

APPENDIX 7B: NATIONAL GRID GAS - NTS

Special Condition C5. Licensee’s procurement and use of system management services	2
Special Condition C7. Charging obligations	9
Special Condition C8A: Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity	12
Special Condition C8B: Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity (Part 1a, Part 1b(12) and Part 1b(13)(1))	21
Special condition C14: Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity and NTS system operation activity	41
Special Condition C18: Licensee’s methodology for determining incremental exit capacity volumes	60
Schedule A: NTS output measures for the price control	65
Table A1: NTS TO baseline entry capacity (GWh/day)	65
Table A2: Initial NTS SO baseline entry capacity (GWh/day)	66
Table A3: NTS baseline firm exit capacity (GWh/day)	67
Table A4: NTS baseline interruptible exit capacity (GWh/day)	68
Table A5: NTS baseline exit flow flexibility (GWh/day)	69
Table A6: NTS baseline exit flat capacity (GWh/day)	69
Table A7: NTS baseline exit shipper capacity (GWh/day)	69

Special Condition C5. Licensee's procurement and use of system management services

1. The licensee shall operate the pipe-line system to which its licence relates in an efficient, economic and co-ordinated manner.
2. The licensee shall ensure that it and its affiliates or related undertakings (and/or any other business operated by the holder of this licence or its affiliates or related undertakings under a separate gas transporter licence for a relevant gas transporter) shall neither unduly discriminate nor unduly prefer in its procurement or use of system management services as between any persons or classes of persons.
3. The licensee shall before 1 October 2002 or such later date as the Authority may direct in writing and thereafter before 1 April in each subsequent formula year (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out (consistently with the licensee's duties under paragraph 1 and 2 of this condition and consistently with its other duties under the Act, and the standard, Standard Special and Special Conditions) the kinds of system management services which it may be interested in purchasing in the period until the next statement is due, to be published pursuant to paragraph 11(a) in this condition and the mechanisms by which it envisages purchasing, entering into or otherwise acquiring them, and the licensee shall revise such statement during any such period if its intentions change during that period.
4. Within one month after the date on which each statement, prepared pursuant to paragraph 3 of this condition (other than the first one) is due to be published pursuant to paragraph 11(a) of this condition ("the due date"), the licensee shall prepare a report in a form approved by the Authority in respect of the system management services which the licensee has bought or acquired in the period of 12 months (or such longer period as the Authority may approve or require) ending on the due date.
5. The licensee shall before 1 October 2002 or such later date as the Authority may direct in writing, prepare a statement in a form approved by the Authority setting out the principles and criteria (consistent with the licensee's duties under paragraph 1

and 2 of this condition and consistent with its other duties under the Act, and the standard, Standard Special and Special Conditions) by which the licensee will determine, at different times and in different circumstances, which system management services the licensee will use to assist it in the operation of the NTS, and for what purpose, and when the licensee would resort to measures not involving the use of system management services in the operation of the NTS.

6. (a) This paragraph applies where the network code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of relevant system management services.

(b) Where this paragraph applies the licensee shall:

- (i) before 1 October 2002, or such later date as the Authority may direct establish a system management services adjustment data methodology approved by the Authority;
- (ii) prepare a statement of the prevailing system management services adjustment data methodology as approved by the Authority;
- (iii) from time to time thereafter, when the licensee first buys, sells or acquires any relevant system management services of a kind or under a mechanism which is not covered by the prevailing system management services adjustment data methodology, promptly seek to establish a revised system management services adjustment data methodology approved by the Authority which covers those kinds of system management services mechanisms for buying, selling or acquiring them; and
- (iv) at all times determine and provide (for use under the relevant provisions of the network code) the costs and volumes of relevant system management services in compliance with the prevailing system management services adjustment data methodology, which are to be taken into account in determining charges relating to system management services under the network code.

(c) Except where the Authority directs otherwise, before revising the system management services adjustment data methodology the licensee shall:

(i) send a copy of the proposed revisions to the Authority and to any person who asks for one;

(ii) consult gas shippers and allow them a period of not less than 28 days in which to make representations;

(iii) consult DN operators where there is a potential impact upon NTS exit flat capacity or NTS exit flow flexibility and allow them a period of not less than 28 days in which to make representations;

(iv) within 7 days of the close of the consultation referred to in sub-paragraphs 6(c)(ii) and 6(c)(iii) of this condition submit to the Authority a report setting out:

- the revisions originally proposed,
- the representations (if any) made to the licensee,
- any change to the revisions; and

(v) where the Authority directs that sub-paragraphs (i), (ii), (iii) and (iv) of this paragraph or any of them shall not apply, comply with such other requirements as are specified in the direction.

(d) The licensee shall not revise the system management services adjustment data methodology:

(i) where sub-paragraph 6 (c)(v) of this condition applies, before the day (if any) specified in the direction made pursuant to that sub-paragraph;

- (ii) where there is no such direction, or no date is specified in such direction, until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph 6(c)(iv) in of this condition; or
 - (iii) if within the period referred to in sub-paragraph 6(d)(ii) of this condition the Authority directs the licensee not to make the revision.

- 7. (a) The licensee shall as soon as practicable after the end of each formula year prepare a report on the manner in which and the extent to which the licensee has, during that formula year, complied with the statement prepared pursuant to paragraph 5 of this condition and whether any modification should be made to that statement to reflect more closely the practice of the licensee.

- (b) The report shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to paragraph 5 of this condition.

- 8. (a) The licensee shall if so directed by the Authority but in any event at least once a year review the statement prepared pursuant to paragraph 5 of this condition in consultation with gas shippers and/or DN operators and other interested persons likely to be affected thereby and allow them a period of not less than 28 days in which to make representations.

- (b) Within 7 days of the close of the consultation referred to in paragraph 8(a) of this condition, the licensee shall send to the Authority:
 - (i) a report on the outcome of the review;

 - (ii) any revision to the statement proposed (having regard to the outcome of the review) by the licensee in order to ensure that the statement remains consistent with the licensee's duties under the Act and the standard conditions, Standard Special Conditions and Special Conditions; and

(iii) any written representations or objections from gas shippers and/or DN operators and other interested parties, including proposals for revision not accepted by the licensee, arising during the consultation and subsequently maintained.

(c) The licensee may revise the statement only in accordance with any revision within sub-paragraph 8(b)(ii) of this condition, and only if the Authority consents to such revision.

9. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 5 of this condition.

10. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 3, 4, 5, 6, 7 and 8 of this condition and of all revisions to any such statements and reports.

11. The licensee shall:

(a) publish by such date (and in such manner) as the Authority may approve the statements prepared pursuant to paragraphs 3, 5 and 6 of this condition and each revision thereof; and

(b) send a copy of each statement and report prepared pursuant to paragraphs 3, 4, 5, 6, 7 and 8 of this condition or the latest revision of any such statement and report to any person who requests the same, provided that the licensee shall exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,

and, for the purposes of paragraph 11(b) of this condition, the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

12. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 11(b) of this condition of an amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.
13. The licensee shall, unless the Authority otherwise consents, maintain for a period of seven years:
 - (a) particulars of all system management services offered to it;
 - (b) particulars of all contracts for system management services which it entered into;
 - (c) records of all system management services called for and provided; and
 - (d) records of quantities of gas transported through the NTS.
14. The licensee shall provide to the Authority such information as the Authority shall request concerning the procurement and use of system management services.
15. In this condition:

“balancing trade” means an eligible balancing action (having the meaning given to that term in the network code);

“relevant system management services” means system management services other than:

- (a) those which the licensee has acquired through a balancing trade, provided that such balancing trade was not made pursuant to any prior agreement;
- (b) those which the Authority directs the licensee not to treat as relevant system management services;

“system management services”

means services in relation to the balancing of gas inputs to and gas off takes from the NTS and includes balancing trades and balancing trade derivatives and constraint management services; and

“system management services adjustment data methodology”

means a methodology to be used by the licensee to determine what costs and volumes of relevant system management services are to be taken into account under the network code for the purposes of determining in whole or in part the charges in any period, which methodology shall cover each of the kinds of system management services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.

Special Condition C7. Charging obligations

1. **Amendments to Standard Special Condition A4 (Charging - General)**

Standard Special Condition A4 (Charging – General) shall be amended by:

- (a) the insertion of the words “and/or DN operators as appropriate” after “specified descriptions of gas shippers” in sub-paragraph (a) of paragraph 1; and
- (b) in paragraph 2, the insertion of the following at sub-paragraphs (a) and (b) in substitution for the words “NOT USED”:

“(a) use its reasonable endeavours:

- (i) not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and
 - (ii) not to make any changes to charges or reserve prices in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may by notice in writing direct;
- (b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in sub-paragraphs (a) (i) and (a) (ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:
- (i) stating the reasons for this change; and
 - (ii) clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;”

2. Amendments to Standard Special Condition A5 (Obligations as Regard Charging Methodology)

Standard Special Condition A5 (Obligations as Regard Charging Methodology) shall be amended by:-

- (a) inserting the words “and/or DN operators as appropriate” after “consulted relevant shippers” in sub-paragraph (a) of paragraph 2 and after “made by relevant shippers” in sub-paragraph (b) (ii) of paragraph 2;
- (b) in paragraph 2A, the insertion of the following in sub-paragraph (b) in substitution for the words “NOT USED”:
 - “(b) use its reasonable endeavours:
 - (i) not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may by notice in writing direct; and
 - (ii) only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may by notice in writing direct”
- (c) In paragraph 11:
 - (i) the deletion of “and” at the end of the “transportation arrangements” definition;
 - (ii) the deletion of “thereof.” and replacement by “thereof; and” at the end of the “supply of transportation services” definition; and
 - (iii) the insertion of the following definition after the definition of “supply of transportation services”:

“as appropriate” means, in the context of consulting DN operators pursuant to sub-paragraphs (a) and (b) of paragraph 2, that DN operators shall be consulted if a modification to the

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charging methodology in relation to NTS exit flat capacity
and ~~or~~ NTS exit flow flexibility is proposed by the
licensee.

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Special Condition C8A: Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity

1. In this condition and in Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity):

allocation	means any process by which entry capacity or NTS exit capacity may be allotted by or on behalf of the licensee in accordance with the network code;
annual obligated incremental entry capacity	means any obligated incremental entry capacity in respect of a given terminal which the licensee is required to offer for sale for a period of less than five years;
clearing allocation	means in respect of a terminal and period an allocation of entry capacity which either: - results in all the capacity offered for sale being sold; or - has a reserve price of zero;
connected system exit point	has the meaning given to that term in the network code;
constrained storage facility	has the meaning given to that term in the network code;
curtailment day	means any day in formula year t in respect of which rights to offtake gas at a given supply point, connected system exit point or storage connection point have been curtailed by the licensee;
day	has the meaning given to that term in the network code;

Distribution Network means the relevant gas distribution network defined with reference to the aggregate of its constituent Local Distribution Zones (LDZs) (having the meaning given to that term in the network code) as set out in the table below:

Distribution Network	Local Distribution Zone (LDZ)
Scotland	Scotland
North of England	Northern, North East
North West	North West
East of England	East Midlands, Eastern
West Midlands	West Midlands
Wales & West	Wales North, Wales South, South West
London	North Thames
South of England	South East, Southern

Distribution Network transportation activity means the activities of the licensee connected with the development, administration, maintenance and operation of the Distribution Network and with the supply of Distribution Network services;

DM connected system exit point means a daily metered connected system exit point;

DM supply meter point has the meaning given to that term in the network code;

entry capacity has the meaning given to the term NTS Entry Capacity in the network code;

exit capacity curtailment rights means rights held by the licensee to curtail rights to

	<p>offtake gas from the transportation system, other than rights conferred on the licensee solely for the purpose of taking emergency steps or force majeure (having the meanings given to those terms in the network code);</p>
firm entry capacity	<p>means entry capacity other than interruptible entry capacity;</p>
formula year	<p>means a period of twelve months commencing on 1 April at 06:00 hours, the first such formula year (t=1) commencing 1 April 2002 at 06:00 hours;</p>
gigawatt hour or GWh	<p>means one million kilowatt hours;</p>
incremental entry capacity	<p>means obligated incremental entry capacity and non-obligated incremental entry capacity;</p>
incremental entry capacity services	<p>means the undertaking of engagements relating to the provision of entry capacity other than NTS SO baseline entry capacity;</p>
incremental exit capacity services	<p>means the undertaking of engagements relating to the provision of NTS incremental exit capacity;</p>
initial NTS SO baseline entry capacity	<p>means in respect of each terminal and period the NTS SO baseline entry capacity specified in table A2 of schedule A;</p>
interruptible entry capacity	<p>has the meaning given to the term interruptible NTS Entry Capacity in the network code;</p>
interruption	<p>has the meaning given to that term in the network code;</p>
kilowatt hour or kWh	<p>means 3,600,000 Joules;</p>

locational actions	means any action taken by the licensee where the action was taken in respect of a specific location and would therefore be coded with a locational reason code on the OCM. Locational buys will be treated as a cost to the licensee and locational sells will be treated as a revenue;
long-term NTS SO baseline entry capacity	means that proportion of the initial NTS SO baseline entry capacity in respect of each formula year that is available to be sold more than 548 days prior to the first day in respect of which such capacity relates;
NDM connected system exit point	means a non-daily metered connected system exit point;
NDM supply meter point	has the meaning given to that term in the network code;
non-obligated incremental entry capacity	means firm entry capacity other than obligated entry capacity;
NTS baseline firm exit capacity	means in respect of each period the NTS firm exit capacity specified in table A3 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);
<u>NTS baseline exit flat capacity</u>	<u>means in respect of each period the NTS exit flat capacity specified in table A6 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);</u>
NTS baseline exit flow flexibility	means in respect of each period the NTS exit flow flexibility specified in table A5 of schedule A or

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subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);

NTS baseline exit shipper capacity

means in respect of each period the NTS exit shipper capacity specified in table A7 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);

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NTS baseline interruptible exit capacity

means in respect of each period the NTS interruptible exit capacity specified in table A4 of schedule A or subsequently modified (subject to the prior written consent of the Authority) within the statement produced by Transco plc in accordance with Standard Special Condition A4 (Charging – General);

NTS exit capacity curtailment rights

means exit capacity curtailment rights held by the licensee in respect of NTS exit capacity;

NTS exit shipper capacity

has the meaning given to the term “NTS Exit Capacity” in the network code;

NTS firm exit capacity

means NTS exit capacity other than NTS interruptible exit capacity;

NTS incremental exit capacity

means that NTS exit capacity in excess of NTS baseline firm exit capacity and NTS baseline interruptible exit capacity;

NTS incremental exit flat capacity

means that NTS exit flat capacity in excess of NTS baseline exit flat capacity;

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NTS incremental exit flow flexibility means that NTS exit flow flexibility in excess of NTS baseline exit flow flexibility;

NTS interruptible exit capacity means NTS exit capacity subject to exit capacity curtailment rights;

NTS incremental exit shipper capacity means that NTS exit shipper capacity in excess of NTS baseline exit shipper capacity;

NTS SO baseline entry capacity means in respect of each terminal and period that terminal's initial NTS SO baseline entry capacity and that terminal's permanent obligated incremental capacity for which the first day to which such capacity relates has occurred five or more years previously;

NTS system operation activity or NTS SO activity means engagements undertaken by the licensee pursuant to the operation of the NTS, being the procuring and using of balancing services for the purpose of balancing the NTS and the arranging with the NTS TO activity for the delivery of incremental entry capacity and NTS incremental exit capacity, including:

- (i) incremental entry capacity services;
- (ii) incremental exit capacity services;
- (iii) residual gas balancing services;
- (iv) balancing management;
- (v) constraint management services; and
- (vi) the provision of services in relation to gas quality;

NTS system operator revenue or NTS SO means the revenue derived by the licensee from the

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revenue	carrying on of the NTS SO activity, such revenues to be measured on an accruals basis;
NTS TO baseline entry capacity	means in respect of each terminal and period that terminal's TO baseline firm entry capacity as specified in table A1 of schedule A;
NTS transportation owner activity or NTS TO activity	means the activities of the licensee connected with the development, administration and maintenance of the NTS and with the supply of NTS services;
NTS transportation owner revenue or NTS TO revenue	means the revenue derived by the licensee from the supply of NTS services to gas shippers and DN operators in respect of the NTS transportation owner activity (such revenue to be measured on an accruals basis);
obligated entry capacity	means obligated incremental entry capacity and NTS SO baseline entry capacity;
obligated incremental entry capacity	means that firm entry capacity in excess of NTS SO baseline entry capacity which the licensee is required to offer for sale in accordance with paragraph 14(5)(b) of Part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity);
permanent obligated incremental entry capacity	means any obligated incremental entry capacity in respect of a given terminal, which the licensee is required to offer for sale for a period of five years or more;
plus 15 curtailment day	means any curtailment day in formula year t at a given supply point, connected system exit point or storage connection point after the first 15 curtailment days in that formula year for the given supply point, connected

	system exit point or storage connection point connected to the transportation system to which this licence relates;
residual gas balancing services	means the undertaking of engagements relating to the acquisition or disposal of gas to ensure the safe and efficient operation of the transportation system;
short-term NTS SO baseline entry capacity	means initial NTS SO baseline entry capacity other than long term NTS SO baseline entry capacity;
specified rate	means the base rate of Barclays Bank plc current from time to time during the period in respect of which the calculation falls to be made;
storage connection point	has the meaning given to that term in the network code;
subscript t	means the relevant formula year;
supply of Distribution Network services	means the undertaking and performance for gain or reward of engagements: <ul style="list-style-type: none">a) in connection with the conveyance of gas through the Distribution Network;b) for the prevention of the escape of gas which has been taken off the Distribution Network; andc) relating to the acquisition of capacity rights, gas or gas derivatives for the purpose of:<ul style="list-style-type: none">(i) the balancing of the Distribution Network through the acquisition or disposal of gas to replace gas lost from the Distribution Network; and(ii) facilitating constraint management;

supply of NTS services means the undertaking and performance for gain and reward of engagements:

(a) in connection with the conveyance of gas through the NTS other than engagements in connection with activities within the definition of the NTS SO activity; and

(b) for the prevention of the escape of gas, which has been taken off the NTS, other than to the Distribution Network or any pipe-line system operated by a person holding a gas transporter's licence or who is exempted from holding such a licence which but for such pipe-line not being operated by the licensee, would fall within the definition of the Distribution Network;

supply point has the meaning given to that term in the network code;

terminal means an aggregate system entry point (having the meaning given to that term in the network code); and

transportation system means the system (having the meaning given to that term in the network code) to which this licence relates.

2. Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived.

Special Condition C8B: Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity

Part 1 a The NTS transportation owner activity revenue restriction

1. The principal restriction

- (1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year the revenue which it derives from its NTS transportation owner activity (TOR_t) shall not exceed the maximum NTS transportation owner revenue ($TOMR_t$).
- (2) (a) If in respect of any formula year the NTS transportation owner revenue exceeds the maximum NTS transportation owner revenue by more than 4 per cent of the latter, the licensee shall provide the Authority with a written explanation and, in the next following formula year, the licensee shall not effect any increase in prices for use of the NTS unless either:
 - (i) it has demonstrated to the reasonable satisfaction of the Authority that the NTS transportation owner revenue would not be likely to exceed the maximum NTS transportation owner revenue in that next following formula year; or
 - (ii) the Authority has, on the written application of the licensee, consented to such an increase in prices.
- (b) If, in respect of any two successive formula years, the sums of the amounts by which the NTS transportation owner revenue has exceeded the maximum NTS transportation owner revenue are more than 6 per cent of the maximum NTS transportation owner revenue for the second of those formula years, then in the next following formula year the licensee shall if required by the Authority adjust its prices such that the NTS transportation owner revenue would not be likely in the judgement of the Authority to exceed maximum NTS transportation revenue in that next following formula year.

2. NTS transportation owner revenue (TOR_t)

(1) Principal formula

For the purposes of paragraph 1 of Part 1 a of this condition the NTS transportation owner revenue in respect of formula year t (TOR_t) shall be derived from the following formula:

$$TOR_t = TOREVBEC_t + TOExR_t + TORCOM_t$$

where:

TOREVBEC_t means the NTS TO revenue derived by the licensee in respect of formula year t from the sale of NTS SO baseline entry capacity and shall be derived from the following formula:

$$TOREVBEC_t = REVBEC_t - DREVBEC_t$$

where:

REVBEC_t means the revenue derived by the licensee in respect of formula year t from the sale of NTS SO baseline entry capacity and shall be derived in accordance with paragraph 14(5)(k)(i) of Part 2 of this condition;

DREVBEC_t means the revenue derived by the licensee in respect of formula year t from the on the day sale of NTS SO baseline entry capacity and shall be derived in accordance with paragraph 14(5)(l)(i) of Part 2 of this condition;

TOExR_t means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers that is allocated to the NTS transportation owner activity and in t ≥ 4 the

revenue derived by the licensee in respect of formula year t from the sale of NTS baseline firm exit capacity, NTS baseline exit flat capacity, NTS baseline exit shipper capacity and NTS baseline exit flow flexibility and shall be derived in the following manner:

- (i) In respect of formula years $t \leq 3$:

$$\text{TOExR}_t = \text{TOExRF}_t + \text{TOExNTSSIC}_t$$

- (ii) otherwise

$$\text{TOExR}_t = \text{TOExRF}_t + \text{TOExNTSSIC}_t + \text{TOREVBExC}_t$$

where, in respect of (i) and (ii):

TOExRF_t means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS firm baseline exit capacity and shall be derived from the following formula:

$$\text{TOExRF}_t = \text{TOEx}_t \times \text{Min} \left[\frac{\text{TOBFEx}_t}{\text{TOTFEx}_t}, 1 \right]$$

where:

TOEx_t means the revenue derived by the licensee in respect of formula year t in respect of charges levied on gas shippers in respect of its provision of NTS firm exit capacity, but for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing), TOEx_t shall have the value zero (0);

TOBFEx_t means the NTS baseline firm exit

capacity in respect of formula year
t; and

TOTFEx_t means the total volume in
GWh/day of NTS firm exit
capacity registered by gas shippers
on 15 January in respect of
formula year t;

TOExNTSSIC_t means the accrued value in respect of
charges foregone by the licensee in respect
of formula year t as a result of NTS exit
capacity curtailment rights and shall be
derived from the following formula:

$$\text{TOExNTSSIC}_{t} = \text{ExNTSSIC}_{t} \times \text{Min} \left[\frac{\text{SOBIEx}_{t}}{\text{SOTIEx}_{t}}, 1 \right]$$

where:

ExNTSSIC_t has the meaning given to that term
in paragraph 14(6)(h) of Part 2 of
this condition;

SOBIEx_t means the NTS baseline
interruptible exit capacity in respect
of formula year t; and

SOTIEx_t means the total volume in
GWh/day of NTS capacity
registered by gas shippers in
respect of which the licensee has
NTS exit capacity curtailment

rights on 15 January of formula year t.

However, for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing), $TOExNTSSIC_t$ shall have the value zero (0); and

$TOREVBExC_t$ means the NTS TO revenue derived by the licensee in respect of formula year t from the sale of NTS baseline ~~exit flat capacity, NTS baseline exit shipper capacity~~ and NTS baseline exit flow flexibility and shall be derived from the following formula:

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$$TOREVBExC_t = REVBExC_t - DREVBExC_t + REVBFf_t - DREVBFF_t$$

where:

$REVBExC_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS baseline ~~exit flat capacity and NTS baseline exit shipper capacity, excluding that included within $TOEx_t$~~ ;

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$DREVBExC_t$ means the revenue derived by the licensee in respect of formula year t from the on the day sale of NTS baseline ~~exit flat capacity and NTS baseline exit shipper capacity, excluding that included within $TOEx_t$~~ ;

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$REVBFf_t$ means the revenue derived by the licensee in respect of formula year t from the sale of NTS baseline exit flow flexibility;

$DREVBFF_t$ means the revenue derived by the licensee in respect of formula year t from the on the day sale of NTS baseline exit flow flexibility.

$TORCOM_t$ means the revenue derived by the licensee in respect of NTS TO activities provided by the licensee in respect of formula year t from charges levied on gas shippers and DN operators pursuant to Standard Special Condition A4 (Charging-General) or payments made by the licensee other than revenue earned by the licensee through (i) $TOREVBEC_t$ and (ii) $TOExR_t$

3. Maximum NTS transportation owner revenue ($TOMR_t$)

(1) Principal formula

For the purposes of paragraph 1 of Part 1 a of this condition the maximum NTS transportation owner revenue in respect of formula year t ($TOMR_t$) shall be derived from the following formula:

$$TOMR_t = TOZ_t + TOF_t - TOK_t$$

where:

TOZ_t shall be derived in the following manner:

- (i) In respect of the formula year commencing on 1 April 2002:

$$TOZ_t = £336,560,000 \times \left[1 + \left(\frac{RPI_0}{100} \right) \right]$$

(ii) Otherwise:

$$TOZ_t = TOZ_{t-1} \times \left[1 + \left(\frac{RPI_t - X}{100} \right) \right]$$

where:

RPI_0 means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from April to September (both inclusive) in the year 1999 and the arithmetic average of the retail price index numbers published or determined with respect to the six months from July to December in the year 2001;

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from July to December (both inclusive) in formula year t-1 and the arithmetic average of the retail price index numbers published or determined with respect to the same months in formula year t-2; and

X has the value of two (2); and

TOF_t means the NTS prescribed rates plus the NTS licence fees in respect of formula year t;

where:

NTS prescribed rates means the amount of the charge deemed to be incurred in respect of the prescribed rates or equivalent tax or duty replacing them levied on the licensee in respect of its NTS transportation owner activity in respect of formula year t calculated as follows;

a) in the event that separate rating assessments are provided in respect of each Distribution Network transportation activity carried out by Transco plc or an affiliate of Transco plc, and in respect of the NTS transportation owner activity carried out either by Transco plc or by an affiliate of Transco plc, the charge shall be the amount so assessed;

b) in the event that a separate rating assessment is not provided in respect of any of the Distribution Network transportation activities carried out by Transco plc or an affiliate of Transco plc, and of the NTS transportation owner activity carried out either by Transco plc or by an affiliate of Transco plc, and if each of the 8 Distribution Networks owned by Transco plc on 1st April 2004 continue to be owned by Transco plc or

by an affiliate of Transco plc the total charge in respect of the NTS transportation owner activity shall be 17% of the prescribed rates or equivalent tax replacing them levied on the licensee and its affiliates in respect of its NTS transportation owner activity and the Distribution Network transportation activity;

c) in the event that a separate rating assessment is not provided in respect of any of the Distribution Network transportation activities carried out by Transco plc or an affiliate of Transco plc and of the NTS transportation owner activity carried out either by Transco plc or by an affiliate of Transco plc, and that neither Transco plc nor its affiliates own any of the Scotland Distribution Network, the North of England Distribution Network, the Wales & the West Distribution Network and the South of England Distribution Network, but continue to own the North West Distribution Network, the East of England Distribution Network, the West Midlands Distribution Network and the London Distribution Network and the NTS, the total charge in respect of the licensee's NTS transportation owner activity shall be all of the prescribed rates or equivalent tax replacing them levied in respect of the licensee and its affiliates' NTS transportation owner activity in Scotland and Wales, and 29.2729% of the prescribed rates or equivalent tax replacing them levied in respect of the licensee and its affiliates' NTS

transportation owner activity in England and Distribution Network transportation activity in England; and/or

d) in any other circumstance the licensee shall perform attributions and allocations of cost between the NTS transportation owner activity, the Distribution Network transportation activity, and (where relevant) metering activities on a basis consistent with Special Condition C9 (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity).

NTS licence fees means payments made by the licensee in respect of the NTS transportation owner activity under standard condition 3 (Payments by the Licensee to the Authority) in respect of formula year t determined in accordance with the principles determined by the Authority for the purposes of that condition; and

TOK_t means the NTS TO revenue adjustment equal to the NTS TO over or under recovery in respect of formula year $t-1$ and shall be derived in accordance with paragraph 3(2) of Part 1 a of this condition.

(2) NTS transportation owner revenue adjustment (TOK_t)

- (a) For the purposes of paragraph 3(1) of Part 1 a of this condition, the NTS TO revenue adjustment factor in respect of formula year t (TOK_t) shall be derived in the following manner:

- (i) In respect of the formula year commencing on 1 April 2002:

$$TOK_t = -£6,480,000$$

- (ii) In respect of the formula year commencing on 1 April 2007:

$$TOK_t = \left[(TOR_{t-1} - TOMR_{t-1}) + \left(£16,300,000 \times CSN \times \left[1 + \left(\frac{RPI_{CSN}}{100} \right) \right] \right) \right] \times \left(1 + \frac{I_t}{100} \right)$$

where

TOR_{t-1} shall have the meaning given to that term in paragraph 2 of Part 1 a of this condition where t equals t-1;

$TOMR_{t-1}$ shall have the meaning given to that term in paragraph 3(1) of Part 1 a of this condition where t equals t-1;

CSN equals one (1) in the event that:

(1) Transco plc sells only one of the companies to which each of :

- (a) the Scotland Distribution Network;
- (b) the North of England Distribution Network;
- (c) the Wales and the West Distribution Network; and

(d) the South of England Distribution Network

will be hived down from Transco plc respectively as part of the proposed sale of one or more of Transco's local gas distribution networks as announced by Transco plc in May 2003; or

(2) Transco plc sells one or more of the respective companies to which the networks listed in subparagraph (1)(a) to (1)(d) above will be hived down to only one buyer or members of only one corporate group,

otherwise in the event that neither (1) nor (2) above is satisfied, it equals zero (0);

RPI_{CSN}

means the percentage change (whether of a positive or a negative value) in the arithmetic average of the retail price index published or determined with respect to each of the six months from April to September (both inclusive) in the year 2003 and the arithmetic average of the retail price index numbers published or determined with respect to the six months from July to December in the year 2006; and

I_t

means the percentage interest rate in respect of formula year t which is equal to, where TOK_t (taking no account of I_t for this purpose) has a positive value, the average specified rate plus 3 or, where TOK_t (taking no account of I_t for this purpose) has a negative value, the average specified rate.

(iii) Otherwise:

$$\text{TOK}_t = (\text{TOR}_{t-1} - \text{TOMR}_{t-1}) \times \left(1 + \frac{I_t}{100} \right)$$

4. Reporting obligations

- (1) Where the licensee publishes any statement or revised or amended statement as to its NTS TO transportation charges under Standard Special Condition A4 (Charging - General), the licensee shall not later than twenty-eight (28) days prior to the time of such publication provide the Authority with:-
 - (a) a written forecast of maximum NTS transportation owner revenue, together with its components, in respect of the formula year in which the change in such charges is to take effect and also in respect of the next following formula year; and
 - (b) a written estimate of the maximum NTS transportation owner revenue, together with its components, in respect of the formula year immediately preceding the formula year in which the change in such charges is to take effect unless a statement complying with paragraph 4 below in respect of that first mentioned formula year has been furnished to the Authority before the publication of the proposed change in such charges.
- (2) If, within three months of the commencement of any formula year, the licensee has not published or effected any such change in its NTS TO transportation charges, the licensee shall provide the Authority with a written forecast of the maximum NTS transportation owner revenue, together with its components, in respect of that formula year.
- (3) Any forecasts as aforesaid shall be accompanied by such information as may be necessary to enable the Authority to be reasonably satisfied that the forecasts have been properly prepared on a consistent basis.

- (4) Not later than six weeks after the commencement of a formula year, the licensee shall send to the Authority a statement as to whether or not, in its opinion, paragraphs 1(1) and 1(2) of Part 1 a of this condition apply in respect of that formula year and its best estimate of what TOK_t (as defined in paragraph 3(2) of Part 1 a of this condition) is likely to be in that formula year.
- (5) The licensee shall send to the Authority, not later than three months after the end of each formula year, a statement showing the NTS transportation owner revenue in respect of that formula year that shall be certified by a Director of the licensee on behalf of the licensee stating that the information is correct to the best of his knowledge and belief having made all reasonable enquiries.
- (6) The statement referred to in sub-paragraph (5) above shall be accompanied by a report from appropriate auditors that, in their opinion, that statement fairly presents the NTS transportation owner revenue in accordance with the requirements of this condition.

5. Disapplication of the NTS transportation owner activity revenue restriction

- (1) The NTS transportation owner activity revenue restriction conditions shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 5(2) to 5(7) of Part 1 a of this condition.
- (2) The NTS transportation owner activity revenue restriction conditions shall cease to have effect (in whole or in part as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 5(3) of Part 1 a of this condition or notice is given to the Authority by the licensee in accordance with either paragraph 5(6) or paragraph 5(7) of Part 1 a of this condition.
- (3) A disapplication request shall:
 - (i) be in writing addressed to the Authority;

- (ii) specify the NTS transportation owner activity revenue restriction conditions (or any part or parts thereof) to which the request relates; and
 - (iii) state the date (being not earlier than the date referred to in paragraph 5(5) of Part 1 a of this condition) from which the licensee wishes the Authority to agree that the conditions shall cease to have effect.
- (4) The licensee may withdraw a disapplication request at any time.
- (5) Save where the Authority otherwise agrees, no disapplication following delivery of a disapplication request pursuant to paragraph 5 of Part 1 a of this condition shall have effect until a date being the earlier of:
 - (a) not less than 18 months after delivery of the disapplication request; and
 - (b) 31st March 2007.
- (6) If the Authority has not made a reference to the Competition Commission under section 24 of the Act relating to the modification of Part 1 a of this condition or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date and the licensee has not withdrawn the disapplication request, the licensee may deliver written notice to the Authority terminating the application of Part 1 a of this condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or a later date.
- (7) If the Competition Commission makes a report on a reference made by the Authority relating to the modification of Part 1 a of this condition or the part or parts thereof specified in the disapplication request and such report does not include a conclusion that the cessation of such revenue restrictions in Special Condition C8B Part 1 a , in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 25 of the Act deliver to the Authority written notice terminating the application of Part 1 a of

this condition or the part or parts thereof specified in the disapplication request with effect from the disapplication date or later.

Part 1 b [paragraphs 6 –11]: Not used

Part 2 The NTS system operation activity revenue restrictions

12. Principal Restriction

- (1) The licensee shall use its best endeavours in setting its charges to ensure that in respect of any formula year the revenue which it derives from its NTS system operation activity (SOR_t) shall not exceed the maximum NTS system operation revenue ($SOMR_t$).
- (2) If in respect of any formula year the NTS system operation revenue (SOR_t) exceeds the maximum NTS system operation revenue ($SOMR_t$) by more than 4 per cent of the latter, the licensee shall furnish an explanation to the Authority and, in the next following formula year, the licensee shall not effect any increase in prices in respect of services relating to the NTS SO activity unless either:
 - (a) it has demonstrated to the reasonable satisfaction of the Authority that the NTS system operation revenue would not be likely to exceed the maximum NTS system operation revenue in that next following formula year; or
 - (b) the Authority has, on the application of the licensee, consented to such an increase in prices.
- (3) If, in respect of any two successive financial years, the sums of the amounts by which the NTS system operation revenue (SOR_t) has exceeded the maximum NTS system operation revenue is more than 6 per cent of the maximum NTS system operation revenue ($SOMR_t$) for the second of those years, then in the next following formula year the licensee shall if required by the Authority adjust its prices such that the NTS system operation revenue would not be likely in the judgement of the Authority to exceed maximum NTS system operation revenue in that next following formula year.

13. NTS system operation revenue (SOR_t)**(1) Principal formula**

For the purposes of paragraph 12 of Part 2 of this condition the revenues which the licensee derives from its NTS system operation activity in respect of any formula year t (SOR_t) shall be derived from the following formula:

$$\text{SOR}_t = \text{RCOM}_t + \text{SOExRF}_t + \text{SORCAP}_t + \text{SOROC}_t$$

where:

RCOM_t means the revenue derived by the licensee in respect of formula year t from charges levied on gas shippers and DN operators pursuant to Standard Special Condition A4 (Charging– General) in respect of NTS SO activities provided by the licensee and shall include charges to recover both costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from system operation activities other than revenue earned by the licensee through (i) SOExRF_t (ii) SORCAP_t and (iii) SOROC_t.

SOExRF_t means
 (a) in respect of formula year t ≤ 3 the revenue derived by the licensee in respect of formula year t from charges levied on gas shippers in respect of its provision of NTS incremental exit capacity and shall be derived in accordance with the following formula:

$$\text{SOExRF}_t = \text{TOEx}_t - \text{TOExRF}_t$$

(b) otherwise, the revenue derived by the licensee in respect of formula year t from charges levied on gas shippers in respect of its provision of NTS incremental exit capacity and revenue from the sales of NTS incremental exit capacity and NTS incremental exit

flow flexibility to gas shippers and DN operators and shall be derived in accordance with the following formula:

$$SOExRF_t = TOEx_t - TOExRF_t + DREVBExC_t + REVIExC_t + DREVBFF_t + REVIFF_t$$

where:

$TOEx_t$ shall be derived in accordance with paragraph 2 of Part 1 a of this condition, but for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing), $TOEx_t$ shall have the value zero (0);

$TOExRF_t$ shall be derived in accordance with paragraph 2 of Part 1 a of this condition but for all days from 1 October 2008 (or such date that the Authority otherwise directs in writing), $TOExRF_t$ shall have the value zero (0);

$DREVBExC_t$ means the revenue derived by the licensee in respect of formula year t from on the day sales of NTS baseline ~~exit flat capacity and~~ NTS baseline exit shipper capacity, excluding that included within $TOEx_t$;

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$REVIExC_t$ means the revenue derived by the licensee in respect of formula year t from sales of NTS incremental ~~exit flat capacity and~~ NTS incremental exit shipper capacity;

$DREVBFF_t$ means the revenue derived by the licensee in respect of formula year t from on the day sales of NTS baseline exit flow flexibility;

REVIFF_t means the revenue derived by the licensee in respect of formula year t from sales of NTS incremental exit flow flexibility;

SORCAP_t means the NTS SO revenue derived by the licensee in respect of sales of entry capacity and shall be derived in accordance with paragraph 13(2) of Part 2 of this condition; and

SOROC_t means the NTS SO revenue derived by the licensee in respect of other defined SO charges and shall be derived in accordance with paragraph 13(3) of Part 2 of this condition.

Special condition C14: Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity and NTS system operation activity

1. The licensee shall provide statements to the Authority of the information specified in the following table, in respect of the activities covered by this licence, for the periods identified in that table and by the dates specified in that table. Where information is derived from a formula defined in the licence, the component parameters of that formula shall also be reported. Where information is requested in respect of periods of less than a full formula year, the licensee shall provide such information on a reasonable endeavours basis. All revenue and information provided shall comply with Special Condition C9 (Allocation of revenue and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) and terms used in the following tables shall have the meaning given to those terms in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity) and/or Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and NTS system operation activity).

Description	Licence definition	Period	Reporting deadline
NTS transportation owner activity			
TOMR _t	Maximum NTS transportation owner revenue	Formula years	By 30 June in formula year t+1
TOR _t	NTS transportation owner revenue	Formula years	By 30 June in formula year t+1
TOREVBEC _t	Revenue derived from the sale of NTS SO baseline entry capacity	Formula years	By 30 June in formula year t + 1
TOExRF _t	Revenue derived in respect of the	Formula years	By 30 June

	provision of NTS firm baseline exit capacity		in formula year t+1
TOEx _t	Revenue derived in respect of the provision of NTS firm exit capacity	Formula years	By 30 June in formula year t+1
TOTFEx _t	Volume of NTS firm exit capacity	Formula years	By 30 June in formula year t+1
REVBExC _t	Revenue derived from the sale of NTS baseline exit <u>flat capacity and NTS baseline exit shipper capacity</u>	Formula years	By 30 June in formula year t+1
REVBFF _t	Revenue derived from the sale of NTS baseline exit flow flexibility	Formula years	By 30 June in formula year t+1
TOK _t	NTS TO revenue adjustment	Formula years	By 30 June in formula year t+1
DREVBEC _t	Revenue from on the day sale of NTS SO baseline entry capacity	Formula years	By 30 June in formula year t+1
PRIORREV _t	Revenue from the sale of NTS SO baseline entry capacity occurring in any allocations taking place prior to 1 April 2002	Formula years	By 30 June in formula year t+1
TORCOM _t	NTS TO revenue not covered in TOREVBEC _t or TOExR _t	Formula years	By 30 June in formula year t+1

SOTIEx _t	Total volume of interruptible capacity registered by shippers on 15 January	Formula years	By 30 June in formula year t+1
NTS prescribed rates	Amount of the charge incurred in respect of the prescribed rates or equivalent tax or duty in respect of the NTS TO activity	Formula years	By 30 June in formula year t+1
TOREVBExC _t	Revenue from the sale of NTS baseline exit flat capacity, NTS <u>baseline exit shipper capacity and NTS baseline exit flow flexibility</u>	Formula years	By 30 June in formula year t+1

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Emergency Services			
	Revenues earned and costs incurred in the provision of emergency services to other gas transporters, by gas transporter, including a description of the services provided.	Formula years	By 30 June in formula year t+1

NTS system operation revenue information			
SOMR _t	Maximum NTS system operation revenue	Formula years	By 30 June in formula year t+1
SOIR _t	NTS system operation incentive revenue	Formula years	By 30 June in formula

			year t+1
SOIC _t	NTS system operation costs	Formula years	By 30 June in formula year t+1
SORA _t	Any allowance in respect of approved income adjusting events (whether of a positive or negative volume)	Formula years	By 30 June in formula year t+1
SOK _t	NTS SO revenue adjustment factor	Formula years	By 30 June in formula year t+1
CNIC _t	Total second capacity adjustment neutrality amount	Formula years	By 30 June in formula year t+1
DQREV _{j,t}	Revenue from the sale of obligated incremental entry capacity at terminal j that is not included in REVOIEC _t	Formula years	By 30 June in formula year t+1
DREVBExC _t	Revenue from on the day sales of NTS baseline exit flat capacity and <u>NTS baseline exit shipper capacity</u>	Formula years	By 30 June in formula year t+1
DREVBFF _t	Revenue from <u>on the day</u> sales of NTS baseline exit <u>flow flexibility</u>	Formula years	By 30 June in formula year t+1
FTI _t	Revenue from charges levied on gas shippers and DN operators in respect of failure to interrupt	Formula years	By 30 June in formula year t+1

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PRIORSELL _{m,d} ^j	Entry capacity allocated in any allocation occurring prior to 1 April 2002	For each day in the month in question	Two weeks after month end
RBIC _t	Sum of the basic net neutrality amount and the adjustment neutrality amount	Formula years	By 30 June in formula year t+1
RCOM _t	NTS SO Revenue not covered in SOExRF _t , SORCAP _t or SOROC _t	Formula years	By 30 June in formula year t+1
REVIExC _t	Revenue from sales of NTS incremental exit <u>flat capacity and NTS incremental exit shipper capacity</u>	Formula years	By 30 June in formula year t+1
REVIFF _t	Revenue from sales of NTS incremental <u>exit</u> flow flexibility	Formula years	By 30 June in formula year t+1
RNC _t	Net revenue from balancing neutrality charges	Formula years	By 30 June in formula year t+1
ECIIR _t	Entry capacity incentive revenue	Formula years	By 30 June in formula year t+1
SBIC _t	System balancing costs	Formula years	By 30 June in formula year t+1
REVOIEC _t	Revenue from sales of obligated incremental entry capacity	Formula years	By 30 June in formula year t+1

REVIBEC _t	Revenue from sales of permanent obligated incremental entry capacity relating to periods more than 5 years	Formula years	By 30 June in formula year t+1
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Exit capacity investment incentive information			
ExCIIR _t	Exit capacity investment incentive revenue	Formula years	By 30 June in formula year t+1
ExCP _t	Exit performance measure	Formula years	By 30 June in formula year t+1
ExCC _t	Costs incurred in use of constrained storage facilities to avoid transportation constraints	Formula years	By 30 June in formula year t+1
	Volumes, prices paid and charges forgone in respect of NTS exit capacity curtailment rights for all NTS connected sites, aggregated by exit zone	Formula years	By 30 June in formula year t+1
	Volumes and payments made in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days, for all NTS connected sites, aggregated by exit zone	Formula years	By 30 June in formula year t+1
	Volume and price of capacity bookings in constrained storage	Monthly	2 weeks after month end

	facilities		
$IExR_t$	Incremental exit capacity revenue	Formula years	By 30 June in formula year t+1
$TExC_t$	Actual NTS exit capacity	Formula years	By 30 June in formula year t+1
$AExNTSIC_t$	Weighted average charge payable in respect of the curtailment of rights to offtake gas from the NTS on plus 15 curtailment days	Formula years	By 30 June in formula year t+1
$DMExC_t$	NTS exit capacity for DM supply meter points, DM connected system exit points and storage connection points	Formula years	By 30 June in formula year t+1
$ExC_{z,d}$	Volume of capacity at supply point, connected system exit point or storage connection point z which is interruptible	For each day in the year	By 30 June in formula year t+1
$ExFC_{z,d}$	NTS exit capacity charge per unit payable in respect of $ExC_{z,d}$	For each day in the year	By 30 June in formula year t+1
$ExUCC_{z,d}$	NTS exit capacity charge per unit that would be payable in respect of $ExC_{z,d}$ if that capacity were not interruptible	For each day in the year	By 30 June in formula year t+1
$ExNTSC_z^{Jan 15th}$	Interruptible NTS exit capacity registered at point z on 15 January	Formula years	By 30 June in formula

			year t+1
ExNTSIIC _{z,d}	Payments made in respect of plus 15 curtailment days at point z	For each day in the year	By 30 June in formula year t+1
RExCP _t	Depreciation and financing costs of NTS incremental firm exit capacity	Formula years	By 30 June in formula year t+1
TNDMT _t	Total volume of gas deemed to be transported from the NTS to NDM points	Formula years	By 30 June in formula year t+1
ExIT _t	Exit incentive target	Formula years	By 30 June in formula year t+1
ExNTSIT _t	Incentive target for charges foregone	Formula years	By 30 June in formula year t+1
ExNTSSIC _t	Payments made or value accrued in respect of charges foregone as a result of exit capacity curtailment rights	Formula years	By 30 June in formula year t+1
ExNTSIIC _t	Payments made in respect of plus 15 curtailment days	Formula years	By 30 June in formula year t+1

Entry capacity buy-back incentive information			
IECCC _t	Total entry capacity constraint management costs	Formula years	By 30 June in formula year t+1

IECC _t	Total entry capacity constraint management costs	Year to date	Monthly 2 weeks after month end
BBIR _t	Entry capacity buy-back incentive revenue	Formula years	By 30 June in formula year t+1
BBIR _t	Cumulative balance and end of year forecast of entry capacity buy-back incentive revenue	Year to date	Monthly 4 weeks after month end
BBCP _t	Entry capacity buy-back performance measure	Formula years	By 30 June in formula year t+1
BBCP _t	Entry capacity buy-back performance measure	Year to date	Monthly 4 weeks after month end
BBC _{d,t}	Entry capacity buy-back costs	For each day in the month	Monthly 2 weeks after month end
	Volume and prices of entry capacity buy-backs by terminal	For each day in the month	Monthly 2 weeks after month end
ECCC _{d,t}	Entry capacity constraint payments	For each day in the month	Monthly 2 weeks after month end
	Revenue from daily sales of obligated entry capacity	For each day in the month	Monthly 2 weeks after month end

	Volumes and prices of obligated entry capacity sold daily by terminal	For each day in the month	Monthly 2 weeks after month end
	Revenue from sales of interruptible entry capacity	For each day in the month	Monthly 2 weeks after month end
	Volumes and prices of sales of interruptible entry capacity identifying volumes of use it or lose it entry capacity by terminal	For each day in the month	Monthly 2 weeks after month end
	Revenue from sales of non-obligated incremental system entry capacity	For each day in the month	Monthly 2 weeks after month end
	Volumes and prices of non-obligated incremental system entry capacity by terminal	For each day in the month	Monthly 2 weeks after month end
RLOC _t	Revenue from locational sell actions	Formula years	For formula years $t \geq 3$ by 30 June in formula year $t + 1$
	Volumes, locations and prices of locational actions by trade	day	For formula years $t \geq 3$ D + 1
RCOR _t	Revenue from system entry overrun charges	Monthly	4 weeks after month end
	Volume and prices of system entry capacity overruns by terminal	Monthly	4 weeks after month end

	Volume of system entry capacity terminal flow advice issued by Transco plc and any associated costs	Monthly	4 weeks after month end
RPIC _{d,t}	Revenue from a physical renomination incentive charge	For each day in the year	By 30 June in formula year t+1
DDCR _t	Revenue from on-the-day sales of obligated entry capacity	Formula years	By 30 June in formula year t+1

Residual balancing incentive information			
STIP _t	Sum of total daily residual balancing incentive payments	Formula years	By 30 June in formula year t+1
STIP _t	Sum of total daily residual balancing incentive payments	Year to date	Monthly 2 weeks after month end
RBIR _t	Residual gas balancing incentive revenue	Formula years	By 30 June in formula year t+1
RBIR _t	Cumulative balance and end of year forecast of residual gas balancing incentive revenue	Year to date	Monthly 2 weeks after month end
SDPIP _t	Sum of daily price incentive payments	Formula years	By 30 June in formula year t+1
SDPIP _t	Sum of daily price incentive	Year to date	Monthly 2

	payments		weeks after month end
$SDLIP_t$	Sum of daily linepack incentive payments	Formula years	By 30 June in formula year t+1
$SDLIP_t$	Sum of daily linepack incentive payments	Year to date	Monthly 2 weeks after month end
$DPIP_{d,t}$	Daily price incentive payment	For each day in the month in question	2 weeks after month end
$DLIP_{d,t}$	Daily linepack incentive payment	For each day in the month in question	2 weeks after month end
$PPM_{d,t}$	Daily residual balancing price performance measure	For each day in the month in question	2 weeks after month end
$LPM_{d,t}$	Linepack performance measure	For each day in the month in question	2 weeks after month end
$OLP_{d,t}$	Opening linepack levels NTS linepack at 06:00 hours on day D	For each day in the month in question	2 weeks after month end
$CLP_{d,t}$	Closing linepack levels NTS linepack at 06:00 hours on day D+1	For each day in the month in question	2 weeks after month end

$SAP_{d,t}$	System average price	Daily	D+1
$TMIBP_{d,t}$	Highest market offer price in relation to an eligible market balancing action	Daily	D+1
$TMISP_{d,t}$	Lowest market offer price in relation to an eligible market balancing action	Daily	D+1

System balancing incentive information			
$SBIR_t$	System balancing incentive revenue	Formula years	By 30 June in formula year t+1
$SBIR_t$	Cumulative balance and end of year forecast of system balancing incentive revenue	Year to date	Monthly 4 weeks after month end
$GCIR_t$	Gas cost incentive revenue	Formula years	By 30 June in formula year t+1
$GCIR_t$	Cumulative balance and end of year forecast of gas cost incentive revenue	Year to date	Monthly 4 weeks after month end
	Daily system gas balancing volumes	For each day in the month in question	2 weeks after month end
$SRIR_t$	System reserve incentive revenue	Formula years	By 30 June in formula year t+1

$SRIR_t$	Cumulative balance and end of year forecast of system reserve incentive revenue	Year to date	Monthly 4 weeks after month end
$GCCP_t$	Gas cost incentive performance measure	Formula years	By 30 June in formula year t+1
$GCCP_t$	Gas cost incentive performance measure	Year to date	Monthly 4 weeks after month end
$SRCP_t$	System reserve performance measure	Formula years	By 30 June in formula year t+1
$SRCP_t$	System reserve performance measure	Year to date	Monthly 4 weeks after month end
	Volume and price of Transco plc's storage bookings by storage facility	For each day in the month in question	2 weeks after month end
GC_t	Costs incurred in the provision of NTS shrinkage other than ECC_t	Formula years	By 30 June in formula year t+1
ECC_t	Costs incurred in purchasing and procuring fuel for electric compressors on the NTS	Formula years	By 30 June in formula year t+1
$UDQI_{t-2,q,d}$	Sum of gas shippers' user daily quantity inputs at Bacton, Barrow, Easington, St Fergus, Teesside, Theddlethorpe, Isle of Grain and	For each day of the year for formula year t-2	By 30 June in formula year t+1

	Miford Haven		
$UDQI_{t-2,q,d}^S$	Sum of gas shippers' user daily quantity input at storage connection point S	For each day of the year for formula year t-2	By 30 June in formula year t+1
$UDQO_{t-2,q,d}^S$	Sum of gas shippers' user daily quantity output at storage connection point S	For each day of the year for formula year t-2	By 30 June in formula year t+1
$GCIT_t$	NTS SO gas cost incentive target	Formula years	By 30 June in formula year t+1
$GCRP_t$	NTS SO gas cost reference price	Formula years	By 30 June in formula year t+1

Internal cost incentive information			
$ICIR_t$	Internal cost incentive revenue	Formula years	By 30 June in formula year t+1
$ICCP_t$	Internal costs performance measure	Formula years	By 30 June in formula year t+1
$SOOC_t$	NTS SO operating cost	Formula years	By 30 June in formula year t+1
$SODCP_t$	Depreciation on the NTS SO regulatory asset base	Formula years	By 30 June in formula

			year t+1
$SORCP_t$	Deemed return on the NTS SO regulatory asset base	Formula years	By 30 June in formula year t+1

NTS exit capacity buy-back and interruption incentive information			
$ExCBBIR_t$	NTS exit capacity buy-back and interruption incentive revenue	Formula years	By 30 June in formula year t+1
$ExCBBIT_t$	NTS exit capacity buy-back and interruption incentive target	Formula years	By 30 June in formula year t+1
$ExCBBICP_t$	NTS exit capacity buy-back and interruption performance measure	Formula years	By 30 June in formula year t+1
$ExCCMC_t$	Total NTS exit capacity constraint management costs	Formula years	By 30 June in formula year t+1
$ExBBC_{d,t}$	Exit capacity buy-back costs	For each day of the year	By 30 June in formula year t+1
$ExCCC_{d,t}$	NTS Exit capacity constraint payments	For each day of the year	By 30 June in formula year t+1

Other information required for general market monitoring			
	Daily system demand	Daily	D+1

	Daily interconnector flows at Bacton and at Moffat	For each day in the month in question	Two weeks after month end
	Daily system allocations by entry terminal by gas shipper	For each day in the month in question	Four weeks after month end
	Daily gas shipper imbalances	For each day in the month in question	Four weeks after month end
	Gas shipper system entry capacity holdings excluding daily sales by gas shipper by terminal by day	For each day in the week in question	One week after week end

2. If, prior to the fulfilment of its obligations under paragraph 3 of this condition, the licensee becomes aware of any inaccuracies in respect of information it has provided to the Authority in pursuance of its obligations under paragraph 1 of this condition it shall notify such inaccuracies to the Authority together with details of why such information is inaccurate and of the correct information.

3. As soon as reasonably practical after the end of each formula year and in any event no later than three months after the end of the formula year the licensee shall send to the Authority a reconciliation of the information provided in accordance with paragraph 1 of this condition for periods of less than the formula year with that provided for the full formula year together with a written explanation of any discrepancies.

4. The reconciliations provided by the licensee under paragraph 3 of this condition shall be accompanied by a report prepared by appropriate auditors addressed to the Authority which indicates whether, in their opinion:
 - that statement fairly presents so far as it reasonably possible to do so the licensee's performance against each of the performance measures provided for in Special Condition C8B (Restriction of revenue in respect of the NTS

transportation owner activity and the NTS system operation activity) in respect of the formula year to which the statement relates; and

- that statement used data compiled in accordance with Special Condition C9 (Allocation of revenues and costs for calculations under the price control in respect of the NTS transportation owner activity and NTS system operation activity) and is consistent with the licensee's accounting records; and
- any explanations given by the licensee under paragraphs 2 and 3 of this condition in respect of the formula year in question were reasonable and consistent with the information supplied.

5. The licensee shall provide a statement of the following information to the Authority and publish that statement not later than seven (7) days prior to the start of any allocation of entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day:

- (a) the terminal to which such allocation relates;
- (b) the amount of unallocated NTS SO baseline entry capacity and unallocated obligated incremental entry capacity at the terminal (both as defined in Special Condition C8A (Revenue restriction definitions in respect of the NTS transportation owner activity and NTS system operation activity)) that is available on the day that the statement is published which the licensee will offer for sale in the allocation and the period to which such capacity relates;
- (c) the reserve price if any to be applied to such allocations;
- (d) the licensee's opinion as to future levels of entry capacity at the terminal to which the allocation relates accompanied by background information (if any) in support of such opinion including the licensee's opinion as to future aggregate volumes of gas to be transported through the NTS;
- (e) the commencement time and date of the allocation; and

- (f) when the gas shippers shall be informed of the outcome of the allocation;
6. The licensee shall provide a statement of the following information, by terminal and by the month to which it relates, to the Authority and publish that statement not later than fourteen (14) days after the close of any allocation of entry capacity rights in respect of capacity rights offered for sale for a consecutive period of more than one (1) day:
- (a) the volume of NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated incremental entry capacity allocated;
 - (b) the total amount of the revenue derived and to be derived by the licensee in respect of the NTS SO baseline entry capacity, obligated incremental entry capacity and non-obligated incremental entry capacity allocated;
 - (c) the highest price accepted by the licensee for a unit of entry capacity allocated;
 - (d) the lowest price accepted by the licensee for a unit of entry capacity allocated; and
 - (e) the weighted average price accepted by the licensee for a unit of entry capacity allocated.

Special Condition C18: Licensee’s methodology for determining incremental exit capacity volumes

1. In this condition:

“incremental exit capacity”

means NTS exit capacity that is in excess of the initial volume allocation; and

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“initial volume allocation”

means for an NTS exit point (having the meaning given to that term in the network code):

(a) for an NTS Supply Point or NTS Connected System Exit Point (having the meaning given to these terms in the network code), the aggregate quantity of NTS exit capacity that gas shippers are registered as holding pursuant to the network code; or

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(b) for an NTS/LDZ Offtake (having the meaning given to that term in the network code), the aggregate quantity of NTS exit flat capacity or the aggregate quantity of NTS exit flow flexibility which:

(i) for the period until 30 September 2008 is as set out in the Offtake Capacity Statements (having the meaning given to that term in the network code) as at 1 May 2005 (or such later date as the Authority otherwise directs in writing), and

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(ii) for the period from 1 October 2008 to 30 September 2010 is as approved by the Authority in writing and published in the statement prepared pursuant to paragraph 2.

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2. The licensee shall before 1 June 2005 or such later date as the Authority may direct and thereafter before 1 July in each subsequent formula year (or such later date in each formula year as the Authority may approve) prepare and submit for approval by the Authority an incremental exit capacity release methodology statement setting out (consistently with the licensee's duty under the Act, and the standard, Standard Special and Special Conditions) the methodology by which it will determine whether to make incremental exit capacity available for sale to gas shippers or DN operators.
3. Unless the Authority otherwise consents in writing, the statement shall be accompanied by a statement from appropriate auditors confirming that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has developed a methodology that is in line with the licensee's duty under the Act, and the standard, Standard Special and Special Conditions.
4. Unless the Authority otherwise directs, such direction to be made within 2 months of the receipt by the Authority of a statement prepared pursuant to paragraph 2 of this condition, the licensee shall take all reasonable steps to apply the methodology set out in such statement in making any decisions made after the earlier of: the date of receipt of a notice from the Authority approving the statement; or the expiry of that two month period on whether to release incremental exit capacity for sale to gas shippers or DN operators.
5. Except where the Authority directs otherwise or paragraph 7 applies, before revising the incremental exit capacity release methodology statement the licensee shall:
 - (i) send a copy of the proposed revisions to the Authority and to any person who asks for one;
 - (ii) consult gas shippers and DN operators and allow them a period of not less than 28 days in which to make representations;
 - (iii) within 7 days of the close of the consultation referred to in sub-paragraph 5(ii) of this condition submit to the Authority a report setting out:

- the revisions originally proposed,
 - the representations (if any) made to the licensee,
 - any change to the revisions; and
- (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) of this paragraph or any of them shall not apply, comply with such other requirements as are specified in the direction.
6. The licensee shall be entitled to revise the incremental exit capacity release methodology statement at any time pursuant to paragraph 5, save that it shall not revise such statement:
- (i) where paragraph 5(iv) in this condition applies, before the day (if any) specified in the direction made pursuant to that sub-paragraph;
 - (ii) where there is no such direction, or no date is specified in such direction, until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph 5(iii) in this condition; or
 - (iii) if within the period referred to in paragraph 5(ii) of this condition the Authority directs the licensee not to make the revision.
7. (a) The licensee shall, if so directed by the Authority but in any event at least once a year, review the statement prepared pursuant to paragraph 2 of this condition in consultation with gas shippers, DN operators and other interested persons likely to be affected thereby and allow them a period of not less than 28 days in which to make representations.
- (b) Within 7 days of the close of the consultation referred to in paragraph 7(a) of this condition, the licensee shall send to the Authority:
- (i) a report on the outcome of the review;

- (ii) the report prepared pursuant to sub-paragraph (i) shall be accompanied by a statement from appropriate auditors that they have carried out an investigation, the scope and objectives of which shall have been established by the licensee and approved by the Authority, and giving their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to paragraph 2 of this condition;
 - (iii) any revision to the statement proposed (having regard to the outcome of the review) by the licensee in order to ensure that the statement remains consistent with the licensee's duties under the Act and the standard, Standard Special and Special Conditions; and
 - (iv) any written representations or objections from gas shippers, DN operators and other interested parties, including proposals for revision not accepted by the licensee, arising during the consultation and subsequently maintained.
 - (c) The licensee may revise the statement only in accordance with any revision within paragraph 7(b)(iii) of this condition and only if the Authority consents to such revision.
8. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 2 of this condition.
9. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 2, 3, 4, 5, 6 and 7 of this condition and of all revisions to any such statements and reports.
10. The licensee shall:
- (a) publish (in such manner as the Authority may approve) the statements prepared pursuant to paragraph 2 of this condition and each revision thereof, and
 - (b) send a copy of each statement and report prepared pursuant to paragraphs 2, 3, 4, 5, 6 and 7 of this condition or the latest revision of any such statement and report to any person who requests the same, provided that the licensee shall exclude

therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,

and, for the purposes of paragraph 10(b) of this condition, the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).

11. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 10(b) of this condition of an amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

Schedule A: NTS output measures for the price control

1. With regard to the maximum revenue allowances provide to the licensee pursuant to Part I a and Part 2 of Special Condition C8B (Restriction of revenue in respect of the NTS transportation owner activity and the NTS system operation activity), the following baseline output measures shall apply.

Table A1: NTS TO baseline entry capacity (GWh/day)

Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
Bacton	1527	1646	1839	1939	1939
Barrow	812	790	790	791	791
Easington	1105	985	1141	1180	1180
St. Fergus	1689	1721	1809	1831	1863
Teesside	910	823	834	845	845
Theddlethorpe	758	628	879	942	942
Glenmavis	110	110	110	110	110
Partington	239	239	239	239	239
Avonmouth	165	165	165	165	165
Isle of Grain	243	243	243	243	243
Dynevor Arms	55	55	55	55	55
Hornsea	195	195	195	195	195
Hatfield Moor (storage)	60	60	60	60	60
Hatfield Moor (onshore)	1.1	1.1	1.1	1.1	1.1
Cheshire	0	0	119	179	238
Hole House Farm	29	29	29	29	29
Wytych Farm	3.6	3.6	3.6	3.6	3.6
Burton Point	61.3	61.3	61.3	61.3	61.3
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0

Table A2: Initial NTS SO baseline entry capacity (GWh/day)

	MONTH				
	1≤m≤12	13≤m≤24	25≤m≤36	37≤m≤48	m≥49
Terminal	2002/3	2003/4	2004/5	2005/6	2006/7
Bacton	1374	1481	1655	1745	1745
Barrow	731	711	711	712	712
Easington	995	887	1027	1062	1062
St. Fergus	1520	1549	1628	1648	1677
Teesside	819	741	751	761	761
Theddlethorpe	682	565	791	848	848
Glenmavis	99	99	99	99	99
Partington	215	215	215	215	215
Avonmouth	149	149	149	149	149
Isle of Grain	218	218	218	218	218
Dynevor Arms	50	50	50	50	50
Hornsea	175	175	175	175	175
Hatfield Moor (storage)	54	54	54	54	54
Hatfield Moor (onshore)	1	1	1	1	1
Cheshire	0	0	107	161	214
Hole House Farm	26	26	26	26	26
Wytch Farm	3.2	3.2	3.2	3.2	3.2
Burton Point	55	55	55	55	55
Milford Haven	0	0	0	0	0
Barton Stacey	0	0	0	0	0
Garton	0	0	0	0	0

Table A3: NTS baseline firm exit capacity (GWh/day)

	2002/3	2003/4	2004/5	2005/6	2006/7
Firm exit capacity by LDZs					
Scotland	343	348	355	362	367
Northern	265	271	278	283	287
North West	538	550	557	563	568
North East	279	283	287	290	293
East Midlands	464	470	477	483	488
West Midlands	454	459	464	470	475
Wales North	51	52	54	55	57
Wales South	198	201	204	208	211
Eastern	359	366	372	377	382
North Thames	508	512	516	520	525
South East	516	523	526	529	532
Southern	380	394	402	409	414
South West	279	284	290	295	299
Total firm exit capacity for LDZ loads	4633	4713	4782	4844	4897
Firm exit capacity for NTS loads	1488	1529	1592	1653	1691
Total firm baseline NTS exit capacity	6121	6241	6374	6497	6588

Table A4: NTS baseline interruptible exit capacity (GWh/day)

	2002/3	2003/4	2004/5	2005/6	2006/7
Interruptible exit capacity by LDZs					
Scotland	47	54	56	58	60
Northern	33	34	37	38	39
North West	72	75	77	78	78
North East	38	40	41	42	43
East Midlands	75	77	89	93	99
West Midlands	35	36	37	37	37
Wales North	7	7	8	8	9
Wales South	28	29	31	32	32
Eastern	36	36	37	37	37
North Thames	40	45	47	48	49
South East	40	44	44	51	61
Southern	36	37	38	38	40
South West	32	33	34	34	34
Total interruptible exit capacity for LDZ loads	521	548	576	595	619
Interruptible exit capacity for NTS loads	1073	1141	1142	1147	1148
Total interruptible NTS baseline exit capacity	1594	1689	1718	1742	1767

Table A5: NTS baseline exit flow flexibility (GWh/day)

	<u>2002/3</u>	<u>2003/4</u>	<u>2004/5</u>	<u>2005/6</u>	<u>2006/7</u>
<u>NTS exit flow flexibility</u>					

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Table A6: NTS baseline exit flat capacity (GWh/day)

	<u>2002/3</u>	<u>2003/4</u>	<u>2004/5</u>	<u>2005/6</u>	<u>2006/7</u>
<u>NTS exit flat capacity</u>					

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Table A7: NTS baseline exit shipper capacity (GWh/day)

	<u>2002/3</u>	<u>2003/4</u>	<u>2004/5</u>	<u>2005/6</u>	<u>2006/7</u>
<u>NTS exit shipper capacity</u>					

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