

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 offtaken

in 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 meter

in 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.