

## Schedule A

### Special Condition C8D: NTS gas entry incentives, costs and revenues

#### Part C – Capacity release obligations

#### 9. Obligations to release entry capacity

(k) The licensee shall implement the proposal as set out within the written application made pursuant to paragraph 9(f) of this condition or as modified in accordance with paragraph 9(l)(ii) of this condition, unless:

- i) the Authority has, within 7 days from the receipt by the Authority of the written application, notified the licensee in writing, on or before that date, to suspend implementation of the proposal because in its opinion the application made pursuant to paragraph 9(f) of this condition requires further consideration to evaluate whether the proposal, and the supporting information, is consistent with the licensee's incremental entry capacity release methodology (established pursuant to Special Condition C15 (Licensee's methodology for determining incremental entry capacity volumes)), ~~and~~ the licensee's entry capacity substitution methodology (established pursuant to paragraph 10 of this condition), and the licensee's statutory duties and its licence obligations; and
- ii) the Authority has, within 28 days from the receipt by the Authority of the written application, directed the licensee, on or before that date, not to implement that proposal.

(l) Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 9(k)(i) of this condition,

- i) the Authority may direct the licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in accordance with the application made pursuant to paragraph 9(f) of this condition; or
- ii) the Authority may direct the licensee, within 28 days from the receipt by the Authority of the written application, to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:
  - (aa) the volume of incremental obligated entry capacity that the licensee proposes to treat as non-incremental obligated entry capacity substituted to NTS entry point i and funded incremental obligated entry capacity; and
  - (bb) the first month in which the additional firm entry capacity referred to in paragraph 9(h)(iv) of this condition would be used at NTS entry point i or in which the additional firm entry capacity referred to in paragraph 9(h)(v) of this condition would cease to be used at NTS entry points j .

(m) The licensee may withdraw a proposal made pursuant to paragraph 9(f) of this condition within 7 days from receipt by the Authority of the application.

(n) Where the Authority has notified the licensee under paragraph 9(k)(i) of this condition to suspend implementation of the proposal made pursuant to paragraph 9(f) of this condition, the licensee may withdraw such a proposal within 28 days from receipt by the Authority of the application unless the Authority has otherwise directed the licensee to implement the proposal in accordance with paragraph 9(l) of this condition.

(o) Where the Authority has made a direction that the licensee should not implement the proposal under paragraph 9(k)(ii) of this condition the licensee shall remain entitled to make available firm entry capacity additional to the prevailing level of obligated entry capacity at the time the proposal is made and any such additional firm entry capacity sold by the licensee shall be treated as non obligated entry capacity for the purposes of this condition.

(p) The licensee shall publish the effect of implementing each proposal on the cumulative volume of funded incremental obligated entry capacity and non-incremental obligated entry capacity for each NTS entry point  $i$  for each month  $m$  (as at  $h$  days in advance of the first day of month  $m$ ) in a form and manner approved by the Authority. The licensee shall use reasonable endeavours to ensure that the information published pursuant to this paragraph is accurate and up-to-date.

## 10. Entry capacity substitution obligation

(a) The licensee shall:

- i) by no later than 7 days after the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing:
  - (aa) prepare an entry capacity substitution methodology, in such manner that is necessary to facilitate the achievement of the entry capacity substitution objectives (as set out in paragraph 10(c) of this condition), which the licensee shall apply for the purposes of fulfilling its obligations in respect of entry capacity substitution; and
  - (bb) submit to the Authority for its approval a statement setting out the methodology prepared in accordance with paragraph 10(a)(i)(aa) of this condition ("the entry capacity substitution methodology statement");
- ii) use reasonable endeavours to have in force, by no later than 14 days after the date on which the Authority issues a decision giving effect to this licence condition, or such later date as the Authority may otherwise direct in writing, an approved entry capacity substitution methodology statement.

(b) The licensee shall, unless and insofar as the Authority may otherwise direct from time to time in writing, use reasonable endeavours to substitute entry capacity in accordance with the approved entry capacity substitution methodology statement prepared pursuant to paragraph 10(a) of this condition, as may be modified from time to time in accordance with paragraph 10(e) of this condition.

(c) For the purposes of paragraph 10(a)(i)(aa) of this condition, the licensee shall use reasonable endeavours to ensure that the entry capacity substitution methodology facilitates the achievement of the following objectives (the "entry capacity substitution objectives"):

- (i) ensuring that entry capacity substitution is effected in a manner consistent with the licensee's statutory duties and its licence obligations, in particular the duty to develop and maintain an efficient and economical pipeline system;
- (ii) in so far as is consistent with (i) above, ensuring that entry capacity substitution is effected in a manner which seeks to minimise the reasonably expected costs associated with funded incremental obligated entry capacity;—, taking into account the entry capacity that shippers have indicated they will require in the future through financial commitment to the licensee;

- (iii) ensuring that entry capacity substitution is effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
- (iv) in so far as is consistent with (i) above, avoiding material increases in the costs (including entry capacity constraint management costs in respect of obligated entry capacity previously allocated by the licensee to relevant shippers) that are reasonably expected to be incurred by the licensee as a result of substituting entry capacity; and
- (v) in so far as is consistent with (i), (ii), ~~(iii)~~, and (iv) above, facilitating effective competition between relevant shippers and ~~between~~ relevant suppliers.

(d) For the purposes of paragraph 10(a)(ii), the entry capacity substitution methodology statement shall be deemed approved from the earlier of:

- i) the date of receipt of a notice by the licensee from the Authority approving the entry capacity substitution methodology statement; or
- ii) the date being two months (or three months if the Authority intends to undertake an impact assessment the intention of which the Authority shall notify the licensee in writing within a reasonable time) after the entry capacity substitution methodology statement was submitted to the Authority,

unless the Authority otherwise directs the licensee (such direction to be made within two months (or three months if the Authority intends to undertake an impact assessment) of the receipt by the Authority of the entry capacity substitution methodology statement) that the entry capacity substitution methodology statement has not been approved.

(e) The licensee shall, if so directed by the Authority, and in any event at least once a year, review the entry capacity substitution methodology set out in the entry capacity substitution methodology statement in force, in consultation with relevant shippers and interested parties and seek to make such modifications to the entry capacity substitution methodology as it considers reasonably necessary to better meet the entry capacity substitution objectives set out in paragraph 10(c) of this condition.

(f) Except where the Authority otherwise directs in writing, before submitting the entry capacity substitution methodology statement pursuant to paragraph 10(a) of this condition or before modifying that statement, the licensee shall:

- (i) when modifying its entry capacity substitution methodology statement, send a copy of the proposed modifications to the Authority and to any person who asks for one;
- (ii) consult relevant shippers and interested parties and allow them a period of not less than 28 days, which for the avoidance of doubt may commence before the date on which the Authority issues a decision giving effect to this licence condition, in which to make representations;
- (iii) within 14 days of the close of the consultation referred to in paragraph 10(f)(ii) of this condition submit to the Authority a report setting out:

- a. the modifications originally proposed (if any);
- b. the representations made by relevant shippers or interested parties (if any) to the licensee and not withdrawn; and
- c. any changes to the modifications proposed as a result of such representations;

(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 reasonable requirements as are specified in that direction.

(g) The licensee shall be entitled to modify its entry capacity substitution methodology statement at any time pursuant to paragraph 10(e) of this condition, save that it shall not modify such statement:

- (i) if within 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 10(f)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 10(f)(iii) of this condition the Authority directs the licensee not to make the modification; or
- (ii) where there is no such direction, until the expiry of 28 days (or 3 months if the Authority intends to undertake an impact assessment, the intent of which the Authority shall notify the licensee in writing within a reasonable time after receiving the report referred to in paragraph 10(f)(iii) of this condition) from the date on which the Authority receives the report referred to in paragraph 10(f)(iii) of this condition; or
- (iii) where paragraph 10(f)(iv) in this condition applies, before the day specified in any direction made pursuant to that paragraph.

(h) The licensee shall make the entry capacity substitution methodology statement from time to time applicable to the pipeline system to which this licence relates available on its website (and in such other manner as appears to the licensee to be appropriate).