as reasonably practicable after making a Class 1 Modification the Transporters will:
 - (a) inform UK Link Users of that modification if it is a Manual Modification or if UK Link Users are likely (in having access to and use of UK Link) to become aware of it or if (in the Transporters' opinion) it is likely to be of interest operationally to UK Link Users; and
 - (b) if it is a Manual Modification, provide an updated version of the relevant part of the UK Link Manual to UK Link Users without charge.

8.4 Class 2 Modifications

- 8.4.1 The Transporters shall be entitled to make a Class 2 Modification subject to and in accordance with this paragraph 8.4.
- 8.4.2 Where the Transporters propose to make any Transporter System Modification or User System Modification (other than one required to implement a Class 3 Modification) as a Class 2 Modification:
 - (a) the Transporters will notify UK Link Users of its proposal, setting out in outline the nature and purpose of the modification and an indicative timetable for implementing the modification;
 - (b) UK Link Users may, within a period of 10 Business Days after the Transporters' notification, submit to the Transporters any comments on the proposal (including its implications for UK Link Users);
 - (c) the Transporters may revise their proposal in the light of any comments made by UK Link Users (and will not be required to notify under paragraph (a) any such revision);
 - (d) after the period referred to in paragraph (b), and after considering any comments made by UK Link Users, the Transporters will (unless they have withdrawn their proposal) prepare a plan (such plan, as from time to time revised pursuant to the further provisions of this paragraph 8.4, being the "**implementation plan**") for the implementation of its proposal or revised proposal, setting out in reasonable detail the nature of the proposal and the steps and timetable proposed for its implementation;
 - (e) the Transporters will submit the implementation plan to the UK Link Committee, for consultation as to whether the steps and timetable planned by

the Transporter for the implementation of the modification are appropriate having regard to the nature of the modification and the implications for UK Link Users of making the modification.

- 8.4.3 The implementation plan will be discussed at one or (if the Transporters so request) more than one meeting of the UK Link Committee, and the Transporters may on one or more occasions revise the implementation plan on the basis of any such discussion and resubmit such revised plan to the committee.
- 8.4.4 If by consensus of the members of the UK Link Committee the implementation plan (with or without any revisions proposed by the Transporters pursuant to paragraph 8.4.3) is approved, the Transporters will proceed to implement the proposed modification in accordance with the implementation plan.
- 8.4.5 If such a consensus of the UK Link Committee is not reached:
- (a) the Transporters may, where they consider that the making of the modification in accordance with its implementation plan is necessary to enable the Transporters or Users to comply with the Code (disregarding for this purpose paragraph 8.4.9) or any Legal Requirement, notify Users that they intend to proceed with the modification;
 - (b) where the Transporters have given a notification under paragraph (a), the Transporters shall be entitled to make the modification unless upon the application (within 5 Business Days after the Transporters' notification) of any User the Authority shall give Condition A11(18) Disapproval to the Transporters doing so;
 - (c) except where the Transporters give notice under paragraph (a), or if the Authority gives Condition A11(18) Disapproval under paragraph (b), the Transporters will (unless they decide to withdraw their proposal) refer the implementation plan to the Uniform Network Code Committee.
- 8.4.6 Where by Panel Majority (upon a referral under paragraph 8.4.5(c)) the Uniform Network Code Committee approves the implementation plan, with or without any revisions which the Transporters may propose to the committee, the Transporters will proceed to implement the proposed modification in accordance with the implementation plan.
- 8.4.7 Where (upon a referral under paragraph 8.4.5(c)) the Uniform Network Code Committee does not approve the implementation plan, the Transporters will not proceed with the proposed modification.
- 8.4.8 The Transporters will provide to each UK Link User a copy of each implementation plan approved pursuant to paragraph 8.4.4 or 8.4.6.
- 8.4.9 Where a UK Link Modification is proposed by the Transporters for the purposes of enabling the Transporters or Users to comply with any provision of the Code (including without limitation paragraph 7), it is agreed that the Transporter and Users will be deemed not to be in breach of such provision of the Code as a result of such modification not being made:

- (a) where its implementation plan is not approved by the UK Link Committee pursuant to paragraph 8.4.4 or the Uniform Network Code Committee pursuant to paragraph 8.4.6;
 - (b) to the extent that the Transporters are delayed in implementing such proposal by reason of anything done pursuant to this paragraph 8.4.
- 8.4.10 Where the Transporters have notified a UK Link User of a proposal under paragraph 8.4.2(a), unless the UK Link User notifies the Transporters otherwise by way of comment pursuant to paragraph 8.4.2(b), the UK Link User shall be deemed to have accepted the proposed modification as being a Class 2 Modification.
- 8.4.11 UK Link Users may propose to the Transporters modifications which would be made as Class 2 Modifications, and where the Transporters do not decide to adopt and propose such a proposed modification the Transporters will so notify the UK Link User; and the Transporters will at reasonable intervals notify all UK Link Users of those proposed modifications which the Transporters have not adopted and proposed, with brief explanations of their decisions.
- 8.4.12 Where the UK Link Modification is one within paragraph 8.2.3(c)(iii), the requirements of this paragraph 8.4 will be deemed satisfied to the extent that equivalent steps have been taken by the Transporters pursuant to the Modification Rules.

8.5 Class 3 Modifications

- 8.5.1 For the purposes only of this paragraph 8.5, that part of the UK Link Manual which describes or specifies any aspect of UK Link which is the subject of a proposed Class 3 Modification shall be deemed to be incorporated into and to form a part of the Code.
- 8.5.2 Before making a Class 3 Modification, the Transporters must make a modification proposal in respect thereof in accordance with the Modification Rules.
- 8.5.3 The Transporters may make a Class 3 Modification where (in accordance with the Transporter's Licence and the Modification Rules) the Authority directs or consents to the modification the subject of the modification proposal referred to in paragraph 8.5.2.
- 8.5.4 If the terms of the modification do not themselves provide for such matters, and subject to the nature of the modification, paragraph 8.4 shall apply in respect of a Class 3 Modification.
- 8.5.5 The Transporter acknowledges that Users are at liberty to propose modifications to UK Link which would be implemented as Class 3 Modifications.

8.6 Notifying Class 2 and Class 3 Modifications

- 8.6.1 Subject to paragraph 8.6.2, where the Transporters propose to make a Class 2 Modification or a Class 3 Modification (other than a Manual Modification except where the UK Link Manual anticipates the making of such Manual Modification) when notifying UK Link Users of its proposals in the event that Transporters:
 - (a) fail to inform UK Link Users that they have not less than 10 Business Days to submit any comments to the Transporters in respect of the proposal, the Transporters will pay to each UK Link User £500;

- (b) fail to provide the UK Link Users with an indicative timetable for implementing the modification and the implementation date for the modification set out in such timetable is for a date less than 3 months from the giving of such notice, the Transporters will pay to each UK Link User £500.
- 8.6.2 Paragraph 8.6.1 shall not apply in respect of a Class 2 Modification or a Class 3 Modification in respect of which alternate timescales to those referred to in paragraph 8.6.1(a) or (b) are agreed to by the Transporters and the UK Link Committee or pursuant to the Modification Rules or where the modification is one in respect of which paragraph 8.4.12 applies.
- 8.6.3 Where the Transporters fail to notify UK Link Users by the Business Day following the Day in respect of which a Class 2 Modification or a Class 3 Modification was to be implemented but was not so implemented, the Transporters will pay each UK Link User £1,000.
- 8.6.4 For the purposes of Section V10, the rule in paragraphs 8.6.1 and 8.6.3 are Compensation Rules within Compensation Group I; and in relation thereto the 'payment month' is the second month following the month in which the relevant failure occurred.

Annex U-1

- 1 Application of this Annex
 - 1.1 This Annex does not form part of the Uniform Network Code.
 - 1.2 This Annex sets out certain terms which, subject to paragraph 1.3, are incorporated into every contract arising as a result of a User Trade Communication made under Section U5.1.2(c) of the Code (a "**User Trade Contract**").
 - 1.3 In accordance with Section U5.3.2 of the Code, a term set out in this Annex is not incorporated into a User Trade Contract:
 - (a) if the Trading Users have expressly agreed another term; or
 - (b) to the extent that such term is inconsistent with any term expressly agreed by the Trading Users.
- 2 Interpretation
 - 2.1 Terms used in this Annex have the same meanings as in the Code.
 - 2.2 For the purposes of this Annex:
 - (a) "**applicable daily rate**" means:
 - (i) in respect of System Capacity, the Applicable Daily Rate (in pence per kWh/Day) of the relevant Capacity Charge; and
 - (ii) in respect of Storage Space, the Applicable Storage Space Charge Rate (in pence per kWh of Storage Space for a Storage Year) divided by 365; and
 - (iii) in respect of Storage Deliverability, the Applicable Storage Deliverability Charge Rate (in pence per kWh/Day of Storage Deliverability for a Storage Year) divided by 365; and
 - (iv) in respect of Storage Injectability, the Applicable Storage Injectability Charge Rate (in pence per kWh/Day of Storage Injectability for a Storage Year) divided by 365;
 - (b) "**Capacity Transfer**" means a System Capacity Transfer or a Storage Capacity Transfer;
 - (c) "**Capacity Transfer Day**" means a Day in the Relevant Transfer Period in respect of which the Trade Transferee is treated as holding the Transferred Capacity in accordance with the Code;
 - (d) "**Relevant Transfer Period**" means:
 - (i) in respect of a System Capacity Transfer the Transfer Period;
 - (ii) in respect of a Storage Capacity Transfer the Storage Transfer Period;

- (e) **"Trade Transferor"** means:
 - (i) in respect of a System Capacity Transfer the Transferor User; and
 - (ii) in respect of a Storage Transfer the Transferor Storage User;
- (f) **"Trade Transferee"** means:
 - (i) in respect of a System Capacity Transfer the Transferee User; and
 - (ii) in respect of a Storage Transfer the Transferee Storage User;
- (g) **"Transferred Capacity"** means Transferred System Capacity or Transferred Storage Capacity.

3 Price

3.1 Capacity Transfer

- 3.2 In respect of a Capacity Transfer the Trade Transferee shall, subject to paragraph 3.3, pay to the Trade Transferor in respect of each month some or all of the Days of which are Capacity Transfer Days a sum determined in accordance with the following formula:

$$A = B * C * D$$

where

A = the sum payable by the Trade Transferee in respect of the month;

B = the applicable daily rate in respect of the Capacity Transfer;

C = the amount of the Transferred Capacity; and

D = the number of Capacity Transfer Days in that month.

- 3.3 If in respect of any Capacity Transfer Day in a month the Trade Transferor ceases to be liable to pay to Transco NTS or Transco LNG Storage the relevant Capacity Charges or Storage Capacity Charges in respect of an amount of Transferred Capacity in accordance with the Code, the sum which would but for this paragraph 3.3 be payable by the Trade Transferee pursuant to paragraph 3.2 in respect of that month shall be reduced by a sum equal to the aggregate of the sums for each such Capacity Transfer Day, each such sum being calculated in accordance with the following formula:

$$E = F * G$$

where:

E = is the sum by which the Trade Transferee's liability is reduced in respect of such Day;

F = is the applicable daily rate; and

G = is the amount of Transferred Capacity in respect of which the Trade Transferor

ceased to be liable to pay Capacity Charges or Storage Capacity Charges in respect of such Day.

3.4 Storage Gas Transfer

3.5 In respect of a Storage Gas Transfer the Trade Transferee shall pay to the Trade Transferor a sum determined in accordance with the following formula:

$$H = I * J$$

where:

H = is the sum payable by the Trade Transferee in respect of the Storage Gas Transfer;

I = the Operating Margins WACOG (in pence per kWh) for the Transfer Storage Facility on the date the Operating Margins WACOG was last calculated before the transfer date; and

J = is the Transferred Gas-in-Storage (in kWh).

4 VAT

4.1 The sums payable pursuant to a User Trade Contract are exclusive of Value Added Tax.

5 Payment

5.1 Sums payable by the Trade Transferee to the Trade Transferor under a User Trade Contract shall be paid on or before whichever is the later of:

(a) the 5th Day after the Day on which the Trade Transferee receives an invoice in respect of such sum from the Trade Transferor; and

(b) the 15th Day of the month following the relevant month (in accordance with paragraph 5.2)

5.2 For the purposes of paragraph 5.1 the relevant month is:

(a) for a Capacity Transfer, the month to which the invoice relates; and

(b) for a Storage Gas Transfer, the month in which the User Trade Communication under Section U5.1.2(c) of the Code was made.

6 Interest

6.1 Where any sum payable pursuant to a User Trade Contract is not paid on or before the due date for payment in accordance with paragraph 5.1 (the "**Due Date**"), the paying User shall pay interest, after as well as before judgment, at the rate for the time being of Barclays Bank plc plus 3 percentage points per annum on the unpaid amount from the Due Date until the day on which payment is made.

6.2 Interest payable pursuant to paragraph 6.1 shall accrue on a daily basis and on the basis of a 365 day year.

- 6.3 Governing law and jurisdiction
- 6.4 Each User Trade Contract shall be governed by, and construed in all respects in accordance with, English law.
- 6.5 The parties to a User Trade Contract irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with that User Trade Contract.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION V - GENERAL

1 INTRODUCTION

1.1 Ancillary Agreement

1.1.1 An "**Ancillary Agreement**" is an agreement between the Transporter and one or more Users setting out any terms of a transportation arrangement (as defined in Standard Special Condition A3 of the Transporter's Licence) in relation to the relevant System(s):

- (a) entered into pursuant to any provision of the Code which contemplates that such an Agreement may be entered into; or
- (b) which expressly provides that it is to be a "**Network Code Ancillary Agreement**" for the purposes of this Section V.

1.1.2 Subject as provided in this Section V an Ancillary Agreement shall be treated as forming, as between the Transporter and the User or Users party thereto, and as to its subject matter, a part of the contractual relationship between the Transporter and such User(s) existing pursuant to the Code and the relevant Shipper Framework Agreement.

1.1.3 In any Ancillary Agreement (unless it otherwise provides) terms defined in or for the purposes of the Code and not otherwise defined in such Ancillary Agreement shall have the meanings ascribed thereto in or for the purposes of the Code.

1.1.4 An Ancillary Agreement may be amended by agreement of the Transporter and the User(s) party to that Agreement and not otherwise; and accordingly an Ancillary Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of the Code which apply to or are incorporated into such Agreement).

1.1.5 A breach by a User of a term of an Ancillary Agreement will not (unless the Ancillary Agreement so provides) be a breach of the Code.

1.1.6 Any Ancillary Agreement applying in respect of a System Entry Point or Connected System Exit Point shall provide (in such manner as the Transporter shall reasonably determine) for any User who may (or intends to) deliver gas to or (as the case may be) offtake gas from the Total System at that point to accede to such agreement; and the Transporter may refuse to allow a User who has not acceded or agreed to accede to such an Agreement to deliver or offtake gas or to hold System Capacity or to make a Nomination at or in respect of the relevant System Point.

1.1.7 In this paragraph 1.1 references to Users exclude DNO Users.

1.2 Non-Code Transportation Arrangements

1.2.1 For the purposes of the Code:

- (a) "**Non-Code Transportation Arrangement**" means a transportation arrangement, which is for the time being in force, made between a Transporter and a gas shipper on terms other than those of the Code, or in the context of a

particular System Point, such a transportation arrangement relating to the delivery or offtake of gas to or from the Total System at such point;

- (b) **"Non-Code Shipper"** means a gas shipper who is party to a Non-Code Transportation Arrangement.

- 1.2.2 Where a Transporter makes or has made a Non-Code Transportation Arrangement, subject to paragraphs 1.2.3 and 1.2.4(a):
 - (a) for the purposes of giving effect to such arrangement and to the provisions of Sections C, D, E, F, H, I and K of the Code which apply by reference to the quantities of gas delivered to and offtaken from the Total System by Users, and of calculating such quantities, Transco NTS will be treated as a User of the NTS as respects the quantities of gas delivered to and offtaken from the Total System by the Non-Code Shipper (and where such arrangements relates to the offtake of gas from an LDZ, then so far as relevant, the relevant DN Operator is treated as a User of the LDZ);
 - (b) for the purposes of giving effect to such arrangement and to the provisions of Sections G2 and G3, the Transporter will be treated as a User of the relevant System as respects the Supply Meter Points which are or are to become subject to such arrangement.
- 1.2.3 Nothing in paragraph 1.2.2 shall have the effect of conferring on the Non-Code Shipper any right or imposing on it any obligation under the Code, nor as implying any terms into the Non-Code Transportation Arrangement.
- 1.2.4 Where a Non-Code Transportation Arrangement is one to which Condition 6(3) of the Shipper's Licence applies:
 - (a) the Transporter may elect for some or all of the purposes of paragraph 1.2.2 that the Non-Code Shipper shall be treated as a User in place of the Transporter;
 - (b) the Code shall apply so as to give effect to the arrangement or undertaking referred to in the said Condition 5(3);
 - (c) paragraphs 1.2.5 and 1.2.6 shall not apply in respect of the Non-Code Transportation Arrangement.
- 1.2.5 Where a Shipper User is also a Non-Code Shipper, its Non-Code Transportation Arrangements (including without limitation holdings of System Capacity or Storage Capacity for LNG facilities) as Non-Code Shipper shall be separate from, and shall be given effect and accounted for separately from, those under the Code.
- 1.2.6 In accordance with and without prejudice to the generality of paragraph 1.2.4, the calculation of a User's Daily Imbalance, and any Daily Imbalance Charges, Scheduling Charges, Overrun Charges or Storage Overrun Charges at LNG Facilities, shall be made disregarding quantities of gas delivered to or offtaken from the Total System or System Capacity held by the User as Non-Code Shipper.

2 USER ADMISSION

2.1 Admission requirements

2.1.1 In order to become a Shipper User in relation to a System a person (the "**Applicant User**") must:

- (a) satisfy or secure satisfaction of the requirements in paragraph 2.1.2; and
- (b) accede to the relevant Shipper Framework Agreement and thereby agree to be bound by the Code.

2.1.2 The requirements referred to in paragraph 2.1.1(a) are as follows:

- (a) the Applicant User shall have applied to the Transporter, in such form as the Transporters may from time to time prescribe, giving the following details:
 - (i) the name of the Applicant User;
 - (ii) the legal nature of the Applicant User, and where the Applicant User is not a company incorporated under the Companies Act 1985 (as amended), such further information concerning the constitution of the Applicant User as the Transporter may reasonably require;
 - (iii) the address and telephone and facsimile numbers of the Applicant User, and the individual for whose attention notice is to be marked, for the purposes of notice under GT Section B5.2.3 and B5.3.1;
 - (iv) where the Applicant User is not a company incorporated under the Companies Act 1985 (as amended), an address for service in accordance with paragraph GT Section B6.6.3;
- (b) either:
 - (i) a Shipper's Licence shall have been granted to the Applicant User which is in force and in respect of which no notice of revocation has been given, and the Applicant User shall have provided a copy of such licence to the Transporter; or
 - (ii) a Shipper's Licence shall be treated as having been granted to the Applicant User pursuant to a scheme made under paragraph 15 or 16 of Schedule 5 to the Gas Act 1995;
- (c) in relation to an LDZ of which Transco is not the owner or operator, the Applicant User is, or will be, a Shipper User under Transco's Network Code at the User Accession Date;
- (d) the Applicant User shall have secured compliance with those requirements of Section U which are required to be complied with before a User is able to send and receive UK Link Communications, including without limitation:
 - (i) the installation and connection of the UK Link User Equipment and the UK Link User Software at the Applicant User's premises;

- (ii) the appointment of one or more Authorised Representatives;
 - (e) the Applicant User shall have provided the emergency contact details required under Section Q2.2;
 - (f) the Applicant User shall have obtained from the Transporters one or more copies of the Code and such other documents referred to in the Code or the Shipper Framework Agreement as the Transporters shall from time to time prescribe for the purposes of this paragraph (f);
 - (g) the Applicant User shall have been assigned an initial Code Credit Limit in accordance with paragraph 3;
 - (h) in relation to the NTS, the Applicant User shall have been assigned an initial Secured Credit Limit in accordance with Section X.
- 2.1.3 An Applicant User may accede to a Shipper Framework Agreement before the requirements of paragraphs 2.1.2(d), (g) and (h) are satisfied.
- 2.1.4 Where in accordance with paragraph 2.1.3 an Applicant User has executed a Shipper Framework Agreement, the Applicant User and the Transporter shall be bound by this Section V and (but only for the purposes of enabling an Applicant User to satisfy the requirements in paragraph 2.1.2 (d)) Section U; and the Applicant User shall for such purposes only be treated as a User.

2.2 Admission of User

- 2.2.1 The Applicant User will become a User with effect from the Day ("**User Accession Date**") which is 3 Business Days after satisfaction of the last of the requirements under paragraphs 2.1.1 and 2.1.2 to be satisfied.
- 2.2.2 Upon the Applicant User's becoming a User pursuant to paragraph 2.2.1 the Transporter will so notify:
- (a) the Applicant User, specifying:
 - (i) the Transporter's notice details for the purposes of GT Section B5.2.3; and
 - (ii) the names of all other Users and their prevailing notice details in accordance with GT Section B5.2.3;
 - (b) all other Users, specifying the name of the Applicant User, its notice details provided under paragraph 2.1.2(a)(iii) and the User Accession Date.

2.3 Restricted authorisation of User

Where the Shipper's Licence held by a Shipper User limits or restricts the premises to which the User may arrange for the conveyance of gas by a or any System or in any other way limits or restricts the activities which the User is authorised to carry on:

- (a) the User shall be solely responsible for compliance with such limit or restriction and (subject to paragraph (b)) the Transporter shall not in the implementation of

the Code as respects such User be concerned with such limit or restriction; but

- (b) the Transporter shall be at liberty in its discretion to (but shall not be required to) withhold from the User any right or entitlement pursuant to the Code so as to give effect to such limit or restriction.

2.4 Single User admission

Unless expressly otherwise provided in the Code or agreed by the Transporters, a person may only be one User for the purposes of the Code, and accordingly a person who is for the time being a User may not make a further application to be admitted as a User.

2.5 Restricted User

2.5.1 A person which is for the time being either:

- (a) designated by the Authority for the purposes of Special Condition C6 of Transco NTS's Transporter's Licence; or
- (b) a body which is declared by an Order of the Secretary of State to be a Recognised Clearing House for the purposes of the Financial Services Act 1986 (as amended); or
- (c) a body which is declared by an Order of the Secretary of State to be a Recognised Investment Exchange for the purposes of the Financial Services Act 2000 (as amended) and which makes its own arrangements for clearing transactions effected on its exchange

may be admitted as a User in relation to the NTS for the purposes only of making Trade Nominations pursuant to Section C5.

2.5.2 Where a User is admitted pursuant to paragraph 2.5.1:

- (a) the User hereby undertakes to Transco NTS that it will not and will not purport to deliver gas to nor offtake gas from the Total System, make any Nomination, will not or purport to act as if it were a Trading Participant, become a CSEP User or the Registered User of any Supply Point, or hold System Capacity or Storage Capacity at LNG Facilities, or make a System Capacity Transfer or Storage Gas Transfer in relation to an LNG Facility, or otherwise exercise any right or entitlement of a User other than the right to make Trade Nominations pursuant to Section C5 and any rights (consequent thereon) arising under Sections F, S, GT Section A, this Section V, U and X;
- (b) the User shall not make a Trade Nomination more than 5 Days before the Gas Flow Day;
- (c) the User shall not be bound to comply with any obligation under Section L, O or (except pursuant to paragraph 4 thereof) Q.

2.5.3 Where an Applicant User informs Transco NTS that it wishes to be admitted as a User pursuant to paragraph 2.5.1:

- (a) the requirements in paragraph 2.1.2(b) and (e) shall not apply in respect of the Applicant User;
- (b) it shall be an additional requirement for the purposes of paragraph 2.1.1 that, at the same time as the User accedes to the Framework Agreement, Transco NTS and the User enter into a memorandum to record that the User is or is to be admitted pursuant to paragraph 2.5.1;
- (c) Transco NTS's notification to Users under paragraph 2.2.2(b) will specify that the Applicant User has been so admitted.

3 CODE CREDIT LIMITS

3.1 General

- 3.1.1 The Transporter will, in accordance with the Code Credit Rules, determine and assign to each User a Code Credit Limit, and will keep each User informed of its Code Credit Limit (as revised in accordance with paragraph 3.2.2) for the time being.
- 3.1.2 The "**Code Credit Rules**" are the rules from time to time established and revised by the Transporter and issued to Users setting out (inter alia):
 - (a) the principles on which the Transporter will assess and from time to time revise (in accordance with paragraph 3.2.2) its assessment of the credit-worthiness of Users (and persons providing surety for Users) and establish Code Credit Limits;
 - (b) the basis on which a User may (with a view to increasing its Code Credit Limit) provide surety or security for Relevant Code Indebtedness, or (with a view to reducing its Relevant Code Indebtedness) make prepayments to the Transporter;
 - (c) procedures by which a User may discuss its Code Credit Limit with the Transporter.
- 3.1.3 The Code Credit Rules do not form a part of the Code and (but without prejudice to the further provisions of this paragraph or to anything done pursuant to the Code Credit Rules) nothing in the Code shall make compliance with such rules an obligation of the Transporter or Users.
- 3.1.4 Nothing in the Code or the Code Credit Rules shall constitute any duty of care or other obligation on the part of the Transporter (whether to or for the benefit of the User in question or Users in general) in relation to the implementation of the Code Credit Rules or the provisions of this paragraph 3.
- 3.1.5 In this paragraph 3 references to:
 - (a) Users exclude DNO Users;
 - (b) Transco NTS and Transco as a DN Operator shall be construed as a reference to a single Transporter.

3.2 Code Credit Limit and Relevant Code Indebtedness

3.2.1 For the purposes of the Code:

- (a) a "**Code Credit Limit**" is an amount representing a User's maximum permitted Relevant Code Indebtedness;
- (b) "**Relevant Code Indebtedness**" is:
 - (i) the aggregate amount, other than in respect of Energy Balancing Charges, for which a User is at any time liable to the Transporter pursuant to the Code or any Ancillary Agreement, determined on the basis of amounts accrued (and in accordance with paragraph (c) where applicable) and irrespective of whether such amounts have been invoiced under Section S or (where invoiced) have become due for payment; less
 - (ii) any amount which has been paid to the Transporter by the User by way of prepayment, on the basis that the Transporter may apply such amount without the User's consent in or towards payment of amounts referred to in paragraph (i), and which has not yet been so applied;
- (c) for the purposes of paragraph (b)(i) a User's liability for Capacity Charges in respect of a Day shall be treated as accruing on the following Day.

3.2.2 For the avoidance of doubt, the amount of a User's Relevant Code Indebtedness shall be determined by reference to the relevant provisions of the Code, and nothing in the Code shall be construed as withdrawing from a User any right to dispute whether the Transporter has correctly calculated such amount in any case, or from the Transporter any right to dispute the validity of any Invoice Query submitted by any User.

3.2.3 Without prejudice to paragraph 3.2.2, where a User has submitted an Invoice Query in accordance with Section S4.2.1 in respect of any Invoice Document the Transporter will review and give due consideration to such Invoice Query before taking any steps pursuant to paragraph 3.3.

3.2.4 A User's Code Credit Limit may from time to time be reviewed and revised, in accordance with the Code Credit Rules, save where either paragraph 3.2.5 or 3.2.6 applies, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:

- (a) at intervals of approximately 12 months;
- (b) at the User's request (but subject to paragraph 3.2);
- (c) where any published credit rating of the User or any person providing surety for the User is revised downwards;
- (d) where (but without prejudice to any requirement of the Code Credit Rules) any instrument of surety or security expires or is determined;
- (e) at the Transporter's request where the Transporter has reasonable grounds to believe that the effect of the review will be to reduce the User's Code Credit Limit.

3.2.5 Where any published credit rating of the User or any person providing surety for the

User is revised downwards to the extent that the said credit rating following such revision is less than the minimum prescribed credit rating as set out in the Code Credit Rules, a User's Code Credit Limit may be immediately reviewed and revised by the Transporter in accordance with the Code Credit Rules, on notice to the User.

- 3.2.6 Where a Supplier of Last Resort (as defined in paragraph G2.1.7(b)) has been appointed and paragraph G2.1.8 applies, a Last Resort User's Code Credit Limit may be reviewed and revised by the Transporter in accordance with paragraph G2.1.10.
- 3.2.7 Subject to paragraph 3.2.8, the Transporter will bear the costs and fees that it incurs (but not any costs incurred by the User) in connection with any review of a User's Code Credit Limit in accordance with paragraph 3.2.4.
- 3.2.8 The Transporter will not be obliged to agree to any request of the User under paragraph 3.2.5 unless the User agrees to reimburse to the Transporter the reasonable costs and fees payable by the Transporter to any third party in accordance with the Code Credit Rules in connection with such request.

3.3 Requirements as to Relevant Code Indebtedness

3.3.1 Where:

- (a) a User's Relevant Code Indebtedness exceeds 70% of its Code Credit Limit and the Transporter has given notice to the User to that effect; and
- (b) at any time following such notice the User's Relevant Code Indebtedness exceeds 85% of its Code Credit Limit and the Transporter has given notice to the User to that effect (which notice may in appropriate circumstances be given at the same time as that under paragraph (a))

paragraphs 3.3.2 and 3.3.3 shall apply.

3.3.2 Subject to paragraph 3.3.1, where and for so long as the Relevant Code Indebtedness of a Shipper User for the time being exceeds 85% of the User's Code Credit Limit, the Transporter shall be entitled to reject or refuse to accept all or any of the following by the relevant User:

- (a) an application for System Capacity or increased System Capacity at any System Point under Section B or G5;
- (b) in relation to the NTS, a System Capacity Trade under Section B5 in respect of which the User is Transferee User;
- (c) a Supply Point Nomination or Supply Point Confirmation under Section G, other than a Supply Point Renomination or Supply Point Reconfirmation (unless made in the context of an application under paragraph (a))

until such time as the User's Relevant Code Indebtedness is reduced to less than 85% of its Code Credit Limit.

3.3.3 Subject to paragraph 3.3.1, where and for so long as the Relevant Code Indebtedness of a User for the time being exceeds 100% of the User's Code Credit Limit, the Transporter may give Termination Notice (in accordance with paragraph 4.3) to the

User.

3.4 Security under Code Credit Rules

- 3.4.1 Any instrument of surety or security provided by a User pursuant to the Code Credit Rules (and whether or not entered into by the User) shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by the Transporter pursuant to the Code, shall prejudice or invalidate any such instrument.
- 3.4.2 Where a User has provided surety or security pursuant to the Code Credit Rules the User (or the person giving the surety) may request the Transporter to release all or any of such security or agree to a reduction in any maximum amount of such surety.
- 3.4.3 Following a request by a User under paragraph 3.4.2, the Transporter will as soon as reasonably practicable and, except where the User also requests a review (by an agency appointed by the Transporter for such purposes) and revision of its Code Credit Limit, in any event not more than 10 Business Days after such request, release security, or agree to a reduction in surety, to such extent or by such amount as will permit the condition in paragraph 3.4.4 to be satisfied.
- 3.4.4 The condition referred to in paragraph 3.4.3 is that the amount of the User's Relevant Code Indebtedness at the date of such release or reduction is not more than 85% of the amount of the User's Code Credit Limit, determined in accordance with the Code Credit Rules on the basis of the release of security or reduction in surety (and taking account of any alternative surety or security provided by the User).
- 3.4.5 A User may (inter alia) provide security for the purposes of the Code Credit Rules in the form of a deposit in a bank account where:
- (a) the account is in the joint names of the User and the Transporter;
 - (b) interest on the amount deposited in the account will accrue for the benefit of the User;
 - (c) the User and the Transporter have irrevocably instructed the bank, in terms reasonably satisfactory to the Transporter and the User, to make payment to the Transporter of amounts (up to the amount deposited in the account) which have become due for payment to the Transporter (but having regard to the time at which pursuant to Section S4.2 payment is due where an Invoice Query has been raised) against reasonable evidence provided by the Transporter that payment of such amount has become due (but such instruction shall be without prejudice to any provision of Section S as to the payment of interest);
 - (d) the bank shall have agreed that the amounts deposited in the account may not be set-off or otherwise applied by the bank in respect of any indebtedness of the User or other person; and
 - (e) amounts (other than in respect of interest earned) standing to the credit of the account will not be paid to the User except with the Transporter's written agreement (but subject to paragraph 3.4.3).

4 DISCONTINUING USERS AND TERMINATION

4.1 General

- 4.1.1 A User may cease to be a User of or in relation to a System pursuant to paragraph 4.2 or 4.3; and for the purposes of the Code a **"Discontinuing User"** is a User who so ceases to be a User and the **"User Discontinuance Date"** is the date with effect from which (in accordance with paragraph 4.2 or 4.3) a Discontinuing User ceases to be a User.
- 4.1.2 Upon a User's ceasing to be a User:
- (a) subject to paragraphs 5.6 and 4.3.7, the Shipper Framework Agreement shall cease to bind the Discontinuing User and (as respects the Discontinuing User) the Transporter;
 - (b) each Ancillary Agreement to which a Discontinuing User is party shall, unless otherwise provided in such Ancillary Agreement, terminate as respects that User (but without prejudice to the continuance of that Agreement as respects any other User(s) party thereto) with effect from the User Discontinuance Date.
- 4.1.3 The Transporter will as soon as reasonably practicable after the User Discontinuance Date notify all other Users of a User's ceasing to be a User.
- 4.1.4 An Ancillary Agreement may be subject to termination as respects any User(s), in accordance with its terms, but (except as may be provided in such Ancillary Agreement) such termination shall not result in any such User ceasing to be a User.
- 4.1.5 A Shipper Framework Agreement shall have no fixed duration, but without prejudice to the provisions of this paragraph 4 as respects Discontinuing Users.
- 4.1.6 In this paragraph 4 references to:
- (a) Users exclude DNO Users;
 - (b) Transco NTS and Transco as a DN Operator shall be construed as a reference to a single Transporter.

4.2 Voluntary discontinuance

- 4.2.1 A User may at any time by giving notice (**"Discontinuance Notice"**) to the Transporter apply to cease to be a User of or in relation to a System.
- 4.2.2 A User may not cease to be a User under this paragraph 4.2 until such time as:
- (a) all amounts payable or (other than in respect of any recurrent charge becoming payable by reason only of the lapse of time after the date on which the last of the other requirements of this paragraph 4.2.2 is satisfied) which may become payable by the User to the Transporter pursuant to any provision of the Code, the Shipper Framework Agreement or any Ancillary Agreement have been paid in full;
 - (b) the User is not the Registered User in respect of any Supply Point and is not party to any Shared Supply Meter Notification;

- (c) the User has complied with the requirements of Section U2.8;
- (d) under Transco NTS's Network Code, there is no outstanding Daily Imbalance or NDM Reconciliation Quantity or DM Reconciliation Quantity in respect of the User;
- (e) any requirements under any Ancillary Agreement in respect of termination under this paragraph 4.2 have been complied with; and
- (f) any outstanding breach, being a breach capable of remedy and of which the Transporter has given notice to the User, by the User of any provision of the Code or the Shipper Framework Agreement or any Ancillary Agreement shall have been remedied

and a User may not cease to be a User of the NTS until the User ceases to be a User of each LDZ.

4.2.3 Where a User has given notice under paragraph 4.2.1:

- (a) the User and the Transporter shall remain bound by the Code and the Shipper Framework Agreement and any Ancillary Agreement to which the User is party until the requirements of paragraph 4.2.2 are satisfied;
- (b) the System Capacity which the User is registered as holding shall not be reduced or cancelled other than in accordance with the relevant provisions of the Code (and the User will remain liable for payment of Transportation Charges in respect thereof but may elect to make prepayment thereof).

4.2.4 Where a User has given notice under paragraph 4.2.1, after the satisfaction of the last of the requirements of paragraph 4.2.2 to be satisfied:

- (a) with effect from the 5th Business Day following such satisfaction, the User will cease to be a User;
- (b) without prejudice to paragraph 4.2.5, the Transporter will as soon as reasonably practicable (and where possible before such date) inform the User of the date on which it ceases to be a User under paragraph (a).

4.2.5 Notwithstanding paragraph 4.2.4, without prejudice to paragraph 4.1.2(a), the Transporter or (as the case may be) the Discontinuing User shall remain liable, subject to and in accordance with the Code, to the other and (in the case of the Discontinuing User, subject to paragraph GT Section B2.4.2) to each other User, after the User Discontinuance Date:

- (a) for any amount which was or becomes payable under the Code or any Ancillary Agreement in respect of any period before the User Discontinuance Date; and
- (b) in respect of any outstanding breach of any provision of the Code, the Shipper Framework Agreement or any Ancillary Agreement where such breach was not (for the purposes of paragraph 4.2.2(f)) capable of remedy or (notwithstanding that paragraph) was capable of remedy but was not remedied.

4.3 Termination

- 4.3.1 For the purposes of this paragraph there shall have occurred a "**User Default**" in relation to a User (the "**Defaulting User**") in any of the following events or circumstances:
- (a) where in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by the Defaulting User under the Code (excluding for the avoidance of doubt amounts the subject of an Invoice Query which by virtue of Section S4.2.2 have not become due for payment):
 - (i) the Defaulting User has not paid the amount in full by the 5th Business Day after the due date for payment;
 - (ii) on or after the 5th Business Day after the due date for payment the Transporter has given notice to the Defaulting User requiring payment of such amount; and
 - (iii) the Defaulting User has not paid such amount in full by the 5th Business Day after the date of the Transporter's notice under paragraph (ii); or
 - (b) in accordance with paragraph 3.3.3; or
 - (c) where:
 - (i) the Defaulting User is in material breach, other than such a breach as is referred to in paragraph 4.3.9, of any material provision (other than a payment obligation) of the Code; and
 - (ii) the breach is capable of remedy by the Defaulting User; and
 - (iii) the Transporter has given notice (making reference to this paragraph 4.3) of such breach to the Defaulting User; and
 - (iv) within 14 Days after the Transporter's notice under paragraph (iii), the Defaulting User does not either:
 - (1) remedy the breach in all material respects, where the breach is capable of remedy within such period of 14 Days; or
 - (2) where the breach is not so capable of remedy, provide to the Transporter a programme (setting out the steps to be taken by the User and the timetable for taking such steps) for the remedy of the breach as soon as is reasonably practicable; and
 - (v) in the case in paragraph (iv)(2), the Defaulting User does not:
 - (1) remedy the breach in all material respects with all reasonable diligence and so far as reasonably practicable in accordance with the programme provided under that paragraph or a revised programme pursuant to paragraph (2); and
 - (2) where notwithstanding the reasonable diligence of the User it is not reasonably practicable for the User to remedy the breach in accordance with that programme, provide to the Transporter a revised such programme; and

- (vi) the breach remains unremedied in any material respect after the expiry of 7 Days after a further notice by the Transporter to the Defaulting User to the effect that the Defaulting User has not complied with paragraph (iv) or (v); or
- (d) where:
- (i) the Defaulting User is in material breach, other than such a breach as is referred to in paragraph 4.3.9, of any relevant provision (other than a payment obligation) of the Code; and
 - (ii) the breach is not capable of remedy; and
 - (iii) the Transporter has given notice (making reference to this paragraph 4.3) of the breach to the Defaulting User; and
 - (iv) at any time within the period of 12 months following the Transporter's notice under paragraph (iii), there occurs a further material breach by the Defaulting User of the same provision of the Code; and
 - (v) the Transporter has given a notice of such further breach to the Defaulting User and a period of 7 Days has expired following such notice; or
- (e) where:
- (i) the Defaulting User is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 4.3.2), or any voluntary arrangement is proposed in relation to it under Section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
 - (ii) the Defaulting User has a receiver (which expression shall include an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed; or
 - (iii) the Defaulting User has an administration order under Section 8 of the Insolvency Act 1986 made in relation to it; or
 - (iv) the Defaulting User passes any resolution for winding-up (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
 - (v) the Defaulting User becomes subject to an order by the High Court for winding-up; or
 - (vi) the Defaulting User becomes subject to a bankruptcy order; or
 - (vii) the Defaulting User becomes subject to an event made in a jurisdiction outside England and Wales, equivalent or analogous to any one or more of those events listed in paragraphs 4.3.1(e)(i) to (vi) above; or

- (f) where the Shipper's Licence granted to the Defaulting User is determined or revoked or otherwise ceases to be in force for any reason whatsoever, or such licence is assigned unless such assignment is contemporaneous with an assignment by the User of all of its rights and obligations under the Code and the Framework Agreement in accordance with GT Section B6.1.
- 4.3.2 For the purposes of paragraph 4.3.1(e)(i), Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for '£750' there was substituted '£10,000'; and the Defaulting User shall not be deemed to be unable to pay its debts for the purposes of that paragraph if any such demand as is mentioned in the said Section is being contested in good faith by the Defaulting User with recourse to all appropriate measures and procedures.
- 4.3.3 Upon the occurrence of a User Default, and at any time after such occurrence at which the User Default is continuing the Transporter may give notice ("**Termination Notice**") to the Defaulting User to the effect that the User shall cease to be a User of or in relation to its System(s) with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.
- 4.3.4 Without prejudice to the Transporter's right to give a Termination Notice, as set out in paragraph 4.3.3, where the condition in paragraph 4.3.5 is satisfied, Section X4 shall apply.
- 4.3.5 The condition referred to in paragraph 4.3.4 is that:
 - (a) a User Default occurs by reason of the circumstances set out in any one or more of paragraphs 4.3.1(e)(ii), (iii), (vi) or (vii) to the extent that a person, analagous or equivalent to those persons appointed pursuant to paragraphs 4.3.1(e)(ii), (iii) or (vi) is appointed in a jurisdiction outside England and Wales ("**foreign insolvency practitioner**") in respect of the User; and
 - (b) the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) fails to provide adequate assurances to Transco NTS in compliance with the principles established in Section X and the Energy Balancing Credit Rules (such assurances not to exceed a legal and binding commitment by the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate), to pay to Transco NTS all Energy Balancing Debt accruing from (and including) the date of appointment of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate)), as soon as reasonably practicable after being appointed (but for the avoidance of doubt not within two Business Days of its appointment).
- 4.3.6 Where the Transporter gives Termination Notice to a Defaulting User, with effect from the date specified in the notice, the User will cease to be a User of its System(s) and paragraph 4.1.2 shall apply.
- 4.3.7 The giving of a Termination Notice and the application of paragraph 4.3.6 shall not affect the rights and obligations of the Transporter and the Defaulting User under the Code, the Framework Agreement and any Ancillary Agreement (including rights and obligations in respect of the User Default, and in respect of amounts including interest payable by either Party, and rights and obligations arising pursuant to any provision of the Code in respect of the User's ceasing to be a User) accrued up to the date referred to in paragraph 4.3.6, which shall continue to be enforceable notwithstanding that paragraph.

- 4.3.8 Where the Transporter has given a Termination Notice it shall be entitled to inform such persons as it thinks fit (including another Transporter) that it has done so, including the supplier and consumer in relation to any Supply Point of which the Defaulting User was Registered User, the Connected System Operator or Delivery Facility Operator in relation to any Connected System Exit Point or System Entry Point comprised in an Aggregate System Entry Point at which the Defaulting User held System Capacity, and any person from whom the Transporter believes the Defaulting User to have purchased gas for delivery to the Total System.
- 4.3.9 For the purposes of paragraphs 4.3.1(c)(i) and (d)(i) the following breaches are excluded:
- (a) a breach which results from a breach by the Transporter of the Code or an Ancillary Agreement;
 - (b) a failure to Interrupt (as described in Section G6.9);
 - (c) the delivery or tendered delivery by the User of non-compliant gas (as described in Section I3.5);
 - (d) a breach other than a wilful breach of a provision of the Code where the Code specifically provides some other remedy for such breach and such other remedy may reasonably be considered to be adequate in the circumstances.
- 4.3.10 For the purposes of paragraph 4.3.1(d)(i) a breach is a material breach of a relevant provision where and only where:
- (a) in the case of a material provision, the breach is wilful or reckless; or
 - (b) in the case of any provision, as a result of the breach the Transporter or any other User is in material breach of any material provision of the Code or any Legal Requirement or incurs any material liability or expense.
- 4.3.11 Where Transco NTS gives a User a Termination Notice pursuant to this paragraph 4 or Section X:
- (a) each Transporter shall be deemed to have given a Termination Notice to the Defaulting User to the effect that the User shall cease to be a User of its System(s) with effect from the same date specified in the notice given by Transco NTS (or if given pursuant to Section X, on the Day following the date of Transco NTS's Termination Notice);
 - (b) the User shall cease to be a User of its System(s) with effect from the date specified in the notice given to the User by Transco NTS (or if given pursuant to Section X, on the Day following the date of Transco NTS's Termination Notice); and
 - (c) paragraphs 4.3.7 and 4.3.8 shall apply.

5 INFORMATION AND CONFIDENTIALITY

5.1 Transporter obligations

5.1.1 The Transporter shall secure that Protected Information is not:

- (a) disclosed to any person other than:
 - (i) an officer or employee of the Transporter whose province it is to know the same; or
 - (ii) a professional adviser of or consultant to the Transporter; or
 - (iii) without prejudice to any requirement under the Transporter's Licence, any 10% Affiliate (other than an Affiliate which is the holder of a Shipper's Licence or a gas supplier's licence) of the Transporterin any such case in accordance with the requirements of paragraph 5.4; or
- (b) used by the Transporter for any purpose other than carrying on the Transporter Activities.

5.1.2 **"Transporter Activities"** means the carrying on of transportation business (as defined in the Transporter's Licence), the operation, administration, maintenance and development of a relevant System and, the Transco LNG Storage Facilities (in the case only of Transco NTS), facilitation of connections to a relevant System, and the implementation and performances of the Code, the Framework Agreement, any Ancillary Agreement and any Siteworks Contract.

5.1.3 In this paragraph 5 references to Users include DNO Users.

5.2 User obligations

5.2.1 Each User shall secure that Protected Information is not:

- (a) disclosed to any person other than:
 - (i) an officer or employee of the User whose province it is to know the same; or
 - (ii) a professional adviser of or consultant to that User or a User Agent appointed by that User; or
 - (iii) a 10% Affiliate (other than an Affiliate which is the holder of a Gas Transporter's Licence) of that User; or
 - (iv) subject to paragraph 5.2.3, a consumer or a supplierin any such case in accordance with the requirements of paragraph 5.4; or
- (b) used by such User for any purpose other than one expressly contemplated by the Code or any Ancillary Agreement or Siteworks Contract to which such User is party.

5.2.2 GT Section B2.4.1 shall not apply in respect of this paragraph 5.

5.2.3 For the purposes of paragraph 5.2.1(a)(iv) Protected Information relating to a Supply Point may be disclosed to the supplier or consumer to the extent reasonably necessary to

enable the conclusion and implementation of a contract of sale to the supplier (where relevant) and a contract of supply to the consumer.

5.3 Protected Information

5.3.1 In this Section "**Protected Information**" means:

- (a) for the purposes of the Transporter's obligations under paragraph 5.1:
 - (i) any information relating to the affairs of a User which is obtained by the Transporter pursuant to or in the course of the negotiation, implementation or performance of the Code, the Framework Agreement or any Ancillary Agreement to which that User is party;
 - (ii) the terms of any Ancillary Agreement;
- (b) for the purposes of a User's obligations under paragraph 5.2:
 - (i) any information relating to the affairs of the Transporter or of another User which is obtained by the User pursuant to or in the course of the negotiation, implementation or performance of the Code, the Framework Agreement or any Ancillary Agreement to which the User and (in relation to another User) that other User are party;
 - (ii) the terms of any Ancillary Agreement to which that User is party.

5.3.2 For the purposes of paragraph 5.3.1:

- (a) information obtained by a Party in the course of the negotiation of the Code or a Framework Agreement shall be Protected Information only insofar as such information was obtained in writing;
- (b) the following information shall (without prejudice to the generality of paragraph 5.3.1(a)(i)) be treated as information relating to the affairs of a User:
 - (i) the identity, address and any other details of a supplier or consumer, or any representative thereof, insofar as disclosed by the User to the Transporter pursuant to or for the purposes of the Code;
 - (ii) (without prejudice to paragraph 5.5.2(d)) information provided by the User to the Transporter pursuant to Sections L and O and details of the User's Code Credit Limit and record of payment of charges under the Code;
- (c) the following information shall (without prejudice to the generality of paragraph 5.3.1(b)(i)) be treated as relating to the affairs of the Transporter: details of Demand Models, End User Categories and other information provided by that Transporter to Users pursuant to Section H; the UK Link Manual; information (other than information referred to in paragraph (b)) which is maintained or recorded in the UK Link System.

5.3.3 The terms of the Code and a Framework Agreement are not Protected Information.

5.3.4 For the avoidance of doubt, the provisions of the Code are without prejudice to the

requirements of the Data Protection Act 1998.

5.4 Terms of permitted disclosure

Where Protected Information is disclosed by the Transporter as permitted under paragraph 5.1.1(a) or by a User as permitted under paragraph 5.2.1(a), the Disclosing Party shall (without prejudice to its obligations under paragraph 5.1.1 or 5.2.1) take all reasonable steps to secure that the person to whom the information is disclosed:

- (a) is aware of the Disclosing Party's obligations under paragraph 5.1.1 or 5.2.1 in relation thereto; and
- (b) does not use or disclose the information other than as is permitted of such Party in accordance with paragraph 5.1.1 or 5.2.1.

5.5 Exceptions

5.5.1 For the purposes of this paragraph 5.5, "**Disclosing Party**" and "**Protected Party**" shall be construed as follows:

- (a) for the purposes of the Transporter's obligations under paragraph 5.1, the Disclosing Party is the Transporter and the Protected Party is the User to whose affairs any Protected Information relates;
- (b) for the purposes of a User's obligations under paragraph 5.2, the Disclosing Party is such User and the Protected Party is the Party (either the Transporter or another User) to whose affairs any Protected Information relates.

5.5.2 Nothing in paragraph 5.1 or 5.2 shall apply:

- (a) to the disclosure or use by the Disclosing Party of Protected Information to which the Protected Party has consented in writing;
- (b) to any Protected Information which:
 - (i) before it is obtained by the Disclosing Party is in the public domain; or
 - (ii) after it is obtained by the Disclosing Party enters the public domain
 - (iii) in either case otherwise than as a result of a breach by the Disclosing Party of its obligations under paragraph 5.1 or 5.2;
- (c) to the disclosure of any Protected Information to any person if and to the extent that the Disclosing Party is required to make such disclosure to such person:
 - (i) in compliance with the duties of the Disclosing Party under the Act or any other requirement of a Competent Authority; or
 - (ii) in compliance with the conditions of the Transporter's Licence or (as the case may be) Shipper's Licence held by the Disclosing Party or any document referred to in such licence with which the Disclosing Party is required by virtue of the Act or such licence to comply; or

- (iii) in compliance with any other Legal Requirement; or
 - (iv) in response to a requirement of any stock exchange or regulatory authority or the Panel on Take-overs and Mergers; or
 - (v) pursuant to any provision of GT Section A or pursuant to any judicial or other arbitral process or tribunal having jurisdiction in relation to the Disclosing Party;
- (d) to any Protected Information to the extent that the Disclosing Party is expressly permitted or required to disclose that information under the terms of any agreement or arrangement made with the Protected Party or to which it is party (including the Code, the relevant Framework Agreement and any Ancillary Agreement to which the Protected Party is party or bound);
- (e) to the disclosure of Protected Information to any lending or other financial institution proposing to provide or arrange the provision of finance to the Disclosing Party, where and to the extent that the disclosure of such information is reasonably required for the purposes of the provision or arrangement of such finance, and provided that the person to whom the information is disclosed undertakes in writing to and in terms reasonably satisfactory to the Protected Party to maintain the confidentiality of such information;
- (f) to the disclosure of any Protected Information to the Authority, where the Disclosing Party considers in good faith that the Protected Party may be in breach of a condition of the Transporter's Licence or (as the case may be) the Shipper's Licence, to the extent reasonably necessary to draw such possible breach to the attention of the Authority;
- (g) to the disclosure of any Protected Information to any person proposing to make a connection directly or indirectly to a System, where and to the extent that the disclosure of such information is reasonably required for the purposes of supporting the Transporter's charges or requirement to allow such proposed connection to a System to be made and provided that the person to whom the information is to be disclosed is informed in writing of the confidentiality of such information and that prior to disclosure, such person has entered into a confidentiality agreement with the Transporter which prohibits use or disclosure of such Protected Information in terms no less onerous than those contained in this paragraph 5;
- (h) to the disclosure of Protected Information to the Transporter Agency to the extent such disclosure is necessary for the purposes of the undertaking by the Transporter Agency of the Transporter Agency Activities.

5.5.3 Nothing in paragraph 5.1 shall apply to the disclosure by the Transporter of Protected Information:

- (a) to any person to the extent such disclosure is required pursuant to the Modification Rules;
- (b) to any UK Link User where such information is contained in a User Trade Communication transmitted to such UK Link User in accordance with the

requirements of Section U5 or is accessible by such UK Link User by or from UK Link in accordance with any function or facility of UK Link described in the UK Link Manual;

- (c) to any User Agent where the disclosure by the Transporter of such Protected Information to the appointing User would not have infringed paragraph 5.1;
- (d) referred to in paragraph 5.3.2(b)(i) where the supplier or consumer concerned has consented to such disclosure pursuant to a Siteworks Contract, Network Exit Provisions or other document contemplated by the Act, the Transporter's Transporter's Licence or the Code as being entered into by the Transporter and the consumer;
- (e) to the Authority where such information is accessible by the Authority by or from the UK Link System to the extent of the access and in accordance with any function or facility thereof described in the UK Link Manual;
- (f) to the Trading System Operator to the extent required pursuant to the provisions of Section D or to any person to the extent required pursuant to the Trading System Arrangements;
- (g) to a consumer or other relevant party to the extent designated by the Authority within Standard Condition 7 of the Transporter's Licence;
- (h) to another Transporter to the extent such disclosure is required for the purposes of the Code or the Transporter's Licence; or
- (i) to a contractor or agent of the Transporter where the contractor or agent has entered into a confidentiality agreement with the Transporter on terms no less onerous than those of this paragraph 5.

5.5.4 Where:

- (a) the Disclosing Party has complied with the requirements of Section U1.8; and
- (b) notwithstanding such compliance a person obtains any Protected Information by unauthorised access to any element of UK Link for the security of which the Disclosing Party is (in accordance with Section U) responsible

the Disclosing Party shall not be in breach of paragraph 5.1 or 5.2 by virtue of such person having so obtained such Protected Information.

5.6 Survival

The provisions of paragraphs 5.1 to 5.5 shall continue, for a period of 3 years after the User Discontinuance Date, to bind a Discontinuing User and (as respects the Discontinuing User) the Transporter and each other User, notwithstanding that the Discontinuing User has ceased to be a User and irrespective of the reason for such cessation.

5.7 Transporter's Licence

Nothing in the Code, a Framework Agreement or any Ancillary Agreement shall be

construed as requiring the Transporter to disclose or use any information in breach of any requirement of the Transporter's Licence.

5.8 Data ownership

- 5.8.1 Subject to paragraph 5.8.2(a), the data, including metering data, which is processed by or recorded or maintained on the UK Link System (including all intellectual property rights in such data) shall belong for the purposes of the Code to the Transporter which owns or operates the System to which such data relates; and subject to paragraph 5.8.2(b) the Transporter may, but without prejudice to paragraph 5.1 or any other requirement of the Code, use and deal with such data as it thinks fit.
- 5.8.2 Where pursuant to the Code a User provides or arranges for the provision of data to a Transporter:
- (a) such data (as provided to the Transporter by the User) shall belong to the User;
 - (b) the User hereby grants to the Transporter (its successors, assigns, agents and contractors) a perpetual, non-exclusive, royalty-free licence (which shall survive the User Discontinuance Date) in respect of such data and all intellectual rights therein to use, copy, adapt and deal with such data for the purposes of performance and implementation of the Code and for other purposes contemplated by the Code, but not otherwise;
 - (c) paragraph 5.8.1 shall apply in respect of data derived (pursuant to any process) by the Transporter from such data and in all compilations created by or on behalf of the Transporter of such data.
- 5.8.3 Where pursuant to the Code the Transporter provides data to a User or data which is recorded or maintained on the UK Link System is available to a User, the User shall (but without prejudice to paragraph 5.2) be entitled without charge to use such data for the purposes of performance and implementation of the Code, and for other purposes contemplated by the Code, but not otherwise.

5.9 Operational and Market Data

- 5.9.1 Subject to the provisions of the Code Transco NTS shall arrange for the data referred to in Annex V-1, ("**Operational and Market Data**") to be published or made available in the manner specified in Annex V-1.
- 5.9.2 Where market data is sent to Transco NTS on a day that is not a Business Day Transco NTS shall publish such data on the next following Business Day.

5.10 System Operator Commodity Charge Information

- 5.10.1 Transco NTS shall arrange for the information referred to in Annex V-2 ("**SO Commodity Charge Information**") to be published in the manner and frequency specified in Annex V-2.
- 5.10.2 Where Transco NTS is not reasonably able to publish SO Commodity Charge Information in the manner and frequency set out in Annex V-2, the requirements of paragraph V5.10.1 shall not apply, and Transco NTS shall publish the SO Commodity Charge Information as soon as is reasonably practicable.

5.11 Disclosure of Supplier Identity

- 5.11.1 Where in respect of any Supply Point the Transporter is requested by a Registered Metering Applicant to disclose to such Registered Metering Applicant the identity of a supplier then the Registered User of such Supply Point agrees that any such request will be regarded as made on behalf of such Registered User and accordingly the Transporter is authorised by such Registered User to disclose such supplier identity to the Registered Metering Applicant in accordance with such request.
- 5.11.2 For the purposes of paragraph 5.11.1, "**Registered Metering Applicant**" is any person who has been registered to request and receive supplier identity from the Transporter pursuant to an appropriate registration scheme administered by the Transporter.

5.12 Transportation Revenue Information

In each calendar month Transco NTS shall (subject to any confidentiality obligations to which it may from time to time be subject) arrange for the relevant information referred to in Annex V-3 (for the purposes of this paragraph 5.12 and Annex V-3, "**transportation revenue information**") to be published on such website as may be notified by Transco NTS to Users from time to time, within 15 Business Days following the end of the immediately preceding calendar month (for the purposes of this paragraph 5.12 and Annex V-3, the "**immediately preceding month**").

6 USER AGENTS AND TRANSPORTER AGENCY

6.1 User Agents general

- 6.1.1 A User may, subject to and in accordance with this paragraph 6, appoint another person to be the agent of the User for the purposes of making and receiving Code Communications or particular Code Communications on behalf of the User.
- 6.1.2 For the purposes of the Code, a "**User Agent**" is a person who has been appointed as agent of a User in accordance with paragraph 6.1.1.
- 6.1.3 Subject to paragraph 6.4.3, a User may appoint more than one person as User Agent.
- 6.1.4 A person may be appointed as User Agent by more than one User.
- 6.1.5 In paragraph 6 references to Users, except in paragraph 6.5, include DNO Users.

6.2 User Agent for UK Link Communications

- 6.2.1 A person who is a User or another UK Link User (in accordance with Section U) may be appointed as User Agent (a "**UK Link User Agent**") for the purposes of making and receiving Code Communications as UK Link Communications.
- 6.2.2 A UK Link User Agent may be appointed for the purposes of making and receiving on behalf of the appointing User Code Communications within all or any of the categories specified (for the purposes of this paragraph 6.2) in the UK Link Manual.
- 6.2.3 The scope of a UK Link User Agent's authority may not be limited other than by reference to the categories referred to in paragraph 6.2.2; and a UK Link User Agent will at all times be authorised to make and receive any Code Communication on behalf

of the appointing User within the category(ies) for which he is appointed.

- 6.2.4 The appointing User may change the categories of Code Communication for which a UK Link User Agent is appointed by giving notice to the Transporters to that effect specifying the changed categories in accordance with paragraph 6.2.2 and the date in accordance with paragraph 6.3.4 with effect from which such change is to take effect.
- 6.2.5 A User shall terminate (in accordance with paragraph 6.3.3) the appointment of a UK Link User Agent if the agent ceases to be a UK Link User.

6.3 User Agent appointment

- 6.3.1 A User wishing to appoint a User Agent shall give notice to the Transporters:
- (a) specifying the identity of the appointing User and the proposed User Agent;
 - (b) specifying the categories of Code Communication (in the case of UK Link Communications, in accordance with paragraph 6.2.2) for which the User Agent is to be appointed, or specifying that the User Agent is appointed for all such categories; and
 - (c) specifying the Day in accordance with paragraph 6.3.4 with effect from which the appointment is to take effect.
- 6.3.2 The appointment of the User Agent shall be effective from the Day specified in accordance with paragraph 6.3.1(c), and shall continue, subject to any change under paragraph 6.2.4, until terminated in accordance with paragraph 6.3.3.
- 6.3.3 The appointing User may terminate the appointment of a User Agent by giving notice to the Transporters to that effect specifying the date in accordance with paragraph 6.3.4 with effect from which such termination is to take effect.
- 6.3.4 The date with effect from which a User Agent is appointed, or the categories of Code Communication for which a UK Link User Agent is appointed may be changed, or the appointment of a User Agent may be terminated, shall be not less than 5 Business Days after the User's notice to the Transporters thereof; provided that upon the User's request in exceptional circumstances the Transporters will endeavour to accommodate notice (of any such matter) of a lesser period.

6.4 User Agent effect of appointment

- 6.4.1 A Code Communication given by a User Agent shall identify the appointing User on whose behalf the Code Communication is given, and (subject to paragraph 6.4.2) shall not be effective unless it does so.
- 6.4.2 Where a User Agent who is itself a User gives any Code Communication which does not state that it is given on behalf of an appointing User and identify that User, such Code Communication shall be treated as given by the User Agent on its own account in its capacity as User.
- 6.4.3 Any Code Communication given by a User Agent within the categories for which such agent is appointed shall be deemed to have been given by and shall be binding on the appointing User, and the Transporters shall be entitled without enquiry as to the agent's

authority to rely on such Code Communication for all purposes of the Code.

6.4.4 A User who has appointed a User Agent may continue itself to give Code Communications.

6.4.5 Where a User has appointed one or more User Agents:

- (a) the User shall be responsible for ensuring that the actions of the User and each such agent are not in conflict;
- (b) where any Code Communication is given by the User or any such agent:
 - (i) to the extent any further Code Communication is subsequently given by any of them which (in accordance with the Code) is effective to modify or revoke the earlier Code Communication, the earlier Code Communication shall be so modified or revoked;
 - (ii) except as provided in paragraph (i), any Code Communication subsequently given by any of them which conflicts with the earlier Code Communication will be disregarded.

6.4.6 No Transporter shall be responsible for any unauthorised use or disclosure by a User Agent of information relating to the appointing User (whether or not obtained, in the case of a UK Link User Agent, in its capacity as UK Link User).

6.5 Transporter Agency

6.5.1 The Transporters have engaged a person ("**Transporter Agency**") to undertake the Transporter Agency Activities.

6.5.2 The "**Transporter Agency Activities**" are:

- (a) those activities necessary for:
 - (i) the determination for each Gas Year of the Annual Quantity in respect of Supply Meter Points in accordance with Section G;
 - (ii) the maintenance of the Supply Point Register and the performance of the Transporter's obligations in relation thereto in accordance with Section G;
 - (iii) the generation of Supply Meter Point Reference Numbers;
 - (iv) the performance of the Transporter's obligations in relation to demand estimation in accordance with Section H, including the derivation of the Composite Weather Variable, the development of Demand Models and End User Categories, the determination of NDM Supply Meter Point Demand and NDM Annual Quantities in respect of a Gas Year and daily demand forecasting;
 - (v) the validation of Meter Readings in accordance with Section M;
 - (vi) the notification by a Transporter of the failure to obtain a Valid Meter Reading in accordance with Section M3;

- (vii) the calculation of Invoice Amounts, the submission of Invoice Documents and the resolution of Invoice Queries in accordance with Section S;
 - (viii) the implementation by the Transporters of Section U;
 - (ix) the admission and termination of Shipper Users in accordance with Sections V2 and V4;
 - (x) the implementation by Transco NTS of Section X;
 - (b) the performance of the Transporter's obligations in Code in relation to:
 - (i) the illegal taking of gas;
 - (ii) the receiving and processing data to enable quantities of gas to be allocated to Users at NExA Supply Meter Points and Connected System Exit Points;
 - (c) the transmission and receipt of Code Communications for the purposes referred to in paragraphs (a) and (b); and
 - (d) the provision, operation, maintenance and development of computer systems;
 - (i) to support the implementation of Sections B, C, D, E, F, G, H, M, S, U and X;
 - (ii) to the extent not covered in paragraph (i), for the purposes of supporting the implementation of the matters referred to in paragraphs (a), (b) and (c).
- 6.5.3 Where the agreement between the Transporters for the purposes of this paragraph 6.5 so provides, the Transporter Agency will act on behalf of the Transporters in respect of the exercise of any discretion or rights conferred on the Transporters, the performance of the Transporters' obligations and the giving and receiving of Code Communications in each case for the purposes of and in connection with the Transporter Agency Activities.
- 6.5.4 Any Code Communication given by the Transporter Agency in relation to the Transporter Agency Activities shall be deemed to have been given by and be binding on the Transporter and Users shall be entitled without enquiry as to the authority of the Transporter Agency to rely on such Code Communication.
- 6.5.5 Where there is a requirement in the Code that a User give for the purposes of the Transporter Agency Activities a Code Communication to the Transporters collectively, the User shall be treated as having complied with any such requirement where the User gives the Code Communication to the Transporter Agency.
- 6.5.6 Where for the purposes of Section U:
- (a) there is a requirement that the Transporters provide or make available to a User computer hardware, other equipment or computer software the Transporters shall be treated as having complied with the requirement where the computer hardware, other equipment or computer software is provided or made available by the Transporter Agency;

- (b) there is a requirement that a User returns computer hardware, other equipment or computer software to the Transporters the User shall be treated as having complied with the requirement where the computer hardware, other equipment or computer software is returned to the Transporter Agency.
- 6.5.7 Nothing in this paragraph 6.5 shall prevent or restrict a Transporter from appointing another person to be the agent of the Transporter for the purposes of the Code other than in respect of or in relation to Transporter Agency Activities and where a Transporter wishes to appoint an agent it shall give notice to each User specifying the identity of the proposed agent and the purposes in respect of which the agent is to be appointed.
- 6.5.8 Where a Transporter terminates the appointment of an agent it shall give notice to each User specifying the date from which the termination is to take effect.

7 TRANSPORTER AS USER

7.1 User Capacities

- 7.1.1 This paragraph 7 applies where:
 - (a) under any provision of the Code a Transporter (the "**relevant Transporter**") is referred to as a User;
 - (b) the Transporter who owns or operates the System(s) in respect of which the relevant transporter is such User, is the same person as that Transporter.
- 7.1.2 The provisions referred to in paragraph 7.1.1, and the capacities ("**Transporter User Capacities**") in which the Transporter is referred to as User thereunder, are:
 - (a) in relation to the NTS, as follows:
 - (i) the provisions of Section B and J under which the Transporter is the holder of NTS Offtake Capacity and in connection with the offtake of gas at NTS/LDZ Offtakes;
 - (ii) the provisions of Section K under which the Transporter for Operating Margins Purposes is a User in respect of relevant System and Storage Facilities;
 - (iii) the provisions of Section N under which the Transporter as NTS Shrinkage Provider and as LDZ Shrinkage Provider is a User of the NTS;
 - (iv) the provisions of Section R under which Transco LNG Storage may be a User in respect of the NTS;
 - (v) the provisions of Section R under which the Transporter is a User (for the purposes of Section Z) in respect of Transco LNG Storage Facilities for the purposes of provisioning the Scottish Independent Networks with LNG;
 - (b) in relation to an LDZ, under the provisions of Section J under which the DNO User is a User of the relevant System in connection with the offtake of gas at

LDZ/LDZ Offtakes;

(c) in relation to any System, the provisions of paragraph 1.2.2.

7.1.3 Where a User becomes a Discontinuing User following a Termination Notice under paragraph 4.3, the Transporter shall not be taken to be acting as User by reason of the fact that it may, for administrative or other purposes (including any purposes in connection with such an undertaking as is referred to in Section F4.5.6) establish particular arrangements (including any arrangements within UK Link) to account for gas offtaken at Supply Meter Points of which the User was Registered User.

7.2 Effect of relevant provisions

7.2.1 For the purposes of giving effect to the provisions referred to in paragraph 7.1, the Transporter will:

- (a) account for payments to be made to and by it pursuant to the Code in each Transporter User Capacity;
- (b) account (in particular in applying the provisions of Section E as to the determination of quantities delivered to and offtaken from the Total System) for the quantities of gas delivered and offtaken from the Total System by it in each Transporter User Capacity;
- (c) in particular, in determining the amounts of Market Balancing Action Charges, other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements, Balancing Charges payable and quantities of gas delivered to the Total System by Transco NTS in each Transporter User Capacity;
- (d) secure that accounting records are maintained sufficient to allow separate identification of the payments referred to in paragraph (a) and the calculation of the amounts of such payments;
- (e) nominate personnel in respect of each relevant Transporter User Capacity, each of which shall be treated as the Authorised Representative(s) of a separate UK Link User for the purposes of Section U, and conduct operations under the Code in accordance with that Section separately in respect of each such capacity.

7.2.2 Nothing in the Code shall require the Transporter to establish separate subsidiaries, or (other than as provided in paragraph 7.2.1) to prepare separate accounts, or to maintain separate bank accounts, in respect of the Transporter User Capacities; nor to give any Code Communication (other than under Contingency Procedures) which is not to be given as a UK Link Communication.

7.2.3 The Code shall, to the extent of any reference to the Transporter (including Transco LNG Storage) as User, be construed in accordance with this paragraph 7.

8 LIABILITY AND RELATED ISSUES

8.1 Limitation of liability

- 8.1.1 Subject to the further provisions of this paragraph 8, each Party agrees and acknowledges that:
- (a) no Party shall be liable to any other Party for loss arising from any breach of the Code, a Framework Agreement or an Ancillary Agreement, other than (but without prejudice to any other provision of the Code or an Ancillary Agreement which excludes or limits liability in respect of any breach) for loss directly resulting from such breach and which at the relevant date was reasonably foreseeable as not unlikely to occur in the ordinary course of events from such breach in respect of:
 - (i) physical damage to the property of any other Party; and/or
 - (ii) the liability (in law) of any other such Party to any other person for loss in respect of physical damage to the property of such person;
 - (b) no Party shall in any circumstances be liable in respect of any breach of the Code, a Framework Agreement or any Ancillary Agreement to any other Party for:
 - (i) any loss of profit, loss of revenue, loss of use, loss of contract, loss of goodwill, or increased cost of working; or
 - (ii) any indirect or consequential loss; or
 - (iii) except as provided in paragraphs 8.1.1(a)(ii) and 8.1.5, loss resulting from the liability of any other Party to any other person howsoever and whensoever arising.
- 8.1.2 For the purposes of paragraph 8.1.1(a) the "**relevant date**" is the date of the relevant Framework Agreement or as the case may be of an Ancillary Agreement, except that where the breach in question would not have been a breach of the Code but for a modification (pursuant to the Modification Rules or the Transporter's Licence) of the Code, the relevant date shall be the date of such modification.
- 8.1.3 The amount or amounts for which a Party may be liable to any other Party or Parties pursuant to paragraph 8.1.1(a) in respect of any one event or circumstance constituting or resulting in the first Party's breach of a provision of the Code, a Framework Agreement and/or any Ancillary Agreement shall not exceed:
- (a) as respects the liability of the Transporter to any one User or of any one User to the Transporter, £1,000,000;
 - (b) as respects the liability in aggregate of the Transporter to Users collectively or of Users collectively to the Transporter, £10,000,000.
- 8.1.4 Paragraph 8.1.1 is without prejudice to any provision of the Code or any Ancillary Agreement which provides for an indemnity, or which provides for any Party to make a payment to another.
- 8.1.5 Nothing in the Code or any Ancillary Agreement shall exclude or limit the liability of any Party for death or personal injury resulting from the negligence of such Party.
- 8.1.6 In this paragraph 8 references to Users include DNO Users.

8.2 Exclusion of certain rights and remedies

8.2.1 The rights and remedies of the Parties pursuant to the Code, a Framework Agreement and any Ancillary Agreement exclude and are in place of any rights or remedies of any Party in tort (including negligence and nuisance) or misrepresentation in respect of the subject matter of the Code, a Framework Agreement or such Ancillary Agreement; and accordingly, but without prejudice to paragraphs 8.1.5 and 8.2.4, each Party (to the fullest extent permitted by law):

- (a) waives any rights or remedies; and
- (b) releases each other Party from any duties or liabilities

arising in tort or misrepresentation in respect of the subject matter of the Code, a Framework Agreement or such Ancillary Agreement.

8.2.2 Without prejudice to paragraph 8.2.1, where any provision of the Code or any Ancillary Agreement provides for any amount to be payable by a Party upon or in respect of that Party's breach of any provision of the Code, a Framework Agreement or any Ancillary Agreement, each Party agrees and acknowledges that the remedy conferred by such provision is exclusive of and is in substitution for any remedy in damages in respect of such breach or the event or circumstance giving rise thereto.

8.2.3 For the avoidance of doubt, nothing in this paragraph 8 shall prevent any Party from or restrict it in enforcing any obligation (including suing for a debt) owed to it under or pursuant to the Code, a Framework Agreement or any Ancillary Agreement.

8.2.4 Nothing in this paragraph 8 shall constitute a waiver by any Party of any right or remedy it may have (other than pursuant to the Code) in respect of a breach by any other Party of any Legal Requirement.

8.2.5 Subject to any provision of the Code pursuant to which the Transporters collectively assume any obligation or liability:

- (a) only the relevant Transporter owes any obligation pursuant to the Code to any Shipper User; and
- (b) each Shipper User:
 - (i) waives any rights or remedies against any Transporter other than the relevant Transporter; and
 - (ii) releases each other Transporter from any duties or liabilities

arising in tort (including negligence and nuisance) or misrepresentation in respect of the subject matter of the Code, a Framework Agreement or any Ancillary Agreement

in relation to a System Point on a particular System.

8.2.6 GT Section B6.4.1 shall not apply in relation to the terms in paragraph 8.2.5(b) which may accordingly be enforced by a Transporter other than the relevant Transporter, but

without prejudice to GT Section B6.4.2.

8.3 Effect of this paragraph

- 8.3.1 Each provision of this paragraph 8 shall be construed as a separate and severable contract term, and shall as respects any Discontinuing User survive that User's ceasing to be a User.
- 8.3.2 Each Party acknowledges and agrees that the provisions of this paragraph 8 have been the subject of discussion and negotiation and are fair and reasonable having regard to the circumstances as at the date of the Framework Agreement.

8.4 Liquidated damages

Where any provision of the Code provides for any amount to be payable by a Party upon or in respect of that Party's breach of any provision of the Code, each Party agrees and acknowledges that such provision has been the subject of discussion and negotiation, and that the amount provided to be payable represents no more than a genuine pre-estimate of the loss of the Party to which such amount is payable.

8.5 Indemnities

The amount or amounts for which a Party may be liable to any other Party or Parties pursuant to any indemnity provided for in the Code in respect of any one event or circumstance giving rise to liability under such indemnity shall not exceed:

- (a) as respects the liability of the Transporter to any one User or of any one User to the Transporter, £1,000,000;
- (b) as respects the liability in aggregate of the Transporter to Users collectively or of Users collectively to the Transporter, £20,000,000.

9 NEUTRALITY AND AGGREGATE NDM RECONCILIATION AUDITOR; OPERATIONS REPORTING

9.1 Neutrality Auditor

- 9.1.1 Transco NTS will, subject to paragraphs 9.1.3 and 9.1.4, appoint in accordance with paragraph 9.2.1 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, in calculating Neutrality Charges and Relevant Incentive Charges, Transco NTS has complied in material respects with applicable provisions of the Code.
- 9.1.2 For the purposes of this paragraph 9:
 - (a) "**Neutrality Charges**" means Balancing Neutrality Charges and Reconciliation Neutrality Charges;
 - (b) "**Relevant Incentive Charges**" are Capacity Neutrality Charges (under Section B2.11.9(a)) and User Daily Incentive Amounts (under Section D3.4.2(b));
 - (c) "**relevant period**" means each Gas Year or any other period (whether shorter or

longer than a Gas Year) proposed by Transco NTS after consultation with the Uniform Network Code Committee or any relevant Sub-committee where the Authority (upon Transco NTS's application) gives Condition A11(18) Approval to Transco NTS's implementing this paragraph 9.1 on the basis of such other period;

- (d) the person appointed under paragraph 9.1.1 in respect of a relevant period is the "**Neutrality Auditor**".

9.1.3 A Neutrality Auditor may not be appointed for a relevant period:

- (a) where Transco NTS proposes after consultation with the Uniform Network Code Committee or any relevant Sub-committee and where the Authority (upon Transco NTS's application) gives Condition A11(18) Approval that such Neutrality Auditor not be appointed; or
- (b) where:
 - (i) pursuant to this paragraph 9.1.3 a Neutrality Auditor was not appointed for the immediately prior relevant period; and
 - (ii) Transco NTS reasonably determines that such Neutrality Auditor should not be appointed after consultation with the Uniform Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco NTS or any User made within 10 Business Days after Transco NTS notified to Users the decision of the Uniform Network Code Committee or Sub-committee) the Authority in any case shall give Condition A11(18) Disapproval.

9.1.4 In the event that a Neutrality Auditor is appointed for a relevant period following relevant period(s) where (pursuant to paragraph 9.1.3) the Neutrality Auditor was not appointed, he may not review any prior relevant period unless expressly instructed by the Uniform Network Code Committee in accordance with paragraph 9.2.1.

9.1.5 In this paragraph 9 references to Users exclude DNO Users.

9.2 Basis and terms of appointment

9.2.1 The person appointed as Neutrality Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 9.2) the terms of his appointment, including the scope and objectives of the review under paragraph 9.1.1, shall be the person, period and terms from time to time agreed by the Uniform Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco NTS or any User made within 10 Business Days after Transco NTS notified to Users the decision of the Uniform Network Committee or Sub-committee) the Authority in any case shall give Condition A11(18) Disapproval to Transco NTS's making an appointment of the Neutrality Auditor on such basis (in which case Transco NTS will arrange for an alternative proposal to be considered by the Uniform Network Code Committee or any relevant Sub-committee).

9.2.2 The terms of appointment will require that:

- (a) the Neutrality Auditor shall present to and discuss with Transco NTS its draft

findings before reporting under paragraph (b);

- (b) the Neutrality Auditor shall report his findings to Transco NTS and the Uniform Network Code Committee or any relevant Sub-committee;
- (c) without prejudice to paragraph (b), the Neutrality Auditor shall agree to permit a representative of each User to attend a meeting of the Uniform Network Code Committee or any relevant Sub-committee at which the Neutrality Auditor's report is presented;
- (d) the Neutrality Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the Neutrality Auditor in the course of its review.

9.2.3 A copy of the Neutrality Auditor's full report will be provided by Transco NTS to each User and to the Authority.

9.2.4 The fees and costs of the Neutrality Auditor will be paid by Transco NTS and recovered from Users as follows:

- (a) before each relevant period the fees and costs of the Neutrality Auditor will be estimated by Transco NTS and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) for each month in the relevant period;
- (b) when the Neutrality Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (a) will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under Section F4.5.3(b)(iv) for the month following that in which it is rendered.

9.3 Effect of Neutrality Auditor's report

9.3.1 Where the report of the Neutrality Auditor contains a recommendation to the effect that the provisions of the Code as to the calculation of Neutrality Charges and Relevant Incentive Charges would be materially better implemented by a change in the procedures and controls adopted by Transco NTS for such calculation, Transco NTS will take all reasonable steps to comply with such recommendations, unless the Authority shall upon the application of Transco NTS give Condition A11(18) Approval to its not doing so.

9.3.2 Nothing in the report of the Neutrality Auditor shall entitle any User or Transco NTS to require any recalculation of, or to any adjustment in respect of, or to withhold payment or require repayment of, any Neutrality Charges and Relevant Incentive Charges, nor give rise to any liability of Transco NTS to any User in respect thereof.

9.4 Operations reporting

9.4.1 Transco NTS will, in accordance with the Network Code Operations Reporting Manual, and subject to paragraph 9.4.3, publish each month and at such other intervals as may be specified in such manual, information relating to:

- (a) the implementation by Transco NTS of certain provisions of the Code, including the Operational Balancing Steps taken by Transco NTS;
 - (b) the operations of Users pursuant to certain provisions of the Code.
- 9.4.2 For the purposes of the Code the "**Network Code Operations Reporting Manual**" is the document so entitled prepared and (subject to paragraph 9.4.5) from time to time revised by Transco NTS in consultation with the Uniform Network Code Committee or any relevant Sub-committee.
- 9.4.3 In accordance with the Network Code Operations Reporting Manual, the form in which information under paragraph 9.4.1(b) is provided:
 - (a) to a User, will identify that User in the context of the information which relates to that User, but will not identify any other User in the context of the information which relates to such other User;
 - (b) to the Authority, will identify each User in the context of the information which relates to such User;
 - (c) to any other person, will not identify any User in the context of the information which relates to such User.
- 9.4.4 Each User hereby authorises Transco NTS to publish in accordance with paragraph 9.4.1 such information relating to such User, in such form, as is provided for in the Network Code Operations Reporting Manual.
- 9.4.5 If Transco NTS proposes to revise the Network Code Operations Reporting Manual in such a way as materially to increase the extent of the information relating to Users to be published pursuant thereto:
 - (a) Transco NTS will notify Users of its proposal not less than one month before implementing such proposal;
 - (b) any User may, within 14 Days after Transco NTS's notification under paragraph (a), notify Transco NTS that the User objects to such revision, providing reasonable details of the grounds for the User's objection;
 - (c) if a User so notifies an objection to Transco NTS, Transco NTS will not implement the revision unless the Authority shall (upon Transco NTS's application) give Condition A11(18) Approval to its doing so.
- 9.5 **Aggregate NDM Reconciliation Auditor**
- 9.5.1 The Transporters will appoint in accordance with paragraph 9.6 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, the Transporter has complied in all material respects with applicable provisions of the Code.
- 9.5.2 For the purposes of these paragraphs 9.5 to 9.7:
 - (a) "**Aggregate NDM Reconciliation Charges**" means User Aggregate

Reconciliation Clearing Values and User Aggregate Transportation Charge Adjustments; and

- (b) the person appointed under paragraph 9.5.1 in respect of the relevant period shall be the "**RbD Auditor**".

9.6 Basis and terms of appointment

9.6.1 The person appointed as RbD Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 9.6) the terms of his appointment, including the scope and objectives of the review under paragraph 9.5.1, shall be the person, period and terms from time to time agreed by the Uniform Network Code Committee or any relevant Sub-committee, unless (upon the application of the Transporters) or any User made within 10 Business Days after the Transporters notify to Users the decision of the Uniform Network Code Committee or relevant Sub-committee) the Authority in any case shall give Condition A11(18) Disapproval to the Transporters making an appointment of the RbD Auditor on such basis (in which case the Transporters will arrange for an alternative proposal to be considered by the Uniform Network Code Committee or any relevant Sub-committee).

9.6.2 The terms of the appointment will require that:

- (a) the RbD Auditor shall present to and discuss with the Transporters its draft findings before reporting under paragraph (b);
- (b) the RbD Auditor shall report his findings to the Transporters and the Uniform Network Code Committee or any relevant Sub-committee;
- (c) without prejudice to paragraph (b), the RbD Auditor shall agree to permit a representative of each User to attend a meeting of the Uniform Network Code Committee or any relevant Sub-committee at which the RbD Auditor's report is presented;
- (d) the RbD Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the RbD auditor in the course of its review.

9.6.3 A copy of the RbD auditor's report shall be provided by the Transporters to each "**relevant User**" (which for the purpose of this paragraph 9.6.3 and 9.7.2 shall mean a User who during the relevant period was the Registered User of a Smaller Supply Point on a relevant System) and the Authority.

9.6.4 The fees and costs of the RbD Auditor shall be paid by the Transporters.

9.7 Effect of the RbD Auditor's Report

9.7.1 Where the report of the RbD Auditor contains a recommendation to the effect that the provisions of the Code as to the calculation of Aggregate NDM Reconciliation Charges would be materially better implemented by a change in the procedures and controls adopted by the Transporters for such calculation, the Transporters will take all reasonable steps to comply with such recommendations, unless the Authority shall upon application of the Transporters give Condition A11(18) Approval to its not doing so.

9.7.2 Nothing in the report of the RbD Auditor shall entitle any User or the Transporters to

require any recalculation of, or to any adjustment in respect of, or to withhold payment or require repayment of, any Aggregate NDM Reconciliation Charge, nor give rise to any liability of the Transporters to any relevant User in respect thereof except where such entitlement is provided for in the terms of the Code.

10 COMPENSATION

10.1 Introduction

10.1.1 For the purposes of this paragraph 10:

- (a) **"Compensation Rule"** means a rule pursuant to the Code, identified as such and providing for the Transporter or Transporters to pay an amount by way of compensation to Users;
- (b) **"Compensation Year"** means a period of 12 months expiring 31 March in any year;
- (c) **"Compensation Provisions"** means the provisions of the Code which establish a Compensation Rule;
- (d) **"Compensation Group"** means a group of Compensation Rules, such groups being designated as Groups A to L inclusive, and the Compensation Group to which each Compensation Rule belongs being specified in the relevant Compensation Provisions;
- (e) the **"Group Limit"** in respect of each Compensation Group is as follows:
 - (i) for each of Groups A, B, C, D, F and K: £5,000,000;
 - (ii) for Group E: £2,500,000 in respect of Larger Supply Points and £2,500,000 in respect of Smaller Supply Points;
 - (iii) for Group G: £4,000,000 in respect of Larger Supply Points and £1,000,000 in respect of Smaller Supply Points;
 - (iv) for Group H: £1,000,000 in respect of Larger Supply Points and £1,000,000 in respect of Smaller Supply Points;
 - (v) for Group I: £3,000,000;
 - (vi) for Group J: £2,500,000 in respect of Larger Supply Points and £2,500,000 in respect of Smaller Supply Points; and
 - (vii) for Group L: £5,000,000 in respect of Larger Supply Points and £5,000,000 in respect of Smaller Supply Points;
- (f) an amount is **"adjusted"** where it has been adjusted pursuant to paragraph 10.2.2 and/or 10.2.3, and otherwise is **"unadjusted"**.

10.1.2 In this paragraph 10 references to Users exclude DNO Users.

10.2 Aggregate payment caps

- 10.2.1 The aggregate amount payable pursuant to all of the Compensation Rules in any Compensation Group (excluding amounts in respect of interest) by the Transporters to all Users in respect of any month (month 'n', where n is 1 for the first month in the Compensation Year, 2 for the second such month, and so on) in any Compensation Year shall not exceed an amount (the "**Monthly Available Compensation Amount**") determined as the lesser of :

$$(CML - PP) * SF$$

or

$$GLI * SF$$

where:

CML is the cumulative monthly limit for that Group calculated as:

$$GL * n / 12$$

where GL is the amount of the Group Limit;

PP is zero (0) in relation to month 1, and otherwise is the aggregate amount (adjusted pursuant to paragraphs 10.2.2 and 10.2.3) payable pursuant to all of the Compensation Rules in the relevant Compensation Group in respect of months 1 to n-1 inclusive;

GLI the aggregate unadjusted amount payable pursuant to all of the Compensating Rules in the Compensation Group in respect of month n;

SF is a scaling factor which shall be the lesser of one (1) and a factor determined as:

$$\frac{(50,000,000 * n) / 12 - APP}{AMC}$$

where:

APP is the sum, for all Compensation Groups, of the amounts PP in relation to months 1 to n-1;

AMC is the sum, for all Compensation Groups, of the lesser of:

(1) GLI;

or

(2) the cumulative monthly limit CML for the Compensation Group in relation to month n less PP.

- 10.2.2 Where in respect of any month the aggregate unadjusted amount payable by the Transporters pursuant to all of the Compensation Rules in any Compensation Group would exceed the applicable Monthly Available Compensation Amount, determined in accordance with paragraph 10.2.1 but on the basis of a scaling factor SF equal to one, the amounts payable by the Transporters to Users pursuant to each Compensation Rule in respect of that month shall be reduced pro rata so that the aggregate of such reduced

amounts is equal to the Monthly Available Compensation Amount.

- 10.2.3 The amounts, adjusted in accordance with paragraph 10.2.2, payable by the Transporters to Users pursuant to each Compensation Rule in respect of that month shall be further adjusted by the scaling factor SF.

10.3 Invoicing and payment

- 10.3.1 Subject to paragraphs 10.3.2 and 10.3.3, amounts payable by the Transporters pursuant to each Compensation Rule will be invoiced and are payable in accordance with Section S.
- 10.3.2 Any amount payable by the Transporters pursuant to a Compensation Rule will be payable not later than the 15th Day of the payment month (which date will be the Invoice issue date in respect of an Invoice Document in respect of any such amounts).
- 10.3.3 Where (whether or not by reason of the Invoice Document being submitted after such date) the Transporters make payment after the date referred to in paragraph 10.3.2, the Transporters will pay interest on the amount payable with effect from such date, provided that until the last Day of the payment month the Applicable Interest Rate shall be the rate under Section S3.6.4(b).
- 10.3.4 The Transporters will provide by way of supporting data with each relevant Invoice Document reasonable details of the basis on which the Invoice Amounts (pursuant to a Compensation Rule) are calculated (not for the avoidance of doubt including details of the calculations of any Compensation Relevant Value).
- 10.3.5 For the purposes of this paragraph 10.3 (as it applies for the purposes of any Compensation Rule), the "**payment month**" is the month specified in the relevant Compensation Provisions.
- 10.3.6 Where pursuant to any Compensation Rule any amount is payable by the Transporters (rather than by a Transporter individually):
- (a) the Transporters will notify each User of the amount payable by each Transporter to the User for a month (which amounts shall in aggregate be equal to the amount determined as payable to the User under the Compensation Rule);
 - (b) each Transporter shall pay such User the amount so notified.

10.4 Force Majeure

Where by reason of Force Majeure a Transporter is unable to comply in any case with any requirement by reference to which a Compensation Rule applies, the Transporter(s) shall not be treated as having failed to comply with such requirement in such case for the purposes of the Compensation Provision (and for the purposes of any relevant aggregate requirement) including whether the Transporter(s) have complied with the requirement in a given percentage of cases.

10.5 Audit

For the purposes of paragraphs 10.7 to 10.9 (providing for the review by the Compensation Value Auditor of the determination of Compensation Relevant Values):

- (a) in relation to each Compensation Group, the maximum aggregate amount payable in a month pursuant to paragraph 10.2 is a Compensation Relevant Value;
- (b) in relation to each Compensation Rule referred to in paragraph 10.1, the relevant percentage is a Compensation Relevant Value.

10.6 Disapplication

- 10.6.1 If at any time the Transporters shall have delivered a dis-application request pursuant to paragraph 5 of Special Condition C8B or paragraph 11 of Special Condition E2B of the Transporter's Licence, or the equivalent provision in any condition of that licence which may apply following any modification of that licence, then if the Transporters shall give notice to the Authority not less (except with the consent of the Authority) than 9 months before the dis-application date (as defined in that condition), all Compensation Rules and the related Compensation Provisions shall cease to have effect with effect from the dis-application date.
- 10.6.2 If the Transporters give notice under paragraph 10.6.1 they will so inform Users as soon as reasonably practicable after doing so.

10.7 Compensation Value Auditor

- 10.7.1 The Transporters will, subject to paragraphs 10.7.3 and 10.7.4, appoint a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, in determining the values of Compensation Relevant Values, each Transporter has complied in material respects with applicable provisions of the Code.
- 10.7.2 For the purposes of this paragraph 10:
 - (a) a "**Compensation Relevant Value**" is the value of any amount or percentage, by reference to which (pursuant to particular provisions of the Code) the amount or maximum amount payable by the Transporters by way of compensation to Users is determined, specified as being such in any provision of the Code;
 - (b) "**relevant period**" means:
 - (i) the period from the UNC Implementation Date until 30 September 2005; and
 - (ii) thereafter, each Gas Year or any other period (whether shorter or longer than a Gas Year, but not shorter than 3 months) proposed by the Transporters after consultation with the Uniform Network Code Committee or any relevant Sub-committee where the Authority (upon the Transporters' application) gives Condition A11(18) Approval to the Transporters implementing this paragraph 10 on the basis of such other period;
 - (c) the person appointed under paragraph 10.7.1 in respect of a relevant period is the "**Compensation Value Auditor**".

10.7.3 A Compensation Value Auditor may not be appointed for a relevant period:

- (a) where the Transporters propose after consultation with the Uniform Network Code Committee or any relevant Sub-committee and where the Authority (upon the Transporters application) gives Condition A11(18) Approval that such Compensation Value Auditor not be appointed; or
- (b) where:
 - (i) pursuant to this paragraph 10.7.3 a Compensation Value Auditor was not appointed for the immediately prior relevant period; and
 - (ii) the Transporters reasonably determine that such Compensation Value Auditor should not be appointed after consultation with the Uniform Network Code Committee or any relevant Sub-committee, unless (upon the application of the Transporters or any User made within 10 Business Days after the Transporters notified to Users the decision of the Uniform Network Code Committee or Sub-committee) the Authority in any case shall give Condition A11(18) Disapproval.

10.7.4 In the event that a Compensation Value Auditor is appointed for a relevant period following relevant period(s) where (pursuant to paragraph 9.1.3) the Compensation Value Auditor was not appointed, he may not review any prior relevant period unless expressly instructed by the Uniform Network Code Committee in accordance with paragraph 10.8.1.

10.8 Basis and terms of appointment

10.8.1 The person appointed as Compensation Value Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 10.8) the terms of his appointment, including the scope and objectives of the review under paragraph 10.7.1, shall be the person, period and terms agreed by the Uniform Network Code Committee or any relevant Sub-committee, unless (upon the application of the Transporters or any User made within 10 Business Days after the Transporters notify to Users the decision of the Uniform Network Code Committee or Sub-committee) the Authority in any case shall give Condition A11(18) Disapproval to the Transporters making an appointment on such basis (in which case the Transporters will arrange for an alternative proposal to be considered by the Network Code Committee of any relevant sub-committee).

10.8.2 The terms of appointment will require that:

- (a) the Compensation Value Auditor shall present to and discuss with the Transporters its draft findings before reporting under paragraph (b);
- (b) the Compensation Value Auditor shall report his findings to the Transporters and the Uniform Network Code Committee or any relevant Sub-committee;
- (c) without prejudice to paragraph (b), the Compensation Value Auditor shall agree to permit a representative of each User to attend a meeting of the Uniform Network Code Committee or any relevant Sub-committee at which the Compensation Value Auditor's report is presented;
- (d) the Compensation Value Auditor shall undertake, in reasonable terms, to keep

confidential the information disclosed to the Compensation Value Auditor in the course of its review.

- 10.8.3 A copy of the Compensation Value Auditor's full report will be provided by the Transporters to each User and to the Authority.
- 10.8.4 The fees and costs of the Compensation Value Auditor will be paid by the Transporters and (subject to paragraph 10.8.5) recovered from Users as follows:
- (a) before each relevant period the fees and costs of the Compensation Value Auditor will be estimated by the Transporters and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) for each month in the relevant period;
 - (b) when the Compensation Value Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (a) will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under Section F4.5.3(b)(iv) for the month following that in which it is rendered.
- 10.8.5 Where a report of the Compensation Value Auditor contains a finding that the Transporter (or the Transporters) failed in a material respect to determine a Compensation Relevant Value in accordance with the applicable provisions of the Code, that part of the fees and costs of the Compensation Value Auditor certified by the auditor as relating to the review (under paragraph 10.7.1) in respect of that Compensation Relevant Value shall be borne by the Transporters and not recovered from Users pursuant to paragraph 10.8.4.

10.9 Effect of Compensation Value Auditor's report

Where the report of the Compensation Value Auditor contains a recommendation to the effect that the provisions of the Code as to the determination of Compensation Relevant Values would be materially better implemented by a change in the procedures adopted by the Transporters for such determination, the Transporters will take all reasonable steps to comply with such recommendation, unless the Authority shall upon the application of the Transporters give Condition A11(18) Approval to its not doing so.

11 GENERAL

11.1 Suppliers and Consumers

11.1.1 Where:

- (a) the Code provides for the Transporter to do anything at or affecting any Supply Point Premises or the offtake of gas from the Total System at any Supply Point;
- (b) in doing that thing the Transporter complies with the requirements of the Code and any other agreement with the User, supplier or consumer in relation thereto, does not act unlawfully, and is not negligent; and
- (c) by reason of the Transporter doing that thing the consumer or supplier suffers

loss or damage or claims to have done so or otherwise makes any claim or complaint or brings any action or proceeding against the Transporter (other than pursuant to a contract between the Transporter and such consumer or supplier)

the User or each User which is (at the time at which the Transporter does such thing) the Registered User in respect of the relevant Supply Point shall indemnify the Transporter and hold it harmless against any liability to such consumer or supplier in respect of any such loss damage, claim, complaint, action or proceeding, and all costs and expenses incurred in connection therewith.

- 11.1.2 Nothing in the Code or a Framework Agreement or (except as may be expressly provided therein) an Ancillary Agreement shall be construed as imposing upon the Transporter any obligation or duty to or enforceable by a consumer or a supplier; and no User shall make any commitment to any supplier or consumer binding on or purporting to bind the Transporter.
- 11.1.3 Nothing in the Code, a Framework Agreement or any Ancillary Agreement shall prevent the Transporter from exercising any right or remedy which it may have against a consumer or supplier at law or pursuant to the Act or otherwise.

11.2 Transporter performance

- 11.2.1 In relation to exercising its discretions and performing obligations under the Code the Transporter shall at all times:

- (a) act in a reasonable and prudent manner in relation to the management and operation of each of its Systems and, in the case of Transco NTS, the Transco LNG Storage Facilities; and
- (b) act reasonably and in good faith in its dealings with Users;

save that the foregoing shall not apply to the extent that:

- (i) there is any standard of performance already provided for by any statute, regulation or licence condition to which the Transporter is subject; or
- (ii) the Transporter would thereby be required to act in a manner which would conflict with any Legal Requirement.

- 11.2.2 For the avoidance of doubt the operation of this paragraph 11.3 shall not prevent the Transporter from performing any obligation under the Code.

Annex V-1**Operational and Market Data**

Column	Name	Description		
1	Data	data definition and indication of the time period to which the data corresponds		
2	Timing	initial publication timing and where appropriate, timing of updates if the data is subject to any change		
3	Format	tabular, graphical, other		
4	Presentation	downloadable, viewable or both		
5	Disclosure	public or restricted (and if restricted, list of entities to whom the data can be released)		
Data	Timing	Format	Presentation	Disclosure
None specified				

Annex V-2

SO Commodity Charge Information

Annex V-2	SO Commodity Charge Information			
SO Commodity Charge Information description	Licence definition	period	reporting deadline	location
forecast of annual System throughput for Formula Year t	N/A	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	http://info.transco.uk.com
forecast of monthly System throughput for Formula Year t	N/A	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	http://info.transco.uk.com
actual weekly System throughput	N/A	Formula Year to date	9 Days after week end	http://info.transco.uk.com
annual target cost for each of the Relevant SO Incentive Schemes for Formula Year t	NTS SO exit capacity incentive targets (ExCITt) & (ExITt), system reserve incentive target (SRITt), gas cost incentive target (GCITt), internal incentive target (ICITt).	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	http://info.transco.uk.com
forecast monthly target cost for each of the Relevant SO Incentive Schemes for Formula Year t	N/A	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	http://info.transco.uk.com
sum of weekly outturn costs	The exit performance measure (ExCPt), The NTS SO system balancing costs (SBICt), The	Formula Year to date	62 Days after week end	http://info.transco.uk.com

Annex V-2	SO Commodity Charge Information			
for the Relevant SO Incentive Schemes	internal cost performance measure (ICCpt)			
quarterly outturn costs for each of the Relevant SO Incentive Schemes	The exit performance measure (ExCpt), The NTS SO system balancing costs (SBICt), The internal cost performance measure (ICCpt)	Formula Year to date	62 Days after quarter end	http://info.transco.uk.com

Where:

t	means the relevant Formula Year;
t-1	means the Formula Year prior to the relevant Formula Year;
week	means the seven day period from 06:00 hours on a Monday until 06:00 hours on the following Monday;
throughput	means $(\text{actual inputs to the System} + \text{sum of UDQOs}) / 2$
Relevant SO Incentive Schemes	means exit capacity investment incentive, system balancing incentive and internal cost incentive schemes as defined by the Licence;
Licence	means the Transporter's Licence;
Formula Year	means a period of twelve months commencing on 1 April at 06:00 hours.

Annex V-3

SO Commodity Charge Information

1. For the purposes of paragraph 5.12 the transportation revenue information is forecast revenue and actual revenue, for the immediately preceding month and each calendar month prior thereto in the relevant Formula Year, in each case in respect of each of the categories of charges referred to in Table 1 below.
2. For the purposes of this Annex V-3:
 - (a) save as provided below, each of the categories of charges referred to in Table 1 below shall be consistent with those set out in Transco NTS's Transportation Statement and shall include any charges subsequently introduced in substitution for any of the same;
 - (b) "**forecast revenue**" shall mean Transco NTS's estimate of the revenue to be recovered in respect of each relevant calendar month, using such criteria as Transco NTS shall reasonably consider appropriate and having regard to the provisions of Transco NTS's Transportation Statement and any revenue or price control restrictions to which it may be subject from time to time (it being acknowledged that such estimate may be subject to revision from time to time);
 - (c) "**actual revenue**" shall mean such amount reasonably determined by Transco NTS on an accruals basis (based on such information as is reasonably available to it at the relevant time) of revenue recovered or to be recovered in respect of each relevant calendar month (it being acknowledged that such amount may be subject to re-determination from time to time); and
 - (d) "**relevant Formula Year**" shall mean the Formula Year in which the immediately preceding month falls.

Table 1 – Categories of Charges

- NTS Entry Capacity charges
- NTS (TO) Exit Capacity Charges
- NTS (TO) Commodity Charges
- NTS (SO) Commodity Charges
- Transportation activity charges in respect of each distribution network (being all LDZ related charges referred to in the Transportation Statement in so far as such charges are relevant to that distribution network).

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION X – ENERGY BALANCING CREDIT MANAGEMENT

1 GENERAL

1.1 Introductions

- 1.1.1 The effect of the provisions of Sections F4.5.3(a)(ii) and F6.5.1(a)(ii) is that, if a User fails to make payment of any Energy Balancing Charge when due, all other Users may become liable for (in aggregate) an equivalent amount (together with an amount in respect of the cost of financing such non-payment).
- 1.1.2 Users have agreed (inter se) to, and requested Transco NTS to implement, the provisions of this Section X with a view to limiting the extent to which they will incur the liability described in paragraph 1.1.1.
- 1.1.3 Nothing in this Section X shall modify the provisions referred to in paragraph 1.1.1.
- 1.1.4 This Section X is independent of and shall apply separately from the provisions of Section V3 (which relates to indebtedness of Users other than in respect of Energy Balancing Charges).
- 1.1.5 In this Section X "**Energy Balancing Invoice**" means an Invoice Document in respect of any Energy Balancing Charges or interest thereon.

1.2 Energy Balancing Credit Committee

- 1.2.1 Subject to paragraph 1.2.2 the "**Energy Balancing Credit Committee**" is the Uniform Network Code Committee or any relevant sub-committee.
- 1.2.2 Where this Section X provides for any decision by the Energy Balancing Credit Committee (including any approval or authorisation of anything proposed to be done by Transco NTS) such decision shall be taken by the affirmative vote of a simple majority of the members of the committee who are appointed to represent Users (and subject to such other procedures as the committee may establish); and the representatives of Transco NTS who are members of the Uniform Network Code Committee or any relevant sub-committee will not vote on any matter brought before the Energy Balancing Credit Committee pursuant to this Section X.
- 1.2.3 Transco NTS may consult with the Energy Balancing Credit Committee in relation to any aspect of its functions under this Section X, and may at any time convene a meeting of such committee on any reasonable period of notice.
- 1.2.4 Where Transco NTS has any reasonable grounds for wishing to consult with the Energy Balancing Credit Committee in relation to any step required to be taken under this Section X, Transco NTS may (where it has convened a meeting of such committee for the purposes for the earliest reasonable date) defer taking such step until it has consulted with such committee.
- 1.2.5 Where Transco NTS brings to the Energy Balancing Credit Committee any matter relating to a particular User, Transco NTS will not disclose the identity of the User to

the committee unless:

- (a) the User in question agrees to such disclosure; or
- (b) it is not practicable for the matter in question to be considered by the committee without the identity of the User being disclosed or becoming apparent; or
- (c) Transco NTS has given Termination Notice to the User (but this paragraph (c) shall not of itself require Transco NTS to inform the committee of the fact that it has given such notice to any User).

1.2.6 With the approval of the Energy Balancing Credit Committee, Transco NTS is authorised, in implementing the provisions of this Section X as respects Users or any particular User, to delay the implementation of any such provision or to implement any such provision on a modified basis which is (as respects the interests of Users or the User in question) less onerous than the provision in the absence of such modification.

1.2.7 No member of the Energy Balancing Credit Committee shall be liable (whether in contract or tort including negligence or otherwise) to Transco NTS or any of the Users for anything done when acting properly in or in connection with his office under the Code, or anything done in what such member in good faith believes to be the proper exercise and discharge of the powers, duties, functions and discretions of that office in accordance with the Code; and each User and Transco NTS waives any such liability that any such member may have and any claim in respect thereof.

1.2.8 Nothing contained in paragraph 1.2.7 shall exercise or limit the liability of a member of the Energy Balancing Credit Committee:

- (a) for death or personal injury resulting from the negligence of such member; or
- (b) in any case where such member has in the exercise and discharge of its powers, duties, functions and discretions acted in bad faith or fraudulently.

1.3 Liability of Transco NTS

1.3.1 Users acknowledge that the calculation of Energy Balancing Charges and other matters to be calculated under this Section X involves the possibility of error; and agree (subject to paragraph 2.7) to make the payments required under this Section X, and that Transco NTS is to take the steps contemplated by this Section X, notwithstanding any such error (on the basis that any necessary repayments or additional payments will be made following resolution of any such error).

1.3.2 Notwithstanding paragraph 1.3.1 and the provisions of this Section X, where Transco NTS has reasonable grounds for believing that any calculation required to be made by it for the performance of its functions under this Section X has been or may have been made erroneously, Transco NTS may (but shall not be required to) defer the taking of any step that would otherwise be required under this Section X until Transco NTS has had a reasonable opportunity of verifying such calculation.

1.3.3 Without prejudice to paragraph 1.3.4, nothing in this Section X shall require Transco NTS to take any step which Transco NTS believes on reasonable grounds may result in its becoming liable to any person in damages or otherwise, whether or not the amount of any such liability would be recoverable under paragraph 1.3.7, but the possibility of a

claim being made against Transco NTS shall not of itself suffice for the purposes of this paragraph unless Transco NTS believes on reasonable grounds that such claim would be well founded.

- 1.3.4 Each User authorises Transco NTS to take any step contemplated by this Section X, and (without prejudice to Section V8, but subject to paragraph 1.3.8) agrees that Transco NTS shall have no liability (in contract or tort including negligence or otherwise) to such User for taking any such step, and waives any such liability that Transco NTS may have and any claim in respect thereof.
- 1.3.5 Nothing in this Section X shall require Transco NTS to take any step which conflicts with any Legal Requirement or any order of any court of competent jurisdiction.
- 1.3.6 Transco NTS will act in good faith in implementing the provisions of this Section X but (subject to paragraph 1.3.8) will not be liable (in contract or tort including negligence or otherwise) to any User for any failure or delay of Transco NTS in doing so or in taking any particular step contemplated by this Section X, and each User waives any such liability that Transco NTS may have and any claim in respect thereof.
- 1.3.7 Subject to paragraph 1.3.8, where any person makes any claim (in negligence or otherwise) against Transco NTS in consequence of Transco NTS's taking any step contemplated by this Section X:
 - (a) Transco NTS will defend such claim and will (subject to any duties of confidence) consult with and keep informed the Energy Balancing Credit Committee in relation to such claim and the defence thereof;
 - (b) the fees, costs and expenses incurred by Transco NTS (other than its own internal costs and expenses) in defending such claim, and any amounts which Transco NTS may be found liable (or with the approval of the Energy Balancing Credit Committee may agree by way of settlement) to pay by way of damages or costs or otherwise in respect of such claim, shall be additional Monthly Neutrality Adjustment Costs in the months in which Transco NTS makes payment thereof.
- 1.3.8 Nothing in the Code shall exclude or limit Transco NTS's liability, or entitle Transco NTS to recover from Users any amount in respect of any liability of Transco NTS:
 - (a) in respect of any death or personal injury resulting from Transco NTS's negligence;
 - (b) in respect of a reckless or wilful breach by Transco NTS of this Section X; or
 - (c) in any case where Transco NTS has in the exercise of its functions under this Section X acted in bad faith or fraudulently.

1.4 Code Contingencies

Transco NTS will not be required to implement this Section X in any case where and for so long as, by reason of any Code Contingency, it is not reasonably practicable for Transco NTS to perform with reasonable accuracy any calculation required for such implementation.

1.5 DNO Users

In this Section X references to Users exclude DNO Users.

2 SECURITY, ENERGY BALANCING INDEBTEDNESS AND CASH CALL PRINCIPLES

2.1 Energy Balancing Credit Rules

- 2.1.1 The "**Energy Balancing Credit Rules**" are the rules established by Transco NTS dated 1 March 1996 and so entitled, as from time to time amended in accordance with paragraphs 2.1.4 and 2.1.5.
- 2.1.2 The Energy Balancing Credit Rules provide for the specified forms and the basis on which a User may provide a letter of credit or cash by way of security for the User's indebtedness in respect of Energy Balancing Charges.
- 2.1.3 Subject to paragraph 2.1.5, and without prejudice to any express requirement under this Section X to comply therewith, the Energy Balancing Credit Rules do not form part of and are not incorporated into the Code.
- 2.1.4 With the approval of the Energy Balancing Credit Committee, Transco NTS may revise the Energy Balancing Credit Rules upon giving notice to all Users of not less than 2 months or such shorter period as may in any particular case be approved by the Committee.
- 2.1.5 For the purposes only of enabling Transco NTS or a User to propose a modification pursuant to the Modification Rules, the Energy Balancing Credit Rules shall be deemed to be incorporated into and to form part of the Code.

2.2 Secured Credit Limit

- 2.2.1 Each User shall secure that its Cash Call Limit elected under paragraph 2.4 is not greater than 85% of its Secured Credit Limit.
- 2.2.2 For each User the "**Secured Credit Limit**" shall be the amount determined under paragraph 2.2.3.
- 2.2.3 The amount referred to in paragraph 2.2.2 is the amount for the time being of the Security the User has provided.
- 2.2.4 A User may apply to increase its Secured Credit Limit by giving notice to Transco NTS specifying the basis (in accordance with paragraph 2.2.3) for the increased limit and (if the User wishes) the increased limit sought and, where any new or revised Security forms or forms part of such basis, submitting such Security.
- 2.2.5 Where a User applies to increase its Secured Credit Limit:
 - (a) Transco NTS will revise the User's Secured Credit Limit in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2 as soon as reasonably practicable after the User's application;
 - (b) where the revised Secured Credit Limit determined under paragraph (a) is less than that specified by the User, Transco NTS will notify the User as soon as reasonably practicable after Transco NTS becomes aware thereof.

2.2.6

- (a) A User's Secured Credit Limit may also be revised, in accordance with the Energy Balancing Credit Rules, save where either paragraph 2.2.6(b) or (c) applies, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:
 - (i) at intervals of approximately 12 months;
 - (ii) where any published credit rating of a provider of security is revised downwards;
 - (iii) where (but without prejudice to any requirement of the Energy Balancing Credit Rules) any instrument of Security expires or is determined;
 - (iv) where at any time Transco NTS has reasonable grounds to believe that the effect of the review will be to reduce the User's Secured Credit Limit

provided that nothing in this Section X shall require Transco NTS to undertake a review under paragraph 2.2.6(a)(ii) or 2.2.6(a)(iii).

- (b) Where any published credit rating of a provider of security is revised downwards to the extent that the said credit rating following such revision is less than the minimum prescribed credit rating as set out in the Energy Balancing Credit Rules, a User's Secured Credit Limit may be immediately reviewed and revised by Transco NTS in accordance with the Energy Balancing Credit Rules, on notice to the User.

2.3 Securities

- 2.3.1 For the purposes of this Section X "**Security**" means letter of credit or cash by way of security for a User's indebtedness for Energy Balancing Charges, in the forms specified in, and provided and documented in accordance with any applicable requirements of, the Energy Balancing Credit Rules.
- 2.3.2 Where a User proposes that any Security be given not substantially in accordance with the requirements of the Energy Balancing Credit Rules, Transco NTS will table the User's proposal at the first meeting of the Energy Balancing Credit Committee convened not less than 10 Business Days following the User's proposal; but Transco NTS will not be required to accept the User's proposal unless and until such Committee shall have approved such proposal.
- 2.3.3 Any reference in this Section X to the amount of any Security shall be to such amount:
 - (a) in the case of Security, as determined in accordance with the Energy Balancing Credit Rules; and
 - (b) as reduced by the amount of any payment made pursuant to the application of such Security.
- 2.3.4 A User who has provided a Security may request Transco NTS to release such Security (in whole or in part); and following such a request, provided that the requirement in

paragraph 2.3.5 is met, Transco NTS will, as soon as reasonably practicable and in any event within 10 Business Days after such request, comply with such request.

- 2.3.5 The requirement is that at the date 2 Business Days before the date of such release or reduction the amount of the User's Outstanding Relevant Balancing Indebtedness does not exceed 90% of the lesser of:
- (a) the amount of the User's Cash Call Limit; and
 - (b) the amount of the User's revised Secured Credit Limit established (in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2) on the basis of the reduced or released Security.
- 2.3.6 An instrument of Security shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by Transco NTS pursuant to the Code, shall prejudice or invalidate any such instrument.

2.4 Cash Call Limit

- 2.4.1 For each User the "**Cash Call Limit**" is the amount, not exceeding 85% of the User's Secured Credit Limit, elected by or assigned to the User in accordance with this paragraph 2.4 as the limit on its Outstanding Relevant Balancing Indebtedness.
- 2.4.2 Each User shall, on or before the User Accession Date, notify Transco NTS of the initial amount of its Cash Call Limit.
- 2.4.3 A User may by giving notice to Transco NTS of not less than 7 Business Days revise its Cash Call Limit provided that its revised Cash Call Limit is not greater than 85% of its Secured Credit Limit.
- 2.4.4 Where a User notifies Transco NTS of a revised Cash Call Limit, or a User's Secured Credit Limit is reduced, and as a result its Cash Call Limit is or would be greater than 85% of its Secured Credit Limit, it shall be assigned a Cash Call Limit which is equal to 85% of its Secured Credit Limit.

2.5 Calculation of Outstanding Relevant Balancing Indebtedness

- 2.5.1 In relation to each Gas Flow Day (the "**relevant Day**"), as soon as reasonably practicable after the Day on which (pursuant to Section E2.1.2) initial Entry Allocation Statements are required to be submitted to Transco NTS, or in accordance with paragraph 2.5.6 or 2.7.6, Transco NTS will calculate for each User:
- (a) the amount of the Relevant Balancing Charges for the relevant Day; and
 - (b) the amount of the Outstanding Relevant Balancing Indebtedness.
- 2.5.2 For the purposes of this Section X:
- (a) "**Relevant Balancing Charges**" means the Daily Imbalance Charges, Scheduling Charges, Basic Balancing Neutrality Charges and Physical Renomination Incentive Charges which would (on the basis set out in paragraph 2.5.3) be payable, and the Market Balancing Action Charges and other charges in respect of Eligible Balancing Actions taken pursuant to Contingency

Balancing Arrangements which are payable, by or to each User in respect of the relevant Day;

- (b) **"Basic Balancing Neutrality Charges"** are the amounts that would be determined as Balancing Neutrality Charges in accordance with Section F4 on the basis that the Unit Daily Neutrality Amount (under Section F4.3) is calculated on the basis of the Basic Net Neutrality Amount only, and disregarding the Adjustment Neutrality Amount;
- (c) **"Anticipated Balancing Indebtedness"** for each User (other than the Trading System Operator) is an amount calculated, in respect of all Days in the relevant period (each such day ('i')), in accordance with the following formula:

$$ABI = \sum_{i=d-n}^{d-1} \left(ADSAP_i * \sum_{j=i-n-9}^{i-n} \frac{DI_j}{10} \right)$$

where:

ABI is the Anticipated Balancing Indebtedness;

ADSAP_i is the Adjusted System Average Price for a Day, 'i', being any Day falling during the relevant period, which shall be the System Average Price for that Day 'i'; except where either:

- (i) the SAP the Day 'i', is greater than the mean of the SAPs for the previous 10 days plus 1.96 times the standard deviation of the SAPs for the previous 10 days ("**the Upper Limit**"), in which case the ADSAP shall be equal to the Upper Limit; or
- (ii) SAP the Day 'i', is less than the mean of the SAPs for the previous 10 days minus 1.96 times the standard deviation of the SAPs for the previous 10 days ("**the Lower Limit**"), in which case the ADSAP shall be equal to the Lower Limit.

DI_j is the User's Daily Imbalance for the Day 'j' falling during the Imbalance Period (being a positive or (as the case may be) negative amount in accordance with Section E5.1.2);

d is the relevant Day;

n is the number of days in the relevant period;

"relevant period" is the period from (and including) the 7th Business Day preceding the relevant Day, d, until (and including) the Day preceding the relevant Day ('d-1');

"Imbalance Period" is the period from and including nine Days preceding the day 'i-n' until (and including) the day 'i-n';

- (d) **"Outstanding Relevant Balancing Indebtedness"** for each User (other than the Trading System Operator) means (subject to paragraph (g)) the sum of:

- (i) the net aggregate amount (payable by or to the User) of the Relevant Balancing Charges for each Day of the Uninvoiced Period;
 - (ii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is on or after the calculation Day;
 - (iii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is before the calculation Day and which have not been paid by the User; and
 - (iv) the User's Anticipated Balancing Indebtedness less the amount (excluding any interest earned thereon) of any Cash Call which has been paid by the User and not for the time being applied in or towards payment of any Invoice Amount under paragraph 2.8;
- (e) the "**calculation Day**" is the Day on which Transco NTS makes the calculation under paragraph 2.5.1;
- (f) for the purposes of paragraph (d)(i) the "**Uninvoiced Period**" is the period from the first Day of the earliest Billing Period in respect of which no Energy Balancing Invoice has been submitted to the User up to and including the relevant Day;
- (g) subject to paragraph 2.5.7 in determining the amount of a User's Outstanding Relevant Balancing Indebtedness, Transco NTS will make an appropriate allowance for any material unpaid amount which may be payable to the User pursuant to Section F1.4;
- (h) in determining Outstanding Relevant Balancing Indebtedness, amounts payable by the User shall be positive, and amounts payable to the User shall be negative; and where Outstanding Relevant Balancing Indebtedness would otherwise be negative it shall be deemed (for the purposes of this Section X only) to be zero;
- (i) "**Outstanding Relevant Balancing Indebtedness**" for the Trading System Operator means the sum of:
 - (i) the net aggregate amount (payable by or to the User) of the Relevant Balancing Charges for each Day of the Uninvoiced Period;
 - (ii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is on or after the Calculation Day; and
 - (iii) the Net Invoice Amounts in respect of all Energy Balancing

Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is before the Calculation Day and which have not been paid by the User;

less

- (iv) the amount (excluding any interest earned thereon) of any Cash Call which has been paid by the Trading System Operator and not for the time being applied in or towards payment of any Invoice Amount under paragraph 2.8.

2.5.3 The Relevant Balancing Charges and a User's Anticipated Balancing Indebtedness will be calculated in respect of each Gas Flow Day on the basis of the amounts determined as the User's UDQIs on the basis of initial Entry Allocation Statements, applying (where relevant) the provisions of Section E2.1.8 or E2.1.9, and on the basis of the User's UDQOs determined in accordance with Section E3.

2.5.4 Users acknowledge that:

- (a) subject to paragraphs 2.5.6, 2.7.6 and 2.5.7, the calculation of Relevant Balancing Charges and a User's Anticipated Balancing Indebtedness will disregard any revision of initial Entry Allocation Statements pursuant to Section E2.1.3;
- (b) the calculation of Outstanding Relevant Balancing Indebtedness takes no account of Energy Balancing Charges which either may become payable by Transco NTS to a User, or may become payable by a User to Transco NTS, in respect of Days after the relevant Day and up to the calculation Day.

2.5.5 For the avoidance of doubt paragraph 2.5.4 is without prejudice to the subsequent determination of Energy Balancing Charges for the purposes of submission of an Energy Balancing Invoice.

2.5.6 Subject to paragraph 2.5.7, where:

- (a) any Entry Allocation Statement submitted in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of Section E2.1.3) so as to reduce the UDQI of any User; and
- (b) any User so requests Transco NTS by notice given not less than 5 Days before the Entry Close-out Date; and
- (c) the amount by which such UDQI was so reduced exceeds whichever is the greater of:
 - (i) 2,000,000 kWh (68,260 *therms*); and
 - (ii) an amount determined as 10% of the aggregate of the User's UDQIs (determined as at the time of such request) for all System Entry Points for the relevant Day,

Transco NTS will as soon as reasonably practicable recalculate the amount of all Users' Outstanding Relevant Balancing Indebtedness on the basis of the revised UDQIs under all of the revised Entry Allocation Statements for the relevant Day.

- 2.5.7 Paragraphs 2.5.2(b), 2.5.2(c), 2.5.2(d), 2.5.2(g), 2.5.3, 2.5.4(a) and 2.5.6 shall not apply to the Trading System Operator.

2.6 Cash Calling

- 2.6.1 Where the amount of a User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit, Transco NTS will as soon as reasonably practicable on or after the calculation Day submit to the User a Cash Call.
- 2.6.2 The Cash Call shall be for an amount calculated as the sum (rounded up to the nearest £1,000) of:
- (a) the amount by which the User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit; and
 - (b) an amount equal to 10% of the User's Cash Call Limit.
- 2.6.3 For the purposes of this Section X:
- (a) a "**Cash Call**" is a notice, in the form set out in the Energy Balancing Credit Rules, requiring the User to make payment to Transco NTS of the amount stated in the notice;
 - (b) where the context requires, a reference to a Cash Call includes the amount required to be paid and the requirement to pay such amount.
- 2.6.4 Paragraph 2.10 shall apply where within 28 days of the submission of a Cash Call to a User Transco NTS submits a further Cash Call (including a revised Cash Call pursuant to paragraph 2.7.3) to the same User.
- 2.6.5 Subject to paragraph 2.6.6, where a Cash Call or Further Security Request is submitted on a Day which is not a Business Day, or after 15:00 hours on a Business Day, it shall be treated as having been made on the next following Business Day.
- 2.6.6 Paragraph 2.6.5 shall not apply to a revised Cash Call made pursuant to paragraph 2.7.3.

2.7 Cash Call Appeals

- 2.7.1 Where:
- (a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
 - (b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20% of the User's Cash Call Limit; and
 - (c) the User considers that the amount of the relevant Cash Call has been calculated erroneously,

the User may, not later than 12:00 hours on the Business Day on which the relevant Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(a)) due for payment, so notify Transco NTS, specifying in as much detail as is possible the

User's reasons for so considering.

2.7.2 Where a User gives a notification under paragraph 2.7.1:

- (a) the relevant Cash Call (and the obligation of the User to make payment thereof) will be suspended, subject to paragraph 2.7.3;
- (b) Transco NTS will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Balancing Indebtedness;
- (c) if requested by Transco NTS the User shall provide by telephone or facsimile any further details or explanation of its view.

2.7.3 Following its review under paragraph 2.7.2(a) Transco NTS will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.7.1):

- (a) where it is reasonably satisfied that there has been or may have been such an error, withdraw the relevant Cash Call or revise the relevant Cash Call accordingly and submit the revised Cash Call to the User;
- (b) otherwise, notify the User that the original Cash Call remains valid (and is no longer suspended);

and any such revised Cash Call or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

2.7.4 A User may not give a further notification under paragraph 2.7.1 to Transco NTS in respect of the relevant Cash Call (whether or not revised under paragraph 2.7.3).

2.7.5 Where:

- (a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- (b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20 % of the User's Cash Call Limit;
- (c) any Entry Allocation Statement submitted by or on behalf of the User in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of Section E2.1.3) so as to increase the User's UDQI;
- (d) the amount by which such UDQI was so increased exceeds whichever is the greater of:
 - (i) 500,000 kWh (*17,060 therms*); and
 - (ii) an amount determined as 5% of the aggregate of the User's UDQIs (determined at the relevant time) for all System Entry Points for the Day referred to in paragraph (c),

the User may, not later than 12:00 hours on the Day on which the Cash Call is (in

accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(a)) due for payment, by notice to Transco NTS request Transco NTS to recalculate the amount of the User's Outstanding Relevant Balancing Indebtedness on the basis of such revised UDQI.

- 2.7.6 Where a User makes a request under paragraph 2.7.5 Transco NTS will as soon as reasonably practicable (and wherever possible within 24 hours after such request) withdraw the relevant Cash Call or revise (on the basis of the recalculated Outstanding Relevant Balancing Indebtedness) the relevant Cash Call and submit the revised Cash Call to the User.
- 2.7.7 Without prejudice to paragraph 2.5.6, Transco NTS will not be required to recalculate the Outstanding Relevant Balancing Indebtedness of any other User by reason of a request under paragraph 2.7.5.
- 2.7.8 Where a User gives a notification under paragraph 2.7.1 or request under paragraph 2.7.5, further references in this Section X:
 - (a) to the date of a Cash Call are to the Day of Transco NTS's revised Cash Call under paragraph 2.7.3(a) or 2.7.6 or notification to the User under paragraph 2.7.3(b); and
 - (b) to the amount of a Cash Call are to any revised amount under paragraph 2.7.3(a) or 2.7.6.
- 2.7.9 A notification under paragraph 2.7.1 or notice under 2.7.5 shall be given:
 - (a) by facsimile; or
 - (b) by telephone confirmed by facsimile given not later than 17:00 hours on the same Day.

2.8 Payment of Cash Calls

- 2.8.1 A User shall, subject to paragraph 2.7, make payment of the full amount of a Cash Call on the Business Day following the Day on which the Cash Call was made.
- 2.8.2 Sections S3.2.1 and S3.3 shall apply in respect of the payment of a Cash Call.
- 2.8.3 Where a User pays an amount ("**Cash Call Payment**") in respect of a Cash Call:
 - (a) where there is any amount (in respect of Energy Balancing Charges) unpaid by the User under an Energy Balancing Invoice for which the Invoice Due Date was before the date on which the Cash Call was paid, Transco NTS will apply the Cash Call Payment in or towards payment of such unpaid amount;
 - (b) except as provided in paragraph (a) Transco NTS will (unless it required payment by the User to be made to such account) as soon as reasonably practicable after receipt thereof pay the Cash Call Payment (or the balance thereof after application under paragraph (a)) into a Cash Call Account.
- 2.8.4 In relation to each User a Cash Call Account is a separately designated sub-account of a general interest bearing account in the name of Transco NTS at any branch in the United Kingdom of a bank at which Transco NTS maintains accounts other than pursuant to this paragraph 2.8 (which account may be the account to which the User is

to make payment pursuant to and in accordance with Section S3.2.1).

- 2.8.5 The moneys (including interest) for the time being standing to the credit of a Cash Call Account shall belong beneficially and absolutely to Transco NTS and (without prejudice to paragraph 2.8.6) there shall be no implied or constructive trust in respect thereof in favour of the User, and Transco NTS shall be under no obligation to repay any of such moneys to the User.
- 2.8.6 Subject to paragraph 2.8.7, where at any time:
- (a) there is any amount standing to the credit of a User's Cash Call Account;
 - (b) the User's Outstanding Relevant Balancing Indebtedness is less than 90% of the User's Cash Call Limit; and
 - (c) the User is not a Defaulting User,

Transco NTS will if requested by the User pay to the User an amount equal to the amount standing to the credit of the Cash Call Account or (if less) to such part thereof as will, after repayment to the User, result in the User's Outstanding Relevant Balancing Indebtedness being approximately equal to 90% of the User's Cash Call Limit.

- 2.8.7 A User may not make a request pursuant to paragraph 2.8.6 less than 5 Days before the Invoice Due Date in respect of any Energy Balancing Invoice, and Transco NTS shall be entitled to disregard any such request purportedly so made.
- 2.8.8 The amount standing to the credit of a User's Cash Call Account together with interest accrued thereon (after deducting an amount equal to any payment to the User under paragraph 2.8.6) will be applied by Transco NTS in or (pro rata) towards payment of the Invoice Amounts in respect of Energy Balancing Charges under the Energy Balancing Invoice(s) for which the Invoice Due Date(s) next follows the date of payment of the relevant Cash Call Amount.

2.9 Failure to pay Cash Call

- 2.9.1 Where a User has not paid the whole of a Cash Call by the Business Day following the Day on which the Cash Call was made, and irrespective of the amount of the User's Outstanding Relevant Balancing Indebtedness as at any Day after the calculation of the Cash Call, Transco NTS shall be entitled to, and as soon as reasonably practicable after such Business Day will, submit to the User a notice substantially in the form set out the Energy Balancing Credit Rules, notifying the User that Transco NTS may give Termination Notice to the User if the User does not pay the amount of the Cash Call in full by the Business Day following the date of such notice.
- 2.9.2 Where Transco NTS has given notice to a User under paragraph 2.9.1, and until the Cash Call is paid in full, Transco NTS will not pay, and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges, (and no interest shall accrue and be payable on any such amounts from the Invoice Due Date until the day on which the payment is made) and Transco NTS shall instead pay the relevant amounts into the User's Cash Call Account.
- 2.9.3 Where Transco NTS has given notice to a User under paragraph 2.9.1 and the User has

not paid the amount referred to in the notice in full after one Business Day following the date of such notice, Transco NTS shall be entitled to and after such Business Day subject to paragraph 2.9.7 may give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.

- 2.9.4 Transco NTS will send a copy of any notice given under paragraph 2.9.1 or 2.9.3 to the Authority and without prejudice to paragraph 1.2.5, shall notify the Energy Balancing Credit Committee that such notice has been issued.
- 2.9.5 For the avoidance of doubt, Transco NTS will not realise and apply any Security in respect of any Cash Call (the basis on which a Security realised and applied being set out in paragraph 3.2.4(b)).
- 2.9.6 Where Transco NTS has given a Trading Participant a Termination Notice pursuant to this paragraph 2.9 it shall promptly inform the Trading System Operator.
- 2.9.7 Before Transco NTS shall take the action envisaged by paragraph 2.9.3, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after one Business Day following the date of the notice given to the User pursuant to paragraph 2.9.1 and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice, pursuant to paragraph 2.9.3, or whether Transco NTS should defer taking such step.

2.10 Further Security Request

- 2.10.1 Where this paragraph 2.10 applies Transco NTS will as soon as reasonably practicable on or after the date on which the further Cash Call (referred to in paragraph 2.6.4) is submitted submit to the User a Further Security Request.
- 2.10.2 For the purposes of this Section X a "**Further Security Request**" is a notice, in a form set out in the Energy Balancing Credit Rules, requiring the User to provide a further, additional or revised Security in such amount and for such period as determined in accordance with the Energy Balancing Credit Rules.
- 2.10.3 Where:
 - (a) a Further Security Request (the "**relevant**" Further Security Request) has been submitted to a User; and
 - (b) the User considers it inappropriate that it should be required to provide a further, additional or revised Security

the User may, not later than 12:00 hours on the 5th Business Day following the Day on which the Further Security Request was submitted, so notify Transco NTS, specifying in as much detail as possible the User's reasons for so considering.

- 2.10.4 Where a User gives a notification under paragraph 2.10.3:
 - (a) the relevant Further Security Request (and the obligation to provide further, additional or revised Security) will be suspended, subject to paragraph 2.10.5;
 - (b) Transco NTS will review the details provided by the User and will review the

calculations made of the User's Outstanding Relevant Code Indebtedness;

- (c) if requested by Transco NTS the User shall provide by telephone or facsimile any further details or explanation of its view.

2.10.5 Following its review under paragraph 2.10.4, Transco NTS will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.10.3):

- (a) where it is reasonably satisfied that it is inappropriate that the User provide further, additional or revised Security in accordance with the Further Security Request, withdraw the Further Security Request or revise the further, additional or revised Security requested accordingly and submit the revised Further Security Request to the User;
- (b) otherwise, notify the User that the Further Security Request remains valid (and is no longer suspended),

and such revised Further Security Request or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

2.10.6 A User may not give a further notification under paragraph 2.10.3 to Transco NTS in respect of a relevant Further Security Request (whether or not revised under paragraph 2.10.5).

2.10.7 Where Transco NTS has submitted a Further Security Request to a User, the User shall, subject to paragraph 2.10.4, provide further, additional or revised Security in such amount and for such period as determined in accordance with the Energy Balancing Credit Rules.

2.10.8 Where Transco NTS has submitted a revised Further Security Request or notified a User that a Further Security Request remains valid pursuant to paragraph 2.10.5 until the further additional or revised Security is provided in accordance with the Further Security Request a User may not make a request pursuant to paragraph 2.8.6 and Transco NTS shall:

- (a) be entitled to disregard a request purportedly so made pursuant to paragraph 2.8.6; and
- (b) be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of any amounts payable to the User in respect of Energy Balancing Charges.

2.10.9 Where a User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the 8th Business Day following:

- (a) the date the Further Security Request was submitted; or
- (b) where the User has given a notification under paragraph 2.10.4, the date the revised Further Security Request was submitted or the date the User was notified that the Further Security Request remains valid pursuant to paragraph 2.10.5,

Transco NTS shall submit to the User a Failure to Supply Further Security Notice in a form set out in the Energy Balancing Credit Rules. Without prejudice to paragraph 1.2.5, Transco NTS shall notify the Energy Balancing Credit Committee that such a notice has been issued.

- 2.10.10 Subject to paragraph 2.10.12, where the User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the 7th Business Day following the date the Failure to Supply Further Security Notice was submitted and irrespective of the User's Outstanding Relevant Code Indebtedness as at any Day after the submission of the Further Security Request, Transco NTS shall be entitled to, and as soon as reasonably practicable thereafter may, give Termination Notice to the User (for the purposes of Section V4.3.3) to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice and Transco NTS shall send a copy of any notice given under this paragraph 2.10.10 to the Authority.
- 2.10.11 It shall not be a condition to Transco NTS's giving Termination Notice under paragraph 2.10.10 that Transco NTS shall first have made any call upon or taken any steps to enforce or realise any Security.
- 2.10.12 Before Transco NTS shall take the action envisaged by paragraph 2.10.10, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after the 7th Business Day following the date the Failure to Supply Further Security Notice was submitted and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice, pursuant to paragraph 2.10.10, or whether Transco NTS should defer taking such step.

2.11 Trading System Operator

- 2.11.1 Without prejudice to the implementation of the other provisions of this Section X in relation to the Trading System Operator, paragraph 2.11.2 shall also apply in relation to the Trading System Operator (and not in relation to any other User).
- 2.11.2 Where the amount of the Trading System Operator's Outstanding Relevant Balancing Indebtedness exceeds 60% of its Secured Credit Limit:
- (a) Transco NTS shall convene a meeting of the Energy Balancing Credit Committee, to be held as soon as is reasonable;
 - (b) the Energy Balancing Credit Committee shall consider the delayed or modified implementation of the provisions of this Section X in relation to the Trading System Operator; and
 - (c) where the Energy Balancing Credit Committee approves the delayed or modified implementation of the provisions of this Section X in relation to the Trading System Operator, Transco NTS shall implement the provisions of this Section X in the manner and for such period as the Energy Balancing Credit Committee has approved.
- 2.11.3 For the purposes of paragraph 2.11.2(b), the Energy Balancing Credit Committee may:
- (a) delay the application of paragraph 2.6 until such time as the Trading System

Operator's Outstanding Relevant Balancing Indebtedness exceeds such other amount as the Energy Balancing Credit Committee approves (which such amount may exceed 100% of the Trading System Operator's Secured Credit Limit);

- (b) authorise Transco NTS to withhold amounts payable to the Trading System Operator by Transco NTS pursuant to any Energy Balancing Invoice until such time as the Trading System Operator's Outstanding Relevant Balancing Indebtedness no longer exceeds such amount as the Energy Balancing Credit Committee has approved;
- (c) authorise Transco NTS to withhold the payment of interest payable to the Trading System Operator pursuant to Section S (and where Transco NTS is so authorised Transco NTS shall be relieved from its obligation to pay interest under Section S);
- (d) authorise Transco NTS to take other such steps in respect of the implementation of the provisions of this Section X as it considers to be reasonable; and
- (e) require the Trading System Operator to take such steps as it considers, in the context of this Section X, to be reasonable.

2.11.4 For the purposes of this paragraph 2.11, the Energy Balancing Credit Committee may, for such period as the Energy Balancing Credit Committee determines, request:

- (a) Transco NTS provide details of any steps taken by Transco NTS in implementing the provisions of this Section X in relation to the Trading System Operator;
- (b) the Trading System Operator provide details of:
 - (i) the levels of security cover and other credit facility and security arrangements in place with Users and third parties for the purposes of the Trading System Arrangements ("**other credit arrangements**");
 - (ii) historic and current levels of utilisation of credit facilities by Users under the other credit arrangements;
 - (iii) current projections of its future cash flows;
 - (iv) any steps taken by the Trading System Operator in relation to Users pursuant to the other credit arrangements; and
 - (v) a trend analysis of the Trading System Operator's trading activities and data on the movement of the Trading System Operator's Outstanding Relevant Balancing Indebtedness,

and where requested Transco NTS and the Trading System Operator shall provide such information as soon as is reasonably practicable.

2.11.5 Nothing in paragraph 2.11.4 shall require Transco NTS or the Trading System Operator to disclose information which it is otherwise prohibited from disclosing pursuant to this

Section V5 or the Trading System Arrangements.

3 PAYMENT OF ENERGY BALANCING INVOICES

3.1 Resolution of queries after payment in full

It is agreed that, notwithstanding Section S4.2.2, Users shall pay the Net Invoice Amount under each Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding any Invoice Query (and accordingly that Section S4.3 will apply in respect of any such Invoice Query).

3.2 Failure to make payment

3.2.1 Where a User does not pay the Net Invoice Amount under an Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding Section V4.3.1(a) Transco NTS shall be entitled to, and as soon as reasonably practicable after the Invoice Due Date will, submit to the User a notice, substantially in the form set out in the Energy Balancing Credit Rules, notifying the User that Transco NTS will give Termination Notice to the User if the User does not pay the outstanding amount of the Net Invoice Amount in full by the 5th Business Day after the date of such notice.

3.2.2 Where Transco NTS has given notice to a User under paragraph 3.2.1 and the User has not paid the outstanding amount of the Net Invoice Amount in full by the 5th Business Day following the date of such notice, Transco NTS shall be entitled to and, subject to paragraph 3.2.5, as soon as reasonably practicable after such 5th Business Day may, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.

3.2.3 Transco NTS will send a copy of any notice given under paragraph 3.2.1 or 3.2.2 to the Authority and without prejudice to paragraph 1.2.5, will notify the Energy Balancing Credit Committee that such a notice has been issued.

3.2.4 Where:

- (a) Transco NTS has given notice to a User under paragraph 3.2.1, and until the Net Invoice Amount under the relevant Energy Balancing Invoice is paid in full; or
- (b) a User is a Defaulting User

Transco NTS will not pay and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges ("**relevant amounts**") (and no interest shall accrue and be payable on any such amounts from the Invoice Due Date until the day on which the payment is made) and Transco NTS shall instead pay the relevant amounts into the User's Cash Call Account.

3.2.5 Before Transco NTS shall take the action envisaged by paragraph 3.2.2, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after the 5th Business Day following the date of the notice given to the User pursuant to paragraph 3.2.1 and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to

issue the Termination Notice pursuant to paragraph 3.2.2, or whether Transco NTS should defer taking such step.

3.3 Securities

3.3.1 Transco NTS may make or take any step to enforce and realise any Security at any time after Transco NTS has given notice to the User under paragraph 3.2.1 at which any part of the Net Invoice Amount under any Energy Balancing Invoice remains outstanding.

3.3.2 It shall not be a condition to Transco NTS's giving Termination Notice under paragraph 3.2.2 that Transco NTS shall first have taken any steps to enforce or realise any Security.

3.4 Enforcement and recovery steps

3.4.1 For the purposes of this paragraph:

- (a) **"Transportation Debt"** means unpaid indebtedness of a defaulting User in respect of any amount payable under the Code other than Energy Balancing Charges;
- (b) **"Energy Balancing Debt"** means unpaid indebtedness of a defaulting User in respect of Energy Balancing Charges;
- (c) **"Recovery Steps"** are any steps (including any proceedings in any court, and including the defence of any counterclaim or other claim, proceeding or application made or brought by the User or a provider of security in connection with any such step taken by Transco NTS) taken by Transco NTS to recover any Energy Balancing Debt or Transportation Debt from a defaulting User, or to enforce or realise any security (including Security) provided by a defaulting User, or to enforce any judgment against a defaulting User, or to make any claim in any insolvency proceedings relating to a defaulting User;
- (d) **"Recovered Amounts"** means amounts recovered (by way of payment of debt or damages or otherwise) by Transco NTS as a result of taking Recovery Steps;
- (e) **"Recovery Costs"** means all fees, costs and expenses (including any payments Transco NTS may be required to make by way of damages or costs or otherwise by any court) incurred by Transco NTS in taking Recovery Steps (but not including amounts in respect of Transco NTS 's own internal costs and expenses);
- (f) Recovered Amounts or Recovery Costs are:
 - (i) **"energy balancing exclusive"** where such amounts or costs were recovered or incurred:
 - (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to a Security; or
 - (2) after Transco NTS has informed the Energy Balancing Credit Committee that Transco NTS has decided not to take further Recovery Steps in respect of Transportation Debt;

(ii) **"transportation exclusive"** where such amounts or costs were recovered or incurred:

- (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to an instrument which secures only Transportation Debt; or
- (2) after Transco NTS has been requested by the Energy Balancing Credit Committee not to take further Recovery Steps in respect of the relevant Energy Balancing Debt;

and otherwise are **"shared"**;

- (g) the **"energy balancing proportion"** and the **"transportation proportion"** are the aggregate amounts of a defaulting User's Energy Balancing Debt or (as the case may be) Transportation Debt outstanding at the User Discontinuance Date, and before the application of any Recovered Amounts in or towards satisfaction of such amounts, each as a proportion of the sum of such amounts;
- (h) particular Recovered Amounts and Recovery Costs are **"associated"** where such amounts are recovered pursuant to Recovery Steps in taking which such costs are incurred.

3.4.2 Transco NTS agrees that it will, subject to the further provisions of this paragraph 3.4, take all reasonable steps to recover Energy Balancing Debt from a defaulting User, and to enforce and realise the Security provided by a defaulting User; provided that nothing in this Section X shall require Transco NTS to initiate or continue any Recovery Steps where to do so would in Transco NTS's reasonable opinion expose Transco NTS or any representative of Transco NTS to any material risk or liability against which Transco NTS is not adequately protected by virtue of paragraphs 3.4.4 and 3.4.6.

3.4.3 Transco NTS will consult with the Energy Balancing Credit Committee and keep such committee reasonably informed as to the Recovery Steps it takes in relation to Energy Balancing Debt, and circumstances in which Transco NTS does not consider it commercially worthwhile to take or continue to take such Recovery Steps in relation to Transportation Debt; and will and shall be entitled to discontinue taking Recovery Steps (other than any steps necessary for such discontinuance) where the Energy Balancing Credit Committee has authorised it to do so.

3.4.4 Transco NTS shall be entitled to apply any Recovered Amounts first in or towards payment of the associated Recovery Costs.

3.4.5 Subject to Section V4.4.2, the balance (after application in accordance with paragraph 3.4.4) of any Recovered Amounts will be applied as follows:

- (a) in the case of energy balancing exclusive Recovered Amounts, as to the whole of such balance, as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with Section F4 in the month in which Transco NTS receives payment in respect of the Recovery Amount;
- (b) in the case of transportation exclusive Recovered Amounts, as to the whole of such balance, in or towards satisfaction of any Transportation Debt;

- (c) in the case of shared Recovery Amounts, as to the energy balancing proportion thereof (but not exceeding the amount of unpaid Energy Balancing Debt), as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with Section F4 in the month in which Transco NTS receives payment in respect of the Recovery Amount, and as to the transportation proportion thereof, in or towards satisfaction of any Transportation Debt.
- 3.4.6 Where the amount of Transco NTS's Recovery Costs exceeds the amount (if any) of the associated Recovery Amounts:
 - (a) in the case of energy balancing exclusive Recovery Costs, the whole of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with Section F4 in the month in which Transco NTS pays such amount;
 - (b) in the case of shared Recovery Costs, the energy balancing proportion of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with Section F4 in the month in which Transco NTS pays such amount.

4 APPOINTMENT OF RECEIVER

- 4.1 Subject to paragraph 4.2, where Section V4.3.3(b) applies, Transco NTS shall, as soon as reasonably practicable, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date set out in the Termination Notice.
- 4.2 Before Transco NTS shall take the action envisaged by paragraph 4.1, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable following the failure of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) to provide those assurances referred to in Section V4.3.5(b) and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice, pursuant to paragraph 4.1, or whether Transco NTS should defer taking such step.
- 4.3 Subject to paragraph 1.3, Transco NTS shall be entitled to take such action as the Energy Balancing Credit Committee recommends pursuant to the meeting referred to in paragraph 4.2.1 as soon as reasonably practicable.

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION Z – TRANSCO LNG STORAGE FACILITIES

1 GENERAL

1.1 Transco LNG Storage Facilities

- 1.1.1 Subject to the provisions of this Section Z, Users may use a Transco LNG Storage Facility by injecting gas into such facility, by having gas-in-storage within such facility and by withdrawing gas from such facility.

1.2 Injection and withdrawal

- 1.2.1 Transco LNG Storage shall be deemed to be appointed by each User as User Agent for the purposes of:
- (a) submitting Entry Allocation Statements in respect of relevant Storage Connection Points under Section E2.2.1; and
 - (b) submitting Exit Allocation Statements in respect of relevant Storage Connection Points under Section E3.3.1.
- 1.2.2 Subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, the quantity of gas accounted for as injected or withdrawn on a Day to or from a Transco LNG Storage Facility by a User (other than Transco LNG Storage) will be the Storage Nominated Quantity under its Storage Nomination (and subject as aforesaid references to gas injected or withdrawn by a User are to gas so accounted for as injected or withdrawn).
- 1.2.3 Where Users make Input Nominations in respect of the Storage Connection Point of a Transco LNG Storage Facility for a Day for which other Users make Output Nominations in respect of the same Storage Connection Point:
- (a) the quantities injected and withdrawn by such Users shall be determined (in accordance with paragraph 1.2.2) on the basis of the Nominated Quantities; but only the net quantity will be offtaken from or (as the case may be) delivered to the Total System at the relevant Storage Connection Point;
 - (b) Storage Injection Charges and Storage Withdrawal Charges (in accordance with paragraphs 5 and 6) will be payable in respect of the full quantities injected and withdrawn.
- ##### 1.3 Gas-in-storage
- 1.3.1 Subject to paragraph 1.3.4, a User's "**gas-in-storage**" on any Day in a Storage Year in respect of a Transco LNG Storage Facility is:
- (a) the sum of:
 - (i) the User's Opening Storage Balance in accordance with paragraph

- 1.3.5;
- (ii) the quantities of gas injected by the User on Days in that Storage Year up to but not including such Day; and
 - (iii) the quantities subject to Storage Gas Transfers made in favour of the User with effect from Days in that Storage Year up to and including such Day, less
- (b) the sum of:
- (i) the quantities of gas withdrawn by the User on Days in that Storage Year up to but not including such Day; and
 - (ii) the quantities subject to Storage Gas Transfers made by the User with effect from Days in that Storage Year up to and including such Day, in respect of such Transco LNG Storage Facility.
- 1.3.2 A User who has gas-in-storage in a Transco LNG Storage Facility is entitled (subject to and in accordance with this Section Z) to have a quantity of gas, equal to the amount of its gas-in-storage, delivered to the Total System at the relevant Storage Connection Point by way of withdrawal, and (without prejudice to paragraph 4 or paragraph 10.4.1(d)) has no other entitlement in respect of gas-in-storage.
- 1.3.3 For the avoidance of doubt the amount of a User's gas-in-storage in respect of a Transco LNG Storage Facility shall not be reduced in respect of LNG boil-off.
- 1.3.4 Where the amount determined in respect of a User in accordance with paragraph 1.3.1 is negative, the User's gas-in-storage shall be zero and the provisions of paragraph 7 shall apply.
- 1.3.5 A User's "**Opening Storage Balance**" in respect of a Transco LNG Storage Facility for a Storage Year shall be the amount of the User's gas-in-storage (if any) at the end of the Preceding Storage Year plus the quantities (if any) injected and less the quantities (if any) withdrawn by the User on the last Day of the Preceding Storage Year.
- 1.4 Storage Nominations**
- 1.4.1 Save where otherwise provided in this Section Z, Users will make Storage Nominations to Transco LNG Storage Facilities in respect of injections and withdrawals of gas from Transco LNG Facilities.
- 1.4.2 Each User authorises Transco LNG Storage to inject and withdraw gas to and from each Transco LNG Storage Facility pursuant to that User's Storage Nominations made in respect of such facility.
- 1.4.3 Transco LNG Storage will only act on a User's Storage Withdrawal Nominations where such are received (or deemed to be received) by Transco LNG Storage not later than 15:30 hours on the Preceding Day (the "**LNG Storage Withdrawal Nomination Time**"). Subject to the provisions of this Section Z, Transco LNG Storage will only act on a User's Storage Injection Nominations where such are received (or are deemed to be received) by Transco LNG Storage not later than the LNG Storage Injection Nomination Time. For the purposes of this paragraph 1.4.3, the "**LNG Storage**

Injection Nomination Time" is 15:30 hours on the Day fifteen (15) Days prior to the Gas Flow Day to which the Storage Injection Nomination relates.

1.5 Force Majeure

1.5.1 Where on any Day the injection and/or withdrawal of gas from any Transco LNG Storage Facility is affected by any occurrence of Force Majeure affecting Transco LNG Storage:

- (a) Transco LNG Storage may elect that paragraph 1.2.2 shall not apply in respect of such Transco LNG Storage Facility; and
- (b) where Transco LNG Storage so elects in respect of the Transco LNG Storage Facility so affected, the aggregate quantity injected on the Day will be apportioned between Users in the proportions in which they have Available Storage Injectability and the aggregate quantity withdrawn on the Day will be apportioned between Users in the proportions in which they have Available Storage Deliverability, but so that no User shall have apportioned a quantity exceeding the Nominated Quantities under its Storage Nomination.

1.5.2 In determining whether an event or circumstance affecting a particular Transco LNG Storage Facility (the "**first**" such facility) is Force Majeure:

- (a) subject to paragraph (b), the ability of Transco LNG Storage to take (in relation to other Transco LNG Storage Facilities) any step available to it shall be taken into account, except to the extent to which (in Transco LNG Storage's judgement) the event or circumstance may have resulted in the loss of stored gas from the first Transco LNG Storage Facility;
- (b) paragraph (a) shall not require Transco LNG Storage to take any step which would prejudice the security of the Total System or result in an infringement of the requirements of Section R4.4.1;
- (c) the fact that Transco LNG Storage may previously (for the purposes of enabling the performance of its obligations in relation to another Transco LNG Storage Facility) have taken in relation to the first Transco LNG Storage Facility any step under paragraph (a) above shall be taken into account.

1.6 Title and Risk to Gas

1.6.1 Transco LNG Storage shall have title to and risk in all gas contained in any Transco LNG Storage Facility.

1.6.2 Title and risk to gas injected by a User to or withdrawn by a User from a Transco LNG Storage Facility shall be treated as passing from the User to Transco LNG Storage or (as the case may be) from Transco LNG Storage to the User at the same point and at the same time at which title thereto passes from Transco NTS to the User or (as the case may be) from the User to Transco NTS.

1.7 Preceding Storage Year

In relation to any Storage Year the "**Preceding Storage Year**" is the Storage Year ending at the start of such Storage Year.

1.8 Application of this Section Z

Transco LNG Storage and its Users agree that, where the application of this Section Z in respect of Transco NTS when acting for Operating Margins Purposes is modified pursuant to Section K, the provisions of that Section shall prevail over those of this Section Z.

1.9 Renomination effective times

1.9.1 The effective time of any Storage Renomination shall be the time specified as such in the Storage Renomination, provided that such time complies with the provisions of paragraphs 1.9.2 and 1.9.3.

1.9.2 For the purposes of this Section Z, it shall be assumed that any change in the rate of injection of gas into or withdrawal of gas from any Transco LNG Storage Facility by a User will occur on the hour.

1.9.3 The effective time of any Storage Renomination shall:

- (a) be not less than sixty (60) minutes after the time at which the Storage Renomination is submitted by the User to Transco LNG Storage; and
- (b) comply with the injection lead time (for Storage Renominations made in respect of Storage Injection Nominations) or the withdrawal lead time (for Storage Renominations made in respect of Storage Withdrawal Nominations) in respect of the relevant Transco LNG Storage Facility prevailing at the time at which the Storage Renomination is submitted by the User to Transco LNG Storage; and
- (c) comply with paragraph 1.9.2.

1.10 DNO Users

In this Section Z references to Users exclude DNO Users other than a DNO User who is a Storage User.

2 STORAGE CAPACITY

2.1 Storage Capacity

2.1.1 A User must hold capacity ("**Storage Capacity**") in a Transco LNG Storage Facility in order to use the facility.

2.1.2 Storage Capacity comprises Storage Space, Storage Injectability and/or Storage Deliverability.

2.1.3 For the purposes of this Section Z:

- (a) "**Storage Space**" is capacity (in kWh) which entitles the User to have gas-in-storage in a Transco LNG Storage Facility;
- (b) "**Storage Deliverability**" is capacity which entitles the User (provided that it has gas in store) to withdraw gas from a Transco LNG Storage Facility to the Total System;

- (c) **"Storage Injectability"** is capacity which entitles the User (provided that it has sufficient unfilled Available Storage Space) to inject gas into a Transco LNG Storage Facility from the System.
- 2.1.4 Storage Deliverability and Storage Injectability are expressed in kWh/Day.
- 2.1.5 The **"Total Storage Capacity"** in respect of a Transco LNG Storage Facility is:
- (a) Storage Space (**"Total Storage Space"**) equivalent to the maximum quantity of gas that Transco LNG Storage determines can be withdrawn during the Storage Year from the facility when full of stored gas, after allowing for LNG boil-off; and/or
 - (b) Storage Deliverability (**"Total Storage Deliverability"**) equivalent to the maximum quantity of gas that Transco LNG Storage determines can be withdrawn from the facility in a period of 24 hours; and/or
 - (c) Storage Injectability (**"Total Storage Injectability"**) equivalent to the maximum quantity of gas that Transco LNG Storage determines can be injected into the facility in a period of 24 hours.
- 2.1.6 The **"Maximum Storage Capacity"** in respect of a Transco LNG Storage Facility at any time is:
- (a) Storage Space (**"Maximum Storage Space"**) determined as the Total Storage Space less the amount of Storage Space at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8, and Tanker Filling Arrangements in accordance with paragraph 2.9 and Operating Margins Requirements; and/or
 - (b) Storage Deliverability (**"Maximum Storage Deliverability"**) determined as the Total Storage Deliverability less the amount of Storage Deliverability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8 and Operating Margins Requirements; and/or
 - (c) Storage Injectability (**"Maximum Storage Injectability"**) determined as the Total Storage Injectability less the amount of Storage Injectability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8, Tanker Filling Arrangements in accordance with paragraph 2.9 and Operating Margins Requirements,
- as specified for a Storage Year in the Annual Storage Invitation (in accordance with paragraph 3).
- 2.1.7 Subject to paragraph 2.8.2, in paragraphs 4, 5, 6 and 7 of this Section Z a reference to a User (in relation to a Transco LNG Storage Facility) is to a User who holds Storage Capacity or has gas-in-storage in that facility.

2.2 Storage capacity registration

- 2.2.1 A User may apply for and (if its application is approved in accordance with paragraph 3.2.3) will be registered as holding Storage Capacity in accordance with paragraph 2.9.2.

2.2.2 For the purposes of this Section Z:

- (a) a User's "**Registered**" Storage Space or Storage Injectability or Storage Deliverability in relation to a Transco LNG Storage Facility is the Storage Space or Storage Injectability or Storage Deliverability which the User is registered (in accordance with this Section Z) as holding in that facility on the Gas Flow Day;
- (b) the User's "**Available**" Storage Space or Storage Injectability or Storage Deliverability in relation to a Transco LNG Storage Facility is the Storage Space or Storage Injectability or Storage Deliverability which the User holds on the Gas Flow Day in that facility after taking account of any Storage Capacity Transfer, determined in accordance with paragraph 4.4.2.

2.2.3 Except in the case of a Long Term Storage Arrangement under paragraph 2.8, a User will be registered as holding Storage Capacity for the period commencing with the start of the Storage Year (or the date of registration in accordance with paragraph 3.7.2 if later) and expiring at the end of the Storage Year; and until the end of the Storage Year the User's Registered Storage Capacity shall not be reduced and (subject to paragraph 10.3) the registration shall not be terminated.

2.3 Storage Duration

2.3.1 For the purposes of the Code the "**Storage Duration**" of the Storage Capacity applied for or registered as held by a User in a Transco LNG Storage Facility is the number of Days obtained by dividing the Storage Space by the Storage Deliverability applied for or registered as held by the User in that facility.

2.3.2 Where a User applies under this Section Z for Storage Capacity the Storage Duration of the Storage Capacity applied for shall be that specified in the Annual Storage Invitation (but the Storage Duration of the Storage Capacity which a User is registered as holding may differ in accordance with paragraph 2.9).

2.4 Unfilled Storage Space

For the purposes of the Code a User's "**unfilled**" Storage Space in a Transco LNG Storage Facility is the amount by which at any time the User's Available Storage Space exceeds its gas-in-storage in that facility, and "**filled**" and "**fill**" Storage Space are to be construed accordingly.

2.5 Uncommitted Storage Capacity

At any time the "**Uncommitted**" Storage Space or Storage Injectability or Storage Deliverability of a Transco LNG Storage Facility is the Maximum Storage Space or Maximum Storage Injectability or Maximum Storage Deliverability less the aggregate Storage Space or Storage Injectability or Storage Deliverability at such time registered as held by Users or Transco NTS pursuant to applications, or subject to applications made but not yet approved, under paragraphs 3, 3.5 and 3.7 and Section K.

2.6 Storage Capacity Charges

2.6.1 A User shall pay Storage Capacity Charges in respect of its Registered Storage Capacity in Transco LNG Storage Facilities in accordance with the Annual Storage Invitation or

(where applicable) paragraph 3.5.

2.6.2 For the purposes of this Section Z:

- (a) **"Storage Capacity Charge"** means a Storage Space Charge or a Storage Injectability Charge or a Storage Deliverability Charge;
- (b) a **"Storage Deliverability Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Deliverability in a Transco LNG Storage Facility;
- (c) a **"Storage Space Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Space in a Transco LNG Storage Facility;
- (d) a **"Storage Injectability Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Injectability in a Transco LNG Storage Facility.

2.6.3 The **"Applicable Storage Capacity Charge Rate"** means the total of the Applicable Storage Space Charge Rate and the Applicable Storage Injectability Charge Rate and the Applicable Storage Deliverability Charge Rate. The **"Applicable Storage Space Charge Rate"** or **"Applicable Storage Injectability Charge Rate"** or **"Applicable Storage Deliverability Charge Rate"** respectively is the annual rate of the Storage Space Charge or (as the case may be) Storage Injectability Charge or (as the case may be) Storage Deliverability Charge payable (in accordance with paragraph 2.6.1) in respect of:

- (a) Storage Space, in pence per kWh of Storage Space, for a Storage Year;
- (b) Storage Deliverability, in pence per kWh/Day of Storage Deliverability, for a Storage Year;
- (c) Storage Injectability, in pence per kWh/Day of Storage Injectability, for a Storage Year.

2.6.4 Storage Capacity Charges will be invoiced and are payable monthly in accordance with paragraph 8.

2.6.5 Where a User tenders a single composite price, in accordance with paragraph 3.5.4, Transco LNG Storage shall calculate and notify the User of the ratio of the bundled unit of Storage Capacity split between Storage Injectability, Storage Space and Storage Deliverability and the Applicable Storage Capacity Charge Rates no later than 28 April in the Preceding Storage Year.

2.7 System Capacity

For the avoidance of doubt, the provisions of Section B and Section R as to System Capacity in the NTS at the relevant Storage Connection Point apply (in respect of offtake and delivery of gas from and to the Total System) to a User who holds Storage Capacity, in addition to this Section Z.

2.8 Long Term Storage Arrangements

- 2.8.1 Transco LNG Storage may enter into arrangements ("**Long Term Storage Arrangements**") with any User pursuant to which the User will or may hold Storage Capacity for a period of more than 12 months.
- 2.8.2 The terms of this Section Z will apply in respect of Long Term Storage Arrangements except to the extent excluded by or inconsistent with such arrangements; but (unless expressly provided otherwise) references in this Section Z to Users do not include Users in respect of the Storage Capacity held under Long Term Storage Arrangements.
- 2.8.3 Transco LNG Storage will not enter into a Long Term Storage Arrangement, having effect in any Storage Year, between the date of the Annual Storage Invitation for that year and the date on which Storage Capacity is allocated (in accordance with paragraph 3.1.6) pursuant to such invitation.

2.9 Tanker Filling Arrangements

- 2.9.1 Transco LNG Storage may enter into arrangements ("**Tanker Filling Arrangements**") pursuant to which Users that hold Storage Capacity and have gas-in-storage in a Transco LNG Storage Facility and may withdraw gas from such facility as LNG loaded on to road tankers.
- 2.9.2 Under a Tanker Filling Arrangement, the requirement as to Storage Duration of paragraph 2.3 will not apply in respect of the User's Storage Capacity, unless such Storage Capacity was allocated to the User following an application made in response to an Annual Storage Invitation.
- 2.9.3 The provisions of this Section Z (other than paragraph 6) shall apply to Tanker Filling Arrangements, provided that the terms applicable to the withdrawal of LNG from the relevant Transco LNG Storage Facility into road tankers shall be set out in an agreement ("**Tanker Filling Agreement**") between Transco LNG Storage and the User concerned.
- 2.9.4 Until the User has entered into a Tanker Filling Agreement with Transco LNG Storage, the User shall not be entitled to withdraw LNG from the relevant Transco LNG Storage Facility into road tankers.
- 2.9.5 "**Tanker Filling Slot**" is an allotted amount of time on a day during which a User may withdraw gas from an LNG storage facility and load such LNG on to a single road tanker filling to its maximum statutory road capacity or part thereof. An "**Annual Tanker Filling Slot**" is an entitlement, subject to paragraph 2.9.8, to use one Tanker Filling Slot per day during the Storage Year.
- 2.9.6 Transco LNG Storage may invite applications for Annual Tanker Filling Slots in the Annual Storage Invitation. Where a User wishes to apply for an Annual Tanker Filling Slot, it shall submit an application to Transco LNG Storage setting out:
 - (a) the identity of the User;
 - (b) the number of Annual Tanker Filling Slots applied for; and
 - (c) such other information as the Annual Storage Invitation may require.
- 2.9.7 Where applications made for Annual Tanker Filling Slots exceed in aggregate the

number of Annual Tanker Filling Slots available at the Transco LNG Storage Facility in question, then Transco LNG Storage will allocate Annual Tanker Filling Slots to each User in the proportion that the number of Annual Tanker Filling Slots applied for by that User at the Transco LNG Storage Facility in question bear to the total number of the Annual Tanker Filling Slots applied for by all Users at the Transco LNG Storage Facility in question.

2.9.8 Tanker Filling Slots will not be available on days when the tanker filling equipment is undergoing maintenance, as such planned maintenance days are set out in the Annual Storage Invitation. In addition to these planned maintenance days, Transco LNG Storage shall be entitled to give notice of up to five additional maintenance days within the Storage Year. Transco LNG Storage will give not less than two weeks' notice of any changes to any planned (or additional) maintenance days. For each change to planned (or additional) maintenance days, where notification is not given within this period, Users will be entitled to compensation equal to 1/365th of the annual charge per allocated Tanker Filling Slot.

2.9.9 A User will pay:

- (a) the prices set out in Transco NTS's Transporter's Licence for the supply of Tanker Filling Arrangements prior to the Transco LNG Invitation Close Date for the Storage Year in question; and/or
- (b) the charges set out in the relevant Annual Storage Invitation for the supply of Tanker Filling Arrangements in accordance with paragraph 3.1.

3 APPLICATION FOR STORAGE CAPACITY

3.1 Annual Storage Invitation

3.1.1 For each Storage Year Transco LNG Storage will, not later than 1 March in the Preceding Storage Year, invite (in accordance with paragraph 3.1.2) applications for Storage Capacity in each Transco LNG Storage Facility.

3.1.2 For each Transco LNG Storage Facility, Transco LNG Storage may invite (as to the whole of the Maximum Storage Capacity) applications for Storage Space and/or Storage Injectability and/or Storage Deliverability either:

- (a) on the basis of allocation under paragraph 3.4; or
- (b) by way of a tender on the basis of price, for allocation under paragraph 3.5.

3.1.3 Transco LNG Storage's invitation (the "**Annual Storage Invitation**") under paragraph 3.1.1 will specify in respect of each Transco LNG Storage Facility:

- (a) the date ("**Transco LNG Invitation Close Date**") by which applications pursuant to such invitation must be made, which shall not be less than 30 Days after the date of the invitation;
- (b) the Maximum Storage Space, Maximum Storage Injectability and Maximum Storage Deliverability as at the date of the Annual Storage Invitation;
- (c) whether the invitation is made under paragraph 3.1.2(a) or 3.1.2(b);

- (d) where the invitation is made under paragraph 3.1.2(a), the Applicable Storage Space Charge Rate, the Applicable Storage Injectability Charge Rate and the Applicable Storage Deliverability Charge Rate;
 - (e) where the invitation is made under paragraph 3.1.2(b), the fixed Storage Duration in accordance with paragraph 3.5.4, the ratio of Storage Injectability to Storage Space for each Transco LNG Storage Facility and a late-booking rate for the purposes of paragraph 3.7.7;
 - (f) the charges for injection and withdrawal and periods to which such charges apply in accordance with paragraphs 5 and 6;
 - (g) in the case of each Transco LNG Storage Facility which is also a Constrained Storage Facility, the details specified by Transco NTS under R4.1.3 and the required percentages for the purposes of paragraph R4.4.3;
 - (h) in the case of a relevant Transco LNG Storage Facility, charges for Tanker Filling Arrangements;
 - (i) for each of the months May to September inclusive, the amount of the charge (the "**Carry-over Charge**") (in kWh/Day) that will apply to such of the User's Permitted Uncovered Amount as is left in a Transco LNG Storage Facility; and
 - (j) such other matters as may be provided for in this Section Z or, not being inconsistent with any provision of this Section Z, as Transco LNG Storage may reasonably determine.
- 3.1.4 Users may apply (in accordance with paragraph 3.2) for Storage Capacity in each Transco LNG Storage Facility pursuant to the Annual Storage Invitation at any time up to, but (without prejudice to paragraph 3.7) not after, the Transco LNG Invitation Close Date.
- 3.1.5 A User must make a separate application in respect of each Transco LNG Storage Facility in which it applies for Storage Capacity (but such applications may be submitted in a single application form).
- 3.1.6 Each User whose application is approved in accordance with paragraph 3.2.3 will be registered as holding the Storage Capacity allocated (in accordance with paragraph 3.4 or 3.5) to it, and Transco LNG Storage will inform each User of its Registered Storage Capacity in respect of each Transco LNG Storage Facility not later than 28 April in the Preceding Storage Year.
- 3.1.7 For the purposes of paragraph 3.1.6, except where (in accordance with paragraph 3.4.2 or paragraph 3.5.5) the Storage Capacity applied for exceeds the Maximum Storage Capacity, each User whose application is approved will be considered to have been allocated the Storage Capacity it applied for.
- 3.1.8 Any terms included in the Annual Storage Invitation pursuant to paragraph 3.1.3(i) shall be deemed to have been accepted by each User who applies for Storage Capacity (whether under paragraph 3.1.4 or paragraph 3.7), and shall apply in addition to the provisions of this Section Z.

3.2 Storage application

3.2.1 An application for Storage Capacity shall specify:

- (a) the identity of the User;
- (b) the Transco LNG Storage Facility;
- (c) the amount of Storage Space, the amount of Storage Injectability and the amount of Storage Deliverability, subject to the Storage Duration as defined in paragraph 2.3.2, and the relevant Annual Storage Invitation) for which the application is made;
- (d) where the Annual Storage Invitation was made under paragraph 3.1.2(b) and the application is made pursuant to that invitation, the annual rates of the charges which the User agrees to pay by way of Storage Capacity Charges in respect of the Storage Capacity allocated to it;
- (e) where the Annual Storage Invitation was made under paragraph 3.1.2(a) and the application is made pursuant to that invitation, whether the User wishes paragraph 3.4.6 to apply to it, any preference (as to the Transco LNG Storage Facilities in which it is allocated Storage Capacity) for the purposes of paragraph 3.4.5, any ranking for the purposes of paragraph 3.4.7, and any request for the purposes of paragraph 3.4.8; and
- (f) such other matters as the Annual Storage Invitation may (pursuant to paragraph 3.1.3(j) require.

3.2.2 Transco LNG Storage may reject an application for Storage Capacity:

- (a) where the requirements of paragraph 3.2.1 are not complied with; or
- (b) in accordance with paragraph 9.

3.2.3 Transco LNG Storage will approve or reject (under paragraph 3.2.2) applications for Storage Capacity made pursuant to the Annual Storage Invitation before allocating Storage Capacity in accordance with paragraph 3.4 or 3.5 (and references in those paragraphs to applications are to applications which have been so approved).

3.3 Capacity allocation - Operating Margins and Tanker Filling Arrangements

In any Storage Year, Transco NTS and Users shall pay the prices set out in Transco's NTS Transporter's Licence for the supply of services under this Section Z for Operating Margins Purposes and for Tanker Filling Arrangements entered into prior to the Transco LNG Invitation Close Date for the Storage Year in question.

3.4 Capacity allocation: non-price invitation

3.4.1 This paragraph 3.4 applies where the Annual Storage Invitation in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(a).

3.4.2 If applications are made pursuant to the Annual Storage Invitation for Storage Capacity at a Transco LNG Storage Facility in aggregate greater than the relevant Maximum Storage Capacity Transco LNG Storage will allocate Storage Capacity between Users whose applications were not rejected in accordance with the further provisions of this

paragraph 3.4.

3.4.3 Where:

- (a) Transco LNG Storage receives and approves applications for Storage Capacity in a Transco LNG Storage Facility in aggregate greater than the Maximum Storage Capacity; and
- (b) any User (an "**electing User**") so elected under paragraph 3.2.1(e)

then unless Transco LNG Storage is able (having regard to any preferences expressed under paragraph 3.2.1(e)) to agree an alternative allocation with all Users who applied for Storage Capacity in Transco LNG Storage Facilities, paragraph 3.4.4 shall apply.

3.4.4 In the circumstances in paragraph 3.4.3, subject to paragraphs 3.4.5 and 3.4.6:

- (a) Transco LNG Storage will determine for each Transco LNG Storage Facility (other than any for which the Annual Storage Invitation was made under paragraph 3.1.2(b)) the ratio between the aggregate Storage Capacity for which such applications were approved and the Maximum Storage Capacity, and will rank the Transco LNG Storage Facilities in order by such ratio (the facility for which Storage Capacity applied for exceeds Maximum Storage Capacity by the greatest proportion ranking first);
- (b) the allocation under this paragraph 3.4 will be carried out in respect of each Transco LNG Storage Facility sequentially, in the order ranked under paragraph (a) starting with the first ranking;
- (c) in carrying out such allocation in respect of each Transco LNG Storage Facility other than the first ranking, each electing User shall be treated as having applied for Storage Capacity in an amount determined by aggregating:
 - (i) the Storage Capacity (if any) specified in its application for such facility; and
 - (ii) Storage Capacity in an amount equal to the amount of Storage Capacity it applied for (or was treated under this paragraph as having applied for), but under the rules in this paragraph 3.4 was not allocated, in the prior-ranking Transco LNG Storage Facility.

3.4.5 For the purposes of paragraph 3.4.4, where a User stipulated under paragraph 3.2.1(e) a ranking of all or any of the Transco LNG Storage Facilities:

- (a) that User will not participate in the allocation under paragraph 3.4.4(c) in respect of any Transco LNG Storage Facility:
 - (i) which the User did not include in its ranking;
 - (ii) which was ranked under paragraph 3.4.4(a) before the Transco LNG Storage Facility ranked first by the User;
- (b) the User will participate in the allocation under paragraph 3.4.4(c):
 - (i) as to the Transco LNG Storage Facility ranked first by the User; and

- (ii) thereafter, only as respects any Transco LNG Storage Facility which was ranked under paragraph 3.4.4(a) after the Transco LNG Storage Facility which the User ranked immediately before it.

3.4.6 A User who did not stipulate a ranking for the purposes of paragraph 3.4.5 may stipulate under paragraph 3.2.1(e) that, if the User is not allocated the entirety of the Storage Capacity applied for in a Transco LNG Storage Facility, the User is not to be allocated any Storage Capacity in such facility; and where any User(s) made such a stipulation, in the circumstances in paragraph 3.4.3 any such User will be allocated no such Storage Capacity unless the result of not allocating Storage Capacity to another such User is that paragraph 3.4.3 no longer applies.

3.5 Capacity allocation: price tender

3.5.1 This paragraph 3.5 applies where the Annual Storage Invitation in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(b), and references in this paragraph 3.5 to Storage Capacity are references to Storage Space, Storage Injectability, Storage Deliverability or any combination of them, as appropriate.

3.5.2 Each User (excluding Transco NTS for Operating Margins Purposes and/or Users in respect of Tanker Filling Arrangements for the forthcoming Storage Year entered into prior to the Transco LNG Invitation Close Date) who applies for Storage Capacity shall tender a price or prices (in accordance with paragraph 3.2.1(d)), and agrees by making such application to pay by way of Storage Capacity Charges the prices so tendered in respect of the amounts of Storage Capacity allocated in accordance with this paragraph 3.5.

3.5.3 In this paragraph 3.5 "**price**" means the annual rate of the Storage Space Charge, the Storage Injectability Charge and/or Storage Deliverability Charge tendered by a User in its application in accordance with paragraph 3.2.1(d).

3.5.4 Transco LNG Storage will in the Annual Storage Invitation stipulate a fixed Storage Duration in respect of Storage Capacity to be applied for and Users will be required to tender a single composite price.

3.5.5 Transco LNG Storage will allocate Storage Capacity by:

- (a) ranking the applications in order of price; and
- (b) allocating to each application, in descending order of price starting with the highest priced, the amount of Storage Capacity applied for (or part thereof in the case of the lowest-priced application(s) to which Storage Capacity is allocated), until an amount of Storage Capacity equal to the Maximum Storage Capacity has been allocated,

and, where the same price was tendered in two or more applications, ranking such applications equally and allocating Storage Capacity pro rata to the amounts applied for.

3.5.6 Following the determination of each User's allocation of Storage Capacity pursuant to this paragraph 3.5 in respect of each Storage Year, Transco LNG Storage will send to the Authority a statement setting out such allocations and showing how they were (in accordance with this paragraph 3.5) calculated.

3.6 Gas left in storage

3.6.1 For the purposes of this paragraph 3.6, in respect of each Transco LNG Storage Facility, in respect of any Storage Year:

- (a) a "**Carry-over User**" is a User whose Opening Storage Balance exceeds its Available Storage Space on 1 May in the Storage Year;
- (b) a Carry-over User's "**uncovered gas-in-storage**" in a Transco LNG Storage Facility on any Day in the Transco LNG Injection Period is the lesser of:
 - (i) the amount by which its gas-in-storage exceeds whichever is the greater of:
 - (1) the User's Registered Storage Space (allocated pursuant to an application under the Annual Storage Invitation); and
 - (2) the User's Available Storage Space; and
 - (ii) the amount of the User's uncovered gas-in-storage determined in accordance with this paragraph 3.6.1 on any preceding Day in the Transco LNG Injection Period.

3.6.2 A Carry-over User may, on each Day in the Transco LNG Injection Period up to and including 30 September, have uncovered gas-in-storage not exceeding an amount (the "**Permitted Uncovered Amount**") equal to the amount of Empty Storage Space allocated to it under paragraph 3.6.4(b), without the provisions of paragraph 6.4 applying.

3.6.3 Each Carry-over User shall secure that:

- (a) it does not have uncovered gas-in-storage on any Day in an amount exceeding the Permitted Uncovered Amount under paragraph 3.6.2; and
- (b) on 1 October it has no uncovered gas-in-storage;

and where the User does not secure such requirements paragraph 6.4 shall apply.

3.6.4 As at the Day ("**Confirmation Day**") immediately following the LNG Storage Injection Nomination Time in respect of the Gas Flow Day in question, Transco LNG Storage will:

- (a) determine for each Transco LNG Storage Facility in respect of the Gas Flow Day in question (the "**relevant Day**"), on the basis of the accepted Storage Injection Nominations for the relevant Day, the amount ("**Empty Storage Space**"), if any, by which the Maximum Storage Space exceeds the aggregate of:
 - (i) the gas-in-storage of all Users (excluding uncovered gas in storage, but including gas-in-storage of Users holding Special Storage Capacity as at the Confirmation Day); and
 - (ii) the Storage Nomination Quantities in accordance with the accepted Storage Injection Nominations of all Users for each Day from the

Confirmation Day up to and including the relevant Day; and

- (b) allocate (for the purposes of paragraph 3.6.2 only) the Empty Storage Space in respect of each relevant Day between Carry-over Users in proportion to their respective amounts of uncovered gas-in-storage as at the Confirmation Day.
- 3.6.5 Transco LNG Storage will notify to each Carry-over User, on the Confirmation Day, the amount of Empty Storage Space allocated to it in respect of the relevant Day.
- 3.6.6 Carry-over Charges will be invoiced and are payable monthly in accordance with paragraph 8.

3.7 Late booking

- 3.7.1 Subject to paragraph 3.7.2 a User may apply in accordance with paragraph 3.2 for Storage Capacity (or additional Storage Capacity) in any Transco LNG Storage Facility after the Transco LNG Invitation Close Date.
- 3.7.2 Subject to paragraph 3.7.3, Transco LNG Storage will approve or reject the application in accordance with paragraph 3.2.3; and (where the application is approved) the User will be registered as holding the Storage Capacity applied for with effect from the Day of such approval.
- 3.7.3 Transco LNG Storage will notify the User whether the application was approved or rejected within 3 Business Days after the application was made.
- 3.7.4 An application under paragraph 3.7.1 will not be approved if at the time of the application the Storage Space, the Storage Injectability or the Storage Deliverability applied for exceeds the Uncommitted Storage Capacity in the relevant Transco LNG Storage Facility.
- 3.7.5 If the Storage Capacity applied for exceeds the Uncommitted Storage Capacity:
- (a) Transco LNG Storage will (when notifying rejection of the application) so inform the User, specifying the Uncommitted Storage Capacity; and the User may then re-apply for Storage Capacity;
 - (b) if within 2 Business Days after Transco LNG Storage's notification the User so re-applies, such re-application shall be treated (for the purposes of determining the Uncommitted Storage Capacity) as made at the time that its rejected application was made.
- 3.7.6 So far as capable of applying, the terms of the Annual Storage Invitation shall apply in respect of Storage Capacity held pursuant to an application under this paragraph 3.7 (but such an application shall not be treated as made pursuant to the Annual Storage Invitation).
- 3.7.7 Where the Annual Storage Invitation was made under paragraph 3.1.2(b) the rates of the Storage Capacity Charges payable by a User who is registered as holding Storage Capacity under this paragraph 3.7 will (subject to paragraph 3.7.8) be the late-booking rate specified pursuant to paragraph 3.1.3(e) in the Annual Storage Invitation.
- 3.7.8 A User who is registered as holding Storage Capacity under this paragraph 3.7 will pay

Storage Capacity Charges:

- (a) with effect from the Day of such registration, at the Applicable Storage Capacity Charge Rate and in accordance with paragraph 2.6.4;
- (b) in respect of the period from 1 May until the Day before the Day of registration, calculated as

$$(n * P * Q) / 365$$

where:

n is the number of Days from 1 May (inclusive) up to (but not including) the Day of registration;

P is the Applicable Storage Capacity Charge Rate;

and Q is the amount of such Storage Capacity.

- 3.7.9 The amount payable under paragraph 3.7.8(b) will accrue in the registration month and will be invoiced and payable (in accordance with paragraph 8) accordingly.

3.8 Special Storage Capacity

- 3.8.1 Subject to paragraph 3.8.2, in respect of any Storage Year, Transco LNG Storage may (but shall not be required to) enter into arrangements in respect of capacity ("**Special Storage Capacity**") in any Transco LNG Storage Facility, on terms and conditions (specified by Transco LNG Storage in such invitation) which are different from those of this Section Z.

- 3.8.2 Transco LNG Storage may not enter into arrangements in respect of Special Storage Capacity:

- (a) which would conflict in any material way with the rights under this Section Z of any User in respect of Storage Capacity held before such arrangement is entered into; or
- (b) for any period greater than one Storage Year; or
- (c) in respect of any Storage Year, until it has allocated Storage Capacity in respect of that year pursuant to applications made in accordance with paragraph 3.1.4 under the Annual Storage Invitation.

4 STORAGE TRANSFERS

4.1 Basis of transfer

- 4.1.1 A User (the "**Transferor Storage User**") may at any time:

- (a) transfer all or part of its Available Storage Space or its Available Storage Injectability or its Available Storage Deliverability in a Transco LNG Storage

Facility to; or

- (b) make a Storage Gas Transfer in respect of a quantity of gas in relation to a Transco LNG Storage Facility in favour of

another User (the "**Transferee Storage User**"), subject to and in accordance with this paragraph 4.

- 4.1.2 The requirements as to Storage Duration in paragraph 2.3 apply in respect of applications for Storage Capacity, and not Available Storage Capacity; and accordingly a Storage Capacity Transfer may be made disregarding such requirements.

- 4.1.3 For the purposes of this Section Z:

- (a) a "**Storage Space Transfer**", a "**Storage Injectability Transfer**" and a "**Storage Deliverability Transfer**" are respectively a transfer of Storage Space, a transfer of Storage Injectability and a transfer of Storage Deliverability in accordance with paragraph 4.1.1(a) and a "**Storage Capacity Transfer**" is a Storage Space Transfer and/or a Storage Injectability Transfer and/or a Storage Deliverability Transfer;
- (b) a "**Storage Gas Transfer**" is an arrangement between two Users made for the purposes of paragraph 4.5;
- (c) a "**Storage Transfer**" is a Storage Capacity Transfer or a Storage Gas Transfer.

- 4.1.4 A Storage Injectability Transfer may be for any hour or consecutive hours (being full hours only) or Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Injectability Transfer) such capacity and a Storage Deliverability Transfer may be for any hour or consecutive hours (being full hours only) or Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Deliverability Transfer) such capacity; and a Storage Space Transfer shall be for the period from (and including) the date of such transfer until the end of the Storage Year.

- 4.1.5 In respect of a Storage Transfer or proposed Storage Transfer:

- (a) in the case of a Storage Capacity Transfer, the "**Transferred Storage Capacity**" is the Storage Capacity which is (or is to be) transferred;
- (b) in the case of a Storage Gas Transfer, the "**Transferred Gas-in-Storage**" is the quantity subject to such Storage Gas Transfer;
- (c) the "**Storage Transfer Period**" is in the case of a Storage Injectability Transfer or a Storage Deliverability Transfer the hour or hours (being full hours only) or the Day or Days, and in the case of a Storage Space Transfer the period, in accordance with paragraph 4.1.4, for which the transferred capacity is (or is to be) transferred;
- (d) in the case of a Storage Gas Transfer the "**transfer date**" is the Day on and with effect from which the Storage Gas Transfer is to take effect;
- (e) the "**Transfer Storage Facility**" is the Transco LNG Storage Facility at which Storage Capacity is (or is to be) transferred or in respect of which a Storage Gas

Transfer is (or is to be) made.

4.2 Storage Gas and Capacity Transfers

- 4.2.1 A User may not transfer Storage Space or make a Storage Gas Transfer where as a result:
- (a) either the Transferee Storage User or the Transferor Storage User would have gas-in-storage in excess of its Available Storage Space in the Transfer Storage Facility; or
 - (b) in the case of a Constrained Transco LNG Storage Facility, the requirement in Section R4.4.1 would not be satisfied by either the Transferor Storage User or the Transferee Storage User.
- 4.2.2 The Transferred Gas-in-Storage under a Storage Gas Transfer shall not exceed the amount of the Transferor Storage User's gas-in-storage in the Transfer Storage Facility.
- 4.2.3 Transco LNG Storage may but shall not be required to reject a Storage Transfer in respect of which the requirements of paragraph 4.2.1 or 4.2.2 are not satisfied; and where Transco LNG Storage does not reject such a Storage Transfer the Storage Transfer will take effect and a Storage Overrun Charge and/or Storage Management Charge may be payable by either User in accordance with paragraphs 7.1 and 7.3.

4.3 Procedure

- 4.3.1 Where a User proposes to make a Storage Transfer, each of the Transferor Storage User and the Transferee Storage User must notify the proposed Storage Transfer to Transco LNG Storage specifying:
- (a) the identity of the Transferor Storage User and Transferee Storage User;
 - (b) the Transfer Storage Facility;
 - (c) whether the Storage Transfer is a Storage Space Transfer, a Storage Injectability Transfer, a Storage Deliverability Transfer or a Storage Gas Transfer, or a combination in accordance with paragraph 4.3.2;
 - (d) the amount of the Transferred Storage Capacity, or (as the case may be) Transferred Gas-in-Storage; and
 - (e) in the case of a Storage Capacity Transfer, the Storage Transfer Period, or in the case of a Storage Gas Transfer, the transfer date.
- 4.3.2 A combined notification may (and where required to satisfy the condition in paragraph 4.2.1 shall) be made in respect of a Storage Space Transfer and Storage Gas Transfer at one Transco LNG Storage Facility.
- 4.3.3 A proposed Storage Transfer or a proposed Storage Gas Transfer may not be notified later than 04:00 hours on the transfer date or (as the case may be) Day or first Day of the Storage Transfer Period. A proposed Storage Injectability Transfer or a proposed Storage Deliverability Transfer may not be notified later than one (1) hour prior to the commencement of the Storage Transfer Period.

4.3.4 Transco LNG Storage may reject a Storage Transfer:

- (a) in accordance with paragraph 4.2.3;
- (b) where either the Transferor Storage User or the Transferee Storage User does not notify the Storage Transfer in accordance with paragraph 4.3.1 or 4.3.3; or
- (c) in accordance with paragraph 9.

4.3.5 A Storage Transfer shall be effective if it is approved by Transco LNG Storage or is not rejected by Transco LNG Storage within 60 minutes after it was notified by the Transferor Storage User or (if later) the Transferee Storage User under paragraph 4.3.1.

4.4 Effect of Storage Capacity Transfer

4.4.1 Except for the purposes of paragraph 4.3.3, and subject to paragraph 4.6, the Transferee Storage User will be treated during the Storage Transfer Period as holding the Transferred Storage Capacity.

4.4.2 A User's Available Storage Capacity in a Transco LNG Storage Facility on a Day will be determined as its Registered Storage Capacity, adjusted in respect of any Storage Capacity Transfer(s) (for which that facility is the Transfer Storage Facility and the Storage Transfer Period includes that Day) by adding the Transferred Storage Capacity where the User was the Transferee Storage User, and deducting the Transferred Storage Capacity where the User was the Transferor Storage User, subject to paragraph 4.6.

4.4.3 A User will remain liable for Storage Capacity Charges in respect of its Registered Storage Capacity irrespective of any Storage Capacity Transfer.

4.5 Effect of Storage Gas Transfer

With effect from (and including) the transfer date, the Transferred Gas-in-Storage will be added to the Transferee Storage User's gas-in-storage and deducted from the Transferor Storage User's gas-in-storage in respect of the Transfer Storage Facility.

4.6 Effect of Termination

4.6.1 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferor Storage User ceases, pursuant to paragraph 10, to be a User for the purposes of this Section Z:

- (a) Transco LNG Storage will so notify the Transferee Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Storage Termination Notice to the Transferor Storage User;
- (b) with effect from the Storage Discontinuance Date the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity;
- (c) the Transferee Storage User may elect to be registered in accordance with paragraph 4.6.2 as holding Storage Capacity (in addition to any such capacity held other than by virtue of the Storage Capacity Transfer) in the Transfer Storage Facility:

- (i) in an amount not exceeding the Transferred Storage Capacity; and
- (ii) for (in the case of a Storage Injectability Transfer or a Storage Deliverability Transfer) any hour or consecutive hours (being full hours only) or Day or consecutive Days within the Storage Transfer Period, or (in the case of a Storage Space Transfer) a period from any Day (before or after the date of such election, but not before the Storage Discontinuance Date) in the Storage Transfer Period until the end of the Storage Transfer Period.

4.6.2 Where under paragraph 4.6.1 the Transferee Storage User elects to be registered as holding Storage Capacity:

- (a) the Transferee Storage User shall notify Transco LNG Storage, as soon as reasonably practicable and in any event not more than 5 Business Days after Transco LNG Storage's notice under paragraph 4.6.1(a), of such election, specifying the Storage Capacity and period in accordance with paragraphs 4.6.1(c)(i) and (ii);
- (b) the Transferee Storage User will be registered as holding Storage Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for or the period of registration);
- (c) the Transferee Storage User will accordingly be liable for Storage Capacity Charges in respect of the elected Storage Capacity at the Transfer Storage Facility for the elected period;
- (d) where the Annual Storage Invitation was made under paragraph 3.1.2(b) the Storage Capacity Charges referred to in paragraph (c) will be at the weighted average of the rates of Storage Charges payable by all Users who were allocated Storage Capacity pursuant to such invitation.

4.6.3 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferee Storage User ceases, pursuant to paragraph 10, to be a User for the purposes of Section Z:

- (a) Transco LNG Storage will so notify the Transferor Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving a Storage Termination Notice to the Transferee Storage User;
- (b) with effect from the Storage Discontinuance Date, the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity which will revert to (and be treated as held by) the Transferor Storage User.

4.6.4 For the avoidance of doubt, the fact that a User shall cease to be a User for the purposes of Section Z under paragraph 10 shall not affect any Storage Gas Transfer made before the Storage Discontinuance Date.

5 INJECTION

5.1 Introduction

- 5.1.1 Subject to this paragraph 5, a User may inject gas into a Transco LNG Storage Facility on any Day (including a Day on which gas is being withdrawn from the facility) during the period (the "**Transco LNG Injection Period**") in which Transco LNG Storage will accept injections of gas by such User into the relevant Transco LNG Storage Facility. The Transco LNG Injection Period for each User shall commence on 1 May in the Storage Year and shall end on the later of
- (a) 31 October in the Storage Year; or
 - (b) the first Day in the Storage Year following 31 October:
 - (i) where the User does not have a Storage Nomination Quantity pursuant to a Storage Injection Nomination equal to or greater than its Available Storage Injectability; or
 - (ii) where the User has no unfilled Storage Space; or
 - (iii) which Transco LNG Storage shall determine and notify to Users as the date with effect from which rights to inject gas to a Transco LNG Storage Facility, other than pursuant to paragraph 5.4, shall be terminated.
- 5.1.2 The User may (subject to the provisions of this Section Z) nominate to inject gas at a rate in excess of its available injection rate, but shall not inject a quantity in excess of its unfilled Available Storage Space.
- 5.1.3 Subject to paragraph 5.1.5, Users may not inject gas into a Transco LNG Storage Facility in an Injection Maintenance Period.
- 5.1.4 For the purposes of paragraph 5.1.3, in relation to a Transco LNG Storage Facility:
- (a) an "**Injection Maintenance Period**" is a continuous period of one (1) hour or more in the Transco LNG Injection Period on which the injection facilities of the Transco LNG Storage Facility are withdrawn from service for maintenance;
 - (b) the duration of an Injection Maintenance Period shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event the aggregate total of Injection Maintenance Periods shall not exceed three hundred and sixty (360) hours in any Transco LNG Injection Period;
 - (c) the Injection Maintenance Periods shall be specified in the Annual Storage Invitation, provided that Transco LNG Storage may revise (but without prejudice to paragraph (b)) the periods which are Injection Maintenance Periods in any month by providing for additional maintenance and/or by varying the dates or periods of any maintenance already provided for, upon notifying relevant Users not less than 30 Days (or such lesser period as relevant Users may agree) before:
 - (i) the date on which (following such revision) such maintenance is to commence; or
 - (ii) where the effect of the revision is to defer maintenance, the date of commencement thereof as shown in the Annual Storage Invitation before such revision.

- 5.1.5 Users may inject gas into a Transco LNG Storage Facility during an Injection Maintenance Period to the extent that the Storage Nomination Quantities under the Storage Injection Nominations do not exceed the Nomination Quantities under Storage Withdrawal Nominations for the Injection Maintenance Period in respect of the same facility; and where required the Nomination Quantities under such Storage Injection Nominations will be reduced pro-rata, and Transco LNG Storage will inform relevant Users of the extent of such a pro-rata reduction as soon as practicable.

5.2 Nominations and Renominations

- 5.2.1 A User shall submit Storage Injection Nominations not later than the LNG Storage Injection Nomination Time. Where a User has not submitted a Storage Injection Nomination for the Gas Flow Day by the LNG Storage Injection Nomination Time, the User shall be deemed to have submitted a Storage Injection Nomination in respect of the Gas Flow Day with a Storage Nomination Quantity of zero.
- 5.2.2 Subject to the provisions of this Section Z, a User may make a Storage Renomination in respect of a Storage Injection Nomination.
- 5.2.3 Where a User makes a Storage Injection Nomination or a Storage Renomination of a Storage Injection Nomination (such a Storage Renomination or Storage Nomination a **"relevant Storage Injection Nomination"**) the implied injection rate shall not be less than zero.
- 5.2.4 Where a User makes a relevant Storage Injection Nomination in respect of which the implied injection rate is greater than the available injection rate, the User shall pay a Storage Overrun Charge in accordance with paragraph 7.1.
- 5.2.5 Where a User makes a relevant Storage Injection Nomination in respect of which the implied injection rate is less than zero, Transco LNG Storage may (but shall not be required to) reject the relevant Storage Injection Nomination.
- 5.2.6 For the purposes of this Section Z, in relation to a relevant Storage Injection Nomination:
- (a) the **"available injection rate"** is the rate (in kWh/hour) determined as the sum of:
 - (i) the Available Storage Injectability divided by 24; and
 - (ii) where the User is a party to an arrangement for Special Storage Capacity, the lesser of:
 - (1) the maximum permissible Nomination Quantity thereunder divided by 24;
 - (2) following any reduction to the Nomination Quantity, the User's reduced Nomination Quantity divided by the period (in hours) from the time at which the revision takes effect until the end of the Gas Flow Day;
 - (b) the **"implied injection rate"** is the prevailing injection rate plus (in the case of an increase in Nomination Quantity or System Entry Sell) or minus (in the case

of a decrease in Nomination Quantity or System Entry Buy) the incremental injection rate;

- (c) the "**prevailing injection rate**" is:
 - (i) where no earlier such Renomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User's Storage Injection Nomination divided by 24 (or where the User had made no Storage Injection Nomination, zero);
 - (ii) in any other case, the implied injection rate, determined in accordance with this paragraph 5.2.6, prevailing immediately before the relevant Storage Injection Nomination;
 - (d) the "**incremental injection rate**" is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity divided by the relevant period;
 - (e) the "**relevant period**" is the period in hours calculated from the time when the relevant Storage Injection Nomination becomes effective, and continues until either (i) the time when a further relevant Storage Injection Nomination becomes effective, or (ii) the end of the Gas Flow Day, whichever shall occur first and for the purposes of calculating the relevant period, a relevant Storage Injection Nomination shall become effective at the time the nomination is made or in respect of a Contract Renomination at the time the Physical Market Transaction giving rise to the requirement to make the Contract Renomination was made plus the injection lead time prevailing at such time or the Transaction Effective Time in relation to such Physical Market Transaction if longer.
- 5.2.7 In respect of any Transco LNG Storage Facility the "**injection lead time**", as at any time after the LNG Storage Injection Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before Transco LNG Storage can give effect to an increase or (as the case may be) a decrease in the rate of injection of gas into the facility on the Gas Flow Day. The injection lead time in respect of any Transco LNG Storage Facility shall never be greater than 15 Days.
- 5.2.8 With effect from the LNG Storage Injection Nomination Time Transco LNG Storage will make available to Users the prevailing injection lead times (for an increase and for a decrease) for the Gas Flow Day in respect of each Transco LNG Storage Facility.
- 5.2.9 A User's "**Requested Injection Quantity**" for a Gas Flow Day shall be the Storage Nomination Quantity specified for that Day in the User's prevailing Storage Injection Nomination or Storage Renomination, as the case may be.
- 5.2.10 Where for any Gas Flow Day, the aggregate of all Users' Requested Injection Quantities in respect of a Transco LNG Storage Facility exceeds the Total Storage Injectability of such Transco LNG Storage Facility, the Storage Nomination Quantities of all Users will be revised in accordance with paragraph 5.2.11.
- 5.2.11 For each User a revised Storage Nomination Quantity shall be determined such that each of the following conditions is satisfied:

- (a) the aggregate of the revised Storage Nomination Quantities of all Users is equal to the Total Storage Injectability of the relevant Transco LNG Storage Facility;
- (b) no User has a revised Storage Nomination Quantity greater than its Requested Injection Quantity;
- (c) each User whose Requested Injection Quantity is less than or equal to the User's Available Storage Injectability shall have a revised Storage Nomination Quantity equal to its Requested Injection Quantity; and
- (d) the revised Storage Nomination Quantities of Users whose Requested Injection Quantity exceeds their respective Available Storage Injectability are in the same proportions as their respective Available Storage Injectability.

5.3 Quantity injected

- 5.3.1 In accordance with paragraph 1.2.2, but subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, Transco LNG Storage shall secure that the quantity of gas injected by the User will be the Storage Nominated Quantity under the User's Storage Injection Nomination.

5.4 Injection outside the Transco LNG Injection Period

- 5.4.1 Subject to paragraph 5.4.5, a User who holds unfilled Storage Space in a Transco LNG Storage Facility may make an injection (a "**late injection**") of gas into the facility on a Day after the end of the Transco LNG Injection Period (in the relevant Storage Year) in the circumstances in paragraph 5.4.3.
- 5.4.2 A User who wishes to make a late injection on a Day shall notify Transco LNG Storage not later than the LNG Storage Injection Nomination Time specifying the Transco LNG Storage Facility and the quantity of gas to be injected, which notification may not be withdrawn or amended.
- 5.4.3 The circumstances in which a late injection may take place are:
- (a) where other Users are withdrawing gas from the relevant Transco LNG Storage Facility in quantities in aggregate exceeding the late injection quantity; or
 - (b) where no User is withdrawing gas from the facility, the facility is not being held ready to allow such withdrawals and the injection facilities are not in the course of maintenance or other works and are otherwise capable of being put in operation for the Day and Transco NTS has not notified Transco LNG Storage of any Transportation Constraint which Transco NTS anticipates would arise if such injection were to take place.
- 5.4.4 Transco LNG Storage will make available details of the Transco LNG Storage Facilities in respect of which the circumstances under paragraph 5.4.3 are from time to time satisfied.
- 5.4.5 Transco LNG Storage may at any time (before or within the Gas Flow Day) by giving not less than 60 minutes' notice to the User cancel or discontinue or reduce the rate of any late injection where or to the extent that the circumstances in paragraph 5.4.3 cease or have ceased to be satisfied.

- 5.4.6 The restrictions under this paragraph 5.4 applying to late injections do not apply to NTS for Operating Margins Purposes.

5.5 Injection Charges

- 5.5.1 Users shall pay charges ("**Storage Injection Charges**") in respect of quantities injected into each Transco LNG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were injected.
- 5.5.2 Storage Injection Charges will be invoiced and are payable monthly in accordance with paragraph 8.

5.6 Transco LNG Storage Interruption and Cancellation of Injection

- 5.6.1 Where a User has made a Storage Injection Nomination in respect of a Gas Flow Day for a Storage Nomination Quantity in excess of its available injection rate, Transco LNG Storage may by notice to the User, at any time not later than 12:00 hours on the Preceding Day (or the start of the injection lead time for the Gas Flow Day, if later), interrupt that part of the User's Storage Nomination Quantity that is in excess of the User's available injection rate. In the event of such interruption, no compensation shall be due to the User and the User's Storage Nomination Quantity pursuant to Storage Injection Nominations for such Day(s) will be deemed to be the User's available injection rate multiplied by the number of full remaining hours in the Gas Flow Day.
- 5.6.2 Where it is planned or known before the Gas Flow Day that (by reason of failure, repair or maintenance of such facilities, whether or not resulting from Force Majeure) the injection facilities at a Transco LNG Storage Facility will not be in operation for any reason (other than as a result of interruption by Transco NTS as set out in paragraph 5.8) in any period (not being an Injection Maintenance Period) in the Transco LNG Injection Period, or any period outside the Transco LNG Injection Period in respect of which a User has submitted a notice in accordance with paragraph 5.4:
- (a) Transco LNG Storage may notify Users that injection to that facility for such period is cancelled, by notice ("**cancellation notice**") given not later than 12:00 hours on the Preceding Day, and specifying such period of cancellation; and
 - (b) where a cancellation notice is given, the Users' Storage Nomination Quantities pursuant to Storage Injection Nominations for such Day(s) in which the period falls will be deemed to be reduced to such quantities as may be notified by Transco LNG Storage (provided no User shall have a deemed Storage Nomination Quantity pursuant to this paragraph greater than the Storage Nomination Quantity contained in the User's Storage Injection Nomination(s) for such Day(s)).
- 5.6.3 Where:
- (a) in the circumstances in paragraph 5.6.2 Transco LNG Storage does not give a cancellation notice for a Day; or
 - (b) the injection facilities at a Transco LNG Storage Facility become non-operational after 12:00 hours on the Preceding Day

then, without prejudice to paragraph 1.5, the Storage Nomination Quantities of Users will not be affected and shall be deemed to be those in the prevailing Storage Injection Nominations.

- 5.6.4 For each Day where Transco LNG Storage submits a cancellation notice or cancellation notices pursuant to 5.6.2 for the relevant Transco LNG Storage Facility such that the aggregate period or periods of cancellation exceeds three hundred and sixty (360) hours in the Transco LNG Injection Period, then Transco LNG Storage will pay to each User holding Available Storage Injectability at the relevant Transco LNG Storage Facility for the Gas Flow Day in question an amount calculated as:-

$$C * (U-F)$$

where:

- C is the Applicable Storage Injectability Charge Rate;
- U is the Storage Nomination Quantity under the User's Storage Injection Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Injectability) for the Day; and
- F is the quantity of gas injected or deemed to be injected into the Transco LNG Storage Facility by the User during the Gas Flow Day in question.

5.7 Transco LNG Storage Injection Failure

- 5.7.1 Where for any Day:

- (a) a User makes in respect of a Transco LNG Storage Facility a Storage Injection Nomination which complies with the requirements of this Section Z; and
- (b) Transco LNG Storage is in breach of paragraph 5.3

Transco LNG Storage will pay to the User an amount calculated in accordance with paragraph 5.7.2.

- 5.7.2 The amount payable by Transco LNG Storage shall be determined as:

$$C * (U-F)$$

where:

- C is the Applicable Storage Injectability Charge Rate;
- U is the Storage Nomination Quantity under the User's Storage Injection Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Injectability) for the Day; and
- F is the quantity of gas injected or deemed to be injected into the Transco LNG Storage Facility by the User during the Gas Flow Day in question.

- 5.7.3 Upon any failure of the injection facilities of a Transco LNG Storage Facility:

- (a) Transco LNG Storage will (promptly upon such failure occurring) inform each

relevant User of such failure, and of the approximate quantities already injected by the User, and the estimated impact of such failure upon the quantities to be injected by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure);

- (b) each such User may elect, by making a Renomination of its Storage Injection Nomination, to continue to inject such quantities as Transco LNG Storage have notified are available for injection by the User or to discontinue further injection on the Day.

5.7.4 Where Transco LNG Storage wilfully or recklessly fails to operate (where otherwise capable of operation) the injection facilities of a Transco LNG Storage Facility, the quantity of gas injected by a User into such facility shall, notwithstanding such failure, be equal to the Storage Nominated Quantity (and accordingly paragraph 5.7.1 shall not apply).

5.8 Transco NTS Interruption of Injection

5.8.1 In respect of a Transco LNG Storage Facility, where Transco NTS notified Transco LNG Storage that it requires the interruption of the offtake of gas at a Storage Connection Point pursuant to Section R3.2, Transco LNG Storage may in respect of the Day in relation to which Transco NTS so notified Transco LNG Storage cancel injection or reduce the quantities injected by Users to such facility for the purposes of avoiding or limiting a Transportation Constraint which Transco NTS anticipates would otherwise arise.

5.8.2 Where Transco LNG Storage cancels injection or reduces injection quantities under paragraph 5.8.1, Transco LNG Storage will revise on behalf of Users their Storage Injection Nominations and notify such revised Storage Nomination Quantities as soon as reasonably practicable after the requirement for interruption was known.

5.8.3 Where in respect of a Transco LNG Storage Facility Transco LNG Storage is in receipt of a notice from Transco NTS pursuant to Section R3.2 in respect of the interruption of the offtake of gas at the Storage Connection Point, Transco LNG Storage will indemnify the User and hold it harmless against any charges payable by the User to Transco NTS pursuant to Section G6 in respect of the failure by the User to interrupt the offtake of gas at the relevant Storage Connection Point.

5.9 Emergencies

5.9.1 On any Day during a Gas Supply Emergency Transco LNG Storage may take steps to suspend injection of gas at a Transco LNG Storage Facility in order to comply with Transco NTS's instructions pursuant to Section Q3.3.3 notwithstanding Users' Nominations in respect of such Day, and where Transco LNG Storage takes such steps the aggregate quantity injected on such Day will be apportioned between Users in the same proportions as their respective Storage Nomination Quantities pursuant to Storage Injection Nominations on such Day.

5.9.2 Paragraph 6.7.2 shall apply in the event of a Network Gas Supply Emergency.

5.9.3 Following a Gas Supply Emergency Transco LNG Storage will cooperate with Users with a view to enabling Users to inject quantities into Transco LNG Storage Facilities (notwithstanding such injection may conflict with any requirements under this Section

Z) to replace gas withdrawn from Transco LNG Storage Facilities during the Gas Supply Emergency.

5.10 Storage Injectability Refund

5.10.1 Where a User has satisfied the conditions set out in paragraph 5.10.2, the provisions of paragraph 5.10.3 shall apply.

5.10.2 The conditions referred to in paragraph 5.10.1 are that:

- (a) the User has gas-in-storage less than its Registered Storage Space in a Transco LNG Storage Facility at the end of the Transco LNG Injection Period; and
- (b) the sum of:
 - (i) the User's opening balance; plus
 - (ii) the aggregate of the Storage Nomination Quantities of Storage Injection Nominations made by the User in respect of the relevant Transco LNG Storage Facility during the Transco LNG Injection Period; plus
 - (iii) the aggregate quantities of gas-in-storage transferred to the User as transferee during the Transco LNG Injection Period; less
 - (iv) the aggregate of the Storage Nomination Quantities of Storage Withdrawal Nominations made by the User in respect of the relevant Transco LNG Storage Facility during the Transco LNG Injection Period; less
 - (v) the aggregate quantities of gas-in-storage transferred by the User as transferor during the Transco LNG Injection Period

is (other than as a result of any interruption pursuant to paragraph 5.6.1 or cancellation pursuant to paragraph 5.6.2) greater than or equal to the Registered Storage Space of the User.

5.10.3 Where this paragraph applies, the User shall be entitled (upon giving notice to Transco LNG Storage in accordance with paragraph 5.10.4) to return to Transco LNG Storage an amount of Storage Space equal to the amount of the User's Registered Storage Space which exceeds the User's gas-in-storage, as referred to in paragraph 5.10.2(a).

5.10.4 The notice referred to in paragraph 5.10.3 shall:

- (a) be given with 5 Days of the end of the Transco LNG Injection Period for the User in question; and
- (b) specify the quantity of Storage Space to be returned.

5.10.5 The return referred to above shall take effect on the Day falling 10 Days after the end of the Transco LNG Injection Period for all Users. The User's Registered Storage Space shall be reduced by the amount of Storage Space returned to Transco LNG Storage pursuant to this paragraph 5.10. The Available Storage Space of any other User or Users to whom the returned Registered Storage Space had been transferred pursuant to this Section Z shall likewise be reduced accordingly.

- 5.10.6 Where a return takes effect pursuant to this paragraph 5.10, Transco LNG Storage shall pay to the User an amount equal to the Applicable Storage Space Charge Rate in respect of the quantity of Storage Space returned.

6 WITHDRAWALS

6.1 Entitlement to withdraw

- 6.1.1 Subject to paragraph 6.1.4, a User may withdraw gas from a Transco LNG Storage Facility on any Day (including a Day on which gas is being injected into the facility) during the Storage Year.
- 6.1.2 The User may not withdraw:
- (a) a quantity of gas on a Day which exceeds the User's gas-in-storage;
 - (b) subject to paragraph 7.3, gas at a rate in excess of its available withdrawal rate.
- 6.1.3 For the purposes of enabling Users to make Storage Withdrawal Nominations Transco LNG Storage will provide to Users the calorific value from time to time of gas which may be withdrawn from each Transco LNG Storage Facility.
- 6.1.4 Subject to paragraph 6.1.6, Users may not withdraw gas from a Transco LNG Storage Facility on a Withdrawal Maintenance Day.
- 6.1.5 For the purposes of paragraph 6.1.4, in relation to a Transco LNG Storage Facility:
- (a) a "**Withdrawal Maintenance Day**" is a Day in the period from 1 May to 30 September in any Storage Year on which the withdrawal facilities of the Transco LNG Storage Facility are withdrawn from service for maintenance;
 - (b) the number of Withdrawal Maintenance Days shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event shall not exceed 28 Days in any Storage Year or 70 Days in any three consecutive Storage Years;
 - (c) the Withdrawal Maintenance Days shall be specified in the Annual Storage Invitation, provided that Transco LNG Storage may revise (but without prejudice to paragraph (b)) the Days which are Withdrawal Maintenance Days in any month by notice to relevant Users given not later than the Day before the LNG Storage Injection Nomination Time.
- 6.1.6 Users may withdraw gas from a Transco LNG Storage Facility on a Withdrawal Maintenance Day to the extent that the Storage Nomination Quantities under the Storage Withdrawal Nominations do not exceed the Nomination Quantities under Storage Injection Nominations for the Day in respect of the same facility; and where required the Nomination Quantities under such Storage Withdrawal Nominations will be reduced pro rata, and Transco LNG Storage will inform relevant Users of the extent of such a pro rata reduction as soon as practicable.

6.2 Renominations

- 6.2.1 Subject to the provisions of this Section Z and Section R4, a User may make a Storage

Renomination in respect of a Storage Withdrawal Nomination.

- 6.2.2 Where a User makes a Storage Renomination of a Storage Withdrawal Nomination (such a Storage Renomination or a Storage Nomination a "**relevant Storage Withdrawal Nomination**") the implied withdrawal rate shall not exceed the available withdrawal rate and shall not be less than zero.
- 6.2.3 Where a User makes a relevant Storage Withdrawal Nomination in respect of which the implied withdrawal rate is greater than the available withdrawal rate, the User shall pay:
- (a) a Storage Overrun Charge in accordance with paragraph 7.1; and
 - (b) any Storage Management Charge which may be payable in accordance with paragraph 7.3.
- 6.2.4 Where a User makes a relevant Storage Withdrawal Nomination in respect of which the implied withdrawal rate is less than zero, Transco LNG Storage may (but shall not be required to) reject the relevant Storage Withdrawal Nomination; and where Transco LNG Storage does not reject the relevant Storage Withdrawal Nomination the User shall pay a Storage Management Charge in accordance with paragraph 7.3.
- 6.2.5 For the purposes of this Section Z, in relation to a relevant Storage Withdrawal Nomination:
- (a) the "**available withdrawal rate**" is the rate (in kWh/hour) determined as the sum of:
 - (i) the Available Storage Deliverability divided by 24; and
 - (ii) where the User is a party to an arrangement for Special Storage Capacity, the lesser of:
 - (1) the maximum permissible Nomination Quantity thereunder divided by 24;
 - (2) following any reduction to the Nomination Quantity, the User's reduced Nomination Quantity divided by the period (in hours) from the time which the revision takes effect until the end of the Gas Flow Day;
 - (b) the "**implied withdrawal rate**" is the prevailing withdrawal rate plus (in the case of an increase in Nomination Quantity or a System Entry Buy) or minus (in the case of a decrease in Nomination Quantity or a System Entry Sell) the incremental withdrawal rate;
 - (c) the "**prevailing withdrawal rate**" is:
 - (i) where no earlier such Renomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User's Storage Withdrawal Nomination divided by 24 (or where the User had made no Storage Withdrawal Nomination, zero);
 - (ii) in any other case, the implied withdrawal rate, determined in accordance with this paragraph 6.2.5, prevailing immediately before the

relevant Storage Withdrawal Nomination;

- (d) the "**incremental withdrawal rate**" is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity divided by the relevant period; and
 - (e) the "**relevant period**" is the period in hours calculated from the time when the relevant Storage Withdrawal Nomination becomes effective, and continues until either (i) the time when a further relevant Storage Withdrawal Nomination becomes effective, or (ii) the end of the Gas Flow Day, whichever shall occur first and for the purposes of calculating the relevant period, a relevant Storage Withdrawal Nomination shall become effective at the time the nomination is made or in respect of a Contract Renomination at the time the Physical Market Transaction giving rise to the requirement to make the Contract Renomination was made plus the withdrawal lead time prevailing at such time or the Transaction Effective Time in relation to such Physical Market Transaction if longer.
- 6.2.6 In respect of any Transco LNG Storage Facility the "**withdrawal lead time**", as at any time after the LNG Storage Withdrawal Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before Transco LNG Storage can give effect to an increase or (as the case may be) a decrease in the rate of withdrawal of gas from the facility on the Gas Flow Day.
- 6.2.7 With effect from the LNG Storage Withdrawal Nomination Time Transco LNG Storage will make available to Users the prevailing withdrawal lead times (for an increase and for a decrease) for the Gas Flow Day in respect of each Transco LNG Storage Facility.
- 6.2.8 Where in respect of a Constrained Storage Day a User has made a Storage Withdrawal Nomination in respect of a Constrained Storage Facility which exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)) the User may make a Storage Renomination such that the revised Storage Nomination Quantity is not less than the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)).
- 6.2.9 Transco LNG Storage will determine the operational Standby State for each Transco LNG Storage Facility. Each Transco LNG Storage Facility will be held at the shortest withdrawal lead time on a day where at 16:00 hours on the previous Day, the conditions set out in the Annual Storage Invitation are satisfied.
- 6.2.10 Should Users require a particular facility to be brought to a shorter lead time than the prevailing one then they will be charged at the relevant rate shown in the Annual Storage Invitation unless, for the Day for which shorter lead time is requested, at any time between 16:00 hours on the previous Day and the end of the relevant Day, the conditions in 6.2.7 are satisfied, or the User withdraws gas from the facility on the Day.

6.3 Quantity withdrawn

In accordance with paragraph 1.2.2, but subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, Transco LNG Storage shall secure that the quantity of gas withdrawn by the User will be the Storage Nominated Quantity under the User's Storage Withdrawal Nomination.

6.4 Mandatory Withdrawals

- 6.4.1 Subject to paragraphs 6.4.3 and 6.4.6, where on any Day a User becomes liable to pay a Storage Overrun Charge in accordance with paragraph 7.1.1, the User shall be deemed to have made a Storage Withdrawal Nomination (and accordingly shall withdraw gas), for each of the 5 consecutive Days (Days 1 to 5) following such Day, for a Storage Nomination Quantity determined as $1/n$ times the amount of the User's Excess Gas-in-Storage.
- 6.4.2 For the purposes of paragraph 6.4.1:
- (a) 'n' is 5 for Day 1, 4 for Day 2, 3 for Day 3, 2 for Day 4 and 1 for Day 5;
 - (b) the User's "**Excess Gas in Storage**" on any of Days 1 to 5 is the amount by which the User's gas-in-storage, less the Permitted Uncovered Amount (under paragraph 3.6.2), exceeds its Available Storage Space, on that Day.
- 6.4.3 If the User makes a Storage Withdrawal Nomination for any of Days 1 to 5 for a Storage Nomination Quantity greater than that required under paragraph 6.4.1, the User's Nomination shall prevail over the deemed Nomination under paragraph 6.4.1.
- 6.4.4 The User may not make a Storage Renomination pursuant to which the Storage Nomination Quantity for any of Days 1 to 5 would be less than that required under paragraph 6.4.1.
- 6.4.5 The Storage Withdrawal Nomination deemed made under paragraph 6.4.1 shall be given effect irrespective of the User's Available Storage Deliverability, and the User shall be liable for any Storage Overrun Charge and any Storage Management Charge which may be payable in consequence thereof (as well as for Storage Withdrawal Charges).
- 6.4.6 Where the Total Storage Deliverability is insufficient to give effect on any Day to the Storage Withdrawal Nomination pursuant to paragraph 6.4.1 as well as all other withdrawals from the relevant Transco LNG Storage Facility, the Storage Withdrawal Nomination shall be made only for such quantity for which the Total Storage Deliverability is so sufficient; and further Storage Withdrawal Nomination(s) shall be deemed to be made for the balance of the quantity required to be withdrawn by the User on the next Day(s) on which it is possible for a quantity to be withdrawn.

6.5 Withdrawal Charges

- 6.5.1 Users shall pay charges ("**Storage Withdrawal Charges**") in respect of quantities withdrawn from each Transco LNG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were withdrawn.
- 6.5.2 Storage Withdrawal Charges will be invoiced and are payable monthly in accordance with paragraph 8.

6.6 Transco LNG Storage Withdrawal Failure

- 6.6.1 Subject to paragraphs 1.5 and 6.6.4, where for any Day:

- (a) a User makes in respect of a Transco LNG Storage Facility a Storage Withdrawal Nomination which complies with the requirements of this Section Z; and
- (b) Transco LNG Storage fails to ensure that the quantity of gas withdrawn by the User is equal to the Storage Nominated Quantity (and is accordingly in breach of paragraph 6.3)

Transco LNG Storage will pay to the User an amount calculated in accordance with paragraph 6.6.2.

6.6.2 The amount payable by Transco LNG Storage shall be determined as:

$$C * (N - A)/5$$

where:

C is the Applicable Storage Deliverability Charge Rate;

N is the amount of the Nominated Quantity under the User's Storage Withdrawal Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Deliverability) for the Day; and

A is the quantity of gas which is withdrawn by the User on the Day.

6.6.3 Upon any failure of the withdrawal facilities of a Transco LNG Storage Facility:

- (a) Transco LNG Storage will (promptly upon such failure occurring) inform each relevant User of such failure, and of the approximate quantities already withdrawn by the User, and the estimated impact of such failure upon the quantities to be withdrawn by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure);
- (b) subject to Section R4.2.5, each such User may elect, by making a Renomination of its Storage Withdrawal Renomination, to continue to withdraw such quantities as Transco LNG Storage has notified are available for withdrawal by the User or to discontinue further withdrawal on the Day.

6.6.4 Where Transco LNG Storage wilfully or recklessly fails to operate (where otherwise capable of operation) the withdrawal facilities of a Transco LNG Storage Facility, the quantity of gas withdrawn by a User from such facility shall, notwithstanding such failure, be equal to the Storage Nominated Quantity (and accordingly paragraph 6.6.1 shall not apply).

6.7 Emergencies

6.7.1 On any Day during a Gas Supply Emergency Transco LNG Storage may take steps to increase and/or decrease (as the case may be) the flow rates at a Transco LNG Storage Facility in order to comply with Transco NTS instructions pursuant to Section Q3.3.3 notwithstanding Users' Nominations in respect of such Day, and where Transco LNG Storage takes such steps the aggregate quantity withdrawn on such Day will be apportioned between Users in the proportions in which they have gas-in-storage on such Day.

- 6.7.2 In respect of each Day or part of a Day during a Network Gas Supply Emergency, the provisions of Section Z as to Storage Overrun Charges, Storage Management Charges and Injection Scheduling Charges will not apply, and the rules as to injection and withdrawal shall be modified or disapplied to the extent necessary to give effect to this paragraph 6.7.

6.8 Effect of Nomination

- 6.8.1 Each User holding Storage Space in a Constrained Storage Facility authorises the Storage Operator to deliver gas to the Total System at the Storage Connection Point pursuant to a Storage Constrained Renomination.
- 6.8.2 The Storage Constrained Nomination Quantity under a Storage Constrained Renomination will be independent of the relevant User's Available Storage Deliverability, and other than where the circumstances in paragraph 6.8.3 apply, Transco NTS and not the User, will be liable (in accordance with paragraph 7, which shall apply mutatis mutandis to Transco NTS for the purposes of this paragraph) to pay (to Transco LNG Storage) any Storage Overrun Charges which may arise from a Storage Constrained Renomination.
- 6.8.3 Where the relevant User has made or makes a Storage Withdrawal Nomination for the Constrained Storage Facility in respect of which the Storage Nomination Quantity exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)) the User will be liable (in accordance with paragraph 7) to pay any Storage Overrun Charges which may arise from the Storage Withdrawal Nomination.

6.9 Storage Constrained Nomination Quantity

- 6.9.1 On a Constrained Storage Day Storage Withdrawal Nominations will be made by Transco LNG Storage on behalf of Users ("**Storage Constrained Renomination**"); and the Storage Nomination Quantities will be determined in accordance with this paragraph 6.9.
- 6.9.2 Subject to paragraph 6.9.3, where on any Constrained Storage Day more than one User has gas-in-storage in a Constrained Storage Facility, the Storage Nomination Quantity ("**Storage Constrained Nomination Quantity**") for each User shall be determined so that each of the following conditions are satisfied:
- (a) the aggregate of the Storage Constrained Nomination Quantities under the Storage Constrained Renominations shall be equal to the Total Constrained Quantity;
 - (b) for each User, the Storage Constrained Nomination Quantity shall not exceed the User's gas-in-storage for the Constrained Storage Day;
 - (c) subject to paragraph (d), for each User the Storage Constrained Nomination Quantity shall be in the proportions in which all Users have Available Storage Space in the Constrained Storage Facility on the Constrained Storage Day;
 - (d) subject to (a), where one or more Users have already made Storage Withdrawal Nominations or make a Storage Renomination under paragraph 6.2.8 for the Constrained Storage Facility in respect of which the Storage Nomination Quantity exceeds the Storage Constrained Nomination Quantity (in accordance

with paragraph 6.9.2(c) but not this paragraph(d)) the Storage Constrained Nomination Quantity:

- (i) for any User with such a prevailing Storage Withdrawal Nomination or Storage Renomination, shall be equal to the prevailing Storage Nomination Quantity; and
- (ii) in respect of other Users shall be the remainder of the Total Constrained Quantity in the proportions in which all such other Users have Available Storage Space in the Constrained Storage Facility on the Constrained Storage Day.

6.9.3 Where the Total Constrained Quantity is less than the aggregate of the Storage Nomination Quantities under Storage Withdrawal Nominations already made by Users in respect of the relevant Constrained Storage Facilities for the Constrained Storage Day:

- (a) Storage Constrained Nomination Quantities will be determined in accordance with paragraph 6.9.4;
- (b) the Storage Constrained Renominations shall not take effect to revise the Storage Withdrawal Nominations made by Users and prevailing at the time the Storage Constrained Renomination is made (and accordingly the Storage Nomination Quantity under each such User's Storage Withdrawal Nomination shall prevail over the Storage Constrained Nomination Quantity); and
- (c) no User may make a Storage Renomination in respect of the relevant Storage Connection Point such that the Storage Nomination Quantity (prevailing after such Storage Renomination) would be less than the Storage Constrained Nomination Quantity determined in accordance with paragraph 6.9.4.

6.9.4 Storage Constrained Nomination Quantities shall be determined in accordance with paragraph 6.9.2 but so that the following provisions shall apply in lieu of paragraphs 6.9.2(c) and (d) (which shall not apply):

- (a) where the User has not already made a Storage Withdrawal Nomination the Storage Constrained Nomination Quantity shall be zero;
- (b) where a User has already made a Storage Withdrawal Nomination, the Storage Constrained Nomination Quantity shall not be greater than the Storage Nomination Quantity prevailing at the time the Storage Constrained Renomination is made;
- (c) for each User for whom the Storage Constrained Nomination Quantity is less than the Storage Nomination Quantity prevailing under any Storage Withdrawal Nomination already made, the Storage Constrained Nomination Quantities shall be in the proportions in which all such Users' have Available Storage Space on the Constrained Storage Day.

7 STORAGE OVERRUN, SCHEDULING AND MANAGEMENT CHARGES

7.1 Storage Overrun Charges

7.1.1 Where on any Day ("**storage overrun day**") as a result of a Storage Transfer and/or the submission of a Storage Nomination in respect of a Transco LNG Storage Facility:

- (a) the amount of a User's gas-in-storage, excluding uncovered gas-in-storage in the Permitted Uncovered Amount, exceeds the User's Available Storage Space; and/or
- (b) the quantity of gas withdrawn by a User exceeds the User's gas-in-storage; and/or
- (c) the Transferred Gas-in-Storage under a Storage Gas Transfer for which the User is Transferor Storage User exceeds the User's gas-in-storage; and/or
- (d) in respect of a User's Storage Withdrawal Nomination, the implied withdrawal rate exceeds the available withdrawal rate; and/or
- (e) in respect of a User's Storage Injection Nomination, the implied injection rate exceeds the available injection rate

the User shall pay a charge ("**Storage Overrun Charge**") to Transco LNG Storage determined in accordance with paragraph 7.1.2.

7.1.2 The Storage Overrun Charge shall be calculated:

- (a) for the purposes of paragraph 7.1.1(a), in respect of the amount by which the User's gas-in-storage exceeds the User's Available Storage Space, at a rate of 110% of the Applicable Storage Space Charge Rate;
- (b) for the purposes of paragraphs 7.1.1(b) and (c), in respect of the overrun quantity (in accordance with paragraph 7.1.4), at a rate of 110% of the System Marginal Buy Price for the storage overrun day;
- (c) for the purposes of 7.1.1(d):
 - (i) where the overrun occurs during the Winter Period, at a rate equal to the greater of 150% of the System Marginal Buy Price for the storage overrun day in question or 0.5 pence per kWh;
 - (ii) where (i) does not apply, at a rate equal to the greater of 130% of the System Marginal Buy Price for the storage overrun day in question or 0.5 pence per kWh;
 - (iii) where the overrun is a Permitted Deliverability Overrun, the Charge Rate as specified within the Annual Storage Invitation;
- (d) for the purposes of paragraph 7.1.1(e), at a rate equal to the Daily Injection Overrun Price.

7.1.3 Storage Overrun Charges will be invoiced and are payable monthly in accordance with paragraph 8.

7.1.4 In the cases in paragraphs 7.1.1(b) and (c):

- (a) Transco LNG Storage will purchase gas to replace for the account of the User

the overrun quantity which will be extinguished with effect from the storage overrun day (accordingly the User's gas-in-storage will not become negative);

- (b) the "**overrun quantity**" is the quantity of gas determined as the amount by which (for the purposes of paragraph 7.1.1(b)) the quantity of gas withdrawn by the User on the Day, or (for the purposes of paragraph 7.1.1(c)) the Transferred Gas-in-Storage, exceeds the User's gas-in-storage on the Day.
- 7.1.5 Where the Annual Storage Invitation was made under paragraph 3.1.2(b), references in this paragraph 7.1 to the Applicable Storage Space Charge Rate and Applicable Storage Deliverability Charge Rate are to the late booking rates pursuant to paragraph 3.7.8.
- 7.1.6 Where pursuant to Section R4.4.8 Transco LNG Storage makes an Output Nomination (as User) in respect of a Storage Connection Point (for injection into a Transco LNG Storage Facility):
 - (a) such injection quantity will be treated as injected by the relevant User into the Transco LNG Storage Facility (but will not be treated as being offtaken from the Total System by the User) on the Day in respect of which Transco LNG Storage makes such Output Nomination; and
 - (b) the relevant User shall pay Transco LNG Storage an amount calculated as 110% of the System Marginal Buy Price for the relevant Day multiplied by the relevant quantity.
- 7.1.7 For the purposes of this Section Z:
 - (a) "**Daily Injection Overrun Price**" shall mean the rate (in pence per kWh) applicable to the Gas Flow Day in question, as notified by Transco LNG Storage to Users not later than 12:00 on the later of:
 - (i) the Day falling 15 Days prior to the Gas Flow Day in question; or
 - (ii) the first Day of the injection lead time in respect of the Gas Flow Day in question

provided that the such rate shall not be greater than the Monthly Injection Overrun Cap; and

 - (b) "**Monthly Injection Overrun Cap**" shall mean the rate (in pence per kWh) set by Transco LNG Storage no later than the thirteenth day of the month preceding the month in which the Gas Flow Day falls and shall mean the lesser of:
 - (i) 0.1365 pence per kWh, or such lower amount as may be specified in the Annual Storage Invitation; and
 - (ii) the rate calculated as follows:

where:

ASGP	is calculated as $(ASAP + EFPA) / 2$
ASAP	is the average of the System Average Price for each Day from 1 May in the current Storage Year up to (but not including) the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage. For the avoidance of doubt, ASAP shall be zero for any injection overrun that occurs in the month of May in any Storage Year;
EFPA	is the average of the NBP Bid prices published in the European Spot Gas Markets – The Heren Report (" Heren ") on the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage for each Day from the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage up to (and including) 31 October in the current Storage Year. For the avoidance of doubt, EFPA shall be zero for any injection overrun that occurs after 30 November in any Storage Year; and
ACP	is the NBP Bid price, published in Heren on the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage, for the month in which the injection overrun occurs

provided always that, where ACP is greater than ASGP, then the rate calculated as set out in this paragraph (ii) shall be deemed to be zero and provided further that in the event that any index referred to above ceases (either temporarily or permanently) to be published or made available then this paragraph (ii) shall cease to apply.

7.2 Permitted Deliverability Overruns

- 7.2.1 Subject to paragraphs 7.2.2 to 7.2.8 below and the provisions of paragraph 6, a User will be permitted to submit a Storage Withdrawal Nomination (or a Storage Renomination in respect of such a Storage Withdrawal Nomination), pursuant to which the implied withdrawal rate exceeds the User's available withdrawal rate at the relevant Transco LNG Storage Facility.
- 7.2.2 A "**Maximum Permitted Deliverability Overrun Level**" shall be defined as the lesser of the aggregate of all Users' available withdrawal rates at that Transco LNG Storage Facility; or a rate that can be offered due to maintenance, other works or of which the Transco LNG Storage Facility is otherwise capable.
- 7.2.3 The "**User Permitted Deliverability Overrun**" shall be calculated as the User's implied withdrawal rate minus the User's available withdrawal rate at the relevant Transco LNG Storage Facility, except where the aggregate exceeds the Maximum Permitted Deliverability Overrun Level, when 7.2.5 shall apply.

- 7.2.4 Where in any hour a User has a nomination which entails a User Permitted Deliverability Overrun, the User shall pay a charge for each kWh of the User Permitted Deliverability Overrun (the "**Permitted Deliverability Overrun Charge**") to Transco LNG Storage.
- 7.2.5 Subject to the provisions of paragraph 6, where for any hour within the Gas Flow Day, the Maximum Permitted Deliverability Overrun Level is exceeded, each User Permitted Deliverability Overrun will be adjusted such that each of the following conditions is satisfied:
- (a) the aggregate implied withdrawal rate for all Users (pursuant to Storage Withdrawal Nominations or Storage Renominations in respect of such Storage Withdrawal Nominations) at that Transco LNG Storage Facility is equal to the Maximum Permitted Deliverability Overrun Level;
 - (b) a User Permitted Deliverability Overrun is not less than zero; and
 - (c) the revised Users' Permitted Deliverability Overruns shall be in the same proportion to the User's Available Storage Deliverability but not greater than the User Permitted Deliverability Overrun before adjustment.
- 7.2.6 A User shall be notified of any modified Maximum Permitted Deliverability Overrun Level, as stated in 7.2.5, not later than 30 minutes before the relevant hour begins.
- 7.2.7 A User may request that its Storage Nomination Quantity be curtailed so that the User does not overrun beyond the User Permitted Deliverability Overrun.
- 7.2.8 Subject to paragraph 7.2.7, where a User submits a Storage Withdrawal Nomination (or any Storage Renomination of such Storage Withdrawal Nomination), which would result in a Storage Overrun Charge in accordance with 7.1.1 (d), Transco LNG Storage will use reasonable endeavours to adjust the User's Storage Withdrawal Nomination (or any Storage Renomination of such Storage Withdrawal Nomination) in order to allow the User to avoid such a charge. A User shall be notified of any such adjustment, not later than 30 minutes before the relevant hour begins.

7.3 Storage Management Charges

- 7.3.1 Where:
- (a) an event has occurred or circumstances arisen in respect of which any provision of this Section Z requires a User to pay a Storage Management Charge; and
 - (b) in consequence of such event or circumstance Transco LNG Storage incurs any relevant loss (in accordance with paragraph 7.3.2) in doing anything with a view to:
 - (i) complying with its obligations to Users under this Section Z;
 - (ii) ensuring the safe and proper operation of the LNG Facilities; or
 - (iii) avoiding a greater relevant loss

the User shall pay to Transco LNG Storage an amount equal to the amount of the

relevant loss so incurred.

- 7.3.2 For the purposes of this paragraph 7.3, a "**relevant loss**" is any Balancing Charge or increase in a Balancing Charge payable by, or reduction in a Balancing Charge payable to, Transco LNG Storage.
- 7.3.3 Transco LNG Storage will (at the time the Storage Management Charge is invoiced under paragraph 7.3.5) certify the amount of any relevant loss and provide to the User reasonable details (excluding any information which is commercially sensitive in relation to Transco LNG Storage or any other User) of the circumstances in which the relevant loss was incurred in consequence of the event or circumstance referred to in paragraph 7.3.1(a) and the determination of the amount of the relevant loss.
- 7.3.4 Where a relevant loss is incurred in circumstances in which more than one User is liable to pay a Storage Management Charge, the amount payable by each User will be determined by Transco LNG Storage having regard (so far as practicable) to the extent to which each User contributed to the relevant loss, and otherwise on such basis as Transco LNG Storage shall determine to be reasonable.
- 7.3.5 The amounts referred to in paragraph 7.3.1 shall be a "**Storage Management Charge**" and shall be invoiced and are payable monthly in accordance with paragraph 8.

8 INVOICING AND PAYMENT

8.1 Invoicing

- 8.1.1 The amounts payable by the User to Transco LNG Storage and by Transco LNG Storage to the User in accordance with this Section Z will be invoiced and are payable in accordance with this paragraph 8:
 - (a) a "**Storage Invoice Period**" is a calendar month;
 - (b) a "**Storage Invoice**" is an invoice submitted by Transco LNG Storage to a User in accordance with this paragraph 8;
 - (c) a "**Storage Invoice Item**" is an item (in respect of all charges of a particular kind) shown as payable by Transco LNG Storage or by a User in a Storage Invoice (including where relevant a Storage Self Bill Amount) including interest payable in accordance with this paragraph 8;
 - (d) a "**Storage Invoice Amount**" is in relation to a Storage Invoice Item, the amount payable by the User or Transco LNG Storage under the relevant Storage Invoice.
- 8.1.2 Each Storage Invoice submitted by Transco LNG Storage will specify:
 - (a) the identity of the User;
 - (b) the Storage Invoice Period;
 - (c) in respect of each Storage Invoice Item, the Storage Invoice Amount;
 - (d) a unique reference number; and

- (e) the amount of Value Added Tax (if any) payable in respect of each Storage Invoice Item and the further details required under regulation 14 of the regulations referred to in paragraph 8.1.3

and shall be accompanied by all reasonably necessary supporting data and information.

- 8.1.3 A Storage Invoice may show as a Storage Invoice Amount an amount (a "**Storage Self Bill Amount**") payable by Transco LNG Storage to the User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply.
- 8.1.4 A Storage Invoice may contain an adjustment by way of a credit ("**Storage Invoice Credit**") in respect of a Storage Invoice Amount in another Storage Invoice (and where a Storage Invoice contains a Storage Invoice Credit it will identify the amount of the Storage Invoice Credit and the Storage Invoice to which the Storage Invoice Credit relates).
- 8.1.5 The User may elect, by notice in writing to Transco LNG Storage, to receive Storage Invoices by post or by such electronic means as the User and Transco LNG Storage agree will be available for the submission of Storage Invoices, and Transco LNG Storage will submit Storage Invoices by post or (as the case may be) by such electronic means.
- 8.1.6 Transco LNG Storage will submit a Storage Invoice in respect of each Storage Invoice Period by the Storage Invoice Submission Date (provided that no delay in submitting a Storage Invoice will prejudice the liability of the User or Transco LNG Storage for the amounts in relation thereto).
- 8.1.7 The date on which Transco LNG Storage shall submit a Storage Invoice ("**Storage Invoice Submission Date**") shall be the 7th Business Day of the month following the Storage Invoice Period.
- 8.1.8 Notwithstanding paragraph 8.1.6, Transco LNG Storage may at any time after submitting a Storage Termination Notice (in accordance with paragraph 10) submit a Storage Invoice in respect of a Storage Invoice Period or part of a Storage Invoice Period ending at or before the time at which Transco LNG Storage submits such Storage Invoice, and where Transco LNG Storage has submitted a Storage Termination Notice to the User, all amounts payable by the User to Transco LNG Storage or Transco LNG Storage to the User (whether the Storage Invoice in which such amounts are shown was submitted before or after the date of the Storage Termination Notice) shall be immediately payable notwithstanding paragraph 8.1.10.
- 8.1.9 All amounts expressed as payable under this Section Z are exclusive of any applicable Value Added Tax and Value Added Tax shall be paid by the paying party where payable in respect of any such amount.
- 8.1.10 The "**Storage Invoice Due Date**" in respect of a Storage Invoice is the day ending at 24:00 hours on whichever was the later of:
 - (a) the 12th Day after the Storage Invoice was deemed to be received in accordance with GT Section B5;
 - (b) the 20th Day after the last Day of the Storage Invoice Period to which the Storage Invoice relates.

- 8.1.11 The account name, number, name, address and sort code of the bank in the United Kingdom to which payments by the User to Transco LNG Storage or by Transco LNG Storage to the User are to be made shall be those advised by the User and Transco LNG Storage pursuant to Section S3.2 provided that the User and Transco LNG Storage shall advise the other of any changes in such details for the purposes of this Section Z not less than 30 Days before such change occurs.

8.2 Payment

- 8.2.1 Payments of amounts payable under this Section Z shall be in pounds sterling (and not in euro) in same day funds to the account of the payee at a bank in the United Kingdom notified to the payer under paragraph 8.1.11 and the payer shall instruct the bank remitting payment of any amount payable under this Agreement to quote the number (under paragraph 8.1.2(d)) of the relevant Storage Invoice when remitting such payment.

- 8.2.2 Without prejudice to paragraph 8.3.4, amounts payable pursuant to this Section Z shall be paid:

- (a) free and clear of any restriction, reservation or condition; and
- (b) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the paying party, whether by set-off, counterclaim or otherwise; and
- (c) where payment is to be made by the User and any deduction or withholding is required to be made by the law of any country other than the United Kingdom:
 - (i) such that the deduction or withholding does not exceed the minimum required;
 - (ii) and the User shall pay Transco LNG Storage such additional amounts as will ensure that the net amount received by Transco LNG Storage will be equal to the amount which Transco LNG Storage would have received had no such deduction or withholding been made;
 - (iii) and the User shall pay the amount deducted or withheld to the relevant authority in accordance with the relevant requirement of the law, and provide to Transco LNG Storage a receipt issued by such authority (or where such a receipt is not available) a certificate in respect of such payment.

- 8.2.3 Without prejudice to paragraph 8.3.8, where any amount payable under a Storage Invoice is not paid on or before the Storage Invoice Due Date, the paying party shall pay interest, before and after judgment, at the Applicable Interest Rate, on the unpaid amount from the Storage Invoice Due Date until the Day on which the payment is made (and nothing in this paragraph 8.2.3 shall be construed as permitting late payment of a Storage Invoice Amount).

- 8.2.4 Interest payable under this paragraph 8 shall:

- (a) accrue on a daily basis and on the basis of a 365 day year; and

- (b) be compounded to the extent and by virtue of being invoiced (not more frequently than each calendar month) in a Storage Invoice.

8.2.5 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or the subject of repayment, under this Agreement, and shall be the base rate for the time being of Barclays Bank plc plus:

- (a) except as provided in (b), three (3) percentage points per annum;
- (b) for the purposes only of paragraphs 8.3.7 and 8.3.9, one (1) percentage point per annum.

8.3 Invoice Queries

8.3.1 For the purposes of this paragraph 8 a "**Storage Invoice Query**" is any question or dispute as to the proper calculation of any amount shown as payable by the User or Transco LNG Storage under a Storage Invoice or as to whether any such amount was or is properly payable and references to the amount of a Storage Invoice Query are to the amount by which the User considers the Storage Invoice Amount to be incorrect.

8.3.2 Transco LNG Storage and the User will endeavour to resolve Storage Invoice Queries by agreement (and any references in this paragraph 8 to the resolution of a Storage Invoice Query is a reference to the resolution thereof by agreement between Transco LNG Storage and the User or to the outcome of any proceedings commenced by Transco LNG Storage or the User in respect thereof).

8.3.3 Where the User wishes to raise a Storage Invoice Query in respect of any amount shown as payable by the User under a Storage Invoice, the User may by not later than the Day before the Storage Invoice Due Date notify Transco LNG Storage of the Storage Invoice Query; specifying:

- (a) the number of the Storage Invoice;
- (b) the Storage Invoice Item to which the Storage Invoice Query relates;
- (c) an explanation of the basis on which the Storage Invoice Query arises, and the amount of the Storage Invoice Amount which is subject to the Storage Invoice Query:
 - (i) identified by reference to the particular item of supporting data in respect of which the Storage Invoice Query arises;
 - (ii) where the basis of the Storage Invoice Query is that the value of any parameter by reference to which the Storage Invoice is determined is incorrectly stated in the supporting data, the amount (estimated as accurately as reasonably practicable) by which such value is incorrectly stated;
- (d) the amount of the Storage Invoice Amount which is not subject to the Storage Invoice Query determined on the basis that only so much of the Storage Invoice Amount as identified in (c) is subject to the Storage Invoice Query.

- 8.3.4 Where the User raises a Storage Invoice Query in accordance with the requirements of paragraph 8.3.3 (but not otherwise) the amount subject to the Storage Invoice Query shall not be payable on the Storage Invoice Due Date, but without prejudice to paragraph 8.3.6.
- 8.3.5 Except as provided in paragraph 8.3.4, but without prejudice to paragraph 8.3.8 the whole amount shown as payable by the User shall be payable on the Storage Invoice Due Date.
- 8.3.6 Where pursuant to paragraph 8.3.4, any amount is not paid on the Storage Invoice Due Date by the User, the amount (if any) which is agreed or determined (following resolution of the Storage Invoice Query) to be payable by the User shall be payable upon such resolution, and interest from the Storage Invoice Due Date shall be payable in accordance with paragraph 8.2.3 (but subject to paragraph 8.3.7) on such amount.
- 8.3.7 For the purposes of paragraph 8.3.6, where it is agreed or determined that the question or dispute the subject of the Storage Invoice Query pursuant to paragraph 8.3.4 was a bona fide question or dispute, the Applicable Interest Rate shall be that under paragraph 8.2.5(b) until the expiry of two (2) Business Days following the resolution of the Storage Invoice Query.
- 8.3.8 Subject to paragraph 8.3.10, nothing in this paragraph 8 shall prevent the User raising a Storage Invoice Query other than pursuant to paragraph 8.3.3, including in respect of any amount after payment has been made of such amount, or from paying any such amount at the same time as notifying a Storage Invoice Query in respect thereof; provided that (without prejudice to the resolution of the Storage Invoice Query) no constructive trust or other implied term as to the receipt or application by the payee of the amount paid shall arise.
- 8.3.9 Where, upon resolution of a Storage Invoice Query or otherwise, it is agreed or determined that any amount or part of any amount paid should not have been paid, the payee shall repay the overpaid amount with interest at the Applicable Interest Rate from the date on which the payment was made to it or if later the Storage Invoice Due Date until the date of such repayment.
- 8.3.10 As soon as reasonably practicable after any Storage Invoice Query is resolved, and in any event by the end of the second following month, Transco LNG Storage will prepare and submit to the relevant User an appropriate Storage Invoice in respect of the amount (if any) agreed or determined to be payable or repayable by Transco LNG Storage or the relevant User.
- 8.3.11 In the absence of fraud, after the expiry of 18 months (or any other period agreed between Transco LNG Storage and the User) after the Storage Invoice Due Date in respect of a Storage Invoice:
- (a) no adjustment may be made to a Storage Invoice Amount under that Storage Invoice, other than:
 - (i) an adjustment of which Transco LNG Storage has given notice to the User; or
 - (ii) an adjustment pursuant to a Storage Invoice Query raised by the User in accordance with this paragraph 8; or

- (iii) before the expiry of such period;
- (b) no Storage Invoice Query may be raised in respect of the Storage Invoice;
- (c) the Storage Invoice shall (subject to any adjustments already made and any permitted under (a)) be deemed final and conclusive as to the amounts payable thereunder.

9 STORAGE CREDIT LIMIT

9.1 General

9.1.1 Transco LNG Storage will, in accordance with the TLNGS Credit Rules, determine and assign to each User a Storage Credit Limit, and will keep each User informed of its Storage Credit Limit (as revised in accordance with TLNGS Credit Rules) for the time being.

9.1.2 The "**TLNGS Credit Rules**" are the rules from time to time established and revised by Transco LNG Storage and issued to Users setting out (inter alia):

- (a) the principles on which Transco LNG Storage will assess and from time to time revise (in accordance with the TLNGS Credit Rules) its assessment of the credit-worthiness of Users (and persons providing surety for Users) and establish Storage Credit Limits;
- (b) the basis on which a User may (with a view to increasing its Storage Credit Limit) provide surety or security for Storage Indebtedness, or (with a view to reducing its Storage Indebtedness) make prepayments to Transco LNG Storage; and
- (c) procedures by which a User may discuss its Storage Credit Limit with Transco LNG Storage.

9.1.3 The TLNGS Credit Rules do not form a part of the Code and (but without prejudice to the further provisions of this paragraph or to anything done pursuant to the TLNGS Credit Rules) nothing in the Code shall make compliance with such rules an obligation of Transco LNG Storage or Users.

9.1.4 Nothing in the Code or the TLNGS Credit Rules shall constitute any duty of care or other obligation on the part of Transco LNG Storage (whether to or for the benefit of the User in question or Users in general) in relation to the implementation of the Storage Credit Rules or the provisions of this paragraph 9.

9.1.5 For the purposes of this paragraph 9:

- (a) "**Storage Credit Limit**" is an amount representing a User's maximum permitted Storage Indebtedness;
- (b) "**Storage Indebtedness**" is
 - (i) the aggregate amount for which the User is at any time liable to Transco LNG Storage pursuant to this Section Z, any Long Term Storage Arrangement and any Tanker Filling Arrangement determined

on the basis of amounts accrued and irrespective of whether such amounts have been invoiced or (where invoiced) have become due for payment; less

- (ii) any amount which has been paid to Transco LNG Storage by the User by way of prepayment, on the basis that Transco LNG Storage may apply such amount without the User's consent in or towards payment of amounts referred to in paragraph (i), and which has not yet been so applied; less
- (iii) the amount of any invoices which are the subject of a bona fide dispute by the User in accordance with the terms of this Section Z, any Long Term Storage Arrangement and any Tanker Filling Arrangement.

9.2 Storage Indebtedness

9.2.1 Where:

- (a) the User's Storage Indebtedness exceeds 70% of its Storage Credit Limit and Transco LNG Storage has given notice to that effect to the User;
- (b) at any time following such notice the User's Storage Indebtedness exceeds 85% of its Storage Credit Limit and Transco LNG Storage has given notice to that effect to the User (which may be given at the same time as that under paragraph (a))

paragraphs 9.2.2 and 9.2.3 shall apply.

9.2.2 Where and for so long as the Storage Indebtedness of a User exceeds 85% of the User's Storage Credit Limit, Transco LNG Storage shall be entitled to reject or refuse to accept any of the following from the User:

- (a) an application for Storage Capacity under this Section Z; or
- (b) a Storage Capacity Transfer under paragraph 4 in respect of which the User is Transferee Storage User.

9.2.3 Where and for so long as the Storage Indebtedness of a User exceeds 100% of the User's Storage Credit Limit, Transco LNG Storage may serve on the User a Storage Termination Notice in accordance with paragraph 10.

9.2.4 Where Transco LNG Storage reasonably believes that following the submission of a Nomination the Storage Indebtedness of the User will exceed 100% of the User's Storage Credit Limit Transco LNG Storage shall be entitled to reject such Nomination.

9.2.5 Where a User is required pursuant to the Transco LNG Storage Credit Agreement to provide Transco LNG Storage with security (in accordance with applicable provisions of the Transco LNG Storage Credit Agreement) Transco LNG Storage shall be entitled to reject or refuse to accept a Nomination or Storage Transfer until such time as the User has made such security available to Transco LNG Storage in accordance with any applicable requirements of the Transco LNG Storage Credit Agreement.

9.2.6 It shall not be a condition to Transco LNG Storage giving a Storage Termination Notice

that Transco LNG Storage shall have first made any call upon, or taken any steps to enforce and realise any security made available pursuant to the Transco LNG Storage Credit Agreement.

10 STORAGE TERMINATION

10.1 General

- 10.1.1 Without prejudice to the provisions of Section V4, a User may cease to be a User for the purposes of this Section Z pursuant to paragraph 10.2 or 10.3; and for the purposes of this Section Z, a "**Discontinuing Storage User**" is a User who so ceases to be a User for the purposes of this Section Z and the "**Storage Discontinuance Date**" is the date with effect from which (in accordance with paragraph 10.2 or 10.3) a Discontinuing Storage User ceases to be a User for the purposes of this Section Z provided that such cessation shall be without prejudice to the User continuing to be a User for the purposes of the Code.
- 10.1.2 Upon a User's ceasing to be a User for the purposes of this Section Z in accordance with paragraph 10.1.1 subject to paragraph 10.3.5, this Section Z shall cease to bind the Discontinuing Storage User and (as respects the Discontinuing Storage User) Transco LNG Storage.
- 10.1.3 Transco LNG Storage will as soon as reasonably practicable after the Storage Discontinuance Date notify all other Users for the purposes of this Section Z of a User's ceasing to be a User for the purposes of this Section Z.

10.2 Voluntary discontinuance

- 10.2.1 A User may at any time by giving notice ("**Storage Discontinuance Notice**") to Transco LNG Storage apply to cease to be a User for the purposes of this Section Z.
- 10.2.2 A User may not cease to be a User for the purposes of this Section Z under this paragraph 10.2 until such time as:
- (a) all amounts payable or which may become payable by the User to Transco LNG Storage pursuant to any provision of this Section Z, have been paid in full; and
 - (b) the User has no gas-in-storage in a Transco LNG Storage Facility; and
 - (c) any outstanding breach, being a breach capable of remedy and of which Transco LNG Storage has given notice to the User, by the User of any provision of this Section Z shall have been remedied.
- 10.2.3 Where a User has given notice under paragraph 10.2.1:
- (a) the User and Transco LNG Storage shall remain bound by the provisions of this Section Z until the requirements of paragraph 10.2.2 are satisfied;
 - (b) the Storage Capacity which the User is registered as holding in Transco LNG Storage Facilities shall not be reduced or cancelled other than in accordance with the relevant provisions of this Section Z (and the User will remain liable for payment of Storage Capacity Charges in respect thereof but may elect to

make prepayment thereof).

10.2.4 Where a User has given notice under paragraph 10.2.1, after the satisfaction of last of the requirements of paragraph 10.2.2 to be satisfied:

- (a) with effect from the 5th Business Day following such satisfaction, the User will cease to be a User for the purposes of Section Z;
- (b) without prejudice to paragraph 10.2.5, Transco LNG Storage will as soon as reasonably practicable (and where possible before such date) inform the User of the date on which it ceases to be a User for the purposes of this Section Z under paragraph (a).

10.2.5 Notwithstanding paragraph 10.2.4, Transco LNG Storage or (as the case may be) the Discontinuing Storage User shall remain liable, subject to and in accordance with this Section Z, to the other after the Storage Discontinuance Date:

- (a) for any amount which was or becomes payable under this Section Z in respect of any period before the Storage Discontinuance Date; and
- (b) in respect of any outstanding breach of any provision of this Section Z where such breach was not (for the purposes of paragraph 10.2.2(d)) capable of remedy or (notwithstanding that paragraph) was capable of remedy but was not remedied.

10.3 Termination

10.3.1 For the purposes of this paragraph there shall have occurred a "**User Storage Default**" in relation to a User (the "**Defaulting Storage User**") in any of the following events or circumstances:

- (a) where in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by the Defaulting Storage User under this Section Z (excluding for the avoidance of doubt amounts the subject of a Storage Invoice Query which by virtue of paragraph 8 have not become due for payment):
 - (i) the Defaulting Storage User has not paid the amount in full by the 5th Business Day after the due date for payment; and
 - (ii) on or after the 5th Business Day after the due date for payment Transco LNG Storage has given notice to the Defaulting Storage User requiring payment of such amount; and
 - (iii) the Defaulting Storage User has not paid such amount in full by the 5th Business Day after the date of Transco LNG Storage's notice under paragraph (ii); or
- (b) where:
 - (i) the Defaulting Storage User is in material breach, other than such a breach as is referred to in paragraph 10.3.7, of any material provision (other than a payment obligation) of this Section Z; and

- (ii) the breach is capable of remedy by the Defaulting Storage User; and
 - (iii) Transco LNG Storage has given notice (making reference to this paragraph 10.3) of such breach to the Defaulting Storage User; and
 - (iv) within 14 Days after Transco LNG Storage's notice under paragraph (iii), the Defaulting Storage User does not either:
 - (1) remedy the breach in all material respects, where the breach is capable of remedy within such period of 14 Days; or
 - (2) where the breach is not so capable of remedy, provide to Transco LNG Storage a programme (setting out the steps to be taken by the User and the timetable for taking such steps) for the remedy of the breach as soon as is reasonably practicable; and
 - (v) in the case in paragraph (iv)(2), the Defaulting Storage User does not:
 - (1) remedy the breach in all material respects with all reasonable diligence and so far as reasonably practicable in accordance with the programme provided under that paragraph or a revised programme pursuant to paragraph (2); and
 - (2) where notwithstanding the reasonable diligence of the User it is not reasonably practicable for the User to remedy the breach in accordance with that programme, provide to Transco LNG Storage a revised such programme; and
 - (vi) the breach remains unremedied in any material respect after the expiry of 7 Days after a further notice by Transco LNG Storage to the Defaulting Storage User to the effect that the Defaulting Storage User has not complied with paragraph (iv) or (v); or
- (c) where:
- (i) the Defaulting Storage User is in material breach of this Section Z, other than such a breach as is referred to in paragraph 10.3.7, of any relevant provision (other than a payment obligation) of this Section Z; and
 - (ii) the breach is not capable of remedy; and
 - (iii) Transco LNG Storage has given notice (making reference to this paragraph 10.3) of the breach to the Defaulting Storage User; and
 - (iv) at any time within the period of 12 months following Transco LNG Storage's notice under paragraph (iii), there occurs a further material breach by the Defaulting Storage User of the same provision of this Section Z; and
 - (v) Transco LNG Storage has given a notice of such further breach to the Defaulting Storage User and a period of 7 Days has expired following such notice; or

- (d) where:
- (i) the Defaulting Storage User is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 10.3.2), or any voluntary arrangement is proposed in relation to it under Section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
 - (ii) the Defaulting Storage User has a receiver (which expression shall include an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed; or
 - (iii) the Defaulting Storage User has an administration order under Section 8 of the Insolvency Act 1986 made in relation to it; or
 - (iv) the Defaulting Storage User passes any resolution for winding-up (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
 - (v) the Defaulting Storage User becomes subject to an order by the High Court for winding-up.

10.3.2 For the purposes of paragraph 10.3.1(d)(i), Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£10,000"; and the Defaulting Storage User shall not be deemed to be unable to pay its debts for the purposes of that paragraph if any such demand as is mentioned in the said Section is being contested in good faith by the Defaulting Storage User with recourse to all appropriate measures and procedures.

10.3.3 Upon the occurrence of a User Storage Default, and at any time after such occurrence at which the User Storage Default is continuing, Transco LNG Storage may give notice ("**Storage Termination Notice**") to the Defaulting Storage User to the effect that the User shall cease to be a User for the purposes of this Section Z with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.

10.3.4 Where Transco LNG Storage gives a Storage Termination Notice to a Defaulting Storage User, with effect from the date specified in the notice, the User will cease to be a User (for the purposes of this Section Z only) and paragraph 10.1.2 shall apply.

10.3.5 The giving of a Storage Termination Notice and the application of paragraph 10.3.4:

- (a) shall not affect the rights and obligations of Transco LNG Storage and the Defaulting Storage User under this Section Z (including rights and obligations in respect of the User Storage Default, and in respect of amounts including interest payable by either Party, and rights and obligations arising pursuant to any provision of this Section Z and in respect of the User's ceasing to be a User for the purposes of this Section Z) accrued up to the date referred to in paragraph 10.3.4, which shall continue to be enforceable notwithstanding that paragraph; and

- (b) shall not relieve the User from liability to pay Storage Capacity Charges that would otherwise have been payable in respect of the period from the date referred to in paragraph 10.3.4 until the end of the Storage Year in which such date falls which such Storage Capacity Charges shall be payable immediately by the User.
- 10.3.6 Where Transco LNG Storage has given a Storage Termination Notice it shall be entitled to inform such persons as it thinks fit that it has done so.
- 10.3.7 For the purposes of paragraph 10.3.1(b)(i) and 10.3.1(c)(i) the following breaches are excluded:
 - (a) a breach which results from a breach by Transco LNG Storage of this Section Z;
 - (b) a breach other than a wilful breach of a provision of Section Z where this Section Z specifically provides some other remedy for such breach and such other remedy may reasonably be considered to be adequate in the circumstances.
- 10.3.8 For the purposes of paragraph 10.3.1(c)(i) a breach is a material breach of a relevant provision where and only where:
 - (a) in the case of a material provision, the breach is wilful or reckless; or
 - (b) in the case of any provision, as a result of the breach Transco LNG Storage or any other User is in material breach of any material provision of the Code or any Legal Requirement or incurs any material liability or expense.

10.4 Gas-in-storage on termination

- 10.4.1 Where Transco LNG Storage gives a Storage Termination Notice to a User who has gas-in-storage in any Transco LNG Storage Facility:
 - (a) the User shall cease to have the entitlement conferred pursuant to paragraph 1.3.2 in respect of such gas-in-storage; and
 - (b) Transco LNG Storage will, within a reasonable time after the Storage Discontinuance Date seek to make Storage Gas Transfer(s) (without any accompanying Storage Capacity Transfer) in respect of an amount of gas-in-storage equal to the gas-in-storage of the Discontinuing Storage User by conducting a tender on a basis similar to that provided for in Section K3.3.2 in respect of Residual Surplus Gas;
 - (c) Transco LNG Storage shall be entitled to set-off against and deduct from the proceeds (if any) of the tender under paragraph (b) the amounts described in paragraph 10.4.2, in the priority therein stated; and
 - (d) Transco LNG Storage will pay the balance if any of such proceeds to the Discontinuing Storage User.
- 10.4.2 The amounts referred to in paragraph 10.4.1(c) are:

- (a) first expenses incurred by Transco LNG Storage in connection with the tender referred to in paragraph 10.4.1(b);
- (b) secondly, all amounts for which the User is liable to Transco LNG Storage pursuant to Section Z (whether or not having become due for payment), including accrued interest thereon.

11 TRANSCO LNG STORAGE ASSIGNMENT

11.1 Transco LNG Storage Right to Assign

- 11.1.1 Subject to paragraph 11.2, Transco LNG Storage may assign all or part of its rights and obligations in respect of a Transco LNG Storage Facility under this Section Z to a 33 1/3% Affiliate operating the relevant Transco LNG Storage Facility and having the necessary technical expertise and financial resources.
- 11.1.2 Except as provided in paragraph 11.1.1, Transco LNG Storage shall not assign or transfer and shall not purport to assign or transfer any of its rights or obligations under this Section Z.

11.2 Precondition

- 11.2.1 Where Transco LNG Storage assigns its rights and obligations under this Section Z pursuant to paragraph 11.1.1:
 - (a) it shall be a condition precedent to such assignment that such person shall enter into an agreement with each User who is a User for the purposes of this Section Z covenanting to be bound by the terms equivalent to those terms set out in this Section Z and such other terms of the Code as are necessary to give effect and meaning to the terms set out in this Section Z; and
 - (b) Transco LNG Storage shall be released from its obligations under this Section Z arising after such time as such assignment was effective, but shall remain liable for any obligations accruing up to such time.