

NETWORK CODE

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PRINCIPAL DOCUMENT

DEFINED TERMS

<u>Term</u>	<u>Reference</u>
1-in-20 peak day demand	W 2.6.4(iii)
1-in-50 Severe Annual Demand.....	W 2.6.4(iv)
10% Deviation Rule	G 1.11.1(ii)
Accepted Price	D 4.1.2(a)
Acquiring Trade Nomination.....	C 6.1.1
Act, the	W 1
Active Notification Communication	U 4.6.1
Active Notification Device	U 4.6.2
Active Notification System	U 4.6.2
Actual Top-up Injection Requirement	P 3.2.1(ii)
additional Monthly Adjustment Neutrality Cost.....	F 4.5.3(a)(v)
additional Monthly Adjustment Neutrality Revenue	F 4.5.3(b)(iv)
Adjusted Estimated Daily Top-up Amount	P 6.3.4(d)
Adjustment Neutrality Amount.....	F 4.5.1
Adjustment Reconciliation Neutrality Amount	F 6.5.1
Affected Party	V 9.1.1
affected [System Point]	W 2.4.2
affected User	C 4.1.2(i)
Affiliate	W 2.9.7
Aggregate NDM Nomination Quantity.....	C 5.4.3(c)
Aggregate Net Top-up Cost P 6.3.4(a)	
aggregate preference number	T 2.2.8(b)
Aggregate Stored Gas	P 3.2.2(b)
Aggregate System Entry Point.....	A 2.3.1
Aggregate System Payments.....	F 4.4.3
Aggregate System Receipts F 4.4.2	
Agreed Opening Meter Reading	M 3.8.4
Allocated Storage Deliverability.....	P 2.2.2(ii)
Allocated Storage Space	P 2.2.2(i)
Ancillary Agreement	V 1.3.1
annual demand	W 2.6.4(ii)
Annual Load Profile	H 2.3.1
Annual Maintenance Meeting.....	L 3.3.1(ii)

Term	Reference
Annual Quantity [Supply Meter Point].....	G 1.6.1;
[Supply Point]	G 1.6.5
Annual Read Meter	M 3.1.7(c)
Annual Storage Invitation	R 3.1.3
anticipated normal offtake pressure	J 2.2.3
Applicable Annual Rate	B 1.8.5(i)
Applicable Commodity Rate.....	B 1.8.5(ii)
Applicable Daily Rate	B 1.8.5(i)
applicable daily rate	Annex U 2.2(a)
Applicable Demand Model	H 1.3.2
Applicable End User Category	H 1.2.3
Applicable Imbalance Tolerance Percentage	F 2.2.2
Applicable Interest Rate	S 3.6.3
Applicable Liability Gas Price.....	W 2.7.1
Applicable Offtake Requirements.....	J 2.1.1
Applicable Offtake Pressure.....	J 2.1.4
Applicable Storage Deliverability Charge Rate	R 2.7.3
Applicable Storage Space Charge Rate	R 2.7.3
Applicant User	V 2.1.1
April Maintenance Programme.....	L 1.2.3
associated [Recovered Amounts and Recovery Costs].....	Su 3.4.1(h)
Authorised Representative	U 2.5.2
Automatic Audit Trial Facility.....	U 4.2.2
Available [Flexibility Bid]	D 3.2.2
Available Injection Quantity.....	R 5.6.5
Available [Storage Space or Storage Deliverability].....	R 2.2.2(ii)
Available [System Capacity]	B 1.4 (b)
available withdrawal rate	R 6.2.5(a)
Balancing Charges	F 1.1.2(c)
Balancing Invoice	Annex S-1 4
Balancing Margins	K 1.1.2(b)
Balancing Margins Principles	K 3.1.2
Balancing Margins Purposes.....	K 1.1.2(a)
Balancing Margins Requirements.....	K 1.1.1(ii)
Balancing Margins WACOG.....	K 5.2.1
Balancing Neutrality Charges	F 1.1.2(d)
Balancing Neutrality Financing Adjustment.....	F 4.6.1
bar	W 3.2.1
Base Plan Assumptions	O 1.2.2

Term	Reference
Basic Balancing Neutrality Charges	Su 2.5.2(b)
Basic Net Neutrality Amount.....	F 4.4.1
Basic Net Reconciliation Neutrality Amount	F 6.4
Batch Transfer Communication	U 4.5.1
Benchmark UK Link Configuration	U 2.2.9
BG Storage Facility	R 1.1.1
BG User Capacities	V 7.1.2
Bid Aggregate System Entry Point	B 2.5.2(a)
bid alternative	D 2.4.1(a)
Bid Entry Point	D 2.8(e)
Bid Evaluation Period	D 3.2.8(a)
Bid Exit Point	D 2.8(e)
Bid Price	D 2.8(b)
Bid System Point	D 2.8(e)
bid withdrawal notice	D 2.7.2
Bidding User	D 2.1.1
Billing Day	S 1.1.3(b)
Billing Period	S 1.1.3(a)
Bottom-stop [Supply Point Capacity].....	G 5.2.3(a)
Business Day	G 1.10.1;
.....	W 2.2.1(b)
buyer	W 2.3.2(i)
calculation Day	Su 2.5.2(d)
calorific value	W 3.2.1
.....	W 3.3.1
cancellation notice	R 5.7.1(i)
Capacity Charge	B 1.7.2
capacity period	B 2.2.7; B 3.2.7
Capacity Ratchet Amount	B 4.7.2
Capacity Reduction Period	G 5.2.2
Capacity Revision Application	G 5.1.4
Capacity Transfer	Annex U 2.2(b)
Capacity Transfer Day	Annex U 2.2(c)
Capacity Variable Component.....	B 1.7.5 (a)
capped month	F 6.3.2
Carry-over User	R 3.7.1(a)
Carry-over Margins Gas	K 4.5.3
Carry-over Top-up Gas	P 2.5.2(ii)
Cash Call	Su 2.6.3(i)

Term	Reference
Cash Call Limit	Su 2.4.1
Cash Call Payment	Su 2.8.3
Change Request Deadline	G 6.1.4(d)
charge month	R 3.8.9(ii)
Chargeable Output Scheduling Quantity	F 3.3.2(e)
chargeable overrun quantity	B 2.6.2(b)
.....	B 3.6.2(b)
.....	B 4.8.2(ii)
claimant	Q 4.2.5
claims reviewer	Q 4.2.5(ii)
Class 1 Modification	U 8.2.2
Class 2 Modification	U 8.2.3
Class 3 Modification	U 8.2.4
Class A Contingency	U 6.3.2
Classification Threshold	G 1.11.1(i)
Clearing Price	W 2.3.2(ii)
closing cash balance	F 4.6.2(a);
.....	F 6.6.2(a)
Closing Margins Adjustment Charge.....	K 5.5.3
Closing Top-up Adjustment Amount.....	P 6.6.1(a)
closing top-up balance	P 6.2.2(a)
Closing Top-up Gas	P 2.5.2(i)
Code	V 1.1
Code Communication	W 1
Code Contingency	U 6.1.1(b)
Code Credit Limit	V 3.2.1(a)
Code Credit Rules	V 3.1.2
Code Modification	W 1
Commodity Charge	B 1.7.3
Commodity Invoice	Annex S-1 3
Commodity Variable Component	B 1.7.5(b)
Compensation Relevant Value.....	V 13.1.2(a)
Compensation Value Auditor.....	V 13.1.2(c)
Competent Authority	W 1
Completion Date	G 7.1.2(c)
Composite Weather Variable.....	H 1.4.1(i)
Condition 7(4) Approval	W 2.8.4
Condition 7(4) Disapproval W 2.8.4	
Confirmation Day	R 3.7.4

Term	Reference
Daily Margins Recovery Amount.....	K 5.3.1
Daily Meter Readings	M 4.2.3(i)
Daily Read [Supply Meter]	M 1.3.1
Daily Read Equipment	M 4.1.1
Daily Read Error	M4.8.1(a)
Daily Read Error Day	M4.8.2
Daily Read Error Notice	M4.8.2
Daily Read Requirement	G 1.5.3(i)
Daily Shrinkage Quantity	N 1.5.3
date of the Code	W 1
Day	W 2.2.1(a)
Defaulting User	V 4.3.1
degree Celsius and C	W 3.2.1
Delivering User	E 1.1.2(c)
delivery characteristics	I 2.4.4
Delivery Facility Operator	I 1.2.3
Delivery Proportion	I 3.1.2
demand	W 2.6.1
demand for gas	W 2.6.1
Demand Forecast Time	H 5.2.6(c)
Demand Model	H 1.3.1
dependent [meter]	G 1.8.1(e)(ii)
Derived Factors	H 1.9.3
Directive	W 1
Director	W 1
Disclosing Party	V 5.5.1
Discontinuance Notice	V 4.2.1
Discontinuing User	V 4.1.1
Disposing Trade Nomination.....	C 6.1.1
dispute	T 1.1.2(a)
disputes secretary	T 1.6.1
DM Check Read	M 4.7.1
DM Check Reconciliation Volume.....	M 4.7.4(ii)
DM NTS Exit Capacity	B 3.2.1
DM Output Nomination	C 2.2.1
DM Output Nomination Time.....	C 1.2
DM Reconciliation	E 1.3.3
DM Reconciliation Quantity.....	E 6.1.4 (b)
DM Supply Meter Point	A 4.1.3

Term	Reference
DM [Supply Point Component]	A 4.3.2(i)
DM Supply Point Capacity	B 4.2.1
DMA [Supply Point Component]	A 4.5.4
DMA(F) Supply Point Group	C 1.5.1(a)
DMA (I) Supply Point Group	C 1.5.1(b)
DMA Supply Point Group	1.5.2
DMC [Performance Relevant Supply Meter]	M 5.1.5
DMC [Supply Point Component]	A 4.5.2
Elected Shortfall Allocation R 3.5.8	
electing User	R 3.4.5(ii)
Eligible Capacity Registration Date.....	B 1.6
Eligible Margins Costs	K 5.3.2
Eligible Margins Revenues	K 5.3.3
Eligible NDM Renominations	C 5.4.3(a)
Eligible Status Change DateG 6.1.4(b)	
Emergency	Q 1.2.1
Emergency Procedures	Q 1.4.1
Emergency Steps	Q 1.3.1
Empty Storage Space	R 3.7.4(a)
End User Category (EUC)	H 1.2.1
Energy Balancing Charges	W 1
Energy Balancing Credit Committee	Su 1.2.1
Energy Balancing Credit Rules.....	Su 2.1.1
Energy Balancing Debt	Su 3.4.1(b)
energy balancing exclusive	Su 3.4.1(f)(i)
Energy Balancing Invoice	Su 1.1.6
energy balancing proportionSu 3.4.1(g)	
Entry Allocation Statement	E 2.1.2
Entry Close-out Date	E 1.9.1(i)
Entry Point Daily Quantity Delivered.....	E 1.4.1
error quantity	F 1.4.6(c)
Error Revised Quantity	M 4.8.10(i)
Error Revised UDQO	E 3.5(i)
Estimated Daily Top-up Amount.....	P 6.3.4(b)
Estimated Weather Correction Factor.....	H 3.4.2
EUC peak load factor	H 4.2
EUC Sample	H 1.2.4
Excess Gas in Storage	R 6.5.2(ii)
Excluded Offtake Circumstances.....	J 3.2.2

Term	Reference
Existing Registered User	G 2.2.3(b)
Existing Supply Point	G 2.2.3(a)
Exit Allocation Statement	E 3.2.2
Exit Close-out Date	E 1.9.1(ii)
Exit Zone	A 1.3.2
Expert Determination	T 1.2.1
exposed commitment	P 4.2.5
Facility Injection Rate	R 5.1.3(e)
Failed Daily Read Day	M 4.4.2
Failed Daily Read Reconciliation Volume	M 4.4.4(ii)
failure Day	G 6.9.1(a)
failure to Interrupt	G 6.9.1(a)
feasible [quantities or rates] W 2.9.6	
filled or fill [Storage Space] R 2.5	
Final Adjustment Month	P 6.3.6
Firm [Storage Capacity]	R 2.3.2(b)
Firm Supply Point	A 4.4.1
.....	G 6.1.3(iii)
Firm [Supply Point Component].....	A 4.4.2
Firm DM User Daily NTS Offtake Quantity	E 3.4.3
Firm Transportation Requirement.....	G 6.3.4
first [BG Storage Facility]	R 1.6.2
first deregulated [Storage Year].....	R 1.1.5
First Chargeable Input Scheduling Quantity.....	F 3.2.1(e)
First Imbalance Tranche	F 2.1.3(b)
First Supply Point Registration Date	G 7.3.4
Fixed Component	B 1.7.5(c)
Flexibility Bid	D 2.1.1
Flexibility Bid Notice	D 2.2.1
Flexibility Charge	D 4.1.2(c)
Flexibility Eligible System Exit Point	D 2.1.3
Flexibility Effective Time	D 4.1.2(d)
Flexibility Flow Rate Change	D 2.8(d)
Flexibility Gas	D 2.8(a)
flexibility lead time	D 2.8(c)
Flexibility Nomination	C 1.1.2(vii)
flexibility option bid	D 2.4.1(a)
Flexibility Overrun Charge	B 2.5.1
flexibility overrun day	B 2.5.1

Term	Reference
flexibility overrun quantity	B 2.5.2(b)
Flexibility Quantity	D 4.1.2(b)
Flow Rate Change Range	D 2.8(g)
Force Majeure	V 9.1.1
Forecast LDZ Demand	H 5.2.6(a)
Forecast Total System Demand	H 5.2.6(b)
Framework Agreement	V 1.2
Further Top-up Space Requirement	P 2.2.1(iii)
gas	W 3.1.1
Gas Code	W 1
Gas Entry Conditions	I 2.4.1
Gas Flow Day	W 2.2.1(c)
Gas Year	W 2.2.1(e)
gas-in-storage	R 1.4.1
Gateway	U 4.2.3
gauge	W 3.2.1
General Top-up Revenues	P 6.1.3
Guarantee	Su 2.3.1(a)
guarantor	Su 2.1.2(i)
high weighted average price	R 3.5.9
hour	W 3.2.1
IGE [Institute of Gas Engineers] Meter Recommendation	M 1.6
Imbalance Tolerance Quantity	F 2.1.3(a)
Imminent Top-up Injection Requirement	P 3.2.1(ii)
implementation plan	U 8.4.2(d)
Implied Nomination Flow Rate	C 1.9
implied withdrawal rate	R 6.2.5(b)
incremental withdrawal rate	R 6.2.5(d)
indemnified party	U 3.6.3
indemnifying party	U 3.6.3
individual access parts	U 2.5.1
Individual System Entry Point	A 2.1
Individual System Exit Point	A 3.1
Individual System Point	A 1.4.1(a)
information Day	E 1.6.1
Initial [Nomination]	C 1.1.2(viii)
injection	R 1.3.1
Injection Period	R 5.2.1
injection programme	R 5.1.3(b)

Term	Reference
injection quantity	R 5.1.3(a)
Inner Input Tolerance Quantity.....	F 3.2.1(c)
Input [Nomination]	C 1.1.2(iv)
Input Nomination Time	C 1.2
Input Scheduling Quantity	F 3.2.1(b)
interest period	R 3.8.9(ii)
Interruptible [Supply Point Component].....	A 4.4.2
Interruptible [Storage Capacity].....	R 2.3.2(a)
Interruptible Storage Nomination Quantities.....	R 6.4.6(a)
Interruptible Storage User	R 6.4.1
Interruptible Supply Point	A 4.4.1
.....	G 6.1.3
Interruptible Withdrawal Nominations	R 6.4.1
Interruption	G 6.7.1
Interruption Allowance	G 6.7.5
Interruption Notice	G 6.8.1
Interruption Start Time	G 6.8.1
Invitation Close Date	R 3.1.3(i)
Invoice Amount	S 1.1.3(e)
Invoice Credit	S 1.1.5
Invoice Document	S 1.1.3(c)
Invoice Due Date	S 3.1.2
Invoice Item	S 1.1.3(d)
Invoice Query	S 4.1.1
Invoice Remittance Advice	S 1.3.3
Invoice Type	S 1.2.2
Isolate	G 3.4.1
Isolation [of a Supply Meter Point].....	G 3.4.1
Isolation Siteworks Agreement.....	G 3.5.2
Joule	W 3.2.1
kilogram	W 3.2.1
kWh [Kilowatt Hours]	W 3.2.1
Large Firm Supply Point	Q 1.5.1
Larger Supply Point	G 2.1.4(i)
late injection	R 5.9.1
LDZ	A 1.2.2
LDZ Capacity	B 1.2.3(c)
LDZ Capacity Charges	B 4.6.1(i)
LDZ Capacity Invoice	Annex S-1 2

Term	Reference
LDZ Commodity Charges	B 4.6.1(ii)
LDZ CSEP Overrun Charge	B 4.8.1
LDZ Daily Input Quantity	E 1.5.1(a)
LDZ Daily Quantity Offtaken.....	E 1.5.1(b)
LDZ own use gas	N 1.3
LDZ Shrinkage Factor	N 3.1.1
LDZ [System Point]	A 1.6.1
LDZ unaccounted for gas	N 1.4
Legal Requirement	W 1
Licensed Software	U 3.1.3
listed expert	T 2.1.2
LNG [liquefied natural gas] R 1.1.3(ii)	
LNG Facilities	R 1.1.3(iii)
Local Distribution Zone [or LDZ]	A 1.2.2
Local Operating Information	I 2.6.2
Local Operating Procedures	I 2.6.1
Long Term Storage Arrangements.....	R 2.9.1
Maintenance Affected Point	L 4.3.1(i)
maintenance day	L 4.2.1
Maintenance Programme	L 1.2.1
Maintenance Relevant Facility.....	L 1.4
Maintenance Relevant Party	L 1.4
Manual Modification	U 8.1.2(d)
Margins Gas Financing Cost.....	K 5.4
Margins Gas Procurement Arrangements	K 4.6.1
Margins WACOG	K 5.2.1
Matching Renomination	C 5.4.8
maximum daily supply	O 2.2.1
maximum offtake rate	G 5.3.6
Maximum Storage Capacity	R 2.1.6
Maximum Storage Deliverability.....	R 2.1.6(ii)
Maximum Storage Space	R 2.1.6(i)
Maximum Supply Point Capacity	G 5.5.1(a)
Maximum Supply Point Offtake Rate.....	G 5.5.1(b)
maximum withdrawal rate	R 6.4.3(ii)
mbar	W 3.2.1
MCM	W 3.2.1
Measurement Equipment	I 2.5.2
Measurement Provisions	I 2.5.1

Term	Reference
Megajoule or MJ	W 3.2.1
MW [megawatt]	W 3.2.1
message	U 1.1.5
meter by-pass	M 2.4.2
Meter By-pass Policy	M2.4.5
Meter Installation Works	M 1.2.4
Meter Link Code	G 1.9.2(b)(ii)
Meter Post Code	G 1.9.2(b)(i)
Meter Read	M 1.4.3(b)
Meter Read Date	M 3.1.7(e)(i)
Meter Reader	M 1.4.5
Meter Reading	M 1.4.3(a)
Meter Reading Frequency	M 3.1.7(a)
Meter Reading Period	M 3.1.7(e)(ii)
Metered [Connected System Exit Point]	A 3.3.4
metered consumption	M 4.8.1(b)
Metered Quantity	M 1.4.4(b)
Metered Volume	M 1.4.4(a)
metre	W 3.2.1
minor [software error]	U 7.2.3
Modification Rules	W 1
mol%	W 3.2.1
Monthly Adjustment Neutrality Amount	F 4.5.3
Monthly Read Meter	M 3.1.7(b)
National Emergency	Q 1.2.5
National Transmission System [or NTS]	A 1.2.1
nationally diversified load factor [NDLF]	H 4.3.3
NDM Forecast Deviation	F 2.2.3
NDM NTS Exit Capacity	B 3.3.1
NDM Output Nomination Time	C 1.2
NDM Reconciliation	E 1.3.2
NDM Reconciliation Quantity	E 6.1.4(a)
NDM Supply Meter Point Demand	H 2.1.1
NDM Supply Meter Point	A 4.1.3
NDM Supply Point Capacity	B 4.3.1
NDM [Supply Point Component]	A 4.3.2(ii)
NDM Supply Point Group	C 1.5.1(c)
NDM Output Nomination	C 1.6.1(b)(i)
Net Invoice Amount	S 3.1.3

Term	Reference
Net [Margins WACOG]	K 5.2.6
Network Code Ancillary Agreement	V 1.3.1(ii)
Network Code Committee	V 10.1.1
Network Code Framework Agreement	V 1.2
Network Code Operations Reporting Manual	V 12.4.2
Network Code Sub-committee	V 10.3.1
Network Code Validation Rules	M 1.5.3
Network Entry Agreement	I 1.3.1
Network Entry Provisions	I 1.3.2
Network Exit Agreement	J 1.3.1
Neutrality Auditor	V 12.1.2(iii)
Neutrality Charges	V 12.1.2(i)
Neutrality Interest Rate	W 1
New Renomination	C 5.1.11(a)
New Supply Meter Point	G 7.1.1(a)
New [Supply Point]	G 2.2.2
NExA Supply Meter Point	J 1.3.5
Nominated	G 2.3.3
Nominated Quantity	C 1.1.2(vi)
nominating [User]	E 1.1.3
Nomination	C 1.1.2(i)
Nomination Determination	H 2.1.2(i)
Nomination Finalisation Time	C 1.2
Nomination Information	D 1.3.2
Nomination Quantity	C 1.1.2(v)
Non-Code Shipper	W 1
	V 1.6.1(b)
Non-Code Transportation Arrangement	V 1.6.1(a)
Non-compliant Delivering Users	I 3.4.8(i)
non-compliant gas	I 3.3.7
	J 3.3.6
Non-Daily Meter Reading Contract	M 5.4.3
Non-Daily Read [Supply Meter]	M 1.3.3
non-DMC [Performance Relevant Supply Meter]	M 5.1.5
non-nominating [User]	E 1.1.3
NTS	A 1.2.1
NTS Capacity Invoice	Annex S-1 1
NTS Commodity Charges	B 3.5.1(ii)
NTS Daily Quantity Delivered	E 1.4.3 (b)

Term	Reference
-------------	------------------

NTS Exit Capacity Charges B 3.5.1(i)	
NTS Exit Capacity	B 1.2.3(b)
NTS Exit Overrun Charge	B 3.6.1
NTS Exit Point	A 3.4.1
NTS/LDZ Offtake	A 3.4.3
NTS own use gas	N 1.3
NTS Shrinkage Factor	N 2.1.1
NTS [System Point]	A 1.6.1
NTS unaccounted for gas	N 1.4
Objection Deadline	G 2.8.1 (b)
October Maintenance Programme	L 1.2.3
Offered Supply Point Capacity	G 2.4.3(a)
Offtake Determination	H 2.1.2(ii)
Offtake Profile Notice	J 4.6.1
Offtake Proportion	J 3.1.2
Offtake Rate Change	J 4.6.3
Offtaking CSEP User	E 1.1.2(d)
Offtaking User	J 3.1.1
On-site Meter Read	M 1.4.3(c)
opening cash balance	F 4.6.2(b)
.....	F 6.6.2(b)
Opening Meter Reading	M 3.8.2
Opening Storage Balance	R 1.4.5
opening top-up balance	P 6.2.2(b)
Opening Top-up Gas	P 2.5.2 (iii)
Operating Margins	K 1.1.2(b)
Operating Margins Profile	K 2.2.1(iv)
Operating Margins Purposes	K 1.1.2(a)
Operating Margins Requirements	K 1.1.1(i)
Operating Margins WACOG	K 5.2.1
Operational Balance	D 1.1.1
Operational Balancing	D 1.1.1
operational balancing quantity	D 3.2.8(b)
Operational Balancing Requirement	D 1.1.3
Operational Balancing Steps	D 1.1.3
Operational Scheduling	C 4.1.1
original [Reconciliation Values]	E 6.7.1(i)
Other Party	V 9.1.1
Outer Input Tolerance Quantity	F 3.2.1(d)

Term	Reference
Output [Nomination]	C 1.1.2(iii)
Output Scheduling Point or Group	F 3.3.1(a)
Output Scheduling Quantity	F 3.3.2(c)
Output Tolerance Quantity	F 3.3.2(d)
Outstanding Injection Requirement	P 3.2.1(i)
Outstanding Relevant Balancing Indebtedness	Su 2.5.2(c)
Out-turn Closing Top-up Amount	P 6.6.1(b)
Overrun Charges	B 1.3.1
overrun day	B 2.6.1
	B 3.6.1
	B 4.8.1
overrun month	B 2.6.1
	B 3.6.1
	B 4.8.1
overrun quantity	B2.6.2(a)
	B 3.6.2(a)
	B 4.8.2(i)
	R 7.1.4(b)
page	T 1.5.4
parties/ party	T 1.1.2(b)
Party	V 1.4
pascal	W 3.2.1
peak day demand	W 2.6.4(i)
peak load scaling factor (PLSF)	H 4.3.1
peak storage connection point	B 2.6.4
Performance Levels	U 7.1.2
Performance Parameters	U 7.1.4(i)
Performance Periods	U 7.1.2
Performance Relevant Supply Meter	M 5.1.1(a)
Permitted Uncovered Amount	R 3.7.2
Planned Maintenance Period	L 1.3.1
planned UK Link downtime	U 1.11.1
Planning Period	L 1.2.2
ppm	W 3.2.1
Preceding Day	W 2.2.1(d)
preceding month	R 5.4.2
Preceding Storage Year	R 1.8.2
Preceding Year	W 2.2.1(f)
Preceding Year Entitlement	R.3.3.1

Term	Reference
Preceding Year Maximum Capacity	G 5.2.3(a)(i)
Preceding Year User	R.3.3.1
preference notice	T 2.2.5
preference number	T 2.2.5
preferred listed expert	T 2.2.8(a)
Prevailing [Supply Point Capacity]	G 5.2.3(c)
Prevailing Offtake Rate	J 4.7.1
Prevailing Relevant NDM Nomination	C 5.4.3(b)
prevailing withdrawal rate	R 6.2.5(c)
previous metered quantity	M 4.7.4
price [annual rate of the Storage Space Charge]	R 3.5.3
Primary Renomination	C 5.1.3
Primary Renomination Quantity	C 5.1.11(b)
Primary Supply Meter Point	G 1.8.1(b)
Priority Consumer	Q 1.6(i)
Priority Criteria	Q 1.6(ii)
Priority Supply Point	Q 1.6(i)
producer	Q 3.3.5
Programmed Injection Days	R 5.1.3(c)
Programmed Maintenance	L 4.2.1
programme revision date	R 5.4.5(iii)
Proposed Supply Point Registration Date	G 2.5.7
Proposed [Supply Point]	G 2.1.3
Proposed Supply Point Registration	G 1.1.3
Proposing User	G 2.1.2
Protected Information	V 5.3.1
Protected Party	V 5.5.1
Provisional Allocation Shortfall	R 3.5.7(i)
Provisional Closing Top-up Amount	P 6.3.3
Provisional Injection Programme	R 5.3.1
Provisional Maximum Supply Point Capacity	G 5.5.2
Provisional Shortfall User	R 3.5.7(ii)
Public Gas Transporter's Licence	W 1
publish	W 2.9.3
quantity [of gas]	W 3.1.2(i)
quantity range	D 2.8(f)
quarter	G 4.5.2(b)
	M 5.3.2.(ii)
Ratcheted Supply Point Capacity	B 4.7.3

Term	Reference
rate of offtake	J 4.6.2
Recognised Standard	W 1
Reconciliation Billing Period.....	S 1.1.3(f)
Reconciliation Clearing Charge.....	F 5.2.1
Reconciliation Clearing Value.....	E 6.1.5(a)
Reconciliation Invoice	Annex S-1 5
Reconciliation Neutrality Financing Adjustment	F 6.6.1
Reconciliation Neutrality Charges.....	F 1.1.2(e)
Reconciliation Quantity	E 6.1.4 (d)
Reconciliation Transportation Charge Adjustments.....	E 6.1.5(b)
Reconciliation Values	E 6.1.5(c)
Recovered Amounts	Su 3.4.1(d)
Recovery Costs	Su 3.4.1(e)
Recovery Steps	Su 3.4.1(c)
Reed Switch	M 5.1.4
Registered [System Capacity].....	B 1.4(a)
Registered [Storage Space or Storage Deliverability]	R 2.2.2
Registered [Supply Point, Supply Point Component, Supply Meter Point]	G 1.1.6
Registered User	G 1.1.1(b)
registration month	R 3.8.9(ii)
rejection notice	M 4.8.3(d)
Relative Density	W 3.2.1
relevant aggregate requirement.....	G 4.5.2(a)
.....	M 5.3.2(i)
relevant amount	C 5.3.1
Relevant Balancing Charges.....	Su 2.5.2(a)
relevant calorific value	W 3.3.1
relevant [Cash Call]	Su 2.7.1(i)
.....	Su 2.7.5(a)
relevant characteristics [of gas].....	J 2.4.1
Relevant Code Indebtedness	V 3.2.1(b)
relevant [Connected System Exit Point]	J 5.5
relevant date	V 8.1.2
relevant Day	F 4.2.1
.....	I 3.8.6(a)
.....	P 6.5.3
.....	R 3.7.4(a)
.....	Su 2.5.1
relevant deficiency	K 4.8.1

Term	Reference
relevant deficit	K 4.3.1
Relevant Exit Capacity	J 3.5.6(i)
Relevant Input Nomination Time	C 3.3.3
relevant loss	R 7.3.2
relevant meter	G 1.8.1(e)(i)
Relevant Metered Period	H 3.2.1
Relevant Metered Quantity	H 3.3
relevant month	F 4.5.1(ii)
	F 6.2.1
relevant Nomination	R 6.2.2
relevant offtake facility	J 3.4.2(a)
Relevant Output Nomination Time	C 2.3.3
relevant percentage	G 4.5.1
	M 5.3.1
relevant period	R 6.2.5(e)
	V 12.1.2(ii)
	V 13.1.2(b)
	U 7.5.3
relevant price	F 1.4.6(b)
	Q 4.2.3
relevant proportion [of the Top-up Manager's Gas-in-storage]	P 6.5.5
relevant provision	W 2.8.1
relevant quantity	F 1.4.6(a)
Relevant Remaining Injectable Quantity	P 3.2.2(c)
Relevant Residual Gas	K 4.3.1(i)
relevant step	W 2.8.1
Relevant Storage Deliverability	R 6.4.5
Relevant [Supply Meter]	M 1.4.2
relevant [Supply Point Confirmation]	G 4.2.1;
	G 4.3.1(a)
relevant surplus	K 4.3.1(ii)
relevant [System Exit Point]	G 1.11.1(i)
Relevant System Manager	K 4.3.4(a)
Relevant Top-up Bid Revenues	P 6.1.3
Relevant Transfer Period	Annex U 2.2(d)
relevant UDQI	F 4.1.2(b)
relevant UDQO	F 4.1.2(c)
	F 6.1.3(b)
	P 6.4.2(b)

Term	Reference
relevant User/s	E 2.3.1
	F 4.1.2(a)
	F 6.1.3 (a)
	P 6.4.2(a)
relevant year	H 3.4.1
Remaining Gas-in-Storage	P 3.4.2
Remaining Stored Gas Requirement	P 2.1.3
Renomination	C 1.1.2(ii)
Renomination Effective Time	C 5.1.11(d)
Renomination Quantity	C 5.1.11(b)
renomination shortfall quantity	C 5.3.3(ii)
Renomination Start Time	C 1.2
representative [director, officer or employee]	W 2.9.5
Requested Injection Quantity	R 5.4.4
Residual Surplus Gas	K 4.4.1
responds	G 4.1.1 (i)
review day	P 3.2.1
Sampled [NDM Supply Point Component]	H 1.6.4
Scaling Factor	H 2.5
Scheduling Charges	F 1.1.2(b)
Scheduling Firm Supply Point Group	F 3.3.1(b)(i)
Scheduling Input Nominated Quantity	F 3.2.1(a)
Scheduling Interruptible Supply Point Group	F 3.3.1(b)(ii)
Scheduling Output Nominated Quantity	F 3.3.2(a)
scheduling revision deadline	C 4.4.6
Scheduling Start Time	C 1.2
Scheduling UDQO	F 3.3.2(b)
Scottish Independent Network [SIN]	A 1.7.1
SDMC(I) [Supply Point Component]	A 4.5.3
seasonal normal [demand]	W 2.6.5
SND [seasonal normal demand]	H 1.5.1
seasonal normal value	H 1.5.2
second	W 3.2.1
Second Chargeable Input Scheduling Quantity	F 3.2.1(f)
Second Imbalance Tranche	F 2.1.3(c)
Secured Credit Limit	Su 2.2.2
Security	Su 2.3.1(b)
self-bill amount	S 1.1.4
seller	W 2.3.2(i)

Term	Reference
shared [energy balancing/ transportation].....	Su 3.4.1(f)(ii)
Shared Supply Meter Notification	G 1.7.1
Shared Supply Meter Point	G 1.7.1
Sharing Registered Users	G 1.7.1
Shipper's Licence	W 1
Short Term Demand Model H 5.2.2	
shrinkage	N 1.1.1
Shrinkage Factor	N 1.5.2
Shrinkage Nomination	C 4.3.1
Shrinkage Provider	N 4.1.2
SIN NTS Exit Point	A 1.7.4
SIN [System Exit Point]	A 1.7.3
Single Premises Requirement	G 1.4.2
Siteworks	G 7.1.1(b)
Siteworks Applicant	G 7.1.2(a)
Siteworks Contract	G 7.1.2(b)
Siteworks Specified	G 7.4.2
Siteworks Terms and Procedures	G 7.2.2
Smaller Supply Point	G 2.1.4(i)
special credit rating	Su 2.1.2(ii)
Special Delivery Arrangement.....	I 3.5.1
Special Condition	W 1
Special Offtake Arrangement.....	J 2.3.1
Special Storage Capacity	R 3.9.1
Specific Gravity	W 3.2.1
specified pressure	J 2.2.1
Standard Condition	W 2.9.4
Standard Offtake Requirements	J 2.1.2
Storage Capacity	R 2.1.1
Storage Capacity Charge	R 2.7.2(a)
Storage Capacity Transfer	R 4.1.3(i)
Storage Charges	R 1.9.1
Storage Connection Agreement	J 5.3.2
Storage Connection Point	A 1.5.1
Storage Deliverability	R 2.1.3(b)
Storage Deliverability Charge.....	R 2.7.2(b)
Storage Deliverability Requirement.....	P 2.1.2(ii)
Storage Deliverability Transfer.....	R 4.1.3(i)
Storage Duration	R 2.4.1

Term	Reference
Storage Facility	W 1
Storage Gas Transfer	R 4.1.3(ii)
Storage Injection Charges	R 5.11.1
Storage Injection Nomination	R 1.5.4(a)
Storage Invoice	Annex S-1 6
Storage Management Charge	R 7.3.5
Storage Management Purposes	R 9.1.1
Storage Manager Nomination Time	C 1.2
Storage Nomination	R 1.5.4(c)
Storage Nomination Time	C 1.2
Storage Operator	R 1.2
Storage Overrun Charge	R 7.1.1
storage overrun day	R 7.1.1
Storage Scheduling Charge	R 7.2.1
Storage Shrinkage	R 9.1.3
Storage Space	R 2.1.3(a)
Storage Space Charge	R 2.7.2(c)
Storage Space Transfer	R 4.1.3(i)
Storage Transfer	R 4.1.3(iii)
Storage Transfer Period	R 4.1.5(ii)
Storage Withdrawal Charges	R 6.6.1
Storage Withdrawal Nomination	R 1.5.4(b)
Storage Year	R 1.8.1
Stored Gas Requirement	P 2.1.2(i)
Sub-committee	V 10.3.1
Sub-deduct Arrangement	G 1.8.1(a)
Sub-deduct Registered User	G 1.8.4(f)
Sub-deduct Supply Meter Point	G 1.8.4(a)
Sub-deduct Supply Meter	G 1.8.4(b)
Sub-deduct Volume	G 1.8.5(i)
supplier	W 2.9.2(b)
Supplier's Licence	W 1
Supply Meter Point Daily Quantity	E 1.5.3
Supply Meter	M 1.2.2(ii)
Supply Meter Installation	M 1.2.2(i)
Supply Meter Point	A 4.1.1
SPD [NDM Supply Meter Point Demand]	H 2.2
Supply Meter Point Reference Number	G 1.9.2(a)
Supply Point	G 1.1.1(a)

Term	Reference
Supply Point Capacity	B 1.2.3(d)
Supply Point Component	A 4.3.2
Supply Point Confirmation	G 2.1.4(iv)
Supply Point Group	C 1.5.2
Supply Point Network Exit Agreement	J 4.1.1
Supply Point Nomination	G 2.1.4(ii)
Supply Point Objection	G 2.8.1(b)
Supply Point Offer	G 2.1.4(iii)
Supply Point Offtake Rate	G 5.3.1
Supply Point Premises	G 1.4.5
Supply Point Ratchet	B 4.7.1
Supply Point Ratchet Charge	B 4.7.1(ii)
Supply Point Reconfirmation	G 2.2.5
Supply Point Renomination	G 2.2.5
Supply Point Register	G 1.9.1
Supply Point Registration Date	G 1.1.5
Supply Point Registration	G 1.1.1(c)
Supply Point Registration Number	G 1.9.2(c)
Supply Point Transportation Charges	G 1.1.8
Supply Point Withdrawal	G 3.1.1(i)
System	A 1.1.1
System 1-in-20 peak day demand	W 2.6.7
System Average Price	F 1.2.1(c)
System Buy	D 2.1.2
System Capacity	B 1.2.1
System Capacity Transfer	B 5.1.2
System Clearing Contract	W 2.3.1
System Daily Quantity Delivered	E 1.4.3(a)
System Entry Buy	D 2.1.1(i)
System Entry Capacity Charges	B 2.3.1
System Entry Capacity	B 1.2.3(a)
System Entry Overrun Charge	B 2.6.1
System Entry Point	A 2.2.1
System Entry Sell	D 2.1.1(ii)
System Exit Buy	D 2.1.1(i)
System Exit Point	A 3.2.1
System Exit Sell	D 2.1.1(ii)
System Marginal Buy Price	F 1.2.1(a)
System Marginal Sell Price	F 1.2.1(b)

Term	Reference
System Margins Purposes	K 1.1.4
System Point	A 1.4.1(b)
System Sell	D 2.1.2
T-U On-Line Communication.....	U 4.3.1
Tanker Filling Arrangements.....	R 2.10.1
Target Completion Date	G 7.1.2(d)
target due date	S 3.1.2(c)
target opening date	H 3.2.5
TBP [Top-up Bid Price]	P 5.3
Ten Year Statement	O 1.2.3
Termination Notice	V 4.3.3
Threshold Constrained Demand.....	R 8.2.5(b)
threshold rate increase	G 5.6.3
TNI Supply Point	G 6.5.1
Top-up Bid Price [TBP]	P 5.3
Top-up Constrained Space Requirement	P 2.2.1(i)
Top-up Costs	P 6.1.1
Top-up Daily Recovery Amount.....	P 6.3.5
Top-up Deliverability Requirement.....	P 2.2.1(ii)
Top-up Financing Adjustment	P 6.2.1
Top-up Flexibility Bid	P 5.2.2
Top-up Gas Procurement Arrangements.....	P 2.7.1
Top-up Manager	P 1.1.2
Top-up Neutrality Charge	P 6.4.3
Top-up Recovery Adjustment Amount.....	P 6.3.7
Top-up Recovery Period	P 6.3.6
Top-up Revenues	P 6.1.2
Top-up Space Requirement P 2.2.1(iv)	
Top-up Storage Facility	P 1.4
Top-up Storage Transfer	P 4.1.2
Top-up Transferee User	P 4.1.2
Top-up WACOG	P 6.5.2
Total Constrained Quantity	R 8.3.1
total filling period	R 5.1.4
Total Storage Capacity	R 2.1.5
Total Storage Deliverability R 2.1.5(ii)	
Total Storage Space	R 2.1.5(i)
Trade Nomination	C 6.1.2
Trade Nomination Quantity C 6.1.3	

Term	Reference
Trade Notices	U 5.4.2
Trade Transferee	Annex U 2.2(e)
Trade Transferor	Annex U 2.2(f)
tranche [of System Entry Capacity]	B 2.2.9(a)
TransCo	W 1
TransCo Activities	V 5.1.2
TransCo Available Equipment	U 2.3.1
TransCo Available Software	U 2.3.1
TransCo Licence	W 1
TransCo(Margins)	K 5.2.2
TransCo System Modification	U 8.1.2(b)
TransCo Volume Estimate	B 4.8.3(b)(ii)
transfer date	R 4.1.5(iv)
Transfer Period	B 5.1.5(ii)
Transfer Storage Facility	R 4.1.5(v)
Transfer System Point	B 5.1.5(iii)
transferee [Relevant Systems Manager]	K 4.3.1(iii)
Transferee Storage User	R 4.1.1
Transferee User	B 5.1.1
transferor [Relevant Systems Manager]	K 4.3.1(ii)
Transferor Storage User	R 4.1.1
Transferor User	B 5.1.1
Transferred Capacity	Annex U 2.2(g)
Transferred Gas-in-Storage	R 4.1.5(ii)
Transferred Storage Capacity	R 4.1.5(i)
Transferred System Capacity	B 5.1.5(i)
Transportation Charges	B 1.7.1
Transportation Constraint	W 2.4.1
Transportation Debt	Su 3.4.1(a)
transportation exclusive	Su 3.4.1(f)(ii)
Transportation Statement	W 1
transportation proportion	Su 3.4.1(g)
U-T On-Line Communication	U 4.4.1
UDQI	E 1.1.2(a)
UDQO	E 1.1.2(b)
UK Link	U 1.1.3(c)
UK Link Committee	U 1.1.7
UK Link Communication	U 1.1.5
UK Link Identity	U 2.6.1

Term	Reference
UK Link Manual	U 1.4.1
UK Link Modification	U 8.1.2(a)
UK Link Network	U 1.1.3(a)
UK Link Performance Auditor	U 7.5.2
UK Link Performance Monitoring Procedures	U 7.5.1
UK Link System	U 1.1.3(b)
UK Link User Agent	V 6.2.1
UK Link User Software	U 2.2.4(b)
UK Link User Equipment	U 2.2.4(a)
UK Link User	U 1.1.4
Unauthorised Gas Flow	E 4.1.1
Unclaimed Entry Allocation Statement	E 2.3.2
Uncommitted [Storage Space or Storage Deliverability]	R 2.6
uncovered gas-in-storage	R 3.7.1(b)
unfilled [Storage Space]	R 2.5
Uninvoiced Period	Su 2.5.2(e)
Unit Daily Neutrality Amount	F 4.3
Unit Reconciliation Neutrality Amount	F 6.3.1
Unmetered [Connected System Exit Point]	A 3.3.4
Usage Volume	U 7.1.3
User	W 1
User Accession Date	V 2.2.1
User Agent	V 6.1.2
User Daily Quantity Input [or UDQI]	E 1.1.2(a)
User Daily Quantity Output or [UDQO]	E 1.1.2(b)
User Daily NTS Offtake Quantity	E 3.4.1
User Default	V 4.3.1
User Discontinuance Date	V 4.1.1
User Injection Rate	R 5.1.3(d)
User SPDQ [Supply Point Daily Quantity]	E 3.1.2
User System Modification	U 8.1.2(c)
User Trade Communication U 5.1.2	
User Trade Contract	Annex U 1.2
User Volume Estimate	M 4.8.2(ii)
Valid Meter Read	M 3.1.4
Valid Meter Reading(s)	M 3.1.4
	M 4.2.3(ii)
validation	M 1.5.2
VLDMC [Supply Point Component]	A 4.5.5

Term	Reference
volume [of gas]	W 3.1.2(ii)
WACOG Calculation Date	P 6.5.1
Watt	W 3.2.1
Weather Correction Factor	H 2.5
Weather Variable Coefficient	H 1.4.1(ii)
Weekly Minimum Requirement.....	R 8.6.3
Winter Period	W 2.2.1(g)
Winter Top-up Injection Requirement.....	P 3.4.1
withdrawal	R 1.3.1
withdrawal lead time	R 6.2.6
Withdrawal Maintenance Day	R 6.1.5(a)
Withdrawal Overrun	R 6.2.3(i)
Withdrawing Supply Meter Points.....	G 3.1.2(ii)
Withdrawing Supply Point	G 3.1.2
Withdrawing User	G 3.1.2(i)
Wobbe Index	W 3.2.1

NETWORK CODE

MODIFICATION RULES

1 March 1996Version 1

NETWORK CODE
MODIFICATION RULES

PREAMBLE

The purpose of this preamble is to provide a brief explanation of the origin, form and effect of the Modification Rules. This preamble does not form part of the Rules, although some of the words and expressions used in this preamble are derived from the Rules.

The Standard Conditions of the Public Gas Transporter Licence require TransCo (as a licensee) to produce the Network Code and rules by which the Code can be modified to better facilitate the achievement of the relevant objectives. Modification of the Code, pursuant to the Rules, can only be achieved with the consent, or at the direction, of Ofgas.

The Rules establish the Modification Panel, which is made up of representatives of TransCo and Relevant Shippers and non-voting representatives from Ofgas and terminal operators. The Panel's role is essentially to determine how a Modification Proposal should proceed.

In the ordinary course, a Modification Proposal will proceed in one of the following ways:

1. to the Director on the basis that it does not merit further consideration, on a unanimous determination by the Modification Panel;
2. to the Director seeking consent to the making of the modification or a direction that the modification be made, on a unanimous determination of the Modification Panel;
3. to the development phase, on a unanimous determination of the Modification Panel;
4. to the Director for a preliminary view, where the Modification Panel has not made a unanimous determination and TransCo considers it appropriate;
5. to the review procedures, where the Modification Panel determines by panel majority to treat the modification proposal as a review proposal; or
6. in the absence of any such determination, to the development phase.

In the case of a Modification Proposal which the proposer (whether TransCo or a Relevant Shipper) considers should be treated as an urgent modification proposal that proposal will, if the Director agrees, be treated as an Urgent Modification Proposal. Urgent Modification Proposals are to proceed as quickly as possible, perhaps by-passing some (or all) of the modification procedures. It is anticipated that any urgent modification which is implemented will normally be subject to a subsequent review.

It is anticipated that there may at times be a tension between the wish to progress modifications quickly and the need to consult within the shipping community (and other persons materially affected), and properly considering any views expressed, before a modification can be made. The Rules seek to allow this tension to be alleviated; first, by establishing periods at the beginning and end of the modification procedures when consultation will take place, and secondly, by allowing the Panel the flexibility to vary timescales, where appropriate, in respect of Modification Proposals. Given the flexibility which the Rules allow, it is not possible to establish hard and fast minimum or maximum times for the modification procedures, however, it is anticipated that a Modification Proposal will, ordinarily, take approximately six to nine months. The time taken will depend principally upon the time which the Modification Proposal spends in the development phase, which cannot, without the consent of the Director, exceed twelve months. Those undertaking the development work are required to produce monthly reports.

In addition to Modification Proposals, the Rules allow proposals for review to be made. The essential distinction is the degree of definition available. If both the "problem" and the "solution" are well defined then a Modification Proposal is appropriate, however, if there is doubt as to whether there is a problem or, if there is a problem, what the solution might be, then a proposal for review should be made. Reviews by their very nature are likely to take longer than modifications and may (or may not) result in a Modification Proposal being made. The Rules allow for the process to be compressed where a review precedes a Modification Proposal.

List of Contents

Rule

<u>Number</u>	<u>HEADING</u>	<u>Page number</u>
1.	<u>STATUS OF THESE RULES.....</u>	<u>1</u>
1.1	Origin of these Rules	1
1.2	Document setting out the Rules.....	1
1.3	Application	1
1.4	Not part of the Network Code	1
2.	<u>INTERPRETATION AND THE SCHEDULE</u>	
2.1	Defined Terms	2
2.2	Use of Headings	2
2.3	References to the Network Code and Licence	6
2.4	References to notices	6
3.	<u>THE MODIFICATION PANEL.....</u>	<u>7</u>
3.1	Establishment	7
3.2	Members	7
3.3	TransCo Representatives	7
3.4	Shippers' Representatives	7
3.5	Secretary	7
3.6	Notice of changes	7
4.	<u>MEMBERSHIP OF THE MODIFICATION PANEL.....</u>	<u>8</u>
4.1	Appointment of Ofgas representative.....	8
4.2	Appointment of terminal operators' representative	8
4.3	Retirement	8
4.4	Appointment and re-appointment.....	9
4.5	Ceasing to be a member	9
4.6	Alternates.....	9
5.	<u>MEETINGS OF THE MODIFICATION PANEL.....</u>	<u>11</u>
5.1	Purpose	11
5.2	Frequency of meetings	11
5.3	Notice convening meetings	11
5.4	Short notice.....	11
5.5	Quorum.....	12
5.6	Panel Chairman	12
5.7	Location and form of meetings.....	12
5.8	Voting	13
5.9	Written resolutions	13
5.10	Observers and Invitees	13
5.11	Minutes	13
5.12	Provision of information.....	13

6.	<u>MODIFICATION PROPOSALS</u>	14
6.1	Relevant persons.....	14
6.2	Form of Modification Proposals.....	14
6.3	Proposer's representative.....	14
6.4	Alternative proposals.....	15
6.5	Subsequent Modification Proposals.....	15
6.6	Withdrawal of Modification Proposals.....	15
7.	<u>MODIFICATION PROCEDURES - PRELIMINARY PHASE</u>	16
7.1	Circulation of Modification Proposals.....	16
7.2	Initial discussion of Modification Proposals.....	16
7.3	Modification proposal not meriting further consideration.....	16
7.4	Modification proposal meriting implementation.....	17
7.5	No unanimous determination or decision.....	17
7.6	Concertina.....	19
7.7	To the development phase.....	20
7.8	Non-Network Code Parties.....	20
8.	<u>MODIFICATION PROCEDURES - DEVELOPMENT PHASE</u>	21
8.1	Commencement of the development phase.....	21
8.2	Composition of development work groups.....	22
8.3	Terms of reference.....	22
8.4	Proceedings of development work groups.....	23
8.5	Liaison with the Modification Panel.....	24
8.6	Consideration of representations.....	25
8.7	Monthly reports.....	25
8.8	Development work group report.....	25
8.9	Circulation of development work group report.....	27
8.10	Discussion of development work group report.....	28
8.11	Concertina.....	28
8.12	Modification report.....	29
8.13	View.....	32
8.14	Text of modification.....	33
8.15	Modification.....	33
9.	<u>URGENT MODIFICATION</u>	34
9.1	Procedure.....	34
9.2	Modification report.....	34
9.3	Modification.....	34
9.4	Report on modification and review.....	35

10.	<u>REVIEW PROCEDURES</u>	36
10.1	Purpose	36
10.2	Review Proposals	36
10.3	Form of proposal	36
10.4	To review procedures	36
10.5	Withdrawal of review proposal	37
10.6	Subsequent review proposals	37
10.7	Concertina.....	37
10.8	Commencement of the review	38
10.9	Review group report.....	39
10.10	Discussion of review group report	39
10.11	Concertina.....	40
10.12	Review report	40
11.	<u>GENERAL</u>	42
11.1	Notices	42
11.2	Non-receipt	42
11.3	Representations.....	42
11.4	Variation of TransCo Proposal.....	43
11.5	Time Periods.....	43
11.6	Consequences of these Rules and Confidentiality.....	43
11.7	Disapplication of these Rules	44

DRAFT NETWORK CODE

MODIFICATION RULES

1. STATUS OF THESE RULES

1.1 Origin of these Rules

TransCo is required to establish and operate procedures for the modification of the Network Code, so as to better facilitate, consistently with TransCo's duties under Section 9(1) and (2) of the Gas Act, the achievement of the relevant objectives. The procedures are to provide for:

- (a) the reviewing of the Network Code;
- (b) the making of proposals for the modification of the Network Code either by TransCo or by a Relevant Shipper;
- (c) the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all Relevant Shippers and sending a copy of the proposal to any Shipper or other person who asks for one;
- (d) the seeking of the views of the Director on any matter connected with any such proposal;
- (e) the consideration of any representations relating to such a proposal made (and not withdrawn) by a Relevant Shipper or by any Shipper or other person likely to be materially affected were the proposal to be implemented; and
- (f) where the Director accepts that the Network Code may require modification as a matter of urgency, the exclusion, acceleration or other variation, subject to his approval, of any particular procedural steps which would otherwise be applicable.

1.2 Document setting out the Rules

TransCo is required to prepare a document setting out the procedures (referred to in Rule 1.1) which it establishes. These Rules constitute that document, and the review procedures (which are, without prejudice to Rule 10.1, designed to provide the means by which matters may be considered without being subject to the modification procedures) and the modification procedures (which are designed to provide the means by which Modification Proposals shall be considered) constitute those procedures.

1.3 Application

These Rules do not apply to any modification which TransCo may, from time to time, be required to make pursuant to paragraph (11) of Condition 7.

1.4 Not part of the Network Code

These Rules do not constitute part of the Network Code.

2. **INTERPRETATION**

2.1 **Defined terms**

In these Rules the following words and expressions shall, unless the context shall otherwise require, have the following meanings:

"agenda": an agenda detailing (amongst other things) the nature of the matters and materials to be discussed at the meeting of the Modification Panel to which the agenda relates;

"BG Storage Facility": the meaning ascribed thereto by Section R of the Network Code;

"business day": any day other than (a) any Saturday or Sunday or (b) any other day which is a bank holiday in England and Wales;

"Condition 7": Condition 7 of the standard licence conditions of public gas transporter's licences determined pursuant to Section 8 of the Gas Act 1995, as incorporated into the Licence;

"connected system operators": operators of pipeline systems connected to the System, other than terminal operators;

"consumer": a consumer as defined in Schedule 2B to the Gas Act;

"designated person":

- (a) subject to (b) below, the individual for the time being appointed as the "Secretary General" of The Gas Forum (a company incorporated in England and Wales with limited liability and company registration number 2941152); or
- (b) any other individual of whose identity the Panel Chairman may be notified by the Director;

"development phase": those provisions of the modification procedures set out in Rule 8 and, as the context may require, any of those provisions;

"development work": in respect of each development work group, the work detailed and the matters (if any) specified, pursuant to Rule 8.3.1(c) and 8.3.1(d), in the terms of reference of that development work group as the same may be changed pursuant to Rule 8.3.3(a);

"development work group": any development work group constituted pursuant to Rule 8.1 or, as the case may be, Rule 7.6;

"development work group report": the final report of the relevant development work group prepared pursuant to Rule 8.8;

"Director": the individual for the time being appointed as the "Director General of Gas Supply";

"Gas Act": the Gas Act 1986 (as amended);

"initial meeting": the meeting of the Modification Panel at which a Modification Proposal is discussed for the first time by the Modification Panel;

"Licence": the public gas transporter's licence treated as held by TransCo;

"member": any individual for the time being appointed to the Modification Panel;

"modification": any modification made pursuant to these Rules and in accordance with the Licence; and **"modifications"** shall be construed accordingly;

the **"Modification Panel"**: the Modification Panel for the time being established and constituted pursuant to and in accordance with these Rules;

"modification procedures": the provisions relating to modifications and Modification Proposals set out in these Rules and, as the context may require, any of those provisions;

"Modification Proposal": a Modification Proposal made by TransCo or, as the case may be, a Shipper complying with Rule 6.2.1;

"modification report": a report prepared (and finalised) by TransCo in accordance with Rule 8.12 or Rule 9.1.2(c);

the **"Network Code"**: the network code relating to TransCo's main pipeline system prepared pursuant to Condition 7, as from time to time modified pursuant to the Licence;

"Non-Network Code Party": any person to whom TransCo shall send a copy of a Modification Proposal or Modification or report, or from whom TransCo shall invite representations pursuant to Rule 7.8(b);

"Ofgas representative": the individual (if any) for the time being appointed by the Director to the Modification Panel in accordance with these Rules;

"Panel Chairman": the TransCo Representative for the time being nominated, pursuant to Rule 5.6, by TransCo and, as the context may require, shall include either deputy chairman;

"panel majority": in relation to any matter to be determined at a meeting of the Modification Panel:

- (a) a majority (in number) of the votes exercisable by the Shippers' Representatives present at that meeting and voting in favour of such matter; and
- (b) a vote of a TransCo Representative (who is entitled to vote), in favour of such matter.

"proposal for review": a matter proposed for review by TransCo (pursuant to Rule 10.2.3 or, as the case may be, Rule 10.2.2(a) and in each case in accordance with Rule 10.3) or, as the case may be, by a Relevant Shipper (pursuant to, and in accordance with, Rule 10.2.4 or, as the case may be, treated as having been made pursuant to Rule 10.2.2(b));

"proposer": the person who shall have made the relevant Modification Proposal pursuant to Rule 6.2.1 or the relevant proposal for review pursuant to Rule 10.2.3 or, as the case may be, Rule 10.2.4;

"proposer's representative": in respect of the relevant Modification Proposal, the individual nominated by the proposer pursuant to Rule 6.2.1(c);

"relevant objectives": the relevant objection in paragraph (2) of Condition 7;

"Relevant Shipper": a relevant shipper as defined in the Licence;

"review group": any review group constituted pursuant to Rule 10.8 or, as the case may be, Rule 10.7;

"review group report": the report of the relevant review group prepared pursuant to Rule 10.9.1;

"review procedures": those provisions relating to review proposals set, out or referred to as applying, in Rules 10.7 to 10.12 and, as the context may require, any of those provisions;

"review proposal":

- (a) any matter or any Modification Proposal; or
- (b) any proposal for review,

which the Modification Panel determines pursuant to Rule 10.2.1 or Rule 10.4.2 should be subject to the review procedures;

"review report": a report prepared (and finalised) by TransCo in accordance with Rule 10.10;

"review work": in respect of each review group, the work detailed and the matters specified, pursuant to Rule 10.8, in the terms of reference of that review group as the same may be changed pursuant to Rule 10.8;

these **"Rules"**: the rules contained herein, as the same may, from time to time, be modified pursuant to Condition 7; and **"Rule"** shall be construed accordingly;

the **"secretary"**:

- (a) the individual for the time being appointed as secretary; or
- (b) as the case may be, any individual for the time being appointed as a deputy secretary, of the Modification Panel pursuant to Rule 3.5;

"Shipper": a gas shipper as defined in this Gas Act;

"Shipper Proposal": any Modification Proposal made by a Relevant Shipper pursuant to Rule 6.1.2;

"Shippers' Representative":

- (i) for the purposes of the year 1st October, 1995 to 30th September, 1996 each of those individuals whose name has been notified to TransCo by the designated person as being a "Shippers' Representative" and;
- (ii) in respect of any other year any individual for the time being appointed (or, as the case may be, re-appointed) pursuant to Rule 4.3.4, re-appointed pursuant to Rule 4.3.6 or appointed pursuant to Rule 4.5(b)(iv);

"supplier": a gas supplier as defined in the Gas Act;

"System": the meaning ascribed thereto in Section A of the Network Code;

"terminal operator": a person who is for the time being the operator of a terminal the address of which is specified in the schedule to the Public Gas Transporters Exemption Order 1996 or any later order of like effect;

"terminal operators' representative": the individual (if any) for the time being appointed by terminal operators to the Modification Panel in accordance with these Rules;

"terms of reference": in relation to each development work group, the terms of reference finalised by TransCo, pursuant to Rule 7.6.1 or, as the case may be, Rule 8.1.3 (as the same may be changed pursuant to Rule 8.3.3(a)) and in relation to each review group the terms of reference determined by TransCo, pursuant to Rule 10.7 or Rule 10.8 (as the same may be changed pursuant to Rule 10.8);

"TransCo": the licensee for the time being under the Licence;

"TransCo Proposal": any Modification Proposal made by TransCo pursuant to Rule 6.1.1, or, as the case may be, Rule 6.4 as the same may be varied pursuant to Rule 11.4;

"TransCo Representative": any individual for the time being appointed (or, as the case may be, re-appointed) by TransCo as a member;

"unanimity": in respect of a meeting of the Modification Panel, a determination made with the agreement of all voting members including one (1) TransCo Representative present at that meeting; and **"unanimous"** and **"unanimously"** shall be construed accordingly;

"urgent modification": a modification made pursuant to an Urgent Modification Proposal;

"Urgent Modification Proposal": a Modification Proposal in respect of which it is to be submitted to the Director that the modification is required as a matter of urgency as described in paragraph (6)(f) of Condition 7;

"views": the views of the Director referred to in paragraph (6)(d) of Condition 7; and **"view"** shall be construed accordingly;

"voting member": any TransCo Representative (other than the Panel Chairman, which term, in this context, shall not include either deputy chairman) and any Shippers' Representative;

"year": a period of twelve (12) months ending on the 30th September.

2.2 **Use of Headings**

The headings in these Rules are used for ease of reference only and shall not be taken into account in construing these Rules.

2.3 **References to the Network Code and Licence**

The references in these Rules to the Network Code and the Licence are contained in these Rules for the purposes of interpretation and reference only and no provision in either the Network Code or the Licence shall (whether in whole or in part) form any part of or otherwise be incorporated howsoever into these Rules.

2.4 **References to notices**

The references in these Rules to a **"notice"** shall under the context shall otherwise require be treated as including references to the agenda of the meeting and to the materials to be considered at the meeting to which the notice relates.

3. THE MODIFICATION PANEL

3.1 Establishment

The Modification Panel is hereby established.

3.2 Members

The Modification Panel shall be composed of::

- (a) the Panel Chairman, being a non-voting member;
- (b) two (2) other TransCo Representatives, being voting members;
- (c) if appointed (or, as the case may be, re-appointed), up to nine (9) Shippers' Representatives, being voting members;
- (d) if appointed, the Ofgas representative, being a non-voting member; and
- (e) if appointed, the terminal operators' representative, being a non-voting member.

It is expected that a voting member will, as appropriate, represent and inform the Modification Panel of the views of that member's appointor (or appointors) in relation to Modification Proposals, proposals for review and review proposals. It is expected that the terminal operators' representative will, as appropriate, inform the Modification Panel of the views of the terminal operators.

3.3 TransCo Representatives

TransCo shall appoint (and as may be the case re-appoint) three (3) representatives to the Modification Panel.

3.4 Shippers' Representatives

The designated person shall have the right to appoint (and as may be the case re-appoint) on behalf of Relevant Shippers up to nine (9) Shippers' Representatives.

3.5 Secretary

TransCo shall, from time to time, appoint an individual (being an individual other than a member) as the secretary (and may remove and replace any individual so appointed). TransCo may, from time to time, appoint (and may revoke the appointment of) any individual (being an individual other than a member) as deputy secretary. The secretary or, as the case may be, deputy secretary (if any), will attend meetings of the Modification Panel, and any deputy secretary may attend any meeting of the Modification Panel at which the secretary is also in attendance.

3.6 Notice of changes

TransCo will notify the Director of any changes in the composition of the Modification Panel.

4. MEMBERSHIP OF THE MODIFICATION PANEL

4.1 Appointment of Ofgas representative

The Director may, from time to time, by notice to the secretary identify any individual to be appointed (and revoke that appointment) as the "Ofgas representative".

4.2 Appointment of terminal operators' representative

The terminal operators may, from time to time, by notice to the secretary signed by all the terminal operators, unanimously identify any individual to be appointed (and revoke that appointment) as the "terminal operators' representative".

4.3 Retirement

4.3.1 Each member (other than the Ofgas representative (if any) and the terminal operators' representative (if any)) shall retire at the 1st of October next following the appointment (or, as the case may be, re-appointment) of that member. Each retiring member shall be eligible for re-appointment.

4.3.2 Any member who is, pursuant to Rule 4.3.1, to retire and who is not to be re-appointed (and consequently in respect of whom no notice shall have been received pursuant to Rule 4.3.3 or Rule 4.3.4) shall not be entitled to receive notice of any meeting of the Modification Panel which is to take place after the relevant 1st October.

4.3.3 In respect of each individual who is a TransCo Representative, TransCo shall, not later than 1st September in each year, notify the secretary:

- (a) that such individual is to be re-appointed as a TransCo Representative; or
- (b) (i) that such individual is not to be so re-appointed; and
(ii) of the identity of the individual to be appointed as a TransCo Representative.

4.3.4 In respect of each individual who is a Shippers' Representative, the designated person may, not later than 1st September in each year, notify the secretary (copying the notice to the Director):

- (a) that such individual is to be re-appointed as a Shippers' Representative; or
- (b) (i) that such individual is not to be so re-appointed at the relevant meeting; and
(ii) of the identity of the individual to be appointed as a Shippers' Representative.

4.3.5 If notices shall be received in accordance with Rule 4.3.4 in respect of less than nine (9) individuals to be appointed (or, as the case may be, re-appointed) as Shippers' Representatives all individuals identified in such notices shall, pursuant to Rule 4.3.4 be appointed (or, as the case may be, re-appointed) and the individuals who are, pursuant to Rule 4.3.1, to retire and in respect of whom no notice shall have been received pursuant to Rule 4.3.4(a), shall retire.

4.3.6 If less than nine (9) individuals are appointed (or, as the case may be, re-appointed) as Shippers' Representatives the designated person may in respect of any year at any time during such year by notice to the secretary identify any individual as a Shippers' Representative for filling any vacancy which arose by reason of Rule 4.3.5.

4.3.7 If no notice is received by the secretary in accordance with Rule 4.3.3 or Rule 4.3.4 then the secretary shall be treated as having received notice pursuant to Rule 4.3.3(a) or 4.3.4(a) in respect of each TransCo Representative or Shipper Representative.

4.4 **Appointment and re-appointment**

4.4.1 Where any notice is received pursuant to Rules 4.1, 4.2, 4.3.3, 4.3.4, the appointment or, as the case may be, the re-appointment to which such notice relates shall take effect at the relevant 1st October. Each individual who is to be appointed or, as the case may be, re-appointed as a member at that meeting shall be entitled to receive notice of any meeting of the Modification Panel which is to take place after such 1st October.

4.4.2 Where any notice is received by the secretary pursuant to Rule 4.5.2(i), 4.5.2(ii)(iv) or 4.3.6, the appointment to which such notice relates shall take effect in accordance with such notice.

4.5 **Ceasing to be a member**

4.5.1 If any individual (being a member) shall for whatever reason (other than retirement pursuant to Rule 4.3.1) notify the Secretary that he wishes to cease to be a member, he shall cease to be a member in accordance with the notice.

4.5.2 Where pursuant to Rule 4.5.1 or otherwise a vacancy shall arise, in the case of:

- (i) a TransCo Representative, TransCo will, by notice to the secretary, identify another individual to be appointed as a TransCo Representative;
- (ii) the Ofgas representative, the Director may identify another individual to be appointed as the Ofgas representative;
- (iii) the terminal operators' representative, the terminal operators may identify another individual to be appointed as the terminal operators' representative; or
- (iv) a Shippers' Representative, the designated person may, on not less than fifteen (15) business days notice, notify the secretary of the identity of a replacement to be appointed as a Shippers' Representative.

4.5.3 No notice under Rule 4.5.2(i) or (iv) may effect an appointment after 30th September in the year in which the notice is given or (where Rule 4.5.1 applies) before the relevant retirement pursuant to the notice under that Rule.

4.6 **Alternates**

4.6.1 Each member may, from time to time, by notice to the secretary appoint (or revoke the appointment of) an individual (including, but without limitation, another member other than the Panel Chairman) to be such member's alternate. The appointment (and revocation of the appointment) of any individual as an alternate shall be conditional upon and shall only be effective upon receipt of notice by the secretary.

4.6.2 A member who is, by reason of also being an alternate of a voting member, entitled to exercise more than one (1) vote shall not be required to exercise all the votes which that member is entitled to exercise, or to exercise all of the votes which that member is entitled to exercise in the same way.

4.6.3 In addition to notices sent to members, each alternate for the time being shall be entitled to be sent notices.

4.6.4 An alternate may attend any meeting of the Modification Panel which is not also attended by the member (in his capacity as a member) who appointed him. If that alternate is the alternate of a voting member, he may also vote and generally at any such meeting shall have and shall be able to exercise and discharge any and all of the functions, powers and duties of the member who shall have

appointed that alternate. Alternates of voting members may sign written resolutions pursuant to Rule 5.9, provided that if an alternate of a voting member and the voting member who appointed him shall sign a written resolution the signature of the voting member shall be effective and the signature of the alternate shall be disregarded.

- 4.6.5 If a member ceases, for whatever reason, to be a member the appointment of any alternate of the member shall determine; provided that if any member retires but is reappointed at 1st October in any year, any appointment made by that member pursuant to Rule 4.6.1 which is, and continues to be, effective prior to the retirement of that member shall continue to be effective after that member's re-appointment as if that member had not so retired.

5. MEETINGS OF THE MODIFICATION PANEL

5.1 Purpose

Meetings of the Modification Panel will provide a forum in which Modification Proposals, proposals for review and review proposals can be discussed pursuant to and in accordance with the modification procedures and review procedures and those functions of the Modification Panel expressly provided in these Rules relating to the modification procedures and review procedures can be discharged in accordance with these Rules. Other than as expressly provided in these Rules, the Modification Panel shall have no ability to determine any matter and no competence to discharge any function or to exercise any power.

5.2 Frequency of meetings

Subject to Rule 5.4.1, Rule 5.4.2 and Rule 9, the secretary will convene meetings of the Modification Panel on notice not less frequently than once each month unless there is no matter as an agenda item for the Modification Panel to discuss. In any event, a meeting of the Modification Panel will be convened once each quarter.

5.3 Notice convening meetings

5.3.1 Subject to Rule 5.4.1, Rule 5.4.2 and Rule 9, meetings of the Modification Panel at which:

- (a) any Modification Proposal is to be discussed initially will be convened on not less than fifteen (15) business days' notice; and
- (b) any matters (other than a Modification Proposal to be discussed initially) are to be discussed will be convened on not less than ten (10) business days' notice.

5.3.2 Every notice convening a meeting of the Modification Panel will specify the place, day and time of the meeting and enclose an agenda and, subject to Rule 7.6, Rule 8.11, Rule 10.7 and Rule 10.11, all relevant materials. Each member and each Relevant Shipper shall (subject to Rule 11.6.7) be entitled to receive each notice. At the same time as any notice is despatched to members a copy of such notice shall (subject to Rule 11.6.7) be despatched to each Relevant Shipper. There may be circumstances where materials to be despatched with a notice have, pursuant to these Rules, already been sent to Relevant Shippers. In any such circumstance the relevant materials may be, but do not have to be, sent with the notice.

5.3.3 In respect of any meeting convened pursuant to Rule 5.3.1(a), materials which do not relate to any Modification Proposal to be discussed initially at such meeting may be sent to each member and each Relevant Shipper not less than ten (10) business days prior to such meeting. Any such materials may be accompanied by an amended agenda covering additional agenda items.

5.4 Short Notice

5.4.1 The Modification Panel may at any meeting of the Modification Panel determine by panel majority that the next following meeting of the Modification Panel be convened on shorter notice than specified in Rule 5.3.1 and where the Modification Panel shall so determine the secretary shall convene a meeting of the Modification Panel in accordance with that determination.

5.4.2 Without prejudice to Rule 5.4.1, if all voting members shall agree in writing the secretary will convene a meeting of the Modification Panel on shorter notice than specified in Rule 5.3.1.

5.4.3 Any meeting of the Modification Panel convened pursuant to Rule 5.4.1 or Rule 5.4.2 shall, notwithstanding that such meeting is convened on shorter notice than that specified in Rule 5.3.1, be duly convened.

5.5 **Quorum**

5.5.1 Members (one of whom shall be a TransCo Representative) present at a meeting of the Modification Panel who can exercise five (5) votes shall be a quorum.

5.5.2 If a quorum is not present at the time for the holding of a meeting (specified in the notice convening the meeting) or at any time during the hour following that time or shall at any time during the meeting cease to be present the meeting shall stand adjourned to the same place and at the time specified in the notice convening the meeting five (5) business days later and the secretary shall notify each member and (for information purposes only) each Relevant Shipper that such is the case. If at such place and time the meeting so adjourned shall not be quorate in accordance with Rule 5.5.1 the voting members (if any) present shall be a quorum.

5.5.3 Any meeting of the Modification Panel at which a quorum is present shall be competent to discharge any and all of the functions within the competence of the Modification Panel.

5.6 **Panel Chairman**

TransCo will nominate by notice to the secretary one (1) of the individuals, from time to time, appointed (or, as the case may be, re-appointed) by TransCo as the Panel Chairman. The other two (2) TransCo Representatives shall each be a deputy chairman. The Panel Chairman or, in the absence of the Panel Chairman, either deputy chairman, shall preside at meetings of the Modification Panel. Each deputy chairman shall, when acting as Panel Chairman (and notwithstanding that he is so acting), be entitled to vote in his capacity as a voting member.

5.7 **Location and form of meetings**

5.7.1 Unless the Modification Panel shall in respect of any meeting of the Modification Panel otherwise determine by panel majority, meetings of the Modification Panel will take place in London.

5.7.2 Meetings of the Modification Panel may take place by means of telephone, conference telephone, video link or any other audio, audio-visual or interactive communication notwithstanding that the members treated as being present (pursuant to Rule 5.7.3) by any such means of communication may not all be meeting in the same place provided that each member shall be able to communicate to each of the other members and be heard by each of the other members simultaneously.

5.7.3 Any member who shall be able to participate in the manner envisaged by Rule 5.7.2 in any meeting of the Modification Panel shall be treated as being present at such meeting and accordingly shall, if such member is a voting member, be entitled to vote and shall count towards a quorum.

5.8 **Voting**

Subject to Rule 5.9, the discharge of all of the functions within the competence of the Modification Panel and expressed to require a determination of the Modification Panel shall be determined by a vote conducted on a show of hands or, if the meeting takes place pursuant to Rule 5.7.2, on a show of hands and such other demonstration of affirmation or consent as may be appropriate. On any vote each voting member present shall (subject to Rules 4.6.2 and 4.6.4) be entitled to exercise one (1) vote.

5.9 **Written resolutions**

A resolution in writing signed by all the voting members shall be valid and effective for the purposes of discharging any function requiring a determination of the Modification Panel. All such determinations shall be treated as if the relevant determination had been passed unanimously at a duly convened meeting of the Modification Panel and may consist of several documents in the same

form each such document being signed by one (1) (or more) of the voting members. The secretary will send copies of any such written resolutions to the Ofgas representative, the terminal operators' representatives and all Relevant Shippers.

5.10 Observers and Invitees

5.10.1 Each Shipper shall be entitled to appoint an individual to act as an observer at meetings of the Modification Panel.

5.10.2 The Modification Panel may, from time to time, determine by panel majority to invite any individual to a meeting of the Modification Panel.

5.11 Minutes

5.11.1 The secretary shall ensure that determinations of the Modification Panel at meetings of the Modification Panel are minuted.

5.11.2 The secretary shall ensure that all members and each Relevant Shipper shall within the ten (10) business days immediately following the date of the relevant meeting be sent a copy of any minute of that meeting made pursuant to Rule 5.11.1.

5.11.3 The secretary will in respect of each meeting of the Modification Panel invite the individuals who attend that meeting to record their attendance.

5.12 Provision of information

5.12.1 The Modification Panel may, from time to time, determine by panel majority to provide (subject to Rule 11.6.7) to any person a document derived from the application of (including, but without limitation, any minute made pursuant to Rule 5.11.1) or considered in accordance with these Rules.

5.12.2 If the Modification Panel shall so determine the secretary shall ensure that within a reasonable period of time the document which is the subject of such determination shall be sent to such person.

6. MODIFICATION PROPOSALS

6.1 Relevant persons

6.1.1 Subject to Rule 6.5 and without prejudice to Rule 6.4, TransCo may from time to time make a Modification Proposal.

6.1.2 Subject to Rule 6.5 any Relevant Shipper subject to Rule 6.5, may from time to time make a Modification Proposal.

6.1.3 If:

- (a) TransCo shall in respect of any Modification Proposal consider that such Modification Proposal should be treated as an Urgent Modification Proposal; or
- (b) in respect of a Shipper Proposal the proposer shall in accordance with Rule 6.2.1(d) have identified the proposal as one which the proposer considers should be treated as an Urgent Modification Proposal,

that Modification Proposal shall be subject to Rule 9.

6.2 Form of Modification Proposals

6.2.1 Each Modification Proposal shall:

- (a) be in writing;
- (b) set out in reasonable but not excessive detail the nature and purpose of the Modification Proposal and the basis upon which the proposer considers that it would better facilitate the achievement of the relevant objectives;
- (c) nominate an individual (being an individual who is not acting as a member) as the proposer's representative for the purposes of Rule 6.3.1;
- (d) if the proposer considers that the Modification Proposal should be treated as an Urgent Modification Proposal identify the Modification Proposal as such; and
- (e) where it is made by TransCo pursuant to paragraph (9) of Condition 7, state that it is so made.

TransCo may, from time to time, recommend the form which Modification Proposals should take.

6.2.2 Each Modification Proposal shall be given to the secretary who shall, subject to Rule 6.5, give that Modification Proposal a unique reference designation.

6.3 Proposer's representative

6.3.1 Subject to Rule 9, each proposer shall ensure the attendance of the proposer's representative at the meeting of the Modification Panel at which the Modification Proposal is to be discussed initially at such meeting the proposer's representative will give a presentation in respect of the Modification Proposal and endeavour to answer any questions which the Modification Panel may have in respect of the Modification Proposal or the presentation.

6.3.2 If any proposer's representative does not for whatever reason attend the meeting of the Modification Panel at which the relevant Modification Proposal is to be discussed initially the Modification Panel may determine by panel majority that, notwithstanding such non attendance of the proposer's representative, the Modification Panel shall proceed to discuss the Modification Proposal.

6.3.3 If the Modification Panel shall not make a determination pursuant to Rule 6.3.2, the Modification Panel will not discuss further the Modification Proposal unless and until the proposer's representative shall have attended a meeting of the Modification Panel pursuant to Rule 6.3.1 or the Modification Panel shall determine by panel majority so to do.

6.4 **Alternative proposals**

In respect of any Shipper Proposal which is, pursuant to Rule 7.7, to proceed to the development phase, TransCo will, within the five (5) business days immediately following the date upon which such Shipper Proposal is so to proceed, make a Modification Proposal in accordance with Rule 6.2. Any Modification Proposal so made may (so as to be subject to Rule 11.4) be, with any necessary modifications, the same as the Shipper Proposal. The TransCo Proposal so made shall proceed to the development phase. The secretary shall within the three (3) business days immediately following receipt of each alternative TransCo Proposal made pursuant to this Rule 6.4 send a copy of that proposal to each Relevant Shipper, each member and each Non-Network Code Party (if any). The TransCo Proposal and the Shipper Proposal shall proceed through the modification procedures together.

6.5 **Subsequent Modification Proposals**

Subject to Rule 9 and other than as provided in Rule 6.4, if a Modification Proposal has been made (and no matter what stage of the modification procedures that Modification Proposal shall have reached) no proposal for review or other Modification Proposal relating (whether in whole or in part) to the same subject matter as the earlier Modification Proposal may be made (other than pursuant to Rule 6.1.3) until the modification procedures in respect of the earlier Modification Proposal have been concluded. If, by reason of this Rule 6.5, a proposal for review or a Modification Proposal cannot be made, the secretary shall notify the person who shall have sought to make the proposal for review or Modification Proposal that such is the case and will remind that person that that person will, in due course, be able to make representations pursuant to Rule 8.1.3(c) in respect of the earlier Modification Proposal.

6.6 **Withdrawal of Modification Proposals**

6.6.1 A proposer may at any time withdraw a Modification Proposal of that proposer before that Modification Proposal proceeds to the development phase by notice to the secretary. Any Modification Proposal so withdrawn shall lapse.

6.6.2 The secretary will, within a reasonable period of time following any withdrawal, notify each member, each Relevant Shipper and each Non-Network Code Party of such withdrawal.

7. MODIFICATION PROCEDURES - PRELIMINARY PHASE

7.1 Circulation of Modification Proposals

The secretary shall:

- (a) within the three (3) business days following receipt of a Shipper Proposal or a TransCo Proposal made pursuant to Rule 6.1.1 or 6.1.2 (as the case may be) send a copy of that proposal to each Relevant Shipper, each member and each Non Network Code Party (if any);
- (b) put initial discussion of the Modification Proposal on the agenda for the next following meeting of the Modification Panel which will (subject to Rule 5.4.1 and 5.4.2) be convened pursuant to Rule 5.3.1(a); and
- (c) notify the proposer of the meeting of the Modification Panel at which the proposer's representative is to attend.

7.2 Initial discussion of Modification Proposals

7.2.1 Subject to Rule 6.4 and Rule 9, the Modification Panel will discuss each Modification Proposal at a meeting of the Modification Panel.

7.2.2 Having:

- (a) discussed the Modification Proposal and, subject to Rule 6.3.2,
- (b)
 - (i) heard the presentation of the proposer's representative;
 - (ii) had an opportunity to ask the proposer's representative questions in respect of the Modification Proposal and the presentation of the proposer's representative, and
- (c) considered whether there are any persons from whom representations should, pursuant to Rule 7.8, be invited,

the Modification Panel may determine unanimously that the Modification Proposal:

- (i) does not merit any further consideration (in which case Rule 7.3 applies);
- (ii) merits implementation (in the textual form which the Modification Panel shall determine unanimously to be appropriate) without consideration in the development phase (in which case Rule 7.4 applies); or
- (iii) should proceed to the development phase (in which case Rule 7.6 and 7.6 apply).

7.3 Modification proposal not meriting further consideration

If the Modification Panel shall determine, pursuant to Rule 7.2.2(i), that a Modification Proposal does not merit any further consideration, TransCo will:

- (a) within the twenty (20) business days immediately following the date of the initial meeting prepare a modification report (in draft) and send a copy of that report to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and each Non-Network Code Party (if any) to make representations within the twenty (20) business days immediately following the date of that invitation in respect of the Modification Proposal and the report; and

- (b) within the ten (10) business days immediately following the expiry of the period referred to in Rule 7.3(a), having considered the representations (if any) received (in accordance with Rule 7.3(a)):
 - (i) finalise the modification report;
 - (ii) attach to that report the representations (if any) so received (and not withdrawn in accordance with Rule 11.3.3); and
 - (iii) submit that report (and attachments (if any)) to the Director (and send a copy of that report to each Relevant Shipper, each member and each Non-Network Code Party (if any)).

7.4 **Modification proposal meriting implementation**

If the Modification Panel shall determine, pursuant to Rule 7.2.2(ii), that a Modification Proposal merits implementation without consideration in the development phase, TransCo will:

- (a) within the twenty (20) business days immediately following the date of the initial meeting prepare a modification report (including the proposed text of the modification) in draft and send a copy of that report in draft to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and each Non-Network Code Party (if any) to make representations within the twenty (20) business days immediately following the date of that invitation in respect of the Modification Proposal and the report; and
- (b) as soon as reasonably considered appropriate, having considered the representations (if any) received (in accordance with Rule 7.4(a)):
 - (i) finalise the modification report;
 - (ii) attach to that report the representations (if any) so received (and not withdrawn in accordance with Rule 11.3.3); and
 - (iii) submit that report (and attachments (if any)) to the Director (and send a copy of that report to each Relevant Shipper, each member and each Non-Network Code Party (if any)), seeking a direction that the modification be made or consent to the making of the modification.

7.5 **No unanimous determination or decision**

7.5.1 If the Modification Panel shall not, at the initial meeting, make a unanimous determination pursuant to Rule 7.2.2 or decide pursuant to Rule 10.2.1(b) that the Modification Proposal should be subject to the review procedures, TransCo may at that meeting and (in any event) will not later than three (3) business days immediately following that meeting:

- (a) decide that the Modification Proposal should proceed to the development phase (in which case Rules 7.6 and 7.7 apply);
- (b) decide to seek a preliminary view as to whether the Modification Proposal should proceed to the development phase (in which case Rules 7.5.2 to 7.5.4 apply); or

- (c) prior to making a decision pursuant to Rule 7.5.1(a) or Rule 7.5.1(b), decide to request an existing development work group to consider any matter in respect of the Modification Proposal and to report in respect of such matter at the next following meeting of the Modification Panel (in which case Rule 7.5.5 applies).

TransCo will within the three (3) business days immediately following TransCo making a decision pursuant to this Rule 7.5.1 notify each member, each Relevant Shipper each Non Network Code Party of that decision.

7.5.2 If TransCo shall decide, pursuant to Rule 7.5.1(b), to seek a view as to whether the Modification Proposal should proceed to the development phase, TransCo will:

- (a) within the fifteen (15) business days immediately following the date of the initial meeting prepare an application (in draft) to the Director and send a copy of that application to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and each Non-Network Code Party (if any) to make representations in respect of the Modification Proposal within the fifteen (15) business days immediately following the date of that invitation; and
- (b) not more than five (5) business days immediately following the expiry of the period referred to in Rule 7.5.2(a):
 - (i) finalise the application;
 - (ii) attach to that application the representations (if any) received (in accordance with Rule 7.5.2(a) and not withdrawn in accordance with Rule 11.3.3); and
 - (iii) submit that application and attachments (if any) to the Director and send a copy of that application to each Relevant Shipper, each member and each Non-Network Code Party (if any).

7.5.3 If, in respect of a view sought pursuant to Rule 7.5.2, the Director expresses the view that the Modification Proposal should not proceed to the development phase the Modification Proposal shall lapse and TransCo will within the five (5) business days immediately following receipt of the view prepare (and finalise without circulating for consideration) a modification report and submit that report to the Director and despatch a copy of the report to each Relevant Shipper, each member and each Non-Network Code Party (if any).

7.5.4 If, in respect of a view sought pursuant to Rule 7.5.2, the Director shall not express any view as to whether the Modification Proposal should proceed to the development phase or expresses the view that the Modification Proposal should proceed to the development phase the Modification Proposal shall proceed to the development phase (in which case Rule 8 applies)..

7.5.5 If TransCo shall make a decision pursuant to Rule 7.5.1(c):

- (a) TransCo may request the relevant group to consider the matter and to prepare a report for TransCo on that matter (that report to be ready for circulation to each Relevant Shipper and each member not less than ten (10) business days prior to the next following meeting of the Modification Panel);
- (b) TransCo may at the next following meeting of the Modification Panel, report to the Modification Panel in respect of that report and, subject to Rule 7.5.5(c), may either:

- (i) decide that the Modification Proposal should proceed to the development phase (in which case Rule 7.6 and 7.7 apply); or
- (ii) decide to seek a view, in which case the Modification Proposal shall be dealt with pursuant to Rules 7.5.2 to 7.5.4; or
- (c) TransCo may (on the Modification Panel determining by panel majority) require the relevant group to consider further the same issue or matter or another issue or matter, in which case this Rule shall, with any necessary modifications, apply in respect of such further or new consideration.

7.6 **Concertina**

7.6.1 TransCo may at or, subject to Rule 5.3.1, prior to the meeting of the Modification Panel at which the Modification Proposal is to be discussed initially circulate terms of reference (in draft) and (having had regard to the list of individuals' names referred to in Rule 8.2.1) a proposal (which may anticipate a determination under Rule 8.2.2) as to the composition of the development work group.

7.6.2 If at the initial meeting it is (as set out in Rule 7.7) decided or determined that the Modification Proposal should proceed to the development phase the Modification Panel may at that meeting, following discussion of the terms of reference and the proposal as to the composition of the development work group, determine by panel majority:

- (a) to request TransCo to finalise the terms of reference of the development work group; and
- (b) the composition of the development work group.

7.6.3 If the Modification Panel shall so determine pursuant to Rule 7.6.2:

- (a) TransCo will at or within three (3) business days immediately following that meeting finalise the terms of reference and constitute the development work group;
- (b) TransCo will notify each Relevant Shipper and each member of the establishment of the development work group and invite each Relevant Shipper and each Non-Network Code Party (if any) to make representations in respect of the Modification Proposal within the fifteen (15) business days immediately following the date of the invitation; and
- (c) Rule 8.1 shall not apply in respect of the Modification Proposal and any other provisions of these Rules (other than Rule 8.2.2) shall apply as if that meeting were the meeting referred to in Rule 8.1.

7.6.4 If the Modification Panel shall not make a determination pursuant to Rule 7.6.2, Rules 8.1.2 and 8.1.3 shall, with any necessary modifications, apply.

7.7 **To the development phase**

If it is determined (pursuant to Rule 7.2.2(iii)) or decided (pursuant to Rule 7.5.1(a) or Rule 7.5.5(b)(i)) that a Modification Proposal should proceed to the development phase the Modification Proposal shall proceed to the development phase (and Rule 8 applies).

7.8 **Non-Network Code Parties**

TransCo will, in accordance with the Licence and for the purpose referred to in paragraph (6)(c) of Condition 7:

- (a) subject to Rule 10.12.6, send copies of any Modification Proposal and any modification report prepared in respect of such Modification Proposal to, and
 - (b) invite representations in respect thereof from,
- Shipper (other than Relevant Shippers) and other persons.

8. MODIFICATION PROCEDURES - DEVELOPMENT PHASE

8.1 Commencement of the development phase

8.1.1 If a Modification Proposal proceeds to the development phase, TransCo will, subject to the prior application of Rule 7.6:

- (a) prepare the terms of reference in respect of the Modification Proposal; and
- (b) send (as materials) those terms of reference (in draft) and (having had regard to the list of individuals' names referred to in Rule 8.2.1) a proposal as to the composition of the development work group, together with the notice and the agenda in respect of the next following meeting of the Modification Panel), to each member.

At that meeting of the Modification Panel the Modification Panel will discuss the terms of reference and the proposal as to the composition of the development work group with a view to reaching a consensus.

8.1.2 If the Modification Panel shall not reach a consensus (pursuant to Rule 8.1.1) as to:

- (a) the composition of the development work group,
 - (i) the Modification Panel may at the meeting determine by panel majority the composition of the development work group; or
 - (ii) if the Modification Panel does not so determine, TransCo shall, with the agreement of the Director, determine the composition of the development work group;
- (b) the terms of reference, TransCo shall finalise the terms of reference of the development work group and send the finalised terms of reference to each member and the Director. If the Director shall not within five (5) business days notify TransCo that those terms of reference should not be acted upon by the development work group those terms of reference shall be the terms of reference of the development work group. If the Director shall so notify TransCo, the terms of reference will be considered by the Modification Panel at the next following meeting of the Modification Panel and the provisions of Rules 8.1.1 and 8.1.2 shall, with any necessary modifications, apply.

8.1.3 Subject to Rule 8.1.2, following that meeting TransCo will as soon as reasonably practicable:

- (a) finalise the terms of reference of the development work group;
- (b) establish the development work group; and
- (c) notify each member and each Relevant Shipper of the establishment of the development work group and of the terms of reference thereof and in that notice invite each Relevant Shipper and by notice invite each Non-Network Code Party (if any) to make representations in respect of the Modification Proposal in writing within the twenty (20) business days immediately following the date of the invitation; and
- (d) if a determination has been made pursuant to Rule 8.2.2(c), invite each Relevant Shipper and each Non Network Code Party to make representations orally at a meeting (convened by the secretary) of Relevant Shippers or, as the case may be, Non-Network Code Parties to be held within the twenty (20) business days immediately following the date of the invitation.

8.1.4 If representations are invited pursuant to Rule 8.1.3(c)(ii) on shorter notice than twenty (20) business days the representations invited pursuant to Rule 8.1.3(c)(i) shall be invited, and must be received, within the period of such shorter notice.

8.2 **Composition of development work groups**

8.2.1 Each development work group shall (subject to Rule 8.2.2(a)) include not less than five (5) representatives of Relevant Shippers. In respect of each Shipper Proposal, the proposer shall be entitled to appoint one individual to the development work group constituted in respect of that Shipper Proposal. The secretary will, from time to time, request all Relevant Shippers and TransCo to provide the secretary with the names of individuals suitable for appointment to, and who are prepared to be appointed to, development work groups. Each individual appointed to a development work group will be an individual whose name appears on the list of individuals' names (none of whom (subject to Rule 8.2.2(b)) shall be a member) who have indicated that they remain prepared to form part of a development work group and whom the Modification Panel shall have determined by panel majority might appropriately be considered for appointment to development work groups.

8.2.2 The Modification Panel may at the meeting referred to at Rule 8.1.1 determine by panel majority that:

- (a) the development work group should include less than five (5) representatives of Shippers; or
- (b) any member be appointed to the development work group;
- (c) the Relevant Shippers or, as the case may be, Non-Network Code Parties be invited to make representations at a meeting of the Relevant Shippers or, as the case may be, Non-Network Code Parties; or
- (d) to invite any Non-Network Code Party to nominate a representative to act as a member or to attend a meeting of , the development work group to express any view which such Non-Network Code Party may have in respect of the relevant Modification Proposal.

8.3 **Terms of reference**

8.3.1 The terms of reference for each development work group will:

- (a) detail the composition of the development work group;
- (b) detail the Modification Proposal;
- (c)
 - (i) detail the work to be undertaken by the development work group to enable the development work group to prepare the development work group report; and
 - (ii) specify any matters, in addition to those referred to in Rule 8.8.1, which the development work group should address in the development work group report;
- (d) detail other matters (if any) to be considered or reviewed by the development work group;
- (e) state whether the development work group should consult with any other person for the purposes of the development work and if so detail the extent to which and identify which person (or persons) it should consult with;
- (f) set a timetable in accordance with which the development work is to be done and the development work group report prepared; and

- (g) specify when the development work group is to comment upon the text of the modification provided to the group pursuant to Rule 8.14.
- 8.3.2 Unless the Modification Panel shall otherwise determine by panel majority, the timetable referred to in Rule 8.3.1(f) shall not exceed a period of six (6) months.
- 8.3.3 The Modification Panel may, from time to time, determine by panel majority:
- (a) to change the terms of reference of any development work group; or
 - (b) if the terms of reference of the relevant development work group so anticipate, that the development work group should undertake new or further work or consider new matters (whether or not related to any earlier development work done by the development work group).
- 8.4 **Proceedings of development work groups**
- 8.4.1 TransCo will ensure that the Director is notified of all meetings of each development work group. The Director (or any representative of the Director (including, but without limitation, the Ofgas representative)) will be invited to all meetings of all development work groups.
- 8.4.2 Each development work group may, from time to time, and at any time in addition to the persons (if any) specified in the terms of reference of the development work group, consult with any person for the purposes of the development work.
- 8.4.3 Each development work group will be chaired by a representative of TransCo. Each such representative of TransCo will co-ordinate the development work undertaken and the monthly reports and the development work group report to be prepared by the relevant development work group and liaise with the Modification Panel in relation to any matter (including, but without limitation, any matter referred to in Rule 8.5.1).
- 8.4.4 Where in respect of any matter any development work group does not reach a consensus, the chairman of such development work group will determine such matter with any contrary view to such determination being recorded in the development work group report. Any individual on the development work group may in circumstances where consensus is not so reached and on the basis that such individual considers the relevant matter is material request the chairman of the development work group to refer such matter to the Modification Panel. The chairman of the development work group will (whether or not he refers the matter) notify the Modification Panel of each such request. If the chairman so refers the matter the Modification Panel may, as provided in Rule 8.5.3, give guidance, clarification or instructions in respect thereof or it may not. If the Modification Panel shall not so give guidance, clarification or instructions the chairman of the development work group will determine the matter so referred and any contrary view to such determination shall, if the relevant individual requires, be recorded in the development work group report. If the chairman does not so refer the matter, the Modification Panel may, pursuant to Rule 8.5.3, nevertheless determine by panel majority to give guidance, clarification or instructions in respect of the matter.
- 8.4.5 The development work group may decide to invite a legal adviser or a legal advisers to attend meetings of the group, and members of the group may nominate legal advisers for this purpose (but this shall not require TransCo to engage or remunerate any person so invited).
- 8.5 **Liaison with the Modification Panel**
- 8.5.1 Each development work group may, from time to time, and at any time,

- (a) seek guidance or clarification from the Modification Panel in relation to any matter arising in connection with the development work;
- (b) seek instructions from the Modification Panel as to whether the development work group should continue or discontinue all or any of the development work;
- (c) propose to the Modification Panel that the Modification Panel should hear the views of any person whom the development work group consults pursuant to the terms of reference of the development work group or pursuant to Rule 8.4.2;
- (d) request an extension to the time (prescribed in the timetable referred to in Rule 8.3.1(f)) within which the development work is to be done or the development work group report prepared; and
- (e) propose any change to the terms of reference of the development work group to reflect any change arising by reason of the application of any of Rules 8.5.1(a) to (d).

8.5.2 The Modification Panel may determine by panel majority to accede in respect of any request or proposal made pursuant to Rules 8.5.1(c) to (e) or otherwise to give instructions in respect thereof.

8.5.3 The Modification Panel may give the guidance, clarification or instructions sought pursuant to Rules 8.5.1(a) and (b) or otherwise give such other guidance, clarification or instructions as the Modification Panel may determine by panel majority.

8.5.4 Subject to Rule 8.5.6, the Modification Panel may (whether pursuant to an instruction sought pursuant to Rule 8.5.1 or otherwise) determine by panel majority to instruct any development work group to cease all or any part of the development work. Any development work group which is so instructed to cease all development work in respect of any Modification Proposal shall at the same time as it is so instructed be instructed to prepare the development work group report in respect of such Modification Proposal.

8.5.5 In general it is anticipated that Modification Proposals will proceed through the development phase in the time order in which those Modification Proposals proceed to the development phase. However, where a number of Modification Proposals are being considered within the development phase at the same time, the Modification Panel may, from time to time and subject to Rule 8.5.7, determine (by panel majority) to re-order and/or defer the consideration of all or any of such Modification Proposals.

8.5.6 If, pursuant to Rule 6.4, two (2) Modification Proposals (relating (in whole or in part) to the same subject matter) are proceeding through the development phase together the Modification Panel may at any time during the development phase determine unanimously that only one (1) of the Modification Proposals should proceed. On any such determination the Modification Proposal which is not to proceed shall lapse and accordingly the development work group shall not prepare a development work group report in respect of that Modification Proposal.

8.5.7 No Modification Proposal shall, without the consent of the Director, be in the development phase for more than twelve (12) months.

8.6 **Consideration of representations**

Each development work group will consider all representations:

- (a) received (in accordance with Rule 8.1.3(c) and not withdrawn in accordance with Rule 11.3.3) by that development work group from Relevant Shippers;

- (b) received by that development work group from Non-Network Code Parties pursuant to (and in accordance with) any invitation made pursuant to Rule 7.8(b); and
- (c) all other representations which TransCo may request the development work group to consider.

8.7 **Monthly reports**

- 8.7.1 Each development work group shall each month report to the Modification Panel as to the progress of that development work group.
- 8.7.2 The Modification Panel will, as appropriate, discuss reports received from development work groups pursuant to Rule 8.7.1.

8.8 **Development work group report**

- 8.8.1 Subject to Rule 8.5.4, each development work group shall prepare a development work group report in accordance with the terms of reference which, unless the terms of reference shall (pursuant to Rule 8.3.1(c)(ii)) specify additional matters, will address the following matters:

- (a) provide an analysis of whether and if so the extent to which the modification would better facilitate the achievement of the relevant objectives;
- (b) address the implications (if any) (to the extent only that the development work group shall have been informed by TransCo or becomes aware of during the course of the development work in the context of the application of the modification procedures in relation to the Modification Proposal) of the implementation of the Modification Proposal for TransCo, including the:
 - (i) implications for the operation of the System and any BG Storage Facility;
 - (ii) (aa) development and capital cost and operating cost implications (if any) for TransCo of implementing the Modification Proposal; and
(bb) whether it is appropriate for TransCo to recover all or any of the costs and, if so, a proposal as to the most appropriate way for TransCo to recover those costs; and
 - (iii) consequence (if any) of implementing the Modification Proposal on the level of contractual risk of TransCo under the Network Code as modified by the Modification Proposal;
- (c) address the development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;
- (d) address the implications (if any) (to the extent only that the development work group shall have been informed (whether pursuant to representations received pursuant to Rule 8.1.3(c), Rule 7.8(b) or otherwise) or becomes aware of during the course of the development work in the context of the application of the modification procedures in relation to the Modification Proposal) of the implementation of the Modification Proposal for Relevant Shippers, including the:
 - (i) administrative and operational implications (if any) of the implementation of the Modification Proposal on Relevant Shippers;

- (ii) development and capital cost and operating cost implications (if any) for Relevant Shippers of implementing the Modification Proposal; and
 - (iii) consequence (if any) of implementing the Modification Proposal on the level of the contractual risk of Relevant Shippers under the Network Code as modified by the Modification Proposal;
- (e) address the implications (if any) (to the extent only that the development work group shall have been informed (whether pursuant to representations received pursuant to Rule 8.1.3(c), Rule 7.8(b) or otherwise) or becomes aware of during the course of the development work in the context of the application of the modification procedures in relation to the Modification Proposal) of the implementation for other relevant persons (including, but without limitation, Gas Shippers, connected system operators, consumers, terminal operators, suppliers and producers and, to the extent not so otherwise addressed, any Non-Network Code Party) of implementing the Modification Proposal;
- (f) address the consequences of the legislative and regulatory obligations and contractual relationships of:
 - (i) if (and to that extent only) the development work group shall have been informed by TransCo or becomes aware of during the course of the development work group in respect thereof in the context of the application of the modification procedures in relation to the Modification Proposal, TransCo; and
 - (ii) if (and to that extent only) the development work group shall have been informed (whether pursuant to representations pursuant to Rule 8.1.3(c), Rule 7.8(b) or otherwise) or becomes aware of during the course of the development work in respect thereof in the context of the application of the modification procedures in relation to the Modification Proposal, Relevant Shippers and any Non-Network Code Party,
 - of the implementation of the Modification Proposal;
- (g) provide an analysis of any advantages and disadvantages of which (and to the extent only that) the development work group shall have been informed (whether pursuant to representations received pursuant to Rule 8.1.3(c), Rule 7.8(b) or otherwise) or becomes aware of during the course of the development work in the context of the application of the modification procedures in relation to the Modification Proposal and not otherwise identified pursuant to Rules 8.8.1(a)-(f) as such of the implementation of the Modification Proposal;
- (h) provide a summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the development work group report) of those persons (if any) which the development work group shall have consulted pursuant to the terms of reference or Rule 8.4.2;
- (i)
 - (i) detail the representations which the development work group shall have considered pursuant to Rule 8.6; and
 - (ii) comment, in the context of the report as a whole, on such representations;
- (j) detail any matter (not otherwise identified as such elsewhere in the report) which the development work group considers will need to be addressed or otherwise dealt with so as to enable TransCo to prepare the modification report; and
- (k) as appropriate, comment upon:

- (i) and make recommendations as to, the time scale for the implementation of the whole or any part of the Modification Proposal; and
- (ii) the text provided pursuant to Rule 8.14.

8.8.2 If two (2) Modification Proposals shall have been considered together by the development work group and no determination shall have been made pursuant to Rule 8.5.6 the development work group report shall report on each Modification Proposal.

8.9 **Circulation of development work group reports**

8.9.1 Each development work group report will (subject to Rules 5.4.1 and 5.4.2) be sent to all members as soon as reasonably practicable but in any event not less than ten (10) business days prior to the meeting of the Modification Panel at which that report is to be discussed.

8.9.2 TransCo shall not less than ten (10) business days prior to the date on which any development work group report is to be considered at a meeting of the Modification Panel invite to that meeting all the individuals comprising the relevant development work group to attend and express any views on the substance of the development work group report or the conduct of the consideration of the Modification Proposal by the development work group.

8.10 **Discussion of development work group report**

8.10.1 The Modification Panel will discuss the development work group report received from the relevant development work group.

8.10.2 Having:

- (a) discussed the development work group report;
- (b) invited members of the relevant development work group to attend at that meeting of the Modification Panel; and
- (c) allowed all the members of the relevant development work group (in attendance at the meeting of the Modification Panel) to express any views on the substance of the development work group report or the conduct of the consideration of the Modification Proposal by the development work group,

the Modification Panel may (by panel majority) determine:

- (i) to refer the development work group report back to the development work group for revision or further work; or
- (ii) to continue to consider or to consider further the development work group report at a subsequent meeting of the Modification Panel.

8.10.3 Unless the Modification Panel makes a determination pursuant to Rule 8.10.2, TransCo will prepare a modification report pursuant to Rule 8.12.

8.11 **Concertina**

TransCo may at or, subject to Rule 5.3.1, prior to the meeting referred to in Rule 8.10.2, circulate a modification report (in draft). At that meeting the Modification Panel may, following discussion of the modification report, determine by panel majority that the meeting referred to in Rule 8.12.2 is not required. If the Modification Panel shall so determine:

- (a) TransCo will send a copy of the modification report (in draft) to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and Non-Network Code Parties (if any) to make (and withdraw earlier) representations within the ten (10) business days immediately following the date of the invitation; and
- (b) Rules 8.12.1 and 8.12.2 shall not apply in respect of that modification report and Rule 8.12.3 shall apply as if the text "the meeting of the Modification Panel at which the modification report (in draft) was discussed by the Modification Panel and having considered the comments (if any) of the Modification Panel and" were deleted from that Rule, the words "receipt of" were inserted after the word "following" in that Rule, the word "received" was deleted from that Rule and the reference in that Rule to "Rule 8.12.1" were to "Rule 8.11(a)".

8.12 **Modification report**

8.12.1 Subject to Rule 8.11, TransCo will within the ten (10) business days immediately following the meeting of the Modification Panel at which the development work group report of the relevant development work group was discussed:

- (a) prepare (in accordance with Rule 8.12.4) a modification report (in draft);
- (b) send a copy of that modification report (in draft) to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and each Non-Network Code Party (if any) to make (or withdraw earlier) representations within the ten (10) business days immediately following the date of the invitation.

TransCo will, not less than ten (10) business days prior to the meeting of the Modification Panel at which the modification report (in draft) is to be discussed, send copies of all representations (if any) received pursuant to Rule 8.12.1(b) to all members.

8.12.2 The Modification Panel will discuss, as appropriate, each modification report (in draft) prepared by TransCo pursuant to Rule 8.12.1(a) and the representations (if any) received pursuant to Rule 8.12.1(b) at a meeting of the Modification Panel.

8.12.3 TransCo will within the twenty (20) business days immediately following the meeting of the Modification Panel at which the modification report (in draft) was discussed by the Modification Panel and having considered the comments (if any) of the Modification Panel and the representations (if any) received (and not withdrawn in accordance with Rule 11.3.3) in accordance with Rule 8.12.1:

- (a) (i) finalise the modification report;
and
- (ii) attach to that report all representations (if any) so received from (and not so withdrawn); and
- (b) submit a copy of that report (and attachments (if any)) to the Director, each Relevant Shipper, each member and each Non-Network Code Party (if any).

8.12.4 In addition to identifying which Rule the modification report is made pursuant to, each modification report will, subject to Rule 8.12.5:

- (a) (i) set out the Modification Proposal;
and
- (ii) the text provided pursuant to Rule 8.14;

- (b) the opinion (and the basis for that opinion) of TransCo as to whether any modification should be made;
- (c) provide an analysis of whether and if so the extent to which the modification would better facilitate the achievement of the relevant objectives;
- (d) address the implications (if any) in the context of the application of the modification procedures in relation to the Modification Proposal of the implementation of the Modification Proposal for TransCo, including:
 - (i) the implications for the operation of System and any BG Storage Facility;
 - (ii) the development and capital cost and operating cost implications (if any) for TransCo of implementing the Modification Proposal; and
 - (aa) if there are any such cost implications, the extent to which it is appropriate for TransCo to recover the costs, and (to such extent) a proposal for the most appropriate way for TransCo to recover the costs; and
 - (bb) where any such proposal is made (whether or not the impact of such a proposal is addressed by the text of the modification), an analysis of the consequences (if any) such proposal would have (if implemented) on the price regulation to which TransCo is subject; and
 - (iii) the consequence (if any) of implementing the Modification Proposal on the level of contractual risk of TransCo under the Network Code as modified by the Modification Proposal;
- (e) address the development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;
- (f) address the implications (if any) (to the extent only that TransCo shall have been informed (whether pursuant to representations or otherwise) in the context of the application of the modification procedures in relation to the Modification Proposal) of the implementation of the modification for Relevant Shippers, including:
 - (i) the administrative and operational implications (if any) of the implementation of the Modification Proposal on Relevant Shippers;
 - (ii) the capital cost and operating cost implications (if any) for Relevant Shippers of implementing the Modification Proposal; and
 - (iii) the consequence (if any) of implementing the Modification Proposal on the level of the contractual risk of Relevant Shippers under the Network Code as modified by the Modification Proposal;
- (g) address the implications (if any) (to the extent only that TransCo shall have been informed (whether pursuant to representations or otherwise) in the context of the application of the modification procedures in relation to the Modification Proposal) for other relevant persons (including, but without limitation, Relevant Shippers, connected system operators,

consumers, terminal operators, suppliers and producers and, to the extent not otherwise addressed, any Non-Network Code Party) of implementing the Modification Proposal;

- (h) address the consequences of the legislative and regulatory obligations and contractual relationships of
 - (i) TransCo; and
 - (ii) if (and to that extent only) TransCo shall have been informed (whether pursuant to representations or otherwise) in respect thereof in the context of the application of the modification procedures in relation to the Modification Proposal, each Relevant Shipper and each Non-Network Code Party (if any),of the implementation of the Modification Proposal;
- (i) provide an analysis of any advantages or disadvantages if and to the extent only that TransCo shall have been informed (whether pursuant to representations or otherwise in respect thereof in the context of the application of the modification procedures in relation to the Modification Proposal and (not otherwise identified as such pursuant to Rules 8.12.4 (c) to (h)) of the implementation of the Modification Proposal;
- (j) provide a summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report) of those persons (if any) which the development work group consulted, pursuant to the terms of reference Rule 8.2.2(d) or Rule 8.4.2;
- (k)
 - (i) detail the representations which the development work group considered pursuant to Rule 8.6 and the representations (if any) received in accordance with Rule 8.12.1; and
 - (ii) (to the extent that such representations are not addressed or otherwise commented upon in the modification report) comment, in the context of the modification report as a whole, on such representations;
- (l) state whether and if so the extent to which the implementation of the modification proposal is requisite:
 - (i) to enable TransCo to facilitate compliance with safety or other legislation; and
 - (ii) having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement; furnished by TransCo under Standard Condition 3(1) of the Licence;
- (m) detail the programme for works (if any) required as a consequence of the implementation of the Modification Proposal;
- (n) set out a proposed timetable to be followed in respect of the implementation of the modification (including, but without limitation, the date upon which the modification should become effective);
- (o) if it is the opinion of TransCo that a modification should be implemented:
 - (i) set out either:

- (aa) a request for consent of the Director to the modification; or
- (bb) a proposal that the Director should direct that the modification be implemented; and
- (ii) comment upon, and make recommendations as to, the time scale for the implementation of the whole or any part of the modification; and
- (p) state whether or not any matter detailed in the development work group report (pursuant to Rule 8.8.1(j)) has been addressed or otherwise dealt with and:
 - (i) if such matter has been so addressed or dealt with, the result; or
 - (ii) if such matter has not been so addressed or dealt with, an explanation as to why such matter has not been addressed or dealt with; and
- (q) have attached to it copies of all the representations received (and not withdrawn in accordance with Rule 11.3.3) by TransCo.

Where two (2) Modification Proposals have proceeded through the modification procedures together (and neither proposal has been withdrawn (pursuant to Rule 6.5) and all work has not been discontinued pursuant to Rule 8.5.6 in respect of either proposal) the modification report will, in addition to the analysis referred to in Rule 8.12.4(c), provide an analysis as to which of the Modification Proposals would in the opinion of TransCo better facilitate the achievement of the relevant objectives.

Where two (2) Modification Proposals were proceeding through the modification procedures together and the Modification Panel shall, pursuant to Rule 8.5.6, have determined that only one (1) of the Modification Proposals should proceed the modification report will provide a commentary as to the circumstances in which the Modification Panel so determined.

- 8.12.5 Subject to Rule 9.2, each modification report prepared (including pursuant to Rule 7.3, Rule 7.4 or Rule 7.5.3) will, to the extent relevant, detail upon the matters referred to in Rule 8.12.4.
- 8.12.7 Each modification report will be addressed to and furnished (as the notice required by paragraph (10) of Condition 7) the Director and none of the facts contained or opinions stated in any modification report should be relied upon by any other person.
- 8.12.8 In preparing any modification report TransCo will do so on the basis set out in these Rules and TransCo will not be required to have regard (other than as expressly provided in these Rules) to the consequences of any modification on any person or persons.
- 8.13 **View**
- 8.13.1 At any stage prior to the date on which TransCo finalises the modification report TransCo may, having consulted with the Modification Panel, decide to seek a view from the Director on any matter arising (under these Rules or otherwise) from a Modification Proposal.
- 8.13.2 If TransCo decides to seek a view pursuant to Rule 8.13.1, TransCo will:
 - (a) prepare, an application (in draft) to the Director;
 - (b) send a copy of that application (in draft) to each Relevant Shipper, each member and each Non-Network Code Party (if any) inviting that Relevant Shipper and that Party to make

representations in respect of the application within the fifteen (15) business days immediately following the date of that invitation;

- (c) send a copy of that application (in draft) ((as materials) with the notice and agenda in respect of the next following meeting of the Modification Panel) to each member and Relevant Shipper; and
- (d) if TransCo shall so determine, suspend (in whole or in part) the consideration of the Modification Proposal by the development work group.

8.13.3 At the next following meeting of the Modification Panel the Modification Panel will discuss the application. TransCo will within the five (5) business days immediately following the meeting:

- (a) finalise the application;
- (b) attach to that application the representations (if any) received (and not withdrawn in accordance with Rule 11.3.3) in accordance with Rule 8.13.2(b); and
- (c) submit that application and attachments (if any) to the Director and send a copy of that application to each Relevant Shipper, each member and each Non-Network Code Party (if any).

8.14 **Text of modification**

TransCo will prepare the text of each modification. Subject to Rule 9, the text of each modification prepared by TransCo in draft will be considered by the relevant development work group. If the text of a modification is not considered by a development work group prior to that development work group's report being discussed by the Modification Panel pursuant to Rule 8.10.1 the development work group will, having considered the text of a modification and prior to the circulation of the Modification Report pursuant to Rule 8.11 or, as the case may be, the preparation of the Modification Report pursuant to Rule 8.12.1, prepare a supplemental report commenting as appropriate upon that text.

8.15 **Modification**

8.15.1 TransCo will modify the Network Code in accordance with each consent given and each direction made by the Director.

8.15.2 TransCo will notify each Relevant Shipper, each member and each Non-Network Code Party (if any) of each modification. Each such notice shall specify the text of the modification, the date upon which the modification will become effective and provide (for the purposes of information only) an explanatory note (which note should not be relied upon) in respect of the modification. Each modification will become effective upon the date specified in the relevant notice. Having so notified each Relevant Shipper, each member and each Non-Network Code Party (if any), TransCo may, with the agreement of the Director, notify all Relevant Shippers, members and Non-Network Code Parties (if any) of any amendment to the date specified in the earlier notice, and the date specified in any such notice shall be the date upon which the relevant modification will become effective.

9. URGENT MODIFICATION

9.1 Procedure

9.1.1 If TransCo shall consider, pursuant to Rule 6.1.3, that a Modification Proposal should be treated as an Urgent Modification Proposal, TransCo will consult with the Director. If in respect of a Shipper

Proposal the proposer shall have identified pursuant to Rule 6.1.3 and in accordance with Rule 6.2.1(d) the Modification Proposal as one which it considers should be treated as an urgent Modification Proposal, the secretary will as soon as possible send a copy of the Shipper Proposal to the Director.

- 9.1.2 If the Director shall consider it appropriate that the Modification Proposal referred to in Rule 9.1.1 should be treated as an Urgent Modification Proposal:
- (a) the secretary shall notify each Shipper and each member;
 - (b) TransCo will to the extent that TransCo considers, and the Director agrees, that it is appropriate to do so, deviate from all or any of the modification procedures (including, but without limitation, consulting with the Modification Panel and seeking representations from Relevant Shippers and any Non-Network Code Party) or follow any other procedure accepted by the Director; and
 - (c) TransCo will prepare and submit to the Director a modification report in a format and in accordance with a timetable accepted by the Director.
- 9.1.3 If the Director does not accept that the Modification Proposal should be treated as an Urgent Modification Proposal the secretary shall notify the proposer and Rule 7 shall apply in respect of the Modification Proposal save that the text in Rule 7.1(a) reading "Shipper Proposal or a TransCo Proposal" will be treated as having been deleted and replaced with the text "notice from the Director pursuant to Rule 9.1.3".

9.2 **Modification report**

Each modification report prepared pursuant to Rule 9.1.2(c) will, in addition to reporting to the extent relevant upon the matters referred to in Rule 8.12.4, detail:

- (a) the circumstances that make the making of the modification urgent; and
- (b) the procedures that TransCo has followed pursuant to Rule 9.1.2(b) where these differ from the modification procedures.

TransCo may submit its modification report (in whole or in part) orally and/or in writing. TransCo shall in respect of any modification report (or any part thereof) submitted orally as soon as possible confirm that oral submission in writing. TransCo shall as soon as reasonably practicable send a copy of each such report to each Shipper, each member and each Non-Network Code Party (if any).

9.3 **Modification**

- 9.3.1 TransCo will modify the Network Code in accordance with each direction made and consent given by the Director.
- 9.3.2 TransCo shall as soon as possible notify each Shipper, each Non-Network Code Party (if any) and each member of the urgent modification. Each such notice shall specify the text of the modification and the date upon which the modification is to become effective.

9.4 **Report on modification and review**

Where an urgent modification is implemented, TransCo will at the next following meeting of the Modification Panel report to the Modification Panel in respect of the urgent modification. Unless the Modification Panel shall otherwise determine by panel majority at that meeting the subject matter of the urgent modification so made shall be subject to the review procedures. If the

Modification Panel shall not so otherwise determine, TransCo will make a proposal for review in respect of the urgent modification so made.

10. REVIEW PROCEDURES

10.1 Purpose

The review procedures are designed to provide a means by which matters (whether contained in a proposal for review made pursuant to Rule 10.2.3 or Rule 10.2.4 or a Modification Proposal which is subject to the review procedures) may be considered by a review group without being subject to the modification procedures.

10.2 Review proposals

10.2.1 The Modification Panel may determine by panel majority:

- (a) that any matter; or
- (b) at the initial meeting, that the Modification Proposal discussed initially at that meeting, should be subject to the review procedures.

10.2.2 If the Modification Panel shall make a determination:

- (a) pursuant to Rule 10.2.1(a), TransCo will make a proposal for review in respect of such matter; or
- (b) pursuant to Rule 10.2.1(b), the proposer shall be treated as having made a proposal for review pursuant to Rule 10.2.3 or, as the case may be, Rule 10.2.4.

10.2.3 TransCo may, from time to time, propose any matter for review.

10.2.4 Any Shipper may, from time to time, propose any matter for review.

10.3 Form of proposal

Each proposal for review shall:

- (a) be in writing; and
- (b) set out in reasonable but not excessive detail the nature of the proposal for review.

TransCo may, from time to time, recommend the form which a proposal for review should take.

10.4 To review procedures

10.4.1 The secretary will send a copy of each proposal for review made in accordance with Rule 10.3 to the members and the proposal for review will (subject to Rule 5.3.1) be discussed at the next following meeting of the Modification Panel.

10.4.2 Having discussed the proposal for review the Modification Panel may determine by panel majority that the proposal for review should be subject to the review procedures. If the Modification Panel shall not so determine the proposal for review shall lapse. If the Modification Panel shall so determine or if the Modification Panel shall make a determination pursuant to Rule 10.2.1 the proposal for review shall proceed to be considered pursuant to Rule 10.8 as a review proposal and the secretary shall give each review proposal a unique reference designation and send a copy of that review proposal to each Shipper.

10.5 Withdrawal of proposal for review

10.5.1 A proposer may at any time before a proposal for review is (as a review proposal) to proceed to be subject to the review procedures withdraw a proposal for review of that proposer. Any proposal for review so withdrawn shall lapse.

10.5.2 The secretary will, within a reasonable period of time following any withdrawal, notify all members of such withdrawal.

10.6 **Subsequent proposals for review**

10.6.1 Subject to Rule 9, when a review proposal is subject to the review procedures no proposal for review or Modification Proposal relating (whether in whole or in part) to the same subject matter as the review proposal may be made until the review procedures in respect of the review proposal have been concluded. If, by reason of this Rule 10.6.1, a proposal for review or a Modification Proposal cannot be made, the secretary shall notify the proposer, who shall have proposed the proposal for review or Modification Proposal, that such is the case and will remind that person that that person will, in due course, be able to make representations (pursuant to Rule 10.8) in respect of the review proposal.

10.6.2 Notwithstanding Rule 10.6.1, the Modification Panel may, from time to time, and having consulted the relevant review group, determine by panel majority, that a Modification Proposal may be made in respect of any matter which forms all or part of the subject matter of a review proposal and accordingly that the terms of reference of the relevant review group be changed.

10.7 **Concertina**

10.7.1 TransCo may at or, subject to Rule 5.3.1, prior to any of the Modification Panel at which a review proposal is to be discussed initially, meeting circulate terms of reference (in draft) and a proposal as to the composition of the review group. If at that meeting the Modification Panel shall make a determination, pursuant to Rule 10.2.1 or, as the case may be, Rule 10.4.2, the Modification Panel may at that meeting, following discussion of the terms of reference and the proposal as to the composition of the review group, determine by panel majority:

- (a) to request TransCo to finalise the terms of reference of the review group; and
- (b) the composition of the review group.

10.7.2 If the Modification Panel shall so determine:

- (a) TransCo will at or within the three (3) business days immediately following that meeting finalise the terms of reference and constitute the review group;
- (b) TransCo will notify each Relevant Shipper and each member of the establishment of the review group and invite Relevant Shippers to make representations in respect of the review proposal within the fifteen (15) business days immediately following the date of the invitation; and
- (c) Rule 10.8 (to the extent that it applies to Rule 8.1) shall not apply in respect of the review proposal and any other provisions of these Rules shall apply as if that meeting were the meeting referred to in Rule 8.1, which Rule, by virtue of Rule 10.8, applies to each review proposal with the modifications set out in Rules 10.8(a)(i) and (ii) and Rule 10.8(b).

10.7.3 If the Modification Panel shall not make a determination pursuant to Rule 10.7.1, Rule 10.8 shall, with any necessary modifications, apply.

10.8 **Commencement of the review**

Rules 8.1 to 8.5.5, Rule 8.6 and Rule 8.7 shall, with the following modifications, apply in respect of each review proposal as if:

- (a)
 - (i) the text at the start of Rule 8.1.1 reading "If a Modification Proposal proceeds to the development phase, TransCo will, subject to the prior application of Rule 7.6" read "If a proposal for review proceeds (as a review proposal) to be subject to the review procedures, TransCo will subject to the prior application of Rule 10.7.1";
 - (ii) the text in Rule 8.1.3(c) reading "and by notice invite each Non-Network Code Party (if any)" and the text in Rule 8.1.3(c)(ii) reading "or, as the case may be, Non-Network Code Parties" were deleted;
 - (iii) Rule 8.2.2(d) did not apply;
 - (iv) the text in Rule 8.3.1 reading "; and (g) specify when the development work group is to comment upon the text of the modification provided to the group pursuant to Rule 8.14" were deleted;
 - (v) Rule 8.3.2 did not apply and Rule 8.3.3 were renumbered Rule 8.3.2;
 - (vi) the text at the start of Rule 8.5.4 reading "Subject to Rule 8.5.6," were deleted and the words in Rule 8.5.5 reading "being considered within the development phase" were deleted and replaced with the words "subject to the review procedures";
 - (vii) the text of Rule 8.5.7 reading "No Modification Proposal shall, without the consent of the Director, be in the development phase for more than twelve (12) months." were deleted and replaced with the text "No review proposal shall, without the Modification Panel having discussed, pursuant to Rule 11.5, the application of the review procedures in respect of the review proposal, be subject to the review procedures for more than six (6) months."; and
 - (viii) Rule 8.6(b) did not apply; and
- (b) the references therein to:
 - (i) "development phase" were to "review procedures".
 - (ii) "development work" were to "review work";
 - (iii) "development work group" were to "review group";
 - (iv) "development work group report" were to "review group report"; and
 - (v) "Modification Proposal" were to "review proposal".

10.9 **Review group report**

10.9.1 Each review group shall prepare a review group report in accordance with the terms of reference of that review group.

10.9.2 Each review group report will be sent to all members as soon as reasonably practicable but (subject to Rules 5.4.1 and 5.4.2) in any event not less than ten (10) business days prior to the meeting of the Modification Panel at which the review group report is to be discussed.

10.9.3 TransCo will not less than ten (10) business days prior to the date on which any review group report is to be considered at a meeting of the Modification Panel invite to that meeting all the individuals comprising the relevant review group to express any views on the substance of the review group report or the conduct of the review of the review proposal by the review group.

10.10 **Discussion of review group report**

10.10.1 The Modification Panel will discuss the review group report received from the relevant review group.

10.10.2 Having:

- (a) discussed the review group report;
- (b) invited members of the relevant review group to attend at that meeting of the Modification Panel; and
- (c) allowed all the members of the relevant development work group (in attendance at the meeting of the Modification Panel) to express any views on the substance of the review group report or the conduct of the review of the review proposal by the review work group,

the Modification Panel may (by panel majority) determine:

- (i) to refer the review group report back to the review group for revision or further work; or
- (ii) to continue to review or to review further the review group report at a subsequent meeting of the Modification Panel.

10.10.3 Unless the Modification Panel makes a determination pursuant to Rule 10.10.2, TransCo will prepare a review report pursuant to Rule 10.12.

10.11 **Concertina**

TransCo may at or, subject to Rule 5.3.1, prior to the meeting referred to in Rule 10.10.2, circulate a review report (in draft). At that meeting the Modification Panel may, following discussion of the review report, determine by panel majority that the meeting referred to in Rule 10.12.2 is not required. If the Modification Panel shall so determine:

- (a) TransCo will send a copy of the review report (in draft) to each Relevant Shipper and each member inviting that Relevant Shipper to make (and/or withdraw earlier) representations and objections within the ten (10) business days immediately following the date of the invitation; and
- (b) Rules 10.12.1 and 10.12.2 shall not apply in respect of that TransCo review report, and Rule 10.12.3 shall apply as if the text "the meeting of the Modification Panel at which the review report (in draft) was discussed by the Modification Panel and having considered the comments (if any) of the Modification Panel and" were deleted from that Rule, the words "receipt of" were inserted after the words "following" in that Rule, the word "received" was deleted from that Rule and the reference to "Rule 10.12.1" were a reference to "Rule 10.11(a)".

10.12 **Review report**

10.12.1 Subject to Rule 10.11, TransCo will within the ten (10) business days immediately following the meeting of the Modification Panel at which the review group report of the relevant review work group was discussed:

- (a) prepare (in accordance with Rule 10.12.4) a review report (in draft); and
 - (b) send a copy of that review report (in draft) to each Relevant Shipper and each member, inviting each Relevant Shipper to make (and/or withdraw earlier) representations within the fifteen (15) business days immediately following the date of the invitation.
- 10.12.2 The Modification Panel will discuss, as appropriate, each review report (in draft) prepared by TransCo pursuant to Rule 10.12.1 at a meeting of the Modification Panel.
- 10.12.3 TransCo will within the twenty (20) business days immediately following the meeting of the Modification Panel at which the review report (in draft) was discussed by the Modification Panel and having considered the comments (if any) of the Modification Panel and representations (if any) received (in accordance with Rule 10.12.1) from (and not withdrawn (in accordance with Rule 11.3.3) by) each Relevant Shippers:
- (a) finalise the review report; and
 - (b) submit a copy of that report to the Director, each Relevant Shipper and each member.
- 10.12.4 Each review report will consider the review group report and, if appropriate, recommend whether the review proposal may proceed as a Modification Proposal or whether TransCo should proceed to prepare a modification report in respect of the review proposal as if the review proposal were a Modification Proposal.
- 10.12.5 If the review report shall recommend that the review proposal may proceed as a Modification Proposal the review proposal may so proceed on a Modification Proposal being made in accordance with Rule 6.2.1.
- 10.12.6 If the review report shall recommend that TransCo should proceed to prepare a modification report in respect of the review proposal and the timetable for the preparation of the modification report and the Modification Panel (and having considered whether there are any persons from whom representations should, pursuant to Rule 7.8, be invited) shall determine by panel majority that TransCo should so proceed, the review proposal shall be treated as a Modification Proposal and TransCo shall in accordance with that timetable prepare a modification report and Rules 8.12 to 8.15 shall apply:
- (a) with the following modifications:
 - (i) Rule 8.12.1 shall apply as if the text at the start of that Rule reading "Subject to Rule 8.11, TransCo will within ten (10) business days immediately following the meeting of the Modification Panel at which the development work group report of the relevant development work group was discussed" were deleted and replaced with the text "TransCo will, in accordance with the timetable referred to in Rule 10.12.6" and the text of Rule 8.12.1(b) reading "send a copy of that modification report (in draft) to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and each Non-Network Code Party (if any) to make (and in the case of Relevant Shippers only, withdraw earlier) representations within the ten (10) business days immediately following the date of the invitation." were deleted and replaced with the text "send a copy of that modification report (in draft) to each Relevant Shipper, each member and each Non-Network Code Party (if any), inviting each Relevant Shipper and each Non-Network Code Party (if any) to make and (in the case of Relevant Shippers or withdraw earlier representations) within ten business days immediately following the date of the invitation";
 - (ii) Rule 8.12.4(k)(i) shall apply as if the words "pursuant to Rule 8.6" were deleted;

- (iii) the penultimate and the ultimate paragraphs of Rule 8.12.4 shall be deleted; and
- (iv) Rule 8.12.5 shall be deleted; and
- (b) on the basis that the references therein to:
 - (i) "development work group" were to "review group"; and
 - (ii) "development work group's report" were to "review group's report"; and
- (c) with any further modifications considered to be necessary by reason of the timetable referred to above.

11. GENERAL

11.1 Notices

- 11.1.1 Unless otherwise expressly provided, any document, notice or other communication to be given to or made by any person pursuant to or in accordance with these Rules shall be in writing.
- 11.1.2 Any document (including, but without limitation, any representation, objection or report), notice or other communication may be delivered to the relevant person or sent by first class pre-paid letter or facsimile transmission to the address or facsimile transmission number of that person specified by that person for the time being as being that person's address or facsimile transmission number and shall be effectual notwithstanding any change of address or facsimile transmission number which is not notified by that person.
- 11.1.3 Each such document, notice or other communication shall be treated as having been given or made and delivered, if by letter two (2) business days immediately following posting, if by delivery, when left at the relevant address or, if by facsimile transmission, upon receipt by the addressee of the complete text of the document, notice or other communication in a legible form.

11.2 Non-receipt

No accidental omission or neglect in sending any document or notice or other communication to, or (other than in the case of any document or notice or other communication submitted by TransCo to the Director) non-receipt of any document or notice or other communication by, any person shall be capable of invalidating any act or thing done pursuant to these Rules.

11.3 Representations

- 11.3.1 Subject to Rule 8.1.3(c)(ii), all representations (and any withdrawal of the same) made by each Relevant Shipper pursuant to these Rules shall be readily identifiable as representations (or, as the case may be, a withdrawal thereof), shall identify the unique reference designation on the Modification Proposal or, as the case may be, proposal for review to which they relate and shall be sent to the secretary at the address of TransCo, for the time being, notified to Relevant Shippers for the purposes of Rule 11.1.2.
- 11.3.2 TransCo will invite all individuals appointed to the relevant development work group to any meeting of Relevant Shippers held pursuant to Rule 8.1.3(c)(ii). At any such meeting of Relevant Shippers, TransCo shall cause a record of the representations made at such meeting to be made and will send a copy of that record to each Relevant Shipper and, for information purposes only, each member.
- 11.3.3 (a) Any Relevant Shipper, any Shipper or Non-Network Code Party may at any time prior to the submission of the Modification Report pursuant to Rule 8.12.3(b); or
- (b) any Relevant Shipper may at any time prior to the submission of the review report pursuant to Rule 10.12.3(b),
- by notice to the secretary withdraw any representation made by it, whether made in writing or, in the case of Rule 11.3.3(a), at a meeting of Relevant Shippers or Non-Network Code Parties.
- 11.3.4 TransCo will send to the Director copies of all representations and a copy of each record of representations.

11.4 Variation of TransCo Proposal

TransCo will as it considers appropriate modify each TransCo Proposal having regard to better facilitating the achievement of the relevant objectives and having had regard to any other matter (including, but without limitation, representations (if any) received (in accordance with these Rules) from Relevant Shippers, Non-Network Code Parties and otherwise and the report of the relevant development work group and discussions at meetings of the Modification Panel) as appropriate.

11.5 **Time periods**

In respect of any Modification Proposal or review proposal the Modification Panel may, from time to time, determine by panel majority to shorten or lengthen the time period within which any (or all) of the modification procedures or review procedures or any other procedures is (or are) to be undertaken. If the Modification Panel shall so determine, TransCo will, so far as consistent with these Rules and the Licence, do all acts and things which these Rules specify as acts and things to be done by TransCo within such shorter or longer period of time so as to give effect to such determination.

11.6 **Consequences of these Rules and Confidentiality**

11.6.1 As stated at Rule 1.4, these Rules do not constitute part of the Network Code and shall not therefore give rise to or impose any duty, obligation or right (whether in contract, tort, trust or otherwise) pursuant to, in relation to, in respect of or in connection with the Network Code on any person who is or is treated as being for the time being a party to the Network Code and consequently shall not give rise to any action or claim or liability (whether in contract, tort (including, but without limitation, negligence), for breach of trust or otherwise) against any such person pursuant to, in relation to, in respect of or in connection with the Network Code.

11.6.2 These Rules shall not give rise to or impose any duty, obligation (other than pursuant to the Licence) or right (whether in contract, tort, trust or otherwise) and consequently shall not give rise to any action or claim or liability pursuant to, in relation to, in respect of or in connection with these Rules.

11.6.3 Without prejudice to the generality of Rule 11.6.2, no member or individual in any development work group or review group shall be liable (in whatever capacity) and no employer of any such person shall be vicariously liable for any act or thing done or omitted to be done pursuant to, in relation to, in respect of or in connection with these Rules.

11.6.4 Without prejudice to the generality of Rule 11.6.2, no act or thing done or omitted to be done by TransCo or any Relevant Shipper (or any employee, director or agent of TransCo or any Relevant Shipper) pursuant to, in relation to, in respect of or in connection with these Rules shall give rise to any action or claim or liability by any Relevant Shipper or Non-Network Code Party against TransCo (or any such employee, director or agent of TransCo) or by any other Relevant Shipper, Non-Network Code Party or TransCo against such Relevant Shipper (or any such employee, director or agent of such Relevant Shipper).

11.6.5 Nothing in or arising as a consequence of these Rules is intended in any way to limit or negate the ability for the time being of any Shipper or TransCo to seek to discuss any issue or matter with the Director or to give rise to any consequence in respect of any contractual relationship (other than pursuant to a modification) which may, from time to time, exist between any Shipper and TransCo.

11.6.6 Nothing in these Rules shall oblige or impose any duty (whether expressly or impliedly) on any Shipper or TransCo to provide or make available any information.

11.6.7 Any person who provides any information for the purposes of or pursuant to these Rules may require that such information may be made available subject to such confidentiality undertakings as such person may require.

11.7 **Disapplication of these Rules**

In respect of any Modification Proposal or review proposal, if TransCo considers that it would be appropriate to disapply any of these Rules TransCo will notify each member and each Relevant Shipper and each Non-Network Code Party (if any) and in that notice specify which Rules it considers it would be appropriate to disapply and explaining why and invite Relevant Shippers and Non-Network Code Parties (if any) to make representations within ten (10) business days immediately following the date of such invitation in respect of the proposed disapplication. TransCo will within the three (3) business days immediately following the expiry of such ten (10) business days send to each member and the Director copies of all representations (if any) so received. The Modification Panel shall, subject to Rule 5.3.1, at the next following meeting of the Modification Panel consider the representations (if any) received (in accordance with this Rule 11.7) from Relevant Shippers and Non-Network Code Parties (if any), and the Modification Panel may determine by panel majority that it is appropriate to disapply any of the Rules specified in the relevant notice. If the Modification Panel shall so determine the Rules specified in the relevant notice shall, if the Director agrees, be disapplied.

NETWORK CODE

Introduction

A 'Network Code' is a legal document which forms the basis of the arrangements between a Public Gas Transporter (PGT) and the Shippers whose gas it transports. The Code, which is the subject of this document, is that involving British Gas TransCo as the PGT.

TransCo is required by the terms of its PGT Licence to prepare the Network Code and to publish it accordingly. This introduction does not form part of the Network Code and has no contractual effect as between TransCo and the Shippers.

The Network Code Documents

Strictly speaking, the Network Code consists only of the Principal Document and the Transition Document. However, a number of other documents support the Code and their purposes are described below.

Network Code Framework Agreement

By signing this document, TransCo and each Shipper wishing to use its network, enter into an agreement 'for purposes of giving effect to and binding themselves by the Network Code'. The document itself is only a few pages long. It defines certain key terms, records the names and addresses of the parties and commits them to work with each other and with all other parties to the Code. In accordance with the Data Protection Act those names and addresses have been omitted from this copy of the document.

Network Code Principal Document

This is the document which parties to the Framework Agreement sign up to. It contains over twenty sections covering several hundred pages, which define in precise legal detail TransCo's Network Code. Some sections cover the topics which are common to many contracts, e.g. the confidentiality obligations, mechanisms for resolving disputes and provisions to limit both parties' legal liability. Other sections cover the topics which are specific to gas transportation and storage.

Network Code Transition Document

This document defines those aspects of the Network Code where interim arrangements were agreed to provide for the introduction of the Code. Initially the Transition Document takes precedence over the equivalent sections of the Principal Document but, as the various key dates pass, its role diminishes steadily until eventually the Principal Document becomes the sole definition of the TransCo Network Code.

Modification Rules

A Network Code can change over time as experience is gained and business conditions vary. A PGT Licence granted by Ofgas requires the transporter to define and operate a mechanism to control this process - the Modification Rules. This enables Shippers and the PGT to make proposals for change, for Shippers and other interested parties to make representations to proposed changes and for the PGT to consider those changes before approaching the Director General of Ofgas requesting to enact those changes.

British Gas plc, TransCo

NETWORK CODE

Guide to the Binder

The Network Code is the network code prepared by British Gas plc, TransCo in accordance with its licence. This Network Code lays out the conditions of use of the pipe network and the method of charging for that use. Charging details are given in the Transportation Statement. The Network Code consists of:

The Network Code Principal Document, and
The Transition Document

both of which are contained in this binder. It has been thought appropriate to include, for convenience,

Introduction
The Framework Agreement,
The Modification Rules, and
A cross-reference to the Defined Terms

which, are not part of, but support the Network Code.

This guide is not itself part of the Network Code. For further information please contact:-

Process Manager
Service Development
British Gas plc., TransCo
31 Homer Road
SOLIHULL
West Midlands.
B91 3LT

Telephone No. 0121-623-2181

NETWORK CODE FRAMEWORK AGREEMENT

Preamble

By means of the Framework Agreement each signatory binds themselves to the provisions of the Principal Document and the Transition Document. For signatories after 26th February 1996 the Accession Agreement which has the same substantive effect, is used to become a party to the Network Code.

This Preamble does not form part of the Framework Agreement.

NETWORK CODE FRAMEWORK AGREEMENT

THIS AGREEMENT is made on and with effect from 26th February 1996 between:

- (1) BRITISH GAS plc, whose principal office is set out in Part 1 of the Schedule hereto; and
- (2) THE PERSONS whose names and principal offices are set out in Part 2 of the Schedule hereto.

WHEREAS:

- (A) Pursuant to a scheme to be made under Schedule 5 of the Gas Act 1995 British Gas plc will be treated as holding, with effect from the Appointed Day, a licence as public gas transporter under Section 7 of the Gas Act 1986 (as amended).
- (B) TransCo has prepared a document as the network code, relating (inter alia) to its main pipeline system, which it will be required to prepare pursuant to the TransCo Licence.
- (C) Each of the Founder Users will hold, or pursuant to a scheme to be made under Schedule 5 of the Gas Act 1995 will be treated as holding, with effect from the Appointed Day, a licence as gas shipper under Section 7A(2) of the Act, and wishes to enter into arrangements with TransCo for the conveyance or conveyance and storage, of gas pursuant to the Network Code.
- (D) The Parties are entering into this Agreement for the purposes of giving effect to and binding themselves by the Network Code.

NOW IT IS HEREBY AGREED as follows:

1. Interpretation

1.1 In this Agreement (including the Recitals hereto):

"Accession Agreement": means an Agreement, between TransCo (on its own behalf of all other Parties) and an Applicant User, in the form in the Annex hereto;

"Accession Requirements": means the requirements to be complied with (subject to paragraph 2.4) by an Applicant User pursuant to the Network Code before the Applicant User may accede to this Agreement;

"Appointed Day": means the day appointed under Section 18(2) of the Gas Act 1995;

"Effective Day"; means:

- (i) with respect to each of the Original Parties and any Applicant User who is admitted before the Appointed Day as an additional party to this Agreement, the Appointed Day, and
- (ii) with respect to any Applicant User who is admitted on or after the Appointed Day as an additional party to this Agreement and (as respects such User) TransCo, the date of the relevant Accession Agreement;

"Founder User": means a person (other than TransCo) party to this Agreement before the Appointed Day;

"Modification Rules": means the modification rules to be prepared by TransCo pursuant to the TransCo Licence, as from time to time modified in accordance with the TransCo Licence;

"Network Code": means the network code to be prepared by TransCo pursuant to the TransCo Licence and relating (inter alia) to its main pipeline system, which will at the Appointed Day comprise the Network Code Principal Document dated 1st March 1996 and the Network Code Transition Document dated 1st March 1996, as from time to time modified pursuant to the Modification Rules and the TransCo Licence;

"Original Parties": means TransCo and the persons whose names are set out in Part 2 of the Schedule hereto;

"Party": means, subject as provided in paragraph 3, the Original Parties and each Applicant User who is admitted as a party to this Agreement;

"TransCo": means British Gas plc as a licensee under the TransCo Licence;

"TransCo Licence": means the licence to be treated (as described in Recital A) as granted to British Gas plc, as from time to time in force.

- 1.2 In this Agreement the terms **"User"**, **"Applicant User"** (subject to paragraph 2.4), **"Discontinuing User"** and **"User Discontinuance Date"** shall have the respective meanings ascribed thereto under the Network Code.

2 **Additional Users**

- 2.1 Where (subject to paragraph 2.4) TransCo is satisfied that an Applicant User has complied in substance with all of the Accession Requirements, the Parties shall admit the Applicant User as an additional party to this Agreement, for which purposes TransCo shall enter into an Accession Agreement with such Applicant User.
- 2.2 Each Party (other than TransCo) hereby authorises TransCo to sign on its behalf and deliver any Accession Agreement pursuant to clause 2.1, and undertakes not to withdraw, qualify or revoke such authority.
- 2.3 Upon the execution of an Accession Agreement by TransCo and an Applicant User, the Applicant User shall become a Party.
- 2.4 Where a person (other than an Original Party) wishes to be admitted as a Party before the Appointed Day, TransCo may decide that such person shall be admitted as a Party, in which case such person shall be treated as being an Applicant User for the purposes of this Agreement and this clause 2 shall apply, except that TransCo shall not be required (for the purposes of clause 2.1) to be satisfied that the Accession Requirements are satisfied.
- 2.5 TransCo will provide to the Director a copy of each Accession Agreement within 28 days after such agreement is made.

3 **Discontinuing Users**

A User who becomes a Discontinuing User shall with effect from the User Discontinuance Date cease to be a Party, but without prejudice to any provision of the Network Code as to the continuance in force of any of its provisions as respects, or of any rights, obligations and liabilities of, any such User or (as respects such User) TransCo.

4 **Network Code**

4.1 The Network Code is hereby given effect between and made binding upon each Party with effect from the Effective Date.

4.2 With effect from the Effective Date, TransCo undertakes to each other Party, and each other Party undertakes to TransCo and (insofar as is contemplated by the Network Code) the other Parties, to comply with and to perform its obligations in accordance with and subject to the Network Code.

5 **Suspense clause**

5.1 Any provision contained in this Agreement, or in any arrangement of which this Agreement forms part, by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall not come into effect until such time as the Director General of Gas Supply (the "**Director**") approves, by notice in writing to the party providing it, the Agreement as satisfying the criterion specified in paragraph 1(6) of the Schedule to the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 (the "**Order**"); provided that if the Director does not so approve the Agreement then clause 5.2 shall apply.

5.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of that Act (or on such later date as may be provided for in relation to any such provision) and the parties agreed to furnish such particulars within three months of the date of this Agreement.

6 **Modification Suspense Clause**

6.1 Upon a modification to the Network Code:

- (a) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Director within 28 days of the date on which this modification is made; or
 - (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve this Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to the Order;

provided that if the Director does not approve the Agreement as aforesaid then sub-clause (b) shall apply;

- (b) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

6.2 TransCo will provide to the Director a copy of this Agreement within 28 days after any modification the Network Code is made.

7 **Counterparts**

This Agreement may be executed in any number of counterparts.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

[6 Any provision contained in this Agreement, or in any arrangement of which this Agreement forms part, by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall not come into effect until such a time as the Director General of Gas Supply (the "**Director**") approves, by notice in writing to the party providing it, the Agreement as satisfying the criterion specified in paragraph 1(6) of the Schedule to the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996; provided that if the Director does not so approve the Agreement then clause 7 shall apply.

7. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of that Act (or on such later date as may be provided for in relation to any such provision) and the parties agree to furnish such particulars within three months of the date of this agreement.]²

[6 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply ("**the Director**") within 28 days of the date on which the Agreement is made; or
- (ii) if within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996;

provided that if the Director does not approve the Agreement as aforesaid then Clause 7 shall apply:

7. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.]³

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

² Delete for agreements entered into on or after the Appointed Day.

³ Delete for agreements entered into before the Appointed Day.

NETWORK CODE PRINCIPAL DOCUMENT

Preamble

The Principal Document contains the substantive provisions of the Network Code. These provisions are modified for a transitional period by the Transition Document (see Component 4).

The Standard Conditions of the Public Gas Transporters licence require TransCo to produce the Network Code setting out the terms of the transportation arrangements available to shippers.

This preamble does not form part of the Principal Document.

NETWORK CODE

PRINCIPAL DOCUMENT

CONTENTS

SECTION A: SYSTEM CLASSIFICATION

1.	INTRODUCTION	A-1
2.	SYSTEM ENTRY POINTS	A-3
3.	EXIT POINTS	A-3
4.	SUPPLY POINTS	A-5

SECTION B: SYSTEM USE AND CAPACITY

1.	INTRODUCTION	B-1
2.	SYSTEM ENTRY CAPACITY	B-7
3.	NTS EXIT CAPACITY	B-10
4.	SUPPLY POINT AND LDZ CAPACITY	B-14
5.	CAPACITY TRANSFER	B-18
	ANNEX B-1	B-22

SECTION C: NOMINATIONS

1.	INTRODUCTION	C-1
2.	OUTPUT NOMINATIONS.....	C-4
3.	INPUT NOMINATIONS	C-7
4.	OPERATIONAL SCHEDULING.....	C-8
5.	RENOMINATION	C-10
6.	TRADE NOMINATIONS	C-17

SECTION D: OPERATIONAL BALANCING AND FLEXIBILITY BIDDING

1.	INTRODUCTION	D-1
2.	FLEXIBILITY BIDDING	D-4

3.	ACCEPTANCE OF FLEXIBILITY BIDS.....	D-9
4.	FLEXIBILITY QUANTITY AND CONTRACT	D-12

SECTION E: DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

1.	INTRODUCTION	E-1
2.	INPUT QUANTITIES	E-5
3.	OUTPUT QUANTITIES	E-8
4.	UNAUTHORISED GAS FLOWS.....	E-12
5.	IMBALANCE	E-13
6.	RECONCILIATION	E-14

SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

1.	GENERAL AND SYSTEM PRICES.....	F-1
2.	DAILY IMBALANCES	F-4
3.	SCHEDULING CHARGES	F-7
4.	BALANCING NEUTRALITY CHARGES	F-10
5.	RECONCILIATION CLEARING.....	F-14
6.	RECONCILIATION NEUTRALITY	F-14

SECTION G: SUPPLY POINTS

1.	INTRODUCTION AND STRUCTURAL RULES.....	G-1
2.	SUPPLY POINT REGISTRATION.....	G-17
3.	SUPPLY POINT WITHDRAWAL AND ISOLATION.....	G-30
4.	TRANSCO'S OBLIGATIONS	G-33
5.	DM SUPPLY POINT CAPACITY AND OFFTAKE RATE	G-41
6.	INTERRUPTIBLE SUPPLY POINTS.....	G-49
7.	NEW SUPPLY METER POINTS AND OTHER SITEWORKS	G-61

SECTION H: DEMAND ESTIMATION AND DEMAND FORECASTING

1.	DEMAND MODELS AND END USER CATEGORIES.....	H-1
2.	DETERMINATION OF SUPPLY METER POINT DEMAND.....	H-6
3.	NDM ANNUAL QUANTITIES.....	H-9
4.	NDM CAPACITY	H-11
5.	DAILY DEMAND FORECASTING	H-13

SECTION I: ENTRY REQUIREMENTS

1.	GENERAL	I-1
2.	NETWORK ENTRY PROVISIONS.....	I-3
3.	DELIVERY OF GAS TO THE SYSTEM.....	I-9

SECTION J: EXIT REQUIREMENTS

1.	GENERAL	J-1
2.	OFFTAKE REQUIREMENTS.....	J-3
3.	OFFTAKE OF GAS FROM THE SYSTEM.....	J-6
4.	NExA SUPPLY METER POINTS	J-16
5.	CONNECTED SYSTEM EXIT POINTS	J-23

SECTION K: OPERATING AND BALANCING MARGINS

1.	GENERAL	K-1
2.	OPERATING MARGINS	K-3
3.	BALANCING MARGINS	K-5
4.	STORAGE CAPACITY, PROCUREMENT AND INJECTION	K-6
5.	RECOVERY OF SYSTEM MARGINS COSTS	K-11

SECTION L: MAINTENANCE AND OPERATIONAL PLANNING

1.	GENERAL	L-1
2.	USER INFORMATION REQUIREMENTS	L-2
3.	MAINTENANCE PROGRAMMING.....	L-3
4.	SYSTEM MAINTENANCE	L-6

SECTION M: SUPPLY POINT METERING

1.	GENERAL	M-1
2.	SUPPLY METER INSTALLATION	M-4
3.	METER READING: NON-DAILY READ METERS	M-9
4.	DAILY READ SUPPLY METERS	M-15
5.	PROVISION OF DAILY READ METER READINGS TO USERS	M-23

SECTION N: SHRINKAGE

1.	GENERAL	N-1
2.	NTS SHRINKAGE	N-2
3.	LDZ SHRINKAGE	N-3
4.	ACCOUNTING FOR SHRINKAGE	N-5

SECTION O: SYSTEM PLANNING

1.	GENERAL	O-1
2.	SUPPLY AND DEMAND	O-2
3.	BASE PLAN ASSUMPTIONS	O-3
4.	TEN YEAR STATEMENT	O-6

SECTION P: TOP-UP STORAGE

1.	GENERAL	P-1
2.	TOP-UP REQUIREMENTS	P-2
3.	TOP-UP INJECTION	P-8
4.	TOP-UP STORAGE TRANSFERS	P-13
5.	TOP-UP FLEXIBILITY BIDDING	P-17
6.	TOP-UP COST RECOVERY	P-18

SECTION Q: EMERGENCIES

1.	GENERAL	Q-1
2.	EMERGENCY PREPAREDNESS	Q-4
3.	OCCURRENCE OF AN EMERGENCY	Q-6
4.	CONSEQUENCES OF EMERGENCY	Q-10

SECTION R: BG STORAGE FACILITIES

1.	GENERAL	R-1
2.	STORAGE CAPACITY	R-6
3.	APPLICATION FOR STORAGE CAPACITY	R-10
4.	STORAGE TRANSFERS	R-22
5.	INJECTION	R-26
6.	WITHDRAWALS R-34	
7.	STORAGE OVERRUN, SCHEDULING AND MANAGEMENT CHARGES	R-41
8.	CONSTRAINED LNG FACILITIES	R-43
9.	STORAGE MANAGEMENT AND BALANCING	R-48

SECTION S: INVOICING AND PAYMENT

1.	INVOICING	S-1
2.	INVOICE TYPES S-6	
3.	INVOICE PAYMENT	S-8
4.	INVOICE QUERIES, ETC S-12	

SECTION T: DISPUTE RESOLUTION

1.	GENERAL	T-1
2.	EXPERT DETERMINATION	T-2
3.	MEDIATION	T-8

SECTION U: UK LINK

1.	GENERAL	U-1
2.	EQUIPMENT AND OPERATIONAL REQUIREMENTS	U-6
3.	LICENCE	U-11
4.	UK LINK COMMUNICATION	U-14
5.	TRADING BETWEEN USERS	U-18
6.	CONTINGENCY ARRANGEMENTS	U-19
7.	FAILURE OF UK LINK	U-21
8.	UK LINK MODIFICATIONS	U-27

ANNEX U-1	U-34
-----------	------

SECTION V: GENERAL

1. INTRODUCTION	V-1
2. USER ADMISSION	V-3
3. CODE CREDIT LIMITS	V-5
4. DISCONTINUING USERS AND TERMINATION	V-8
5. INFORMATION AND CONFIDENTIALITY	V-14
6. USER AGENTS	V-19
7. TRANSCO AS USER	V-21
8. LIABILITY AND RELATED ISSUES	V-22
9. FORCE MAJEURE	V-25
10. NETWORK CODE COMMITTEE AND SUB-COMMITTEES	V-26
11. NOTICES AND COMMUNICATIONS	V-28
12. NEUTRALITY AUDIT, OPERATIONS REPORTING	V-31
13. COMPENSATION VALUE AUDIT	V-33
14. GENERAL	V-35

SECTION W: INTERPRETATION

1. DEFINED TERMS	W-1
2. INTERPRETATION	W-2
3. TECHNICAL INTERPRETATION	W-10

NETWORK CODE SUPPLEMENT

1. GENERAL	Su-1
2. SECURING PAYMENT OF ENERGY BALANCING INDEBTEDNESS	Su-3
3. PAYMENT OF ENERGY BALANCING INVOICES	Su-11

NETWORK CODE

TRANSITION DOCUMENT

CONTENTS

PART I: GENERAL

1. INTRODUCTION Part I - 1
2. INTERPRETATION AND EFFECT Part I - 1
3. GAS YEAR 1995/6 VALUES, ETC Part I - 2
4. ISOLATION TERMS Part I - 3

PART II: INTERIM TERMS

1. INTRODUCTION Part II - 1
2. SYSTEM CLASSIFICATION - DEFINITION OF DM SUPPLY METER POINT
..... Part II - 1
3. DM SUPPLY POINT CONVERSION: SUPPLY POINT RENOMINATION AND SYSTEM
CAPACITY Part II - 7
4. ENERGY BALANCING: PHASE 1 Part II - 9
5. BALANCING NEUTRALITY CHARGES Part II - 10
6. IMBALANCE CHARGES Part II - 11
7. INITIAL SUPPLY POINT REGISTER AND ANNUAL QUANTITIES Part II - 15
8. MISCELLANEOUS Part II - 20
9. DELAYED OR GRADUAL IMPLEMENTATION Part II - 27

PART III: TRANSITIONAL ARRANGEMENTS

1. GENERAL Part III - 1
2. SECTION A :SYSTEM CLASSIFICATION Part III - 3
3. SECTION B: SYSTEM USE AND CAPACITY Part III - 3
4. SECTION C: NOMINATIONS Part III - 4

5.	SECTION D: OPERATIONAL BALANCING & FLEXIBILITY BIDDING....	Part III - 4
6.	SECTION E: DAILY QUANTITIES, IMBALANCE & NDM RECONCILIATION	
		Part III - 4
7.	SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY	
	.....	Part III - 5
8.	SECTION G: SUPPLY POINTS.....	Part III-5
9.	SECTION H: DEMAND ESTIMATION AND DEMAND FORECASTING.....	Part III-7
10.	SECTION I: ENTRY REQUIREMENTS.....	Part III- 8
11.	SECTION J: EXIT REQUIREMENTS.....	Part III-9
12.	SECTION K: OPERATING MARGINS AND BALANCING MARGINS.....	Part III-11
13.	SECTION L: MAINTENANCE PLANNING.....	Part III-11
14.	SECTION M: SUPPLY POINT METERING.....	Part III-12
15.	SECTION N: SHRINKAGE.....	Part III-14
16.	SECTION O: SYSTEM PLANNING.....	Part III-14
17.	SECTION P: TOP-UP STORAGE.....	Part III-14
18.	SECTION Q: EMERGENCIES.....	Part III-15
19.	SECTION R: BG STORAGE FACILITIES.....	Part III-16
20.	SECTION S: INVOICING	Part III-17
21.	SECTION T: DISPUTE RESOLUTION.....	Part III-17
22.	SECTION U: UK LINK.....	Part III-17
23.	SECTION V: GENERAL.....	Part III-18

PART IV: RUN-OFF ARRANGEMENTS

1.	INTRODUCTION	Part IV-1
2.	AGREEMENT OF PRE-CODE CLOSING IMBALANCE.....	Part IV-2
3.	RUN-OFF TRADES.....	Part IV-3
4.	RUN-OFF TRADE NOMINATIONS.....	Part IV-4

PART V: METERING CONTRACT

1.	GENERAL	Part V - 1
2.	METER READING SERVICE	Part V - 4
3.	PERFORMANCE REGIME.....	Part V - 6

SECTION A: SYSTEM CLASSIFICATION

1. INTRODUCTION A-1

1.1 The System A-1

1.2 NTS and LDZs A-1

1.3 Exit Zones A-1

1.4 System Points A-1

1.5 Storage Connection Point A-2

1.6 NTS and LDZ System Points A-2

1.7 Scottish Independent Networks A-2

2. SYSTEM ENTRY POINTS A-3

2.1 Individual System Entry Point A-3

2.2 System Entry Point A-3

2.3 Aggregate System Entry Point A-3

3. EXIT POINTS A-3

3.1 Individual System Exit Point A-3

3.2 System Exit Point A-3

3.3 Connected System Exit Point A-4

3.4 NDM Exit Point A-4

4. SUPPLY POINTS A-5

4.1 Supply Meter Points A-5

4.2 Supply Point A-5

4.3 Supply Point Components A-5

4.4 Firm and Interruptible Supply Points A-5

4.5 Further classification of DM Supply Point Components A-5

SECTION B: SYSTEM USE AND CAPACITY

1.	INTRODUCTION	B-1
1.1	Use of System	B-1
1.2	System Capacity	B-1
1.3	Overrun Charges, etc.	B-2
1.4	Registered and Available Capacity	B-3
1.5	UK Link set-up	B-3
1.6	Eligible Capacity Registration Date	B-3
1.7	Transportation Charges	B-3
1.8	Rates and amounts of Transportation Charges	B-4
1.9	Scottish Independent Networks	B-5
1.10	Long Term Contracts	B-6
1.11	Daily Read Errors	B-6
2.	SYSTEM ENTRY CAPACITY	B-6
2.1	Introduction	B-6
2.2	Capacity Registration	B-6
2.3	Entry Charges	B-7
2.4	Aggregate System Entry Capacity	B-8
2.5	Flexibility overruns	B-8
2.6	Overrun Charges	B-9
3.	NTS EXIT CAPACITY	B-10
3.1	Introduction	B-10
3.2	Registration: DM Exit and CSEPs	B-10
3.3	Registration: NDM Supply Points	B-11
3.4	NDM CSEP NTS Exit Capacity	B-12
3.5	NTS Exit Charges	B-12
3.6	Overrun Charges	B-13
4.	SUPPLY POINT AND LDZ CAPACITY	B-13
4.1	Introduction	B-13
4.2	Supply Point Capacity Registration: DM Supply Point Components	B-14
4.3	Supply Point Capacity Registration: NDM Supply Point Components	B-14
4.4	LDZ Capacity Registration: LDZ Supply Point Components	B-14
4.5	LDZ Capacity Registration: LDZ Connected System Exit Points	B-14
4.6	LDZ, Supply Point Charges and CSEP Charges	B-15
4.7	Supply Point Ratchet	B-16
4.8	LDZ CSEP Overrun Charge	B-17
5.	CAPACITY TRANSFER	B-18
5.1	Basis of transfer	B-18
5.2	Procedure	B-19
5.3	Effect of Transfer	B-19
5.4	Effect of Termination	B-20
5.5	Negative Capacity	B-21
	Annex B-1: Eligible Capacity Registration Dates	B-22

SECTION C: NOMINATIONS

1.	INTRODUCTION	C-1
1.1	Nominations	C-1
1.2	Nomination Timetable	C-2
1.3	Nomination balancing	C-2
1.4	Flexibility Nominations	C-2
1.5	Supply Point Groups	C-2
1.6	NDM Output Nominations	C-3
1.7	Calorific value information	C-3
1.8	UK Link set-up	C-3
1.9	Implied Nomination Flow Rate	C-3
1.10	Hour-bar assumption	C-4
1.11	Storage Nominations	C-4
1.12	Nomination Approval	C-4
2.	OUTPUT NOMINATIONS	C-4
2.1	Basis of nominations	C-4
2.2	Procedure and restrictions	C-5
2.3	Timing	C-5
2.4	Nomination approval or rejection	C-6
2.5	NDM Output Nominations	C-6
3.	INPUT NOMINATIONS	C-7
3.1	Basis of nominations	C-7
3.2	Procedure and restrictions	C-7
3.3	Timing	C-7
3.4	Approval and rejection	C-8
4.	OPERATIONAL SCHEDULING	C-8
4.1	General	C-8
4.2	Identification of Transportation Constraints	C-9
4.3	Shrinkage allocation	C-9
4.4	Nomination revision	C-9
5.	RENOMINATION	C-10
5.1	General	C-10
5.2	Primary Renominations: Output Nominations	C-12
5.3	Primary Renominations: Input Nominations	C-13
5.4	Matching Renomination	C-14
5.5	Input Renominations: effect of Transportation Constraints	C-16
5.6	Renomination review	C-16
6.	TRADE NOMINATIONS	C-17
6.1	Basis of Trade Nominations	C-17
6.2	Content, timing and procedure	C-17

SECTION D: OPERATIONAL BALANCING AND FLEXIBILITY BIDDING

1.	INTRODUCTION	D-1
1.1	Operational Balancing	D-1
1.2	Operational Balancing Requirements	D-1
1.3	Operational Balancing decisions	D-2
1.4	Flexibility Bids	D-2
1.5	Transportation Constraints	D-3
1.6	Emergencies	D-3
1.7	Scottish Independent Networks	D-3
2.	FLEXIBILITY BIDDING	D-4
2.1	Flexibility Bid	D-4
2.2	Bidding requirements	D-4
2.3	Bid restrictions	D-5
2.4	Options for Flexibility Bidding	D-6
2.5	Turn-down bids	D-6
2.6	Negative Bid Price	D-7
2.7	Withdrawal of Flexibility Bid	D-7
2.8	Definitions	D-8
2.9	Bid information	D-9
3.	ACCEPTANCE OF FLEXIBILITY BIDS	D-9
3.1	Acceptance	D-9
3.2	Bid evaluation and selection	D-9
3.3	Acceptance procedure	D-11
3.4	Restrictions on acceptance	D-11
4.	FLEXIBILITY QUANTITY AND CONTRACT	D-12
4.1	Effect of acceptance	D-12
4.2	Flexibility Nominations	D-12
4.3	System Clearing Contract	D-13

SECTION E: DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

1.	INTRODUCTION	E-1
1.1	User Daily Quantities	E-1
1.2	Daily Imbalance	E-2
1.3	Reconciliation	E-2
1.4	System Daily Quantities: Entry	E-3
1.5	System Daily Quantities: Exit from NTS/LDZ	E-3
1.6	Information	E-4
1.7	BG Storage Facilities	E-4
1.8	Scottish Independent Networks	E-5
1.9	Close-out rules	E-5
2.	INPUT QUANTITIES	E-5
2.1	User Daily Quantity Inputs	E-5
2.2	Entry Allocation Agents	E-7
2.3	Unclaimed Entry Allocation	E-7
3.	OUTPUT QUANTITIES	E-8
3.1	Supply Point UDQO	E-8
3.2	Connected System Exit Points	E-9
3.3	Exit Allocation Agents	E-10
3.4	NTS Offtakes	E-11
3.5	Daily Read Errors	E-11
3.6	Gas illegally taken	E-11
4.	UNAUTHORISED GAS FLOWS	E-12
4.1	Unauthorised gas flow	E-12
4.2	Treatment of unauthorised gas flows	E-13
5.	IMBALANCE	E-13
5.1	Daily Imbalance	E-13
5.2	Treatment of Daily Imbalances	E-14
6.	RECONCILIATION	E-14
6.1	Introduction	E-14
6.2	NDM Reconciliation: Reconciliation Values	E-16
6.3	DM Reconciliation: Reconciliation Values	E-17
6.4	CSEP Reconciliation: Reconciliation Values	E-17
6.5	Reconciliation clearing	E-17
6.6	Transportation charge adjustments	E-17
6.7	NDM Reconciliation: Agreed Opening Meter Reads	E-18

SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

1.	GENERAL AND SYSTEM PRICES	F-1
1.1	Introduction	F-1
1.2	System prices	F-1
1.3	Commissioning VLDMCs	F-2
1.4	Daily Read Errors	F-3
2.	DAILY IMBALANCES	F-4
2.1	Introduction	F-5
2.2	Imbalance Tolerance Quantity	F-5
2.3	System Clearing Contract	F-6
2.4	Clearing Charge	F-6
3.	SCHEDULING CHARGES	F-7
3.1	Introduction	F-7
3.2	Input Scheduling Charges	F-7
3.3	Output Scheduling Charges	F-8
4.	BALANCING NEUTRALITY CHARGES	F-10
4.1	Introduction	F-10
4.2	Payment of charge	F-10
4.3	Unit Daily Neutrality Amount	F-10
4.4	Basic Net Neutrality Amount	F-10
4.5	Adjustment Neutrality Amount	F-11
4.6	Balancing Neutrality Financing Adjustment	F-12
5.	RECONCILIATION CLEARING	F-14
5.1	System Clearing Contract	F-14
5.2	Clearing Charge	F-14
6.	RECONCILIATION NEUTRALITY	F-14
6.1	Introduction	F-14
6.2	Payment of charge	F-15
6.3	Unit Reconciliation Neutrality Amount	F-15
6.4	Basic Net Reconciliation Neutrality Amount	F-15
6.5	Adjustment Reconciliation Neutrality Amount	F-16
6.6	Reconciliation Neutrality Financing Adjustment	F-17

SECTION G: SUPPLY POINTS

1.	INTRODUCTION AND STRUCTURAL RULES.....	G-1
1.1	Supply Point and Registered User	G-1
1.2	Offtake responsibility for Supply Points.....	G-2
1.3	Supply Meter Points	G-2
1.4	Single Premises Requirement	G-2
1.5	Daily Read Metering	G-3
1.6	Annual Quantity	G-5
1.7	Shared Supply Meter Points	G-8
1.8	Sub-deduct Arrangements	G-10
1.9	Supply Point Register	G-13
1.10	Business Day	G-15
1.11	10% Deviation Rule	G-15
1.12	Contingencies	G-16
1.13	Code Communications	G-16
1.14	Failure to revise Supply Point Registration	G-16
2.	SUPPLY POINT REGISTRATION.....	G-17
2.1	Introduction	G-17
2.2	Current, New and Existing Supply Points	G-18
2.3	Supply Point Nomination	G-19
2.4	Supply Point Offers	G-20
2.5	Supply Point Confirmations: General.....	G-23
2.6	Supply Point Confirmations: Smaller Supply Points.....	G-25
2.7	Supply Point Confirmations: Larger Supply Points.....	G-26
2.8	Effect of confirmation: Existing Supply Points not already withdrawn.....	G-27
2.9	Effect of Confirmation: Existing Supply Points already withdrawn	G-29
2.10	Supply Point Confirmation: Effect of Isolation.....	G-29
2.11	Effect of Confirmation: New Supply Point	G-29
3.	SUPPLY POINT WITHDRAWAL AND ISOLATION.....	G-30
3.1	Supply Point Withdrawal	G-30
3.2	Effect of Withdrawal	G-30
3.3	Withdrawal: Closing Meter Read	G-31
3.4	Isolation: General	G-31
3.5	Isolation request and Siteworks Agreement	G-32
3.6	Urgent Isolations	G-33
4.	TRANSCO'S OBLIGATIONS	G-33
4.1	Supply Point Nominations	G-33
4.2	Supply Point Confirmations - Withdrawing User.....	G-34
4.3	Supply Point Confirmations - Confirming User.....	G-35
4.4	Isolations	G-36
4.5	Relevant percentage	G-37
4.6	Aggregate payment cap	G-38
4.7	Shadow deductions	G-39
4.8	Separate Application	G-40
4.9	Disapplication	G-40
4.10	Force majeure	G-40
4.11	Invoicing and payment	G-41
4.12	Audit	G-41
4.13	Conventional Notices	G-41

5.	DM SUPPLY POINT CAPACITY AND OFFTAKE RATE	G-41
5.1	Introduction	G-41
5.2	Minimum capacity requirements	G-42
5.3	Supply Point Offtake Rate	G-45
5.4	Absolute requirement	G-46
5.5	Other requirements	G-46
5.6	Maximum NDM offtake rate	G-48
6.	INTERRUPTIBLE SUPPLY POINTS.....	G-49
6.1	General	G-49
6.2	Conditions for designation as Interruptible.....	G-50
6.3	Redesignation as Firm	G-51
6.4	SDMC(I) Supply Points	G-52
6.5	TNI Supply Points	G-53
6.6	Requirements as to Interruptible Supply Points.....	G-54
6.7	Interruption	G-56
6.8	Notification requirements	G-57
6.9	Failure to Interrupt	G-58
7.	NEW SUPPLY METER POINTS AND OTHER SITEWORKS	G-61
7.1	General	G-61
7.2	Siteworks Terms and Procedures.....	G-63
7.3	New Supply Meter Points	G-63
7.4	Siteworks Specified Capacity, etc.....	G-65
7.5	Undertaking Siteworks	G-67
	Annex G1 - Revisions to Supply Point Register not requiring Reconfirmation.....	G-68

SECTION H: DEMAND ESTIMATION AND DEMAND FORECASTING

1. DEMAND MODELS AND END USER CATEGORIES..... H-1

1.1 Introduction H-1

1.2 End User Categories H-1

1.3 Demand Models H-2

1.4 Composite Weather Variable H-2

1.5 Seasonal Normal Demand H-2

1.6 NDM Sampling H-3

1.7 Development of Demand Models and End User Categories H-4

1.8 Consultation on TransCo's proposals..... H-5

1.9 Finalisation of End User Categories and Demand Models..... H-6

2. DETERMINATION OF SUPPLY METER POINT DEMAND..... H-6

2.1 Supply Meter Point Demand H-6

2.2 Supply Meter Point Demand Formula H-6

2.3 Annual Load Profile H-7

2.4 Daily Adjustment Factor H-7

2.5 Weather Correction Factor and Scaling Factor..... H-8

3. NDM ANNUAL QUANTITIES..... H-9

3.1 Introduction H-9

3.2 Relevant Metered Period H-9

3.3 Relevant Metered Quantity H-10

3.4 Annual Quantity H-10

4. NDM CAPACITY H-11

4.1 Introduction H-11

4.2 EUC peak load factor H-11

4.3 Peak load scaling factor H-11

4.4 1-in-20 peak day demand H-12

5. DAILY DEMAND FORECASTING H-13

5.1 Weather forecasting H-13

5.2 LDZ Demand Forecasting H-13

SECTION I: ENTRY REQUIREMENTS

1. GENERAL I-1

1.1 Introduction I-1

1.2 Connected Delivery Facility I-1

1.3 Network Entry Agreement I-1

1.4 System Entry Point I-2

1.5 Aggregate System Entry Point I-2

1.6 No Network Entry Agreement I-2

2. NETWORK ENTRY PROVISIONS I-3

2.1 Availability of Network Entry Provisions I-3

2.2 Amendment of Network Entry Provisions I-4

2.3 Network Entry Provisions I-5

2.4 Gas Entry Conditions I-7

2.5 Measurement Provisions I-7

2.6 Local Operating Procedures I-8

3. DELIVERY OF GAS TO THE SYSTEM I-9

3.1 Delivering Users I-9

3.2 Delivered Gas I-9

3.3 Compliance with Gas Entry Conditions I-10

3.4 Payment in respect of non-compliant gas I-11

3.5 Special Delivery Arrangement I-13

3.6 Delivery of Gas I-14

3.7 Acceptance of gas delivered to System I-14

3.8 Entry limitation I-16

3.9 Restricted delivery of gas I-17

3.10 Rates of delivery I-17

3.11 Indicative capacity figures I-18

SECTION J: EXIT REQUIREMENTS

1.	GENERAL	J-1
1.1	Introduction	J-1
1.2	System Exit Point	J-1
1.3	Network Exit Agreements	J-1
1.4	Offtake metering at Supply Points	J-2
1.5	Antifluctuators, etc.	J-2
1.6	Entitlements under the Act	J-3
2.	OFFTAKE REQUIREMENTS	J-3
2.1	Applicable Offtake Requirements	J-3
2.2	Special offtake pressure	J-4
2.3	Special Offtake Arrangement	J-5
2.4	Notice of specification change	J-5
3.	OFFTAKE OF GAS FROM THE SYSTEM	J-6
3.1	Offtaking User	J-6
3.2	Obligation to make gas available for offtake	J-6
3.3	Compliance with offtake requirements	J-7
3.4	Payment in respect of non-compliant gas	J-7
3.5	Gas not made available for offtake	J-9
3.6	Force Majeure	J-11
3.7	Point of offtake	J-12
3.8	User offtake obligations: DM Supply Point Components	J-13
3.9	User Offtake Obligations: CSEPs	J-13
3.10	Alternative arrangements for PGT CSEPs	J-14
4.	NExA SUPPLY METER POINTS	J-16
4.1	General	J-16
4.2	Network Exit Agreement	J-17
4.3	Application	J-18
4.4	Plant and equipment installed at NExA Supply Meter Points	J-19
4.5	Pre-heating offtake	J-20
4.6	Offtake Profile Notice	J-20
4.7	Prevailing Offtake Rate	J-21
4.8	Ramp Rates	J-22
4.9	Intertripping and forced outages	J-22
4.10	Frequency Response	J-22
4.11	Metering and Measurements	J-23
5.	CONNECTED SYSTEM EXIT POINTS	J-23
5.1	Introduction	J-23
5.2	Connected Offtake System	J-23
5.3	Interconnected Systems, etc.	J-23
5.4	Network Exit Agreement	J-24
5.5	Relevant Connected System Exit Point	J-24
5.6	CSEP User	J-24
5.7	Amendment of Network Exit Agreement	J-24
5.8	Provisions of Network Exit Agreement	J-25

SECTION K: OPERATING AND BALANCING MARGINS

1.	GENERAL	K-1
1.1	Introduction	K-1
1.2	TransCo as Storage User	K-1
1.3	TransCo as System User	K-2
2.	OPERATING MARGINS	K-3
2.1	Operating Margins	K-3
2.2	Annual requirements for Operating Margins	K-3
2.3	Utilisation of Operating Margins	K-4
3.	BALANCING MARGINS	K-5
3.1	Balancing Margins	K-5
3.2	Annual requirement for Balancing Margins	K-5
3.3	Utilisation of Balancing Margins	K-6
4.	STORAGE CAPACITY, PROCUREMENT AND INJECTION	K-6
4.1	General	K-6
4.2	Storage Capacity	K-6
4.3	Start of year gas transfers	K-6
4.4	Disposal of residual gas	K-7
4.5	Treatment of residual gas for System Margins Purposes	K-8
4.6	Procurement	K-9
4.7	Injection - general	K-10
4.8	Additional injection	K-10
4.0	Utilisation of Balancing Margins	K-11
5.	RECOVERY OF SYSTEM MARGINS COSTS	K-11
5.1	Introduction	K-11
5.2	Margins WACOG	K-11
5.3	Daily Margins Recovery Amount	K-12
5.4	Margins Gas Financing Cost	K-13
5.5	Closing Margins Adjustment Charge	K-13

SECTION L: MAINTENANCE AND OPERATIONAL PLANNING

1.	GENERAL	L-1
1.1	Introduction	L-1
1.2	Maintenance Programme	L-1
1.3	Planned Maintenance Period	L-1
1.4	Maintenance Relevant Parties, etc	L-2
1.5	Planning timing	L-2
2.	USER INFORMATION REQUIREMENTS	L-2
2.1	Planning Information	L-2
2.2	Maintenance Relevant Facilities	L-3
2.3	Operational planning	L-3
3.	MAINTENANCE PROGRAMMING	L-3
3.1	General	L-4
3.2	Content of programme	L-4
3.3	Maintenance consultation	L-4
3.4	Confidentiality	L-5
3.5	Maintenance planning	L-6
4.	SYSTEM MAINTENANCE	L-6
4.1	Maintenance of the NTS under the Maintenance Programme	L-6
4.2	Planned maintenance	L-7
4.3	TransCo maintenance entitlements	L-8
4.4	On-line inspection	L-9

SECTION M: SUPPLY POINT METERING

1.	GENERAL	M-1
1.1	Introduction	M-1
1.2	Supply Meter Installation	M-1
1.3	Daily Read and Non-Daily Read Supply Meters	M-1
1.4	Meter Reading	M-1
1.5	Validation	M-3
1.6	IGE Recommendation	M-3
1.7	Shared Supply Meter Points	M-3
1.8	Sub-deduct arrangements	M-3
1.9	Ownership of meter reading data	M-3
1.10	Meter error	M-3
1.11	Business Day	M-4
2.	SUPPLY METER INSTALLATION	M-4
2.1	Supply Meter and other equipment	M-4
2.2	Provision by TransCo	M-5
2.3	Interference with meters	M-7
2.4	Meter By-pass	M-7
2.5	Prepayment meters	M-8
2.6	Meter clamping	M-9
3.	METER READING: NON-DAILY READ METERS	M-9
3.1	General	M-9
3.2	Meter Readers	M-11
3.3	Provision of Meter Readings to TransCo	M-11
3.4	Cyclic reading: Monthly Read Meters	M-11
3.5	Cyclic reading: Annual Read Meters	M-12
3.6	Failure to obtain readings	M-12
3.7	More frequent readings	M-13
3.8	Opening Meter Reads	M-13
3.9	Other non-cyclic meter reading requirements	M-14
3.10	Metered volume and quantity calculation	M-14
4.	DAILY READ SUPPLY METERS	M-15
4.1	Daily Read Equipment	M-15
4.2	Daily Meter Readings	M-15
4.3	Metered Volume and Metered Quantity calculation	M-16
4.4	Failure to obtain meter readings	M-16
4.5	Provision of Meter Readings to Users	M-17
4.6	User or consumer access to Daily Read Equipment	M-17
4.7	DM Check Read	M-18
4.8	Daily Read Errors	M-18
4.9	Telemetry equipment	M-22
5.	PROVISION OF DAILY READ METER READINGS TO USERS	M-23
5.1	General	M-23
5.2	Provision of Meter Readings	M-25
5.3	Relevant percentage	M-26
5.4	Aggregate payment cap	M-27
5.5	Disapplication	M-28
5.7	Invoicing and payment	M-28
5.8	Audit	M-29

SECTION N: SHRINKAGE

1.	GENERAL	.....	N-1
1.1	Introduction	.....	N-1
1.2	Storage shrinkage	.....	N-1
1.3	Own use gas	.....	N-1
1.4	Unaccounted for gas	.....	N-1
1.5	Determination of shrinkage	.....	N-2
2.	NTS SHRINKAGE	.....	N-2
2.1	NTS Shrinkage Factor	.....	N-2
2.2	Notification of NTS Shrinkage Factor	.....	N-3
2.3	Assessed NTS Shrinkage	.....	N-3
3.	LDZ SHRINKAGE	.....	N-3
3.1	LDZ Shrinkage Factor	.....	N-3
3.2	Notification of LDZ Shrinkage Factor	.....	N-4
3.3	Assessed LDZ Shrinkage	.....	N-4
4.	ACCOUNTING FOR SHRINKAGE	.....	N-5
4.1	Shrinkage Provider	.....	N-5
4.2	Shrinkage Provider as User	.....	N-5
4.3	Shrinkage offtake	.....	N-6
4.4	Shrinkage Output Nominations	.....	N-6
4.5	Storage Shrinkage	.....	N-6

SECTION O: SYSTEM PLANNING

1.	GENERAL	.....	O-1
1.1	Introduction	.....	O-1
1.2	Base Plan Assumptions and Ten Year Statement	.....	O-1
1.3	Status of planning documents	O-2	
1.4	Planning years	.....	O-2
2.	SUPPLY AND DEMAND	.....	O-2
2.1	Demand	.....	O-2
2.2	Supply	.....	O-2
2.3	TransCo sources of information	.....	O-3
3.	BASE PLAN ASSUMPTIONS	.....	O-3
3.1	Publication and content	.....	O-3
3.2	User information requirements	.....	O-4
3.3	Confidential information	.....	O-5
3.4	Information requested under Licence	.....	O-5
3.5	Information from other persons	.....	O-5
4.	TEN YEAR STATEMENT	.....	O-6
4.1	Publication and content	.....	O-6
4.2	Top-up details	.....	O-6

SECTION P: TOP-UP STORAGE

1.	GENERAL	P-1
1.1	Introduction	P-1
1.2	The Top-up Manager as Storage User	P-1
1.3	The Top-up Manager as System User	P-1
1.4	Top-up Storage Facilities	P-2
1.5	Top-up Information	P-2
2.	TOP-UP REQUIREMENTS	P-2
2.1	Total storage requirements	P-2
2.2	Top-up storage requirements	P-3
2.3	Top-up Storage Capacity	P-4
2.4	Top-up Storage Facilities	P-5
2.5	Closing and opening top-up gas	P-5
2.6	Notification of Top-up Requirements	P-6
2.7	Procurement	P-6
2.8	Effect of termination	P-7
2.9	Interruptibles switching to Firm	P-7
3.	TOP-UP INJECTION	P-8
3.1	Basic injection	P-8
3.2	Additional Top-up injection	P-9
3.3	Top-up withdrawals during injection periods	P-10
3.4	Winter Injection	P-10
3.5	Space for additional injection	P-11
3.6	Additional injection quantities	P-13
3.7	Constrained LNG Facilities	P-13
4.	TOP-UP STORAGE TRANSFERS	P-13
4.1	Request	P-13
4.2	Terms of transfer	P-14
4.3	Transfer charges	P-15
4.4	Surrender on late booking	P-16
5.	TOP-UP FLEXIBILITY BIDDING	P-17
5.1	General	P-17
5.2	Top-up Flexibility Bids	P-17
5.3	Top-up Bid Price	P-18
6.	TOP-UP COST RECOVERY	P-18
6.1	Net Top-up Costs	P-18
6.2	Top-up Financing Adjustment	P-20
6.3	Top-up cost estimation	P-20
6.4	Top-up recovery	P-22
6.5	Top-up WACOG	P-23
6.6	Out-turn Closing Top-up Amount	P-24
6.7	Top-up details	P-25

SECTION Q: EMERGENCIES

1.	GENERAL	.....	Q-1
1.1	Introduction	.....	Q-1
1.2	Emergency	.....	Q-1
1.3	Emergency Steps	.....	Q-2
1.4	Emergency Procedures	.....	Q-2
1.5	Large Firm Supply Points	.....	Q-3
1.6	Priority Consumers	.....	Q-3
1.7	Connected Systems	.....	Q-3
1.8	Escapes of gas	.....	Q-3
1.9	Shipper's Licence	.....	Q-3
1.10	Code Communications	.....	Q-4
2.	EMERGENCY PREPAREDNESS	.....	Q-4
2.1	Introduction	.....	Q-4
2.2	User emergency contacts	.....	Q-4
2.3	Large Firm Supply Points	.....	Q-4
2.4	Priority Supply Points	.....	Q-5
2.5	Emergency Procedures	.....	Q-5
2.6	User procedures	.....	Q-6
3.	OCCURRENCE OF AN EMERGENCY	.....	Q-6
3.1	General	.....	Q-6
3.2	Supply and demand control	.....	Q-7
3.3	Supply-side steps	.....	Q-7
3.4	Demand-side steps	.....	Q-8
3.5	Return to normal operation	.....	Q-9
4.	CONSEQUENCES OF EMERGENCY	.....	Q-10
4.1	Suspension of certain provisions of the Code	.....	Q-10
4.2	Clearing of gas balances	.....	Q-11
4.3	Further consequences	.....	Q-12

SECTION R: BG STORAGE FACILITIES

1.	GENERAL	R-1
1.1	BG Storage Facilities	R-1
1.2	Storage Operator	R-2
1.3	Injection and withdrawal	R-2
1.4	Gas-in-storage	R-3
1.5	Storage Nominations	R-4
1.6	Force Majeure	R-4
1.7	Storage Connection Agreement	R-5
1.8	Storage Year	R-5
1.9	Storage Charges	R-5
1.10	Application of this Section R	R-5
2.	STORAGE CAPACITY	R-6
2.1	Storage Capacity	R-6
2.2	Storage capacity registration	R-7
2.3	Interruptible capacity	R-7
2.4	Storage Duration	R-8
2.5	Unfilled Storage Space	R-8
2.6	Uncommitted Storage Capacity	R-8
2.7	Storage Capacity Charges	R-8
2.8	System Capacity	R-9
2.9	Long Term Storage Arrangements	R-9
2.10	Tanker Filling Arrangements	R-10
3.	APPLICATION FOR STORAGE CAPACITY	R-10
3.1	Annual Storage Invitation	R-10
3.2	Storage application	R-11
3.3	Capacity allocation: Preceding Year Users	R-13
3.4	Capacity allocation: non-price invitation	R-13
3.5	Capacity allocation: price tender	R-15
3.6	Storage Duration Election	R-18
3.7	Gas left in storage	R-18
3.8	Late booking	R-19
3.9	Special Storage Capacity	R-21
4.	STORAGE TRANSFERS	R-22
4.1	Basis of transfer	R-22
4.2	Storage gas and capacity transfers	R-23
4.3	Procedure	R-23
4.4	Effect of Storage Capacity Transfer	R-24
4.5	Effect of Storage Gas Transfer	R-24
4.6	Effect of termination	R-25
4.7	Effect on injection programmes	R-26

5.	INJECTION	R-26
5.1	Introduction	R-26
5.2	Injection Period	R-27
5.3	Provisional Injection Programme	R-28
5.4	Confirmed Injection Programme	R-29
5.5	Revision of Provisional Injection Programme	R-30
5.6	Changes to Confirmed Injection Programme	R-30
5.7	Cancelled injection and interruption	R-31
5.8	Injection Nominations	R-33
5.9	Injection outside Injection Period	R-33
5.10	Injection following Emergency	R-34
5.11	Injection charges	R-34
6.	WITHDRAWALS	R-34
6.1	Entitlement to withdraw	R-34
6.2	Renomination and Flexibility Nominations	R-35
6.3	Quantity withdrawn	R-37
6.4	Withdrawals under Interruptible Storage Capacity	R-37
6.5	Mandatory Withdrawals	R-39
6.6	Withdrawal charges	R-39
6.7	TransCo failure	R-40
7.	STORAGE OVERRUN, SCHEDULING AND MANAGEMENT CHARGES	R-41
7.1	Storage Overrun Charges	R-41
7.2	Injection Scheduling Charge	R-42
7.3	Storage Management Charges	R-43
8.	CONSTRAINED LNG FACILITIES	R-43
8.1	Introduction	R-43
8.2	Constrained LNG Renominations	R-44
8.3	Constrained quantities and allocation	R-45
8.4	Existing nominations exceeding constrained quantities	R-45
8.5	Effect of nomination	R-46
8.6	Minimum inventory requirements	R-46
9.	STORAGE MANAGEMENT AND BALANCING	R-48
9.1	Introduction	R-48
9.2	Injection and withdrawal	R-49
9.3	Further details	R-49

SECTION S: INVOICING AND PAYMENT

1.	INVOICING	S-1
1.1	Introduction	S-1
1.2	Invoice types	S-1
1.3	Form and content of Invoice Document	S-2
1.4	Invoice timing	S-3
1.5	Divided Invoices	S-3
1.6	Value Added Tax	S-4
1.7	Termination	S-4
1.8	Invoice adjustment	S-5
1.9	Contingencies	S-5
2.	INVOICE TYPES	S-6
2.1	General	S-6
2.2	Adjustment invoice	S-7
2.3	Interest Invoice	S-7
2.4	Ad-hoc Invoice	S-7
2.5	Miscellaneous	S-8
3.	INVOICE PAYMENT	S-8
3.1	Invoice Due Date	S-8
3.2	Payment details	S-9
3.3	Deductions, withholdings, taxes etc.	S-9
3.4	Remittance advice	S-10
3.5	Late payment	S-11
3.6	Interest	S-11
3.7	Statement of account	S-11
4.	INVOICE QUERIES, ETC	S-12
4.1	Invoice Queries	S-12
4.2	Invoice Queries before payment	S-13
4.3	Other Invoice Queries	S-14
4.4.	Invoicing of resolved Queries	S-15
	Annex S1 - Invoice Types and Invoice Items	S-16

SECTION T: DISPUTE RESOLUTION

1.	GENERAL	.....	T-1
1.1	Introduction	.....	T-1
1.2	Expert determination	.....	T-1
1.3	Mediation	.....	T-1
1.4	Interlocutory relief	.....	T-1
1.5	Communications	.....	T-1
1.6	Disputes secretary	.....	T-2
2.	EXPERT DETERMINATION	.....	T-2
2.1	Introduction	.....	T-2
2.2	Initial notice and selection of expert	.....	T-2
2.3	Appointment of the Expert	.....	T-4
2.4	Timetable and Procedure	.....	T-5
2.5	Effect of determination	.....	T-6
2.6	Conflict of interests	.....	T-6
2.7	Confidentiality	.....	T-6
2.8	Costs	.....	T-6
2.9	Miscellaneous	.....	T-7
2.10	List of Experts	.....	T-7
3.	MEDIATION	.....	T-8
3.1	Introduction	.....	T-8
3.2	Appointment of mediator	.....	T-8
3.3	Procedure and timetable	.....	T-8
3.4	Result of mediation	.....	T-9
3.5	Confidentiality	.....	T-10
3.6	Costs	.....	T-10
3.7	Further proceedings	.....	T-10

SECTION U: UK LINK

1.	GENERAL	U-1
1.1	Introduction	U-1
1.2	Code Communications	U-1
1.3	External UK Link Users	U-2
1.4	UK Link Manual	U-3
1.5	Help desk	U-3
1.6	UK Link User Charges	U-3
1.7	Additional Access to UK Link System	U-4
1.8	Operational Security	U-5
1.9	Virus protection	U-5
1.10	Liability	U-6
1.11	Planned UK Link downtime	U-6
2.	EQUIPMENT AND OPERATIONAL REQUIREMENTS	U-6
2.1	Introduction	U-6
2.2	User Equipment and User Software	U-7
2.3	TransCo Available Equipment and Software	U-8
2.4	Means of Telecommunication	U-9
2.5	Authorised Representative	U-9
2.6	User Identification and Passcode	U-10
2.7	Temporary inhibition of access	U-10
2.8	Termination	U-11
3.	LICENCE	U-11
3.1	Introduction	U-11
3.2	Restrictions on the Use of Licensed Software and the UK Link Manual	U-12
3.3	Interoperability of Licensed Software	U-13
3.4	Releases	U-13
3.5	Copyright	U-13
3.6	Indemnities	U-14
4.	UK LINK COMMUNICATION	U-14
4.1	Introduction	U-14
4.2	Particular communication facilities	U-15
4.3	T-U On-Line Communication	U-15
4.4	U-T On-Line Communication	U-15
4.5	Batch Transfer Communication	U-16
4.6	Active Notification	U-17
4.7	Audit Trail	U-17
5.	TRADING BETWEEN USERS	U-18
5.1	General	U-18
5.2	Basis of User Trade Communications	U-18
5.3	Effect of User Trade Communications: Users	U-19
5.4	Effect of User Trade Communication: TransCo	U-19

6.	CONTINGENCY ARRANGEMENTS.....	U-19
6.1	General	U-19
6.2	Code Communications	U-20
6.3	Class A Contingencies	U-20
6.4	Short-term suspension of access	U-21
7.	FAILURE OF UK LINK	U-21
7.1	Performance Levels	U-21
7.2	UK Link operational performance	U-22
7.3	Performance liability	U-23
7.4	Defects attributable to UK Link Users.....	U-24
7.5	UK Link Performance Monitoring Procedures and Review	U-25
8.	UK LINK MODIFICATIONS	U-27
8.1	Introduction	U-27
8.2	Modification Classes	U-28
8.3	Class 1 Modifications	U-30
8.4	Class 2 Modifications	U-30
8.5	Class 3 Modifications	U-32
	ANNEX U-1	U-34
1	Application of this Annex	U-34
2	Interpretation	U-34
3	Price	U-35
4	VAT	U-36
5	Payment	U-36
6	Interest	U-36
7	Governing Law and Jurisdiction.....	U-37

SECTION V: GENERAL

1.	INTRODUCTION	V-1
1.1	Code	V-1
1.2	Network Code Framework Agreement	V-1
1.3	Network Code Ancillary Agreement	V-1
1.4	Parties	V-2
1.5	Effect of Code	V-2
1.6	Non-Code Transportation Arrangements	V-2
2.	USER ADMISSION	V-3
2.1	Admission requirements	V-3
2.2	Admission of User	V-4
2.3	Restricted authorization of User	V-5
2.4	Single User admission	V-5
3.	CODE CREDIT LIMITS	V-5
3.1	General	V-5
3.2	Code Credit Limit and Relevant Code Indebtedness	V-6
3.3	Requirements as to Relevant Code Indebtedness	V-7
3.4	Security under Code Credit Rules	V-7
4.	DISCONTINUING USERS AND TERMINATION	V-8
4.1	General	V-8
4.2	Voluntary discontinuance	V-9
4.3	Termination	V-10
4.4	Gas-in-storage on termination	V-13
5.	INFORMATION AND CONFIDENTIALITY	V-14
5.1	TransCo obligations	V-14
5.2	User obligations	V-15
5.3	Protected Information	V-15
5.4	Terms of permitted disclosure	V-16
5.5	Exceptions	V-16
5.6	Survival	V-18
5.7	TransCo Licence	V-19
5.8	Data ownership	V-19
6.	USER AGENTS	V-19
6.1	General	V-19
6.2	Agent for UK Link Communications	V-19
6.3	Appointment	V-20
6.4	Effect of appointment	V-20
7.	TRANSCO AS USER	V-21
7.1	BG User Capacities	V-21
7.2	Effect of relevant provisions	V-22

8.	LIABILITY AND RELATED ISSUES.....	V-22
8.1	Limitation of liability	V-22
8.2	Exclusion of certain rights and remedies	V-23
8.3	Effect of this paragraph	V-24
8.4	Liquidated damages	V-24
8.5	Indemnities	V-24
9.	FORCE MAJEURE	V-25
9.1	Meaning of Force Majeure	V-25
9.2	Effect of Force Majeure	V-25
9.3	Information	V-26
10.	NETWORK CODE COMMITTEE AND SUB-COMMITTEES	V-26
10.1	Network Code Committee	V-26
10.2	Functions of Network Code Committee	V-27
10.3	Network Code Sub-committees	V-27
10.4	No powers to bind	V-28
11.	NOTICES AND COMMUNICATIONS.....	V-28
11.1	General	V-28
11.2	Notices by delivery, post or facsimile.....	V-29
11.3	Communication by telephone V-30	
12.	NEUTRALITY AUDIT; OPERATIONS REPORTING	V-31
12.1	Neutrality Auditor	V-31
12.2	Basis and terms of appointment.....	V-31
12.3	Effect of Neutrality Auditor's report.....	V-32
12.4	Operations reporting	V-32
13.	COMPENSATION VALUE AUDIT	V-33
13.1	Compensation Value Auditor V-33	
13.2	Basis and terms of appointment.....	V-34
13.3	Effect of Compensation Value Auditor's Report	V-35
14.	GENERAL	V-35
14.1	Suppliers and Consumers	V-35
14.2	Assignment	V-36
14.3	TransCo performance	V-36
14.4	Waiver	V-36
14.5	Language	V-37
14.6	Severance	V-37
14.7	Entire Agreement	V-37
14.8	Jurisdiction	V-38
14.9	Governing law	V-38

SECTION W: INTERPRETATION

1.	DEFINED TERMS	.....	W-1
2.	INTERPRETATION	.....	W-2
2.1	General	.....	W-2
2.2	Times and dates	.....	W-3
2.3	System Clearing Contract	.....	W-4
2.4	Transportation Constraint	.....	W-5
2.5	Costs and expenses	.....	W-5
2.6	Demand, etc	.....	W-5
2.7	Applicable Liability Gas Price	W-6	
2.8	Condition 7(4)	.....	W-7
2.9	Miscellaneous	.....	W-8
3.	TECHNICAL INTERPRETATION	.....	W-10
3.1	Gas	.....	W-10
3.2	Units and other terms	.....	W-10
3.3	Calorific value	.....	W-11
3.4	Conversions	.....	W-12
3.5	Therms	.....	W-12

NETWORK CODE SUPPLEMENT
ENERGY BALANCING CREDIT MANAGEMENT

1.	GENERAL	Su-1
1.1	Introduction	Su-1
1.2	Energy Balancing Credit Committee	Su-1
1.3	Liability of TransCo	Su-2
1.4	Code contingencies	Su-3
2.	SECURITY, ENERGY BALANCING INDEBTEDNESS AND CASH CALL PRINCIPLES	Su-3
2.1	Energy Balancing Credit Rules.....	Su-3
2.2	Secured Credit Limit	Su-4
2.3	Guarantee and Security	Su-5
2.4	Cash Call Limit	Su-6
2.5	Calculation of Outstanding Relevant Balancing Indebtedness.....	Su-7
2.6	Cash Calling	Su-9
2.7	Cash Call Appeals	Su-9
2.8	Payment of Cash Calls	Su-11
2.9	Failure to pay Cash Call	Su-12
3.	PAYMENT OF ENERGY BALANCING INVOICES.....	Su-13
3.1	Resolution of queries after payment in full.....	Su-13
3.2	Failure to make payment	Su-13
3.3	Guarantees and Security	Su-13
3.4	Enforcement and recovery steps	Su-13

SECTION A: SYSTEM CLASSIFICATION

1. INTRODUCTION

1.1 The System

- 1.1.1 In the Code, subject to paragraph 1.7.2, "**System**" means the main pipeline system operated by TransCo the conveyance of gas through which is authorised by the TransCo Licence.
- 1.1.2 Subject to paragraph 1.7.2, the System does not include any independent system (as defined in Special Condition 18 of the TransCo Licence), nor any pipeline to which gas can only be conveyed through a pipeline system operated by a public gas transporter other than TransCo.
- 1.1.3 The System does not include any Storage Facility.
- 1.1.4 The System comprises the National Transmission System and Local Distribution Zones, and includes System Points of different classes, as described in this Section A.

1.2 NTS and LDZs

- 1.2.1 The "**National Transmission System**" or "**NTS**" is that part of the System for the time being designated by TransCo as such, and described in the Ten Year Statement.
- 1.2.2 A "**Local Distribution Zone**" or "**LDZ**" is a part of the System, other than the NTS, for the time being designated by TransCo as such, and described in the Ten Year Statement, or (where the context requires) the area in which such part of the System is located.

1.3 Exit Zones

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

1.4 System Points

- 1.4.1 For the purposes of the Code:
 - (a) an "**Individual System Point**" is a point on the System which is designed to permit gas to flow through a single pipe into or out of the System or from one part of the System to another;
 - (b) a "**System Point**" is an Individual System Point or a composite group of Individual System Points of a class (defined according to provisions of the Code set out or referred to in this Section A) in respect of or by reference to which particular provisions of the Code apply.

1.4.2 The classes of System Point comprise:

- (a) Individual System Entry Points, System Entry Points and Aggregate System Entry Points (in accordance with paragraph 2);
- (b) Individual System Exit Points and System Exit Points (in accordance with paragraph 3);
- (c) NTS/LDZ Offtakes (in accordance with paragraph 3.4);

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

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

1.5 Storage Connection Point

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

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

1.6 NTS and LDZ System Points

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

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

- (i) on that part of any LDZ which is located in that Exit Zone; or
- (ii) in the case of a NTS System Exit Point, located in or at such Exit Zone.

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

1.7 Scottish Independent Networks

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

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

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

1.7.4 For the purposes of the Code:

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

- (ii) there shall be deemed to be in relation to each such Exit Zone a NTS Exit Point ("**SIN NTS Exit Point**") at which gas is deemed to flow out of the NTS and into such Scottish Independent Network.

2. SYSTEM ENTRY POINTS

2.1 Individual System Entry Point

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

2.2 System Entry Point

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

2.2.2 Section 11.4 sets out the basis on which Individual System Entry Point(s) are or are to be comprised in a System Entry Point.

2.3 Aggregate System Entry Point

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

2.3.2 Section 11.5 sets out the basis on which System Entry Point(s) are or are to be comprised in an Aggregate System Entry Point.

3. EXIT POINTS

3.1 Individual System Exit Point

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

3.2 System Exit Point

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

3.2.2 The classes of System Exit Point are:

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

3.3 Connected System Exit Point

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

3.3.2 Section J5.1 sets out the basis on which Individual System Exit Point(s) are or are to be comprised in a Connected System Exit Point.

- 3.3.3 In the case of a Connected System Exit Point, in accordance with Section J5.4, the relevant provisions of the applicable CSEP Network Exit Agreement apply in addition to the provisions of the Code.
- 3.3.4 A Connected System Exit Point is an "**Unmetered**" Connected System Exit Point where at any Individual System Exit Point comprised in the Connected System Exit Point there is no meter for the purpose of measuring the volume of gas offtaken from the System, and otherwise is a "**Metered**" Connected System Exit Point.
- 3.3.5 Where so provided in the relevant CSEP Network Exit Agreement, a Connected System Exit Point may be treated as comprising separate System Exit Points for such purposes as are specified in such Network Exit Agreement, and references in the Code to Connected System Exit Points shall be construed accordingly.
- 3.4 NTS Exit Point
- 3.4.1 An "**NTS Exit Point**" is a System Point comprising one or more Individual System Points at which gas can flow out of the NTS (and either out of the System or into an LDZ).
- 3.4.2 The classes of NTS Exit Point are:
- (i) NTS Supply Points and NTS Connected System Exit Points (which are NTS System Exit Points), and
 - (ii) NTS/LDZ Offtakes.
- 3.4.3 An "**NTS/LDZ Offtake**" is a NTS Exit Point comprising all of the Individual System Points at which gas flows out of the NTS into an LDZ or that part of an LDZ located in a particular Exit Zone.
- 3.4.4 In the context of a particular Exit Zone a reference to a NTS Exit Point is a reference to:
- (i) the NTS/LDZ Offtake at which gas flows out of the NTS into the LDZ or that part of an LDZ located in that Exit Zone, and/or
 - (ii) the NTS Supply Point and/or NTS Connected System Exit Point in that Exit Zone (in accordance with paragraph 1.6.2);
- and a reference to an Exit Zone in the context of a particular NTS Exit Point shall be construed accordingly.

4. SUPPLY POINTS

4.1 Supply Meter Points

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

4.1.3 Subject as provided in Section G1.5, a Supply Meter Point is a "**DM Supply Meter Point**" where the Supply Meter is Daily Read (in accordance with Section M1.3.1), and otherwise is an "**NDM Supply Meter Point**".

4.2 Supply Point

In accordance with Section G1.1.1, a Supply Point is the Supply Meter Point or Supply Meter Points for the time being comprised in a Supply Point Registration.

4.3 Supply Point Components

4.3.1 A Supply Point may comprise a DM Supply Point Component or an NDM Supply Point Component or both.

4.3.2 A "**Supply Point Component**" is either:

- (i) all (if any) of the Supply Meter Points comprised in one Supply Point which are DM Supply Meter Points (a "**DM**" Supply Point Component"), or
- (ii) all (if any) of the Supply Meter Points comprised in one Supply Point which are NDM Supply Meter Points (an "**NDM**" Supply Point Component").

4.4 Firm and Interruptible Supply Points

4.4.1 In accordance with Section G6.1 a Supply Point may be a "**Firm Supply Point**" or an "**Interruptible Supply Point**".

4.4.2 An "**Interruptible**" Supply Point Component is a Supply Point Component of an Interruptible Supply Point, and a "**Firm**" Supply Point Component is a Supply Point Component of a Firm Supply Point.

4.5 Further classification of DM Supply Point Components

4.5.1 A DM Supply Point Component may be a DMC Supply Point Component (including a VLDMC Supply Point Component) or a DMA Supply Point Component.

4.5.2 A "**DMC**" Supply Point Component is:

- (i) a Firm or Interruptible DM Supply Point Component whose Annual Quantity is greater than 58,600,000 kWh (*2,000,000 therms*), subject to the 10% Deviation Rule; or
- (ii) an SDMC(I) Supply Point Component in accordance with paragraph 4.5.3.

4.5.3 An "**SDMC(I)**" Supply Point Component is an Interruptible DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), subject to the 10% Deviation Rule, which is for the time being designated as requiring individual Output Nominations in accordance with Section G6.4.

4.5.4 A "**DMA**" Supply Point Component is:

- (i) a Firm DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), subject to the 10% Deviation Rule, or

- (ii) an Interruptible DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), subject to the 10% Deviation Rule, which is not a SDMC(I) Supply Point Component.

4.5.5 A "**VLDMC**" Supply Point Component is a DMC Supply Point Component whose Annual Quantity is greater than 1,465,000,000 kWh (*50,000,000 therms*), subject to the 10% Deviation Rule.

SECTION B: SYSTEM USE AND CAPACITY

1. INTRODUCTION

1.1 Use of System

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

1.2 System Capacity

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

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

1.2.3 For the purposes of the Code:

- (a) "**System Entry Capacity**" at an Aggregate System Entry Point is capacity in the NTS which a User is treated as utilising in delivering gas to the System at that point;
- (b) "**NTS Exit Capacity**" at a NTS Exit Point is capacity in the NTS:
 - (i) in the case of a NTS Supply Point Component or NTS Connected System Exit Point, which a User is treated as utilising in offtaking gas from the System at that NTS System Exit Point, or
 - (ii) in the case of a NTS/LDZ Offtake, which a User is treated as utilising in offtaking gas from the System at LDZ System Exit Points in the relevant Exit Zone;
- (c) "**LDZ Capacity**" at an LDZ System Exit Point is capacity in the relevant LDZ:
 - (i) in the case of an LDZ Supply Point Component, which the User is treated as utilising in offtaking gas from the System at that point;
 - (ii) in the case of an LDZ Connected System Exit Point, which the User is treated as utilising in offtaking gas from the System at that point;
- (d) "**Supply Point Capacity**" at a Supply Point Component is capacity at that point which the User is treated as utilising in offtaking gas from the System at that Supply Point Component;

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

1.2.4 The Supply Point Capacity which a User may be registered as holding at a DM Supply Point Component will (in accordance with Section G5) be limited by reference to the rate at and quantities in which it is feasible for TransCo to make gas available for offtake from the System at that Supply Point Component; and no entitlement to offtake gas at a greater rate or in greater quantities shall be conferred on a User by the holding of any amount of NTS Exit Capacity or LDZ Capacity.

1.2.5 For the avoidance of doubt, where a System Point is both a NTS Exit Point and a Supply Point Component, the provisions of this Section B both as to the holding of NTS Exit Capacity and as to the holding of Supply Point Capacity are applicable (and a gas flow at such point shall be treated both as a gas flow out of the NTS and an offtake from the System).

- 1.2.6 Where an Aggregate System Entry Point is on an LDZ:
- (i) Users delivering gas to the System at that point are deemed (for the purposes of paragraph 1.2.3(a)) to utilise capacity in the NTS and accordingly may (in accordance with paragraph 2) apply for and hold System Entry Capacity at that point;
 - (ii) the provisions of this Section B as to the holding of NTS Exit Capacity shall apply in full notwithstanding that deliveries of gas to the System at that Aggregate System Entry Point may result in reduced flows into the LDZ at relevant NTS/LDZ Offtake(s).
- 1.2.7 System Capacity is expressed in kWh/Day, except that where (for the purposes of any provision of the Code) it is to be determined what quantity of gas delivered to or offtaken from the System on a Day is equal to an amount of System Capacity held by a User, or whether such a quantity of gas exceeds or is less than such an amount of capacity, such amount of System Capacity shall be treated as expressed in kWh.
- 1.2.8 Where (in the Transportation Statement or elsewhere) the units in which System Capacity is expressed are 'peak day kWh', such units are the same as those under paragraph 1.2.7; and references to charges for System Capacity in 'pence per peak day kWh' (or similar references) shall be construed accordingly.
- 1.3 Overrun Charges
- 1.3.1 A User may use the System without holding System Capacity but (subject to paragraphs 1.3.2 and 1.3.3) will be liable to pay System Entry Overrun Charges and/or NTS Exit Overrun Charges (collectively "**Overrun Charges**") and/or LDZ CSEP Overrun Charges or Supply Point Ratchet Charges, in respect of the capacity utilised, in accordance with this Section B.
- 1.3.2 A User may use the System by delivering gas pursuant to the acceptance of a Flexibility Bid for a System Entry Buy, without holding System Entry Capacity at the relevant Aggregate System Entry Point, and will be liable to pay a Flexibility Overrun Charge (in accordance with paragraph 2.5) but not a System Entry Overrun Charge.
- 1.3.3 Users will not be liable to pay NTS Exit Overrun Charges or Supply Point Ratchet Charges for using the System by offtaking gas at Interruptible Supply Points; but the entitlement of the Registered User to offtake gas from the System at an Interruptible Supply Point is subject to the provisions (as to Interruption) of Section G6.
- 1.3.4 If:
- (i) TransCo rejects an application by a User for System Capacity other than in accordance with the provisions of the Code, and
 - (ii) reasonably promptly thereafter the User so notifies TransCo, stating that it wishes the application to be given effect with effect from the date which was specified in the application
- the User shall not be liable for any Overrun Charge, CSEP Overrun Charge or Supply Point Ratchet Charge which it would not have incurred had the application for System Capacity been approved (and where any such charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with Section S).
- 1.3.5 Where:

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

the amount of the relevant charge will be redetermined as though (for the purposes of this paragraph 1.3.5 only) the User's UDQI or (as the case may be) UDQO for the Day were 24/25 of the amount thereof determined pursuant to Section E, and (where the amount of the charge is invoiced or has been paid) an appropriate adjustment (by way of invoice credit in accordance with Section S) will be made.

1.4 Registered and Available Capacity

For the purposes of the Code:

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

1.5 UK Link set-up

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

1.6 Eligible Capacity Registration Date

For the purposes of the registration of a User as holding System Entry Capacity or NTS Exit Capacity in any Gas Year, "**Eligible Capacity Registration Date**" means:

- (i) 1st October, 1st December and 1st March in that year; and
 - (ii) any Monday in the Gas Year commencing 1st October 1995, and any anniversary thereof;
- such dates being set out in Annex B1.

1.7 Transportation Charges

1.7.1 For the purposes of the Code, "**Transportation Charges**" are charges (other than Energy Balancing Charges or Storage Charges) payable by a User in respect of a transportation arrangement under the Code, and (subject to paragraph 1.7.8) comprise Capacity Charges, Commodity Charges, Customer Charges and CSEP Charges.

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

- 1.7.3 A "**Commodity Charge**" is a charge in respect of use of the System, determined by reference to the quantity of the gas flow (or the part thereof attributable to a User) at a System Point.
- 1.7.4 A "**Customer Charge**" is a charge payable by reason of being the Registered User of a Supply Point.
- 1.7.5 In respect of a Customer Charge:
- (a) the "**Capacity Variable Component**" is the component (if any) thereof the amount of which is determined by reference to the amount of a User's Registered Supply Point Capacity;
 - (b) the "**Commodity Variable Component**" is the component (if any) thereof the amount of which is determined by reference to the quantity of the gas flow at a Supply Point;
 - (c) the "**Fixed Component**" is the component (if any) thereof which is not determined by reference to Supply Point Capacity or gas flow.
- 1.7.6 Where any element of a Transportation Charge is payable by a User pursuant to a contract other than one made upon the terms of the Code, such element shall not in addition be payable under the Code.
- 1.7.7 A "**CSEP Charge**" is a charge payable by virtue of being (in relation to a relevant Connected System Exit Point) a CSEP User.
- 1.7.8 The further provisions of the Code set out the basis on which Transportation Charges are payable by Users; provided that (subject to paragraph 1.8.2) where:
- (i) the prevailing Transportation Statement provides for any charge which is not provided for in the Code, and
 - (ii) the amount payable by way of such charge in any case is capable of being determined by reference to the provisions of the Code prevailing at the time,
- such charge shall be a Transportation Charge and shall be payable by Users or Users of such class in accordance with the relevant provisions of the Transportation Statement.
- 1.7.9 For the avoidance of doubt paragraph 1.7.8(ii) shall not be taken as requiring that the Code should provide for the determination or (other than by virtue of paragraph 1.7.8) payment of any such charge as is therein referred to.
- 1.7.10 The basis on which TransCo will reduce any Transportation Charges pursuant to Standard Condition 24(4) of the TransCo Licence is not contained in the Code; and nothing contained in the Code shall be taken to prevent TransCo from reducing such charges in accordance with that Standard Condition.
- 1.8 Rates and amounts of Transportation Charges
- 1.8.1 Subject to paragraphs 1.8.2 to 1.8.5 and paragraph 1.10, the amount or rate of any Transportation Charge payable at any time by a User shall be determined in accordance with the Transportation Statement in force at the time such Transportation Charge accrues (irrespective of when it is due for payment); and accordingly the rate of the Transportation Charges payable by a User may vary during the period for which the User holds any System Capacity or is the Registered User of any Supply Point or is a CSEP User.

- 1.8.2 TransCo agrees that each notice given by it to the Director pursuant to Standard Condition 3(2)(b) of the TransCo Licence will be given, and published in accordance with Standard Condition 3(3)(a) thereof, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Transportation Statement) to be implemented, except where any other provision of the TransCo Licence requires notice of a shorter period to be given.
- 1.8.3 In accordance with Standard Licence Condition 3(4) of the TransCo Licence, the amount or rate of any Transportation Charge may with the approval of the Director differ from what is provided for in the Transportation Statement.
- 1.8.4 In the case of a NTS Supply Point the rate(s) or amount(s) of the Capacity Charge in respect of NTS Exit Capacity and the Customer Charge may not be specified in the Transportation Statement, in which case they will be the rate or amount from time to time notified by TransCo to the Registered User.
- 1.8.5 In respect of any Transportation Charge in respect of any System Point:
- (i) in the case of a Capacity Charge or the Capacity Variable Component of a Customer Charge, the "**Applicable Daily Rate**" is the daily rate of such charge, in pence per kWh/Day of System Capacity; and the "**Applicable Annual Rate**" is 365 times the Applicable Daily Rate;
 - (ii) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "**Applicable Commodity Rate**" is the rate of such charge, in pence per kWh of gas flow;

in each case in accordance with paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.

- 1.8.6 Subject to paragraph 1.8.4, where the prevailing Transportation Statement does not provide for the determination of any particular Transportation Charge in any particular case, the rate of such Transportation Charge shall be deemed to be zero.

1.9 Scottish Independent Networks

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

- 1.9.2 In order to enable Users to offtake gas from the System at SIN Supply Point Components, TransCo will hold Storage Space in and inject gas into LNG Facilities, and arrange for LNG to be lifted from those facilities and transported by road tanker to and discharged to LNG storage and regasification plants at each Scottish Independent Network.

- 1.9.3 For the purposes of the Code:

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

1.10 Long Term Contracts

If the Director shall give Condition 7(4) Approval to its doing so, or otherwise with the assent of the Director, TransCo may enter into an Ancillary Agreement with any User:

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

1.11 Daily Read Errors

Where (pursuant to Sections M4.8 and E3.5) for a Daily Read Error Day an Error Revised UDQO has been determined for a DM Supply Point Component:

- (i) TransCo will redetermine, as nearly as may be, the amounts (if any) for which the User would have been liable by way of NTS Exit Overrun Charge and/or Supply Point Ratchet Charge, and the amount of any Ratcheted Supply Point Capacity (and any increment in Transportation Charges payable by the User in respect of such capacity), on the basis of the Error Revised UDQO;
- (ii) the amounts for which the User is liable in respect of such charges will be determined accordingly, and invoice adjustments will be made, by way of debit or credit as appropriate, in accordance with Section S.

2. SYSTEM ENTRY CAPACITY

2.1 Introduction

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

2.2 Capacity Registration

2.2.1 A User may at any time apply for System Entry Capacity at an Aggregate System Entry Point, subject to and in accordance with this paragraph 2.2.

2.2.2 An application for System Entry Capacity:

- (a) shall specify:
 - (i) the identity of the User;
 - (ii) the Aggregate System Entry Point;
 - (iii) the amount of System Entry Capacity applied for; and
 - (iv) the proposed date of registration (in accordance with paragraph 2.2.3);

- (b) shall be submitted not earlier than 6 months nor later than 7 Business Days before the proposed date of registration.
- 2.2.3 Subject to paragraph 5.4.2 (b), a User may only be registered as holding System Entry Capacity at an Aggregate System Entry Point with effect from an Eligible Capacity Registration Date.
- 2.2.4 TransCo may reject an application for System Entry Capacity:
 - (i) where the requirements of paragraph 2.2.2 are not complied with, or
 - (ii) in accordance with Section V3.
- 2.2.5 A User may withdraw an application for System Entry Capacity by so notifying TransCo not more than 5 Business Days after the application was made.
- 2.2.6 The application will be approved unless withdrawn under paragraph 2.2.5 or rejected in accordance with paragraph 2.2.4 within 5 Business Days after the application was made.
- 2.2.7 The User (if its application is approved) will be registered as holding System Entry Capacity at the Aggregate System Entry Point for a fixed period (the "**capacity period**") of 12 months from the date of registration.
- 2.2.8 A User may at any time apply (in accordance with paragraph 2.2.1 and subject to paragraph 2.2.9) for additional System Entry Capacity at an Aggregate System Entry Point.
- 2.2.9 For the purposes of the Code:
 - (a) the System Entry Capacity which a User is registered as holding at an Aggregate System Entry Point upon each separate application under paragraph 2.2.1 or 2.2.8 is a separate "**tranche**" of System Entry Capacity;
 - (b) the capacity period of each tranche of System Entry Capacity shall be established separately in accordance with paragraph 2.2.7; but on any Day a User's Registered System Entry Capacity at an Aggregate System Entry Point shall be the aggregate of all tranches.
- 2.2.10 During the capacity period the relevant tranche of a User's Registered System Entry Capacity shall not be reduced, and (subject to Section V4.3) the registration shall not be terminated.
- 2.2.11 On expiry of the capacity period the User shall cease to be registered as holding the relevant tranche of System Entry Capacity at the relevant Aggregate System Entry Point, but without prejudice to any new registration pursuant to a further application under paragraph 2.2.1 or 2.2.8.
- 2.3 Entry Charges
- 2.3.1 A User shall pay Capacity Charges ("**System Entry Capacity Charges**") in respect of its Registered System Entry Capacity at Aggregate System Entry Points.
- 2.3.2 The System Entry Capacity Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point as the amount of its Registered System Entry Capacity multiplied by the Applicable Daily Rate.
- 2.3.3 System Entry Capacity Charges will be invoiced and payable in accordance with Section S.

2.4 Aggregate System Entry Capacity

2.4.1 The aggregate System Entry Capacity which Users are registered as holding at an Aggregate System Entry Point shall not be limited by the physical capability of the System to accept delivery of gas on any Day at the System Entry Point(s) comprised in that Aggregate System Entry Point; and TransCo may accept applications for and register Users as holding System Entry Capacity which exceeds such capability.

2.4.2 TransCo will make available to Users details of the aggregate System Entry Capacity from time to time registered as held by Users in aggregate at each Aggregate System Entry Point.

2.5 Flexibility overruns

2.5.1 Where on any Day ("**flexibility overrun day**"):

- (i) TransCo has accepted one or more Flexibility Bids made by a User for a System Entry Buy, and
- (ii) for any reason the quantity of gas delivered by the User to the System at the Bid Aggregate System Entry Point exceeds the User's Available System Entry Capacity,

the User shall pay a charge ("**Flexibility Overrun Charge**") in respect of System Entry Capacity at the Bid Aggregate System Entry Point on the flexibility overrun day.

2.5.2 For the purposes of this paragraph 2.5:

- (a) the "**Bid Aggregate System Entry Point**" is the Aggregate System Entry Point which is or includes the Bid System Point(s);
- (b) the "**flexibility overrun quantity**" is the lesser of:
 - (i) the amount by which the sum of the User's UDQIs on the flexibility overrun day in respect of each System Entry Point comprised in the Bid Aggregate System Entry Point exceeds the User's Available System Entry Capacity in respect of such Bid Aggregate System Entry Point, and
 - (ii) the amount (or where TransCo has accepted more than one such Flexibility Bid, the aggregate amount) of the User's Flexibility Quantity(ies).

2.5.3 The Flexibility Overrun Charge shall be calculated as the amount of the flexibility overrun quantity multiplied by the relevant multiplier (determined as set out in the table below by reference to the month in which the flexibility overrun day occurred) of the Applicable Daily Rate of the System Entry Capacity Charge:

<u>Month</u>	<u>Relevant multiplier</u>
December to March	30
October, November, April, May	5
June to September	2

2.5.4 The Flexibility Overrun Charge shall be invoiced and payable in accordance with Section S.

2.6 Overrun Charges

- 2.6.1 If for any reason in any calendar month (an "**overrun month**") the quantity of gas (excluding any Flexibility Quantity under a System Entry Buy) delivered by a User to the System at an Aggregate System Entry Point on any Day or Days (each an "**overrun day**") exceeds the User's Available System Entry Capacity, the User shall pay a charge ("**System Entry Overrun Charge**") in respect of System Entry Capacity at that Aggregate System Entry Point in that month.
- 2.6.2 For the purposes of this paragraph 2.6, in respect of a User at an Aggregate System Entry Point:
- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which the sum of the User's UDQIs on that Day in respect of each System Entry Point comprised in the Aggregate System Entry Point, less the amount or aggregate amount of any Flexibility Quantity(ies), exceeds the User's Available System Entry Capacity;
 - (b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity in respect of any overrun day in that month.
- 2.6.3 The System Entry Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by the relevant multiplier (determined as set out below by reference to the Aggregate System Entry Point) of the Applicable Annual Rate of the System Entry Capacity Charge:

<u>Aggregate System Entry Point</u>	<u>Relevant multiplier</u>
Peak storage connection point	20
All other points	2

- 2.6.4 For the purposes of paragraph 2.6.3 a "**peak storage connection point**" is a Storage Connection Point which is identified as such in the applicable Storage Connection Agreement or (where there is no Storage Connection Agreement) the Storage Connection Point of a Storage Facility which is not located offshore.
- 2.6.5 The System Entry Overrun Charge shall be invoiced and payable in accordance with Section S.

3. NTS EXIT CAPACITY

3.1 Introduction

- 3.1.1 Subject to the provisions of the Code, a User may:
- (i) by offtaking gas from the System at a LDZ System Exit Point, require a gas flow out of the NTS at the NTS/LDZ Offtake for the relevant Exit Zone;
 - (ii) by offtaking gas from the System at a NTS Supply Point Component, require a gas flow out of the NTS at that NTS Supply Point Component; or
 - (iii) offtake gas from the System at a NTS Connected System Exit Point.
- 3.1.2 No provision of the Code in relation to gas flows at NTS Exit Points confers on any User any rights or obligations in respect of offtake of gas from the System other than at System Exit Points.
- 3.1.3 In any case where there is more than one NTS Exit Point in respect of one Exit Zone, any reference in this paragraph 3 to a NTS Exit Point is a reference to all such NTS Exit Points.

3.1.4 In the case of a Firm NTS Supply Point Component the User shall secure that its Available NTS Exit Capacity shall be not less than its Registered Supply Point Capacity.

3.2 Registration: DM Exit and CSEPs

3.2.1 A User may at any time apply for NTS Exit Capacity ("**DM NTS Exit Capacity**") at:

- (i) a NTS/LDZ Offtake, in respect of Firm DM LDZ Supply Point Components or (subject to paragraph 3.4) an LDZ Connected System Exit Point in the relevant Exit Zone, and/or
- (ii) a Firm NTS Supply Point Component or (subject to paragraph 3.4) a NTS Connected System Exit Point,

subject to and in accordance with this paragraph 3.2.

3.2.2 An application for DM NTS Exit Capacity:

(a) shall specify:

- (i) the identity of the User;
- (ii) the Exit Zone;
- (iii) the amount of DM NTS Exit Capacity applied for; and
- (iv) the proposed date of registration (in accordance with paragraph 3.2.3);

(b) shall be submitted not earlier than 6 months nor later than 7 Business Days before the proposed date of registration.

3.2.3 Subject to paragraph 5.4.2(b), a User may only be registered as holding DM NTS Exit Capacity with effect from an Eligible Capacity Registration Date.

3.2.4 TransCo may reject an application for DM NTS Exit Capacity:

- (i) where the requirements of paragraph 3.2.2 are not complied with, or
- (ii) in accordance with Section V3.

3.2.5 A User may withdraw an application for NTS Exit Capacity by so notifying TransCo not more than 5 Business Days after the application was made.

3.2.6 The application will be approved unless withdrawn under paragraph 3.2.5 or rejected in accordance with paragraph 3.2.4 within 5 Business Days after the application was made.

3.2.7 The User (if its application is approved) will be registered as holding DM NTS Exit Capacity at the relevant NTS Exit Point with effect from the date of registration for the period (the "**capacity period**") established in accordance with paragraph 3.2.9.

3.2.8 A User may at any time apply (in accordance with paragraph 3.2.1) to increase the User's Registered DM NTS Exit Capacity at a NTS Exit Point, in which case (if its application is approved) paragraph 3.2.7 shall apply in respect of the increased DM NTS Exit Capacity.

- 3.2.9 The capacity period shall be a period expiring 12 months after the date of the registration or (where the User has increased its Registered DM NTS Exit Capacity at the NTS Exit Point in accordance with paragraph 3.2.8) the latest such registration.
- 3.2.10 During the capacity period a User's Registered DM NTS Exit Capacity shall not be reduced, and (subject to Section V4.3) the registration shall not be terminated.
- 3.2.11 On expiry of the capacity period the User shall cease to be registered as holding DM NTS Exit Capacity at the relevant NTS Exit Point, but without prejudice to any new registration pursuant to a further application under paragraph 3.2.1.

3.3 Registration: NDM Supply Points

- 3.3.1 A User will be registered as holding NTS Exit Capacity ("**NDM NTS Exit Capacity**") in accordance with paragraph 3.3.3 at the relevant NTS/LDZ Offtake in respect of each Registered Firm NDM Supply Point Component in an Exit Zone with effect from the Supply Point Registration Date.
- 3.3.2 The User shall be deemed to have applied for NDM NTS Exit Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes a Firm NDM Supply Point Component, and shall not make a separate application for such capacity.
- 3.3.3 The NDM NTS Exit Capacity which the User is from time to time registered as holding in respect of each Firm NDM Supply Point Component will be determined in accordance with Section H.4.1.
- 3.3.4 The User will cease to be registered as holding NDM NTS Exit Capacity at the NTS/LDZ Offtake in respect of a Firm NDM Supply Point Component in the relevant Exit Zone where the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

3.4 NDM CSEP NTS Exit Capacity

The CSEP Network Exit Agreement in relation to a relevant Connected System Exit Point (whether on an LDZ or the NTS) may provide for NTS Exit Capacity to be allocated to a CSEP User without the User's applying therefor; and in such a case each CSEP User shall be registered as holding such capacity in accordance with the CSEP Network Exit Agreement and shall not apply therefor.

3.5 NTS Exit Charges

- 3.5.1 A User shall pay:
- (i) Capacity Charges ("**NTS Exit Capacity Charges**") in respect of its Registered NTS Exit Capacity at NTS Exit Points, and
 - (ii) Commodity Charges ("**NTS Commodity Charges**") in respect of its use of the NTS on any Day.
- 3.5.2 The NTS Exit Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Point as the amount of its Registered NTS Exit Capacity multiplied by the Applicable Daily Rate.
- 3.5.3 The NTS Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Point) as:

- (i) in the case of a NTS/LDZ Offtake, the amount of its User Daily NTS Offtake Quantity;
- (ii) in the case of a NTS Supply Point or NTS Connected System Exit Point, the amount of its UDQO

at the relevant NTS Exit Point, multiplied by the Applicable Commodity Rate.

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

3.6 Overrun Charges

3.6.1 If for any reason in any calendar month (an "**overrun month**"):

(i) the gas flow at a NTS/LDZ Offtake, attributable to gas offtaken by the User from the System at Firm DM LDZ Supply Point Component(s) and/or a relevant LDZ Connected System Exit Point in the relevant Exit Zone, and/or

(ii) the quantity of gas offtaken by a User from the System at a Firm NTS Supply Point Component or a relevant NTS Connected System Exit Point,

on any Day or Days (each an "**overrun day**") exceeds the User's Available DM NTS Exit Capacity at the relevant NTS Exit Point, the User shall pay a charge ("**NTS Exit Overrun Charge**") in respect of NTS Exit Capacity at that NTS Exit Point in that month.

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

(a) the "**overrun quantity**" in respect of an overrun day is the amount by which:

(i) in the case of a NTS/LDZ Offtake, the Firm DM User Daily NTS Offtake Quantity in respect of the relevant Exit Zone, and/or

(ii) in the case of a Firm NTS Supply Point or relevant NTS Connected System Exit Point, the User's UDQO in respect of that point

exceeds the User's Available DM NTS Exit Capacity at that NTS Exit Point on that Day;

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

3.6.3 The NTS Exit Overrun Charge shall be calculated by multiplying the chargeable overrun quantity by 2 times the Applicable Annual Rate of the NTS Exit Capacity Charge in respect of the relevant NTS Exit Point.

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

4. SUPPLY POINT AND LDZ CAPACITY

4.1 Introduction

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

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

4.2 Supply Point Capacity Registration: DM Supply Point Components

4.2.1A User who submits a Supply Point Confirmation in respect of a Proposed Supply Point (whether a NTS Supply Point or an LDZ Supply Point) which includes a DM Supply Point Component shall thereby apply for Supply Point Capacity ("**DM Supply Point Capacity**") in accordance with Section G5.

4.2.2 The User will if its Supply Point Confirmation becomes effective be registered as holding Supply Point Capacity at the DM Supply Point Component with effect from the Supply Point Registration Date, subject to paragraph 4.2.3 and until the User ceases in accordance with Section G to be the Registered User in respect of the relevant Supply Point.

4.2.3A User's Registered Supply Point Capacity in respect of the DM Supply Point Component of a Registered Supply Point:

- (i) may be increased or reduced subject to and in accordance with the conditions and requirements in Section G5;
- (ii) shall not be reduced nor (subject to paragraph 4.7) increased other than as provided in paragraph (i), nor (subject to Section V4.3) shall the registration be terminated, except as provided in paragraph 4.2.4.

4.2.4 Without prejudice to Section G3.2.3, the User will cease to be registered as holding DM Supply Point Capacity at the DM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

4.3 Supply Point Capacity Registration: NDM Supply Point Components

4.3.1A User will be registered as holding Supply Point Capacity ("**NDM Supply Point Capacity**") in accordance with paragraph 4.3.3 at each Registered NDM Supply Point Component with effect from the Supply Point Registration Date.

4.3.2 The User shall be deemed to have applied for NDM Supply Point Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes an NDM Supply Point Component, and shall not make a separate application for such capacity.

4.3.3 The NDM Supply Point Capacity which the User is from time to time registered as holding will be determined in accordance with Section H4.1.

4.3.4 The User will cease to be registered as holding NDM Supply Point Capacity at the NDM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with Section G3.2.

4.4 LDZ Capacity Registration: LDZ Supply Point Components

4.4.1A User will at all times be registered as holding LDZ Capacity at each LDZ Supply Point Component in an amount equal to the amount of the Supply Point Capacity which the User is for the time being

registered as holding (pursuant to any provision of the Code) at that Supply Point Component; and Users will not make separate applications for such capacity.

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

4.5 LDZ Capacity Registration: LDZ Connected System Exit Points

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

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

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

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

4.6 LDZ, Supply Point Charges and CSEP Charges

4.6.1 A User shall pay:

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

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

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

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

- (i) as to the Capacity Variable Component (if any) thereof, as the amount of its Registered Supply Point Capacity multiplied by the Applicable Daily Rate;

- (ii) as to the Commodity Variable Component (if any) thereof for a Day, as the amount of its UDQO multiplied by the Applicable Commodity Rate;
- (iii) as to the Fixed Component (if any) thereof, as the applicable fixed charge.

4.6.5 Insofar as (pursuant to the Transportation Statement) the rate of any Transportation Charge in respect of any Supply Point is a function of Supply Point Capacity, in the case of the DM Supply Point Component of an Interruptible Supply Point such rate shall be determined (in accordance with the Transportation Statement) by reference to the Bottom-stop Supply Point Capacity and not the Registered Supply Point Capacity.

4.6.6 For the avoidance of doubt no Capacity Charge is payable in respect of Supply Point Capacity.

4.6.7 The CSEP Charge payable by a User in respect of each Day will be determined for each relevant Connected System Exit Point in accordance with the relevant provisions of the Transportation Statement.

4.6.8 LDZ Capacity Charges, LDZ Commodity Charges, Customer Charges and CSEP Charges will be invoiced and payable in accordance with Section S.

4.7 Supply Point Ratchet

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

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

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

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

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

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

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

- (i) 2 times the Applicable Annual Rate of the LDZ Capacity Charge (in the case of an LDZ Supply Point Component), and
- (ii) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge;

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

4.7.7 The Supply Point Ratchet Charge shall be invoiced and payable in accordance with Section S.

4.8 LDZ CSEP Overrun Charge

4.8.1 If for any reason in any calendar month (an "**overrun month**"), other than a month from June to September inclusive:

- (i) the quantity of gas offtaken by a CSEP User from the System at a relevant LDZ Connected System Exit Point on any Day exceeds the User's Registered LDZ Capacity, and
- (ii) (where pursuant to the CSEP Network Exit Agreement this paragraph (ii) applies) the aggregate quantity of gas offtaken by all CSEP Users at the relevant Connected System Exit Point on such Day exceeds the sum of such CSEP Users' Registered LDZ Capacities,

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

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

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

4.8.3 The LDZ CSEP Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by two (2) times the Applicable Annual Rate of the LDZ Capacity Charge.

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

5. CAPACITY TRANSFER

5.1 Basis of transfer

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

- (i) its Available System Entry Capacity in respect of an Aggregate System Entry Point, and/or

(ii) its Available DM NTS Exit Capacity in respect of a NTS Exit Point,
to another User (the "**Transferee User**"), subject to and in accordance with this paragraph 5.

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

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

5.1.4 TransCo may but shall not be required to reject a System Capacity Transfer where the Transferred System Capacity exceeds the Transferor User's Available System Capacity at the Transfer System Point on any Day in the Transfer Period.

5.1.5 In respect of a System Capacity Transfer or proposed System Capacity Transfer:

- (i) the "**Transferred System Capacity**" is the System Capacity which is (or is to be) transferred;
- (ii) the "**Transfer Period**" is the Day or Days (in accordance with paragraph 5.1.3) for which the Transferred System Capacity is (or is to be) transferred;
- (iii) the "**Transfer System Point**" is the Aggregate System Entry Point or NTS Exit Point at which System Capacity is (or is to be) transferred.

5.2 Procedure

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

- (i) the identity of the Transferor User and Transferee User;
- (ii) the Transfer System Point;
- (iii) the amount of the Transferred System Capacity; and
- (iv) the Transfer Period.

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

5.2.3 TransCo may reject a System Capacity Transfer:

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

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

- 5.2.5 If:
- (i) TransCo purports to reject a System Capacity Transfer other than in accordance with paragraph 5.2.3, and
 - (ii) reasonably promptly thereafter the Transferor User and the Transferee User so notify TransCo, stating that they wish the transfer to be implemented

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

5.3 Effect of Transfer

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

5.4 Effect of Termination

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

- (b) the Transferee User will be registered as holding System Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for or the period of registration);
- (c) the Transferee User will accordingly be liable for Capacity Charges in respect of the elected amount of System Capacity at the Transfer System Point for the elected period.

5.4.3 Where during the Transfer Period in respect of a System Capacity Transfer the Transferee User ceases to be a User in accordance with Section V4.3:

- (a) TransCo will so notify the Transferor User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferee User;
- (b) with effect from the User Discontinuance Date, the Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity which will revert to (and be treated as held by) the Transferor User.

5.5 Negative Capacity

5.5.1 A User's Available System Capacity (determined in accordance with paragraph 5.3.2) may become negative where:

- (a) the User is a Transferor User in respect of a System Capacity Transfer under which the Transferred System Capacity exceeds the Transferor User's Available System Capacity at the Transfer System Point; or
- (b) the User is a Transferee User in respect of a System Capacity Transfer, and (subject to any election under paragraph 5.4.2):
 - (i) the Transferee User has pursuant to a further System Capacity Transfer transferred System Capacity at the same Transfer System Point to another User, and
 - (ii) the first System Capacity Transfer lapses pursuant to paragraph 5.4.1.

5.5.2 Where and for so long as a User's Available System Capacity is negative the User will be liable to pay Overrun Charge(s) in accordance with paragraph 2.6 or 3.6 on the basis of an overrun quantity on each Day calculated as the sum of:

- (i) the magnitude of the User's negative Available System Capacity, and
- (ii) the amount (if any) determined to be the overrun quantity in accordance with paragraph 2.6.2(a) or 3.6.2(a) (as the case may be) if the User's Available System Capacity at the Transfer System Point were zero.

ANNEX B-1
Eligible Capacity Registration Dates

1st October	1st April
2nd October	8th April
9th October	15th April
16th October	22nd April
23rd October	29th April
30th October	6th May
6th November	13th May
13th November	20th May
20th November	27th May
27th November	3rd June
1st December	10th June
4th December	17th June
11th December	24th June
18th December	1st July
25th December	8th July
1st January	15th July
8th January	22nd July
15th January	29th July
22nd January	5th August
29th January	12th August
5th February	19th August
12th February	26th August
19th February	2nd September
26th February	9th September
1st March	16th September
4th March	23rd September
11th March	30th September
18th March	
25th March	

SECTION C: NOMINATIONS

1. INTRODUCTION

1.1 Nominations

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

1.1.2 For the purposes of the Code:

(i) a "**Nomination**" is a nomination by a User in respect of a quantity of gas to be delivered to or offtaken from the System on a Day;

(ii) a "**Renomination**" is a Nomination which revises an earlier Nomination (including a Renomination) under paragraph 5, and includes a New Renomination (in accordance with paragraph 5.1.11(a));

(iii) an "**Output**" Nomination is a Nomination in respect of a quantity to be offtaken from the System;

(iv) an "**Input**" Nomination is a Nomination in respect of a quantity to be delivered to the System;

(v) a "**Nomination Quantity**" is the quantity nominated for delivery or offtake in a User's prevailing Nomination;

(vi) the "**Nominated Quantity**" is the Nomination Quantity in a User's Nomination prevailing as at the end of the Gas Flow Day;

(vii) a "**Flexibility Nomination**" is the Renomination deemed to be made by a User upon acceptance by TransCo of a Flexibility Bid under Section D4.2;

(viii) an "**Initial**" Nomination is the initial Nomination made or to be made before the Gas Flow Day (but does not include a Flexibility Nomination or a New Renomination).

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

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

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

1.1.6 A User may make a Nomination for a quantity of zero (but paragraph 1.1.5 does not require such a Nomination to be made in any case).

1.2 Nomination Timetable

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

DM Output Nomination Time:	12:00
NDM Output Nomination Time:	14:00
Storage Nomination Time:	14:30
Storage Manager Nomination Time:	15:00
Input Nomination Time:	15:00
Scheduling Start Time:	15:00
Nomination Finalisation Time:	17:00
Renomination Start Time:	18:00

1.3 Nomination balancing

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

1.4 Flexibility Nominations

1.4.1 A Flexibility Nomination shall be deemed to comply with the requirements of this Section C and to be approved by TransCo.

1.4.2 A Flexibility Nomination made in respect of a System Point in respect of which the Bidding User has (before acceptance of the relevant Flexibility Bid) made an earlier Nomination shall take effect as a Renomination and revise the Nomination Quantity (in accordance with Section D4.2) under such earlier Nomination accordingly.

1.5 Supply Point Groups

1.5.1 For the purposes of the Code, for each User in relation to each Exit Zone:

- (a) the "**DMA(F) Supply Point Group**" is all of its Registered Firm DMA Supply Point Components in aggregate in that Exit Zone;
- (b) the "**DMA(I) Supply Point Group**" is all of its Registered Interruptible DMA Supply Point Components in aggregate in that Exit Zone;
- (c) the "**NDM Supply Point Group**" is all of its Registered NDM Supply Point Components in aggregate in that Exit Zone.

1.5.2 "**DMA Supply Point Group**" means a DMA(F) Supply Point Group or a DMA(I) Supply Point Group, and "**Supply Point Group**" means an NDM Supply Point Group or a DMA Supply Point Group .

1.6 NDM Output Nominations

1.6.1 In respect of each Day, subject to paragraph 5.2.2, TransCo will, on the basis of the daily demand forecasts under Section H5:

- (a) for each User determine in accordance with Section H2 the aggregate of the NDM Supply Meter Point Demands for all Registered NDM Supply Meter Points in each Exit Zone; and
- (b) not later than each Demand Forecast Time (in accordance with Section H5):
 - (i) make or revise on behalf of each User an Output Nomination ("**NDM Output Nomination**") in respect of each NDM Supply Point Group; and
 - (ii) notify to each User the Nomination Quantity under each of its NDM Output Nominations or Renominations so made.

1.6.2 The Nomination Quantity under an NDM Output Nomination (including a Renomination thereof) for a User in respect of an NDM Supply Point Group will be the aggregate of the NDM Supply Meter Point Demands for all Registered NDM Supply Point Components in that Exit Zone, determined in accordance with paragraph 1.6.1(a).

1.6.3 The CSEP Network Exit Agreement may provide for Output Nominations in respect of a relevant Unmetered Connected System Exit Point to be treated (for such purposes of the Code as are specified in the CSEP Network Exit Agreement) as NDM Output Nominations (and references in the Code to NDM Output Nominations shall be construed accordingly).

1.7 Calorific value information

Not later than 11:00 hours on the Gas Flow Day TransCo will make available to Users:

- (i) the calorific value applicable (in accordance with Section W3.3.1) in respect of each LDZ for the Preceding Day;
- (ii) TransCo's prevailing estimate of the calorific value applicable (in accordance with Section W3.3.1) in respect of each LDZ for the Gas Flow Day.

1.8 UK Link set-up

Before first submitting a Nomination in respect of any System Point a User must comply with the requirements set out in the UK Link Manual for establishing (for the purposes of UK Link) the User as a user of the System at that System Point.

1.9 Implied Nomination Flow Rate

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

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

Renomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day.

1.10 Hour-bar assumption

- 1.10.1 For the purposes of the Code it shall be assumed that any change in the rate of delivery of gas to or offtake of gas from the System by a User will occur on the hour.
- 1.10.2 The Renomination Effective Time of any Renomination (including the Flexibility Nomination in respect of an acceptance of a Flexibility Bid) shall be in accordance with paragraph 1.10.1.

1.11 Storage Nominations

- 1.11.1 In accordance with Section R a Nomination made in respect of a Storage Connection Point (for a BG Storage Facility) serves as both a nomination to TransCo and a nomination to the Storage Operator.
- 1.11.2 The requirements and restrictions of Section R as to Storage Nominations are in addition to those of this Section C (and a Nomination in respect of a Storage Connection Point may be rejected pursuant to that Section R as well as this Section C).
- 1.11.3 Where in accordance with Section R the Storage Operator is required to make a Nomination on behalf of a User such Nomination shall be deemed to be made and to comply with the requirements of this Section C.

1.12 Nomination Approval

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

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

2. OUTPUT NOMINATIONS

2.1 Basis of nominations

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

2.2 Procedure and restrictions

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

- (i) each Connected System Exit Point;
- (ii) each Registered DMC Supply Point Component;
- (iii) each DMA(F) Supply Point Group.
- (iv) each DMA(I) Supply Point Group.

2.2.2 Each DM Output Nomination shall specify:

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

2.2.3 A User shall not submit a DM Output Nomination:

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

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

2.3 Timing

2.3.1 Initial DM Output Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Relevant Output Nomination Time.

2.3.2 Initial DM Output Nominations will not be treated as made before the Relevant Output Nomination Time; and Users may, up to but (subject to paragraphs 4 and 5) not after the Relevant Output Nomination Time, amend or replace Initial DM Output Nominations already submitted.

2.3.3 The "**Relevant Output Nomination Time**" is:

- (a) in respect of a Storage Connection Point:
 - (i) in the case of the Storage Operator for Storage Management Purposes, the Storage Manager Nomination Time;
 - (ii) in the case of any other User, the Storage Nomination Time;
- (b) except as provided in paragraph (a), the DM Output Nomination Time.

2.4 Nomination approval or rejection

2.4.1 TransCo may reject or (in its discretion) approve a DM Output Nomination which is not submitted in accordance with, or does not comply with:

- (i) the requirements in paragraph 2.2; or
 - (ii) the requirements in paragraph 2.3.1.
- 2.4.2 TransCo will not approve or reject Initial DM Output Nominations before the Relevant Output Nomination Time.
- 2.4.3 If in respect of any System Exit Point:
- (i) a User has not submitted an Initial DM Output Nomination by the Relevant Output Nomination Time, or
 - (ii) TransCo has rejected an Initial DM Output Nomination submitted by a User,
- the User shall have failed to make a Nomination (but without prejudice to any Flexibility Nomination or New Renomination) and (where relevant) the provisions of Section E4 as to Unauthorised Gas Flows shall apply.
- 2.4.4 An Initial DM Output Nomination submitted to TransCo which has not been rejected (in accordance with paragraph 2.4.1) within 60 minutes after the Relevant Output Nomination Time shall be deemed to have been approved.
- 2.5 NDM Output Nominations
- 2.5.1 Output Nominations in relation to NDM Supply Point Groups will be made in accordance with paragraph 1.6, and deemed for the purposes of paragraph 1.1.4 to be made by the User; and the User shall not submit such Nominations.
- 2.5.2 In accordance with paragraph 1.6, TransCo will notify to each User its Initial NDM Output Nominations no later than the NDM Output Nomination Time.
3. INPUT NOMINATIONS
- 3.1 Basis of nominations
- 3.1.1 A User nominating quantities of gas for delivery to the System on the Gas Flow Day shall make Input Nominations subject to and in accordance with this paragraph 3.
- 3.1.2 Input Nominations in respect of Storage Connection Points of Constrained LNG Facilities may be made by TransCo in accordance with Section R8.
- 3.2 Procedure and restrictions
- 3.2.1 The User shall submit a separate Input Nomination in respect of each System Entry Point.
- 3.2.2 Each Input Nomination shall specify:
- (i) the Gas Flow Day;
 - (ii) the identity of the User;
 - (iii) the System Entry Point;

- (iv) the quantity of gas nominated for delivery; and
 - (v) either the volume or the calorific value of the gas to be delivered.
- 3.2.3 A User shall not submit an Input Nomination in respect of an NTS System Entry Point at which, under the prevailing Maintenance Programme, gas is not to be delivered to the System on the Gas Flow Day.
- 3.3 Timing
- 3.3.1 Initial Input Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Relevant Input Nomination Time.
- 3.3.2 Initial Input Nominations will not be treated as made before the Relevant Input Nomination Time; and Users may, up to but (subject to paragraphs 4 and 5) not after the Relevant Input Nomination Time, amend or replace Initial Input Nominations already submitted.
- 3.3.3 The "**Relevant Input Nomination Time**" is:
- (a) in respect of a Storage Connection Point:
 - (i) in the case of the Storage Operator for Storage Management Purposes, the Storage Manager Nomination Time;
 - (ii) in the case of any other User, the Storage Nomination Time;
 - (b) except as provided in paragraph (a), the Input Nomination Time.
- 3.4 Approval and rejection
- 3.4.1 TransCo may reject or (in its discretion) approve an Input Nomination:
- (i) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.2, or which specifies a calorific value, or a volume which implies a calorific value, which is not in compliance with the applicable Gas Entry Conditions in accordance with Section I2.4;
 - (ii) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.3.1.
- 3.4.2 TransCo will not approve or reject Initial Input Nominations before the Relevant Input Nomination Time.
- 3.4.3 If in respect of any System Entry Point:
- (i) a User has not submitted an Initial Input Nomination by the Relevant Input Nomination Time, or
 - (ii) TransCo has rejected an Initial Input Nomination submitted by a User,
- the User shall have failed to make a Nomination (but without prejudice to any Flexibility Nomination or New Renomination) and (where relevant) the provisions of Section E4 as to Unauthorised Gas Flows shall apply.

3.4.4 An Initial Input Nomination submitted to TransCo which has not been rejected (in accordance with paragraph 3.4.1) within 60 minutes after the Relevant Input Nomination Time shall be deemed to have been approved.

4. OPERATIONAL SCHEDULING

4.1 General

4.1.1 Each Day, commencing at the Scheduling Start Time, TransCo will, by assessing the gas flows anticipated in the System during the Gas Flow Day ("**Operational Scheduling**"), on the basis of the Nomination Quantities under approved Initial Nominations and other relevant information, endeavour to identify:

- (i) any anticipated Transportation Constraints (not arising by reason of Programmed Maintenance) affecting NTS System Entry Points, and
- (ii) where such anticipated Transportation Constraints are identified, opportunities for Users to revise their Initial Input Nominations so as to alleviate such constraints, in accordance with paragraph 4.2.

4.1.2 In relation to an anticipated Transportation Constraint, subject to paragraph 4.2.2:

- (i) an "**affected User**" is a User who has made an Initial Nomination in respect of an affected System Entry Point;
- (ii) the "**constrained percentage**" is the percentage reduction (in accordance with paragraph 4.3 where applicable) in the Nomination Quantity under every affected User's Nomination for an affected System Entry Point which would (in TransCo's estimation) eliminate the anticipated Transportation Constraint.

4.2 Identification of Transportation Constraints

4.2.1 Where pursuant to paragraph 4.1.1 an anticipated Transportation Constraint is identified, TransCo will determine and notify to all affected Users the affected System Entry Point(s) and the constrained percentage for each such point.

4.2.2 Where reductions in Nomination Quantities at more than one System Entry Point would be or are required to alleviate an anticipated Transportation Constraint, TransCo will determine the constrained percentage for each such System Entry Point according to such operational criteria as it determines to be appropriate.

4.2.3 No determination made by TransCo under paragraph 4.2.2 shall limit the System Entry Points at which TransCo may subsequently accept any Flexibility Bid for the Gas Flow Day.

4.3 Shrinkage allocation

4.3.1 Where an anticipated Transportation Constraint is identified at a System Entry Point in respect of which the Shrinkage Provider made an Initial Input Nomination ("**Shrinkage Nomination**") for the Gas Flow Day:

- (a) a constrained percentage shall first be determined separately for the Nomination Quantity under such Shrinkage Nomination;

(b) if a constrained percentage of 100% applied to the Nomination Quantity under such Shrinkage Nomination is insufficient to eliminate the anticipated Transportation Constraint, a constrained percentage for all other affected Users' Nominations shall be determined after first allowing for the reduction of such Nomination Quantity to zero.

4.3.2 The Shrinkage Nomination shall be revised by reducing the Nomination Quantity by the constrained percentage determined under paragraph 4.3.1.

4.4 Nomination revision

4.4.1 Each affected User may, until the scheduling revision deadline, revise its Initial Input Nomination in respect of any affected System Entry Point by reducing the Nomination Quantity (by an amount which need not reflect the constrained percentage).

4.4.2 Where a User's Initial Input Nomination(s) are revised under paragraph 4.3.2 or 4.4.1, the User may also, before the scheduling revision deadline:

(i) revise its Initial Input Nomination(s) in respect of other System Entry Point(s) by increasing its Nomination Quantity(ies), and/or

(ii) submit an original Nomination(s) in respect of a System Entry Point in respect of which the User has not earlier made a Nomination, and/or

(iii) revise its Initial Output Nominations in respect of System Exit Points or DMA Supply Point Groups by reducing its Nomination Quantities.

4.4.3A revised Nomination under paragraph 4.4.1 or 4.4.2 shall be submitted in accordance with paragraph 2.2 or 3.2 (as the case may be).

4.4.4 TransCo may reject or approve a User's revised or original Nomination(s) under paragraphs 4.4.1 and 4.4.2 in accordance with paragraph 2.4.1(i) or 3.4.1(i); and (without prejudice to any such Nomination not rejected) where TransCo rejects such a revised Nomination the prevailing Nomination shall remain in place.

4.4.5A revised Nomination submitted to TransCo which has not been rejected (in accordance with paragraph 4.4.4) within 60 minutes after the scheduling revision deadline shall be deemed to have been approved.

4.4.6 The "**scheduling revision deadline**" is the time which is 30 minutes after TransCo's notification under paragraph 4.2.1.

4.4.7 Where (following Operational Scheduling under this paragraph 4) TransCo anticipates that a further Transportation Constraint may arise at a different System Entry Point as a result of revised or original Input Nominations made by Users under paragraph 4.4.2, TransCo will so notify all Users who have made Input Nominations for such point, and inform them of the constrained percentage (as in paragraph 4.1.2(ii) but disregarding paragraph 4.3); and such Users may make Renominations in accordance with paragraph 5.3.1 but may not further revise Nominations under this paragraph 4.4.

5. RENOMINATION

5.1 General

- 5.1.1A User may not withdraw or, except as provided in paragraph 4 and paragraph 5.1.2, revise or replace an Output Nomination after the Relevant Output Nomination Time or an Input Nomination after the Relevant Input Nomination Time.
- 5.1.2 Subject to paragraphs 5.1.3 and 5.1.4, a Nomination may be revised by a Renomination in accordance with paragraphs 5.2, 5.3 or 5.4.
- 5.1.3 Where a Renomination (the "**Primary Renomination**") is made under paragraph 5.2 or 5.3, the User is required to adjust the quantities to be delivered to and/or offtaken from the System, so as to maintain the difference (prevailing before the Primary Renomination) between the aggregate quantities it intends or expects to deliver and offtake from the System on the Gas Flow Day, and accordingly to make Matching Renomination(s), subject to and in accordance with paragraph 5.4.
- 5.1.4A User shall not be entitled to make a Renomination:
- (i) (except in the case of a New Renomination) in respect of a System Point in respect of which the User has not made an earlier Nomination;
 - (ii) earlier than the Renomination Start Time, or later than 04:00 hours on the Gas Flow Day;
 - (iii) after a Flexibility Bid made by the User has been accepted, in the circumstances described in Section D2.5.3;
 - (iv) if the Implied Nomination Flow Rate is less than zero;
 - (v) to the extent so provided in paragraph 5.5.
- 5.1.5 Without prejudice to Section I3.10.3, a User shall secure that it has not made a Renomination in respect of a System Entry Point under which the Implied Nomination Flow Rate exceeds 1/24 of the User's Available System Entry Capacity; provided that this requirement shall not apply:
- (i) in the case of a Renomination under paragraph 5.3.3, or
 - (ii) to the extent that the User is unable, by reason of a Transportation Constraint other than one notified pursuant to paragraph C4, to deliver gas in its Nomination Quantity at another System Entry Point.
- 5.1.6 Where TransCo has accepted a Flexibility Bid made by a User for a System Entry Buy, the User may not make a Matching Renomination in respect of the Bid Entry Point as a result of which the Nomination Quantity would be less than the Flexibility Quantity.
- 5.1.7A Renomination shall be submitted in accordance with paragraph 2.2 or 3.2 (as appropriate), and shall in addition specify:
- (i) (except in the case of a New Renomination) the previous Nomination in respect of which it is made; and
 - (ii) the Renomination Effective Time.
- 5.1.8 TransCo may reject or approve a Renomination in accordance with paragraph 2.4.1(i) or 3.4.1(i) or 5.6.2; and where TransCo rejects a Renomination the prevailing Nomination (if any) shall remain in place.

5.1.9A Renomination submitted to TransCo which has not been rejected (in accordance with paragraph 5.1.8) within 60 minutes after it was submitted shall be deemed (but without prejudice to paragraph 5.6) to have been approved as respects paragraphs 2.4.1(i) or 3.4.1(i).

5.1.10 An approved Renomination (other than a New Renomination) shall replace the previous Nomination (but without prejudice to the application of this Section C in respect of the previous Nomination until the Renomination Effective Time).

5.1.11 For the purposes of the Code:

- (a) a "**New Renomination**" is an original Nomination in accordance with paragraph 5.2.3(ii) or 5.4.8(a)(ii) or (b)(ii) or Section D4.2;
- (b) the "**Renomination Quantity**" in respect of a Renomination is the amount by which the Nomination Quantity under an earlier Nomination was revised by such Renomination, or in the case of a New Renomination, the Nomination Quantity; and the "**Primary Renomination Quantity**" is the Renomination Quantity in respect of a Primary Renomination;
- (c) a Constrained LNG Renomination made by TransCo on behalf of a User in accordance with Section R8 shall be a Primary Renomination;
- (d) the "**Renomination Effective Time**" in respect of a Renomination (other than an NDM Output Nomination) is the time (within the Gas Flow Day) with effect from which the change in gas flow rate (at the relevant System Point) in respect of which the Renomination is made is to occur.

5.2 Primary Renominations: Output Nominations

5.2.1 Subject to paragraph 5.2.2, with effect from each Demand Forecast Time (after the NDM Output Nomination Time):

- (i) TransCo will by making a Renomination revise on behalf of each User its NDM Output Nomination for each NDM Supply Point Group in accordance with paragraph 1.6;
- (ii) each User's NDM Output Nomination in respect of each relevant Unmetered Connected System Exit Point shall be revised in accordance with the applicable CSEP Network Exit Agreement.

5.2.2 Where at any time on the Gas Flow Day:

- (i) following any Renomination(s) under paragraph 5.2.1, Users have already made Matching Renominations in respect of System Entry Points pursuant to paragraph 5.4.2, and
- (ii) TransCo determines that its ability to carry out Operational Balancing would be materially and adversely affected, if NDM Output Nominations were to be revised or further revised, by the further exercise of User's entitlements to make Matching Renominations pursuant to paragraph 5.4.2,

TransCo shall not be required after making such determination to further revise or permit further revision of NDM Output Nominations, irrespective of any change in Forecast LDZ Demand; provided that TransCo shall inform Users as soon as reasonably practicable after making any such determination.

5.2.3 A User may (subject to paragraph 5.1.4):

- (i) by making a Renomination revise its Output Nomination for the Gas Flow Day in respect of any DMC Supply Point Component, relevant Connected System Exit Point or any DMA Supply Point Group by increasing or decreasing the Nomination Quantity by not less than ½ of the Applicable Imbalance Tolerance Percentage (in accordance with Section F2.2.2); or
- (ii) if the User has not earlier made an Output Nomination for the Gas Flow Day in respect of any DMC Supply Point Component, relevant Connected System Exit Point or DMA Supply Point Group, make an original Output Nomination (in respect thereof) for a Nomination Quantity determined by the User.

5.2.4 Users are required to make Renominations under paragraph 5.2.3 in respect of Supply Points in respect of which TransCo requires or ceases to require Interruption under Section G6.8.

5.2.5 A Renomination may also be made or deemed to be made in respect of a Storage Connection Point by the Storage Operator on behalf of a User pursuant to Section R5.7.3, R5.7.5 or R5.9.6.

5.3 Primary Renominations: Input Nominations

5.3.1 Where after the Relevant Input Nomination Time any of the events described in paragraph 5.3.2 occurs or arises in relation to a User the User may (subject to paragraph 5.1.4) by making a Renomination revise its Input Nomination for that System Entry Point by reducing the Nomination Quantity by an amount not exceeding the amount (the "**relevant amount**") specified in paragraph 5.3.2.

5.3.2 The events referred to in paragraph 5.3.1, and (in each case) the relevant amount are as follows:

- (i) the failure of or damage to any gas producing, transporting or processing facility upstream of the System, or any Storage Facility, as a result of which the quantities of gas available to the User on the Gas Flow Day for delivery to the System at the System Entry Point are reduced below the Nomination Quantity under the User's prevailing Input Nomination; in which case the relevant amount is the User's best estimate of the amount by which such quantities are so reduced;
- (ii) the notification by TransCo of a Transportation Constraint pursuant to paragraph 4.4.7; in which case the relevant amount is the constrained percentage of the prevailing Nomination Quantity;
- (iii) where the User is an Interruptible Storage User, the reduction or cancellation of an Interruptible Storage Nomination Quantity under Section R6.4.6; in which case the relevant amount is the amount of such quantity or (as the case may be) by which it was reduced;
- (iv) the occurrence (after the Relevant Input Nomination Time) of any event or circumstance which under a Special Delivery Arrangement applicable at the relevant System Entry Point restricts the quantities in or the rate at which gas may be delivered; in which case the relevant amount is the amount by which such quantities are so reduced.

5.3.3 Where:

- (i) a User made a Primary Renomination under paragraph 5.3.1 in the circumstances in paragraph 5.3.2(i), and

(ii) pursuant to paragraph 5.4.5 the aggregate of the Renomination Quantities under the User's Matching Renominations was less than the Primary Renomination Quantity under such Primary Renomination (the difference being the "**renomination shortfall quantity**")

the User may (subject to paragraph 5.1.4) later in the Gas Flow Day by making a further Renomination revise its Input Nomination for that System Entry Point by increasing the Nomination Quantity by an amount not exceeding the renomination shortfall quantity (and no Matching Renomination under paragraph 5.4 shall be required).

5.3.4 A Renomination may also be made or deemed to be made in respect of a Storage Connection Point:

(i) by an Interruptible Storage User in accordance with Section R6.4.7(ii);

(ii) as a Constrained LNG Renomination in accordance with Section R8.2.3;

(iii) in relation to a Constrained LNG Facility in accordance with Section R8.2.8.

5.4 Matching Renomination

5.4.1 Where:

(i) a User makes under paragraph 5.2.3 or 5.2.4 a Primary Renomination in respect of a DMC Supply Point Component, DMA Supply Point Group or relevant Connected System Exit Point, subject to paragraphs 5.1.4 and 5.5, the User shall, or

(ii) a Primary Renomination is made on behalf of the User under paragraph 5.2.5, the User may make Matching Renominations for Renomination Quantities the magnitude of which in aggregate in the case in paragraph (i) is equal to, and in the case in paragraph (ii) does not exceed, the Primary Renomination Quantity.

5.4.2 Where under paragraph 5.2.1 Eligible NDM Renominations (in accordance with paragraph 5.4.3) are made on behalf of a User in respect of NDM Supply Point Groups or relevant Unmetered Connected System Exit Points, subject to paragraph 5.1.4, the User may make Matching Renominations for Renomination Quantities the magnitude of which in aggregate does not exceed 120% of the sum of the Primary Renomination Quantities under all such Eligible NDM Renominations.

5.4.3 For the purposes of the Code, in respect of any User:

(a) "**Eligible NDM Renominations**" are Renominations in respect of NDM Output Nominations following which the Aggregate NDM Nomination Quantity differs by more than 2% from the Aggregate NDM Nomination Quantity under all Prevailing Relevant NDM Nominations;

(b) at any time before or during the Gas Flow Day, a "**Prevailing Relevant NDM Nomination**" is:

(i) if at such time there has been no preceding Renomination following which the Aggregate NDM Nomination Quantity differs by more than 2% from the Aggregate NDM Nomination Quantity under the Initial NDM Output Nomination, the Initial NDM Output Nomination;

(ii) otherwise, the immediately preceding Eligible NDM Renomination;

(c) the "**Aggregate NDM Nomination Quantity**" is the sum of the Nomination Quantities under all of the User's NDM Output Nominations.

5.4.4 Where a User makes or is deemed to make under paragraph 5.3.1 or 5.3.4 a Primary Renomination in respect of a System Entry Point, subject to paragraphs 5.1.4, 5.3.3 and 5.4.5, the User shall make Matching Renominations for Renomination Quantities the magnitude of which in aggregate is equal to the Primary Renomination Quantity.

5.4.5 Subject to paragraph 5.4.6, where a User makes a Primary Renomination under paragraph 5.3 in respect of a System Entry Point, the User shall not be obliged to increase (by making a Matching Renomination) the Nomination Quantity under its Input Nomination(s) in respect of all other System Entry Points, by an amount which exceeds the quantities of gas (in excess of the Nomination Quantities under any prevailing Input Nominations in respect of those System Entry Points) which the User has available to it for delivery to the System at those System Entry Points during the Gas Flow Day or the period thereof remaining as at the Renomination Effective Time of the Primary Renomination.

5.4.6 Where pursuant to paragraph 5.4.5 a User does not make a Matching Renomination for the full amount of the Renomination Quantity, the User shall not later than the time by which the Matching Renomination would (under paragraph 5.4.7) have been required to be made, notify TransCo by telephone or facsimile of the unavailability of gas.

5.4.7A Matching Renomination shall be made before the expiry of a period of 30 minutes (or where the Primary Renomination was made in respect of an NDM Output Nomination, 60 minutes) after the relevant Primary Renomination was made.

5.4.8 For the purposes of this paragraph 5.4, in respect of a Primary Renomination made by or on behalf of a User, a "**Matching Renomination**" is:

(a) where the Primary Renomination reduced the Nomination Quantity at a System Entry Point, or increased the Nomination Quantity or was a New Renomination at a System Exit Point or Supply Point Group:

- (i) a Renomination which revises its Input Nomination for a System Entry Point by increasing the Nomination Quantity, and/or
- (ii) an original Input Nomination, in respect of a System Entry Point in respect of which the User has not earlier made a Nomination, and/or
- (iii) a Renomination which revises its Output Nomination in respect of a System Exit Point or DMA Supply Point Group by reducing the Nomination Quantity;

(b) where the Primary Renomination increased the Nomination Quantity at a System Entry Point, or reduced the Nomination Quantity at a System Exit Point or Supply Point Group:

- (i) a Renomination which revises its Input Nomination for a System Entry Point by reducing the Nomination Quantity, and/or
- (ii) an original Output Nomination, in respect of a System Exit Point or DMA Supply Point Group in respect of which the User has not earlier made a Nomination, and/or
- (iii) a Renomination which revises its Output Nomination in respect of a System Exit Point or DMA Supply Point Group by increasing the Nomination Quantity

in each case other than the System Point in respect of which the Primary Renomination was made and (in the case of a System Exit Point) excluding any Interruptible Supply Point in respect of which an Interruption Notice for the Gas Flow Day has been given.

5.5 Input Renominations: effect of Transportation Constraints

5.5.1 Where a User seeks to make a Renomination to increase the Nomination Quantity under an Input Nomination or to make a New Renomination in respect of a System Entry Point:

- (a) TransCo will assess the anticipated gas flows in the System during the Gas Flow Day, or the period thereof remaining after the Renomination Effective Time, with a view to identifying any Transportation Constraint anticipated to arise as a result of the Renomination;
- (b) where any such Transportation Constraint is identified TransCo will so notify the User and the Renomination shall be deemed to be withdrawn;
- (c) if the User so requests by telephone within 30 minutes after TransCo's notification under paragraph (b), TransCo will endeavour to establish with the User a basis on which and time (not exceeding 30 minutes after conclusion of such telephone communication) within which the User may submit a further Renomination, on the basis, so far as TransCo is able in the time available to estimate it, of the proportionate reduction which, if applied to the Renomination Quantities under all Renominations (other than Flexibility Nominations) in respect of that point, would be sufficient to eliminate the Transportation Constraint;
- (d) for the avoidance of doubt, paragraphs (a) and (b) shall apply in respect of any Renomination submitted under paragraph (c), (but paragraph (c) shall not so apply).

5.5.2A User shall not be obliged to increase (by making a Matching Renomination) the Nomination Quantity under its Input Nomination(s) in respect of a System Entry Point, where or to the extent that the User was unable to make such Matching Renomination by reason of an anticipated Transportation Constraint under paragraph 5.5.1(b), after taking account of the ability of the User to make Matching Renomination(s) at other System Entry Points.

5.6 Renomination review

5.6.1 TransCo shall not be required to determine whether a Renomination when made complies with the requirements of this paragraph 5 or Section I3.10, and may accept a non-compliant Renomination, but TransCo may reject a Renomination which does not so comply.

5.6.2 TransCo will, after the Gas Flow Day, keep under review (on a sample basis) Renominations made by Users; and (without prejudice to any other entitlement of TransCo under the Code) where it appears to TransCo that a User may have made one or more Renominations which materially or persistently failed to comply with the requirements of this paragraph 5 or Section I3.10:

- (i) TransCo will invite the User to provide to TransCo reasonable evidence that the Renomination(s) were compliant, and/or to provide to TransCo such information as the User may (in the light of paragraph (ii)) wish;
- (ii) if TransCo is not thereby reasonably satisfied that the User did not materially or persistently fail to comply with the requirements of this paragraph 5 or Section I3.10, TransCo will submit to the Director a report identifying the User and containing details of the possible failure to comply together with any information provided by the User under paragraph (i); and

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

6. TRADE NOMINATIONS

6.1 Basis of Trade Nominations

6.1.1 Where two Users agree to do so, they may make in respect of any Day corresponding nominations (respectively a "**Disposing Trade Nomination**" and an "**Acquiring Trade Nomination**") for the purposes of paragraph 6.1.3, subject to and in accordance with this paragraph 6.

6.1.2 The quantities subject to a Disposing Trade Nomination and an Acquiring Trade Nomination (each a "**Trade Nomination**") must be equal.

6.1.3 The quantity ("**Trade Nomination Quantity**") subject to corresponding Trade Nominations will (in accordance with Section E5) be:

- (i) deducted in determining the Daily Imbalance of the User making the Disposing Trade Nomination, and
- (ii) added in determining the Daily Imbalance of the User making the Acquiring Trade Nomination.

6.1.4 For the purposes of the Code (and without prejudice to any terms as between Users, with which TransCo shall not be concerned) a Trade Nomination shall have no other effect than under paragraph 6.1.3.

6.1.5 A User may make a Trade Nomination irrespective of whether the User makes any Input Nomination or Output Nomination for the Day in respect of which the Trade Nomination is made.

6.1.6 For the purposes of the Code a Trade Nomination is made by a User where the User has submitted a Trade Nomination which has not been rejected by TransCo in accordance with this Section C.

6.2 Content, timing and procedure

6.2.1 A Trade Nomination shall specify:

- (i) the Gas Flow Day;
- (ii) the identity of the User;
- (iii) whether it is a Disposing Trade Nomination or an Acquiring Trade Nomination;
- (iv) the identity of the User making the corresponding Trade Nomination; and
- (v) the Trade Nomination Quantity.

6.2.2 A Trade Nomination may not be made:

- (i) earlier than 30 Days before the Gas Flow Day,
- (ii) between the Scheduling Start Time and the Nomination Finalisation Time, or

(iii) later than 04:00 hours on the Gas Flow Day.

6.2.3A Trade Nomination shall not be effective and shall be rejected by TransCo:

- (a) if it does not comply with paragraph 6.2.1;
- (b) if the corresponding Trade Nomination is not submitted, in compliance with paragraph 6.2.1:
 - (i) where the first Trade Nomination was submitted before the Gas Flow Day, by 07:00 hours on the Gas Flow Day;
 - (ii) otherwise, within 60 minutes before or after the first Trade Nomination was made;
- (c) if the Trade Nomination Quantity and the quantity subject to the corresponding Trade Nomination are not equal;
- (d) in accordance with Section V3.

6.2.4A Trade Nomination may be withdrawn by the User who submitted it at any time before the Gas Flow Day, but may not be amended or withdrawn within the Gas Flow Day (but without prejudice to any subsequent Trade Nomination).

SECTION D: OPERATIONAL BALANCING AND FLEXIBILITY BIDDING

1. INTRODUCTION

1.1 Operational Balancing

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

- (i) both during and at the end of each Gas Flow Day, and
- (ii) within such operational tolerance as TransCo may determine, and
- (iii) after taking account of estimated shrinkage and intended changes in NTS linepack and LDZ stock, and
- (iv) having regard to all Transportation Constraints and other factors relevant to the operation of the System,

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

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

- (i) utilise Operating Margins in accordance with Section K; and/or
- (ii) accept Flexibility Bids in accordance with this Section D; and/or
- (iii) utilise Balancing Margins in accordance with Section K.

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

1.1.4 It is acknowledged that the measures referred to in paragraph 1.1.2 are among the measures which are specified in the Operational Guidelines established by TransCo pursuant to Special Condition 17 of the TransCo Licence, and that such Operational Guidelines do not form a part of and are not incorporated into, and are not binding upon TransCo pursuant to, the Code.

1.2 Operational Balancing Requirements

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

- (i) where the quantities of gas expected to be delivered to the System over the whole of the Gas Flow Day are more or less (after taking account of shrinkage and any intended changes in NTS linepack and LDZ stock) than those expected to be offtaken from the System over the whole of that Day;
- (ii) irrespective of whether the circumstances in paragraph (i) apply, where at any time within the Gas Flow Day (by reason of differences in the times and/or rates at which gas is delivered to and offtaken from the System) pressures in the System and/or NTSlinepack are or are expected to be more or less than the operationally acceptable limit determined by TransCo.

- 1.2.2 Operational Balancing Steps taken for any Day in the circumstances in paragraph 1.2.1(ii) may of themselves give rise to an Operational Balancing Requirement (for the same Day) under paragraph 1.2.1(i).
- 1.2.3 Subject to the provisions of Section C, TransCo will accept a Renomination for any Renomination Effective Time, irrespective of whether an Operational Balancing Requirement under paragraph 1.2.1(ii) may arise as a result.
- 1.3 Operational Balancing decisions
- 1.3.1 In making decisions as to the taking of Operational Balancing Steps, TransCo will and shall be entitled to take into account such information as it shall judge appropriate, including:
- (i) its own estimates of demand and profiles of demand within the Day;
 - (ii) Nomination Information under Output Nominations (including Renominations pursuant to Interruption of Interruptible Supply Point Components and Constrained LNG Nominations); and in respect of NExA Supply Meter Points and Connected System Exit Points, information provided pursuant to Sections J4 or J5 and the applicable Network Exit Agreement; and similar information provided to TransCo pursuant to any other transportation arrangement;
 - (iii) Nomination Information under Input Nominations; and
 - (iv) Local Operating Information.
- 1.3.2 "**Nomination Information**" means information, concerning the rates at and quantities in which gas is to be delivered to or offtaken from the System, which is provided under or can be inferred from Users' Nominations (including Renominations and Flexibility Nominations).
- 1.3.3 Without prejudice to TransCo's entitlement (under paragraph 1.3.1) to take account of such information as it judges appropriate, where after any Renomination is made there is any inconsistency (outside such tolerance as TransCo may reasonably determine to be appropriate) between Nomination Information and Local Operating Information in respect of any System Entry Point:
- (i) TransCo may view Nomination Information as decreasingly reliable, and Local Operating Information as increasingly reliable, with the passage of time (during the Gas Flow Day) after the relevant Renomination;
 - (ii) to the extent that Nomination Information proves to have been more accurate than any Local Operating Information on which TransCo may have relied, an additional Operational Balancing Requirement may arise.
- 1.4 Flexibility Bids
- 1.4.1 For the purposes of Operational Balancing:
- (i) prices and quantities of gas offered by Users for sale to or purchase from TransCo each Day will be established, and
 - (ii) TransCo may (by accepting such offers) buy and sell gas, so as to adjust the quantities of gas delivered to and offtaken from the System each Day,

subject to and in accordance with this Section D.

1.4.2 Subject to paragraph 1.5, TransCo will not accept Flexibility Bids other than for the purposes of Operational Balancing.

1.5 Transportation Constraints

1.5.1 Subject to paragraph 1.5.2, and subject to any conflicting requirements of System security, where after 24:00 hours on the Preceding Day it appears to TransCo that a Transportation Constraint is likely to arise or has arisen at a System Entry Point, TransCo will accept (at such time as it judges operationally appropriate) Flexibility Bids for System Entry Sells at the relevant System Entry Point with a view to gas flow rates at such point being reduced so as to avoid such Transportation Constraint.

1.5.2 TransCo will not be required to accept Flexibility Bids under paragraph 1.5.1 to the extent that the relevant Transportation Constraint is anticipated on the basis of Local Operating Information but would not be anticipated on the basis of the Implied Nomination Flow Rates and other Nomination Information pursuant to Users' Nominations (including Renominations).

1.5.3 It is not a condition to Section I3.8.1 that TransCo shall have taken the steps referred to in paragraph 1.5.1; and nothing in this paragraph 1.5 shall prejudice Section I3.9.

1.5.4 In paragraph 3, references to Operational Balancing shall be construed as including steps taken by TransCo under paragraph 1.5.1 in respect of a Transportation Constraint or anticipated Transportation Constraint, and references to Operational Balancing Steps and Operational Balancing Requirements shall be construed accordingly.

1.6 Emergencies

In accordance with Section Q in a National Emergency the provisions of this Section D shall not apply.

1.7 Scottish Independent Networks

1.7.1 References in this Section D to the System do not include references to the Scottish Independent Networks.

1.7.2 Injection of gas to LNG Facilities for the purposes described in Section B1.9.2 will take place only at certain times of the year and not at a uniform rate through the year; and accordingly quantities delivered by Users to the System with a view to balancing the quantities offtaken from the Scottish Independent Networks will at certain times of the year exceed, and at others be less than, the quantities offtaken from the System for injection into LNG Facilities for such purposes.

1.7.3 TransCo will manage and account for the differences in quantities referred to in paragraph 1.7.2 as changes in NTS linepack (potentially giving rise to or contributing to Operational Balancing Requirements) each Day; and will not be treated as a User of the System in so doing.

1.7.4 In accordance with paragraph 1.7.3, Injection Nominations made by TransCo for the purposes referred to in paragraph 1.7.2 will not take effect as Output Nominations.

2. FLEXIBILITY BIDDING

2.1 Flexibility Bid

2.1.1 For the purposes of the Code, a "**Flexibility Bid**" is an offer by a User (a "**Bidding User**"):

(i) to sell gas to TransCo on a Day at the Bid Price by delivering or increasing deliveries of gas to the System at a System Entry Point (a "**System Entry Buy**") or by reducing the offtake of gas from the System at a Flexibility Eligible System Exit Point (a "**System Exit Buy**"); or

(ii) to buy gas from TransCo on a Day at the Bid Price by offtaking or increasing the offtake of gas from the System at a Flexibility Eligible System Exit Point (a "**System Exit Sell**") or by reducing deliveries of gas to the System at a System Entry Point (a "**System Entry Sell**"),

and in each case to modify the gas flow rate and to be deemed to make a Nomination or Renomination accordingly.

2.1.2 For the purpose of the Code a "**System Sell**" is a System Entry Sell or a System Exit Sell and a "**System Buy**" is a System Entry Buy or a System Exit Buy.

2.1.3 For the purposes of paragraph 2.1.1 a "**Flexibility Eligible System Exit Point**" is any System Exit Point other than an NDM Supply Point Component, DMA Supply Point Component or SDMC(I) Supply Point Component or relevant Connected System Exit Point.

2.2 Bidding requirements

2.2.1 A User may at any time commencing 30 Days before the Gas Flow Day until 04:00 hours on the Gas Flow Day make a Flexibility Bid by submitting to TransCo a notice ("**Flexibility Bid Notice**"), subject to and in accordance with this paragraph 2.

2.2.2 A Flexibility Bid Notice shall specify:

- (i) the identity of the Bidding User;
- (ii) the Day or (in accordance with paragraph 2.4.1(b)) Days for which the bid or bids are made;
- (iii) whether the bid is for a System Entry Buy, System Entry Sell, System Exit Buy or System Exit Sell;
- (iv) the Bid Entry Point or Bid Exit Point;
- (v) the maximum and the minimum quantity of gas (which may be the same) for which the bid is made, or (in accordance with paragraph 2.4.1(a)) alternative maximum and minimum quantities;
- (vi) in the case of a System Entry Buy, an estimate of either:
 - (1) the calorific value, or
 - (2) the volume of the maximum quantity within the quantity range,of the Flexibility Gas;
- (vii) the flexibility lead time or (in accordance with paragraph 2.4.1(a)) alternative flexibility lead times;

- (viii) the maximum and minimum Flexibility Flow Rate Changes (which may be the same) for which the bid is made, or (in accordance with paragraph 2.4.1(a)) alternative maximum and minimum such changes;
 - (ix) the Bid Price, or (in accordance with paragraph 2.4.1(a)) alternative Bid Prices.
- 2.2.3 A Flexibility Bid may not be made subject to any condition (other than one expressly provided for in this Section D) and TransCo may at its option accept (notwithstanding any purported condition other than one so provided for) or disregard a Flexibility Bid which purports to be so conditional.
- 2.2.4 A Flexibility Bid Notice may not be amended (but a User may withdraw such a notice and submit a further notice in accordance with this Section D).
- 2.2.5 In accordance with Section B1.3 a User may make a Flexibility Bid without holding System Capacity at the Bid System Point.
- 2.3 Bid restrictions
- 2.3.1 A Flexibility Bid for a System Entry Buy or System Entry Sell may not be made for a minimum Flexibility Flow Rate Change of less than 0.05 MCM/Day.
- 2.3.2 A User may not have outstanding for any Day more than two Flexibility Bids for System Entry Buys nor more than two Flexibility Bids for System Entry Sells for which the minimum Flexibility Flow Rate Change is less than 0.5 MCM/Day.
- 2.3.3 There is no limit on the number of Flexibility Bids which a User may have outstanding for System Entry Buys or System Entry Sells for which the minimum Flexibility Flow Rate Change is not less than 0.5 MCM/Day.
- 2.3.4 A User may not have outstanding for any Day more than one Flexibility Bid for a System Exit Buy nor more than one Flexibility Bid for a System Exit Sell in respect of any Flexibility Eligible System Exit Point.
- 2.3.5 For the purposes of this paragraph 2.3:
- (i) a Flexibility Bid is outstanding for a Day where and for so long as it has been made by a User and not withdrawn under paragraph 2.7 or accepted under paragraph 3;
 - (ii) a flexibility option bid under paragraph 2.4.1(a) counts as one bid notwithstanding the number of bid alternatives thereunder.
- 2.3.6 Where a User makes a Flexibility Bid, the condition in paragraph 3.4.2 must be capable of being satisfied (assuming acceptance of the Flexibility Bid at the time the bid is made, and taking account of paragraph 4.1.2(d)) for all quantities within the quantity range, all Flexibility Flow Rate Changes within the Flow Rate Change Range, and in the case of a flexibility option bid (in accordance with paragraph 2.4.1(a)) for all options.
- 2.4 Options for Flexibility Bidding
- 2.4.1 A User submitting a Flexibility Bid Notice may:
- (a) subject to paragraph 2.4.2, designate the Flexibility Bid as a "**flexibility option bid**", in which case the Flexibility Bid Notice shall specify alternative combinations (each one a "**bid alternative**")

of quantity ranges, flexibility lead times, Flow Rate Change Ranges, and Bid Prices for which the bid is made; and/or

(b) where the Flexibility Bid Notice contains a Flexibility Bid for a System Entry Buy or System Exit Sell, specify a number of consecutive Days for which the Flexibility Bid Notice is submitted and designate the notice as made either:

- (i) under this paragraph (i), in which case the Flexibility Bid may be accepted by TransCo for any one but only one of the specified Days;
- (ii) under this paragraph (ii), in which case the Flexibility Bid Notice shall contain identical bids for each of the specified Days and may be accepted by TransCo for all or any one or more of the specified Days.

2.4.2 For the purposes of paragraph 2.4.1(a), a User may not in a flexibility option bid specify more than:

- (i) in the case of a System Entry Point or VLDMC Supply Point Component, 3 bid alternatives;
- (ii) in the case of any other Flexibility Eligible System Exit Point, 2 bid alternatives.

2.4.3 Where a User submits a flexibility option bid:

- (a) TransCo may accept the Flexibility Bid for any one of the bid alternatives;
- (b) acceptance by TransCo of the Flexibility Bid for one of the bid alternatives shall extinguish the Flexibility Bid (but where the Flexibility Bid Notice is made under paragraph 2.4.1(b)(ii), only for the relevant Day) as to the remaining bid alternatives.

2.4.4 Acceptance by TransCo of a Flexibility Bid for a quantity less than the maximum within the quantity range shall extinguish the Flexibility Bid as to the remaining quantity.

2.5 Turn-down bids

2.5.1 Where a User makes a Flexibility Bid for a System Entry Sell or a System Exit Buy, the bid shall not be valid until and unless:

- (a) in the case of a System Entry Sell, the Bidding User makes an Input Nomination for the Gas Flow Day at the Bid Entry Point,
- (b) in the case of a System Exit Buy, the Bidding User makes an Output Nomination for the Gas Flow Day at the Bid Exit Point

in either case for which the Implied Nomination Flow Rate is not less than the maximum Flexibility Flow Rate Change.

2.5.2 Where, at a time at which a Flexibility Bid within paragraph 2.5.1 is or has become valid (in accordance with that paragraph) but has not been accepted, the Bidding User makes a Renomination in respect of the Bid System Point following which the Implied Nomination Flow Rate is less than the maximum Flexibility Flow Rate Change, the bid shall remain valid but for a maximum Flexibility Flow Rate Change equal to the Implied Nomination Flow Rate (or cease to be valid if the minimum Flexibility Flow Rate Change exceeds the Implied Nomination Flow Rate).

2.5.3 During a Bid Evaluation Period or where a Flexibility Bid within paragraph 2.5.1 has been accepted, the Bidding User may not make a Renomination in respect of the Bid System Point as a result of which the Implied Nomination Flow Rate would be less than (as the case may be) the maximum Flexibility Flow Rate Change or the amount determined as the Flexibility Quantity divided by the period (in hours) from the Flexibility Effective Time to the end of the Gas Flow Day.

2.6 Negative Bid Price

2.6.1 A Flexibility Bid may specify a negative Bid Price, which represents:

- (i) in the case of a System Buy, an amount that the User is willing to pay in order to increase its deliveries of gas to the System or (as the case may be) to reduce its offtakes of gas from the System at the Bid System Point, and
- (ii) in the case of a System Sell, an amount that the User wishes to be paid in order to reduce its deliveries of gas to the System or (as the case may be) to increase its offtakes of gas from the System at the Bid System Point.

2.6.2 For the purposes of paragraph 3.2.3(a)(i), in the case of a System Buy a Flexibility Bid with a negative Bid Price will rank higher, and in the case of a System Sell a Flexibility Bid with a negative Bid Price will rank lower, than (in either case) a Flexibility Bid with a positive Bid Price.

2.6.3 For the purposes of paragraph 4.3, where a Flexibility Bid with a negative Bid Price is accepted, payment of the Flexibility Charge will be made by the seller and not the buyer.

2.7 Withdrawal of Flexibility Bid

2.7.1 A User may withdraw a Flexibility Bid which has not been accepted by TransCo, subject to and in accordance with this paragraph 2.7.

2.7.2 The User shall submit a notice ("**bid withdrawal notice**") specifying:

- (i) the identity of the User; and
- (ii) the Flexibility Bid Notice in respect of the Flexibility Bid(s) to be withdrawn.

2.7.3 A Flexibility Bid may not be withdrawn during a Bid Evaluation Period and if a User submits a bid withdrawal notice during a Bid Evaluation Period:

- (i) TransCo will notify the User that a Bid Evaluation Period is current;
- (ii) the bid withdrawal notice shall be of no effect and (without prejudice to any further bid withdrawal notice submitted after the end of the Bid Evaluation Period) the Flexibility Bid Notice shall remain in force and the Flexibility Bid thereunder may be accepted (in accordance with paragraph 3) by TransCo.

2.7.4 A bid withdrawal notice may not be withdrawn nor made conditional.

2.7.5 Subject to paragraph 2.7.3 the bid withdrawal notice shall be effective when submitted and the Flexibility Bid Notice (and the Flexibility Bid(s) thereunder, including in the case of a Flexibility Bid Notice under paragraph 2.4.1(b)(ii) the Flexibility Bid for subsequent Days) shall be withdrawn upon submission of the bid withdrawal notice.

2.8 Definitions

For the purposes of this Section D, in relation to a Flexibility Bid:

- (a) "**Flexibility Gas**" is gas the subject of the Flexibility Bid;
- (b) the "**Bid Price**" is the price (in pence/kWh) specified by a Bidding User for the Flexibility Bid;
- (c) "**flexibility lead time**" is the period of time required by the User after acceptance by TransCo of the Flexibility Bid before the User will modify the gas flow rate at the Bid System Point;
- (d) "**Flexibility Flow Rate Change**" is:
 - (i) where no earlier Nomination was made in respect of the Bid System Point, the rate (in MCM/Day) at which Flexibility Gas is to be delivered or offtaken;
 - (ii) where an earlier Nomination was made in respect of the Bid System Point, the amount (in MCM/Day) by which the gas flow rate is to be increased or (as the case may be) decreased in respect of Flexibility Gas;
- (e) the "**Bid Entry Point**" or "**Bid Exit Point**" is the System Entry Point or System Exit Point at which the gas flow rate is to be modified; and the "**Bid System Point**" is the Bid Entry Point or Bid Exit Point;
- (f) the "**quantity range**" is the range of quantities defined by the maximum and minimum quantities specified in the Flexibility Bid Notice;
- (g) the "**Flow Rate Change Range**" is the range of Flexibility Flow Rate Changes defined by the maximum and minimum such changes specified in the Flexibility Bid Notice.

2.9 Bid information

- 2.9.1 Users will have access each Day by means of UK Link to the following details in respect of Flexibility Bids which are outstanding for that and any subsequent Day or which have been accepted for that Day: the details (for each bid alternative, in the case of a flexibility option bid) under sub-paragraphs (iii), (iv), (v), (vii), (viii) and (ix) of paragraph 2.2.2 (but only the maximum values as respects sub-paragraphs (v) and (viii)).
- 2.9.2 The identity of Bidding Users will not be disclosed to Users pursuant to paragraph 2.9.1.

3. ACCEPTANCE OF FLEXIBILITY BIDS

3.1 Acceptance

- 3.1.1 With effect from the Renomination Start Time and throughout the Gas Flow Day TransCo may (in accordance with this paragraph 3) accept Flexibility Bids made for the Gas Flow Day for such quantities of Flexibility Gas as it from time to time requires for purposes of Operational Balancing.
- 3.1.2 For avoidance of doubt TransCo may at different times, or at the same times at different Bid Entry Points or Bid Exit Points, accept Flexibility Bids for System Sells and System Buys for the same Day.

3.2 Bid evaluation and selection

- 3.2.1 Where for the purposes of Operational Balancing TransCo intends to accept Flexibility Bid(s), TransCo will:
- (i) initiate a Bid Evaluation Period;
 - (ii) determine which Flexibility Bids are Available in accordance with paragraph 3.2.2;
 - (iii) rank the Available Flexibility Bids in accordance with paragraph 3.2.3; and
 - (iv) review and select for acceptance Available Flexibility Bids in accordance with paragraph 3.2.4.
- 3.2.2 For the purposes of this Section D a Flexibility Bid is "**Available**" where:
- (a) the Flexibility Bid was made, and in the case of a Flexibility Bid within paragraph 2.5.1 has become and remains valid in accordance with that paragraph, before the start of the Bid Evaluation Period, and is capable of acceptance in accordance with paragraph 3.4, and
 - (b) the operational balancing quantity is not less than:
 - (i) the minimum quantity in the quantity range under the Flexibility Bid, nor
 - (ii) the product of the minimum Flexibility Flow Rate Change (expressed in kWh/hour) and the period in hours from the expiry (after the time at which the bid would be accepted, and taking into account paragraph 4.1.2(d)) of the flexibility lead time until the end of the Gas Flow Day.
- 3.2.3 Subject to paragraph 3.2.6, Available Flexibility Bids will be ranked:
- (a) in order of price, the highest ranking being the Flexibility Bid:
 - (i) in the case of a System Sell, for which the Bid Price is highest;
 - (ii) in the case of a System Buy, for which the Bid Price is lowest;
 - (b) where two or more Available Flexibility Bids have the same Bid Price, in order of their respective flexibility lead times, the bid with the shortest flexibility lead time being ranked highest among such bids;
 - (c) where two or more Available Flexibility Bids have the same Bid Price and flexibility lead time, in the order in which they were made, the earliest made being ranked highest among such bids.
- 3.2.4 TransCo will, in respect of each ranked Available Flexibility Bid, sequentially in the order ranked (starting with the highest ranking), review such bid to determine whether, having regard to the factors in paragraph 3.2.5, such bid is operationally suitable for acceptance (for the purposes of Operational Balancing), until TransCo has determined to accept Flexibility Bids in aggregate for approximately the operational balancing quantity, whereupon it will accept the Flexibility Bids so determined.
- 3.2.5 The factors referred to in paragraph 3.2.4 are:
- (i) the quantity range, Flow Rate Change Range, Bid System Point, flexibility lead time (taking into account paragraph 4.1.2(d)), and (in the case of a System Entry Point) estimated calorific value or volume of the maximum quantity of Flexibility Gas, of the Flexibility Bid under review;

- (ii) the nature and urgency of the Operational Balancing Requirement, and any prevailing Transportation Constraints;
 - (iii) the extent to which (as compared with any other Flexibility Bid) acceptance of the Flexibility Bid would be likely to give rise to a subsequent Operational Balancing Requirement as described in paragraph 1.2.2; and
 - (iv) such other considerations as TransCo may reasonably determine in the circumstances to be relevant for the purposes of Operational Balancing.
- 3.2.6 TransCo may elect, before ranking Available Flexibility Bids under paragraph 3.2.3, to exclude Flexibility Bids which (on the basis of any one or more of the factors referred to in paragraph 3.2.5) are not operationally suitable for acceptance.
- 3.2.7 TransCo will secure that the Bid Evaluation Period is not longer than is reasonably necessary in the circumstances to enable TransCo properly to carry out the actions described in this paragraph 3.2.
- 3.2.8 For the purposes of this Section D:
- (a) the "**Bid Evaluation Period**" is a period in which, where TransCo intends to accept Flexibility Bids, it evaluates and accepts Flexibility Bids in accordance with this paragraph 3.2;
 - (b) the "**operational balancing quantity**" is the quantity of gas required for Operational Balancing purposes;
 - (c) without prejudice to paragraphs 2.3.5(ii) and 2.4.3, each of the bid alternatives within a flexibility option bid shall be treated as a separate Flexibility Bid.
- 3.2.9 TransCo will maintain records (which for the avoidance of doubt will not be available to Users) which will include the times at which and reasons for which it initiates Bid Evaluation Periods, the times at which Bid Evaluation Periods are closed and the reasons for which it accepts Flexibility Bids.
- 3.3 Acceptance procedure
- 3.3.1 A Flexibility Bid shall be accepted where TransCo gives notice of acceptance to the Bidding User.
- 3.3.2 Notice of acceptance by TransCo of a Flexibility Bid shall specify:
- (a) the Flexibility Bid Notice;
 - (b) the quantity (within the quantity range) and Flexibility Flow Rate Change for which the bid is accepted;
 - (c) where the bid was a flexibility option bid, the bid alternative for which the bid is accepted; and
 - (d) where the Flexibility Bid Notice was made under paragraph 2.4.1(b), the Day for which the bid is accepted.
- 3.3.3 Where TransCo accepts a Flexibility Bid, TransCo will (but without prejudice to the effectiveness of such acceptance) give such further notice of acceptance to the Bidding User by Active Notification Communication.
- 3.4 Restrictions on acceptance

- 3.4.1 TransCo shall not accept a Flexibility Bid at a time, and/or for a quantity or flexibility lead time, where as a result the condition in paragraph 3.4.2 would not be satisfied.
- 3.4.2 The condition referred to in paragraph 3.4.1 is that:
- (i) the Flexibility Flow Rate Change for which the Flexibility Bid is accepted lies within the Flow Rate Change Range; and
 - (ii) the quantity for which the Flexibility Bid is accepted is not greater than the product of the accepted Flexibility Flow Rate Change and the period (in hours) from the Flexibility Effective Time until the end of the Gas Flow Day.

4. FLEXIBILITY QUANTITY AND CONTRACT

4.1 Effect of acceptance

4.1.1 Where (in accordance with paragraph 3.3) TransCo accepts a Flexibility Bid:

- (a) the Flexibility Quantity shall be deemed to be sold and purchased pursuant to a System Clearing Contract;
- (b) the Flexibility Quantity shall be taken into account in the determination of the User's Daily Imbalance in accordance with Section E5.1;
- (c) the Bidding User shall be deemed to have made a Renomination in respect of the Bid System Point in accordance with paragraph 4.2.

4.1.2 For the purposes of the Code, in relation to an accepted Flexibility Bid:

- (a) the "**Accepted Price**" is the Bid Price or (in the case of a flexibility option bid) the Bid Price for which the bid was accepted;
- (b) the "**Flexibility Quantity**" is the quantity of gas for which the bid was accepted;
- (c) the "**Flexibility Charge**" is the Flexibility Quantity multiplied by the Accepted Price;
- (d) the "**Flexibility Effective Time**" is the hour (in accordance with Section C1.10.1) of the Gas Flow Day immediately after the elapse, from the time at which TransCo gave notice of acceptance of the Flexibility Bid, of the flexibility lead time, or (in the case of a flexibility option bid) the flexibility lead time for which the bid was accepted.

4.2 Flexibility Nominations

4.2.1 In the case of a System Entry Buy the Bidding User shall be deemed to have made an original Input Nomination for, or a Renomination increasing the Nomination Quantity under its prevailing Input Nomination by, the Flexibility Quantity.

4.2.2 In the case of a System Exit Buy the Bidding User shall be deemed to have made a Renomination decreasing the Nomination Quantity under its prevailing Output Nomination by the Flexibility Quantity.

- 4.2.3 In the case of a System Entry Sell the Bidding User shall be deemed to have made a Renomination decreasing the Nomination Quantity under its prevailing Input Nomination by the Flexibility Quantity.
- 4.2.4 In the case of a System Exit Sell the Bidding User shall be deemed to have made an original Output Nomination for, or a Renomination increasing the Nomination Quantity under its prevailing Output Nomination by, the Flexibility Quantity.
- 4.2.5 Where the Flexibility Effective Time is after the start of the Gas Flow Day, the Renomination Effective Time under the Flexibility Nomination shall be the Flexibility Effective Time.
- 4.2.6 An original Input Nomination under paragraph 4.2.1 or Output Nomination under paragraph 4.2.4 shall be a New Renomination (in accordance with Section C5.1.11(a)).
- 4.3 System Clearing Contract
- 4.3.1 The System Clearing Contract shall arise on TransCo's acceptance of the Flexibility Bid and (without prejudice to the determination of the Bidding User's Daily Imbalance in accordance with Section E5) shall be deemed fully performed except as to payment.
- 4.3.2 Except as provided in paragraph 2.6.3:
- (i) in the case of a System Sell, the Bidding User shall pay to TransCo the Flexibility Charge;
 - (ii) in the case of a System Buy, TransCo shall pay to the Bidding User the Flexibility Charge.
- 4.3.3 The Flexibility Charge will be invoiced and payable in accordance with Section S.

SECTION E: DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

1. INTRODUCTION

1.1 User Daily Quantities

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

- (i) NTS and LDZ Commodity Charges, and the Commodity Variable Component (if any) of Customer Charges,
- (ii) Overrun Charges, CSEP Overrun Charges, Flexibility Overrun Charges and Supply Point Ratchet Charges,
- (iii) Daily Imbalances, and
- (iv) Scheduling Charges,

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

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

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

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

(i) with respect to any Registered NDM Supply Point Component or relevant Unmetered Connected System Exit Point, and

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

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

- 1.1.4 Unless the context otherwise requires, references in the Code to quantities delivered to or offtaken from the System by a User are to the quantities treated in accordance with this Section E as being so delivered or offtaken.
- 1.1.5 For the avoidance of doubt, Section V1.6 shall apply for the purposes of ensuring that quantities of gas delivered to and offtaken from the System by Non-Code Shippers are taken into account in determining the quantities of gas delivered to and offtaken from the System by Users.
- 1.2 Daily Imbalance
- 1.2.1 For the purposes of the Code a Daily Imbalance shall be determined for each User in respect of each Day.
- 1.2.2 For each User the "**Daily Imbalance**" in respect of a Day is the imbalance between the quantities (adjusted to take account of Trade Nominations and Flexibility Quantities) treated as delivered to and offtaken from the System by the User on that Day, determined in accordance with paragraph 5.
- 1.3 Reconciliation
- 1.3.1 For the purposes of NDM Reconciliation, DM Reconciliation and CSEP Reconciliation, Reconciliation Values shall be calculated in accordance with paragraph 6.
- 1.3.2 "**NDM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, in relation to an NDM Supply Meter Point, in respect of differences between:
- (i) the quantities determined as offtaken by a User in accordance with Section H2,
 - (ii) the quantities subsequently determined to have been offtaken pursuant to Meter Reads (in accordance with Section M).
- 1.3.3 "**DM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, in relation to a DM Supply Meter Point, in respect of:
- (a) differences between:
 - (i) the quantities assumed to be offtaken on Failed Daily Read Day(s), and
 - (ii) the quantities subsequently determined to have been offtaken upon the obtaining of a Valid Meter Reading; or
 - (b) differences between:
 - (i) the quantities determined to have been offtaken by Meter Reads by Daily Read Equipment, and
 - (ii) the quantities subsequently determined to have been offtaken pursuant to a DM Check Read.
- 1.3.4 "**CSEP Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges:

- (a) in relation to a relevant Unmetered Connected System Exit Point, in respect of differences between:
 - (i) the quantities initially assumed to be offtaken, and
 - (ii) the quantities subsequently determined (by reference to readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken,in accordance with the applicable CSEP Network Exit Agreement; or
- (b) in relation to a relevant Metered Connected System Exit Point, in respect of differences between:
 - (i) the quantities determined to have been offtaken by automated or estimated readings of the meter at the Connected System Exit Point, and
 - (ii) the quantities subsequently determined to have been offtaken, by reference to a periodic check reading, or (as the case may be) a reading following such estimation, of such meter,in accordance with the applicable CSEP Network Exit Agreement.

1.4 System Daily Quantities: Entry

- 1.4.1 In respect of each System Entry Point, the "**Entry Point Daily Quantity Delivered**" is the aggregate quantity of gas delivered to the System on a Day at that System Entry Point, ascertained as described in Section I2.5 (subject to paragraph 1.7.1).
- 1.4.2 The amount determined to be the Entry Point Daily Quantity Delivered in respect of any System Entry Point for the Gas Flow Day may be revised at any time up to and including the 5th following Day, but no revision will be made to such quantity after the 5th Day after the Gas Flow Day.
- 1.4.3 In respect of the System as a whole:
 - (a) the "**System Daily Quantity Delivered**" is the aggregate quantity of gas delivered to the System on a Day, determined as the aggregate of the Entry Point Daily Quantities Delivered for all System Entry Points;
 - (b) the "**NTS Daily Quantity Delivered**" is the System Daily Quantity Delivered less the sum of the Entry Point Daily Quantities Delivered in respect of any LDZ System Entry Points.

1.5 System Daily Quantities: Exit from NTS/LDZ

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

- 1.5.2 In respect of each Connected System Exit Point the "**CSEP Daily Quantity Offtaken**" is the aggregate quantity of gas treated as offtaken from the System on a Day at that Connected System Exit Point, ascertained in accordance with the CSEP Network Exit Agreement (subject to paragraph 1.7.1).
- 1.5.3 In respect of each DM Supply Meter Point, the "**Supply Meter Point Daily Quantity**" is the quantity of gas (being the Metered Quantity) determined as offtaken from the System at the Supply Meter Point on a Day in accordance with Section M.
- 1.6 Information
- 1.6.1 On each Day (the "**information Day**"), from the first information Day until the date 6 months thereafter, each User will have access (by means of UK Link) to details (on the basis of information available up to the end of the Day before the information Day) for the Gas Flow Day of:
- (i) the Entry Point Daily Quantity Delivered for each System Entry Point and the System Daily Quantity Delivered, and
 - (ii) the User's UDQIs for each System Entry Point, UDQOs for System Exit Points (by Exit Zone in the case of LDZ Supply Point Components) and Daily Imbalance.
- 1.6.2 The first information Day is:
- (i) for the purposes of paragraph 1.6.1(i), the Day following the Gas Flow Day;
 - (ii) for the purposes of paragraph 1.6.1(ii), the 2nd Day following the Gas Flow Day.
- 1.6.3 On information Days from the first information Day until the Day after the Day on which (in accordance with paragraph 2.1.2) initial Entry Allocation Statements are submitted, the details under paragraph 1.6.1(ii) will be determined on the basis of UDQIs determined provisionally on the basis in paragraph 2.1.8.
- 1.6.4 The information available to Users under paragraph 1.6.1 in respect of a Day will be revised each Day until the Entry Close-out Date to take account of revisions notified to TransCo pursuant to paragraph 2 in the information from which it is derived.
- 1.7 BG Storage Facilities
- 1.7.1 The Entry Point Daily Quantity Delivered and CSEP Daily Quantity Offtaken at the Storage Connection Point in respect of a BG Storage Facility will be established by means of measurement equipment installed (and operated, maintained, tested and calibrated) by TransCo or the Storage Operator in accordance with procedures established by TransCo or the Storage Operator for such purposes (reasonable details of which are available from TransCo or the Storage Operator upon request).
- 1.7.2 For each Storage Connection Point of a BG Storage Facility, the Storage Operator shall be deemed to have agreed with TransCo that (except where Section R provides otherwise) where the CSEP Daily Quantity Offtaken or (as the case may be) the Entry Point Daily Quantity Delivered differs from the aggregate of the quantities treated as offtaken from or (as the case may be) delivered to the System at that point by Users, the amount of the difference (whether positive or negative) shall be treated for the purposes of Section F (but not for Section B) as a UDQO or a UDQI of the Storage Operator.
- 1.8 Scottish Independent Networks

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

1.9 Close-out rules

1.9.1 For the purposes of the Code:

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

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

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

2. INPUT QUANTITIES

2.1 User Daily Quantity Inputs

2.1.1 For each nominating User the UDQI in respect of each System Entry Point for the Gas Flow Day shall be determined in accordance with this paragraph 2.1, subject to paragraph 2.3.

2.1.2 In respect of each System Entry Point, each nominating User shall and any non-nominating User may submit to TransCo, not later than the 7th Business Day after the Gas Flow Day, a statement ("**Entry Allocation Statement**") specifying:

- (i) the identity of the User;
- (ii) the identity of the System Entry Point;
- (iii) the Gas Flow Day; and
- (iv) the quantity of gas delivered by that User to the System on the Gas Flow Day at that System Entry Point.

2.1.3 Where an Entry Allocation Statement submitted by a User in accordance with paragraph 2.1.2 does not correctly reflect the User's entitlement to gas delivered to the System on the Gas Flow Day, the User may, not later than the Entry Close-out Date, revise its Entry Allocation Statement so as correctly to reflect its entitlement, provided that where the conditions in paragraph 2.1.7 were satisfied in respect of the first-submitted Entry Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.

- 2.1.4 A revision under paragraph 2.1.3 of an Entry Allocation Statement shall not be made to reflect any dealing by the User and any other person after the Gas Flow Day in respect of entitlements in respect of gas delivered to the System.
- 2.1.5 For the avoidance of doubt, but without prejudice to paragraphs 2.2 and 2.3 and subject to Section V1.6, no person who is not a User may submit an Entry Allocation Statement or otherwise may claim to have delivered gas to the System, and TransCo will disregard any such purported submission or claim.
- 2.1.6 If for the Gas Flow Day in respect of a System Entry Point both of the conditions in paragraph 2.1.7 are satisfied:
- (i) each User who submitted an Entry Allocation Statement shall be a Delivering User;
 - (ii) the UDQI for each nominating User shall be the quantity stated in the User's Entry Allocation Statement; and
 - (iii) paragraph 4 shall apply in respect of any non-nominating User who submitted an Entry Allocation Statement.
- 2.1.7 The conditions referred to in paragraph 2.1.3 and 2.1.6 are:
- (i) that by the Entry Close-out Date, Entry Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User), and
 - (ii) that the aggregate of the quantities stated in all Entry Allocation Statements (submitted by or on behalf of nominating Users and non-nominating Users) and any Unclaimed Entry Allocation Statement under paragraph 2.3 is equal to the Entry Point Daily Quantity Delivered.
- 2.1.8 If for the Gas Flow Day in respect of a System Entry Point either condition in paragraph 2.1.7 is not satisfied, subject to paragraph 2.1.9:
- (i) each nominating User shall be a Delivering User; and
 - (ii) the UDQI for each Delivering User shall be determined by allocating the Entry Point Daily Quantity Delivered between the Delivering Users in proportion to the Nominated Quantities under their respective Input Nominations for the Gas Flow Day in respect of that System Entry Point.
- 2.1.9 If no User made an Input Nomination for the System Entry Point for the Gas Flow Day, and gas was delivered to the System at that point:
- (i) each User who was (whether or not by virtue of this paragraph 2.1.9) a Delivering User on the Preceding Day shall be a Delivering User; and
 - (ii) the Entry Point Daily Quantity Delivered shall be allocated to the Delivering Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph) allocated on the Preceding Day, and paragraph 4 shall apply in respect of each such User.

2.2 Entry Allocation Agents

- 2.2.1 In accordance with Section V6 a User may appoint a User Agent for the purposes of submitting Entry Allocation Statements in respect of a System Entry Point in accordance with paragraph 2.1.
- 2.2.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Entry Allocation Statements in respect of the System Entry Point for each such User.
- 2.2.3 The Storage Operator shall be deemed to be appointed by each User as User Agent for the purposes of submitting Entry Allocation Statements in respect of relevant Storage Connection Points under paragraph 2.2.1; and the Storage Operator shall be deemed to have submitted (so as to satisfy the conditions in paragraph 2.1.7) Entry Allocation Statements in respect of the quantities determined as withdrawn by Users from relevant BG Storage Facilities in accordance with Section R.
- 2.2.4 Where (by virtue of being Shrinkage Provider or Top-Up Manager or for Systems Margin Purposes or Storage Management Purposes or otherwise) TransCo is party to an agreement pursuant to which a person is appointed as User Agent pursuant to paragraph 2.2.1, no provision of such agreement and nothing done by TransCo pursuant to such agreement shall modify or take effect as a waiver of any provision of the Code.
- 2.3 Unclaimed Entry Allocation
- 2.3.1 Subject to the conditions in paragraph 2.3.3, where in respect of any Day all of the Entry Allocation Statements submitted by Users ("**relevant Users**") in relation to a System Entry Point are submitted by the same person as User Agent the Users may arrange with the User Agent that he will also submit an Unclaimed Entry Allocation Statement.
- 2.3.2 An "**Unclaimed Entry Allocation Statement**" is an Entry Allocation Statement in which the quantity of gas specified as delivered to the System is not allocated to any User but is treated as allocated to an unclaimed account maintained by TransCo for the purposes of this paragraph 2.3.
- 2.3.3 The conditions referred to in paragraph 2.3.1 are:
- (i) that the conditions in paragraph 2.1.7 are satisfied (taking into account for such purposes the Unclaimed Entry Allocation Statement and the quantity stated therein);
 - (ii) that the quantity specified in the Unclaimed Entry Allocation Statement is less than the Entry Point Daily Quantity Delivered; and
 - (iii) that the Unclaimed Entry Allocation Statement does not identify (directly or indirectly) any person as a person to whom the quantity thereunder is allocated.
- 2.3.4 Where in respect of a Day an Unclaimed Entry Allocation Statement is submitted, relevant Users' UDQIs shall be those determined under paragraph 2.1.6 on the basis of their respective Entry Allocation Statements.
- 2.3.5 The User Agent may up to but not later than the Entry Close-out Date revise an Unclaimed Entry Allocation Statement, provided the conditions in paragraph 2.3.3 continue to be satisfied following such revision.
- 2.3.6 Each User undertakes:

- (i) that it will not, and will not authorise the User Agent to, do anything which would or might confer on any person (other than a User) any right or entitlement in respect of any quantity of gas the subject of a Unclaimed Entry Allocation Statement; and
 - (ii) that (without prejudice to any revision of the User's Entry Allocation Statement in accordance with paragraph 2.1.4) it will not itself claim any right or entitlement to any such quantity of gas.
- 2.3.7 If any person makes any claim against TransCo in respect of any quantity of gas the subject of an Unclaimed Entry Allocation Statement:
 - (i) TransCo will defend such claim in such manner and to such extent as (after consultation in accordance with paragraph (ii)) it shall determine to be appropriate;
 - (ii) TransCo will consult with and keep informed the Network Code Committee or any relevant Sub-committee as respects such defence;
 - (iii) TransCo will be entitled to recover (in accordance with Section F4.5.3(a)(iii)) the costs and expenses reasonably incurred by it in such defence and any amount paid by it (whether in settlement or satisfaction of any such claim) to such person or other amount for which it may be liable in connection therewith.
- 2.3.8 TransCo shall not for any purposes be treated as a User in respect of the unclaimed account referred to in paragraph 2.3.2 (and any quantity allocated to such account will not be taken into account in determining any User's Daily Imbalance nor in calculating Balancing Neutrality Charges under Section F, and is not required to be cleared under Section F).
- 3. OUTPUT QUANTITIES
- 3.1 Supply Point UDQO
- 3.1.1 For a nominating User the UDQO in respect of a Registered Supply Point Component for the Gas Flow Day shall be:
 - (i) in the case of a NDM Supply Point Component, the sum of the NDM Supply Meter Point Demands (in accordance with Section H2) for each NDM Supply Meter Point comprised in that NDM Supply Point Component;
 - (ii) in the case of a DM Supply Point Component, the User SPDQ in accordance with paragraph 3.1.2.
- 3.1.2 The "**User SPDQ**" for a User in respect of a Registered DM Supply Point Component shall be the sum for each of the DM Supply Meter Points comprised in the Supply Point Component of:
 - (i) subject to paragraph (ii), the Supply Meter Point Daily Quantity;
 - (ii) in the case of a Shared Supply Meter Point, the portion of the Supply Meter Point Daily Quantity determined in respect of that User in accordance with the Shared Supply Meter Notification pursuant to Section G1.7.
- 3.1.3 The provisions of paragraph 4 shall apply in respect of the User SPDQ in respect of any Supply Point for which the Registered User was a non-nominating User.

3.2 Connected System Exit Points

- 3.2.1 For each nominating User the UDQO in respect of each Connected System Exit Point shall be determined in accordance with the applicable CSEP Network Exit Agreement and/or (where not inconsistent with the CSEP Network Exit Agreement) this paragraph 3.2.
- 3.2.2 In respect of each Connected System Exit Point, each nominating User shall and any non-nominating User may submit to TransCo, not later than the Exit Close-out Date, a statement ("**Exit Allocation Statement**") specifying:
- (i) the identity of the User;
 - (ii) the identity of the Connected System Exit Point;
 - (iii) the Gas Flow Day; and
 - (iv) the quantity of gas offtaken by that User from the System on the Gas Flow Day at that Connected System Exit Point.
- 3.2.3 A User may, not later than the Exit Close-out Date, revise its Exit Allocation Statement, provided that where the conditions in paragraph 3.2.6 were satisfied in respect of the first-submitted Exit Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.
- 3.2.4 For the avoidance of doubt, but without prejudice to paragraph 3.3, no person who is not a User may submit an Exit Allocation Statement or otherwise may claim to have offtaken gas from the System and TransCo will disregard any such purported submission or claim.
- 3.2.5 If for the Gas Flow Day in respect of a Connected System Exit Point both of the conditions in paragraph 3.2.6 are satisfied:
- (i) each User who submitted an Exit Allocation Statement shall be an Offtaking CSEP User;
 - (ii) the UDQO for each nominating User shall be the quantity stated in the User's Exit Allocation Statement; and
 - (iii) paragraph 4 shall apply in respect of any non-nominating User who submitted an Exit Allocation Statement.
- 3.2.6 The conditions referred to in paragraph 3.2.3 and 3.2.5 are:
- (i) that by the Exit Close-out Date, Exit Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User), and
 - (ii) that the aggregate of the quantities stated in all Exit Allocation Statements (submitted by nominating Users and non-nominating Users) is equal to the CSEP Daily Quantity Offtaken.
- 3.2.7 If for the Gas Flow Day in respect of a Connected System Exit Point either condition in paragraph 3.2.6 above is not satisfied, subject to paragraph 3.2.8:
- (i) each nominating User shall be an Offtaking CSEP User; and

(ii) the UDQO for each Offtaking CSEP User shall be determined by allocating the CSEP Daily Quantity Offtaken between the Offtaking CSEP Users in proportion to the Nominated Quantities under their respective Output Nominations for the Gas Flow Day in respect of that Connected System Exit Point.

3.2.8 If no User made an Output Nomination for the Connected System Exit Point for the Gas Flow Day, and gas was offtaken from the System at that point:

(i) each User who was (whether or not by virtue of this paragraph 3.2.8) an Offtaking CSEP User on the Preceding Day shall be an Offtaking CSEP User; and

(ii) the CSEP Daily Quantity Offtaken shall be allocated to the Offtaking CSEP Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph 3.2.8) allocated on the Preceding Day, and paragraph 4 shall apply in respect of each such User.

3.3 Exit Allocation Agents

3.3.1 In accordance with Section V6 a User may appoint a User Agent for the purposes of submitting Exit Allocation Statements in respect of a Connected System Exit Point in accordance with paragraph 3.2.

3.3.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Exit Allocation Statements in respect of the Connected System Exit Point for each such User.

3.3.3 The Storage Operator shall be deemed to be appointed by each User as User Agent for the purposes of submitting Exit Allocation Statements in respect of relevant Storage Connection Points under paragraph 3.3.1; and the Storage Operator shall be deemed to have submitted (so as to satisfy the conditions in paragraph 3.2.6) Exit Allocation Statements in respect of the quantities determined as injected by Users to relevant BG Storage Facilities in accordance with Section R.

3.4 NTS Offtakes

3.4.1 For the purposes of the Code for each User the "**User Daily NTS Offtake Quantity**" in respect of an NTS/LDZ Offtake is the quantity of the gas flow at the NTS/LDZ Offtake attributable (but without increase in respect of relevant LDZ Shrinkage or adjustment for stock change) to the offtake of gas by the User from the System on a Day at LDZ System Exit Points in the relevant Exit Zone.

3.4.2 The User Daily NTS Offtake Quantity in respect of a User for a Day shall be determined as the sum of the User's UDQOs for all such System Exit Points.

3.4.3 For each User the "**Firm DM User Daily NTS Offtake Quantity**" in respect of an NTS/LDZ Offtake is the portion of a User's User Daily NTS Offtake Quantity attributable to the offtake of gas by the User from the System at Registered Firm DM LDZ Supply Point Components and relevant LDZ Connected System Exit Points in the relevant Exit Zone, determined as the sum of the User's UDQOs for all such System Exit Points.

3.5 Daily Read Errors

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

- (i) TransCo will, as soon as reasonably practicable, determine (as nearly as may be) the amount (the "**Error Revised UDQO**") of the UDQO for the relevant DM Supply Point Component for the Day on the basis of such Metered Quantity;
- (ii) adjustments will be made in respect of any Overrun Charges or Supply Point Ratchet Charges in accordance with Section B1.11 and in respect of certain Balancing Charges in accordance with Section F1.4;
- (iii) except as provided in paragraph (ii), in accordance with paragraph 1.9.2 no revision or recalculation of the quantities treated as offtaken from the System by Users, Users' Daily Imbalances or any Balancing Charges on or for the Daily Read Error Day will be made.

3.6 Gas illegally taken

3.6.1 Where:

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

subject to paragraph 3.6.2, such adjustments shall be made, in respect of the quantities treated as offtaken from the System by the Registered User at the relevant Supply Meter Point, as are required to ensure that the quantity of gas estimated to be so taken is treated as offtaken by the Registered User for the purposes of determining the quantities subject to NDM or (where applicable) DM Reconciliation (but no adjustment will be made in respect of the determination of any UDQO of the User for any other purpose).

3.6.2 Paragraph 3.6.1 shall not apply in a case to which Standard Condition 24(4) of the TransCo Licence applies; and further, to give effect to that Condition (insofar as it relates to Energy Balancing Charges payable by Users):

- (i) TransCo may pay to the Registered User, in respect of gas which has been or will be treated (pursuant to the Code) as offtaken by the User but is to be treated (pursuant to that Condition) as not having been taken out of the System, an amount estimated by TransCo to be the amount which has been or will be payable by way of Reconciliation Clearing Charges in respect of such quantity of gas;
- (ii) Users acknowledge that it is not feasible to make any adjustment (beyond what is provided for in paragraph (i)) in respect of any amount by which such gas may have contributed to the User's Daily Imbalance for or Energy Balancing Charges payable in respect of any Day;
- (iii) amounts paid by TransCo pursuant to paragraph (i) will be additional Monthly Adjustment Neutrality Costs for the purposes of F4.5.3(b).

4. UNAUTHORISED GAS FLOWS

4.1 Unauthorised Gas Flow

- 4.1.1 Where a User is a non-nominating User for a Day in respect of a System Point, any delivery (in the circumstances under paragraph 2.1.6 or 2.1.9) or offtake (in accordance with paragraph 3.1.3 or in the circumstances under paragraph 3.2.5 or 3.2.8) of gas to or from the System by that User at that point on that Day is an "**Unauthorised Gas Flow**", the amount of which shall be:
- (i) in respect of a System Entry Point, the quantity of gas stated in the User's Entry Allocation Statement or as the case may be allocated under paragraph 2.1.9;
 - (ii) in respect of a DM Supply Point Component, the amount of the User SPDQ;
 - (iii) in respect of a Connected System Exit Point, the quantity of gas stated in the User's Exit Allocation Statement or as the case may be allocated under paragraph 3.2.8.
- 4.1.2 Subject to paragraph 4.1.3, an Unauthorised Gas Flow shall be an UDQI or (as the case may be) an UDQO for the User for the purposes of the Code.
- 4.1.3 The Unauthorised Gas Flow shall not be taken into account and shall not be treated as an UDQI or UDQO for the purposes of determining the User's Daily Imbalance under paragraph 5, and shall not be a relevant UDQI or relevant UDQO for the purposes of determining Balancing Neutrality Charges under Section F4, Reconciliation Neutrality Charges under Section F6 or Top-up Neutrality Charges under Section P6.4.
- 4.2 Treatment of Unauthorised Gas Flows
- 4.2.1 The quantity of gas comprising an Unauthorised Gas Flow shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.
- 4.2.2 For the purposes of such System Clearing Contract:
- (a) where the Unauthorised Gas Flow occurs at a System Entry Point:
 - (i) the seller is the User and the buyer is TransCo, and
 - (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Sell Price;
 - (b) where the Unauthorised Gas Flow occurs at a System Exit Point:
 - (i) the seller is TransCo and the buyer is the User, and
 - (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Buy Price.
- 4.2.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.
- 4.2.4 The Unauthorised Gas Flow shall be extinguished by the System Clearing Contract.
- 4.2.5 The buyer shall pay the Clearing Charge in respect of the gas comprising the Unauthorised Gas Flow to the seller in accordance with Section S.

5. IMBALANCE

5.1 Daily Imbalance

5.1.1 The Daily Imbalance for each User shall be calculated in respect of each Day as the difference between:

(a) the sum of:

- (i) the aggregate of the User's UDQIs,
- (ii) the aggregate of the Trade Nomination Quantities under any Acquiring Trade Nominations made by the User, and
- (iii) the aggregate of the Flexibility Quantities under any Flexibility Bids made by the User for System Sells which were accepted by TransCo; and

(b) the sum of:

- (i) the aggregate of the User's UDQOs,
- (ii) the aggregate of the Trade Nomination Quantities under any Disposing Trade Nominations made by the User, and
- (iii) the aggregate of the Flexibility Quantities under any Flexibility Bids made by the User for System Buys which were accepted by TransCo.

5.1.2 The Daily Imbalance is positive where the quantity under paragraph 5.1.1(a) is greater than the quantity under paragraph 5.1.1(b), and negative where the quantity under paragraph 5.1.1(b) is greater than the quantity under paragraph 5.1.1(a).

5.2 Treatment of Daily Imbalances

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

6. RECONCILIATION

6.1 Introduction

6.1.1 NDM Reconciliation will be carried out (for all Days in the relevant Meter Reading Period) in respect of an NDM Supply Meter Point, after each Valid Meter Read pursuant to Section M3.

6.1.2 DM Reconciliation will be carried out (for each relevant Day) in respect of a DM Supply Meter Point after a DM Check Read pursuant to Section M4.7 or (as the case may be) the determination, following a Failed Daily Read Day, of the volume offtaken on such Day pursuant to Section M4.4.4.

6.1.3 For each CSEP User, CSEP Reconciliation will be carried out in respect of a relevant Connected System Exit Point, in respect of the periods provided in and in accordance with the CSEP Network Exit Agreement.

6.1.4 For the purposes of this Section E:

(a) in respect of an NDM Supply Meter Point, the "**NDM Reconciliation Quantity**" is the amount (determined in accordance with paragraph 6.2) by which on a Valid Meter Read the Metered

Quantity differs from the aggregate of the quantities determined (as provided in paragraph 3.1.1(i)) each Day in accordance with Section H2, in respect of the Meter Reading Period;

(b) in respect of any DM Supply Meter Point, in respect of any Failed Daily Read Day or (as the case may be) Day in the period between DM Check Reads, the "**DM Reconciliation Quantity**" is the amount by which the quantity determined pursuant to a Valid Meter Reading or the DM Check Read to have been offtaken from the System on the Day differs from the quantity previously assumed or determined (as provided in Section M) to have been offtaken since the relevant preceding Meter Reading;

(c) in respect of any relevant Connected System Exit Point and CSEP User, the "**CSEP Reconciliation Quantity**" is the amount by which (for the relevant period provided in the CSEP Network Exit Agreement):

(i) in the case of an Unmetered Connected System Exit Point, the quantity determined (upon readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken from the System differs from the quantity previously assumed to have been offtaken,

(ii) in the case of a Metered Connected System Exit Point, the quantity determined (upon a periodic check reading or a reading following estimation of the reading of the meter installed at the Connected System Exit Point) to have been offtaken from the System differs from the quantity previously determined or estimated to have been offtaken,

in accordance with the CSEP Network Exit Agreement;

(d) "**Reconciliation Quantity**" means an NDM Reconciliation Quantity or a DM Reconciliation Quantity or CSEP Reconciliation Quantity.

6.1.5 For the purposes of an NDM Reconciliation, a DM Reconciliation or a CSEP Reconciliation:

(a) the "**Reconciliation Clearing Value**" is the value of the Reconciliation Quantity for the purposes of the System Clearing Contract referred to in paragraph 6.5;

(b) "**Reconciliation Transportation Charge Adjustments**" are the adjustments in respect of NTS Commodity Charges, LDZ Commodity Charges and the Commodity Variable Component (if any) of Customer Charges to be made under paragraph 6.6;

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

(i) NDM Reconciliation Quantities, DM Reconciliation Quantities or (as the case may be) CSEP Reconciliation Quantities, and

(ii) Reconciliation Clearing Values and Reconciliation Transportation Charge Adjustments.

6.1.6 Where (following a Supply Point Confirmation) a User becomes the Registered User in respect of a Supply Meter Point, and:

(i) in the case of an NDM Supply Meter Point, no Opening Meter Reading was provided;

(ii) in the case of a DM Supply Meter Point, the Supply Point Registration Date was a Failed Daily Read Day, or was not the Day of a DM Check Read,

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

6.1.7 For the purposes of giving effect to paragraph 6.1.6 in the case of an NDM Supply Meter Point where no Opening Meter Reading was provided, an NDM Reconciliation will be carried out, as though a Meter Reading had been obtained on the Supply Point Registration Date, by reference to an assumed Metered Volume derived from the NDM Supply Meter Point Demands (in accordance with Section H2), so that the NDM Reconciliation Quantity (relating to the period ending on the Supply Point Registration Date) is zero.

6.2 NDM Reconciliation: Reconciliation Values

6.2.1 This paragraph 6.2 applies in respect of NDM Reconciliation.

6.2.2 The NDM Reconciliation Quantity shall be established by:

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

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

6.2.4 The Reconciliation Clearing Value shall be established by:

- (i) multiplying the daily reconciliation quantity (under paragraph 6.2.2(v)) for each Day in the Meter Reading Period by the System Average Price for such Day to determine the 'daily reconciliation clearing value'; and
- (ii) aggregating the daily reconciliation clearing values for all Days in the Meter Reading Period.

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

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

6.3 DM Reconciliation: Reconciliation Values

6.3.1 This paragraph 6.3 applies in respect of DM Reconciliation.

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

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

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

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

6.4 CSEP Reconciliation: Reconciliation Values

6.4.1 This paragraph 6.4 applies in respect of CSEP Reconciliation.

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

- (i) the CSEP Reconciliation Quantity will be determined;
- (ii) the Reconciliation Clearing Value will be established by reference to the CSEP Reconciliation Quantity (or relevant part thereof) and the System Average Price(s) for Day(s) in the relevant period; and
- (iii) each of the Reconciliation Transportation Charge Adjustments will be established on the basis of the CSEP Reconciliation Quantity (or relevant part thereof) and the Applicable Commodity Rate of the NTS Commodity Charge or (as the case may be) the LDZ Commodity Charge;

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

6.5 Reconciliation Clearing

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

6.6 Transportation Charge Adjustments

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

6.6.2 The Reconciliation Transportation Charge Adjustments shall be payable:

- (i) where the Reconciliation Quantity is negative, by the User to TransCo;
- (ii) where the Reconciliation Quantity is positive, by TransCo to the User;

and shall be invoiced and paid in accordance with Section S.

6.7 NDM Reconciliation: Agreed Opening Meter Readings

6.7.1 Where in relation to an NDM Supply Meter Point:

(i) pursuant to Section M3.8 a User provides an Opening Meter Reading in respect of which Reconciliation Values (the "**original**" Reconciliation Values) are determined under this paragraph 6, and

(ii) TransCo subsequently accepts an Agreed Opening Meter Reading pursuant to that Section M then paragraph 6.7.2 shall apply.

6.7.2 In the circumstances in paragraph 6.7.1:

(i) TransCo will redetermine (on the basis of the Agreed Opening Meter Reading) the Reconciliation Values;

(ii) the Reconciliation Values determined under paragraph (i) will replace the original Reconciliation Values;

(iii) where the original Reconciliation Values have already been invoiced, TransCo will determine and invoice (in accordance with Section S) such adjustments in respect thereof as are necessary to give effect to paragraph (ii).

SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

1. GENERAL AND SYSTEM PRICES

1.1 Introduction

1.1.1 This Section F provides for:

- (i) the clearing of each User's Daily Imbalances;
- (ii) the calculation and payment of Daily Imbalance Charges and Scheduling Charges;
- (iii) the calculation and payment of Balancing Neutrality Charges;
- (iv) the clearing of each User's Reconciliation Quantities; and
- (v) the calculation and payment of Reconciliation Neutrality Charges.

1.1.2 For the purposes of the Code:

- (a) a "**Daily Imbalance Charge**" is an amount payable by or to a User in respect of a Daily Imbalance, in accordance with paragraph 2;
- (b) "**Scheduling Charges**" are amounts payable by a User in respect of differences between quantities delivered and offtaken to or from the System each Day and the quantities Nominated for such delivery or offtake, in accordance with paragraph 3;
- (c) "**Balancing Charges**" are Daily Imbalance Charges and Scheduling Charges;
- (d) "**Balancing Neutrality Charges**" are amounts payable by or to TransCo, so that it does not gain or lose by the payment and receipt of Flexibility Charges, Daily Imbalance Charges, Scheduling Charges and other amounts specified in and in accordance with paragraph 4;
- (e) "**Reconciliation Neutrality Charges**" are amounts payable by or to TransCo, so that it does not gain or lose by the payment and receipt of Reconciliation Clearing Values, in accordance with paragraph 5.

1.2 System prices

1.2.1 Subject to paragraphs 1.2.2 and 1.2.3, for each Day:

- (a) the "**System Marginal Buy Price**" is the price in pence/kWh which is equal to the highest Accepted Price in respect of any Flexibility Bid for a System Buy accepted by TransCo for that Day;
- (b) the "**System Marginal Sell Price**" is the price in pence/kWh which is equal to the lowest Accepted Price in respect of any Flexibility Bid for a System Sell accepted by TransCo for that Day;
- (c) the "**System Average Price**" for a Day is the price in pence/kWh calculated as the sum of the Flexibility Charges divided by the sum of the Flexibility Quantities for all Flexibility Bids (for System Sells and System Buys) accepted by TransCo for that Day;

in each case excluding any Flexibility Bid accepted pursuant to Section D1.5 for the purposes of reducing gas flows at a System Entry Point which is affected by a Transportation Constraint, but including any Flexibility Bids with negative Bid Prices (pursuant to Section D2.6).

1.2.2 Subject to paragraph 1.2.3, where for any Day no Flexibility Bid (or none other than one excluded for the purposes of paragraph 1.2.1) was accepted by TransCo:

- (i) for a System Buy, the System Marginal Buy Price for that Day shall be the arithmetic mean of the System Marginal Buy Prices,
- (ii) for a System Sell, the System Marginal Sell Price for that Day shall be the arithmetic mean of the System Marginal Sell Prices,
- (iii) for either a System Buy or a System Sell, the System Average Price for that Day shall be the arithmetic mean of the System Average Prices,

in each case determined under paragraph 1.2.1 or under this paragraph 1.2.2 for each of the 30 preceding Days.

1.2.3 Where:

- (i) it appears to TransCo after consultation with the Network Code Committee or any relevant Sub-committee that there is an alternative basis for determining a price to apply each Day as the System Average Price for the purposes of paragraph 5, and that such basis would be more appropriate for such purposes than that set out in paragraphs 1.2.1 and 1.2.2 (or applying at the time pursuant to any prior application of this paragraph 1.2), and
- (ii) upon TransCo's application the Director has given Condition 7(4) Approval to TransCo's applying, with effect from the Day proposed by TransCo after such consultation, such alternative basis for such purposes

then with effect from such Day the price determined each Day pursuant to such alternative basis will be applied for the purposes of paragraph 5 and references to the System Average Price in that paragraph will be construed accordingly (but without prejudice to the continued application of the System Average Price determined under paragraphs 1.2.1 and 1.2.2 for other purposes of the Code); and TransCo will as soon as reasonably practicable after the Director gave such approval notify Users of such alternative basis.

1.3 Commissioning VLDMCs

1.3.1 Subject to paragraph 1.3.2, for the purposes of paragraphs 2.2.1 and 3.3.2, until the date specified or determined pursuant to the provisions (applying pursuant to Section J1.3.2(ii)) of the applicable Network Exit Agreement as the date when commissioning of the Consumer's Plant is completed, a VLDMC Supply Point Component will be treated as a DMC Supply Point Component other than a VLDMC Supply Point Component.

1.3.2 Paragraph 1.3.1 will apply only where the Registered User gives notice to TransCo of the commissioning and complies with any other procedural requirements in accordance with the applicable Network Exit Agreement.

1.4 Daily Read Errors

1.4.1 Where for a Daily Read Error Day an Error Revised UDQO has been determined (pursuant to Sections M4.8 and E3.5) for a DM Supply Point Component:

- (i) TransCo will, as soon as reasonably practicable, determine by reasonable estimation, and notify to the relevant User, the quantities and amounts referred to in this paragraph 1.4;
- (ii) this paragraph 1.4 shall apply on the basis of the quantities and amounts so determined by TransCo.

1.4.2 Where the relevant Supply Point Component was a DMC Supply Point Component:

- (a) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge exceeds the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, TransCo will pay to the User the amount of the excess;
- (b) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge is less than the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, the User will pay to TransCo the amount of the deficit.

1.4.3 Subject to paragraph 1.4.5, where the magnitude of the User's Daily Imbalance for the Daily Read Error Day would have been less had the Error Revised UDQO been used in the calculation under Section E5, and there was a Second Imbalance Tranche for the User for the Day:

- (i) if the Daily Imbalance was positive, the User will be liable to pay to TransCo
- (ii) if the Daily Imbalance was negative, TransCo will be liable to pay to the User,

the amount (if any) calculated as the relevant quantity multiplied by the relevant price (in accordance with paragraph 1.4.6).

1.4.4 Subject to paragraph 1.4.5, where the magnitude of the User's Daily Imbalance for the Daily Read Error Day would have been greater had the Error Revised UDQO been used in the calculation under Section E5:

- (i) if the Daily Imbalance was positive, TransCo will be liable to pay to the User,
- (ii) if the Daily Imbalance was negative, the User will be liable to pay to TransCo,

the amount (if any) calculated as the relevant quantity multiplied by the relevant price (in accordance with paragraph 1.4.6).

1.4.5 Where the User's Daily Imbalance would have been positive and not negative, or negative and not positive, had the Error Revised UDQO been used in the calculation under Section E5:

- (i) paragraph 1.4.3 shall apply irrespective of whether the magnitude of such Daily Imbalance would have been less, and
- (ii) paragraph 1.4.4 shall apply, irrespective of whether the magnitude of such Daily Imbalance would have been greater, and in addition to the application of paragraph 1.4.3, on the basis that the reference therein to whether the Daily Imbalance was positive or negative shall be to whether it would have been positive or negative.

1.4.6 For the purposes of this paragraph 1.4:

- (a) the "**relevant quantity**" is:
 - (i) for the purposes of paragraph 1.4.3, the lesser of the Second Imbalance Tranche and the error quantity;
 - (ii) for the purposes of paragraph 1.4.4:
 - (1) where there was a Second Imbalance Tranche for the User for the Day, the error quantity;
 - (2) otherwise, the sum of the User's Daily Imbalance and the error quantity, less the Imbalance Tolerance Quantity.
- (b) the "**relevant price**" is the difference between:
 - (i) for the purposes of paragraphs 1.4.3(i) and 1.4.4(i), the System Marginal Sell Price, or
 - (ii) for the purposes of paragraphs 1.4.3(ii) and 1.4.4(ii), the System Marginal Buy Price, and the System Average Price, each for the Daily Read Error Day (it being acknowledged that DM Reconciliation will separately provide an appropriate adjustment as to the System Average Price);
- (c) the "**error quantity**" is the magnitude of the difference between the Error Revised UDQO and the UDQO originally determined under Section E3.

1.4.7 Amounts paid by TransCo pursuant to paragraphs 1.4.2(a) and 1.4.3, or paid to TransCo pursuant to paragraphs 1.4.2(b) and 1.4.4, will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of paragraph 4.5.3 in the month in which such amounts are paid.

1.4.8 It is acknowledged that the payments to be made pursuant to this paragraph 1.4 are separate additional obligations for the purposes of the Code, and nothing in Sections M4.8 or E3.5 or this paragraph 1.4 shall prejudice the liability of TransCo or any User to make payments (determined on the basis of the original UDQO) pursuant to any other provision of the Code.

2. DAILY IMBALANCES

2.1 Introduction

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

2.1.2 The Daily Imbalance Charge in respect of a User's Daily Imbalance shall be determined in accordance with paragraph 2.4.

2.1.3 For the purposes of this Section F, in respect of each User for each Day:

- (a) the "**Imbalance Tolerance Quantity**" is the quantity of gas determined under paragraph 2.2;

- (b) the "**First Imbalance Tranche**" is:
 - (i) where the magnitude of the Daily Imbalance exceeds the Imbalance Tolerance Quantity, the amount of the Imbalance Tolerance Quantity;
 - (ii) where the magnitude of the Daily Imbalance does not exceed the Imbalance Tolerance Quantity, the magnitude of the Daily Imbalance;
- (c) the "**Second Imbalance Tranche**" is the amount (if any) by which the magnitude of the Daily Imbalance exceeds the Imbalance Tolerance Quantity.

2.2 Imbalance Tolerance Quantity

2.2.1 The Imbalance Tolerance Quantity for a User for a Day shall be determined as the sum of:

- (a) the Applicable Imbalance Tolerance Percentage of:
 - (i) the User's UDQOs in respect of DM Supply Point Components other than VLDMC Supply Point Components;
 - (ii) the User's UDQOs in respect of VLDMC Supply Point Components;
 - (iii) the User's UDQOs in respect of relevant Connected System Exit Points, other than Storage Connection Points of BG Storage Facilities; and
 - (iv) the User's UDQIs in respect of System Entry Points; and
- (b) the magnitude of the User's NDM Forecast Deviation (if any) for the Gas Flow Day in accordance with paragraph 2.2.3.

2.2.2 The "**Applicable Imbalance Tolerance Percentage**" is:

- (i) 3% in respect of System Exit Points (other than NDM Supply Point Components) and relevant Connected System Exit Points;
- (ii) 2% in respect of System Entry Points.

2.2.3 The "**NDM Forecast Deviation**" of a User in respect of the Gas Flow Day is the amount (if any) by which the aggregate of the Nomination Quantities under the User's Prevailing Relevant NDM Nomination (in accordance with Section C5.4.3) as at the end of the Gas Flow Day:

- (i) if the Daily Imbalance is positive, exceeds the aggregate of the User's UDQOs in respect of NDM Supply Point Components and relevant Connected System Exit Points for the Gas Flow Day;
- (ii) if the Daily Imbalance is negative, is less than the aggregate of the User's UDQOs in respect of NDM Supply Point Components and relevant Connected System Exit Points for the Gas Flow Day.

2.3 System Clearing Contract

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

2.3.2 For the purposes of such System Clearing Contract:

(i) where the Daily Imbalance is positive, the seller is the User and the buyer is TransCo;

(ii) where the Daily Imbalance is negative, the seller is TransCo and the buyer is the User.

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

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

2.4 Clearing Charge

2.4.1 The Daily Imbalance Charge shall be the Clearing Charge in respect of the System Clearing Contract under this paragraph 2, which shall be the sum of:

(a) the amount of the First Imbalance Tranche multiplied by the System Average Price for the Gas Flow Day; and

(b) subject to paragraph 2.4.2, the amount of the Second Imbalance Tranche multiplied by:

(i) where the Daily Imbalance is positive, the System Marginal Sell Price for the Gas Flow Day;

(ii) where the Daily Imbalance is negative, the System Marginal Buy Price for the Gas Flow Day.

2.4.2 In the event of a Class A Contingency (in accordance with Section U6) occurring on the Gas Flow Day the references in paragraph 2.4.1(b) to System Marginal Sell Price and System Marginal Buy Price shall be to the System Average Price.

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

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

3. SCHEDULING CHARGES

3.1 Introduction

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

3.1.2 Scheduling Charges incurred under this paragraph 3 will be invoiced and payable in accordance with Section S.

3.2 Input Scheduling Charges

3.2.1 For the purposes of the Code, for each User in respect of each Aggregate System Entry Point on each Day:

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

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

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

3.3 Output Scheduling Charges

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

- (a) an "**Output Scheduling Point or Group**" is:
 - (i) a Registered DMC Supply Point Component other than a SDMC(I) Supply Point Component; or
 - (ii) a relevant Connected System Exit Point; or
 - (iii) the Scheduling Firm Supply Point Group for any LDZ; or
 - (iv) the Scheduling Interruptible Supply Point Group for any LDZ;
- (b) for each LDZ:

- (i) the "**Scheduling Firm Supply Point Group**" is all of the DMA(F) Supply Point Groups for each Exit Zone in that LDZ;
- (ii) the "**Scheduling Interruptible Supply Point Group**" is all of the DMA(I) Supply Point Groups for each Exit Zone, and all of the Registered SDMC(I) Supply Point Components, in that LDZ.

3.3.2 For the purposes of the Code, for each User in respect of each Output Scheduling Point or Group:

(a) the "**Scheduling Output Nominated Quantity**" is:

- (i) in the case of a Registered DMC Supply Point Component (other than a SDMC(I) Supply Point Component), the Nominated Quantity under its Output Nomination (after taking account of any Flexibility Nomination) for the relevant System Exit Point;
- (ii) in the case of a relevant Connected System Exit Point, the Nominated Quantity under its Output Nomination (after taking account of any Flexibility Nomination) for the relevant System Exit Point;
- (iii) in the case of a Scheduling Firm Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(F) Supply Point Groups for Exit Zones in the relevant LDZ;
- (iv) in the case of a Scheduling Interruptible Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(I) Supply Point Groups for Exit Zones, and for all Registered SDMC(I) Supply Point Components, in the relevant LDZ;

(b) the "**Scheduling UDQO**" is:

- (i) in respect of a Scheduling Firm Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Firm DMA Supply Point Components in the relevant LDZ;
- (ii) in respect of a Scheduling Interruptible Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Interruptible DMA Supply Point Components and all of the Registered SDMC(I) Supply Point Components in the relevant LDZ; and
- (iii) in respect of any other System Exit Point (other than an NDM Supply Point Component), the User's UDQO for that System Exit Point;

(c) the "**Output Scheduling Quantity**" is the amount by which the Scheduling UDQO was greater than or (as the case may be) less than the Scheduling Output Nominated Quantity;

(d) the "**Output Tolerance Quantity**" is:

- (i) in respect of a DMC Supply Point Component other than a VLDMC Supply Point Component or SDMC(I) Supply Point Component, or a relevant Connected System Exit Point, the quantity which is 25% of the Scheduling Output Nominated Quantity;
- (ii) in respect of a VLDMC Supply Point Component or relevant Connected System Exit Point, the quantity which is 3% of the Scheduling Output Nominated Quantity;

- (iii) in respect of a Scheduling Firm Supply Point Group, the quantity which is 20% of the Scheduling Output Nominated Quantity;
- (iv) in respect of a Scheduling Interruptible Supply Point Group, the quantity which is 25% of the Scheduling Output Nominated Quantity;

(e) the "**Chargeable Output Scheduling Quantity**" is the amount (if any) by which the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity.

3.3.3 Where the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the Chargeable Output Scheduling Quantity multiplied by 1% of the System Average Price for the Gas Flow Day.

3.3.4A DMC Supply Point Component, other than a SDMC(I) Supply Point Component, will not be an Output Scheduling Point or Group where:

(i) in respect of any Supply Meter Point (other than a Supply Meter Point at which telemetry equipment is installed as part of the Supply Meter Installation) comprised therein, the Gas Flow Day was a Failed Daily Read Day; or

(ii) TransCo did not make gas available for offtake from the System at the Supply Point Component.

4. BALANCING NEUTRALITY CHARGES

4.1 Introduction

4.1.1 The difference between the amounts received or receivable and the amounts paid or payable by TransCo in respect of Balancing Charges and certain other amounts in each month is payable to or recoverable from relevant Users in accordance with this paragraph 4.

4.1.2 For the purposes of this paragraph 4:

(a) "**relevant User**" means any User other than the Shrinkage Provider, the Top-up Manager, the Storage Operator when acting for Storage Management Purposes and TransCo when acting for Systems Margins Purposes;

(b) "**relevant UDQI**" means a UDQI of a relevant User;

(c) "**relevant UDQO**" means a UDQO of a relevant User.

4.2 Payment of charge

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

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

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

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

4.3 Unit Daily Neutrality Amount

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

4.4 Basic Net Neutrality Amount

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

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

- (a) the Flexibility Charges payable to TransCo in respect of each Flexibility Bid for a System Sell (or negatively priced System Buy) accepted for that Day;
- (b) the Daily Imbalance Charges payable to TransCo in respect of each negative Daily Imbalance on that Day; and
- (c) the Scheduling Charges payable to TransCo in relation to Input Scheduling Quantities and Output Scheduling Quantities in respect of that Day.

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

- (a) the Flexibility Charges payable by TransCo in respect of each Flexibility Bid for a System Buy (or negatively priced System Sell) accepted for that Day; and
- (b) the Daily Imbalance Charges payable by TransCo under paragraph 2.3.1 in respect of each positive Daily Imbalance on that Day.

4.5 Adjustment Neutrality Amount

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

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

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

- (i) the Daily Margins Recovery Amount in accordance with Section K5.2, and
- (ii) the Clearing Charges payable by TransCo in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(a)) at System Entry Points, less

(iii) the Clearing Charges payable to TransCo in respect of Unauthorised Gas Flows (in accordance with Section E4.2.2(b)) at System Exit Points.

4.5.3 The "**Monthly Adjustment Neutrality Amount**" for the relevant calendar month (month 'm') is:

(a) the sum of the following amounts:

- (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is positive;
- (ii) the amount of any Flexibility Charges, Balancing Charges, Balancing Neutrality Charges (payable to TransCo) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which were due for payment to TransCo in month m-2 but were unpaid to TransCo as at the last Day of month m;
- (iii) the amount of any costs, expenses, payment or other amount incurred by TransCo as referred to in Section E2.3.7(iii) in connection with any claim by a third party in respect of gas subject to an Unclaimed Entry Allocation Statement and paid in month m; and
- (iv) the amount of any interest paid (in accordance with Section S4.3.2) by TransCo to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (ii);
- (v) any other amount (an "**additional Monthly Adjustment Neutrality Cost**"):
 - (1) provided to be included in this paragraph (a) in relation to month m under any provision of the Code, or
 - (2) incurred by TransCo in month m where the Director has, upon TransCo's application, given Condition 7(4) Approval to TransCo recovering such amount, or amounts of such kind, by inclusion in this paragraph (a);

less

(b) the sum of the following amounts:

- (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is negative;
- (ii) the amount of any Flexibility Charges, Balancing Charges, Balancing Neutrality Charges (payable to TransCo) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which:
 - (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Monthly Adjustment Neutrality Amount for month m-1, but
 - (2) has been paid to TransCo since the last Day of month m-1;
- (iii) the amount of any interest paid (in accordance with Section S4.3.2) by any User to TransCo on any Day in month m by virtue of late payment of Flexibility Charges, Balancing Charges, Balancing Neutrality Charges or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points; and

- (iv) any other amount (an "**additional Monthly Adjustment Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code.

4.5.4 For the purposes of paragraphs 4.5.3(a)(v) and (b)(iv) any amount therein referred to shall be included in the month in which TransCo makes or receives payment of such amount, failing which in the month in which invoiced Balancing Charges in respect of the Day on which such amount accrued become due for payment pursuant to Section S.

4.5.5 The rounding adjustment for a Day is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Daily Neutrality Amount for the Day, the sum of all Balancing Neutrality Charges for the Day is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount.

4.5.6 For the purposes of paragraph 4.5.3(b), so much of any amounts received by TransCo:

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

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

4.6 Balancing Neutrality Financing Adjustment

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

4.6.2 For the purposes of this paragraph 4:

(a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by TransCo from Users on that Day, less the amount of all payments made by TransCo for Users on that Day, in each case in respect of:

- (i) any of the amounts taken into account (in accordance with paragraphs 4.4 and 4.5) in determining Balancing Neutrality Charges, and
- (ii) Balancing Neutrality Charges;

(b) the "**opening cash balance**" for a Day is:

- (i) for the date of the Code, zero;
- (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

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

(i) the amount of the Balancing Neutrality Financing Adjustment for a Day shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by TransCo,

(ii) the amount of the Daily Margins Recovery Amount for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by TransCo,

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

4.6.4 The Balancing Neutrality Financing Adjustment for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by TransCo exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to TransCo exceeding payments made by it.

5. RECONCILIATION CLEARING

5.1 System Clearing Contract

5.1.1 Upon each NDM Reconciliation, DM Reconciliation or CSEP Reconciliation the quantity of gas comprising the Reconciliation Quantity (in accordance with Section E6.1.4) shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

5.1.2 For the purposes of such System Clearing Contract:

(i) where the Reconciliation Quantity is positive, the seller is the User and the buyer is TransCo;

(ii) where the Reconciliation Quantity is negative, the seller is TransCo and the buyer is the User.

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

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

5.2 Clearing Charge

5.2.1 The Clearing Charge ("**Reconciliation Clearing Charge**") in respect of the System Clearing Contract under this paragraph 5 shall be the Reconciliation Clearing Value determined in accordance with Section E6.1.5.

5.2.2 The buyer shall pay the Reconciliation Clearing Charge to the seller.

5.2.3 The Reconciliation Clearing Charge shall be invoiced and payable in accordance with Section S.

5.2.4 For the purposes of paragraph 6, the Reconciliation Clearing Charge shall be treated as payable in respect of the Day of the later of the two Meter Reads on the basis of which the DM Reconciliation, NDM Reconciliation or (as the case may be) CSEP Reconciliation was carried out.

6. RECONCILIATION NEUTRALITY

6.1 Introduction

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

6.1.2 This paragraph 6 (including, for the avoidance of doubt, paragraph 6.3.2) shall apply separately in respect of:

(i) NDM Reconciliation and CSEP Reconciliation in respect of relevant Unmetered Connected System Exit Points collectively, and

(ii) DM Reconciliation and CSEP Reconciliation in respect of relevant Metered Connected System Exit Points collectively.

6.1.3 For the purposes of this paragraph 6:

(a) "**relevant User**" means any User other than the Top-up Manager, the Shrinkage Provider, the Storage Operator when acting for Storage Management Purposes and TransCo when acting for Systems Margins Purposes;

(b) "**relevant UDQO**" means:

(i) in relation to NDM Reconciliation or CSEP Reconciliation, a UDQO of a relevant User in respect of an NDM Supply Point Component or relevant Unmetered Connected System Exit Point;

(ii) in relation to DM Reconciliation, a UDQO of a relevant User in respect of a DM Supply Point Component or relevant Metered Connected System Exit Point.

6.2 Payment of charge

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

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

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

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

6.3 Unit Reconciliation Neutrality Amount

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

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

(i) the magnitude of the Unit Reconciliation Neutrality Amount shall be equal to 0.015 pence per kWh;

(ii) the amount determined in accordance with paragraph 6.3.3 shall be carried forward and taken into account in determining the Adjustment Reconciliation Neutrality Amount for the following month.

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

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

6.4 Basic Net Reconciliation Neutrality Amount

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

6.5 Adjustment Reconciliation Neutrality Amount

6.5.1 The "**Adjustment Reconciliation Neutrality Amount**" for a relevant month (month 'm') is:

(a) the sum of the following amounts:

- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is positive;
- (ii) the amount of any Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to TransCo) which were due for payment to TransCo in month m-2 but were unpaid to TransCo as at the last Day of month m;
- (iii) the amount of any interest paid (in accordance with Section S4.3.2) by TransCo to any User on any Day in month m by virtue of the User having made an over-payment in respect of any of such amount as is referred to in paragraph (ii); and
- (iv) the amount (if any) determined under paragraph 6.3.3;

less

(b) the sum of the following amounts:

- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is negative;
- (ii) the amount of any Reconciliation Charges or Reconciliation Neutrality Charges (payable to TransCo) which:

- (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Reconciliation Adjustment Neutrality Amount for month m-1, but
- (2) has been paid to TransCo since the last Day of month m-1; and
- (iii) the amount of any interest paid (in accordance with Section S4.3.2) by any User to TransCo on any Day in month m by virtue of late payment of Reconciliation Clearing Charges or Reconciliation Neutrality Charges.

6.6 Reconciliation Neutrality Financing Adjustment

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

6.6.2 For the purposes of this paragraph:

(a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by TransCo from Users on that Day, less the amount of all payments made by TransCo for Users on that Day, in each case in respect of:

- (i) any of the amounts taken into account (in accordance with paragraphs 6.4 and 6.5) in determining Reconciliation Neutrality Charges, and
- (ii) Reconciliation Neutrality Charges;

(b) the "**opening cash balance**" for a Day is:

- (i) for the date of the Code, zero;
- (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

6.6.3 For the purposes of paragraph 6.6.2(a)(i), the amount of the Reconciliation Neutrality Financing Adjustment for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 6.5.1) by TransCo on the date on which invoiced Balancing Charges in respect of Days in that month become due for payment in accordance with Section S.

6.6.4 The amount determined under paragraph 6.6.2 for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by TransCo exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to TransCo exceeding payments made by it.

SECTION G: SUPPLY POINTS

1. INTRODUCTION AND STRUCTURAL RULES

1.1 Supply Point and Registered User

1.1.1 For the purposes of the Code:

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

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

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

1.1.4 A Supply Point Registration may be modified only as respects those details of the Supply Point Registration specified as capable of being amended in Annex G1; and a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) will be required in respect of any change in any other details.

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

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

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

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

1.2 Offtake responsibility for Supply Points

Subject to paragraph 3.4.2 the gas offtaken from the System at a Supply Point will (in accordance with Section E3 and where applicable paragraph 1.7) be attributed for the purposes of the Code to the

Registered User; and the Registered User accepts (for the purposes of the Code) responsibility for such offtake of gas by itself or any other person whether or not authorised by the Registered User.

1.3 Supply Meter Points

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

1.4 Single Premises Requirement

- 1.4.1 A Supply Point must comply with the Single Premises Requirement.
- 1.4.2 The "**Single Premises Requirement**" is the requirement that where more than one Supply Meter Point is comprised in a Supply Point, gas offtaken from the System at all of such Supply Meter Points is to be supplied to premises:
 - (i) owned or occupied by one person,
 - (ii) in close geographical proximity to each other,
 - (iii) comprised within a common curtilage, and
 - (iv) which serve each other in some necessary or reasonably useful way.
- 1.4.3 The Registered User shall:
 - (a) take all reasonable steps to ensure that the Single Premises Requirement does not cease to be satisfied in respect of a Supply Point without the Registered User's becoming aware of that fact; and
 - (b) if the Single Premises Requirement shall cease to be satisfied in respect of a Supply Point, as soon as it becomes aware of that fact:
 - (i) promptly so inform TransCo, and
 - (ii) apply (in accordance with paragraph 2) for two or more Supply Point Registrations (in respect of each of which such requirement is satisfied) in respect of the relevant Supply Meter Points.

- 1.4.4 If TransCo becomes aware that the Single Premises Requirement has ceased to be satisfied in respect of a Supply Point TransCo will promptly so inform the Registered User.
- 1.4.5 For the purposes of this Section G the premises to which gas offtaken from the System at a Supply Point is or is to be supplied are the "**Supply Point Premises**".
- 1.4.6 Following the rejection of a Supply Point Nomination pursuant to paragraph 2.3.6(i):
- (a) the Proposing User may notify TransCo that the User considers that the Single Premises Requirement is satisfied in respect of the Proposed Supply Point;
 - (b) where the User so notifies TransCo:
 - (i) the User shall at the same time provide its reasons for so considering and supporting evidence;
 - (ii) TransCo will consider the reasons and evidence provided by the User and where TransCo is reasonably satisfied that the Single Premises Requirement is satisfied TransCo will so inform the User and will not reject (on the grounds in paragraph 2.3.6(i)) a further Supply Point Nomination in respect of the Proposed Supply Point.
- 1.5 Daily Read Metering
- 1.5.1 In accordance with Section A4.1.3, subject to paragraphs 1.5.5, 1.5.10 and 1.5.11, a Supply Meter Point is a DM Supply Meter Point where the Supply Meter is Daily Read in accordance with Section M1.3.1.
- 1.5.2 Subject to paragraph 1.5.4, the Daily Read Requirement shall apply in respect of:
- (i) each relevant Supply Meter Point comprised in any Supply Point whose Annual Quantity is greater than 2,196,000 kWh (*75,000 therms*), subject to the 10% Deviation Rule, or
 - (ii) each Supply Meter Point in respect of which the Registered User makes a request under paragraph 1.5.7, or
 - (iii) each Supply Meter Point which is an NTS Supply Point.
- 1.5.3 For the purposes of paragraph 1.5.2:
- (i) the "**Daily Read Requirement**" is the requirement that the Supply Meter at a Supply Meter Point shall be Daily Read;
 - (ii) a relevant Supply Meter Point is a Supply Meter Point in respect of which the Annual Quantity is greater than 732,000 kWh (*25,000 therms*), subject to the 10% Deviation Rule.
- 1.5.4 If TransCo determines and notifies the Registered User that it would not be practicable or economic for Supply Meters at a particular Supply Point to be Daily Read, unless upon application (made within 10 Business Days after such notification by the User) the Director shall give Condition 7(4) Disapproval to TransCo's not installing Daily Read Equipment, the Daily Read Requirement pursuant to paragraph 1.5.2(i) shall not apply, and the Registered User may not make a request under paragraph 1.5.7, in respect of that Supply Point (and for the avoidance of doubt the relevant Supply Meter Points shall be NDM Supply Meter Points).

1.5.5 Where either:

- (a) a Supply Meter Point is a DM Supply Meter Point by reason of the application (in any Gas Year or in respect of a Supply Point in which the Supply Meter Point was formerly comprised) of the Daily Read Requirement pursuant to paragraph 1.5.2(i); and upon a change in the Annual Quantity of the Supply Meter Point or the Supply Point in which it is comprised, or upon the Supply Meter Point's becoming comprised in a New Supply Point, the Daily Read Requirement pursuant to paragraph 1.5.2(i) ceases to apply; or
- (b) a Supply Meter is a Daily Read Supply Meter pursuant to a previous request under paragraph 1.5.7 but the Daily Read Requirement does not apply pursuant to paragraph 1.5.2(i)

the Registered User may, subject to paragraph 1.5.6, elect that the Supply Meter shall cease to be Daily Read; but if the User shall not make such election the Supply Meter shall continue to be Daily Read.

1.5.6 Where a User makes an election under paragraph 1.5.5:

- (i) the User shall make a Supply Point Reconfirmation of the Supply Point in which the relevant Supply Meter Point is comprised;
- (ii) the User shall, if TransCo so requires, request the removal of the Daily Read Equipment pursuant to Siteworks Terms and Procedures at the User's expense;
- (iii) with effect from the Supply Point Registration Date of such Supply Point Reconfirmation the Supply Meter Point shall cease to be a DM Supply Meter Point and the Supply Meter shall cease to be Daily Read.

1.5.7 The Registered User may at any time request (subject to and pursuant to Siteworks Terms and Procedures as described in paragraph 7) that Daily Read Equipment be installed at a Supply Meter Point (other than one whose Annual Quantity does not exceed 73,200 kWh (2,500 therms)).

1.5.8 Where a User submits a Supply Point Nomination in respect of a Proposed Supply Point where the Daily Read Requirement applies but is not satisfied in respect of any Supply Meter Point which is Nominated as a DM Supply Meter Point, TransCo may reject such Supply Point Nomination.

1.5.9 Subject to paragraph 1.5.4, where, at the date of the Code or (by reason of an increase in the Annual Quantity of a Supply Point or a Supply Meter Point) at the start of a Gas Year, the Daily Read Requirement applies in respect of a Supply Meter Point pursuant to paragraph 1.5.2(i) but is not satisfied, TransCo will arrange for the satisfaction of such requirement (by the installation of Daily Read Equipment at the relevant Supply Meter), subject to and in accordance with Section M2, as soon as reasonably practicable, and will inform the Registered User when the Daily Read Requirement is satisfied; and the installation for the purposes of this paragraph 1.5.9 of Daily Read Equipment will not be Siteworks.

1.5.10 Where a Supply Meter becomes Daily Read:

- (i) the Registered User shall submit a Supply Point Reconfirmation of the Supply Point which includes the relevant Supply Meter Point for a Proposed Supply Point Registration Date not more than 2 months after the Day on which the Supply Meter became Daily Read;
- (ii) for the purposes of the User's Supply Point Renomination, the Nominated Supply Point Capacity shall be not less than the User's estimate (made in good faith and after all

appropriate enquiries of the consumer and on the basis of reasonable skill and care) of the maximum quantity of gas to be offtaken on any Day in the next 12 months, on the basis of reasonable assumptions as to weather conditions;

- (iii) the Supply Meter Point will become a DM Supply Meter Point with effect from the Supply Point Registration Date.

1.5.11 No Supply Meter Point whose Annual Quantity does not exceed 73,200 kWh (2,500 *therms*) may be a DM Supply Meter Point.

1.6 Annual Quantity

1.6.1 Subject to paragraph 1.6.2, the "**Annual Quantity**" in respect of a Supply Meter Point at any time in a Gas Year is:

- (i) in the case of a DM Supply Meter Point, subject to paragraph 1.7.11, the aggregate of the Supply Meter Point Daily Quantities for each Day in the period of 12 months ending on 31st July in the Preceding Year;
- (ii) in the case of an NDM Supply Meter Point, the quantity assumed to be offtaken in a period of 12 months, determined in accordance with Section H3.

1.6.2 The Annual Quantity of a New Supply Meter Point for the period from the First Supply Point Registration Date until:

- (i) in the case of a DM Supply Meter Point, the end of the Gas Year following that in which such Supply Point Registration Date occurred or, if the First Supply Point Registration Date occurred after 31st July in any Gas Year, the end of the second following Gas Year;
- (ii) in the case of an NDM Supply Meter Point, the end of the Gas Year in which such Supply Point Registration Date occurred

shall be the estimated quantity provided by the first Registered User in accordance with paragraph 7.3.6(i).

1.6.3 Where a DM Supply Meter Point becomes an NDM Supply Meter Point or an NDM Supply Meter Point becomes a DM Supply Meter Point:

- (a) the Annual Quantity of the Supply Meter Point for the Gas Year in which such change occurs shall not be affected;
- (b) for the following Gas Year:
 - (i) in the case of an NDM Supply Meter Point which has become a DM Supply Meter Point, the Annual Quantity shall be the same as that for the Gas Year in which the change occurred;
 - (ii) in the case of a DM Supply Meter Point which has become an NDM Supply Meter Point, the Annual Quantity shall be determined in accordance with Section H3 on the basis that the starting Meter Read (as defined in that Section) is the Meter Reading for the Day (not being a Failed Daily Read Day) which is or is closest to the Day 12 months before the ending Meter Read (as so defined).

- 1.6.4 Where a Supply Meter Point has been Isolated, the Annual Quantity for the Gas Year in which such Isolation takes place shall be unaffected by such Isolation; and for the following and subsequent Gas Years, subject to any reconnection of the Supply Meter Point, the Annual Quantity shall be zero.
- 1.6.5 The "**Annual Quantity**" in respect of a Supply Point or a Supply Point Component is the sum of the Annual Quantities for each Supply Meter Point comprised in that Supply Point or Supply Point Component.
- 1.6.6 Not later than the 5th Business Day in September of the Preceding Year, TransCo will notify to each User the Annual Quantity applicable for the Gas Year in respect of each Registered Supply Meter Point.
- 1.6.7 Following the notification of the End User Category applicable in respect of any NDM Supply Point Component, if the Registered User shall not later than 20th September of the Preceding Year so request, TransCo will promptly provide to the User the value of any variable (other than Annual Quantity) relating to the Supply Point Component by reference to which such End User Category is (in accordance with Section H 1.2.2) defined.
- 1.6.8 Following the notification of the Annual Quantity of any NDM Supply Meter Point for any Gas Year or the provision of any variable derived from Meter Readings under paragraph 1.6.7:
- (a) the Registered User may, not later than 30th September of the Preceding Year (or by any later date as may be agreed in any case for the purposes of paragraph 1.6.12), notify TransCo that the User considers that the Annual Quantity or such variable substantially fails to satisfy the requirement in paragraph 1.6.9, either:
 - (i) by reason of a change in the basis on which gas was consumed by the consumer during the Preceding Year, or
 - (ii) on the basis of substantial evidence as to the actual consumption of gas during the Preceding Year;
 - (b) where a User so notifies TransCo:
 - (i) the User at the same time shall provide to TransCo details of the User's reasons or evidence for its view and an estimate of the quantity or (as the case may be) value which the User considers should be the Annual Quantity or such variable;
 - (ii) TransCo will consider the details provided by the User, and where it is reasonably satisfied that the Annual Quantity or such variable substantially fails to satisfy the requirement in paragraph 1.6.9, will agree to revise the Annual Quantity or (as the case may be) variable for the relevant Gas Year to such quantity or value as TransCo reasonably determines does satisfy such requirement (and where relevant to revise the End User Category accordingly).
- 1.6.9 The requirement referred to in paragraph 1.6.8 is that the Annual Quantity should represent, or (as the case may be) such variable should reflect, reasonable assumption(s) as to the quantity offtaken (or in the case of a New Supply Meter Point, which would have been offtaken) from the System in the period of 12 months ending 31st July in the Preceding Year, or (as the case may be) the period(s) by reference to which such variable is determined.
- 1.6.10 Where TransCo agrees to revise the Annual Quantity or End User Category under paragraph 1.6.8(b)(ii):

- (a) the Registered User may submit a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) in respect of the relevant Supply Point on the basis of the revised Annual Quantity or End User Category;
 - (b) subject to paragraph (c), where any Supply Point Transportation Charges (which or the rate or amount of which are determined by reference to or are directly or indirectly a function of Annual Quantity or End User Category) in respect of the relevant Gas Year have already been invoiced and/or paid, such charges will be redetermined on the basis of the revised Annual Quantity or End User Category and appropriate invoicing adjustments made in accordance with Section S;
 - (c) for the purposes of paragraph (b), no redetermination and adjustment shall be made in respect of any Commodity Charge or Commodity Variable Component of a Customer Charge, unless the estimated adjustment amount exceeds £100, in which case a redetermination and adjustment in respect of the estimated adjustment amount will be made;
 - (d) for the avoidance of doubt (but without prejudice to the provisions of Section E in respect of NDM Reconciliation), no adjustment shall be made (by virtue of the revised Annual Quantity or End User Category) in respect of any calculation made or amount payable pursuant to Section F or P.
- 1.6.11 For the purposes of paragraph 1.6.10(c), the estimated adjustment amount is the amount by which (by reason of the Applicable Commodity Rate being a function of Supply Point Capacity), in TransCo's reasonable estimation, the amount (in aggregate) of the Commodity Charges and Commodity Variable Component of Customer Charges which have already been or are (before the revision of the Annual Quantity or End User Category is effective) to be invoiced to the User (whether or not paid), exceeds or is less than the aggregate amount which would have been payable by way of such charges on the basis of such revised Annual Quantity or End User Category, after deducting an amount in respect of the Reconciliation Transportation Charge Adjustments (attributable to the relevant period) which will fall to be made upon the next following NDM Reconciliation.
- 1.6.12 Subject to paragraph 1.6.13, unless the Registered User shall have given notice to TransCo in accordance with paragraph 1.6.8 by 30th September of the Preceding Year, the Annual Quantity and End User Category notified by TransCo under paragraph 1.6.6 shall be the Annual Quantity and End User Category for the Gas Year and shall be binding on TransCo and the User.
- 1.6.13 Where, after notifying Annual Quantities for any Gas Year under paragraph 1.6.6, TransCo notifies any User before 30th September in the Preceding Year that a material error has been made in the calculation of any such Annual Quantities, TransCo and the User concerned will discuss in good faith the manner in which and time at which such error may be corrected, having regard in particular to the need to ensure that the User continues to enjoy the benefit (in relation to the corrected Annual Quantity) of paragraphs 1.6.8 to 1.6.10.
- 1.7 Shared Supply Meter Points
- 1.7.1 Subject to and in accordance with this paragraph 1.7, a relevant DM Supply Meter Point may be comprised in more than one Supply Point if the Registered Users ("**Sharing Registered Users**") in respect of such Supply Points have submitted to TransCo a notification ("**Shared Supply Meter Notification**") specifying (in accordance with paragraph 1.7.6) the basis on which the quantity of gas offtaken each Day from the System at the Supply Meter Point ("**Shared Supply Meter Point**") is to be apportioned between such Users.

- 1.7.2 Paragraph 1.7.1 applies only:
- (i) in respect of a Supply Meter Point which is at the date of the Code comprised in more than one Supply Point; or
 - (ii) in the case in paragraph 1.7.5.
- 1.7.3 The Single Premises Requirement shall apply to each of the Supply Points which include a Shared Supply Meter Point (and accordingly the Supply Point Premises shall be the same for each such Supply Point).
- 1.7.4 A Shared Supply Meter Point may be comprised in a Firm Supply Point and in an Interruptible Supply Point, but in such a case the Shared Supply Meter Notification may not be modified except with effect from an Eligible Status Change Date in accordance with paragraph 6.1.4.
- 1.7.5 Where the Annual Quantity of a Supply Meter Point exceeds 58,600,000 kWh (*2,000,000 therms*), a User may, by giving a Shared Supply Meter Notification subject to and in accordance with this paragraph 1.7, elect that the Supply Meter Point shall be comprised both in a Firm Supply Point and in an Interruptible Supply Point in respect of each of which the User is Registered User (and accordingly to be treated as two Sharing Registered Users).
- 1.7.6 Except where this requirement was not satisfied on the date of the Code (and without prejudice to paragraph 1.7.2(i)), the number of Supply Points in which a Shared Supply Meter Point may be comprised shall not exceed two or (if none of such Supply Points is Interruptible) three.
- 1.7.7 A Shared Supply Meter Notification may provide for allocation between the Sharing Registered Users:
- (a) in tranches, in other words on the basis that the quantity of gas offtaken each Day which:
 - (i) does not exceed an amount, or
 - (ii) exceeds an amount but does not exceed a higher amount, or
 - (iii) exceeds an amount, in each case specified in the Shared Supply Meter Notification,is to be allocated to one of such Users, provided that such amounts shall be specified so that all quantities of gas offtaken each Day shall be allocated to one or more of such Users; or
 - (b) if none of the Supply Points in which the Shared Supply Meter Point is comprised is Interruptible, in percentages (aggregating 100%) specified in such notification; or
 - (c) in respect of a Shared Supply Meter Point which is a NExA Supply Meter Point, in accordance with an arrangement made under Section J4.3.3 pursuant to which one person has been appointed as User Agent by all Sharing Registered Users for the purpose of informing TransCo of the allocation between them of the Supply Meter Point Daily Quantity in respect of each Day.
- 1.7.8 A Shared Supply Meter Notification shall be submitted and signed by each of the Sharing Registered Users (but may be submitted in separate but identical counterparts each bearing the same date), and shall specify the date (not earlier than 15 Business Days after the notification is submitted to TransCo) from which it is to take effect.

- 1.7.9 A Shared Supply Meter Notification may not be withdrawn unless another such notification is submitted by all the Sharing Registered Users to take effect from such withdrawal; and may not be modified other than by such withdrawal and submission.
- 1.7.10 A Supply Point Confirmation in respect of a Proposed Supply Point which includes a Shared Supply Meter Point will be rejected unless the requirements of this paragraph 1.7 are complied with and a Shared Supply Meter Notification (conditional on a Supply Point Confirmation becoming effective) is submitted in accordance with paragraph 1.7.8 by the Proposing User and the other Sharing Registered Users (including any other Proposing User of a Supply Point comprising the Shared Supply Meter Point).
- 1.7.11 A Shared Supply Meter Point shall have a separate Annual Quantity in respect of each Sharing Registered User, determined for each such User in accordance with paragraph 1.6.1(i) but on the basis of the portion of the Supply Meter Point Daily Quantity which was or would have been allocated (for each Day in the 12 month period therein referred to) to such User on the basis of the Shared Supply Meter Notification prevailing at the time the Annual Quantity is established; except that for the purposes of determining whether a Supply Point Component is a DMA or DMC Supply Point Component or a VLDMC Supply Point Component the Annual Quantity of the Shared Supply Meter Point will be determined on the basis of the Supply Meter Point Daily Quantity (the whole of which will for such purposes accordingly be taken into account in determining the Annual Quantity of each Supply Point Component which includes such Shared Supply Meter Point).
- 1.7.12 In accordance with paragraph 1.7.11, where a revised Shared Supply Meter Notification is submitted within a Gas Year the Annual Quantity of each relevant Supply Point Component will be revised within such Gas Year.
- 1.7.13 In the case of a Shared Supply Meter Point which is comprised in a Firm and an Interruptible Supply Point (whether the Registered Users are the same or different Users), where on a Day in respect of which an Interruption Notice was given the quantity of gas offtaken from the System at the Firm Supply Point is such that there would be a Supply Point Ratchet, there shall be deemed to have been a failure to Interrupt at the Interruptible Supply Point and not a Supply Point Ratchet.
- 1.7.14 Subject to Section M1.7.2, the liability of the Sharing Registered Users in respect of a Shared Supply Meter Point for obligations under the Code shall be several (in accordance with the allocation under the Shared Supply Meter Notification), except in the case of any such obligation which is not capable of being so divided, in which case the liability of the Sharing Registered Users for such obligation shall be joint.
- 1.7.15 For the avoidance of doubt, where the rate of any Supply Point Transportation Charge is a function of Supply Point Capacity, the rate of such charge payable by a Sharing Registered User shall be determined on the basis of the Supply Point Capacity held by such User at the DM (and NDM, if any) Supply Point Component of the Registered Supply Point in which the Shared Supply Meter Point is comprised.

1.8 Sub-deduct Arrangements

1.8.1 For the purposes of the Code:

- (a) a "**Sub-deduct Arrangement**" is an arrangement of pipes and meters, installed before 1st March 1996, which TransCo has recognised as being such an arrangement, by which a part of the gas which is conveyed by the System to premises for the purposes of supply to those premises, is further conveyed to other premises for the purposes of supply to those other premises;

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

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

- (i) each of the points in the Sub-deduct Arrangement at which gas is offtaken from the System for the purposes of supply to premises is a Supply Meter Point;
- (ii) the point of offtake for each such Supply Meter Point shall be the point determined as the point of offtake in accordance with Section J3.7.1, and title and risk in gas offtaken from the System shall pass accordingly.

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

- (i) for the further purposes of this paragraph 1.8, the Primary Supply Meter Point shall be treated (for the purposes of the Code, but subject to paragraphs (ii) and (iv)) as being a number of Supply Meter Points each of which shall be associated with one relevant meter and so identified (by a unique reference) in the Supply Point Register;
- (ii) the point of offtake in respect of each such Supply Meter Point shall be the point of offtake in accordance with Section J3.7.1 in respect of the Primary Supply Meter Point, and title and risk in gas offtaken from the System shall pass accordingly; and (for the purposes of Section J) the provisions of paragraph 1.8.5 and of Section G shall have effect for the purposes of determining which Users are offtaking gas from the System at that point, and in what proportions;
- (iii) none of such Supply Meter Points shall be treated as being a Shared Supply Meter Point;

- (iv) no provision of this paragraph 1.8, nor the fact that the Supply Point Register records details in respect of the Supply Meter Points which are (pursuant to paragraph (i)) treated as existing at the Primary Supply Meter Point, shall be taken to imply that any User has arranged with TransCo for the conveyance of gas beyond the Primary Supply Meter Point.

1.8.4 Where there is a Sub-deduct Arrangement:

- (a) each of the Supply Meter Points (including the Primary Supply Meter Point) referred to in paragraph 1.8.2(i), or (as the case may be) treated as existing in accordance with paragraph 1.8.3(i), is a "**Sub-deduct Supply Meter Point**";
- (b) each relevant meter shall for the purposes of Section M2 be treated as a Supply Meter (a "**Sub-deduct Supply Meter**") provided by TransCo; provided that:
 - (i) the same person must be appointed as Meter Reader in respect of all Non-Daily Read Sub-deduct Supply Meters in a particular Sub-deduct Arrangement;
 - (ii) the Meter Reading Frequency in respect of each Non-Daily Read Sub-deduct Supply Meter shall be the Meter Reading Frequency of the primary Non-Daily Read NDM Sub-deduct Supply Meter;
 - (iii) where reasonably practicable, the Meter Reads for all Non-Daily Read Sub-deduct Supply Meters shall be undertaken on the same Day as a Meter Read in relation to the primary Non-Daily Read Sub-deduct Supply Meter; and a Meter Reading in respect of any Non-Daily Read Sub-deduct Supply Meter shall not be a Valid Meter Reading unless Meter Reads were undertaken for all Non-Daily Read Sub-deduct Supply Meters within a period of 5 Business Days commencing on the Day 2 Business Days before the Day of a Meter Read in relation to the primary Non-Daily Read Sub-deduct Supply Meter;
 - (iv) where TransCo is the person appointed (pursuant to paragraph (i)) as Meter Reader, TransCo agrees that its charges to Registered Users for Meter Reads at Non-Daily Read Sub-deduct Supply Meters (other than the primary such meter) will not be increased if the Meter Reading Frequency under paragraph (ii) is greater than that which would otherwise be required under Section M3.
- (c) for the purposes of paragraph (b) the primary Non-Daily Read Sub-deduct Supply Meter is the Non-daily Read Sub-deduct Supply Meter which is furthest upstream in the Sub-deduct Arrangement (and for the avoidance of doubt may be the relevant meter at the Primary Supply Meter Point);
- (d) each Sub-deduct Supply Meter Point shall have a separate Annual Quantity, and may be the subject of separate Supply Point Nominations and/or Supply Point Confirmations and may be comprised in a separate Supply Point;
- (e) the details in the Supply Point Register will reflect the premises at which each Sub-deduct Supply Meter is actually located, and (in the case of a Sub-deduct Arrangement which forms part of the System) the Single Premises Requirement will apply accordingly;
- (f) the Registered User of a Supply Point which includes a Sub-deduct Supply Meter Point is a "**Sub-deduct Registered User**".

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

- (i) in respect of each Sub-deduct Supply Meter there shall be attributed to the Sub-deduct Registered User a volume (the "**Sub-deduct Volume**") determined as the Metered Volume in respect of the associated relevant meter less the sum of the Metered Volumes for all dependent relevant meters;
 - (ii) the Metered Quantity determined in respect of each Sub-deduct Supply Meter in accordance with Section M1.4.4 will be determined on the basis of the Sub-deduct Volume.
- 1.8.6 In the case of a Sub-deduct Arrangement which forms part of the System, TransCo reserves the right at its cost to undertake works to extend its System by laying additional pipes so as to cause any Sub-deduct Supply Meter Point to cease to be comprised in the relevant Sub-deduct Arrangement; provided that TransCo will not undertake such works without first obtaining the consent (not to be unreasonably withheld) of the Registered User of each Supply Point affected thereby and in undertaking such works will endeavour to minimise the disruption to the offtake of gas from the System at such Supply Points (but subject thereto will not be in breach of its obligation to make gas available for offtake from the System by reason of the carrying out of such works).
- 1.8.7 Where, in relation to any relevant meter which is Daily Read, there is any dependent meter which is not Daily Read, the Supply Meter Point shall (notwithstanding that such meter is Daily Read and notwithstanding any other provision of the Code), unless otherwise agreed between TransCo and the Registered User, be an NDM Supply Meter Point.
- 1.9 Supply Point Register
- 1.9.1 TransCo has established and (without prejudice to paragraph 1.9.8) will maintain a register ("**Supply Point Register**") of all Supply Meter Points, Supply Points and Supply Point Premises.
- 1.9.2 In the Supply Point Register:
 - (a) each Supply Meter Point will be identified by a unique number (the "**Supply Meter Point Reference Number**") assigned with effect from the date of the Code or in the case of a new Supply Meter Point the date on which the Supply Meter Point is entered in the register in accordance with paragraph 7.3.1;
 - (b) for each Supply Meter Point:
 - (i) the post code ("**Meter Post Code**") of the address at which the Supply Meter is located will be recorded;
 - (ii) a code ("**Meter Link Code**") will be assigned to indicate whether the Supply Meter Point is a Sub-deduct Supply Meter Point, and if so whether it is the Primary Supply Meter Point;
 - (c) each Supply Point will be identified by a unique number (the "**Supply Point Registration Number**") assigned with effect from the Supply Point Registration Date;
 - (d) the details specified in the UK Link Manual will be recorded in respect of each Supply Meter Point, Supply Point and Supply Point Premises.
- 1.9.3 The Supply Meter Point Reference Number will continue to be assigned to a Supply Meter Point which has been Isolated.

- 1.9.4 The Supply Point Registration Number of a Supply Point and the Supply Meter Point Reference Number of any Supply Meter Point comprised therein will not be changed during the relevant Supply Point Registration.
- 1.9.5 A User shall not be entitled to have access to the information contained in the Supply Point Register except to the extent the Code provides for such information to be made available to such User.
- 1.9.6 Upon a request by any User identifying a Supply Meter Point by quoting the Supply Meter Point Reference Number and Meter Post Code, TransCo will provide to the User certain of the details (such details being specified in the UK Link Manual for the purposes of this provision) recorded in the Supply Point Register of the Supply Point(s) in which the Supply Meter Point is comprised.
- 1.9.7 Following the rejection of a Supply Point Nomination pursuant to paragraph 2.3.6(iii) or a Supply Point Confirmation pursuant to paragraph 2.6.2(ii) or (iii):
- (a) the Proposing User may within 10 Business Days after such rejection notify TransCo that the User considers that any details recorded in respect of the Proposed Supply Point in the Supply Point Register are incorrect, or that details which should be so recorded are absent from the Supply Point Register;
 - (b) where the User so notifies TransCo:
 - (i) the User shall at the same time provide details of what it considers the relevant details should be and its reasons for so considering;
 - (ii) TransCo will, as soon as reasonably practicable after the User's notification, consider the details and reasons provided by the User, and where it is reasonably satisfied that any of the relevant details in the Supply Point Register are incorrect, or that details which should be so recorded are absent from the Supply Point Register, TransCo will (within 5 Days after being so satisfied) amend the Supply Point Register in respect of such details and will not reject (on the same grounds) a further Supply Point Nomination or Supply Point Confirmation in respect of the Proposed Supply Point.
- 1.9.8 Without prejudice to any other provision of the Code, Users and TransCo agree:
- (i) to cooperate with a view to ensuring that the information contained in the Supply Point Register is at all times as accurate as is possible;
 - (ii) each to use reasonable endeavours to secure that it becomes aware, insofar as it might reasonably be expected to become aware, of any inaccuracy in the information contained in the Supply Point Register, and to inform (in the case of a User) TransCo or (in the case of TransCo) the Registered User of such inaccuracy;
- but nothing in this paragraph 1.9.8 shall imply that the Supply Point Register is capable of being amended other than as provided in this Section G.
- 1.9.9 Where, by reason of a change in any detail of a kind by reference to which an Exit Zone is designated, the details recorded in the Supply Point Register in respect of a Supply Meter Point cease to be accurate:
- (a) the Registered User shall, within 12 months after becoming aware of such inaccuracy (and unless it earlier ceases to be such Registered User):

- (i) subject to paragraph (ii), submit a Supply Point Reconfirmation for the purposes of amending the relevant details;
 - (ii) where as a result of such change the requirement in Section A1.6.3 ceases to be satisfied in respect of the relevant Supply Point, apply for two or more Supply Point Registrations (in respect of each of which the requirement in Section A1.6.3 is satisfied) or submit a Supply Point Withdrawal in respect of the Supply Point;
- (b) no Supply Point Nomination or Supply Point Confirmation (including a Supply Point Renomination) may be submitted other than on the basis of the correct details, and any Supply Point Offer (outstanding at the time of such change) in respect of a Proposed Supply Point which includes the relevant Supply Meter Point shall lapse.

1.10 Business Day

1.10.1 In this Section G any reference to a "**Business Day**" is a reference to a Day other than:

- (i) a Saturday, a Sunday or a bank holiday in England and Wales, and
- (ii) the Day which would (but for this paragraph (ii)) be the first Business Day after 1st January.

1.10.2 TransCo will maintain and not later than 30th September in each year provide to each User a list of Days in the following calendar year (other than Saturdays and Sundays) which are not Business Days.

1.11 10% Deviation Rule

1.11.1 Where:

- (i) any classification for the purposes of the Code of any Supply Meter Point, Supply Point Component or Supply Point (each a "**relevant**" System Exit Point) is determined on the basis of whether the Annual Quantity of the Relevant System Exit Point exceeds or does not exceed or is less than a specified amount (the "**Classification Threshold**"), and
- (ii) such classification is expressed to be subject to the "**10% Deviation Rule**"

paragraphs 1.11.2 and 1.11.3 shall apply.

1.11.2 Where:

- (i) in any Gas Year (year 'n') a relevant System Exit Point belongs to a particular class by virtue of the relevant Annual Quantity being less than or not exceeding a specified amount (or by virtue of the application of the 10% Deviation Rule in respect of year n), and
- (ii) at the start of the following Gas Year (year 'n+1') the relevant Annual Quantity is not more than 110% of the Classification Threshold,

the class to which the relevant System Exit Point belongs in year n+1 shall, for so long as the Registered User is the same as that at the end of year n, be the same as that to which it belonged in year n.

1.11.3 Where:

- (i) in any Gas Year (year 'n') a relevant System Exit Point belongs to a particular class by virtue of the relevant Annual Quantity exceeding or being not less than a specified amount (or by virtue of the application of the 10% Deviation Rule in respect of year n), and
- (ii) at the start of the following Gas Year (year 'n+1') the relevant Annual Quantity is not less than 90% of the Classification Threshold,

the class to which the relevant System Exit Point belongs in year n+1 shall, for so long as the Registered User is the same as that at the end of year n, be the same as that to which it belonged in year n.

1.11.4 References in this paragraph 1.11 to a classification of a relevant System Exit Point include eligibility of such a point for any classification.

1.12 Contingencies

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

1.13 Code Communications

1.13.1 For a period of 3 months after the User Accession Date, or if sooner until such time as the aggregate Transportation Charges payable by the User in respect of any month exceed £20,000, a User may elect to make and receive all Code Communications under paragraphs 1 to 3 of this Section G as Conventional Notices.

1.13.2 Code Communications made under paragraph 1.13.1 must be made in the same format (as described in the UK Link Manual) as that in which such communications would have been made if made as UK Link Communications.

1.14 Failure to revise Supply Point Register

1.14.1 If on any Day, as a result of a failure by TransCo to revise the Supply Point Register in accordance with the provisions of the Code:

- (i) a Supply Meter Point, in respect of which the User has submitted a Supply Point Withdrawal which has become effective in accordance with paragraph 3.2, remains registered in the name of the User in the Supply Point Register, or
- (ii) a Supply Meter Point, in respect of which the User has submitted a Supply Point Confirmation which has become effective in accordance with paragraph 2.8.7(a) or 2.9.1, has not become registered in the name of the User in the Supply Point Register

then, in view of (and without prejudice to) Section E1.9.2, where the effect on the determination of the Energy Balancing Charges payable by the User is material, TransCo may make a payment to or require a payment from the User of an amount reasonably estimated by TransCo as required (having regard to the User's Daily Imbalance for the Day, whether such imbalance was positive or negative and whether there was or would have been a Second Imbalance Tranche for the User for the Day) to compensate the User or TransCo for the inclusion or (as the case may be) exclusion (in the determination of such Energy Balancing Charges) of the quantity of gas offtaken from the System on the Day in the calculation of the User's Daily Imbalance.

- 1.14.2 Amounts paid by or to TransCo pursuant to paragraph 1.14.1 will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of Section F4.5.3 in the month in which they are paid.
- 1.14.3 For the avoidance of doubt, the Supply Meter Points which are to be taken into account in determining the Transportation Charges, Scheduling Charges and other charges (other than Energy Balancing Charges other than Scheduling Charges (but without prejudice to paragraph 1.14.1)) payable by a User shall be those which (but for any such failure as is referred to in paragraph 1.14.1) would be registered in the name of the User.
2. SUPPLY POINT REGISTRATION
- 2.1 Introduction
- 2.1.1 A User may apply to become the Registered User in respect of a Supply Point in accordance with this paragraph 2.
- 2.1.2 In order for a User (the "**Proposing User**") to become the Registered User in respect of a Supply Point:
- (a) where the Proposed Supply Point is a Larger Supply Point or a New Smaller Supply Point, the User must make a Supply Point Nomination in accordance with paragraph 2.3, in response to which TransCo will (subject as provided in this Section G) submit to the Proposing User a Supply Point Offer in accordance with paragraph 2.4; and
 - (b) the Proposing User must make a Supply Point Confirmation in accordance with paragraphs 2.5 to 2.7 which must become effective in accordance with paragraphs 2.8 to 2.11.
- 2.1.3 For the purposes of this paragraph 2 a "**Proposed**" Supply Point is the Supply Point which is the subject of a Proposed Supply Point Registration.
- 2.1.4 In respect of a Proposed Supply Point Registration:
- (i) a "**Larger Supply Point**" is a Supply Point in respect of which the Annual Quantity is greater than 73,200 kWh (*2,500 therms*), and a "**Smaller Supply Point**" is a Supply Point in respect of which the Annual Quantity is not greater than 73,200 kWh (*2,500 therms*);
 - (ii) a "**Supply Point Nomination**" is a communication by a Proposing User in respect of a Larger Supply Point or a New Smaller Supply Point requesting a Supply Point Offer from TransCo;
 - (iii) a "**Supply Point Offer**" is a communication by TransCo to a Proposing User providing information in respect of a Larger Supply Point or a New Smaller Supply Point;
 - (iv) a "**Supply Point Confirmation**" is a communication by a Proposing User to TransCo requesting Supply Point Registration in respect of a Proposed Supply Point.
- 2.1.5 The Code provides that TransCo will or may reject in certain cases a Supply Point Nomination or Supply Point Confirmation; and any reference in this Section G to such a rejection by TransCo is to a rejection in accordance with any such provision of the Code.
- 2.1.6 Where TransCo has given Termination Notice (under Section V4) to a User, TransCo may decide:

- (i) to reduce any of the periods and/or curtail any of the procedures provided for in this Section G in relation to any Supply Point Nomination or Supply Point Confirmation by any other User in respect of, or
- (ii) to implement any other procedure for the registration in the name of any other User (who wishes to become the Registered User) of,

any Supply Meter Points of which the Discontinuing User was the Registered User.

2.1.7 Unless the context otherwise requires, references in this Section G to details to be included in a Supply Point Nomination, Supply Point Offer or Supply Point Confirmation are to details which would (if the Proposing User submits a Supply Point Confirmation and/or if the Supply Point Confirmation becomes effective) apply in respect of the Proposed Supply Point Registration.

2.2 Current, New and Existing Supply Points

2.2.1 Subject to paragraph 1.4, a Proposed Supply Point may be a Current Supply Point or a New Supply Point.

2.2.2 A "**Current**" Supply Point" is a Proposed Supply Point all of the Supply Meter Points comprised in which are (at the relevant time) all of the Supply Meter Points comprised in one Existing Supply Point; and a "**New**" Supply Point is any other Proposed Supply Point (including for the avoidance of doubt a Proposed Supply Point which includes a New Supply Meter Point).

2.2.3 In relation to a Proposed Supply Point Registration:

- (a) an "**Existing Supply Point**" is a Supply Point which (at the relevant time):
 - (i) is the subject of an existing Supply Point Registration (which may be a registration in the name of the Proposing User); and
 - (ii) includes one or more Supply Meter Points which are comprised in the Proposed Supply Point;
- (b) an "**Existing Registered User**" is a User (who may be the Proposing User) who is the Registered User in respect of an Existing Supply Point.

2.2.4 Subject to paragraph 2.8.3, the Proposing User will not be entitled to have access to the identity of the Existing Registered User(s).

2.2.5 A "**Supply Point Reconfirmation**" or a "**Supply Point Renomination**" is a Supply Point Confirmation or (as the case may be) Supply Point Nomination submitted by the Existing Registered User of the Current Supply Point; and where the Code provides for a Supply Point Reconfirmation to be made in respect of a Larger Supply Point, the Code shall be deemed also to provide for an appropriate Supply Point Renomination to be made.

2.3 Supply Point Nomination

2.3.1 A User may make a Supply Point Nomination in respect of a Larger Supply Point or a New Smaller Supply Point in accordance with this paragraph 2.3.

2.3.2 A Supply Point Nomination shall specify:

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

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

2.3.4 Where a User makes a Supply Point Nomination TransCo will use reasonable endeavours either to submit a Supply Point Offer (in accordance with paragraph 2.4) or to reject the Supply Point Nomination (in accordance with paragraph 2.3.6):

- (i) except as described in paragraph (ii), within 5 Business Days,
- (ii) where the Proposed Supply Point is a New Supply Point, or where (in accordance with the further provisions of this Section G) it is necessary for TransCo to assess the feasibility of making gas available for offtake from the System, within 21 Business Days

after the Supply Point Nomination was submitted.

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

2.3.6 TransCo will reject the Supply Point Nomination where:

- (i) TransCo is not reasonably satisfied that the Single Premises Requirement is complied with in respect of the Proposed Supply Point; or
- (ii) the Supply Point Nomination is not made strictly in accordance with the requirements of paragraph 2.3.2;
- (iii) any of the Supply Meter Point Reference Number(s) specified pursuant to paragraph 2.3.2(c) is not identified in the Supply Point Register with the Meter Post Code(s) specified pursuant to paragraph 2.3.2(d);

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

2.3.7 Where TransCo rejects the Supply Point Nomination TransCo will inform the Proposing User of the reason (under paragraph 2.3.6) for such rejection (and where such rejection was pursuant to paragraph 2.3.6(ii), the requirement of paragraph 2.3.2 which was not complied with).

2.4 Supply Point Offers

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

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

- (a) the identity of the Proposing User;
- (b) the address(es) of the Supply Point Premises;
- (c) the Supply Meter Point Reference Number, manufacturer's serial number, Meter Link Code of each Supply Meter Point comprised in the Proposed Supply Point Registration;
- (d) where the Proposed Supply Point includes one or more NDM Supply Meter Points:
 - (i) the Applicable End User Category in accordance with Section H1.7;
 - (ii) Supply Point Capacity and NTS Exit Capacity (in accordance with Section H4.1); and
 - (iii) the Nominated Meter Reading Frequency or (where more frequent) the minimum Meter Reading Frequency required under Section M3 in respect of each relevant Supply Meter;
- (e) where the Proposed Supply Point includes one or more DM Supply Meter Points:
 - (i) details in respect of Supply Point Capacity and Supply Point Offtake Rate in accordance with paragraphs 2.4.3;

- (ii) whether the Proposed Supply Point is a Firm Supply Point or an Interruptible Supply Point, and (if Interruptible) whether TNI and whether (as respects the DM Supply Point Component) SDMC(I);
- (iii) details of the Daily Read Equipment installed and the Supply Meter Point Reference Number of each Supply Meter Point at which any such Daily Read Equipment is installed;
- (f) the Exit Zone and (where applicable) LDZ in which the Proposed Supply Point is located;
- (g) the Annual Quantity for each Supply Meter Point;
- (h) Supply Point Transportation Charges;
- (i) the Supply Meter Point Reference Number of any Supply Meter Point comprised in the Proposed Supply Point which has been Isolated or in respect of which a request for Isolation is outstanding;
- (j) a number by which the Supply Point Offer may uniquely be identified.

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

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

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

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

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

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

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

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

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

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

- (a) the Annual Quantity of the NDM Supply Point Component (if any) of the Proposed Supply Point is revised (including a revision to the Annual Quantity pursuant to a notice by an Existing Registered User under paragraph 1.6.6(b)(ii)), or such NDM Supply Point Component belongs to a different End User Category, from the Annual Quantity or End User Category specified in the Supply Point Offer:

- (i) TransCo will notify the Proposing User of the revised Annual Quantity or End User Category;

- (ii) the Supply Point Offer shall be deemed to be modified accordingly (and shall remain valid);

- (b) the details of the Supply Point Transportation Charges are (upon a change in Annual Quantity or End User Category of any Supply Meter Point or the coming into force of a new Transportation Statement or otherwise) revised, TransCo will not and is not required to notify the Proposing User of such change, and the Proposing User will be informed of the revised details only if it makes a Supply Point Confirmation which becomes effective.

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

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

2.4.10 The matters referred to in paragraph 2.4.9 are:

- (i) the Supply Meter Points comprised in the Proposed Supply Point;
- (ii) the Annual Quantity, End User Category and Supply Point Capacity of the Proposed Supply Point; and

- (iii) whether at the date of the Supply Point Offer any Existing Supply Point (if Interruptible) is TNI, and (if so) the number of Days of the Interruption Allowance.

2.4.11 Except as provided in paragraph 2.4.9, where any detail contained in a Supply Point Offer is incorrectly stated:

- (i) such error shall not bind TransCo or the Proposing User and shall not prejudice the proper determination of such detail; and
- (ii) a Supply Point Confirmation made on the basis of such Supply Point Offer shall be valid notwithstanding such error.

2.5 Supply Point Confirmations: General

2.5.1 A User may submit a Supply Point Confirmation to TransCo:

- (i) in respect of a Current Smaller Supply Point, in accordance with paragraph 2.6, at any time;
- (ii) in respect of a Larger Supply Point or New Smaller Supply Point, in accordance with paragraph 2.7, after making a Supply Point Nomination, at any time where the condition in paragraph 2.5.2 is satisfied.

2.5.2 The condition referred to in paragraph 2.5.1(ii) is that:

- (i) the Supply Point Confirmation is made at a time at which the Supply Point Offer remains (in accordance with paragraph 2.4.4) valid, and
- (ii) in the circumstances in paragraph 2.7.3, the Proposed Supply Point Registration Date is within the Capacity Reduction Period.

2.5.3 By making a Supply Point Confirmation in respect of a Proposed Supply Point the Proposing User:

- (a) warrants to TransCo:
 - (i) that, or
 - (ii) where the User will not be the supplier, that the supplier (or if there is more than one supplier, the suppliers between them) has (or have) warranted to the User that

as at the Proposed Supply Point Registration Date there will be in force a contract or contracts (including a deemed contract pursuant to paragraph 8(1) or 8(2) of the Gas Code) for the supply to the consumer of the gas offtaken by such User from the System at the Proposed Supply Point; and
- (b) agrees (if the confirmation becomes effective):
 - (i) to be the Registered User in respect of the Proposed Supply Point; and
 - (ii) to be registered as holding:
 - (1) as to the NDM Supply Point Component (if any), Supply Point Capacity (and accordingly LDZ Capacity) and NTS Exit Capacity determined in accordance with Section H4;

- (2) as to the DM Supply Component (if any), the Confirmed Supply Point Capacity (and accordingly LDZ Capacity).
- 2.5.4 Subject to paragraph 2.7.4(a), the "**Confirmed Supply Point Capacity**" in respect of the DM Supply Point Component of a Proposed Supply Point (for which the Supply Point Confirmation becomes effective) is the Offered Supply Point Capacity.
- 2.5.5 A Supply Point Confirmation may not be made, and TransCo will reject any Supply Point Confirmation submitted:
- (i) (except in respect of a Shared Supply Meter Point), in respect of a Proposed Supply Point comprising any Supply Meter Point comprised in a Proposed Supply Point in respect of which any other Supply Point Confirmation has been made and is (in accordance with paragraph 2.5.9) outstanding;
 - (ii) in respect of a Proposed Supply Point comprising any Supply Meter Point (other than a New Supply Meter Point) in respect of which there is any request for Siteworks outstanding or any Siteworks Contract which has not been completed, other than for Isolation, and for which the Siteworks Applicant is a gas shipper other than the Proposing User.
- 2.5.6 TransCo may reject a Supply Point Confirmation in accordance with Section V3.
- 2.5.7 The "**Proposed Supply Point Registration Date**" in respect of a Supply Point Confirmation is the date with effect from which the Proposing User wishes to become the Registered User in respect of the Proposed Supply Point.
- 2.5.8 The Proposed Supply Point Registration Date shall be:
- (a) not more than 3 months after the Supply Point Confirmation is submitted; and
 - (b) not less than:
 - (i) 15 Business Days, or
 - (ii) where at the time the Supply Point Confirmation is submitted a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point, 8 Business Daysafter the Supply Point Confirmation is submitted.
- 2.5.9 A Supply Point Confirmation shall be outstanding until it is rejected by TransCo in accordance with this paragraph 2 or lapses in accordance with paragraph 2.8.6, or (where it becomes effective) until the Supply Point Registration Date.
- 2.5.10 Every Supply Point Confirmation shall specify (in addition to what is required under paragraph 2.6 or 2.7) the identity of the proposed supplier; and in any case where upon a change in the identity of the supplier a User continues to be the Registered User in respect of a Supply Point, such User shall submit a Supply Point Reconfirmation in respect of the change of supplier.
- 2.6 Supply Point Confirmations: Smaller Supply Points
- 2.6.1 A Supply Point Confirmation in respect of a Smaller Supply Point shall specify:

- (a) the identity of the Proposing User;
- (b) either:
 - (i) the Supply Meter Point Reference Number in respect of one Supply Meter Point comprised in the Proposed Supply Point, and the Meter Post Code of such Supply Meter Point, or
 - (ii) the address in the format in the UK Link Manual of the Supply Point Premises;
- (c) the Proposed Supply Point Registration Date;
- (d) the proposed Meter Reading Frequency and Meter Reader.

2.6.2 TransCo will reject the Supply Point Confirmation where:

- (i) the Supply Point Confirmation is not made strictly in accordance with the requirements of paragraph 2.6.1, or
- (ii) in the case of paragraph 2.6.1(b)(i), the Supply Meter Point Reference Number specified is not identified in the Supply Point Register with the specified Meter Post Code;
- (iii) in the case of paragraph 2.6.1(b)(ii), any of the details specified pursuant thereto (other than any details which in accordance with the UK Link Manual may be but are not required to be provided under that paragraph) is not identified in the Supply Point Register with any premises or with the premises identified by any other of such details;

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

2.6.3 Where TransCo rejects the Supply Point Confirmation TransCo will inform the Proposing User of the provision of the Code pursuant to which the Supply Point Confirmation was rejected (and where such rejection was pursuant to paragraph 2.6.2(i), the requirement of paragraph 2.6.1 which was not complied with).

2.7 Supply Point Confirmations: Larger Supply Points

2.7.1 A Supply Point Confirmation in respect of a Larger Supply Point shall specify:

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

2.7.2 Subject to paragraphs 2.4.7(b) and 2.7.5, the details (other than any expressly required in this Section to be included) which are the subject of the Supply Point Confirmation are those specified in the Supply Point Offer, and no other detail may be specified in the Supply Point Confirmation which would conflict with or qualify any such details.

2.7.3 Where:

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

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

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

- (a) if:
 - (i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence of a Supply Point Ratchet (pursuant to Section B4.7.1) in respect of any Existing Supply Point; or
 - (ii) at the start of a Gas Year, the Bottom-stop Supply Point Capacity becomes (pursuant to paragraph 5.2.3(a)(i)) greater than the Offered Supply Point Capacity,

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

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

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

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

2.8 Effect of Confirmation: Existing Supply Points not already withdrawn

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

- (a) TransCo will, within 2 Business Days after the Supply Point Confirmation was submitted, notify the Existing Registered User of the submission of the Supply Point Confirmation and the Proposed Supply Point Registration Date, but not the identity of the Proposing User;

- (b) the Existing Registered User may, up to but not after the 8th Business Day before the Proposed Supply Point Registration Date (the "**Objection Deadline**"), submit to TransCo an objection ("**Supply Point Objection**") in respect of such Existing Supply Point.
- 2.8.2 No Supply Point Objection may be submitted, nor (if purportedly submitted) shall be effective:
 - (i) by an Existing Registered User, after the Objection Deadline, nor
 - (ii) (for the avoidance of doubt) in respect of an Existing Supply Point in respect of which the Existing Registered User has submitted a Supply Point Withdrawal.
- 2.8.3 Where a User submits a Supply Point Objection to TransCo:
 - (a) the objecting User is required to declare its identity in the objection;
 - (b) TransCo will notify such objection, including (where declared in the objection) the identity of the objecting User, to the Proposing User;
 - (c) where the objecting User did not comply with the requirement in paragraph (a):
 - (i) TransCo will not reject the Supply Point Objection (which will accordingly be effective for the purposes of paragraph 2.8.6);
 - (ii) TransCo will, if requested by the Proposing User, provide to the Proposing User the identity of the objecting User as soon as is reasonably practicable but (as is acknowledged by each User) does not undertake to do so before the Objection Deadline.
- 2.8.4 TransCo will not be concerned with the reason for any Supply Point Objection nor with any question as to whether such an objection is well founded.
- 2.8.5 A User may withdraw a Supply Point Objection up to but not after:
 - (i) the 7th Business Day after the Supply Point Objection was made, or
 - (ii) if earlier, the Objection Deadline.
- 2.8.6 Where a Supply Point Objection is made and is not withdrawn in accordance with paragraph 2.8.5, the Supply Point Confirmation shall lapse and be of no effect, and TransCo will so inform each Existing Registered User.
- 2.8.7 Where no Supply Point Objection is made, or all (if any) Supply Point Objections made are withdrawn:
 - (a) subject to paragraph 2.11, the Supply Point Confirmation shall be effective and the Supply Meter Points comprised in the Proposed Supply Point shall be registered in the name of the Proposing User with effect from the Proposed Supply Point Registration Date;
 - (b) each Existing Registered User shall be deemed to have submitted a Supply Point Withdrawal in accordance with paragraph 3 in respect of the relevant Existing Supply Point.

- 2.8.8 In the case of a Supply Point Confirmation within paragraph 2.8.1, TransCo will notify the Proposing User, after the Objection Deadline and not later than the second Day before the Proposed Supply Point Registration Date, whether the Supply Point Confirmation has become effective, setting out (where it has become effective, and without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register.
- 2.9 Effect of Confirmation: Existing Supply Points already withdrawn
- 2.9.1 Where at the time a User submits a Supply Point Confirmation which is not rejected by TransCo, a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point, subject to paragraph 2.11 the Supply Point Confirmation shall be effective and the Supply Meter Points comprised in the Proposed Supply Point shall be registered in the name of the Proposing User with effect from the Proposed Supply Point Registration Date.
- 2.9.2 In the case of a Supply Point Confirmation within paragraph 2.9.1, TransCo will notify the Proposing User, as soon as reasonably practicable and not later than the second Day before the Proposed Supply Point Registration Date, that the Supply Point Confirmation has become effective, setting out (without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register.
- 2.10 Supply Point Confirmation: Effect of Isolation
- 2.10.1 A Supply Meter Point comprised in a Proposed Supply Point for which a Supply Point Confirmation has been submitted may, at the request of the Existing Registered User, be Isolated on any Day before (but not on or after) the Proposed Supply Point Registration Date.
- 2.10.2 Where (in accordance with paragraph 2.10.1) a Supply Meter Point is to be Isolated at the request of the Existing Registered User, TransCo will so notify the Proposing User as soon as reasonably practicable after the request is submitted.
- 2.10.3 Where the Existing Registered User has requested TransCo to carry out, on or after the Proposed Supply Point Registration Date, Isolation of a Supply Meter Point comprised in a Proposed Supply Point for which the Supply Point Confirmation has become effective, the request will be deemed to have been cancelled.
- 2.10.4 Where a Supply Meter Point comprised in a Proposed Supply Point (for which a Supply Point Confirmation has been submitted) has been Isolated the Supply Point Confirmation may (in accordance with paragraph 2.8.7(a) or 2.9.1) become effective and the Proposing User will be the Registered User of a Supply Point which includes the Isolated Supply Meter Point (and may apply pursuant to Siteworks Terms and Procedures for reconnection thereof).
- 2.11 Effect of Confirmation: New Supply Point
- 2.11.1 A Supply Point Confirmation in respect of a New Supply Point (other than one which comprises only New Supply Meter Points) shall not become effective and shall lapse (whether or not any Existing Registered User submitted or withdrew a Supply Point Objection) unless the requirement in paragraph 2.11.2 is satisfied.
- 2.11.2 The requirement referred to in paragraph 2.11.1 is that Supply Point Confirmations (whether submitted by the Existing Registered User or another User as Proposing User), for Proposed Supply Point Registration Date(s) the same as that for such New Supply Point, become effective for Proposed Supply Points which comprise all (if any) and only the Supply Meter Points (including any which are

or are to be Isolated) which are comprised in each Existing Supply Point, other than that or those comprised in such New Supply Point.

2.11.3 TransCo will not be concerned with the fact that, or the reason for which, any Existing Registered User may not submit a Supply Point Confirmation for the purposes of paragraph 2.11.1.

2.11.4 For the avoidance of doubt, it will be necessary for the Existing Registered User(s) to have submitted a Supply Point Nomination in sufficient time to have received a Supply Point Offer to allow any Supply Point Confirmation required under paragraph 2.11.1 to be submitted.

3. SUPPLY POINT WITHDRAWAL AND ISOLATION

3.1 Supply Point Withdrawal

3.1.1 In order for a User to cease to be the Registered User in respect of a Supply Point:

(i) a User must submit, or be deemed in accordance with paragraph 2.8.7(b) to submit, a request ("**Supply Point Withdrawal**") for withdrawal, and

(ii) the Supply Point Withdrawal must become effective,

in accordance with this paragraph 3.

3.1.2 The Registered User in respect of a Supply Point (the "**Withdrawing Supply Point**") may at any time submit to TransCo a Supply Point Withdrawal specifying:

(i) the identity of the User (the "**Withdrawing User**");

(ii) the Supply Point Registration Number of, and the Supply Meter Point Reference Number of one of the Supply Meter Points (the "**Withdrawing Supply Meter Points**") comprised in, the Withdrawing Supply Point.

3.1.3 Where a User submits or is deemed to submit a Supply Point Withdrawal, subject to paragraph 2.10.1, the User may but is not obliged to secure Isolation of any of the Withdrawing Supply Meter Points.

3.1.4 TransCo will make available to all Users details of those Withdrawing Supply Meter Points which at any time have not become comprised in a Proposed Supply Point in respect of which a Supply Point Confirmation has become effective, identifying each Supply Meter Point (if any) which is or is to be Isolated.

3.1.5 Where a Withdrawing Supply Meter Point is comprised in a Proposed Supply Point for which the Supply Point Confirmation becomes effective, TransCo will so notify the Withdrawing User not later than 2 Business Days after the date on which it is known that the Supply Point Confirmation will become effective.

3.2 Effect of withdrawal

3.2.1 A Supply Point Withdrawal shall become effective only where each of the Withdrawing Supply Meter Points either is comprised in another Supply Point (of which the Registered User may be the Withdrawing User) or has been Isolated; and the date with effect from which the Supply Point Withdrawal is effective shall be the Supply Point Registration Date (of such other Supply Point) or the date of such Isolation or the latest of any such date.

- 3.2.2 For so long as a Supply Point Withdrawal has not become effective in accordance with paragraph 3.2.1, the Withdrawing User shall remain liable for Supply Point Transportation Charges in respect of the Withdrawing Supply Point determined on the basis of the Supply Point Capacity, LDZ Capacity and (where applicable) NTS Exit Capacity held immediately before the submission of the Supply Point Withdrawal (or in the case of an NDM Supply Point Component such capacities as revised with effect from 1st October in any Gas Year in accordance with Section H4 by reference to the new Annual Quantities and End User Categories).
- 3.2.3 Where a Supply Point Withdrawal becomes effective, by reason of Isolation of any DM Supply Meter Point comprised therein, in respect of a Supply Point which includes a DM Supply Point Component, the Withdrawing User shall continue to pay to TransCo the amounts which would have been payable by the User by way of LDZ Capacity Charges and the Capacity Variable Component of Customer Charges in respect of the DM Supply Point Component if the User had continued to be the Registered User of the Supply Point, until:
- (i) the 30th September following the Day before that on which the Supply Point Withdrawal became effective, or
 - (ii) if earlier, the Day before the Supply Point Registration Date in respect of a Supply Point which includes such Isolated Supply Meter Point.
- 3.2.4 For the avoidance of doubt a User's Registered DM NTS Exit Capacity shall not be affected by any Supply Point Withdrawal.
- 3.2.5 When a Supply Point Withdrawal has become effective in accordance with paragraph 3.2.1, the User shall cease to be the Registered User and the Supply Point (and the Supply Point Registration) shall be cancelled.
- 3.3 Withdrawal: Closing Meter Read
- 3.3.1 Where a Supply Point Withdrawal becomes effective (under paragraph 3.2.1) in respect of an NDM Supply Meter Point and the Proposing User provides an Opening Meter Reading in accordance with Section M3.8, TransCo will, within 5 Business Days after such Meter Reading was provided to it, notify such Meter Reading to the Withdrawing User and inform the Withdrawing User whether it passed the validation referred to in Section M3.3.3.
- 3.3.2 In accordance with Section M3.8.2 an Opening Meter Reading for an NDM Supply Meter Point obtained within a period of 5 Business Days commencing on the Day 2 Business Days before the Supply Point Registration Date will be deemed for all purposes of the Code to have been obtained on the Supply Point Registration Date (and the Reconciliation Values determined accordingly).
- 3.4 Isolation: General
- 3.4.1 For the purposes of the Code "**Isolation**" of a Supply Meter Point means the isolation by TransCo of the Supply Meter Point for the purposes of securing that gas cannot be offtaken from the System at such point, in such manner as TransCo may in any case determine; and "**Isolate**" shall be construed accordingly.
- 3.4.2 Subject to paragraph 3.4.3, where a Supply Meter Point has been Isolated (and unless and until it is reconnected) the person who is or was the Registered User of the Supply Point in which it is or was comprised shall cease to be responsible for gas offtaken from the System at the Supply Meter Point.

- 3.4.3 In the case of an NDM Supply Meter Point, NDM Supply Meter Point Demand will continue to be determined in accordance with Section H2 until such time as a Supply Point Withdrawal has (in accordance with paragraph 3.2) become effective in respect of the Supply Point in which the Supply Meter Point is or was comprised; but for the purposes of NDM Reconciliation the Metered Quantity in respect of any period after the date of Isolation (and before any reconnection) shall in accordance with paragraph 3.4.2 be deemed to be zero.
- 3.4.4 Where Isolation is carried out at a Supply Meter Point the Registered User must obtain and provide to TransCo a Valid Meter Reading obtained not earlier than the time at which the Isolation was carried out.
- 3.4.5 Where a Supply Meter Point has been Isolated, it may only be reconnected pursuant to Siteworks in accordance with paragraph 7.
- 3.4.6 For the avoidance of doubt, isolation of a Supply Meter Point for the purposes of enabling Siteworks to be carried out shall not be Isolation.
- 3.5 Isolation request and Siteworks Agreement
- 3.5.1 A User may request TransCo to Isolate a Registered Supply Meter Point, subject to and in accordance with this paragraph 3.5.
- 3.5.2 A User may only request an Isolation where the User has entered into a Siteworks Contract for Isolation ("**Isolation Siteworks Agreement**") with TransCo which is in force at the time both of the User's request and at which the Isolation is carried out.
- 3.5.3 The User's request must specify:
- (i) the identity of the User,
 - (ii) the relevant Supply Point Registration Number, and the Supply Meter Point Reference Number of the Supply Meter Point,
 - (iii) the date, not less than 11 Business Days after the User's request is submitted, on which Isolation is requested (which date shall not be binding on TransCo);
 - (iv) such further details (including details of the reason for the Isolation and details of the consumer) as may be required under the Isolation Siteworks Agreement.
- 3.5.4 TransCo will respond to the User's request confirming that the Isolation request has been accepted, and specifying the date, not earlier than and on or as soon as is in the circumstances reasonably practicable after the requested date, on which the Isolation is to be carried out, subject to and in accordance with the Isolation Siteworks Agreement.
- 3.5.5 Where the Supply Meter Point is a Shared Supply Meter Point TransCo will not accept a request for Isolation unless submitted by all the Sharing Registered Users.
- 3.5.6 Where a User requests an Isolation TransCo will be entitled to assume that any Legal Requirement or code of practice relating to the cessation of supply to the consumer has been complied with.
- 3.5.7 In accordance with paragraph 2.10.3, a User's request for Isolation will be cancelled where the User is or will no longer be the Registered User of the Supply Meter Point on the Day on which the Isolation is to be carried out.

- 3.5.8 A User may cancel a request made by it for Isolation by notice to TransCo not later than 12:00 hours on the Day preceding the Day on which the Isolation is to be carried out; provided that TransCo will use reasonable endeavours to accept notice of such cancellation given later than such time.
- 3.5.9 The terms (as to payment and otherwise) upon which TransCo carries out an Isolation will be those of the Isolation Siteworks Agreement (which does not form a part of and is not incorporated into the Code); and accordingly nothing in the Code shall make TransCo liable to the User for any failure or delay in carrying out a requested Isolation.
- 3.5.10 A Supply Meter Point will be treated as Isolated for the purposes of the Code (until and unless reconnected) with effect from the Day on which the Isolation was carried out.

3.6 Urgent Isolations

- 3.6.1 Nothing in the Code shall prevent TransCo from Isolating any Supply Meter Point at the request of any person where it appears to TransCo that it is necessary to do so for the purposes of ensuring safety; and, for the avoidance of doubt, where it does so TransCo shall not be in breach of its obligation to make gas available for offtake.
- 3.6.2 Where pursuant to paragraph 3.6.1 TransCo Isolates a Supply Meter Point at the request of a person other than the Registered User:
- (i) TransCo will inform the Registered User of such Isolation as soon as reasonably practicable after carrying out the Isolation;
 - (ii) nothing in the Code shall make the Registered User liable to make any payment to TransCo in respect of the carrying out of the Isolation.

4. TRANSCO'S OBLIGATIONS

4.1 Supply Point Nominations

4.1.1 For the purposes of this paragraph 4.1:

- (i) TransCo "**responds**" to a Supply Point Nomination by either rejecting such nomination (in accordance with paragraph 2.3.6) or submitting a Supply Point Offer (in accordance with paragraph 2.4.1);
- (ii) periods within which TransCo is to respond to a Supply Point Nomination run from the Business Day after the Supply Point Nomination was submitted;
- (iii) where TransCo is late (by reference to any period required under this paragraph 4.1) in responding to a Supply Point Nomination by submitting a Supply Point Offer, no error in any of the details contained in the Supply Point Offer shall relieve TransCo of any liability (by reason of such lateness) under this paragraph 4.

4.1.2 TransCo will respond within 21 Business Days to not less than 95% of the Supply Point Nominations submitted by each User in any calendar month.

4.1.3 If, in respect of the Supply Point Nominations submitted by a User in any calendar month, TransCo does not comply with the requirement in paragraph 4.1.2, TransCo will (subject to the further provisions of this paragraph 4) pay to the User an amount calculated as:

$$((0.95 * A) - B) * C$$

where for the relevant month:

- A is the number of Supply Point Nominations submitted by the User in that month;
- B is the number of Supply Point Nominations submitted by the User in that month to which TransCo did respond within 21 Business Days;

and where C is the relevant percentage of £10.

4.1.4 In respect of each Supply Point Nomination submitted by a User, if TransCo does not respond within 42 Business Days, TransCo will (subject to the further provisions of this paragraph 4) pay to the User:

- (i) the relevant percentage of £20; and
- (ii) a further amount equal to the relevant percentage of £20 for every completed period of 21 Business Days which elapses (commencing from the 43rd Business Day after the Supply Point Nomination was submitted) until TransCo responds to the Supply Point Nomination.

4.1.5 Amounts payable under paragraph 4.1.4 are in addition to and irrespective of any amounts which may become payable in respect of any month under paragraph 4.1.3.

4.2 Supply Point Confirmations - Withdrawing User

4.2.1 For the purposes of this paragraph 4.2, in relation to any User other than the Proposing User, a "**relevant**" Supply Point Confirmation is a Supply Point Confirmation, other than one which TransCo rejects pursuant to any provision of this Section G, for a Proposed Supply Point in relation to which such User:

- (i) is an Existing Registered User of an Existing Supply Point, and
- (ii) has not submitted (or been deemed to submit) a Supply Point Withdrawal.

4.2.2 TransCo will notify each User (in accordance with paragraph 2.8.1(a)) of the submission of not less than 95% of relevant Supply Point Confirmations submitted in any calendar month, not less than (in each case) 12 Business Days before the Proposed Supply Point Registration Date.

4.2.3 If, in respect of the relevant Supply Point Confirmations submitted in any calendar month, TransCo does not comply with the requirement in paragraph 4.2.2, TransCo will (subject to the further provisions of this paragraph 4) pay to the User an amount calculated as:

$$((0.95 * D) - E) * F$$

where for the relevant month:

- D is the number of relevant Supply Point Confirmations;
- E is the number of relevant Supply Point Confirmations the submission of which TransCo did notify to the User not less than 12 Business Days before the Proposed Supply Point Registration Date;

and where F is the relevant percentage of £5.

4.2.4 In respect of each relevant Supply Point Confirmation, if TransCo does not notify the relevant User of the submission of such Supply Point Confirmation not later than the Business Day before the Objection Deadline, TransCo will (subject to the further provisions of this paragraph 4) pay to the User the relevant percentage of £20.

4.2.5 Amounts payable under paragraph 4.2.4 are in addition to and irrespective of any amounts which may become payable in respect of any month under paragraph 4.2.3.

4.3 Supply Point Confirmations - Confirming User

4.3.1 For the purposes of this paragraph 4.3:

(a) a "**relevant**" Supply Point Confirmation is a Supply Point Confirmation which becomes effective in accordance with paragraph 2.8.7(a) or 2.9.1;

(b) TransCo notifies the outcome of a relevant Supply Point Confirmation by giving to the Proposing User the notification required in accordance with paragraph 2.8.8 or 2.9.2.

4.3.2 TransCo will notify (in accordance with paragraph 4.3.1(b)) to each User the outcome of not less than 95% of the relevant Supply Point Confirmations submitted by that User in any calendar month.

4.3.3 If in respect of the relevant Supply Point Confirmations submitted in any calendar month TransCo does not comply with the requirement in paragraph 4.3.2, TransCo will (subject to the further provisions of this paragraph 4) pay to the User an amount calculated as:

$$((0.95 * G) - H) * I$$

where for the relevant month:

G is the number of relevant Supply Point Confirmations;

H is the number of relevant Supply Point Confirmations submitted by the User the outcome of which TransCo did notify to the User;

and where I is the relevant percentage of £5.

4.3.4 In respect of each relevant Supply Point Confirmation, if TransCo does not notify to the User the outcome of such Supply Point Confirmation:

(i) not later than the 7th Business Day after the Proposed Supply Point Registration Date, TransCo will (subject to the further provisions of this paragraph 4) pay to the User the relevant percentage of £20;

(ii) not later than the 21st Business Day after the Proposed Supply Point Registration Date, TransCo will (subject to the further provisions of this paragraph 4) pay to the User (in addition to the amount under paragraph (i)) the relevant percentage of £20.

4.3.5 Amounts payable under paragraph 4.3.4 are in addition to and irrespective of any amounts which may become payable in respect of any month under paragraph 4.3.3.

4.4 Isolations

4.4.1 For the purposes of this paragraph 4.4:

- (i) a reference to a request for Isolation is to a request submitted in accordance with paragraph 3.5 by the Registered User of a Supply Meter Point;
- (ii) references to TransCo responding to a request for Isolation submitted by the Registered User of a Supply Meter Point are to a response in accordance with paragraph 3.5.4;
- (iii) periods within which TransCo is to respond to a request for Isolation run from the Business Day after the request was submitted.

4.4.2 TransCo will respond within 10 Business Days to not less than 95% of the requests for Isolation submitted by each User in any calendar month.

4.4.3 If in respect of the requests for Isolation submitted in any calendar month TransCo does not comply with the requirement in paragraph 4.4.2, TransCo will (subject to the further provisions of this paragraph 4) pay to the User an amount calculated as:

$$((0.95 * J) - K) * L$$

where for the relevant month:

J is the number of requests for Isolation submitted by the User in that month;

K is the number of requests for Isolation submitted by the User in that month to which TransCo did respond within 10 Business Days;

and where L is the relevant percentage of £10.

4.4.4 In respect of each request for Isolation submitted by a User, if TransCo does not respond to such request for Isolation:

- (i) within 17 Business Days, TransCo will (subject to the further provisions of this paragraph 4) pay to the User the relevant percentage of £50;
- (ii) within 31 Business Days, TransCo will (subject to the further provisions of this paragraph 4) pay to the User (in addition to the amount under paragraph (i)) the relevant percentage of £50.

4.4.5 Amounts payable under paragraph 4.4.4 are in addition to and irrespective of any amounts which may become payable in respect of any month under paragraph 4.4.3.

4.5 Relevant percentage

4.5.1 For the purposes of paragraphs 4.1, 4.2, 4.3 or (as the case may be) 4.4, subject to paragraph 4.5.4, the "**relevant percentage**" is:

- (a) in respect of the period from the date of the Code until 31st August 1996, 50%;
- (b) in respect of the month of September 1996, 100%;
- (c) in respect of any subsequent quarter (quarter 'q'):

- (i) where in respect of quarter q-1 TransCo failed to comply with the relevant aggregate requirement:
 - (1) where quarter q-1 is the quarter ending 30th September 1996, 125%,
 - (2) except as provided in paragraph (1), 112.5%,
 of the relevant percentage applicable in respect of quarter q-1;
- (ii) where in respect of quarter q-2 TransCo failed to comply with the relevant aggregate requirement but in respect of quarter q-1 TransCo complied with the relevant aggregate requirement, the relevant percentage applicable in respect of quarter q-1;
- (iii) where in respect of quarters q-1 and q-2 TransCo complied with the relevant aggregate requirement, 87.5% of the relevant percentage applicable in respect of quarter q-1, provided that the relevant percentage shall not be less than 100%.

4.5.2 For the purposes of paragraph 4.5.1 (as it applies respectively for the purposes of paragraph 4.1, 4.2, 4.3 or 4.4):

- (a) the "**relevant aggregate requirement**" in respect of any quarter:
 - (i) for the purposes of paragraph 4.1, is the requirement that, in relation to not less than 95% of Supply Point Nominations submitted by Users in aggregate in that quarter, TransCo should respond within 21 Business Days to the Supply Point Nomination;
 - (ii) for the purposes of paragraph 4.2, is the requirement that, in relation to not less than 95% of Supply Point Confirmations submitted by Users in aggregate in that quarter, TransCo should notify the relevant User of the Supply Point Confirmation not less than 12 Days before the Supply Point Registration Date;
 - (iii) for the purposes of paragraph 4.3, is the requirement that, in relation to not less than 95% of Supply Point Confirmations submitted by Users in aggregate in that quarter, TransCo should notify the relevant User (in accordance with paragraph 4.3.1(b)) of the outcome of the Supply Point Confirmation;
 - (iv) for the purposes of paragraph 4.4, is the requirement that, in relation to not less than 95% of requests for Isolation submitted by Users in aggregate in that quarter, TransCo should respond within 10 Business Days to the request for Isolation;
- (b) a "**quarter**" is a period of three calendar months ending 31st December, 31st March, 30th June or 30th September.

4.5.3 For the purposes of determining any amount payable by TransCo to a User under this paragraph 4, the relevant percentage shall be that applicable in respect of the quarter in which the Supply Point Nomination, Supply Point Confirmation or (as the case may be) request for Isolation (in respect of which such amount is payable) was submitted.

4.5.4 Where a Supply Point Nomination, Supply Point Confirmation or (as the case may be) request for Isolation is submitted in respect of a Supply Point (or a Supply Meter Point comprised in a Supply Point) whose Annual Quantity is not greater than 73,200 kWh (*2,500 therms*), the relevant percentage shall be one half of the percentage determined under paragraph 4.5.1.

4.6 Aggregate payment cap

4.6.1 The aggregate amount payable under this paragraph 4 (excluding amounts in respect of interest) by TransCo to all Users in respect of Supply Point Nominations, Supply Point Confirmations and requests for Isolation:

- (a) submitted in any annual period shall not exceed whichever is the lesser of:
 - (i) the applicable percentage, ascertained in respect of the last quarter of the annual period, of £10,285,000 (or in the case of the annual period expiring 31st March 1997, of £11,143,000), and
 - (ii) £14 571,000 (or in the case of the annual period expiring 31st March 1997, £15,786,000);
- (b) submitted in any month (month 'n', where n is 1 for the first month in the annual period, 2 for the second such month, and so on) in an annual period shall not exceed the amount (if any) by which the prevailing cumulative monthly cap exceeds the aggregate amounts so payable by TransCo in respect of months 1 to n-1 inclusive (or if month n is month 1, zero).

4.6.2 For the purposes of paragraph 4.6.1:

- (a) an annual period is a period of 12 months expiring 31st March in any year, except that the period from the date of the Code until 31st March 1997 shall be an annual period;
- (b) the prevailing cumulative monthly cap (in respect of month n) is the amount calculated as n/12 (or in the case of the annual period expiring 31st March 1997, n/13) of the maximum amount for the annual period determined pursuant to paragraph 4.6.1(a) but on the basis of the applicable percentage ascertained for the quarter in which such month falls;
- (c) the applicable percentage in respect of any quarter is the amount which would be determined as the relevant percentage in respect of that quarter in accordance with paragraph 4.5 (excluding paragraph 4.5.4) on the basis:
 - (i) that the relevant percentage for the period from the date of the Code to 30th September shall be deemed to be 100%, and that in relation to the quarter commencing 1st October 1996, the reference to quarter q-1 is to the 4 month period ending 30th September 1996;
 - (ii) that references in that paragraph to the relevant percentage in respect of any earlier quarter are to the applicable percentage (in accordance with this paragraph (c)) in respect of that earlier quarter; and
 - (iii) that (subject to paragraph 4.8.2) references in that paragraph to TransCo's failing to comply with the relevant aggregate requirement are to TransCo's failing to comply with the relevant aggregate requirement (in accordance with paragraph 4.5.2(a)) in respect of two or more out of paragraphs 4.1.2, 4.2.2, 4.3.2 and 4.4.2, and references to TransCo's complying with the relevant aggregate requirement are to be construed accordingly.

4.6.3 Where in respect of any month the aggregate amount payable by TransCo under this paragraph 4 would exceed the relevant amount provided in paragraph 4.6.1(b), the amounts payable to Users in respect of that month shall be reduced pro rata.

4.7 Shadow deductions

4.7.1 There shall be deducted from the aggregate amount (if any) payable by TransCo to a User pursuant to paragraphs 4.1 to 4.4 inclusive in respect of any month, the amount referred to in paragraph 4.7.2, or (if less) so much of that amount as will result in the amount so payable by TransCo being zero.

4.7.2 The amount referred to in paragraph 4.7.1 is:

- (i) the sum of the number of non-compliant Supply Point Nominations, Supply Point Confirmations and requests for Isolation submitted by the User in all relevant months (including the month referred to in paragraph 4.7.1, where a relevant month) in the relevant annual period (as defined in paragraph 4.6.2(a)), multiplied by £1, less
- (ii) the amount in aggregate by which the amounts payable by TransCo to the User in respect of previous months in the relevant annual period have been reduced pursuant to paragraph 4.7.1.

4.7.3 For the purposes of this paragraph 4.7:

- (i) a non-compliant Supply Point Nomination or Supply Point Confirmation is one which TransCo is (in accordance with this Section G) entitled to reject, other than one submitted for the purposes of complying with paragraph 1.9.8, and a non-compliant request for Isolation is one not submitted strictly in accordance with the requirements of this Section G; and
- (ii) a relevant month is a calendar month in which more than 5% of the Supply Point Nominations and Supply Point Confirmations submitted by a User in aggregate are non-compliant.

4.8 Separate application

4.8.1 Paragraphs 4.1, 4.2, 4.3 and 4.4 shall apply separately in respect of Supply Point Nominations, Supply Point Confirmations or (as the case may be) requests for Isolation submitted in respect of Supply Points (or Supply Meter Points comprised in Supply Points) whose Annual Quantities do, and those whose Annual Quantities do not, exceed 73,200 kWh (2,500 therms); and the references to 95% in those paragraphs shall be determined accordingly.

4.8.2 For the purposes of paragraph 4.6.2(c)(iii), a failure to comply with paragraph 4.1.2, 4.2.2, 4.3.2 or 4.4.2 in respect of either of the two classes of Supply Point or Supply Meter Point referred to in paragraph 4.8.1 shall count as a failure to comply with the relevant paragraph, but a failure to comply with the same paragraph in respect of both such classes shall count as one failure and not two.

4.9 Disapplication

4.9.1 If at any time TransCo shall have delivered a disapplication request pursuant to paragraph 5(1)(a) of Special Condition 9C of the TransCo Licence, or the equivalent provision in any condition of that Licence which may apply following any modification of that licence, then if TransCo shall give notice to the Director not less (except with the consent of the Director) than 9 months before the disapplication date (as defined in that Condition), this paragraph 4 shall cease to have effect with effect from the disapplication date.

4.9.2 If TransCo gives notice under paragraph 4.9.1 it will so inform Users as soon as reasonably practicable after doing so.

4.10 Force majeure

For the purposes of this paragraph 4:

- (i) a Supply Point Nomination will not be treated as one to which TransCo failed to respond (for the purposes of paragraph 4.1);
- (ii) a Supply Point Confirmation will not be treated as one to which TransCo did not notify (for the purposes of paragraph 4.2) or whose outcome TransCo failed to notify (for the purposes of paragraph 4.3);
- (iii) a request for Isolation will not be treated as one to which TransCo did not respond (for the purposes of paragraph 4.4)

where TransCo was unable so to respond or notify by reason of Force Majeure.

4.11 Invoicing and payment

4.11.1 Subject to paragraphs 4.11.2 and 4.11.3, amounts payable by TransCo under this paragraph 4 will be invoiced and payable in accordance with Section S.

4.11.2 Any amount payable by TransCo pursuant to this paragraph 4 will be payable not later than the 15th Day of the payment month (which date will be the Invoice Due Date in respect of an Invoice Document in respect of any such amounts).

4.11.3 Where (whether or not by reason of the Invoice Document being submitted after such date) TransCo makes payment after the date referred to in paragraph 4.11.2, TransCo will pay interest on the amount payable with effect from such date, provided that until the last Day of the payment month the Applicable Interest Rate shall be the rate under Section S3.6.4(ii).

4.11.4 For the purposes of this paragraph 4.11, the payment month is the second month following that in which the Supply Point Nomination, Supply Point Confirmation or request for Isolation (in respect of which the relevant amount is payable) was submitted.

4.11.5 TransCo will provide by way of supporting data with each relevant Invoice Document reasonable details of the basis on which the Invoice Amounts are calculated (not for the avoidance of doubt including details of the calculations of any Compensation Relevant Value in accordance with paragraph 4.12).

4.12 Audit

For the purposes of Section V13 relating to the review by the Compensation Value Auditor of the determination of Compensation Relevant Values:

- (a) the relevant percentage pursuant to paragraph 4.5 is a Compensation Relevant Value;
- (b) the maximum aggregate amounts payable in an annual period and a month pursuant to paragraph 4.6 are Compensation Relevant Values.

4.13 Conventional Notices

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

5. DM SUPPLY POINT CAPACITY AND OFFTAKE RATE

5.1 Introduction

- 5.1.1 Except for paragraph 5.6, this paragraph 5 applies only in respect of DM Supply Point Components.
- 5.1.2 The Supply Point Capacity which a User is registered as holding at a DM Supply Point Component shall be subject to minimum and maximum requirements in accordance with this paragraph 5.
- 5.1.3 Subject to the provisions of this paragraph 5, the Registered User of a DM Supply Point Component may apply to reduce or increase its Registered DM Supply Point Capacity.
- 5.1.4 An application ("**Capacity Revision Application**") to revise (by increasing or decreasing) Registered DM Supply Point Capacity shall specify:
- (i) the Supply Point Registration Number;
 - (ii) the Supply Meter Point Reference Number of one of the DM Supply Meter Points comprised in the Supply Point Component;
 - (iii) the revised Supply Point Capacity and (in accordance with paragraph 5.3.2) Supply Point Offtake Rate; and
 - (iv) the date in accordance with paragraph 5.1.5 with effect from which the revision is to take effect.
- 5.1.5 The date under paragraph 5.1.4(iv) shall be:
- (i) except in paragraph (ii), 5 Business Days, or
 - (ii) where it will (in accordance with paragraph 5.5) be necessary for TransCo to assess the feasibility of making gas available for offtake, 21 Business Days,
- after the application is submitted.
- 5.1.6 A User may withdraw a Capacity Revision Application by notice to TransCo not less than 2 Business Days before the date specified pursuant to paragraph 5.1.4(iv).
- 5.1.7 TransCo may reject a Capacity Revision Application or an application (in accordance with paragraph 5.3.2) for a revised Supply Point Offtake Rate:
- (i) in the case of a Capacity Revision Application, where the requirements of paragraph 5.1.4 are not complied with, or (in the case of an application for an increase in Supply Point Capacity) in accordance with Section V3;
 - (ii) in either case, where any other requirement of this paragraph 5 is not complied with, or in accordance with any provision of this paragraph 5 which provides for such rejection.
- 5.1.8 Subject to paragraph 5.1.7, TransCo will approve a Capacity Revision Application or (pursuant to paragraph 5.3.2) an application for a revised Supply Point Offtake Rate, and will inform the Registered User where such application is approved.

5.2 Minimum capacity requirements

5.2.1 A User's Registered Supply Point Capacity at a DM Supply Point Component:

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

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

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

- (a) the "**Bottom-stop**" Supply Point Capacity in respect of a DM Supply Point Component is:
 - (i) the amount (the "**Preceding Year Maximum Capacity**") which is the highest User SPDQ for any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but (in the case of a Firm DM Supply Point Component) not exceeding the Maximum Supply Point Capacity; or
 - (ii) if higher, but only in the case of a Firm DM Supply Point Component, where there has been a Supply Point Ratchet (in accordance with Section B4.7) in the Gas Year, the amount of the Prevailing Supply Point Capacity (subject to and in accordance with paragraph 5.5.5) following such (or if more than one, the most recent) Supply Point Ratchet;
- (b) any New Supply Meter Point, and any Supply Meter Point which has become a DM Supply Meter Point, shall be disregarded in determining the Preceding Year Maximum Capacity of a DM Supply Point Component until the Gas Year which commences next after the first month of June which falls after the First Supply Point Registration Date or (as the case may be) the date on which the Supply Meter Point became DM;
- (c) subject to paragraphs 5.2.5 and 5.2.6, the "**Prevailing**" Supply Point Capacity in respect of the DM Supply Point Component of a Supply Point is the Supply Point Capacity for the time being held by the Registered User.

5.2.4 In respect of the DM Supply Point Component of a Proposed Supply Point which is a New Supply Point:

- (i) the Preceding Year Maximum Capacity shall be determined as the highest relevant daily quantity (in accordance with paragraph 5.2.5(i)) in respect of any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but shall not exceed the Maximum Supply Point Capacity;
- (ii) the Prevailing Supply Point Capacity shall be determined as the sum of the scaled relevant daily quantities (in accordance with paragraph 5.2.5(ii)) for each DM Supply Meter Point comprised in the Proposed Supply Point.

5.2.5 For the purposes of paragraph 5.2.4:

- (i) the relevant daily quantity in respect of a Day is the sum of the Supply Meter Point Daily Quantities (or in the case of a Shared Supply Meter Point, the portion thereof which would have been allocated to the Proposing User in accordance with the Shared Supply Meter Notification) for each DM Supply Meter Point comprised in the Proposed Supply Point in respect of that Day;
- (ii) the scaled relevant daily quantity in respect of a DM Supply Meter Point comprised in an Existing Supply Point is the selected daily quantity (under paragraph (iii)), multiplied by the Prevailing Supply Point Capacity, divided by the Preceding Year Maximum Capacity, in respect of the Existing Supply Point;
- (iii) for the purposes of paragraph (ii), the selected daily quantity is the Supply Meter Point Daily Quantity (or in the case of a Shared Supply Meter Point, the portion thereof which would have been allocated to the Proposing User in accordance with the Shared Supply Meter Notification) for the Supply Meter Point in respect of the Day by reference to which the Preceding Year Maximum Capacity was determined under paragraph 5.2.4(i);
- (iv) a New Supply Meter Point comprised in the Proposed Supply Point shall be disregarded.

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

- (a) the Proposing User may before submitting a Supply Point Confirmation notify TransCo that the User considers that the circumstances in paragraph 5.2.7 apply;
- (b) where a User so notifies TransCo:
 - (i) the User shall at the same time provide to TransCo details of the User's reasons for its view and of the Supply Point Capacity which the User considers should be the Prevailing Supply Point Capacity, and evidence therefor;
 - (ii) TransCo will consider the details and evidence provided by the User, and where it is reasonably satisfied that the circumstances in paragraph 5.2.7 do apply, will (after consultation with the User) notify the User of a reduced Supply Point Capacity;
 - (iii) if the User submits a further Nomination (for the purpose of this paragraph 5.2.6) in respect of the Proposed Supply Point, the reduced Supply Point Capacity under paragraph (ii) will be the Prevailing Supply Point Capacity for the purposes of the application of paragraph 2.7.3 in respect of any Supply Point Confirmation submitted by the User;
- (c) where in the meantime the User has submitted a Supply Point Confirmation which has become effective, the User may by submitting a Supply Point Reconfirmation revise (consistently with such reduced Prevailing Supply Point Capacity) the Supply Point Capacity which it holds at the DM Supply Point Component, and (where the User does so) any Transportation Charges already invoiced and/or paid will be redetermined (but subject to paragraph 5.2.9) on the basis that the revised Supply Point Capacity was held with effect from the Supply Point Registration Date and appropriate invoicing adjustments made in accordance with Section S.

5.2.7 The circumstances referred to in paragraph 5.2.6 are that:

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

5.2.8 For the purposes of paragraph 5.2.7:

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

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

5.3 Supply Point Offtake Rate

5.3.1 The "**Supply Point Offtake Rate**" in respect of a DM Supply Point Component is the maximum instantaneous rate (in kWh/hour) at which a User is permitted to offtake gas from the System at that Supply Point Component.

5.3.2 A User shall apply for a Supply Point Offtake Rate or revised Supply Point Offtake Rate:

- (i) when submitting a Supply Point Nomination (as a Proposing User) in respect of a Proposed Supply Point which includes a DM Supply Point Component;
- (ii) when submitting a Capacity Revision Application (whether to increase or in the Capacity Reduction Period to reduce its Supply Point Capacity) in respect of a Registered DM Supply Point Component;
- (iii) whenever the User becomes aware that the maximum offtake rate at a Registered DM Supply Point Component may be or has been subject to any increase.

5.3.3 Wherever a User applies for a Supply Point Offtake Rate or a revised Supply Point Offtake Rate:

- (i) the User shall estimate the maximum offtake rate, in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care, and
- (ii) the Supply Point Offtake Rate for which the User applies shall be not less than, nor substantially more than, such estimate.

- 5.3.4 A User shall take all reasonable steps to secure that it becomes aware of any increase (whether by reason of a change in the size or nature of, or the nature of the use of, the Consumer's Plant or otherwise) in the maximum offtake rate before and (in any event) as soon as reasonably practicable after such increase occurs (without prejudice to paragraph 5.5.4(c) or Section J3.8).
- 5.3.5 The Supply Point Offtake Rate prevailing at any time in respect of any DM Supply Point Component will be the Supply Point Offtake Rate specified in the Supply Point Offer, subject to any increase or decrease in such Supply Point Offtake Rate which has (at such time) been approved pursuant to paragraph 5.5.4.
- 5.3.6 In this paragraph 5.3, the "**maximum offtake rate**" is the maximum instantaneous rate (in kWh/hour) at which gas is or is likely to be offtaken from the System at a Registered DM Supply Point Component.

5.4 Absolute requirement

- 5.4.1 A User's Supply Point Capacity in respect of a DM Supply Point Component shall not be greater than 24 times, or less than 4 times, the Supply Point Offtake Rate; provided that in the case of an NTS Supply Point Component the User's Supply Point Capacity shall be equal to 24 times the Supply Point Offtake Rate.
- 5.4.2 TransCo will reject any Supply Point Nomination in respect of a Proposed Supply Point which includes a DM Supply Point Component where the Nominated Supply Point Capacity and Supply Point Offtake Rate are not in compliance with paragraph 5.4.1.
- 5.4.3 TransCo will reject any Capacity Revision Application by the Registered User of a DM Supply Point Component where the Supply Point Offtake Rate (prevailing or applied for under paragraph 5.3.2(ii)) and the increased or reduced Supply Point Capacity are not in compliance with paragraph 5.4.1.

5.5 Other requirements

5.5.1 For the purposes of this Section G, in respect of a DM Supply Point Component:

- (a) the "**Maximum Supply Point Capacity**" is the quantity which (where it is necessary to do so under this Section G) TransCo determines to be the maximum quantity which it is feasible to make available for offtake in a 24 hour period at the DM Supply Point Component;
- (b) the "**Maximum Supply Point Offtake Rate**" is the instantaneous rate of offtake (in kWh/hour) which (where it is necessary to do so under this Section G) TransCo determines to be the maximum instantaneous rate at which it is feasible to make gas available for offtake at the DM Supply Point Component;

in each case consistently with the requirements of paragraph 5.4.

5.5.2 The "**Provisional Maximum Supply Point Capacity**" in respect of the DM Supply Point Component of a Supply Point (other than a Proposed Supply Point which is a New Supply Point and other than an NTS Supply Point) is whichever is the lesser of:

- (i) 2 times the Prevailing Supply Point Capacity; and
- (ii) 16 times the Supply Point Offtake Rate or (in the case of a Proposed Supply Point) Nominated Supply Point Offtake Rate.

- 5.5.3 Where a Proposing User submits a Supply Point Nomination (i) for a Current Supply Point, in which the Nominated Supply Point Capacity exceeds the Provisional Maximum Supply Point Capacity, or the Nominated Supply Point Offtake Rate exceeds the Supply Point Offtake Rate for the Existing Supply Point, or (ii) for a New Supply Point:
- (a) a Supply Point Offer will not be made until TransCo has assessed whether it is feasible to make available gas for offtake at the Nominated Supply Point Offtake Rate or (in a 24 hour period) in the amount of the Nominated Supply Point Capacity;
 - (b) where TransCo determines that the Nominated Supply Point Capacity exceeds the Maximum Supply Point Capacity, the Supply Point Capacity specified in the Supply Point Offer will be the Maximum Supply Point Capacity;
 - (c) where TransCo determines that the Nominated Supply Point Offtake Rate exceeds the Maximum Supply Point Offtake Rate, the Supply Point Offtake Rate specified in the Supply Point Offer will be the Maximum Supply Point Offtake Rate.
- 5.5.4 Where the Registered User of a DM Supply Point Component (i) submits a Capacity Revision Application (for an increase) in which the increased Supply Point Capacity exceeds the Provisional Maximum Supply Point Capacity, or the Supply Point Offtake Rate (applied for under paragraph 5.3.2(ii)) exceeds the prevailing Supply Point Offtake Rate, or (ii) applies for an increased Supply Point Offtake Rate pursuant to paragraph 5.3.2(iii):
- (a) the application will not be approved until TransCo has assessed whether it is feasible to make available gas for offtake at the proposed Supply Point Offtake Rate or (in a 24 hour period) in the amount of the proposed Supply Point Capacity;
 - (b) where TransCo determines that the increased Supply Point Capacity applied for exceeds the Maximum Supply Point Capacity, the application will be approved (if otherwise approved under this paragraph 5) for the Maximum Supply Point Capacity;
 - (c) where TransCo determines that the proposed Supply Point Offtake Rate exceeds the Maximum Supply Point Offtake Rate, the application will be approved (if otherwise approved under this paragraph 5, where relevant) for the Maximum Supply Point Offtake Rate.
- 5.5.5 Where, following the occurrence of a Supply Point Ratchet in relation to a Firm DM Supply Point Component, the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity would exceed the Provisional Maximum Supply Point Capacity:
- (a) with effect from the following Day, and until TransCo has assessed whether it is feasible to make available gas for offtake (in a 24 hour period) in the amount of such sum, the Ratchettted Supply Point Capacity shall be equal to the Provisional Maximum Supply Point Capacity;
 - (b) with effect from the time at which TransCo has assessed such feasibility, the Ratchettted Supply Point Capacity shall be equal to the lesser of:
 - (i) the Maximum Supply Point Capacity, and
 - (ii) the sum of the User's Registered Supply Point Capacity (immediately before the Supply Point Ratchet) and the Capacity Ratchet Amount;

- (c) TransCo will inform the Registered User of the Ratcheted Supply Point Capacity determined under paragraph (b) as soon as reasonably practicable after assessing such feasibility.

5.6 Maximum NDM offtake rate

- 5.6.1 This paragraph 5.6 applies in respect of NDM Supply Point Components.
- 5.6.2 Where the Registered User becomes aware that (as a result in any change in the extent or nature of the consumer's requirements for consumption of gas) there will be or there has been a threshold rate increase in respect of an NDM Supply Point Component whose Annual Quantity exceeds 732,000 kWh (25,000 therms) paragraph 5.6.5 shall apply.
- 5.6.3 For the purposes of this paragraph 5.6, a "**threshold rate increase**" is an increase in the maximum rate at which gas is from time to time offtaken from the System at the NDM Supply Point Component of more than:
 - (i) where the Annual Quantity does not exceed 2,196,000 kWh (75,000 therms), 100 kW,
 - (ii) where the Annual Quantity exceeds 2,196,000 kWh (75,000 therms), 300 kW.
- 5.6.4 The Registered User shall take all reasonable steps to secure that it is made aware of any threshold rate increase before such increase occurs.
- 5.6.5 In the circumstances in paragraph 5.6.2, the Registered User shall:
 - (a) notify TransCo not less than 21 Business Days before the first time at which the threshold rate increase will occur, or if later as soon as possible after becoming aware of such increase, providing reasonable details of the amount of or reason for the increase;
 - (b) take reasonable steps to secure that no threshold rate increase, or no further offtake at the rate of the threshold rate increase, occurs until such time as TransCo has either:
 - (i) provided to the User the notice referred to in paragraph (c), or
 - (ii) notified the User that it is feasible to make gas available for offtake at the Supply Point Component at the increased rate notified under paragraph (a); and
 - (c) where TransCo notifies to the User a rate which TransCo determines as being the maximum instantaneous rate at which it is feasible to make gas available for offtake at the Supply Point Component, secure that the rate of offtake of gas does not exceed such rate.
- 5.6.6 TransCo will not be obliged under any provision of the Code to make gas available for offtake at an NDM Supply Point Component at any rate in excess of a rate in respect of which the requirements of this paragraph 5.6 have been complied with.

6. INTERRUPTIBLE SUPPLY POINTS

6.1 General

- 6.1.1 Subject to the further provisions of this paragraph 6, where at any time a Supply Point is eligible to be an Interruptible Supply Point in accordance with paragraph 6.2, the Registered User may by giving notice to TransCo not later than the Change Request Deadline designate the Supply Point as being Interruptible with effect from an Eligible Status Change Date.

- 6.1.2 A Supply Point which has been designated as Interruptible will continue to be so designated until and unless it is redesignated as Firm under paragraph 6.3 or paragraph 6.9.
- 6.1.3 For the purposes of the Code:
- (i) a Supply Point is "**Interruptible**" where the offtake of gas from the System at the Supply Point is subject to Interruption in accordance with paragraph 6.7, and otherwise is "**Firm**";
 - (ii) an "**Interruptible Supply Point**" is a Supply Point which is for the time being designated as Interruptible;
 - (iii) a "**Firm Supply Point**" is a Supply Point which is not for the time being designated as Interruptible (including one which has been redesignated as Firm).
- 6.1.4 For the purposes of this Section G:
- (a) a reference to a Supply Meter Point changing status is a reference to the Supply Point in which it is comprised becoming a Firm Supply Point where it was Interruptible or becoming an Interruptible Supply Point where it was Firm; and where a Supply Meter Point has changed status it will (but without prejudice to the provisions of this paragraph 6.1 pursuant to which it may change status) continue to be treated as having done so irrespective of the Registered User of any Supply Point in which it may subsequently be comprised;
 - (b) an "**Eligible Status Change Date**" is a date with effect from which a Firm Supply Point may become Interruptible or an Interruptible Supply Point may become Firm;
 - (c) in relation to a Supply Point at any time an Eligible Status Change Date is:
 - (i) if no Supply Meter Point comprised in the Supply Point has at any time changed status, any date;
 - (ii) except as provided in paragraph (i), the date in respect of which the following conditions are satisfied:
 - (1) the date is not less than 12 months after the most recent date on which any such Supply Meter Point changed status; and
 - (2) the date is either an anniversary of the most recent date on which any such Supply Meter Point changed status or is 1st October in any year

(for the purposes of which the date of a change in status of a Supply Meter Point pursuant to paragraph 6.3.7 shall not be counted);
 - (d) in relation to an Eligible Status Change Date the "**Change Request Deadline**" is the Day two months before such Eligible Status Change Date;
 - (e) where a User submits a Supply Point Confirmation which becomes effective in respect of a Supply Point, TransCo will if requested by the User provide to the User as soon as reasonably practicable after the Supply Point Registration Date of such information as may be necessary to enable the User to ascertain the Eligible Status Change Date or Dates.

- 6.1.5 Where a User submits a Supply Point Confirmation in respect of a Proposed Supply Point which includes any Supply Meter Point comprised in an Existing Supply Point which (at the Proposed Supply Point Registration Date) is Interruptible:
- (a) if each Existing Supply Point is Interruptible, the Proposed Supply Point will (if the Supply Point Confirmation becomes effective) be an Interruptible Supply Point, except that if the Supply Point Confirmation was submitted before the Change Request Deadline and the Proposed Supply Point Registration Date is not later than an Eligible Status Change Date, the Proposing User may (subject to and in accordance with paragraph 6.3) redesignate the Supply Point as Firm with effect from the Eligible Status Change Date;
 - (b) (in accordance with paragraph 2.7.6) if there is another Existing Supply Point which (at the Proposed Supply Point Registration Date) is not Interruptible:
 - (i) the Proposed Supply Point Registration Date must be an Eligible Status Change Date, and
 - (ii) the Proposing User may designate (provided the Proposed Supply Point is eligible in accordance with paragraph 6.2.1, and subject to paragraph 6.3) the Proposed Supply Point as Interruptible or Firm.
- 6.1.6 Where a User has submitted a Supply Point Confirmation which will (in accordance with paragraphs 2.8.7 or 2.9.1) become effective, no Existing Registered User may submit a notice designating an Existing Supply Point as Interruptible or redesignating it as Firm.
- 6.1.7 A notice designating a Supply Point as Interruptible or redesignating a Supply Point as Firm with effect from an Eligible Status Change Date may be revoked by the Registered User before but not after the Change Request Deadline; and accordingly a User who submits a Supply Point Confirmation after the Change Request Deadline may not alter the designation (as Interruptible or Firm) of the Supply Point until the next following Eligible Status Change Date.
- 6.1.8 Without prejudice to the generality thereof, the indemnity provided for in Section V13.1.1 shall apply in respect of the taking of any steps or the exercise by TransCo of any entitlement provided for in this paragraph 6.
- 6.2 Conditions for designation as Interruptible
- 6.2.1 A Supply Point is eligible to be designated an Interruptible Supply Point in any Gas Year for which its Annual Quantity is greater than 5,860,000 kWh (200,000 therms), subject to the 10% Deviation Rule.
- 6.2.2 In accordance with paragraph 1.7, a Supply Point which includes a Shared Supply Meter Point may not be designated as Interruptible unless there are only two Sharing Registered Users and the Shared Supply Meter Notification provides (pursuant to paragraph 1.7.7(a)) for allocation in tranches.
- 6.2.3 By designating a Supply Point as Interruptible with effect from an Eligible Status Change Date, or submitting a Supply Point Confirmation in respect of an Interruptible Supply Point, and by not redesignating an Interruptible Supply Point as Firm with effect from an Eligible Status Change Date, the Registered User represents to TransCo that, or where the User is not the supplier that the supplier has represented to the User that, the requirement in paragraph 6.2.4 will be complied with.
- 6.2.4 The requirement referred to in paragraph 6.2.3 is that the contract or contracts of supply to the consumer, in force at the Eligible Status Change Date or (as the case may be) the Supply Point

Registration Date, oblige the consumer to give effect to Interruption (including in the case where the requirement for Interruption is notified by TransCo under paragraph 6.8.4).

6.2.5 Without prejudice to paragraph 6.2.4, a Supply Point which includes an NDM Supply Point Component may (subject to this paragraph 6.2) be designated as Interruptible.

6.3 Redesignation as Firm

6.3.1 Where a Supply Point is for the time being an Interruptible Supply Point:

- (i) subject to paragraph 6.3.2 and except where the Supply Point is or is to be a TNI Supply Point, the Registered User may redesignate the Supply Point as Firm with effect from an Eligible Status Change Date, by giving notice to TransCo not later than the Change Request Deadline;
- (ii) where the Supply Point ceases to be eligible in accordance with paragraph 6.2.1 in respect of any Gas Year, the Supply Point shall unless TransCo otherwise determines be redesignated as Firm with effect from the first Eligible Status Change Date in that Gas Year.

6.3.2 Where:

- (i) pursuant to any provision of this paragraph 6 a Supply Point is to be redesignated or (pursuant to paragraph 6.1.5(b)(ii)) designated as Firm with effect from an Eligible Status Change Date, and
- (ii) TransCo determines and notifies the User that the Firm Transportation Requirement is not satisfied

the designation or redesignation as Firm will not be effective and (subject to paragraph 6.3.5) the Supply Point will continue to be an Interruptible Supply Point.

6.3.3 In the case of a redesignation as Firm pursuant to paragraph 6.3.1(i), any notification by TransCo under paragraph 6.3.2(ii) will be given not later than one month after the relevant Change Request Deadline.

6.3.4 For the purposes of the Code the "**Firm Transportation Requirement**" in respect of an Interruptible Supply Point is the requirement that (after taking into account TransCo's ability to Interrupt at other Interruptible Supply Points) it would be feasible to make gas available for offtake at the Supply Point (if the Supply Point were Firm) at a rate not less than the Supply Point Offtake Rate (and as respects any NDM Supply Point Component, an appropriate estimated rate of offtake) and in quantities (in a 24 hour period) in the amount of the Supply Point Capacity which the User would (pursuant to paragraph 6.3.9) hold upon its redesignation as Firm.

6.3.5 Subject to paragraph 6.3.6, the Registered User may after an Eligible Status Change Date redesignate a Siteworks Specified Interruptible Supply Point as Firm in accordance with paragraph 7.4.6.

6.3.6 Subject to paragraph 6.3.7, a User may not redesignate a Supply Point as Firm pursuant to paragraph 7.4.6 unless the User had not later than the Change Request Deadline given notice under paragraph 6.3.1(i) of such redesignation which pursuant to paragraph 6.3.2 was not effective.

6.3.7 Where at any time:

- (i) a Supply Point is Interruptible, and

- (ii) the Registered User demonstrates to the reasonable satisfaction of TransCo that, by reason of a substantial change, which has occurred since and was not reasonably foreseeable at the most recent Change Request Deadline, in the physical nature of the consumer's requirements for the supply of gas, the consumer requires the Supply Point to be Firm,

the User may (subject to paragraph 6.3.2) redesignate the Supply Point as Firm with effect from any later Day.

- 6.3.8 Where in any Gas Year a Supply Point is redesignated as Firm pursuant to paragraph 6.3.7, until the first Eligible Status Change Date which is more than 12 months after the date of such redesignation, no Supply Meter Point comprised in the Supply Point may be comprised in any Interruptible Supply Point (irrespective of the Registered User).
- 6.3.9 Where an Interruptible Supply Point is redesignated as Firm, the Registered Supply Point Capacity held by the Registered User at the DM Supply Point Component shall be whichever is the greater of the Prevailing Supply Point Capacity and the Bottom-stop Supply Point Capacity (and the Supply Point Offtake Rate shall be unchanged).
- 6.3.10 Where a User seeks to redesignate an Interruptible Supply Point as Firm with effect from an Eligible Status Change Date between 2nd October and 31st March, TransCo may reject such redesignation in accordance with Section P2.9.3.

6.4 SDMC(I) Supply Points

- 6.4.1 Where TransCo reasonably determines, in relation to an Interruptible Supply Point with a DM Supply Point Component whose Annual Quantity does not exceed 58,600,000 kWh (2,000,000 therms), subject to the 10% Deviation Rule, that (by reason of the location or other characteristics of the part of the System in which the Supply Point is located, or the nature of the Consumer's Plant) the operational benefits of TransCo's ability to Interrupt the Supply Point would be materially diminished unless individual Output Nominations are made in respect of the Supply Point, TransCo may designate the Supply Point as requiring individual Output Nominations for the purposes of Section A4.5.3.
- 6.4.2 Any designation under paragraph 6.4.1 shall be:

- (i) in the case of an existing Supply Point Registration, by notice to the Registered User not later than the 5th Business Day in September in the Gas Year preceding the first Gas Year in which such designation is to be effective, or
- (ii) in the case of a Proposed Supply Point Registration, in the Supply Point Offer.

6.5 TNI Supply Points

- 6.5.1 Where TransCo determines that the relevant number of Days (in accordance with paragraph 6.5.2) would exceed 45 in any Gas Year, TransCo may with effect from 1st October (or any other Day agreed with the Registered User) designate an Interruptible Supply Point as being a "**TNI Supply Point**" by giving notice of not less than 12 months (or such lesser period as the Registered User may agree) to the Registered User.
- 6.5.2 For the purposes of paragraph 6.5.1 the relevant number of Days is the number of Days on which, after taking into account TransCo's ability to Interrupt at other Interruptible Supply Points, TransCo estimates that, in a year of 1-in-50 Severe Annual Demand, Interruption would be required at the Supply Point.

- 6.5.3 Where TransCo designates an Interruptible Supply Point as a TNI Supply Point, TransCo's notice to the Registered User will specify:
- (i) the number of Days (exceeding 45) on which TransCo may Interrupt the Supply Point in accordance with paragraph 6.7, and
 - (ii) the reductions in Applicable Commodity Rates referred to in paragraph 6.5.4.
- 6.5.4 The Applicable Commodity Rates of the NTS Commodity Charges and LDZ Commodity Charges payable by the Registered User in respect of a TNI Supply Point will be subject to reductions as provided (by reference to the Interruption Allowance in excess of 45 Days) in the Transportation Statement.
- 6.5.5 TransCo may from time to time by a further notice (of not less than 12 months) under paragraph 6.5.1 or by agreement with the Registered User alter the Interruption Allowance of a TNI Supply Point.
- 6.5.6 Subject to paragraph 6.3.6, the Registered User may (whether on or after an Eligible Status Change Date) redesignate a Siteworks Specified TNI Supply Point as Firm in accordance with paragraph 7.4.6 or apply to redesignate the Interruption Allowance in respect of a TNI Supply Point to a Siteworks Specified number of Days.
- 6.5.7 TransCo may withdraw the designation of a Supply Point as a TNI Supply Point by giving notice of not less than 12 months (or such lesser period as the Registered User may agree) to the Registered User.
- 6.5.8 Where a User submits a Supply Point Confirmation which becomes effective in respect of an Interruptible Supply Point:
- (i) if any Existing Supply Point is, or pursuant to a notice given by TransCo to the Existing Registered User pursuant to paragraph 6.5.1 would have become, a TNI Supply Point, the Proposed Supply Point shall be, or as the case may be shall (with effect from the date when the Existing Supply Point would have become a TNI Supply Point) become, a TNI Supply Point;
 - (ii) any Existing Supply Point is, but pursuant to a notice given by TransCo pursuant to paragraph 6.5.7 would have ceased to be, a TNI Supply Point, the Proposed Supply Point shall (with effect from the date when the Existing Supply Point would have ceased to be a TNI Supply Point) cease to be a TNI Supply Point.
- 6.5.9 TransCo will, within 10 Business Days after the date of any Supply Point Nomination in respect of an Interruptible Supply Point (or if later as soon as practicable thereafter), notify the Proposing User of whether (and where applicable the date from which) the Proposed Supply Point is or is to become, and/or is to cease to be, a TNI Supply Point pursuant to paragraphs 6.5.8.
- 6.6 Requirements as to Interruptible Supply Points
- 6.6.1 Where a User is or is to become the Registered User of one or more Interruptible Supply Points the User shall:
- (i) not later than the relevant date (in accordance with paragraph 6.6.4) in respect of the first Interruptible Supply Point of which it becomes Registered User, provide to TransCo at least one telephone number and at least one facsimile number (but not more than 4 numbers in

total) by means of which TransCo may contact, 24 hours a Day, a representative of the User, and the name(s) or title(s) of not more than 3 representatives of the User who may be contacted at such numbers;

- (ii) maintain the details provided under paragraph (i) up to date, and notify TransCo of any change in such details before such change takes effect; and
- (iii) secure that at all times on each Day one of such representatives is available and capable of being so contacted by telephone (with access to facsimile) or by facsimile.

6.6.2 A User shall, in relation to each Interruptible Supply Point of which it is or is to become the Registered User:

- (i) not later than the relevant date (in accordance with paragraph 6.6.4), provide to TransCo at least one telephone number and at least one facsimile number (but not more than 4 numbers in total) by means of which TransCo may contact, 24 hours a Day, a representative of the consumer, and the name(s) or title(s) of not more than 2 representatives of the consumer (who for the avoidance of doubt may be the samerepresentatives as those referred to in Section Q2.3) who may be contacted at such numbers;
- (ii) take all reasonable steps to secure that the details provided under paragraph (i) are maintained up to date and to notify TransCo of any change in such details before such change takes effect;
- (iii) take all reasonable steps to secure that at all times on each Day one of such representatives is available and capable of being so contacted by telephone (with access to facsimile) and by facsimile;
- (iv) secure that the consumer acknowledges the right of TransCo to contact the consumer in the circumstances in paragraph 6.8.4 and undertakes to comply with any notification by TransCo thereunder.

6.6.3 For the purposes of enabling TransCo to plan the exercise of its rights as to Interruption of Interruptible Supply Points, in relation to each Gas Year the Registered User of an Interruptible Supply Point will, if so required by TransCo, not later than the relevant date (in accordance with paragraph 6.6.4) and thereafter from time to time upon any significant change in such details, obtain from the consumer or supplier and provide to TransCo the consumer's best estimate of the following details:

- (i) whether or not gas is likely in normal circumstances to be offtaken at or between particular times of Day specified by TransCo for the purposes of this paragraph 6.6.3;
- (ii) the maximum quantity of gas to be offtaken on any Saturday and on any Sunday;
- (iii) holiday periods in each year during which gas will not be offtaken from the System at the Supply Point (or the DM Supply Point Component thereof).

6.6.4 For the purposes of this paragraph 6.6 the relevant date in respect of an Interruptible Supply Point is:

- (i) where the Registered User designates the Supply Point as Interruptible from an Eligible Status Change Date, the Change Request Deadline; or

- (ii) the date on which the User submits a Supply Point Confirmation in respect of the Supply Point.

6.6.5 Where, in relation to any Interruptible Supply Point of which the DM Supply Point Component is DMA, the Registered User or supplier:

- (i) exercises (other than pursuant to an Interruption Notice under paragraph 6.8.1) any entitlement to require the consumer to discontinue consuming gas offtaken from the System on a Day, or
- (ii) having exercised such an entitlement, authorises the consumer to resume such consumption

the Registered User will as soon as reasonably practicable inform TransCo by telephone or facsimile of the identity of the Interruptible Supply Point and the time with effect from which the consumer will be required to discontinue or authorised to resume consumption.

6.7 Interruption

6.7.1 For the purposes of the Code "**Interruption**" at a Supply Point means interruption on TransCo's instruction (for one or more Days or parts of a Day) of the offtake of gas from the System at each Supply Meter Point comprised in the Supply Point, and references to a Supply Point being Interrupted and to TransCo's right to Interrupt a Supply Point shall be construed accordingly.

6.7.2 Where (in accordance with this paragraph 6) TransCo requires Interruption at a Supply Point:

- (a) the Registered User shall secure that (subject to paragraph 6.7.7) the requirement in paragraph (b) is complied with;
- (b) the requirement is that no gas shall be offtaken from the System at the Supply Point, with effect from the Interruption Start Time (in accordance with paragraph 6.8.1) and until such time as TransCo shall specify in accordance with paragraph 6.8.5.

6.7.3 Subject to paragraph 6.7.5, TransCo may require Interruption at an Interruptible Supply Point:

- (i) on any Day on which there is or TransCo anticipates that there would otherwise be a relevant Transportation Constraint (in accordance with paragraph 6.7.4);
- (ii) on not more than 3 Days in any Gas Year, where TransCo has any reasonable doubt as to whether the requirements in paragraph 6.2.4 are satisfied or the provisions of this paragraph 6 in relation to Interruption are or are capable of being complied with in respect of the Supply Point, for the purposes of verifying such matters; and
- (iii) on any Day in respect of which, at any time, Forecast Total System Demand exceeds 85% of System 1-in-20 peak day demand.

6.7.4 A relevant Transportation Constraint is a Transportation Constraint which would be relieved (in whole or in part) by the discontinuance or suspension of offtake at the Interruptible Supply Point (provided that TransCo will not be required to exercise its entitlement to require Interruption in respect of an Interruptible Supply Point which is a Maintenance Affected Point pursuant to Section L4.3).

6.7.5 The number of Days (including parts of a Day) in respect of which TransCo requires Interruption in respect of an Interruptible Supply Point in any Gas Year shall not exceed the following (the "**Interruption Allowance**"):

- (i) except in the case of a TNI Supply Point, 45 Days;
- (ii) in the case of a TNI Supply Point, the number of Days for the time being specified pursuant to paragraph 6.5.3(i);

provided that a Day in respect of which TransCo gives more than one Interruption Notice shall be counted only as one Day of Interruption.

6.7.6 Where a Supply Point Confirmation in respect of an Interruptible Supply Point becomes effective on a Day other than 1st October:

- (a) Days (in the Gas Year in which the Supply Point Registration Date falls) in respect of which TransCo required Interruption of the Existing Supply Point, up to but not including the Supply Point Registration Date, shall be counted towards the use of the Interruption Allowance; provided that where the Proposed Supply Point is a New Supply Point the number of Days so counted shall be the average, weighted by reference to the Annual Quantity of each Supply Meter Point comprised in the New Supply Point, of the number of Days of Interruption in the relevant Gas Year in respect of each Interruptible Existing Supply Point;
- (b) upon request of the Proposing User made after the Supply Point Registration Date, TransCo will inform the Registered User of the number of Days counted towards the use of the Interruption Allowance pursuant to paragraph (a);
- (c) where the Proposed Supply Point comprises only New Supply Meter Points:
 - (i) if the Supply Point Registration Date is before 1st April in the relevant Gas Year, the Interruption Allowance shall be in accordance with paragraph 6.7.5;
 - (ii) if the Supply Point Registration Date is on or after 1st April in the relevant Gas Year, the Interruption Allowance shall be reduced from that determined in accordance with paragraph 6.7.5 by 1/6th for each completed month in such Gas Year after 1st April and before the Supply Point Registration Date.

6.7.7 In the case of an Interruptible Supply Point which includes a DMC Supply Point Component, TransCo may in its discretion enter into an Ancillary Agreement with (and with the agreement of) a User pursuant to which the User may satisfy a requirement for Interruption by a reduction in offtake rather than a discontinuance thereof.

6.7.8 The exercise by TransCo of any right (other than pursuant to this paragraph 6) to require or secure the discontinuance or reduction of offtake at any Supply Meter Point shall not count towards the use of the Interruption Allowance or otherwise count as Interruption for the purposes of this paragraph 6.

6.7.9 Without prejudice to the requirement under paragraph 6.7.2(b), it is acknowledged that pursuant to Section H a User will be treated as having offtaken gas from the System at an Interruptible NDM Supply Point Component on a Day on which TransCo required Interruption, and that such treatment will not constitute failure to Interrupt for the purposes of paragraph 6.9.

6.8 Notification requirements

6.8.1 Where TransCo requires or has a revised requirement for Interruption in respect of one or more Supply Points, TransCo will give to the Registered User, not less than 5 hours before the time

("Interruption Start Time") with effect from which Interruption is required, notice ("Interruption Notice") specifying:

- (i) the Supply Points to be Interrupted,
- (ii) the Gas Flow Day,
- (iii) the Interruption Start Time, and
- (iv) TransCo's estimate (which shall not bind TransCo) of the time at which the requirement for Interruption will cease to apply.

6.8.2 The User may request by telephone or facsimile an alteration to the Supply Points specified in the Interruption Notice; and where not less than 5 hours before the Interruption Start Time TransCo and the User have agreed (but so that TransCo shall not be required to agree) upon such an alteration, the Interruption Notice will be revised accordingly and resubmitted by TransCo to the User as soon as reasonably practicable.

6.8.3 The User shall by telephone or facsimile:

- (i) not later than 30 minutes after Interruption Notice was given, acknowledge receipt of that notice;
- (ii) not later than 5 hours after Interruption Notice was given, confirm to TransCo that Interruption (in accordance with such notice) has taken place or will take place.

6.8.4 Where the User has not acknowledged receipt of an Interruption Notice within 30 minutes after such notice was given, TransCo may not less than 4 hours before the Interruption Start Time notify the requirement for Interruption at each relevant Supply Point directly to the consumer, specifying the Gas Flow Day and Interruption Start Time.

6.8.5 Where TransCo has given an Interruption Notice in respect of any Supply Point, as soon as reasonably practicable after TransCo determines that the requirement for Interruption no longer applies or will at a certain time cease to apply (having regard to the circumstances in accordance with paragraph 6.7.3 in which such notice was given), TransCo will so notify the User specifying the time (where later than the time of such notification) at which the requirement for Interruption will no longer apply.

6.9 Failure to Interrupt

6.9.1 For the purposes of the Code:

- (a) subject to paragraph (b), there is a "**failure to Interrupt**" at an Interruptible Supply Point where, on any occasion on which TransCo requires Interruption in respect of the Supply Point, the requirement in paragraph 6.7.2(b) is not complied with in respect of each Supply Meter Point at any time on any Day (the "**failure Day**") during the period referred to in that paragraph;
- (b) a failure to comply with a requirement for Interruption pursuant to paragraph 6.7.3(ii):
 - (i) will not be counted as a failure to Interrupt for the purposes of paragraph 6.9.7;
 - (ii) subject to paragraph (i), will be counted as a failure to Interrupt if:

- (1) the User does not demonstrate to the reasonable satisfaction of TransCo that all appropriate steps are being taken to ensure that such a failure does not recur at the relevant Supply Point, or
- (2) the failure is the third failure occurring at the relevant Supply Point during the same Gas Year to comply with a requirement for Interruption pursuant to paragraph 6.7.3(ii);

but not otherwise;

- (c) for the purposes of this paragraph 6.9 a Supply Point the subject of a Supply Point Reconfirmation shall be treated as being the same Supply Point as the Existing Supply Point.

6.9.2 Where there is a failure to Interrupt at a Supply Point:

- (a) irrespective of whether the failure to Interrupt resulted from Force Majeure, where TransCo determines that the failure to Interrupt results in a significant risk to System security, TransCo may take any steps available to it to isolate or disconnect any or all Supply Meter Points (irrespective of whether any is a Shared Supply Meter Point) comprised in the Supply Point; and
- (b) save where the failure to Interrupt resulted from Force Majeure:
 - (i) the Registered User shall pay a charge determined as 2 times the Applicable Annual Rate of the LDZ Capacity Charge that would be payable (in respect of LDZ Capacity in accordance with paragraph G6.3.9) if the Supply Point were redesignated as Firm; and
 - (ii) unless TransCo determines that the Firm Transportation Requirement is not satisfied in respect thereof, the Supply Point will automatically be redesignated as Firm with effect from the failure Day.

6.9.3 The charge payable under paragraph 6.9.2(b)(i) will be invoiced and payable in accordance with Section S.

6.9.4 Where TransCo takes any such steps as are referred to in paragraph 6.9.2(a) the Registered User will be liable to reimburse to TransCo the costs and expenses incurred by TransCo in taking such steps and in any subsequent reconnection or restoration of the connection of the Supply Point.

6.9.5 In addition to the provisions of paragraph 6.9.2, where:

- (i) in any Gas Year there is a failure to Interrupt at a Supply Point, following which (because TransCo determined that the Firm Transportation Requirement was not satisfied) the Supply Point remained Interruptible, and
 - (ii) on any later Day in the same Gas Year there is another failure to Interrupt at the Supply Point
- except where either failure to Interrupt resulted from Force Majeure, paragraph 6.9.6 shall apply.

6.9.6 In the circumstances in paragraph 6.9.5, with effect from the failure Day of the second failure to Interrupt:

- (a) the Supply Point will automatically be redesignated as Firm; and

- (b) the Registered User's Registered Supply Point Capacity and Supply Point Offtake Rate will be adjusted to be the maximum amounts (but without thereby increasing the Supply Point Offtake Rate) which are consistent with paragraph 5 and in respect of which the Firm Transportation Requirement is satisfied.

6.9.7 In addition to the provisions of paragraphs 6.9.2 and 6.9.5, where (disregarding any failure to Interrupt which resulted from Force Majeure):

- (a) in any Gas Year in which there has on any Day been a failure to Interrupt at any Registered Interruptible Supply Point(s) of a User, there is on a later Day a failure to Interrupt (at the same or any other Registered Interruptible Supply Point(s)), and
- (b) the number of occasions (including the failure(s) on such later Day) on which there have been failures to Interrupt at the User's Registered Interruptible Supply Points is equal to or greater than:
 - (i) 5, or
 - (ii) if more, the number (rounded up to the nearest whole number) equal to 5% of the mean of the numbers of Interruptible Supply Points of which the User is the Registered User at the time of each such failure to Interrupt

in determining which each failure at any Supply Point shall count separately,

paragraph 6.9.8 shall apply.

6.9.8 In the circumstances in paragraph 6.9.7, subject to paragraph 6.9.9:

- (a) all of the Interruptible Supply Points of which the User is Registered User, other than those within paragraph (b), shall automatically be redesignated as Firm with effect from the failure Day;
- (b) in relation to each such Supply Point in respect of which TransCo determines that the Firm Transportation Requirement would not (without adjustment of the Supply Point Capacity or Supply Point Offtake Rate) be satisfied and in relation to such Supply Points as are specified in paragraph (d):
 - (i) the Supply Point shall be treated as being a Firm Supply Point for the purposes of determining the Supply Point Transportation Charges and any Supply Point Ratchet Charges or NTS Exit Overrun Charges payable by the User, but shall be treated (subject to paragraph (ii)) as being an Interruptible Supply Point for other purposes of the Code;
 - (ii) TransCo will be at liberty to inform the supplier and consumer of the occurrence and consequences of the circumstances in paragraph 6.9.7;
 - (iii) TransCo may elect that (in relation to any or all requirements for Interruption) paragraphs 6.8.1, 6.8.2 and 6.8.3 shall not apply and may notify the consumer in accordance with paragraph 6.8.4 but without first communicating with the User;
- (c) until the expiry of the Gas Year following that in which the failure to Interrupt occurred, the User may not designate any Supply Point (including any which was redesignated as Firm

under paragraph (a) or is treated as Firm under paragraph (b)) as Interruptible and may not submit a Supply Point Confirmation in respect of any Proposed Supply Point which is Interruptible;

- (d) paragraph (a) shall not apply in respect of such Supply Points to the extent that the redesignation of Supply Points would not be permitted by virtue of Section P 2.9.3.

6.9.9 Paragraph 6.9.8 shall not apply where the User demonstrates to TransCo's reasonable satisfaction that the User had taken all reasonable steps to comply with the requirement to Interrupt and that the failure to Interrupt occurred despite the taking of such steps.

6.9.10 Where an Interruptible Supply Point, other than one which was the subject of a failure to Interrupt referred to in paragraph 6.9.7, was redesignated as Firm pursuant to paragraph 6.9.8(a), any User who:

- (i) is the first User to have become the Registered User of a Firm Supply Point which includes a Supply Meter Point which was comprised in the Interruptible Supply Point; and
- (ii) is not the User which was the Registered User of such Interruptible Supply Point

may designate such Firm Supply Point as Interruptible with effect from the Supply Point Registration Date.

6.9.11 No Day on which there is a failure to Interrupt at a Supply Point shall count towards use of the Interruption Allowance in respect of that Supply Point.

6.9.12 The following shall not be Force Majeure affecting a User for the purposes of this paragraph 6.9:

- (i) the unavailability of any such representative as is referred to in paragraphs 6.6.1 or 6.6.2 of the User or the consumer to be contacted by TransCo, other than for wholly unforeseeable and unavoidable reasons (which must also satisfy the conditions for being Force Majeure);
- (ii) the fact that there is no facility for the Consumer's Plant to operate with a supply of fuel or energy alternative to or in substitution for gas.

6.9.13 Where in any Gas Year a Supply Point is redesignated as Firm pursuant to paragraph 6.9.2(b)(ii) or 6.9.6(a), until the second following 1st October after the date of such redesignation, no Supply Meter Point comprised in the Supply Point may be comprised in any Interruptible Supply Point (irrespective of the Registered User).

7. NEW SUPPLY METER POINTS AND OTHER SITEWORKS

7.1 General

7.1.1 For the purposes of the Code:

- (a) a "**New Supply Meter Point**" is a new Supply Meter Point;
- (b) "**Siteworks**" means works undertaken by TransCo at the request of a User or other person in connection with the System for the purposes of:
 - (i) the establishment of a New Supply Meter Point;

- (ii) enabling an increase in the rate or pressure at or quantities in which it is feasible to make gas available for offtake from the System at an existing Supply Meter Point;
 - (iii) modifying or replacing the Supply Meter Installation (at an existing Supply Meter Point) and/or any part of the System located on the Supply Point Premises;
 - (iv) undertaking an Isolation (in accordance with paragraph 3.5.4) or reconnecting any Supply Meter Point which has been Isolated; or
 - (v) enabling the Firm Transportation Requirement (in accordance with paragraph 6.3.4) to be satisfied in respect of an Interruptible Supply Point, or a reduction in the Interruption Allowance in respect of a TNI Supply Point to be secured;
- (c) Siteworks under paragraph (b)(i) may be:
- (i) for the construction and/or installation (and connection to the System) by TransCo of the Supply Meter Installation and/or service pipe or any part thereof; or
 - (ii) for the purposes of making a connection to the System of any new Supply Meter Installation and/or service pipe constructed or installed by any other person.

7.1.2 In respect of any Siteworks:

- (a) the "**Siteworks Applicant**" is the User or other person who has requested that the Siteworks be undertaken;
- (b) the "**Siteworks Contract**" is the contract between TransCo and the Siteworks Applicant under which TransCo is to undertake the Siteworks;
- (c) the "**Completion Date**" is the date of substantial completion (as defined or described in the Siteworks Contract) of the Siteworks;
- (d) the "**Target Completion Date**" means the intended Completion Date of the Siteworks as specified in or determined under the Siteworks Contract.

7.1.3 Where the Siteworks Applicant is a User the Siteworks Contract shall not (unless it expressly provides to the contrary) be an Ancillary Agreement and does not form a part of and is not incorporated into the Code.

7.1.4 Where the Siteworks Applicant is not the Registered User of the relevant Supply Meter Point:

- (i) nothing in the Code shall make the Registered User liable for any payment becoming due under the Siteworks Contract;
- (ii) TransCo will have no liability to the Registered User in respect of any breach of the Siteworks Contract.

7.1.5 The Registered User of a Supply Meter Point will not be liable for any breach of the Code which results from a breach by TransCo of a Siteworks Contract relating to that Supply Meter Point.

7.2 Siteworks Terms and Procedures

- 7.2.1 TransCo will from time to time publish Siteworks Terms and Procedures applicable to different types of Siteworks or Siteworks in relation to different Supply Meter Points.
- 7.2.2 **"Siteworks Terms and Procedures"** means the procedures by which and terms and conditions on and subject to which a User or other person may request TransCo to provide a quotation (where the price is not published) for and to undertake Siteworks and a Siteworks Contract may be entered into.
- 7.2.3 Siteworks Terms and Procedures do not form a part of the Code; and (without prejudice to any Legal Requirement applying to TransCo) nothing in the Code requires TransCo to undertake any Siteworks or to do so on any particular terms.
- 7.2.4 TransCo agrees to give to Users notice:
- (i) of not less than 2 months of any change in published prices of Siteworks;
 - (ii) of not less than 3 months of any other change to contract terms contained in Siteworks Terms and Procedures (other than the addition of terms and procedures for a type of Siteworks not previously covered).
- 7.3 New Supply Meter Points
- 7.3.1 Where a Siteworks Contract is entered into with TransCo for the establishment of a New Supply Meter Point, on and with effect from the relevant date (in accordance with paragraph 7.3.2) the New Supply Meter Point will be entered into the Supply Point Register and will for the purposes of this Section G be treated as a Supply Meter Point; and TransCo will inform the Siteworks Applicant of the Supply Meter Point Reference Number on or as soon as reasonably practicable after the relevant date.
- 7.3.2 For the purposes of paragraph 7.3.1 the relevant date is the date specified (for such purposes) in the Siteworks Contract or (if no date is so specified) the date on which the Siteworks Contract comes into force or (if later) becomes unconditional.
- 7.3.3 Notwithstanding paragraph 7.3.1, subject to the terms of the Siteworks Contract, no person shall be entitled to offtake gas from the System at a New Supply Meter Point at any time before the later of:
- (i) the Completion Date of the relevant Siteworks; and
 - (ii) subject to paragraph 7.3.10, the First Supply Point Registration Date.
- 7.3.4 For the purposes of the Code, the **"First Supply Point Registration Date"** is the Supply Point Registration Date of the first Supply Point Registration to be made for a Supply Point comprising the New Supply Meter Point.
- 7.3.5 Any User may, at any time after the time at which a New Supply Meter Point was entered in the Supply Point Register, submit a Supply Point Nomination, and (subject to having received a Supply Point Offer, and subject to paragraph 7.3.9) submit a Supply Point Confirmation in respect of a Proposed Supply Point which includes the New Supply Meter Point; provided that such a Supply Point Nomination must specify the reference number assigned (pursuant to Siteworks Terms and Procedures) to the relevant Siteworks Contract.
- 7.3.6 Unless permitted in a Supply Point Network Exit Agreement a New Supply Meter Point may not be comprised in a DM Supply Point Component of a Proposed Supply Point subject to a Supply Point Nomination under paragraph 7.3.5.

- 7.3.7 Where a User submits a Supply Point Nomination in respect of a Proposed Supply Point which includes a New Supply Meter Point:
- (i) the User shall provide to TransCo the User's estimate of the quantity which the User expects to be offtaken from the System at the Supply Meter Point in a 12 month period under seasonal normal conditions, which estimate shall (if the Supply Point Confirmation becomes effective) be the Annual Quantity for the Supply Meter Point;
 - (ii) where there is a DM Supply Point Component, the Nominated Supply Point Capacity shall not be less than the User's estimate of the maximum quantity of gas to be offtaken on any Day in the next 12 months on the basis of reasonable assumptions as to weather conditions;
 - (iii) where there is an NDM Supply Point Component, the User shall provide to TransCo the User's estimate of the value of any variable by reference to which any End User Category (to which such Supply Point Component might belong) is in the relevant Gas Year defined in accordance with Section H;
 - (iv) the User's estimates under paragraphs (i), (ii) and (iii) shall be made in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care.
- 7.3.8 TransCo will not be required to disclose the Target Completion Date or the reference number referred to in paragraph 7.3.5 of any Siteworks for a New Supply Meter Point to any person other than the Siteworks Applicant, and will not make available (under paragraph 3.1.4) details of the New Supply Meter Point at any time before the Completion Date.
- 7.3.9 Where before the Completion Date of the relevant Siteworks a User submits a Supply Point Confirmation pursuant to paragraph 7.3.5:
- (i) the Supply Point Confirmation shall be treated for all purposes of this Section G (except for paragraph (ii)) as having been submitted on the Completion Date;
 - (ii) the User may, not later than the date of the Siteworks Contract (where the User is the Siteworks Applicant) and otherwise at any time before submitting the Supply Point Confirmation, notify TransCo of an election under paragraph 7.3.10 for the purposes of permitting gas to be offtaken from the System at a New Supply Meter Point comprised in an NDM Supply Point Component for purposes connected with the completion of construction of buildings at the Supply Point Premises or the commissioning of the Consumer's Plant.
- 7.3.10 Where a User has made an election for the purposes of this paragraph 7.3.10:
- (i) the User may, notwithstanding that there is no Supply Point Registration in respect of the Proposed Supply Point, for a period not exceeding 14 Days commencing with the Completion Date of the relevant Siteworks (and irrespective of the Proposed Supply Point Registration Date) offtake gas from the System at the New Supply Meter Point, and will be treated as being the Registered User for such purposes;
 - (ii) subject to paragraph (iii), the quantity of gas so offtaken on any Day will not be counted as an UDQO of the User for any purposes of the Code (and in particular the User will not be liable to pay Overrun Charges or Supply Point Ratchet Charges in relation thereto);
 - (iii) for the purposes of the first NDM Reconciliation the quantity of gas so offtaken will be counted as a part of the Reconciliation Quantity (for which purposes a quantity of zero shall be assumed to have been determined pursuant to Section H2 as offtaken); and accordingly the

User will be liable to pay Reconciliation Clearing Charges and Reconciliation Transportation Charge Adjustments in respect of the quantity of gas so offtaken;

- (iv) where the First Supply Point Registration Date is after such period of 14 Days, TransCo will be entitled to take steps (by clamping the Supply Meter or otherwise) to secure that gas is not offtaken other than as permitted under paragraph (iii), which steps (and any steps subsequently taken by TransCo to undo such steps) will be Siteworks at the expense of the User.

7.4 Siteworks Specified Capacity, etc

7.4.1 The Siteworks Terms and Procedures allow for the Siteworks Contract to specify (at the request of the Siteworks Applicant):

- (a) a Supply Point or (without prejudice to the requirements of this Section G for submission of a Supply Point Nomination and/or Supply Point Confirmation) a Proposed Supply Point, or a Supply Point Component, in which the Supply Meter Point or New Supply Meter Point subject to the request for Siteworks is or is to be comprised, and
- (b) in relation to such Supply Point or Supply Point Component:
 - (i) in the case of an DM Supply Point Component, an amount of Supply Point Capacity and/or a Supply Point Offtake Rate (but without prejudice to the requirement subsequently to apply therefor), or
 - (ii) in the case of an NDM Supply Point Component, a threshold rate increase (in accordance with paragraph 5.6.3(ii)), and/or
 - (iii) a request that the Firm Transportation Requirement be satisfied or (in the case of a TNI Supply Point) the Interruption Allowance be reduced

following such Siteworks.

7.4.2 For the purposes of this Section G, in respect of any Siteworks a Supply Point Component, Supply Point Capacity, Supply Point Offtake Rate, threshold rate increase, Firm Transportation Requirement or reduced Interruption Allowance (as the case may be) is "**Siteworks Specified**" where it is specified in a Siteworks Contract as described in paragraph 7.4.1.

7.4.3 Where:

- (i) a User submits (in accordance with paragraph 2.3), not later than the Target Completion Date or such later date as TransCo shall have agreed (for the purposes of this paragraph) with the Siteworks Applicant, a Supply Point Nomination in respect of a Proposed Supply Point which includes a Siteworks Specified Supply Point Component which includes a New Supply Meter Point,
- (ii) the Nominated Supply Point Capacity or Nominated Supply Point Offtake Rate does not exceed the Siteworks Specified Supply Point Capacity or Supply Point Offtake Rate,

the Offered Supply Point Capacity or Supply Point Offtake Rate (in respect of the DM Supply Point Component) under a Supply Point Offer will be equal to the Nominated Supply Point Capacity or (as the case may be) Supply Point Offtake Rate.

- 7.4.4 Where a User applies, not later than the Target Completion Date or such later date as TransCo shall have agreed (for the purposes of this paragraph 7.4.4) with the Siteworks Applicant, for increased Supply Point Capacity or an increased Supply Point Offtake Rate (in accordance with paragraph 5) at a Siteworks Specified Supply Point Component, which does not exceed the Siteworks Specified Supply Point Capacity or (as the case may be) Supply Point Offtake Rate, TransCo will (subject to the provisions of the Code) accept such application.
- 7.4.5 Where a User notifies (in accordance with paragraph 5.6.5(a)), not later than the Target Completion Date or such other date as TransCo shall have agreed (for the purposes of this paragraph 7.4.5) with the Siteworks Applicant, a threshold rate increase of not more than the Siteworks Specified threshold rate increase, TransCo will give to the User the notification described in accordance with paragraph 5.6.5(b)(ii).
- 7.4.6 Where a User requests (in accordance with paragraph 6.3), not later than the Target Completion Date or such other date as TransCo shall have agreed (for the purposes of this paragraph 7.4.6) with the Siteworks Applicant, that a Siteworks Specified Interruptible Supply Point be redesignated Firm in accordance with the Siteworks Specified Firm Transportation Requirement, or in respect of a TNI Supply Point a reduced Interruption Allowance not less than the Siteworks Specified reduced Interruption Allowance, TransCo will accept such request.
- 7.4.7 A Siteworks Applicant may (subject to the Siteworks Terms and Procedures) request any Siteworks without at the same time requesting Siteworks for any reinforcement of the System that may be required to make it feasible to make gas available for offtake at any relevant Supply Meter Point; and accordingly, except to the extent expressly provided in this paragraph 7.4, the fact that TransCo has entered into a Siteworks Contract or undertaken any Siteworks (for a New Supply Meter Point or otherwise) shall not commit TransCo to accept a Supply Point Nomination or Supply Point Confirmation for any particular Nominated Supply Point Capacity or Supply Point Offtake Rate, nor any application for Supply Point Capacity or Supply Point Offtake Rate, or an increase therein, made by any User at any DM Supply Point Component nor a notification by any User of any particular threshold rate increase at any NDM Supply Point Component.
- 7.5 Undertaking Siteworks
- 7.5.1 TransCo will not be in breach of its obligation to make gas available for offtake at a Supply Meter Point where or to the extent that its ability to do so is impaired by reason of its carrying out any Siteworks in respect of that Supply Meter Point.
- 7.5.2 Where TransCo carries out Siteworks at a Supply Meter Point comprised in a Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 therms), and the Siteworks Applicant is not the Registered User, TransCo will, unless the Siteworks Applicant has requested TransCo not to do so, notify the Registered User of the Siteworks where practicable before and in any event promptly upon completing such Siteworks.

ANNEX G1
REVISIONS TO SUPPLY POINT REGISTER
NOT REQUIRING RECONFIRMATION

1. Subject to paragraph 2, the following revisions may be made (where and in the manner otherwise permitted under the Code) to the Supply Point Register without a Supply Point Reconfirmation by the Registered User:
 - (i) change in Supply Point Capacity;
 - (ii) change in Supply Point Offtake Rate;
 - (iii) change in Meter Reading Frequency;
 - (iv) change of Meter Reader;
 - (v) change in User emergency contacts;
 - (vi) change in User contacts details for Interruptible Supply Points;
 - (vii) change in any details maintained pursuant to Standard Licence Condition 14(1)(e) of the TransCo Licence;
 - (viii) Isolation of a Supply Meter Point;
 - (ix) reconnection of a Supply Meter Point.

2. The revisions in items (i) and (ii) in paragraph 1 require a Supply Point Reconfirmation where such revisions are made following Siteworks.

SECTION H: DEMAND ESTIMATION AND DEMAND FORECASTING

1. DEMAND MODELS AND END USER CATEGORIES

1.1 Introduction

1.1.1 Demand for gas at NDM Supply Point Components is required to be estimated (in accordance with this Section H) for purposes including determining Supply Point Capacity and NTS Exit Capacity under Section B, establishing nominations under Section C and daily offtakes under Section E, and determining Annual Quantities under Section G1.6.

1.1.2 For the purposes of such demand estimation, each NDM Supply Point Component will belong to an End User Category for which a Demand Model will be established in accordance with this paragraph 1.

1.1.3 In accordance with Section W2.6, references in this Section H to demand are:

- (i) at the level of any System Exit Point or End User Category, exclusive of shrinkage;
- (ii) at the level of an LDZ, inclusive of LDZ shrinkage.

1.1.4 In its application in respect of NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms), certain provisions of this Section H are modified as herein provided.

1.2 End User Categories

1.2.1 An "**End User Category**" is a category of NDM Supply Point Components in an LDZ defined by rules established in accordance with paragraph 1.7; and where appropriate a reference to an End User Category includes reference to the NDM Supply Point Components for the time being belonging to that category.

1.2.2 End User Categories will be defined:

(a) by reference only to variables values of which:

- (i) are maintained in the Supply Point Register, and/or
- (ii) can be derived from Meter Readings obtained with the Meter Reading Frequency required (in relation to relevant Supply Meters) under Section M3

in respect of NDM Supply Point Components belonging to the relevant category; and

(b) so that at any time every NDM Supply Point Component belongs to one and only one such category.

1.2.3 The "**Applicable End User Category**" in respect of an NDM Supply Point Component or NDM Supply Meter Point at any time is the End User Category to which the NDM Supply Point Component (or that in which that Supply Meter Point is comprised) belongs at that time.

1.2.4 The "**EUC Sample**" in relation to an End User Category is the Sampled NDM Supply Point Components (in accordance with paragraph 1.6.4) belonging to that category.

1.3 Demand Models

1.3.1 For the purposes of this Section H a "**Demand Model**" is a mathematical model which estimates, for an LDZ or an End User Category, by reference to variables (including weather and day of week) specified by TransCo for the purposes of the model, daily demand at the System Exit Points in the LDZ or (as the case may be) the EUC Sample.

1.3.2 The "**Applicable Demand Model**" in relation to an LDZ or an End User Category is the Demand Model applicable in any Gas Year to such LDZ or End User Category in accordance with this paragraph 1.

1.3.3 Notwithstanding Section W3.3.1, a Demand Model may estimate demand (for all relevant System Exit Points) on the basis of the flow weighted average calorific value referred to in Section W3.3.1(c)(iii).

1.4 Composite Weather Variable

1.4.1 The elements of a Demand Model will include:

(i) a single variable (the "**Composite Weather Variable**") derived from a formula established by TransCo and estimated to represent for the relevant LDZ the combined effect on demand of the components of weather (including actual temperature, seasonal normal temperature and windchill, with relative weights assigned to each) which affect demand; and

(ii) a single coefficient ("**Weather Variable Coefficient**") in respect of the element of demand (in the relevant LDZ or End User Category) which varies with weather as represented by the Composite Weather Variable.

1.4.2 Every 5 years, commencing 2000, TransCo will, after consultation with the Network Code Committee or any relevant Sub-committee, review and where appropriate revise (with effect from the start of a Gas Year) the formula by which the Composite Weather Variable for an LDZ is determined on the basis of new weather experience; provided that TransCo may (after such consultation) revise such formula at more frequent intervals where TransCo determines it to be appropriate on the basis of unusual new weather experience in any shorter period.

1.4.3 Daily values of the Composite Weather Variable for an LDZ, required for the purposes of developing Demand Models, will be established (by reference to the prevailing formula) on the basis of weather data relating to the relevant LDZ obtained by TransCo in accordance with paragraph 5.2.

1.5 Seasonal Normal Demand

1.5.1 For the purposes of this Section H seasonal normal demand ("**SND**") for an LDZ or an EUC Sample for any Day will be determined in accordance with the Applicable Demand Model on the basis of the seasonal normal value of the Composite Weather Variable for the Day in respect of that LDZ.

1.5.2 The "**seasonal normal value**" of the Composite Weather Variable for an LDZ for a Day in any year is the smoothed average of the values of the variable (derived from the formula prevailing in accordance with paragraph 1.4 for that year) for that Day in a significant number of consecutive previous years, up to and including a year not more than 6 years prior to the year in question, derived from weather records maintained by TransCo.

1.5.3 Where the seasonal normal values of the Composite Weather Variable are revised, TransCo will provide to Users the revised values not later than 30th June in the Gas Year before the Gas Year in which such values first apply.

1.6 NDM Sampling

1.6.1 For the purposes of development of End User Categories and Demand Models TransCo will obtain data (which may, subject to paragraph 1.6.7, include estimates of missing data) as to daily offtakes of gas at the Supply Meter Points comprised in a sample of NDM Supply Point Components in LDZs.

1.6.2 For the purposes of paragraph 1.6.1:

(i) TransCo shall be entitled at its cost to install and read data recorders at NDM Supply Meter Points from time to time selected by TransCo;

(ii) TransCo will designate (as sampled for such purposes) Supply Meter Points at which Daily Read Equipment is installed and which are comprised in Supply Points whose Annual Quantities are not greater than 2,196,000 kWh (75,000 therms);

(iii) the sample will be selected by random sampling from NDM Supply Point Components having different Annual Quantities and geographical locations.

1.6.3 For the purposes of paragraph 1.6.2(i):

(i) a data recorder is a device which captures Meter Readings at the start of each Day, but is capable of being read only at the Supply Point Premises;

(ii) TransCo will not select any NDM Supply Meter Point for installing a data recorder without the consent of the consumer; and the Registered User agrees to cooperate with TransCo in obtaining such consent.

1.6.4 For each Gas Year an NDM Supply Point Component at which a data recorder is for the time being installed or which is for the time being designated under paragraph 1.6.2(ii) is a "Sampled" NDM Supply Point Component.

1.6.5 The aggregate number of Sampled NDM Supply Point Components for all LDZs will be approximately 3,900 (of which approximately 2,700 will be subject to paragraph 1.6.2(i) and 1,200 subject to paragraph 1.6.2(ii)), or such other number as may be established pursuant to paragraph 1.6.6.

1.6.6 TransCo will consult from time to time with all Users and the Director on whether to increase or reduce the number or materially alter the identity or location of the NDM Supply Point Components which are Sampled.

1.6.7 The data obtained by TransCo in accordance with paragraph 1.6.1 will be subject to validation by TransCo (by techniques which provide reasonable statistical assurance of the validity of each data set), and such of the data as is so validated will be the demand data in respect of Sampled NDM Supply Point Components for the purposes of paragraph 1.7.2.

1.6.8 For NDM Supply Point Components whose Annual Quantity exceeds 2,196,000 kWh (75,000 therms) paragraphs 1.6.1 and 1.6.7 will not apply and the data used for the development of Demand Models will be data (including estimates of missing data) obtained from DM Supply Point Components in the relevant LDZ with similar Annual Quantities; and reference to the EUC Sample shall be construed accordingly.

1.7 Development of Demand Models and End User Categories

1.7.1 For each Gas Year, after 31st March in the Preceding Year, TransCo will:

(a) update its recorded data (maintained for the purposes of this paragraph from October 1994) by the relevant data in accordance with paragraph 1.7.2;

(b)select a set of such data with a view to achieving an appropriate balance between the objectives (so far as conflicting) of maximising the size of EUC Samples and the period to which such set of data relates;

(c)by statistical analysis (applied consistently as between End User Categories) of the selected data, develop or revise for each LDZ:

(i)definitions of a number of End User Categories for the LDZ;

(ii)a Demand Model for each such End User Category; and

(iii)a Demand Model for the LDZ

which (on the basis of such data and analysis) in TransCo's reasonable judgment are most appropriate having regard to the objectives in paragraph 1.7.3.

1.7.2The relevant data is the demand data for each Sampled NDM Supply Point Component referred to in paragraph 1.6, and demand data and daily values of the Composite Weather Variable for each LDZ, for a 12 month period ending in March in the Preceding Year.

1.7.3The objectives referred to in paragraph 1.7.1(c) are:

(i)to define End User Categories so as to recognise significant differences in the annual profile of daily demand at different groups of NDM Supply Point Components; and

(ii)to maximise the goodness of fit (in statistical terms) of the Demand Model applicable to each End User Category to the relevant updated data referred to in paragraph 1.7.1(a).

1.7.4The definition of an End User Category may be the same for all or several LDZs, and an EUC Sample may include the Supply Point Components in more than one LDZ.

1.7.5For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) the End User Categories (insofar as defined by reference to Annual Quantities) will be those applicable for the Gas Year commencing 1st October 1995 and will not be revised annually; and to that extent paragraphs 1.7.1(c)(i) and 1.7.3(i) shall not apply in respect thereof.

1.8Consultation on TransCo's proposals

1.8.1TransCo will in June of the Preceding Year, consult with the Network Code Committee or any relevant Sub-committee on proposed End User Category definitions and Demand Models developed under paragraph 1.7, and not later than 30th June in the Preceding Year will submit to all Users:

(i)the proposed End User Category definitions and Demand Models developed under paragraph 1.7;

(ii)values of the Derived Factors (in accordance with paragraph 1.9.3), determined on the basis of such proposals;

(iii)any alternative End User Category definitions and Demand Models which TransCo (in undertaking the exercise under paragraph 1.7) considered to be not significantly inferior (on the basis of the objectives in paragraph 1.7.3 and such other criteria as TransCo may reasonably consider to be appropriate) to those proposed; and

(iv) a summary of TransCo's analysis of the performance in the Preceding Year against the objectives in paragraph 1.7.3 of the End User Categories and Demand Models (applicable in the Preceding Year).

1.8.2 Upon the request (made not earlier than 1st May nor later than 31st May in the Preceding Year) of any User, TransCo will not later than 15th June in the Preceding Year provide to that User (by electronic format chosen by TransCo) the data referred to in paragraph 1.7.2 (aggregated by EUC Sample in the case of the data referred to in paragraph 1.6.8), together with other data used in the analysis referred to in paragraph 1.8.1(iv), in a form which does not include the identity of Registered Users, Supply Point Premises, suppliers or consumers, nor details of the individual components of the Composite Weather Variable.

1.8.3 Users may submit to TransCo representations in respect of the proposed End User Categories and Demand Models up to but not later than 15th July in the Preceding Year.

1.8.4 Between 16th July and 14th August in the Preceding Year, TransCo:

(i) will review the representations made by Users under paragraph 1.8.3;

(ii) will consult, so far as it deems appropriate, with any User in respect of representations made by it or any other User;

(iii) may convene meetings with any User or Users for the purposes of such consultation.

1.8.5 TransCo will make available to Users reasonable details of the representations made to it under paragraph 1.8.3 and consultations held under paragraph 1.8.4 (but may do so by oral presentation at a meeting of Users convened under paragraph 1.8.4(iii)); and shall be free to disclose to any User and the Director any such representation and details of any such consultation.

1.8.6 TransCo may at any time convene a meeting of the Network Code Committee or any relevant Subcommittee for the purposes of consulting on any particular issue which may arise in the development or revision under paragraph 1.7.1 of End User Categories and Demand Models.

1.9 Finalisation of End User Categories and Demand Models

1.9.1 Not later than 15th August in the Preceding Year, TransCo will submit to the Director and all Users its final proposals for End User Categories and Demand Models (and corresponding values of the Derived Factors) with such changes as it may on the basis of Users' representations and consultation under paragraph 1.8 determine appropriate.

1.9.2 The End User Categories and Demand Models (and corresponding values of the Derived Factors) applicable to the Gas Year shall be those submitted by TransCo under paragraph 1.9.1 unless upon the application of TransCo or any User, made not later than 22nd August, the Director shall before 31st August give Condition 7(4) Disapproval to TransCo's applying any particular such End User Category or Demand Model (and corresponding values), in which case the relevant End User Category and Demand Model (and corresponding values) shall be those applying in the Preceding Year.

1.9.3 For the purposes of this Section H the "**Derived Factors**" are:

(i) for each Day of the Gas Year, the Annual Load Profile and Daily Adjustment Factor (in accordance with paragraph 2) for each End User Category; and

(ii) the EUC peak load factor for each End User Category and the peak load scaling factor (in accordance with paragraph 4).

2. DETERMINATION OF SUPPLY METER POINT DEMAND

2.1 Supply Meter Point Demand

2.1.1 For the purposes of this Section H "**NDM Supply Meter Point Demand**" is the quantity of gas estimated or (as the case may be) deemed to be offtaken on a Day at an NDM Supply Meter Point.

2.1.2 NDM Supply Meter Point Demand will be determined (in accordance with paragraph 2.2):

(i) before and (as appropriate) during the Gas Flow Day, for the purpose ("**Nomination Determination**") of establishing Output Nominations for NDM Supply Point Groups, in accordance with Section C;

(ii) after the Gas Flow Day, for the purpose ("**Offtake Determination**") of establishing UDQOs for NDM Supply Point Components, in accordance with Section E.

2.2 Supply Meter Point Demand Formula

NDM Supply Meter Point Demand ('SPD') for a Day (Day 't') shall be determined according to the following formula:

EQUATION 1

where AQ is the Annual Quantity (in kWh) in respect of the relevant NDM Supply Meter Point (in accordance with paragraph 3.1.5(i) in the case of a Shared Supply Meter Point);

and where for Day t :

ALP_t is the value of the Annual Load Profile for the Applicable End User Category;

DAF_t is the value of the Daily Adjustment Factor for the Applicable End User Category;

WCF_t is the Weather Correction Factor for the relevant LDZ in accordance with paragraph 2.5;

SF_t is the Scaling Factor for the relevant LDZ in accordance with paragraph 2.5.

2.3 Annual Load Profile

2.3.1 The "**Annual Load Profile**" for an End User Category for a Day is a factor representing the Seasonal Normal Demand of the End User Category for that Day as a proportion of the average Seasonal Normal Demand (for all Days of the Gas Year) of the End User Category.

2.3.2 The Annual Load Profile ('ALP_t') for an End User Category for Day t shall be determined as:

EQUATION 2

where:

SNDEt is seasonal normal demand for the End User Category for Day t

N is the number of Days in the Gas Year.

2.4 Daily Adjustment Factor

2.4.1 The "**Daily Adjustment Factor**" for an End User Category for a Day is a factor representing the weather sensitivity of demand in that End User Category on that Day relative to the weather sensitivity of demand in the LDZ on that Day.

2.4.2 The Daily Adjustment Factor ('DAFt') for an End User Category for a Day shall be determined as:

EQUATION 3

where for Day t:

WVCLt is the value of the Weather Variable Coefficient (in accordance with paragraph 1.4) in the Demand Model for the relevant LDZ;

SNDLt is the value of seasonal normal demand for the relevant LDZ;

WVCEt is the value of the Weather Variable Coefficient in the Demand Model for the End User Category;

SNDEt is the value of seasonal normal demand for the End User Category.

2.5 Weather Correction Factor and Scaling Factor

For the purposes of paragraph 2.2 the "**Weather Correction Factor**" ('WCFt') and "**Scaling Factor**" ('Sf't') in respect of an LDZ are (respectively) the factors determined as follows:

EQUATION 4

EQUATION 5

where for Day t:

ASDt is:

(i) for the purposes of Nomination Determination, Forecast LDZ Demand (at the relevant time of Nomination Determination) for the relevant LDZ determined in accordance with paragraph 5.2, and adjusted for the purposes of determining the Scaling Factor (but not the Weather Correction Factor) by deducting LDZ shrinkage;

(ii) for the purposes of Offtake Determination, the LDZ Daily Quantity Offtaken and adjusted for the purposes of determining the Weather Correction Factor (but not the Scaling Factor) by adding LDZ Shrinkage;

SNDLt is the value of seasonal normal demand for the LDZ;

DMDt is the aggregate for all DM Supply Point Components and relevant LDZ Connected System Exit Points in the LDZ of:

(i) for the purposes of Nomination Determination, the Nomination Quantities (at the time of Nomination Determination) under the Output Nominations for such System Exit Points;

(ii) for the purposes of Offtake Determination, the UDQOs for such System Exit Points;

NDMDt is the aggregate for all NDM Supply Point Components and for any relevant Connected System Exit Point in the LDZ of the amounts determined by calculating Supply Point Demand for Day t in accordance with paragraph 2.2 with a Scaling Factor equal to one or (as the case may be) calculated in accordance with the relevant provisions of the CSEP Network Exit Agreement.

3. NDM ANNUAL QUANTITIES

3.1 Introduction

3.1.1 Subject to paragraphs 3.1.2 and 3.1.3, the Annual Quantity of an NDM Supply Meter Point for each Gas Year shall be determined (on the basis of a standard 365 Day year) by seasonal normal adjustment of the metered quantity for a period ending before such Gas Year in accordance with this paragraph 3.

3.1.2 In the circumstances in paragraph 3.2.4 the Annual Quantity of the NDM Supply Meter Point for a Gas Year shall be that applicable for the Preceding Year.

3.1.3 For the Gas Year in which a New Supply Meter Point is established its Annual Quantity shall be the quantity specified by the relevant User in accordance with Section G7.3.7.

3.1.4 Upon annual determination thereof in accordance with this paragraph 3, the Annual Quantity of an NDM Supply Meter Point will be notified to the Registered User in accordance with Section G1.6.6.

3.1.5 In the case of a Shared Supply Meter Point which is an NDM Supply Meter Point:

- (i) the Annual Quantity shall be established for the Supply Meter Point as a whole (disregarding the Shared Supply Meter Notification);
- (ii) thereafter a separate Annual Quantity shall be established (in accordance with Section G1.7.11) in respect of each Sharing Registered User.

3.2 Relevant Metered Period

3.2.1 For the purposes of this paragraph 3.2 the "**Relevant Metered Period**" in respect of a Gas Year is the period from the Day after the starting Meter Read (in accordance with paragraph 3.2.3) to the ending Meter Read (in accordance with paragraph 3.2.2).

3.2.2 The ending Meter Read is the latest Valid Meter Read (in accordance with Section M3) before 10th August in the Preceding Year.

3.2.3 The starting Meter Read shall be:

- (i) the latest Valid Meter Read before the target opening date, or if there was no such Meter Read less than three years before the target opening date;
- (ii) subject to paragraph 3.2.4, the first Valid Meter Read after the target opening date.

3.2.4 If there was no Valid Meter Read less than three years before the target opening date or more than 6 months before the ending Meter Read, paragraph 3.1.2 shall apply.

3.2.5 For the purposes of this paragraph 3.2 the "**target opening date**" is the date which is:

- (i) where the NDM Supply Point Meter is a Monthly Read Meter, 50 weeks, or
- (ii) where the NDM Supply Point Meter is an Annual Read Meter, 42 weeks,

before the ending Meter Read.

3.3 Relevant Metered Quantity

The "**Relevant Metered Quantity**" is the Metered Quantity or (if there was one or more intervening Valid Meter Reads in the Relevant Metered Period) the sum of the Metered Quantities for the Relevant Metered Period (in accordance with Section M1.4.4(b)).

3.4 Annual Quantity

3.4.1 The Annual Quantity ('AQ') for an NDM Supply Meter Point for a Gas Year shall be determined as follows:

EQUATION 6

where:

RMQ is the Relevant Metered Quantity;

M is the number of Days in the Relevant Metered Period;

and where for each Day (Day 't') in the Relevant Metered Period:

ALPt is the value for the year in which Day t falls (the "**relevant year**") of the Annual Load Profile for the Applicable End User Category;

DAFt is the value for the relevant year of the Daily Adjustment Factor for the Applicable End User Category;

EWCFt is the value for the relevant year of the Estimated Weather Correction Factor (in accordance with paragraph 3.4.2).

3.4.2 The "**Estimated Weather Correction Factor**" for a Day in respect of an LDZ is the factor determined by calculating the Weather Correction Factor (in accordance with paragraph 2.5) for that Day substituting for the term 'ASD t' the value of demand for the LDZ determined from the Applicable Demand Model for the relevant year (on the basis of the value of the Composite Weather Variable).

4. NDM CAPACITY

4.1 Introduction

The Supply Point Capacity ('SPC') and the NTS Exit Capacity ('NEC') which a User is registered as holding at or (as the case may be) in respect of an NDM Supply Point Component on any Day in the Gas Year will be determined in accordance with the following formula:

EQUATION 7

where

AQ is the Annual Quantity of the NDM Supply Point Component for the Gas Year;

PLF is the EUC peak load factor in accordance with paragraph 4.2;

PLSF is the applicable peak load scaling factor in accordance with paragraph 4.3.

4.2 EUC peak load factor

The "**EUC peak load factor**" is a load factor for the Applicable End User Category determined as follows:

EQUATION 8

where:

AAQ is the sum of the Annual Quantities in respect of the NDM Supply Point Components in the EUC Sample

PDD is the 1-in-20 peak day demand of the Applicable End User Category determined under paragraph 4.4.

4.3 Peak load scaling factor

4.3.1 The "peak load scaling factor" applicable to an NDM Supply Point Component is the scaling factor determined in respect of the band (in accordance with paragraph 4.3.3) to which such Supply Point Component belongs.

4.3.2 The peak load scaling factor (PLSF) for each band shall be determined as follows:

EQUATION 9

where 'N' is the number of relevant NDM Supply Point Components (in aggregate in all LDZs) included in Supply Points in the relevant band; and where for each such NDM Supply Point Component ('i'):

AQi is the Annual Quantity of the NDM Supply Point Component;

PLFi is the EUC peak load factor (in accordance with paragraph 4.2) for the Applicable End User Category;

NDLF is the nationally diversified load factor applicable to the relevant NDM Supply Point Component in accordance with paragraph 4.3.3.

4.3.3 For the purposes of this paragraph 4.3, NDM Supply Point Components belong to bands by reference to the Annual Quantities of such Supply Point Components as follows, and the "nationally diversified load factor" in respect of each band is the factor specified below in respect of the relevant band:

Band (Annual Quantity) NDLF

0 to 73,200 kWh (0 to 2,500 therms)	0.36
73,200 to 732,000 kWh (2,500 to 25,000 therms)	0.39
732,000 to 2,196,000 kWh (25,000 to 75,000 therms)	0.43

4.3.4 For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms), the peak load scaling factor is 1.

4.4 1-in-20 peak day demand

4.4.1 TransCo will determine 1-in-20 peak day demand by simulation using the relevant Demand Model and otherwise in accordance with the methodology referred to in Section W2.6.6.

4.4.2 For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) 1-in-20 peak day demand will be determined as aggregate NDM Supply Meter Point Demand (for all Supply Meter Points comprised in the NDM Supply Point Component) in accordance with paragraph 2 on the basis that:

(i) for the purposes of determining the values of 'ALPt', 'DAFt' and 'SNDLt', Day 't' is the Day of the highest seasonal normal demand under the Applicable Demand Model for the relevant LDZ;

(ii) for the purpose of determining the value of 'WCFt' under paragraph 2.5, the value of 'ASDt' is 1-in-20 peak day demand for the relevant LDZ (including both Firm and Interruptible Supply Points); and

(iii) the value of 'SFt' is 1.

5. DAILY DEMAND FORECASTING

5.1 Weather forecasting

5.1.1 TransCo will obtain (from the Meteorological Office or other reputable meteorological services provider) at certain times within each Day:

(i) forecasts of temperatures and wind speeds at a number of weather stations at intervals during the remainder of that Day and the following Day; and

(ii) details of the temperatures and wind speeds recorded at such weather stations at intervals during that Day and the preceding Day.

5.1.2 The times at which TransCo will obtain weather data under paragraph 5.1.1 include the following approximate times: 11:30 hours, 15:15 hours and 23:30 hours on the Preceding Day and 07:30 hours and 15:15 hours on the Gas Flow Day.

5.2 LDZ Demand Forecasting

5.2.1 TransCo will (during the Preceding Day and the Gas Flow Day in accordance with paragraph 5.2.3) forecast and notify to Users demand in each LDZ and for the System for the Gas Flow Day, using Short Term Demand Models, on the basis of the weather data most recently obtained in accordance with paragraph 5.1 (in the case of LDZ demand, for the weather station(s) located in or closest to the relevant LDZ).

5.2.2 A "**Short Term Demand Model**" is a mathematical model established by TransCo on the basis of historic demand and other data, which estimates (at a given time) for an LDZ or the System and for any Day demand, by reference to data including:

(i) forecasts of temperature and wind speeds for the Gas Flow Day or the remainder thereof;

(ii) recorded temperature and wind speeds for the Preceding Day and (where relevant) the Gas Flow Day up to the time of forecasting; and

(iii) actual demand (assessed by reference to gas flows at NTS/LDZ Offtakes adjusted for estimated changes in LDZ stock) for the Preceding Day and (where relevant) the Gas Flow Day up to the time of forecasting.

5.2.3 TransCo will notify demand under paragraph 5.2.1, after receipt of weather data under paragraph 5.1.1, not later than the following times: 14:00 hours, 19:00 hours and 02:00 hours on the Preceding Day and 12:00 hours and 18:00 hours on the Gas Flow Day.

5.2.4 TransCo may in addition notify demand (for one or more LDZs or for the System) at other times at which it appears to TransCo that the prevailing Forecast LDZ Demand may be substantially inaccurate; and where it does so it will inform Users of the reasons for its view.

5.2.5 Where there is a delay in the provision of forecast and other information to TransCo as described in paragraph 5.1, TransCo may defer the time at which it notifies demand under paragraph 5.2.3 by a commensurate period.

5.2.6 For the purposes of the Code:

(a) "**Forecast LDZ Demand**" means aggregate demand for the Gas Flow Day in an LDZ, forecast in accordance with this paragraph 5;

(b) "**Forecast Total System Demand**" means aggregate demand for the Gas Flow Day on the System, forecast in accordance with this paragraph 5;

(c) "**Demand Forecast Time**" means any time at which (in accordance with paragraph 5.2.3 or 5.2.4) TransCo notifies Forecast LDZ Demand under paragraph 5.2.1.

5.2.7 In forecasting demand under this paragraph 5, TransCo will act in good faith and will exercise reasonable skill and care, but TransCo will not be liable (as to any loss or liability incurred by a User or otherwise) to any User in respect of or in consequence of anything done or omitted to be done by TransCo under this paragraph 5.

SECTION I: ENTRY REQUIREMENTS

1. GENERAL

1.1 Introduction

1.1.1 The provisions of this Section I shall apply in respect of the delivery of gas to the System at System Entry Points.

1.1.2 Users delivering gas to the System at a System Entry Point shall comply with the relevant requirements of this Section I.

1.1.3 Nothing in the Code confers on any person any entitlement to have any pipeline, plant or other installation connected to the System for the purposes of delivering gas to the System.

1.2 Connected Delivery Facility

1.2.1 For the purposes of this Section I a "**Connected Delivery Facility**" is a single facility or system (comprising pipeline(s), plant and/or other installations), operated by one person (or jointly operated by several persons), and connected to the System at one or more Individual System Entry Points.

1.2.2 Without prejudice to paragraph 1.1.3, a Connected Delivery Facility may be:

- (i) a facility for processing gas produced (and transported to such facility) from offshore or on-shore oil or gas fields;
- (ii) a facility for the storage of gas;
- (iii) the pipeline system operated by another public gas transporter;
- (iv) a pipeline interconnector by which gas is transported from another country; or
- (v) any other pipeline or pipeline system.

1.2.3 A "**Delivery Facility Operator**" is the operator of a Connected Delivery Facility.

1.2.4 A Connected Delivery Facility may (in accordance with Section J5.3) also be a Connected Offtake System.

1.3 Network Entry Agreement

1.3.1 Subject to paragraph 1.6, a User may not deliver gas to the System at any System Point unless there is in force an Agreement ("**Network Entry Agreement**") to which the parties include both TransCo and the Delivery Facility Operator, containing Network Entry Provisions and (if not incorporated into the Network Entry Provisions) Local Operating Procedures applicable in respect of the System Entry Point.

1.3.2 For the purposes of the Code "**Network Entry Provisions**" are terms and conditions or other provisions which specify requirements (for the purposes of the Code) in respect of the delivery of gas to the System.

- 1.3.3 Where in relation to a Connected Delivery Facility there is (in accordance with paragraph 1.4.2) more than one System Entry Point the Network Entry Provisions applicable in respect of each System Entry Point may be contained in one Network Entry Agreement.
- 1.3.4 A Network Entry Agreement may contain provisions other than Network Entry Provisions.
- 1.3.5 The existence of a Network Entry Agreement shall not relieve Users of any obligation under the Code, and TransCo shall not be required (for itself or for the benefit of any User) to secure in a Network Entry Agreement any remedy against the Delivery Facility Operator nor to take steps to enforce any provision of a Network Entry Agreement.
- 1.3.6 There may be other persons (in addition to TransCo and the Delivery Facility Operator) party to a Network Entry Agreement; but a User shall not (in its capacity as User) be required or entitled to be a party to a Network Entry Agreement.
- 1.4 System Entry Point
- 1.4.1 Subject to paragraph 1.4.2, a System Entry Point is the Individual System Entry Point or Individual System Entry Points at which a Connected Delivery Facility is connected to the System.
- 1.4.2 The Individual System Entry Points at which a Connected Delivery Facility is connected to the System may form more than one System Entry Point.
- 1.4.3 The Individual System Entry Point or Individual System Entry Points comprised in a System Entry Point will be specified in the applicable Network Entry Provisions.
- 1.4.4 Where so specified pursuant to paragraph 1.4.3 by agreement of the Delivery Facility Operators, a System Entry Point may comprise the Individual System Entry Points at which more than one Connected Delivery Facility, each in operation at the date of the Code, is connected to the System.
- 1.5 Aggregate System Entry Point
- 1.5.1 An Aggregate System Entry Point is a System Entry Point, or (in the case where in relation to a Connected Delivery Facility there is more than one System Entry Point and/or there are several adjacent Connected Delivery Facilities) any two or more of the System Entry Points in respect of such Connected Delivery Facility(ies) so designated by TransCo pursuant to paragraph 1.5.2.
- 1.5.2 TransCo will designate the System Entry Point or System Entry Points which are comprised in an Aggregate System Entry Point, and may from time to time after consultation with Users change such designation upon notice to Users of not less than 12 months or a lesser period of notice if the Director shall upon TransCo's application give Condition 7(4) Approval to its giving notice of such lesser period.
- 1.5.3 For the purposes of enabling a User to make a modification proposal pursuant to the Modification Rules in respect thereof, any designation or the absence of a designation pursuant to paragraph 1.5.2 shall be deemed to be a provision of and incorporated in the Code.
- 1.6 No Network Entry Agreement
- 1.6.1 If in respect of any System Entry Point (other than a Storage Connection Point) at which gas was delivered to the System before the date of the Code a Network Entry Agreement has not for the time being been entered into:

- (a) paragraph 1.3.1 shall not apply;
 - (b) the Individual System Entry Points comprised in the System Entry Point will be as designated by TransCo on or before the date of the Code;
 - (c) the Network Entry Provisions shall be those provisions which relate (in respect of the delivery of gas to the System) to the matters described in paragraphs 2.3.1(c)(iii), 2.4, and 2.5, of contractual arrangements (other than transportation agreements) in force immediately before the date of the Code (and disregarding any subsequent amendment unless made with the assent of TransCo) between British Gas plc and any other person which provide for or relate to the delivery of gas (in a commingled stream, where gas is so delivered) to the System at the relevant System Entry Point;
 - (d) Local Operating Procedures shall be such procedures as the Delivery Facility Operator and TransCo shall separately establish;
 - (e) the further provisions of this paragraph 1.6 shall apply.
- 1.6.2 In respect of such a System Entry Point paragraph 2.1.1 shall apply only to the extent that TransCo shall, with the concurrence of all parties to the arrangements referred to in paragraph 1.6.1(c), have prepared a document setting out the Network Entry Provisions as referred to in that paragraph; and paragraph 2.1.2 shall nevertheless apply on the basis that the User is expected to have obtained details of such provisions from the person from whom it purchases gas for delivery to the System.
- 1.6.3 Nothing in the Code shall prevent British Gas plc or its successor(s) in title from enforcing in accordance with its terms any such arrangement as is referred to in paragraph 1.6.1(c).
- 1.6.4 Where TransCo subsequently proposes to enter into a Network Entry Agreement in respect of the relevant System Entry Point, such proposal shall be deemed to be a modification of the Network Entry Provisions for the purposes of paragraph 2.2.1 only to the extent that:
- (i) under such proposed Network Entry Agreement the Network Entry Provisions which will apply for the purposes of paragraphs 2.4 and 2.5 are different from those which applied pursuant to paragraph 1.6.1(c),
 - (ii) such difference may reasonably be considered to be materially adverse to the interests of Users delivering gas to the System at the System Entry Point at the time of such proposal; and
 - (iii) the effect of such difference, where the Network Entry Provisions which apply pursuant to paragraph 1.6.1(c) deviate from the Network Entry Specification Guidelines dated 21st February 1996, is not to reduce the extent of the deviation.

2. NETWORK ENTRY PROVISIONS

2.1 Availability of Network Entry Provisions

- 2.1.1 Subject to paragraph 2.1.3, TransCo will make available to any User on request a copy of the Network Entry Provisions and Local Operating Procedures applicable to any System Entry Point, but shall not be required to provide to any User any other details of a Network Entry Agreement.
- 2.1.2 A User who applies (in accordance with Section B) for System Entry Capacity at an Aggregate System Entry Point, or delivers gas to the System at a System Entry Point, shall be responsible for

obtaining and shall be deemed to have obtained and to be fully informed of the applicable Network Entry Provisions and Local Operating Procedures.

2.1.3 Paragraph 2.1.1 shall not apply in respect of any particular provision of the Network Entry Provisions applicable pursuant to paragraph 2.3.3 or Local Operating Procedures where the disclosure of such provision would be materially prejudicial to the commercial interests of the Delivery Facility Operator or where the provision contains personal or confidential information relating to individuals or refers to any other agreement to which the Delivery Facility Operator is party.

2.2 Amendment of Network Entry Provisions

2.2.1 Subject to paragraphs 1.6.4, 2.2.3 and 2.3.3(i), the Network Entry Provisions applicable pursuant to paragraph 2.3.1 in respect of any System Entry Point will not be modified other than by agreement between TransCo and the relevant Delivery Facility Operator.

2.2.2 TransCo will not agree (for the purposes of paragraph 2.2.1) to a modification of the Network Entry Provisions applicable pursuant to paragraph 2.3.1 except:

- (i) with the consent in writing of all Users who are registered at the date when such amendment is to take effect as holding System Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised; or
- (ii) in accordance with paragraph 2.2.3.

2.2.3 Where TransCo and the relevant Delivery Facility Operator have agreed (subject to a Code Modification) upon an amendment to any such Network Entry Provisions, such Network Entry Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules, for which purposes only the Network Entry Provisions shall be deemed to form a part of the Code.

2.2.4 Such Network Entry Provisions may (in accordance with the provisions of the relevant Network Entry Agreement) be amended without the consent of any User insofar as may be required to enable:

- (i) TransCo or
- (ii) the relevant Delivery Facility Operator

to comply with any Legal Requirement.

2.2.5 Nothing in paragraphs 2.2.1, 2.2.2, 2.2.3 or 2.2.4 applies to any Network Entry Provisions other than those applying pursuant to paragraph 2.3.1 nor to Local Operating Procedures or any other provision of a Network Entry Agreement; and such Network Entry Provisions or other provisions may be amended without the consent of any User.

2.2.6 TransCo will notify to all Users:

- (i) any modification to the Network Entry Provisions (other than any such provisions to which paragraph 2.1.3 applies) applicable to any System Entry Point, not later than the date upon which such modification becomes effective; and
- (ii) except to the extent prevented from doing so by any duty of confidence, any requirement for modification of Network Entry Provisions under paragraph 2.2.4(i) as soon as reasonably practicable after TransCo becomes aware of such requirement.

2.3 Network Entry Provisions

2.3.1 Network Entry Provisions will:

- (a) identify the Connected Delivery Facility (by name, location or otherwise);
- (b) specify the Individual System Entry Points comprised in the relevant System Entry Point;
- (c) specify for such System Entry Point:
 - (i) Gas Entry Conditions in accordance with paragraph 2.4;
 - (ii) Measurement Provisions in accordance with paragraph 2.5;
 - (iii) the point or points of delivery in accordance with paragraph 3.6.1.

2.3.2 Network Entry Provisions may specify (unless separately specified) Local Operating Procedures in accordance with paragraph 2.6.

2.3.3 Network Entry Provisions may include:

- (i) procedures by and standards to which the Connected Delivery Facility is to be maintained, repaired and operated, but only insofar as material to the ability of TransCo safely, efficiently and economically to operate the System or to comply with any Legal Requirement;
- (ii) terms entitling TransCo and the Delivery Facility Operator to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Network Entry Provisions, or requiring them to procure and facilitate audit of such compliance;
- (iii) terms according to which, and circumstances in which, it is permitted to deviate or depart from any other Network Entry Provision;
- (iv) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the delivery of gas to the System or (in relation to such delivery) the Connected Delivery Facility;
- (v) procedures applicable to gas flows applicable in the event of any emergency circumstances affecting TransCo or the Delivery Facility Operator (including any Emergency in accordance with Section Q).

2.3.4 Where and for so long as:

- (a) any requirement (other than a requirement which is to be performed by TransCo, and save as regards Gas Entry Conditions where paragraph 3.3 shall apply) of the Network Entry Provisions is not for the time being complied with or is incapable of being complied with (other than as a result of a failure by TransCo to perform any requirement under the Network Entry Agreement); and
- (b) either:
 - (i) such non-compliance or inability to comply materially and adversely affects the ability of TransCo to operate the System or to comply with any Legal Requirement

or any provision (other than a provision the failure to comply with which has no significant consequences for TransCo or any User) of the Code, or

- (ii) upon TransCo's application, on the basis that in its opinion non-compliance or inability to comply adversely affects the interests pursuant to the Code of Users other than in respect of System Entry Capacity or the delivery of gas to the System at the relevant System Entry Point, the Director has given Condition 7(4) Approval to its doing so,

TransCo shall be entitled to refuse (until such time as TransCo is reasonably satisfied that such non-compliance has been remedied) to accept delivery by Users to the System of gas at the relevant System Entry Point, in which case TransCo will notify all affected Users of such refusal and (subject to any duties of confidence) the relevant circumstances (under paragraph (a)).

- 2.3.5 Any requirement of the Network Entry Provisions may be specified by reference to any published standard of a recognised body or other Recognised Standard, or standards or requirements from time to time published by TransCo, and/or may be specified in terms of an objective or requirement to be achieved without specifying the manner by means of which such objective or requirement is to be achieved.
- 2.3.6 Nothing contained in a Network Entry Agreement shall be taken to constrain the basis upon which the Transportation Statement may provide for the determination of any Transportation Charges.
- 2.3.7 Network Entry Provisions may differ as between different System Entry Points.
- 2.3.8 Where:
 - (i) a Connected Delivery Facility is or forms part of an Interconnected System, and
 - (ii) at the relevant System Entry Point only gas which has first been offtaken from the System can be delivered to the System

certain Network Entry Provisions may not be required.

2.4 Gas Entry Conditions

- 2.4.1 The "**Gas Entry Conditions**" in respect of a System Entry Point are limits or other requirements as to the composition, pressure, temperature and other characteristics of gas delivered or tendered for delivery to the System at the point or points of delivery (in accordance with paragraph 2.3.1(c)(iii)).
- 2.4.2 Gas Entry Conditions may include limits, prohibitions or requirements in respect of the following:
 - (a) composition limits:
 - Gross calorific value (maximum and minimum, MJ/m³)
 - Wobbe number (maximum and minimum, MJ/m³)
 - Hydrogen Sulphide (maximum, ppm)
 - Hydrocarbon Dewpoint (maximum °C for specified maximum pressure)
 - Water Dewpoint (maximum °C for specified maximum pressure);
 - Total Sulphur (maximum volume, ppm expressed as H₂S)
 - Oxygen (maximum volume, ppm)
 - Inert gases (maximum mol%), including
 - Carbon Dioxide (maximum mol%) and

- Nitrogen (maximum mol%);

- (b) delivery temperature (minimum and maximum °C);
- (c) contaminants - materials, dust or other solid or liquid matter;
- (d) odour;
- (e) the pressure (maximum and minimum, bar g) at which and against which gas may be required to be delivered to the System.

2.4.3 Network Entry Provisions will include any tolerances within which (for any person or in any circumstances) deviations from any of the Gas Entry Conditions are permitted.

2.4.4 For the purposes of this Section I "**delivery characteristics**" are the characteristics of gas delivered or tendered for delivery to the System in respect of which Gas Entry Conditions apply in respect of any System Entry Point.

2.4.5 Where under any new or changed Legal Requirement there is any requirement, applicable to the characteristics (other than odour) of gas conveyed by means of or tendered for delivery to the System, which either does not apply or is more stringent than any which does apply under the prevailing Gas Entry Conditions, such requirement shall (unless expressly provided otherwise under any Special Delivery Arrangement) at the time at which it comes into force be deemed to be incorporated in the Gas Entry Conditions (which will be amended accordingly as soon as reasonably practicable thereafter).

2.5 Measurement Provisions

2.5.1 The "**Measurement Provisions**" in respect of a System Entry Point are the procedures, methods and standards by which:

- (i) gas delivered or tendered for delivery to the System at that point will be measured, sampled and analysed;
- (ii) the volume, calorific value, quantity, and delivery characteristics of such gas will be determined; and
- (iii) TransCo and the Delivery Facility Operator will inform each other of the determinations made under paragraph (ii).

2.5.2 "**Measurement Equipment**" is the metering, sampling, analysis and other equipment required by the Measurement Provisions to be installed (whether at the Connected Delivery Facility or on the System).

2.5.3 The Measurement Provisions will provide for the Entry Point Daily Quantity Delivered to be determined and (if not determined by TransCo) communicated to TransCo.

2.5.4 Measurement Provisions may include:

- (i) standards of accuracy and procedures for testing and calibration of Measurement Equipment;
- (ii) terms by which volume, calorific value, quantity, or any delivery characteristic of gas delivered or tendered for delivery may be estimated in the case of failure or defect of any

Measurement Equipment, non-compliance with any of the Measurement Provisions, or otherwise;

- (iii) terms upon which any difference or dispute between the Delivery Facility Operator and TransCo as to the volume, calorific value, quantity or delivery characteristic of gas delivered or tendered for delivery will be resolved (which may include resolution by agreement between them).

2.5.5 Each User acknowledges that the volume, calorific value, quantity and delivery characteristics of gas delivered or tendered for delivery (by Users in aggregate) to the System at a System Entry Point, and the compliance or non-compliance with the applicable Gas Entry Conditions in respect thereof, will be established (by TransCo and the Delivery Facility Operator pursuant to the Network Entry Provisions) in accordance with the applicable Measurement Provisions and by means of the Measurement Equipment, and agrees to be bound (for the purposes of the Code) by what is so established.

2.6 Local Operating Procedures

2.6.1 The "**Local Operating Procedures**" in respect of a System Entry Point or System Entry Points are procedures for coordination between TransCo and the Delivery Facility Operator in connection with the operation of the Connected Delivery Facility and the part of the System at which it is connected, including the exchange of information between TransCo and the Delivery Facility Operator.

2.6.2 Local Operating Procedures will provide for the Delivery Facility Operator to provide information ("**Local Operating Information**") to TransCo as to the rates at and quantities in which gas is expected to be delivered to the System at the System Entry Point at intervals during and at the end of the Gas Flow Day.

2.6.3 Except with the prior written consent of the Delivery Facility Operator TransCo will not and will not be required to provide to any User any information provided by the Delivery Facility Operator under the Local Operating Procedures.

2.6.4 TransCo may (in accordance with Section D1.3) rely on Local Operating Information (including any such information which is or appears to be inconsistent with the requirements in paragraph 3.10.2) in operating and planning the operation of the System and for the purposes of Operational Balancing.

2.6.5 Local Operating Procedures may provide for the Delivery Facility Operator and TransCo to agree at any time:

- (i) for the purposes of enabling any inspection, repair or maintenance to be carried out in respect of the Connected Delivery Facility or any related part of the System, or
- (ii) for the purposes of avoiding a Transportation Constraint, or enabling the delivery of gas notwithstanding a Transportation Constraint, or
- (iii) in any other circumstances (affecting facilities upstream of the System Entry Point) provided for in such procedures,

that the Delivery Facility Operator will arrange for the quantity of gas to be delivered to the System to be delivered at a rate which will vary during the Day, and/or during a part only of the Day.

2.6.6 Local Operating Procedures may contain procedures pursuant to which TransCo may permit for limited periods the delivery of gas which does not comply with the applicable Gas Entry Conditions;

and any such procedure shall not be a Special Delivery Arrangement for the purposes of paragraph 3.5.

- 2.6.7 TransCo will be entitled to act in accordance with any such provision as is referred to in paragraph 2.6.5 or 2.6.6 or any agreement made with the Delivery Facility Operator pursuant thereto, and to assume that the terms on which any User may have purchased gas for delivery to the System or otherwise procured such delivery take account thereof; and will not be in breach of its obligation under paragraph 3.7 by reason of its so acting.

3. DELIVERY OF GAS TO THE SYSTEM

3.1 Delivering Users

- 3.1.1 Subject to Sections E2.3 and Q3.3.4, all gas delivered or tendered for delivery to the System at a System Entry Point on a Day shall be deemed to be delivered or tendered for delivery by the Delivering User(s), irrespective of any act or omission of the Delivery Facility Operator or any other person.

- 3.1.2 For the purposes of this Section I the "**Delivery Proportion**" for a Delivering User on a Day in respect of a System Entry Point is that User's UDQI for that Day divided by the Entry Point Daily Quantity Delivered in accordance with Section E.

3.2 Delivered gas

- 3.2.1 The gas delivered or tendered for delivery to the System at an Individual System Entry Point shall for all purposes of the Code be assumed to be a single homogenous gas stream.

- 3.2.2 Where on a Day more than one User delivers gas or tenders gas for delivery to the System at a System Entry Point:

- (a) each such User shall be treated as delivering or tendering for delivery at each Individual System Entry Point gas of the same delivery characteristics as that delivered or tendered for delivery at such System Entry Point by each other such User, and
- (b) the gas delivered or tendered for delivery at each System Entry Point at any time on such Day shall, irrespective of differences in such delivery characteristics as between Individual System Entry Points, be treated as delivered or tendered for delivery by each Delivering User as to its Delivery Proportion thereof.

- 3.2.3 Subject to the terms of any Special Delivery Arrangement, where the delivery characteristics of gas delivered or tendered for delivery at Individual System Entry Points comprised in the same System Entry Point differ, TransCo may exercise its rights under paragraph 3.3.2 separately in respect of each Individual System Entry Point.

3.3 Compliance with Gas Entry Conditions

- 3.3.1 Subject to paragraph 2.6.6 and 3.5, a User shall not deliver gas or tender gas for delivery to the System at a System Entry Point unless the applicable Gas Entry Conditions are complied with in respect of such gas.

- 3.3.2 Where non-compliant gas is tendered for delivery to the System at a System Entry Point (whether or not resulting from any procedures referred to in paragraph 2.6.6) TransCo may, from time to time until

such time as the relevant Gas Entry Conditions are complied with in respect of gas tendered for delivery at such point, in its discretion either:

- (i) refuse to accept delivery or continued delivery of such gas, or
- (ii) (subject to any Legal Requirement) accept such delivery or accept such delivery as to part only of what is tendered for delivery.

3.3.3 TransCo's rights under paragraph 3.3.5 shall not be prejudiced by its election to accept delivery of non-compliant gas (whether or not it is aware that the gas is non-compliant).

3.3.4 TransCo shall be entitled pursuant to paragraph 3.3.2 to take any steps available to it (including any steps pursuant to Local Operating Procedures) to limit the rate at which non-compliant gas is delivered to the System or to secure that such gas is not so delivered.

3.3.5 Subject to paragraph 3.4.6, where non-compliant gas has been delivered on any Day to the System, each Delivering User shall be liable to pay to TransCo an amount determined in accordance with paragraph 3.4.

3.3.6 Where TransCo first becomes aware (pursuant to the applicable Measurement Provisions or otherwise) that non-compliant gas is being or has been delivered to the System at a System Entry Point on any Day, the delivery of which is likely in TransCo's opinion to entitle TransCo to claim any material sum under paragraph 3.4, TransCo will as soon as reasonably practicable inform Users of that fact; provided that no failure by TransCo so to inform any User shall affect TransCo's rights under paragraphs 3.3.5 and 3.4.

3.3.7 For the purposes of this paragraph 3, subject to paragraphs 3.3.8 and 3.4.6, "**non-compliant gas**" is gas delivered or tendered for delivery at an Individual System Entry Point, in respect of which or the delivery or tendered delivery of which (after taking account of any tolerance referred to in paragraph 2.4.3) any of the relevant Gas Entry Conditions is not or was not complied with.

3.3.8 Where and for so long as a Special Delivery Arrangement under paragraph 3.5.1 is in force and the terms thereof are being complied with, gas subject to such Special Delivery Arrangement shall not be non-compliant gas by reason only of its not complying with the Gas Entry Conditions as to the delivery characteristic(s) in respect of which the Special Delivery Arrangement was made.

3.3.9 Where on any Day on which non-compliant gas was delivered to the System at a System Entry Point an Unclaimed Entry Allocation Statement is submitted to TransCo in accordance with Section E2.3, Delivering Users agree to cooperate with TransCo in identifying any person who may be liable to TransCo in respect of the delivery of non-compliant gas the subject of such statement; provided that no User shall be required to incur significant cost nor to breach any obligation of confidence in so doing, and that nothing so done shall be a breach of Section E2.3.6.

3.4 Payment in respect of non-compliant gas

3.4.1 Subject to paragraphs 3.4.2 and 3.4.3, the amount payable by a Delivering User to TransCo under paragraph 3.3.5 shall be its Delivery Proportion of all reasonable costs and expenses reasonably incurred by TransCo in consequence of the delivery of the non-compliant gas, including (without limitation) costs and expenses incurred:

- (i) in cleaning or clearing any part of the System, and/or

- (ii) in taking reasonable measures (excluding any Operational Balancing Steps) to secure that the System can be operated in accordance with applicable Legal Requirements notwithstanding the delivery or continued delivery of such non-compliant gas.
- 3.4.2 The amount payable by a Delivering User pursuant to paragraph 3.4.1 shall not exceed 10% of its Delivery Proportion of the amount calculated as the total quantity of non-compliant gas delivered to the System at the relevant System Entry Point on the relevant Day multiplied by the Applicable Liability Gas Price.
- 3.4.3 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the delivery of non-compliant gas to the System at a System Entry Point on more than one Day:
 - (i) references in paragraphs 3.4.1 and 3.4.2 to a User's Delivery Proportion shall be deemed to be references to a weighted average Delivery Proportion determined for each Delivering User as the sum, for all such Days, of the User's Delivery Proportion for each Day multiplied by the Entry Point Daily Quantity Delivered, divided by the sum of the Entry Point Daily Quantities Delivered for all such Days;
 - (ii) the reference in paragraph 3.4.2 to the total quantity of non-compliant gas delivered on the relevant Day shall be to the total quantity of non-compliant gas delivered on all such Days.
- 3.4.4 Where any amount has become payable to TransCo pursuant to paragraph 3.3.5:
 - (a) TransCo shall as soon as reasonably practicable after the Entry Close-out Date so notify each Delivering User specifying:
 - (i) the relevant System Entry Point and the Day or Days on which non-compliant gas was delivered to the System;
 - (ii) the total quantity of non-compliant gas referred to in paragraph 3.4.2, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the applicable Gas Entry Conditions;
 - (iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the purposes for which they were incurred;
 - (iv) each Delivering User's Delivery Proportion;
 - (b) the amount payable by each Delivering User shall be invoiced and paid in accordance with Section S.
- 3.4.5 Any dispute (other than one resolved pursuant to Network Entry Provisions under paragraph 2.5.4) as to anything specified by TransCo under paragraph 3.4.4(a) shall be referred to Expert Determination.
- 3.4.6 Paragraph 3.3.5 and this paragraph 3.4 do not apply and Delivering Users shall not be liable thereunder to the extent that the failure (of gas delivered or tendered for delivery) to comply with Gas Entry Conditions was a failure to comply with a requirement as to pressure or odour; and references in those paragraphs to non-compliant gas shall be construed accordingly.
- 3.4.7 Where for the purposes of clearing non-compliant gas from the System it is necessary for TransCo to vent gas from the System, each Delivering User's Delivery Proportion of the quantity of gas so vented shall for the purposes of Sections E5 and F2 (but not otherwise) be treated as having been offtaken from the System by and accordingly deemed to be an UDQO of the Delivering User; and in such

circumstances TransCo will inform all Users (or those who made Nominations for the relevant System Entry Point) as soon as reasonably practicable after such venting.

- 3.4.8 In the case of a System Entry Point designated by TransCo on or before the date of the Code for the purposes of this paragraph 3.4.8, where (in respect of a Day or Days on which non-compliant gas was delivered to the System at a System Entry Point) not later than the Entry Close-out Date all Delivering Users jointly submit to TransCo a notice signed by or on behalf of all of them:
- (i) stating that some only of them (the "**Non-compliant Delivering Users**") are to be treated as having delivered non-compliant gas to the System at the System Entry Point, and
 - (ii) identifying the Non-compliant Delivering Users and specifying the proportions (aggregating to unity) in which they are to be treated as having delivered non-compliant gas to the System at a System Entry Point

paragraphs 3.4.1 to 3.4.7 shall (notwithstanding paragraph 3.2.2) be construed as though references to Delivering Users were to Non-compliant Delivering Users and references to Delivery Proportions were to the proportions specified pursuant to paragraph (ii).

- 3.4.9 Each User who is for the time being a Delivering User in respect of such a System Entry Point as is referred to in paragraph 3.4.8 hereby irrevocably and unconditionally appoints the Delivery Facility Operator for the time being as User Agent to sign and submit on behalf of such User a notice for the purposes of that paragraph.

3.5 Special Delivery Arrangement

- 3.5.1 Pursuant to an arrangement ("**Special Delivery Arrangement**") in relation to a System Entry Point or Individual System Entry Point therein, TransCo may agree either to accept delivery of gas which does not comply with the applicable Gas Entry Conditions, or that the applicable Gas Entry Conditions will permit the delivery of gas which does not comply with the conditions which TransCo would otherwise require to be included, as to any of the delivery characteristics under paragraph 2.4.2(a), (b), (c), (d) or (e).

- 3.5.2 A Special Delivery Arrangement may be recorded in the Network Entry Provisions or in an Ancillary Agreement or both.

- 3.5.3 The terms of a Special Delivery Arrangement may include:

- (a) the basis on which TransCo shall be remunerated (whether by the Delivery Facility Operator or Users) for the measures taken by it to allow, or otherwise for, acceptance of gas subject to the Special Delivery Arrangement;
- (b) any restrictions or requirements as to, or by reference to, the rates, times, quantities and/or characteristics:
 - (i) of the gas or delivery of the gas subject to the Special Delivery Arrangement, and/or
 - (ii) of any other gas or the flow of any other gas flowing at any point in the System;
- (c) any terms (in addition to those provided for in this Section I) upon which the delivery to the System of gas subject to the Special Delivery Arrangement may be required to be curtailed, suspended or discontinued.

- 3.5.4 Where a Special Delivery Arrangement is recorded in an Ancillary Agreement, TransCo shall be entitled to require that a User shall not deliver gas to the System at the relevant System Entry Point unless it shall first have acceded to such Agreement in the manner provided (pursuant to Section V1.3.6) for therein.
- 3.5.5 A Special Delivery Arrangement in respect of any of the delivery characteristics specified in paragraphs 2.4.2(a) or (b) will not be made where there is any System Exit Point (other than one in respect of which an appropriate Special Offtake Arrangement is in force in accordance with Section J2.3), located anywhere on the System between the relevant System Entry Point and the point on the System at which gas which would be subject to the Special Delivery Arrangement can be blended with other gas within the System so as to conform to the Standard Offtake Requirements under Section J2.1.
- 3.5.6 Nothing done by TransCo in accordance with the terms of a Special Delivery Arrangement will constitute a breach of TransCo's obligation to accept delivery of gas at the relevant System Entry Point.
- 3.6 Delivery of gas
- 3.6.1 The applicable Network Entry Provisions will identify (by description or a diagram or both) a point of delivery at each Individual System Entry Point comprised in a System Entry Point.
- 3.6.2 Title and (without prejudice to any other provision of this Section I) risk in gas delivered to the System at a System Entry Point shall pass to TransCo at the relevant point of delivery established in accordance with paragraph 3.6.1.
- 3.6.3 Each User warrants to TransCo:
- (a) that such User will have title (at the point of delivery) to all gas delivered or tendered for delivery to the System at any System Entry Point by that User, and
 - (b) that all such gas will (at such point) be free of any lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and tendering of gas arising on or before delivery thereof to the System.
- 3.6.4 Each User shall indemnify TransCo and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against TransCo in consequence of any breach of the warranties in paragraph 3.6.3.
- 3.6.5 The warranty in paragraph 3.6.3(a) shall be treated as satisfied where the User has arranged for delivery or tender for delivery of gas to the System by a person or persons who has or jointly have title (at the point of delivery) to such gas and such person passes or persons jointly pass title to such gas to TransCo.
- 3.7 Acceptance of gas delivered to System
- 3.7.1 Subject to the provisions of the Code, TransCo will accept into the System gas tendered for delivery by a User at a System Entry Point where the requirements of this Section I (applicable in respect of such delivery or tendered delivery) are complied with.

3.7.2 Subject to the provisions of the Code, if on any Day TransCo fails to comply with its obligation under paragraph 3.7.1, TransCo will pay to relevant Users in accordance with paragraph 3.7.3 amounts which in aggregate are equal to the amount determined as:

$$Ca * C1/Cn * (1 - X/Y) * P$$

where

- Ca is the aggregate amount of System Entry Capacity held by Users at the relevant Aggregate System Entry Point on the relevant Day, excluding any System Entry Capacity applied for at any time after the relevant failure commenced;
- C1 is the maximum rate of delivery of gas shown (pursuant to paragraph 3.11) in the Ten Year Statement for the System Entry Point in question;
- Cn is the sum of the maximum rates of delivery of gas shown (pursuant to paragraph 3.11) in the Ten Year Statement for all System Entry Points comprised in the Aggregate System Entry Point in question;
- X is the aggregate quantity of which TransCo took delivery at the System Entry Point on the relevant Day;
- Y is the quantity of which (having regard to paragraph 3.8) TransCo would have so taken delivery if it had complied with paragraph 3.7.1 or, if less, on the Day on which the relevant failure commenced, the sum of the Nomination Quantities under Users' Input Nominations for the System Entry Point prevailing at the relevant time;
- P is the Applicable Daily Rate of the Capacity Charge in respect of the relevant Aggregate System Entry Point.

3.7.3 For the purposes of paragraph 3.7.2:

- (a) a relevant User is a User (other than the Shrinkage Provider) who made an Input Nomination for the relevant System Entry Point for the Day on which the relevant failure occurred, under which the Nomination Quantity at the relevant time exceeds such User's UDQI for the Day; and
- (b) the relevant time (applicable for all relevant Users) is:
- (i) subject to paragraph (ii), the time at which the relevant failure commenced;
 - (ii) if (in accordance with Section C4) as a result of Operational Scheduling on the Preceding Day any affected User reduced its Nomination Quantity under its Input Nominations for the System Entry Point, the Scheduling Start Time;
- (c) the proportion of the aggregate amount under paragraph 3.7.2 payable to each relevant User shall be calculated as the amount by which the User's eligible quantity (in accordance with paragraph (d) exceeds its UDQI for the Day divided by the amount in aggregate by which all relevant Users' eligible quantities exceeds the aggregate of relevant Users' UDQIs;

- (d) the eligible quantity for a relevant User is whichever is the lesser of its Nomination Quantity at the relevant time and the amount of its Available System Entry Capacity at the Aggregate System Entry Point on the relevant Day.
- 3.7.4 Any dispute as to the quantity of which (having regard to paragraph 3.8) TransCo would have taken delivery on the relevant Day at the System Entry Point if it had complied with paragraph 3.7.1, or the time at which the relevant failure to comply commenced, shall be referred to Expert Determination.
- 3.7.5 For the avoidance of doubt paragraphs 3.7.2 and 3.7.3 shall not be affected by any Renomination made by a User to reduce (or to increase) its Nomination Quantity after the time the relevant failure commenced.
- 3.8 Entry limitation
- 3.8.1 Subject to paragraphs 3.8.3 and 3.8.5, TransCo will be relieved of its obligation to accept gas tendered for delivery at a System Entry Point to the extent that, by reason of a Transportation Constraint, TransCo is unable to accept delivery of the gas tendered by Users in aggregate for delivery or its ability to do so is impaired.
- 3.8.2 Paragraph 3.8.1 applies:
- (i) notwithstanding that the aggregate System Entry Capacity held by Users at an Aggregate System Entry Point may exceed the quantity of gas of which TransCo is able on any Day to accept delivery in aggregate at the System Entry Point(s) comprised in the Aggregate System Entry Point; and
 - (ii) irrespective of any estimate made or published by TransCo under paragraph 3.11.
- 3.8.3 Except where the Transportation Constraint arises by reason of Programmed Maintenance (in accordance with Section L) in relation to the System Entry Point, but without prejudice to paragraph 3.8.5, TransCo will not be relieved under paragraph 3.8.1 if or to the extent that in operating and planning the operation of the System TransCo did not take reasonable operational measures on the Gas Flow Day and Days preceding the Gas Flow Day to avoid or overcome the Transportation Constraint or reduce its effect.
- 3.8.4 For the purposes of paragraph 3.8.3:
- (i) operational measures are measures involving the operation of the System and installations comprised therein, and do not include measures (such as Interruption or the acceptance of any Flexibility Bid or utilisation of Operating Margins or Balancing Margins) intended to influence the tender for delivery of gas to or offtake of gas from the System (nor for the avoidance of doubt measures involving increasing the capacity of the System);
 - (ii) TransCo will not be required to take any measure which would conflict with the planned basis for Operational Balancing on the Day or a subsequent Day or its planned requirements for Interruption or Constrained LNG Renominations;
 - (iii) in operating and planning the operation of the System, TransCo shall be entitled to rely on any Nomination Information or Local Operating Information (and in the event of any inconsistency between such information, on such information as TransCo thinks fit);

- (iv) no plant or equipment comprised in the System shall be expected to operate beyond its operational capability at any time on the Gas Flow Day, and standby plant or equipment shall not be required to operate unless the standby contingency has occurred;
 - (v) nothing shall require TransCo to modify any Maintenance Programme.
- 3.8.5 TransCo will not be relieved under paragraph 3.8.1 where TransCo's inability to accept gas tendered for delivery at the System Entry Point results from TransCo's carrying out maintenance of the NTS which was planned in accordance with Section L where such maintenance continues beyond the period provided in the Maintenance Programme (as revised pursuant to Section L4.1.2) therefor (and accordingly is not Programmed Maintenance for the relevant Day) or beyond the maximum permitted number of Days under Section L4.3.2(a).
- 3.8.6 If for any reason, in respect of a System Entry Point:
- (a) on or in respect of each Day (each a "**relevant**" Day) in a period of consecutive Days, subject to paragraph 3.8.7(a), either:
 - (i) TransCo is unable to take delivery of all of the gas which is tendered for delivery to the System at the System Entry Point, or
 - (ii) TransCo notified a Transportation Constraint pursuant to Section C4 in respect of the System Entry Point, and
 - (b) the period referred to in paragraph (a) continues for more than three consecutive Days,
- then in respect of each relevant Day after the third, each relevant User will cease to be liable to pay System Entry Capacity Charges in respect of an amount of System Entry Capacity at the relevant Aggregate System Entry Point determined in accordance with paragraph 3.8.7(c).
- 3.8.7 For the purposes of paragraph 3.8.6:
- (a) a Day of Programmed Maintenance as respects any User in relation to the relevant System Entry Point, or a Day in respect of which paragraph 3.7.2 applies in respect of the relevant System Entry Point, shall not be a relevant Day;
 - (b) relevant Users are Users registered as holding System Entry Capacity at the Aggregate System Entry Point;
 - (c) the amount of System Entry Capacity referred to in that paragraph shall be an amount determined as:
 - (i) the relevant User's Registered System Entry Capacity multiplied by C1/Cn (as defined in paragraph 3.7.2), less
 - (ii) the amount of the relevant User's UDQI in respect of the System Entry Point for the Day.
- 3.9 Restricted delivery of gas
- 3.9.1 Where TransCo determines that (notwithstanding the steps if any taken under Section D1.5.1) a Transportation Constraint is imminent or has arisen at a System Entry Point TransCo may take any

available steps to curtail (or by so informing the Delivery Facility Operator or Users to secure the curtailment of) gas flow rates at the relevant System Entry Point.

3.9.2 Where a Transportation Constraint affects more than one System Entry Point and TransCo takes any steps under paragraph 3.9.1, it will do so with a view so far as is practicable to apportioning the curtailment of gas flow rates in such manner as appears equitable to TransCo.

3.9.3 Without prejudice to the applicable Local Operating Procedures and any applicable Legal Requirement, where TransCo is relieved of the obligation to accept delivery of gas at a System Entry Point, nothing in the Code shall be taken to require TransCo to take any steps to prevent the increase of pressure within the System adjacent to a System Entry Point to a level at which gas will not flow from the Connected Delivery Facility into the System.

3.10 Rates of delivery

3.10.1 Each User shall use all reasonable endeavours to secure that the requirements of paragraph 3.10.2 are complied with, and in taking decisions as to Operational Balancing Steps TransCo may assume that Users will do so; provided that nothing in the Code shall require TransCo to verify whether such requirements have been complied with nor to take any action in respect of any failure to comply with such requirements.

3.10.2 The requirements referred to in paragraph 3.10.1 are that (after allowing for the time required to implement an increase or decrease in the rate of delivery), for each User:

- (i) the rate at which it delivers gas to the System at a System Entry Point changes only with effect from the start of the Day and (within the Day) with effect from the Renomination Effective Time of a Renomination or Flexibility Nomination in respect of that point;
- (ii) gas is delivered to the System at the prevailing Implied Nomination Flow Rate.

3.10.3 A User shall not be in breach of paragraph 3.10.1 by reason of anything done pursuant to Local Operating Procedures in accordance with paragraph 2.6.5.

3.11 Indicative capacity figures

3.11.1 The Ten Year Statement will contain indicative estimates of the maximum rates at and/or quantities in which TransCo expects to be able to accept delivery of gas at each System Entry Point in the Gas Year for which the statement is prepared.

3.11.2 The estimates referred to in paragraph 3.11.1 will be made:

- (i) for each month of the Gas Year (for an average Day in such month);
- (ii) on the basis of seasonal normal demand assumptions and assumptions as to supplies specified in the Ten Year Statement;
- (iii) without regard to anything contained in any Planned Maintenance Programme;
- (iv) without commitment or liability on the part of TransCo.

SECTION J: EXIT REQUIREMENTS

1. GENERAL

1.1 Introduction

1.1.1 The provisions of this Section J shall apply in respect of the offtake of gas from the System at System Exit Points.

1.1.2 Nothing in the Code confers on any person any entitlement to have any premises, pipeline, plant or other installation connected to the System for the purposes of offtaking gas from the System.

1.2 System Exit Point

1.2.1 In accordance with Section A3, a System Exit Point may be a Supply Point (or Supply Meter Point or Supply Point Component comprised therein) or a Connected System Exit Point.

1.2.2 Paragraphs 4 and 5 set out provisions applying (in addition to other applicable provisions of this Section J) in respect of NExA Supply Meter Points and Connected System Exit Points respectively.

1.3 Network Exit Agreements

1.3.1 For the purposes of the Code a "**Network Exit Agreement**" is an agreement, containing provisions relating to or to the offtake of gas from the System at a System Exit Point, made between TransCo and:

- (i) in the case of a Supply Meter Point, either the consumer (subject to paragraph 1.3.7) or the Registered User (or if TransCo shall so agree, both of them);
- (ii) in the case of a Connected System Exit Point, the Connected System Operator.

1.3.2 A Network Exit Agreement is required to be in force in respect of:

- (i) any Connected System Exit Point; and
- (ii) unless TransCo otherwise determines in any case, any Supply Meter Point comprised in a VLDMC Supply Point;

and where a Network Exit Agreement is required to be in force a User will not be entitled to offtake gas from the System at the relevant System Exit Point unless there is such an Agreement in force.

1.3.3 A Network Exit Agreement may be in force in respect of any other Supply Meter Point.

1.3.4 A User shall not (in its capacity as User) be required or entitled to be a party to a Network Exit Agreement in respect of a Connected System Exit Point or a Supply Meter Point where the consumer is already party to a Network Exit Agreement.

1.3.5 For the purposes of this Section J a "**NExA Supply Meter Point**" is a Supply Meter Point in respect of which there is a Network Exit Agreement in force.

- 1.3.6 Nothing in the Code shall be taken to require the execution of a Network Exit Agreement in respect of any Supply Meter Point which is not a New Supply Meter Point where there is a Registered User for the time being.
- 1.3.7 A Network Exit Agreement in respect of a Supply Meter Point (where not made with the Registered User) may be made with a person other than or in addition to the consumer, where such person is the operator of the Consumer's Plant; and in such a case references in paragraph 4 to the consumer shall be construed as references to such person.
- 1.3.8 Where a Network Exit Agreement is made between TransCo and the Registered User:
- (a) the Network Exit Agreement shall be an Ancillary Agreement, and Section V1.3.6 shall apply in respect of the Network Exit Agreement as though that Section also referred to Ancillary Agreements in respect of Supply Meter Points;
 - (b) the Registered User shall secure that the consumer is provided with a copy of the Network Exit Agreement and any amendments thereto.

1.4 Offtake metering at Supply Points

Section M applies in respect of the metering of gas offtaken at Supply Points.

1.5 Antifluctuators, etc

- 1.5.1 Each User shall as soon as reasonably practicable notify TransCo if such User becomes aware in relation to any Supply Meter Point of which it is the Registered User:
- (i) that any requirement applying to the relevant consumer under paragraph 17 of the Gas Code has not been or is not being complied with, or
 - (ii) of circumstances in which TransCo would be entitled to exercise its rights under paragraph 18 of the Gas Code.
- 1.5.2 Where pursuant to paragraph 17 of the Gas Code TransCo seeks to give any notice to or exercise any other entitlement in relation to any consumer the Registered User in respect of the relevant Supply Point agrees to extend reasonable cooperation to TransCo so as to facilitate the exercise of such entitlements (and in particular but without limitation agrees if so requested to secure that there is conveyed on behalf of TransCo to the relevant consumer any communication to be given by TransCo pursuant to such paragraph 17).
- 1.5.3 TransCo will inform the Registered User before or as soon as reasonably practicable after giving any notice to or exercising any other entitlement in relation to any consumer pursuant to paragraph 17 or 18 of the Gas Code.
- 1.5.4 Users acknowledge that where a Network Exit Agreement is in force in relation to a Supply Point such agreement may provide for additional terms in respect of the matters subject to paragraphs 17 and 18 of the Gas Code.
- 1.5.5 If so requested on reasonable grounds by TransCo, the Registered User in respect of any Supply Point shall (within a reasonable period specified by TransCo) make reasonable enquiries of the consumer or supplier with a view to ascertaining and obtaining reasonable evidence as to whether the requirements of paragraph 17 of the Gas Code are applicable or (where applicable) are being complied with, and inform TransCo of the outcome of such enquiries; and where the Registered User fails so to make

reasonable enquiries or inform TransCo of such outcome within such period the User shall reimburse to TransCo any expenses reasonably incurred by TransCo in ascertaining any such matter itself (including without limitation any expenses paid by TransCo pursuant to paragraph 17(6) of the Gas Code).

1.6 Entitlements under the Act

- 1.6.1 Nothing in the Code shall prevent TransCo from exercising any entitlement or discharging any duty under the Gas Code or otherwise under the Act or pursuant to the TransCo Licence which may involve the disconnection of or refusal to convey gas to or to allow gas to be conveyed to any premises.
- 1.6.2 Where under the Gas Code or otherwise under the Act or pursuant to the TransCo Licence TransCo is not required to connect or to maintain a connection of, or has exercised or is entitled to exercise any right to disconnect, or is required to disconnect, any premises, or (having disconnected them) is not required to reconnect any premises, or is entitled to refuse to convey gas to or to allow gas to be conveyed to any premises, TransCo will not be in breach of its obligation to make gas available for offtake from the System at the relevant System Exit Point(s).
- 1.6.3 TransCo will inform the Registered User(s) or (where applicable) CSEP Users as soon as reasonably practicable after exercising an entitlement (as described in paragraph 1.6.2) to disconnect or refuse to convey gas or allow gas to be conveyed.

2. OFFTAKE REQUIREMENTS

2.1 Applicable Offtake Requirements

2.1.1 For the purposes of the Code, the "**Applicable Offtake Requirements**" are:

- (a) subject to paragraph 2.1.1(b):
- (i) except as provided in paragraph (ii), the Standard Offtake Requirements;
 - (ii) subject to paragraph 2.1.5, as respects the pressure of gas made available for offtake at NTS Supply Meter Points, a pressure of 25 bar;
- (b) to the extent inconsistent with paragraph 2.1.1(a), but subject to paragraph 2.1.5:
- (i) any requirement as to the pressure of gas made available for offtake at a Supply Meter Point which applies pursuant to paragraph 2.2.5;
 - (ii) the specification applicable pursuant to any Special Offtake Arrangement in accordance with paragraph 2.3.3;
 - (iii) any provision contained in a Network Exit Agreement as to the pressure of gas made available for offtake at a System Exit Point.

2.1.2 The "**Standard Offtake Requirements**" are the requirements as to gas composition and pressure of the regulations from time to time applying pursuant to Section 16(1) of the Act as they apply in respect of gas made available by TransCo for offtake at any System Exit Point; which requirements shall be treated for the purpose of the Code as applying (subject to paragraph 2.1.1(b)) in respect of any LDZ Connected System Exit Point.

- 2.1.3 A Network Exit Agreement or Ancillary Agreement may include any tolerances within which (for any periods or in any circumstances) deviation from any of the Applicable Offtake Requirements are permitted.
- 2.1.4 The "**Applicable Offtake Pressure**" is the requirement as to pressure of gas made available for offtake from the System at an Individual System Exit Point for the time being applicable in accordance with this paragraph 2.1.
- 2.1.5 Where at any time, by reason of any building, mining or engineering developments (other than a development planned by TransCo), or changes in population density, in the vicinity of any part of the System, it is not or ceases or will cease to be feasible safely or in accordance with any Recognised Standard to maintain at any Supply Meter Point a pressure of at least the Applicable Offtake Pressure (applicable at the time in accordance with paragraph 2.1.1, this paragraph 2.1.5, or paragraph 2.2.5):
- (i) TransCo will, as soon as reasonably practicable after becoming aware that (by reason of such circumstances) such pressure cannot be maintained, so inform the Registered User specifying the date with effect from which it will be necessary to reduce such pressure and the reduced pressure which can (after such date) be so maintained; and
 - (ii) with effect from the date specified by TransCo (and as respects any User who may become the Registered User), the reduced pressure so specified shall be the Applicable Offtake Pressure.
- 2.1.6 TransCo will not be in breach of its obligation to make gas available for offtake from the System at a System Exit Point if for any reason the pressure of the gas immediately downstream of the point of offtake (in accordance with paragraph 3.7) exceeds the Applicable Offtake Pressure.
- 2.2 Special offtake pressure
- 2.2.1 Upon the request of the Registered User in respect of a Supply Point, specifying (in respect of a Supply Meter Point comprised in the Supply Point) a particular pressure (the "**specified pressure**") greater than the prevailing Applicable Offtake Pressure, TransCo will advise the User:
- (i) whether the anticipated normal offtake pressure is greater or less than the specified pressure, and
 - (ii) insofar as it is reasonably practicable to do so, of the circumstances (other than Excluded Offtake Circumstances in accordance with paragraph 3.2.2) in which TransCo anticipates at the time of the request that the pressure of gas available for offtake at the Supply Meter Point may fall below the specified pressure.
- 2.2.2 Where TransCo has advised a User under paragraph 2.2.1 that anticipated normal offtake pressure is not less than the specified pressure, TransCo will advise the User, not less than 24 months (in the case of an LDZ Supply Point) or 36 months (in the case of an NTS Supply Point) before such change, of any reduction in anticipated normal offtake pressure below the specified pressure (but without prejudice to the Applicable Offtake Pressure).
- 2.2.3 In this paragraph 2.2, "**anticipated normal offtake pressure**" means the pressure or (within a range of pressures) lowest pressure at which TransCo expects (having regard to the period of notice of any reduction required under paragraph 2.2.2) that, under normal System operating conditions, gas will be available for offtake at a Supply Meter Point.

2.2.4 Where a User makes a request to TransCo under paragraph 2.2.1, the User may in addition propose to TransCo to enter into a Network Code Ancillary Agreement pursuant to which TransCo would undertake the works in respect of the System necessary to enable it to make available for offtake under all operating conditions (other than Excluded Offtake Circumstances) gas at the specified pressure.

2.2.5 Where, following the proposal of a User under paragraph 2.2.4, the User and TransCo so agree, they shall enter into a Network Code Ancillary Agreement (upon such terms including terms as to payment by the User as shall be agreed between them), and the Applicable Offtake Pressure will (for such period as may be specified in such Ancillary Agreement) be the specified pressure or such other pressure as shall be specified in such Ancillary Agreement.

2.3 Special Offtake Arrangement

2.3.1 Pursuant to an arrangement ("**Special Offtake Arrangement**") provided for in a Network Exit Agreement, TransCo may agree to make gas available for offtake from the System at a System Exit Point in circumstances where the Standard Offtake Requirements are not complied with pursuant to the terms of any Network Exit Agreement, or where the Standard Offtake Requirements are not (and are not treated pursuant to paragraph 2.1.2 as being) appropriate.

2.3.2 Without prejudice to any Legal Requirement, a Special Offtake Arrangement may be in force where by reason of a Special Delivery Arrangement under Section I3.5, gas available for offtake at a System Exit Point does not or will not comply with the Standard Offtake Requirements.

2.4 Notice of specification change

2.4.1 Where:

- (i) the Registered User wishes to be informed of changes in particular characteristics ("**relevant characteristics**") of gas offtaken from the System at a Supply Meter Point comprised therein, and
- (ii) the User so requests TransCo, specifying the Supply Meter Point and the relevant characteristics,

TransCo will, where in its reasonable opinion it is feasible to do so, and upon such reasonable terms (if any) as it may notify to the User, agree that paragraph 2.4.3 shall apply.

2.4.2 Where TransCo notifies any terms to the User pursuant to paragraph 2.4.1, paragraph 2.4.3 shall apply only if the User notifies TransCo of its acceptance of such terms, which terms (if so accepted) shall form a Network Code Ancillary Agreement between TransCo and such User.

2.4.3 Where this paragraph applies, TransCo will use reasonable endeavours to notify the Registered User as soon as reasonably practicable after TransCo becomes aware that a change in relevant characteristics of gas available for offtake at the Supply Point has occurred or will occur.

2.4.4 Where paragraph 2.4.3 applies TransCo reserves the right at any time and from time to time to make a charge to the User (for so long as it is the Registered User) in respect of the reasonable costs incurred by TransCo in performing its obligations under that paragraph.

3. OFFTAKE OF GAS FROM THE SYSTEM

3.1 Offtaking User

- 3.1.1 For the purposes of this Section J an "**Offtaking User**" is:
- (i) in respect of a Supply Meter Point, the Registered User of the Supply Point (or in the case of a Shared Supply Meter Point, of any of the Supply Points) in which the Supply Meter Point is comprised;
 - (ii) in respect of a Connected System Exit Point, on any Day, any Offtaking CSEP User.
- 3.1.2 The "**Offtake Proportion**" of an Offtaking User for a Day in respect of a System Exit Point is:
- (a) in the case of a Supply Meter Point:
 - (i) except as provided in paragraph (ii),1;
 - (ii) in the case of a Shared Supply Meter Point, the proportion which the quantity allocated to that User in respect of the Day in accordance with the Shared Supply Meter Notification bears to the Supply Meter Point Daily Quantity;
 - (b) in the case of a Connected System Exit Point, that User's UDQO for that Day divided by the CSEP Daily Quantity Offtaken in accordance with Section E3.2.
- 3.1.3 For the purposes of this Section J:
- (i) references to quantities of gas offtaken on a Day at an NDM Supply Meter Point are to the quantities determined to have been offtaken pursuant to Section H2;
 - (ii) no adjustments to any amount, payment or quantity ascertained under this Section J shall be made by reason of DM Reconciliation, NDM Reconciliation or CSEP Reconciliation.
- 3.2 Obligation to make gas available for offtake
- 3.2.1 Subject to the provisions of the Code, TransCo will make gas available for offtake by User(s) from the System at the point of offtake (in accordance with paragraph 3.7) in accordance with the requirements of paragraph 3.3.1 at each System Exit Point where the requirements (other than requirements to be complied with by TransCo) of this Section J are complied with.
- 3.2.2 For the purposes of the Code, "**Excluded Offtake Circumstances**" are circumstances in which, in accordance with the Code, TransCo is not obliged or not in breach of its obligation to make gas available for offtake at a System Exit Point or is not liable in respect of any failure to do so.
- 3.2.3 For the avoidance of doubt, a User's obligations to pay Capacity Charges shall not be affected by the existence of any Excluded Offtake Circumstances except as provided in paragraph 3.6 in respect of Force Majeure.
- 3.3 Compliance with offtake requirements
- 3.3.1 Gas made available by TransCo for offtake at any System Exit Point will comply with the Applicable Offtake Requirements, subject to paragraph 3.3.6.
- 3.3.2 Where non-compliant gas is made available for offtake from the System at a System Exit Point, the Offtaking User(s) may, from time to time until such time as the Applicable Offtake Requirements are complied with in respect of gas made available for offtake at such point, in its or their discretion, either:

- (i) offtake or continue to offtake such gas, in which case paragraph 3.4 shall apply, or
 - (ii) decline to offtake or to continue to offtake such gas, in which case paragraph 3.5 shall apply.
- 3.3.3 A User's rights under paragraph 3.3.2 shall not be prejudiced by its election to offtake non-compliant gas (whether or not it is aware that the gas is non-compliant).
- 3.3.4 Subject to paragraph 3.4.7, where non-compliant gas has been offtaken on any Day from the System, TransCo shall be liable to pay to each Offtaking User an amount determined in accordance with paragraph 3.4.
- 3.3.5 Where TransCo becomes aware that non-compliant gas is being made available for offtake at any System Exit Point (other than where the failure to comply is not material), TransCo will endeavour to inform the Registered User or (as the case may be) the relevant CSEP User and the Connected System Operator of that fact as soon as reasonably practicable, but in the case of a Supply Meter Point whose Annual Quantity does not exceed 732,000 kWh (*25,000 therms*) a notice to all Users generally that gas in any part of the System is non-compliant shall be sufficient.
- 3.3.6 Subject to paragraph 3.4.7, for the purposes of this paragraph 3 "**non-compliant gas**" is gas made available for offtake from the System in respect of which (after taking account of any tolerance referred to in paragraph 2.1.3) any of the Applicable Offtake Requirements is not or was not complied with.
- 3.4 Payment in respect of non-compliant gas
- 3.4.1 Subject to paragraph 3.4.3 and 3.4.4, the amount payable by TransCo to an Offtaking User under paragraph 3.3.4 shall be all reasonable costs and expenses reasonably incurred by the User in consequence of the offtake of the non-compliant gas, including (without limitation) costs and expenses incurred:
 - (a) in cleaning or clearing any part of the relevant offtake facility, and/or
 - (b) in taking reasonable measures (excluding in the case of a Connected Offtake System any measures equivalent to Operational Balancing Steps) to secure that:
 - (i) in the case of a Supply Point, the non-compliant gas can be made fit for use in the relevant offtake facility;
 - (ii) in the case of a Connected System Exit Point, that the relevant offtake facility can be operated in accordance with applicable Legal Requirements notwithstanding the offtake or continued offtake of such non-compliant gas.
- 3.4.2 For the purposes of paragraph 3.4.1:
 - (a) "**relevant offtake facility**" means
 - (i) in the case of a Supply Point, the Consumer's Plant; and
 - (ii) in the case of a Connected System Exit Point, the Connected Offtake System;
 - (b) references to costs and expenses incurred by an Offtaking User include costs and expenses incurred by:

- (i) in the case of a Supply Point, the supplier or consumer;
 - (ii) in the case of a Connected System Exit Point, the Connected System Operator.
- 3.4.3 The amount payable by TransCo to an Offtaking User shall not exceed 10% of the amount calculated as the User's Offtake Proportion of the total quantity of non-compliant gas offtaken from the System at the relevant System Exit Point on the relevant Day multiplied by the Applicable Liability Gas Price.
- 3.4.4 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the offtake of non-compliant gas from the System on more than one Day at a Shared Supply Meter Point or Connected System Exit Point:
 - (i) references in paragraphs 3.4.1 and 3.4.3 to a User's Offtake Proportion shall be deemed to be references to a weighted average Offtake Proportion determined for each Offtaking User as the sum, for all such Days, of the User's Offtake Proportion for each Day multiplied by the Supply Meter Point Daily Quantity or (as the case may be) CSEP Daily Quantity Offtaken, divided by the sum of the Supply Meter Point Daily Quantities or (as the case may be) CSEP Daily Quantities Offtaken for all such Days;
 - (ii) the reference in paragraph 3.4.3 to the total quantity of non-compliant gas offtaken on the relevant Day shall be to the total quantity of non-compliant gas offtaken on all such Days.
- 3.4.5 Where any amount has become payable to an Offtaking User pursuant to paragraph 3.3.4:
 - (a) the User shall as soon as reasonably practicable after the Exit Close-out Date so notify TransCo specifying:
 - (i) the relevant System Exit Point and the Day or Days on which non-compliant gas was offtaken from the System;
 - (ii) the total quantity of non-compliant gas referred to in paragraph 3.4.3, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the Applicable Offtake Requirements;
 - (iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the person(s) by whom and purposes for which they were incurred;
 - (iv) the Offtaking User's Offtake Proportion;
 - (b) the amount payable by TransCo shall be invoiced and paid in accordance with Section S.
- 3.4.6 Any dispute as to anything specified by a User under paragraph 3.4.5(a) (other than a dispute as to anything specified under paragraph 3.4.5(a)(i) or (ii) which was resolved pursuant to a Network Exit Agreement) shall be referred to Expert Determination.
- 3.4.7 Paragraph 3.3.4 and this paragraph 3.4 do not apply and TransCo shall not be liable thereunder to the extent that the failure (of gas offtaken) to comply with Applicable Offtake Requirements was a failure to comply with the Applicable Offtake Pressure; and references in those paragraphs to non-compliant gas shall be construed accordingly.
- 3.4.8 Where non-compliant gas was offtaken from the System and for the purposes of clearing such non-compliant gas from the Consumer's Plant or a Connected Offtake System it is necessary for the

consumer or (as the case may be) the Connected System Operator to vent gas from such plant or system, the quantity of gas which each Offtaking User is treated as having offtaken from the System on the relevant Day shall be reduced by its Offtake Proportion of the quantity of gas so vented (and the User's UDQO shall be determined accordingly).

3.5 Gas not made available for offtake

3.5.1 Where:

- (a) TransCo is or has been in breach of its obligation to make gas available for offtake from the System at a System Exit Point, or
- (b) gas made available for offtake from the System at a System Exit Point does not comply with the Applicable Offtake Requirements and an Offtaking User declined (in accordance with paragraph 3.3.2(ii)) to offtake such gas

the further provisions of this paragraph 3.5 shall apply.

3.5.2 In the case of a Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms):

- (i) where as a result of the relevant failure gas is not available for offtake for a period of not less than 24 hours, TransCo will pay to the Registered User an amount of £20 for each consecutive period of 24 hours or part of such a period, commencing with the expiry of the first 24 hours of such failure, during which the relevant failure continued;
- (ii) for the purposes of paragraph (i), any such period of 24 hours as is referred to in Section L4.3.2(e) is concurrent with and not in addition to the first 24 hours referred to in paragraph (i), and accordingly (notwithstanding Section L.4.3.1) any period of Programmed Maintenance (in respect of the Supply Point) shall count towards such first 24 hours.

3.5.3 In the case of any Supply Point Component other than one comprised in such a Supply Point as is referred to in paragraph 3.5.2, TransCo will pay to the Registered User an amount determined as:

$$C * (1 - X/Y) * P$$

where:

C is the amount of the Supply Point Capacity held by the User at the Supply Point Component on the relevant Day;

X is in the case of a DM Supply Point Component, the quantity of gas which was made available for offtake from the System on the relevant Day;

Y is in the case of a DM Supply Point Component the Nominated Quantity (subject to paragraph 3.5.4) under the Output Nomination for the relevant Supply Point Component, provided that

- (i) no account shall be taken of any Renomination, on the Day when the failure occurred or first occurred, made after the time at which the Registered User first became aware of such failure; and

- (ii) Y shall not exceed the amount of the User's Registered Supply Point Capacity at the Supply Point Component, disregarding any increase therein applied for after the relevant failure first occurred;

X/Y is in the case of an NDM Supply Point Component, zero;

P is the sum of the Applicable Daily Rates of:

- (i) the Capacity Variable Component of the Customer Charge, and
- (ii) in the case of an LDZ Supply Point, the LDZ Capacity Charge, and
- (iii) the applicable NTS Exit Capacity Charge.

3.5.4 For the purposes of the determination of 'Y' in paragraph 3.5.3, in the case of a DMA Supply Point Component there shall be deemed to be a Nomination Quantity in respect of each DMA Supply Point Component in the relevant DMA Supply Point Group, determined by apportioning the Nomination Quantity for such Supply Point Group between such Supply Point Components in proportion to their respective Annual Quantities.

3.5.5 In the case of a Connected System Exit Point, TransCo will pay to each CSEP User an amount determined as:

$$C * (1 - X/Y) * P$$

where:

C is the amount of the Relevant Exit Capacity held by the CSEP User at the Connected System Exit Point on the relevant Day;

X is the relevant proportion of the quantity of gas which was made available for offtake from the System by CSEP Users in aggregate on the relevant Day;

Y is the Nominated Quantity (subject to paragraph 3.5.4) under the CSEP User's Output Nomination for the Connected System Exit Point, provided that

- (i) no account shall be taken of any Renomination, on the Day when the failure occurred or first occurred, made after the time at which the CSEP User first became aware of such failure; and
- (ii) Y shall not exceed the amount of the User's Relevant Exit Capacity at the Connected System Exit Point, disregarding any increase therein applied for after the relevant failure first occurred;

P is the sum of the Applicable Daily Rates of:

- (i) the CSEP Charge to the extent of any component thereof which varies with Relevant Exit Capacity, and
- (ii) in the case of an LDZ Connected System Exit Point, the LDZ Capacity Charge, and
- (iii) the applicable NTS Exit Capacity Charge.

3.5.6 For the purposes of paragraph 3.5.5:

- (i) a CSEP User's "**Relevant Exit Capacity**" is, in the case of an LDZ Connected System Exit Point, its Registered LDZ Capacity, and in the case of an NTS Connected System Exit Point, its Available NTS Capacity, at such Connected System Exit Point;
- (ii) the relevant proportion of a CSEP User is the amount determined as 'Y' for the User on the relevant Day in accordance with paragraph 3.5.5 divided by the aggregate of the amounts so determined as 'Y' for all CSEP Users.

3.5.7 Where any Transportation Charge is not payable in respect of a particular System Exit Point or by a particular class of User, the rate thereof (for the purposes of determining the value of 'P' in paragraphs 3.5.3 and 3.5.5) shall be zero.

3.5.8 For the purposes of paragraphs 3.5.3 and 3.5.5, any dispute as to the quantity of gas which was made available for offtake at the relevant DM Supply Point Component or Connected System Exit Point on the relevant Day shall be referred to Expert Determination.

3.6 Force Majeure

3.6.1 Where:

- (i) by reason of Force Majeure affecting TransCo, TransCo is relieved from liability in respect of its obligation to make gas available for offtake from the System at a System Exit Point, and
- (ii) the occurrence of Force Majeure continues for a period of more than 7 Days,

for each Day after the 7th Day on which TransCo continues to be relieved of such obligation, the User(s) registered as holding System Capacity at such point will cease to be liable to pay the Capacity Charges referred to in paragraph 3.6.2.

3.6.2 Subject to paragraph 3.6.3, the relevant Capacity Charges are:

- (i) in the case of any System Exit Point, the LDZ Capacity Charges (where relevant) and the Capacity Variable Component of the Customer Charge payable by the User in respect of such point;
- (ii) in the case of a System Exit Point other than an Interruptible Supply Point, NTS Exit Capacity Charges in respect of an amount of NTS Exit Capacity (in respect of the relevant NTS Exit Point) equal to the User's Registered LDZ Capacity.

3.6.3 Where in relation to any Day (after the 7th Day) the effect of the occurrence of Force Majeure is a partial (rather than total) reduction in the availability of gas for offtake from the System, the relevant Capacity Charges will be that proportion of those described in paragraph 3.6.2 determined as:

$$(C - X)/C$$

where:

'C' is the amount of the User's Registered LDZ Capacity (as at the Day when the occurrence of Force Majeure commenced) at the relevant System Exit Point; and

'X' is the quantity of gas which was made available for offtake from the System at the relevant System Exit Point on the Day.

3.7 Point of offtake

3.7.1 The point of offtake in respect of each Individual System Exit Point comprised in any System Exit Point shall be:

(a) in the case of a Supply Point:

(i) except as provided in paragraph (ii), the outlet of the customer control valve on the service pipe;

(ii) where there is in force a Network Exit Agreement which identifies (by description or a diagram or both) the point(s) of offtake, the point or points so identified;

(b) in the case of a Connected System Exit Point, the point of offtake identified in accordance with paragraph 3.7.2.

3.7.2 The Network Exit Agreement in force in respect of a Connected System Exit Point will identify (by description or a diagram or both) a point of offtake in respect of each Individual System Exit Point comprised in the Connected System Exit Point.

3.7.3 Title and (without prejudice to paragraph 3.4) risk in gas offtaken from the System at a System Exit Point shall pass to the Offtaking User at the relevant point of offtake in accordance with paragraph 3.7.1.

3.7.4 TransCo warrants to each User that TransCo will have title (at the point of offtake) to all gas made available for offtake from the System at any System Exit Point by that User, and that all such gas will (at such point) be free of any lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and tendering of gas arising on or before offtake thereof from the System.

3.7.5 TransCo shall indemnify each User and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against such User in consequence of any breach of the warranty in paragraph 3.7.4.

3.8 User offtake obligations: DM Supply Point Components

3.8.1 A User is not entitled to offtake gas from the System at a DM Supply Point Component at a rate which exceeds the Supply Point Offtake Rate, and shall take all reasonable steps to ensure that gas is not offtaken at such a rate.

3.8.2 Where:

(i) TransCo believes on reasonable grounds that gas is being or will be offtaken from the System at a DM Supply Point Component at a rate which exceeds the Supply Point Offtake Rate; and

(ii) in TransCo's reasonable judgment System security may be prejudiced as a result

TransCo may take any steps available to it to secure the required reduction in the rate of or the discontinuance of the offtake of gas from the System at the Supply Point Component.

3.8.3 The steps referred to in paragraph 3.8.2 include the disconnection of the relevant premises; but (without prejudice to any provision of the Gas Code) TransCo will endeavour not to take this step where alternative steps are available and adequate in the circumstances.

3.8.4 TransCo will not be obliged under any provision of the Code to make gas available for offtake from the System by a User at a DM Supply Point Component:

- (i) at any time, at a rate which exceeds the Permitted Supply Point Offtake Rate, or
- (ii) on any Day, in a quantity which exceeds the User's Registered Supply Point Capacity.

3.9 User offtake obligations: CSEPs

3.9.1 A CSEP User is not entitled to offtake gas from the System at a relevant Connected System Exit Point at a rate which exceeds the maximum rate permitted (for that CSEP User) in accordance with the CSEP Network Exit Agreement.

3.9.2 Where:

- (i) TransCo believes on reasonable grounds that gas is being or will be offtaken from the System at a rate which exceeds the maximum aggregate rate permitted in accordance with the CSEP Network Exit Agreement, and
- (ii) in TransCo's reasonable judgement System security may be prejudiced as a result;

TransCo may (subject to and/or in accordance with any provisions of the CSEP Network Exit Agreement) take any steps available to it to secure the required reduction in the rate of or discontinuance of offtake of gas from the Connected System Exit Point.

3.9.3 TransCo will not be obliged under any provision of the Code to make gas available for offtake from the System at a relevant Connected System Exit Point:

- (i) by CSEP Users in aggregate, at any time, at a rate which exceeds the maximum aggregate rate permitted in accordance with the CSEP Network Exit Agreement;
- (ii) by a CSEP User, on any Day, in a quantity which exceeds the User's Registered LDZ Capacity (in the case of a relevant LDZ Connected System Exit Point) or Available NTS Exit Capacity (in the case of a relevant NTS Connected System Exit Point).

3.10 Alternative arrangements for PGT CSEPs

3.10.1 This paragraph 3.10 shall apply, in addition to and (to the extent in conflict with) in substitution for the provisions of paragraphs 3.4 and 3.5, in the case of a LDZ Connected System Exit Point, where the Connected System Operator is the holder of a Public Gas Transporter's Licence and the Connected Offtake System is a pipeline system the conveyance of gas in which is either authorised by such licence, or exempt (from the requirement to be so licensed) pursuant to an order (under Section 6A of the Act) granting temporary exemption from such requirement.

3.10.2 For the purposes of paragraph 3.4, where the condition in paragraph 3.10.4 is satisfied:

- (a) subject to the limit in paragraph 3.4.3, the costs and expenses referred to in paragraph 3.4.1 shall include costs and expenses incurred in cleaning or clearing plant and/or equipment at Connected System Premises in which the non-compliant gas has been used;

- (b) the limit in paragraph 3.4.3 shall apply only in relation to the amount of the costs and expenses in paragraph 3.10.2(a);
- (c) the amount payable by TransCo to an Offtaking User in relation to the costs and expenses referred to in paragraph 3.4.1 (including subject to the limit in paragraph 3.4.3 those within paragraph (a)) shall be the User's Offtake Proportion of the CSEP Liability Sharing Proportion of such costs and expenses.

3.10.3 For the purposes of paragraph 3.5, where the condition in paragraph 3.10.4 is satisfied:

- (a) paragraph 3.5.5 shall not apply;
- (b) TransCo shall pay to each CSEP User an amount calculated as the CSEP Liability Sharing Proportion of:
 - (i) the amount determined under paragraph 3.10.6, where that paragraph applies; and
 - (ii) the User's Offtake Proportion of any costs and expenses incurred by the Connected System Operator, directly as a consequence of the failure by TransCo to make gas available for offtake at the Connected System Exit Point, so that the Connected Offtake System can be operated in accordance with applicable Legal Requirements.

3.10.4 The condition referred to in paragraphs 3.10.2 and 3.10.3 is that the Connected System Operator:

- (i) shall (to the maximum extent permitted by law) fully and effectively have waived any claim against TransCo in respect of any liability (in contract, tort or otherwise) in respect of the making available for offtake from the System of non-compliant gas, or (as the case may be) the failure to make gas available for offtake, or (in either case) the event or circumstances giving rise thereto;
- (ii) shall have taken all such steps as are reasonable in the circumstances and having regard to any such provisions of the CSEP Network Exit Agreement as are referred to in paragraph 5.8.1(v) to avoid or limit the consequences of the relevant occurrence in relation to which such costs and expenses referred to in paragraph 3.10.2 or 3.10.3 are incurred, and to limit such costs and expenses;
- (iii) shall have agreed insofar as is reasonable in the circumstances that, if TransCo so requires, all or some of the works necessitated by the relevant occurrence shall be undertaken by TransCo at TransCo's cost (offsetting the cost of such works against the amounts payable by TransCo pursuant to paragraphs 3.10.2(c) and 3.10.3(b)(ii)) and on such other terms as shall be reasonable for TransCo and the Connected System Operator to agree.

3.10.5 Paragraph 3.10.6 applies where:

- (i) in consequence of the failure (for whatever period of time) to make gas available for offtake from the System at the Connected System Exit Point, the Connected System Operator fails to make gas available for offtake from the Connected Offtake System at Connected System Premises, and
- (ii) a commitment exists on the part of the Connected System Operator or a relevant supplier to make a payment, in consequence of such failure, to the consumer at the Connected System Premises.

3.10.6 Where this paragraph applies, the amount referred to in paragraph 3.10.3(b)(i) is the aggregate, for all of the Connected System Premises to which the CSEP User has (at the relevant time) arranged for gas to be conveyed by the Connected System Operator, of the amount (in respect of each such premises) ascertained pursuant to paragraph (i) or (ii) below:

- (i) where the rate at which gas is expected to be supplied to the consumer at the Connected System Premises does not exceed 73,200 kWh (2,500 therms) per annum, for each consecutive period of 24 hours, or part of such period, after the first period of 24 hours, for which the failure by the Connected System Operator to make gas available continues, the lesser of £20 and the amount which the Connected System Operator or relevant supplier is (as described in paragraph 3.10.5(ii)) committed to pay to the consumer;
- (ii) where the rate at which gas is expected to be supplied to the consumer at the Connected System Premises exceeds 73,200 kWh (2,500 therms) per annum, the lesser of the amount which the Connected System Operator or relevant supplier is (as described in paragraph 3.10.5(ii)) committed to pay to the consumer, and the amount which (if the Connected System Premises were connected to the System at a Supply Point) TransCo would be required to pay pursuant to paragraph 3.5.3.

3.10.7 For the purposes of this paragraph 3.10:

- (i) the "**CSEP Liability Sharing Proportion**" in relation to a Connected System Exit Point at any time shall be the proportion from time to time specified in or determined pursuant to the CSEP Network Exit Agreement, or determined (for the purposes of this paragraph 3.10) by TransCo with Condition 7(4) Approval of the Director (where the CSEP Network Exit Agreement does not so specify or provide for such determination);
- (ii) "**Connected System Premises**" are premises connected to the Connected Offtake System.

4. NExA SUPPLY METER POINTS

4.1 General

4.1.1 The requirements of this paragraph 4 apply, as and to the extent required by TransCo pursuant to the relevant Network Exit Agreement (a "**Supply Point Network Exit Agreement**"), in respect of the plant and equipment to be installed at and the offtake of gas from the System at a NExA Supply Meter Point.

4.1.2 Each of paragraphs 4.6 to 4.11 applies in respect of a NExA Supply Meter Point where the relevant Network Exit Agreement contains provisions (whether or not expressly referring to such paragraph) by reference to which such paragraph is capable of applying.

4.1.3 Where and for so long as:

- (i) any requirement applying pursuant to this paragraph 4 (other than a requirement applying to TransCo) of a Supply Point Network Exit Agreement is not for the time being complied with or is incapable of being complied with in relation to a NExA Supply Meter Point, and
- (ii) in TransCo's reasonable opinion such non-compliance or inability to comply may prejudice System security

TransCo shall (until such time as it is reasonably satisfied that such non-compliance has been remedied) be entitled to require by notice to the Registered User that the offtake of gas shall be discontinued or its rate reduced, and may in any event take any steps available to it to secure such discontinuance or reduction, provided that where TransCo takes such steps it will so notify the Registered User as soon as reasonably practicable after so doing.

4.1.4 Subject to paragraph 4.5, nothing in this paragraph 4 affects the application of any provision of the Code to any other Supply Meter Point comprised in the same Supply Point as a NExA Supply Meter Point.

4.2 Network Exit Agreement

4.2.1 The Network Exit Agreement in respect of a NExA Supply Meter Point:

- (i) will specify the point of offtake in accordance with paragraph 3.7.1(a);
- (ii) will specify the plant and equipment installed pursuant to paragraph 4.4;
- (iii) may provide (whether by express reference to such provisions or otherwise) for the application of any of paragraphs 4.6 to 4.11;
- (iv) may provide for a Special Offtake Arrangement in accordance with paragraph 2.3.1;
- (v) may specify requirements (without prejudice to paragraph 2.1.5) as to the pressure at which gas is to be made available for offtake from the System, and/or stipulate that the point at which the Applicable Offtake Pressure is to apply is a point other than the point of offtake;
- (vi) may contain provisions applicable for the purposes of paragraph 4.3.3;
- (vii) may specify details and/or standards for the design, specification and manufacture and/or the accuracy of the Supply Meter, and/or contain provisions (which may differ from those of Section M) as to any of the matters provided for in Section M;
- (viii) will specify (in the case of an NTS Supply Meter Point) for the purposes of Section L4.3.2(b) the numbers of Days of permitted Planned Maintenance in any Planned Maintenance Period and any three consecutive Planned Maintenance Periods;
- (ix) where the Consumer's Plant is generating plant, will specify the basis for determining the date at which commissioning of the Consumer's Plant shall be treated as completed (by reference to the successful completion of that part of the commissioning programme which tests the ability of the Consumer's Plant to run reliably for a continuous period of 30 days);
- (x) may specify other matters relating to the offtake of gas for purposes of commissioning the Consumer's Plant or any plant or equipment referred to in paragraph (ii);
- (xi) may specify procedures applicable in the event of any emergency circumstances affecting TransCo or the consumer (including any Emergency in accordance with Section Q).

4.2.2 A Supply Point Network Exit Agreement may also provide for:

- (i) TransCo and the consumer to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Agreement;

- (ii) terms according to which and circumstances in which the Agreement may be terminated or expire;
 - (iii) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the offtake of gas from the System or (in relation to such offtake) the Consumer's Plant.
- 4.2.3 Where a Supply Point Network Exit Agreement is made with the consumer, TransCo shall not be required (for itself or for the benefit of any User) to secure in such Agreement any remedy against the relevant consumer, nor to take any steps to enforce any provision of such a Network Exit Agreement.
- 4.2.4 TransCo will not be required to make gas available for offtake at a NExA Supply Meter Point where (other than by reason of a breach by TransCo thereof) the applicable Network Exit Agreement has been suspended or terminated in accordance with its terms.
- 4.2.5 Where a Supply Point Network Exit Agreement made with the consumer is in force and there is a Registered User in respect of the NExA Supply Meter Point, TransCo will not, unless upon TransCo's application the Director shall give Condition 7(4) Approval to its doing so, agree to any modification of the Network Exit Agreement without the approval of the Registered User(s) for the time being.
- 4.2.6 Where a User submits a Supply Point Nomination in respect of a Supply Point which includes a NExA Supply Meter Point, TransCo will inform the User of the existence (but not of the terms) of the Network Exit Agreement, and the User shall be responsible for ascertaining the terms thereof from the relevant consumer; and where the User subsequently submits a Supply Point Confirmation the User shall be deemed to be fully informed of such terms.
- 4.2.7 Except as provided in paragraph 4.2.6 TransCo will not, unless the terms of the Network Exit Agreement expressly so permit, disclose the provisions of a Supply Point Network Exit Agreement to any User (including a User who has submitted a Supply Point Nomination or Supply Point Confirmation) other than the Registered User.
- 4.3 Application
- 4.3.1 The Registered User, or (where relevant) the Sharing Registered Users jointly, shall be responsible for securing that the requirements of paragraphs 4.6 to 4.9 are complied with in respect of a NExA Supply Meter Point.
- 4.3.2 The requirements of paragraphs 4.6 to 4.10 apply as to the offtake of gas from the System at a NExA Supply Meter Point in aggregate by all Sharing Registered Users (where applicable).
- 4.3.3 TransCo may agree, pursuant to a Network Exit Agreement, that no person shall be a Registered User in respect of a NExA Supply Meter Point unless such person has agreed (together with any other Sharing Registered User):
 - (i) to appoint the consumer or any other person as User Agent for such purposes as may be specified in the Network Exit Agreement, and/or to cooperate in such manner as may be prescribed in the Network Exit Agreement with the consumer and (where there are Sharing Registered Users) with each other Sharing Registered User to secure coordinated communications with TransCo in respect of the offtake of gas from the System;
 - (ii) to enter into or accede to any agreement in writing with the relevant consumer and any other Sharing Registered User for the purposes of paragraph 4.3.3 (i) (to which agreement TransCo may or may not be party).

4.3.4 TransCo shall be entitled to reject a Supply Point Confirmation made by a User who has not complied with any such requirement as is referred to in paragraph 4.3.3.

4.4 Plant and equipment installed at NExA Supply Meter Points

4.4.1 The plant and equipment installed at a NExA Supply Meter Point will, if TransCo so requires, include:

- (i) volumetric control or override, by means of which the instantaneous rate (in terms of volume) at which gas may be offtaken may be limited (and such limit set remotely by TransCo);
- (ii) remote isolation valve, by means of which TransCo may remotely cause the offtake of gas to be discontinued;
- (iii) calorimetric equipment, by means of which the calorific value of gas offtaken may be continuously monitored;
- (iv) preheating equipment, by means of which the temperature of gas offtaken may be maintained (having regard to the operation of any other plant or equipment installed pursuant to this paragraph 4.4.1 or paragraph 4.4.2) at a given temperature (not less than 0°C).

4.4.2 The plant and equipment required by TransCo to be installed pursuant to paragraph 4.4.1 will be specified in the relevant Network Exit Agreement (and may where so provided in such Agreement be or have been furnished and installed by TransCo).

4.4.3 Where volumetric control or override is installed pursuant to paragraph 4.4.1(i), TransCo may, but (subject to any provision of the Network Exit Agreement) shall not be required to, set such control or override, or require it to be set, so as to limit the rate (in volume terms) at which gas is offtaken to a rate equivalent (on the basis of the applicable calorific value) to the Prevailing Offtake Rate, or otherwise as may be provided in the Network Exit Agreement.

4.4.4 Where a remote isolation valve is installed pursuant to paragraph 4.4.1(ii), TransCo may, but (subject to any provision of the Network Exit Agreement) shall not be required to, operate such valve in any circumstances in which, in accordance with the Code or the Act, TransCo is permitted to interrupt or cause the discontinuance or reduction of offtake, or disconnect the Supply Point Premises.

4.4.5 TransCo will not be in breach of its obligation to make gas available for offtake at the NExA Supply Meter Point:

- (a) where and to the extent that:
 - (i) any plant or equipment installed pursuant to paragraphs 4.4.1 operates (in accordance with any provisions of the Supply Point Network Exit Agreement as to such operation or the control or setting of such plant or equipment) so as to limit or discontinue the offtake of gas from the System; or
 - (ii) TransCo takes any action in accordance with any provisions of this paragraph 4 or of a Supply Point Network Exit Agreement which limits or discontinues the offtake of gas from the System;
- (b) in the event of any failure of or defect in any plant or equipment installed by TransCo at the NExA Supply Meter Point, or requirement for maintenance thereof, until and unless:

- (i) the User or the consumer has notified TransCo of such failure, defect or requirement, and
- (ii) following such notice TransCo has not, within 24 hours after such notification or such other period as may be provided in the Network Exit Agreement, and subject to having such access as shall be reasonable in the circumstances, repaired or replaced the relevant plant or equipment or carried out the required maintenance (but so that nothing in the Code or the Network Exit Agreement shall require the Registered User to pay for any such repair, replacement or maintenance).

4.5 Preheating offtake

4.5.1 Where in accordance with the Network Exit Agreement preheating equipment is installed (whether or not pursuant to paragraph 4.4.1(iv)) at a NExA Supply Meter Point:

- (a) the point at which gas is offtaken from the System for consumption by such preheating equipment shall be a Supply Meter Point (in respect of which the Network Exit Agreement shall specify the point of offtake for the purposes of paragraph 3.7.1);
- (b) Daily Read Equipment will be installed at such Supply Meter Point (which shall accordingly be a DM Supply Meter Point);
- (c) such Supply Meter Point shall be treated for all purposes of the Code as comprised in the same Supply Point as the NExA Supply Meter Point;
- (d) the gas offtaken from the System at such Supply Meter Point shall for all purposes of the Code be treated as offtaken by the Registered User or Sharing Registered Users.

4.5.2 Where the NExA Supply Meter Point is a Shared Supply Meter Point, the Supply Meter Point referred to in paragraph 4.5.1 shall be deemed to be a Shared Supply Meter Point and subject to the same Shared Supply Meter Notification.

4.6 Offtake Profile Notice

4.6.1 Where this paragraph 4.6 applies, a notification ("**Offtake Profile Notice**") shall be provided to TransCo, not later than the time on the Preceding Day specified in the Network Exit Agreement, setting out rates of offtake (not exceeding the Permitted Supply Point Offtake Rate) throughout the Gas Flow Day.

4.6.2 For the purposes of this paragraph 4, "**rate of offtake**" means the instantaneous rate (expressed in MW) of offtake of gas from the System at a NExA Supply Meter Point (and references to the rate of offtake include a rate of zero where gas is not offtaken, and references to a change in rate of offtake shall be construed accordingly).

4.6.3 Where this paragraph 4.6 applies, the Network Exit Agreement will prescribe a period of notice to be given (by way of modified Offtake Profile Notice) to TransCo of any change ("**Offtake Rate Change**"), by reference to the prevailing Offtake Profile Notice, in the rate of offtake of gas, which period of notice may depend:

- (i) on whether the Offtake Rate Change is an increase or a decrease in rate of offtake,
- (ii) on the amount of the Offtake Rate Change, expressed as an absolute amount or a percentage of a rate determined from the Permitted Supply Point Offtake Rate or otherwise, and

- (iii) on whether any earlier change in the rate of offtake has been notified or occurred within any specified period before the Offtake Rate Change.
- 4.6.4 The Offtake Profile Notice may be modified, as to the rate of offtake from and after any time, by notice before that time of the period referred to in paragraph 4.6.3, but (without prejudice to paragraph 4.9 or 4.10 where either applies) not otherwise.
- 4.6.5 Where, upon a request to that effect, TransCo determines that it is feasible, consistently (so far as TransCo can judge in the circumstances) with the expectation in paragraph 4.6.6, to make gas available for offtake at the NExA Supply Meter Point at a changed rate of offtake (specified in such request) upon a lesser period of notice than that referred to in paragraph 4.6.3, the Offtake Profile Notice may be modified in accordance with such request.
- 4.6.6 The expectation referred to in paragraph 4.6.5 is that the change in rate of offtake on such lesser period of notice should not, of itself and at the time, give rise to an Operational Balancing Requirement (but it is recognised that such change may contribute to any such requirement at any later time).
- 4.6.7 No communication to TransCo pursuant to this paragraph 4.6 shall be (or shall be treated as in substitution for) a Nomination or Renomination under Section C.
- 4.6.8 Without prejudice to this paragraph 4, the Registered User shall in any event ensure that as much notice as is reasonably practicable is given to TransCo of any change in the rate of offtake.
- 4.7 Prevailing Offtake Rate
- 4.7.1 At any time on the Gas Flow Day the "**Prevailing Offtake Rate**" is the rate of offtake set out in respect of such time in the Offtake Profile Notice (as from time to time modified pursuant to paragraph 4.6.4).
- 4.7.2 Where this paragraph 4.7 applies, subject to paragraphs 4.9 and 4.10, gas may not be offtaken from the System at the NExA Supply Meter Point at any time on any Day at a rate of offtake which exceeds or is less than the Prevailing Offtake Rate by more than the tolerance specified (for the purposes of this requirement) in the Supply Point Network Exit Agreement.
- 4.7.3 Where this paragraph 4.7 applies, subject to paragraph 4.10, TransCo will not be required to make gas available for offtake from the System at the NExA Supply Meter Point at any time on any Day at a rate of offtake which exceeds the Prevailing Offtake Rate.
- 4.8 Ramp Rates
- 4.8.1 The Supply Point Network Exit Agreement may prescribe maximum rates of change (expressed in MW/minute or other units of rate of change) of the rate of offtake.
- 4.8.2 Where this paragraph 4.8 applies, subject to paragraph 4.10, at any time on the Gas Flow Day at which there is a change (pursuant to the Offtake Profile Notice) in the Prevailing Offtake Rate, the rate of change of the rate of offtake shall not exceed the rate of change prescribed (in accordance with paragraph 4.8.1) in the Network Exit Agreement.
- 4.8.3 Where this paragraph 4.8 applies, subject to paragraph 4.10, TransCo will not be required to make gas available for offtake from the System at the NExA Supply Meter Point at an increasing rate the rate of

change of which exceeds the rate of increase prescribed (in accordance with paragraph 4.8.1) in the Network Exit Agreement.

4.9 Intertripping and forced outages

4.9.1 The Network Exit Agreement may prescribe particular circumstances in which, by reason of a sudden interruption in the operation of the Consumer's Plant, the rate of offtake may be reduced suddenly.

4.9.2 Where this paragraph 4.9 applies, in such circumstances and subject to such requirements as may be so prescribed in the Network Exit Agreement:

- (i) the requirements (as to notice and rate of reduction of rate of offtake) of paragraphs 4.6.4 and 4.8 shall not apply;
- (ii) the requirements (as to notice of increase of rate of offtake) of paragraph 4.6.4 shall not apply in respect of a subsequent increase in the rate of offtake not exceeding such amount, and within such period (after the occurrence of the sudden interruption referred to in paragraph 4.9.1), as may be prescribed in the Network Exit Agreement.

4.10 Frequency Response

4.10.1 Where the Consumer's Plant is generating plant connected to the transmission system operated by National Grid Company plc, the Network Exit Agreement may prescribe circumstances in which, to enable such plant to respond rapidly to changes in the electrical frequency of such system, the rate of offtake may be increased or decreased suddenly.

4.10.2 Where this paragraph 4.10 applies:

- (i) the Registered User may elect, each Gas Year, to enter into an Ancillary Agreement (in such form as may be provided in the Network Exit Agreement or if none is so provided as TransCo may reasonably require), providing for such amounts to be payable by the User and any other matters as may reasonably be required by TransCo;
- (ii) where in any Gas Year the Registered User has so elected, in such circumstances and to such extent and for such period and subject to such requirements as may be provided in the Network Exit Agreement or the Ancillary Agreement, the requirements (as to notice and rate of change of rate of offtake) of paragraphs 4.7.2 and 4.8 shall not apply.

4.11 Metering and Measurement

Where (in accordance with paragraph 4.2.1(vii) or 4.4.1(iii)) the Network Exit Agreement contains provisions alternative to those contained in Section M, such provisions shall apply as between TransCo and the Registered User (and any inconsistent provisions of Section M shall not apply).

5. CONNECTED SYSTEM EXIT POINTS

5.1 Introduction

5.1.1 In accordance with Section A3.3, a Connected System Exit Point is a System Exit Point comprising one or more Individual System Exit Points which are not Supply Meter Points.

5.1.2 The Individual System Exit Point or Individual System Exit Points comprised in a Connected System Exit Point will be specified in the applicable Network Exit Agreement.

5.2 Connected Offtake System

- 5.2.1 For the purposes of the Code a "**Connected Offtake System**" is a single system or facility (comprising pipeline(s), plant and/or other installations) operated by one person (or jointly operated by several persons) and connected to the System at the Individual System Exit Point(s) comprised in a Connected System Exit Point.
- 5.2.2 Without prejudice to paragraph 1.1.2, a Connected Offtake System may be:
- (i) a Storage Facility;
 - (ii) the pipeline system operated by another public gas transporter;
 - (iii) a pipeline interconnector by which gas is transported to another country;
 - (iv) any other pipeline (other than a pipeline connecting the System directly to single premises) or pipeline system.
- 5.2.3 A "**Connected System Operator**" is the operator of a Connected Offtake System.

5.3 Interconnected Systems, etc

- 5.3.1 A Connected Offtake System may also be a Connected Delivery Facility where gas can flow in either direction between such system and the System (for example in the case of a Storage Facility), in which case the provisions of the Network Entry Agreement and the Network Exit Agreement may be contained in a single document.
- 5.3.2 A "**Storage Connection Agreement**" is a single document constituting both the Network Entry Agreement and the Network Exit Agreement in respect of a Storage Facility.

5.4 Network Exit Agreement

- 5.4.1 A User may not offtake gas from the System at a Connected System Exit Point unless there is in force a Network Exit Agreement (a "**CSEP Network Exit Agreement**") in accordance with this paragraph 5.
- 5.4.2 TransCo will make available to any User on request a copy of the CSEP Network Exit Agreement applicable to a Connected System Exit Point where the Connected System Operator either is a public gas transporter or has consented to TransCo's doing so, but not otherwise.
- 5.4.3 A User who becomes a CSEP User (in accordance with paragraph 5.6) in respect of a Connected System Exit Point shall be responsible for obtaining and shall be deemed to have obtained and to be fully informed of the applicable CSEP Network Exit Agreement.
- 5.4.4 Each CSEP User acknowledges and shall be bound by the terms of the CSEP Network Exit Agreement as they apply pursuant to the Code, including those relating to the determination of System Capacity held by the User, nomination of quantities for offtake by the User and measurement or determination of quantities of gas offtaken by the User.
- 5.4.5 A CSEP Network Exit Agreement may contain provisions in addition to those contemplated by the Code; and in such a case references in this paragraph 5.4 to the Network Exit Agreement are to those of its provisions which are contemplated by the Code.

5.5 Relevant Connected System Exit Point

For the purposes of any provision of the Code a "**relevant**" Connected System Exit Point is a Connected System Exit Point to which, pursuant to the applicable Network Exit Agreement, that provision is to apply.

5.6 CSEP User

5.6.1 No User may offtake gas from the System at a Connected System Exit Point unless the User has given notice to TransCo of its intention to do so; provided that in the case of the Storage Connection Point of a BG Storage Facility a User who applies for Storage Capacity in such facility shall be deemed to have given such notice.

5.6.2 Where a User has given notice under paragraph 5.6.1 the notice shall not be withdrawn other than in accordance with the provisions of the relevant Network Exit Agreement.

5.6.3 In respect of any Connected System Exit Point a "**CSEP User**" is a User who has given and has not withdrawn notice under paragraph 5.6.1 in respect of that Connected System Exit Point.

5.7 Amendment of Network Exit Agreement

5.7.1 TransCo will not agree with the Connected System Operator to amend any provision of a CSEP Network Exit Agreement which governs or otherwise is directly relevant to the arrangements between TransCo and Users pursuant to the Code except:

- (i) in the case where the Connected System Operator is a public gas transporter, by way of modification pursuant to the Modification Rules (subject to paragraph 5.8.4), for which purposes the relevant provision of the CSEP Network Exit Agreement shall be deemed to form a part of the Code;
- (ii) in any other case, with the approval of each User who is at the relevant time a CSEP User (in respect of the relevant Connected System Exit Point), unless the Director shall (upon TransCo's application) give Condition 7(4) Approval to TransCo's agreeing to such amendment without the approval of such a User.

5.7.2 Paragraph 5.7.1 shall not apply in respect of any amendment of a CSEP Network Exit Agreement made in order to comply with any Legal Requirement.

5.8 Provisions of Network Exit Agreement

5.8.1 A CSEP Network Exit Agreement:

- (i) will specify the point or points of offtake in accordance with paragraph 3.7.2;
- (ii) except in the case of an Unmetered Connected System Exit Point, will specify the procedures, methods and standards by which the volume and quantity of gas offtaken each Day from the System at the Connected System Exit Point is to be determined;
- (iii) may specify the basis on which the pressure and composition of gas made available for offtake each Day at the Connected System Exit Point is to be determined;

- (iv) will specify the measurement equipment required to be installed (whether on the Connected Offtake System or on the System) in connection with the requirements (where applicable) specified under paragraphs 5.8.1 (ii) and (iii);
- (v) may require plant and equipment required to be installed, maintained and operated by the Connected System Operator or TransCo;
- (vi) may contain provisions (including operating procedures, requirements as to notifications by the Connected System Operator, and provisions as to the control or setting of any plant, equipment or installation installed pursuant to paragraph (v)) pursuant to which the offtake of gas from the System at the Connected System Exit Point may be discontinued or restricted, or changes (including reductions) in the rate of such offtake limited; and TransCo will not be in breach of its obligation to make gas available for offtake at the Connected System Exit Point by virtue of the operation (in accordance with its terms) of any such provision;
- (vii) may specify requirements as to the pressure at which gas is to be made available for offtake from the System at the Connected System Exit Point, and the rate or rates at which gas is permitted to be offtaken from the System at the Connected System Exit Point;
- (viii) may contain provisions equivalent to any provision which may be contained in a Supply Point Network Exit Agreement pursuant to paragraph 4.2.1, and may accordingly provide for the application of any corresponding provision of paragraph 4 (on the basis that references therein to the consumer were to the Connected System Operator);
- (ix) may specify matters relating to the offtake of gas for purposes of the commissioning of the Connected Offtake System, and may provide for the CSEP User to be relieved from liability to pay LDZ CSEP Overrun Charges pursuant to such arrangements.

5.8.2 A CSEP Network Exit Agreement:

- (i) will specify for the purposes of Section L4.3.2(b) the number of Days of permitted Programmed Maintenance in any Planned Maintenance Period and any three consecutive Planned Maintenance Periods;
- (ii) may contain any provision contemplated by any other Section of the Code;
- (iii) may provide for any Code Communication to be made at a different time from that applicable under the usual provisions of the Code;
- (iv) may provide for the Connected System Operator to implement any reduction in the rate of or discontinuance of offtake of gas from the Connected Offtake System (including disconnection of any premises therefrom) where TransCo or the Connected System Operator believes on reasonable grounds that gas is being or will be offtaken from the System by a CSEP User or CSEP Users in aggregate at a rate which exceeds the maximum rate or maximum aggregate rate (as the case may be) permitted in accordance with the CSEP Network Exit Agreement and in TransCo's judgement System security may be prejudiced as a result;
- (v) may provide for the Connected System Operator to implement any disconnection of premises from the Connected Offtake System in connection with any Termination Notice given by TransCo under Section V4.3.

5.8.3 A CSEP Network Exit Agreement may provide for the Connected System Operator to be appointed as User Agent by each User offtaking gas at the Connected System Exit Point for such purposes as are

specified in the Network Exit Agreement, in which case TransCo shall not be required to accept a User's notice under paragraph 5.6.1 unless the User appoints the Connected System Operator as User Agent for such purposes.

- 5.8.4 Where the Connected System Operator is a public gas transporter a CSEP Network Exit Agreement may provide:
- (i) for TransCo or the Connected System Operator to propose a modification to its own code where a modification (affecting the Connected System Exit Point) is proposed to the other's code (for the purposes of which TransCo's own code is the Code and the Connected System Operator's own code is its relevant network code);
 - (ii) (so far as consistent with each Public Gas Transporter's Licence) for the coordination of such modifications.
- 5.8.5 The CSEP Network Exit Agreement in respect of an Unmetered Connected System Exit Point:
- (i) will provide for the basis on which the quantities offtaken by CSEP Users individually and in aggregate are to be determined;
 - (ii) will provide for adjustment in respect of quantities assumed or determined to have been offtaken in respect of gas which is lost from or unaccounted for in the Connected Offtake System;
 - (iii) may provide for circumstances in which the Connected System Exit Point must cease to be Unmetered.

SECTION K: OPERATING AND BALANCING MARGINS

1. GENERAL

1.1 Introduction

1.1.1 TransCo will hold Storage Capacity in BG Storage Facilities, and inject gas to, hold gas-in-storage in and withdraw gas from such facilities, subject to and in accordance with this Section K, for the purpose of meeting:

- (i) the requirements ("**Operating Margins Requirements**") set out in paragraph 2.1; and
- (ii) the requirements ("**Balancing Margins Requirements**") set out in paragraph 3.1.

1.1.2 For the purposes of the Code:

- (a) anything done or to be done by TransCo pursuant to any provision of this Section K for the purposes of meeting or otherwise in connection with Operating Margins Requirements or Balancing Margins Requirements is done or to be done for "**Operating Margins Purposes**" or "**Balancing Margins Purposes**" respectively;
- (b) references to "**Operating Margins**" or "**Balancing Margins**" are to the Storage Capacity and gas-in-storage which TransCo holds in Storage Facilities in any Storage Year respectively for Operating Margins Purposes and Balancing Margins Purposes;
- (c) a reference to the utilisation of Operating Margins or Balancing Margins is to the withdrawal of gas from a Storage Facility in which TransCo holds Operating Margins, or (as the case may be) to the withdrawal of gas from or injection of gas to a Storage Facility in which TransCo holds Balancing Margins.

1.1.3 Certain costs incurred and/or revenues received by TransCo for System Margins Purposes will be recovered from or paid to Users in accordance with paragraph 5.

1.1.4 For the purposes of the Code "**System Margins Purposes**" means Operating Margins Purposes and Balancing Margins Purposes; but the use of the term 'System Margins Purposes' in any particular context shall not be taken to derogate from the requirement for TransCo to account separately for things done respectively for Operating Margins Purposes and for Balancing Margins Purposes.

1.1.5 References in this Section K to Storage Facilities are to BG Storage Facilities.

1.2 TransCo as Storage User

1.2.1 Subject to paragraph 1.2.2, TransCo will be a User in respect of Storage Facilities for System Margins Purposes, and in particular TransCo:

- (i) will apply for and hold Storage Capacity in, and inject and withdraw gas to and from Storage Facilities, and
- (ii) may make Storage Gas Transfers

in accordance with Section R.

- 1.2.2 The general provisions of Section R are (as therein provided) modified in respect of their application to TransCo for System Margins Purposes as follows:
- (i) no Constrained LNG Renomination may be made for withdrawal of gas-in-storage held by TransCo for Operating Margins Purposes;
 - (ii) for the purposes of meeting Balancing Margins Requirements, subject to paragraph 3.3.2, Storage Injection Nominations may be made by TransCo at any time before and within the Gas Flow Day, irrespective of its Confirmed Injection Programme, and within or outside the Injection Period (but no such Nomination made other than in accordance with the provisions of Section R shall interfere with any other User's Confirmed Injection Quantity for a Day);
 - (iii) for Operating Margins Purposes, the requirements of Section R2.4 as to Storage Duration do not apply.
- 1.2.3 TransCo will (as provided in Section R) have priority over all other Users in applications for Storage Capacity for Operating Margins Purposes in Storage Facilities.
- 1.3 TransCo as System User
- 1.3.1 TransCo will be a User for the purposes of the Code in respect of the System for System Margins Purposes; and in particular TransCo:
- (i) will apply for and hold System Entry Capacity at System Entry Points (subject to paragraph 1.3.2) and NTS Exit Capacity at Storage Connection Points in accordance with Section B;
 - (ii) will make Nominations in accordance with Section C;
 - (iii) may make Acquiring Trade Nominations in accordance with Section C;
 - (iv) will pay and receive Balancing Charges in accordance with Section F.
- 1.3.2 In particular, on any Day on which TransCo withdraws gas from a Storage Facility for delivery to the System for System Margins Purposes, TransCo will (by virtue of the fact that it does not and is not deemed to offtake gas from the System and does not make Disposing Trade Nominations) have a Daily Imbalance equal (subject to anything else done by it) to the quantity of gas so withdrawn, and will receive Daily Imbalance Charges accordingly.
- 1.3.3 The general provisions of the Code are (as provided in the relevant Section) modified in respect of their application to TransCo for System Margins Purposes as follows:
- (i) Balancing Neutrality Charges, Reconciliation Neutrality Charges and Top-up Neutrality Charges are not payable by or to TransCo for System Margins Purposes;
 - (ii) Initial Input Nominations may be made at any time up to 04:00 hours on the Gas Flow Day.
- 1.3.4 TransCo will not make Flexibility Bids for System Margins Purposes.

2. OPERATING MARGINS

2.1 Operating Margins

- 2.1.1 Operating Margins Requirements are requirements for gas to be delivered to the System:

- (i) for the purposes of Operational Balancing to the extent that TransCo determines at any time on the Gas Flow Day that there is an Operational Balancing Requirement which cannot be satisfied by the acceptance of any Flexibility Bid or Bids (because there are no or insufficient Available Flexibility Bids which are operationally suitable for acceptance in accordance with Section D3.2);
- (ii) for the purposes of Operational Balancing where and for so long as TransCo determines that, as a result of damage to or failure of any part of the NTS (other than Programmed Maintenance) occurring on the Gas Flow Day, there is an Operational Balancing Requirement, whether or not capable of being satisfied by the acceptance of Flexibility Bids); or
- (iii) in an Emergency (in accordance with Section Q), for the purposes of maintaining safe pressures in the System during the period in which (pursuant to Emergency Steps in relation to demand under Section Q3.4) the System is run down.

2.1.2 For the purposes of paragraph 2.1.1(ii) damage or failure to the NTS includes the failure of any compression facility within the NTS to operate (or continue to operate) or a break in any pipe forming part of the NTS.

2.2 Annual requirements for Operating Margins

2.2.1 For each Storage Year TransCo will estimate:

- (i) an aggregate quantity of gas required for Operating Margins Requirements for the Storage Year;
- (ii) the maximum rate of delivery on any Day of gas to the System required for Operating Margins Requirements;
- (iii) on the basis of the amounts under paragraphs (i) and (ii), amounts of Storage Space and Storage Deliverability required in each Storage Facility for Operating Margins Requirements; and
- (iv) a profile ("**Operating Margins Profile**") of the aggregate quantity (the maximum amount of which being the quantity under paragraph (i)) of gas-in-storage for Operating Margins Requirements at different times during the Storage Year.

2.2.2 The estimates under paragraph 2.2.1 will be made:

- (i) on the basis of such assumptions as TransCo shall (in the light of the circumstances prevailing at the time and experience of a number of years) reasonably determine to be appropriate as to the probable extent and frequency of occurrence of the circumstances in which Operating Margins Requirements under paragraphs 2.1.1(i) and (ii) may arise;
- (ii) having regard to the need to balance the costs of Operating Margins with the risk of there being insufficient gas-in-storage or Storage Deliverability for such requirements;
- (iii) having regard to the location on the System and operational characteristics of each Storage Facility;

- (iv) on the basis of the estimate of 1-in-50 Severe Annual Demand contained in the Ten Year Statement for the relevant Gas Year;
 - (v) on the basis of such other reasonable assumptions as TransCo shall determine to be appropriate in the circumstances (but for the avoidance of doubt assuming that shrinkage requirements will be provided for by the Shrinkage Provider).
- 2.2.3 TransCo will not later than 31st March in the Preceding Storage Year provide to Users and the Director details of:
- (i) the assumptions made pursuant to paragraph 2.2.2; and
 - (ii) the amounts estimated under paragraph 2.2.1 and (on the basis of the assumptions referred to in paragraph (i)) the calculation of such estimated amounts.
- 2.2.4 TransCo's assumptions and estimates under paragraphs 2.2.1 and 2.2.2 will be made in good faith; but (provided that TransCo has acquired Storage Capacity on the basis of such assumptions and estimates, and procured and injected gas, in accordance with paragraph 4) to the extent that on any Day:
- (i) the quantities or rates of delivery of gas for Operating Margins Requirements exceed the quantities of gas-in-storage and/or the Storage Deliverability held by TransCo for Operating Margins Purposes, and
 - (ii) as a result, TransCo is unable (after utilising in accordance with paragraph 2.3.1 such Operating Margins as are available) to maintain an Operational Balance in the System or any part thereof (or to do so without taking Emergency Steps)

TransCo will not be liable under Section J3.2.1 in respect of any resulting failure to make gas available for offtake from the System.

- 2.2.5 TransCo will acquire Storage Capacity and procure and inject (into Storage Facilities) gas for Operating Margins Requirements in accordance with paragraph 4.

2.3 Utilisation of Operating Margins

- 2.3.1 TransCo will and shall be entitled to utilise Operating Margins (in such Storage Facility or Facilities as it shall determine to be operationally appropriate in the circumstances) with a view to meeting Operating Margins Requirements in accordance with the relevant provisions of paragraph 2.1.1.
- 2.3.2 TransCo will utilise Operating Margins for the requirements in paragraph 2.1.1(ii) only on the Day on which the damage or failure referred to in that paragraph occurs.

3. BALANCING MARGINS

3.1 Balancing Margins

- 3.1.1 Balancing Margins Requirements are requirements, in accordance with the Balancing Margins Principles, for quantities of gas to be delivered to or offtaken from the System for the purposes of satisfying an Operational Balancing Requirement in substitution in whole or in part for the acceptance of Flexibility Bids which may be Available and operationally suitable for acceptance in accordance with Section D3.2.

- 3.1.2 The "**Balancing Margins Principles**" are principles and procedures as to the availability and withdrawal of gas-in-storage held by TransCo or injection of gas into Storage Facilities by TransCo with a view to limiting the quantities of gas for which TransCo would otherwise accept Flexibility Bids in any Day or other period, forming part of the Operational Guidelines referred to in Section D1.1.4.
- 3.1.3 The Balancing Margins Principles allow Balancing Margins to be transferred to and treated as Operating Margins in certain circumstances.
- 3.1.4 In accordance with the Balancing Margins Principles, Balancing Margins Requirements will cease to apply with effect from 1st April 1997 (but without prejudice to the continuing application of this Section K in respect of Balancing Margins held at that date).
- 3.2 Annual requirement for Balancing Margins
- 3.2.1 Subject to paragraph 3.1.4, for each Storage Year TransCo will determine, after such consultation with the Director or otherwise as may be contemplated by the Balancing Margins Principles, on the basis of the anticipated Balancing Margins Requirements (in accordance with the Balancing Margins Principles) for such year:
- (i) the aggregate quantity of gas required for Balancing Margins Requirements for the Storage Year;
 - (ii) the maximum rate of delivery on any Day of gas required for Balancing Margins Requirements to the System;
 - (iii) an amount of Storage Space to be left unfilled for Balancing Margins Requirements at the end of the Injection Period;
 - (iv) on the basis of the amounts under paragraphs (i), (ii) and (iii), amounts of Storage Space and Storage Deliverability required in each Storage Facility for Balancing Margins Requirements.
- 3.2.2 TransCo will not later than 31st March of the Preceding Storage Year provide to Users details of the amounts determined under paragraph 3.2.1.
- 3.2.3 TransCo will in accordance with the Balancing Margins Principles acquire Storage Capacity and procure and inject (into Storage Facilities) gas for Balancing Margins Requirements in accordance with paragraph 4.
- 3.3 Utilisation of Balancing Margins
- 3.3.1 TransCo will and shall be entitled to utilise Balancing Margins (in such Storage Facility or Facilities as it shall reasonably determine to be operationally appropriate in the circumstances) with a view to meeting Balancing Margins Requirements in accordance with the Balancing Margins Principles.
- 3.3.2 Where TransCo utilises Balancing Margins by way of injection of gas into a Storage Facility in which it holds unfilled Storage Space, the rate of its injection will not exceed its User Injection Rate in accordance with Section R5.
- 3.3.3 Gas-in-storage held by TransCo as a result of the utilisation of Balancing Margins by way of injection into a Storage Facility will for all purposes of the Code be gas-in-storage held for Balancing Margins Purposes.

4. STORAGE CAPACITY, PROCUREMENT AND INJECTION

4.1 General

4.1.1 TransCo will acquire Storage Capacity in and procure gas and inject such gas into Storage Facilities for System Margins Purposes in accordance with this paragraph 4.

4.1.2 Subject to paragraph 4.6.4, the provisions of this paragraph 4 shall apply separately in respect of Operating Margins and Balancing Margins.

4.2 Storage Capacity

TransCo will not later than 31st March in the Preceding Storage Year apply for and will be registered as holding Storage Space and Storage Deliverability in each Storage Facility in the respective amounts estimated for Operating Margins Purposes under paragraph 2.2.1(iii) and for Balancing Margins Purposes under paragraph 3.2.1(iv).

4.3 Start of year gas transfers

4.3.1 At the start of each Storage Year TransCo will determine, in respect of each Storage Facility:

- (i) the amount (the "**Relevant Residual Gas**") of gas-in-storage held at the end of the Preceding Storage Year by each Relevant System Manager;
- (ii) whether, and if so the amount (the "**relevant surplus**") by which the Relevant Residual Gas of a Relevant System Manager (the "**transferor**") exceeds the amount of Storage Space held for the Storage Year in that Storage Facility by that Relevant System Manager; and
- (iii) whether, and if so the amount (the "**relevant deficit**") by which the Relevant Residual Gas of another Relevant System Manager (the "**transferee**") is less than the amount of Storage Space held for the Storage Year in that Storage Facility by that Relevant System Manager.

4.3.2 A transferor shall make with effect from the start of the Storage Year a Storage Gas Transfer in favour of a transferee in respect of the lesser of the relevant surplus and the relevant deficit, and the transferee shall pay to the transferor an amount determined by multiplying the amount of the Transferred Gas-in-Storage by the relevant WACOG of the transferor.

4.3.3 Where in relation to a Storage Facility there is more than one transferor or transferee, paragraph 4.3.2 shall apply to each so far as practicable pro rata their respective relevant surpluses or relevant deficits.

4.3.4 For the purposes of this paragraph 4:

- (a) a "**Relevant System Manager**" is:
 - (i) TransCo acting for Operating Margins Purposes;
 - (ii) TransCo acting for Balancing Margins Purposes; and
 - (iii) the Top-up Manager in accordance with Section P;
- (b) references to the amount of Storage Space:

- (i) held by a Relevant System Manager are to the amount held pursuant to the relevant provisions of this Section K or Section P;
- (ii) held for Balancing Margins Purposes are to such amount excluding any amount not intended to be filled;
- (c) relevant WACOG is Operating Margins WACOG, Balancing Margins WACOG or (as the case may be) Top-up WACOG, at the end of the Preceding Storage Year.

4.4 Disposal of residual gas

4.4.1 For the purposes of this Section K, in relation to a Storage Year "**Residual Surplus Gas**" is the amount (if any) of a Relevant System Manager's Relevant Residual Gas in a Storage Facility at the end of the Preceding Storage Year which after taking account of any Storage Gas Transfer under paragraph 4.3 exceeds the Storage Space held by the Relevant System Manager for the Storage Year in that facility.

4.4.2 TransCo on behalf of each Relevant System Manager will, as soon as reasonably practicable after the start of the Storage Year, seek to make Storage Gas Transfers in respect of the Residual Surplus Gas in each relevant Storage Facility by conducting a tender as follows:

- (a) TransCo will issue a tender document to all Users specifying the aggregate amount of Residual Surplus Gas in each Storage Facility and inviting each User to bid a price at which it would be willing to enter into a Storage Gas Transfer in respect of a quantity of gas, to be specified by such User, not exceeding the aggregate amount of the Residual Surplus Gas in each Storage Facility;
- (b) the terms of the tender document (including the times at or periods within which bids are to be made and accepted, the date when the Storage Gas Transfer is to be made, and the terms of payment by Users whose bids are accepted) will be determined by TransCo and set out in the tender document;
- (c) a bid submitted by a User pursuant to the tender document shall be an offer capable of acceptance by TransCo, and may not be made conditional (save as to any condition provided for in the tender document) in any respect;
- (d) any bid shall be capable of acceptance as to all, or (for the purpose of paragraph (g), and unless the User expressly states otherwise) any part of the quantity specified by the User;
- (e) the terms of the tender document will set out the basis on which Storage Gas Transfers are to be made pursuant to an accepted bid, and may authorise TransCo to make such a Storage Gas Transfer on behalf of any User;
- (f) the tender document will not provide for any reserve price (below which bids would not be accepted);
- (g) TransCo will accept bids in order of price (the highest priced being accepted first) for the whole of the quantity specified in each bid (subject to paragraph (h)) until it has accepted bids for the aggregate amount of Residual Surplus Gas in each Storage Facility;
- (h) the last bid (for the lowest price) accepted may be accepted for a part of the quantity specified in the bid, and if more than one such bid has the same price such bids will be accepted pro rata

the amounts of each, disregarding any bid which states that it may only be accepted for the whole of the specified quantity.

- 4.4.3 A Relevant System Manager will not transfer or surrender Storage Capacity when making Storage Gas Transfers in respect of Residual Surplus Gas.
- 4.4.4 The Shrinkage Provider may bid pursuant to the tender document under paragraph 4.4.2.
- 4.4.5 If after the tender under paragraph 4.4.2 there is any remaining Residual Surplus Gas, TransCo (on behalf of Relevant System Managers) will take such other reasonable action as it shall think fit to dispose thereof (it being apparent that no User is willing at any price to enter into a Storage Gas Transfer thereof); and any reasonable costs incurred by TransCo in so doing (including as a Carry-over User pursuant to Section R3.7) shall be costs of the Relevant System Manager for the purposes of this Section K or Section P.
- 4.4.6 Where more than one Relevant System Manager holds Residual Surplus Gas in a Storage Facility, the gas-in-storage subject to Storage Gas Transfers and the proceeds of the tender under paragraph 4.4.2 and any costs under paragraph 4.4.5 will be apportioned pro rata their respective quantities of Residual Surplus Gas in the facility.
- 4.5 Treatment of residual gas for System Margins Purposes
- 4.5.1 The amounts (if any) received by TransCo for System Margins Purposes pursuant to any Storage Gas Transfer under paragraph 4.3 or tender in respect of Residual Surplus Gas pursuant to paragraph 4.4, less certain amounts incurred by TransCo in connection with the procurement and injection of gas for System Margins Purposes, will be refunded to Users in accordance with paragraph 5.5.
- 4.5.2 The amounts (if any) paid by TransCo for System Margins Purposes pursuant to any Storage Gas Transfer under paragraph 4.3 will count in determining relevant Margins WACOG in accordance with paragraph 5.2.
- 4.5.3 For the purposes of this Section K, in respect of each Storage Facility the "**Carry-over Margins Gas**" is the amount of Relevant Residual Gas held by TransCo for Operating Margins Purposes or (as the case may be) Balancing Margins Purposes after taking account of any Storage Gas Transfer under paragraph 4.3 and less the amount of the Residual Surplus Gas (if any) under paragraph 4.4.
- 4.6 Procurement
- 4.6.1 TransCo will in or before the Storage Year make such arrangements ("**Margins Gas Procurement Arrangements**") for the procurement of gas (in excess of the aggregate Carry-over Margins Gas) for injection into the Storage Space (other than Storage Space not intended to be filled) held by it pursuant to paragraph 4.2 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the injection rules of Section R5, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.
- 4.6.2 In particular TransCo may (with a view to meeting the objectives in paragraph 4.6.1):
- (i) contract with Users or others for the purchase of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;

- (ii) contract for the purchase of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over a period (subject to paragraph (v)) of up to 12 months, and/or on a spot basis;
- (iii) conduct a tender for the award of a contract under paragraph (ii) (the terms of which need not require TransCo to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser of gas in comparable circumstances would not do so);
- (iv) make Acquiring Trade Nominations on any terms as to payment and quantity;
- (v) make Storage Gas Transfers (as Transferee Storage User) on terms requiring payment and/or requiring the Top-up Manager to make a corresponding Storage Gas Transfer (as Transferor Storage User) by the end of the relevant Storage Year or (to the extent of and in place of a Storage Gas Transfer it would otherwise make under paragraph 4.3 or 4.4) in the following Storage Year, and upon any other terms as to payment and quantity;
- (vi) where permitted under this Section K, make Storage Injection Nominations for a Day without delivering gas to the System or making an Acquiring Trade Nomination.

4.6.3 TransCo will make its Margins Gas Procurement Arrangements for material quantities of gas under paragraph 4.6.1 on the basis in paragraph 4.6.2(iii) where reasonably feasible in the circumstances (and having regard to the time or times for delivery of such gas); and in any case where such arrangements are not made on such basis agrees to inform Users of the circumstances in which its arrangements were not so made.

4.6.4 Notwithstanding paragraph 4.1.2 but without prejudice to paragraph 4.6.3, TransCo may procure gas (in accordance with paragraph 4.3) for Operating Margins Purposes and for Balancing Margins Purposes and on behalf of the Top-up Manager and the Shrinkage Provider on an integrated basis; but TransCo shall in any event maintain separate records of the quantities of gas procured for Operating Margins Purposes and for Balancing Margins Purposes and for the Top-up Manager and the Shrinkage Provider.

4.7 Injection - general

TransCo will arrange its injections (in accordance with Section R5) in respect of Storage Space allocated to it under paragraph 4.2.1 (after taking account of Carry-over Margins Gas and any Margins Gas Procurement Arrangement under paragraph 4.6.2(v)) on such basis as it shall in its discretion determine having regard to:

- (i) the requirement to secure injection of quantities in aggregate equal to its Storage Space (less any intended to be unfilled);
- (ii) the injection rules under Section R5;
- (iii) the extent to which it has (under paragraph 4.6.2) chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (iv) any differences in the rates of injection charges at different times in the relevant injection periods.

4.8 Additional injection

- 4.8.1 Where at any time in the Storage Year (as a result of the utilisation of Operating Margins earlier in the year) the aggregate quantity of gas-in-storage held by TransCo for Operating Margins Purposes is less than the quantity shown as required at that time according to the Operating Margins Profile (the amount by which it is less being the "**relevant deficiency**"), TransCo will, but only to the extent that and at a time at which it is reasonably practicable to do so:
- (i) where any User offers to do so, on terms which TransCo reasonably determines to be acceptable, make an Acquiring Trade Nomination in respect of a quantity of gas, and/or
 - (ii) to the extent, if any, to which its Margins Gas Procurement Arrangements permit it do so on terms which TransCo reasonably determines to be acceptable, secure that a quantity of gas (in addition to any other quantity to be delivered) is delivered to the System on the Gas Flow Day

the amount or aggregate amount of which does not exceed the amount of the relevant deficiency; and inject such quantity into Storage Facility(ies) for Operating Margins Purposes.

- 4.8.2 Paragraph 2.2.4 shall not be affected by any inability of TransCo to do any of the things referred to in paragraph 4.8.1.

4.9 Utilisation of Balancing Margins

Where at any time in the Storage Year there are no remaining Operating Margins, TransCo may utilise any Balancing Margins to meet Operating Margins Requirements; in which case such Balancing Margins so utilised shall be treated as being subject to a Storage Gas Transfer (at the Balancing Margins WACOG) and Storage Capacity Transfer from TransCo for Balancing Margins Purposes to TransCo for Operating Margins Purposes.

5. RECOVERY OF SYSTEM MARGINS COSTS

5.1 Introduction

Certain of the costs incurred by TransCo in connection with Margins Gas Procurement Arrangements and in utilising Operating Margins and Balancing Margins in accordance with this Section K will subsequently be recovered from Users by virtue of the inclusion of the Daily Margins Recovery Amount in the calculation of Balancing Neutrality Charges under Section F.

5.2 Margins WACOG

- 5.2.1 In respect of each Storage Facility "**Operating Margins WACOG**" and "**Balancing Margins WACOG**" (each "**Margins WACOG**") are the weighted average costs of gas-in-storage for the time being held by TransCo for Operating Margins Purposes or (as the case may be) Balancing Margins Purposes in that facility.

- 5.2.2 This paragraph 5.2 shall apply separately for Operating Margins Purposes and Balancing Margins Purposes; and in this paragraph 5 "**TransCo (Margins)**" means TransCo acting for Operating Margins Purposes or (as the case may be) Balancing Margins Purposes.

- 5.2.3 Margins WACOG shall be calculated:

- (i) so as to take account of the costs set out in paragraph 5.2.4 (and where such costs are incurred by TransCo (Margins) in connection with injection on a Day into more than one Storage Facility, allocating such costs in proportion to the quantities of gas injected into each such Storage Facility); and

- (ii) on the basis that any reduction (by withdrawal or Storage Gas Transfer) in the amount of gas-in-storage held by TransCo (Margins) shall be valued at relevant Margins WACOG at the time of such reduction.

5.2.4 The relevant costs of TransCo (Margins) are the following amounts:

- (a) the amounts (if any) paid by TransCo (Margins) to the Top-up Manager, or to TransCo for the other System Margins Purposes, in respect of Storage Gas Transfers made pursuant to paragraph 4.3;
- (b) the quantity of relevant Carry-over Margins Gas multiplied by relevant Margins WACOG as at the last Day of such Storage Year;
- (c) the amounts which have accrued due from TransCo (Margins) pursuant to the Margins Gas Procurement Arrangements in respect of:
 - (i) quantities of gas delivered to the System, and
 - (ii) Acquiring Trade Nominations,(irrespective of whether such amounts have been paid or have become due for payment by TransCo (Margins));
- (d) the amounts which have accrued due from TransCo (Margins) in respect of any Storage Gas Transfers made in favour of TransCo (Margins);
- (e) the amounts payable by TransCo (Margins) by way of Transportation Charges (in respect of the delivery of gas to the System at System Entry Points and the offtake of gas from the System at Storage Connection Points for injection to Storage Facilities), determined on a daily basis;
- (f) amounts incurred by TransCo (Margins) by way of Balancing Charges payable to TransCo;
- (g) the amounts paid or payable by TransCo (Margins) by way of injection charges in respect of injection on relevant Days into the relevant Storage Facility;
- (h) amounts payable by TransCo (Margins) (or TransCo (Margins) share of amounts payable by TransCo) by way of fees to a User Agent appointed by it in accordance with Section E2.2.

5.2.5 Where the amount of any cost under paragraph 5.2.4 is not known at any time at which Margins WACOG is calculated, TransCo will use an estimate of such amount.

5.2.6 For the purposes of this paragraph 5 "Net" Margins WACOG is Operating Margins WACOG or (as the case may be) Balancing Margins WACOG calculated in accordance with this paragraph 5.2 but on the basis that the amounts under paragraphs 5.2.4(e) and (g) are excluded from such calculation, and that in respect of amounts under paragraphs 5.2.4 (a), (c) and (d) an appropriate deduction shall be made to remove amounts reflected in the value of the gas or gas-in-storage acquired for Operating Margins Purposes attributable to Transportation Charges and injection charges at the rates applicable at the start of the relevant Storage Year.

5.3 Daily Margins Recovery Amount

- 5.3.1 The "**Daily Margins Recovery Amount**" in respect of each Day is Eligible Margins Costs less Eligible Margins Revenues.
- 5.3.2 "**Eligible Margins Costs**" in respect of a Day is the sum of:
- (i) the amount of gas withdrawn from each Storage Facility on the Day for Operating Margins Purposes multiplied by Net Operating Margins WACOG;
 - (ii) the amount of gas withdrawn from each Storage Facility on the Day for Balancing Margins Purposes multiplied by Net Balancing Margins WACOG;
 - (iii) the amount of any Balancing Charges payable by TransCo (Margins) in respect of the Day; and
 - (iv) the amount of the Margins Gas Financing Cost for the Day in accordance with paragraph 5.4.
- 5.3.3 "**Eligible Margins Revenues**" in respect of a Day on which Operating Margins or Balancing Margins were utilised is the amount of the Daily Imbalance Charge payable to TransCo (Margins) in respect of the Day (and reflecting the imbalance resulting from the delivery of gas to the System for System Margins Requirements and anything done under the Margins Gas Procurement Arrangements).
- 5.4 Margins Gas Financing Cost
- "**Margins Gas Financing Cost**" in respect of a Day is the amount calculated as the sum, for all Storage Facilities, of the aggregate amount of gas-in-storage held by TransCo(Margins) on that Day for Balancing Margins Purposes, multiplied by Net Balancing Margins WACOG, multiplied by the Neutrality Interest Rate for the Day.
- 5.5 Closing Margins Adjustment Charge
- 5.5.1 Following each Storage Year the difference between:
- (a) the aggregate (for each Storage Facility and for Operating Margins Purposes and Balancing Margins Purposes) of the quantities of gas:
 - (i) subject to Storage Gas Transfers under paragraph 4.3.2 in favour of the Top-up Manager, and
 - (ii) subject to Storage Gas Transfers (as Residual Surplus Gas) under paragraph 4.4, multiplied by Operating Margins WACOG or (as the case may be) Balancing Margins WACOG for the relevant Storage Facility (as at the end of the Storage Year following which such transfers are made), and
 - (b) the aggregate amounts received (in accordance with paragraphs 4.3 and 4.4) by TransCo (Margins) in respect of the Storage Gas Transfers referred to in paragraph (a)
- is payable to or recoverable from relevant Users in such Storage Year in accordance with this paragraph 5.5.
- 5.5.2 The amount under paragraph 5.5.1 is positive where the amount under paragraph (a) thereof exceeds that under paragraph (b), and otherwise is negative.

- 5.5.3 Following each Storage Year TransCo (Margins) shall pay to each relevant User, or (as the case may be) each relevant User shall pay to TransCo (Margins), a charge (the "**Closing Margins Adjustment Charge**") calculated as the amount under paragraph 5.5.1 divided by the sum of all relevant Users' relevant UDQIs and relevant UDQOs for such Storage Year, multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for such Storage Year.
- 5.5.4 For the purposes of this paragraph 5.5 relevant User, relevant UDQI and relevant UDQO have the same meanings as in Section F4.1.2.
- 5.5.5 TransCo (Margins) will as soon as reasonably practicable in the following Storage Year determine the Closing Margins Adjustment Charges.
- 5.5.6 The Closing Margins Adjustment Charges shall be invoiced and are payable in accordance with Section S.

SECTION L: MAINTENANCE AND OPERATIONAL PLANNING

1. GENERAL

1.1 Introduction

1.1.1 Users are required to provide information to TransCo in accordance with this Section L for the purposes of enabling TransCo:

- (i) to plan (on a weekly basis) the operation of the System;
- (ii) to comply with its obligations pursuant to applicable Legal Requirements in relation to the maintenance of the System;
- (iii) to estimate calorific values; and
- (iv) to prepare Maintenance Programmes in accordance with paragraph 3.

1.1.2 TransCo will establish and update each year a Maintenance Programme in accordance with this Section L.

1.1.3 In undertaking maintenance activities TransCo will be relieved of its obligations in respect of the delivery and offtake of gas subject to and in accordance with paragraph 4.3.

1.1.4 References in this Section L to maintenance of any part of the System include any inspection, repair, replacement, reinstatement and recommissioning thereof, and works preparatory to such maintenance or required for the return to service of such part of the System after such maintenance.

1.2 Maintenance Programme

1.2.1 For the purposes of this Section L a "**Maintenance Programme**" is a programme (or an updated programme) of planned maintenance of the NTS, as amended pursuant to paragraph 4.1.2, containing in relation to the relevant Planning Period the information specified in paragraph 3.2 and such other information as TransCo shall decide to include.

1.2.2 A "**Planning Period**" is a period of 24 months commencing 1st April or 1st October in any year.

1.2.3 The "**April Maintenance Programme**" and the "**October Maintenance Programme**" respectively are the Maintenance Programmes for the Planning Periods commencing 1st April and 1st October in any year (the October Maintenance Programme being the April Programme updated in respect of updated information and extended for a further 6 months).

1.3 Planned Maintenance Period

1.3.1 A "**Planned Maintenance Period**" is the months of April to October inclusive in any year.

1.3.2 A Maintenance Programme will not provide for maintenance of the NTS other than during a Planned Maintenance Period.

1.4 Maintenance Relevant Parties, etc

For the purposes of this Section L a "**Maintenance Relevant Facility**" is a Connected Delivery Facility or Connected Offtake System or the Consumer's Plant at an NTS Supply Point, and a "**Maintenance Relevant Party**" is any User, a Delivery Facility Operator, Offtake System Operator or (in relation to an NTS Supply Point) the consumer.

1.5 Planning timing

The timetable for preparation during each Gas Year of Maintenance Programmes will normally be as follows:

- (a) in relation to the April Maintenance Programme:
 - (i) by 30th November, Users will provide estimates in accordance with paragraph 2.1;
 - (ii) by 1st February, TransCo will publish a draft of the Maintenance Programme in accordance with paragraph 3.3.1(i);
 - (iii) by 1st March, TransCo will hold the Annual Maintenance Meeting(s) in accordance with paragraph 3.3.1(ii);
 - (iv) by 1st April TransCo will publish the Maintenance Programme in accordance with paragraph 3.1;
- (b) in relation to the October Maintenance Programme:
 - (i) by 30th June, Users will provide updated estimates in accordance with paragraph 2.1;
 - (ii) by 1st September, TransCo will publish a draft of the Maintenance Programme in accordance with paragraph 3.3.7;
 - (iii) until 15th September, Users may submit comments on the draft Maintenance Programme in accordance with paragraph 3.3.2(i);
 - (iv) by 1st October (of the following Gas Year) TransCo will publish the Maintenance Programme in accordance with paragraph 3.1.

2. USER INFORMATION REQUIREMENTS

2.1 Planning information

2.1.1 In each year each User shall provide, not later than the respective dates determined under paragraph 1.5, for the purposes of the April Maintenance Programme an estimate, and for the purposes of the October Maintenance Programme an updated estimate, in respect of each week in the relevant Planning Period, of the following:

- (i) the quantities of gas expected to be offtaken from the System on a Day (in each such week) at LDZ Supply Points in aggregate by LDZ, and at each NTS Supply Point, each Storage Connection Point and each other Connected System Exit Point;
- (ii) the quantities of gas expected to be delivered to the System on a Day (in each such week) at each System Entry Point (including Storage Connection Points), and the extent to which the User expects to be able to vary such expected deliveries by delivering quantities at other System Entry Points;

- (iii) the average calorific value and Wobbe Index value of gas to be delivered at each System Entry Point;
 - (iv) such further information (if any) as TransCo may reasonably require for the purposes of this Section L.
- 2.1.2 The quantities referred to in paragraphs 2.1.1(i) and (ii) are the average quantities expected (in accordance with paragraph 2.1.4) to be offtaken or delivered on a Business Day in the relevant week.
- 2.1.3 The information required under paragraph 2.1.1 is to be provided in such format as TransCo, after consultation with the Network Code Committee or any relevant Sub-committee, shall from time to time notify to Users.
- 2.1.4 The estimates under paragraphs 2.1.1(i) and (ii) are to be provided separately on the assumption of seasonal normal conditions and on the assumption of 1-in-20 peak day demand.
- 2.1.5 Estimates concerning quantities to be offtaken at Supply Points are to be provided in relation to those Supply Points of which the User is the Registered User (and at Connected System Exit Points, in relation to the premises in respect of which the User is the relevant shipper) at the date one month before the date by which (in accordance with paragraph 1.5 or 2.3) the information is to be provided.
- 2.2 Maintenance Relevant Facilities
- 2.2.1 Users may provide to TransCo, at the same time as providing their estimates under paragraph 2.1.1, details of the times and periods for which maintenance of Maintenance Relevant Facilities is planned during the relevant Planning Period.
- 2.2.2 Users are not obliged to provide information under paragraph 2.2.1, but Users acknowledge that (except where the relevant Maintenance Relevant Party may have provided such information) the extent to which TransCo is able, in planning the maintenance of the NTS in accordance with paragraph 3.4.1, to take account of information concerning maintenance of Maintenance Relevant Facilities, may depend on whether they do so.
- 2.3 Operational planning
- Not later than the 1st Day of each month Users are required to provide updated estimates (in accordance with paragraph 2.1.5) of the information required under paragraph 2.1 for the 12 month period commencing on the 1st Day of the following month.
3. MAINTENANCE PROGRAMMING
- 3.1 General
- TransCo will each year, not later than the respective dates determined under paragraph 1.5, prepare and publish a Maintenance Programme for the Planning Period commencing 1st April and an updated Maintenance Programme for the Planning Period commencing 1st October.
- 3.2 Content of programme
- 3.2.1 A Maintenance Programme will identify:

- (i) the NTS System Entry Points and NTS System Exit Points at which the ability of TransCo to accept delivery of gas or to make gas available for offtake will be affected by planned maintenance of the NTS;
 - (ii) the periods (within the relevant Planned Maintenance Period) for which such System Points will be so affected;
 - (iii) where TransCo expects that it will continue within such period (or part thereof) to be able to accept delivery of gas or make gas available for offtake at any such System Point, but (by reason of such maintenance) on a restricted basis, an indicative estimate (on the basis of seasonal normal conditions and assumptions as to supply and demand under the Ten Year Statement) of the maximum rate at which TransCo expects to be able to accept delivery of gas or make gas available for offtake at such point.
- 3.2.2 The information specified in paragraph 3.2.1 will be identified for NTS Supply Points, NTS Connected System Exit Points and NTS System Entry Points individually.
- 3.2.3 The Maintenance Programme will contain:
- (i) firm maintenance periods and details for the first 7 months (in the case of an April Maintenance Programme) or 6 months (in the case of an October Maintenance Programme) of the Planning Period, which will be subject to change only in accordance with paragraph 4.1.2;
 - (ii) provisional maintenance periods and details for the second 5 or (as the case may be) 6 months of the Planning Period and outline maintenance periods and details for the last 12 months of that period, which will be subject to change in the next Maintenance Programme.
- 3.2.4 A Maintenance Programme may contain information in relation to the operational planning of the System, or maintenance which will not affect TransCo's ability to accept delivery of gas or make gas available for offtake, but such information will not be binding on TransCo or any User for the purposes of the Code.
- 3.2.5 Neither TransCo nor any other person will be required, by virtue of anything contained in a Maintenance Programme, to carry out any particular maintenance works or (but without prejudice to paragraph 1.3.2) to do so at any particular time.
- 3.3 Maintenance consultation
- 3.3.1 Before publishing an April Maintenance Programme TransCo will (in accordance with paragraph 1.5):
- (i) publish a draft Maintenance Programme; and
 - (ii) convene, on not less than 21 Days notice to persons invited in accordance with paragraph 3.3.5, a meeting ("**Annual Maintenance Meeting**"), or if TransCo so decides more than one such meeting, for review of the timing of planned maintenance of the NTS under such draft Maintenance Programme.
- 3.3.2 Users may, up to but not later than 7 Days before the date of the Annual Maintenance Meeting (or first such meeting):

- (i) submit to TransCo details of the dates and periods of maintenance planned in respect of any Maintenance Relevant Facility and/or comments in relation to the timing of any planned maintenance under the draft Maintenance Programme;
 - (ii) request TransCo to invite any Maintenance Relevant Party to an Annual Maintenance Meeting.
- 3.3.3 Before holding the Annual Maintenance Meeting(s) TransCo will discuss with each User, to such extent as it deems appropriate, the details and comments submitted to it by that User under paragraph 3.3.2(i).
- 3.3.4 Without prejudice to paragraph 3.4.2, TransCo will be at liberty to discuss any aspect of the draft Maintenance Programme with any Maintenance Relevant Party and to take into consideration any comments made or details (of maintenance of any Maintenance Relevant Facility) provided by such party.
- 3.3.5 TransCo will invite to an Annual Maintenance Meeting each User, any Maintenance Relevant Party requested under paragraph 3.3.2(ii) and such other Maintenance Relevant Parties and other persons as TransCo may determine; provided that no such meeting shall have power to take decisions binding on TransCo or any other party, and no User or other party whom TransCo may accidentally have omitted to invite to any such meeting shall have any grounds for claim or complaint against TransCo.
- 3.3.6 An Annual Maintenance Meeting will be chaired by TransCo and will be conducted on an informal basis with a view (subject always as provided in this paragraph 3) to TransCo ascertaining the views of Users and other Maintenance Relevant Parties as to the timing of planned maintenance of the NTS, and to facilitating (insofar as maintenance requirements for the NTS so permit) the resolution of any conflicts between such views.
- 3.3.7 In respect of the October Maintenance Programme, TransCo will publish a draft Maintenance Programme upon which Users may provide comment (in accordance with paragraph 3.3.2(i)); but no meeting need be held for discussion of such programme.
- 3.4 Confidentiality
- 3.4.1 Subject to TransCo's duties under the TransCo Licence and the Act, a Maintenance Programme will not identify Users or Maintenance Relevant Parties by name (but the identity of Maintenance Relevant Facilities may be apparent from the details contained therein pursuant to paragraph 3.2.2).
- 3.4.2 Unless a User notifies TransCo that, by reason of its commercial sensitivity, any information provided to TransCo by that User pursuant to this Section L should not be so included or disclosed, TransCo will be at liberty to include such information in a Maintenance Programme and to disclose such information to any other User and any Maintenance Relevant Party or at an Annual Maintenance Meeting.
- 3.4.3 It is acknowledged that TransCo's ability to take account of information provided to it, in planning the maintenance of the NTS in accordance with this Section L, may be limited where the person who provided such information notified TransCo that such information should not be included or disclosed.
- 3.5 Maintenance planning
- 3.5.1 Subject to paragraphs 3.4.3 and 3.5.2, insofar as information concerning the maintenance of Maintenance Relevant Facilities has been provided to it pursuant to this Section L, TransCo will plan the maintenance of the NTS and prepare Maintenance Programmes in good faith with a view, so far as

is practicable having regard to the nature and urgency of the requirements for such maintenance and any Legal Requirement applying to TransCo, and consistent with TransCo's normal working practices, to coordinating the timing of such maintenance with the timing of maintenance of Maintenance Relevant Facilities and thereby minimising disruption to the operation of Maintenance Relevant Facilities.

- 3.5.2 Notwithstanding paragraph 3.5.1, decisions as to Maintenance Programmes shall be taken by TransCo in its sole discretion, after consultation in accordance with paragraph 3.3.
- 3.5.3 To the extent any information (whether to be provided by a User or another person) which is required to be provided to TransCo under this Section L, or otherwise is requisite or desirable for the preparation of a Maintenance Programme, is not provided to it, TransCo will use its own best estimates of the information required.
- 3.5.4 Where any information provided to TransCo by a Maintenance Relevant Party conflicts with information provided by a User, TransCo will (so far as is reasonable in the circumstances, and subject to any duties of confidence) inform the relevant parties of the conflict, and if such conflict is not resolved will make such assumptions concerning the matter in question as it shall reasonably deem appropriate.

4. SYSTEM MAINTENANCE

4.1 Maintenance of the NTS under the Maintenance Programme

- 4.1.1 In carrying out maintenance of the NTS, TransCo will adhere so far as is reasonably practicable to the dates and periods provided for (in respect of the first 6 months of the relevant Planning Period) in the applicable Maintenance Programme, but without prejudice to paragraph 4.1.2.
- 4.1.2 TransCo may (subject to paragraph 1.3.2) revise the Maintenance Programme by providing for additional maintenance and/or by varying the dates or periods of any maintenance already provided for, upon notifying relevant Users not less than 30 Days (or such lesser period as relevant Users may agree) before:
- (i) the date on which (following such revision) such maintenance is to commence, or
 - (ii) where the effect of the revision is to defer maintenance, the date of commencement thereof as shown in the Maintenance Programme before such revision.
- 4.1.3 TransCo will notify relevant Users, by way of reminder, of the carrying out of maintenance provided for in the Maintenance Programme (as revised under paragraph 4.1.2) not less than 7 Days before the commencement of such maintenance, provided that no accidental omission so to notify a User shall prejudice the provisions of paragraph 4.3 and TransCo's entitlements thereunder.
- 4.1.4 For the purposes of this paragraph 4.1, a relevant User is a User who at the relevant time holds System Capacity at an NTS System Point at which the delivery or offtake of gas will be affected by maintenance provided for by a Maintenance Programme or any proposed revision thereto; provided that TransCo may elect to give any notification under this paragraph 4.1 to all Users generally.

4.2 Programmed maintenance

- 4.2.1 For the purposes of the Code, maintenance of any part of the System carried out by TransCo on any Day (the "**maintenance day**") is "**Programmed Maintenance**" as respects any User in relation to a System Point where:

- (a) in the case of an NTS System Entry Point or NTS Exit Point, the maintenance day was a Day (in a Planned Maintenance Period on which such maintenance was planned under the Maintenance Programme (including any revision of the Maintenance Programme notified to such User in accordance with paragraph 4.1.2);
- (b) in the case of an LDZ System Exit Point (subject to paragraph 4.2.5) or LDZ System Entry Point, TransCo gave the notification required under paragraph 4.2.2 to the User:
 - (i) in the case of a Connected System Exit Point, in accordance with the applicable requirements, if any, of the Network Exit Agreement, or in the absence of any such requirements, not less than 30 Days before the maintenance day;
 - (ii) in the case of a Supply Point whose Annual Quantity exceeds 732,000 kWh (25,000 therms), not less than 30 Days before the maintenance day;
 - (iii) in the case of a Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 therms) but does not exceed 732,000 kWh (25,000 therms), not less than 7 Days before the maintenance day;
 - (iv) in the case of an LDZ System Entry Point in accordance with the applicable requirements, if any, of the Network Entry Agreement, or in the absence of any such requirements not less than 30 Days before the maintenance day;
- (c) in the case of a Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms) where TransCo gives to the consumer not less than 7 Days notice (or with the consumer's consent less notice) of the carrying out of such maintenance (but so that TransCo shall not be required to give any notice thereof to the Registered User).

4.2.2 For the purposes of paragraph 4.2.1(b):

- (i) the notification required is a notification that the availability of gas for offtake, or (in the case of an LDZ System Entry Point) ability of TransCo to accept delivery of gas, at the relevant System Point will be affected by the carrying out of such maintenance;
- (ii) the notification is required to be given to a User only where, at the time the notification is (in accordance with that paragraph) required to be given, the User is a CSEP User in relation to the Connected System Exit Point, Registered User in respect of the Supply Point, or has Available System Entry Capacity at the LDZ System Entry Point in question.

4.2.3 Notification under paragraph 4.2.1 may identify LDZ Supply Points which do not include DM Supply Point Components in groups, by geographic area, rather than individually.

4.2.4 Programmed Maintenance of any part of the System other than the NTS is not limited to Planned Maintenance Periods.

4.2.5 Where a User has, after the time at which a notification under paragraph 4.2.1(b) was required to be given, but not less than 3 Business Days before the maintenance day or first maintenance day, become a CSEP User in relation to the Connected System Exit Point, Registered User in respect of the Supply Point, or has Available System Entry Capacity at the LDZ System Entry Point, TransCo will use reasonable endeavours to notify such User of the carrying out of the relevant maintenance.

4.3 TransCo maintenance entitlements

- 4.3.1 To the extent that on any Day it is not feasible for TransCo to make available gas for offtake from the System by a User at a System Exit Point, or to accept into the System gas tendered for delivery by a User at a System Entry Point, or (in either case) its ability to do so is restricted, by reason of its carrying out any Programmed Maintenance:
- (i) such System Point is a "**Maintenance Affected Point**"; and
 - (ii) subject to paragraph 4.3.2, TransCo will be relieved of its obligations under Section I3.7 to accept into the System gas tendered for delivery, or (as the case may be) under Section J3.2 to make gas available for offtake from the System, at such System Point.
- 4.3.2 Subject to paragraph 4.3.3 and Section V9, TransCo will not be relieved by virtue of paragraph 4.3.1(ii) of its obligations therein referred to in respect of a Maintenance Affected Point:
- (a) in the case of a System Entry Point, on more than 5 Days in any Planned Maintenance Period or on more than 15 Days in any three consecutive Planned Maintenance Periods;
 - (b) in the case of a Connected System Exit Point or NTS Supply Point, on more than the number of Days in any Planned Maintenance Period or on more than the number of Days in any three consecutive Planned Maintenance Periods in each case specified (pursuant to Section J4.2.1 or J5.8.2) in the applicable Network Exit Agreement;
 - (c) in the case of an LDZ Supply Point whose Annual Quantity exceeds 732,000 kWh (*25,000 therms*), on more than 8 Days in any Gas Year or on more than 20 Days in any three consecutive Gas Years;
 - (d) in the case of an LDZ Supply Point whose Annual Quantity exceeds 73,200 kWh (*2,500 therms*) but does not exceed 732,000 kWh (*25,000 therms*), on more than 5 Days in any Gas Year or on more than 10 Days in any 5 consecutive Gas Years;
 - (e) in the case of an LDZ Supply Point whose Annual Quantity does not exceed 73,200 kWh (*2,500 therms*), for a period exceeding 24 hours (or any longer period requested by the consumer) on any one occasion.
- 4.3.3 Where for reasons of Force Majeure, including in the case of maintenance of a LDZ any failure of the consumer after being so requested to provide any required access to Supply Point Premises, TransCo is unable to commence or to complete any Programmed Maintenance in respect of any System Exit Point or System Entry Point:
- (i) the relevant number of Days or period specified in or pursuant to paragraph 4.3.2 shall be increased by such period for which the completion of the Programmed Maintenance was delayed by reasons of Force Majeure (but in the case of maintenance of the NTS, not beyond the end of the relevant Planned Maintenance Period);
 - (ii) if TransCo has commenced such Programmed Maintenance, for so long as TransCo is unable to carry out or to continue to carry out the Programmed Maintenance, such point shall nevertheless continue to be a Maintenance Affected Point.
- 4.3.4 For the avoidance of doubt (but without prejudice to Sections I3.7 and J3.5 where applicable or to any other provision of the Code pursuant to which the User may be released from such liability) a User will remain liable to pay Capacity Charges in respect of its Registered System Capacity at any System

Point notwithstanding that TransCo is unable to accept delivery of gas or make gas available for offtake at such point by reason of the carrying out of maintenance of the System.

4.3.5 If requested by TransCo the Registered User will cooperate with TransCo with a view to ensuring that the offtake of gas is discontinued at any Supply Point which is (and for so long as it continues to be) a Maintenance Affected Point (other than one referred to in paragraph 4.2.1(c)).

4.4 On-line inspection

4.4.1 A Network Entry Agreement or Network Exit Agreement may provide for the rates of delivery or offtake at a particular System Entry Point or NTS Exit Point to be controlled so as to ensure fixed rates of gas flow in any part of the System for a period where required for certain pipeline inspection activities.

4.4.2 Where TransCo notifies a User that on any Day such a provision as is referred to in paragraph 4.4.1 is to be implemented in respect of any System Point and provides to the User such details as may be necessary to enable the User to do so, the User shall make Nominations for that Day in respect of that System Point consistent with the requirements of that provision.

4.4.3 A User shall not be in breach of Sections I3.10, J3.7 or J3.8 by reason of complying with paragraph 4.4.2 on any Day; and to the extent that (by reason of such compliance) the quantity of gas delivered to or offtaken from the System on the relevant Day at the relevant System Point exceeds the System Capacity held by the User at or in respect of such point, such excess will not be an overrun quantity for the purposes of Section B2.6 or B3.6.

4.4.4 Inspection of the kind referred to in paragraph 4.4.1 will count as maintenance for the purposes of this Section L (and the relevant Day as a Day of Programmed Maintenance for the purposes of paragraph 4.3.2) if and only if the control of flow rates pursuant to that paragraph results in any inability or restriction on the ability of TransCo to accept into the System gas tendered for delivery or make available gas for offtake from the System (or which would have been so tendered but for Renominations made by Users to comply with paragraph 4.4.2).

SECTION M: SUPPLY POINT METERING

1. GENERAL

1.1 Introduction

This Section M contains provisions for the metering of the offtake of gas from the System at Supply Meter Points and the determination pursuant to such metering of the quantities so offtaken.

1.2 Supply Meter Installation

1.2.1 Paragraph 2 sets out requirements in respect of the installation of meters and other equipment at Supply Meter Points.

1.2.2 For the purposes of the Code, in relation to a Supply Meter Point:

- (i) the "**Supply Meter Installation**" is the meter and associated equipment and installations installed or to be installed at a consumer's premises, including associated pipework, regulator (other than in the case of an NTS Supply Meter Point), filters, valves, seals, housings and mountings;
- (ii) the "**Supply Meter**" is the meter comprised in the Supply Meter Installation.

1.2.3 A Supply Meter Installation includes (where installed pursuant to this Section M) any meter by-pass (under paragraph 2.4) and Daily Read Equipment (under paragraph 4) and/or any corrector (where installed pursuant to the Gas (Calculation of Thermal Energy) Regulations 1996).

1.2.4 For the purposes of this Section M "**Meter Installation Works**" means the installation, testing, maintenance, repair or replacement of a Supply Meter Installation or any part thereof.

1.2.5 Subject to paragraph 1.7, references in this Section M to the Registered User in the context of a Supply Meter Installation or a Supply Meter are to the Registered User of the Supply Meter Point at which it is installed.

1.3 Daily Read and Non-Daily Read Supply Meters

1.3.1 Subject as provided in Sections G1.5.5 and G1.5.6, a Supply Meter is a "**Daily Read**" Supply Meter where Daily Read Equipment is installed as a part of the Supply Meter Installation and has become operational in accordance with paragraph 4.1.7.

1.3.2 The circumstances in which a Supply Meter is required to be, or otherwise may be, Daily Read are set out in Section G1.5.

1.3.3 A Supply Meter which is not a Daily Read Supply Meter is a "**Non-Daily Read**" Supply Meter.

1.4 Meter Reading

1.4.1 The requirements of the Code for obtaining Meter Readings:

- (i) from Non-Daily Read Supply Meters are set out in paragraph 3;
- (ii) from Daily Read Supply Meters are set out in paragraph 4.

1.4.2 For the purposes of this Section M, in relation to a User a "**Relevant**" Supply Meter is the Supply Meter at a Supply Meter Point comprised in a Supply Point of which the User is the Registered User.

1.4.3 For the purposes of the Code, in relation to a Supply Meter:

(a) a "**Meter Reading**" is:

(i) the reading of the index of the Supply Meter, and

(ii) where a corrector is installed as described in paragraph 1.2.3, the corrected and the uncorrected readings of the corrector;

except that where Daily Read Equipment and such a corrector are installed, a Meter Reading need not include both the reading under paragraph (i) and the uncorrected reading under paragraph (ii);

(b) a "**Meter Read**" is the obtaining (by appropriate means) of a Meter Reading and in the case of a Non-Daily Read Supply Meter the further details required pursuant to paragraph 3.3.1;

(c) an "**On-site Meter Read**" is a Meter Read undertaken by a person visiting the Supply Point Premises (as opposed to an automated meter read);

(d) a "**Customer Read**" is a Meter Reading in respect of a Supply Meter obtained by inspection of the Supply Meter by the owner or occupier of the Supply Point Premises (and not by inspection by a Meter Reader or automated meter read);

(e) except in the case of a Meter Reading obtained by Daily Read Equipment, a Meter Reading obtained at any time on a given Day shall be treated as obtained at the start of that Day.

1.4.4 In relation to a Meter Read:

(a) the "**Metered Volume**" is the volume (corrected for temperature and pressure in accordance with the Gas (Calculation of Thermal Energy) Regulations 1996) of gas determined as having been offtaken at the Supply Meter Point during:

(i) in the case of a Non-Daily Read Supply Meter, the Meter Reading Period (as defined in paragraph 3.1.7(e)(ii)); or

(ii) in the case of a Daily Read Supply Meter, the relevant Day or other period in accordance with paragraph 4;

(b) the "**Metered Quantity**" is the quantity determined by multiplying the Metered Volume by the applicable calorific value.

1.4.5 A "**Meter Reader**" is a person appointed to undertake Meter Reads in respect of a Supply Meter.

1.5 Validation

1.5.1 Meter Readings are required (for the purposes of the Code) to be subjected to validation.

- 1.5.2 For the purposes of this Section M "**validation**" means the testing, in accordance with and for the purposes described in the Network Code Validation Rules (as applicable in respect of the relevant Supply Meter and Meter Reading), of the validity of the Meter Reading.
- 1.5.3 The "**Network Code Validation Rules**" are the rules and procedures contained in the document dated 1st March 1996 issued by TransCo and so entitled, as from time to time amended, after consultation with the Network Code Committee or any relevant Sub-committee, by TransCo upon notice of not less than 3 months to Users, unless the Director shall, upon application by any User made within one month after such notice, give Condition 7(4) Disapproval to TransCo's making any particular such amendment.
- 1.6 IGE Recommendations
- In this Section M "**IGE Meter Recommendation**" means any recommendation or standard from time to time issued or updated by the Institute of Gas Engineers in respect of the nature, type, design, specification or manufacture of any Supply Meter Installation or part thereof (which do not form a part of the Code).
- 1.7 Shared Supply Meter Points
- 1.7.1 All of the Sharing Registered Users shall be responsible jointly for the performance of the obligations and responsibilities of a User under this Section M in respect of a Shared Supply Meter Point.
- 1.7.2 The amount payable under paragraph 4.1.6 in respect of Daily Read Equipment installed at a Shared Supply Meter Point will be payable in equal parts by the Sharing Registered Users.
- 1.8 Sub-deduct arrangements
- The provisions of this Section M apply in respect of each Sub-deduct Supply Meter Point in accordance with and subject to Section G1.8.
- 1.9 Ownership of meter reading data
- 1.9.1 Section V5.8 applies in respect of the ownership of data relating to Meter Readings.
- 1.9.2 Each User shall secure that its arrangements with any Meter Reader are consistent with Section V5.8.
- 1.10 Meter error
- 1.10.1 Where a meter examiner finds (in accordance with paragraph 4(3) of the Gas Code) or TransCo or a User believes that a Supply Meter is or has been registering erroneously, without prejudice to Section E1.9.2 the relevant adjustment shall be made:
- (i) in the case of a Non-Daily Read Supply Meter, as an adjustment in respect of the Metered Quantity for the purposes of NDM Reconciliation pursuant to Section E6 (and accordingly since the date of the preceding Valid Meter Read);
 - (ii) in the case of a Daily Read Supply Meter, by way of DM Reconciliation on the basis that the adjusted Meter Reading is treated as an Annual Check Read (irrespective of the period since the preceding Annual Check Read) in accordance with paragraph 4.7.

- 1.10.2 The relevant adjustment is an adjustment in respect of the amount by which it is determined that the Supply Meter has over- or under-registered the volume of gas offtaken from the System at the relevant Supply Meter Point, which amount shall be:
- (a) in the case under paragraph 4(3) of the Gas Code, ascertained on the basis described in that paragraph;
 - (b) except as in paragraph (a):
 - (i) the amount agreed by TransCo and the User, or
 - (ii) if either TransCo or the User shall so require, determined by Expert Determination.
- 1.10.3 Paragraphs 1.10.1(i) and (ii) are without prejudice to the period for which it may be agreed or determined that the Supply Meter has been registering erroneously.
- 1.10.4 TransCo may issue guidance for assisting with the agreement of adjustment amounts under paragraph 1.10.2(b)(i), but any such guidance shall not be binding on any User or TransCo.

1.11 Business Day

In this Section M Business Day shall have the same meaning as in Section G1.10.

2. SUPPLY METER INSTALLATION

2.1 Supply Meter and other equipment

- 2.1.1 The Registered User shall (subject to paragraph 2.2) secure that at each Supply Meter Point (other than a Supply Meter Point which has been Isolated) there is installed, operated and maintained in proper working order, for registering the volume of gas offtaken from the System at the Supply Meter Point, a Supply Meter Installation:
- (i) complying with the requirements of paragraph 2.1.2, and located at a point in accordance with paragraph 2.1.3, and
 - (ii) including such further equipment (including Daily Read Equipment and any corrector) as may be required in accordance with the further provisions of this Section M.
- 2.1.2 The Supply Meter Installation shall be of a type and standard of design and accuracy complying with, and shall be installed in compliance with, the IGE Meter Recommendations, the Gas (Meters) Regulations 1983, the Gas Safety (Installation and Use) Regulations 1994 and any other applicable Legal Requirements, as in force at the date of installation of the Supply Meter Installation, and shall be stamped in accordance with Section 17 of the Act.
- 2.1.3 The point at which the Supply Meter Installation is to be installed shall be such point as shall be required by or shall be in accordance with paragraph 5 of the Gas Code and the Gas Safety (Installation and Use) Regulations 1994.
- 2.1.4 For the avoidance of doubt, but without prejudice to the requirements of paragraph 2.1.1, the Supply Meter shall be the meter referred to in the Gas Code, and may be provided and owned by a person and/or installed by a person other than the Registered User.

- 2.1.5 Nothing in this Section M prevents a User from securing that a Supply Meter Installation conforms to higher standards than are (or provides any function in addition to what is) required pursuant to paragraph 2.1.2.
- 2.1.6 As contemplated by the IGE Meter Recommendations, the design and specification of certain Supply Meter Installations (where required to be installed) will need to be agreed with TransCo on a case by case basis.
- 2.1.7 Supply Meter Installations installed as at the date of the Code shall be deemed (for the purposes of the Code) to comply with the requirements of paragraphs 2.1.2 and 2.1.3, provided that this shall not prejudice any requirement for the installation of a different Supply Meter Installation arising by reason of a change in the nature of or the use of the Consumer's Plant after the Supply Meter Installation was installed.
- 2.1.8 Whenever a Supply Meter Installation is replaced or modified (other than by TransCo pursuant to paragraph 2.2) the Registered User shall provide to TransCo such information concerning the replacement or modification, within such period, as TransCo may reasonably prescribe.
- 2.2 Provision by TransCo
- 2.2.1 This paragraph 2.2 applies where TransCo provides or has provided (whether before or after the date of the Code) the Supply Meter Installation or any part of it.
- 2.2.2 Where this paragraph 2.2 applies, except as TransCo may otherwise agree in an Ancillary Agreement with the Registered User:
- (a) subject to paragraphs (d) and (e) and to paragraphs 2.2.4 and 2.5.1, TransCo will be responsible at its cost (except as to the cost of providing housing) for securing (on behalf of the Registered User) the installation (in accordance with paragraph 2.1.2), maintenance, repair and replacement of the Supply Meter Installation or relevant part thereof provided by TransCo, within a reasonable time after a request to do so;
 - (b) the Customer Charge payable by the Registered User will include (in accordance with the Transportation Statement or any Ancillary Agreement) a component in respect of the provision and maintenance of the Supply Meter Installation or relevant part of it provided by TransCo (determined, insofar as the Transportation Statement provides for such determination, by reference to the nature of the Supply Meter Installation which is installed);
 - (c) the Registered User shall secure that there are made available (without charge to TransCo) at the Supply Point Premises:
 - (i) a suitable site (at a location complying with paragraph 2.1.3) at the Supply Point Premises, and suitable support, protection and security, for the Supply Meter Installation;
 - (ii) supplies of power, water and drainage as appropriate for the Supply Meter Installation;
 - (iii) such access, at all reasonable times and in any event between 08:00 and 17:00 hours on any Business Day, to the Supply Point Premises as shall be required to enable TransCo to carry out all Meter Installation Works required pursuant to paragraph (a);

- (d) the Registered User shall take all reasonable steps to secure that the Supply Meter Installation is not damaged or otherwise mistreated;
- (e) ownership of the Supply Meter Installation shall remain with TransCo (or any person to whom TransCo may transfer ownership); and the Registered User shall take all reasonable steps to secure that any notice to that effect affixed thereto by TransCo shall not be removed or defaced.

2.2.3 Nothing in paragraph 2.2.2 requires TransCo:

- (i) to replace any part of a Supply Meter Installation other than where such replacement is necessary as a result of the failure (including by reason of damage, normal wear or tear or defective design or manufacture) thereof;
- (ii) to carry out any Meter Installation Works other than for the purposes of maintaining or repairing or (where required under paragraph (i)) replacing a Supply Meter Installation or part thereof provided by TransCo;
- (iii) except in the case of routine maintenance, to carry out any Meter Installation Works until reasonable notice has been given to TransCo of the requirement for such works.

2.2.4 Meter Installation Works carried out by TransCo for the purposes of maintaining, repairing or (where required having regard to paragraph 2.2.3(i)) replacing any part of a Supply Meter Installation to which this paragraph 2.2 applies will not be Siteworks for the purposes of Section G7.

2.2.5 Any Meter Installation Works which any person may request TransCo to carry out other than as required under paragraph 2.2.2, including:

- (i) the provision of a Supply Meter Installation at a Supply Meter Point where TransCo was not previously providing the Supply Meter Installation or at a New Supply Meter Point,
- (ii) the provision of a new Supply Meter Installation at a Supply Meter Point where by reason of a change in the nature or extent of the consumer's requirements for the supply of gas the existing Supply Meter Installation no longer complies with the requirements of paragraphs 2.1.2 and 2.1.3,

will be Siteworks subject to and in accordance with Section G7.

2.2.6 Nothing in this Section M prevents TransCo from providing at the request of the consumer or supplier a Supply Meter Installation which conforms to higher standards than are (or provides any function in addition to what is) required pursuant to paragraph 2.1.2, provided that (unless the Registered User has otherwise agreed) the amount of the Customer Charge payable (as described in paragraph 2.2.2(b)) by the Registered User will not thereby be increased.

2.2.7 Where as a result of any failure or defect in any Supply Meter Installation provided by TransCo gas cannot be offtaken from the System at the relevant Supply Meter Point, and except where Section J4.4.5(b) applies, TransCo will not be in breach (by reason thereof) of its obligation to make gas available for offtake from the System until:

- (i) written notice of such failure, defect or requirement has been given to TransCo, and
- (ii) the expiry after such notice of a reasonable period for TransCo to carry out the required Meter Installation Works.

2.3 Interference with meters

The Registered User shall take all reasonable steps to ensure that:

- (i) no person improperly breaks any seal affixed to any part of the Supply Meter Installation or tampers or otherwise interferes with any Supply Meter Installation;
- (ii) upon each visit to the Supply Point Premises by any representative of that User or the supplier, or by any person (other than TransCo where it is engaged as Meter Reader) engaged (by that User, the supplier or the consumer) to obtain an On-site Meter Read, there is promptly reported to TransCo any evidence which is or ought (having regard to the purposes for which such person is visiting the premises) to be apparent to such representative or person of the breaking of any such seal or of any such tampering or interference (including any activated tamper alarm) or otherwise of theft or attempted theft of gas.

2.4 Meter By-pass

2.4.1 In the circumstances permitted by the Meter By-pass Policy (but not otherwise), a meter by-pass may be installed (as a part of the Supply Meter Installation) at a Supply Meter Point.

2.4.2 A "**meter by-pass**" is an installation by means of which the consumer may divert the flow of gas, so as not to pass through the Supply Meter, and thereby secure the continued offtake of gas at the Supply Meter Point, in the event of any failure of part of the Supply Meter Installation which would impede the flow of gas through the meter.

2.4.3 A meter by-pass shall not be installed at a Supply Meter Point unless the Registered User has first given to TransCo notice of such installation in accordance with the Meter By-pass Policy.

2.4.4 Where a meter by-pass is installed at a Supply Meter Point:

- (a) the Registered User shall secure that the supplier and the consumer are fully informed of the Meter By-pass Policy;
- (b) the Registered User shall take all reasonable steps to secure that:
 - (i) the meter by-pass is utilised only in the circumstances permitted in and in accordance with the procedures required by the Meter By-pass Policy, and that its utilisation is discontinued, and (except where the Supply Meter Installation is provided by TransCo, in which case notification to TransCo in accordance with paragraph (ii) shall be sufficient) the Supply Meter Installation is repaired or replaced, at the earliest possible time in accordance with such policy;
 - (ii) upon the utilisation of the meter by-pass the consumer records the time at which it is utilised and the reading of the index of the Supply Meter, and gives notice to TransCo and to the Registered User, in accordance with the requirements of the Meter By-pass Policy;
- (c) on any Day on which the meter by-pass is utilised, the volume of gas offtaken through the meter by-pass shall be estimated in accordance with the Meter By-pass Policy and such estimated volume will be added to the Metered Volume determined in the next following Meter Read.

2.4.5 For the purposes of the Code, "**Meter By-pass Policy**" means the policy and rules issued by TransCo, as from time to time revised after consultation with the Network Code Committee or any relevant Sub-Committee and after not less than 3 months notice of such revision to Users, for the purposes of this paragraph 2.4; provided that where any Recognised Standard relating to the matters governed by such Policy is adopted or published by any body TransCo may notify Users that such Recognised Standard shall be the Meter By-pass Policy in substitution for the policy issued by TransCo.

2.4.6 TransCo or the Registered User shall take all reasonable steps to comply with the Meter By-pass Policy insofar as such policy provides for anything (in the case of the User, beyond what is provided in paragraph 2.4.4) to be done by either of them.

2.5 Prepayment meters

2.5.1 Where paragraph 2.2 applies and the Supply Meter Installation provided by TransCo includes a prepayment installation:

- (a) the Registered User will be responsible for making arrangements for payment collection (including emptying or replacement of coin or token boxes or arrangements with any issuer of payment tokens or cards), and for remedying faults resulting from the abuse or defective use of the prepayment installation;
- (b) any theft or other loss in respect of monies representing payments made into the prepayment facility will be for the User's account and TransCo will have no responsibility to the User or supplier or consumer therefor.

2.5.2 Where:

- (i) a Supply Meter Installation (whether or not provided by TransCo in accordance with paragraph 2.2) includes a prepayment installation;
- (ii) TransCo takes any step under paragraph 18 or 19 of the Gas Code in respect of any report to the effect that gas is not flowing to the Supply Point Premises or to appliances at such premises, and
- (iii) after taking such steps TransCo ascertains that the cause of gas not flowing is the inability of the consumer to utilise the prepayment installation, overfilling of a coin or token box, use of defective payment tokens or cards, or any fault in or tampering with a prepayment facility

then paragraph 2.5.3 shall apply.

2.5.3 In the circumstances in paragraph 2.5.2:

- (i) TransCo shall be entitled (without liability to the Registered User) to take any reasonable steps to ensure the restoration of supply to the consumer through the Supply Meter Installation until the end of the next following Business Day (making such assumption as to the rate of offtake as shall appear reasonable);
- (ii) the Registered User shall reimburse to TransCo the cost and expense incurred by TransCo in taking the steps referred to in paragraph 2.5.2(ii) and paragraph (i) above (including the value of any coins, tokens or cards utilised for the purpose in paragraph (i)).

2.6 Meter clamping

2.6.1 Where the customer control valve of a Supply Meter is clamped, whether by the Registered User, supplier or any other person other than TransCo, the Registered User shall so inform TransCo promptly upon arranging for or otherwise becoming aware of such clamping.

2.6.2 Where:

- (i) a Supply Meter is clamped in accordance with paragraph 2.6.1;
- (ii) the Registered User fails to inform TransCo of such clamping; and
- (iii) TransCo takes any step under paragraph 18 or 19 of the Gas Code in respect of any report to the effect that gas is not flowing to the Supply Point Premises or to appliances at such premises

the Registered User shall reimburse to TransCo the cost and expense incurred by TransCo in taking the steps referred to in paragraph (iii) above.

2.6.3 For the avoidance of doubt the clamping of a Supply Meter shall not be an Isolation (unless carried out by TransCo as such).

3. METER READING: NON-DAILY READ SUPPLY METERS

3.1 General

3.1.1 Meter Readings are required to be obtained from Non-Daily Read Supply Meters and provided to TransCo for the purposes of NDM Reconciliation under Section E6.

3.1.2 Users are responsible for obtaining Meter Readings from Non-Daily Read Supply Meters in accordance with this paragraph 3 and for the validation (in accordance with paragraph 1.5) of such Meter Readings.

3.1.3 Without prejudice to any other provision of this Section M, a Meter Read in respect of a Non-Daily Read Supply Meter may be undertaken by any Meter Reader.

3.1.4 A Meter Reading obtained from a Non-Daily Read Supply Meter is a "**Valid Meter Reading**", and the relevant Meter Read a "**Valid Meter Read**", where the following conditions are satisfied and not otherwise:

- (a) except in the case of a Customer Read permitted under paragraph 3.1.6, the Meter Reading was provided by a Meter Reader appointed in accordance with paragraph 3.2.1;
- (b) the Meter Reading has been subject to validation in accordance with paragraph 1.5;
- (c) where the Meter Reading was rejected by such validation, the Registered User has taken or secured the taking of such further steps as it determines to be necessary to investigate the validity of the Meter Reading and has thereby confirmed such validity; and
- (d) (except where TransCo is appointed as Meter Reader) the Meter Reading is provided to TransCo in accordance with paragraph 3.3.1.

3.1.5 In the circumstances in paragraph 3.1.4(c) the Registered User shall when providing the Meter Reading to TransCo in accordance with paragraph 3.3.1 notify TransCo that the validity of the Meter

Reading was not confirmed by validation, and certify that the validity thereof has been confirmed by further steps as required in paragraph 3.1.4(c).

3.1.6 A Customer Read obtained in any calendar month will (subject to the requirements of paragraph 3.1.4) be a Valid Meter Reading unless no Valid Meter Reading other than a Customer Read has been obtained:

- (i) in the case of a Monthly Read Meter, in the preceding 2 calendar months;
- (ii) in the case of an Annual Read Meter, in the preceding 23 calendar months.

3.1.7 For the purposes of this Section M:

- (a) the "**Meter Reading Frequency**" in respect of a Non-Daily Read Supply Meter is the expected frequency of Meter Reads for the purposes of the Code;
- (b) the Meter Reading Frequency of a Non-Daily Read Supply Meter (a "**Monthly Read Meter**") is monthly where:
 - (i) it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is not less than 293,000 kWh (*10,000 therms*); or
 - (ii) the Registered User has (in accordance with Section G2.3.2(f)(ii)) so elected;
- (c) subject to paragraph (d) the Meter Reading Frequency of a Non-Daily Read Supply Meter other than a Monthly Read Meter (an "**Annual Read Meter**") is annual;
- (d) all Non-Daily Read Supply Meters at the Supply Meter Points comprised in a Supply Point must have the same Meter Reading Frequency;
- (e) in relation to a Non-Daily Read Supply Meter:
 - (i) the "**Meter Read Date**" is the date of a Valid Meter Read;
 - (ii) the "**Meter Reading Period**" in respect of a Meter Read is the period to the Meter Read Date from the preceding Meter Read Date.

3.2 Meter Readers

3.2.1 Each User shall inform TransCo of the identity of the person appointed from time to time as Meter Reader in respect of each Relevant Supply Meter and shall give not less than 1 months notice to TransCo of any change in the identity of the Meter Reader; provided that TransCo will endeavour to accommodate a change on shorter notice in exceptional circumstances.

3.2.2 Each User shall take all reasonable steps to ensure that TransCo is informed as soon as reasonably practicable of any change in the meter access details maintained by TransCo in respect of each Supply Meter Point (meter access details for these purposes being details intended to facilitate the obtaining by Meter Readers of access to Supply Meters).

3.3 Provision of Meter Readings to TransCo

3.3.1 Meter Readings are required to be provided to TransCo, not later than 5 Business Days after the Meter Read Date (subject to paragraph 3.8.2), by way of UK Link Communication by the means and in the

form described in the UK Link Manual (but where TransCo is appointed as Meter Reader this requirement shall be deemed to be satisfied in respect of any Meter Reading obtained by TransCo as Meter Reader).

- 3.3.2 Except as otherwise provided in this Section M, TransCo will accept Meter Readings provided to it in accordance with paragraph 3.3.1 for the purposes of NDM Reconciliation.
- 3.3.3 TransCo will subject Opening Meter Readings submitted to it to validation (which is additional to that required to be undertaken by Users), and may subject any other Meter Reading submitted to it to validation; but TransCo will accept Meter Readings notwithstanding that such validation may be failed.
- 3.3.4 Where a Meter Reading in respect of a Supply Meter is submitted (in accordance with paragraph 3.3.1) to TransCo and within 5 Days after the Meter Read Date a further Meter Reading in respect of the same Supply Meter is submitted to TransCo, TransCo will disregard the first Meter Reading (which will not be used for the purposes of NDM Reconciliation).
- 3.3.5 For the purposes of paragraph 3.3.1, where a corrector is installed at a Supply Meter all readings comprised (in accordance with paragraph 1.4.3(a)) in the Meter Reading are required to be provided to TransCo.

3.4 Cyclic reading: Monthly Read Meters

3.4.1 Each User shall secure, in relation to Monthly Read Meters, that a Valid Meter Reading is obtained:

- (i) for each Relevant Monthly Read Meter, not less frequently than once every 3 calendar months;
- (ii) in each calendar month, in accordance with paragraph 3.4.2, for not less than 90% of the number of Monthly Read Meters which are Relevant Supply Meters for the whole of the month).

3.4.2 For the purposes of paragraph 3.4.1(ii) the Meter Read Date in respect of a Monthly Read Meter is required to be not less than 23 Days (or in the month of December 16 Days) and not more than 37 Days (or in the month of January 44 Days) after the Meter Read Date of the preceding Meter Read under paragraph 3.4.1.

3.5 Cyclic reading: Annual Read Meters

3.5.1 Each User shall secure, in relation to Annual Read Meters, that a Valid Meter Reading is obtained:

- (i) for each Relevant Annual Read Meter, not less frequently than once every 24 months, subject to paragraph 3.5.4;
- (ii) in any period of 12 months, for not less than the relevant percentage of the number of Relevant Annual Read Meters at the end of such period.

3.5.2 For the purposes of paragraph 3.5.1(ii) the relevant percentage is:

- (i) where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised does not exceed 73,200 kWh (2,500 therms), 70%;
- (ii) except as provided in paragraph (i), 90%.

- 3.5.3 Each User shall secure that the number of Relevant Annual Read Meters for which the Meter Read Date occurs in any calendar month shall not exceed 1/6th of the number of Relevant Annual Read Meters on the 1st Day of that month.
- 3.5.4 Each User shall secure, in relation to Supply Meter Points comprised in Registered Supply Points whose Annual Quantity does not exceed 73,200 kWh (2,500 therms), that the Meter Read Dates of Meter Reads in each calendar month are approximately evenly distributed throughout such month.
- 3.5.5 In respect of a New Supply Meter Point the Meter Read Date of the first Meter Read obtained pursuant to paragraph 3.5.1(i) shall be not less than 3 nor more than 9 months after the First Supply Point Registration Date.
- 3.6 Failure to obtain readings
- 3.6.1 Subject to paragraph 3.6.4 where at the end of any calendar month a User has failed to comply with the requirement in paragraph 3.4.1(i) or 3.5.1(i) in respect of a Monthly Read Meter or (as the case may be) Annual Read Meter:
- (a) TransCo will use reasonable endeavours to obtain a Meter Reading from such Meter;
 - (b) where TransCo so obtains a Meter Read, the User shall pay (in accordance with Section S) to TransCo, by way of reimbursement of its costs, an amount equal to the amount that would be payable in respect of a request for a single Meter Read under the prevailing prices published by TransCo for the provision of similar meter reading services, together with any costs (including costs of a warrant) incurred by TransCo for the purposes of gaining entry to the Supply Point Premises.
- 3.6.2 Where TransCo obtains a Meter Reading under paragraph 3.6.1, such Meter Reading shall be treated for all purposes of the Code as a Meter Reading obtained in accordance with the requirements of this Section M.
- 3.6.3 Subject to paragraph 3.6.4 where a User materially or persistently fails to comply with the requirement in paragraph 3.4.1(ii) or 3.5.1(ii), TransCo may require the User:
- (i) to submit to TransCo an explanation for the User's failure to comply together with a proposal to remedy such non-compliance;
 - (ii) to implement the User's proposal under paragraph (i) as modified after discussion with TransCo;
 - (iii) if and for so long as the User fails to comply with paragraphs (i) and (ii), to agree to a scheme under which TransCo will (at the User's expense on the same basis as under paragraph 3.6.1(b)) obtain sufficient Meter Readings from time to time each month to remedy the User's failure to comply with paragraph 3.4.1(ii) or 3.5.1(ii).
- 3.7 More frequent readings
- 3.7.1 Subject to paragraph 3.7.2, a User may secure and provide to TransCo Valid Meter Readings in respect of any Non-Daily Read Supply Meter more frequently than is required by this paragraph 3.
- 3.7.2 TransCo will not be required to accept under paragraph 3.7.1 a Meter Reading (other than one required under paragraph 3.8 or paragraph 3.9) for which:

(i) in the case of a Monthly Read Meter, the Meter Read Date is less than 23 Days (or in December 16 Days),

(ii) in the case of an Annual Read Meter, the Meter Read Date is less than 5 months,

after the Meter Read Date of the preceding Meter Reading (excluding any required under paragraph 3.8 or 3.9) for the same Supply Meter.

3.8 Opening Meter Reads

3.8.1 Where a User submits a Supply Point Confirmation which becomes effective for a Proposed Supply Point which includes one or more NDM Supply Meter Points, this paragraph 3.8 applies in respect of the Non-Daily Read Meter installed at each such Supply Meter Point.

3.8.2 The Proposing User shall secure that a Valid Meter Reading (an "**Opening Meter Reading**") is:

(i) obtained for a Meter Read Date within the required date range, and

(ii) provided to TransCo not later than the 5th Business Day after the Supply Point Registration Date

from each Non-Daily Read Meter referred to in paragraph 3.8.1.

3.8.3 For the purposes of this paragraph the required date range is the period of 5 Business Days commencing 2 Business Days before the Supply Point Registration Date.

3.8.4 Subject to paragraph 3.8.5, where (following the Supply Point Registration Date, and whether or not the Proposing User submitted an Opening Meter Read in accordance with paragraph 3.8.2) the Proposing User and the Withdrawing User jointly notify to TransCo the value of a Meter Reading (an "**Agreed Opening Meter Reading**") for a Non-Daily Read Supply Meter which is agreed between them as being valid for a date within the required date range:

(i) TransCo will accept such Meter Reading, and

(ii) where the Proposing User provided a Opening Meter Reading, the NDM Reconciliation in relation to the Withdrawing User determined (under Section E6.2) on the basis of the Opening Meter Reading will be revised in accordance with Section E6.7.2.

3.8.5 TransCo will not accept an Agreed Opening Meter Reading which is notified to it at any time after any other Meter Reading (for a Meter Read Date after the Supply Point Registration Date) has been provided to TransCo for the relevant Non-Daily Read Supply Meter.

3.8.6 Where an Opening Meter Reading is not provided, an estimated Meter Reading will be used for the purposes of NDM Reconciliation in accordance with Section E6.1.7.

3.9 Other non-cyclic meter reading requirements

3.9.1 The Registered User shall secure that a Valid Meter Reading is obtained and provided to TransCo:

(i) (as required by Section G3.4.4) upon the Isolation of any Supply Meter Point in accordance with Section G3.5;

- (ii) upon the replacement (whether for examination, inspection, repair, maintenance or exchange or otherwise) of any Supply Meter, in respect of both the replaced and the replacement meter.
- 3.9.2 Where (in accordance with Section G3.5) TransCo undertakes the Isolation of a Supply Meter Point in a manner which involves TransCo having access to the Supply Meter, TransCo will be responsible (on behalf of the Registered User) for complying with paragraph 3.9.1(i).
- 3.9.3 Where (in accordance with paragraph 2.2) TransCo undertakes the replacement of a Supply Meter, TransCo will be responsible (on behalf of the Registered User) for complying with paragraph 3.9.1(ii).
- 3.10 Metered volume and quantity calculation
- 3.10.1 Upon the provision of a Valid Meter Reading in respect of a Non-Daily Read Supply Meter TransCo will calculate the Metered Volume and the Metered Quantity.
- 3.10.2 TransCo will maintain records of Valid Meter Readings provided to it, in such form and for such time (but not in any event exceeding 5 years) as shall be requisite for the purposes of paragraph 3.10.1.
- 4. DAILY READ SUPPLY METERS
- 4.1 Daily Read Equipment
- 4.1.1 Subject to paragraph 4.9, for the purposes of the Code "**Daily Read Equipment**" is equipment, of a design and standard of manufacture specified (consistently with any Legal Requirement) by TransCo for the purposes of this Section, which enables Meter Readings to be obtained by TransCo remotely at set intervals.
- 4.1.2 Daily Read Equipment comprises:
 - (i) a device for capturing from the Supply Meter, and/or (where installed) a corrector, data which constitutes or permits the derivation of a Meter Reading; and
 - (ii) a telephone line or radio transmitter and/or such other equipment as shall be required for transmitting such data to TransCo in accordance with the relevant requirements of the UK Link Manual.
- 4.1.3 Daily Read Equipment is required to be designed to be capable of enabling Meter Readings to be obtained at intervals of 6 minutes (and greater intervals) and of having the intervals at which Meter Readings are obtained set remotely (by means of the equipment referred to in paragraph 4.1.2(ii)).
- 4.1.4 Daily Read Equipment may (where designed to be capable of such installation) be installed in connection with more than one Supply Meter at a single Supply Point Premises.
- 4.1.5 Unless otherwise agreed between TransCo and a User, TransCo will (in accordance with paragraph 2.2) be responsible for furnishing, installing, making operational and maintaining Daily Read Equipment.
- 4.1.6 Where TransCo furnishes or has furnished Daily Read Equipment, with effect from the date upon which the relevant Supply Meter Point becomes a DM Supply Meter Point, the Registered User shall (unless the cost thereof has been paid pursuant to a Siteworks Contract) pay the appropriate component of the Customer Charge in accordance with the Transportation Statement.

4.1.7 Daily Read Equipment installed at a Supply Meter Point will be treated as being operational (for the purposes of paragraph 1.3.1) with effect from the later of:

- (i) the Day on which TransCo notifies the Registered User that the equipment is operational, and
- (ii) the first Day on which TransCo provides to the User a Valid Meter Reading obtained by means of such equipment.

4.2 Daily Meter Readings

4.2.1 Where a Supply Meter is Daily Read:

- (i) TransCo will obtain (and the User authorises TransCo to obtain) by means of the Daily Read Equipment (where it is operational) a Meter Reading for the start and for the end of each Day;
- (ii) TransCo may so obtain Meter Readings at other times within the Day.

4.2.2 TransCo is responsible for validation of the Meter Readings in accordance with paragraph 1.5.

4.2.3 In respect of a Daily Read Supply Meter:

- (i) **"Daily Meter Readings"** for a Day are Meter Readings obtained by TransCo in accordance with paragraph 4.2.1(i) for the start and the end of the Day;
- (ii) subject to paragraphs (iii) and 4.8 **"Valid Meter Readings"** for a Day are Daily Meter Readings which have been subject to and not rejected by validation in accordance with paragraph 1.5, and are provided to the relevant User in the format and by the means specified in the UK Link Manual;
- (iii) the Daily Meter Reading for the start of a Day will not be a Valid Meter Reading if it differs from the Valid Meter Reading for the end of the preceding Day.

4.3 Metered Volume and Metered Quantity calculation

Subject to paragraph 4.4, TransCo will calculate for each Daily Read Supply Meter each Day:

- (i) the Metered Volume, by reference to the Valid Meter Readings for the Day obtained in accordance with paragraph 4.2.1(i); and
- (ii) the Metered Quantity, by reference to the Metered Volume.

4.4 Failure to obtain meter readings

4.4.1 Subject to paragraph 4.8, Valid Meter Readings for a Day obtained from Daily Read Equipment at any time within the next following 5 Days will be used for the purposes of paragraph 4.3.

4.4.2 Where for any Day (a **"Failed Daily Read Day"**) Valid Meter Readings for the Day are not obtained by the Exit Close-Out Date:

- (a) the Metered Volume for the Failed Daily Read Day shall (irrespective in the case of a Supply Meter Point comprised in an Interruptible Supply Point of whether Interruption was required on the Day or the same Day in the preceding week) be assumed to be the same as the Metered

Volume (whether determined under paragraph 4.3.1 or this paragraph 4.4.2) for the same Day in the immediately preceding week;

(b) there will be a subsequent DM Reconciliation in accordance with Section E6.

4.4.3 Where a Day is a Failed Daily Read Day, except in the circumstances in paragraph 4.4.5(a), irrespective of the Metered Quantity derived from the assumed Metered Volume determined under paragraph 4.4.2, the Day shall not be a Ratchet Day (in accordance with Section B4.7).

4.4.4 After a Failed Daily Read Day, upon the restoration of operation of the Daily Read Equipment (except where paragraph 1.10 applies), TransCo will determine:

(i) the volume offtaken on such Day, by reference to a Valid Meter Reading then obtained, in accordance with paragraph 4.4.5;

(ii) for the purposes of DM Reconciliation, the amount (the "**Failed Daily Read Reconciliation Volume**") by which the Metered Volume assumed under paragraph 4.4.2 is greater (in which case such amount shall be positive) or less (in which case such amount shall be negative) than the volume determined under paragraph (i).

4.4.5 For the purposes of paragraph 4.4.4(i):

(a) where:

(i) the reason for the earlier failure to obtain Valid Meter Readings for the Failed Daily Read Day was the failure of that part of the Daily Read Equipment referred to in paragraph 4.1.2(ii) and not the part referred to in paragraph 4.1.2(i), and

(ii) accordingly, Valid Meter Readings are later obtained for the Failed Daily Read Day, the volume offtaken on the Day shall be the Metered Volume determined on the basis of such Valid Meter Readings;

(b) except as provided in paragraph (a):

(i) the Metered Volume for the period of all of the consecutive Failed Meter Read Days will be determined (on the basis of the Valid Meter Reading obtained for the start of the first such Day and for the end of the last such Day under paragraph 4.3 or paragraph (a) above);

(ii) such Metered Volume will be apportioned between such Days in the proportions of the assumed Metered Volumes under paragraph 4.4.2.

4.5 Provision of Meter Readings to Users

Paragraph 5 shall apply in respect of the provision by TransCo to Users of Meter Readings from Daily Read Supply Meters.

4.6 User or consumer access to Daily Read Equipment

4.6.1 Subject to paragraph 4.6.2, where Daily Read Equipment is furnished and installed by TransCo in accordance with paragraph 4.1.5, TransCo will, upon request by the Registered User and provided it is operationally feasible to do so, permit an arrangement whereby either the User or the consumer (but

not both) shall have access to the Daily Read Equipment for the purposes of obtaining directly readings from the Supply Meter Installation.

4.6.2 In any case where an arrangement is permitted under paragraph 4.6.1:

- (i) the Registered User shall bear or secure that the consumer bears all costs incurred in connection with such arrangement, and shall secure that such arrangement will not interfere with the Supply Meter Installation or its operation, or with the obtaining of Meter Readings under paragraph 4.2;
- (ii) such arrangement shall not be taken as implying any contractual relationship between TransCo and the consumer;
- (iii) data obtained by the Registered User or consumer shall have no significance for the purposes of the Code.

4.7 DM Check Read

4.7.1 TransCo will at intervals of approximately 12 months, and may on other occasions on which it undertakes an inspection, repair or maintenance of the Daily Read Equipment, arrange an On-Site Meter Read (a "**DM Check Read**") in respect of each Daily Read Supply Meter.

4.7.2 The Registered User shall use best endeavours to secure that TransCo is given such access to the Supply Point Premises and the Supply Meter as it reasonably requires to carry out a DM Check Read.

4.7.3 In respect of any DM Check Read the Metered Volume will be determined by reference to the period to the date of such Meter Read from the date of the preceding DM Check Read.

4.7.4 Where upon a DM Check Read the Metered Quantity differs from the sum (the "**previous metered quantity**") of the Metered Quantities determined in accordance with the foregoing provisions of this paragraph 4 (including paragraph 4.4) for each Day of the period referred to in paragraph 4.7.3 by more than 100,000 kWh (2,930 *therms*), TransCo will determine and notify to the Registered User:

- (i) the amount of such difference; and
- (ii) for each Day in such period, a part (the "**DM Check Reconciliation Volume**", which shall be positive where the previous metered quantity exceeds the Metered Quantity in respect of the DM Check Read, and otherwise negative) of the amount determined under paragraph (i), in accordance with paragraph 4.7.5.

4.7.5 For the purposes of paragraph 4.7.4(ii) the amount determined under paragraph 4.7.4(i) will be apportioned to Days in the relevant period in the same proportions as the Metered Volumes determined for such Days under paragraph 4.2 and 4.4.

4.7.6 DM Reconciliation in respect of the DM Check Reconciliation Volume for each Day will be carried out in accordance with Section E6.3.

4.8 Daily Read Errors

4.8.1 For the purposes of this paragraph 4.8:

- (a) there is a "**Daily Read Error**" in respect of a Daily Read Supply Meter on a Day where, by reason of the Daily Read Equipment not functioning correctly, and not by reason of a failure

of any other part of the Supply Meter Installation, the volume of gas which is determined on the basis of the Daily Meter Readings provided by TransCo to the User (pursuant to paragraph 4.5) differs from the metered consumption;

- (b) **"metered consumption"** is the volume of gas which was offtaken from the System at the Supply Meter Point on the Day, as registered by the Supply Meter and any corrector (and not what is determined by reference to the Daily Meter Readings obtained by the Daily Read Equipment);
- (c) where the Supply Meter Installation includes a corrector, references to volume are to volume as corrected for temperature and/or pressure by such corrector;
- (d) Daily Read Equipment functions correctly where it functions within a tolerance of accuracy of 1%;
- (e) a reference to Daily Read Equipment shall include a reference to the elements of UK Link by which messages sent by Daily Read Equipment located at the Supply Point Premises are processed and submitted as Daily Meter Readings to the Registered User.

4.8.2 In respect of any Day (a **"Daily Read Error Day"**), other than a Failed Daily Read Day, a User may until the 5th Day after the Day on which TransCo provided to the User the Daily Meter Readings in respect of a Relevant Daily Read Supply Meter, give notice (**"Daily Read Error Notice"**) to TransCo:

- (i) to the effect that (notwithstanding validation under paragraph 1.5) the User considers that there was a Daily Read Error on the Day; and
- (ii) specifying the volume (the **"User Volume Estimate"**) which the User considers to have been the metered consumption on the Day.

4.8.3 Where a User gives a Daily Read Error Notice:

- (a) TransCo will, as soon as reasonably practicable and wherever possible within 3 Business Days after such notice, ascertain whether the elements of UK Link referred to in paragraph 4.8.1(e) are functioning correctly, and (if they are) visit and (subject to being given sufficient access) inspect the Daily Read Equipment;
- (b) upon or as soon as reasonably practicable after its inspection, TransCo will provide to the User a notice stating:
 - (i) whether in TransCo's judgement the Daily Read Equipment is functioning correctly; and
 - (ii) where in its judgement the Daily Read Equipment is not functioning correctly, TransCo's estimate (the **"TransCo Volume Estimate"**), in accordance with paragraph 4.8.4 where applicable, and after taking account of the User Volume Estimate, of what was the metered consumption for the Daily Read Error Day, and the basis for its estimate;
- (c) notwithstanding the Daily Read Error Notice and TransCo's notice under paragraph (b), except as provided in paragraph 4.8.8 the volume determined by reference to the Daily Meter Readings will be used to determine the User's UDQO for the purposes of the Code;

- (d) subject to paragraph (c), and unless otherwise agreed, TransCo's statement under paragraph (b) will be final and its estimate will apply for the purposes of paragraph 4.8.10 unless the User gives notice ("**rejection notice**") to TransCo within 5 Business Days after TransCo's notice that the User does not accept TransCo's judgement under paragraph (b)(i) or its estimate under paragraph (b)(ii).
- 4.8.4 Where the Daily Read Equipment is found not to be functioning correctly, and it is not apparent when the equipment started to function incorrectly, unless TransCo and the User otherwise agree it shall be assumed (for the purposes of estimating the metered consumption for the Daily Read Error Day) that such equipment started to function incorrectly half way through the period from when the equipment was last inspected by TransCo (whether pursuant to this paragraph 4.8 or any annual or other maintenance inspection) to the Day of TransCo's inspection under paragraph 4.8.3(a).
- 4.8.5 The costs and expenses incurred by TransCo in carrying out the inspection pursuant to paragraph 4.8.3(a) shall be borne:
- (a) if the amount of the User Volume Estimate differs from the volume determined by reference to the Daily Meter Readings by less than 10%, by the User;
 - (b) except as provided in paragraph (a), and subject to paragraph (c):
 - (i) where the User did not give a rejection notice:
 - (1) by the User where in TransCo's judgement the Daily Read Equipment was functioning correctly, and
 - (2) otherwise by TransCo;
 - (ii) where the User gave rejection notice, by TransCo where it was agreed or the expert determined that the Daily Read Equipment was not functioning correctly and that the metered consumption was closer to the User Volume Estimate than to the TransCo Volume Estimate, and otherwise by the User;
 - (c) if upon such inspection TransCo found that the Supply Meter (or corrector) itself is reading erroneously, by TransCo (except where TransCo is not the owner of the Supply Meter).
- 4.8.6 Where the User gives a rejection notice, then unless TransCo and the User agree otherwise:
- (a) there shall be referred to Expert Determination the following questions:
 - (i) whether the Daily Read Equipment was functioning correctly, unless in TransCo's judgement (under paragraph 4.8.3(b)(i)) it was not; and
 - (ii) unless the expert determines that the Daily Read Equipment was functioning correctly, what is the best available estimate (in accordance with paragraph 4.8.4 where applicable) of the metered consumption;
 - (b) the costs of the expert shall (notwithstanding any contrary provision of Section T) be borne by the User where:
 - (i) the expert determines (under paragraph (a)(i)) that the Daily Read Equipment was functioning correctly, or

- (ii) the metered consumption determined (under paragraph (a)(ii)) by the expert was closer to the TransCo Volume Estimate than to the User Volume Estimate;

and otherwise by TransCo.

4.8.7 Where:

- (a) a User has submitted a Daily Read Error Notice in respect of a Day;
- (b) the User considers that there was a Daily Read Error in respect of any subsequent Day, up to:
 - (i) the Day of TransCo's inspection under paragraph 4.8.3(a), or
 - (ii) (where the Daily Read Equipment is found not to be functioning correctly) the Day of its repair or replacement under paragraph 4.8.11,

then unless TransCo agrees otherwise the further provisions of this paragraph 4.8 shall not apply in relation to such subsequent Day unless the User gives a Daily Read Error Notice for such Day, but the giving of such notice shall not require a further inspection pursuant to paragraph 4.8.3.

4.8.8 For the purposes of determining the User's UDQO, where a User submits a Daily Read Error Notice not later than the Exit Close-out Date in relation to the Daily Read Error Day:

- (a) if by the Exit Close-out Date:
 - (i) TransCo has undertaken an inspection under paragraph 4.8.3(a), and
 - (ii) the User has informed TransCo that it accepts the TransCo Volume Estimate notified by TransCo under paragraph 4.8.3(b);

the value of the Metered Quantity derived from the TransCo Volume Estimate shall be substituted for the value of the Metered Quantity derived from the original Daily Meter Readings;

- (b) TransCo may (before the Exit Close-out Date) by agreement with the User substitute, for the value of the Metered Quantity derived from the original Daily Meter Readings, the value derived from the User Volume Estimate or such other value as TransCo and the User shall agree.

4.8.9 TransCo may also agree with the User to adjust (for the purposes of determining the User's UDQOs) the Metered Quantity determined for each Day after the first Daily Read Error Day, until the Day referred to in paragraph 4.8.7(b)(i) or (ii), on a basis reflecting an agreed degree of error.

4.8.10 Except in a case where a substituted or adjusted value of the Metered Quantity was (before the Exit Close-out Date) used pursuant to paragraph 4.8.8 or 4.8.9, upon the estimated metered consumption being agreed or established (pursuant to this paragraph 4.8):

- (i) TransCo will determine (as nearly as may be) the Metered Quantity ("**Error Revised Quantity**") for the Day on the basis of such metered consumption;
- (ii) revisions and adjustments will be made in accordance with Sections B1.11, E3.5 and F1.4.

4.8.11 Where it is agreed or determined that the Daily Read Equipment is not functioning correctly, TransCo will at its expense as soon as is reasonably practicable (but subject to paragraph 5.2.3) repair or replace the Daily Read Equipment.

4.8.12 For the purposes of paragraph 5 (and notwithstanding paragraph 4.2.3), where a User gives a Daily Read Error Notice:

(a) subject to paragraph (b), where:

- (i) in TransCo's judgement (in accordance with paragraph 4.8.3(b)) the Daily Read Equipment is not functioning correctly,
- (ii) by agreement between TransCo and the User pursuant to paragraph 4.8.8(b) a substituted Metered Quantity has been used, or an estimate of metered consumption, other than the metered consumption derived from the original Daily Meter Readings, has been agreed by TransCo and the User for the purposes of paragraph 4.8.10,

the Daily Meter Readings provided in respect of the Daily Read Error Day shall not be Valid Meter Readings;

(b) where the Metered Quantity for any of the next 6 Days following the first Daily Read Error Day has (by agreement between TransCo and the User pursuant to paragraph 4.8.9) been adjusted, the Daily Meter Readings provided by TransCo for such Days shall be deemed for the purposes of paragraphs 5.2.1 and 5.2.2 to be Valid Meter Readings;

(c) where in TransCo's judgement the Daily Read Equipment is functioning correctly and the User gave a rejection notice:

- (i) the Daily Meter Readings for the Daily Read Error Day, and (subject to paragraph (ii)) for subsequent Days, shall be Valid Meter Readings (if otherwise valid in accordance with paragraph 4.2.3);
- (ii) where the expert determines that the Daily Read Equipment is not functioning correctly, the Daily Meter Readings provided in respect of each Daily Read Error Day, from the Day on which the expert made known his determination to TransCo until such time as TransCo has repaired or replaced the Daily Read Equipment in accordance with paragraph 4.8.11, shall not be Valid Meter Readings.

4.9 Telemetry equipment

4.9.1 By agreement between TransCo and the Registered User or the consumer, telemetry equipment may be installed at a Supply Meter instead of such equipment as is described in paragraph 4.1.2.

4.9.2 Subject to any conflicting provisions of a Supply Point Network Exit Agreement, a reference to Daily Read Equipment includes telemetry equipment where installed at a Supply Meter, and this paragraph 4 shall apply (so far as capable of applying, and except as may otherwise be agreed by TransCo and the Registered User or consumer) in respect of such telemetry equipment; but paragraph 5 shall not apply in respect of a Supply Meter at which telemetry equipment is installed.

5. PROVISION OF DAILY READ METER READINGS TO USERS

5.1 General

5.1.1 For the purposes of this paragraph 5:

- (a) Subject to paragraphs 5.1.2 and 5.1.3, for any User a "**Performance Relevant Supply Meter**" is:
- (i) a Relevant Supply Meter which at the date of the Code was subject to the Daily Read Requirement pursuant to Section G1.5.2(i) or (iii) or (where the request referred to in Section G1.5.7 was made before 1st January 1996) Section G1.5.2(ii), and
 - (ii) with effect from the date upon which the Supply Meter Point becomes a DM Supply Meter Point, any other Supply Meter at which for the time being Daily Read Equipment is installed and has become operational (in accordance with paragraph 4.1.7),
- in either case until such time (if any) at which the Registered User makes an election pursuant to Section G1.5.5 that the Supply Meter cease to be Daily Read;
- (b) in relation to a Performance Relevant Supply Meter, Valid Meter Readings (for the start and end of a Day) shall be counted as one Valid Meter Reading;
- (c) where a single item of Daily Read Equipment is installed and has become operational (in accordance with paragraph 4.1.7) in connection with more than one Performance Relevant Supply Meter:
- (i) TransCo will be treated as providing Valid Meter Readings only where it provides a Valid Meter Reading in respect of each such Supply Meter;
 - (ii) without prejudice to paragraph (i), for all other purposes of this paragraph 5 all of such Supply Meters collectively shall be counted as a single Performance Relevant Supply Meter, and all of the Valid Meter Readings for a Day in respect thereof shall be counted as a single Valid Meter Reading; and accordingly payments made by reference to a Performance Relevant Supply Meter or the number of such Supply Meters shall be made by reference to an item of Daily Read Equipment or the number of such items;
- (d) a Performance Relevant Supply Meter will not be treated as one in relation to which TransCo did not provide a Valid Meter Reading where TransCo was unable to provide a Valid Meter Reading in respect of such Performance Relevant Supply Meter by reason of Force Majeure.

5.1.2 Where:

- (i) a User has given a Daily Read Error Notice, or it appears to TransCo that the Daily Read Equipment may not be functioning correctly,
- (ii) TransCo has, upon reasonable notice to the User, sought to arrange or gain access (pursuant to paragraph 2.2.2(c)(iii)) at a reasonable time to the relevant premises for the purposes of inspecting, and/or repairing or replacing, the Daily Read Equipment but has been unable to gain access to the relevant premises or to the Daily Read Equipment, and
- (iii) TransCo has promptly notified the Registered User, providing details of the circumstances in which it was unable to arrange or gain access, and requesting that such access be arranged at a reasonable time,

the relevant Supply Meter(s) shall not be a Performance Relevant Supply Meter until such time as TransCo has been given such access as it may reasonably require for the purposes of such inspection, repair or replacement.

5.1.3 Where, upon an inspection (pursuant to a Daily Read Error Notice or otherwise) of Daily Read Equipment, TransCo finds that the Reed Switch is not functioning correctly, or is the cause of the Daily Read Equipment not functioning correctly:

- (a) TransCo shall so notify the Registered User as soon as reasonably practicable after its inspection;
- (b) TransCo will:
 - (i) take reasonable steps to arrange for a gas meter examiner to attend (so soon as such a person may be available to attend) at the Supply Point Premises, so as to allow the seal on the Supply Meter lawfully to be broken for the purposes of enabling the Reed Switch to be repaired or replaced, and (upon the attendance of such an examiner and provided that appropriate access to the Supply Meter is provided) repair or replace the Reed Switch; and
 - (ii) not later than one month after its notification to the User under paragraph (a), unless the Reed Switch has already been repaired or replaced, inform the User of the date by which TransCo expects that the Reed Switch will be repaired or replaced, and (where such date is later than one month after such inspection) provide reasonable evidence that despite taking reasonable steps TransCo has been unable to arrange for the attendance of a gas meter examiner or (but without prejudice to paragraph (c)) to secure (having given reasonable prior notice of an appointment to a User) the required access to the Supply Meter before such date;
 - (iii) thereafter inform the User of any change in such expected date, and provide reasonable evidence that any delay has arisen notwithstanding TransCo's compliance with paragraph (i);
- (c) the User shall take reasonable steps to make such arrangements with the consumer as may be required for the purposes of paragraph (b)(i);
- (d) with effect from the Day of TransCo's inspection, or if later from the 5th Business Day before TransCo's notification to the User under paragraph (a), and until such time as the Reed Switch has been repaired or replaced, the Supply Meter will not be a Performance Relevant Supply Meter; provided that if TransCo does not comply with paragraph (b)(ii) the Supply Meter will, with effect from the expiry of the month referred to in that paragraph, become a Performance Relevant Supply Meter.

5.1.4 For the purposes of paragraph 5.1.3, a "**Reed Switch**" is a component of, and contained within, a Supply Meter, which enables the functioning of Daily Read Equipment.

5.1.5 Paragraphs 5.2 and 5.3 shall apply separately in respect of Performance Relevant Supply Meters which are, and which are not, comprised in DMC Supply Point Components (respectively "**DMC**" and "**non-DMC**" Performance Relevant Supply Meters), and references to Performance Relevant Supply Meters in those paragraphs shall be construed accordingly.

5.2 Provision of Meter Readings

- 5.2.1 In respect of each week (from Monday to Sunday) TransCo will provide to each User not less than 90% of the Valid Meter Readings required in respect of the User's Performance Relevant Supply Meters (the required number of Valid Meter Readings being calculated as the sum of the numbers of the User's Performance Relevant Supply Meters on each Day of the relevant week), in each case not later than 11:00 hours on the Day following the Day to which the relevant Meter Reading relates.
- 5.2.2 If in respect of any week TransCo does not comply with the requirement in paragraph 5.2.1, TransCo will pay to the User an amount calculated as:

$$((0.90 * A) - B) * C$$

where for the relevant week:

- A is the sum for all Days in the week of the number of the User's Performance Relevant Supply Meters;
- B is the sum for all Days in the week of the number of Valid Meter Readings in respect of the User's Performance Relevant Supply Meters which TransCo provided by 11:00 hours on the following Day;

and where C is the relevant percentage of £20.

- 5.2.3 In respect of each Performance Relevant Supply Meter, if for each of 7 consecutive Days TransCo does not provide to a User a Valid Meter Reading by 11:00 hours on the Day following each such Day, TransCo will pay to the User (subject to paragraph 5.2.4):
- (i) the relevant percentage of £210, and
 - (ii) for each further Day after the 7th for which TransCo fails to provide a Valid Meter Reading by 11:00 hours on the following Day, the relevant percentage of £30.
- 5.2.4 Amounts payable under paragraph 5.2.3 are in addition to and irrespective of any amounts which may become payable in respect of any week under paragraph 5.2.2.
- 5.2.5 In the case of a Shared Supply Meter Point the amount payable to a User pursuant to paragraph 5.2.3 will be the amount specified under that paragraph divided by the number of Sharing Registered Users.

5.3 Relevant percentage

- 5.3.1 For the purposes of this paragraph 5, subject to paragraph 5.3.4, the "**relevant percentage**" is:
- (a) in respect of the period from the date of the Code until 31st August 1996, 50%;
 - (b) in respect of the month of September 1996, 100%;
 - (c) in respect of any subsequent quarter (quarter 'q'):
 - (i) where in respect of quarter q-1 TransCo failed to comply with the relevant aggregate requirement:
 - (1) where quarter q-1 is the quarter ending 30th September 1996, 125%,
 - (2) except as provided in paragraph (1), 112.5%,

of the relevant percentage applicable in respect of quarter q-1;

- (ii) where in respect of quarter q-2 TransCo failed to comply with the relevant aggregate requirement but in respect of quarter q-1 TransCo complied with the relevant aggregate requirement, the relevant percentage applicable in respect of quarter q-1;
- (iii) where in respect of quarters q-1 and q-2 TransCo complied with the relevant aggregate requirement, 87.5% of the relevant percentage applicable in respect of quarter q-1, provided that the relevant percentage shall not be less than 100%.

5.3.2 For the purposes of paragraph 5.3 (as it applies respectively in respect of DMC and non-DMC Performance Relevant Supply Meters):

- (i) the "**relevant aggregate requirement**" in respect of any quarter is the requirement that TransCo should provide to Users in aggregate not less than 90% of the required number of Valid Meter Readings, where the required number is the sum, for each Day in the quarter, of the number of Performance Relevant Supply Meters for Users in aggregate;
- (ii) a "**quarter**" is a period of three calendar months ending 31st December, 31st March, 30th June or 30th September.

5.3.3 For the purposes of determining any amount payable by TransCo to a User under this paragraph 5, the relevant percentage shall be that applicable in respect of the quarter in which the Day for which a Valid Meter Reading is required under paragraph 5.2.1 falls.

5.3.4 The relevant percentage in respect of non-DMC Performance Relevant Supply Meters shall be one half of the percentage determined under paragraph 5.3.1.

5.4 Aggregate payment cap

5.4.1 The relevant aggregate amount payable by TransCo:

- (a) in respect of any annual period shall not exceed whichever is the lesser of:
 - (i) the applicable percentage, ascertained in the last quarter of the annual period, of £24,857,000 (or in respect of the annual period expiring 31st March 1997, of £26,929,000), and
 - (ii) £35,214,000 (or in respect of the annual period expiring 31st March 1997, £38,071,000);
- (b) in respect of any month (month 'n', where n is 1 for the first month in the annual period, 2 is the second such month, and so on) in an annual period shall not exceed the amount (if any) by which the prevailing cumulative monthly cap exceeds the aggregate amounts so payable by TransCo in respect of months 1 to n-1 inclusive (or if month n is month 1, zero).

5.4.2 For the purposes of paragraph 5.4.1:

- (a) the relevant aggregate amount is the aggregate of all amounts (excluding amounts in respect of interest) payable by TransCo to all Users:
 - (i) under this paragraph 5, and

- (ii) until 31st March 1997, under provisions designated as relevant provisions for the purposes of this paragraph (ii) in any Non-Daily Meter Reading Contract;
 - (b) an annual period is a period of 12 months expiring 31st March in any year, except that the period from the date of the Code until 31st March 1997 shall be an annual period;
 - (c) the prevailing cumulative monthly cap (in respect of month n) is the amount calculated as n/12 (or in the case of the annual period expiring 31st March 1997, n/13) of the maximum amount for the annual period determined pursuant to paragraph 5.4.1(a) but on the basis of the applicable percentage ascertained for the quarter in which such month falls;
 - (d) the applicable percentage in respect of any quarter is the amount which would be determined as the relevant percentage in respect of that quarter in accordance with paragraph 5.3 (excluding paragraph 5.3.4) on the basis:
 - (i) that the relevant percentage for the period from the date of the Code to 30th September shall be deemed to be 100%, and that in relation to the quarter commencing 1st October 1996, the reference to quarter q-1 is to the 4 month period ending 30th September 1996;
 - (ii) that references in that paragraph to the relevant percentage in respect of any earlier quarter are to the applicable percentage (in accordance with this paragraph (d)) in respect of that earlier quarter; and
 - (iii) that, subject to paragraph (iv), references to the relevant aggregate requirement are to:
 - (1) the relevant aggregate requirement (in accordance with paragraph 5.3.2(i)) separately in respect of DMC and non-DMC Performance Relevant Supply Meters, and
 - (2) any requirement designated as a relevant aggregate requirement for the purposes of this paragraph (2) in any Non-Daily Meter Reading Contract;
 - (iv) that references in that paragraph to TransCo's failing to comply with the relevant aggregate requirement are to TransCo's failing to comply with two or more of the relevant aggregate requirements (in accordance with paragraph (iii)), and references in that paragraph to TransCo's complying with the relevant aggregate requirement are to be construed accordingly.
- 5.4.3 For the purposes of paragraph 5.4.2 a "**Non-Daily Meter Reading Contract**" is any contract between TransCo and any User for the provision of meter reading services in respect of Non-daily Read Meters.
- 5.4.4 Where in respect of any month the relevant aggregate amount payable by TransCo would exceed the relevant amount provided in paragraph 5.4.1(b), the amounts payable to Users in respect of that month shall be reduced pro-rata.
- 5.5 Disapplication
- 5.5.1 If at any time TransCo shall have delivered a disapplication request pursuant to paragraph 5(1)(a) of Special Condition 9C of the TransCo Licence, or the equivalent provision in any condition of that

Licence which may apply following any modification of that licence, then if TransCo shall give notice to the Director not less (except with the consent of the Director) than 9 months before the disapplication date (as defined in that Condition), this paragraph 5 shall cease to apply with effect from the disapplication date.

5.5.2 If TransCo gives notice under paragraph 5.5.1 it will so inform Users as soon as reasonably practicable after doing so.

5.6 Invoicing and payment

5.6.1 Subject to paragraphs 5.6.2 and 5.6.3, amounts payable by TransCo under this paragraph 5 will be invoiced and payable in accordance with Section S.

5.6.2 Any amount payable by TransCo pursuant to this paragraph 5 will be payable not later than the last Day of the payment month (which date will be the Invoice Due Date in respect of an Invoice Document in respect of any such amounts).

5.6.3 Where (whether or not by reason of the Invoice Document being submitted after such date) TransCo makes payment after the date referred to in paragraph 5.6.2, TransCo will pay interest on the amount payable with effect from such date, provided that until the last Day of the month following the payment month the Applicable Interest Rate shall be the rate under Section S3.6.4(ii).

5.6.4 For the purposes of this paragraph 5.6, the payment month is the month following that in which:

- (i) for the purposes of paragraph 5.2.2, the relevant week fell;
- (ii) for the purposes of paragraph 5.2.3(i), the 7th Day fell;
- (iii) for the purposes of paragraph 5.2.3(ii), the relevant Day fell.

5.6.5 TransCo will provide by way of supporting data with each relevant Invoice Document reasonable details of the basis on which the Invoice Amounts are calculated (not for the avoidance of doubt including details of the calculations of any Compensation Relevant Value in accordance with paragraph 5.7).

5.7 Audit

For the purposes of Section V13 relating to the review by the Compensation Value Auditor of the determination of Compensation Relevant Values:

- (a) the relevant percentage pursuant to paragraph 5.3 is a Compensation Relevant Value;
- (b) the maximum aggregate amounts payable in an annual period and a month pursuant to paragraph 5.4 are Compensation Relevant Values.

SECTION N: SHRINKAGE

1. GENERAL

1.1 Introduction

1.1.1 For the purposes of the Code "**shrinkage**" means gas in the System which is used by TransCo in connection with the operation of, or which is unaccounted for as offtaken from, the System or any part of the System; and where the context admits a reference to shrinkage includes the quantity of such gas.

1.1.2 Shrinkage will be for the account of the Shrinkage Provider in accordance with paragraph 4.

1.1.3 Shrinkage quantities will be determined separately for the NTS and each LDZ.

1.1.4 Shrinkage comprises own use gas in accordance with paragraph 1.3 and unaccounted for gas in accordance with paragraph 1.4.

1.2 Storage shrinkage

The Shrinkage Provider may agree with the Storage Operator to provide gas to the Storage Operator in respect of Storage Shrinkage.

1.3 Own use gas

For the purposes of this Section N own use gas is gas used by TransCo in connection with the operation of the NTS ("**NTS own use gas**") or an LDZ ("**LDZ own use gas**"), including gas used in running compressors, gas used for preheating and vented gas (such venting being counted for the purposes hereof as use by TransCo).

1.4 Unaccounted for gas

1.4.1 For the purposes of this Section N unaccounted for gas is gas which is lost or otherwise not accounted for as offtaken from the NTS ("**NTS unaccounted for gas**") or an LDZ ("**LDZ unaccounted for gas**"), including gas lost or unaccounted for by reason of unidentified theft, error in meter correction and leakage and (in respect of the NTS) CV shrinkage.

1.4.2 Shrinkage shall:

(a) include gas offtaken from the System which has been illegally taken:

(i) upstream of the point of offtake (in accordance with Section J3.7) at any System Exit Point (it being recognised the effect of Standard Condition 24(2) of the TransCo Licence is that the rates of Transportation Charges may reflect the taking of such gas); and

(ii) subject to paragraph (b)(ii), at or at a point downstream of the point of offtake at a System Exit Point, in a case in which TransCo is (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas;

(b) not include gas offtaken from the System:

- (i) except as provided in paragraph (a)(ii), illegally taken at or downstream of the point of offtake at any System Exit Point (but without prejudice to Section E3.6.2 or to any reduction of Transportation Charges pursuant to Standard Condition 24(2) of the TransCo Licence);
- (ii) taken at (or at a point downstream of) the point of offtake, at a Supply Meter Point of which the Registered User has ceased to be a User pursuant to Section V4.3, except in a case where, after the Supply Meter Point has been Isolated, TransCo becomes (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas.

1.5 Determination of shrinkage

1.5.1 In accordance with this Section N, shrinkage will be:

- (i) estimated for each Day (before and after the Day), on the basis of Shrinkage Factors determined before the Day; and
- (ii) subsequently assessed, on the basis of information available after the Day;

and references respectively to estimated and assessed shrinkage shall be construed accordingly.

1.5.2 A "**Shrinkage Factor**" is a factor determined before each Day by which the shrinkage attributable to any gas flow in a part of the System on that Day may be estimated.

1.5.3 The "**Daily Shrinkage Quantity**" is the estimated shrinkage in the NTS or an LDZ on a Day, determined:

- (i) in respect of the NTS as the NTS Shrinkage Factor multiplied by the NTS Daily Quantity Delivered;
- (ii) in respect of an LDZ as the applicable LDZ Shrinkage Factor multiplied by the LDZ Daily Quantity Offtaken.

1.5.4 Differences between assessed shrinkage and estimated shrinkage for any period will (in accordance with the further provisions of this Section N) be taken into account in the Shrinkage Factors for a Day or Days subsequent to that period.

2. NTS SHRINKAGE

2.1 NTS Shrinkage Factor

2.1.1 For the purposes of establishing the Shrinkage Factor ("**NTS Shrinkage Factor**") applicable in respect of the NTS TransCo will estimate:

- (i) each Day, the quantity of NTS own use gas and CV shrinkage on the following Day;
- (ii) by the end of each month, the average daily quantity of NTS unaccounted for gas (other than CV shrinkage) in the following month.

2.1.2 The NTS Shrinkage Factor for a Day will be determined (by reference to expected gas flows in the NTS on the Day) on the basis of the estimates (for that Day or the month in which it occurs) under paragraph 2.1.1 of NTS own-use gas and NTS unaccounted for gas, adjusted in respect of differences (insofar as not taken into account in determining NTS Shrinkage Factors for any earlier Day(s))

between the Daily Shrinkage Quantity and assessed NTS shrinkage for Days in the preceding month as determined under paragraph 2.3.

2.2 Notification of NTS Shrinkage Factor

- 2.2.1 The NTS Shrinkage Factor for the Gas Flow Day will be made available to Users not later than 13:30 hours on the Preceding Day.
- 2.2.2 TransCo will provide to Users:
- (i) not later than 1 September in the Preceding Year, for each month in the Gas Year, a provisional forecast of the NTS Shrinkage Factor to apply in such month;
 - (ii) not later than the last Day of each month, for each Day in the following month, a forecast of the NTS Shrinkage Factor to apply in respect of such Day .
- 2.2.3 The forecasts of NTS Shrinkage Factors under paragraph 2.2.2 are indicative only and will not bind TransCo, the Shrinkage Provider or Users.

2.3 Assessed NTS Shrinkage

- 2.3.1 Assessed NTS shrinkage for a Day will be determined as the NTS Daily Quantity Delivered less the aggregate of the LDZ Daily Input Quantities for each LDZ, the Supply Meter Point Daily Quantities for each NTS Supply Meter Point and the CSEP Daily Quantity Offtaken for each NTS Connected System Exit Point, adjusted by the amount of the change in NTS linepack for the Day.
- 2.3.2 TransCo will assess NTS shrinkage for each Day in each month, and provide to Users details of the average assessed NTS shrinkage for Days in that month, not later than the 15th Day of the following month.

3. LDZ SHRINKAGE

3.1 LDZ Shrinkage Factor

- 3.1.1 Subject to paragraph 3.1.3, for the purposes of establishing the Shrinkage Factor ("**LDZ Shrinkage Factor**") applicable in respect of each LDZ, TransCo will estimate by 1st September in the Preceding Year, the average daily amounts of LDZ own use gas and LDZ unaccounted for gas for that LDZ in the Gas Year.
- 3.1.2 Subject to paragraph 3.1.3, the LDZ Shrinkage Factor for each Day in the Gas Year will be determined (by reference to expected average gas flows in the LDZ on each such Day) on the basis of the estimates under paragraph 3.1.1 of own use gas and unaccounted for gas in the LDZ, adjusted in respect of the difference between the estimated and assessed own-use gas and unaccounted for gas for the 12 month period ending 31st August in the Preceding Year.
- 3.1.3 When TransCo determines that the basis on which it estimates LDZ unaccounted for gas is sufficiently robust to permit its valid estimation more frequently than annually, TransCo will increase (after giving Users not less than 30 Days notice) the frequency with which it estimates LDZ unaccounted for gas, and accordingly reduce the period by reference to which adjustments are made for differences between estimated and assessed LDZ unaccounted for gas.

3.1.4 The LDZ Shrinkage Factors for all or any LDZs may be the same until such time as TransCo determines that the basis on which it estimates shrinkage in the relevant LDZs is sufficiently robust to permit its valid estimation for each LDZ separately.

3.2 Notification of LDZ Shrinkage Factor

3.2.1 Subject to paragraph 3.2.2, the LDZ Shrinkage Factor for each LDZ for the Gas Year will be notified to Users not later than 1st September in the Preceding Year.

3.2.2 Where the frequency of estimation of LDZ Shrinkage Factors is increased under paragraph 3.1.3:

- (i) the LDZ Shrinkage Factor for each LDZ for the Gas Year will be notified to Users on a basis commensurate with such increased frequency;
- (ii) TransCo will provide to Users, not later than 1st September in the Preceding Year, a provisional forecast of the LDZ Shrinkage Factors to apply in the each relevant period in the Gas Year.

3.2.3 The forecast of LDZ Shrinkage Factors under paragraph 3.2.2(ii) are indicative only and will not bind TransCo, the Shrinkage Provider or Users.

3.3 Assessed LDZ Shrinkage

3.3.1 TransCo will assess LDZ shrinkage in each LDZ at intervals of approximately 12 months, on the basis of such historic information as may be available to it, by technical and statistical analysis including extrapolation of sampled information and identification of any long term trends.

3.3.2 The sources of the information referred to in paragraph 3.3.1 include:

- (i) as respects quantities consumed at preheating facilities, meter readings (where such facilities are metered);
- (ii) as respects leakage, assumptions which may be made from measurement of pressure profiles in each LDZ.

3.3.3 Not later than 31st March in each Gas Year TransCo will provide to Users a report setting out in respect of the Preceding Year:

- (i) values (for the whole year and/or on an average daily basis) of assessed LDZ shrinkage for each LDZ together with a summary of the statistics and information from which (as described in paragraph 3.3.1) such values were derived; and
- (ii) a comparison of such assessed values with the values of LDZ shrinkage estimated before the Preceding Year in accordance with paragraph 3.1.

4. ACCOUNTING FOR SHRINKAGE

4.1 Shrinkage Provider

4.1.1 Shrinkage shall be for the account of the Shrinkage Provider (and treated for certain purposes as gas deemed to be offtaken from the System) in accordance with this paragraph 4.

- 4.1.2 For the purposes of the Code, "**Shrinkage Provider**" means TransCo or any person to whom the responsibility for shrinkage has for the time being been assigned in accordance with paragraph 4.1.3.
- 4.1.3 TransCo may (by agreement with such person) assign to any person the responsibility for shrinkage at any time and for any period and upon any terms as to payment or otherwise.
- 4.1.4 Where a person other than TransCo is Shrinkage Provider:
- (a) such person shall be required first to become a User in accordance with Section V2;
 - (b) if such person is or becomes a User for purposes other than those of Shrinkage Provider, it shall (and is hereby permitted to) be a separate User in its capacity as Shrinkage Provider and the provisions of paragraph 4.2 shall apply only in respect of such capacity as Shrinkage Provider.
- 4.2 Shrinkage Provider as User
- 4.2.1 The Shrinkage Provider shall be a User for the purposes of the Code, subject as provided in paragraph 4.2.2.
- 4.2.2 The Shrinkage Provider:
- (a) may purchase gas for delivery to the System in respect of shrinkage on such terms as it thinks fit (including without limitation from the Storage Operator in respect of LNG boil-off);
 - (b) may make Input Nominations and Renominations thereof in accordance with Section C3 and C5;
 - (c) shall make Output Nominations and Renominations in accordance with paragraph 4.4;
 - (d) may make Acquiring Trade Nominations but not Disposing Trade Nominations in accordance with Section C6;
 - (e) shall not be required to apply for or hold System Capacity or pay Capacity Charges or Commodity Charges; and accordingly may deliver gas to the System at System Entry Points and require (in respect of LDZ shrinkage) gas flows at NTS/LDZ Offtakes without incurring Overrun Charges under Section B;
 - (f) may not make Flexibility Bids;
 - (g) subject to paragraph (h), will make or receive payments in respect of Balancing Charges, in accordance with Section F;
 - (h) shall not be required to pay Scheduling Charges in respect of Output Nominations, nor to pay Balancing Neutrality Charges, Reconciliation Neutrality Charges or Top-up Neutrality Charges.
- 4.2.3 The Shrinkage Provider may apply for and hold Storage Capacity and have gas-in-storage in accordance with Section R, but may not make Storage Gas Transfers as Transferor Storage User.
- 4.2.4 For the avoidance of doubt, TransCo may not accept any Flexibility Bid for the purposes of buying or selling gas for the account of the Shrinkage Provider.

4.3 Shrinkage offtake

- 4.3.1 For the purposes of determining the Shrinkage Provider's Daily Imbalance in respect of any Day in accordance with Section E, the Daily Shrinkage Quantities for that Day shall be treated as quantities offtaken by the Shrinkage Provider (and accordingly shall be deemed to be UDQOs for the purposes of that Section E).
- 4.3.2 In accordance with paragraph 4.3.1, the Shrinkage Provider's Daily Imbalance for a Day will not take account of differences between estimated and assessed shrinkage (which will be taken into account by adjustment of Shrinkage Factors subsequently applicable in accordance with paragraphs 2 and 3).
- 4.3.3 For the purposes of Renominations (under Section C5) and Daily Imbalance Charges (under Section F2) the quantities treated as offtaken by the Shrinkage Provider shall be treated as though they were offtaken at NDM Supply Point Components.

4.4 Shrinkage Output Nominations

- 4.4.1 Subject to paragraph 4.4.2, Output Nominations and Renominations for the Shrinkage Provider will be made for the Shrinkage Provider by TransCo.
- 4.4.2 For each Day, there will (notwithstanding Section C) be a single Output Nomination for the System as a whole for the Shrinkage Provider.
- 4.4.3 The Nomination Quantity under each such Output Nomination will be the sum of:
- (i) Forecast Total System Demand, less the aggregate of the Nomination Quantities under Input Nominations in respect of LDZ System Entry Points, multiplied by the NTS Shrinkage Factor, and
 - (ii) for each LDZ, Forecast LDZ Demand multiplied by the relevant LDZ Shrinkage Factor
- at the relevant Demand Forecast Time.

4.5 Storage Shrinkage

The quantities offtaken by the Shrinkage Provider, and the Shrinkage Provider's Output Nominations, at Storage Connection Points in respect of Storage Shrinkage, are additional to those referred to in paragraphs 4.3 and 4.4.

SECTION O: SYSTEM PLANNING

1. GENERAL

1.1 Introduction

1.1.1 Each year TransCo will publish assumptions and information in respect of supply and demand for gas, and in respect of the System and its use, in accordance with the requirements of the TransCo Licence.

1.1.2 TransCo needs Users to provide (and cooperate in the provision of) information to TransCo for the purposes of enabling TransCo:

- (i) to comply with its obligations pursuant to the Act and the TransCo Licence in relation to the development of the System, and
- (ii) to prepare and publish the assumptions and information referred to in paragraph 1.1.1 and otherwise contemplated under this Section O.

1.1.3 The information to be provided by Users pursuant to this Section O shall be treated as having been requested by TransCo for the purposes of Standard Condition 8(1) of the Shipper's Licence.

1.1.4 Pursuant to paragraph 1.1.3, to the extent that a User is required by virtue of Standard Condition 8(1) of the Shipper's Licence to comply with any requirement for information to be provided to TransCo under this Section O, this Section O does not create an additional obligation for the User to provide such information.

1.2 Base Plan Assumptions and Ten Year Statement

1.2.1 Each year TransCo will publish Base Plan Assumptions and subsequently the Ten Year Statement in accordance with paragraphs 3 and 4.

1.2.2 "**Base Plan Assumptions**" is a document setting out initial assumptions as to supply and demand in Gas Years and requesting information from Users and other persons.

1.2.3 The "**Ten Year Statement**" is a document containing:

- (i) the statement (or revised statement) required to be prepared by TransCo pursuant to Standard Condition 12 of the TransCo Licence and any direction of the Director pursuant thereto; and
- (ii) further information which may be required for the purposes of the Code (in particular, Section P) or which TransCo may decide to include in such document.

1.2.4 Where the context admits, any reference in the Code to the Ten Year Statement is a reference to the most recently published such statement at any time, and a reference to the Ten Year Statement applicable to a particular Gas Year is to the statement for which (in accordance with paragraph 1.4) such year is year 0.

1.3 Status of planning documents

TransCo will not be liable pursuant to the Code to any User in relation to any estimate, forecast or other information contained in or omitted from the Base Plan Assumptions or Ten Year Statement, and nothing contained therein will bind TransCo to undertake any reinforcement of the System.

1.4 Planning years

For the purposes of this Section O, in relation to the planning activities undertaken in accordance with this Section O in any year, year 0 is the Gas Year in which such activities are being undertaken, year 1 is the immediately following Gas Year and years 2 to 9 are the following 8 Gas Years, and years -1 to -3 are the three Gas Years preceding year 0.

2. SUPPLY AND DEMAND

2.1 Demand

2.1.1 For the purposes of this Section O references to demand exclude demand for gas offtaken to Storage Facilities, but include demand for gas offtaken to Connected Offtake Systems other than Storage Facilities.

2.1.2 Except in paragraph 3.2, references in this Section O to demand are inclusive of shrinkage.

2.1.3 For the purposes of this Section O:

- (a) demand may be estimated on different assumptions as to the inclusion or exclusion of and the nature of interruptible demand (for these purposes being demand under contracts of sale or supply which permit the interruption of the supply of gas);
- (b) where TransCo publishes or requests information as to estimated demand it may specify the assumptions (or alternative assumptions) as to interruptible demand on which such estimates are made or to be made.

2.1.4 For the purposes of determining System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, peak day demand excludes interruptible demand, and annual demand excludes interruptible demand on Days of permitted Interruption (within the Interruption Allowance) in the period from 1st October to 31st March.

2.2 Supply

2.2.1 For the purposes of this Section O, in respect of any Gas Year, in relation to the System or any System Entry Point "**maximum daily supply**" is the maximum availability of gas for supply on one Day in that year; where availability of gas for supply is the quantity of gas that can be delivered on a Day to the System at a System Entry Point or System Entry Points, other than from Storage Facilities.

2.2.2 For the purposes of paragraph 2.2.1:

- (a) availability of gas for supply in any year may be estimated on assumptions which include, in addition to contractual commitments as to the supply of gas, assumptions as to such commitments expected to be made before or during the year, and/or supplies of gas expected to be available on a spot basis during such year, and/or sources of gas expected to be developed before or during such year;

- (b) where TransCo publishes or requests information as to estimated availability of gas for supply it may specify the assumptions (or alternative assumptions) on which such estimates are made or to be made.

2.3 TransCo sources of information

Except as provided in the Code, TransCo is not party to any agreement for the sale of gas offtaken from the System, or the purchase of gas delivered to the System; and accordingly TransCo depends on the information provided by persons who are party to such agreements, and on other sources of information (including any information requirements under Network Entry Agreements and Network Exit Agreements, and TransCo's historic records), in estimating under this Section O demand and availability of gas for supply.

3. BASE PLAN ASSUMPTIONS

3.1 Publication and content

3.1.1 In October of each year (year 0), TransCo will publish for consultation the Base Plan Assumptions, and invite comments from Users and others thereon in accordance with paragraph 3.2.

3.1.2 The Base Plan Assumptions will typically include:

- (a) details for each of years -3 to -1 of actual peak day demand:
 - (i) for the System as a whole, and
 - (ii) for System Exit Points in accordance with paragraph 3.1.3;
- (b) estimates for each of years 0 to 9 (or for certain of such years) of:
 - (i) System 1-in-20 peak day demand and System seasonal normal annual demand, upon each of the demand growth assumptions under paragraph (e) below, and
 - (ii) 1-in-20 peak day demand for System Exit Points in accordance with paragraph 3.1.3;
- (c) estimates for each of years 0 to 9 (or for certain of such years) of maximum daily supply for the System as a whole, by System Entry Point, and the assumptions (in accordance with paragraph 2.2.1) on which such estimates were made;
- (d) an estimate for year 1 of the amounts by which maximum daily supply falls short of System 1-in-20 peak day demand;
- (e) different assumptions (high, low and central) as to overall growth in demand for gas in years 0 to 9 or certain of such years;
- (f) the principal economic and other assumptions made by TransCo in preparing such estimates;
- (g) a reference date for the making of estimations of demand.

3.1.3 The details or estimates in respect of System Exit Points under paragraphs 3.1.2(a)(ii) and (b)(ii) will be given:

- (i) in respect of LDZ Supply Points, on an aggregated basis by LDZ;

- (ii) in respect of NTS Supply Points, on an aggregated basis for the System as a whole;
- (iii) in respect of each Connected System Exit Point separately (but not for Storage Connection Points).

3.2 User information requirements

3.2.1 Each User shall provide to TransCo, by the date (not less than one month after the Base Plan Assumptions were published) and in the format specified in the Base Plan Assumptions:

- (i) estimates for years 1 to 3 of 1-in-20 peak day demand and seasonal normal annual demand at Supply Points of which it is the Registered User and (as respects demand for gas attributable to it) at Connected System Exit Points other than Storage Connection Points;
- (ii) such estimates for years 1 to 3 of availability of gas for supply (in accordance with paragraph 2.2.1) to such User, upon such assumptions (as referred to in paragraph 2.2.2), as may be required pursuant to the Base Plan Assumptions;
- (iii) such further information as may reasonably be requested by TransCo under the Base Plan Assumptions.

3.2.2 The information required under paragraph 3.2.1 is to be provided:

- (i) as respects LDZ Supply Points, for each LDZ, on an aggregated basis by reference to bands of demand (specified by TransCo) at Firm Supply Points, and on an aggregated basis for Interruptible Supply Points;
- (ii) as respects NTS Supply Points and Connected System Exit Points, by System Point;
- (iii) as respects availability of gas for supply, by Aggregate System Entry Point;

and on such basis of estimation or otherwise as may be specified in the Base Plan Assumptions.

3.2.3 Subject to paragraph 3.2.4, in order to ensure consistency of information provided to TransCo and to avoid duplication in estimation of demand, a User's estimates of demand are to be in relation to Supply Points in respect of which the User is Registered User and other sources of demand as at the reference date specified (pursuant to paragraph 3.1.2(g)) in the Base Plan Assumptions, and Users should not take into account anticipated changes in their portfolios of Supply Points or in market share, other than as respects new loads in accordance with paragraph 3.2.4;

3.2.4 In providing estimates and information under paragraph 3.2.1(i) each User will be required in particular to provide information in relation to the new sources of demand of the User such as new residential, commercial or industrial developments, and to indicate the extent to which the User has secured or expects to secure contractual commitments for the sale of gas in connection with such developments.

3.2.5 References to demand in this paragraph 3.2 are exclusive of shrinkage.

3.3 Confidential information

3.3.1 TransCo and Users acknowledge that Users will be required under paragraph 3.2.1 to provide information which may be commercially sensitive vis-à-vis other Users.

- 3.3.2 Where the Base Plan Assumptions specify the form in which information provided to TransCo pursuant thereto is to be published, a person providing information pursuant thereto will be deemed to have consented to the publication by TransCo of such information in such form unless such person expressly notifies TransCo otherwise.
- 3.3.3 Subject to paragraph 3.3.2 and to TransCo's duties under the TransCo Licence and the Act, and except where any such person consents thereto, TransCo agrees that the Base Plan Assumptions or the Ten Year Statement will not identify by name any particular Users nor (insofar as any User shall have provided information to TransCo relating to such person) any supplier, consumer or person producing or selling gas before its delivery to the System.

3.4 Information requested under Licence

If a User intends, pursuant to Standard Condition 8(2) of the Shipper's Licence, to refuse to provide any item of information requested by TransCo, the User undertakes promptly:

- (i) to inform TransCo of such intention;
- (ii) if requested by TransCo, to discuss with TransCo whether there is a form in which the information can be provided or alternative information which can be provided;
- (iii) if requested by TransCo, to refer or cooperate with TransCo in referring its refusal to the Director for determination under that Licence Condition.

3.5 Information from other persons

- 3.5.1 Subject to paragraph 3.5.2, each User will, in so far as lies within its power, cooperate with and provide reasonable assistance to TransCo in obtaining information requested under the Base Plan Assumptions from persons not bound by the Code, including Delivery Facility Operators in respect of Connected Delivery Facilities at Aggregate System Entry Points and Offtake System Operators in respect of Connected Offtake Systems at Connected System Exit Points at which the User holds capacity, persons from whom the User has contracted to purchase gas, suppliers to whom the User has contracted to sell gas and consumers who are customers of such suppliers or of the User directly.
- 3.5.2 Users will not be required pursuant to paragraph 3.5.1 to incur significant expenditure or to infringe any obligation of confidentiality or other obligation, and will not (by virtue of anything done pursuant to that paragraph) be responsible for any information provided by any person (other than a User) referred to in that paragraph.

4. TEN YEAR STATEMENT

4.1 Publication and content

On the basis of the information provided by Users, other responses to the Base Plan Assumptions and other information available to it, TransCo will prepare and by 31st March or such other date as may be required pursuant to the TransCo Licence in year 0 publish the Ten Year Statement.

4.2 Top-up details

- 4.2.1 The Ten Year Statement will set out, in addition to all other information which may be contained therein, estimates for year 1 of:

- (i) System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, and
- (ii) maximum daily supply for the System as a whole,

which will be the values thereof used for the purposes of the Code (including those of Section P).

- 4.2.2 The Ten Year Statement will state the assumptions as to interruptible demand (in accordance with paragraph 2.1.3) and availability of gas for supply (in accordance with paragraph 2.2.2) made for the purposes of the estimates made pursuant to paragraph 4.2.1.
- 4.2.3 Without prejudice to the generality of paragraph 4.2.2, the Ten Year Statement will include assumptions as respects demand and supply at any System Point at which an interconnector (connecting the System with a pipeline system in another country) is connected to the System.
- 4.2.4 In the event that the Ten Year Statement is published after the date by which the estimates under paragraph 4.2.1 are required for the purposes of Section P, TransCo will publish such estimates in advance of the Ten Year Statement (and references in Section P to the Ten Year Statement shall be construed accordingly).

SECTION P: TOP-UP STORAGE

1. GENERAL

1.1 Introduction

- 1.1.1 In each Storage Year TransCo will take the steps described in this Section P for the purposes of supplementing the amounts of Storage Capacity and gas-in-storage held by Users, and the quantities of gas withdrawn from Storage Facilities by Users, in the circumstances and to the extent set out in this Section P.
- 1.1.2 In this Section "**Top-up Manager**" means TransCo when performing its functions under this Section P.
- 1.1.3 Unless the context otherwise requires, references in this Section P to Storage Facilities are to BG Storage Facilities.

1.2 The Top-up Manager as Storage User

- 1.2.1 Subject to paragraph 1.2.2, the Top-up Manager will be a User in respect of Storage Facilities for the purposes of Section R; and in particular the Top-up Manager:
- (i) will apply for and hold Storage Capacity in, and inject and withdraw gas to and from Storage Facilities,
 - (ii) will make Storage Gas Transfers, and
 - (iii) will incur and pay Storage Charges
- in accordance with that Section R.
- 1.2.2 The general provisions of Section R are modified in respect of their application to the Top-up Manager as therein provided and as follows:
- (a) the requirements of Section R3 as to timing and approval of applications for Storage Capacity, and notice required of changes to injection quantities, shall not apply to the Top-up Manager;
 - (b) Storage Overrun Charges will not be payable by the Top-up Manager in respect of injection to a Storage Facility outside the Injection Period;
 - (c) the Top-up Manager may surrender Storage Capacity in accordance with paragraph 4.4.
- 1.2.3 Where the Top-up Manager applies for Storage Capacity in a Storage Facility for which applications were by way of tender on the basis of price, the Top-up Manager will pay Storage Capacity Charges on the basis of the late-booking rates under Section R3.1.3(vi).
- #### 1.3 The Top-up Manager as System User
- 1.3.1 The Top-up Manager will be a User for the purposes of the Code in respect of the System; and in particular the Top-up Manager:

- (i) will apply for and hold System Entry Capacity at System Entry Points (subject to paragraph 1.3.2) and NTS Exit Capacity at Storage Connection Points in accordance with Section B;
 - (ii) will make Nominations in accordance with Section C;
 - (iii) may make Acquiring Trade Nominations in accordance with Section C;
 - (iv) will make Top-up Flexibility Bids (in accordance with paragraph 5);
 - (v) will pay and receive Balancing Charges under Section F;
 - (vi) may make System Capacity Trades (where it has made a Top-up Storage Transfer).
- 1.3.2 The Top-up Manager may elect to hold System Entry Capacity at Storage Connection Points for the purposes of Top-up Flexibility Bids, or not to hold such capacity (and accordingly to be required to pay Flexibility Overrun Charges in accordance with Section B2.5 on acceptance of any Top-up Flexibility Bid made by it), or to do each in part.
- 1.3.3 The Top-up Manager will not pay or receive Balancing Neutrality Charges, Reconciliation Neutrality Charges or (in its capacity as User) Top-up Neutrality Charges.
- 1.4 Top-up Storage Facilities
- A Storage Facility in which the Top-up Manager for the time being holds Storage Capacity or has gas-in-storage is a "**Top-up Storage Facility**".
- 1.5 Top-up information
- 1.5.1 The Top-up Manager shall have access to full details of the use of Storage Facilities by all Users.
- 1.5.2 In particular, the Storage Operator will provide to the Top-up Manager:
- (i) not later than 31st March in the Preceding Storage Year, details of the amounts of Storage Capacity allocated to Users at each Storage Facility for the Storage Year pursuant to applications under the Annual Storage Invitation;
 - (ii) on a daily basis throughout the Storage Year, details in respect of each Storage Facility of each User's Registered and Available Storage Capacity, injections, withdrawals and gas-in-storage.
- 1.5.3 Each User authorises the Storage Operator to disclose information to the Top-up Manager in accordance with this paragraph 1.5 and authorises the Top-up Manager to use such information for the purposes contemplated by this Section P.
2. TOP-UP REQUIREMENTS
- 2.1 Total storage requirements
- 2.1.1 For each Storage Year the Top-up Manager will determine, and not later than 30th April in the Preceding Storage Year notify to Users:
- (i) the Stored Gas Requirement and the Storage Deliverability Requirement; and

(ii) for each Day in the Winter Period the Remaining Stored Gas Requirement.

2.1.2 For the purposes of this Section P, for each Storage Year:

- (i) the "**Stored Gas Requirement**" is the amount (in kWh) of annual demand represented by the area under the 1-in-50 load duration curve (as described in Section W2.6.4(iv)) above the level of demand equal to maximum daily supply (in accordance with Section O2.2) for the Gas Year commencing 1st October in such Storage Year;
- (ii) the "**Storage Deliverability Requirement**" is the amount (in kWh/Day) by which System 1-in-20 peak day demand exceeds estimated maximum daily supply (in accordance with Section O2.2) for the Gas Year commencing 1st October in such Storage Year;
- (iii) the "**Constrained LNG Requirement**" in respect of a Constrained LNG Facility is the amount of Storage Space (as shown in the Annual Storage Invitation) which TransCo estimates is required with a view to avoiding a Transportation Constraint arising in the Constrained LDZ(s) on any Day the basis of demand not exceeding 1-in-20 peak day demand at System Exit Points (other than Interruptible Supply Points) in such LDZ(s).

2.1.3 The "**Remaining Stored Gas Requirement**" in respect of a Day in the Winter Period is the amount by which estimated remaining 1-in-50 Severe Annual Demand exceeds remaining maximum annual supply, each determined for the period of the Gas Year remaining after such Day (and not for the year as a whole) and (as respects demand) otherwise in accordance with the methodology referred to in Section W2.6.6 and (as respects supply) on the basis of a profile of availability of gas for supply at different times in the year.

2.2 Top-up storage requirements

2.2.1 After the Storage Operator has allocated Storage Capacity for a Storage Year to TransCo for Systems Margins purposes and Users pursuant to the Annual Storage Invitation, the Top-up Manager will determine:

- (i) whether, and if so the amount (the "**Top-up Constrained Space Requirement**") by which, Allocated Storage Space in each Constrained LNG Facility is less than the Constrained LNG Requirement;
- (ii) whether, and if so the amount (the "**Top-up Deliverability Requirement**") by which, the sum of Allocated Storage Deliverability in all Storage Facilities (excluding the Storage Deliverability associated with the Top-up Constrained Space Requirement(s), if any) is less than the Storage Deliverability Requirement;
- (iii) whether, and if so the amount (the "**Further Top-up Space Requirement**") by which, the sum of Allocated Storage Space in all Storage Facilities and the Top-up Constrained Space Requirement(s) (if any) is less than the Stored Gas Requirement;
- (iv) the amount (the "**Top-up Space Requirement**") of the sum of the Top-up Constrained Space Requirement and the Further Top-up Space Requirement.

2.2.2 For the purposes of paragraph 2.2.1, subject to paragraph 2.2.4, in respect of each Storage Facility:

- (i) "**Allocated Storage Space**" is the aggregate amount of Storage Space, other than under Interruptible Storage Capacity,

- (ii) "**Allocated Storage Deliverability**" is the aggregate amount of Storage Deliverability allocated to Users for the Storage Year pursuant to applications under the Annual Storage Invitation, other than to TransCo for Operating Margins Purposes or (subject to paragraph 2.2.3) Balancing Margins Purposes, and excluding Special Storage Capacity.
- 2.2.3 Storage Capacity allocated to TransCo for Balancing Margins Purposes may be included in Allocated Storage Space and/or Allocated Storage Deliverability if and to the extent so specified in the Ten Year Statement (subject to Section O4.2.3) for the relevant year.
- 2.2.4 For the purposes of paragraph 2.2.2 capacity allocated to Users in Storage Facilities other than BG Storage Facilities will be taken into account to the extent that, having regard to the characteristics of such capacity and terms on which it is to be held (and insofar as such characteristics and terms have been made known to or are reasonably ascertainable by the Top-up Manager such capacity may in the Top-up Manager's reasonable judgement be considered to contribute to meeting the Stored Gas Requirement or (as the case may be) Storage Deliverability Requirement.
- 2.3 Top-up Storage Capacity
- 2.3.1 Subject to paragraphs 2.3.2 and 2.4.2 the Top-up Manager will not later than 1st May in the Storage Year apply for and will be registered as holding:
- (i) Storage Space in Storage Facilities equal in aggregate to the Top-up Space Requirement; and
 - (ii) Storage Deliverability in Storage Facilities equal in aggregate to the Top-up Deliverability Requirement.
- 2.3.2 In the event that at the date of the Top-up Manager's application:
- (i) the aggregate for all Storage Facilities of the Uncommitted Storage Space is less than the Top-up Space Requirement, or
 - (ii) the aggregate for all Storage Facilities of the Uncommitted Storage Deliverability is less than the Top-up Deliverability Requirement
- the Storage Space or (as the case may be) Storage Deliverability which the Top-up Manager will be registered as holding under paragraph 2.3.1 in each Storage Facility will be equal to the Uncommitted Storage Space or Uncommitted Storage Deliverability.
- 2.3.3 To the extent that there is a Top-up Space Requirement independent of the Top-up Deliverability Requirement, the Top-up Manager may apply for Interruptible Storage Space.
- 2.3.4 Where between the Invitation Close Date and the date when the Top-up Manager applies for Storage Capacity, any User applies for and is registered as holding Storage Capacity, paragraph 4.4 will apply.
- 2.4 Top-up Storage Facilities
- 2.4.1 The Top-up Manager will select the Storage Facilities in which it applies for Storage Capacity:
- (a) in accordance with Top-up Constrained Space Requirements, if any;
 - (b) subject to paragraph (a), and having regard to paragraph 2.3.3:

- (i) with a view to maximising the quantities of gas subject to Storage Gas Transfers made in favour of the Top-up Manager in respect of Relevant Residual Gas by TransCo for System Margins Purposes in accordance with Section K4.3; and
 - (ii) as to any remaining amount of Storage Capacity required (to meet the Top-up Space Requirement and Top-up Deliverability Requirement) after giving effect to paragraph (i), having regard to the Storage Capacity Charge Rates in respect of each Storage Facility, with a view (insofar as reasonably practicable and subject to the amount of Uncommitted Storage Capacity in each facility) to its holding in aggregate Storage Capacity, as to such remaining amount, for the lowest aggregate Storage Space Charges and Storage Deliverability Charges (ascertained as at the date of its application).
- 2.4.2 The Top-up Manager may apply for and hold Storage Capacity in excess of, but (subject to paragraph 2.3.2) not less than the Top-up Space Requirement or the Top-up Deliverability Requirement, but only to the extent that (having regard to the requirements of Section R2.4 as to Storage Duration) the objective under paragraph 2.4.1(b)(ii) is thereby secured.
- 2.5 Closing and opening top-up gas
- 2.5.1 The provisions of Sections K4.3 and K4.4 apply in respect of gas-in-storage held by the Top-up Manager at the end of the Storage Year.
- 2.5.2 For the purposes of this Section P, at the start of each Storage Year, in respect of each Top-up Storage Facility:
 - (i) the "**Closing Top-up Gas**" is the amount (if any) of the Top-up Manager's gas-in-storage at the end of the Preceding Storage Year;
 - (ii) the "**Carry-over Top-up Gas**" is the lesser of the amount of the Closing Top-up Gas and the amount (if any) of Storage Space allocated to the Top-up Manager for the Storage Year;
 - (iii) the "**Opening Top-up Gas**" is the sum of the amount of the Carry-over Top-up Gas and the amount of gas-in-storage subject to any Storage Gas Transfer made in favour of the Top-up Manager pursuant to Section K4.3.
- 2.5.3 A payment in respect of the Closing Top-up Gas (by reference to the amounts received by the Top-up Manager pursuant to the provisions referred to in paragraph 2.5.1, and the value at the relevant Top-up WACOG at the end of the Storage Year of the Carry-over Top-up Gas) will be made to Users pursuant to paragraphs 6.3 and 6.4.
- 2.5.4 The Opening Top-up Gas will be carried forward into the Storage Year for the purposes of this Section P.
- 2.6 Notification of Top-up Requirements
- 2.6.1 The Top-up Manager will not later than 31st May in the Storage Year:
 - (i) notify to Users the Top-up Space Requirement and the Top-up Deliverability Requirement, and the basis of calculation thereof;
 - (ii) notify to Users the Storage Capacity held by it in each Storage Facility, and the basis of calculation thereof;

- (iii) in the circumstances in paragraph 2.3.2 and on the basis of the amounts of Storage Capacity it was registered as holding under that paragraph, estimate and notify to Users revised supply security levels.
- 2.6.2 For the purposes of paragraph 2.6.1 the supply security level is the severity of weather conditions in which (for the System as a whole) peak day demand would exceed maximum daily supply, or annual demand would exceed maximum annual supply, expressed as the number of years in one only of which would demand so exceed supply, on the basis of the methodology referred to in Section W 2.6.6 and on such other assumptions as may have been specified in the Ten Year Statement.
- 2.6.3 If the circumstances in paragraph 2.3.2 apply in respect of any Storage Year, all references in this Section P (as it applies in respect of such year) to the Top-up Space Requirement, the Top-up Deliverability Requirement and the Remaining Stored Gas Requirement shall be construed on the basis of the revised supply security levels estimated under paragraph 2.6.1(iii).
- 2.7 Procurement
- 2.7.1 The Top-up Manager will in or before the Storage Year make such arrangements ("**Top-up Gas Procurement Arrangements**") for the procurement of gas (in excess of the Opening Top-up Gas) for injection into the Storage Space allocated to it under paragraph 2.3 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability to the Top-up Manager of gas, the need to secure injection in accordance with the injection rules of Section R, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section P.
- 2.7.2 In particular the Top-up Manager may (with a view to meeting the objectives in paragraph 2.7.1):
- (i) contract with Users or others for the purchase of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
 - (ii) contract for the purchase of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over a period (subject to paragraph (v)) of up to 12 months, and/or on a spot basis;
 - (iii) conduct a tender for the award of a contract under paragraph (ii) (the terms of which need not require the Top-up Manager to accept the lowest-priced or any offer where in its reasonable opinion a prudent purchaser of gas in comparable circumstances would not do so);
 - (iv) make Acquiring Trade Nominations on any terms as to payment and quantity;
 - (v) make Storage Gas Transfers (as Transferee Storage User) on terms requiring payment and/or requiring the Top-up Manager to make a corresponding Storage Gas Transfer (as Transferor Storage User) by the end of the relevant Storage Year or (to the extent of and in place of a Storage Gas Transfer it would otherwise make under Section K4.3 or K4.4) in the following Storage Year, and upon any other terms as to payment and quantity;
 - (vi) where permitted under this Section P, make Storage Injection Nominations for a Day without delivering gas to the System or making an Acquiring Trade Nomination.

2.7.3 Without prejudice to paragraph 2.7.4, in accordance with Section K4.6.4 the Top-up Gas Procurement Arrangements may be integrated with Margins Gas Procurement Arrangements and the arrangements made (in accordance with Section N4.2.2) by the Shrinkage Provider for the purchase of gas.

2.7.4 The Top-up Manager will make its Top-up Gas Procurement Arrangements for material quantities of gas under paragraph 2.7.1 on the basis in paragraph 2.7.2(iii) where reasonably feasible in the circumstances (and having regard to the time or times for delivery of such gas); and in any case where such arrangements are not made on such basis agrees to inform Users of the circumstances in which its arrangements were not so made.

2.8 Effect of termination

Where at any time in any Storage Year a User registered as holding Storage Capacity ceases to be a User pursuant to Section V4.3, the Top-up Manager will endeavour to assess whether there is any resulting impact on the determinations made under paragraph 2.2, and to the extent of any such impact may (where it is able to do so) apply for additional Storage Capacity and/or modify the Top-up Gas Procurement Arrangements accordingly.

2.9 Interruptibles switching to Firm

2.9.1 Where Interruptible Supply Points are redesignated as Firm (pursuant to any provision of Section G6) with effect from any date from 1st April in the Preceding Storage Year up to and including 1st October in the Storage Year:

(a) the Top-up Manager will redetermine the Stored Gas Requirement and the Stored Deliverability Requirement on the basis of revised estimates of System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, taking account of such redesignation;

(b) the Top-up Manager will:

(i) to the extent that there is Uncommitted Storage Capacity and (in the opinion of the Top-up Manager) it will be feasible during the remainder of the Injection Period to procure and inject quantities of gas to fill such additional Storage Space, revise the Top-up Space Requirement and the Top-up Deliverability Requirement in accordance with the redetermined amounts under paragraph (a);

(ii) to the extent that it does not revise the Top-up Space Requirement and the Top-up Deliverability Requirement under paragraph (i), estimate and notify to Users revised supply security levels (in accordance with paragraph 2.6.2).

2.9.2 With effect from any revision by the Top-up Manager of the Top-up Space Requirement and the Top-up Deliverability Requirement in accordance with paragraph 2.9.1(b)(i), references in this Section P to such requirements shall be to such revisions thereof.

2.9.3 Where with effect after 1st October in the Storage Year, Interruptible Supply Points are redesignated as Firm (pursuant to any provision of Section G6):

(i) the Top-up Manager will not revise any of its estimates under this Section P;

(ii) after the time at which the aggregate Supply Point Capacity held by Users in aggregate at Supply Point Components of the Supply Points which have been so redesignated (or are subject to a notification of such redesignation with effect from a date before 1st April in the

Storage Year) is not less than 1,000,000 kWh/Day, the Top-up Manager will so notify TransCo;

- (iii) where the Top-up Manager notifies TransCo under paragraph (ii), subject to paragraph (iv), no further redesignation pursuant to Section G6.3 of any Interruptible Supply Point as Firm will be permitted with effect from any date before 1st April of that Storage Year (but without prejudice to any redesignation pursuant to Section G6.9);
- (iv) the Top-up Manager may in its discretion permit further such redesignation if in its opinion at the time the Remaining Gas-in-Storage (in accordance with paragraph 3.4.2) at the time exceeds the Remaining Stored Gas Requirement by an appropriate margin.

3. TOP-UP INJECTION

3.1 Basic injection

The Top-up Manager will arrange its injections (in accordance with Section R5) in respect of Storage Space allocated to it under paragraph 2.3.1(i) (after taking account of Opening Top-up Gas and any Top-up Gas Procurement Arrangement under paragraph 2.7.2(v)) on such basis as it shall in its discretion determine having regard to:

- (i) the requirement to secure injection of quantities in aggregate equal to its Storage Space,
- (ii) the injection rules under Section R5;
- (iii) the extent to which it has (under paragraph 2.7.2) chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (iv) any differences in the rates of injection charges at different times in the relevant injection periods.

3.2 Additional Top-up injection

3.2.1 The Top-up Manager will, on each relevant Day (the "**review day**"), review the details provided by the Storage Operator under paragraph 1.5 and determine in respect of each Storage Facility:

- (i) the amount (the "**Outstanding Injection Requirement**") by which the Stored Gas Requirement exceeds the Aggregate Stored Gas on the Day preceding the review day;
- (ii) whether, and if so the amount (the "**Imminent Top-up Injection Requirement**" or as the case may be "**Actual Top-up Injection Requirement**") by which, the Outstanding Injection Requirement exceeds the Relevant Remaining Injectable Quantity.

3.2.2 For the purposes of paragraph 3.2.1, in respect of each Storage Facility:

- (a) a relevant Day is one Day each week from 1st May until the last Day of the Storage Injection Period, or for so long as the Top-up Manager has determined that there is an Imminent Top-up Injection Requirement, every Day;
- (b) the "**Aggregate Stored Gas**" on a Day is the aggregate gas-in-storage of all Users and the Top-up Manager (after taking account of all injections and withdrawals) other than gas-in-storage held by TransCo for Operating Margins Purposes or (subject to paragraph 2.2.3)

Balancing Margins Purposes , or (in the case of the Rough Facility) held by Users under Interruptible Storage Capacity, or held under Special Storage Capacity;

- (c) the "**Relevant Remaining Injectable Quantity**" is the aggregate of the amounts determined by multiplying the Facility Injection Rate by the number of Days which is less than the number of Programmed Injection Days remaining (starting with the Day after the review day) in the Injection Period by:
 - (i) for the purposes of an Imminent Top-up Injection Requirement, 7 Days;
 - (ii) for the purposes of an Actual Top-up Injection Requirement, 2 Days.

3.2.3 Where under paragraph 3.2.1 there is on a review day an Imminent Top-up Injection Requirement (but not an Actual Top-up Injection Requirement), the Top-up Manager will:

- (i) notify by telephone or facsimile those Users to whom the condition in paragraph 3.2.4 applies and advise them of the Imminent Top-up Injection Requirement (with a view to such Users seeking if they so wish to bring forward their injections into any Storage Facility); and
- (ii) insofar as it is reasonably practicable to do so consistent with its Top-up Gas Procurement Arrangements and its User Injection Rate (and at such additional cost if any as the Top-up Manager may determine appropriate), bring forward its own injections into each Top-up Storage Facility to the extent it has unfilled Storage Space.

3.2.4 The condition referred to in paragraph 3.2.3(i) is that if the User were to make no injections for 7 Days the User would need to inject at a rate in excess of its User Injection Rate in order to fill its Available Storage Space.

3.2.5 Subject to paragraph 3.7, where the Top-up Manager determines under paragraph 3.2.1 on a review day that there is an Actual Top-up Injection Requirement (irrespective of whether there was an Imminent Top-up Injection Requirement on any earlier Day), the Top-up Manager will:

- (i) make Storage Injection Nomination(s) for Nomination Quantity(ies), and/or
- (ii) increase the Nomination Quantity(ies) under Storage Injection Nomination(s) which it would otherwise have made by amount(s),

equal in aggregate to the amount of the Actual Top-up Injection Requirement.

3.3 Top-up withdrawals during injection periods

3.3.1 Subject to paragraph 3.7, if before the end of the Injection Period in respect of any Storage Facility gas is withdrawn from a Storage Facility upon acceptance of a Top-up Flexibility Bid, the Top-up Manager will, on the next Day or Days (if any) within such Injection Period on which no such bid is accepted, make a Storage Injection Nomination (including a Renomination) in respect of the facility for a quantity or quantities in aggregate on all such Days not exceeding the quantity withdrawn.

3.3.2 Where paragraph 3.3.1 applies and by the end of the Injection Period the quantity injected by the Top-up Manager is less than the quantity withdrawn (as therein referred to), the deficiency will be dealt with as a Winter Top-up Injection Requirement under paragraph 3.4.

3.4 Winter Injection

- 3.4.1 The Top-up Manager will immediately after the Storage Nomination Time (but not subsequently) determine in respect of each Day in the Winter Period whether, and if so the amount (the "**Winter Top-up Injection Requirement**") by which, the Remaining Stored Gas Requirement (in accordance with paragraph 2.1.3) exceeds the Remaining Gas-in-Storage.
- 3.4.2 For the purposes of paragraph 3.4.1, in respect of a Day in the Winter Period "**Remaining Gas-in-Storage**" is the aggregate amounts of gas-in-storage which will be held by Users and the Top-up Manager other than gas-in-storage held by TransCo for Operating Margin Purposes or (subject to paragraph 2.2.3) Balancing Margins Purposes, or held by Users under Interruptible Storage Capacity or under Special Storage Capacity) after taking account of Nomination Quantities under Initial Storage Withdrawal Nominations made by Users for the Day.
- 3.4.3 Subject to paragraph 3.7, where on any Day the Top-up Manager determines that there is a Winter Top-up Injection Requirement, the Top-up Manager will, but only to the extent to which Users are withdrawing gas from Storage Facilities on that Day, inject gas into Storage Facilities pursuant to Storage Injection Nominations in accordance with paragraph 3.4.4.
- 3.4.4 The Nomination Quantity(ies) under the Storage Injection Nomination(s) made by the Top-up Manager under paragraph 3.4.3 will be for amount(s):
- (i) not in aggregate exceeding the amount of the Winter Top-up Injection Requirement;
 - (ii) not exceeding for any Storage Facility the aggregate amount of the Nomination Quantities under Storage Withdrawal Nominations (other than made by TransCo for Operating Margins Purposes) of Users in respect of that facility.
- 3.5 Space for additional injection
- 3.5.1 The Top-up Manager shall be entitled to make any Storage Injection Nomination(s) contemplated by paragraph 3.2 or 3.4 notwithstanding that the Nomination Quantity(ies) exceed its unfilled Storage Space in any Storage Facility, and shall not be required to pay any Storage Overrun Charge in respect thereof.
- 3.5.2 Where the Top-up Manager is to make Storage Injection Nomination(s) under paragraph 3.2 or 3.4 and the Nomination Quantity(ies) exceed its unfilled Storage Space (in accordance with paragraph 3.5.4(c) where applicable) in any Storage Facility:
- (i) the Top-up Manager will apply for and shall be registered as holding any uncommitted Storage Space (and the minimum associated Storage Deliverability) in the relevant Storage Facility;
 - (ii) to the extent that (taking account of paragraph (i)) its Storage Space remains insufficient, the Top-up Manager shall nevertheless be entitled to make such Storage Injection Nomination(s).
- 3.5.3 Where the Top-up Manager makes a Storage Injection Nomination in accordance with paragraph 3.5.2(ii), upon the making of such nomination:
- (a) relevant Users in the relevant proportions (in accordance with paragraph 3.5.4(a)) shall be deemed to have made Storage Space Transfers to the Top-up Manager (which transfers shall be treated as effective on the Gas Flow Day), in respect of amounts of Storage Space in aggregate equal to the amount by which the Nomination Quantity under the Storage Injection Nomination made by the Top-up Manager in accordance with paragraph 3.5.2 exceeds its

unfilled Storage Space (in accordance with paragraph 3.5.4(c) and after taking account of paragraph 3.5.2(i)) in the relevant Storage Facility;

- (b) paragraph (a) shall take effect without any requirement as to payment on the part of the Top-up Manager and without prejudice to any User's obligations to pay Storage Capacity Charges.

3.5.4 For the purposes of this paragraph 3.5:

- (a) in the case of a Storage Injection Nomination made under paragraph 3.2.5:
 - (i) a relevant User is a User who holds on the Gas Flow Day unfilled Storage Space which, if he were to make no injections for 2 Days, could not be filled by injecting at the User Injection Rate on all Programmed Injection Days remaining in the Injection Period; and
 - (ii) the relevant proportions are the proportions in which relevant Users hold such unfilled Storage Space as is referred to in paragraph (i);
- (b) in the case of a Storage Injection Nomination made under paragraph 3.4:
 - (i) a relevant User is a User who holds on the Gas Flow Day unfilled Storage Space in the relevant Storage Facility; and
 - (ii) the relevant proportions are the proportions in which relevant Users hold such unfilled Storage Space;
- (c) in the case of a Storage Injection Nomination under paragraph 3.2, the Top-up Manager's unfilled Storage Space is to be determined after deducting space for quantities remaining to be injected by the Top-up Manager into the relevant Storage Facility.

3.5.5 Where relevant Users are deemed to have transferred Storage Space to the Top-up Manager under paragraph 3.5.3, TransCo will so inform relevant Users as soon as reasonably practicable after such deemed transfer; and:

- (a) each relevant User shall, at any time thereafter within the Storage Year, be entitled (upon request in accordance with paragraph 4) to Top-up Storage Transfer(s):
 - (i) comprising the surrender by the Top-up Manager of amount(s) of Storage Space in the relevant facility not in aggregate exceeding the amount transferred by the relevant User under paragraph 3.5.3, and (subject to paragraph 3.5.6) Storage Gas Transfer(s) for a quantity of gas-in-storage of the same amount(s); and
 - (ii) in respect of which paragraph 4.3.3 shall not apply (so that the User shall make payment in respect of the Transferred Gas-in-Storage but not the surrendered Storage Space);
- (b) where the Top-up Manager's Storage Injection Nomination was made under paragraph 3.2, the Top-up Manager will notify all Users that, until the end of the Storage Year or until pursuant to paragraph (ii) the Top-up Manager has been left with unfilled Storage Space equal to the amount deemed transferred to it by relevant Users, the requirements of paragraph 4.2.4(i) and 4.2.3 are for the time being suspended, so that:

(i) a User may (within such period) request a Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, and

(ii) should such a Storage Gas Transfer be made, the Top-up Manager will be left with unfilled Storage Space in the relevant Storage Facility;

provided that the Top-up Manager shall not be required to approve a request under paragraph (a) or (b) other than in accordance with paragraph 4.1 (except that paragraph 4.1.4(iv) shall not apply in respect of a surrender of Storage Space only under paragraph (a)).

3.5.6 Where at the time of a relevant User's request under paragraph 3.5.5(a) the Top-up Manager holds unfilled Storage Space in the relevant Storage Facility, a Top-up Storage Transfer under paragraph 3.5.5(a)(i) may (if such User so requests) comprise a surrender of Storage Space exceeding, by an amount not exceeding such unfilled Storage Space, the amount of gas-in-storage subject to the Storage Gas Transfer required under that paragraph.

3.5.7 The amount of Storage Space transferred to the Top-up Manager under paragraph 3.5.3 is excluded from the amount of Storage Space at any time eligible for a Top-up Storage Transfer to any User other than in accordance with paragraph 3.5.5(a).

3.6 Additional injection quantities

3.6.1 Where the Top-up Manager makes a Storage Injection Nomination under paragraph 3.2, 3.3 or 3.4, the Top-up Manager shall insofar as it is reasonably practicable to do so:

(i) where any User offers to do so on terms which the Top-up Manager reasonably determines to be acceptable, make an Acquiring Trade Nomination in respect of a quantity of gas, and/or

(ii) to the extent, if any, to which its Top-up Gas Procurement Arrangements permit it do so on terms which the Top-up Manager reasonably determines to be acceptable, secure that a quantity of gas (in addition to the quantity to be delivered under paragraph 2.3) is delivered to the System on the Gas Flow Day

the amount or aggregate amount of which does not exceed the Nomination Quantity (or increase in the Nomination Quantity) under such Storage Injection Nomination.

3.6.2 For the purposes of paragraphs 3.2, 3.3 and 3.4, except to the extent that it does either of the things described in paragraph 3.6.1, the Top-up Manager shall be entitled to make a Storage Injection Nomination on a Day without delivering gas to the System or making any Acquiring Trade Nomination, and the provisions of paragraph 6 as to the recovery of Top-up Costs shall not be prejudiced by its doing so or by any increase in its Daily Imbalance resulting therefrom.

3.6.3 In determining which action to take under this paragraph 3.6, the Top-up Manager will have regard, so far as is reasonably practicable in the circumstances and at the relevant time and consistently with the discharge of its functions under this Section P, to the objective of minimising the Top-up Costs resulting from such action.

3.7 Constrained LNG Facilities

Nothing in this paragraph 3 shall require the Top-up Manager to make any Storage Injection Nomination in respect of a Constrained LNG Facility on a Day for which TransCo has made Constrained LNG Renominations.

4. TOP-UP STORAGE TRANSFERS

4.1 Request

4.1.1 Subject as provided in this paragraph 4, any User may request the Top-up Manager to surrender Storage Space and/or Storage Deliverability, and/or to make a Storage Gas Transfer, in favour of such User, on terms (as to payment and otherwise) in accordance with this paragraph 4.

4.1.2 A "**Top-up Storage Transfer**" is a surrender of Storage Space or Storage Deliverability, or a Storage Gas Transfer, or a combination thereof, by the Top-up Manager in favour of a User (the "**Top-up Transferee User**") in accordance with this paragraph 4.

4.1.3 The User's request shall specify:

- (i) the identity of the User;
- (ii) the relevant Storage Facility; and
- (iii) the Storage Capacity and/or quantity of gas subject to the proposed Top-up Storage Transfer.

4.1.4 The Top-up Manager may reject the User's request:

- (i) where the request is not made in compliance with the requirements of paragraph 4.1.3;
- (ii) where the amount of Storage Space or Storage Deliverability or quantity of gas proposed to be subject to the Top-up Storage Transfer exceeds the Top-up Manager's Available Storage Capacity or gas-in-storage in the relevant Storage Facility, or the requirements of paragraph 4.2.4 are not complied with;
- (iii) pursuant to paragraph 3.5.7; or
- (iv) in accordance with Section V3.

4.1.5 The Top-up Manager will approve or (in accordance with paragraph 4.1.4) reject the User's request and notify the User of such approval or rejection not later than the Business Day after such request is made.

4.1.6 Where the Top-up Manager approves the User's request the Top-up Manager's notice under paragraph 4.1.5 will constitute an offer to make a Top-up Storage Transfer in accordance with the User's request.

4.1.7 The User may accept the Top-up Manager's offer under paragraph 4.1.6 by notice to the Top-up Manager not later than the Business Day after the Top-up Manager's notice was given.

4.1.8 If the User does not accept the Top-up Manager's offer in accordance with paragraph 4.1.7 such offer will lapse.

4.2 Terms of transfer

4.2.1 Where the User accepts under paragraph 4.1.7 the Top-up Manager's offer, on and with effect from the Day following the Day on which the User notified its acceptance:

- (i) the Top-up Transferee User will be registered as holding and the Top-up Manager will cease to be registered as holding the Storage Space and/or Storage Deliverability subject to such offer; and/or
 - (ii) the Top-up Manager and the Top-up Transferee User will make in accordance with Section R4.2 a Storage Gas Transfer in respect of the quantity of gas subject to such offer.
- 4.2.2 In accordance with paragraph 4.2.1(i), a Top-up Storage Transfer (as respects Storage Capacity) will not take effect as a Storage Capacity Transfer under Section R4.
- 4.2.3 Except pursuant to paragraphs 3.5.3 and 3.5.5(a), a Top-up Storage Transfer may only be made with effect from any Day between 1st May and 30th November in the Storage Year.
- 4.2.4 The following requirements must be satisfied in respect of a Top-up Storage Transfer:
- (i) subject to paragraphs 3.5.5(b), 4.3.3(i) and 4.4.4, where the Top-up Storage Transfer includes a Storage Gas Transfer, it shall also comprise a surrender of an amount of Storage Space not less than the Transferred Gas-in-Storage;
 - (ii) the amount by which the Storage Space surrendered exceeds the amount of Transferred Gas-in-Storage under a Top-up Storage Transfer shall not exceed the Top-up Manager's unfilled Storage Space in the relevant Storage Facility.
- 4.2.5 A Top-up Storage Transfer may be made notwithstanding that (after such transfer) the remaining aggregate amount of unfilled Storage Space held by the Top-up Manager in all Storage Facilities will be less than the aggregate quantities of gas of which it is committed to take delivery (or to pay for if it does not take delivery) under its Top-up Gas Procurement Arrangements (the difference being the "**exposed commitment**"); and in such a case all amounts expended and costs incurred whatsoever and howsoever by the Top-up Manager by reason of its not taking delivery or in securing its release (to the extent of the exposed commitment) from such commitment or defending or settling any claim in respect thereof and any damages or other amounts payable in respect thereof will be Top-up Costs in accordance with paragraph 6.1.1(i).
- 4.2.6 Where under a Top-up Storage Transfer the amount by which the Storage Space surrendered exceeds the amount of Transferred Gas-in-Storage.
- (i) the Top-up Manager will (if so requested by the Top-up Transferee User, and unless otherwise agreed) join the Top-up Transferee User in notifying to the Storage Operator for the purposes of Section R5.6 a proportionate reduction in the injection quantity for any Day in the Top-up Manager's Confirmed Injection Programme(s) prevailing at the Day the Top-up Storage Transfer takes effect;
 - (ii) if the quantities to be injected by the Top-up Manager on the three (3) Days following the Day of the Top-up Storage Transfer are thereby reduced, the Top-up Transferee User will pay to the Top-up Manager an amount equal to the amount of any Storage Scheduling Charge and/or Storage Management Charge payable by the Top-up Manager pursuant to Sections R7.2 and R7.3 in consequence thereof.
- 4.3 Transfer charges
- 4.3.1 Where a Top-up Storage Transfer includes a Storage Gas Transfer, the Top-up Transferee User undertakes (by accepting the Top-up Manager's offer under paragraph 4.1.6), to pay to the Top-up

Manager in addition to any amount under paragraph 4.2.5, an amount equal to the quantity of Transferred Gas-in-Storage multiplied by 105% of Top-up WACOG.

4.3.2 Such amount shall be payable as a single payment and shall be invoiced and paid in accordance with Section S.

4.3.3 Where a Top-up Storage Transfer includes a surrender of Storage Space or Storage Deliverability:

- (i) the Top-up Transferee User shall become liable for Storage Charges in respect thereof with effect from such Top-up Storage Transfer;
- (ii) the Top-up Transferee User shall in addition be liable for and pay to the Storage Operator the amount(s) payable in respect of the surrendered Storage Capacity by way of Storage Capacity Charges under Section R2.7, on the basis that the User was registered as holding the transferred capacity pursuant to an application under Section R3.8.1 made on the Day of the Top-up Storage Transfer under paragraph 4.2.1(i);
- (iii) the amount(s) payable by the Top-up Transferee User under paragraph (ii) shall be paid by the Storage Operator to the Top-up Manager.

4.4 Surrender on late booking

4.4.1 Where at any time:

- (i) a User is registered under Section R3.8 as holding Storage Capacity pursuant to an application made after the Invitation Close Date, and
- (ii) the Top-up Manager then or (pursuant to paragraph 4.4.4) later has unfilled Storage Space in an amount exceeding the aggregate quantity of gas of which it is committed to take delivery under its Top-up Gas Procurement Arrangements

the Top-up Manager will by so notifying the Storage Operator surrender and thereby cease to be registered as holding Storage Space in the amount under paragraph 4.4.2 and associated Storage Deliverability (on the basis of the Top-up Manager's Storage Duration in the relevant Storage Facility but not exceeding the Storage Deliverability which such User was so registered as holding).

4.4.2 The amount of Storage Space surrendered under paragraph 4.4.1 will be the lesser of:

- (i) the Storage Space which the User was registered as holding under Section R3.8, and
- (ii) the excess amount of Storage Space referred to in paragraph 4.4.1(ii).

4.4.3 Upon a surrender of Storage Capacity under paragraph 4.4.1 the Storage Operator will pay to the Top-up Manager an amount determined as the amount which would be payable by a User by way of Storage Capacity Charges under Section R2.7 if the User applied for and was registered as holding that amount of Storage Capacity on the date of such surrender.

4.4.4 In the circumstances in paragraph 4.4.1(i), the Top-up Manager will (until such time, if any, as it has surrendered Storage Space in aggregate equal to the amount under paragraph 4.4.1(i)):

- (i) suspend the requirements of paragraph 4.2.4(i) and 4.2.3 in relation to the relevant Storage Facility, so that a User may request a Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, provided that the Top-up

Manager shall not be required to approve such a request other than in accordance with paragraph 4.1; and

- (ii) where as a result of such a Storage Gas Transfer, the Top-up Manager is left with additional unfilled Storage Space in the relevant Storage Facility, surrender or furthersurrender Storage Capacity in accordance with paragraph 4.4.1.

5. TOP-UP FLEXIBILITY BIDDING

5.1 General

The Top-up Manager will withdraw gas from Top-up Storage Facilities in accordance with this paragraph 5.

5.2 Top-up Flexibility Bids

5.2.1 Subject to paragraph 5.2.3, the Top-up Manager will make a Top-up Flexibility Bid in relation to each Top-up Storage Facility for each Day in the Storage Year in accordance with this paragraph 5.

5.2.2 A "**Top-up Flexibility Bid**" is a Flexibility Bid in accordance with Section D made by the Top-up Manager for a System Entry Buy at the Storage Connection Point of a Top-up Storage Facility.

5.2.3 A Top-up Flexibility Bid will not be made (or if made, will be withdrawn) in respect of a Storage Facility:

- (i) in which the Top-up Manager does not have, or no longer has, gas-in-storage;
- (ii) which is not in operation or ceases to be in operation on the Day.

5.2.4 For the purposes of each Top-up Flexibility Bid:

- (a) the flexibility lead time shall be 6 hours or if longer the withdrawal lead time (for an increase) of the Top-up Storage Facility at the time the Top-up Flexibility Bid is made;
- (b) the flow rate change range shall be defined by:
 - (i) a minimum Flexibility Flow Rate Change equal to the minimum permitted under Section D2.3.1;
 - (ii) a maximum Flexibility Flow Rate Change equivalent to the Top-up Manager's Available Storage Deliverability in the Top-up Storage Facility on the Gas Flow Day (or if less a rate for the Day equivalent to the amount of its gas-in-storage);
- (c) the quantity range shall be defined by reference to the flow rate change range;
- (d) the Bid Price shall be the Top-up Bid Price.

5.2.5 Where on any Day a Top-up Flexibility Bid is accepted the Top-up Manager shall as soon as reasonably practicable make a Flexibility Bid in accordance with Section D for a System Entry Sell at the same Storage Connection Point, for the purposes of which:

- (a) the flexibility lead time shall be the withdrawal lead time (for a decrease) at the time such Flexibility Bid is made;

- (b) the flow rate change range shall be defined by:
 - (i) a minimum Flexibility Flow Rate Change equal to the minimum permitted under Section D2.3.1;
 - (ii) a maximum Flexibility Flow Rate Change equal to the Flexibility Flow Rate Change for which the Top-up Flexibility Bid was accepted;
- (c) the quantity range shall be defined by reference to the flow rate change range;
- (d) the Bid Price shall be the Top-up Bid Price.

5.3 Top-Up Bid Price

The Bid Price ("**Top-up Bid Price**", "**TBP**") under a Top-up Flexibility Bid shall be the amount (in pence/kWh) determined in respect of the relevant Top-up Facility as follows:

$$TBP = W + G + E + N * (D/d + S)$$

where

W is the unit rate (in pence/kWh) of the Storage Withdrawal Charge in respect of withdrawal from the facility on the Gas Flow Day;

E is the unit rate (in pence/kWh) of the Flexibility Overrun Charge in respect of System Entry Capacity at the relevant Storage Connection Point on the Gas Flow Day;

G is the Top-up WACOG;

N is 50;

D is the unit rate (in pence/kWh/Day) of the annual Storage Deliverability Charge in respect of the facility for the Storage Year;

d is the number of Days obtained by dividing the Top-up Manager's Available Storage Space by the Top-up Manager's Available Storage Deliverability in the facility as at 30th November in the Storage Year;

S is the unit rate (in pence/kWh) of the annual Storage Space Charge in respect of the facility for the Storage Year.

6. TOP-UP COST RECOVERY

6.1 Net Top-up Costs

6.1.1 Subject to paragraph 6.1.5, the costs ("**Top-up Costs**") incurred by the Top-up Manager in respect of a Storage Year are amounts payable by it:

- (i) under or in respect of the Top-up Gas Procurement Arrangements;
- (ii) by way of Transportation Charges in respect of Storage Connection Points and other System Entry Points;

- (iii) under Section F4 in respect of Balancing Charges;
 - (iv) by way of Storage Capacity Charges in respect of Storage Capacity in Top-up Storage Facilities;
 - (v) by way of Storage Injection Charges in respect of injection to Top-up Storage Facilities;
 - (vi) by way of Flexibility Overrun Charges in respect of Top-up Flexibility Bids;
 - (vii) by way of Storage Withdrawal Charges in respect of withdrawal pursuant to Top-up Flexibility Bids;
 - (viii) in paying amounts to Users pursuant to paragraph 6.6 in respect of the Closing Top-up Adjustment Amount;
 - (ix) pursuant to any other provision of the Code by which (as User) the Top-up Manager is required to make any payment.
- 6.1.2 Subject to paragraph 6.1.5, the revenues ("**Top-up Revenues**") realised by the Top-up Manager in respect of a Storage Year are amounts payable to it:
- (i) in respect of Top-up Storage Transfers under paragraph 4;
 - (ii) under Section F4 in respect of Balancing Charges;
 - (iii) subject to paragraph 6.1.4, by way of Flexibility Charges in respect of Top-up Flexibility Bids made:
 - (1) for Days in the Winter Period; and
 - (2) for Days not in the Winter Period.
- 6.1.3 The amounts referred to in paragraph 6.1.2(iii)(1) are "**Relevant Top-up Bid Revenues**"; and Top-up Revenues excluding Relevant Top-up Bid Revenues are "**General Top-up Revenues**".
- 6.1.4 In determining in respect of a Day the amount referred to in paragraph 6.1.2(iii) there shall be deducted any amount payable by the Top-up Manager by way of Flexibility Charges in respect of a Flexibility Bid made for that Day under paragraph 5.2.5.
- 6.1.5 The net amount of the Top-up Financing Adjustments for each Day in each month shall be (where positive) a Top-up Cost or (where negative) a Top-up Revenue, and shall be treated as paid or received by the Top-up Manager on the date on which invoiced Balancing Charges in respect of that Day become due for payment pursuant to Section S.
- 6.1.6 Top-up Costs do not include any internal administration costs of TransCo, but do include (under paragraph 6.1.1(i)) the amounts payable by the Top-up Manager (or the Top-up Manager's share of amounts payable by TransCo) by way of fees to a User Agent appointed in accordance with Section E2.2.
- 6.2 Top-up Financing Adjustment

- 6.2.1 The "**Top-up Financing Adjustment**" for a Day in any Storage Year is the amount calculated as the Neutrality Interest Rate for the Day multiplied by the closing top-up balance for the Day.
- 6.2.2 For the purposes of this paragraph 6.2:
- (a) the "**closing top-up balance**" for a Day is the amount of the opening top-up balance, plus the amount (if any) of all payments received by the Top-up Manager on that Day, less the amount (if any) of all payments made by the Top-up Manager on that Day, in each case in respect of:
 - (i) Top-up Costs or (as the case may be) Top-up Revenues, and
 - (ii) Top-up Neutrality Charges;
 - (b) the "**opening top-up balance**" is:
 - (i) on the first Day of the Storage Year, zero
 - (ii) for each subsequent Day, the amount of the closing top-up balance for the preceding Day.
- 6.2.3 The Top-up Financing Adjustment for a Day is positive where the closing top-up balance represents (on a cumulative basis for the Storage Year) amounts paid by the Top-up Manager exceeding amounts received by it, and negative where the closing top-up balance represents (on a cumulative basis for the Storage Year) amounts received by the Top-up Manager exceeding amounts paid by it.
- 6.2.4 For the purposes of paragraph 6.2.2(a)(i), the amounts referred to in paragraph 6.6.1(b)(i) and (ii) shall be treated as paid or received by the Top-up Manager on the 1st Day of the following Storage Year.
- 6.3 Top-up cost estimation
- 6.3.1 The net costs or revenues of the Top-up Manager will be estimated in accordance with this paragraph 6.3.
- 6.3.2 In respect of each Storage Year, not later than the last Day of each month, commencing in November, the Top-up Manager will estimate (or in subsequent months, re-estimate) the amount of its Top-up Costs and General Top-up Revenues in respect of the whole of the Storage Year, until the Final Adjustment Month, assuming that no Top-up Flexibility Bid is accepted in the Top-up Recovery Period.
- 6.3.3 The Top-up Manager will also determine, not later than 30th November in the Storage Year, the amount ("**Provisional Closing Top-up Amount**") calculated as the sum (for all Top-up Storage Facilities) of the amount of the Top-up Manager's gas-in-storage in each Top-up Storage Facility multiplied by Top-up WACOG for that Top-up Storage Facility, in each case as at the time of estimation.
- 6.3.4 For each month (month (n)) in the Top-up Recovery Period:
- (a) the "**Aggregate Net Top-up Cost**" is the sum of Top-up Costs less the sum of General Top-up Revenues, each estimated during month (n-1) in accordance with paragraph 6.3.2, less the Provisional Closing Top-up Amount determined under paragraph 6.3.3;
 - (b) the "**Estimated Daily Top-up Amount**" is the amount determined as the Aggregate Net Top-up Cost divided by the aggregate number of Days in the Top-up Recovery Period;

- (c) the "**Daily Estimation Adjustment**" is:
 - (i) where month (n) is the month of December, zero;
 - (ii) in relation to subsequent months, the amount determined as the difference between the Estimated Daily Top-up Amount determined for month (n) and the Estimated Daily Top-up Amount determined for month (n-1), multiplied by the number of Days in month (n-1), divided by the number of Days in all months from and including month (n) to and including the last month of the Top-up Recovery Period;
- (d) the "**Adjusted Estimated Daily Top-up Amount**" is the Estimated Daily Top-up Amount for month (n) plus or minus the Daily Estimation Adjustment.

6.3.5 For each Day in month (n) the "**Top-up Daily Recovery Amount**" is:

- (a) the amount of the Adjusted Estimated Daily Top-up Amount, less
- (b) the sum for each Top-up Flexibility Bid (if any) accepted for the Day of the difference between:
 - (i) the amount of Relevant Top-up Bid Revenues, and
 - (ii) the amount calculated as:

$$(W + G + E) * Q$$

where W, G and E have the meanings under paragraph 5.3, and

where 'Q' is the amount of the Flexibility Quantity under the Top-up Flexibility Bid less the amount of the Flexibility Quantity under any Flexibility Bid under paragraph 5.2.5 which was accepted for the Day, plus

- (c) the amount of the rounding adjustment in respect of the preceding Day in accordance with paragraph 6.3.8.

6.3.6 For the purposes of this paragraph 6.3 the "**Top-up Recovery Period**" is the months of December to March inclusive, and the "**Final Adjustment Month**" is the first month (after the Top-up Recovery Period) for which the Daily Estimation Adjustment is zero.

6.3.7 For each month (month 'm') after the Top-up Recovery Period in respect of a Storage Year the "**Top-up Recovery Adjustment Amount**" is:

- (a) the aggregate of:
 - (i) the amount of any Top-up Costs incurred in that month,
 - (ii) the amount of any Top-up Neutrality Charges which were due for payment in month m-1 but were unpaid as at the last Day of month m,
 - (iii) the amount of any interest paid (in accordance with Section S4.3.2) by the Top-up Manager to any User on any Day in the relevant month by virtue of the User having made an over-payment in respect of any Top-up Neutrality Charge; and

- (iv) in the month in which the same is calculated, the magnitude of the Closing Top-up Adjustment Amount, where positive;

less

(b) the aggregate of:

- (i) the amount of any Top-up Revenues received in that month;
- (ii) the amount of any Top-up Neutrality Charges which:
 - (1) were unpaid as at the last Day of month m-2 and were taken into account in calculating the Top-up Recovery Adjustment Amount for month m-1, but
 - (2) have been paid to the Top-up Manager since the last Day of month m-1;
- (iii) the amount of any interest paid (in accordance with Section S4.3.2) by any relevant User to the Top-up Manager on any Day in the relevant month by virtue of late payment of Top-up Neutrality Charges;
- (iv) in the month in which the same is calculated, the magnitude of the Closing Top-up Adjustment Amount, where negative;

plus

(c) the amount of the rounding adjustment in respect of the preceding month in accordance with paragraph 6.3.8.

6.3.8 The rounding adjustment for a Day or (as the case may be) month is the amount by which, as a result of the rounding (to any given number of decimal places) of any intermediate quantity in the calculation of Top-up Neutrality Charges for that Day or for Days in that month, the sum of all such charges is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the Top-up Daily Recovery Amount or (as the case may be) the Top-up Recovery Adjustment Amount.

6.4 Top-up recovery

6.4.1 The difference between the costs and revenues of the Top-up Manager is payable to or recoverable from relevant Users in the Top-up Recovery Period in accordance with this paragraph 6.4.

6.4.2 For the purposes of this paragraph 6.4:

- (a) "**relevant User**" means any User other than the Top-up Manager, the Shrinkage Provider, the Storage Operator when acting for Storage Management Purposes and TransCo when acting for Systems Margins Purposes;
- (b) "**relevant UDQO**" means an UDQO of a relevant User other than one in respect of an Interruptible Supply Point or a Storage Connection Point.

6.4.3 Each relevant User shall pay to the Top-up Manager, or (as the case may be) the Top-up Manager shall pay to each relevant User, a charge ("**Top-up Neutrality Charge**") calculated:

- (i) in respect of each Day in the Top-up Recovery Period, as the Top-up Daily Recovery Amount divided by the sum of all relevant UDQOs for the Day multiplied by the sum of the relevant User's relevant UDQOs for the Day;
 - (ii) in respect of each month after the Top-up Recovery Period as the Top-up Recovery Adjustment Amount for the preceding month divided by the aggregate sum of all relevant Users' relevant UDQOs for each Day in the Top-up Recovery Period multiplied by sum of the relevant User's relevant UDQOs for each Day in the Top-up Recovery Period.
- 6.4.4 The Top-up Neutrality Charge is payable by the Top-up Manager to the User where it is negative and by the User to the Top-up Manager where it is positive.
- 6.4.5 Top-up Neutrality Charges shall be invoiced and are payable in accordance with Section S.
- 6.5 Top-up WACOG
- 6.5.1 For each Top-up Storage Facility, every 14 Days the Top-up Manager will calculate and provide to Users Top-up WACOG as at the Day (the "**WACOG Calculation Date**") 7 Days before such calculation.
- 6.5.2 In respect of each Top-up Storage Facility, in relation to any Day, "**Top-up WACOG**" is the weighted average cost of gas-in-storage held by the Top-up Manager in that facility as at the preceding WACOG Calculation Date.
- 6.5.3 Top-up WACOG in respect of a Top-up Storage Facility shall be calculated as the relevant costs of the Top-up Manager in accordance with paragraph 6.5.4, less the sum of the amounts calculated in accordance with paragraph 6.5.6, in respect of each Day (a "**relevant Day**") in the Storage Year up to and including the WACOG Calculation Date, divided by the amount of the Top-up Manager's gas-in-storage as at the WACOG Calculation Date.
- 6.5.4 In relation to each Top-up Storage Facility, the relevant costs of the Top-up Manager are the sum of the following amounts:
- (a) the aggregate of:
 - (i) the amounts (if any) paid by the Top-up Manager to TransCo (for Systems Margins Purposes) in respect of Storage Gas Transfers made pursuant to Section K4.3; and
 - (ii) the quantity of Carry-over Top-up Gas multiplied by Top-up WACOG as at the last Day of such Storage Year;
 - (b) the relevant proportions of the amounts which have accrued due from the Top-up Manager pursuant to the Top-up Gas Procurement Arrangements in respect of quantities of gas delivered on relevant Days to the System and Acquiring Trade Nominations (irrespective of whether such amounts have been paid or have become due for payment by the Top-up Manager);
 - (c) the amounts which have accrued due from the Top-up Manager in respect of any Storage Gas Transfers made on any relevant Day in favour of the Top-up Manager;
 - (d) the relevant proportions of the amounts payable by the Top-up Manager by way of Transportation Charges in respect of relevant Days (in respect of the delivery of gas to the

System at System Entry Points and the offtake of gas from the System at Storage Connection Points for injection to Storage Facilities), determined on a daily basis;

- (e) the amounts paid or payable by the Top-up Manager by way of injection charges in respect of injection on relevant Days into the relevant Top-up Storage Facility;
 - (f) the amounts payable by the Top-up Manager by way of Balancing Charges in respect of relevant Days.
- 6.5.5 For the purposes of paragraph 6.5.4 "**relevant proportion**" in respect of a Top-up Storage Facility is the quantity injected by the Top-up Manager into that Storage Facility divided by the aggregate of the quantity injected by the Top-up Manager into all Storage Facilities on the relevant Day.
- 6.5.6 The amount to be deducted in accordance with paragraph 6.5.3 is the quantity of gas-in-storage subject to any Storage Gas Transfer made by the Top-up Manager or (as the case may be) the Flexibility Quantity under any accepted Flexibility Bid, multiplied by Top-up WACOG for the relevant Top-up Storage Facility for the Day on which such transfer was made or bid accepted (to the intent that any reduction in the Top-up Manager's gas-in-storage shall be valued at the prevailing Top-up WACOG).
- 6.5.7 Where the amount of any relevant cost under paragraph 6.5.4 is not known by the WACOG Calculation Date, the Top-up Manager will use an estimate of such amount in calculating Top-up WACOG.
- 6.6 Out-turn Closing Top-up Amount
- 6.6.1 For the purposes of this paragraph 6 in respect of each Storage Year for each Top-up Storage Facility:
- (a) the "**Closing Top-up Adjustment Amount**" is the Provisional Closing Top-up Amount less the Out-Turn Closing Top-up Amount;
 - (b) the "**Out-turn Closing Top-up Amount**" is the sum of:
 - (i) the amounts (if any) paid by TransCo (for Systems Margins Purposes) to the Top-up Manager in respect of Storage Gas Transfers made pursuant to Section K4.3;
 - (ii) the quantity of Carry-over Top-up Gas multiplied by Top-up WACOG as at the last Day of such Storage Year; and
 - (iii) the amounts received by the Top-up Manager pursuant to the tender under Section K4.4 in respect of the disposal of Residual Surplus Gas;
- in or for the following Storage Year in respect of the Top-up Storage Facility.
- 6.6.2 The Top-up Manager will as soon as reasonably practicable in the following Storage Year determine the Closing Top-up Adjustment Amount.
- 6.7 Top-up details
- 6.7.1 Not later than 31st May each Storage Year the Top-up Manager will determine and notify to Users the actual amounts of its Top-up Costs, Additional Top-up Costs and Top-up Revenues for the preceding Storage Year.

6.7.2 The notification under paragraph 6.7.1 will identify separately any Top-up Costs incurred by the Top-up Manager as described in paragraph 4.2.5 in respect of an exposed commitment.

SECTION Q: EMERGENCIES

1. GENERAL

1.1 Introduction

1.1.1 Users and TransCo acknowledge that the conveyance of gas by pipelines involves risks to public safety and to property in the context of which the provisions of this Section Q are appropriate and reasonable.

1.1.2 This Section Q provides for the following matters:

- (i) requirements to be complied with by Users in respect of Emergencies to enable TransCo to discharge its responsibilities (pursuant to any Legal Requirement) in respect of Emergencies;
- (ii) the coordinating role of TransCo in relation to the steps to be taken in an Emergency;
- (iii) the consequences for TransCo and Users of an Emergency in respect of the application of the Code.

1.1.3 A User shall not be required in an Emergency to comply with any requirement under this Section Q where it would be manifestly unreasonable to expect the User to do so; but where a User is of the opinion that it is (by reason of this paragraph 1.1.3) excused from complying with any requirement under this Section Q it shall forthwith notify TransCo of that fact and if so requested cooperate with TransCo to the maximum extent reasonable in the circumstances to establish what alternative requirement (whether or not contemplated by this Section Q) it would be able to comply with; provided that paragraph 4.2 shall (insofar as capable of applying) apply in respect of compliance with any such alternative requirement.

1.1.4 A User shall not be excused by virtue of paragraph 1.1.3 from any payment obligation under paragraph 4.

1.2 Emergency

1.2.1 Subject to paragraph 1.9, an "**Emergency**" is a pipe-line system emergency in accordance with Standard Licence Condition 4(1)(b) of the Shipper's Licence; and where the context admits a reference to an Emergency includes the event or circumstance which gives rise to such a pipe-line system emergency.

1.2.2 In particular, but without limitation, an Emergency may exist where TransCo's ability to maintain safe pressures within the System is affected or threatened by any actual or potential interruption or disruption to or insufficiency of deliveries of gas to the System, or by any actual or potential failure of or damage to any part of the System.

1.2.3 The existence of an Emergency shall be determined by TransCo in its sole judgement and irrespective of the cause of and of whether TransCo or any other person may have caused or contributed to the Emergency.

1.2.4 An Emergency will continue until such time as TransCo determines that the circumstances referred to in Standard Condition 4(1)(b) of the Shipper's Licence no longer apply, that no further Emergency Steps are required, and that normal operation of the System and implementation of the Code may be resumed.

1.2.5 A "**National Emergency**" is an Emergency in respect of which the National Gas Supply Emergency Procedures Manual (referred to in paragraph 1.4.1) is applicable.

1.3 Emergency Steps

1.3.1 For the purposes of the Code, subject to paragraph 1.9, "**Emergency Steps**" are steps to be taken by TransCo or a User:

- (i) to avert and/or to reduce the probability of or the probable scale of an Emergency, and/or to prepare for the occurrence of an Emergency; or
- (ii) to overcome or contain an Emergency and/or to avert or reduce the hazard presented by it, and/or to restore gas supply and normal operation of the System and implementation of the Code following the taking of any such steps.

1.3.2 Users and TransCo acknowledge that in an Emergency their business interests will be subordinate to the need to take Emergency Steps in accordance with this Section Q.

1.3.3 Nothing in this Section Q or the Emergency Procedures shall limit the ability of TransCo to take any action or step necessitated in its judgement in the interests of safety to the public or property by an Emergency.

1.3.4 In view of the importance of coordination of Emergency Steps, no User is to take any Emergency Steps other than in accordance with a requirement of this Section Q or the Emergency Procedures or pursuant to any other request made by TransCo to which Standard Licence Condition 4(2) of the Shipper's Licence applies.

1.3.5 No Emergency Step taken or other thing done or not done, by TransCo or any User, pursuant to (and in compliance with any requirements under) this Section Q shall be a breach of any provision of the Code; and in particular TransCo will not be in breach of its obligation to accept gas tendered for delivery to the System at a System Entry Point or to make gas available for offtake from the System at a System Exit Point to the extent that (as a result of any such step taken or thing done or not done) gas tendered for delivery is not accepted or gas is not made available for offtake and in accordance with the Applicable Offtake Requirements.

1.3.6 It is acknowledged that (pursuant to and in accordance with the Emergency Procedures) TransCo may request or permit gas which does not comply with the applicable Gas Entry Conditions to be delivered to the System at a System Entry Point.

1.4 Emergency Procedures

1.4.1 "**Emergency Procedures**" means (subject to paragraph 1.4.3) the documents prepared by TransCo and entitled 'National Gas Supply Emergency Procedures Manual' (October 1994), and 'Sub-national Gas Supply Emergency Procedures' (effective 1st February 1996), containing details (inter alia) of planned Emergency Steps, as from time to time revised by TransCo in consultation with the Health and Safety Executive, Users and others.

1.4.2 TransCo will provide without charge to each User a reasonable number of copies of the Emergency Procedures not later than the User Accession Date, and thereafter of any update thereof or revision thereto upon making such update or revision.

1.4.3 In the context of an Emergency a reference to the Emergency Procedures is to whichever of the documents referred to in paragraph 1.4.1 is applicable; and (in relation to any Emergency) TransCo will notify Users which such document is applicable.

1.5 Large Firm Supply Points

1.5.1 For the purposes of this Section Q, a "**Large Firm Supply Point**" is a Firm Supply Point whose Annual Quantity is greater than 732,000 kWh (25,000 therms).

1.5.2 Where the Emergency Steps to be taken in any Emergency include a reduction in demand at Firm Supply Points, relevant consumers will (in accordance with this Section Q) be required to reduce demand before other categories of consumer.

1.6 Priority Consumers

For the purposes of this Section Q:

- (i) a "**Priority Consumer**" is a consumer whose name appears on the list established (and from time to time amended) by TransCo in accordance with Standard Condition 18(12) of the TransCo Licence; and the relevant Supply Point is a "**Priority Supply Point**";
- (ii) "**Priority Criteria**" means the criteria designated by the Secretary of State pursuant to that Condition, and/or any other criteria which TransCo may from time to time notify to Users for the purposes of assisting TransCo to determine which consumers should be given the priority described in that Condition.

1.7 Connected Systems

TransCo may agree pursuant to a Network Entry Agreement or Network Exit Agreement (or other agreement with the relevant person) upon procedures or steps to be taken in an Emergency by TransCo or a Delivery Facility Operator or Connected System Operator and may give effect to such procedures or steps in addition to or in lieu of any Emergency Steps pursuant to this Section Q.

1.8 Escapes of gas

1.8.1 This Section Q does not apply in respect of TransCo's duties under paragraph 20(1) or 21 of the Gas Code nor the arrangements referred to in paragraphs (1), (3) and (5) of Standard Condition 18 of the Public Gas Transporter's Licence, it being understood that such arrangements (and any arrangements which TransCo and any User may make in connection with Standard Condition 4(1)(a) of the Shipper's Licence) are matters outside the scope of the Code.

1.8.2 In accordance with paragraph 1.8.1 an escape of gas is not of itself an Emergency (but subject thereto an escape of gas may be a circumstance which gives rise to an Emergency); and Emergency and Emergency Steps shall be construed accordingly.

1.9 Shipper's Licence

1.9.1 Any request or instruction given by TransCo to a User in an Emergency shall be treated as being both:

- (i) a request for the purposes of Standard Licence Condition 4(2) of the Shipper's Licence, and
- (ii) to the intent that paragraph 4 shall (where relevant) apply in relation thereto, a request or instruction made pursuant to this Section Q

unless in either case such request or instruction is not capable of being construed as such.

1.9.2 Without prejudice to paragraph 1.9.1(ii), nothing in this Section Q shall preclude TransCo from making any request, for the purposes of Standard Licence Condition 4(2) of the Shipper's Licence, to a User.

1.10 Code Communications

The provisions of UK Link Manual as to the giving of Code Communications are without prejudice to the provisions of the Emergency Procedures and such other requirements as TransCo may specify for communicating in an Emergency.

2. EMERGENCY PREPAREDNESS

2.1 Introduction

2.1.1 Users are required to comply with the requirements in this paragraph 2 with a view to ensuring an adequate level of preparedness for the occurrence of an Emergency.

2.1.2 Each User shall ensure that suppliers supplying gas at Supply Points of which the User is the Registered User are aware of the terms of this Section Q in so far as they may be affected thereby.

2.2 User emergency contacts

2.2.1 Each User shall provide to TransCo:

(i) a single telephone number and a single facsimile number by means of each of which TransCo may contact, 24 hours a Day, a representative of the User in an Emergency for any purpose pursuant to this Section Q;

(ii) the name(s) or title(s) of the User's representatives who may be contacted at such numbers.

2.2.2 Each such representative shall be a person having appropriate authority and responsibilities within the User's organisation to act as the primary contact for TransCo in the event of an Emergency.

2.2.3 The details required under paragraph 2.2.1 shall be provided by an Applicant User before becoming a User and shall at all times be maintained up to date; and for these purposes the User shall notify to TransCo any change in such details promptly and where possible in advance.

2.3 Large Firm Supply Points

2.3.1 A User shall in respect of each Large Firm Supply Point of which it is the Registered User provide to TransCo:

(i) the name and (in the case of a corporation) registered office of the consumer;

(ii) a single telephone number and a single facsimile number by means of each of which TransCo may contact, 24 hours a Day, a representative of the consumer in an Emergency for the purposes described in paragraph 3.4.4(ii);

(iii) the name(s) or title(s) of the consumer's representatives who may be contacted at such numbers.

- 2.3.2 A User shall comply with the requirements of paragraph 2.3.1:
- (i) where the User becomes the Registered User in respect of a Large Firm Supply Point, when submitting the Supply Point Confirmation;
 - (ii) where for any Gas Year a Supply Point of which a User is Registered User becomes (by virtue of a change in its Annual Quantity or being designated as Firm) a Large Firm Supply Point, not later than 1st October in that year.
- 2.3.3 The details required under paragraph 2.3.1 shall at all times be maintained up to date; and for these purposes the User shall notify to TransCo any change in such details as soon as reasonably practicable and where possible in advance of such change.

2.4 Priority Supply Points

2.4.1 Each User shall:

- (i) take all reasonable steps to ascertain, in relation to any Supply Point in respect of which the User submits a Supply Point Nomination, or of which it is the Registered User, whether the consumer satisfies or (as the case may be) has come to satisfy the Priority Criteria; and
- (ii) where it believes that the consumer does satisfy the Priority Criteria, shall (where it is the Registered User, promptly upon forming that belief) so notify TransCo, stating the identity of the consumer and the basis for its belief.

2.4.2 The Registered User shall promptly inform TransCo if it becomes aware (and shall take reasonable steps to ensure that it does become aware) that the consumer at a Priority Supply Point ceases to satisfy the Priority Criteria.

2.4.3 A User may not designate a Priority Supply Point as Interruptible.

2.4.4 For the purposes of enabling TransCo to advise a Priority Consumer that it need not comply with instructions to reduce or cease consuming gas in an Emergency, the provisions of paragraphs 2.3.1 and 2.3.3 shall apply in respect of any Priority Supply Point which is not a Large Firm Supply Point as though it were a Large Firm Supply Point.

2.5 Emergency Procedures

2.5.1 Each User shall secure that all of its relevant personnel are familiar with the Emergency Procedures.

2.5.2 For the purposes of paragraph 2.5.1 a User's relevant personnel are personnel employed or engaged by the User whose functions or areas of responsibility are such that (in order to enable the User to comply with any requirement of this Section Q) they are likely to be required to take any decision or action in an Emergency.

2.6 User procedures

2.6.1 Each User shall establish and maintain such procedures as may be necessary:

- (i) to facilitate compliance by the User with the requirements of this paragraph 2;
- (ii) to enable the User to comply with the requirements of paragraph 3 in an Emergency.

2.6.2 Each User shall take all reasonable steps within its power to ensure that, in so far as may be necessary to give effect to the requirements of this Section Q and to the Emergency Procedures, the procedures established by it under paragraph 2.6.1 are coordinated:

- (i) with the Emergency Procedures; and
- (ii) if TransCo shall so notify the User identifying the other person(s) and specifying the coordination required, with any procedures established by Delivery Facility Operators or Offtake System Operators relating to Emergencies, or the procedures established by other Users under this paragraph 2.6; and shall consult with such other parties accordingly.

2.6.3 The User shall if requested by TransCo provide to TransCo a copy of the procedures from time to time established by it under paragraph 2.6.1; and TransCo shall be at liberty to disclose to and discuss with any Competent Authority any such procedures provided to it.

3. OCCURRENCE OF AN EMERGENCY

3.1 General

3.1.1 Where a Emergency arises, TransCo will:

- (i) inform Users as soon as reasonably practicable of the commencement and (insofar as reasonably practicable) the nature, extent and expected duration of the Emergency;
- (ii) thereafter keep Users reasonably informed as to material changes to the information provided under paragraph (i) and material developments in respect of the Emergency;
- (iii) inform Users as soon as reasonably practicable when TransCo has determined (in accordance with paragraph 1.2.4) that the Emergency is no longer continuing.

3.1.2 Upon being informed of an Emergency a User shall brief all relevant personnel (as defined in paragraph 2.5.2) as to the existence and nature of the Emergency.

3.1.3 During an Emergency each User is required:

- (i) to comply with the Emergency Procedures in so far as applicable to the User in the circumstances;
- (ii) to comply with the requirements of paragraph 3.3.1 and (insofar as applicable to Users) paragraph 3.4 as to Emergency Steps in relation to the delivery and offtake of gas to and from the System;
- (iii) to cooperate with TransCo, to the extent within the User's power (and without thereby rendering the User unable to comply with any requirement to take Emergency Steps itself), so as to enable TransCo to take Emergency Steps in accordance with the Emergency Procedures; and
- (iv) in so doing to comply with TransCo's instructions and requests (made for the purposes of paragraphs (i), (ii) and (iii)) as soon as reasonably practicable.

3.1.4 Where there is any conflict between any requirements under this Section Q or the Emergency Procedures as to anything to be done by a User, TransCo may decide which requirement is to prevail,

which decision will relieve the User of any obligation under the Code to comply with the conflicting requirement.

3.2 Supply and demand control

3.2.1 Emergency Steps may require increases in deliveries of gas to the System or reductions in the offtake of gas from the System or both.

3.2.2 In a National Emergency the application of Section D will be suspended, and in particular TransCo will not accept any Flexibility Bid made by a User in respect of any Gas Flow Day falling within the duration of the National Emergency; and (in lieu thereof) the Emergency Procedures will apply and TransCo's decisions as to the delivery and offtake of gas to and from the System will be implemented pursuant to paragraphs 3.3 and 3.4.

3.2.3 In accordance with paragraph 3.2.2, where for a Day on which a National Emergency occurs TransCo has (before the start of that Emergency) accepted a Flexibility Bid, the Flexibility Charge will not be paid (and paragraph 4 will apply).

3.3 Supply-side steps

3.3.1 In a National Emergency, or where TransCo has notified Users of a potential National Emergency, each User shall:

- (i) comply with any request from time to time made by TransCo to inform and/or keep informed TransCo of the maximum rates at which and/or quantities in which gas can be delivered to the System by the User at any System Entry Point at such time(s) or over such period(s) as TransCo may specify;
- (ii) if requested by TransCo, take such steps as may be available (pursuant to contract) to the User to secure any increase in the maximum rates or quantities referred to in paragraph (i), for example by arranging the deferment of maintenance or other works in respect of gas production or processing facilities.

3.3.2 In a National Emergency each User shall comply with all instructions by TransCo to deliver gas to the System at System Entry Points in such quantities and at such rates as TransCo may specify, up to the maximum quantities or rates which are available (by the exercise of all contractual rights as to the supply of gas or otherwise) to the User, irrespective of the commercial terms of such supplies, and irrespective of the quantities of gas being offtaken from the System by the User.

3.3.3 In a National Emergency TransCo may (in lieu of applying paragraph 3.3.2) issue direct instructions to the operator of any Storage Facility (including any BG Storage Facility) to deliver gas to the System at the relevant Storage Connection Point (in which case relevant Users shall be treated as having delivered to the System and withdrawn from the relevant Storage Facility gas in proportion to the respective Storage Deliverabilities (or the equivalent) held by them in the relevant facility but not exceeding their respective amounts of gas-in-storage (or the equivalent)).

3.3.4 TransCo may make arrangements with persons who are not gas shippers (in particular with Delivery Facility Operators, and with producers of gas or their operators), pursuant to which such persons will if requested by TransCo deliver gas to the System in a National Emergency; and where TransCo does so, except to the extent that (as contemplated by paragraph 3.3.5) the quantity delivered is treated as being delivered by a User:

- (i) any such person may (notwithstanding Section E2.1.5) submit (or a person appointed by Users as User Agent under Section E2.2 may submit on behalf of such a person) a claim to have delivered gas to the System (but the quantity of gas so delivered shall not be treated as an UDQI of any User for any purposes);
- (ii) TransCo will pay an amount to such person in accordance with paragraph 4.2 and recover such amount from Users in accordance with that paragraph.

3.3.5 Where TransCo makes an arrangement for the purposes of paragraph 3.3.4 with a person (a "**producer**") from whom a User has contracted to purchase gas, the following provisions shall apply with a view to ensuring that quantities of gas delivered pursuant to a request of TransCo (as described in that paragraph) are treated as delivered under (insofar as such quantities of gas are capable of being treated as delivered under) the User's contract with the producer:

- (a) TransCo agrees that in making such a request it is willing to be treated as making, as agent on behalf of the User, a nomination of a quantity to be delivered pursuant to the User's contract; but nothing shall make TransCo liable to the producer under such contract, nor (except pursuant to an arrangement made under paragraph (c)) require TransCo to frame its request in any particular form;
- (b) the User hereby appoints (insofar as such appointment may effectively be made hereby) TransCo as agent in accordance with paragraph (a), and authorises TransCo to notify such appointment to the producer;
- (c) each of TransCo and the User will (if so requested by the other) cooperate with the other to make reasonable arrangements with the producer for the purposes of giving further effect to paragraphs (a) and (b).

3.4 Demand-side steps

3.4.1 Where Emergency Steps include the reduction or discontinuance of offtake of gas at Supply Points, such steps will (insofar as is practicable and as may be required by Standard Licence Condition 18(10)) be applied in the following order:

- (i) first, at Interruptible Supply Points (in so far as offtake has not already been interrupted at such points);
- (ii) secondly, at Large Firm Supply Points other than Priority Supply Points;
- (iii) thirdly, at Firm Supply Points (including for the avoidance of doubt Supply Points whose Annual Quantities do not exceed 73,200 kWh (2,500 *therms*)) other than Large Firm Supply Points and Priority Supply Points;
- (iv) lastly, at Priority Supply Points.

3.4.2 To the extent that Emergency Steps include the isolation of any part of the System in which several Supply Points are located, the order in paragraph 3.4.1 may not apply.

3.4.3 The manner in and priority with which Emergency Steps may be taken for the reduction or discontinuance of offtake of gas at a Connected System Exit Point will be in accordance with the relevant Network Exit Agreement (which will where appropriate take account of the requirements of Standard Condition 18(10) of the Public Gas Transporter's Licence); and TransCo and the Connected System Operator shall be at liberty to take Emergency Steps in accordance therewith.

- 3.4.4 Unless TransCo notifies a User otherwise:
- (i) instructions to consumers in relation to Interruption of offtake at Interruptible Supply Points will be given by Users;
 - (ii) instructions to consumers in relation to the reduction or discontinuance of offtake at Large Firm Supply Points will be given by TransCo;
 - (iii) appeals, directions or other communications to other consumers will be made by TransCo.
- 3.4.5 Subject to paragraph 4.1.1(x), the relevant provisions of Section G6 will apply for the purposes of paragraph 3.4.4(i), except that:
- (i) TransCo shall not be required to give 5 hours notice of Interruption but may require Interruption as soon as practicable following TransCo's Interruption Notice;
 - (ii) any Day or Days of Interruption pursuant to this Section Q shall not count towards the use of the Interruption Allowance under Section G6.7.5.
- 3.4.6 Notwithstanding paragraph 3.4.4, where pursuant to the Emergency Procedures TransCo instructs a User to give any notification or communication to a consumer or supplier, the User shall comply with that instruction.
- 3.4.7 Without prejudice to TransCo's ability to take any Emergency Step, TransCo may take steps physically to isolate any Large Firm Supply Point where the consumer does not comply with any instruction given under paragraph 3.4.4(ii).
- 3.5 Return to normal operation
- 3.5.1 The order in which during an Emergency offtake of gas at Supply Points is restored will (so far as is practicable) be the inverse of that under paragraph 3.4.1.
- 3.5.2 TransCo will declare an Emergency to have ceased only:
- (i) with effect from the start of a Day; and
 - (ii) with such notice to Users as is necessary to enable the implementation of those provisions of Sections C and D which are to be implemented on or not later than the Preceding Day.
4. CONSEQUENCES OF EMERGENCY
- 4.1 Suspension of certain provisions of the Code
- 4.1.1 In respect of each Day or part of a Day during a National Emergency:
- (i) the provisions of Section B as to Overrun Charges, LDZ CSEP Overrun Charges and Supply Point Ratchets will not apply;
 - (ii) Section C will not apply, except to the extent to which TransCo may wish to use the Nomination process as a means for Users to communicate with TransCo;
 - (iii) in accordance with paragraph 3.2.2, Section D will not apply;

- (iv) Section E will apply, subject to paragraph 4.2.6 (for the purposes of which Sections E2.1.6, E2.1.8 and E2.1.9 will not apply, and the Entry Close-out Date will be deferred as appropriate), and subject to paragraph (vi); but the Exit Close-out Date may be deferred;
 - (v) Section F2 will apply on the basis in paragraph 4.2; Section F3 will not apply (so that no Scheduling Charges will be payable); Section F4 will apply, modified in accordance with paragraph 4.2 (and in consequence of the provisions of this paragraph 4.1.1); and Sections F5 and F6 will apply;
 - (vi) the application of Section H will be modified with a view to ensuring (on such approximate basis as is reasonably practicable in the circumstances) that gas is not treated as offtaken at NDM Supply Point Components at which the offtake of gas has been discontinued pursuant to Emergency Steps as described in paragraph 3.4.1;
 - (vii) Section I3.10 (as to rates of delivery of gas) will not apply, and where TransCo requests or permits the delivery of gas to the System which does not comply with the applicable Gas Entry Conditions, Section I3.4 will not apply;
 - (viii) the provisions of Sections G and M as to payments by TransCo to Users in respect of the performance or failure to perform TransCo's obligations under those Sections will not apply to the extent any failure in such performance results from the Emergency or the taking of Emergency Steps;
 - (ix) TransCo may by notice to Users suspend the implementation (as respects all Users) of any of the provisions of Section G;
 - (x) the provisions of Section G6.9 in respect of a failure to Interrupt shall not apply;
 - (xi) the provisions of Section R as to Storage Overrun Charges, Storage Management Charges and Injection Scheduling Charges will not apply, and the rules as to injection and withdrawal shall be modified or disappplied to the extent necessary to give effect to this Section Q.
- 4.1.2 In an Emergency any other provision of the Code which would in any particular case conflict with the implementation of this Section Q shall to that extent not apply.
- 4.2 Clearing of gas balances
- 4.2.1 In a National Emergency Section F2 will apply on such modified basis as is appropriate to give effect to paragraph 4.2.2 (and in particular without the application of any tolerances, or of any price other than the relevant price under paragraph 4.2.3).
- 4.2.2 In respect of each Day during a National Emergency:
- (i) TransCo shall pay to each User who delivered on a Day more gas to the System than it offtook on such Day an amount determined as the User's Daily Imbalance multiplied by the relevant price, subject to paragraph 4.2.5;
 - (ii) TransCo will pay to any person (other than a User) who delivered gas to the System on the Day (pursuant to such an arrangement as is described in paragraph 3.3.4, and except where the gas delivered was treated as being delivered by a User as contemplated by paragraph 3.3.5) an amount determined as the amount delivered by such person multiplied by the relevant price, subject to paragraph 4.2.5;

- (iii) each User who offtook on a Day more gas from the System than it delivered on such Day shall pay to TransCo an amount determined as the User's Daily Imbalance multiplied by the relevant price.

4.2.3 For the purposes of this paragraph 4.2 the "**relevant price**" is:

- (i) the value of System Average Price determined under Section F1.2.2 by reference to the 30 Days preceding the Day on which the Emergency started; or
- (ii) in the case of an arrangement under paragraph 3.3.4, any other price, or a price derived from any other pricing mechanism, where upon TransCo's application the Director (at the time the arrangement was made) gave Condition 7(4) Approval to TransCo's agreeing to such arrangement on the basis of such price or pricing mechanism.

4.2.4 In applying Section F4 in respect of Days during a National Emergency amounts payable by TransCo:

- (i) to persons other than Users (as described in paragraph 4.2.2(ii)), and
- (ii) to Users pursuant to paragraph 4.2.5, as to the amount so payable which exceeds the amount payable at the relevant price,

will be taken into account as though such amounts were Flexibility Charges payable by TransCo (for the purposes of Section F4.4.3).

4.2.5 Where a User or other person (the "**claimant**") believes that it will suffer a financial loss by reason of being paid only the relevant price in respect of any gas delivered to the System on a Day during a National Emergency (but in the case of a User, not in respect of a quantity of gas which exceeds the amount of its Daily Imbalance if any under paragraph 4.2.2(i)):

- (i) the claimant may within such time as TransCo shall reasonably require submit to TransCo a claim to be paid at a higher price, together with details of the basis on which it believes it will suffer a financial loss and the amount of such loss;
- (ii) TransCo will appoint an independent accountant or other appropriately qualified person as "**claims reviewer**" to review each claimant's claim and advise TransCo of whether the claim appears to the claims reviewer to be justified and the amount which (in the claims reviewer's opinion) the claimant should be paid in excess of what is payable calculated at the relevant price;
- (iii) the claimant shall be required (as a condition to its claim being considered, but subject to the claims reviewer accepting a reasonable obligation of confidence) to provide such information, access to records and cooperation as the claims reviewer shall reasonably require;
- (iv) the fees and costs of the claims reviewer shall be paid by TransCo and shall be additional Monthly Adjustment Neutrality Costs for the month in which they are paid;
- (v) TransCo will (after consultation with the claimant and the Director) pay to the claimant the amount advised by the claims reviewer (unless on TransCo's application after consultation with the claimant the Director shall give Condition 7(4) Approval to TransCo's paying a different amount).

4.2.6 Where the quantities of gas which Users and other persons claim to have delivered to the System at a System Entry Point on a Day during a National Emergency are not in aggregate equal to the Entry Point Daily Quantity Delivered, TransCo will appoint an independent accountant or other appropriately qualified person to review each such person's claim and to determine what quantity was delivered by each such person (which determination shall be final and binding upon each such User); and paragraphs 4.2.5(iii) and (iv) shall apply in respect of the appointed person as though he were a claims reviewer).

4.3 Further consequences

TransCo and Users acknowledge that during an Emergency it may be necessary for each of them to divert resources from other activities which may potentially result in a temporary impairment of their abilities subsequently to perform their respective obligations pursuant to the Code; and acknowledge that any such impairment resulting from such diversion of resources may be Force Majeure for the purposes of Section V9.

SECTION R: BG STORAGE FACILITIES

1. GENERAL

1.1 BG Storage Facilities

1.1.1 For the purposes of the Code a "**BG Storage Facility**" is a facility operated by the Storage Operator in relation to which storage arrangements (as defined in the TransCo Licence) are for the time being included pursuant to Standard Condition 7(14) of the TransCo Licence in transportation arrangements (as therein defined).

1.1.2 Subject to the provisions of this Section R, Users may use a BG Storage Facility by injecting gas into such facility, by having gas-in-storage within such facility and by withdrawing gas from such facility.

1.1.3 At the date of the Code the BG Storage Facilities comprise:

(i) the Rough Facility, a partially depleted offshore gas field;

(ii) the Hornsea Facility, salt cavity storage;

(iii) facilities ("**LNG Facilities**") for the liquefaction of gas, and the storage and regasification of liquefied natural gas ("**LNG**"), at Glenmavis, Partington, Dynevor Arms, Avonmouth and Isle of Grain.

1.1.4 The LNG Facilities at Dynevor Arms, Avonmouth and Isle of Grain are "**Constrained LNG Facilities**" for the purposes of the Code.

1.1.5 Users and the Storage Operator agree that where in any Storage Year (the "**first deregulated**" Storage Year) a Storage Facility ceases to be a BG Storage Facility:

(a) if such cessation does not occur at the start of a Storage Year, the rights and obligations of Users pursuant to this Section R in relation to the facility in respect of such Storage Year will continue in force until the end of the first deregulated Storage Year;

(b) where the notice (pursuant to which such cessation occurs) published by the Director for the purposes of Standard Condition 7(15) of the TransCo Licence was not published before the Invitation Close Date for the Preceding Storage Year, and TransCo did not state in the Annual Storage Invitation for the Preceding Storage Year its intention to seek (during the course of the Preceding Storage Year) the publication of such a notice:

(i) Users who would have been Preceding Year Users (at the end of the Preceding Storage Year) will have an entitlement to be allocated capacity in the Storage Facility for the first deregulated Storage Year, equivalent to the Preceding Year Entitlement which such Users would have had pursuant to paragraph 3.3, but so that the terms (as to price and otherwise) on which such capacity is held shall be those established by the Storage Operator for the first deregulated Storage Year; and

(ii) Users will have rights and obligations not materially different from those pursuant to paragraph 3.7 (in respect of gas-in-storage at the end of the Preceding Storage Year) in the first deregulated Storage Year.

1.2 Storage Operator

In the Code "**Storage Operator**" means British Gas plc, as licensee under the TransCo Licence, acting as operator of the BG Storage Facilities.

1.3 Injection and withdrawal

1.3.1 References in the Code to "**injection**" of gas to and "**withdrawal**" of gas from a BG Storage Facility shall be construed as follows:

(i) injection is the transfer of gas from the System to a BG Storage Facility, and withdrawal is the transfer of gas from a BG Storage Facility to the System;

(ii) an injection is an offtake from the System and a withdrawal is a delivery to the System at the relevant Storage Connection Point;

(iii) an injection or withdrawal is made by a User where it is made pursuant to a Storage Nomination made by that User.

1.3.2 Subject to paragraphs 1.3.4 and 9, the Storage Operator will operate each BG Storage Facility so as to arrange for the injection and withdrawal of the quantities of gas to be injected and withdrawn by Users pursuant to their Storage Nominations each Day.

1.3.3 Subject to paragraphs 1.6 and 6.7, the quantity of gas accounted for as injected or withdrawn on a Day to or from a BG Storage Facility by a User (and the User's UDQO or UDQI in respect of the relevant Storage Connection Point) will be the Nominated Quantity under its Storage Nomination (and subject as aforesaid references to gas injected or withdrawn by a User are to gas so accounted for as injected or withdrawn).

1.3.4 Where Users make Input Nominations in respect of the Storage Connection Point of a BG Storage Facility for a Day for which other Users make Output Nominations in respect of the same Storage Connection Point:

(i) the quantities injected and withdrawn by such Users shall be determined (in accordance with paragraph 1.3.3) on the basis of the Nominated Quantities; but only the net quantity will be offtaken from or (as the case may be) delivered to the System at the relevant Storage Connection Point;

(ii) Storage Injection Charges and Storage Withdrawal Charges (in accordance with paragraphs 5 and 6) will be payable in respect of the full quantities injected and withdrawn.

1.4 Gas-in-storage

1.4.1 Subject to paragraph 1.4.4, a User's "**gas-in-storage**" on any Day in a Storage Year in respect of a BG Storage Facility is:

(a) the sum of:

(i) the User's Opening Storage Balance in accordance with paragraph 1.4.5,

(ii) the quantities of gas injected by the User on Days in that Storage Year up to but not including such Day and

(iii) the quantities subject to Storage Gas Transfers made in favour of the User with effect from Days in that Storage Year up to and including such Day, less

(b) the sum of:

(i) the quantities of gas withdrawn by the User on Days in that Storage Year up to but not including such Day, and

(ii) the quantities subject to Storage Gas Transfers made by the User with effect from Days in that Storage Year up to and including such Day,

in respect of such BG Storage Facility.

1.4.2A User who has gas-in-storage in a BG Storage Facility is entitled (subject to and in accordance with this Section R) to have a quantity of gas, equal to the amount of its gas-in-storage, delivered to the System at the relevant Storage Connection Point by way of withdrawal, and (without prejudice to paragraph 4 or Section V4.4.1(iv)) has no other entitlement in respect of gas-in-storage.

1.4.3For the avoidance of doubt the amount of a User's gas-in-storage in respect of an LNG Facility shall not be reduced in respect of LNG boil-off.

1.4.4Where the amount determined in respect of a User in accordance with paragraph 1.4.1 is negative, the User's gas-in-storage shall be zero and the provisions of paragraph 7 shall apply.

1.4.5A User's "**Opening Storage Balance**" in respect of a BG Storage Facility for a Storage Year shall be the amount of the User's gas-in-storage (if any) at the end of the Preceding Storage Year plus the quantities (if any) injected and less the quantities (if any) withdrawn by the User on the last Day of the Preceding Storage Year.

1.4.6The Storage Operator shall have title to and risk in all gas contained in any BG Storage Facility.

1.5Storage Nominations

1.5.1The Storage Operator will act on Users' Nominations to TransCo, which TransCo will make available to the Storage Operator (and will be deemed received by the Storage Operator when received by TransCo), except in the case of Output Nominations, which are made by the Storage

Operator to TransCo on Users' behalf; and Users will not make separate nominations to the Storage Operator in respect of injections and withdrawals.

1.5.2 Each User authorises the Storage Operator to inject and withdraw gas to and from each BG Storage Facility pursuant to that User's Storage Nominations.

1.5.3 Where the Storage Operator may reject a Storage Nomination under any provision of this Section R TransCo is authorised to make such rejection.

1.5.4 For the purposes of this Section R:

(a) a "**Storage Injection Nomination**" in respect of a BG Storage Facility is an Output Nomination (including, but without prejudice to paragraph 5.8, a Renomination) made under Section C2 in respect of the relevant Storage Connection Point;

(b) a "**Storage Withdrawal Nomination**" in respect of a BG Storage Facility is an Input Nomination (including a Renomination and Flexibility Nomination) made under Section C3 in respect of the relevant Storage Connection Point;

(c) a "**Storage Nomination**" is a Storage Injection Nomination or a Storage Withdrawal Nomination.

1.6 Force Majeure

1.6.1 Where on any Day the withdrawal of gas from any BG Storage Facility is affected by any occurrence of Force Majeure affecting the Storage Operator:

(i) the Storage Operator may elect that paragraph 1.3.3 shall not apply in respect of such BG Storage Facility; and

(ii) where the Storage Operator so elects in respect of the BG Storage Facility so affected, the aggregate quantity withdrawn on the Day will be apportioned between Users in the proportions in which they have Available Storage Deliverability, but so that no User shall have apportioned a quantity exceeding the Nominated Quantities under its Storage Nomination.

1.6.2 In determining whether an event or circumstance affecting a particular BG Storage Facility (the "**first**" such facility) is Force Majeure:

(i) subject to paragraph (ii), the ability of the Storage Operator to take (in relation to other BG Storage Facilities) any step provided for in paragraph 9 shall be taken into account, except to the extent to which (in the Storage Operator's judgement) the event or circumstance may have resulted in the loss of stored gas from the first BG Storage Facility;

(ii) paragraph (i) shall not require the Storage Operator to take any step which would prejudice System security or result in an infringement of the requirements of paragraph 8.6.1;

(iii) the fact that TransCo may previously (for the purposes of enabling the performance of its obligations in relation to another BG Storage Facility), have taken in relation to the first BG Storage Facility any step provided for in paragraph 9 shall be taken into account.

1.7 Storage Connection Agreement

1.7.1 For so long as TransCo and the Storage Operator are the same person there will be no Storage Connection Agreement in respect of Storage Connection Points of BG Storage Facilities.

1.7.2 Title and risk to gas injected by a User to or withdrawn by a User from a BG Storage Facility shall be treated as passing from the User to the Storage Operator or (as the case may be) to the User from the Storage Operator at the same point and at the same time at which title thereto passes from TransCo to the User or (as the case may be) from the User to TransCo.

1.7.3 The Storage Connection Point of a BG Storage Facility will be a relevant Connected System Exit Point only where so specified in any provision of the Code and in Section C5.4.1; and will not be a relevant Connected System Exit Point in any other case (including Sections F2.2.1(a)(ii)).

1.8 Storage Year

1.8.1A "**Storage Year**" is a 12 month period from 1st May in any year to the following 30th April.

1.8.2 In relation to any Storage Year the "**Preceding Storage Year**" is the Storage Year ending at the start of such Storage Year.

1.9 Storage Charges

1.9.1 For the purposes of the Code "**Storage Charges**" are charges payable by Users in respect of capacity in or use of BG Storage Facilities.

1.9.2 Storage Charges comprise Storage Capacity Charges, Storage Injection Charges, Storage Withdrawal Charges, Storage Overrun Charges, Injection Scheduling Charges and Storage Management Charges.

1.10 Application of this Section R

Where the application of this Section R in respect of the Top-up Manager or of TransCo when acting for System Margins Purposes is modified pursuant to Sections K or P, the provisions of those Sections shall prevail over those of this Section R.

2. STORAGE CAPACITY

2.1 Storage Capacity

2.1.1A User must hold capacity ("**Storage Capacity**") in a BG Storage Facility in order to use the facility.

2.1.2 Storage Capacity comprises Storage Space and/or Storage Deliverability.

2.1.3 For the purposes of this Section R:

(a) "**Storage Space**" is capacity (in kWh) which entitles the User to inject gas into and have gas-in-storage in a BG Storage Facility;

(b) "**Storage Deliverability**" is capacity which entitles the User (provided it has gas-in-storage) to withdraw gas from a BG Storage Facility;

in each case in accordance with and subject to the provisions of this Section R.

2.1.4 Storage Deliverability is expressed in kWh/Day, except that where (for the purposes of any provision of the Code) it is to be determined what quantity of gas withdrawn from a BG Storage Facility on a Day is equal to an amount of Storage Deliverability held by a User, or whether such a quantity of gas exceeds or is less than such an amount of deliverability, such amount of Storage Deliverability shall be treated as expressed in kWh.

2.1.5 The "**Total Storage Capacity**" in respect of a BG Storage Facility is:

(i) Storage Space ("**Total Storage Space**") equivalent to the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility when full of stored gas, after allowing (in the case of an LNG Facility) for LNG boil-off during the Storage Year; and/or

(ii) Storage Deliverability ("**Total Storage Deliverability**") equivalent to the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility in a period of 24 hours,

as specified for a Storage Year in the Annual Storage Invitation (in accordance with paragraph 3.1).

2.1.6 The "**Maximum Storage Capacity**" in respect of a BG Storage Facility at any time is:

(i) Storage Space ("**Maximum Storage Space**") determined as the Total Storage Space less the amount of Storage Space at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.9 and Tanker Filling Arrangements in accordance with paragraph 2.10; and/or

(ii) Storage Deliverability ("**Maximum Storage Deliverability**") determined as the Total Storage Deliverability less the amount of Storage Deliverability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.9.

2.1.7 Subject to paragraph 2.9.2, in paragraphs 4, 5, 6, 7 and 8 of this Section R a reference to a User (in relation to a BG Storage Facility) is to a User who holds Storage Capacity or has gas-in-storage in that facility.

2.2 Storage capacity registration

2.2.1 A User may apply for and (if its application is approved in accordance with paragraph 3.2.5) will be registered as holding Storage Capacity in accordance with paragraph 3.

2.2.2 For the purposes of this Section R:

(i) a User's "**Registered**" Storage Space or Storage Deliverability in relation to a BG Storage Facility is the Storage Space or Storage Deliverability which the User is registered (in accordance with this Section R) as holding in that facility on the Gas Flow Day;

(ii) the User's "**Available**" Storage Space or Storage Deliverability in relation to a BG Storage Facility is the Storage Space or Storage Deliverability which the User holds on the Gas Flow Day in that facility after taking account of any Storage Capacity Transfer, determined in accordance with paragraph 4.4.2.

2.2.3 Except in the case of a Long Term Storage Arrangement under paragraph 2.9, a User will be registered as holding Storage Capacity for the period commencing with the start of the Storage Year (or the date of registration in accordance with paragraph 3.8.3 if later) and expiring at the end of the Storage Year; and until the end of the Storage Year the User's Registered Storage Capacity shall not be reduced and (subject to Section V4.3) the registration shall not be terminated.

2.3 Interruptible capacity

2.3.1 A User may apply for and be registered as holding Storage Space in the Rough Facility without applying for or being registered as holding Storage Deliverability.

2.3.2 For the purposes of this Section R:

(a) "**Interruptible**" Storage Capacity is Storage Space in the Rough Facility which a User was registered as holding without being registered as holding Storage Deliverability;

(b) "**Firm**" Storage Capacity is Storage Capacity in a Storage Facility other than Interruptible Storage Capacity.

2.3.3 Interruptible Storage Capacity will be held separately from other Storage Capacity; and quantities injected into, gas-in-storage in and quantities withdrawn from the Rough Facility by virtue of Interruptible Storage Capacity will be accounted for separately from such quantities in respect of Firm Storage Capacity in that facility; and Storage Capacity Transfers in respect of Interruptible Storage Capacity will be accounted for separately from such transfers in respect of Firm Storage Capacity.

2.3.4 The entitlement of a User holding Interruptible Storage Capacity to withdraw gas from the Rough Facility is limited in accordance with paragraph 6.4.

2.3.5 In each Storage Year the Maximum Storage Space in the Rough Facility will be divided into amounts available for and allocated to applications respectively for Firm and Interruptible Storage Capacity as specified in the Annual Storage Invitation.

2.4 Storage Duration

2.4.1 For the purposes of the Code the "**Storage Duration**" of the Storage Capacity (other than Interruptible Storage Capacity) applied for or registered as held by a User in a BG Storage Facility is the number of Days obtained by dividing the Storage Space by the Storage Deliverability applied for or registered as held by the User in that facility.

2.4.2 Except as provided in paragraph 2.3, where a User applies under this Section R for Storage Capacity the Storage Duration of the Storage Capacity applied for shall not lie outside the limits in the table below (but the Storage Duration of the Storage Capacity which a User is registered as holding may differ in accordance with this Section R):

	<u>Storage Duration (Days)</u>	
	<u>Minimum</u>	<u>Maximum</u>
Rough Facility	30	120
Hornsea Facility	10	20
LNG Facility	5	5

2.5 Unfilled Storage Space

For the purposes of the Code a User's "**unfilled**" Storage Space in a BG Storage Facility is the amount by which at any time the User's Available Storage Space exceeds its gas-in-storage in that facility, and "**filled**" and "**fill**" Storage Space are to be construed accordingly.

2.6 Uncommitted Storage Capacity

At any time the "**Uncommitted**" Storage Space or Storage Deliverability of a BG Storage Facility is the Maximum Storage Space or Maximum Storage Deliverability less the aggregate Storage Space or Storage Deliverability at such time registered as held by Users or TransCo pursuant to applications, or subject to applications made but not yet approved, under paragraphs 3.1, 3.5, 3.7 and 3.8 and Sections K and P.

2.7 Storage Capacity Charges

2.7.1 A User shall pay Storage Capacity Charges in respect of its Registered Storage Capacity in BG Storage Facilities in accordance with the Annual Storage Invitation or (where applicable) paragraph 3.5.

2.7.2 For the purposes of the Code:

(a) "**Storage Capacity Charge**" means a Storage Space Charge or a Storage Deliverability Charge;

(b) a "**Storage Deliverability Charge**" is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Deliverability in a BG Storage Facility;

(c) a "**Storage Space Charge**" is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Space in a BG Storage Facility.

2.7.3 The "**Applicable Storage Space Charge Rate**" or "**Applicable Storage Deliverability Charge Rate**" respectively is the annual rate of the Storage Space Charge or (as the case may be) Storage Deliverability Charge payable (in accordance with paragraph 2.7.1) in respect of:

(i) Storage Space in a BG Storage Facility, in pence per kWh of Storage Space, for a Storage Year;

(ii) Storage Deliverability in a BG Storage Facility, in pence per kWh/Day of Storage Deliverability, for a Storage Year.

2.7.4 Storage Capacity Charges will be invoiced and are payable in accordance with Section S.

2.8 System Capacity

The provisions of Section B as to System Capacity at the relevant Storage Connection Point apply (in respect of offtake and delivery of gas from and to the System) to a User who holds Storage Capacity, in addition to this Section R.

2.9 Long Term Storage Arrangements

2.9.1 The Storage Operator may enter into arrangements ("**Long Term Storage Arrangements**") with any User pursuant to which the User will or may hold Storage Capacity for a period of more than 12 months.

2.9.2 The terms of this Section R will apply in respect of Long Term Storage Arrangements except to the extent excluded by or inconsistent with such arrangements; but (unless expressly provided otherwise) references in this Section R to Users do not include Users in respect of the Storage Capacity held under Long Term Storage Arrangements.

2.9.3 The Storage Operator will not enter into a Long Term Storage Arrangement, having effect in any Storage Year, between the date of the Annual Storage Invitation for that year and the date on which Storage Capacity is allocated (in accordance with paragraph 3.1.6) pursuant to such invitation.

2.10 Tanker Filling Arrangements

2.10.1 The Storage Operator may enter into arrangements ("**Tanker Filling Arrangements**") pursuant to which Users may hold Storage Space and have gas-in-storage in an LNG Facility and may withdraw gas from the LNG Facility as LNG loaded onto road tankers.

2.10.2 Under a Tanker Filling Arrangement a User will not hold Storage Deliverability (and the requirement as to Storage Duration of paragraph 2.4 will not apply in respect of the User's Storage Space) but the User will pay charges (in accordance with the Annual Storage Invitation) for the entitlement to withdraw and/or for withdrawing gas under such arrangement.

2.10.3 TransCo will enter into a Tanker Filling Arrangement with the Storage Operator for the purposes of enabling TransCo to provision each Scottish Independent Network with LNG as described in Section B1.9.2.

3. APPLICATION FOR STORAGE CAPACITY

3.1 Annual Storage Invitation

3.1.1 For each Storage Year the Storage Operator will, not later than 31st January in the Preceding Storage Year, invite (in accordance with paragraph 3.1.2) applications for Storage Capacity in each BG Storage Facility.

3.1.2 For each BG Storage Facility the Storage Operator may invite (as to the whole of the Maximum Storage Capacity, or in the case of the Rough Facility that allocated to Firm or Interruptible Storage Capacity) applications either:

- (i) on the basis of allocation under paragraph 3.4, or
- (ii) by way of a tender on the basis of price, for allocation under paragraph 3.5.

3.1.3 The Storage Operator's invitation (the "**Annual Storage Invitation**") under paragraph 3.1.1 will specify in respect of each BG Storage Facility:

- (i) the date ("**Invitation Close Date**") by which applications pursuant to such invitation must be made, which shall not be less than 30 Days after the date of the invitation;
- (ii) the Maximum Storage Space and Maximum Storage Deliverability as at the date of the Annual Storage Invitation, and in the case of the Rough Facility the amounts of the Maximum Storage Space allocated respectively to Firm and Interruptible Storage Capacity;
- (iii) whether the invitation is made under paragraph 3.1.2(i) or 3.1.2(ii);
- (iv) the Injection Period for the purposes of paragraph 5.2;
- (v) where the invitation is made under paragraph 3.1.2(i), the Applicable Storage Space Charge Rate and the Applicable Storage Deliverability Charge Rate;
- (vi) where the invitation is made under paragraph 3.1.2(ii), the fixed Storage Duration (if any) in accordance with paragraph 3.5.4, and a late-booking rate for the purposes of paragraph 3.8.8;
- (vii) the charges for injection and withdrawal and periods to which such charges apply in accordance with paragraphs 5 and 6;
- (viii) in the case of each Constrained LNG Facility, the Threshold Constrained Demand for the purposes of paragraph 8.2.5(b) and the required percentages for the purposes of paragraph 8.6.3;
- (ix) in the case of a relevant LNG Facility, charges for Tanker Filling Arrangements; and

(x) such other matters as may be provided for in this Section R or, not being inconsistent with any provision of this Section R, as the Storage Operator may reasonably determine.

3.1.4 Users may apply (in accordance with paragraph 3.2) for Storage Capacity in each BG Storage Facility pursuant to the Annual Storage Invitation at any time up to, but (without prejudice to paragraph 3.8) not after, the Invitation Close Date.

3.1.5 A User must make a separate application in respect of each BG Storage Facility in which it applies for Storage Capacity (but such applications may be submitted in a single application form).

3.1.6 Each User whose application is approved in accordance with paragraph 3.2.5 will be registered as holding the Storage Capacity allocated (in accordance with paragraph 3.4 or 3.5) to it, and the Storage Operator will inform each User of its Registered Storage Capacity in respect of each BG Storage Facility not later than 31st March in the Preceding Storage Year.

3.1.7 For the purposes of paragraph 3.1.6, except where (in accordance with paragraph 3.4.2 or 3.5.7) the Storage Capacity applied for exceeds the Maximum Storage Capacity, each User whose application is approved will be considered to have been allocated the Storage Capacity it applied for.

3.1.8 Any terms included in the Annual Storage Invitation pursuant to paragraph 3.1.3(ix) shall be deemed to have been accepted by each User who applies for Storage Capacity (whether under paragraph 3.1.4 or paragraph 3.8), and shall apply in addition to the provisions of this Section R.

3.2 Storage application

3.2.1 An application for Storage Capacity shall specify:

- (i) the identity of the User;
- (ii) the BG Storage Facility;
- (iii) whether the application is for Firm Storage Capacity or Interruptible Storage Capacity;
- (iv) the amount of Storage Space, and where the application is for Firm Storage Capacity the amount of Storage Deliverability, within the Storage Duration limits in paragraph 2.4.2, for which the application is made;
- (v) where the Annual Storage Invitation was made under paragraph 3.1.2(ii) and the application is made pursuant to that invitation, the annual rates of the charges which the User agrees to pay by way of Storage Capacity Charges in respect of the Storage Capacity allocated to it;
- (vi) except where the Storage Operator specified a fixed Storage Duration under paragraph 3.1.3(vi), whether the User wishes the Storage Duration of the Storage Capacity applied for to be maintained in the allocation of Storage Capacity;
- (vii) in respect of an LNG Facility, where the Annual Storage Invitation was made under paragraph 3.1.2(i) and the application is made pursuant to that invitation, whether the User wishes paragraph 3.4.6 to apply to it, any preference (as to the LNG Facilities in which it is allocated Storage Capacity) for the purposes of paragraph 3.4.5, any ranking for the purposes of paragraph 3.4.7, and any request for the purposes of paragraph 3.4.8;

(viii) where the User holds Storage Capacity in the relevant facility in the Preceding Storage Year, the amount (if any) of gas-in-storage which the User expects to hold at the end of the Preceding Storage Year; and

(ix) such other matters as the Annual Storage Invitation may (pursuant to paragraph 3.1.3(x)) require.

3.2.2 A User may apply for both Firm and Interruptible Capacity in the Rough Facility but must make separate applications (in accordance with paragraph 3.1.5) for each.

3.2.3 The User may submit a proposed Provisional Injection Programme (for the purposes of paragraph 5.3.3) with its application under paragraph 3.2.1.

3.2.4 The Storage Operator may reject an application for Storage Capacity:

- (i) where the requirements of paragraph 3.2.1 are not complied with; or
- (ii) in accordance with Section V3.

3.2.5 The Storage Operator will approve or reject (under paragraph 3.2.4) applications for Storage Capacity made pursuant to the Annual Storage Invitation before allocating Storage Capacity in accordance with paragraph 3.4 or 3.5 (and references in those paragraphs to applications are to applications which have been so approved).

3.3 Capacity allocation: Preceding Year Users

3.3.1 In respect of each BG Storage Facility, in any Storage Year a User (a "**Preceding Year User**") with gas-in-storage at the Invitation Close Date who applies pursuant to the Annual Storage Invitation (whether made under paragraph 3.1.2(i) or (ii)) for Storage Capacity in that facility shall be entitled to be allocated not less than the amount (the "**Preceding Year Entitlement**") of Storage Capacity determined as the maximum amounts of Storage Space and Storage Deliverability in respect of which all of the conditions in paragraphs (a), (b) and (c) below are satisfied:

(a) where the User held Firm Storage Capacity in the BG Storage Facility in the Preceding Storage Year, the respective amounts of Storage Space and Storage Deliverability shall be in the proportions in which the User was registered as holding such capacity at 1st December of the Preceding Storage Year;

(b) the amounts of Storage Space and Storage Deliverability shall not exceed the lesser of:

(i) the relevant percentage (in accordance with paragraph 3.3.2) of the amount of the User's Registered Storage Space or (as the case may be) Storage Deliverability at 1st December in the Preceding Storage Year, and

(ii) the amount of such Storage Space or Storage Deliverability (for the Storage Year) which the User applied for pursuant to the Annual Storage Invitation or (where the Annual Storage Invitation was made under paragraph 3.1.2(i)) was treated in accordance with paragraph 3.4.5 as applying for; and

(c) the amount of Storage Space shall not exceed the amount of the User's gas-in-storage at the Invitation Close Date.

3.3.2 For the purposes of paragraph 3.3.1(b)(i) the relevant percentage for each BG Storage Facility is as follows:

Rough	75%
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Hornsea 65%
LNG 65%

3.4 Capacity allocation: non-price invitation

3.4.1 This paragraph 3.4 applies where the Annual Storage Invitation in respect of a BG Storage Facility was made under paragraph 3.1.2(i).

3.4.2 If applications are made pursuant to the Annual Storage Invitation for Storage Space or Storage Deliverability at a BG Storage Facility in aggregate greater than the relevant Maximum Storage Capacity the Storage Operator will allocate Storage Space or Storage Deliverability (as to each of which this paragraph 3.4 shall apply separately) between Users whose applications were not rejected:

(i) first, to TransCo for Operating Margins Purposes as to the full amount of Storage Capacity applied for;

(ii) thereafter in accordance with the further provisions of this paragraph 3.4 (for the purposes of which references to Maximum Storage Capacity are net of capacity allocated under paragraph (i) and references to Users do not include TransCo for Operating Margins Purposes).

3.4.3 The Storage Operator will determine provisional allocations of Storage Capacity both:

(i) between Preceding Year Users in accordance with paragraph 3.3, and

(ii) between all Users who applied for Storage Capacity, allocating the Maximum Storage Capacity, pro rata to the amounts applied for or treated (under paragraph 3.4.6) as applied for, subject to paragraph 3.6.

3.4.4 Following the provisional allocations under paragraph 3.4.3, the Storage Operator will:

(i) allocate to each Preceding Year User whichever is the greater of the Preceding Year Entitlement and the amount of Storage Capacity provisionally allocated under paragraph 3.4.3(ii); and

(ii) allocate the balance of the Maximum Storage Capacity remaining after the allocation under paragraph (i) between Users other than Preceding Year Users, allocating such balance pro rata to the amounts of Storage Capacity applied for or treated (under paragraph 3.4.6) as applied for, subject to paragraph 3.6.

3.4.5 Where:

(i) the Storage Operator receives and approves applications for Storage Capacity in a LNG Facility in aggregate greater than the Maximum Storage Capacity, and

(ii) any User (an "**electing User**") so elected under paragraph 3.2.1(vii),

then unless the Storage Operator is able (having regard to any preferences expressed under paragraph 3.2.1(vii)) to agree an alternative allocation with all Users who applied for Storage Capacity in LNG Facilities, paragraph 3.4.6 shall apply.

3.4.6 In the circumstances in paragraph 3.4.5, subject to paragraphs 3.4.7 and 3.4.8:

(a) the Storage Operator will determine for each LNG Facility (other than any for which the Annual Storage Invitation was made under paragraph 3.1.2(ii)) the ratio between the aggregate Storage Capacity for which such applications were approved and the Maximum Storage Capacity, and will rank the

LNG Facilities in order by such ratio (the facility for which Storage Capacity applied for exceeds Maximum Storage Capacity by the greatest proportion ranking first);

(b) the allocation under this paragraph 3.4 will be carried out in respect of each LNG Facility sequentially, in the order ranked under paragraph (a) starting with the first ranking;

(c) in carrying out such allocation in respect of each LNG Facility other than the first ranking, each electing User shall be treated as having applied for Storage Capacity in an amount determined by aggregating:

(i) the Storage Capacity (if any) specified in its application for such facility; and

(ii) Storage Capacity in an amount equal to the amount of Storage Capacity it applied for (or was treated under this paragraph as having applied for), but under the rules in this paragraph 3.4 was not allocated, in the prior-ranking LNG Facility.

3.4.7 For the purposes of paragraph 3.4.6, where a User stipulated under paragraph 3.2.1(vii) a ranking of all or any of the LNG Facilities:

(a) that User will not participate in the allocation under paragraph 3.4.6(c) in respect of any LNG Facility:

(i) which the User did not include in its ranking,

(ii) which was ranked under paragraph 3.4.6(a) before the LNG Facility ranked first by the User;

(b) the User will participate in the allocation under paragraph 3.4.6(c):

(i) as to the LNG Facility ranked first by the User; and

(ii) thereafter, only as respects any LNG Facility which was ranked under paragraph 3.4.6(a) after the LNG Facility which the User ranked immediately before it.

3.4.8 A User who did not stipulate a ranking for the purposes of paragraph 3.4.7 may stipulate under paragraph 3.2.1(vii) that, if the User is not allocated the entirety of the Storage Capacity applied for in an LNG Facility, the User is not to be allocated any Storage Capacity in such facility; and where any User(s) made such a stipulation, in the circumstances in paragraph 3.4.5 any such User will be allocated no such Storage Capacity unless the result of not allocating Storage Capacity to another such User is that paragraph 3.4.5 no longer applies.

3.5 Capacity allocation: price tender

3.5.1 This paragraph 3.5 applies where the Annual Storage Invitation in respect of a BG Storage Facility was made under paragraph 3.1.2(ii).

3.5.2 Each User (including for the avoidance of doubt TransCo for System Margins Purposes) who applies for Storage Capacity shall tender a price or prices (in accordance with paragraph 3.2.1(v)), and agrees by making such application to pay by way of Storage Capacity Charges the prices so tendered in respect of the amounts of Storage Capacity allocated in accordance with this paragraph 3.5.

3.5.3 In this paragraph 3.5 "**price**" means the annual rate of the Storage Space Charge and/or Storage Deliverability Charge tendered by a User in its application in accordance with paragraph 3.2.1(v).

3.5.4 The Storage Operator may in the Annual Storage Invitation stipulate a fixed Storage Duration in respect of Firm Storage Capacity to be applied for, in which case Users will be required to tender a single composite price.

3.5.5 The Storage Operator will carry out a provisional allocation of Storage Capacity by:

- (i) ranking the applications in order of price; and
- (ii) allocating to each application, in descending order of price starting with the highest priced, the amount of Storage Capacity applied for (or part thereof in the case of the lowest-priced application(s) to which Storage Capacity is allocated), until an amount of Storage Capacity equal to the Maximum Storage Capacity has been allocated, subject to paragraph 3.6;

and where the same price was tendered in two or more applications, ranking such applications equally and allocating Storage Capacity pro rata to the amounts applied for.

3.5.6 Except where a fixed Storage Duration was stipulated in accordance with paragraph 3.5.4, the provisional allocation under paragraph 3.5.5 will be carried out separately (in respect of each BG Storage Facility) for Storage Space and Storage Deliverability, and paragraph 3.6 shall apply.

3.5.7 Following the provisional allocation under paragraph 3.5.5, the Storage Operator will, for TransCo for Operating Margins Purposes and each Preceding Year User:

- (i) determine whether, and if so the amount ("**Provisional Allocation Shortfall**") by which, the amount of Storage Space and/or Storage Deliverability provisionally allocated under paragraph 3.5.5 is less than the amount of the Preceding Year Entitlement or (as the case may be) the amount applied for Operating Margins Purposes; and
- (ii) not later than 3 Business Days after the Invitation Close Date notify to each such User (each a "**Provisional Shortfall User**") for whom there is a Provisional Allocation Shortfall the amount of such shortfall and the high weighted average price in accordance with paragraph 3.5.9.

3.5.8 Each Provisional Shortfall User may, not later than 5 Business Days after the Storage Operator's notification under paragraph 3.5.7(ii), elect to have allocated to it, in addition to that provisionally allocated under paragraph 3.5.5, Storage Space and/or Storage Deliverability (subject to any fixed Storage Duration stipulated under paragraph 3.5.4) in an amount (the "**Elected Shortfall Allocation**") not exceeding the Provisional Allocation Shortfall, on the basis that (and so that by making such election the Provisional Shortfall User agrees that) the rate of the Storage Capacity Charges payable by the Provisional Shortfall User in respect of the Elected Shortfall Allocation will be the high weighted average price determined in accordance with paragraph 3.5.9.

3.5.9 The "**high weighted average price**" payable by a Provisional Shortfall User is the amount ('R') determined by reference to Users' applications under paragraph 3.5.2 (as ranked under paragraph 3.5.5) and the Elected Shortfall Allocations of all Provisional Shortfall Users as follows:

EQUATION 1

where for each application ('i') (so that i is 1 for the highest priced application)

P_i is the tendered price;

Q_i is the amount (or in the case of Q_n , part of the amount) of Storage Capacity applied for;

and where

Q_s is the aggregate amount of the Elected Shortfall Allocations (or for the purposes of paragraph 3.5.7(i) the Provisional Allocation Shortfalls) of all Provisional Shortfall Users; and

'n' and ' Q_n ' are defined so that:

EQUATION 2

3.5.10 Where one or more Provisional Shortfall Users elect to be allocated additional Storage Capacity under paragraph 3.5.8, the Storage Operator shall carry out a revised allocation of Storage Capacity, by:

(i) reallocating to such Provisional Shortfall Users the Storage Capacity provisionally allocated to applications under paragraph 3.5.5, withdrawing such Storage Capacity from applications in ascending order of price, starting with the lowest priced application to which Storage Capacity was provisionally allocated, until the full amounts of the Elected Shortfall Allocations are allocated;

(ii) then adjusting those provisional allocations of Storage Capacity which were not reallocated under paragraph (i) in accordance with paragraph 3.6, where applicable;

(iii) to the extent that after the steps in paragraphs (i) and (ii) any of the Maximum Storage Capacity is unallocated, allocating on the same basis as in paragraph 3.5.5 such Storage Capacity to applications to which Storage Capacity has not been allocated, subject to paragraph 3.6.

3.5.11 Where the effect of any withdrawal pursuant to paragraph 3.5.10 of Storage Capacity provisionally allocated to a Preceding Year User (whether or not already a Provisional Shortfall User) is to reduce the Storage Capacity provisionally allocated to such User to less than the Preceding Year Entitlement, the application of paragraphs 3.5.7 to 3.5.10 will be repeated on the basis that the Provisional Allocation Shortfall (for the purposes of paragraph 3.5.7(i)) is ascertained on the basis of the revised allocation under paragraph 3.5.10.

3.5.12 Following the determination of each User's allocation of Storage Capacity pursuant to this paragraph 3.5 in respect of each Storage Year, the Storage Operator will send to the Director a statement setting out such allocations and showing how they were (in accordance with this paragraph 3.5) calculated.

3.6 Storage Duration Election

Where a User elected pursuant to paragraph 3.2.1(vi) to maintain its Storage Duration, the Storage Capacity allocated or provisionally allocated to that User under paragraphs 3.4.3, 3.4.4(i), 3.5.5(ii), 3.5.10(ii)

and/or 3.5.10(iii) shall be adjusted by reducing either the Storage Space or the Storage Deliverability so allocated until the Storage Duration applied for is obtained, and the Storage Capacity so determined shall be the Storage Capacity allocated or provisionally allocated to such User.

3.7 Gas left in storage

3.7.1 For the purposes of this paragraph 3.7.1, in respect of each BG Storage Facility, in respect of any Storage Year:

(a) a "**Carry-over User**" is a User whose Opening Storage Balance exceeds its Available Storage Space on 1st May in the Storage Year;

(b) a Carry-over User's "**uncovered gas-in-storage**" in a BG Storage Facility on any Day in the Injection Period is the lesser of:

(i) the amount by which its gas-in-storage exceeds whichever is the greater of:

(1) the User's Registered Storage Space (allocated pursuant to an application under the Annual Storage Invitation), and

(2) the User's Available Storage Space; and

(ii) the amount of the User's uncovered gas-in-storage determined in accordance with this paragraph 3.7.1 on any preceding Day in the Injection Period.

3.7.2 A Carry-over User may, on each Day in the Injection Period up to and including 30th September, have uncovered gas-in-storage not exceeding an amount (the "**Permitted Uncovered Amount**") equal to the amount of Empty Storage Space allocated to it under paragraph 3.7.4(b), without the provisions of paragraph 6.5 applying.

3.7.3 Each Carry-over User shall secure that:

(i) it does not have uncovered gas-in-storage on any Day in an amount exceeding the Permitted Uncovered Amount under paragraph 3.7.2; and

(ii) on 1st October it has no uncovered gas-in-storage;

and where the User does not secure such requirements paragraph 6.5 shall apply.

3.7.4 As at the Day ("**Confirmation Day**") at which the Storage Operator establishes Confirmed Injection Programmes for a month under paragraph 5.4, the Storage Operator will:

(a) determine for each BG Storage Facility in respect of each Day (the "**relevant Day**") in that month, on the basis of the Confirmed Injection Programmes for such month and for the preceding month, the amount ("**Empty Storage Space**"), if any, by which the Maximum Storage Space exceeds the aggregate of:

(i) the gas-in-storage of all Users (excluding uncovered gas in storage, but including gas-in-storage of Users holding Special Storage Capacity as at the Confirmation Day), and

(ii) the Confirmed Injection Quantities in accordance with such Confirmed Injection Programmes (including in relation to the preceding month Confirmed Injection Quantities of Users holding Special Storage Capacity) of all Users for each Day from the Confirmation Day up to and including the relevant Day; and

(b) allocate (for the purposes of paragraph 3.7.2 only) the Empty Storage Space in respect of each relevant Day between Carry-over Users in proportion to their respective amounts of uncovered gas-in-storage as at the Confirmation Day.

3.7.5 The Empty Storage Space shall not be reduced by any quantities of gas injected or planned to be injected by the Storage Operator pursuant to paragraph 9.

3.7.6 The Storage Operator will notify to each Carry-over User, at the same time that it notifies Confirmed Injection Programmes to Users for any month, the amount of Empty Storage Space allocated to it in respect of each Day in that month.

3.8 Late booking

3.8.1 Subject to paragraph 3.8.2 a User may apply in accordance with paragraph 3.2 for Storage Capacity (or additional Storage Capacity) in any BG Storage Facility after the Invitation Close Date.

3.8.2 No application for Storage Capacity may be made after 30th November in the Storage Year.

3.8.3 Subject to paragraph 3.8.4, the Storage Operator will approve or reject the application in accordance with paragraph 3.2.5; and (where the application is approved) the User will be registered as holding the Storage Capacity applied for with effect from the Day of such approval.

3.8.4 The Storage Operator will notify the User whether the application was approved or rejected within 3 Business Days after the application was made.

3.8.5 An application under paragraph 3.8.1 will not be approved if at the time of the application either the Storage Space or the Storage Deliverability applied for exceeds the Uncommitted Storage Capacity in the relevant BG Storage Facility.

3.8.6 If the Storage Capacity applied for exceeds the Uncommitted Storage Capacity:

(i) the Storage Operator will (when notifying rejection of the application) so inform the User, specifying the Uncommitted Storage Capacity; and the User may then re-apply for Storage Capacity;

(ii) if within 2 Business Days after the Storage Operator's notification the User so re-applies, such re-application shall be treated (for the purposes of determining the Uncommitted Storage Capacity) as made at the time that its rejected application was made.

3.8.7 So far as capable of applying, the terms of the Annual Storage Invitation shall apply in respect of Storage Capacity held pursuant to an application under this paragraph 3.8 (but such an application shall not be treated as made pursuant to the Annual Storage Invitation).

3.8.8 Where the Annual Storage Invitation was made under paragraph 3.1.2(ii) the rates of the Storage Capacity Charges payable by a User who is registered as holding Storage Capacity under this paragraph 3.8 will (subject to paragraph 3.8.9) be the late-booking rate specified pursuant to paragraph 3.1.3(vi) in the Annual Storage Invitation.

3.8.9 A User who is registered as holding Storage Capacity under this paragraph 3.8 will pay Storage Capacity Charges:

(i) with effect from the Day of such registration, at the Applicable Storage Capacity Charge Rate and in accordance with paragraph 2.7.4;

(ii) in respect of the period from 1st May until the Day before the Day of registration, calculated as the sum of the amounts determined in respect of each month (the "**charge month**") in such period, including the relevant part of the month (the "**registration month**") in which the Day of registration occurs, as follows:

EQUATION 3

where:

C is the amount in respect of each charge month;

n is the number of Days in the charge month or in the case of the registration month the number of Days in such month up to (but not including) the Day of registration;

P is the Applicable Storage Capacity Charge Rate;

Q is the amount of such Storage Capacity;

N is the number of Days in the period ("**interest period**") from the 20th Day of the month following the charge month to the 20th Day of the month following the registration month;

and where for each Day (Day 'i') in the interest period 'Ii' is the base rate for the time being of Barclays Bank plc plus one percentage point per annum.

3.8.10 The amount payable under paragraph 3.8.9(ii) will accrue in the registration month and will be invoiced and payable (in accordance with Section S) accordingly.

3.8.11 Where a User is registered as holding Storage Capacity under this paragraph 3.8 the Storage Operator will notify the Top-up Manager who may elect (in accordance with Section P4.4) to surrender Storage Capacity in an equivalent amount.

3.9 Special Storage Capacity

3.9.1 Subject to paragraph 3.9.2, in respect of any Storage Year, the Storage Operator may (but shall not be required to) enter into arrangements in respect of capacity ("**Special Storage Capacity**") in any BG Storage Facility, on terms and conditions (specified by the Storage Operator in such invitation) which are different from those of this Section R.

3.9.2 The Storage Operator may not enter into arrangements in respect of Special Storage Capacity:

(i) which would conflict in any material way with the rights under this Section R of any User in respect of Storage Capacity held before such arrangement is entered into; or

(ii) for any period greater than one Storage Year; or

(iii) in respect of any Storage Year, until it has allocated Storage Capacity in respect of that year pursuant to applications made in accordance with paragraph 3.1.4 under the Annual Storage Invitation.

4. STORAGE TRANSFERS

4.1 Basis of transfer

4.1.1 A User (the "**Transferor Storage User**") may at any time:

(a) transfer all or part of its Available Storage Space or its Available Storage Deliverability in a BG Storage Facility to, or

(b) make a Storage Gas Transfer in respect of a quantity of gas in relation to a BG Storage Facility in favour of

another User (the "**Transferee Storage User**"), subject to and in accordance with this paragraph 4.

4.1.2 The requirements as to Storage Duration in paragraph 2.4 apply in respect of applications for Storage Capacity, and not Available Storage Capacity; and accordingly a Storage Capacity Transfer may be made disregarding such requirements.

4.1.3 For the purposes of this Section R:

(i) a "**Storage Space Transfer**" and a "**Storage Deliverability Transfer**" are respectively a transfer of Storage Space or Storage Deliverability in accordance with paragraph 4.1.1(a), and a "**Storage Capacity Transfer**" is a Storage Space Transfer or a Storage Deliverability Transfer;

(ii) a "**Storage Gas Transfer**" is an arrangement between two Users made for the purposes of paragraph 4.5;

(iii) a "**Storage Transfer**" is a Storage Capacity Transfer or a Storage Gas Transfer.

4.1.4 A Storage Deliverability Transfer may be for any Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Deliverability Transfer) such capacity; and a Storage Space Transfer shall be for the period from (and including) the date of such transfer until the end of the Storage Year.

4.1.5 In respect of a Storage Transfer or proposed Storage Transfer:

(i) in the case of a Storage Capacity Transfer, the "**Transferred Storage Capacity**" is the Storage Capacity which is (or is to be) transferred;

(ii) in the case of a Storage Gas Transfer, the "**Transferred Gas-in-Storage**" is the quantity subject to such Storage Gas Transfer;

(iii) the "**Storage Transfer Period**" is in the case of a Storage Deliverability Transfer the Day or Days, and in the case of a Storage Space Transfer the period, in accordance with paragraph 4.1.4, for which the transferred capacity is (or is to be) transferred;

(iv) in the case of a Storage Gas Transfer the "**transfer date**" is the Day on and with effect from which the Storage Gas Transfer is to take effect;

(v) the "**Transfer Storage Facility**" is the BG Storage Facility at which Storage Capacity is (or is to be) transferred or in respect of which a Storage Gas Transfer is (or is to be) made.

4.1.6 Where a User holds both Firm and Interruptible Storage Space in the Rough Facility, the User may make a Storage Space Transfer or a Storage Gas Transfer both as Transferor Storage User and as Transferee Storage User.

4.2 Storage Gas and Capacity Transfers

4.2.1 A User may not transfer Storage Space or make a Storage Gas Transfer where as a result:

(a) either the Transferee Storage User or the Transferor Storage User would have gas-in-storage in excess of its Available Storage Space in the Transfer Storage Facility; or

(b) in the case of a Constrained LNG Facility, the requirement in paragraph 8.6.1 would not be satisfied by either the Transferor Storage User or the Transferee Storage User.

4.2.2 The Transferred Gas-in-Storage under a Storage Gas Transfer shall not exceed the amount of the Transferor Storage User's gas-in-storage in the Transfer Storage Facility.

4.2.3 The Storage Operator may but shall not be required to reject a Storage Transfer in respect of which the requirements of paragraph 4.2.1 or 4.2.2 are not satisfied; and where the Storage Operator does not reject such a Storage Transfer the Storage Transfer will take effect and a Storage Overrun Charge and/or Storage Management Charge may be payable by either User in accordance with paragraph 7.1 and 7.3.

4.3 Procedure

4.3.1 Where a User proposes to make a Storage Transfer, each of the Transferor Storage User and the Transferee Storage User must notify the proposed Storage Transfer to the Storage Operator specifying:

(i) the identity of the Transferor Storage User and Transferee Storage User;

(ii) the Transfer Storage Facility;

(iii) whether the Storage Transfer is a Storage Space Transfer, a Storage Deliverability Transfer or a Storage Gas Transfer, or a combination in accordance with paragraph 4.3.2;

(iv) the amount of the Transferred Storage Capacity, or (as the case may be) Transferred Gas-in-Storage; and

(v) in the case of a Storage Capacity Transfer, the Storage Transfer Period, or in the case of a Storage Gas Transfer, the transfer date.

4.3.2 A combined notification may (and where required to satisfy the condition in paragraph 4.2.1 shall) be made in respect of a Storage Space Transfer and Storage Gas Transfer at one BG Storage Facility.

4.3.3 A proposed Storage Transfer may not be notified later than 04:00 hours on the transfer date or (as the case may be) Day or first Day of the Storage Transfer Period.

4.3.4 The Storage Operator may reject a Storage Transfer:

(i) in accordance with paragraph 4.2.3,

(ii) where either the Transferor Storage User or the Transferee Storage User does not notify the Storage Transfer in accordance with paragraph 4.3.1 or 4.3.3, or

(iii) in accordance with Section V3.

4.3.5 A Storage Transfer shall be effective if it is approved by the Storage Operator or is not rejected by the Storage Operator within 60 minutes after it was notified by the Transferor Storage User or (if later) the Transferee Storage User under paragraph 4.3.1.

4.4 Effect of Storage Capacity Transfer

4.4.1 Except for the purposes of paragraph 4.4.3, and subject to paragraph 4.6, the Transferee Storage User will be treated during the Storage Transfer Period as holding the Transferred Storage Capacity.

4.4.2 A User's Available Storage Capacity in a BG Storage Facility on a Day will be determined as its Registered Storage Capacity, adjusted in respect of any Storage Capacity Transfer(s) (for which that facility is the Transfer Storage Facility and the Storage Transfer Period includes that Day) by adding the Transferred Storage Capacity where the User was the Transferee Storage User, and deducting the Transferred Storage Capacity where the User was the Transferor Storage User, subject to paragraph 4.6.

4.4.3 A User will remain liable for Storage Capacity Charges in respect of its Registered Storage Capacity irrespective of any Storage Capacity Transfer.

4.5 Effect of Storage Gas Transfer

With effect from (and including) the transfer date, the Transferred Gas-in-Storage will be added to the Transferee Storage User's gas-in-storage and deducted from the Transferor Storage User's gas-in-storage in respect of the Transfer Storage Facility.

4.6 Effect of Termination

4.6.1 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferor Storage User ceases to be a User in accordance with Section V4.3:

(a) the Storage Operator will so notify the Transferee Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferor Storage User;

(b) with effect from the User Discontinuance Date the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity;

(c) the Transferee Storage User may elect to be registered in accordance with paragraph 4.6.2 as holding Storage Capacity (in addition to any such capacity held other than by virtue of the Storage Capacity Transfer) in the Transfer Storage Facility:

(i) in an amount not exceeding the Transferred Storage Capacity, and

(ii) for (in the case of a Storage Deliverability Transfer) any Day or consecutive Days within the Storage Transfer Period, or (in the case of a Storage Space Transfer) a period from any Day (before or after the date of such election, but not before the User Discontinuance Date) in the Storage Transfer Period until the end of the Storage Transfer Period.

4.6.2 Where under paragraph 4.6.1 the Transferee Storage User elects to be registered as holding Storage Capacity:

(a) the Transferee Storage User shall notify the Storage Operator, as soon as reasonably practicable and in any event not more than 5 Business Days after the Storage Operator's notice under paragraph 4.6.1(a), of such election, specifying the Storage Capacity and period in accordance with paragraphs 4.6.1(c)(i) and (ii);

(b) the Transferee Storage User will be registered as holding Storage Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for or the period of registration);

(c) the Transferee Storage User will accordingly be liable for Storage Capacity Charges in respect of the elected Storage Capacity at the Transfer Storage Facility for the elected period;

(d) where the Annual Storage Invitation was made under paragraph 3.1.2(ii), the Storage Capacity Charges referred to in paragraph (c) will be at the weighted average of the rates of Storage Charges payable by all Users who were allocated Storage Capacity pursuant to such invitation.

4.6.3 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferee Storage User ceases to be a User in accordance with Section V4.3:

(a) the Storage Operator will so notify the Transferor Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferee Storage User;

(b) with effect from the User Discontinuance Date, the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity which will revert to (and be treated as held by) the Transferor Storage User.

4.6.4 For the avoidance of doubt, the fact that a User shall cease to be a User under Section V4.3 shall not affect any Storage Gas Transfer made before the User Discontinuance Date.

4.7 Effect on injection programmes

Where a User makes a Storage Space Transfer in respect of unfilled Storage Space during the Injection Period:

(i) the Transferee Storage User shall (where it was not before the Storage Transfer a User in respect of the Transfer Storage Facility) be treated as having a Confirmed Injection Programme for the month in which the Storage Transfer Period commences, with zero Confirmed Injection Quantities, and a Provisional Injection Programme for subsequent months in the Injection Period with zero injection quantities;

(ii) the Transferor Storage User and the Transferee Storage User may notify to the Storage Operator not less than 3 Business Days before any Programmed Injection Day within the Storage Transfer Period equal and opposite adjustments to the injection quantities in their respective Confirmed Injection Programmes.

5. INJECTION

5.1 Introduction

5.1.1 A User may inject gas into a BG Storage Facility in which it holds Storage Space on Days and in quantities established in accordance with this paragraph 5.

5.1.2 For the purposes of planning a User's injections, Provisional and Confirmed Injection Programmes will be established in accordance with paragraphs 5.3 and 5.4.

5.1.3 For the purposes of this Section R, in respect of each BG Storage Facility:

- (a) an "**injection quantity**" is a quantity of gas to be injected on a Day;
- (b) an "**injection programme**" is a programme of planned injections by a User into the facility, setting out for each Programmed Injection Day an injection quantity;
- (c) "**Programmed Injection Days**" are Days in the Injection Period (or in the context of a particular injection programme, in the period to which the programme applies) other than Days on which it is planned or known that the injection facilities will not be in operation for any reason;
- (d) the "**User Injection Rate**" for each User at any time is a rate of injection in kWh/Day determined as that User's Available Storage Space divided by the total filling period;
- (e) the "**Facility Injection Rate**" is the rate of injection in kWh/Day determined as the Maximum Storage Space divided by the total filling period.

5.1.4 For the purposes of paragraph 5.1.3(d) and (e), the "**total filling period**" is the period in Days specified by the Storage Operator in the Annual Storage Invitation as the period which would be required to inject a quantity of gas equal to the Total Storage Space at the facility's maximum rate of injection in kWh/Day determined by the Storage Operator.

5.2 Injection Period

5.2.1 For each BG Storage Facility the "**Injection Period**" in respect of a Storage Year is the period from 1st May to 31st October, excluding any Days which are not Programmed Injection Days, as extended in accordance with paragraph 5.2.2.

5.2.2 Subject to paragraph 5.2.4, where:

- (i) in relation to any Day or Days, the Storage Operator gives a cancellation notice in respect of a BG Storage Facility in accordance with paragraph 5.7.1, and
- (ii) the aggregate of all Users' unfilled Storage Space on that Day exceeds the amount determined by multiplying the Facility Injection Rate by the number of Programmed Injection Days remaining after that Day (or the first of those Days) in the Injection Period

the Injection Period will be extended by the number of Days specified in the cancellation notice.

5.2.3 The Storage Operator will not be required to extend the Injection Period in respect of any BG Storage Facility other than in accordance with paragraph 5.2.2 (notwithstanding any reduction in injection quantities under paragraph 5.4).

5.2.4 The Injection Period will not in any event be extended beyond such date in any Storage Year as the Storage Operator shall (where the Injection Period would otherwise be so extended) reasonably determine and notify to Users as the date with effect from which rights to inject gas to a BG Storage Facility, other than pursuant to paragraph 5.9, would be likely materially to conflict with Users' rights to withdraw gas from such facility or to constitute a potential risk to System security.

5.2.5 References in this paragraph 5 to a month are to a month in the Injection Period in respect of a BG Storage Facility, and include a shorter period starting on the first Day of a month and ending at the end of the Injection Period.

5.3 Provisional Injection Programme

5.3.1 For each User the "**Provisional Injection Programme**" in respect of a BG Storage Facility is an injection programme:

(i) initially established under paragraph 5.3.3, for the Injection Period (or a shorter period entirely within the Injection Period) and for a quantity of gas not exceeding the User's unfilled Available Storage Space; and

(ii) thereafter from time to time revised in accordance with paragraph 5.5, for the balance of such period.

5.3.2 The Provisional Injection Programme will be used by the Storage Operator in establishing Confirmed Injection Programmes in accordance with paragraph 5.4, but is not binding on the Storage Operator or the User (and in particular may contemplate injection at a rate exceeding the User Injection Rate or of quantities exceeding the User's Storage Space).

5.3.3 The Provisional Injection Programme will be:

(i) where the User submitted a proposed Provisional Injection Programme in accordance with paragraph 3.2.3, the programme submitted by the User, subject to paragraph 5.3.4;

(ii) otherwise a programme determined by the Storage Operator allowing for gas to be injected equal to the User's Registered Storage Space, after taking account (where relevant) of the User's estimated Opening Storage Balance notified under paragraph 3.2.1(viii), on the basis of injecting an equal quantity of gas on every Programmed Injection Day in the Injection Period or (as the case may be) the period determined under paragraph 5.3.5(i).

5.3.4 For the purposes of paragraph 5.3.3(i), where the User applied for Storage Space pursuant to the Annual Storage Invitation and (in accordance with paragraph 3) not all the Storage Space applied for by the User was allocated to it, the Provisional Injection Programme shall be established by reducing the quantity proposed by the User for each Programmed Injection Day in the proportion which the Storage Space allocated to the User bears to the Storage Space applied for by it.

5.3.5 Where a User is registered as holding Storage Capacity under paragraph 3.8:

(i) the Provisional Injection Programme will be for the period starting on the first Day of the month following the relevant month in accordance with paragraph 5.3.6;

(ii) the User will be deemed to have a Confirmed Injection Quantity of zero for every Programmed Injection Day until the first Day of the Provisional Injection Programme, and may request changes to such quantity in accordance with paragraph 5.6.

5.3.6 For the purposes of paragraph 5.3.5(i) the relevant month is:

(i) where the User's application is made is on a Day between the 1st and 13th Day of a month, the month in which the User's application is made;

(ii) otherwise, the month following the month in which the User's application is made.

5.3.7 The Storage Operator will notify to Users their Provisional Injection Programmes for each BG Storage Facility:

(i) in respect of Storage Space applied for and allocated under paragraph 3.1, not later than 31st March of the Preceding Storage Year;

(ii) in respect of Storage Space applied for under paragraph 3.8, when notifying the User that its application is approved.

5.4 Confirmed Injection Programme

5.4.1 For each User a "**Confirmed Injection Programme**" in respect of a BG Storage Facility is an injection programme for a month ("**confirmed injection month**") in the Injection Period, established in accordance with this paragraph 5.4.

5.4.2 Each User may, not later than the 13th Day of the month ("**preceding month**") preceding each confirmed injection month, notify to the Storage Operator a requested change in respect of the confirmed injection month to the Provisional Injection Programme.

5.4.3 The User's notification shall specify the identity of the User, the BG Storage Facility, the confirmed injection month, and the injection quantity requested for each Programmed Injection Day of the confirmed injection month.

5.4.4 A User's "**Requested Injection Quantity**" for a Programmed Injection Day in the confirmed injection month shall be the quantity specified for that Day in the prevailing Provisional Injection Programme as amended by any requested change notified under paragraph 5.4.2.

5.4.5 Where (following any changes requested under paragraph 5.4.2) for any Programmed Injection Day in the confirmed injection month the aggregate of all Users' Requested Injection Quantities in respect of a BG Storage Facility exceeds the Facility Injection Rate:

(i) the Storage Operator will notify the Users that Requested Injection Quantities are constrained;

(ii) Users may volunteer to reduce (by notice to the Storage Operator) their Requested Injection Quantities so as to avoid such constraint;

(iii) where by the 2nd Business Day (the "**programme revision date**") before the 20th Day of the preceding month, voluntary reductions have not been made sufficient to avoid such constraint, the Requested Injection Quantities will be modified in accordance with paragraph 5.4.6.

5.4.6 For each User a revised injection quantity shall be determined such that each of the following conditions is satisfied:

(a) the aggregate of the revised injection quantities of all Users (taking account of any voluntary reductions notified under paragraph 5.4.5(ii)) is equal to the Facility Injection Rate;

(b) no User has a revised injection quantity greater than its Requested Injection Quantity (as reduced by any such voluntary reduction);

(c) the revised injection quantities of Users whose revised injection quantities are not greater than their respective Requested Injection Quantities (as reduced by any such voluntary reductions) are in the same proportions as their respective User Injection Rates (determined as of the 13th Day of the preceding month).

5.4.7 The "**Confirmed Injection Quantity**" for each User for each Programmed Injection Day in the confirmed injection month shall be the Requested Injection Quantity as modified by a voluntary reduction under paragraph 5.4.5(ii) and/or revised under paragraph 5.4.6, subject to any later modification by any confirmed request under paragraph 5.6.

5.4.8 Not later than the 20th Day of the preceding month the Storage Operator will provide to each User the Confirmed Injection Programme, specifying the Confirmed Injection Quantity for each Programmed Injection Day of the confirmed injection month.

5.5 Revision of Provisional Injection Programme

A User may, at any time after the Confirmed Injection Programme in respect of a confirmed injection month was issued but before the last Day of the preceding month, revise its Provisional Injection Programme by notice to the Storage Operator specifying injection quantities for Programmed Injection Days in the Injection Period starting with the month following the confirmed injection month.

5.6 Changes to Confirmed Injection Programme

5.6.1 A User may, by notice to the Storage Operator submitted not later than 14:30 hours on the Day before the Preceding Day, request a change in its Confirmed Injection Quantity for the Gas Flow Day.

5.6.2 Where a User requests a change pursuant to paragraph 5.6.1 and an Injection Scheduling Charge will be payable by the User in respect of the requested change in accordance with paragraph 5.6.6:

(i) the Storage Operator will, not later than 12 hours after the User's notice under paragraph 5.6.1, notify the User of the Storage Scheduling Charge;

(ii) the User may then, not later than 2 hours after the Storage Operator's notice under paragraph (i), confirm its request (which shall not be effective unless so confirmed).

5.6.3 Where the User's request is for an increase in the injection quantity for a Day and there is any Available Injection Quantity for the Day, the User's injection quantity for the Day shall be increased by whichever is the lesser of the amount requested and the Available Injection Quantity.

5.6.4 Where the User's request is for a decrease in the injection quantity for a Day, the injection quantity for the Day shall be reduced by the amount requested.

5.6.5 For the purposes of paragraph 5.6.3 an "**Available Injection Quantity**" for a Day is the lesser of:

(a) the amount (if any) by which the aggregate of:

(i) all Users' Confirmed Injection Quantities for that Day, adjusted by any other request under this paragraph 5.6 which was submitted (other than a request for a reduction which was not confirmed under paragraph 5.6.2(ii), where applicable) before the User's request, and

(ii) any quantities to be injected on that Day by a User holding Special Storage Capacity is less than the Facility Injection Rate; and

(b) the amount by which the Maximum Storage Space exceeds all Users' gas-in-storage (including uncovered gas-in-storage permitted under paragraph 3.7.2).

5.6.6 Where a User confirms a request to change a Confirmed Injection Quantity under paragraph 5.6.2(ii), the User shall pay any Storage Scheduling Charge and any Storage Management Charge which may be payable in accordance with paragraphs 7.2 and 7.3.

5.7 Cancelled Injection and Interruption

5.7.1 Where it is planned or known before the Storage Nomination Time that (by reason of failure, repair or maintenance of such facilities, whether or not resulting from Force Majeure) the injection facilities at a BG Storage Facility will not be in operation for any reason on one or more Programmed Injection Days:

(i) the Storage Operator may notify Users that injection to that facility for that Day or Days is cancelled, by notice ("**cancellation notice**") given not later than the Storage Nomination Time and specifying such Day(s);

(ii) where cancellation notice is given, the relevant Day(s) will cease to be a Programmed Injection Day(s) for that facility and the Confirmed Injection Quantities for such Day(s) will be cancelled.

5.7.2 Subject to paragraph 5.7.3, where:

(i) in the circumstances in paragraph 5.7.1 the Storage Operator does not give cancellation notice for a Day, or

(ii) the injection facilities at a BG Storage Facility become non-operational after the Storage Nomination Time,

the Confirmed Injection Quantities will not be affected and Storage Injection Nominations will be made under paragraph 5.8 accordingly.

5.7.3 Without prejudice to the provisions of the Code in respect of Force Majeure, where after the Storage Nomination Time or within the Gas Flow Day there is a failure of the injection facilities at the Rough Facility:

(a) the Storage Operator may (on that Day) notify Users of such failure and specify revised injection quantities for each User for the Day;

(b) paragraph 5.7.2 will not apply and the quantities injected by each User for the Day will be the quantities so specified by the Storage Operator (and Storage Injection Nominations made or revised accordingly) unless:

(i) within 60 minutes after the Storage Operator's notification such User notifies the Storage Operator by telephone or facsimile that as a result of the reduction in injection quantities the User will incur on the Day a material cost (but not including any payment for which the User may become liable under the Code);

(ii) the User demonstrates to the reasonable satisfaction of the Storage Operator within a reasonable period after the Day that the User would have incurred such a cost.

5.7.4 Subject to paragraph 5.7.6, in respect of a BG Storage Facility, the Storage Operator may also, in respect of not more than the relevant number of Days in each Injection Period, upon giving not less than 5 hours notice to such Users, cancel injection or reduce the quantities injected by Users to such facility on a Day where TransCo requires interruption of the offtake of gas from the System at the Storage Connection Point for the purposes of avoiding or limiting a Transportation Constraint which TransCo anticipates would otherwise arise.

5.7.5 Where the Storage Operator cancels injection or reduces injection quantities under paragraph 5.7.4 the Storage Operator will revise on behalf of Users their Storage Injection Nominations and notify such revised Nomination Quantities as soon as reasonably practicable after the requirement for interruption was known.

5.7.6 Where:

(i) upon the application of a User TransCo has informed the User that a Storage Connection Point is 'eligible for firm transportation' for the purposes of this paragraph 5.7.6, and

(ii) the User has elected to hold (and pay NTS Exit Capacity Charges in respect of) NTS Exit Capacity at the Storage Connection Point on such basis,

paragraph 5.7.4 shall not apply in respect of the relevant BG Storage Facility as respects injection by such User of a quantity on a Day not exceeding the NTS Exit Capacity so held by such User.

5.7.7 For the purposes of paragraph 5.7.4 the relevant number of Days shall be the number of Days, not exceeding 15, specified in respect of the relevant BG Storage Facility in the Annual Storage Invitation.

5.8 Injection Nominations

5.8.1 Storage Injection Nominations will be made (and will be deemed to have been made in accordance with the requirements of Section C) by the Storage Operator on behalf of Users; and (for Days in the Injection Period) the Nomination Quantities will, subject to paragraph 5.7, be the relevant Confirmed Injection Quantities for the Day (following any adjustments in accordance with paragraph 5.6).

5.8.2 Users shall not on their own behalf submit Storage Injection Nominations or Renominations thereof; and any such Nomination purportedly submitted by a User will be disregarded.

5.8.3 Each User authorises the Storage Operator to make Storage Injection Nominations in accordance with paragraph 5.8.1, irrespective of whether the User has unfilled Available Storage Space and of any Storage Overrun Charge or Storage Management Charge for which the User may become liable in consequence of such Nominations.

5.8.4 In accordance with paragraph 1.3.3, the quantity injected by a User on a Day will be the Nominated Quantity under the User's Storage Injection Nomination.

5.9 Injection outside Injection Period

5.9.1 Subject to paragraph 5.9.5, a User who holds unfilled Storage Space in a BG Storage Facility may make an injection (a "**late injection**") of gas into the facility on a Day after the end of the Injection Period (in the relevant Storage Year) in the circumstances in paragraph 5.9.3.

5.9.2 A User who wishes to make a late injection on a Day shall notify the Storage Operator not less than 24 hours before the Storage Nomination Time specifying the BG Storage Facility and the quantity of gas to be injected, which notification may not be withdrawn or amended.

5.9.3 The circumstances in which a late injection may take place are:

(i) where other Users are withdrawing gas from the relevant BG Storage Facility in quantities in aggregate exceeding the late injection quantity, or

(ii) where no User is withdrawing gas from the facility, the facility is not being held ready to allow such withdrawals and the injection facilities are not in course of maintenance or other works and are otherwise

capable of being put in operation for the Day and TransCo has not notified the Storage Operator of any Transportation Constraint which TransCo anticipates would arise if such injection were to take place.

5.9.4 The Storage Operator will make available details of the BG Storage Facilities in respect of which the circumstances under paragraph 5.9.3 are from time to time satisfied.

5.9.5 The Storage Operator may at any time (before or within the Gas Flow Day) by giving not less than 60 minutes notice to the User cancel or discontinue or reduce the rate of any late injection where or to the extent that the circumstances in paragraph 5.9.3 cease or have ceased to be satisfied.

5.9.6 The Storage Injection Nomination (including any Renomination) for a late injection will be made by the Storage Operator on behalf of the relevant User in accordance with paragraph 5.8.

5.9.7 The restrictions under this paragraph 5.9 applying to late injections do not apply to the Top-up Manager or TransCo for System Margins Purposes.

5.10 Injection following Emergency

Following an Emergency the Storage Operator will cooperate with Users with a view to enabling Users to inject quantities into BG Storage Facilities (notwithstanding such injection may conflict with any requirements under this Section R) to replace gas withdrawn from BG Storage Facilities during the Emergency.

5.11 Injection Charges

5.11.1 Users shall pay charges ("**Storage Injection Charges**") in respect of quantities injected to each BG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were injected.

5.11.2 Storage Injection Charges will be invoiced and are payable in accordance with Section S.

6. WITHDRAWALS

6.1 Entitlement to withdraw

6.1.1 Subject to paragraph 6.1.4, a User may withdraw gas from a BG Storage Facility on any Day (including a Day on which gas is being injected into the facility) during the Storage Year.

6.1.2 The User may not withdraw a quantity of gas on a Day which exceeds:

- (i) the User's gas-in-storage, or
- (ii) subject to paragraph 6.4, the User's Available Storage Deliverability.

6.1.3 For the purposes of enabling Users to make Storage Withdrawal Nominations the Storage Operator will provide to Users the calorific value from time to time of gas which may be withdrawn from each BG Storage Facility.

6.1.4 Subject to paragraph 6.1.6, Users may not withdraw gas from a BG Storage Facility on a Withdrawal Maintenance Day.

6.1.5 For the purposes of paragraph 6.1.4, in relation to a BG Storage Facility:

(a) a "**Withdrawal Maintenance Day**" is a Day in the period from 1st May to 30th September in any Storage Year on which the withdrawal facilities of the BG Storage Facility are withdrawn from service for maintenance;

(b) the number of Withdrawal Maintenance Days shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event shall not exceed 28 Days in any Storage Year or 70 Days in any three consecutive Storage Years;

(c) the Withdrawal Maintenance Days shall be specified in the Annual Storage Invitation, provided that the Storage Operator may revise (but without prejudice to paragraph (b)) the Days which are Withdrawal Maintenance Days in any month by notice to relevant Users given not later than the Day before the last Day on which Users may (pursuant to paragraph 5.4.2) notify requested changes in their Provisional Injection Programmes for that month.

6.1.6 Users may withdraw gas from a BG Storage Facility on a Withdrawal Maintenance Day to the extent that the Nomination Quantities under the Storage Withdrawal Nominations do not exceed the Nomination Quantities under Storage Injection Nominations for the Day in respect of the same facility; and where required the Nomination Quantities under such Storage Withdrawal Nominations will be reduced pro-rata, and the Storage Operator will inform relevant Users of the extent of such a pro-rata reduction as soon as practicable.

6.2 Renominations and Flexibility Nominations

6.2.1 Subject to the further provisions of this paragraph 6.2 and paragraph 8, a User may make a Renomination in respect of a Storage Withdrawal Nomination, and shall (upon acceptance of a Flexibility Bid for a System Entry Buy at the relevant Storage Connection Point) be deemed to make a Storage Withdrawal Nomination as a Flexibility Nomination in respect of a Storage Connection Point, in accordance with Sections C and D.

6.2.2 Where a User makes a Renomination of a Storage Withdrawal Nomination or is deemed to have made a Storage Withdrawal Nomination on acceptance of a Flexibility Bid (such a Renomination or Nomination a "**relevant Nomination**") the implied withdrawal rate shall not exceed the available withdrawal rate and shall not be less than zero.

6.2.3 Where a User makes a relevant Nomination in respect of which the implied withdrawal rate is greater than the available withdrawal rate, the User shall pay:

(i) a Storage Overrun Charge in accordance with paragraph 7.1, for the purposes of which the "**Withdrawal Overrun**" shall be the amount calculated as the difference between the implied withdrawal rate and the available withdrawal rate, multiplied by the relevant period; and

(ii) any Storage Management Charge which may be payable in accordance with paragraph 7.3.

6.2.4 Where a User makes a relevant Nomination in respect of which the implied withdrawal rate is less than zero, the Storage Operator may (but shall not be required to) reject the relevant Nomination; and where the Storage Operator does not reject the relevant Nomination the User shall pay a Storage Management Charge in accordance with paragraph 7.3.

6.2.5 For the purposes of this paragraph 6.2, in relation to a relevant Nomination:

(a) the "**available withdrawal rate**" is the rate (in kWh/hour) determined as the User's Available Storage Deliverability divided by 24;

(b) the "**implied withdrawal rate**" is the prevailing withdrawal rate plus (in the case of an increase in Nomination Quantity or a System Entry Buy) or minus (in the case of a decrease in Nomination Quantity or a System Entry Sell) the incremental withdrawal rate;

(c) the "**prevailing withdrawal rate**" is:

(i) where no earlier such Renomination or Flexibility Nomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User's Storage Withdrawal Nomination divided by 24 (or where the User had made no Storage Withdrawal Nomination, zero);

(ii) in any other case, the implied withdrawal rate, determined in accordance with this paragraph 6.2.5, prevailing immediately before the relevant Nomination;

(d) the "**incremental withdrawal rate**" is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity or as the case may be the amount of the Flexibility Quantity under the relevant Nomination divided by the relevant period;

(e) the "**relevant period**" is the period in hours calculated as

(i) the period from the time when the Renomination is made or Flexibility Bid is accepted until the end of the Gas Flow Day, less

(ii) the withdrawal lead time (for an increase or decrease, as appropriate) prevailing at such time or (in the case of a Flexibility Bid for a System Entry Buy) the flexibility lead time if longer.

6.2.6 In respect of any BG Storage Facility the "**withdrawal lead time**", as at any time after the Storage Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before the Storage Operator can give effect to an increase or (as the case may be) a decrease in the rate of withdrawal of gas from the facility on the Gas Flow Day.

6.2.7 With effect from the Storage Nomination Time the Storage Operator will make available to Users the prevailing withdrawal lead times (for an increase and for a decrease) for the Gas Flow Day in respect of each BG Storage Facility.

6.3 Quantity withdrawn

In accordance with paragraph 1.3.3, but subject to paragraphs 1.6 and 6.4, the Storage Operator shall secure that the quantity of gas withdrawn by the User will be the Nominated Quantity under the User's Storage Withdrawal Nomination.

6.4 Withdrawals under Interruptible Storage Capacity

6.4.1 Subject to paragraph 6.4.2, a User (an "**Interruptible Storage User**") holding Interruptible Storage Capacity in the Rough Facility may make Storage Withdrawal Nominations ("**Interruptible Withdrawal Nominations**") for a Nomination Quantity not exceeding on any Day 1/50 of the User's Available Storage Space.

6.4.2 The entitlement of an Interruptible Storage User to withdraw gas is subject to the further provisions of this paragraph 6.4.

6.4.3 If at any time before or during the Gas Flow Day, as a result of the submission of any Storage Withdrawal Nomination or of the circumstances in paragraph 6.4.4:

(i) the sum of the Nomination Quantities under Users' Storage Withdrawal Nominations (including Renomination and Flexibility Nominations) in respect of the Rough Facility exceeds the Relevant Storage Deliverability, or

(ii) the sum of Users' prevailing withdrawal rates (in accordance with paragraph 6.2.5(c)) exceeds the rate ("**maximum withdrawal rate**") determined as the Relevant Storage Deliverability divided by 24,

paragraph 6.4.6 shall apply.

6.4.4 The circumstances referred to in paragraph 6.4.3 are that for any reason (by reason of plant failure, maintenance or repair or otherwise) the rate at which gas can be withdrawn from the Rough Facility is reduced on any Day or Days below the Maximum Storage Deliverability.

6.4.5 For the purposes of paragraph 6.4.3 the "**Relevant Storage Deliverability**" is:

(i) except in the circumstances in paragraph 6.4.4, the Maximum Storage Deliverability;

(ii) in the circumstances in paragraph 6.4.4, the reduced rate of withdrawal referred to in that paragraph.

6.4.6 In the circumstances in paragraph 6.4.3:

(a) the Nomination Quantities ("**Interruptible Storage Nomination Quantities**") under Interruptible Withdrawal Nominations will be reduced so that (insofar as may be secured by such reduction):

(i) in the case in paragraph 6.4.3(i), the sum of the Nomination Quantities under all Storage Withdrawal Nominations is equal to the Relevant Storage Deliverability;

(ii) in the case in paragraph 6.4.3(ii), subject to paragraph (c), the sum of Users' prevailing withdrawal rates is equal to the maximum withdrawal rate; and

(iii) the reduced Interruptible Storage Nomination Quantities are in the same proportions as the Nomination Quantities under such Nominations as at the Nomination Finalisation Time;

(b) if before the start of the Gas Flow Day Interruptible Storage Nomination Quantities are so reduced to zero, the Interruptible Withdrawal Nomination will be cancelled;

(c) when the requirement for such reduction arises under paragraph (a)(ii) and not in the circumstances in paragraph 6.4.4:

(i) the Storage Operator will give notice thereof to Interruptible Storage Users of not less than the prevailing withdrawal lead time for an increase;

(ii) the reduced Nomination Quantities will be determined on the basis that the required reduction in Interruptible Storage Users prevailing withdrawal rate does not take effect until the expiry of such period of notice;

(d) the Storage Operator will notify Interruptible Storage Users of such reduction or cancellation as soon as practicable after the requirement therefor arose, specifying (in the case of a reduction) the reduced Nomination Quantities;

(e) each Interruptible Storage User may make a Renomination (to TransCo) in accordance with Section C.

6.4.7 If Forecast Total System Demand for the Gas Flow Day as at the Demand Forecast Time at 14:00 hours on the Preceding Day exceeds 85% of System I-in-20 peak day demand:

(i) no Interruptible Withdrawal Nomination may be made (and the Storage Operator may reject any such Nomination purportedly made);

(ii) where at any subsequent Demand Forecast Time before 04:00 hours on the Gas Flow Day Forecast Total System Demand is reduced to less than 80% of System I-in-20 peak day demand, the Storage Operator will so notify Interruptible Storage Users who may then make Storage Withdrawal Nominations as Renominations for the remaining period of the Gas Flow Day, subject to paragraph 6.4.3.

6.4.8 TransCo will inform Users if Forecast Total System Demand for the Gas Flow Day as at the Demand Forecast Time at 14:00 hours on the Preceding Day exceeds 85% of System I-in-20 peak day demand.

6.5 Mandatory Withdrawals

6.5.1 Subject to paragraphs 6.5.3 and 6.5.6, where on any Day a User becomes liable to pay a Storage Overrun Charge in accordance with paragraph 7.1.1, the User shall be deemed to have made a Storage Withdrawal Nomination (and accordingly shall withdraw gas), for each of the 5 consecutive Days (Days 1 to 5) following such Day, for a Nomination Quantity determined as $1/n$ times the amount of the User's Excess Gas-in-Storage.

6.5.2 For the purposes of paragraph 6.5.1:

(i) 'n' is 5 for Day 1, 4 for Day 2, 3 for Day 3, 2 for Day 4 and 1 for Day 5;

(ii) the User's "**Excess Gas in Storage**" on any of Days 1 to 5 is the amount by which the User's gas-in-storage, less the Permitted Uncovered Amount (under paragraph 3.7.2), exceeds its Available Storage Space, on that Day;

(iii) in the case where the Storage Overrun Charge is payable by a User in respect of Interruptible Storage Capacity, a day on which the User's right to withdraw gas is limited under paragraph 6.4 shall not be counted among the five Days;

6.5.3 If the User makes a Storage Withdrawal Nomination for any of Days 1 to 5 for a Nomination Quantity greater than that required under paragraph 6.5.1, the User's Nomination shall prevail over the deemed Nomination under paragraph 6.5.1.

6.5.4 The User may not make a Renomination pursuant to which the Nomination Quantity for any of Days 1 to 5 would be less than that required under paragraph 6.5.1.

6.5.5 The Storage Withdrawal Nomination deemed made under paragraph 6.5.1 shall be given effect irrespective of the User's Available Storage Deliverability, and the User shall be liable for any Storage Overrun Charge and any Storage Management Charge which may be payable in consequence thereof (as well as for Storage Withdrawal Charges).

6.5.6 Where the Total Storage Deliverability is insufficient to give effect on any Day to the Storage Withdrawal Nomination pursuant to paragraph 6.5.1 as well as all other withdrawals from the relevant BG Storage Facility, the Storage Withdrawal Nomination shall be made only for such quantity for which the Total Storage Deliverability is so sufficient; and further Storage Withdrawal Nomination(s) shall be deemed to be made for the balance of the quantity required to be withdrawn by the User on the next Day(s) on which it is possible for a quantity to be withdrawn.

6.6 Withdrawal Charges

6.6.1 Users (including Interruptible Storage Users) shall pay charges ("**Storage Withdrawal Charges**") in respect of quantities withdrawn from each BG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were withdrawn.

6.6.2 Storage Withdrawal Charges will be invoiced and are payable in accordance with Section S.

6.7 TransCo failure

6.7.1 Subject to paragraphs 1.6, 6.4 and 6.7.4, where for any Day:

(i) a User makes in respect of a BG Storage Facility a Storage Withdrawal Nomination which complies with the requirements of this Section R, and

(ii) TransCo fails to ensure that the quantity of gas withdrawn by the User is equal to the Nominated Quantity (and is accordingly in breach of paragraph 6.3),

the Storage Operator will pay to the User an amount calculated in accordance with paragraph 6.7.2.

6.7.2 The amount payable by the Storage Operator shall be determined as:

EQUATION 4

where:

C is the Applicable Storage Deliverability Charge Rate;

N is the amount of the Nominated Quantity under the User's Storage Withdrawal Nomination (but not for the avoidance of doubt exceeding the User's Available Storage Deliverability) for the Day;

A is the quantity of gas which is withdrawn by the User on the Day;

n is:

(i) in the case of the Rough Facility, 45;

(ii) in the case of the Hornsea Facility, 15;

(iii) in the case of an LNG Facility, 5.

6.7.3 Upon any failure of the withdrawal facilities of a BG Storage Facility:

(a) the Storage Operator will (promptly upon such failure occurring) inform each relevant User of such failure, and of the approximate quantities already withdrawn by the User, and the estimated impact of such failure upon the quantities to be withdrawn by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure, or the entitlement of the Storage Operator to do anything contemplated by paragraph 9);

(b) subject to paragraph 8.2.6, each such User may elect, by making a Renomination of its Storage Withdrawal Renomination, to continue to withdraw such quantities as are available for withdrawal by the User or to discontinue further withdrawal on the Day.

6.7.4 Where the Storage Operator wilfully or recklessly fails to operate (where otherwise capable of operation) the withdrawal facilities of a BG Storage Facility, the quantity of gas withdrawn by a User from a BG Storage Facility shall notwithstanding such failure be equal to the Nominated Quantity (and accordingly paragraph 6.7.1 shall not apply).

7. STORAGE OVERRUN, SCHEDULING AND MANAGEMENT CHARGES

7.1 Storage Overrun Charges

7.1.1 Where on any Day ("**storage overrun day**") as a result of a Storage Transfer and/or the submission of a Storage Nomination in respect of a BG Storage Facility:

(a) the amount of a User's gas-in-storage, excluding uncovered gas-in-storage in the Permitted Uncovered Amount, exceeds the User's Available Storage Space, and/or

(b) the quantity of gas withdrawn by a User exceeds:

(i) the User's Available Storage Deliverability, and/or

(ii) the User's gas-in-storage, and/or

(c) the Transferred Gas-in-Storage under a Storage Gas Transfer for which the User is Transferor Storage User exceeds the User's gas-in-storage; and/or

(d) in respect of a Storage Withdrawal Nomination the implied withdrawal rate exceeds the available withdrawal rate in accordance with paragraph 6.2

the User shall pay a charge ("**Storage Overrun Charge**") to the Storage Operator determined in accordance with paragraph 7.1.2.

7.1.2 The Storage Overrun Charge shall be calculated:

(a) for the purposes of paragraph 7.1.1(a), in respect of the amount by which the User's gas-in-storage exceeds the User's Available Storage Space, at a rate of 110% of the Applicable Storage Space Charge Rate;

(b) for the purposes of paragraphs 7.1.1(b)(ii) and (c), in respect of the overrun quantity (in accordance with paragraph 7.1.4), at a rate of 110% of the System Marginal Buy Price for the storage overrun day;

(c) for the purposes of paragraph 7.1.1(b)(i), in respect of the amount by which the quantity of gas withdrawn by the User exceeds the User's Available Storage Deliverability at a rate of 150% of the Applicable Storage Deliverability Charge Rate;

(d) for the purposes of paragraph 7.1.1(d), in respect of the Withdrawal Overrun at a rate of 150% of the Applicable Storage Deliverability Charge Rate.

7.1.3 The Storage Overrun Charge will be invoiced and payable in accordance with Section S.

7.1.4 In the cases in paragraphs 7.1.1(b)(ii) and (c):

(a) the Storage Operator will (in accordance with paragraph 9) purchase gas to replace for the account of the User the overrun quantity which will be extinguished with effect from the storage overrun day (accordingly the User's gas-in-storage will not become negative);

(b) the "**overrun quantity**" is the quantity of gas determined as the amount by which (for the purposes of paragraph 7.1.1(b)(ii)) the quantity of gas withdrawn by the User on the Day, or (for the purposes of paragraph 7.1.1(c)) the Transferred Gas-in-Storage, exceeds the User's gas-in-storage on the Day.

7.1.5 Where the Annual Storage Invitation was made under paragraph 3.1.2(ii), references in this paragraph 7.1 to the Applicable Storage Space Charge Rate and Applicable Storage Deliverability Charge Rate are to the late booking rates pursuant to paragraph 3.8.8.

7.2 Injection Scheduling Charge

7.2.1 Subject to paragraph 7.2.4, where a User confirms a request (in accordance with paragraph 5.6.6) for a reduction in its Confirmed Injection Quantity for any Day, the User shall pay a charge ("**Storage Scheduling Charge**") established in accordance with paragraph 7.2.2.

7.2.2 The amount of the Storage Scheduling Charge shall be ascertained from the Annual Storage Invitation, which will specify the basis for calculating such charges, by reference to:

(i) the aggregate quantity expected (immediately before the occurrence under paragraph 7.2.1, and on the basis of the User's and all other User's Confirmed Injection Quantities) to be injected on the Day at the BG Storage Facility, and

(ii) the amount by which the aggregate quantity to be injected on the Day is reduced as a result of the occurrence under paragraph 7.2.1.

7.2.3 The Storage Scheduling Charge will be invoiced and payable in accordance with Section S.

7.2.4 Where the Annual Storage Invitation does not specify the basis for Storage Scheduling Charges, no such charge shall be payable in the relevant Storage Year.

7.3 Storage Management Charges

7.3.1 Where:

(a) an event has occurred or circumstances arisen in respect of which any provision of this Section R requires a User to pay a Storage Management Charge, and

(b) in consequence of such event or circumstance the Storage Operator incurs any relevant loss (in accordance with paragraph 7.3.2) in doing anything contemplated as being done by it under paragraph 9 with a view to:

- (i) complying with its obligations to Users under this Section R,
- (ii) ensuring the safe and proper operation of the BG Storage Facilities, or
- (iii) avoiding a greater relevant loss,

the User shall pay to the Storage Operator an amount equal to the amount of the relevant loss so incurred.

7.3.2 For the purposes of this paragraph 7.3, a "**relevant loss**" is any Balancing Charge or increase in a Balancing Charge payable by, or reduction in a Balancing Charge payable to, the Storage Operator.

7.3.3 The Storage Operator will (at the time the Storage Management Charge is invoiced under paragraph 7.3.5) certify the amount of any relevant loss and provide to the User reasonable details (excluding any information which is commercially sensitive in relation to the Storage Operator or any other User) of the circumstances in which the relevant loss was incurred in consequence of the event or circumstance referred to in paragraph 7.3.1(a) and the determination of the amount of the relevant loss.

7.3.4 Where a relevant loss is incurred in circumstances in which more than one User is liable to pay a Storage Management Charge, the amount payable by each User will be determined by the Storage Operator having regard (so far as practicable) to the extent to which each User contributed to the relevant loss, and otherwise on such basis as the Storage Operator shall determine to be reasonable.

7.3.5 The amount referred to in paragraph 7.3.1 shall be a "**Storage Management Charge**" and shall be invoiced and paid in accordance with Section S.

8. CONSTRAINED LNG FACILITIES

8.1 Introduction

8.1.1 By arrangement between the Storage Operator and TransCo, TransCo has certain entitlements, and the entitlements of Users are restricted, in relation to Constrained LNG Facilities in accordance with this paragraph 8.

8.1.2 The Storage Operator and TransCo will (and are authorised to) provide to each other all such information concerning Users holding Storage Space in a Constrained LNG Facility (including details of their gas-in-storage and Available Storage Space) as may be required to give effect to this paragraph 8.

8.1.3 This paragraph 8 shall not apply to TransCo when acting for Operating Margins Purposes, and references in this paragraph 8 to Users do not include a reference to TransCo when so acting.

8.2 Constrained LNG Renominations

8.2.1 Each User holding Storage Space in a Constrained LNG Facility authorises TransCo to make Storage Withdrawal Nominations ("**Constrained LNG Renominations**") in respect of that facility on behalf of that User in accordance with this paragraph 8.

8.2.2 Subject to paragraph 8.4, a Constrained LNG Renomination will be made as a Renomination, including a New Renomination where the relevant User has not already made a Storage Withdrawal Nomination (and accordingly will not be made by the Storage Nomination Time).

8.2.3 TransCo may make Constrained LNG Renominations in respect of a Constrained LNG Facility in respect of any Day (a "**Constrained LNG Day**") where at any Demand Forecast Time Forecast LDZ Demand (pursuant to Section H5.2) for the Constrained LDZ for that Day exceeds the Threshold Constrained Demand for that LDZ.

8.2.4 The Nomination Quantity ("**Constrained Nomination Quantity**") under a Constrained LNG Renomination shall be determined in accordance with paragraph 8.3 and (where applicable) 8.4.

8.2.5 For the purposes of this Section R, in respect of a Constrained LNG Facility in any Storage Year:

(a) "**Constrained LDZs**" means the LDZ or LDZs identified as such in the Annual Storage Invitation;

(b) the "**Threshold Constrained Demand**" is the level of demand specified (at TransCo's request) in the Annual Storage Invitation in respect of the Constrained LDZs.

8.2.6 Subject to paragraph 8.4.1, on a Constrained LNG Day a User may not make any Renomination in respect of the relevant Storage Connection Point to reduce the Constrained Nomination Quantity (and any such Renomination purportedly made may be disregarded); provided that a User may make a Flexibility Bid for a System Exit Sell at a relevant Storage Connection Point for a Constrained LNG Day, and if such Flexibility Bid is accepted (but without prejudice to the basis on which TransCo determines whether to accept any such bid) the Flexibility Nomination will be valid and effective.

8.2.7 Where, as at any LDZ Forecast Time on a Constrained LNG Day after Constrained LNG Renominations have been made, Forecast LDZ Demand for the Constrained LDZ increases TransCo may make further Constrained LNG Renominations in accordance with this paragraph 8.

8.2.8 Where, as at any LDZ Forecast Time on a Constrained LNG Day after Constrained LNG Renominations have been made, Forecast LDZ Demand for the Constrained LDZ is reduced to less than 85% of the Threshold Constrained Demand, TransCo will revise the Constrained LNG Renominations so as to determine the Constrained Nomination Quantities on the basis set out in paragraph 8.4.2, and Users may make Renominations subject to paragraph 8.4.1.

8.3 Constrained quantities and allocation

8.3.1 The aggregate amount ("**Total Constrained Quantity**") of gas for which TransCo on a Constrained LNG Day makes Constrained LNG Renominations in respect of a Constrained LNG Facility shall not exceed either:

- (i) the Maximum Storage Deliverability for that facility; or
- (ii) the aggregate amount of all Users' gas-in-storage in that facility on the relevant Day.

8.3.2 Subject to paragraph 8.4, where on any Constrained LNG Day more than one User has gas-in-storage in a Constrained LNG Facility, the Nomination Quantity ("**Constrained Nomination Quantity**") under each Constrained LNG Renomination shall be determined so that each of the following conditions is satisfied:

(i) the aggregate of the Constrained Nomination Quantities under all Constrained LNG Renominations shall be equal to the Total Constrained Quantity;

(ii) for each User the Constrained Nomination Quantity shall not exceed the User's gas-in-storage for the Constrained Day;

(iii) subject to paragraph (i), where a User has already made a Storage Withdrawal Nomination for the Constrained LNG Facility, the Constrained Nomination Quantity shall not be less than the Nomination Quantity prevailing at the time the Constrained LNG Renomination is made;

(iv) for each User for whom the Constrained Nomination Quantity exceeds the Nomination Quantity prevailing under any Storage Withdrawal Nomination already made (or who has not made any Storage Withdrawal Nomination), the Constrained Nomination Quantities shall be in the proportions in which all such Users have Available Storage Space on the Constrained LNG Day.

8.4 Existing nominations exceeding constrained quantities

8.4.1 Where the Total Constrained Quantity is less than the aggregate of the Nomination Quantities under Storage Withdrawal Nominations already made by Users in respect of the relevant Constrained LNG Facilities for the Constrained LNG Day:

(a) Constrained Nomination Quantities shall be determined in accordance with paragraph 8.4.2;

(b) the Constrained LNG Renominations shall not take effect to revise the Storage Withdrawal Nominations made by Users and prevailing at the time the Constrained LNG Renomination is made (and accordingly the Nomination Quantity under each such User's Storage Withdrawal Nomination shall prevail over the Constrained Nomination Quantity);

(c) no User may make any Renomination in respect of the relevant Storage Connection Point such that the Nomination Quantity (prevailing after such Renomination) would be less than the Constrained Nomination Quantity (and any purported such Renomination may be rejected).

8.4.2 Constrained Nomination Quantities shall be determined in accordance with paragraph 8.3.2 but so that the following provisions shall apply in lieu of paragraphs 8.3.2(iii) and (iv) (which shall not apply):

(i) where a User has not already made a Storage Withdrawal Nomination, the Constrained Nomination Quantity shall be zero;

(ii) where a User has already made a Storage Withdrawal Nomination, the Constrained Nomination Quantity shall not be greater than the Nomination Quantity prevailing at the time the Constrained LNG Renomination is made;

(iii) for each User for whom the Constrained Nomination Quantity is less than the Nomination Quantity prevailing under any Storage Withdrawal Nomination already made, the Constrained Nomination Quantities shall be in the proportions in which all such User's have Available Storage Space on the Constrained LNG Day.

8.5 Effect of nomination

8.5.1 Each User holding Storage Space in a Constrained LNG Facility authorises the Storage Operator to deliver gas to the System at the Storage Connection Point pursuant to a Constrained LNG Renomination.

8.5.2 The Constrained Nomination Quantity under a Constrained LNG Renomination will be independent of the relevant User's Available Storage Deliverability, and the User will be liable (in accordance with paragraph 7) to pay any Storage Overrun Charges which may arise from a Constrained LNG Renomination.

8.6 Minimum inventory requirements

8.6.1 Subject to paragraph 8.6.4, on each Day (other than any Day in the Injection Period) in each week in the Winter Period, a User's gas-in-storage in each Constrained LNG Facility shall not be less than the Weekly Minimum Requirement.

8.6.2 Each User holding (pursuant to any registration or Storage Transfer) Storage Space in a Constrained LNG Facility shall secure that the requirement in paragraph 8.6.1 is at all times in the Winter Period satisfied.

8.6.3 For each User the "**Weekly Minimum Requirement**" for a Constrained LNG Facility in respect of any week in the Winter Period is the amount determined as the relevant percentage of the User's Available Storage Space, for which purpose the relevant percentage is the percentage set out in respect of such week for such facility in the Annual Storage Invitation.

8.6.4 Without prejudice to paragraph 8.6.5, the requirement in paragraph 8.6.1 shall not be treated as not being satisfied where by reason of a Constrained LNG Renomination a User's gas-in-storage in a Constrained LNG Facility becomes less than the Weekly Minimum Requirement.

8.6.5 Where at any time in the Winter Period a User's gas-in-storage in a Constrained LNG Facility is for the time being less than the Weekly Minimum Requirement (whether or not as a result of any Constrained LNG Renomination), the User may not make any Storage Withdrawal Nomination in respect of the relevant Constrained LNG Facility; but TransCo may continue to make Constrained LNG Renominations in accordance with this paragraph 8.

8.6.6 The Storage Operator may but shall not be required to reject a Storage Withdrawal Nomination which would result in the requirement in paragraph 8.6.1 ceasing to be satisfied or is made at a time at which such requirement is not satisfied.

8.6.7 Where as respects any User and any Constrained LNG Facility:

- (i) on the first Day of the Winter Period the requirement in paragraph 8.6.1 is not satisfied, or
 - (ii) on any other Day in the Winter Period (subject to paragraph 8.6.4) the requirement in paragraph 8.6.1 ceases to be satisfied,
- paragraph 8.6.8 shall apply.

8.6.8 In the circumstances in paragraph 8.6.7:

(i) the Storage Operator will make Storage Injection Nomination(s) in respect of the Constrained LNG Facility, as soon as reasonably practicable following the relevant Day under paragraph 8.6.7, for an injection quantity or quantities equal in aggregate to the relevant quantity (and may but shall not be obliged to secure the delivery to the System of a quantity of gas not exceeding the relevant quantity);

(ii) such injection quantity(ies) will be treated as injected by the User for the purposes of this Section R but will not be treated as offtaken from the System by the User;

(iii) the User shall pay to the Storage Operator an amount calculated as 110% of the System Marginal Buy Price for the relevant Day under paragraph 8.6.7 multiplied by the relevant quantity.

8.6.9 For the purposes of paragraph 8.6.8 the relevant quantity is the amount by which the User's gas-in-storage in the relevant Constrained LNG Facility was, on the relevant Day under paragraph 8.6.7, less than the Weekly Minimum Requirement.

8.6.10 The amount under paragraph 8.6.8(iii) shall be invoiced and payable in accordance with Section S.

9. STORAGE MANAGEMENT AND BALANCING

9.1 Introduction

9.1.1 Subject as provided in this paragraph 9, the Storage Operator may manage the operation of its BG Storage Facilities on a coordinated basis, and may on its own account acquire and dispose of gas, use any BG Storage Facility and be a User of the System, as it shall determine, for the purposes ("**Storage Management Purposes**") in paragraph 9.1.2 but not otherwise.

9.1.2 The purposes are:

(i) avoiding or reducing the Storage Operator's costs of operation of any BG Storage Facility or of the BG Storage Facilities collectively;

(ii) securing (in accordance with paragraph 5.7.2) that Confirmed Injection Quantities can be treated as injected by Users on a Day on which injection facilities become non-operational;

(iii) securing that (irrespective of whether the withdrawal facilities are at any time ready to be made operational) Nominated Quantities under Renominations and Flexibility Bids can be treated as withdrawn by Users in accordance with paragraph 6.2;

(iv) disposing of and replacing (including storing gas in advance to replace) LNG boil-off delivered to the System;

(v) providing for Storage Shrinkage;

(vi) replacing gas withdrawn by a User in an amount exceeding its gas-in-storage;

(vii) avoiding or reducing Overrun Charges under Section B and Balancing Charges under Section F;

(viii) without prejudice to the generality of paragraph (i), securing that Users are treated as injecting quantities to LNG Facilities in accordance with their confirmed injection programmes (as revised) notwithstanding that the period during which injection facilities at LNG Facilities are in operation is for technical and economic reasons shorter than the Injection Period.

9.1.3 For the purposes of the Code "**Storage Shrinkage**" means gas injected to a BG Storage Facility which is used by the Storage Operator in connection with the operation of, or is lost from, the BG Storage Facility.

9.2 Injection and withdrawal

9.2.1 In accordance with paragraph 9.1.1, but without prejudice to paragraph 1.3.3, the Storage Operator may on any Day:

(i) arrange for any quantity of gas subject to a User's Storage Nomination to be injected into or withdrawn from a BG Storage Facility other than that in respect of which such nomination was made; and/or

(ii) arrange for quantities of gas to be withdrawn from one BG Storage Facility and injected into another; and/or

(iii) arrange for quantities of gas (in aggregate in respect of all BG Storage Facilities) to be withdrawn or injected greater or less than the aggregate quantities subject to Users' Storage Nominations.

9.2.2 The Storage Operator will not pursue a policy in the management of the operation of the BG Storage Facilities under this paragraph 9 in any Storage Year which is likely to lead to the quantity of gas physically stored (and capable of being withdrawn) in each BG Storage Facility at the start of the Winter Period being substantially less than the aggregate of Users' gas-in-storage in that facility (disregarding quantities of gas attributable to Long Term Storage Arrangements or Special Storage Capacity).

9.3 Further details

9.3.1 For the purposes of this paragraph 9, the Storage Operator:

(i) subject to paragraph (v), will be a User for the purposes of the Code;

(ii) may on its own account apply for and hold System Capacity at any System Point (including but not limited to a Storage Connection Point), make System Capacity Transfers, make Nominations, and make Trade Nominations, but may not make Flexibility Bids;

(iii) will maintain an account of quantities of gas injected into or withdrawn from each BG Storage Facility other than pursuant to Users' Storage Nominations;

(iv) shall be deemed to be party to an agreement (in accordance with Section E1.7.2) with TransCo, allowing the requirements of paragraph 1.3.3 to be complied with;

(v) will not be treated as a User in respect of any BG Storage Facility and will not be required to hold or to account as though it held Storage Capacity or pay any Storage Charges.

9.3.2 Subject to paragraph 7.3, the costs incurred and revenues received (or in accordance with Section V7 treated as incurred or received) by the Storage Operator in respect of anything done pursuant to this paragraph 9 shall be for its own account.

SECTION S: INVOICING AND PAYMENT

1. INVOICING

1.1 Introduction

- 1.1.1 The amounts payable by Users to TransCo and by TransCo to Users in accordance with the Code will be invoiced and payable in accordance with this Section S.
- 1.1.2 TransCo will submit to each User Invoice Documents in respect of each Billing Period in accordance with this Section S.
- 1.1.3 For the purposes of this Section S:
- (a) subject to paragraph 2.5.3, a "**Billing Period**" is a calendar month; provided that in relation to a Reconciliation Invoice the Billing Period is the Reconciliation Billing Period;
 - (b) a "**Billing Day**" is a Day in a Billing Period;
 - (c) an "**Invoice Document**" is an invoice document submitted by TransCo to a User pursuant to this Section S;
 - (d) an "**Invoice Item**" is an item (in respect of all charges of a particular kind) shown as payable by TransCo or by a User in an Invoice Document (including where relevant a self-bill amount in accordance with paragraph 1.1.4);
 - (e) the "**Invoice Amount**" in relation to an Invoice Item is the amount shown as payable by the User or TransCo in respect of that item under the relevant Invoice Document;
 - (f) a "**Reconciliation Billing Period**" is the period of one month ending on the Day which is 8 Days before the prevailing date on which Reconciliation Invoices are (pursuant to paragraph 1.4) expected to be submitted.
- 1.1.4 An Invoice Document may show as an Invoice Amount an amount (a "**self-bill amount**") payable by TransCo to a User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply.
- 1.1.5 An Invoice Document may contain an adjustment by way of credit ("**Invoice Credit**") in respect of an Invoice Amount in another Invoice Document.
- 1.1.6 An Invoice Document shall take effect as a separate invoice in respect of each Invoice Item, but without prejudice to paragraph 4.
- 1.1.7 No delay by TransCo in submitting an Invoice Document shall prejudice the liability (once such Invoice Document has been submitted) of TransCo or the User for the amounts subject thereto.
- #### 1.2 Invoice types
- 1.2.1 For each Billing Period separate Invoice Documents (as described in paragraph 1.2.2) will be submitted to each User in respect of amounts payable (if any) under different provisions of the Code.

1.2.2 The types (each an "**Invoice Type**") of Invoice Document to be submitted are NTS Capacity Invoices, LDZ Capacity Invoices, Balancing Invoices, Commodity Invoices, Reconciliation Invoices, Storage Invoices, Adjustment Invoices, Interest Invoices and Ad-hoc Invoices in accordance with paragraph 2.

1.3 Form and content of Invoice Document

1.3.1 Each Invoice Document will specify:

- (i) the identity of the User;
- (ii) the Billing Period to which the Invoice Document (other than as respects any Invoice Credit) relates;
- (iii) the Invoice Type;
- (iv) in respect of each Invoice Item, the Invoice Amount;
- (v) a unique number by which the Invoice Document may be identified, and a reference number for each Invoice Item; and
- (vi) the amount of Value Added Tax (if any) payable in respect of each Invoice Item and the further details required under Regulation 14 of the Regulations referred to in paragraph 1.1.4.

1.3.2 An Invoice Document which contains an Invoice Credit will also identify the Invoice Document and Invoice Item to which the Invoice Credit relates and the amount of the Invoice Credit.

1.3.3 Each Invoice Document will be accompanied by a remittance advice ("**Invoice Remittance Advice**"), to be completed by the User in accordance with paragraph 3.4.

1.3.4 Subject to paragraph 1.3.6 and to Section U6, Invoice Documents will be submitted to Users by UK Link Communication in the form and manner described in the UK Link Manual, and subject to paragraph 1.3.5 will be accompanied by the supporting data specified in respect of each Invoice Item in the UK Link Manual (the supporting data in respect of any such UK Link Communication comprising all data contained therein other than that described in paragraph 1.3.1).

1.3.5 An Invoice Document will not be invalid solely by reason of its not being accompanied by any particular item of supporting data, but (in accordance with paragraph 4.2.1(c)(i)) the specificity of any Invoice Query will depend on the extent to which such data was provided.

1.3.6 Supporting data in respect of an Ad-Hoc Invoice may be submitted on paper unless it would be unreasonable to expect a User to process such data so submitted by the relevant Invoice Due Date.

1.4 Invoice timing

1.4.1 Subject to paragraphs 1.7 and 2.5.2, Invoice Documents of different Invoice Types will be submitted at different times after the Billing Period to which they relate.

1.4.2 Subject to paragraphs 1.7 and 2.5.2, TransCo will inform every User:

- (i) of the expected timing of the submission of each Invoice Type;
- (ii) upon not less than 6 months notice to Users, of any change in such expected timing;

- (iii) upon becoming aware that such delay will occur, of any delay of more than 5 Business Days (by reference to such expected timing) in the submission of an Invoice Document in respect of a particular Billing Period (but TransCo may not by notifying such delays avoid the requirements under paragraphs (ii) and 1.4.3).
- 1.4.3 TransCo will not change the expected timing of Invoice Documents of a particular Invoice Type more than once in any period of 12 months.
- 1.5 Divided Invoices
- 1.5.1 Without prejudice to paragraph 2.5.2, TransCo may, in the circumstances in paragraph 1.5.2, after notifying the User and (in the cases in paragraph 1.5.2(ii) and (iii)) explaining the reason therefor in reasonable detail and providing reasonable evidence thereof, submit to a User more than one Invoice Document of the same Invoice Type in respect of a particular Billing Period.
- 1.5.2 The circumstances referred to in paragraph 1.5.1 are:
 - (i) where the User has requested that more than one such Invoice Document is submitted, provided it is reasonably practicable for TransCo to accommodate such request;
 - (ii) where a problem in the operation of UK Link, which it was reasonable for TransCo not to have foreseen at the date of the Code, adversely affects the ability of TransCo to produce or submit to the User an Invoice Document in respect of a given Billing Period;
 - (iii) where anything required to be done (for or on behalf of or in relation to the User) by a person other than TransCo (whether acting as Meter Reader or otherwise, and including an agent or contractor of TransCo) to enable an Invoice Document to be produced or submitted is not done or not done by the required time.
- 1.5.3 The charges subject to each Invoice Document submitted pursuant to paragraph 1.5.1 will be allocated between such Invoice Documents by reference to the LDZ of the System Points in respect of which such charges arise or on another basis agreed with the User.
- 1.5.4 Such Invoice Documents may be submitted on different Days and each such Invoice Document will be treated as a separate Invoice Document for the purposes of this Section S; provided that the Invoice Due Date in respect of each such Invoice Document shall be:
 - (a) in the cases under paragraph 1.5.2(i) and (iii):
 - (i) the Invoice Due Date (in accordance with paragraph 3.1.2) of the first-submitted such Invoice Document, or
 - (ii) where later, the date which is 5 Business Days after the date on which the relevant Invoice Document is submitted; provided that in such a case (notwithstanding such later Invoice Due Date) interest shall be payable pursuant to paragraph 3.5.1 as though the Invoice Due Date were the date established under paragraph (i);
 - (b) in the cases under paragraph 1.5.2(ii), the Invoice Due Date (in accordance with paragraph 3.1.2) of the last-submitted such Invoice Document.

1.5.5 TransCo will give the User as much notice (pursuant to paragraph 1.5.1) as is reasonably practicable, and TransCo and the User will coordinate with each other to facilitate the giving and receiving of such Invoice Documents.

1.6 Value Added Tax

1.6.1 All amounts expressed as payable by a User or TransCo pursuant to the Code, and whether the amount thereof is set out in the Code or determined by reference to the Transportation Statement or otherwise, are exclusive (unless expressly otherwise stated) of any applicable Value Added Tax (and accordingly Value Added Tax shall be paid by the paying party where payable in respect of any such amount).

1.6.2 Where:

- (i) any amount has been included in any Adjustment Neutrality Amount, Adjustment Reconciliation Neutrality Amount, or Top-up Recovery Adjustment Amount, pursuant to Section F4.5.3(a)(ii), Section F6.5.1(a)(ii) or Section P6.3.7(a)(ii), by reason of any amount (as therein referred to) being unpaid by a User;
- (ii) any Value Added Tax (unpaid by the User) in respect of the unpaid charge was also so included; and
- (iii) TransCo, having accounted for the unpaid Value Added Tax, subsequently recovers any amount from the relevant authorities in respect of the unpaid Value Added Tax,

the amount which was so recovered in respect of Value Added Tax will be included as an additional Monthly Adjustment Neutrality Revenue for the purposes of Section F4.5.3(b) in the month in which it is paid to TransCo.

1.7 Termination

1.7.1 Notwithstanding paragraph 1.4, TransCo may, at any time (whether before or after the User Discontinuance Date) after submitting to a User a Termination Notice under Section V4.3, submit to that User any Invoice Document in respect of any Billing Period or part of a Billing Period ending at or before the time at which TransCo submits such Invoice Document.

1.7.2 Where TransCo has submitted a Termination Notice to a User, all amounts payable by that User to TransCo or by TransCo to the User (whether the Invoice Document in which such amounts are shown was submitted before or after the date of the Termination Notice) shall be immediately payable notwithstanding paragraph 3.1.

1.8 Invoice adjustment

1.8.1 Subject to paragraph 1.8.3, where it appears to TransCo that any Invoice Amount has been incorrectly stated in an Invoice Document, the Invoice Amount may be adjusted by an Adjustment Invoice or as the case may be an Ad-hoc Invoice submitted by TransCo in accordance with paragraph 2.2 or 2.4 (and TransCo will not be required to revise and resubmit the original Invoice Document).

1.8.2 An adjustment (by way of debit) representing an increase in an Invoice Amount shall be a new Invoice Amount in respect of which the Invoice Due Date will be the Invoice Due Date of the relevant Adjustment Invoice or Ad-hoc Invoice.

- 1.8.3 In the absence of fraud, after the expiry of 18 months (or any other period agreed between TransCo and the User) after the Invoice Due Date (in accordance with paragraph 3.1) in respect of any Invoice Document:
- (a) no adjustment may be made to an Invoice Amount under that Invoice Document, other than:
 - (i) an adjustment of which TransCo had given notice to the User, or
 - (ii) an adjustment pursuant to an Invoice Query raised by a User (in accordance with paragraph 4)before the expiry of such period;
 - (b) no Invoice Query may be raised in respect of the Invoice Document; and
 - (c) the Invoice Document shall (subject to any adjustments already made and any permitted under paragraph (a)) be deemed to be final and conclusive as to the amounts shown as payable thereunder.
- 1.8.4 The provisions of this Section S whereby an Invoice Amount may be adjusted or an Invoice Query raised are without prejudice to the provisions of the Code pursuant to which determinations of quantities delivered to and offtaken from the System are made final.
- 1.9 Contingencies
- 1.9.1 Subject to paragraph 1.9.4, in the event that, as a result of a Code Contingency, TransCo is unable to produce or submit any Invoice Documents within 7 Days after the expected date (in accordance with paragraph 1.4) of submission thereof:
- (i) TransCo may prepare and submit an Invoice Document (as an Ad-Hoc Invoice) containing estimated Invoice Amounts;
 - (ii) such an Invoice Document will be a valid Invoice Document;
 - (iii) for the purposes of paragraph 1.3.4, the supporting data to be provided with the Invoice Document will be an explanation of the basis of estimation.
- 1.9.2 Where the User believes that TransCo's estimate or basis of estimation is materially inaccurate, the User shall as soon as reasonably practicable after receiving the Invoice Document (and in any event before the Invoice Due Date) contact TransCo and discuss the estimate or basis of estimation with a view to agreeing upon a more accurate estimate of the amount which is payable, which amount (if so agreed) shall be the amount payable by the User in respect of the estimated Invoice Document, but without prejudice to paragraph 1.8.1 or 4.3.
- 1.9.3 Where (following discussion under paragraph 1.9.2) the User raises an Invoice Query under paragraph 4.2.1:
- (i) paragraph 4.2.1(c)(i) shall apply on the basis of the detail provided of the basis of estimation;
 - (ii) for the purposes of paragraph 4.2.1(c)(ii), the User shall specify the amount by which the User reasonably believes TransCo's estimate to be under- or over-stated.

1.9.4 Except with the agreement of a User, TransCo may not on the occurrence of any Code Contingency submit Invoice Documents containing estimated Invoice Amounts under this paragraph 1.9 in respect of consecutive Billing Periods.

1.9.5 Where in accordance with the Contingency Procedures TransCo submits Invoice Documents, which do not contain estimated Invoice Amounts, such Invoice Documents shall be submitted in the format required in paragraph 1.3.4.

2. INVOICE TYPES

2.1 General

2.1.1 NTS Capacity Invoices, LDZ Capacity Invoices, Balancing Invoices, Commodity Invoices, Reconciliation Invoices and Storage Invoices are Invoice Documents of the Invoice Types described in Annex S-1.

2.1.2 Subject to paragraphs 2.1.3 and 2.1.5, the Invoice Items to be comprised in each of the Invoice Types referred to in paragraph 2.1.1 are set out in Annex S-1.

2.1.3 Upon not less than 3 months notice to Users, TransCo may include in any Invoice Document of an Invoice Type referred to in paragraph 2.1.1 Invoice Items which previously were or would have been contained in an Ad-hoc Invoice (but for the avoidance of doubt only in respect of Invoice Items in respect of charges payable pursuant to the Code).

2.1.4 The provisions of paragraph 2 and Annex S-1 as to the scope and contents of particular Invoice Documents shall be deemed from time to time to be modified to the extent necessary to be consistent with any Manual Modification under Section U8 (but for the avoidance of doubt only in respect of Invoice Items in respect of charges payable pursuant to the Code).

2.1.5 An amount which:

(i) is payable under the Code in relation to, or in connection with the holding of System Capacity at or the offtake of gas at, a Connected System Exit Point, a Shared Supply Meter Point, a VLDMC Supply Point Component, or a System Exit Point in a part of an LDZ to which Section W3.3.4 applies, and

(ii) would otherwise be an Invoice Item within an Invoice Type in Annex S-1,

may be contained in an Ad-hoc Invoice.

2.2 Adjustment Invoice

2.2.1 An Adjustment Invoice is an Invoice Document containing Invoice Credits or Invoice Amounts (if not contained in an Ad-hoc Invoice) representing adjustments (by way of credit or debit) to Invoice Amounts contained in one or more LDZ Capacity Invoices or Commodity Invoices.

2.2.2 The amount of interest (if any) payable in respect of any amount payable or repayable pursuant to an Adjustment Invoice will be shown in an Ad-hoc Invoice or Interest Invoice and not in the relevant Adjustment Invoice.

2.3 Interest Invoice

An Interest Invoice is an Invoice Document containing Invoice Amounts representing interest payable pursuant to paragraph 3.5 (other than pursuant to paragraph 4.2.4) by a User or TransCo in respect of an Invoice Amount under any Invoice Document (including an earlier Interest Invoice).

2.4 Ad-hoc Invoice

2.4.1 An Ad-hoc Invoice is an Invoice Document in respect an amount not included in another Invoice Type.

2.4.2 TransCo may submit an Ad-hoc Invoice to any User at any time (but subject to paragraph 1.8.3) in respect of any amount (not included in another Invoice Type) which, at any time prior to the submission of such Invoice Document, becomes payable or repayable by the User or TransCo to the other pursuant to any provision of the Code or otherwise pursuant to Section B 1.7.9 or (unless otherwise therein provided) pursuant to any Ancillary Agreement.

2.4.3 An Ad-hoc Invoice may also contain adjustments (by way of credit or debit) in respect of any Invoice Amount, other than adjustments to be contained (in accordance with paragraph 2.2) in Adjustment Invoices.

2.4.4 TransCo will submit (as an Ad-hoc Invoice) an Invoice Document in respect of amounts becoming payable by TransCo to a User pursuant to:

- (i) Sections G4 and M5; and
- (ii) any provision for the payment by TransCo of compensation under a contract (including pursuant to the Code) for the provision by TransCo of meter reading services to which this Section S applies,

as soon as reasonably practicable after the month in which the liability to pay such amounts accrues.

2.4.5 The liability of TransCo pursuant to any provision referred to in paragraph 2.4.4 or Sections I3.7 or J3.5 to make any payment to a User is without prejudice to the User's liability for any charge payable to TransCo, and TransCo shall not be entitled to discharge its liability by releasing the User from any such liability of the User; and TransCo shall secure that (where relevant) the Invoice Amounts in relevant Ad-hoc Invoices are stated accordingly.

2.5 Miscellaneous

2.5.1 An Adjustment Invoice, Interest Invoice or Ad-hoc Invoice may contain Invoice Amounts (or Invoice Credits in respect of Invoice Amounts) accruing (before such invoice is submitted):

- (i) in the calendar month in which the Invoice Document is submitted, and/or
- (ii) in more than one calendar month.

2.5.2 There is no expected timing within a calendar month for the submission of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice; and, except in the case of an Interest Invoice, more than one such Invoice Document may be submitted to a User in the same calendar month.

2.5.3 A reference to a Billing Period in the context of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice is to the period from the date of accrual of the first to that of the last accruing Invoice Amount contained in such Invoice Document.

3. INVOICE PAYMENT

3.1 Invoice Due Date

3.1.1 Subject to paragraph 4.2.2, the Invoice Amounts under each Invoice Document shall be paid (by the User to TransCo or by TransCo to the User, as the case may be) on or before the Invoice Due Date.

3.1.2 The "**Invoice Due Date**" in respect of an Invoice Document is the day ending at 24:00 hours on:

- (a) subject to paragraphs (b) and (c), whichever is the later of:
 - (i) the 12th Day after the Day on which the Invoice Document was deemed to be received in accordance with Sections U and V11, and
 - (ii) the 20th Day after the last Day of the Billing Period to which the Invoice Document relates;
- (b) in the case of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice, subject to paragraph (c), the 12th Day after the Day on which the Invoice Document was deemed to be received in accordance with Sections U and V11;
- (c) where the Day (the "**target due date**") determined under paragraph (a) or (b) is not a Business Day:
 - (i) subject to paragraph (ii), the Business Day (whether before or after the target due date) which is nearest to the target due date, or
 - (ii) if the nearest Business Days before and after the target due date are equally near, the nearest Business Day after the target due date.

3.1.3 Where a Balancing Invoice contains Invoice Amounts payable both by and to a User, only the net amount (the "**Net Invoice Amount**") shall be payable.

3.2 Payment details

3.2.1 Payment of any amount payable under the Code shall be made in pounds sterling in same day funds to the account of the payee at a bank in the United Kingdom notified to the paying party in accordance with paragraph 3.2.2.

3.2.2 TransCo will notify each User, and each User shall notify TransCo, of the account name and number, and the name, address and sort code of the account bank, to which payments to TransCo by such User or (as the case may be) to such User by TransCo are to be made, within 5 Business Days after the User Accession Date, and of any change in such details not less than 30 Days before such change occurs.

3.2.3 The payer shall instruct the bank remitting payment of any amount payable under the Code to quote the number (under paragraph 1.3.1(v)) of the relevant Invoice Document to the payee's bank when remitting such payment.

3.3 Deductions, withholdings, taxes etc

3.3.1 Without prejudice to paragraph 4.2.2, amounts payable under the Code shall be paid:

- (i) free and clear of any restriction, reservation or condition, and
 - (ii) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the paying party, whether by way of set off, counterclaim or otherwise.
- 3.3.2 If, in respect of a payment to be made to TransCo by a User, any deduction or withholding is required to be made by the law of any country other than a country of the United Kingdom, the User shall:
- (i) ensure that the amount of such withholding or deduction does not exceed the minimum so required;
 - (ii) forthwith pay TransCo such additional amounts as will ensure that the net amount received by TransCo will be equal to that which would have been received had no deduction or withholding been made; and
 - (iii) pay the amount withheld or deducted to the relevant authority in accordance with the relevant requirement of law, and provide to the payee a receipt issued by such authority or (if such a receipt is not available) a certificate in respect of such payment.
- 3.4 Remittance advice
- 3.4.1 Where payment of any amount is made pursuant to an Invoice Document, the User shall complete and submit to the payee the Invoice Remittance Advice not later than the Day on which payment is made (but no inability of the User to do so shall affect its obligation to make payment).
- 3.4.2 The completed Invoice Remittance Advice shall specify:
- (i) the date when payment is to be made;
 - (ii) the amounts, by reference to each Invoice Item (payable to TransCo) specified in the Invoice Document, in respect of which the payment is to be made, and the total amount to be paid;
 - (iii) any amount or amounts, by reference to each Invoice Item, in respect of which payment is not being made pursuant to paragraph 4.2.2.
- 3.4.3 Where TransCo makes payment of any amount pursuant to an Invoice Document, TransCo will not later than the date on which payment is made notify the User of details equivalent to those to be specified in an Invoice Remittance Advice pursuant to paragraph 3.4.2 (but no inability of TransCo to do so shall affect its obligation to make payment).
- 3.4.4 Where TransCo or a User makes payment under more than one Invoice Document on the same Day, it shall secure that a separate remittance is made in respect of each Invoice Document.
- 3.4.5 Where the Invoice Document number is not quoted (in accordance with paragraph 3.4.4) with any remittance made by or on behalf of a User, and no Invoice Remittance Advice corresponding to the remittance is submitted, TransCo will endeavour to obtain the User's instructions (by telephone or facsimile) as to the application thereof; but if it has not (by the Business Day following the Day of the remittance) obtained such instructions, TransCo will apply the amount remitted to or towards Invoice Amount(s) in order of Invoice Due Date (the earliest first) and proportionately as between Invoice

Amounts with the same Invoice Due Date, but applying such amount last to any Invoice Amounts which are subject to an Invoice Query.

3.5 Late payment

- 3.5.1 Without prejudice to Section V4.3.1, where any amount payable under an Invoice is not paid on or before the Invoice Due Date, the paying party shall pay interest, after as well as before judgment, at the Applicable Interest Rate, on the unpaid amount from the Invoice Due Date until the Day on which payment is made.
- 3.5.2 For the avoidance of doubt paragraph 3.5.1 shall not be construed as permitting late payment of any Invoice Amount.

3.6 Interest

- 3.6.1 Where pursuant to any provision of this Section S interest is payable by TransCo or a User, such interest shall accrue on a daily basis and on the basis of a 365 day year.
- 3.6.2 Interest payable under this Section S will be compounded to the extent and by virtue of being invoiced (not more frequently than each calendar month) in an Interest Invoice, late payment of which will itself be subject to interest under this paragraph 3.6.
- 3.6.3 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or subject to repayment, under the Code.
- 3.6.4 The Applicable Interest Rate shall be the base rate for the time being of Barclays Bank plc plus:
- (i) except as provided in paragraph (ii), three (3) percentage points per annum;
 - (ii) for the purposes only of paragraphs 1.5.4(a)(ii), 4.2.5 and 4.3.2, or where otherwise expressly provided in the Code one (1) percentage point per annum.

3.7 Statement of account

- 3.7.1 TransCo will provide to each User each month a statement of account showing, by reference to individual Invoice Documents (but not individual Invoice Items) and in aggregate:
- (i) the amounts shown under paragraph (iv) in the preceding statement of account (if any) as payable by the User or TransCo;
 - (ii) the amounts shown as payable by the User or TransCo under Invoice Documents submitted to the User since the date of the preceding statement of account (if any), including any amount for which the Invoice Due Date is after the date of the statement of account for the current month;
 - (iii) the amounts paid by the User or TransCo since the date of the preceding statement of account (if any);
 - (iv) the sum of the amounts shown under paragraphs (i) and (ii) less the amounts shown under paragraph (iii).

3.7.2 Each statement provided under paragraph 3.7.1 shall state that it is not a tax invoice for Value Added Tax purposes.

3.7.3 No payment obligation of any User or TransCo shall be affected by any delay or failure by TransCo in producing a statement of account.

4. INVOICE QUERIES, ETC

4.1 Invoice Queries

4.1.1 For the purposes of this Section S an "**Invoice Query**" is any question or dispute as to the proper calculation of any amount shown as payable by a User or TransCo under an Invoice Document or as to whether any such amount is or was properly payable.

4.1.2 A User may notify an Invoice Query by telephone (subject to paragraph 4.1.3), by Conventional Notice or by UK Link Communication.

4.1.3 Where a User notifies an Invoice Query by telephone, TransCo may (at the time of the telephone communication) require that the Invoice Query be notified by Conventional Notice or UK Link Communication, in which case the Invoice Query shall be deemed not to have been raised for the purposes of paragraph 4.2.1 until so notified.

4.1.4 TransCo and the relevant User will endeavour to resolve Invoice Queries by agreement.

4.1.5 Any reference in this Section S:

(a) to the resolution of an Invoice Query is a reference to the resolution thereof by agreement (at any time) between TransCo and the relevant User or by determination thereof (in accordance with paragraph (b));

(b) to the determination of an Invoice Query is a reference:

(i) to the resolution of a dispute in respect thereof under any provision of Section T where applicable;

(ii) except as provided in paragraph (i), to the outcome of any proceedings commenced by TransCo or the relevant User in respect thereof.

4.1.6 Without prejudice to any obligation (including any liability to pay interest pursuant to paragraph 4.2.4) of Users pursuant to this Section, TransCo agrees that it will make available such resources as are in its reasonable opinion reasonably adequate to deal reasonably promptly with reasonable Invoice Queries.

4.2 Invoice Queries before payment

4.2.1 Where a User wishes to raise any Invoice Query in respect of an amount shown as payable by the User under an Invoice Document, the User may, not later than the Day before the Invoice Due Date, notify (in accordance with paragraph 4.1.2 and 4.1.3) such Invoice Query to TransCo, specifying:

(a) the Invoice Type, date and number of the Invoice Document;

(b) the Invoice Item to which the Invoice Query relates;

- (c) an explanation of the basis on which the Invoice Query arises, and the amount of the Invoice Amount which is subject to the Invoice Query:
 - (i) identified by reference to the particular item of supporting data (in accordance with paragraph 1.3.4) in respect of which the Invoice Query arises, on the basis of the level of greatest detail of such supporting data provided for in the UK Link Manual, to the extent that such data was provided by TransCo, and subject to paragraph 4.2.6 where applicable; and
 - (ii) where the basis of the Invoice Query is that the value of any parameter by reference to which the Invoice Amount is determined is incorrectly stated in such supporting data, the amount (estimated as accurately as is reasonably practicable) by which such value is incorrectly stated;
 - (d) the amount of the Invoice Amount which is not subject to the Invoice Query, determined on the basis that only so much of the Invoice Amount as is identified in paragraph (c) is subject to the Invoice Query.
- 4.2.2 Where a User raises an Invoice Query in accordance with the requirements of paragraph 4.2.1 (but not otherwise), the amount subject to the Invoice Query (in accordance with paragraph 4.2.1(c)) shall not be payable on the Invoice Due Date, but without prejudice to paragraph 4.2.4.
- 4.2.3 Except as provided in paragraph 4.2.2, but without prejudice to paragraph 4.3.1, the whole amount shown as payable by a User in any Invoice Document shall be payable on the Invoice Due Date.
- 4.2.4 Where pursuant to paragraph 4.2.2 any amount is not paid on the Invoice Due Date by a User, the amount (if any) which is agreed or determined (following resolution of the Invoice Query) to be payable by the User shall be payable upon such resolution, and interest from the Invoice Due Date shall be payable in accordance with paragraph 3.5 (but subject to paragraph 4.2.5) on such amount.
- 4.2.5 For the purposes of paragraph 4.2.4, where it is agreed or determined that the question or dispute the subject of the Invoice Query pursuant to paragraph 4.2.2 was a bona fide question or dispute, the Applicable Interest Rate shall be the rate under paragraph 3.6.4(ii) until the expiry of 2 Business Days after the date of resolution of the Invoice Query.
- 4.2.6 Where, by reason of a delay (after the date of the Code) in the preparation or submission of any Invoice Documents:
- (i) TransCo submits to a User, in the same month, Invoice Documents of the same Invoice Type (other than the Invoice Types referred to in paragraph 4.2.8) in respect of several Billing Periods to a User;
 - (ii) TransCo submits to a User in any month Invoice Documents of different Invoice Types (other than the Invoice Types referred to in paragraph 4.2.8) at intervals which are substantially less (so that they are submitted on the same Day or within the space of a few Days) than those allowed for by the expected timing under paragraph 1.4.2,
- paragraph 4.2.7 shall apply.
- 4.2.7 In relation to any such Invoice Document as is referred to in paragraph 4.2.6, :

- (a) the level of detail by reference to which (for the purposes of paragraph 4.2.1) any Invoice Query is required to be given shall be such as is reasonable having regard to the extent of the supporting data and the time (from submission of the Invoice Document until the Invoice Due Date) available for the User to review such Invoice Documents and the supporting data;
- (b) where the User raised an Invoice Query containing less detail than would have been required but for paragraph (a):
 - (i) the User shall as soon as is reasonable provide to TransCo the details which were omitted;
 - (ii) to the extent that the User does not comply with paragraph (i), the suspension (pursuant to paragraph 4.2.2) of the User's obligation to pay shall cease to apply.

4.2.8 The Invoice Types excluded from paragraph 4.2.6(i) and (ii) are Invoice Types within paragraph 2.5.1, except that Ad-hoc Invoices submitted pursuant to paragraph 1.9.1 shall be included.

4.3 Other Invoice Queries

4.3.1 Subject to paragraph 1.8.3, nothing in this paragraph 4 shall prevent a User from raising any Invoice Query other than pursuant to paragraph 4.2.1, including in respect of any amount after payment has been made in respect of such amount, or from paying any such amount at the same time as notifying an Invoice Query in respect thereof; provided that (without prejudice to the resolution of the Invoice Query) no constructive trust or other implied term as to the receipt or application by the payee of the amount paid shall arise.

4.3.2 Where, upon the resolution of an Invoice Query or otherwise, it is agreed or determined that any amount or part of any amount paid should not have been paid, the payee shall repay such overpaid amount with interest at the Applicable Interest Rate from the date on which payment was made to it or if later the Invoice Due Date until the date of such repayment.

4.4 Invoicing of resolved Queries

As soon as reasonably practicable after any Invoice Query is resolved, and in any event by the end of the second following month, TransCo will prepare and submit to the relevant User an appropriate Invoice Document in respect of the amount (if any) agreed or determined to be payable or repayable by TransCo or the relevant User.

ANNEX S-1
INVOICE TYPES AND INVOICE ITEMS

1.NTS Capacity Invoice

An "**NTS Capacity Invoice**" is an Invoice Document in respect of the following separate Invoice Items:

- (a) System Entry Capacity Charges;
- (b) NTS Exit Capacity Charges - DM NTS Exit Capacity;
- (c) NTS Exit Capacity Charges - NDM NTS Exit Capacity;
- (d) Flexibility Overrun Charges;
- (e) System Entry Overrun Charges; and
- (f) NTS Exit Overrun Charges.

2.LDZ Capacity Invoice

An "**LDZ Capacity Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) LDZ Capacity Charges;
- (b) Customer Charges - Capacity Variable Component;
- (c) Customer Charges - Fixed Component, excluding the charge referred in paragraph (d) below; and
- (d) Customer Charges - Fixed Component for Daily Read Equipment.

3.Commodity Invoice

A "**Commodity Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) NTS Commodity Charges;
- (b) LDZ Commodity Charges;
- (c) Customer Charges - Commodity Variable Component;
- (d) Supply Point Ratchet Charges - LDZ Capacity Charges; and
- (e) Supply Point Ratchet Charges - Capacity Variable Component of Customer Charge.

4.Balancing Invoice

A "**Balancing Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Flexibility Charges in respect of System Sells;
- (b) Daily Imbalance Charges in respect of which TransCo is the seller;
- (c) Scheduling Charges - Input;
- (d) Scheduling Charges - Output;
- (e) Balancing Neutrality Charges;
- (f) Top-up Neutrality Charges;
- (g) Reconciliation Neutrality Charges - NDM Reconciliation and CSEP Reconciliation; for Unmetered Connected System Exit Points
- (h) Reconciliation Neutrality Charges - DM Reconciliation and CSEP Reconciliation for Metered Connected System Exit Points;
- (i) Flexibility Charges in respect of System Buys (self-bill amount); and
- (j) Daily Imbalance Charges in respect of which the User is the seller (self-bill amount).

5. Reconciliation Invoice

A "**Reconciliation Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Reconciliation Clearing Charge;
- (b) Reconciliation Transportation Charge Adjustment in respect of NTS Commodity Charges;
- (c) Reconciliation Transportation Charge Adjustment in respect of LDZ Commodity Charges;
- (d) Reconciliation Transportation Charge Adjustment in respect of the Commodity Variable Component of Customer Charges.

6. Storage Invoice

A "**Storage Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Storage Space Charges;
- (b) Storage Deliverability Charges;
- (c) Storage Injection Charges;
- (d) Storage Withdrawal Charges; and
- (e) other Storage Charges, including Storage Overrun Charges, Storage Scheduling Charges and Storage Management Charges.

SECTION T: DISPUTE RESOLUTION

1. GENERAL

1.1 Introduction

1.1.1 This Section T provides for the resolution of certain disputes between TransCo and Users.

1.1.2 For the purposes of this Section T:

- (a) a "**dispute**" is any dispute or difference arising between TransCo and any User or Users under or in connection with the Code, the Framework Agreement or any Ancillary Agreement;
- (b) in respect of any dispute "**parties**" means TransCo and the User or Users party to such dispute, and "**party**" shall be construed accordingly.

1.2 Expert determination

1.2.1 For the purposes of the Code "**Expert Determination**" means the determination of an expert pursuant to paragraph 2.

1.2.2 Where the Code or any Ancillary Agreement provides or the parties have agreed that a dispute is to be referred to or resolved by Expert Determination:

- (i) paragraph 2 shall apply; and
- (ii) subject to paragraph 1.4, no party shall commence proceedings in any court in respect of or otherwise in connection with such dispute.

1.3 Mediation

The parties may agree to refer any dispute (including such a dispute as is referred to in paragraph 1.2) to mediation in accordance with paragraph 3.

1.4 Interlocutory relief

Nothing in this Section T shall prevent any party from seeking interim or interlocutory relief in any court.

1.5 Communications

1.5.1 Except where otherwise provided in this Section T, any notice, submission, statement or other communication relating to any dispute to be given pursuant to this Section T by or to any party, an expert, a mediator, the disputes secretary or a User shall be in writing.

1.5.2 No such notice, submission, statement or communication shall be given as a UK Link Communication.

1.5.3 Where two or more Users are parties to a dispute any such notice, submission, statement or communication to be given by them may be given by them jointly (and any reference to the party or parties by whom and to whom it is to be given shall be construed accordingly).

1.5.4 For the purposes of any limit under this Section T on the length of any submission or statement or any attachments thereto a "**page**" is a single-sided A4 sheet which may contain single spaced type in a normal font size.

1.6 Disputes secretary

1.6.1 TransCo shall designate one of its employees as secretary ("**disputes secretary**") for the administrative purposes provided in this Section T, and may from time to time change the person designated as disputes secretary.

1.6.2 TransCo shall keep each User informed of the identity of the disputes secretary for the time being.

1.6.3 The disputes secretary shall not represent TransCo in any dispute under this Section T.

2. EXPERT DETERMINATION

2.1 Introduction

2.1.1 A dispute which is to be referred to or resolved by Expert Determination shall be determined by an individual appointed as expert in accordance with this paragraph 2.

2.1.2 In this paragraph 2 a "**listed expert**" is an individual whose name is for the time being on the list of experts maintained under paragraph 2.10.

2.1.3 No person shall be nominated as a proposed expert under paragraph 2.2.2 or 2.2.3 or as a listed expert under paragraph 2.10 unless that person has the requisite qualifications to resolve a dispute referable under the Code to Expert Determination by virtue of his education, experience and training.

2.2 Initial notice and selection of expert

2.2.1 Any party to a dispute which is to be resolved by or referred to Expert Determination may give notice of the dispute in accordance with paragraph 2.2.2.

2.2.2 The notice shall be given to each other party and shall:

- (a) provide brief details of the issues to be resolved; and
- (b) nominate four persons as proposed experts (who may but need not be listed experts).

2.2.3 Within 5 Business Days after any notice under paragraph 2.2.1 was given, each party (other than the party giving such notice) shall by notice to each other party nominate four persons as proposed experts (who may but need not be listed experts).

2.2.4 The parties shall endeavour within 10 Business Days after the notice under paragraph 2.2.1 was given to agree upon the selection of an expert, and may meet for this purpose.

2.2.5 If within 10 Business Days after the notice under paragraph 2.2.1 was given the parties shall not have agreed upon the selection of an expert, each shall within a further 5 Business Days give to the others a notice ("**preference notice**") specifying the names of seven listed experts in order of preference and assigning to each a number ("**preference number**") from 7 (the most preferred) to 1 (the least preferred), and paragraphs 2.2.6 to 2.2.9 shall apply.

- 2.2.6 Where only one User is a party, or all Users who are parties have submitted a preference notice jointly (in accordance with paragraph 1.5.3), the listed expert whose name appears in both preference notices, or if more than one appears the preferred listed expert (in accordance with paragraph 2.2.8(a)), shall be selected.
- 2.2.7 Where more than one User is party and they do not submit a preference notice jointly:
- (i) if the name of a listed expert appears in all of the preference notices (including TransCo's) he shall be selected, and if there is more than one the preferred listed expert shall be selected;
 - (ii) otherwise a list of listed experts shall be established from such Users' preference notices, comprising the seven listed experts with the greatest aggregate preference numbers, in order of aggregate preference number, and such list shall be treated for the purpose of paragraph 2.2.6 as a preference notice submitted jointly by all such Users (each such listed expert being treated as having a preference number from 7 to 1 assigned to him).
- 2.2.8 For the purposes of paragraphs 2.2.6 and 2.2.7.
- (a) "**preferred listed expert**" means the listed expert with the greatest aggregate preference number;
 - (b) a listed expert's "**aggregate preference number**" is the aggregate of:
 - (i) for the purposes of paragraph 2.2.6, the preference numbers assigned to him under each preference notice (including a deemed joint preference notice under paragraph 2.2.7(ii));
 - (ii) for the purposes of paragraph 2.2.7(i), the sum of (1) the preference numbers assigned to him under Users' preference notices divided by the number of Users' preference notices, and (2) the preference number assigned to him under TransCo's preference notice;
 - (iii) for the purposes of paragraph 2.2.7(ii), the preference numbers assigned to him under each User's preference notice;
 - (c) where two or more experts have the same aggregate preference number they shall be ranked in the order in which their names appear in the list of experts maintained under paragraph 2.10.
- 2.2.9 At the request of any party, all parties shall submit a copy of their preference notices to the disputes secretary who shall ascertain and inform the parties of the selected expert in accordance with paragraphs 2.2.6 and 2.2.7.
- 2.3 Appointment of the Expert
- 2.3.1 Upon the selection under paragraph 2.2 or 2.3.3 of an expert, the parties shall forthwith notify the expert selected of his selection and request him to confirm within 5 Business Days whether or not he is willing and able to accept the appointment.
- 2.3.2 The notification to the expert shall include the following:
- (a) the names of the parties and a summary of the dispute;

- (b) a request that the expert provide the confirmation required under paragraph 2.6;
- (c) a request for confirmation of the expert's scale of fees;
- (d) a statement that the expert's fees and expenses will be paid as provided in paragraph 2.8;
- (e) a statement that the information disclosed in the notification is confidential and that it should not be disclosed, copied or revealed whether the appointment is accepted or not;
- (f) a copy of this paragraph 2, and
- (g) a request for confirmation that the expert is able and willing to act in accordance with the procedure set out herein.

2.3.3 If the selected expert is unwilling or unable to accept the appointment, or shall not have confirmed his willingness and ability to accept such appointment within the period required under paragraph 2.3.1, or the amount of his remuneration or terms of his appointment are not agreed within the period required under paragraph 2.3.4, the parties shall endeavour to agree upon the selection of another expert within 3 Business Days, failing which another expert shall be selected in accordance with paragraphs 2.2.5 to 2.2.9.

2.3.4 The parties shall use their best endeavours to ensure that the terms of the contract of appointment of the expert are agreed with him within 10 Business Days following his confirmation of ability and willingness to act, and agree that if the parties are unable to agree with the expert the amount of his remuneration or any other terms of his appointment then:

- (i) if one or more of the parties is willing to agree what the expert proposes, such amount or terms shall be determined by the President for the time being of the Law Society whose decision shall be final and binding on the parties to the dispute and whose costs of such reference shall be borne by the parties to the dispute equally;
- (ii) if none of the parties is willing to agree what the expert proposes, or the expert is not willing to agree what is determined pursuant to paragraph (i), another expert shall be selected in accordance with paragraph 2.3.3.

2.3.5 The expert shall be an independent contractor and the relationship of the parties and the expert shall in no event be construed to be that of principal and agent or master and servant.

2.3.6 The expert shall not act as an arbitrator (and accordingly the provisions of the Arbitration Acts 1950-1979 shall not apply) nor as mediator.

2.4 Timetable and Procedure

2.4.1 No later than 5 Business Days following his appointment, the expert shall by giving reasonable notice to each party convene a meeting with the parties at which he shall raise any matters upon which he requires clarification and discuss with the parties any additional procedural requirements he or they may have.

2.4.2 The parties shall, not later than 10 Business Days after the appointment of the expert, submit to the expert and to each other party written submissions of not more than 10 pages in length together with all supporting documentation, information and data which they wish to submit in respect of the dispute; and the parties may also submit a statement of facts which they have agreed between themselves to the expert.

- 2.4.3 Each party may, not later than 20 Business Days after the appointment of the expert, submit to the expert and each other party written submissions of not more than 10 pages in length, together with any additional supporting documentation, information and data, in reply to the submissions made under paragraph 2.4.2.
- 2.4.4 The expert shall disregard any documentation, information, data or submissions supplied or made (other than pursuant to paragraph 2.4.9) by any party later than 20 Business Days after his appointment unless the same are provided in response to a request from the expert.
- 2.4.5 If the expert shall wish to obtain independent professional and/or technical advice in connection with the dispute:
- (a) he shall first provide the parties with details of the name, organisation and estimated fees of the professional or technical adviser, and
 - (b) he may engage such adviser with the consent of the parties (which consent shall not be unreasonably withheld) for the purposes of obtaining such professional and/or technical advice as he may reasonably require.
- 2.4.6 The expert may at his discretion and at any time request information from any of the parties orally but shall only do so in the presence of the other parties.
- 2.4.7 At any time after the period referred to in paragraph 2.4.3 expires, with the written consent of the parties, the expert may (but shall not be required to) convene a hearing upon giving the parties reasonable notice.
- 2.4.8 The expert shall provide a draft of his determination, which shall be a report in writing giving reasons for the determination, to the parties not later than 35 Business Days following his appointment.
- 2.4.9 Each party may, within 10 Business Days following delivery of the draft determination, submit to the expert any documentation, information, data, submissions or comments not exceeding 5 pages in length on or in respect of the draft determination.
- 2.4.10 The expert shall submit his final determination, which shall be a report in writing giving reasons for his determination of the dispute, to the parties not later than 50 Business Days following his appointment.
- 2.4.11 If the expert fails to submit the final determination by the time required under paragraph 2.4.10, at the request of any party another expert may be appointed in accordance with the provisions of this paragraph 2 and the appointment of the previous expert shall cease unless before the appointment of the new expert, the previous expert shall have submitted his final determination hereunder, in which case the new expert shall be forthwith informed that his services will not be required.

2.5 Effect of determination

- 2.5.1 The expert's final determination shall (unless given after the appointment of another expert under paragraph 2.4.11) be final and binding on the parties except in the event of fraud or where it is so clearly erroneous on its face that it would be unconscionable for it to stand, in which case another expert may be appointed in accordance with the provisions of this paragraph 2.
- 2.5.2 Except as provided in paragraph 2.5.1, no party shall commence proceedings in respect of or refer to any court any finding by the expert, whether made at any time after his appointment or in his

determination, as to the dispute or the construction of or otherwise in respect of the Code or any Ancillary Agreement.

2.6 Conflict of interests

- 2.6.1 The expert shall confirm to the parties before his appointment that he does not hold any interest or duty which would or potentially would conflict with the performance of his duties under his contract with the parties.
- 2.6.2 If after his appointment the expert becomes aware of any interest or duty which conflicts or potentially conflicts with the performance of his duties under his contract with the parties, the expert shall inform the parties forthwith of such conflict giving full details thereof.
- 2.6.3 Any party may within 5 Business Days of the disclosure of any such conflict or potential conflict object to the appointment or continued appointment of an expert, in which case the expert shall not be or shall cease to be appointed and a new expert shall be selected and appointed in accordance with this paragraph 2 (and the rejected expert shall not be nominated for such selection).

2.7 Confidentiality

- 2.7.1 The parties and the expert shall keep the fact that the Expert Determination is taking place and its outcome confidential.
- 2.7.2 All documentation, information, data, submissions and comments disclosed or delivered whether in writing or otherwise by any party to the expert or to any other party either in connection with or in consequence of the appointment of the expert shall be regarded and treated as confidential; and the expert and the parties shall not disclose any or all of the documentation, information, data, submissions and comments including the contents and copies thereof in any form except in connection with any proceedings in any court which a party is not prohibited under this Section T from commencing.

2.8 Costs

- 2.8.1 Each party shall bear its own costs including without limitation costs of providing documentation, information, data, submissions or comments under this paragraph 2 and all costs and expenses of all witnesses and other persons retained by it.
- 2.8.2 The expert shall provide the parties with a breakdown of:
 - (a) his fees;
 - (b) his reasonable expenses, including the fees of and reasonable expenses incurred by any technical or professional advisers.
- 2.8.3 The expert's fees and expenses under paragraph 2.8.2 shall be payable by the parties in equal amounts, unless the expert (having regard to the conduct of the parties with respect to the dispute in question) shall direct in his final determination that such costs and expenses should be borne by one or some only of the parties, in which case the parties shall pay such fees and expenses in accordance with such direction.
- 2.8.4 If the terms of the expert's appointment provide for the payment of his fees and expenses before the delivery of the final determination, the parties shall pay such fees and expenses in equal amounts, and

shall make adjustment payments inter se following any such direction as is referred to in paragraph 2.8.3.

2.9 Miscellaneous

The expert shall not be held liable for any act or omission unless it shall be shown that the expert has acted fraudulently or in bad faith.

2.10 List of Experts

2.10.1 The disputes secretary shall maintain a list of experts comprising (except in the case of any casual vacancy) 12 persons available to act as experts in accordance with paragraph 2.10.2 and listed in alphabetical order by surname.

2.10.2 The listed experts shall be such persons as the Network Code Committee (identifying 6 such persons being treated as nominated by TransCo and 6 by Users) shall by panel majority nominate.

2.10.3 In default of such nomination by the Network Code Committee, the list shall comprise:

- (a) 6 persons nominated by TransCo; and
- (b) 6 persons nominated by Users (not being persons appointed by TransCo under paragraph (a)) in accordance with paragraph 2.10.4.

2.10.4 Where Users are to nominate a person or persons under this paragraph 2.10:

- (a) the disputes secretary shall invite each User to nominate (by notice in writing to the disputes secretary) up to three persons;
- (b) the persons placed on the list shall be the six persons (or for the purposes of paragraph 2.10.6(iii) the person) whose name(s) appear most frequently in all Users' nominations;
- (c) the disputes secretary shall determine and inform Users of reasonable procedures and time periods for the implementation of this paragraph 2.10.4.

2.10.5 No person shall be nominated as expert under this paragraph 2.10 unless he has first confirmed in writing to the disputes secretary that he accepts his nomination.

2.10.6 If any listed expert indicates that he no longer wishes to be included in the list he shall be removed from the list and replaced by a person nominated:

- (i) by panel majority of the Network Code Committee at either of its next following meetings; or
- (ii) where he was nominated or treated as nominated by TransCo, by TransCo; or
- (iii) where he was nominated or treated as nominated by Users, by the application of paragraph 2.10.4 (but so as to refer to 1 and not 6 persons).

2.10.7 At intervals of approximately 5 years the Network Code Committee shall review the list of experts, and unless it shall by panel majority decide otherwise the list shall be cancelled and a new list established in accordance with paragraph 2.10 (but so that any of the former listed experts may be renominated).

3. MEDIATION

3.1 Introduction

3.1.1 A dispute which is to be referred to mediation shall be referred to a single mediator who shall explore the interests of the parties to the dispute and encourage the parties to resolve the dispute in light of such interests.

3.2 Appointment of mediator

3.2.1 Within 5 Business Days after agreeing to refer a dispute to mediation the parties shall meet and use their best endeavours to agree upon a person to act as mediator, unless they have agreed upon a mediator when agreeing so to refer the dispute.

3.2.2 Where the parties agree upon a mediator they shall request such person to accept appointment as mediator, and shall use all reasonable endeavours to agree (between themselves and with the mediator) upon the terms of his appointment.

3.2.3 A person shall be treated as appointed as a mediator for the purposes of this paragraph 3 when he has confirmed his acceptance to act as mediator in accordance herewith.

3.3 Procedure and timetable

3.3.1 Within 5 Business Days following his appointment, the mediator shall require each party to provide him with a written summary of the dispute, which written summary shall not exceed 5 pages.

3.3.2 The mediator may in his discretion:

- (i) request any party to provide him with copies of any documentation or information which he believes will assist to explain any such summary; and
- (ii) provide any such written summary and/or any information or copy documentation received under paragraph (i) to the other party(ies) to the dispute.

3.3.3 Within 10 Business Days following his appointment, the mediator shall contact the parties and shall arrange to meet them.

3.3.4 Each party shall attend the meeting with the mediator with a maximum of three representatives, one of whom shall be a person with decision making authority in relation to the subject matter of the dispute and one of whom may be the legal adviser of that party.

3.3.5 No additional persons shall attend without the prior written consent of the mediator.

3.3.6 The mediator may convene more than one meeting with the parties but shall not convene any meetings later than 40 Business Days following his appointment, unless the parties agree otherwise.

3.3.7 The mediator may at his discretion meet each party on his own whether during a meeting attended by the other parties or otherwise, but he shall not disclose to any other party matters disclosed to him in such circumstances without the consent of the disclosing party.

3.3.8 At any meeting attended by the parties, the mediator may require each party to make a brief presentation of its case and he may also require the other parties to reply to another party's presentation.

3.3.9 The mediator shall not act as an arbitrator (and accordingly the provisions of the Arbitration Acts shall not apply).

3.4 Result of mediation

3.4.1 The mediator shall encourage the parties to resolve the dispute by agreement and may also discuss informally with any party his own views as to the merits of the dispute.

3.4.2 If the dispute remains unresolved 45 Business Days after the mediator's appointment the mediator shall, if so requested by any party, advise the parties of his views and may, at his discretion, also inform them of what he considers to be a fair settlement of the dispute.

3.4.3 No party shall be bound to adopt the views or advice expressed or provided by the mediator.

3.4.4 If the dispute is resolved or the parties accept the views and advice of the mediator under paragraph 3.4.2, the parties shall use their best endeavours, within 5 Business Days after such resolution or acceptance, to enter into a settlement agreement which shall:

- (i) set out the terms accepted by the parties or on which the dispute was resolved; and
- (ii) contain provisions of confidentiality similar to those set out in paragraph 3.5.

3.4.5 Such settlement agreement shall be made pursuant to English law and courts in England shall be given exclusive jurisdiction over any dispute arising from the settlement agreement.

3.4.6 A settlement agreement shall not be an Ancillary Agreement.

3.5 Confidentiality

3.5.1 The mediator and the parties, their representatives and advisers and any person connected in any way with the mediation shall keep confidential the fact that the mediation is taking place, and its outcome, and all documents, submissions, statements, information and data including anything revealed orally or otherwise during the mediation and any settlement agreement except as may be necessary for implementation or enforcement of the settlement agreement.

3.5.2 All documents and information prepared by a party for and disclosed in the mediation, and all discussions which take place with a party during the course of the mediation, shall be afforded the same protection from discovery as "Without Prejudice" negotiations in proceedings in court; provided that this shall not preclude any document, which may have been disclosed during the mediation but was not prepared solely for use in the mediation, from being discoverable in any proceedings.

3.6 Costs

3.6.1 The parties shall unless they agree otherwise bear their own costs and expenses of whatsoever nature of the mediation.

3.6.2 The parties shall bear the fees and expenses of the mediator and all administrative costs arising from the mediation equally.

3.7 Further proceedings

- 3.7.1 The mediator shall not act in any subsequent legal or similar proceedings in respect of the dispute in which he acted as mediator.
- 3.7.2 The mediator shall not be held liable for any act or omission unless it shall be shown that he has acted fraudulently or in bad faith.

SECTION U: UK LINK

1. GENERAL

1.1 Introduction

1.1.1 TransCo will secure the establishment and operation of UK Link, and will afford to Users access to and use of UK Link, and TransCo and each User will communicate with each other by means of UK Link, subject to and in accordance with this Section U.

1.1.2 UK Link Users are required to comply with the relevant requirements of this Section U in respect of access to and use of UK Link.

1.1.3 For the purposes of the Code:

- (a) the "**UK Link Network**" is an information exchange system (described in the UK Link Manual), as from time to time modified in accordance with paragraph 8, which runs on a wide area network, allowing the electronic transfer of information between TransCo and UK Link Users and certain access (as described in the UK Link Manual) by UK Link Users to the UK Link System;
- (b) the "**UK Link System**" means the computer systems (described in the UK Link Manual), as from time to time modified in accordance with paragraph 8, operated by TransCo to support implementation of certain provisions of the Code and the giving of certain communications by TransCo and UK Link Users;
- (c) "**UK Link**" means the UK Link Network and, to the extent to which (as described in the UK Link Manual) Users have access to and use of it, the UK Link System.

1.1.4 A "**UK Link User**" is:

- (i) any User, provided that a Discontinuing User shall cease to be a UK Link User upon the User Discontinuance Date; and
- (ii) any other person permitted to have access to and use of UK Link under paragraph 1.3.

1.1.5 For the purposes of the Code a "**UK Link Communication**" is a message transmitted by TransCo or by a UK Link User by means of UK Link (which shall be deemed for this purpose to include the Active Notification System) in accordance with the requirements of paragraph 4; and for these purposes a "**message**" is a discrete transmission electronically sent or electronically posted by TransCo or by a UK Link User.

1.1.6 Without prejudice to any contractual obligation binding on TransCo other than under the Code, TransCo accepts no responsibility for the accuracy of any communication which is not a Code Communication and is made as a UK Link Communication.

1.1.7 In this Section U "**UK Link Committee**" means the Network Code Committee or any relevant Sub-committee.

1.2 Code Communications

- 1.2.1 A UK Link Communication given in accordance with this Section U shall be treated as an effective and valid Code Communication, and TransCo and each User confirms that it intends and agrees that UK Link Communications shall have legal effect for the purposes of the Code.
- 1.2.2 The UK Link Manual specifies in respect of each Code Communication therein listed whether it is to be given as a UK Link Communication, by Conventional Notice, by facsimile or by telephone, and in some cases alternative such means by which it may be given; and (subject to paragraph 1.2.4 and Section V11.1.2) a Code Communication may only be given by the means so specified or (where alternative such means are specified) by one of such alternative means.
- 1.2.3 Where the Code or the UK Link Manual specifies the form and/or format of UK Link Communication by which a particular Code Communication is required to be given, that Code Communication may be given only in that form and/or that format.
- 1.2.4 In the event of certain failures (referred to in paragraph 6) of UK Link, Code Communications shall be (and are permitted to be) given in accordance with paragraph 6.
- 1.2.5 Where a Code Communication which is required to be given as a UK Link Communication (and is not permitted to be given by another means except pursuant to paragraph 1.2.4) is not given in accordance with the requirements of this Section U and the UK Link Manual, and as a result is not properly received by the intended recipient, it shall be deemed not to have been given and shall be of no effect.
- 1.2.6 The failure of a UK Link User or TransCo to comply with a requirement that a Code Communication be given as a UK Link Communication, or as to the form or format in which such UK Link Communication is to be given, shall not of itself be a breach of the Code (but without prejudice to paragraph 1.2.5 or to any breach which may result from the failure to give the Code Communication).
- 1.3 External UK Link Users
- 1.3.1 Users acknowledge that TransCo may permit persons (other than Users), within any of the categories set out in paragraph 1.3.2, to have access to and use of UK Link.
- 1.3.2 The categories of persons referred to in paragraph 1.3.1 are as follows:
- (i) the Director;
 - (ii) Meter Readers;
 - (iii) User Agents;
 - (iv) Delivery Facility Operators and Connected System Operators.
- 1.3.3 No such person will be permitted to have access to or use of UK Link unless such person has executed an agreement substantially in the form set out (for the purposes of this paragraph 1.3.3) in the UK Link Manual; provided that in the case of the Director TransCo may waive or modify this requirement and such agreement shall not be required to contain a provision limiting the ability of the Director to disclose information.
- 1.3.4 Insofar as differing from those under this Section U, the procedure by and terms upon which such a person may become a UK Link User are set out in the UK Link Manual.
- 1.3.5 Such a person will cease to be a UK Link User in accordance with the provisions (as to such cessation) of the agreement referred to in paragraph 1.3.3.

- 1.3.6 The extent to which any such person may have access to and use of UK Link will be as set out in the UK Link Manual.
- 1.4 UK Link Manual
- 1.4.1 The "**UK Link Manual**" means the document so entitled and issued by TransCo, as from time to time revised in accordance with paragraph 8.
- 1.4.2 It shall be an obligation of TransCo or a UK Link User to comply with a provision of the UK Link Manual where such provision is expressly identified in the UK Link Manual as one which is made binding on TransCo or such UK Link User by this Section U, and not otherwise; but it is acknowledged that as respects all provisions of the UK Link Manual (whether or not made binding by this Section U) a User may be unable to make a UK Link Communication (and so may be unable to exercise an entitlement to make a Code Communication required to be made as such) where the User does not comply with such provisions.
- 1.4.3 The UK Link Manual does not form a part of the Code (subject to paragraph 8.5.1); and in case of any conflict between the Code and the UK Link Manual, the Code shall prevail.
- 1.4.4 TransCo reserves the right to charge any UK Link User for any copy of the UK Link Manual or any revision or update thereto (including on a serviced basis which includes the provision of all revisions and updates up to a specified date), other than such number of copies as may be provided (as described in the UK Link Manual) free of charge to UK Link Users, and other than any copies the provision (without charge) of which is covered by the terms of any charge within paragraph 1.6.1(i).
- 1.5 Help desk
- 1.5.1 TransCo will provide a help desk, with reasonable resources to meet reasonable requests made by UK Link Users, as described in the UK Link Manual, which will assist UK Link Users in identifying the nature and cause of any operational problems experienced in accessing or using UK Link.
- 1.5.2 Without prejudice to paragraph 7.3 or to the terms on which TransCo may supply or maintain any TransCo Available Equipment or Licensed Software pursuant to paragraph 2.3, where (following any assistance from such help desk or the identification of any such operational problem or otherwise) TransCo agrees to provide any further assistance to a UK Link User in the remedying of such an operational problem as is referred to in paragraph 1.5.1 (other than one resulting from any default of TransCo), TransCo reserves the right to make a charge therefor in accordance with the UK Link Manual.
- 1.5.3 Except where the Code or the UK Link Manual expressly provides otherwise, no communication by or to the help desk shall take effect as a Code Communication.
- 1.6 UK Link User Charges
- 1.6.1 TransCo reserves the right to require any UK Link User to pay:
- (i) an initial and/or periodic subscription charge or charges for access to and use of UK Link or any class of such access and use;
 - (ii) charges in respect of the provision by TransCo of training in the use of UK Link to personnel of the UK Link Users.

- 1.6.2 Any charge payable under paragraph 1.6.1 shall be in addition to any amounts payable pursuant to paragraphs 1.4.4, 1.5.2 and 2.3.4.
- 1.6.3 In any case where the amount or rate of any charge payable by a User under this Section U does not fall to be included in the Transportation Statement, the amount or rate of such charge shall be as set out in the UK Link Manual; provided that a charge payable by a UK Link User who is not a User may either be as specified in the Transportation Statement or as specified in the UK Link Manual.
- 1.6.4 Amounts payable by Users pursuant to this Section U will be invoiced and are payable in accordance with Section S.
- 1.6.5 The terms of invoicing and payment of any amount payable pursuant to this Section U by a UK Link User who is not a User shall be as set out in the UK Link Manual.
- 1.7 Additional Access to UK Link System
- 1.7.1 UK Link incorporates (in addition to facilities for making Code Communications referred to elsewhere in this Section U) certain facilities, as described in the UK Link Manual, enabling Users:
- (i) to obtain certain information concerning the User's entitlements and obligations under the Code or other information relating to the User and maintained by TransCo under the Code, and
 - (ii) to verify the accuracy of or otherwise to validate UK Link Communications made by that User.
- 1.7.2 A User may, by using the UK Link Network, access the facilities within the UK Link System referred to in paragraph 1.7.1, subject to and in accordance with the UK Link Manual, for the purposes set out in paragraphs 1.7.1(i) and (ii).
- 1.7.3 Notwithstanding paragraph 1.7.2, each User shall be responsible (without relying on the facilities referred to in paragraph 1.7.1) for maintaining appropriate records of its entitlements and obligations under the Code and other information relating to that User, and for the accuracy and validity (and for maintaining such information as will ensure the accuracy and validity) of Code Communications made by it.
- 1.7.4 Accordingly a User shall not be relieved of any obligation or liability under the Code by reason of any failure (including defective operation) of any such facility as is referred to in paragraph 1.7.1, and TransCo will not be responsible for the consequences of any such failure, provided that TransCo will notify Users as soon as reasonably practicable upon becoming aware of any such failure.
- 1.7.5 No message transmitted by or to a User in the course of accessing the facilities referred to in paragraph 1.7.1 shall be a Code Communication.
- 1.7.6 Paragraphs 1.7.3 and 1.7.4 are without prejudice to any express obligation of TransCo under the Code to provide information to Users, or as to the accuracy of information subject to any such obligation.
- 1.8 Operational Security
- 1.8.1 Each UK Link User and TransCo undertakes to implement and maintain all security procedures and measures required under 'UK Link Security Policy' by the UK Link Manual to prevent unauthorised access to or use of UK Link and to ensure the protection of UK Link Communications against the risk of resulting alteration, delay, disruption or loss.

- 1.8.2 If a UK Link User becomes aware that (notwithstanding paragraph 1.8.1) any unauthorised access to or use of UK Link has or may have occurred, it shall promptly by telephone or facsimile so notify TransCo and take such other steps as may be required under the UK Link Manual.
- 1.8.3 If TransCo becomes aware that (notwithstanding paragraph 1.8.1) any unauthorised access to or use of UK Link has or may have occurred, it shall promptly by telephone or facsimile so notify any UK Link User who may be affected thereby (a User being so affected where a UK Link Communication given by or to such UK Link User may have been affected thereby, or where there may have been unauthorised access to information relating to such UK Link User), and take such other steps as may be required under the UK Link Manual.
- 1.8.4 Upon any notification under paragraph 1.8.2 or 1.8.3, TransCo and the relevant User(s) shall discuss what steps if any (in addition to those required under the UK Link Manual) may be appropriate to reduce the risk of any further unauthorised access to or use of UK Link, and the extent to which any modification under paragraph 8 may be appropriate in the light thereof.
- 1.8.5 If through UK Link a UK Link User obtains or receives unauthorised access to information concerning another UK Link User, or receives a Code Communication sent to another UK Link User, the first UK Link User will promptly so inform TransCo and will close the screen on which such information or communication appears or delete the same from its UK Link User Equipment and any other equipment without making any copy thereof (and destroying any copy accidentally made) and make no further use thereof.

1.9 Virus protection

TransCo and each UK Link User shall:

- (a) implement and maintain policies and procedures, in accordance with the requirements of the UK Link Manual, designed to prevent harmful code or programming instruction(s):
- (i) from being transmitted to the other or incorporated into UK Link or into any computer program material or medium delivered to the other by reason of anything done by such party pursuant to this Section U, or
 - (ii) if received by it from the other, from being incorporated into its own computer hardware or software; and
- (b) promptly notify the other (in accordance with the relevant procedures set out in the UK Link Manual) if it knows or has any reason to believe that (notwithstanding paragraph (a)) any such code or instruction has been so transmitted or incorporated or received.

1.10 Liability

- 1.10.1 For the purposes of Section V8.1.1, damage or loss to or corruption of any software or data or information contained in a computer system, resulting from a wilful breach of paragraph 1.8 or 1.9(a), shall be deemed to be physical damage.
- 1.10.2 Section V1.5.1 shall not apply in respect of paragraph 1.10.1.
- 1.10.3 TransCo or (as the case may be) a UK Link User shall not be liable in respect of any such damage or loss as is referred to in paragraph 1.10.1 to the extent the breach giving rise thereto occurred as a result

of the breach by another UK Link User or (as the case may be) TransCo of a provision of this Section U.

1.11 Planned UK Link downtime

- 1.11.1 To enable TransCo to operate and maintain UK Link, on each Day and/or particular Days UK Link, or (where so specified in the UK Link Manual) particular parts of UK Link, will not be operational at certain times and for certain periods ("**planned UK Link downtime**") specified in or determined in accordance with the UK Link Manual.
- 1.11.2 During planned UK Link downtime, UK Link Users and TransCo will not be able to have access to or use UK Link or the relevant part thereof, and accordingly will not be able to make UK Link Communications, except to the extent, if any, provided for in the UK Link Manual.
- 1.11.3 During planned UK Link downtime, notwithstanding any other provision of the Code, Users and TransCo will not be entitled to make any Code Communication which is required to be made as a UK Link Communication, except to the extent (if any) provided for in the UK Link Manual or (where part only of UK Link is subject to such downtime) where such part is not required to enable such communication to be made, and their respective rights under the Code shall be construed accordingly.
- 1.11.4 Except as provided in paragraph 6.1.3(ii), the unavailability of UK Link during planned UK Link downtime will not be a Code Contingency for the purposes of paragraph 6; but any such unavailability which extends or TransCo reasonably anticipates will extend beyond the period of planned UK Link downtime will (subject to and in accordance with the Contingency Procedures) be a Code Contingency.

2. EQUIPMENT AND OPERATIONAL REQUIREMENTS

2.1 Introduction

2.1.1 This paragraph 2 sets out requirements (in respect of the provision of computer hardware, telecommunications facilities and equipment and computer software, and operational requirements) applicable to UK Link Users in relation to access to and use of UK Link.

2.1.2 UK Link has been designed to function:

- (a) on and with certain hardware and software configurations;
- (b) in accordance with the address strategy; and
- (c) in accordance with defined standards and protocols

all as described in the UK Link Manual.

2.2 User Equipment and User Software

2.2.1 It is the responsibility of each UK Link User, at its expense (but subject to paragraph 2.2.13), to secure that there are provided at its premises (except that the Active Notification Device referred to in paragraph 4.6.4 need not be held on the premises) and maintained and from time to time (as required by any UK Link Modification in accordance with paragraph 8) modified, upgraded or replaced, the computer hardware and other equipment, software and telecommunication facilities, and the other facilities and resources, necessary to enable the UK Link User to access and use UK Link and

transmit, receive, translate, record and store UK Link Communications, as described in the UK Link Manual.

2.2.2 TransCo and each UK Link User shall take all reasonable steps:

- (i) to secure that the equipment, software and facilities to be installed by it in connection with UK Link are adequately protected against damage and security risks, and
- (ii) to implement and maintain at its premises the operational environment required for the operation of the UK Link Network.

2.2.3 In accordance with the UK Link Manual, UK Link Users will be classified according to indicators of expected use of and access to UK Link; and the minimum scope and configuration of the equipment, software, facilities and resources from time to time to be provided by a UK Link User in accordance with paragraph 2.2.1 will be determined (as described in the UK Link Manual) by reference to such classification.

2.2.4 For the purposes of this Section U:

- (a) "**UK Link User Equipment**" is the computer hardware and other equipment from time to time provided by a UK Link User in accordance with paragraph 2.2.1;
- (b) "**UK Link User Software**" is the software from time to time installed on the UK Link User Equipment in accordance with paragraph 2.2.1.

2.2.5 A UK Link User shall not access or use UK Link other than by means of the UK Link User Equipment and UK Link User Software and in accordance with the protocols and standards and other requirements set out in the UK Link Manual.

2.2.6 Except in so far as provided by TransCo in accordance with paragraph 2.3, it is the responsibility of each UK Link User to ensure that the UK Link User Equipment and UK Link User Software comply with the specifications and satisfy the configurations described in the UK Link Manual.

2.2.7 In accordance with the UK Link Manual, a UK Link User must obtain and TransCo will provide certain of the software required to be installed pursuant to paragraph 2.2.1 under licence from TransCo.

2.2.8 Except as provided in paragraph 2.2.7 and as otherwise provided in the UK Link Manual, and without prejudice to the requirements of this paragraph 2.2, UK Link Users may procure from any source any of the equipment, facilities and software required under paragraph 2.2.1.

2.2.9 Where the UK Link Manual specifies (in addition to what is specified for the purposes of paragraph 2.2.1) any benchmark ("**Benchmark UK Link Configuration**") for the specification, standard or configuration of equipment, software or other facilities to be installed pursuant to paragraph 2.2.1:

- (i) a UK Link User shall not be required to secure that its UK Link User Equipment and UK Link User Software comply with the Benchmark UK Link Configuration (but without prejudice to paragraph 2.2.1), but
- (ii) a UK Link User who does not secure compliance with the Benchmark UK Link Configuration shall be responsible for satisfying himself and securing that the equipment, software and facilities installed by him are capable of operating in accordance with the requirements of this Section U and allowing UK Link to function thereon.

- 2.2.10 The Benchmark UK Link Configuration expressly excludes any computer hardware or software whose functions are beyond the scope of what is required (in accordance with paragraph 2.2.1) for the use of and access to UK Link.
- 2.2.11 TransCo agrees that it will, in consultation with the UK Link Committee, from time to time review the Benchmark UK Link Configuration in the light of technological developments in the computer hardware and software generally available to Users with a view to determining whether it would be appropriate (as a UK Link Modification) to modify such configuration.
- 2.2.12 Where the UK Link Manual so requires in respect of any UK Link User Equipment (not including an Active Notification Device), a UK Link User shall inform TransCo of the premises at which such UK Link User Equipment is installed and shall not relocate such equipment from such premises except in accordance with the requirements of the UK Link Manual.
- 2.2.13 Paragraph 2.2.1 is without prejudice to any term referred to in paragraph 2.3.4 pursuant to which the cost of maintenance of any TransCo Available Equipment is to be borne by TransCo.

2.3 TransCo Available Equipment and Software

- 2.3.1 For the purposes of this Section U "**TransCo Available Equipment**" and "**TransCo Available Software**" are respectively those items of computer hardware and other equipment, and computer software (excluding that referred to in paragraph 2.2.7), which are available to be provided by TransCo as described in the UK Link Manual.
- 2.3.2 Upon request by a UK Link User (by notice to TransCo and otherwise subject to and in accordance with the UK Link Manual), TransCo will provide on hire any TransCo Available Equipment and/or supply TransCo Available Software.
- 2.3.3 TransCo will not provide (and shall not be deemed to have provided) to a UK Link User any TransCo Available Software except on terms that TransCo does not license and is not a party to any licence of such software to the UK Link User and that the existence and terms of the licence between the UK Link User and the person entitled to grant such a licence will be as prescribed by such person or as otherwise agreed between such person and the UK Link User.
- 2.3.4 The terms (including without limitation terms as to hire and other charges or fees) upon which TransCo provides any TransCo Available Equipment or TransCo Available Software, or maintains any TransCo Available Equipment, shall be those set out in the UK Link Manual or otherwise agreed between TransCo and the UK Link User, and do not form part of the Code and are not an Ancillary Agreement; provided that where a UK Link User has not entered into an agreement with TransCo in respect thereof, it shall be deemed to have agreed to the applicable terms in the UK Link Manual.
- 2.3.5 UK Link User Equipment (including replacement parts) which is provided by TransCo shall be deemed to comply with the Benchmark UK Link Configuration.

2.4 Means of Telecommunication

The means of telecommunication to be used for the purposes of the UK Link Network, including the telecommunication protocols and requirements as to third party service provider(s) will be as set out in the UK Link Manual.

2.5 Authorised Representative

- 2.5.1 Where so specified in the UK Link Manual, a UK Link User may only have access to and use of certain parts ("**individual access parts**") of UK Link by an Authorised Representative.
- 2.5.2 An "**Authorised Representative**" is a representative of a UK Link User who has been designated by the UK Link User in accordance with paragraph 2.5.3 and for whom a UK Link Identity under paragraph 2.6.1(ii) has been issued.
- 2.5.3 Each UK Link User shall designate one or more representatives of that UK Link User as having authority to access and use, on behalf of that UK Link User, individual access parts of UK Link.
- 2.5.4 A designation, and any withdrawal of the designation, of a representative under paragraph 2.5.3 shall be made by the nominating UK Link User by Conventional Notice to TransCo specifying:
- (i) the name of the representative;
 - (ii) the date (not, unless TransCo shall agree otherwise, being less than 5 Business Days after such notification is given) with effect from which such designation or withdrawal is to take effect.
- 2.5.5 A representative designated under paragraph 2.5.3 shall become an Authorised Representative with effect from the date when a UK Link Identity is issued for his use in accordance with paragraph 2.6.2(ii).
- 2.5.6 Each UK Link User shall comply, and secure that its Authorised Representatives shall comply, with the provisions of the UK Link Manual in respect of the designation and actions of Authorised Representatives.
- 2.5.7 Subject to paragraph 2.5.8, a UK Link User shall not be entitled to have access to or use of individual access parts of UK Link other than by its Authorised Representatives.
- 2.5.8 Where, in accordance with any relevant requirements under the UK Link Manual, any access to or use of any individual access part of UK Link by a UK Link User is initiated by a computer system of the UK Link User on an automated basis pursuant to an arrangement made by an Authorised Representative, such access or use shall be treated as being by such Authorised Representative.
- 2.6 User Identification and Passcode
- 2.6.1 A "**UK Link Identity**" is the user identification(s) and passcode(s) (as described in the UK Link Manual) by means of which:
- (i) a UK Link User, or
 - (ii) as respects individual access parts of UK Link, a representative of a UK Link User, may have access to UK Link.
- 2.6.2 TransCo shall issue to each UK Link User in accordance with the UK Link Manual:
- (i) a UK Link Identity under paragraph 2.6.1(i); and
 - (ii) upon receipt of notice from a UK Link User under paragraph 2.5.4, a UK Link Identity under paragraph 2.6.1(ii) for the use of the representative designated in such notice.

- 2.6.3 A UK Link User shall be responsible for the actions of persons to whom it may make known its UK Link Identity under paragraph 2.6.1(i), and of its Authorised Representatives, and for the security of its and of each of its Authorised Representatives' UK Link Identities, which shall not be assigned or transferred or made known to any third party, nor (in the case of a UK Link Identity under paragraph 2.6.1(ii)) to any representative of the UK Link User other than the Authorised Representative for whose use it was issued.
- 2.6.4 The passcode(s) comprised in each UK Link Identity are subject to requirements for periodic change in accordance with the UK Link Manual.
- 2.6.5 For security reasons, in the circumstances described in and otherwise in accordance with the UK Link Manual, a new UK Link Identity may be issued to a UK Link User or an Authorised Representative.
- 2.6.6 TransCo shall be entitled to assume that any person using a UK Link User's UK Link Identity under paragraph 2.6.1(i), and any Authorised Representative of a UK Link User, is fully authorised to access and use UK Link (and in particular to initiate, authorise and transmit, and to receive or access for the purposes of receiving, UK Link Communications); and any UK Link Communication transmitted by such a person or (as the case may be) an Authorised Representative shall be treated as given by the UK Link User.

2.7 Temporary inhibition of access

2.7.1 Where at any time:

- (a) a UK Link User is not complying with any requirement of this Section U or the UK Link Manual in respect of access to or use of UK Link;
- (b) such non-compliance does not result from:
 - (i) any action by TransCo, other than an action which it is required to take or might reasonably be expected to take to comply with a requirement of this Section U or the UK Link Manual, or
 - (ii) a failure by TransCo to comply with a requirement of this Section U or the UK Link Manual; and
- (c) in the reasonable opinion of TransCo such non-compliance is resulting in or will result in material disruption to the access to or use of UK Link by other UK Link Users and/or TransCo

TransCo may take any reasonable steps to inhibit or (but only where appropriate) discontinue access to UK Link by the defaulting UK Link User.

- 2.7.2 TransCo will notify a UK Link User by telephone (followed by facsimile) of any steps under paragraph 2.7.1 wherever practicable before and in any event as soon as practicable after taking such steps; and will restore the UK Link User's access to UK Link promptly upon the UK Link User demonstrating to TransCo's reasonable satisfaction that the non-compliance referred to in paragraph 2.7.1(c) will not recur.

2.8 Termination

Upon ceasing to be a UK Link User for any reason, a former UK Link User shall:

- (a) return all TransCo Available Equipment which has been supplied (other than by way of sale) by TransCo to the former UK Link User forthwith and in accordance with the terms on which that Equipment was supplied as set out in the UK Link Manual;
- (b) return the Licensed Software and all copies of the Licensed Software and documents relating to the Licensed Software or supply to TransCo a certificate signed by an authorised officer of the former UK Link User confirming that the Licensed Software, related documentation and all copies thereof have been destroyed;
- (c) return all copies of the UK Link Manual forthwith to TransCo or supply a certificate to TransCo signed by an authorised officer of the former UK Link User confirming that all copies of the UK Link Manual have been destroyed;
- (d) ensure that its Authorised Representatives discontinue access to and use of UK Link.

3. LICENCE

3.1 Introduction

3.1.1 Subject to the restrictions in paragraph 3.1.2, a UK Link User may for the purposes contemplated by the Code or the UK Link Manual (including such purposes under an Ancillary Agreement, Network Entry Agreement or Network Exit Agreement), but not otherwise:

- (i) have access to and use UK Link;
- (ii) use the Licensed Software; and
- (iii) make use of the UK Link Manual.

3.1.2 The licence granted in paragraph 3.1.1 to each UK Link User is royalty-free (but without prejudice to paragraph 1.6) and non-exclusive and non-transferable and shall terminate automatically upon that UK Link User ceasing to be a UK Link User for any reason.

3.1.3 In respect of each UK Link User, the "**Licensed Software**" means the software referred to in paragraph 2.2.6 (as described in the UK Link Manual) and provided to the UK Link User (in object code or other form), and new releases of that software.

3.1.4 UK Link, the Licensed Software, any accompanying documentation, the UK Link Manual and all copyright and other intellectual property rights of whatever nature therein are and shall at all times remain as between TransCo and each UK Link User the property of TransCo.

3.2 Restrictions on the Use of Licensed Software and the UK Link Manual

3.2.1 A UK Link User may use the Licensed Software only on the UK Link User Equipment.

3.2.2 A UK Link User may not:

- (i) copy the Licensed Software, any documentation including any manual accompanying the Licensed Software, or the UK Link Manual, except for the purpose of making 2 back-up copies of these materials;
- (ii) sub-license use of the Licensed Software to a third party;

- (iii) except as may be permitted by law, decompile, disassemble or modify the whole or any part of the Licensed Software;
 - (iv) charge or otherwise deal in or encumber the Licensed Software or any accompanying documentation;
 - (v) delete, remove or in any way obscure any proprietary notices of TransCo or a third party on any copy of the Licensed Software, accompanying documentation or the UK Link Manual.
- 3.2.3 Without prejudice to the provisions as to confidentiality of Section V5 or (as the case may be) the agreement referred to in paragraph 1.3.3, each UK Link User shall:
- (i) reproduce TransCo's copyright notices on any copy made by it of the Licensed Software, accompanying documentation or the UK Link Manual;
 - (ii) keep records of the making of each copy of the Licensed Software, accompanying documentation or the UK Link Manual and location of such copies, and upon request forthwith produce such records to TransCo; and
 - (iii) without prejudice to the foregoing, subject to paragraph 3.2.4, take all such other reasonable steps which shall from time to time be necessary in the reasonable opinion of TransCo to protect the confidential information and intellectual property rights of TransCo in the Licensed Software, accompanying documentation and the UK Link Manual.
- 3.2.4 Except where the UK Link User is in breach of this paragraph 3.2, paragraph 3.2.3(iii) shall not require a UK Link User to take or join in taking any legal proceedings:
- (i) where the UK Link User is (in its reasonable opinion) justified in declining to do so on the grounds that it does not wish to be involved in legal proceedings against the particular third party(ies) involved; and
 - (ii) except on terms that TransCo indemnifies the UK Link User in respect of all costs and liabilities incurred in so doing and on such other terms as the UK Link User may reasonably require.
- 3.2.5 A UK Link User shall not, and shall not attempt to, download, delete, modify or knowingly damage or access for any purpose other than as authorised under this Section U, any software program comprised in the UK Link System or installed on any equipment (other than the UK Link User Equipment) forming part of UK Link.
- 3.3 Interoperability of Licensed Software
- 3.3.1 To the extent permitted by TransCo under the terms of any head licence TransCo may have with a third party in respect of any of the Licensed Software, TransCo will provide on request from a UK Link User to that UK Link User information regarding interfaces and standard protocols relating to the Licensed Software, to enable the Licensed Software to be used in conjunction with other software which is not provided by TransCo.
- 3.3.2 TransCo gives no warranty regarding the interoperability of the Licensed Software with other software (other than any other software comprised in the Benchmark UK Link Configuration).
- 3.4 Releases

- 3.4.1 TransCo may issue from time to time new versions of any of the Licensed Software by way of UK Link Modification subject to and in accordance with paragraph 8.
- 3.4.2 Each UK Link User shall be obliged to install new releases of the Licensed Software on the UK Link User Equipment by the date and time specified (so as to provide reasonable notice to the UK Link User) by TransCo.
- 3.4.3 Within a reasonable time after installation of a new release, a UK Link User shall destroy all copies or any part of the superseded version of the Licensed Software, as required by TransCo.

3.5 Copyright

- 3.5.1 TransCo warrants to each UK Link User that the licence granted to such UK Link User in respect of the Licensed Software under paragraph 3.1, and the use by such UK Link User of the Licensed Software in compliance with the requirements of this Section U, does not and will not infringe the intellectual property rights of any third party.
- 3.5.2 In the event that any of the Licensed Software or any part of UK Link becomes, or in TransCo's reasonable opinion is likely to become, the subject of a claim for infringement of copyright or any other intellectual property rights owned by a third party, TransCo may (without prejudice to any other action it may take in respect of such claimed infringement) in accordance with paragraph 8 but without prejudice to paragraph 7 replace or modify that Licensed Software or part of UK Link so as to make it non-infringing (but notwithstanding paragraph 8.1.3(ii) TransCo will reimburse the reasonable costs incurred by UK Link Users in implementing such replacement or modification).

3.6 Indemnities

- 3.6.1 Each UK Link User shall indemnify and hold harmless TransCo from and against any and all loss, liability, damage, claim, action, proceeding, cost and expense resulting from any breach by such UK Link User of paragraph 3.2.
- 3.6.2 TransCo shall indemnify and hold harmless each UK Link User from and against any and all loss, liability, damage, claim, action, proceeding, cost and expense resulting from any breach by TransCo of paragraph 3.5.
- 3.6.3 Where any claim has been made against TransCo or (as the case may be) a UK Link User (the "**indemnified party**") on the basis of facts, events or circumstances which are or may be the subject of the indemnity given under paragraph 3.6.1 or 3.6.2 by a UK Link User or (as the case may be) TransCo (the "**indemnifying party**"), and the indemnified party would intend to enforce such indemnity in respect of such claim, the indemnifying party:
- (i) if so requested by the indemnified party, agrees to provide reasonable assistance, not being financial assistance (but without prejudice to the indemnity itself), to the indemnified party in defending the claim;
 - (ii) agrees that where it may reasonably be concluded, having regard to the extent to which the indemnified party has defended the claim, from a finding of a court of competent jurisdiction against the indemnified party that the indemnifying party was in breach of paragraph 3.2 or (as the case may be) paragraph 3.5, such breach will be taken to be established by such finding of such court;
 - (iii) acknowledges that there will be circumstances in which it is commercially appropriate that the indemnified party should settle or cease to defend such claim, and agrees (if requested) to

discuss in good faith with the indemnified party such settlement or ceasing to defend, or any other arrangements by which the financial and other burden of continued defence would be borne by the indemnifying party.

4. UK LINK COMMUNICATION

4.1 Introduction

4.1.1 The forms of UK Link Communication comprise the following:

- (i) T-U On-Line Communication (given by TransCo) in accordance with paragraph 4.3;
- (ii) U-T On-Line Communication (given by a UK Link User) in accordance with paragraph 4.4;
- (iii) Batch Transfer Communication (given by TransCo or a UK Link User) in accordance with paragraph 4.5;
- (iv) Active Notification Communication (given by TransCo) in accordance with paragraph 4.6.

4.1.2 The form in which particular Code Communications are to be given as a UK Link Communication is described in the UK Link Manual.

4.2 Particular communication facilities

4.2.1 For the purposes of UK Link Communications, UK Link includes Gateways and certain Automatic Audit Trail Facilities.

4.2.2 In respect of certain forms of UK Link Communication, an "**Automatic Audit Trail Facility**" is a facility (described in the UK Link Manual) forming part of the UK Link System at TransCo's premises, which will automatically record the sending or the receipt by TransCo of the message comprised in such UK Link Communication and log the date and time of such sending or receipt.

4.2.3 A "**Gateway**" is a computer server (as described in the UK Link Manual), forming part of the UK Link Network, installed at the premises of TransCo and of each UK Link User (and in the case of a UK Link User forming part of the UK Link User Equipment and including Licensed Software).

4.3 T-U On-Line Communication

4.3.1 A "**T-U On-Line Communication**" is a message transmitted by TransCo to a UK Link User or UK Link Users by means of UK Link, as described in the UK Link Manual.

4.3.2 A message transmitted as a T-U On-Line Communication will reside in the UK Link System at TransCo's premises, and can be accessed by the UK Link User on-line by means of the UK Link Network as described in the UK Link Manual.

4.3.3 Any T-U On-Line Communication is (as described in the UK Link Manual) either:

- (i) a message posted by TransCo to a particular UK Link User or group of UK Link Users, or
- (ii) a message posted on a public electronic notice board accessible by all UK Link Users or (if so specified in the UK Link Manual) all Users.

- 4.3.4 A T-U On-Line Communication will remain accessible by a UK Link User or Users for the period specified (in respect of the relevant communication) in the UK Link Manual, following which it will no longer be accessible.
- 4.3.5 UK Link Users shall be responsible for accessing (in accordance with paragraph 4.3.2) T-U On-Line Communications at such intervals as shall be appropriate and prudent (having regard without limitation to paragraph 4.3.4).
- 4.3.6 A Code Communication given as a T-U On-Line Communication shall be deemed to have been received by a UK Link User to whom it is transmitted at the time the message is logged 'as sent' by the Automatic Audit Trail Facility, irrespective of whether or when accessed in accordance with paragraph 4.3.5 by that UK Link User.

4.4 U-T On-Line Communication

- 4.4.1 A "**U-T On-Line Communication**" is a message transmitted on-line by a UK Link User to TransCo by UK Link, as described in the UK Link Manual.
- 4.4.2 A Code Communication given as a U-T On-Line Communication shall be deemed to have been received by TransCo at the time the message is logged 'as received' by the Automatic Audit Trail Facility.

4.5 Batch Transfer Communication

- 4.5.1 A "**Batch Transfer Communication**" is a data file containing one or more messages transmitted by TransCo or by a UK Link User by means of the UK Link Network, as described in the UK Link Manual.
- 4.5.2 Where the UK Link Manual specifies (in respect of particular Code Communications or in particular circumstances) times at or periods within which Batch Transfer Communications may be given, Code Communications may be given as Batch Transfer Communications only at the times or within the periods so specified.
- 4.5.3 A message transmitted as a Batch Transfer Communication will reside at the recipient's Gateway, and can be accessed by the recipient as described in the UK Link Manual.
- 4.5.4 A Batch Transfer Communication will remain accessible by a UK Link User or TransCo at its Gateway until deleted by it or deleted automatically (after the period and/or in the circumstances described in the UK Link Manual).
- 4.5.5 Each UK Link User and TransCo shall be responsible for accessing (from its Gateway) Batch Transfer Communications transmitted to it at such intervals as shall be appropriate and prudent (having regard without limitation to paragraph 4.5.4).
- 4.5.6 Each Gateway incorporates facilities (as described in the UK Link Manual) by which:
- (i) where a Batch Transfer Communication is transmitted, a message is automatically transmitted from the recipient's Gateway to the sender's Gateway acknowledging receipt thereof;
 - (ii) if a Batch Transfer Communication is transmitted and no acknowledging message (in accordance with paragraph (i)) is received at the sender's Gateway, the Batch Transfer Communication will be re-transmitted as described in the UK Link Manual.

- 4.5.7 Subject to paragraph 4.5.9(e), a Batch Transfer Communication shall be deemed to have been received by the recipient at the time the message referred to in paragraph 4.5.6(i) acknowledging receipt thereof is received at the sender's Gateway.
- 4.5.8 Where TransCo or a UK Link User has transmitted a Batch Transfer Communication and has not received an acknowledging message (in accordance with paragraph 4.5.6(i)), paragraph 4.5.9 shall apply.
- 4.5.9 In the circumstances in paragraph 4.5.8:
- (a) the sender of the Batch Transfer Communication shall, as soon as it becomes aware that no acknowledging message was received, endeavour to contact (by telephone or facsimile) and so notify the intended recipient of that Batch Transfer Communication;
 - (b) following such notification the sender and the intended recipient shall immediately take all reasonable steps (other than steps involving the investigation of equipment installed at the other's premises) to identify the cause of the recipient's non-receipt of an acknowledging message, and if either of them shall so identify such cause it shall promptly so inform the other (by telephone or facsimile);
 - (c) upon the identification of such cause the party responsible for such cause shall promptly remedy any non-compliance with any operational requirement for the proper functioning of the UK Link Network and take any other reasonable steps available to it to restore proper communication between their respective Gateways;
 - (d) as soon as such communication has been restored, the sender shall retransmit the Batch Transfer Communication;
 - (e) unless the sender informed the intended recipient under paragraph (b), or the intended recipient is able to demonstrate, that the sender had failed to comply with any operational requirement for the proper functioning of the UK Link Network, the Batch Transfer Communication when retransmitted under paragraph (d) shall be deemed to have been received by the recipient at the time (as logged by the sender's Gateway) of the sender's first transmission referred to in paragraph 4.5.8.

4.6 Active Notification

- 4.6.1 An "**Active Notification Communication**" is a message transmitted by TransCo by means of the Active Notification System, as described in the UK Link Manual.
- 4.6.2 The "**Active Notification System**" is the system (as described in the UK Link Manual) for transmitting messages to a warning device ("**Active Notification Device**") forming part of the UK Link User Equipment.
- 4.6.3 An Active Notification Communication shall be deemed to have been received by the UK Link User to whom it is transmitted at the time it is logged 'as sent' by the Active Notification System.
- 4.6.4 Each UK Link User shall ensure that at all times a representative of the UK Link User has an Active Notification Device in his continuous possession and control.
- 4.6.5 An Active Notification Communication may (where so provided in the UK Link Manual) be notice to the effect that a Code Communication has been given by some other permitted means (in which case the Active Notification Communication will not contain the Code Communication itself).

4.7 Audit Trail

- 4.7.1 TransCo will retain a complete and chronological record of all UK Link Communications it transmits and receives, for the minimum period applicable in respect of the relevant communication, as specified in the UK Link Manual, following transmission or receipt.
- 4.7.2 TransCo and each UK Link User shall ensure that electronic or computer records containing UK Link Communications are readily accessible and are capable of being reproduced in a human readable form and of being printed, if required.
- 4.7.3 Records made by the Automatic Audit Trail Facility of the transmission or receipt of UK Link Communications, and (as respects UK Link Communications the transmission or receipt of which is not so recorded) other records retained by TransCo and/or UK Link Users in accordance with this paragraph 4.7, shall be prima facie evidence of the transmission or receipt of such UK Link Communications.
- 4.7.4 In the event of a dispute between TransCo and a UK Link User as to any Code Communication the sending of which was (as a UK Link Communication) recorded by the Automatic Audit Trail Facility, TransCo will, as soon as reasonably practicable after a request to do so, provide to the UK Link User a copy of what is recorded (in respect of such communication) in such facility.

5. TRADING BETWEEN USERS

5.1 General

- 5.1.1 Users may use the UK Link Network (in addition to use for communicating with TransCo) for the purposes of making User Trade Communications, in accordance with and subject to the relevant provisions of the UK Link Manual.
- 5.1.2 A "**User Trade Communication**" is:
- (a) an invitation by a User to other Users to make such an offer as is referred to in paragraph (b);
 - (b) an offer by a User to another User to make:
 - (i) a System Capacity Transfer, as Transferee User;
 - (ii) a Storage Transfer, as Transferee Storage User;
 - (c) an acceptance by a User of such an offer (made by another User) as is referred to in paragraph (b) (such Users, the "Trading Users").
- 5.1.3 A User Trade Communication shall be a UK Link Communication but (without prejudice to paragraph 5.4.1) is not a Code Communication.
- 5.1.4 Without prejudice to any other provision of the Code, nothing in this paragraph 5 prevents any User agreeing with another User a Capacity Transfer, Trade Nomination or Storage Transfer other than pursuant to a User Trade Communication.

5.2 Basis of User Trade Communications

- 5.2.1 A User Trade Communication shall be made as a U-T On-line Communication (by the sending User) and received as a T-U On-line Communication (by the receiving User); and for these purposes the UK Link System includes a facility (as described in the UK Link Manual) by which on receipt of the U-T On-line Communication (designated by the sending User as a User Trade Communication) the related T-U On-line Communication is automatically transmitted (and without prejudice to paragraph 5.4.1 there is no instrumentality of TransCo in such transmission nor will TransCo be concerned with such User Trade Communication).
- 5.2.2 The sending and receiving of a User Trade Communication will be logged by the Automatic Audit Trail Facility in accordance with paragraphs 4.3.6 and 4.4.2.
- 5.2.3 The UK Link Manual sets out:
- (i) the basis on which a User Trade Communication may be made, and restrictions applying thereto;
 - (ii) details of the information concerning the User making the User Trade Communication, or comprised in that communication, which will be available to or accessible by other Users by or on the UK Link Network.
- 5.3 Effect of User Trade Communications: Users
- 5.3.1 Each User agrees with each other User that:
- (i) a User Trade Communication shall be treated as a valid and effective communication as between Users;
 - (ii) a User Trade Communication under paragraph 5.1.2 (b) shall be an offer capable of acceptance by the User to whom it is addressed;
 - (iii) a User Trade Communication under paragraph 5.1.2 (c) shall be an acceptance of an offer giving rise to a contract between the relevant Users.
- 5.3.2 The terms of the contract referred to in paragraph 5.3.1(iii) shall be those terms contained in the relevant User Trade Communication(s) and such other terms as shall have been agreed by the Trading Users or in default of such agreement the terms in Annex U-1.
- 5.3.3 Section V1.5.1 shall not apply in respect of paragraphs 5.3.1 and 5.3.2.
- 5.4 Effect of User Trade Communication: TransCo
- 5.4.1 Upon a User making a User Trade Communication under paragraph 5.1.2(c), the Trade Notices will (as described in the UK Link Manual) automatically be given, and shall be treated as having been given for all purposes of the Code, by that User and the User who made the corresponding User Trade Communication under paragraph 5.1.2(b).
- 5.4.2 For the purposes of paragraph 5.4.1, the "**Trade Notices**" are:
- (i) in the case of a System Capacity Transfer, the notices required under Section B5.2.1;
 - (ii) in the case of a Storage Transfer, the notices required under Section R4.3.1.

5.4.3 Except as provided in paragraph 5.4.1 or where TransCo is acting as User, TransCo shall not be concerned with a User Trade Communication or any contract referred to in paragraph 5.3.2 (and in particular shall not be a party to such a contract).

6. CONTINGENCY ARRANGEMENTS

6.1 General

6.1.1 For the purposes of the Code:

- (a) the "**Contingency Procedures**" are procedures forming part of the UK Link Manual for TransCo and Users to communicate with each other in the event of a Code Contingency;
- (b) a "**Code Contingency**" is an event or circumstance affecting UK Link, of a kind specified in the Contingency Procedures, which affects the ability of TransCo or Users (or where so specified in the Contingency Procedures, of a particular User or particular Users) to give or receive UK Link Communications, or to generate information to be contained in a Code Communication.

6.1.2 TransCo and UK Link Users agree to adopt and (in the event of a Code Contingency) to implement the relevant Contingency Procedures.

6.1.3 A Code Contingency may (where so specified in the Contingency Procedures) include:

- (i) a degradation in performance of UK Link which falls short of a failure thereof (where the Contingency Procedures are likely, having regard to such degradation, to provide a superior method of communicating);
- (ii) planned UK Link downtime which occurs other than between 04:00 hours and 06:00 hours on any Day.

6.2 Code Communications

6.2.1 In the event of a Code Contingency, where so provided in the Contingency Procedures, a Code Communication which would normally be required to be given as a UK Link Communication may (notwithstanding any other provision of the Code or the UK Link Manual) be given by any means provided for in the Contingency Procedures.

6.2.2 Except as provided in the Code or the Contingency Procedures, the provisions of the Code will apply in and will not be affected by a Code Contingency; and in particular any requirements under the Code or the UK Link Manual as to the timing and content of any Code Communication, and the giving of communications by means other than UK Link, will continue to apply.

6.2.3 Where the Contingency Procedures specify intervals or other requirements for the giving in a Code Contingency of any Code Communication which would normally be given as a T-U On-Line Communication under paragraph 4.3.3(ii), the giving of such communication at such intervals will be treated as complying with the relevant requirements of the Code.

6.2.4 Under the Contingency Procedures communication resources of TransCo and Users will be used for the purposes of facilitating the continued giving (in accordance with the Contingency Procedures) of certain kinds of Code Communications in a Code Contingency, and so may not be available for other kinds of Code Communications; and accordingly in any case where the Contingency Procedures do not make provision for the giving of a particular kind of Code Communication (which is required to

be given as a UK Link Communication), it may not be possible for Code Communications of that kind to be given.

6.3 Class A Contingencies

6.3.1 It is agreed that where certain Code Contingencies occur or continue for particular periods or at particular times:

- (i) the application of certain provisions of the Code (in particular, the requirement for Users to pay certain charges, or the basis on which such charges are determined), will be modified), and/or
- (ii) the timetable provided for in the Code for the giving of certain Code Communications may be extended,

as provided in the relevant Section of the Code.

6.3.2 A Code Contingency of the kind referred to in paragraph 6.3.1 is a "**Class A Contingency**".

6.3.3 The Code Contingencies which are Class A Contingencies are specified, for the purposes of the relevant provisions of the Code, in the Contingency Procedures.

6.4 Short-term suspension of access

Where at any time a failure in or degradation in the performance of any part of UK Link is likely to occur, or such a degradation has occurred, and in TransCo's judgement it will be possible to prevent such failure or degradation, or remedy such degradation, by suspending access to and use of UK Link or a part thereof at a time and for a period which will not result in significant inconvenience to Users in the use of UK Link for making Code Communications:

- (a) TransCo shall be entitled, without initiating any Contingency Procedures (but subject to paragraph (b)) which otherwise would be applicable, to suspend access to and use of UK Link (in accordance with such procedures as to notification of UK Link Users and otherwise as may be provided in the UK Link Manual);
- (b) if at any time subsequently it becomes apparent to TransCo that such suspension will continue for a period or at a time at which it will result in such inconvenience to Users, any applicable Contingency Procedures will be initiated.

7. FAILURE OF UK LINK

7.1 Performance levels

7.1.1 TransCo and UK Link Users agree and acknowledge:

- (i) that it would not be economical for UK Link to be designed, built or operated so as to reduce the probability of its failure below a certain level, and accordingly that such failures may occur; and
- (ii) that the Contingency Procedures referred to in paragraph 6 for giving Code Communications in circumstances of such a failure have been established in recognition of what is stated in paragraph (i), and are reasonable and adequate for the purposes of implementation of the Code in such circumstances.

- 7.1.2 UK Link is designed and built and will be operated with a view to achieving over particular periods ("**Performance Periods**") the performance levels ("**Performance Levels**") set out in the UK Link Manual for the purposes of this paragraph 7, subject to paragraph 7.1.3 and otherwise subject as provided in the UK Link Manual.
- 7.1.3 In respect of any Performance Level in relation to which the UK Link Manual specifies a design maximum volume of access to and use of UK Link, UK Link is not designed and will not be operated to achieve the Performance Levels if the volume ("**Usage Volume**") of access to and use of UK Link (defined and determined as provided in the UK Link Manual) exceeds such design maximum volume.
- 7.1.4 TransCo will each month prepare and provide to UK Link Users a statement of:
- (i) the achievement during the Performance Periods (excluding any period during an Emergency) up to the end of the preceding month of UK Link in respect of the parameters ("**Performance Parameters**") by which the Performance Levels are defined, and whether the Performance Levels were achieved;
 - (ii) Usage Volumes during those Performance Periods, and whether any design maximum volume was exceeded.
- 7.1.5 To the extent that Usage Volume(s) exceed design maximum volume(s), TransCo will not be required to undertake any works in respect of UK Link to enable any Performance Level to be achieved at such higher Usage Volume(s) except as a UK Link Modification within paragraph 8.2.4(a); provided that if any User so requests, TransCo will propose such a UK Link Modification.
- 7.2 UK Link operational performance
- 7.2.1 The software programming within UK Link is intended to operate:
- (i) in a manner which is consistent with the functions of UK Link described in this Section U and the UK Link Manual, and
 - (ii) as respects any Code Communication to be given by UK Link Communication, in a manner which is consistent with the requirements of the Code as to the form and content of such communication.
- 7.2.2 For the purposes of this paragraph 7:
- (a) subject to paragraphs (b) and (c), the software programming within UK Link contains a software error if and only if such software programming operates in a way which is inconsistent with the functions referred to in paragraph 7.2.1(i) or the requirements referred to in paragraph 7.2.1(ii);
 - (b) references to software programming do not include TransCo Available Software;
 - (c) software programming comprised in the Licensed Software shall be deemed not to contain a software error if such software programming when installed in the Benchmark UK Link Configuration operates in a manner which is consistent with the functions referred to in paragraph 7.2.1(i) and the requirements referred to in paragraph 7.2.1(ii), irrespective of any such inconsistency in operation when installed by any UK Link User other than in the Benchmark UK Link Configuration.

7.2.3 Where:

- (i) a software error has been identified, but
- (ii) there are means, not involving significant expense or inconvenience to UK Link Users with the Benchmark UK Link Configuration or to TransCo, by which the impact or incidence of the software error can be avoided or corrected so that UK Link Users can continue to have access to and use of UK Link without the software error itself being corrected,

the software error is a "**minor**" software error.

7.2.4 TransCo will each month prepare and provide to each UK Link User a report of all software errors identified during the preceding month as being contained within UK Link, specifying those software errors which are minor software errors, describing (in relation to each such minor software error) the means referred to in paragraph 7.2.3(ii) and stating whether the error is to be corrected in accordance with paragraph 7.2.5.

7.2.5 Implementation of the means referred to in paragraph 7.2.3(ii) shall not be a breach by a UK Link User or TransCo of any conflicting requirement of the Code or the UK Link Manual nor shall a UK Link Communication given in accordance with such means be invalidly given for the purposes of paragraph 1.2.

7.2.6 Where the existence of a minor software error would otherwise result in a UK Link User or TransCo being in breach of this Section U or would invalidate a particular UK Link Communication, such party shall not be in such breach and such UK Link Communication shall not be so invalidated.

7.2.7 TransCo may elect to correct (as a Class 1 or Class 2 Modification in accordance with paragraph 8) a minor software error by way of issuing an updated version of the Licensed Software (and not pursuant to paragraph 7.3), provided that TransCo will not normally so correct minor software errors at intervals of less than 3 months, nor (where it elects to correct such errors) of more than 12 months.

7.3 Performance liability

7.3.1 Subject to paragraph 7.4, where:

- (a) either:
 - (i) any statement published by TransCo under paragraph 7.1.4 shows or it is otherwise established:
 - (1) that UK Link failed to achieve any Performance Level, and
 - (2) that such failure did not arise by reason of Usage Volumes during the relevant Performance Period(s) exceeding the design maximum volume; or
 - (ii) it is established that the software programming within UK Link contains any error (other than a minor software error which TransCo has elected to correct under paragraph 7.2.6, unless TransCo elected to but failed to correct a minor software error); and
- (b) such failure of or error in UK Link affects the ability of any User or TransCo to give or receive Code Communications in such a way as adversely to affect the conduct by or cost to such User or Users of operations under the Code,

then, except where such adverse effect on the conduct or cost of operations is not material and the cost to TransCo of remedying the matter would be material, paragraph 7.3.2 shall apply.

7.3.2 In the circumstances in paragraph 7.3.1, TransCo will at its cost:

- (a) prepare and propose as a Class 2 Modification:
 - (i) a programme of works for (as the case may be):
 - (1) the improvement of the performance of UK Link (in respect of the Performance Parameter(s) in respect of which the failure occurred) to such a level as, on the assumption that Usage Volume(s) will not exceed the relevant design maximum volume(s), will allow the Performance Levels to be achieved, or
 - (2) the correction of the relevant error in software programming; and
 - (ii) a timetable for the carrying out of such works as soon as shall be reasonably practicable in the circumstances;
- (b) subject to paragraph 8.4, implement such programme of works in accordance (so far as is reasonably practicable) with such timetable.

7.3.3 Except as provided in paragraph 7.3.2, and without prejudice to any other provision of the Code, TransCo will not be liable to any User or other UK Link User for or for the consequences (including as respects Users under the Code generally) of any failure, error or defect in or in the operation or performance of UK Link or any other part of the UK Link System (whether in respect of the Performance Parameters, the software programming or otherwise).

7.4 Defects not attributable to TransCo

7.4.1 For the purposes of this paragraph 7:

- (a) references to UK Link:
 - (i) will be considered as including a reference to any Licensed Software and any requirement contained in the UK Link Manual as to the specification for equipment, other software and any facility to be provided (in accordance with paragraph 2) by a UK Link User;
 - (ii) except as provided in paragraph (i), will not be considered as extending to or including any UK Link User Equipment or UK Link User Software;
- (b) in determining the performance of UK Link or whether there is an error in software programming within UK Link, there shall be excluded all occurrences, errors, delays or failures which:
 - (i) result from or are attributable to any defect in, or in the installation, performance, operation or use of, any UK Link User Equipment or UK Link User Software other than Licensed Software, or any other equipment, facility or software provided by a UK Link User;

- (ii) result from or are attributable to any failure (not being the failure of UK Link or software error in question itself) by any UK Link User, in its use of or access to UK Link, to comply with the requirements of this Section U and the UK Link Manual, except as respects any error (in accordance with paragraph 8.2.8 where applicable) in the UK Link Manual;
- (iii) would not have arisen but for the election of a UK Link User not to provide the Benchmark UK Link Configuration; or
- (iv) are attributable to the provider(s) of telecommunication services (as referred to in paragraph 2.4).

7.4.2 Paragraph 7.4.1 shall apply irrespective of whether TransCo provided to a particular UK Link User any UK Link User Equipment or UK Link User Software, but without prejudice to the terms of provision or maintenance by TransCo of any UK Link User Equipment pursuant to paragraph 2.3.

7.4.3 Without prejudice to paragraph 7.4.1(b)(iv), where a provider of telecommunications services (for the purposes of UK Link) is failing to perform its obligations in respect of the provision of such services, TransCo agrees to take reasonable steps to secure that such person resumes such performance.

7.5 UK Link Performance Monitoring Procedures and Review

7.5.1 TransCo will establish and implement procedures (such procedures, as from time to time revised by TransCo, the "**UK Link Performance Monitoring Procedures**") for the collection and monitoring of data samples relating to the achievement of UK Link in respect of the Performance Parameters (to enable TransCo to prepare the statements required under paragraph 7.1.4).

7.5.2 TransCo will appoint in relation to each relevant period in accordance with paragraph 7.5.4 an independent and appropriately qualified person (the "**UK Link Performance Auditor**"):

- (a) to conduct a review, following the initial establishment and any material revision of the UK Link Performance Monitoring Procedures, of whether in the opinion of such person the UK Link Performance Monitoring Procedures are in all material respects adequate (having regard to the technical feasibility, cost and administrative burden of implementing such procedures) to ensure on a continuing basis the collection and monitoring of such data samples as are necessary to ascertain with reasonable certainty Usage Volumes and the level of achievement over Performance Periods of UK Link in respect of the Performance Parameters against the Performance Levels;
- (b) to conduct a review, after each relevant period, of whether in the opinion of such person, in each relevant period, TransCo has:
 - (i) in all material respects implemented the UK Link Performance Monitoring Procedures in accordance with their terms; and
 - (ii) made any material revision in the relevant period to the UK Link Performance Monitoring Procedures without subsequently initiating a review pursuant to paragraph (a)).

7.5.3 For the purposes of this paragraph 7.5 "**relevant period**" means each Gas Year or any other period (whether shorter or longer than a Gas Year) proposed by TransCo after consultation with the UK Link Committee where the Director (upon TransCo's application) gives Condition 7(4) Approval to TransCo's implementing this paragraph 7.5 on the basis of such other period.

- 7.5.4 The person appointed as UK Link Performance Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 7.5) the terms of his appointment, including the scope and objectives of the reviews under paragraph 7.5.2, shall be the person, period and terms from time to time agreed by the UK Link Committee, unless (upon the application of TransCo or any User made within 10 Business Days after TransCo notified to Users the decision of the UK Link Committee) the Director in any case shall give Condition 7(4) disapproval to TransCo's making an appointment of the UK Link Performance Auditor on such basis (in which case TransCo will arrange for an alternative proposal to be considered by the UK Link Committee).
- 7.5.5 The terms of appointment will require that:
- (i) the UK Link Performance Auditor shall present to and discuss with TransCo its draft findings before reporting under paragraph (ii);
 - (ii) the UK Link Performance Auditor shall report his findings to TransCo and the UK Link Committee;
 - (iii) without prejudice to paragraph (ii), the UK Link Performance Auditor shall agree to permit a representative of each User to attend a meeting of the UK Link Committee at which the UK Link Performance Auditor's report is presented;
 - (iv) where he finds that the UK Link Performance Monitoring Procedures are not in all material respects adequate (as described in paragraph 7.5.2(a)), the UK Link Performance Auditor shall make recommendations as to how such procedures should be revised so as to be adequate (as so described);
 - (v) the UK Link Performance Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the UK Link Performance Auditor in the course of his review.
- 7.5.6 A copy of the UK Link Performance Auditor's full report will be provided by TransCo to each User and to the Director.
- 7.5.7 The fees and costs of the UK Link Performance Auditor (in connection with the reviews under paragraphs 7.5.2(a) and (b)) will be paid by TransCo and (subject to paragraph 7.5.8) recovered from Users as follows:
- (i) before each relevant period the fees and costs of the UK Link Performance Auditor will be estimated by TransCo and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(iv) for each month in the relevant period;
 - (ii) when the UK Link Performance Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (i) will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(iv) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under Section F4.5.3(b)(iv) for the month following that in which the final account is rendered.
- 7.5.8 Where a report of the UK Link Performance Auditor in respect of a review under paragraph 7.5.2(b) contains a finding that TransCo:
- (i) failed in a material respect to implement the UK Link Performance Monitoring Procedures, or

- (ii) made any material revision in the relevant period to the UK Link Performance Monitoring Procedures without subsequently initiating a review pursuant to paragraph 7.5.2(a)),

the fees and costs of the UK Link Performance Auditor in connection with such review, or such proportion of such fees and costs as he shall specify as being appropriate for the purposes of this paragraph 7.5.8, shall be borne by TransCo and not recovered from Users pursuant to paragraph 7.5.7.

- 7.5.9 Where a report of the UK Link Performance Auditor in respect of a review under paragraph 7.5.2(a) contains a finding that the UK Link Performance Monitoring Procedures are not in all material respects adequate (as described in that paragraph) and a recommendation as to how such procedures should be revised so as to be so adequate, TransCo will revise such procedures in accordance with such recommendations unless the Director shall upon the application of TransCo give Condition 7(4) Approval to its not doing so.

8. UK LINK MODIFICATIONS

8.1 Introduction

- 8.1.1 TransCo may not make UK Link Modifications other than in accordance with this paragraph 8.

- 8.1.2 For the purposes of this Section U:

- (a) "**UK Link Modification**" means a TransCo System Modification, a User System Modification or a Manual Modification;
- (b) "**TransCo System Modification**" means a modification to the specification of the UK Link System or the UK Link Network or any modification to any equipment or software comprised therein and installed at TransCo's premises;
- (c) "**User System Modification**" means a modification to the specification required under the UK Link Manual of the equipment, software and other facilities required to be provided by a UK Link User under paragraph 2;
- (d) "**Manual Modification**" means any amendment to the UK Link Manual.

- 8.1.3 Except in the case of a Class 3 Modification, or as otherwise provided in this Section U, where any UK Link Modification is to be made:

- (i) TransCo will bear the costs of developing any required change in the Licensed Software;
- (ii) each UK Link User will bear the costs of any modification to the UK Link User Equipment or (except as provided in paragraph (i)) UK Link User Software required to implement the UK Link Modification (or to enable the UK Link User to continue to comply with this Section U following such modification), and all other costs incurred by the UK Link User in consequence of the UK Link Modification;
- (iii) TransCo will bear all other costs incurred for the purposes of making the UK Link Modification.

- 8.1.4 A User will not be in breach of any provision of the Code by reason of any inability of the User to comply with such provision which results from disruption to the User's use of or access to UK Link during and occasioned by the making of a UK Link Modification, provided that the UK Link User

shall have complied with any reasonable requirements proposed by TransCo for implementing the modification and for making UK Link Communications during the making of such modification.

8.2 Modification Classes

8.2.1 UK Link Modifications are classified for the purposes of this paragraph 8 as Class 1, Class 2 and Class 3 Modifications in accordance with this paragraph 8.2.

8.2.2 A "**Class 1 Modification**" is:

- (a) a TransCo System Modification which will have no adverse operational or other adverse impact on any UK Link User and will not require any UK Link User to incur any cost to be borne by it in accordance with paragraph 8.1.3(ii), or which has been consented to by all UK Link Users on whom such modification will have such an impact; or
- (b) a Manual Modification (other than one within paragraph 8.2.4(b)) required:
 - (i) as a consequence of any TransCo System Modification or User System Modification made in accordance with this paragraph 8; or
 - (ii) to correct any inaccuracy in the UK Link Manual so that it correctly describes any aspect of UK Link which is not itself the subject of a TransCo System Modification or User System Modification.

8.2.3 A "**Class 2 Modification**" is:

- (a) a UK Link Modification which is required under paragraph 7.3.2;
- (b) a User System Modification which is required to enable a TransCo System Modification which is a Class 2 Modification or a Class 3 Modification to be implemented;
- (c) any other UK Link Modification (other than a Manual Modification within paragraph 8.2.4(b)) proposed by TransCo in any of the following circumstances:
 - (i) where:
 - (1) TransCo reasonably determines that the functionality or performance of UK Link is insufficient to support the implementation of relevant provisions of the Code, notwithstanding that such modification may not be required under paragraph 7.3.2, and such modification is required to make the required improvement to such performance, and
 - (2) TransCo does not intend that the costs incurred by TransCo in making such modification should be recovered from UK Link Users, and
 - (3) the costs (of revising or replacing any computer hardware or software) for UK Link Users entailed by the making of the modification are reasonable in the circumstances; or
 - (ii) where each of the conditions in paragraph 8.2.5 is satisfied in respect of such modification; or

- (iii) where the modification is required by or in connection with a modification to the Code which is made pursuant to the Modification Rules; or
- (iv) where the modification is to be made pursuant to paragraph 3.5.2; or
- (v) where the modification is made to correct a minor software error in accordance with and subject to paragraph 7.2.4.

8.2.4 A "**Class 3 Modification**" is:

- (a) any TransCo System Modification where TransCo does not intend to make such modification unless the costs of making the modification are to be recovered from UK Link Users;
- (b) any of the following Manual Modifications:
 - (i) a change in the Contingency Procedures which would materially worsen the ability of TransCo and UK Link Users to communicate pursuant to the Contingency Procedures;
 - (ii) a modification of any provision of the UK Link Manual which is (pursuant to paragraph 1.4.2) expressly identified as binding on TransCo or UK Link Users;
 - (iii) a modification in respect of the means (as described in paragraph 1.2.2) of giving a Code Communication, or the form (as described in paragraph 4.1.2), other than the inclusion of an additional such form, of giving any UK Link Communication; or
- (c) any other UK Link Modification which is not a Class 1 or Class 2 Modification or is one which TransCo elects to treat as a Class 3 Modification.

8.2.5 The conditions referred to in paragraph 8.2.3(c)(ii) are that, in respect of a proposed UK Link Modification:

- (i) such modification would not materially increase the scope of information concerning a User to which other UK Link Users have access by virtue of UK Link;
- (ii) such modification would not adversely affect the functions or facilities of UK Link which are available to UK Link Users, nor reduce the scope of the information which TransCo makes available to Users by means of UK Link;
- (iii) such modification would not result in a UK Link User with the Benchmark UK Link Configuration incurring material cost, after taking account of any quantifiable savings in cost which such a User acting reasonably efficiently and prudently would reasonably be expected to enjoy as a result of making the modification; and
- (iv) where such modification is a Manual Modification, the modification would not result in any of the following provisions of this Section U applying or taking effect in a way which is (as respects the interests of UK Link Users) materially and adversely different from that in which it applies or takes effect in the absence of such modification: paragraphs 1.2.2, 1.6, 1.8, 1.9, 2.2.9, 2.3.4, 6.3, 7 and this paragraph 8.

8.2.6 The condition in paragraph 8.2.5(ii) shall not be regarded as infringed by reason only of a reasonable level of disruption for the purposes of implementation of a UK Link Modification.

8.2.7 Where there is any bona fide doubt as to whether an inconsistency between the operation of the software programming within UK Link and the relevant functions described in the UK Link Manual is a software error (in accordance with paragraph 7.2) or an inaccuracy in the UK Link Manual (in accordance with paragraph 8.2.2(b)(i)):

- (i) subject to paragraph (ii), TransCo will resolve such doubt in the manner which is most consistent with the proper implementation of the Code or (failing that) in such manner as TransCo shall reasonably determine after consultation with the UK Link Committee;
- (ii) if upon the application (within 5 Business Days after TransCo has notified Users of its proposed resolution) of any User, the Director shall give Condition 7(4) Disapproval to TransCo's resolving the matter in the proposed manner under paragraph (i), TransCo will resolve the matter in such other manner to which the Director shall upon TransCo's application give Condition 7(4) Approval.

8.3 Class 1 Modifications

8.3.1 TransCo shall be entitled to make a Class 1 Modification at any time.

8.3.2 Where possible before or (failing that) as soon as reasonably practicable after making a Class 1 Modification TransCo will:

- (i) inform UK Link Users of that modification if it is a Manual Modification or if UK Link Users are likely (in having access to and use of UK Link) to become aware of it or if (in TransCo's opinion) it is likely to be of interest operationally to UK Link Users, and
- (ii) if it is a Manual Modification, provide an updated version of the relevant part of the UK Link Manual to UK Link Users without charge.

8.4 Class 2 Modifications

8.4.1 TransCo shall be entitled to make a Class 2 Modification subject to and in accordance with this paragraph 8.4.

8.4.2 Where TransCo proposes to make any TransCo System Modification or User System Modification (other than one required to implement a Class 3 Modification) as a Class 2 Modification:

- (a) TransCo will notify UK Link Users of its proposal, setting out in outline the nature and purpose of the modification and an indicative timetable for implementing the modification;
- (b) UK Link Users may, within a period of 15 Business Days after TransCo's notification, submit to TransCo any comments on the proposal (including its implications for UK Link Users);
- (c) TransCo may revise its proposal in the light of any comments made by UK Link Users (and will not be required to notify under paragraph (a) any such revision);
- (d) after the period referred to in paragraph (b), and after considering any comments made by UK Link Users, TransCo will (unless it has withdrawn its proposal) prepare a plan (such plan, as from time to time revised pursuant to the further provisions of this paragraph 8.4, being the "**implementation plan**") for the implementation of its proposal or revised proposal, setting out in reasonable detail the nature of the proposal and the steps and timetable proposed for its implementation;

- (e) TransCo will submit the implementation plan to the UK Link Committee, for consultation as to whether the steps and timetable planned by TransCo for the implementation of the modification are appropriate having regard to the nature of the modification and the implications for UK Link Users of making the modification.
- 8.4.3 The implementation plan will be discussed at one or (if TransCo so requests) more than one meeting of the UK Link Committee, and TransCo may on one or more occasions revise the implementation plan on the basis of any such discussion and resubmit such revised plan to the committee.
- 8.4.4 If by consensus of the members of the UK Link Committee the implementation plan (with or without any revisions proposed by TransCo pursuant to paragraph 8.4.3) is approved, TransCo will proceed to implement the proposed modification in accordance with the implementation plan.
- 8.4.5 If such a consensus of the UK Link Committee is not reached:
- (a) TransCo may, where it considers that the making of the modification in accordance with its implementation plan is necessary to enable it or Users to comply with the Code (disregarding for this purpose paragraph 8.4.9) or any Legal Requirement, notify Users that it intends to proceed with the modification;
 - (b) where TransCo has given a notification under paragraph (a), TransCo shall be entitled to make the modification unless upon the application (within 5 Business Days after TransCo's notification) of any User the Director shall give Condition 7(4) Disapproval to TransCo's doing so;
 - (c) except where TransCo gives notice under paragraph (a), or if the Director gives Condition 7(4) Disapproval under paragraph (b), TransCo will (unless it decides to withdraw its proposal) refer the implementation plan to the Network Code Committee.
- 8.4.6 Where by panel majority (upon a referral under paragraph 8.4.5(c)) the Network Code Committee approves the implementation plan, with or without any revisions which TransCo may propose to the committee, TransCo will proceed to implement the proposed modification in accordance with the implementation plan.
- 8.4.7 Where (upon a referral under paragraph 8.4.5(c)) the Network Code Committee does not approve the implementation plan, TransCo will not proceed with the proposed modification.
- 8.4.8 TransCo will provide to each UK Link User a copy of each implementation plan approved pursuant to paragraph 8.4.4 or 8.4.6.
- 8.4.9 Where a UK Link Modification is proposed by TransCo for the purposes of enabling it or Users to comply with any provision of the Code (including without limitation paragraph 7), it is agreed that TransCo and Users will be deemed not to be in breach of such provision of the Code as a result of such modification not being made:
- (i) where its implementation plan is not approved by the UK Link Committee pursuant to paragraph 8.4.4 or the Network Code Committee pursuant to paragraph 8.4.6;
 - (ii) to the extent that TransCo is delayed in implementing such proposal by reason of anything done pursuant to this paragraph 8.4.
- 8.4.10 Where TransCo has notified a UK Link User of a proposal under paragraph 8.4.2(a), unless the UK Link User notifies TransCo otherwise by way of comment pursuant to paragraph 8.4.2(b), the UK

Link User shall be deemed to have accepted the proposed modification as being a Class 2 Modification.

- 8.4.11 UK Link Users may propose to TransCo modifications which would be made as Class 2 Modifications, and where TransCo does not decide to adopt and propose such a proposed modification TransCo will so notify the UK Link User; and TransCo will at reasonable intervals notify all UK Link Users of those proposed modifications which TransCo has not adopted and proposed, with brief explanations of its decisions.
- 8.4.12 Where the UK Link Modification is one within paragraph 8.2.3(c)(iii), the requirements of this paragraph 8.4 will be deemed satisfied to the extent that equivalent steps have been taken by TransCo pursuant to the Modification Rules.

8.5 Class 3 Modifications

- 8.5.1 For the purposes only of this paragraph 8.5, that part of the UK Link Manual which describes or specifies any aspect of UK Link which is the subject of a proposed Class 3 Modification shall be deemed to be incorporated into and to form a part of the Code.
- 8.5.2 Before making a Class 3 Modification, TransCo must make a modification proposal in respect thereof in accordance with the Modification Rules.
- 8.5.3 TransCo may make a Class 3 Modification where (in accordance with the TransCo Licence and the Modification Rules) the Director directs or consents to the modification the subject of the modification proposal referred to in paragraph 8.5.2.
- 8.5.4 If the terms of the modification do not themselves provide for such matters, and subject to the nature of the modification, paragraph 8.4 shall apply in respect of a Class 3 Modification.
- 8.5.5 TransCo acknowledges that Users are at liberty to propose modifications to UK Link which would be implemented as Class 3 Modifications.

ANNEX U-1

1. Application of this Annex

- 1.1 This Annex does not form part of the Network Code Principal Document.
- 1.2 This Annex sets out certain terms which, subject to paragraph 1.3, are incorporated into every contract arising as a result of a User Trade Communication made under Section U5.1.2(c) of the Code (a "**User Trade Contract**").
- 1.3. In accordance with Section U5.3.2 of the Code, a term set out in this Annex is not incorporated into a User Trade Contract:
 - (a) if the Trading Users have expressly agreed another term; or
 - (b) to the extent that such term is inconsistent with any term expressly agreed by the Trading Users.

2. Interpretation

- 2.1 Terms used in this Annex have the same meanings as in the Code.
- 2.2 For the purposes of this Annex:
 - (a) "**applicable daily rate**" means:
 - (i) in respect of System Capacity, the Applicable Daily Rate (in pence per kWh/Day) of the relevant Capacity Charge; and
 - (ii) in respect of Storage Space, the Applicable Storage Space Charge Rate (in pence per kWh of Storage Space for a Storage Year) divided by 365; and
 - (iii) in respect of Storage Deliverability, the Applicable Storage Deliverability Charge Rate (in pence per kWh/Day of Storage Deliverability for a Storage Year) divided by 365;
 - (b) "**Capacity Transfer**" means a System Capacity Transfer or a Storage Capacity Transfer;
 - (c) "**Capacity Transfer Day**" means a Day in the Relevant Transfer Period in respect of which the Trade Transferee is treated as holding the Transferred Capacity in accordance with the Code;
 - (d) "**Relevant Transfer Period**" means:
 - (i) in respect of a System Capacity Transfer the Transfer Period;
 - (ii) in respect of a Storage Capacity Transfer the Storage Transfer Period;
 - (e) "**Trade Transferor**" means:
 - (i) in respect of a System Capacity Transfer the Transferor User; and

(ii) in respect of a Storage Transfer the Transferor Storage User; and

(f) **"Trade Transferee"** means:

(i) in respect of a System Capacity Transfer the Transferee User; and

(ii) in respect of a Storage Transfer the Transferee Storage User.

(g) **"Transferred Capacity"** means Transferred System Capacity or Transferred Storage Capacity.

3. Price

3.1 Capacity Transfer

3.1.1 In respect of a Capacity Transfer the Trade Transferee shall, subject to paragraph 3.1.2, pay to the Trade Transferor in respect of each month some or all of the Days of which are Capacity Transfer Days a sum determined in accordance with the following formula:

$$A = B * C * D$$

where

A = the sum payable by the Trade Transferee in respect of the month;

B = the applicable daily rate in respect of the Capacity Transfer;

C = the amount of the Transferred Capacity;

D = the number of Capacity Transfer Days in that month.

3.1.2 If in respect of any Capacity Transfer Day in a month the Trade Transferor ceases to be liable to pay to TransCo the relevant Capacity Charges or Storage Capacity Charges in respect of an amount of Transferred Capacity in accordance with the Code, the sum which would but for this paragraph 3.1.2 be payable by the Trade Transferee pursuant to paragraph 3.1.1 in respect of that month shall be reduced by a sum equal to the aggregate of the sums for each such Capacity Transfer Day, each such sum being calculated in accordance with the following formula:

$$E = F * G$$

Where

E = the sum by which the Trade Transferee's liability is reduced in respect of such Day;

F = the applicable daily rate;

G = the amount of Transferred Capacity in respect of which the Trade Transferor ceased to be liable to pay Capacity Charges or Storage Capacity Charges in respect of such Day.

3.2 Storage Gas Transfer

- 3.2.1 In respect of a Storage Gas Transfer the Trade Transferee shall pay to the Trade Transferor a sum determined in accordance with the following formula:

$$H = I * J$$

where

H = the sum payable by the Trade Transferee in respect of the Storage Gas Transfer;

I = the Top-up WACOG (in pence per kWh) for the Transfer Storage Facility on the last WACOG Calculation Date before the transfer date;

J = the Transferred Gas-in-Storage (in kWh).

4. VAT

- 4.1 The sums payable pursuant to a User Trade Contract are exclusive of Value Added Tax.

5. Payment

- 5.1 Sums payable by the Trade Transferee to the Trade Transferor under a User Trade Contract shall be paid on or before whichever is the later of:

(a) the 5th Day after the Day on which the Trade Transferee receives an invoice in respect of such sum from the Trade Transferor; and

(b) the 15th Day of the month following the relevant month (in accordance with paragraph 5.2)

- 5.2 For the purposes of paragraph 5.1 the relevant month is:

(a) for a Capacity Transfer, the month to which the invoice relates; and

(b) for a Storage Gas Transfer, the month in which the User Trade Communication under Section U5.1.2(c) of the Code was made.

6. Interest

- 6.1 Where any sum payable pursuant to a User Trade Contract is not paid on or before the due date for payment in accordance with paragraph 5.1 (the "Due Date"), the paying User shall pay interest, after as well as before judgment, at the rate for the time being of Barclays Bank plc plus 3 percentage points per annum on the unpaid amount from the Due Date until the day on which payment is made.

- 6.2 Interest payable pursuant to paragraph 6.1 shall accrue on a daily basis and on the basis of a 365 day year.

7. Governing law and jurisdiction

- 7.1 Each User Trade Contract shall be governed by, and construed in all respects in accordance with, English law.

7.2 The parties to a User Trade Contract irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with that User Trade Contract.

SECTION V: GENERAL

1. INTRODUCTION

1.1 Code

References to the "**Code**" are to this Network Code Principal Document, as (and for so long as) modified or supplemented by the Network Code Transition Document dated 1st March 1996, and as from time to time modified in accordance with the Modification Rules or the TransCo Licence; and references to the Code include the Code as given contractual effect by the Framework Agreement.

1.2 Network Code Framework Agreement

For the purposes of this Section V "**Network Code Framework Agreement**" or "**Framework Agreement**" means the agreement pursuant to which the Code is made binding upon TransCo and each User.

1.3 Network Code Ancillary Agreement

1.3.1 A "**Network Code Ancillary Agreement**" or "**Ancillary Agreement**" is an agreement between TransCo and one or more Users setting out any terms of a transportation arrangement (as defined in Standard Condition 1 of the TransCo Licence) in relation to the System:

- (i) entered into pursuant to any provision of the Code which contemplates that such an Agreement may be entered into; or
- (ii) which expressly provides that it is to be a "**Network Code Ancillary Agreement**" for the purposes of this Section V.

1.3.2 Subject as provided in this Section V an Ancillary Agreement shall be treated as forming, as between TransCo and the User or Users party thereto, and as to its subject matter, a part of the contractual relationship between TransCo and such User(s) existing pursuant to the Code and the Framework Agreement.

1.3.3 In any Ancillary Agreement (unless it otherwise provides) terms defined in or for the purposes of the Code and not otherwise defined in such Ancillary Agreement shall have the meanings ascribed thereto in or for the purposes of the Code.

1.3.4 An Ancillary Agreement may be amended by agreement of TransCo and the User(s) party to that Agreement and not otherwise; and accordingly an Ancillary Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of the Code which apply to or are incorporated into such Agreement).

1.3.5 A breach by a User of a term of an Ancillary Agreement will not (unless the Ancillary Agreement so provides) be a breach of the Code.

1.3.6 Any Ancillary Agreement applying in respect of a System Entry Point or Connected System Exit Point shall provide (in such manner as TransCo shall reasonably determine) for any User who may (or intends to) deliver gas to or (as the case may be) offtake gas from the System at that point to accede to such Agreement; and TransCo may refuse to allow a User who has not acceded or agreed to accede to such an Agreement to deliver or offtake gas or to hold System Capacity or to make a Nomination at or in respect of such System Point.

1.4 Parties

In this Section "**Party**" means:

- (i) in the context of the Network Code Framework Agreement, TransCo or any User; and
- (ii) in the context of any Ancillary Agreement, TransCo or a User who is party to that Agreement.

1.5 Effect of Code

1.5.1 Except where the Code expressly provides otherwise or disapplies this paragraph 1.5.1, or as may be provided in an Ancillary Agreement, neither the Code nor the Framework Agreement nor any Ancillary Agreement creates contractual rights or liabilities between Users inter se.

1.5.2 Paragraph 1.5.1 shall not apply in respect of paragraphs 11 and 14 (except for paragraph 14.1 and 14.3).

1.6 Non-Code Transportation Arrangements

1.6.1 For the purposes of the Code:

- (a) "**Non-Code Transportation Arrangement**" means a transportation arrangement, which is for the time being in force, made between TransCo and a gas shipper on terms other than those of the Code, or in the context of a particular System Point, such a transportation arrangement relating to the delivery or offtake of gas to or from the System at such point;
- (b) "**Non-Code Shipper**" means a gas shipper who is party to a Non-Code Transportation Arrangement.

1.6.2 Where TransCo makes or has made a Non-Code Transportation Arrangement, subject to paragraphs 1.6.3 and 1.6.4(i):

- (i) for the purposes of giving effect to such arrangement and to the provisions of Sections C, D, E, F, H, I, K and P of the Code which apply by reference to the quantities of gas delivered to and offtaken from the System by Users, and of calculating such quantities, TransCo will be treated as a User of the System as respects the quantities of gas delivered to and offtaken from the System by the Non-Code Shipper;
- (ii) for the purposes of giving effect to such arrangement and to the provisions of Sections G2 and G3, TransCo will be treated as a User of the System as respects the Supply Meter Points which are or are to become subject to such arrangement.

1.6.3 Nothing in paragraph 1.6.2 shall have the effect of conferring on the Non-Code Shipper any right or imposing on it any obligation under the Code, nor as implying any terms into the Non-Code Transportation Arrangement.

1.6.4 Where a Non-Code Transportation Arrangement is one to which Condition 5(3) of the Shipper's Licence applies:

- (i) TransCo may elect for some or all of the purposes of paragraph 1.6.2 that the Non-Code Shipper shall be treated as a User in place of TransCo;

- (ii) the Code shall apply so as to give effect to the arrangement or undertaking referred to in the said Condition 5(3) (and in particular the Non-Code Shipper may make Flexibility Bids);
 - (iii) paragraphs 1.6.5 and 1.6.6 shall not apply in respect of the Non-Code Transportation Arrangement.
- 1.6.5 Where a User is also a Non-Code Shipper, its Non-Code Transportation Arrangements (including without limitation holdings of System Capacity or Storage Capacity) as Non-Code Shipper shall be separate from, and shall be given effect and accounted for separately from, those under the Code.
- 1.6.6 In accordance with and without prejudice to the generality of paragraph 1.6.4, the calculation of a User's Daily Imbalance, and any Daily Imbalance Charges, Scheduling Charges, Overrun Charges or Storage Overrun Charges, shall be made disregarding quantities of gas delivered to or offtaken from the System or System Capacity held by the User as Non-Code Shipper.
2. USER ADMISSION
- 2.1 Admission requirements
- 2.1.1 In order to become a User a person (the "**Applicant User**") must:
- (i) satisfy or secure satisfaction of the requirements in paragraph 2.1.2, and
 - (ii) accede to the Framework Agreement and thereby agree to be bound by the Code.
- 2.1.2 The requirements referred to in paragraph 2.1.1(i) are as follows:
- (a) the Applicant User shall have applied to TransCo, in such form as TransCo may from time to time prescribe, giving the following details:
 - (i) the name of the Applicant User;
 - (ii) the legal nature of the Applicant User, and where the Applicant User is not a company incorporated under the Companies Act 1985 (as amended), such further information concerning the constitution of the Applicant User as TransCo may reasonably require;
 - (iii) the address and telephone and facsimile numbers of the Applicant User, and the individual for whose attention notice is to be marked, for the purposes of notice under paragraph 11.2.3 and 11.3.1;
 - (iv) where the Applicant User is not a company incorporated under the Companies Act 1985 (as amended), an address for service in accordance with paragraph 14.8.3;
 - (b) either:
 - (i) a Shipper's Licence shall have been granted to the Applicant User which is in force and in respect of which no notice of revocation has been given, and the Applicant User shall have provided a copy of such licence to TransCo, or
 - (ii) a Shipper's Licence shall be treated as having been granted to the Applicant User pursuant to a scheme made under paragraph 15 or 16 of Schedule 5 to the Gas Act 1995;

- (c) the Applicant User shall have secured compliance with those requirements of Section U which are required to be complied with before a User is able to send and receive UK Link Communications, including without limitation:
 - (i) the installation and connection of the UK Link User Equipment and the UK Link User Software at the Applicant User's premises;
 - (ii) the appointment of one or more Authorised Representatives;
 - (d) the Applicant User shall have provided the emergency contact details required under Section Q2.2;
 - (e) the Applicant User shall have obtained from TransCo one or more copies of the Code and such other documents referred to in the Code or the Framework Agreement as TransCo shall from time to time prescribe for the purposes of this paragraph (e);
 - (f) the Applicant User shall have been assigned an initial Code Credit Limit in accordance with paragraph 3;
 - (g) the Applicant User shall have been assigned an initial Secured Credit Limit in accordance with the Supplement.
- 2.1.3 An Applicant User may accede to the Framework Agreement before the requirements of paragraphs 2.1.2(c) and (f) are satisfied.
- 2.1.4 Where in accordance with paragraph 2.1.3 an Applicant User has executed the Framework Agreement, the Applicant User and TransCo shall be bound by this Section V and (but only for the purposes of enabling an Applicant User to satisfy the requirements in paragraph 2.1.2 (c)) Section U; and the Applicant User shall for such purposes only be treated as a User.
- 2.2 Admission of User
- 2.2.1 The Applicant User will become a User with effect from the Day ("**User Accession Date**") which is 10 Business Days after satisfaction of the last of the requirements under paragraphs 2.1.1 and 2.1.2 to be satisfied.
- 2.2.2 Upon the Applicant User's becoming a User pursuant to paragraph 2.2.1 TransCo will so notify:
- (a) the Applicant User, specifying:
 - (i) TransCo's notice details for the purposes of paragraph 11.2.3; and
 - (ii) the names of all other Users and their prevailing notice details in accordance with paragraph 11.2.3;
 - (b) all other Users, specifying the name of the Applicant User, its notice details provided under paragraph 2.1.2(a)(iii) and the User Accession Date.
- 2.3 Restricted authorization of User

Where the Shipper's Licence held by a User limits or restricts the premises to which the User may arrange for the conveyance of gas by the System or in any other way limits or restricts the activities which the User is authorised to carry on:

- (i) the User shall be solely responsible for compliance with such limit or restriction and (subject to paragraph (ii)) TransCo shall not in the implementation of the Code as respects such User be concerned with such limit or restriction; but
- (ii) TransCo shall be at liberty in its discretion to (but shall not be required to) withhold from the User any right or entitlement pursuant to the Code so as to give effect to such limit or restriction.

2.4 Single User admission

Unless expressly otherwise provided in the Code or agreed by TransCo, a person may only be one User, and accordingly a person who is for the time being a User may not make a further application to be admitted as a User.

3. CODE CREDIT LIMITS

3.1 General

3.1.1 TransCo will, in accordance with the Code Credit Rules, determine and assign to each User a Code Credit Limit, and will keep each User informed of its Code Credit Limit (as revised in accordance with paragraph 3.2.2) for the time being.

3.1.2 The "**Code Credit Rules**" are the rules from time to time established and revised by TransCo and issued to Users setting out (inter alia):

- (i) the principles on which TransCo will assess and from time to time revise (in accordance with paragraph 3.2.2) its assessment of the credit-worthiness of Users (and persons providing surety for Users) and establish Code Credit Limits;
- (ii) the basis on which a User may (with a view to increasing its Code Credit Limit) provide surety or security for Relevant Code Indebtedness, or (with a view to reducing its Relevant Code Indebtedness) make prepayments to TransCo;
- (iii) procedures by which a User may discuss its Code Credit Limit with TransCo.

3.1.3 The Code Credit Rules do not form a part of the Code and (but without prejudice to the further provisions of this paragraph or to anything done pursuant to the Code Credit Rules) nothing in the Code shall make compliance with such rules an obligation of TransCo or Users.

3.1.4 Nothing in the Code or the Code Credit Rules shall constitute any duty of care or other obligation on the part of TransCo (whether to or for the benefit of the User in question or Users in general) in relation to the implementation of the Code Credit Rules or the provisions of this paragraph 3.

3.2 Code Credit Limit and Relevant Code Indebtedness

3.2.1 For the purposes of the Code:

- (a) a "**Code Credit Limit**" is an amount representing a User's maximum permitted Relevant Code Indebtedness.

- (b) **"Relevant Code Indebtedness"** is:
- (i) the aggregate amount, other than in respect of Energy Balancing Charges, for which a User is at any time liable to TransCo pursuant to the Code or any Ancillary Agreement, determined on the basis of amounts accrued (and in accordance with paragraph (c) where applicable) and irrespective of whether such amounts have been invoiced under Section S or (where invoiced) have become due for payment; less
 - (ii) any amount which has been paid to TransCo by the User by way of prepayment, on the basis that TransCo may apply such amount without the User's consent in or towards payment of amounts referred to in paragraph (i), and which has not yet been so applied;
- (c) for the purposes of paragraph (b)(i) a User's liability for Capacity Charges in respect of a Day shall be treated as accruing on the following Day.
- 3.2.2 For the avoidance of doubt, the amount of a User's Relevant Code Indebtedness shall be determined by reference to the relevant provisions of the Code, and nothing in the Code shall be construed as withdrawing from a User any right to dispute whether TransCo has correctly calculated such amount in any case, or from TransCo any right to dispute the validity of any Invoice Query submitted by any User.
- 3.2.3 Without prejudice to paragraph 3.2.2, where a User has submitted an Invoice Query in accordance with Section S4.2.1 in respect of any Invoice Document TransCo will review and give due consideration to such Invoice Query before taking any steps pursuant to paragraph 3.3.
- 3.2.4 A User's Code Credit Limit may from time to time be reviewed and revised, in accordance with the Code Credit Rules, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:
- (i) at intervals of approximately 12 months;
 - (ii) at the User's request (but subject to paragraph 3.2.6);
 - (iii) where any published credit rating of the User or any person providing surety for the User is revised downwards;
 - (iv) where (but without prejudice to any requirement of the Code Credit Rules) any instrument of surety or security expires or is determined;
 - (v) at TransCo's request where at any time TransCo has reasonable grounds to believe that the effect of the review will be to reduce the User's Code Credit Limit.
- 3.2.5 Subject to paragraph 3.2.6, TransCo will bear the costs and fees that it incurs (but not any costs incurred by the User) in connection with any review of a User's Code Credit Limit in accordance with paragraph 3.2.4.
- 3.2.6 TransCo will not be obliged to agree to any request of the User under paragraph 3.2.4(ii) unless the User agrees to reimburse to TransCo the reasonable costs and fees payable by TransCo to any third party in accordance with the Code Credit Rules in connection with such request.

3.3 Requirements as to Relevant Code Indebtedness

3.3.1 Where:

- (i) a User's Relevant Code Indebtedness exceeds 70% of its Code Credit Limit and TransCo has given notice to the User to that effect; and
- (ii) at any time following such notice the User's Relevant Code Indebtedness exceeds 85% of its Code Credit Limit and TransCo has given notice to the User to that effect (which notice may in appropriate circumstances be given at the same time as that under paragraph (i)),

paragraphs 3.3.2 and 3.3.3 shall apply.

3.3.2 Subject to paragraph 3.3.1, where and for so long as the Relevant Code Indebtedness of a User for the time being exceeds 85% of the User's Code Credit Limit, TransCo shall be entitled to reject or refuse to accept all or any of the following by the relevant User:

- (i) an application for System Capacity or increased System Capacity at any System Point under Section B or G5;
- (ii) a System Capacity Trade under Section B5 in respect of which the User is Transferee User;
- (iii) a Supply Point Nomination or Supply Point Confirmation under Section G, other than a Supply Point Renomination or Supply Point Reconfirmation (unless made in the context of an application under paragraph (i));
- (iv) an application for Storage Capacity under Section R;
- (v) a Storage Capacity Transfer under Section R4 in respect of which the User is Transferee Storage User;

until such time as the User's Relevant Code Indebtedness is reduced to less than 85% of its Code Credit Limit.

3.3.3 Subject to paragraph 3.3.1, where and for so long as the Relevant Code Indebtedness of a User for the time being exceeds 100% of the User's Code Credit Limit, TransCo may give Termination Notice (in accordance with paragraph 4.3) to the User.

3.4 Security under Code Credit Rules

3.4.1 Any instrument of surety or security provided by a User pursuant to the Code Credit Rules (and whether or not entered into by the User) shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by TransCo pursuant to the Code, shall prejudice or invalidate any such instrument.

3.4.2 Where a User has provided surety or security pursuant to the Code Credit Rules the User (or the person giving the surety) may request TransCo to release all or any of such security or agree to a reduction in any maximum amount of such surety.

3.4.3 Following a request by a User under paragraph 3.4.2, TransCo will as soon as reasonably practicable and, except where the User also requests a review (by an agency appointed by TransCo for such purposes) and revision of its Code Credit Limit, in any event not more than 10 Business Days after

such request, release security, or agree to a reduction in surety, to such extent or by such amount as will permit the condition in paragraph 3.4.4 to be satisfied.

- 3.4.4 The condition referred to in paragraph 3.4.3 is that the amount of the User's Relevant Code Indebtedness at the date of such release or reduction is not more than 85% of the amount of the User's Code Credit Limit, determined in accordance with the Code Credit Rules on the basis of the release of security or reduction in surety (and taking account of any alternative surety or security provided by the User).
- 3.4.5 A User may (inter alia) provide security for the purposes of the Code Credit Rules in the form of a deposit in a bank account where:
- (i) the account is in the joint names of the User and TransCo;
 - (ii) interest on the amount deposited in the account will accrue for the benefit of the User;
 - (iii) the User and TransCo have irrevocably instructed the bank, in terms reasonably satisfactory to TransCo and the User, to make payment to TransCo of amounts (up to the amount deposited in the account) which have become due for payment to TransCo (but having regard to the time at which pursuant to Section S4.2 payment is due where an Invoice Query has been raised) against reasonable evidence provided by TransCo that payment of such amount has become due (but such instruction shall be without prejudice to any provision of Section S as to the payment of interest);
 - (iv) the bank shall have agreed that the amounts deposited in the account may not be set-off or otherwise applied by the bank in respect of any indebtedness of the User or other person;
 - (v) amounts (other than in respect of interest earned) standing to the credit of the account will not be paid to the User except with TransCo's written agreement (but subject to paragraph 3.4.3).

4. DISCONTINUING USERS AND TERMINATION

4.1 General

- 4.1.1 A User may cease to be a User pursuant to paragraph 4.2 or 4.3; and for the purposes of the Code a "**Discontinuing User**" is a User who so ceases to be a User and the "**User Discontinuance Date**" is the date with effect from which (in accordance with paragraph 4.2 or 4.3) a Discontinuing User ceases to be a User.
- 4.1.2 Upon a User's ceasing to be a User:
- (i) subject to paragraphs 5.6 and 4.3.5, the Framework Agreement shall cease to bind the Discontinuing User and (as respects the Discontinuing User) TransCo;
 - (ii) each Ancillary Agreement to which a Discontinuing User is party shall, unless otherwise provided in such Ancillary Agreement, terminate as respects that User (but without prejudice to the continuance of that Agreement as respects any other User(s) party thereto) with effect from the User Discontinuance Date.
- 4.1.3 TransCo will as soon as reasonably practicable after the User Discontinuance Date notify all other Users of a User's ceasing to be a User.

- 4.1.4 An Ancillary Agreement may be subject to termination as respects any User(s), in accordance with its terms, but (except as may be provided in such Ancillary Agreement) such termination shall not result in any such User ceasing to be a User.
- 4.1.5 The Framework Agreement shall have no fixed duration, but without prejudice to the provisions of this paragraph 4 as respects Discontinuing Users.
- 4.2 Voluntary discontinuance
- 4.2.1 A User may at any time by giving notice ("**Discontinuance Notice**") to TransCo apply to cease to be a User.
- 4.2.2 A User may not cease to be a User under this paragraph 4.2 until such time as:
- (i) all amounts payable or (other than in respect of any recurrent charge becoming payable by reason only of the lapse of time after the date on which the last of the other requirements of this paragraph 4.2.2 is satisfied) which may become payable by the User to TransCo pursuant to any provision of the Code, the Framework Agreement or any Ancillary Agreement have been paid in full;
 - (ii) the User is not the Registered User in respect of any Supply Point and is not party to any Shared Supply Meter Notification;
 - (iii) the User has complied with the requirements of Section U2.8;
 - (iv) there is no outstanding Daily Imbalance or NDM Reconciliation Quantity or DM Reconciliation Quantity in respect of the User and the User has no gas-in-storage;
 - (v) any requirements under any Ancillary Agreement in respect of termination under this paragraph 4.2 have been complied with; and
 - (vi) any outstanding breach, being a breach capable of remedy and of which TransCo has given notice to the User, by the User of any provision of the Code or the Framework Agreement or any Ancillary Agreement shall have been remedied.
- 4.2.3 Where a User has given notice under paragraph 4.2.1:
- (i) the User and TransCo shall remain bound by the Code and the Framework Agreement and any Ancillary Agreement to which the User is party until the requirements of paragraph 4.2.2 are satisfied;
 - (ii) the System Capacity and Storage Capacity which the User is registered as holding shall not be reduced or cancelled other than in accordance with the relevant provisions of the Code (and the User will remain liable for payment of Transportation Charges in respect thereof but may elect to make prepayment thereof).
- 4.2.4 Where a User has given notice under paragraph 4.2.1, after the satisfaction of last of the requirements of paragraph 4.2.2 to be satisfied:
- (i) with effect from the 5th Business Day following such satisfaction, the User will cease to be a User;

- (ii) without prejudice to paragraph 4.2.5, TransCo will as soon as reasonably practicable (and where possible before such date) inform the User of the date on which it ceases to be a User under paragraph (i).

4.2.5 Notwithstanding paragraph 4.2.4, without prejudice to paragraph 4.1.2(i), TransCo or (as the case may be) the Discontinuing User shall remain liable, subject to and in accordance with the Code, to the other and (in the case of the Discontinuing User, subject to paragraph 1.5.1) to each other User, after the User Discontinuance Date:

- (i) for any amount which was or becomes payable under the Code or any Ancillary Agreement in respect of any period before the User Discontinuance Date; and
- (ii) in respect of any outstanding breach of any provision of the Code, the Framework Agreement or any Ancillary Agreement where such breach was not (for the purposes of paragraph 4.2.2(vii)) capable of remedy or (notwithstanding that paragraph) was capable of remedy but was not remedied.

4.3 Termination

4.3.1 For the purposes of this paragraph there shall have occurred a "**User Default**" in relation to a User (the "**Defaulting User**") in any of the following events or circumstances:

- (a) where in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by the Defaulting User under the Code (excluding for the avoidance of doubt amounts the subject of an Invoice Query which by virtue of Section S4.2.2 have not become due for payment):
 - (i) the Defaulting User has not paid the amount in full by the 5th Business Day after the due date for payment, and
 - (ii) on or after the 5th Business Day after the due date for payment TransCo has given notice to the Defaulting User requiring payment of such amount, and
 - (iii) the Defaulting User has not paid such amount in full by the 5th Business Day after the date of TransCo's notice under paragraph (ii); or
- (b) in accordance with paragraph 3.3.3; or
- (c) where:
 - (i) the Defaulting User is in material breach, other than such a breach as is referred to in paragraph 4.3.7, of any material provision (other than a payment obligation) of the Code; and
 - (ii) the breach is capable of remedy by the Defaulting User; and
 - (iii) TransCo has given notice (making reference to this paragraph 4.3) of such breach to the Defaulting User; and
 - (iv) within 14 Days after TransCo's notice under paragraph (iii), the Defaulting User does not either:

- (1) remedy the breach in all material respects, where the breach is capable of remedy within such period of 14 Days; or
 - (2) where the breach is not so capable of remedy, provide to TransCo a programme (setting out the steps to be taken by the User and the timetable for taking such steps) for the remedy of the breach as soon as is reasonably practicable; and
 - (v) in the case in paragraph (iv)(2), the Defaulting User does not:
 - (1) remedy the breach in all material respects with all reasonable diligence and so far as reasonably practicable in accordance with the programme provided under that paragraph or a revised programme pursuant to paragraph (2), and
 - (2) where notwithstanding the reasonable diligence of the User it is not reasonably practicable for the User to remedy the breach in accordance with that programme, provide to TransCo a revised such programme; and
 - (vi) the breach remains unremedied in any material respect after the expiry of 7 Days after a further notice by TransCo to the Defaulting User to the effect that the Defaulting User has not complied with paragraph (iv) or (v); or
- (d) where:
- (i) the Defaulting User is in material breach, other than such a breach as is referred to in paragraph 4.3.7, of any relevant provision (other than a payment obligation) of the Code; and
 - (ii) the breach is not capable of remedy; and
 - (iii) TransCo has given notice (making reference to this paragraph 4.3) of the breach to the Defaulting User; and
 - (iv) at any time within the period of 12 months following TransCo's notice under paragraph (iii), there occurs a further material breach by the Defaulting User of the same provision of the Code; and
 - (v) TransCo has given a notice of such further breach to the Defaulting User and a period of 7 Days has expired following such notice; or
- (e) where:
- (i) the Defaulting User is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 4.3.2), or any voluntary arrangement is proposed in relation to it under Section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
 - (ii) the Defaulting User has a receiver (which expression shall include an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed; or

- (iii) the Defaulting User has an administration order under Section 8 of the Insolvency Act 1986 made in relation to it; or
 - (iv) the Defaulting User passes any resolution for winding-up (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
 - (v) the Defaulting User becomes subject to an order by the High Court for winding-up; or
 - (f) where the Shipper's Licence granted to the Defaulting User is determined or revoked or otherwise ceases to be in force for any reason whatsoever, or such licence is assigned unless such assignment is contemporaneous with an assignment by the User of all of its rights and obligations under the Code and the Framework Agreement in accordance with paragraph 14.2.
- 4.3.2 For the purposes of paragraph 4.3.1(e)(i), Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£10,000"; and the Defaulting User shall not be deemed to be unable to pay its debts for the purposes of that paragraph if any such demand as is mentioned in the said Section is being contested in good faith by the Defaulting User with recourse to all appropriate measures and procedures.
- 4.3.3 Upon the occurrence of a User Default, and at any time after such occurrence at which the User Default is continuing, TransCo may give notice ("**Termination Notice**") to the Defaulting User to the effect that the User shall cease to be a User with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.
- 4.3.4 Where TransCo gives Termination Notice to a Defaulting User, with effect from the date specified in the notice, the User will cease to be a User and paragraph 4.1.2 shall apply.
- 4.3.5 The giving of a Termination Notice and the application of paragraph 4.3.4 shall not affect the rights and obligations of TransCo and the Defaulting User under the Code, the Framework Agreement and any Ancillary Agreement (including rights and obligations in respect of the User Default, and in respect of amounts including interest payable by either Party, and rights and obligations arising pursuant to any provision of the Code in respect of the User's ceasing to be a User) accrued up to the date referred to in paragraph 4.3.4, which shall continue to be enforceable notwithstanding that paragraph.
- 4.3.6 Where TransCo has given a Termination Notice it shall be entitled to inform such persons as it thinks fit that it has done so, including the supplier and consumer in relation to any Supply Point of which the Defaulting User was Registered User, the Connected System Operator or Delivery Facility Operator in relation to any Connected System Exit Point or System Entry Point comprised in an Aggregate System Entry Point at which the Defaulting User held System Capacity, and any person from whom TransCo believes the Defaulting User to have purchased gas for delivery to the System.
- 4.3.7 For the purposes of paragraph 4.3.1(c)(i) and (d)(i) the following breaches are excluded:
- (a) a breach which results from a breach by TransCo of the Code or an Ancillary Agreement;
 - (b) a failure to Interrupt (as described in Section G6.9);
 - (c) the delivery or tendered delivery by the User of non-compliant gas (as described in Section I3.5);

- (d) a breach other than a wilful breach of a provision of the Code where the Code specifically provides some other remedy for such breach and such other remedy may reasonably be considered to be adequate in the circumstances.

4.3.8 For the purposes of paragraph 4.3.1(d)(i) a breach is a material breach of a relevant provision where and only where:

- (i) in the case of a material provision, the breach is wilful or reckless, or
- (ii) in the case of any provision, as a result of the breach TransCo or any other User is in material breach of any material provision of the Code or any Legal Requirement or incurs any material liability or expense.

4.4 Gas-in-storage on termination

4.4.1 Where TransCo gives Termination Notice to a User who has gas-in-storage in any BG Storage Facility:

- (i) the User shall cease to have the entitlement conferred pursuant to Section R1.4.2 in respect of such gas-in-storage; and
- (ii) TransCo will, within a reasonable time after the User Discontinuance Date, seek to make Storage Gas Transfer(s) (without any accompanying Storage Capacity Transfer) in respect of an amount of gas-in-storage equal to the gas-in-storage of the Discontinuing User, by conducting a tender on a basis similar to that provided for in Section K4.4.2 in respect of Residual Surplus Gas;
- (iii) TransCo shall be entitled to set-off against and deduct from the proceeds (if any) of the tender under paragraph (ii) the amounts described in paragraph 4.4.2, in the priority therein stated;
- (iv) TransCo will pay the balance if any of such proceeds to the Discontinuing User.

4.4.2 The amounts referred to in paragraph 4.4.1(iii) are:

- (i) first, all costs and expenses incurred by TransCo in connection with the tender referred to in paragraph 4.4.1(ii);
- (ii) secondly, all amounts for which the User is liable to the Storage Operator pursuant to Section R (whether or not having become due for payment), including accrued interest thereon;
- (iii) thirdly, subject to paragraph 4.4.3, all other amounts for which the User is liable to TransCo pursuant to any provision of the Code (whether or not having become due for payment), including accrued interest thereon.

4.4.3 In the event that the balance (after application in accordance with paragraphs 4.4.2(i) and (ii)) of the proceeds referred to in paragraph 4.4.1(iii) is sufficient to satisfy a part but not all of the amounts referred to in paragraph 4.4.2(iii), such balance shall be applied pro rata to each such amount.

5. INFORMATION AND CONFIDENTIALITY

5.1 TransCo obligations

5.1.1 TransCo shall secure that Protected Information is not:

(a)disclosed to any person other than:

- (i) an officer or employee of TransCo whose province it is to know the same, or
- (ii) a professional adviser of or consultant to TransCo, or
- (iii) without prejudice to any requirement under the TransCo Licence, any 10% Affiliate (other than an Affiliate which is the holder of a Shipper's Licence or a gas supplier's licence) of TransCo

in any such case in accordance with the requirements of paragraph 5.4; or

(b) used by TransCo for any purpose other than carrying on the TransCo Activities.

5.1.2 "**TransCo Activities**" means the carrying on of the transportation business (as defined in the TransCo Licence), the operation, administration, maintenance and development of the System and the BG Storage Facilities, and the implementation and performance of the Code, the Framework Agreement, any Ancillary Agreement and any Siteworks Contract.

5.2 User obligations

5.2.1 Each User shall secure that Protected Information is not:

(a)disclosed to any person other than:

- (i) an officer or employee of the User whose province it is to know the same, or
- (ii) a professional adviser of or consultant to that User or a User Agent appointed by that User, or
- (iii) a 10% Affiliate (other than an Affiliate which is the holder of a Public Gas Transporter's Licence) of that User, or
- (iv) subject to paragraph 5.2.3, a consumer or a supplier,

in any such case in accordance with the requirements of paragraph 5.4; or

(b) used by such User for any purpose other than one expressly contemplated by the Code or any Ancillary Agreement or Siteworks Contract to which such User is party.

5.2.2 Paragraph 1.5.1 shall not apply in respect of this paragraph 5.

5.2.3 For the purposes of paragraph 5.2.1(i) Protected Information relating to a Supply Point may be disclosed to the supplier or consumer to the extent reasonably necessary to enable the conclusion and implementation of a contract of sale to the supplier (where relevant) and a contract of supply to the consumer.

5.3 Protected Information

5.3.1 In this Section "**Protected Information**" means:

(a) for the purposes of TransCo's obligations under paragraph 5.1:

- (i) any information relating to the affairs of a User which is obtained by TransCo pursuant to or in the course of the negotiation, implementation or performance of the Code, the Framework Agreement or any Ancillary Agreement to which that User is party, or the implementation of the Modification Rules;
 - (ii) the terms of any Ancillary Agreement;
- (b) for the purposes of a User's obligations under paragraph 5.2:
- (i) any information relating to the affairs of TransCo or of another User which is obtained by the User pursuant to or in the course of the negotiation, implementation or performance of the Code, the Framework Agreement or any Ancillary Agreement to which the User and (in relation to another User) that other User are party, or the implementation of the Modification Rules;
 - (ii) the terms of any Ancillary Agreement to which that User is party.

5.3.2 For the purposes of paragraph 5.3.1:

- (a) information obtained by a Party in the course of the negotiation of the Code or the Framework Agreement shall be Protected Information only insofar as such information was obtained in writing;
- (b) the following information shall (without prejudice to the generality of paragraph 5.3.1(a)(i)) be treated as information relating to the affairs of a User:
 - (i) the identity, address and any other details of a supplier or consumer, or any representative thereof, insofar as disclosed by the User to TransCo pursuant to or for the purposes of the Code;
 - (ii) (without prejudice to paragraph 5.5.2(d)) information provided by the User to TransCo pursuant to Sections L and O and details of the User's Code Credit Limit and record of payment of charges under the Code;
- (c) the following information shall (without prejudice to the generality of paragraph 5.3.1(b)(i)) be treated as relating to the affairs of TransCo: details of Demand Models, End User Categories and other information provided by TransCo to Users pursuant to Section H; the UK Link Manual; information (other than information referred to in paragraph (b)) which is maintained or recorded in the UK Link System.

5.3.3 The terms of the Code and the Framework Agreement are not Protected Information.

5.3.4 For the avoidance of doubt, the provisions of the Code are without prejudice to the requirements of the Data Protection Act 1984.

5.4 Terms of permitted disclosure

Where Protected Information is disclosed by TransCo as permitted under paragraph 5.1.1(a) or by a User as permitted under paragraph 5.2.1(a), the Disclosing Party shall (without prejudice to its obligations under paragraph 5.1.1 or 5.2.1) take all reasonable steps to secure that the person to whom the information is disclosed:

- (i) is aware of the Disclosing Party's obligations under paragraph 5.1.1 or 5.2.1 in relation thereto, and
- (ii) does not use or disclose the information other than as is permitted of such Party in accordance with paragraph 5.1.1 or 5.2.1.

5.5 Exceptions

5.5.1 For the purposes of this paragraph 5.5, "**Disclosing Party**" and "**Protected Party**" shall be construed as follows:

- (a) for the purposes of TransCo's obligations under paragraph 5.1, the Disclosing Party is TransCo and the Protected Party is the User to whose affairs any Protected Information relates;
- (b) for the purposes of a User's obligations under paragraph 5.2, the Disclosing Party is such User and the Protected Party is the Party (either TransCo or another User) to whose affairs any Protected Information relates.

5.5.2 Nothing in paragraph 5.1 or 5.2 shall apply:

- (a) to the disclosure or use by the Disclosing Party of Protected Information to which the Protected Party has consented in writing;
- (b) to any Protected Information which:
 - (i) before it is obtained by the Disclosing Party is in the public domain; or
 - (ii) after it is obtained by the Disclosing Party enters the public domain,in either case otherwise than as a result of a breach by the Disclosing Party of its obligations under paragraph 5.1 or 5.2;
- (c) to the disclosure of any Protected Information to any person if and to the extent that the Disclosing Party is required to make such disclosure to such person:
 - (i) in compliance with the duties of the Disclosing Party under the Act or any other requirement of a Competent Authority; or
 - (ii) in compliance with the conditions of the TransCo Licence or (as the case may be) Shippers Licence held by the Disclosing Party or any document referred to in such licence with which the Disclosing Party is required by virtue of the Act or such licence to comply; or
 - (iii) in compliance with any other Legal Requirement; or
 - (iv) in response to a requirement of any stock exchange or regulatory authority or the Panel on Take-overs and Mergers; or
 - (v) pursuant to any provision of Section T or pursuant to any judicial or other arbitral process or tribunal having jurisdiction in relation to the Disclosing Party; or

- (d) to any Protected Information to the extent that the Disclosing Party is expressly permitted or required to disclose that information under the terms of any agreement or arrangement made with the Protected Party or to which it is party (including the Code, the Network Code Framework Agreement and any Ancillary Agreement to which the Protected Party is party);
- (e) to the disclosure of Protected Information to any lending or other financial institution proposing to provide or arrange the provision of finance to the Disclosing Party, where and to the extent that the disclosure of such information is reasonably required for the purposes of the provision or arrangement of such finance, and provided that the person to whom the information is disclosed undertakes in writing to and in terms reasonably satisfactory to the Protected Party to maintain the confidentiality of such information;
- (f) to the disclosure of any Protected Information to the Director, where the Disclosing Party considers in good faith that the Protected Party may be in breach of a condition of the TransCo Licence or (as the case may be) the Shipper's Licence, to the extent reasonably necessary to draw such possible breach to the attention of the Director.

5.5.3 Nothing in paragraph 5.1 shall apply to the disclosure by TransCo of Protected Information:

- (i) to any person to the extent such disclosure is required pursuant to the Modification Rules;
- (ii) to any UK Link User where such information is contained in a User Trade Communication transmitted to such UK Link User in accordance with the requirements of Section U5 or is accessible by such UK Link User by or from UK Link in accordance with any function or facility of UK Link described in the UK Link Manual;
- (iii) to any User Agent where the disclosure by TransCo of such Protected Information to the appointing User would not have infringed paragraph 5.1; or
- (iv) referred to in paragraph 5.3.2(b)(i) where the supplier or consumer concerned has consented to such disclosure pursuant to a Siteworks Contract, Network Exit Agreement or other document contemplated by the Act, the TransCo Licence or the Code as being entered into by TransCo and the consumer;
- (v) to the Director where such information is accessible by the Director by or from the UK Link System to the extent of the access and in accordance with any function or facility thereof described in the UK Link Manual.

5.5.4 Where:

- (i) the Disclosing Party has complied with the requirements of Section U1.8, and
- (ii) notwithstanding such compliance a person obtains any Protected Information by unauthorised access to any element of UK Link for the security of which the Disclosing Party is (in accordance with Section U) responsible

the Disclosing Party shall not be in breach of paragraph 5.1 or 5.2 by virtue of such person having so obtained such Protected Information.

5.6 Survival

The provisions of paragraphs 5.1 to 5.5 shall continue, for a period of 3 years after the User Discontinuance Date, to bind a Discontinuing User and (as respects the Discontinuing User) TransCo

and each other User, notwithstanding that the Discontinuing User has ceased to be a User and irrespective of the reason for such cessation.

5.7 TransCo Licence

Nothing in the Code, the Framework Agreement or any Ancillary Agreement shall be construed as requiring TransCo to disclose or use any information in breach of any requirement of the TransCo Licence.

5.8 Data ownership

5.8.1 Subject to paragraph 5.8.2(i), the data, including metering data, which is processed by or recorded or maintained on the UK Link System (including all intellectual property rights in such data) shall belong to TransCo; and subject to paragraph 5.8.2(ii) TransCo may, but without prejudice to paragraph 5.1 or any other requirement of the Code, use and deal with such data as it thinks fit.

5.8.2 Where pursuant to the Code a User provides or arranges for the provision of data to TransCo:

- (i) such data (as provided to TransCo by the User) shall belong to the User;
- (ii) the User hereby grants to TransCo a perpetual, non-exclusive, royalty-free licence (which shall survive the User Discontinuance Date) in respect of such data and all intellectual rights therein to use, copy, adapt and deal with such data for the purposes of performance and implementation of the Code and for other purposes contemplated by the Code, but not otherwise;
- (iii) paragraph 5.8.1 shall apply in respect of data derived (pursuant to any process) by TransCo from such data and in all compilations created by or on behalf of TransCo of such data.

5.8.3 Where pursuant to the Code TransCo provides data to a User or data which is recorded or maintained on the UK Link System is available to a User, the User shall (but without prejudice to paragraph 5.2) be entitled without charge to use such data for the purposes of performance and implementation of the Code, and for other purposes contemplated by the Code, but not otherwise.

6. USER AGENTS

6.1 General

6.1.1 A User may, subject to and in accordance with this paragraph 6, appoint another person to be the agent of the User for the purposes of making and receiving Code Communications or particular Code Communications on behalf of the User.

6.1.2 For the purposes of the Code, a "**User Agent**" is a person who has been appointed as agent of a User in accordance with paragraph 6.1.1.

6.1.3 Subject to paragraph 6.4.3, a User may appoint more than one person as User Agent.

6.1.4 A person may be appointed as User Agent by more than one User.

6.2 Agent for UK Link Communications

- 6.2.1 A person who is a User or another UK Link User (in accordance with Section U) may be appointed as User Agent (a "**UK Link User Agent**") for the purposes of making and receiving Code Communications as UK Link Communications.
- 6.2.2 A UK Link User Agent may be appointed for the purposes of making and receiving on behalf of the appointing User Code Communications within all or any of the categories specified (for the purposes of this paragraph 6.2) in the UK Link Manual.
- 6.2.3 The scope of a UK Link User Agent's authority may not be limited other than by reference to the categories referred to in paragraph 6.2.2; and a UK Link User Agent will at all times be authorised to make any Code Communication on behalf of the appointing User within the category(ies) for which he is appointed.
- 6.2.4 The appointing User may change the categories of Code Communication for which a UK Link User Agent is appointed by giving notice to TransCo to that effect specifying the changed categories in accordance with paragraph 6.2.2 and the date in accordance with paragraph 6.3.4 with effect from which such change is to take effect.
- 6.2.5 A User shall terminate (in accordance with paragraph 6.3.3) the appointment of a UK Link User Agent if the agent ceases to be a UK Link User.
- 6.3 Appointment
- 6.3.1 A User wishing to appoint a User Agent shall give notice to TransCo:
- (i) specifying the identity of the appointing User and the proposed User Agent;
 - (ii) specifying the categories of Code Communication (in the case of UK Link Communications, in accordance with paragraph 6.2.2) for which the User Agent is to be appointed, or specifying that the User Agent is appointed for all such categories; and
 - (iii) specifying the Day in accordance with paragraph 6.3.4 with effect from which the appointment is to take effect.
- 6.3.2 The appointment of the User Agent shall be effective from the Day specified in accordance with paragraph 6.3.1(iii), and shall continue, subject to any change under paragraph 6.2.4, until terminated in accordance with paragraph 6.3.3.
- 6.3.3 The appointing User may terminate the appointment of a User Agent by giving notice to TransCo to that effect specifying the date in accordance with paragraph 6.3.4 with effect from which such termination is to take effect.
- 6.3.4 The date with effect from which a User Agent is appointed, or the categories of Code Communication for which a UK Link User Agent is appointed may be changed, or the appointment of a User Agent may be terminated, shall be not less than 5 Business Days after the User's notice to TransCo thereof; provided that upon the User's request in exceptional circumstances TransCo will endeavour to accommodate notice (of any such matter) of a lesser period.
- 6.4 Effect of appointment
- 6.4.1 A Code Communication given by a User Agent shall identify the appointing User on whose behalf the Code Communication is given, and (subject to paragraph 6.4.2) shall not be effective unless it does so.

- 6.4.2 Where a User Agent who is itself a User gives any Code Communication which does not state that it is given on behalf of an appointing User and identify that User, such Code Communication shall be treated as given by the User Agent on its own account in its capacity as User.
- 6.4.3 Any Code Communication given by a User Agent within the categories for which such agent is appointed shall be deemed to have been given by and shall be binding on the appointing User, and TransCo shall be entitled without enquiry as to the agent's authority to rely on such Code Communication for all purposes of the Code.
- 6.4.4 A User who has appointed a User Agent may continue itself to give Code Communications.
- 6.4.5 Where a User has appointed one or more User Agents:
- (a) the User shall be responsible for ensuring that the actions of the User and each such agent are not in conflict;
 - (b) where any Code Communication is given by the User or any such agent:
 - (i) to the extent any further Code Communication is subsequently given by any of them which (in accordance with the Code) is effective to modify or revoke the earlier Code Communication, the earlier Code Communication shall be so modified or revoked;
 - (ii) except as provided in paragraph (i), any Code Communication subsequently given by any of them which conflicts with the earlier Code Communication will be disregarded.
- 6.4.6 TransCo shall not be responsible for any unauthorised use or disclosure by a User Agent of information relating to the appointing User (whether or not obtained, in the case of a UK Link User Agent, in its capacity as UK Link User).

7. TRANSCO AS USER

7.1 BG User Capacities

- 7.1.1 This paragraph 7 applies in respect of the provisions of the Code under which TransCo is referred to as a User.
- 7.1.2 The provisions referred to in paragraph 7.1.1, and the capacities ("**BG User Capacities**") in which TransCo is referred to as User thereunder, are as follows:
- (i) provisions of Section P under which TransCo as Top-up Manager is a User in respect of the System and BG Storage Facilities;
 - (ii) provisions of Section K under which TransCo for System Margins Purposes is a User in respect of the System and BG Storage Facilities;
 - (iii) provisions of Section N under which TransCo as Shrinkage Provider is a User in respect of the System;
 - (iv) provisions of Section R under which the Storage Operator for Storage Management Purposes is a User in respect of the System;

- (v) provisions of Section R under which TransCo is a User in respect of BG Storage Facilities for the purposes of provisioning the Scottish Independent Networks with LNG;
- (vi) provisions of paragraph 1.6.2.

7.1.3 Where a User becomes a Discontinuing User following a Termination Notice under paragraph 4.3, TransCo shall not be taken to be acting as User by reason of the fact that it may, for administrative or other purposes (including any purposes in connection with such an undertaking as is referred to in Section F4.5.6) establish particular arrangements (including any arrangements within UK Link) to account for gas offtaken at Supply Meter Points of which the User was Registered User.

7.2 Effect of relevant provisions

7.2.1 For the purposes of giving effect to the provisions referred to in paragraph 7.1, TransCo will:

- (i) account for payments to be made to and by it pursuant to the Code in each BG User Capacity;
- (ii) account (in particular in applying the provisions of Section E as to the determination of quantities delivered to and offtaken from the System) for the quantities of gas delivered and offtaken from the System by it in each BG User Capacity;
- (iii) in particular, in determining the amounts of Balancing Neutrality Charges payable by other Users in accordance with Section F, include (except where the Code provides otherwise) the amounts of Flexibility Charges and Balancing Charges payable and quantities of gas delivered to the System by TransCo in each BG User Capacity;
- (iv) secure that accounting records are maintained sufficient to allow separate identification of the payments referred to in paragraph (i) and the calculation of the amounts of such payments;
- (v) nominate personnel in respect of each BG User Capacity, each of which shall be treated as the Authorised Representative(s) of a separate Link User for the purposes of Section U, and conduct operations under the Code in accordance with that Section separately in respect of each such capacity.

7.2.2 Nothing in the Code shall require TransCo to establish separate subsidiaries, or (other than as provided in paragraph 7.2.1) to prepare separate accounts, or to maintain separate bank accounts, in respect of the BG User Capacities; nor to give any Code Communication (other than under Contingency Procedures) which is not to be given as a UK Link Communication.

7.2.3 The Code shall, to the extent of any reference to TransCo (including the Storage Operator) as User, be construed in accordance with this paragraph 7.

8. LIABILITY AND RELATED ISSUES

8.1 Limitation of liability

8.1.1 Subject to the further provisions of this paragraph 8, each Party agrees and acknowledges that:

- (a) no Party shall be liable to any other Party for loss arising from any breach of the Code, the Framework Agreement or an Ancillary Agreement, other than (but without prejudice to any other provision of the Code or an Ancillary Agreement which excludes or limits liability in respect of any breach) for loss directly resulting from such breach and which at the relevant

date was reasonably foreseeable as not unlikely to occur in the ordinary course of events from such breach in respect of:

- (i) physical damage to the property of any other Party, and/or
 - (ii) the liability (in law) of any other such Party to any other person for loss in respect of physical damage to the property of such person;
- (b) no Party shall in any circumstances be liable in respect of any breach of the Code, the Framework Agreement or any Ancillary Agreement to any other Party for:
- (i) any loss of profit, loss of revenue, loss of use, loss of contract, loss of goodwill, or increased cost of working; or
 - (ii) any indirect or consequential loss; or
 - (iii) except as provided in paragraphs 8.1.1(a)(ii) and 8.1.5, loss resulting from the liability of any other Party to any other person howsoever and whensoever arising.
- 8.1.2 For the purposes of paragraph 8.1.1(a) the "**relevant date**" is the date of the Framework Agreement or as the case may be of an Ancillary Agreement, except that where the breach in question would not have been a breach of the Code but for a modification (pursuant to the Modification Rules or the TransCo Licence) of the Code, the relevant date shall be the date of such modification.
- 8.1.3 The amount or amounts for which a Party may be liable to any other Party or Parties pursuant to paragraphs 8.1.1(a) in respect of any one event or circumstance constituting or resulting in the first Party's breach of a provision of the Code, the Framework Agreement and/or any Ancillary Agreement shall not exceed:
- (i) as respects the liability of TransCo to any one User or of any one User to TransCo, £1,000,000;
 - (ii) as respects the liability in aggregate of TransCo to Users collectively or of Users collectively to TransCo, £10,000,000.
- 8.1.4 Paragraph 8.1.1 is without prejudice to any provision of the Code or any Ancillary Agreement which provides for an indemnity, or which provides for any Party to make a payment to another.
- 8.1.5 Nothing in the Code or any Ancillary Agreement shall exclude or limit the liability of any Party for death or personal injury resulting from the negligence of such Party.
- 8.2 Exclusion of certain rights and remedies
- 8.2.1 The rights and remedies of the Parties pursuant to the Code, the Framework Agreement and any Ancillary Agreement exclude and are in place of any rights or remedies of any Party in tort (including negligence and nuisance) or misrepresentation in respect of the subject matter of the Code, the Framework Agreement or such Ancillary Agreement; and accordingly, but without prejudice to paragraphs 8.1.5 and 8.2.4, each Party (to the fullest extent permitted by law):
- (i) waives any rights or remedies, and
 - (ii) releases each other Party from any duties or liabilities

arising in tort or misrepresentation in respect of the subject matter of the Code, the Framework Agreement or such Ancillary Agreement.

8.2.2 Without prejudice to paragraph 8.2.1, where any provision of the Code or any Ancillary Agreement provides for any amount to be payable by a Party upon or in respect of that Party's breach of any provision of the Code, the Framework Agreement or any Ancillary Agreement, each Party agrees and acknowledges that the remedy conferred by such provision is exclusive of and is in substitution for any remedy in damages in respect of such breach or the event or circumstance giving rise thereto.

8.2.3 For the avoidance of doubt, nothing in this paragraph 8 shall prevent any Party from or restrict it in enforcing any obligation (including suing for a debt) owed to it under or pursuant to the Code, the Framework Agreement or any Ancillary Agreement.

8.2.4 Nothing in this paragraph 8 shall constitute a waiver by any Party of any right or remedy it may have (other than pursuant to the Code) in respect of a breach by any other Party of any Legal Requirement.

8.3 Effect of this paragraph

8.3.1 Each provision of this paragraph 8 shall be construed as a separate and severable contract term, and shall as respects any Discontinuing User survive that User's ceasing to be a User.

8.3.2 Each Party acknowledges and agrees that the provisions of this paragraph 8 have been the subject of discussion and negotiation and are fair and reasonable having regard to the circumstances as at the date of the Framework Agreement.

8.4 Liquidated damages

Where any provision of the Code provides for any amount to be payable by a Party upon or in respect of that Party's breach of any provision of the Code, each Party agrees and acknowledges that such provision has been the subject of discussion and negotiation, and that the amount provided to be payable represents no more than a genuine pre-estimate of the loss of the Party to which such amount is payable.

8.5 Indemnities

The amount or amounts for which a Party may be liable to any other Party or Parties pursuant to any indemnity provided for in the Code in respect of any one event or circumstance giving rise to liability under such indemnity shall not exceed:

- (i) as respects the liability of TransCo to any one User or of any one User to TransCo, £1,000,000;
- (ii) as respects the liability in aggregate of TransCo to Users collectively or of Users collectively to TransCo, £20,000,000.

9. FORCE MAJEURE

9.1 Meaning of Force Majeure

9.1.1 For the purposes of the Code, subject to paragraph 9.1.2, "**Force Majeure**" means any event or circumstance, or any combination of events and/or circumstances, the occurrence of which is beyond the reasonable control of, and could not have been avoided by steps which might reasonably be expected to have been taken by, a Party (the "**Affected Party**") and which causes or results in the

failure of the Affected Party to perform or its delay in performing any of its obligations owed to any other Party or Parties (each an "**Other Party**") under the Code or any Ancillary Agreement, including:

- (i) war declared or undeclared, threat of war, act of public enemy, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism;
- (ii) act of God;
- (iii) strike, lockout or other industrial disturbance;
- (iv) explosion, fault or failure of plant, equipment or other installation which the Affected Party could not prevent or overcome by the exercise of the degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same kind of undertaking under the same or similar circumstances;
- (v) governmental restraint or the coming into force of any Legal Requirement.

9.1.2 Inability (however caused) of a Party to pay shall not be Force Majeure.

9.1.3 The act or omission of:

- (i) any agent or contractor of a Party, or
- (ii) in relation to a User, any person selling or supplying gas to such User, or any Delivery Facility Operator or Connected System Operator (other than in either case the Storage Operator), or any supplier or consumer

shall not be Force Majeure unless such act or omission is caused by or results from events and/or circumstances which would be Force Majeure within the meaning of paragraph 9.1.1 if such person were the Affected Party.

9.2 Effect of Force Majeure

9.2.1 Subject to paragraph 9.2.2, the Affected Party shall be relieved from liability (including any requirement under the Code to make payment of any sum or to take any other action) for any delay or failure in the performance of any obligation under the Code or any Ancillary Agreement which is caused by or results from Force Majeure.

9.2.2 The Affected Party shall be relieved from liability under paragraph 9.2.1 only for so long as and to the extent that the occurrence of Force Majeure and/or the effects of such occurrence could not be overcome by measures which the Affected Party might reasonably be expected to take with a view to resuming performance of its obligations.

9.3 Information

Following any occurrence of Force Majeure the Affected Party shall:

- (a) as soon as reasonably practicable notify each Other Party of the occurrence and nature of the Force Majeure, the expected duration thereof (insofar as the same can reasonably be assessed) and the obligations of the Affected Party performance of which is affected thereby; and
- (b) from time to time thereafter provide to each Other Party reasonable details of:

- (i) developments in the matters notified under paragraph (a), and
- (ii) the steps being taken by the Affected Party to overcome the Force Majeure occurrence or its effects and to resume performance of its relevant obligations.

10. NETWORK CODE COMMITTEE AND SUB-COMMITTEES

10.1 Network Code Committee

- 10.1.1 There is hereby established a committee (the "**Network Code Committee**") constituted of all of the persons who are for the time being members of the Modification Panel established pursuant to the Modification Rules.
- 10.1.2 The following provisions of the Modification Rules shall apply, mutatis mutandis and disregarding references therein to other provisions of the Modification Rules, in respect of the Network Code Committee as though incorporated herein: Rules 2.5, 3.2, 3.5, 4.6 and 5 (excluding Rules 5.1 and 5.2).
- 10.1.3 The persons who are for the time being Chairman and Secretary of the Modification Panel shall be Chairman and Secretary of the Network Code Committee.
- 10.1.4 The Network Code Committee shall be distinct from the Modification Panel and accordingly:
 - (a) the agenda of each meeting of the Network Code Committee and of the Modification Panel shall be separate;
 - (b) no business of the Network Code Committee shall be conducted at a meeting of the Modification Panel and vice versa;
 - (c) at the commencement of each such meeting the chairman thereof shall confirm the capacity in which the persons present are meeting.
- 10.1.5 Subject to the requirements of paragraph 10.1.4, meetings of the Network Code Committee and the Modification Panel may take place on the same Day and consecutively.

10.2 Functions of Network Code Committee

- 10.2.1 The function of the Network Code Committee shall (subject to paragraph 10.4) be to review such matters concerned with the implementation of the Code, and to do such other things, as are provided for by the Code.
- 10.2.2 To the extent that any procedure of the Network Code Committee is not provided for under this paragraph 10 or pursuant to paragraph 10.1.2, the Network Code Committee may by panel majority decide upon the procedures to be adopted by it.

10.3 Network Code Sub-committees

- 10.3.1 The Network Code Committee may by panel majority establish sub-committees (each a "**Network Code Sub-committee**" or for the purposes of this paragraph 10 a "**Sub-committee**") for the purposes of doing or assisting in doing anything to be done by the Network Code Committee; and the Network Code Committee may by panel majority decide that a Sub-committee shall cease to be established.

- 10.3.2 Where the Code provides for anything to be done by the Network Code Committee or a relevant Sub-committee, the reference to a relevant Sub-committee is to a Sub-committee established pursuant to this paragraph 10.3 for the purposes of (or including) doing that thing.
- 10.3.3 A Sub-committee may be established for a fixed period (or for such period as shall be required for a fixed purpose) or on a standing basis.
- 10.3.4 When establishing a Sub-committee the Network Code Committee shall determine by panel majority:
- (i) the members of the Sub-committee, or the manner of appointment of such members;
 - (ii) the basis on which the Sub-committee is to report to the Network Code Committee and/or to TransCo and Users;
 - (iii) the procedures by which the Sub-committee shall conduct its business, provided that (except where the Code expressly provides for such a vote) such procedures shall not require or permit a vote to be taken on any matter.
- 10.3.5 Each Sub-committee shall be comprised of persons representing TransCo (one of whom shall unless otherwise agreed be the chairman of such Sub-committee), persons representing Users, a person representing the Director (if the Director shall nominate such a person) and any other persons whom the Network Code Committee shall determine shall be members thereof.
- 10.3.6 Members of a Sub-committee appointed to represent Users shall be appointed having regard to the contribution which they may as individuals make to the business of the Sub-committee and not to the Users by whom they are employed or engaged.
- 10.4 No powers to bind
- 10.4.1 Except as expressly provided in the Code, neither the Network Code Committee nor any Sub-committee shall have any power to bind TransCo or any User and no decision of the Network Code Committee or any Sub-committee shall be effective to modify any provision of the Code or the application thereof.
- 10.4.2 Without prejudice to any requirement under the Code for TransCo to consult with the Network Code Committee or any Sub-committee in respect of any matter, neither TransCo nor any User may be required to provide to the Network Code Committee or any Sub-committee any information which such person is not willing so to provide.

11. NOTICES AND COMMUNICATIONS

11.1 General

11.1.1 The Code contemplates that Code Communications may be given by the following means:

- (i) by UK Link Communication, in accordance with Section U; or
- (ii) by delivery or by post or facsimile or (in certain cases) by telephone in accordance with paragraphs 11.2 and 11.3;

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

- 11.1.2 Subject to Section U6.2, and except where the means by which a Code Communication is to be given is specified in the Code, the particular means (in accordance with paragraph 11.1.1) by which each Code Communication is to be given is set out in the UK Link Manual, provided that where in any case such means is not so specified, such communication shall be given as a Conventional Notice.
- 11.1.3 For the purposes of the Code a "**Conventional Notice**" is a notice or communication which is or may be given by any of the means in paragraph 11.2.
- 11.1.4 Any reference in the Code to the time or date of any Code Communication, or the giving or making of a Code Communication, is a reference to the time or date when (in accordance with this paragraph or Section U) the Code Communication is deemed to have been received by the Party to which it was sent.
- 11.1.5 Subject to paragraph 11.1.6, a Code Communication which is given after 24:00 hours on a Day shall be deemed to have been received on the following Day.
- 11.1.6 Paragraph 11.1.5 does not apply in respect of:
- (i) a Nomination, Flexibility Bid, Interruption Notice, or notice of a System Capacity Trade, Trade Nomination or Storage Trade;
 - (ii) a communication to be made (in accordance with Section Q) during an Emergency; or
 - (iii) any other communication to be made by UK Link Communication or by telephone or by facsimile where the context requires that such communication be treated as received within the Day on which it is given.
- 11.1.7 Where any provision of the Code or the Contingency Procedures specify any requirement to be complied with by any Party in respect of any specific Code Communication, such requirement shall be in addition to and (to the extent inconsistent) in substitution for the provisions of this paragraph 11.
- 11.1.8 Where under any provision of the Code a Code Communication may be given in the form of a computer disk (including an optical disk), it shall be given by delivering or sending by post such disk in accordance with paragraph 11.2 (and shall be treated for the purposes of paragraph 11.2.3 as being in writing), but without prejudice to any procedures which the relevant Parties may agree for the purposes of ensuring that it is received in appropriately readable form.
- 11.2 Notices by delivery, post or facsimile
- 11.2.1 References in this paragraph 11.2 to a notice are to any Code Communication or other notice or communication to be given by one Party to another under the Framework Agreement or an Ancillary Agreement, other than one which is given as a UK Link Communication or by telephone.
- 11.2.2 Any notice shall be in writing and shall be addressed to the recipient Party at the recipient Party's address or facsimile number referred to in paragraph 11.2.3, and marked for the attention of the representative (identified by name or title) referred to in that paragraph, or to such other address or facsimile number and/or marked for such other attention as the recipient Party may from time to time specify by notice given in accordance with this paragraph 11.2 to the Party giving the notice.
- 11.2.3 The initial address or facsimile number of a Party, and representative for whose attention notices are to be marked, shall be as specified by a User pursuant to paragraph 2.1.2(a)(iii) or by TransCo pursuant to paragraph 2.2.2(a)(i).

11.2.4 Any notice given by delivery shall be given by letter delivered by hand, and any notice given by post shall be sent by first class prepaid post (airmail if overseas).

11.2.5 Any notice shall be deemed to have been received:

- (i) in the case of delivery by hand, when delivered; or
- (ii) in the case of first class prepaid post, on the second Day following the Day of posting or (if sent airmail overseas or from overseas) on the fifth Day following the Day of posting; or
- (iii) in the case of facsimile, on acknowledgement by the recipient Party's facsimile receiving equipment.

11.2.6 Where a notice is sent by facsimile:

- (i) the Party giving the notice shall (but without prejudice to paragraph 11.2.5(iii)) if requested by the recipient Party, resend as soon as reasonably practicable the notice by facsimile; and
- (ii) in the case of a Termination Notice, TransCo will in any event, within 2 Days following the sending of such facsimile, send to the recipient Party a copy of the notice by first class prepaid post (airmail if overseas).

11.2.7 A Party may specify different addresses or facsimile numbers and representatives pursuant to paragraph 11.2.2 for the purposes of notices of different kinds or relating to different matters.

11.3 Communication by telephone

11.3.1 For the purposes of enabling Code Communications to be given (where required or permitted to be so given) by telephone:

- (a) TransCo shall provide to each User and each User shall provide to TransCo not more than 3 telephone numbers (or such other number as they may agree) and details (by name or title) of the representative to whom the Party giving such a communication should speak;
- (b) each Party shall use reasonable endeavours to ensure that a Party seeking to give such communication will at any time be able to contact a representative (of the first Party) by means of one of such telephone numbers;
- (c) TransCo and each User shall, if either of them shall so request, establish such further procedures as may be reasonable and appropriate for the purposes of ensuring:
 - (i) that a Code Communication being given by telephone may be identified by the recipient as such; and/or
 - (ii) that such communications may be given securely, without delay and effectively.

11.3.2 Where a Party seeking to give a Code Communication by telephone is unable to contact a representative of the receiving Party, such Party must give the communication by facsimile and the communication will not be deemed to have been given except in accordance with paragraph 11.2.5(iii).

11.3.3 Unless otherwise agreed between the relevant Parties a telephone notice may not be given as a message recorded on a telephone answering device.

11.3.4 Where a Code Communication is given by telephone:

- (i) TransCo will promptly after the telephone communication is completed make and keep a record in which the time and content of the telephone notice is logged, but may do so by recording the telephone communication where it has notified the User (on the occasion or on a standing basis) of its intention to do so;
- (ii) the Code Communication shall be treated as given at the time at which the telephone communication is completed.

11.3.5 A Party may specify different telephone numbers and representatives pursuant to paragraph 11.3.1 for the purposes of receiving by telephone Code Communications of different kinds or relating to different matters.

12 NEUTRALITY AUDIT; OPERATIONS REPORTING

12.1 Neutrality Auditor

12.1.1 TransCo will appoint in accordance with paragraph 12.2.1 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, in calculating Neutrality Charges, TransCo has complied in material respects with applicable provisions of the Code.

12.1.2 For the purposes of this paragraph 12

- (i) "**Neutrality Charges**" means Balancing Neutrality Charges, Top-up Neutrality Charges and Reconciliation Neutrality Charges;
- (ii) "**relevant period**" means each Gas Year or any other period (whether shorter or longer than a Gas Year) proposed by TransCo after consultation with the Network Code Committee or any relevant Sub-committee where the Director (upon TransCo's application) gives Condition 7(4) Approval to TransCo's implementing this paragraph 12.1 on the basis of such other period;
- (iii) the person appointed under paragraph 12.1.1 in respect of a relevant period is the "**Neutrality Auditor**".

12.2 Basis and terms of appointment

12.2.1 The person appointed as Neutrality Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 12.2) the terms of his appointment, including the scope and objectives of the review under paragraph 12.1.1, shall be the person, period and terms from time to time agreed by the Network Code Committee or any relevant Sub-committee, unless (upon the application of TransCo or any User made within 10 Business Days after TransCo notified to Users the decision of the Committee or Sub-committee) the Director in any case shall give Condition 7(4) Disapproval to TransCo's making an appointment of the Neutrality Auditor on such basis (in which case TransCo will arrange for an alternative proposal to be considered by the Network Code Committee or any relevant Sub-committee).

12.2.2 The terms of appointment will require that:

- (i) the Neutrality Auditor shall present to and discuss with TransCo its draft findings before reporting under paragraph (ii);
- (ii) the Neutrality Auditor shall report his findings to TransCo and the Network Code Committee or any relevant Sub-committee;
- (iii) without prejudice to paragraph (ii), the Neutrality Auditor shall agree to permit a representative of each User to attend a meeting of the Network Code Committee or any relevant Sub-committee at which the Neutrality Auditor's report is presented;
- (iv) the Neutrality Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the Neutrality Auditor in the course of its review.

12.2.3 A copy of the Neutrality Auditor's full report will be provided by TransCo to each User and to the Director.

12.2.4 The fees and costs of the Neutrality Auditor will be paid by TransCo and recovered from Users as follows:

- (i) before each relevant period the fees and costs of the Neutrality Auditor will be estimated by TransCo and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) for each month in the relevant period;
- (ii) when the Neutrality Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (i) will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under Section F4.5.3(b)(iv) for the month following that in which it is rendered.

12.3 Effect of Neutrality Auditor's report

12.3.1 Where the report of the Neutrality Auditor contains a recommendation to the effect that the provisions of the Code as to the calculation of Neutrality Charges would be materially better implemented by a change in the procedures and controls adopted by TransCo for such calculation, TransCo will take all reasonable steps to comply with such recommendations, unless the Director shall upon the application of TransCo give Condition 7(4) Approval to its not doing so.

12.3.2 Nothing in the report of the Neutrality Auditor shall entitle any User or TransCo to require any recalculation of, or to any adjustment in respect of, or to withhold payment or require repayment of, any Neutrality Charge, nor give rise to any liability of TransCo to any User in respect thereof.

12.4 Operations reporting

12.4.1 TransCo will, in accordance with the Network Code Operations Reporting Manual, and subject to paragraph 12.4.3, publish each month and at such other intervals as may be specified in such manual, information relating to:

- (i) the implementation by TransCo of certain provisions of the Code, including the Operational Balancing Steps taken by TransCo;
- (ii) the operations of Users pursuant to certain provisions of the Code.

- 12.4.2 For the purposes of the Code the "**Network Code Operations Reporting Manual**" is the document so entitled prepared and (subject to paragraph 12.4.4) from time to time revised by TransCo in consultation with the Network Code Committee or any relevant Sub-committee.
- 12.4.3 In accordance with the Network Code Operations Reporting Manual, the form in which information under paragraph 12.4.1(ii) is provided:
- (i) to a User, will identify that User in the context of the information which relates to that User, but will not identify any other User in the context of the information which relates to such other User;
 - (ii) to the Director, will identify each User in the context of the information which relates to such User;
 - (iii) to any other person, will not identify any User in the context of the information which relates to such User.
- 12.4.4 Each User hereby authorises TransCo to publish in accordance with paragraph 12.4.1 such information relating to such User, in such form, as is provided for in the Network Code Operations Reporting Manual.
- 12.4.5 If TransCo proposes to revise the Network Code Operations Reporting Manual in such a way as materially to increase the extent of the information relating to Users to be published pursuant thereto:
- (i) TransCo will notify Users of its proposal not less than one month before implementing such proposal;
 - (ii) any User may, within 14 Days after TransCo's notification under paragraph (i), notify TransCo that the User objects to such revision, providing reasonable details of the grounds for the User's objection;
 - (iii) if a User so notifies an objection to TransCo, TransCo will not implement the revision unless the Director shall (upon TransCo's application) give Condition 7(4) Approval to its doing so.

13. COMPENSATION VALUE AUDIT

13.1 Compensation Value Auditor

13.1.1 TransCo will appoint in accordance with paragraph 13.2.1 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, in determining the values of Compensation Relevant Values, TransCo has complied in material respects with applicable provisions of the Code.

13.1.2 For the purposes of this paragraph 13:

- (a) a "**Compensation Relevant Value**" is the value of any amount or percentage, by reference to which (pursuant to particular provisions of the Code) the amount or maximum amount payable by TransCo by way of compensation to Users is determined, specified as being such in any provision of the Code;
- (b) "**relevant period**" means:

- (i) the period from the date of the Code until 30th September 1996, and
 - (ii) thereafter, each Gas Year or any other period (whether shorter or longer than a Gas Year, but not shorter than 3 months) proposed by TransCo after consultation with the Network Code Committee or any relevant Sub-committee where the Director (upon TransCo's application) gives Condition 7(4) Approval to TransCo's implementing this paragraph 13 on the basis of such other period;
- (c) the person appointed under paragraph 13.1.1 in respect of a relevant period is the "**Compensation Value Auditor**".

13.2 Basis and terms of appointment

13.2.1 The person appointed as Compensation Value Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 13.2) the terms of his appointment, including the scope and objectives of the review under paragraph 13.1.1, shall be the person, period and terms agreed by the Network Code Committee or any relevant Sub-committee, unless (upon the application of TransCo or any User made within 10 Business Days after TransCo notified to Users the decision of the Committee or Sub-committee) the Director in any case shall give Condition 7(4) Disapproval to TransCo's making an appointment on such basis (in which case TransCo will arrange for an alternative proposal to be considered by the Network Code Committee of any relevant sub-committee).

13.2.2 The terms of appointment will require that:

- (i) the Compensation Value Auditor shall present to and discuss with TransCo its draft findings before reporting under paragraph (ii);
- (ii) the Compensation Value Auditor shall report his findings to TransCo and the Network Code Committee or any relevant Sub-committee;
- (iii) without prejudice to paragraph (ii), the Compensation Value Auditor shall agree to permit a representative of each User to attend a meeting of the Network Code Committee or any relevant Sub-committee at which the Compensation Value Auditor's report is presented;
- (iv) the Compensation Value Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the Compensation Value Auditor in the course of its review.

13.2.3 A copy of the Compensation Value Auditor's full report will be provided by TransCo to each User and to the Director.

13.2.4 The fees and costs of the Compensation Value Auditor will be paid by TransCo and (subject to paragraph 13.2.5) recovered from Users as follows:

- (i) before each relevant period the fees and costs of the Compensation Value Auditor will be estimated by TransCo and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) for each month in the relevant period;
- (ii) when the Compensation Value Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (i) will be an additional Monthly Adjustment Neutrality Cost under Section F4.5.3(a)(v) or (as the

case may be) an additional Monthly Adjustment Neutrality Revenue under Section F4.5.3(b)(iv) for the month following that in which it is rendered.

- 13.2.5 Where a report of the Compensation Value Auditor contains a finding that TransCo failed in a material respect to determine a Compensation Relevant Value in accordance with the applicable provisions of the Code, that part of the fees and costs of the Compensation Value Auditor certified by the auditor as relating to the review (under paragraph 13.1.1) in respect of that Compensation Relevant Value shall be borne by TransCo and not recovered from Users pursuant to paragraph 13.2.4.

13.3 Effect of Compensation Value Auditor's report

Where the report of the Compensation Value Auditor contains a recommendation to the effect that the provisions of the Code as to the determination of Compensation Relevant Values would be materially better implemented by a change in the procedures adopted by TransCo for such determination, TransCo will take all reasonable steps to comply with such recommendation, unless the Director shall upon the application of TransCo give Condition 7(4) Approval to its not doing so.

14. GENERAL

14.1 Suppliers and Consumers

14.1.1 Where:

- (i) the Code provides for TransCo to do anything at or affecting any Supply Point Premises or the offtake of gas from the System at any Supply Point;
- (ii) in doing that thing TransCo complies with the requirements of the Code and any other agreement with the User, supplier or consumer in relation thereto, does not act unlawfully, and is not negligent; and
- (iii) by reason of TransCo's doing that thing the consumer or supplier suffers loss or damage or claims to have done so or otherwise makes any claim or complaint or brings any action or proceeding against TransCo (other than pursuant to a contract between TransCo and such consumer or supplier)

the User or each User which is (at the time at which TransCo does such thing) the Registered User in respect of the relevant Supply Point shall indemnify TransCo and hold it harmless against any liability to such consumer or supplier in respect of any such loss damage, claim, complaint, action or proceeding, and all costs and expenses incurred in connection therewith.

- 14.1.2 Nothing in the Code or the Framework Agreement or (except as may be expressly provided therein) an Ancillary Agreement shall be construed as imposing upon TransCo any obligation or duty to or enforceable by a consumer or a supplier; and no User shall make any commitment to any supplier or consumer binding on or purporting to bind TransCo.

- 14.1.3 Nothing in the Code, the Framework Agreement or any Ancillary Agreement shall prevent TransCo from exercising any right or remedy which it may have against a consumer or supplier at law or pursuant to the Act or otherwise.

14.2 Assignment

- 14.2.1 Subject to paragraph 14.2.4, a Party may assign its rights under the Code, the Framework Agreement and any Ancillary Agreement:

- (i) to a 33_% Affiliate of such Party, provided that the assigning Party shall continue to be bound by and liable under the Code, Framework Agreement and any such Ancillary Agreement;
 - (ii) subject to paragraph 14.2.5, with the prior agreement in writing of each relevant other Party, which shall not unreasonably be withheld, to any person.
- 14.2.2 For the purposes of this paragraph 14.2, a relevant other Party is:
 - (i) where the assigning Party is TransCo, each other User;
 - (ii) where the assigning Party is a User, TransCo.
- 14.2.3 Except as provided in paragraph 14.2.1, a Party shall not assign or transfer and shall not purport to assign or transfer any of its rights or obligations under the Code, the Framework Agreement or (except as may be expressly permitted thereby) any Ancillary Agreement.
- 14.2.4 No assignment shall be made to a person unless:
 - (i) where the assigning Party is TransCo, that person holds a Public Gas Transporter's Licence;
 - (ii) where the assigning Party is a User, that person holds a Shipper's Licence and has complied with the other requirements which (if the person were an Applicant User) it would be required under paragraph 2 to comply with.
- 14.2.5 Where a Party assigns its rights under the Code and the Framework Agreement and any Ancillary Agreement to a person (including a 33_% Affiliate) pursuant to paragraph 14.2.1(ii):
 - (i) it shall be a condition precedent to such assignment that such person shall enter into an Agreement with each relevant other Party covenanting to be bound by the Framework Agreement, Code and any such Ancillary Agreement;
 - (ii) the assigning Party shall be released from obligations under the Code, the Framework Agreement and any such Ancillary Agreement arising after the time at which the assignment is effective, but shall remain liable for any obligations accruing up to such time.
- 14.2.6 Any credit limit required under the Code shall be determined separately for a person to whom a User assigns its rights under paragraph 14.2.1(ii); and the assigning Party may not assign its own credit limit.
- 14.2.7 A reference in the Code, the Framework Agreement or any Ancillary Agreement to any Party shall include a reference to that Party's successors and assigns.
- 14.3 TransCo performance
- 14.3.1 In relation to exercising its discretions and performing obligations under the Code TransCo shall at all times:
 - (a) act in a reasonable and prudent manner in relation to the management and operation of the System and BG Storage Facilities; and
 - (b) act reasonably and in good faith in its dealings with Users;

save that the foregoing shall not apply to the extent that:

- (i) there is any standard of performance already provided for by any statute, regulation or licence condition to which TransCo is subject; or
- (ii) TransCo would thereby be required to act in a manner which would conflict with any Legal Requirement.

14.3.2 For the avoidance of doubt the operation of this paragraph 14.3 shall not prevent TransCo from performing any obligation under the Code.

14.4 Waiver

14.4.1 No delay by or omission of any Party in exercising any right, power, privilege or remedy under the Code or the Framework Agreement or any Ancillary Agreement shall operate to impair such right, power, privilege or remedy or be construed as a waiver thereof.

14.4.2 Any single or partial exercise of any such right, privilege or remedy shall not preclude any other or future exercise thereof or the exercise of any other right, power, privilege or remedy.

14.5 Language

Every Code Communication, and every notice or other communication to be given by one Party to another under the Framework Agreement or any Ancillary Agreement, shall be in the English language.

14.6 Severance

If any provision of the Code, the Framework Agreement or any Ancillary Agreement is or becomes invalid, unenforceable or illegal, or is declared to be invalid, unenforceable or illegal by any court of competent jurisdiction or by order of any other Competent Authority, such invalidity, unenforceability or illegality shall not prejudice or affect the remaining provisions of the Code, Framework Agreement or Ancillary Agreement, which shall continue in full force and effect notwithstanding the same.

14.7 Entire Agreement

14.7.1 The Code, the Framework Agreement and (as respects the Parties thereto) each Ancillary Agreement contain or expressly refer to the entire agreement between the Parties with respect to the subject matter thereof, and supersede all previous agreements or understandings between the Parties with respect thereto; and any warranty, condition or other term implied at law or by custom is (to the fullest extent permitted by law) expressly excluded therefrom.

14.7.2 Each Party acknowledges that in entering into the Framework Agreement and any Ancillary Agreement it does not rely on any representation, warranty or other understanding not expressly contained in the Code, Framework Agreement or such Ancillary Agreement.

14.7.3 Nothing contained in a document (other than the Framework Agreement or an Ancillary Agreement) referred to in the Code, beyond what is expressly contemplated by the Code as being contained in such document or is necessary for the purposes of giving effect to a provision of the Code, shall modify or have any effect for the purposes of the Code or be construed as relevant to the interpretation of the Code.

14.8 Jurisdiction

14.8.1 Subject and without prejudice to the provisions of Section T as to Expert Determination, all the Parties irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Code, the Framework Agreement and any Ancillary Agreement and that accordingly any suit, action or proceeding (collectively "**proceedings**") arising out of or in connection with the Code, the Framework Agreement and any Ancillary Agreement may be brought in such courts.

14.8.2 Each Party irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any proceedings in any such court as is referred to in paragraph 14.8.1 and any claim that any such proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any proceedings brought in the English courts shall be conclusive and binding upon such Party and may be enforced in the courts of any other jurisdiction.

14.8.3 Any Party which is not a company incorporated under the Companies Act 1985 shall provide to TransCo an address in England or Wales for service of process on its behalf in any proceedings.

14.9 Governing law

The Code, the Framework Agreement and every Ancillary Agreement shall be governed by, and construed in all respects in accordance with, English law.

SECTION W: INTERPRETATION

1. DEFINED TERMS

In addition to terms defined elsewhere in the Code, the following terms and expressions are used with the following meanings in the Code:

"the Act": the Gas Act 1986, as amended by the Gas Act 1995 and as otherwise amended;

"Code Communication": any communication to be given by a User or TransCo (including any notification, application, nomination, confirmation, request, approval, acceptance, invoice or other notice to be given, made or submitted) under the Code;

"Code Modification": a modification of the Code pursuant to the Modification Rules or the TransCo Licence;

"Competent Authority": the Director, or any local, national or supra-national agency, authority, department, inspectorate, minister, official, court, tribunal or public or statutory person (whether autonomous or not) of the United Kingdom (or the government thereof) or the European Communities which has jurisdiction over TransCo or a User or the subject matter of the Code;

"Consumer's Plant": in respect of any Supply Meter Point, the plant and/or equipment in which gas is off-taken from the System at that point is to be used (including any plant or equipment in which gas is compressed or otherwise treated before being consumed);

"date of the Code": 1st March 1996;

"Directive": any present or future directive, request, requirement, instruction, code of practice, direction or rule of any Competent Authority (but only, if not having the force of law, if it is reasonable in all the circumstances for it to be treated as though it had legal force), and any modification, extension or replacement thereof;

"Director": the Director General of Gas Supply; or in the context of anything done before 1st March 1996 by another Competent Authority whose functions have become exercisable by the Director General of Gas Supply, such other Competent Authority;

"Energy Balancing Charges": Flexibility Charges, Clearing Charges in respect of Unauthorised Gas Flows, Balancing Charges, Balancing Neutrality Charges, Reconciliation Clearing Charges, Reconciliation Neutrality Charges and Top-up Neutrality Charges;

"Gas Code": the Gas Code in Schedule 2B to the Act;

"Legal Requirement": any Act of Parliament, regulation, licence, or Directive of a Competent Authority;

"Modification Rules": the modification rules (which do not form part of and are not incorporated into the Code) prepared by TransCo pursuant to Standard Condition 7 of the TransCo Licence, as from time to time modified pursuant to that Standard Condition;

"Neutrality Interest Rate": the percentage rate calculated as the base rate for the time being of Barclays Bank plc divided by 365;

"Non-Code Shipper": a gas shipper who has made a transportation arrangement with TransCo other than upon the terms of the Code;

"Public Gas Transporter's Licence": a licence granted or treated as granted under Section 7(2) of the Act;

"Recognised Standard": any technical, engineering or other standard, issued or published by any governmental body or professional or other institution, and generally recognised as applying to the gas industry in the United Kingdom or the European Union, as from time to time applicable;

"Shipper's Licence": a licence granted or treated as granted under Section 7A(2) of the Act; or in the context of any User the licence so granted or treated as granted to that User;

"Supplier's Licence": a licence granted or treated as granted under Section 7A(1) of the Act; or in the context of any supplier the licence so granted or treated as granted to that supplier;

"Special Condition": a condition of a Public Gas Transporter's Licence or Shipper's Licence other than a Standard Condition;

"Storage Facility": a BG Storage Facility; and (except for the purposes of Sections K and P) any other facility connected to the System in which the operator of such facility has contracted or intends to contract to provide to any User or Users services for the storage and redelivery to the System of gas offtaken from the System;

"TransCo": without prejudice to paragraph 2.9.1, British Gas plc as licensee under the TransCo Licence;

"TransCo Licence": the Public Gas Transporter's Licence treated as granted to British Gas plc, as from time to time in force;

"Transportation Statement": the prevailing statement furnished by TransCo to the Director under Standard Condition 3 of the TransCo Licence;

"User": a person other than TransCo (but subject to Section V7) who is for the time being bound by the Code pursuant to the Framework Agreement.

2. INTERPRETATION

2.1 General

2.1.1 Unless the context otherwise requires, words and expressions defined in or for the purposes of the Act and not otherwise defined in the Code shall have the meanings ascribed thereto under the Act.

2.1.2 In the Code, unless the context otherwise requires:

- (i) a reference to a particular Section, paragraph, or Annex is to a paragraph or Section of or Annex to a Section of the Network Code Principal Document;
- (ii) a reference in a particular Section to a particular paragraph is to a paragraph of that Section;
- (iii) words in the singular may be interpreted as including the plural;
- (iv) the word "including" is to be construed without limitation;

- (v) a derivative term of any defined or interpreted term shall be construed in accordance with the relevant definition or interpretation.
- 2.1.3 A reference in the Code to any Legal Requirement shall be construed, at any particular time, as including a reference to any modification, extension or reenactment (before or after the date of the Code) of that Legal Requirement in force at that time.
- 2.1.4 A reference to the Act includes where the context permits a reference to Regulations made pursuant to the Act.
- 2.1.5 Section and paragraph headings in the Code and clause headings in the Framework Agreement and any Ancillary Agreement shall not affect the interpretation of any provision thereof.
- 2.2 Times and dates
- 2.2.1 For the purposes of the Code:
- (a) "**Day**" means the period from 06:00 hours on one day until 06:00 hours on the following day;
 - (b) "**Business Day**" means (except for the purposes of Sections G and M) a Day other than a Saturday or a Sunday or a Day which begins at 06:00 hours on a bank holiday in England and Wales;
 - (c) "**Gas Flow Day**" means, in relation to the application of any provision of the Code, the Day in relation to deliveries, offtakes or flows of gas or other operations on which such provision is to apply;
 - (d) "**Preceding Day**" means the Day before the Gas Flow Day;
 - (e) "**Gas Year**" means the period from 1st October in any year until and including 30th September in the following year;
 - (f) in relation to any Gas Year the "**Preceding Year**" is the Gas Year ending at the start of such Gas Year;
 - (g) "**Winter Period**" means the period from 1st November in any year until and including 30th April in the following year.
- 2.2.2 Unless the context otherwise requires, a reference in the Code:
- (a) to a calendar day (such as 1st January) or a day of the week (such as Sunday) is to the Day which begins at 06:00 hours on that day;
 - (b) to a week is to the period from 06:00 hours on a day until 06:00 hours on the 7th day following;
 - (c) to a month (or a number of months) is to the period from 06:00 hours on a day in one month until 06:00 hours on the same day of the month which follows (or follows by the relevant number of months), or if there is no such day in such month 06:00 hours on the first day of the next following month;

- (d) to a calendar month is to the period from 06:00 hours on the first day of a month until 06:00 hours on the first day of the following month, and references to a particular calendar month (such as January) shall be construed accordingly;
- (e) to a year is to the period from 06:00 hours on a day in one year until 06:00 hours on the same day (or where the day in the first year was 29th February, on 1st March) in the following year;
- (f) to a calendar year (such as 1996) is to be construed accordingly.

2.2.3 References to times of the day in the Code are to official time in the United Kingdom.

2.2.4 Except where otherwise provided:

- (a) where anything is to be done under the Code by or not later than a Day or any period under the Code is to run to a Day, such thing may be done or such period shall run up to the end of such Day;
- (b) where anything is to be done under the Code from or not earlier than a Day or any period under the Code is to run from a Day, such thing may be done or such period shall run from the start of such Day.

2.2.5 Where under any provision of the Code TransCo or a User is required to provide any information by a certain date or time, the relevant provision shall be taken to include a requirement that such information shall be provided not earlier than is reasonable before such date or time.

2.3 System Clearing Contract

2.3.1 A "**System Clearing Contract**" is a contract between TransCo and a User pursuant to which a quantity of gas (which is or was or is not or was not delivered to or offtaken from the System) is treated as purchased and sold.

2.3.2 In relation to a System Clearing Contract:

- (i) the "**buyer**" and the "**seller**" respectively are the parties (TransCo or the User) respectively treated as buying and selling gas under the contract;
- (ii) the "**Clearing Price**" is the amount payable by the buyer to the seller in respect of the quantity of gas subject to the contract.

2.4 Transportation Constraint

2.4.1 A "**Transportation Constraint**" is a constraint in or affecting any part of the System at any time, as a result of which (having regard to operational requirements as to pressures in the System) gas flows in any part of the System are or (but for anything done by TransCo) would be restricted, whether such constraint results from the size of any part of the System, the operation or failure to operate of any part of the System, or the extent or distribution of supply or demand in any part of the System.

2.4.2 A System Point is "**affected**" by a Transportation Constraint where TransCo is or (but for anything done by TransCo) would be unable to accept delivery of gas or make available gas for offtake at that System Point, or its ability to do so is impaired, by reason of a Transportation Constraint.

2.4.3 A Transportation Constraint includes a constraint which arises by reason of Programmed Maintenance or other maintenance (but without prejudice to the provisions of Section G6.7.8 and I3.8).

2.4.4 In determining whether there is at any time a Transportation Constraint all gas flows planned by TransCo shall be taken into account (including gas flows planned for the purposes of Operational Balancing in relation to the Day or a subsequent Day).

2.5 Costs and expenses

For the purposes of any provision of the Code which requires a User or TransCo to pay or reimburse to TransCo or a User (as the case may be) any costs or expenses incurred by TransCo or the User in undertaking any works or performing any service:

- (i) such costs and expenses shall be treated as including a reasonable and appropriate amount in respect of internal costs, including costs of capital, personnel, and materials and reasonable overhead costs, so far as the scope of what is so included is reasonable and appropriate in the circumstances;
- (ii) no element of profit (other than what is implicit in cost of capital under paragraph (i)) shall be included in such costs and expenses;
- (iii) in the case where a User is to pay or reimburse TransCo, where works or services of the same, or of a similar, kind are undertaken or performed by TransCo under engagements of service for Users or others, such costs and expenses shall be deemed to be the charges that would at the relevant time be made by TransCo for any such engagement for the relevant works or services (or those most similar);
- (iv) any dispute as to the amount of such costs and expenses shall be referred to Expert Determination.

2.6 Demand, etc

2.6.1 For the purposes of the Code "**demand**" or "**demand for gas**", in or in respect of the System or any part of or point on the System, and on any Day or in any other period, is the quantity of gas offtaken or to be offtaken from the System or that part of the System or at that point on that Day or in that period.

2.6.2 Demand may be stated on a basis which includes attributable shrinkage (so as to be comparable to quantities delivered to the System), or includes attributable LDZ shrinkage, or which does not include shrinkage.

2.6.3 Unless otherwise stated references in the Code to demand:

- (i) at the level of particular Supply Points or other System Exit Points, are exclusive of shrinkage;
- (ii) at the level of an LDZ, are inclusive of LDZ shrinkage;
- (iii) at the level of the System, are inclusive of all shrinkage.

2.6.4 For the purposes of the Code, in relation to the System or any part of the System, and in respect of any Gas Year:

- (i) **"peak day demand"** is the highest demand for gas on any Day in that year;
 - (ii) **"annual demand"** is the aggregate demand for gas on all Days in that year;
 - (iii) **"1-in-20 peak day demand"** is the peak day demand that, in a long series of winters, with connected load being held at the levels appropriate to the winter in question, would be exceeded in one out of 20 winters, each winter being counted only once;
 - (iv) **"1-in-50 Severe Annual Demand"** is the annual demand represented by the area (above a demand threshold of zero) under the 1-in-50 load duration curve, being the curve which, in a long series of years, with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be exceeded in one out of 50 years.
- 2.6.5 A reference in the Code to **"seasonal normal"** demand is a reference to demand under seasonal normal conditions.
- 2.6.6 Where pursuant to the Code estimates of peak day demand or annual demand are to be made, such estimates will be made under the statistical methodology for such estimation described in the Base Plan Assumptions for the Gas Year 1995/96 (or any revised such methodology established by TransCo after consultation with Users and described in Base Plan Assumptions or the Ten Year Statement for any subsequent Gas Year).
- 2.6.7 A reference in the Code in relation to any Gas Year to **"System 1-in-20 peak day demand"** is the 1-in-20 peak day demand for the System established for the Gas Year pursuant to Section O and set out in the relevant Ten Year Statement.
- 2.7 Applicable Liability Gas Price
- 2.7.1 Subject to this paragraph 2.7, the **"Applicable Liability Gas Price"** as at any Day is the arithmetic mean of the prices (in pence/kWh) in the most recently published issue of the publication entitled Energy Trends issued by the Department of Trade and Industry (or any successor publication) set out in the table entitled 'Prices of fuels purchase by manufacturing industry in Great Britain' as 'GAS - all consumers - average' for the most recent four consecutive quarters for which such prices are shown in such issue but ending not more recently than 3 months before such Day.
- 2.7.2 No revision in any such price for any such quarter in any subsequent issue of such publication shall affect the Applicable Liability Gas Price as at the relevant Day.
- 2.7.3 Should the basis on which such prices are stated in such publication be changed so as to include applicable value added tax, such prices will (in the determination of the Applicable Liability Gas Price) be adjusted so as to exclude the effect of the inclusion of value added tax.
- 2.7.4 If the publication referred to in paragraph 2.7.1 ceases to be published, or ceases to contain the prices referred to in that paragraph, or if the publication thereof is suspended, the Applicable Liability Gas Price will be determined by reference to such published gas prices as TransCo shall, after consultation with the Network Code Committee or any relevant Sub-committee, determine and notify to Users as being the most similar available published prices, unless upon the application of any User the Director shall give Condition 7(4) Approval to TransCo's determining of the Applicable Liability Gas Price by reference to any other published gas prices.
- 2.8 Condition 7(4) Approval

- 2.8.1 Where any provision of the Code (the "**relevant provision**") provides that TransCo will or may take a particular step or action (the "**relevant step**") in pursuance of that provision if the Director shall give Condition 7(4) Approval thereto, or if the Director shall not give Condition 7(4) Disapproval thereto:
- (i) except in a case in paragraph (ii), TransCo will not take the relevant step unless TransCo has given a notification under paragraph 2.8.2(i);
 - (ii) where under the relevant provision TransCo may take the relevant step unless a User applies to the Director for Condition 7(4) Disapproval to TransCo's doing so, TransCo may take the relevant step unless the User or any of the Users concerned has, within the period or by the date prescribed in the relevant provision, given a notification under paragraph 2.8.2(ii).
- 2.8.2 Paragraph 2.8.3 shall apply in respect of a relevant provision of the Code in any particular case where and only where:
- (i) (for the purposes of Condition 7(4) Approval) subject to paragraph 2.8.5, TransCo has notified the User or Users concerned that the circumstances are such that, and of the manner in which, TransCo might take the relevant step; or
 - (ii) (for the purposes of Condition 7(4) Disapproval) the relevant provision permits a User to make an application to the Director, a User has notified TransCo that the User wishes TransCo not to take the relevant step.
- 2.8.3 Where this paragraph 2.8.3 applies in respect of a relevant provision in any particular case:
- (a) the provision shall be construed as:
 - (i) requiring TransCo to make a determination (after its notification required by paragraph 2.8.1(i) or the relevant provision) as to whether to take the relevant step; and
 - (ii) requiring that such determination should be such as is calculated to facilitate the achievement of the relevant objectives (as described in Standard Condition 7(1) of the TransCo Licence);
 - (b) TransCo will (in the case in paragraph 2.8.2(i), not less than 10 Business Days after its notification thereunder) make the determination under paragraph (a)(i) and (having done so) will:
 - (i) notify the Director and the User(s) concerned of its determination, and
 - (ii) not implement (by taking the relevant step) such determination:
 - (1) if the Director shall give Condition 7(4) Disapproval to its doing so, or
 - (2) where Condition 7(4) Approval of the Director is required for the relevant step, if the Director shall not give Condition 7(4) Approval to its doing so;
 - (c) in the case in paragraph 2.8.2(ii), TransCo will send to the Director a copy of each notification given by a User thereunder.
- 2.8.4 For the purposes of the Code, "**Condition 7(4) Approval**" means a determination by the Director, pursuant to Standard Condition 7(4) of the TransCo Licence, that the determination made by TransCo

pursuant to paragraph 2.8.3(a)(i) complies with the requirement in paragraph 2.8.3(a)(ii), and "**Condition 7(4) Disapproval**" means a determination by the Director that such determination does not so comply.

2.8.5 For the purpose of Sections Q4.2.3 and Q4.2.5(v) TransCo will not give any notification to any User under paragraph 2.8.2(i) or 2.8.3(b)(i); and the notification required under paragraph 2.8.2(i) shall be given to the Director.

2.9 Miscellaneous

2.9.1 Unless the context otherwise requires, references in the Code to TransCo:

- (i) in Sections S (Invoicing), T (Disputes), U (UK Link) and V (General), and in this Section W, include a reference to the Storage Operator;
- (ii) except as provided in paragraph (i), do not include a reference to the Storage Operator.

2.9.2 A reference in the Code to:

(a) a "**consumer**" is a reference to:

- (i) a consumer (as defined in the Gas Code) who is supplied with gas conveyed to particular premises by means of the System; or
- (ii) in the context of a particular Supply Point, Supply Meter Point or Supply Point Component, the consumer who is supplied with gas offtaken from the System at such System Point; or
- (iii) in the context of a User, the consumer in respect of a Supply Point of which the User is the Registered User.

(b) a "**supplier**" is a reference to:

- (i) a person who supplies to premises gas offtaken from the System (including a person supplying gas to itself); or
- (ii) in the context of a particular Supply Point, Supply Meter Point or Supply Point Component, the supplier who supplies the consumer with gas; or
- (iii) in the context of a User, the supplier in respect of a Supply Point of which the User is the Registered User.

2.9.3 Where any provision of the Code requires or entitles TransCo to "**publish**" any information or document, TransCo will provide such information or document to each User, any other person to whom TransCo may (pursuant to the TransCo Licence or any other Legal Requirement or any provision of the Code) be required to provide such information and (subject to Section V5) such other persons as TransCo shall think fit.

2.9.4 A reference in the Code to a "**Standard Condition**" is a reference to a standard licence condition determined by the Secretary of State pursuant to Section 8 of the Gas Act 1995, as from time to time modified in accordance with the Act:

- (i) in the context of TransCo or the TransCo Licence, as incorporated into the TransCo Licence;

- (ii) in the context of a User or its Shipper's Licence, as incorporated into such Shipper's Licence;
 - (iii) in the context of a supplier or its Supplier's Licence, as incorporated into such Supplier's Licence.
- 2.9.5 A reference in the context of any provision of the Code to a "**representative**" of any person is a reference to any director, officer or employee of that person or any agent, consultant or contractor appointed or engaged by that person for purposes connected with the subject matter of the relevant provision of the Code.
- 2.9.6 A reference in the Code to the quantities in which or rate or pressure at which it is "**feasible**" for TransCo to make gas available for offtake from the System at a System Exit Point is a reference to what is in TransCo's reasonable judgement operationally and technically feasible without prejudicing System security, without reinforcement of the System and without prejudicing TransCo's ability to perform its obligations under the Code, any Ancillary Agreement or any other contract for the conveyance of gas, or to comply with any Legal Requirement;
- 2.9.7 An "**Affiliate**" of a specified percentage in relation to a body corporate is:
- (i) another body corporate which holds not less than the specified percentage of the voting rights of the first body corporate; or
 - (ii) a subsidiary of the first body corporate or of such a body corporate as is referred to in paragraph (i);

and for these purposes 'voting rights', 'holding' voting rights and 'subsidiary' are to be construed in accordance with Section 736A of the Companies Act 1985.

3. TECHNICAL INTERPRETATION

3.1 Gas

3.1.1 In the Code, unless the context otherwise requires, "**gas**" means any hydrocarbons or mixture of hydrocarbons and other gases consisting primarily of methane which at a temperature of 15 -C and an absolute pressure of 1.01325 bar are or is predominantly in the gaseous state.

3.1.2 Unless the context otherwise requires, for the purposes the Code:

- (i) a "**quantity**" of gas is a quantity in kWh;
- (ii) a "**volume**" of gas is a volume in MCM.

3.2 Units and other terms

3.2.1 The following terms have the following meanings in the Code:

"**bar**": the bar as defined in ISO 1000-1981(E);

"**Cubic Metre**" or "**M³**": when applied to gas, that amount of gas which at a temperature of 15-C and an absolute pressure of 1.01325 bar and being free of water vapour occupies one 1 cubic metre;

"degree Celsius" and **"°C"**: the particular interval between the temperature in Kelvin and the temperature 273.15 Kelvin as defined in ISO 1000-1981(E);

"gauge": when used in relation to pressure, the pressure in excess of 1 standard atmosphere where 1 standard atmosphere is 1.01325 bar;

"calorific value": that number of Megajoules produced by the complete combustion at a constant absolute pressure of 1.01325 bar of 1 Cubic Metre of gas at a temperature of 15-C with excess air at the same temperature and pressure as the gas when the products of combustion are cooled to 15-C and when the water formed by combustion is condensed to the liquid state and the products of combustion contain the same total mass of water vapour as the gas and air before combustion; and for the avoidance of doubt calorific value shall be REAL as defined in ISO 6976-1:1983(E);

"hour": the hour as defined in ISO 1000-1981(E);

"Joule": the joule as defined in ISO 1000-1981(E);

"kilogram": the kilogram as defined in ISO 1000-1981(E);

"kWh": 3,600 Joules;

"mbar": one thousandth of a bar;

"MCM": 1,000,000 Cubic Metres;

"Megajoule" or **"MJ"**: 1,000,000 Joules;

"metre": the metre as defined in ISO 1000-1981(E);

"mol%": molecular percentage;

"MW": 1,000,000 Watts;

"pascal": the pascal as defined in ISO 1000-1981(E)

"ppm": parts per million by volume;

"Relative Density": shall mean the mass of a volume of dry gas divided by the mass (expressed in the same units) of an equal volume of dry standard air as defined in ISO 6976-1:1983(E) both such gases being at a temperature of 15-C and an absolute pressure of 1.01325 bar; and Relative Density (REAL) shall for the avoidance of doubt be REAL as defined in ISO 6976-1:1983(E);

"second": the second as defined in ISO 1000-1981(E);

"Specific Gravity": the mass of a volume of dry gas divided by the mass (expressed in the same units) of an equal volume of dry standard air (as defined in ISO 6976-1:1983(E)) both gases being at a temperature 15-C and an absolute pressure of 1.01325 bar;

"Watt": 1 Joule per second;

"Wobbe Index": when applied to gas, the calorific value divided by the square root of the Relative Density.

3.3 Calorific value

3.3.1 A reference in the Code to "**calorific value**" or to the "**relevant calorific value**" of gas delivered to or offtaken from the System shall be a reference:

- (a) in the context of a System Entry Point, to the calorific value of gas delivered to the System established in accordance with the relevant provisions (if any) of the Network Entry Provisions;
- (b) in the context of any System Exit Point where the quantity of gas conveyed to such point is required to be calculated in accordance with the Gas (Calculation of Thermal Energy) Regulations 1996, to the calorific value established by TransCo pursuant to those Regulations;
- (c) in the context of any other System Exit Point:
 - (i) in the case of a NExA Supply Meter Point or Connected System Exit Point, to the calorific value established in accordance with the relevant provisions (if any) of the Network Exit Agreement;
 - (ii) except as provided in paragraph (i), where there is calorimetric equipment installed (by or with the approval of TransCo) at the relevant System Exit Point, to the calorific value ascertained by means of such equipment;
 - (iii) except as provided in paragraphs (i) and (ii), to the flow weighted average calorific value established as the average of the average calorific values (applicable to the area in which such System Exit Point is located) referred to in Part II of the above Regulations, weighted by reference to the gas flows each Day at points on the System where apparatus referred to in that Part is located.

3.3.2 Any reference to a quantity of gas delivered or to be delivered to, or offtaken or to be offtaken from, the System at a System Entry Point or (as the case may be) System Exit Point shall be construed in accordance with paragraph 3.3.1 above.

3.3.3 For the purposes of Section N, "**CV shrinkage**" is gas which is unaccounted for as offtaken from the System at System Exit Points by reason of the quantities of gas delivered to the System exceeding (by virtue of paragraphs 3.3.1 and 3.3.2 above) those offtaken from the System.

3.3.4 Where the Director has made a determination (for the purposes of the definition of 'calorific value' in Section 12(2)(a) of the Act) specifying in respect of any area an amount of water vapour to be contained in gas conveyed in the System, or TransCo with the concurrence of the Director for the purposes of the above Regulations determines (in respect of a part of the System in which the gas being conveyed contains an amount of water vapour) a calorific value which is different from the calorific value which would apply pursuant to the Regulations:

- (i) for the purposes of giving effect to such determination, upon any Meter Read in respect of a Supply Meter Point in the relevant area, the Metered Quantity shall be determined by reference to the calorific value which applies on the basis of such determination, and NDM Reconciliation or DM Reconciliation shall be carried out accordingly;
- (ii) the calorific value applicable for purposes of the Code (including in particular the implementation of Section H), other than the purposes in paragraph (i), shall be the calorific value which would apply disregarding such determination.

3.4 Conversions

- 3.4.1 Where to give effect to any provision of the Code it is necessary to compare an amount of gas which is or is to be delivered to or offtaken from the System or injected to or withdrawn from a BG Storage Facility, or a rate of such delivery, offtake, injection or withdrawal, expressed in terms of quantity, with such an amount or rate expressed in terms of volume, a conversion shall be made on the basis of the applicable calorific value in accordance with paragraph 3.3.1.
- 3.4.2 Where to give effect to any provision of the Code it is necessary to do so, a rate of delivery or offtake of gas to or from the System, or injection to or withdrawal from a BG Storage Facility, or any amount of System Capacity or Storage Capacity, expressed in quantity or volume units per Day, or per hour, or in kW, shall be treated as expressed in any other such units on the basis of the appropriate conversion.

3.5 Therms

References in the Code to quantities in therms are explanatory only and of no effect for the purposes of the Code (and the rates at which quantities in kWh are converted to quantities in therms are not uniform).

NETWORK CODE SUPPLEMENT
ENERGY BALANCING CREDIT MANAGEMENT

1. GENERAL

1.1 Introduction

- 1.1.1 This Supplement forms a part of the Network Code Principal Document; and references to the Code include this Supplement.
- 1.1.2 The effect of the provisions of Sections F4.5.3(a)(ii), F6.5.1(a)(ii) and P6.3.7(a)(ii) is that if a User fails to make payment of any Energy Balancing Charge when due, all other Users may become liable for (in aggregate) an equivalent amount (together with an amount in respect of the cost of financing such non-payment).
- 1.1.3 Users have agreed (inter se) to, and requested TransCo to implement, the provisions of this Supplement with a view to limiting the extent to which they will incur the liability described in paragraph 1.1.2.
- 1.1.4 Nothing in this Supplement shall modify the provisions referred to in paragraph 1.1.2.
- 1.1.5 This Supplement is independent of and shall apply separately from the provisions of Section V3 (which relates to indebtedness of Users other than in respect of Energy Balancing Charges).
- 1.1.6 In this Supplement "**Energy Balancing Invoice**" means an Invoice Document in respect of any Energy Balancing Charges or interest thereon.

1.2 Energy Balancing Credit Committee

- 1.2.1 Subject to paragraph 1.2.2 the "**Energy Balancing Credit Committee**" is the Network Code Committee or any relevant sub-committee.
- 1.2.2 Where this Supplement provides for any decision by the Energy Balancing Credit Committee (including any approval or authorisation of anything proposed to be done by TransCo) such decision shall be taken by the affirmative vote of a simple majority of the members of the committee who are appointed to represent Users (and subject to such other procedures as the committee may establish); and the representatives of TransCo who are members of the Network Code Committee or any relevant sub-committee will not vote on any matter brought before the Energy Balancing Credit Committee pursuant to this Supplement.
- 1.2.3 TransCo may consult with the Energy Balancing Credit Committee in relation to any aspect of its functions under this Supplement, and may at any time convene a meeting of such committee on any reasonable period of notice.
- 1.2.4 Where TransCo has any reasonable grounds for wishing to consult with the Energy Balancing Credit Committee in relation to any step required to be taken under this Supplement, TransCo may (where it has convened a meeting of such committee for the purposes for the earliest reasonable date) defer taking such step until it has consulted with such committee.

- 1.2.5 Where TransCo brings to the Energy Balancing Credit Committee any matter relating to a particular User, TransCo will not disclose the identity of the User to the committee unless:
- (i) the User in question agrees to such disclosure, or
 - (ii) it is not practicable for the matter in question to be considered by the committee without the identity of the User being disclosed or becoming apparent, or
 - (iii) TransCo has given Termination Notice to the User (but this paragraph (iii) shall not of itself require TransCo to inform the committee of the fact that it has given such notice to any User).
- 1.2.6 With the approval of the Energy Balancing Credit Committee, TransCo is authorised, in implementing the provisions of this Supplement as respects Users or any particular User, to delay the implementation of any such provision or to implement any such provision on a modified basis which is (as respects the interests of Users or the User in question) less onerous than the provision in the absence of such modification.
- 1.3 Liability of TransCo
- 1.3.1 Users acknowledge that the calculation of Energy Balancing Charges and other matters to be calculated under this Supplement involves the possibility of error; and agree (subject to paragraph 2.7) to make the payments required under this Supplement, and that TransCo is to take the steps contemplated by this Supplement, notwithstanding any such error (on the basis that any necessary repayments or additional payments will be made following resolution of any such error).
- 1.3.2 Notwithstanding paragraph 1.3.1 and the provisions of this Supplement, where TransCo has reasonable grounds for believing that any calculation required to be made by it for the performance of its functions under this Supplement has been or may have been made erroneously, TransCo may (but shall not be required to) defer the taking of any step that would otherwise be required under this Supplement until TransCo has had a reasonable opportunity of verifying such calculation.
- 1.3.3 Without prejudice to paragraph 1.3.4, nothing in this Supplement shall require TransCo to take any step which TransCo believes on reasonable grounds may result in its becoming liable to any person in damages or otherwise, whether or not the amount of any such liability would be recoverable under paragraph 1.3.7, but the possibility of a claim being made against TransCo shall not of itself suffice for the purposes of this paragraph unless TransCo believes on reasonable grounds that such claim would be well founded.
- 1.3.4 Each User authorises TransCo to take any step contemplated by this Supplement, and (without prejudice to Section V8, but subject to paragraph 1.3.8) agrees that TransCo shall have no liability (in contract or tort including negligence or otherwise) to such User for taking any such step, and waives any such liability that TransCo may have and any claim in respect thereof.
- 1.3.5 Nothing in this Supplement shall require TransCo to take any step which conflicts with any Legal Requirement or any order of any court of competent jurisdiction.
- 1.3.6 TransCo will act in good faith in implementing the provisions of this Supplement but (subject to paragraph 1.3.8) will not be liable (in contract or tort including negligence or otherwise) to any User for any failure or delay of TransCo in doing so or in taking any particular step contemplated by this Supplement, and each User waives any such liability that TransCo may have and any claim in respect thereof.

- 1.3.7 Subject to paragraph 1.3.8, where any person makes any claim (in negligence or otherwise) against TransCo in consequence of TransCo's taking any step contemplated by this Supplement:
- (i) TransCo will defend such claim and will (subject to any duties of confidence) consult with and keep informed the Energy Balancing Credit Committee in relation to such claim and the defence thereof;
 - (ii) the fees, costs and expenses incurred by TransCo (other than its own internal costs and expenses) in defending such claim, and any amounts which TransCo may be found liable (or with the approval of the Energy Balancing Credit Committee may agree by way of settlement) to pay by way of damages or costs or otherwise in respect of such claim, shall be additional Monthly Neutrality Adjustment Costs in the months in which TransCo makes payment thereof.
- 1.3.8 Nothing in the Code shall exclude or limit TransCo's liability, or entitle TransCo to recover from Users any amount in respect of any liability of TransCo:
- (i) in respect of any death or personal injury resulting from TransCo's negligence;
 - (ii) in respect of a reckless or wilful breach by TransCo of this Supplement; or
 - (iii) in any case where TransCo has in the exercise of its functions under this Supplement acted in bad faith or fraudulently.

1.4 Code Contingencies

TransCo will not be required to implement this Supplement in any case where and for so long as, by reason of any Code Contingency, it is not reasonably practicable for TransCo to perform with reasonable accuracy any calculation required for such implementation.

2. SECURITY, ENERGY BALANCING INDEBTEDNESS AND CASH CALL PRINCIPLES

2.1 Energy Balancing Credit Rules

2.1.1 The "**Energy Balancing Credit Rules**" are the rules established by TransCo dated 1st March 1996 and so entitled, as from time to time amended in accordance with paragraph 2.1.5 and 2.1.6.

2.1.2 The Energy Balancing Credit Rules provide for:

- (i) the basis on which a User may provide the guarantee of a person ("**guarantor**") in respect of, or security for, the User's indebtedness in respect of Energy Balancing Charges;
- (ii) the basis on which a User or guarantor for whom there is no published credit rating (as described in such rules) may choose to have a credit rating ("**special credit rating**") undertaken by a credit rating agency designated by TransCo;
- (iii) the basis on which, by reference to Users' and guarantors' published credit ratings or special credit ratings (where of investment grade), credit limits will be determined for Users and/or their guarantors;
- (iv) the basis on which, by reference to the credit limits established as described in paragraph (iii), and any guarantee or security provided by the User, a Secured Credit Limit will be established for each User;

- (v) subject to paragraph 2.1.3, the basis on which Users will be required to reimburse to TransCo the costs incurred by TransCo in respect of special credit ratings.
- 2.1.3 The Energy Balancing Credit Rules will not require a User to pay the costs incurred by TransCo in respect of a credit rating which is undertaken simultaneously as a special credit rating (for the purposes of this Supplement) and a credit rating for the purposes of Section V3, save to the extent that what is done (for the purposes of such credit rating) in connection with this Supplement exceeds what is so done in connection with Section V3.
- 2.1.4 Subject to paragraph 2.1.6, and without prejudice to any express requirement under this Supplement to comply therewith, the Energy Balancing Credit Rules do not form part of and are not incorporated into the Code.
- 2.1.5 With the approval of the Energy Balancing Credit Committee, TransCo may revise the Energy Balancing Credit Rules upon giving notice to all Users of not less than 2 months or such shorter period as may in any particular case be approved by the Committee.
- 2.1.6 For the purposes only of enabling TransCo or a User to propose a modification pursuant to the Modification Rules, the Energy Balancing Credit Rules shall be deemed to be incorporated into and to form part of the Code.
- 2.2 Secured Credit Limit
- 2.2.1 Each User shall secure that its Cash Call Limit elected under paragraph 2.4 is not greater than 85% of its Secured Credit Limit.
- 2.2.2 For each User the "**Secured Credit Limit**" shall be whichever is the greater of £250,000 and the amount determined under paragraph 2.2.3.
- 2.2.3 The amount referred to in paragraph 2.2.2 is the sum of the following amounts:
- (a) either:
 - (i) where the User either has a published credit rating or has chosen to have a special credit rating, the credit limit assigned to the User in accordance with the Energy Balancing Credit Rules; or
 - (ii) where the User has provided the Guarantee of a guarantor who either has a published credit rating or has chosen to have a special credit rating, the lesser of:
 - (1) the credit limit assigned to the guarantor in accordance with the Energy Balancing Credit Rules, and
 - (2) where under the Guarantee the amount for which the guarantor may be liable is limited, the maximum amount guaranteed;and where the User has provided more than one Guarantee, the sum for each such Guarantee of the amounts under this paragraph (ii); and
 - (b) where the User has provided Security, the amount for the time being of the Security.

- 2.2.4 A User may apply to increase its Secured Credit Limit by giving notice to TransCo specifying the basis (in accordance with paragraph 2.2.3) for the increased limit and (if the User wishes) the increased limit sought, and where any new or revised Guarantee or Security forms or forms part of such basis, submitting such Guarantee or Security.
- 2.2.5 Where a User applies to increase its Secured Credit Limit:
- (i) where the basis for the increased Secured Credit Limit includes a request for a special credit rating or revised special credit rating of the User or an existing or new guarantor, TransCo will (subject to the User's confirmation of its willingness to make the reimbursement referred to in paragraph 2.1.2(v), where required) arrange for such special credit rating;
 - (ii) TransCo will revise the User's Secured Credit Limit in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2 as soon as reasonably practicable after the User's application or (as the case may be) completion of the special credit rating under paragraph (i);
 - (iii) where the revised Secured Credit Limit determined under paragraph (ii) is less than that specified by the User, TransCo will notify the User as soon as reasonably practicable after TransCo becomes aware thereof.
- 2.2.6 A User's Secured Credit Limit may also be revised, in accordance with the Energy Balancing Credit Rules, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:
- (i) at intervals of approximately 12 months;
 - (ii) where any published credit rating of the User or any guarantor is revised downwards;
 - (iii) where (but without prejudice to any requirement of the Energy Balancing Credit Rules) any Guarantee or instrument of Security expires or is determined;
 - (iv) where at any time TransCo has reasonable grounds to believe that the effect of the review will be to reduce the User's Secured Credit Limit;

provided that nothing in this Supplement shall require TransCo to undertake a review under paragraph (ii) or (iii).

2.3 Guarantee and Security

2.3.1 For the purposes of this Supplement:

- (a) "**Guarantee**" means a guarantee of a User's indebtedness for Energy Balancing Charges, substantially in the form set out in the Energy Balancing Credit Rules, given and duly authorised and executed by an eligible guarantor in accordance with those rules;
- (b) "**Security**" means security for a User's indebtedness for Energy Balancing Charges, in one of the forms specified in, and provided and documented in accordance with any applicable requirements of, the Energy Balancing Credit Rules.

2.3.2 Where a User proposes that any Guarantee or Security be given not substantially in accordance with the requirements of the Energy Balancing Credit Rules, TransCo will table the User's proposal at the first meeting of the Energy Balancing Credit Committee convened not less than 10 Business Days following the User's proposal; but TransCo will not be required to accept the User's proposal unless and until such Committee shall have approved such proposal.

- 2.3.3 Any reference in this Supplement to the amount of any Guarantee or Security shall be to such amount:
- (i) in the case of Security, as determined in accordance with the Energy Balancing Credit Rules; and
 - (ii) as reduced by the amount of any payment made pursuant to such Guarantee (except where the Guarantee is unlimited in amount) or (as the case may be) of any application of such Security.
- 2.3.4 A User who has provided a Guarantee or Security may request TransCo to release such Guarantee or (in whole or in part) Security or (in the case of a Guarantee) to agree to a reduction in the amount guaranteed; and following such a request, provided that the requirement in paragraph 2.3.5 is met, TransCo will, as soon as reasonably practicable and (except where paragraph 2.3.6 applies) in any event within 10 Business Days after such request, comply with such request.
- 2.3.5 The requirement is that at the date 2 Business Days before the date of such release or reduction the amount of the User's Outstanding Relevant Balancing Indebtedness does not exceed 90% of the lesser of:
- (i) the amount of the User's Cash Call Limit; and
 - (ii) the amount of the User's revised Secured Credit Limit established (in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2) on the basis of the reduced or released Guarantee or Security.
- 2.3.6 Where the User's request includes a request for a special credit rating or revised special credit rating of the User or an existing or new guarantor TransCo will (subject to the User's confirmation of its willingness to make the reimbursement referred to in paragraph 2.1.2(v), where required) arrange for such special credit rating.
- 2.3.7 A Guarantee or instrument of Security shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such Guarantee or instrument, and nothing done by TransCo pursuant to the Code, shall prejudice or invalidate any such Guarantee or instrument.
- 2.4 Cash Call Limit
- 2.4.1 For each User the "**Cash Call Limit**" is the amount, not exceeding 85% of the User's Secured Credit Limit, elected by or assigned to the User in accordance with this paragraph 2.4 as the limit on its Outstanding Relevant Balancing Indebtedness.
- 2.4.2 Each User shall, on or before the User Accession Date, notify TransCo of the initial amount of its Cash Call Limit.
- 2.4.3 A User may by giving notice to TransCo of not less than 7 Business Days revise its Cash Call Limit provided that its revised Cash Call Limit is not greater than 85% of its Secured Credit Limit.
- 2.4.4 Where a User notifies TransCo of a revised Cash Call Limit, or a User's Secured Credit Limit is reduced, and as a result its Cash Call Limit is or would be greater than 85% of its Secured Credit Limit, it shall be assigned a Cash Call Limit which is equal to 85% of its Secured Credit Limit.
- 2.5 Calculation of Outstanding Relevant Balancing Indebtedness

2.5.1 In relation to each Gas Flow Day (the "**relevant Day**"), as soon as reasonably practicable after the Day on which (pursuant to Section E2.1.2) initial Entry Allocation Statements are required to be submitted to TransCo, or in accordance with paragraph 2.5.6 or 2.7.6, TransCo will calculate for each User:

- (a) the amount of the Relevant Balancing Charges for the relevant Day; and
- (b) the amount of the Outstanding Relevant Balancing Indebtedness.

2.5.2 For the purposes of this Supplement:

- (a) "**Relevant Balancing Charges**" means the Daily Imbalance Charges, Scheduling Charges and Basic Balancing Neutrality Charges which would be payable by or to each User in respect of the relevant Day on the basis set out in paragraph 2.5.3;
- (b) "**Basic Balancing Neutrality Charges**" are the amounts that would be determined as Balancing Neutrality Charges in accordance with Section F4 on the basis that the Unit Daily Neutrality Amount (under Section F4.3) is calculated on the basis of the Basic Net Neutrality Amount only, and disregarding the Adjustment Neutrality Amount;
- (c) "**Outstanding Relevant Balancing Indebtedness**" for each User means (subject to paragraph (f)) the sum of:
 - (i) the net aggregate amount (payable by or to the User) of the Relevant Balancing Charges for each Day of the Uninvoiced Period;
 - (ii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is on or after the calculation Day;
 - (iii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is before the calculation Day and which have not been paid by the User;

less the amount (excluding any interest earned thereon) of any Cash Call which has been paid by the User and not for the time being applied in or towards payment of any Invoice Amount under paragraph 2.8;

- (d) the "**calculation Day**" is the Day on which TransCo makes the calculation under paragraph 2.5.1;
- (e) for the purposes of paragraph (c)(i) the "**Uninvoiced Period**" is the period from the first Day of the earliest Billing Period in respect of which no Energy Balancing Invoice has been submitted to the User up to and including the relevant Day;
- (f) in determining the amount of a User's Outstanding Relevant Balancing Indebtedness, TransCo will make an appropriate allowance for any material unpaid amount which may be payable to the User pursuant to Section F1.4;
- (g) in determining Outstanding Relevant Balancing Indebtedness, amounts payable by the User shall be positive, and amounts payable to the User shall be negative; and where Outstanding Relevant Balancing Indebtedness would otherwise be negative it shall be deemed (for the purposes of this Supplement only) to be zero.

- 2.5.3 The Relevant Balancing Charges will be calculated in respect of each Gas Flow Day on the basis of the amounts determined as the User's UDQIs on the basis of initial Entry Allocation Statements, applying (where relevant) the provisions of Section E2.1.8 or E2.1.9, and on the basis of the User's UDQOs determined in accordance with Section E3.
- 2.5.4 Users acknowledge that:
- (i) subject to paragraphs 2.5.6 and 2.7.6, the calculation of Relevant Balancing Charges will disregard any revision of initial Entry Allocation Statements pursuant to Section E2.1.3;
 - (ii) the calculation of Outstanding Relevant Balancing Indebtedness takes no account of Energy Balancing Charges which either may become payable by TransCo to a User, or may become payable by a User to TransCo, in respect of Days after the relevant Day and up to the calculation Day.
- 2.5.5 For the avoidance of doubt paragraph 2.5.4 is without prejudice to the subsequent determination of Energy Balancing Charges for the purposes of submission of an Energy Balancing Invoice.
- 2.5.6 Where:
- (a) any Entry Allocation Statement submitted in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of Section E2.1.3) so as to reduce the UDQI of any User, and
 - (b) any User so requests TransCo by notice given not less than 5 Days before the Entry Close-out Date, and
 - (c) the amount by which such UDQI was so reduced exceeds whichever is the greater of:
 - (i) 2,000,000 kWh (*68,260 therms*), and
 - (ii) an amount determined as 10% of the aggregate of the User's UDQIs (determined as at the time of such request) for all System Entry Points for the relevant Day,

TransCo will as soon as reasonably practicable recalculate the amount of all Users' Outstanding Relevant Balancing Indebtedness on the basis of the revised UDQIs under all of the revised Entry Allocation Statements for the relevant Day.

2.6 Cash Calling

- 2.6.1 Where the amount of a User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit, TransCo will as soon as reasonably practicable on or after the calculation Day submit to the User a Cash Call.
- 2.6.2 The Cash Call shall be for an amount calculated as the sum (rounded up to the nearest £1,000) of:
- (i) the amount by which the User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit, and
 - (ii) an amount equal to 10% of the User's Cash Call Limit.
- 2.6.3 For the purposes of this Supplement:

- (i) a "**Cash Call**" is a notice, in the form set out in the Energy Balancing Credit Rules, requiring the User to make payment to TransCo of the amount stated in the notice;
- (ii) where the context requires, a reference to a Cash Call includes the amount required to be paid and the requirement to pay such amount.

2.6.4 Subject to paragraph 2.6.5, where a Cash Call is given on a Day which is not a Business Day, or after 15:00 hours on a Business Day, it shall be treated as having been made on the next following Business Day.

2.6.5 Paragraph 2.6.4 shall not apply to a revised Cash Call made pursuant to paragraph 2.7.3.

2.7 Cash Call Appeals

2.7.1 Where:

- (i) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- (ii) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20% of the User's Cash Call Limit, and
- (iii) the User considers that the amount of the relevant Cash Call has been calculated erroneously, the User may, not later than 12:00 hours on the Business Day on which the relevant Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(i)) due for payment, so notify TransCo, specifying in as much detail as is possible the User's reasons for so considering.

2.7.2 Where a User gives a notification under paragraph 2.7.1:

- (i) the relevant Cash Call (and the obligation of the User to make payment thereof) will be suspended, subject to paragraph 2.7.3;
- (ii) TransCo will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Balancing Indebtedness;
- (iii) if requested by TransCo the User shall provide by telephone or facsimile any further details or explanation of its view.

2.7.3 Following its review under paragraph 2.7.2(i) TransCo will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.7.1):

- (i) where it is reasonably satisfied that there has been or may have been such an error, withdraw the relevant Cash Call or revise the relevant Cash Call accordingly and submit the revised Cash Call to the User;
- (ii) otherwise, notify the User that the original Cash Call remains valid (and is no longer suspended);

and any such revised Cash Call or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

2.7.4 A User may not give a further notification under paragraph 2.7.1 to TransCo in respect of the relevant Cash Call (whether or not revised under paragraph 2.7.3).

2.7.5 Where:

- (a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- (b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20 % of the User's Cash Call Limit,
- (c) any Entry Allocation Statement submitted by or on behalf of the User in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of Section E2.1.3) so as to increase the User's UDQI, and
- (d) the amount by which such UDQI was so increased exceeds whichever is the greater of:
 - (i) 500,000 kWh (*17,060 therms*), and
 - (ii) an amount determined as 5% of the aggregate of the User's UDQIs (determined at the relevant time) for all System Entry Points for the Day referred to in paragraph (c),

the User may, not later than 12:00 hours on the Day on which the Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(i)) due for payment, by notice to TransCo request TransCo to recalculate the amount of the User's Outstanding Relevant Balancing Indebtedness on the basis of such revised UDQI.

2.7.6 Where a User makes a request under paragraph 2.7.5 TransCo will as soon as reasonably practicable (and wherever possible within 24 hours after such request) withdraw the relevant Cash Call or revise (on the basis of the recalculated Outstanding Relevant Balancing Indebtedness) the relevant Cash Call and submit the revised Cash Call to the User.

2.7.7 Without prejudice to paragraph 2.5.6, TransCo will not be required to recalculate the Outstanding Relevant Balancing Indebtedness of any other User by reason of a request under paragraph 2.7.5.

2.7.8 Where a User gives a notification under paragraph 2.7.1 or request under paragraph 2.7.5, further references in this Supplement:

- (i) to the date of a Cash Call are to the Day of TransCo's revised Cash Call under paragraph 2.7.3(i) or 2.7.6 or notification to the User under paragraph 2.7.3(ii), and
- (ii) to the amount of a Cash Call are to any revised amount under paragraph 2.7.3(i) or 2.7.6.

2.7.9 A notification under paragraph 2.7.1 or notice under 2.7.5 shall be given:

- (i) by facsimile, or
- (ii) by telephone confirmed by facsimile given not later than 17:00 hours on the same Day.

2.8 Payment of Cash Calls

- 2.8.1 A User shall, subject to paragraph 2.7, make payment of the full amount of a Cash Call on the Business Day following the Day on which the Cash Call was made.
- 2.8.2 Sections S3.2.1 and S3.3 shall apply in respect of the payment of a Cash Call.
- 2.8.3 Where a User pays an amount ("**Cash Call Payment**") in respect of a Cash Call:
- (i) where there is any amount (in respect of Energy Balancing Charges) unpaid by the User under an Energy Balancing Invoice for which the Invoice Due Date was before the date on which the Cash Call was paid, TransCo will apply the Cash Call Payment in or towards payment of such unpaid amount;
 - (ii) except as provided in paragraph (i) TransCo will (unless it required payment by the User to be made to such account) as soon as reasonably practicable after receipt thereof pay the Cash Call Payment (or the balance thereof after application under paragraph (i)) into a Cash Call Account.
- 2.8.4 In relation to each User a Cash Call Account is a separately designated sub-account of a general interest bearing account in the name of TransCo at any branch in the United Kingdom of a bank at which TransCo maintains accounts other than pursuant to this paragraph 2.8 (which account may be the account to which the User is to make payment pursuant to and in accordance with Section S3.2.1).
- 2.8.5 The moneys (including interest) for the time being standing to the credit of a Cash Call Account shall belong beneficially and absolutely to TransCo and (without prejudice to paragraph 2.8.6) there shall be no implied or constructive trust in respect thereof in favour of the User, and TransCo shall be under no obligation to repay any of such moneys to the User.
- 2.8.6 Subject to paragraph 2.8.7, where at any time:
- (i) there is any amount standing to the credit of a User's Cash Call Account, and
 - (ii) the User's Outstanding Relevant Balancing Indebtedness is less than 90% of the User's Cash Call Limit,
- TransCo will if requested by the User pay to the User an amount equal to the amount standing to the credit of the Cash Call Account or (if less) to such part thereof as will, after repayment to the User, result in the User's Outstanding Relevant Balancing Indebtedness being approximately equal to 90% of the User's Cash Call Limit.
- 2.8.7 A User may not make a request pursuant to paragraph 2.8.6 less than 5 Days before the Invoice Due Date in respect of any Energy Balancing Invoice, and TransCo shall be entitled to disregard any such request purportedly so made.
- 2.8.8 The amount standing to the credit of a User's Cash Call Account together with interest accrued thereon (after deducting an amount equal to any payment to the User under paragraph 2.8.6) will be applied by TransCo in or (pro rata) towards payment of the Invoice Amounts in respect of Energy Balancing Charges under the Energy Balancing Invoice(s) for which the Invoice Due Date(s) next follows the date of payment of the relevant Cash Call Amount.
- 2.9 Failure to pay Cash Call
- 2.9.1 Where a User has not paid the whole of a Cash Call by the Business Day following the Day on which the Cash Call was made, and irrespective of the amount of the User's Outstanding Relevant Balancing

Indebtedness as at any Day after the calculation of the Cash Call, TransCo shall be entitled to, and as soon as reasonably practicable after such Business Day will, submit to the User a notice substantially in the form set out the Energy Balancing Credit Rules, notifying the User that TransCo will give Termination Notice to the User if the User does not pay the amount of the Cash Call in full by the 3rd Business Day after the date of such notice.

- 2.9.2 Where TransCo has given notice to a User under paragraph 2.9.1, and until the Cash Call is paid in full:
- (i) the User shall not be entitled to make any Flexibility Bid and TransCo will not accept any Flexibility Bid made by the User;
 - (ii) TransCo will not pay, and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges.
- 2.9.3 Where TransCo has given notice to a User under paragraph 2.9.1 and the User has not paid the amount referred to in the notice in full by the 3rd Business Day following the date of such notice, TransCo shall be entitled to, and as soon as reasonably practicable after such 3rd Business Day will, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.
- 2.9.4 TransCo will send a copy of any notice given under paragraph 2.9.1 or 2.9.3 to the Director.
- 2.9.5 For the avoidance of doubt, TransCo will not call upon any Guarantee or realise and apply any Security in respect of any Cash Call (the basis on which a Guarantee would be called or Security realised and applied being set out in paragraph 3.3).

3. PAYMENT OF ENERGY BALANCING INVOICES

3.1 Resolution of queries after payment in full

It is agreed that, notwithstanding Section S4.2.2, Users shall pay the Net Invoice Amount under each Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding any Invoice Query (and accordingly that Section S4.3 will apply in respect of any such Invoice Query).

3.2 Failure to make payment

- 3.2.1 Where a User does not pay the Net Invoice Amount under an Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding Section V4.3.1(a) TransCo shall be entitled to, and as soon as reasonably practicable after the Invoice Due Date will, submit to the User a notice, substantially in the form set out in the Energy Balancing Credit Rules, notifying the User that TransCo will give Termination Notice to the User if the User does not pay the outstanding amount of the Net Invoice Amount in full by the 5th Business Day after the date of such notice.
- 3.2.2 Where TransCo has given notice to a User under paragraph 3.2.1 and the User has not paid the outstanding amount of the Net Invoice Amount in full by the 5th Business Day following the date of such notice, TransCo shall be entitled to, and as soon as reasonably practicable after such 5th Business Day will, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.
- 3.2.3 TransCo will send a copy of any notice given under paragraph 3.2.1 or 3.2.2 to the Director.

3.3 Guarantees and Security

3.3.1 TransCo may make a call upon a Guarantee or take any step to enforce and realise any Security at any time after TransCo has given notice to the User under paragraph 3.2.1 at which any part of the Net Invoice Amount under any Energy Balancing Invoice remains outstanding.

3.3.2 It shall not be a condition to TransCo's giving Termination Notice under paragraph 3.2.2 that TransCo shall first have made any call upon any Guarantee or taken any steps to enforce or realise any Security.

3.4 Enforcement and recovery steps

3.4.1 For the purposes of this paragraph:

- (a) **"Transportation Debt"** means unpaid indebtedness of a defaulting User in respect of any amount payable under the Code other than Energy Balancing Charges;
- (b) **"Energy Balancing Debt"** means unpaid indebtedness of a defaulting User in respect of Energy Balancing Charges;
- (c) **"Recovery Steps"** are any steps (including any proceedings in any court, and including the defence of any counterclaim or other claim, proceeding or application made or brought by the User or a guarantor in connection with any such step taken by TransCo) taken by TransCo to recover any Energy Balancing Debt or Transportation Debt from a defaulting User or any guarantor of the defaulting User, or to enforce or realise any security (including Security) provided by a defaulting User, or to enforce any judgment against a defaulting User, or to make any claim in any insolvency proceedings relating to a defaulting User;
- (d) **"Recovered Amounts"** means amounts recovered (by way of payment of debt or damages or otherwise) by TransCo as a result of taking Recovery Steps;
- (e) **"Recovery Costs"** means all fees, costs and expenses (including any payments TransCo may be required to make by way of damages or costs or otherwise by any court) incurred by TransCo in taking Recovery Steps (but not including amounts in respect of TransCo's own internal costs and expenses);
- (f) Recovered Amounts or Recovery Costs are:
 - (i) **"energy balancing exclusive"** where such amounts or costs were recovered or incurred:
 - (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to a Guarantee which secures only Energy Balancing Debt or Security, or
 - (2) after TransCo has informed the Energy Balancing Credit Committee that TransCo has decided not to take further Recovery Steps in respect of Transportation Debt;
 - (ii) **"transportation exclusive"** where such amounts or costs were recovered or incurred:

- (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to a guarantee or security which secures only Transportation Debt, or
- (2) after TransCo has been requested by the Energy Balancing Credit Committee not to take further Recovery Steps in respect of the relevant Energy Balancing Debt;

and otherwise are "**shared**";

- (g) the "**energy balancing proportion**" and the "**transportation proportion**" are the aggregate amounts of a defaulting User's Energy Balancing Debt or (as the case may be) Transportation Debt outstanding at the User Discontinuance Date, and before the application of any Recovered Amounts in or towards satisfaction of such amounts, each as a proportion of the sum of such amounts;
- (h) particular Recovered Amounts and Recovery Costs are "**associated**" where such amounts are recovered pursuant to Recovery Steps in taking which such costs are incurred.

3.4.2 TransCo agrees that it will, subject to the further provisions of this paragraph 3.4, take all reasonable steps to recover Energy Balancing Debt from a defaulting User, and to make calls upon and enforce payment under the Guarantee(s) of a defaulting User and to enforce and realise the Security provided by a defaulting User; provided that nothing in this Supplement shall require TransCo to initiate or continue any Recovery Steps where to do so would in TransCo's reasonable opinion expose TransCo or any representative of TransCo to any material risk or liability against which TransCo is not adequately protected by virtue of paragraphs 3.4.4 and 3.4.6.

3.4.3 TransCo will consult with the Energy Balancing Credit Committee and keep such committee reasonably informed as to the Recovery Steps it takes in relation to Energy Balancing Debt, and circumstances in which TransCo does not consider it commercially worthwhile to take or continue to take such Recovery Steps in relation to Transportation Debt; and will and shall be entitled to discontinue taking Recovery Steps (other than any steps necessary for such discontinuance) where the Energy Balancing Credit Committee has authorised it to do so.

3.4.4 TransCo shall be entitled to apply any Recovered Amounts first in or towards payment of the associated Recovery Costs.

3.4.5 Subject to Section V4.4.2, the balance (after application in accordance with paragraph 3.4.4) of any Recovered Amounts will be applied as follows:

- (i) in the case of energy balancing exclusive Recovered Amounts, as to the whole of such balance, as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with Section F4 in the month in which TransCo receives payment in respect of the Recovery Amount;
- (ii) in the case of transportation exclusive Recovered Amounts, as to the whole of such balance, in or towards satisfaction of any Transportation Debt;
- (iii) in the case of shared Recovery Amounts, as to the energy balancing proportion thereof (but not exceeding the amount of unpaid Energy Balancing Debt), as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with Section F4 in the month in which TransCo receives

payment in respect of the Recovery Amount, and as to the transportation proportion thereof, in or towards satisfaction of any Transportation Debt.

3.4.6 Where the amount of TransCo's Recovery Costs exceeds the amount (if any) of the associated Recovery Amounts:

- (i) in the case of energy balancing exclusive Recovery Costs, the whole of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with Section F4 in the month in which TransCo pays such amount;
- (ii) in the case of shared Recovery Costs, the energy balancing proportion of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with Section F4 in the month in which TransCo pays such amount.

NETWORK CODE TRANSITION DOCUMENT

Preamble

This Document deals with the following matters:

- a) Interim Terms that modify the Principal Document for the first few months of operation.
- b) Transitional Arrangements to deal with the first gas flow day and other start up issues.
- c) Run Off Arrangements dealing with closing down pre-Network code transportation contracts.

This preamble does not form part of the Transition Document.

TRANSITION DOCUMENT
DEFINED TERMS

<u>Term</u>	<u>Reference</u>
Absolute Imbalance Tranche.....	Part II - 6.2.1(b)(iii)
Absolute Tolerance Quantity	Part II - 6.2.1(a)
Access-Denied.....	Part V - 3.2.1
Adjusted Daily Imbalance.....	Part II - 6.2.1(b)(i)
Adjusted First Imbalance Tranche	Part II - 6.2.1(b)(ii)
Access - Denied.....	Part V - 3.2.1
Agreed Transition Provision	Part III - 2.4
BG Party (ies).....	Part IV - 1.1(b)
BGT.....	Part I - 2.1
Cap Carry-forward Amount.....	Part II - 5.2.2
Capped Day.....	Part II - 5.2.1
Carried-forward Imbalance Tranche.....	Part II - 6.3.2(a)
Conversion Condition Date.....	Part II - 2.3.1
Converting Supply Meter Point	Part II - 2.1.4
Cumulative Imbalance Charges	Part II - 6.6.1
Cumulative Imbalance Tolerance Quantity	Part II - 6.3.2(c)
current isolation terms.....	Part I - 4.3
Daily Uncleared NCI.....	Part II - 6.3.2(d)
Disclaimed Supply Meter Point	Part II - 7.3
Disclaiming Supply Point Withdrawal.....	Part II - 7.2.2
Excess Cumulative Imbalance Tranche	Part II - 6.3.2(e)
Existing Transportation Contract	Part I - 2.1
Failed Annual Read Meter	Part V - 3.4.4
Failed Monthly Read Meter	Part V - 3.3.4
Failed Opening Read Meter	Part V - 3.5.4
Final Pre-Code Date.....	Part I - 2.1
First Gas Flow Day	Part I - 2.1
First Gas Year	Part III - 1.2(a)
First Storage Year	Part III - 1.2(b)
first visit	Part V - 3.2.1(a)(ii)(1)
Founder User.....	Part I - 2.1
Half-year Period.....	Part V 3.4.1(c)
Interim Terms.....	Part I - 1.2.(a)
Initial	Part III - 1.2(c)

<u>Term</u>	<u>Reference</u>
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initial entry definition document.....	Part III - I 1.4
Initial Meter Reading	Part III - M3(1)(i)
Meter	Part V - 1.2.1
Meter Reading Access Details	Part V - 3.2.3
Meter Reading Information.....	Part V - 1.2.1
Meter Read Visit	Part V 1.2.2(a)
Minimum Converting Capacity.....	Part II - 3.2.2
Monthly Read Window.....	Part V - 3.3.1(b)
NCI Day	Part II - 6.3.2(b)
Negative Run-off User	Part IV - 1.1(e)
Net Cumulative Imbalance.....	Part II - 6.3.2(b)
Network Code	Part I - 2.1
Ofgas Guidance Notes.....	Part V - 1.2.1
Opening Portfolio Statement.....	Part II - 7.1.1
Opening Read Meter	Part V - 3.5.1 (a)(i)
Phase 1	Part II - 1.1
Phase 2	Part II - 1.1
Portfolio Statement.....	Part II - 7.1.2(a)
Positive Run-off User.....	Part IV - 1.1(e)
Pre-Code Closing Imbalance.....	Part IV - 1.1(a)
Pre-Code Capacity	Part I - 3.4 (c)(i)
Pre-Code Portfolio Statement	Part II - 7.1.1(a)
Pre-Code Supply Point.....	Part I - 3.4 (a)
Pre-Code Supply Point Offtake Rate	Part I - 3.4 (c)(ii)
Prevailing Run-off Imbalance.....	Part IV - 1.1(d)
Principal Document.....	Part I - 2.1
procedurally effective date.....	Part II - 7.2.8
quarter	Part V - 3.6.2(b)
relevant aggregate requirement.....	Part V - 3.6.2 (a)
Relevant Annual Read Meter.....	Part V - 3.4.1(a)
relevant contract.....	Part II - 9.1.1(b)
Relevant Meter	Part V - 1.2.1
Relevant Monthly Read Meter.....	Part V - 3.3.1(a)
Relevant Opening Meter	Part V - 3.5.1 (a)(ii)
relevant percentage.....	Part V - 3.6.1
relevant provision.....	Part II - 9.1.1(a)
relevant [Supply Meter Point].....	Part II - 7.2.1(a)
relevant [System Entry Point].....	Part II - 8 (B2.6)
Residual Funding Amount	Part II - 5.4.2

Run-off Arrangements	Part I - 1.2 (c)
Run-off Trade Notification	Part IV - 3.1
Run-off Trade Quantity.....	Part IV - 3.1
Second [Half-year Period].....	Part V - 3.4.4
second visit.....	Part V - 3.2.1(a)(ii)(5)
Self Read	Part V - 1.2.1
Threshold AQ.....	Part II - 2.1.2
Threshold Dates	Part II - 2.2.1
tranche [of Supply Points].....	Part II - 2.2.3
TransCo (MR)	Part V - 1.1.2
Transitional Arrangements.....	Part I - 1.2 (b)
Transition Deadline Date	Part I - 2.1
Transition Document.....	Part I - 1.1
Valid Half-yearly Reading	Part V - 3.4.1(b)
Valid Monthly Reading.....	Part V - 3.3.1(e)
Valid Opening Reading.....	Part V - 3.5.1(b)
Valid Reading.....	Part V - 3.1(a)
Validated [Meter Reading].....	Part V - 2.3.2
Year 1 Estimated PCI.....	Part IV - 1.1(c)
Year 2 Unit Carry Forward Amount	Part II - 5.3.2

<u>Term</u>	<u>Reference</u>
Accession Agreement.....	1.1
Accession Requirements.....	1.1
Applicant User.....	1.2; Accession (2)
Discontinuing User.....	1.2
Effective Date.....	1.1
Founder User.....	1.1
Framework Agreement.....	Accession Recital (A)
Modification Rules.....	1.1
Network Code.....	1.1
Party.....	1.1
TransCo.....	1.1; Accession (1)
TransCo Licence.....	1.1
User Discontinuance Date.....	1.2

NETWORK CODE TRANSITION DOCUMENT
DATED: 1ST MARCH 1996

PART I: GENERAL

1. INTRODUCTION

1.1 With effect from the date of this Document TransCo and Founder Users are bound (pursuant to the Framework Agreement) by the Principal Document and this document ("**Transition Document**").

1.2 This Transition Document contains provisions as to the following matters:

(a) terms ("**Interim Terms**") pursuant to which the arrangements provided for in the Principal Document are modified for periods set out herein;

(b) arrangements ("**Transitional Arrangements**") for the commencement and/or implementation of the arrangements provided for in the Principal Document (as modified by the Interim Terms), including without limitation values of certain parameters under the Network Code as at the First Gas Flow Day;

(c) arrangements ("**Run-off Arrangements**") for the settlement of monetary and gas balances under, and the conclusion of certain other aspects (insofar as not carried forward for the purposes of the Network Code pursuant to the Transitional Arrangements) of Existing Transportation Contracts;

(d) terms for the provision by TransCo of meter reading services until 31st March 1997.

1.3 This Transition Document contains the following parts:

- (i) this Part I which contains general provisions;
- (ii) Part II which contains Interim Terms;
- (iii) Part III which contains Transitional Arrangements;
- (iv) Part IV which contains Run-off Arrangements;
- (v) Part V which contains Meter Reading Terms.

2. INTERPRETATION AND EFFECT

2.1 In this Transition Document the following words and expressions shall have the following meanings:

"Principal Document": the document entitled "Network Code Principal Document" dated 1st March 1996 and prepared by TransCo;

"Final Pre-Code Date": 29th February 1996;

"Network Code": the Code;

"Existing Transportation Contract": subject to paragraph 2.4, a contract between TransCo and a Founder User for the transportation or storage of gas which is in force as at the Final Pre-Code Date and which terminates or expires with effect from the First Gas Flow Day; or as respects any System Exit Point, such a contract (whether or not so terminating or expiring) pursuant to which TransCo conveyed gas to such System Exit Point, where with effect from the First Gas Flow Day the conveyance of gas to such System Exit Point ceases to be subject to such contract;

"First Gas Flow Day": 1st March 1996 (being the first Day which is a Gas Flow Day for the purposes of the Principal Document);

"Founder User": has the same meaning as in the Framework Agreement;

"BGT": British Gas Trading Limited, as successor (pursuant to a nomination and scheme made by British Gas plc for the purposes of Part 1 of Schedule 5 to the Gas Act 1995) to British Gas plc in respect of its activities falling within Sections 5(1)(b) and (c) of the Act; or (where the context requires) British Gas plc as predecessor of British Gas Trading Limited;

"Transition Deadline Date": 26th February 1996.

2.2 In this Transition Document the notation 1995/96 denotes (in the case of a Gas Year) the Gas Year commencing 1st October 1995, and (in the case of a Storage Year) the Storage Year commencing 1st May 1995; and equivalent notations shall be construed accordingly.

2.3 In this Transition Document, except where expressly otherwise provided, words and expressions defined in or for the purposes of the Principal Document and not otherwise defined herein shall have the same meanings as in the Principal Document.

2.4 The term Existing Transportation Contract shall include, insofar as this Document is capable of being given effect on this basis, any formal documented arrangement, in relation to the conveyance of gas to consumers other than domestic consumers, which applied as at the Final Pre-Code Date within British Gas plc as between the divisions which at the First Gas Flow Day are TransCo and BGT.

3. GAS YEAR 1995/96 VALUES, ETC

3.1 For certain purposes of this Transition Document, values of parameters in respect of Supply Meter Points or Supply Point Components under the Network Code are to be ascertained on the basis of values of equivalent parameters under Existing Transportation Contracts.

3.2 Except where otherwise provided, where a term which is defined for the purposes of the Network Code is used in this Transition Document to apply at any time or in respect of any period before the First Gas Flow Day such term shall be construed mutatis mutandis by reference to the circumstances prevailing at such time and (where the context permits) under any Existing Transportation Contract.

3.3 Any reference in this Transition Document:

(i) to a Supply Meter Point Daily Quantity in respect of a Day before the First Gas Flow Day shall be a reference to the equivalent quantity (if any) determined pursuant to an Existing Transportation Contract;

(ii) to any quantity under the Network Code derived from such a Supply Meter Point Daily Quantity shall be construed accordingly.

3.4 For the purposes of this Transition Document:

(a) in relation to a Supply Point or Proposed Supply Point (under the Network Code) comprising particular Supply Meter Points, a **"Pre-Code Supply Point"** is a 'Supply Point' (as defined and existing as at the Final Pre-Code Date under an Existing Transportation Contract, whether or not made with the Registered User or Proposing User) comprising the same Supply Meter Points;

(b) in respect of a Pre-Code Supply Point a reference to the Registered User is to the User party to the relevant Existing Transportation Contract;

(c) in respect of a DM Supply Point Component:

(i) **"Pre-Code Capacity"** means the 'SOQ' (Supply Point Offtake Quantity) as defined in and prevailing at the Final Pre-Code Date in respect of a Pre-Code Supply Point under an Existing Transportation Contract, less (in the case where at the relevant time the relevant Supply Point also includes an NDM Supply Point Component) the amount of the NDM Supply Point Capacity (determined in accordance with Section H4).

(ii) **"Pre-Code Supply Point Offtake Rate"** means the 'SHQ' (Supply Point Hourly Quantity) as defined in and prevailing at the Final Pre-Code Date in respect of a Pre-Code Supply Point under an Existing Transportation Contract, multiplied (in the case where the relevant Supply Point also includes at the relevant time an NDM Supply Point Component, but not otherwise) by the Pre-Code Capacity divided by the SOQ referred to in paragraph (i).

3.5 For the purposes of paragraph 3.2.2(i) of Part II and what is provided in Part III in respect of Section G5.2.3, in respect of a Supply Meter Point which is at any relevant time comprised in

a DM Supply Point Component but for which in any earlier month in a relevant Gas Year the Supply Meter was not Daily Read, the Supply Meter Point Daily Quantity (for each Day in such Gas Year at which the Supply Meter was not Daily Read) shall be deemed to be the Daily average of the quantity established as offtaken pursuant to Valid Meter Readings of such Non-Daily Read Meter.

4. ISOLATION TERMS

4.1 For each Founder User the terms (whether or not the same as the current isolation terms referred to in paragraph 4.3) of the agreement pursuant to which TransCo undertakes (at the request of such User) Isolations for the purposes of the Existing Transportation Contract(s) shall

(i) continue in force on and after the First Gas Flow Day, until the earlier of 31st March 1997 and such time as the User and TransCo shall enter into a new Isolation Siteworks Agreement; and

(ii) be deemed to be modified to such extent if any as is necessary to be consistent with the Code.

4.2 TransCo and Users collectively will endeavour after the First Gas Flow Day to negotiate, with reasonable diligence, terms (acceptable to Users and to TransCo) of a form of Isolation Siteworks Agreement, to be included in Siteworks Terms and Procedures (and not to form part of the Code).

4.3 Until 31st March 1997, the terms ("**current isolation terms**") of the form of Isolation Agreement identified as 'Agreement for the Isolation of a Gas Supply' and dated 8th March 1993 shall be deemed to be incorporated into the Code, for the purposes of enabling a form of Isolation Siteworks Agreement to be established by way of Code Modification in respect of such current isolation terms, in the event that the negotiation of terms thereof pursuant to paragraph 4.2 cannot be concluded; but the current isolation terms, and the terms of any such Agreement established pursuant to a Code Modification, shall cease to be treated as forming a part of the Code with effect from 1st April 1997.

NETWORK CODE TRANSITION DOCUMENT
PART II: INTERIM TERMS

1. INTRODUCTION

1.1 For the purposes of this Part II "**Phase 1**" means the period from the First Gas Flow Day to 31st August 1996 (inclusive) and "**Phase 2**" means the period from 1st September to 30 November 1996 (inclusive).

1.2 Certain provisions of the Principal Document are modified in respect of Phase 1 and in respect of Phase 2, and/or for other periods, as set out in paragraphs 2 to 8 of this Part II.

1.3 In addition, certain provisions of the Principal Document will be implemented only after the First Gas Flow Day, or on a progressive basis after the First Gas Flow Day, as set out in paragraph 9 of this Part II.

1.4 Where inconsistent with any provision of the Principal Document the provisions of this Part II shall prevail.

2. SYSTEM CLASSIFICATION - DEFINITION OF DM SUPPLY METER POINT

2.1 Introduction

2.1.1 In Phases 1 and 2 the definition of DM and NDM Supply Meter Points is modified in accordance with this paragraph 2.

2.1.2 A Supply Meter Point comprised in a Firm Supply Point at which Daily Read Equipment is installed and operational will not at a given time be a DM Supply Meter Point unless the Annual Quantity of such Supply Point exceeds a threshold amount (the "**Threshold AQ**") applicable at that time.

2.1.3 This paragraph 2 shall apply in respect of all Firm Supply Points for the time being, including New Supply Points established pursuant to Supply Point Registrations; and accordingly a Supply Meter Point which is comprised in a New Supply Point in a tranche (as defined below) other than that to which the Existing Supply Point belongs may change from being a DM or an NDM Supply Meter Point.

2.1.4 Where pursuant to this paragraph 2 an NDM Supply Meter Point (a "**Converting Supply Meter Point**") is to become a DM Supply Meter Point, a Supply Point Renomination shall be required in accordance with paragraph 3.

2.1.5 Further references in this paragraph 2 and in paragraph 3 to Supply Points are to Firm Supply Points and to Supply Meter Points are to Supply Meter Points comprised in Firm Supply Points.

2.1.6 Nothing in this paragraph 2 applies in respect of a Supply Meter Point for the time being comprised in an Interruptible Supply Point.

2.1.7 Until the Threshold Date in respect of the first tranche all Firm DM Supply Point Components shall (irrespective of their Annual Quantities) be DMC Supply Point Components; and as soon as reasonably practicable after such date the Registered User of a DM Supply Point Component which should (in accordance with Section A4.5.4) be a DMA Supply Point Component shall submit a Supply Point Reconfirmation to that effect.

2.2 Threshold AQ

2.2.1 The amount of the Threshold AQ shall initially be 58,600,000 kWh (*2,000,000 therms*) and shall reduce at certain dates ("**Threshold Dates**") in accordance with this paragraph 2.2.

2.2.2 Subject to paragraph 2.3, the Threshold Dates and the Threshold AQ applicable with effect on and from each are as follows:

<u>Threshold Date</u> (1996)	<u>Threshold AQ</u>	
	(kWh)	(<i>therms</i>)
1st July	11,720,000	(<i>400,000</i>)
5th August	7,325,000	(<i>250,000</i>)
2nd September	4,690,000	(<i>160,000</i>)
1st October	3,520,000	(<i>120,000</i>)
6th November	2,640,000	(<i>90,000</i>)
1st December	2,196,000	(<i>75,000</i>)

2.2.3 For each Threshold Date, the Supply Points whose Annual Quantities exceed the Threshold AQ and do not exceed the Threshold AQ for the preceding Threshold Date (for which purpose the First Gas Flow Day shall be considered to be a Threshold Date preceding 1st July 1996) are a "**tranche**" of Supply Points.

2.3 Condition

2.3.1 The Threshold AQ will not be reduced with effect from a Threshold Date unless, at the date (the "**Conversion Condition Date**") 35 Business Days before the Threshold Date, the following conditions are satisfied:

(a) TransCo has obtained and provided to the Registered Users Valid Meter Readings for not less than 72 Days in the period from 1st January 1996 to 31st March 1996 from not less than 90% of the Performance Relevant Supply Meters installed at Supply Meter Points whose Annual Quantities are not less than 732,000 kWh (*25,000 therms*) in the relevant tranche;

(b) TransCo has (in accordance with Section M4) obtained and provided to the Registered Users, by the required time (in accordance with Section M5.2.1), not less than the required number (in accordance with paragraph 2.3.2(iii)) of Valid Meter Readings from Daily

Read Supply Meters in the relevant tranche in the last calendar month ending not less than 35 Business Days before the Threshold Date.

2.3.2 For the purposes of paragraph 2.3.1:

(i) Performance Relevant Supply Meter shall have the same meaning as in Section M5.1.1 (including paragraph (b)(ii) thereof);

(ii) a Supply Meter is in a tranche where the Supply Meter Point at which it is installed is comprised in a Supply Point in the relevant tranche;

(iii) the required number under paragraph 2.3.1(b) is the aggregate, for all Days in the relevant calendar month, of 85% of the number of Daily Read Supply Meters in the relevant tranche on each such Day.

2.3.3 Where in relation to any tranche either condition in paragraph 2.3.1 is not satisfied, subject to paragraph 2.3.4:

(i) the Threshold Date for the relevant tranche will be postponed to the next following Threshold Date;

(ii) the number of tranches will be reduced by one;

(iii) TransCo will revise the Threshold AQs applicable from each subsequent Threshold Date (including that next following as referred to in paragraph (i)) so as to achieve a reasonably even distribution (determined as at the time of such revision) between such tranches of the aggregate increment in the number of Supply Points comprised therein; and will notify the revised Threshold AQs to all Users.

2.3.4 If the condition in paragraph 2.3.1(a) is not satisfied in respect of any tranche, TransCo may, after consultation with Users in accordance with paragraph 2.3.5, if the Director shall on TransCo's application give Condition 7(4) Approval to its doing so:

(i) determine that the condition shall be deemed to have been satisfied (in which case it shall be treated as having been satisfied);

(ii) postpone the Threshold Date(s) for any tranche(s) to such dates (after 1st December 1996) as it shall consider will permit such condition to be satisfied;

(iii) redefine the condition in paragraph 2.3.1(a) in relation to any subsequent tranche;
or

(iv) suspend the further application of this paragraph 2 so that there shall be no further reduction of the Threshold AQ.

2.3.5 Where TransCo proposes to do any of the things in paragraph 2.3.4:

(i) it will notify Users and the Director (whether before or after the Conversion Condition Date) of its intention to do so;

(ii) Users may within a period of 7 Days after TransCo's notification submit to TransCo and the Director their views in respect of TransCo's notification;

(iii) after considering the views received from Users, TransCo will, within 14 Days after its notification under paragraph (i), make a formal proposal pursuant to paragraph 2.3.4 to Users and the Director;

(iv) subject to paragraph 2.3.6, TransCo's proposal will lapse unless the Director has given Condition 7(4) Approval (to such proposal with any revisions proposed by TransCo) within 21 Days after the Conversion Condition Date;

(v) the foregoing provisions shall prevail over (insofar as they may be inconsistent with) Section W2.8.

2.3.6 If:

(i) the condition in paragraph 2.3.1(a) is not satisfied in respect of the final tranche on the last Threshold Date (as and if postponed under paragraph 2.3.4(ii)), and

(ii) any proposal made by TransCo lapses pursuant to paragraph 2.3.5(iv)

then the further application of this paragraph 2 shall be deemed to be terminated so that there shall be no further reduction of the Threshold AQ below whatever level applies at the last Threshold Date.

2.4 Daily Read Supply Meters

2.4.1 Notwithstanding this paragraph 2, except as provided in paragraph 2.4.3, the provisions of Sections M4 and M5 as to the obtaining of readings from Daily Read Supply Meters shall apply, irrespective of whether a Supply Meter Point is by virtue of this paragraph 2 an NDM Supply Meter Point.

2.4.2 NDM Reconciliation will be undertaken in respect of such NDM Supply Meter Points on a monthly basis by reference to Valid Meter Readings obtained as described in paragraph 2.4.1.

2.4.3 For the purposes of Section M:

(a) subject to paragraph (b), where a Supply Meter is Daily Read and the Daily Read Requirement applies in respect of the relevant Supply Meter Point, the Registered User shall be liable for the amounts required to be paid under Section M4.1.6, irrespective of whether the Supply Meter Point is (by virtue of this paragraph 2) an NDM Supply Meter Point;

(b) where there is a Daily Read Supply Meter at a Supply Meter Point whose Annual Quantity is less than 732,000 kWh (25,000 therms), or which is comprised in a Supply Point

whose Annual Quantity is less than 2,196,000 kWh (*75,000 therms*) for so long as such Supply Meter Point is an NDM Supply Meter Point:

- (i) such Supply Meter shall not be a Performance Relevant Supply Point;
- (ii) no amount shall be payable pursuant to Section M4.1.6 in respect thereof;
- (iii) TransCo will nevertheless use all reasonable endeavours to provide Valid Meter Readings to the Registered User;
- (iv) Section M4.8 shall not apply in respect of the Daily Read Supply Meter;

(c) in respect of any Performance Relevant Supply Meters in a tranche for which the Threshold Date has not occurred:

- (i) the time by which under Section M5.2.1 TransCo is to provide a Valid Meter Reading is 11:00 hours on the Day which is 2 Days after the Gas Flow Day;
- (ii) the figure in Section M5.2.3(i) shall be £70 and not £210;
- (iii) the figure in Section M5.2.3(ii) shall be £10 and not £30;
- (iv) the relevant percentage (for the purpose of Section M5) shall not be increased pursuant to Section M5.3(c) in respect of the quarter ending 31st December 1996.

(d) for the purposes of paragraph (c) the Threshold AQs and Threshold Dates shall be those in paragraph 2.2.2 disregarding any postponement and revision under paragraphs 2.3.3, 2.3.4 or 2.3.6.

2.4.4 The Registered User of a Supply Point in any tranche may elect (in accordance with paragraph 2.4.5(b)) in respect of an applicable Supply Meter Point, provided that no earlier election under this paragraph 2.4.4 has been made in respect of such Supply Meter Point:

(a) where the Supply Meter at the applicable Supply Meter Point is Daily Read, that the Supply Meter shall cease to be Daily Read; in which case the User shall (as though its election were made under Section G1.5.5) make a Supply Point Reconfirmation in accordance with Section G1.5.6(i) and (if required) the request required under Section G1.5.6(ii) but shall not be required to make any payment in respect of Siteworks for removal of the Daily Read Equipment;

(b) where the Annual Quantity of the applicable Supply Meter Point is not less than 175,800 kWh (*6,000 therms*) and the Supply Meter at the applicable Supply Meter Point is not Daily Read, that (pursuant to and in accordance with Section G1.5.7) the Supply Meter shall be Daily Read; in which case TransCo will arrange for the installation of Daily Read Equipment (as though Section G1.5.9 applied) and the User shall not be required to make any payment in respect of Siteworks for installation of the Daily Read Equipment.

2.4.5 For the purposes of paragraph 2.4.4:

(a) an applicable Supply Meter Point is a Supply Meter Point whose Annual Quantity is less than 732,000 kWh (*25,000 therms*) comprised in a Supply Point in a particular tranche;

(b) a User may make such an election:

(i) in the case where the Threshold Date of the relevant tranche is before 1st August 1996, at any time on or after the Threshold Date and before 1st August 1996 (provided that if the User makes no election on the Threshold Date the Supply Meter shall not be Daily Read, but subject to any subsequent election before 1st August);

(ii) in the case where the Threshold Date of the relevant tranche is on or after 1st August 1996, on the Threshold Date.

2.4.6 Where on the First Gas Flow Day:

(i) the Daily Read Requirement applies (in accordance with Section G1.5.2(i)) in respect of any Supply Meter Point, by reason of the Annual Quantity of the Supply Point in which it is comprised exceeding 2,196,000 kWh (*75,000 therms*), but

(ii) the equivalent measure, under an Existing Transportation Contract, of annual consumption of the Pre-Code Supply Point did not exceed 2,196,000 kWh (*75,000 therms*), and accordingly it was not apparent to TransCo (before the calculation of the Annual Quantity referred to in paragraph (i) was made) that the Daily Read Requirement would so apply, and

(iii) the Supply Meter is not Daily Read,

the Supply Meter shall not be a Performance Relevant Supply Meter (notwithstanding Section M5.1.1(a)(i)) until 1st May 1996 or if earlier the Day on which the Supply Meter becomes Daily Read.

2.4.7 Where:

(i) on the First Gas Flow Day the Daily Read Requirement applies (in accordance with Section G1.5.2(i)) in respect of any Supply Meter Point, by reason of its Annual Quantity exceeding 732,000 kWh (*25,000 therms*), but

(ii) in TransCo's opinion the quantity which the Annual Quantity would (in accordance with Section G1.6.9, if it were applicable, and paragraph 7.6.4 be expected to reflect, does not exceed 732,000 kWh (*25,000 therms*), and

(iii) the Supply Meter is not Daily Read,

then paragraph 2.4.8 shall apply.

2.4.8 In the circumstances in paragraph 2.4.7:

(a) TransCo will notify the User of, and inform the User of the reason for, its opinion under paragraph 2.4.7(ii);

(b) TransCo and the User will review the matter together and endeavour to agree whether or not TransCo's opinion is correct and (if it is) what should be the quantity referred to in paragraph 2.4.7(ii);

(c) where TransCo and the User agree upon such quantity:

(i) it shall (with effect from such agreement) be substituted for the prevailing Annual Quantity of the Supply Meter Point, and for any other Supply Meter Point comprised in the same Supply Point a revised Annual Quantity may also (by agreement of TransCo and the User) be substituted; and

(ii) paragraph 2.4.4(b) shall apply in respect of the Supply Meter Point;

(d) where TransCo and the User do not so agree, either of them may refer the matter to Expert Determination (for the purposes of which it is agreed that Deloitte & Touche, London if willing to act, shall be appointed as expert);

(e) the Supply Meter shall not (unless it otherwise becomes Daily Read) be a Performance Relevant Supply Meter unless it is agreed or determined (pursuant to paragraphs (b) or (d)) that the quantity referred to in paragraph 2.4.7(ii) exceeds 732,000 kWh (25,000 therms), in which case the Supply Meter shall be a Performance Relevant Supply Meter with effect from the expiry of two months after such agreement or determination.

3. DM SUPPLY POINT CONVERSION: SUPPLY POINT RENOMINATION AND SYSTEM CAPACITY

3.1 Supply Point Renomination

3.1.1 The Registered User of a Converting Supply Meter Point shall:

(i) not later than the Conversion Condition Date (and notwithstanding that it is not then known whether the conditions in paragraph 2.3.1 are satisfied or treated as satisfied in respect of the relevant tranche), make a Supply Point Renomination (in respect of the Current Supply Point); and

(ii) upon TransCo's making a Supply Point Offer, and provided that the conditions in paragraph 2.3.1 are satisfied (or treated as satisfied) in respect of the relevant tranche, make a Supply Point Reconfirmation for which the Proposed Supply Point Registration Date shall be the relevant Threshold Date.

3.1.2 As soon as reasonably practicable after the Conversion Condition Date, TransCo will inform all Users and the Director of whether the conditions in paragraph 2.3.1 are satisfied in relation to any tranche.

3.1.3 If a User fails to make a Supply Point Renomination or Supply Point Reconfirmation as required under paragraph 3.1.1, TransCo shall (and is hereby irrevocably and unconditionally authorised to) make a Supply Point Renomination (in accordance with paragraph 3.2.4) or (as the case may be, and provided that the conditions in paragraph 2.3.1 are satisfied or treated as satisfied in respect of the relevant tranche) a Supply Point Reconfirmation on behalf of the User.

3.1.4 A Supply Point Renomination under paragraph 3.1.1(i) may be made, and one made under paragraph 3.1.3 will be made, on the basis that any applicable Supply Meter Point (in accordance with paragraph 2.4.5(a)) is Nominated as an NDM Supply Meter Point; and such Supply Point Renomination will not count as an election under paragraph 2.4.4.

3.1.5 A Supply Point Renomination or a Supply Point Reconfirmation under paragraph 3.1.1 shall not be counted for the purposes of Section G4.

3.2 Supply Point Capacity, etc

3.2.1 The Nominated Supply Point Capacity in respect of the DM Supply Point Component under a Supply Point Renomination under paragraph 3.1.1(i) shall not be less than the Minimum Converting Capacity.

3.2.2 The "**Minimum Converting Capacity**" shall be the greater of:

(i) the highest User SPDQ for any Day from 1st October to 31st May in the Gas Year 1995/6, ascertained as though the relevant Supply Point Component were a DM Supply Point Component and (where there was no Pre-Code Supply Point) in accordance with paragraph 3.5 of Part I; and

(ii) where there was a Pre-Code Supply Point, the Pre-Code Capacity.

3.2.3 A User may not make a Supply Point Confirmation for a Proposed Supply Point which includes a DM Supply Point Component for which the Proposed Supply Point Registration Date is on or after the Conversion Condition Date for the relevant tranche if the Nominated Supply Point Capacity (under the relevant Supply Point Nomination) was less than the Supply Point Capacity which would (under paragraph 3.2.1) have been the Minimum Converting Capacity under a Supply Point Renomination in respect of the Supply Point.

3.2.4 Where under paragraph 3.1.3 TransCo makes a Supply Point Renomination on behalf of the User, the Nominated Supply Point Capacity shall be 110% of the amount of the Minimum Converting Capacity under paragraph 3.2.1 and the Nominated Supply Point Offtake Rate shall be the Pre-Code Supply Point Offtake Rate or if there is no Pre-Code Supply Point, 1/10 of the Nominated Supply Point Capacity, but subject to Section G5.5.3.

3.3 Supply Point Capacity - other requirements

3.3.1 Section G5.2 shall not apply in respect of a Supply Point Renomination under paragraph 3.1.1, but the remaining requirements of Section G5 shall apply.

3.3.2 For the purposes of Section G5.5.3:

(i) where there was a Pre-Code Supply Point, the 'Supply Point Offtake Rate under the Existing Supply Point' (as referred to in that Section G) shall be the Pre-Code Supply Point Offtake Rate;

(ii) where there was no Pre-Code Supply Point, the Nominated Supply Point Offtake Rate shall be deemed to exceed the Supply Point Offtake Rate under the Existing Supply Point.

3.4 DM NTS Exit Capacity

3.4.1 For each User who is the Registered User of one or more Converting Supply Meter Points, with effect from the relevant Threshold Date:

(i) in accordance with Section B3.3, the User's Registered NDM NTS Exit Capacity at the relevant NTS Exit Point will automatically be reduced; and

(ii) except in respect of Converting Supply Meter Points in the last tranche, the DM NTS Exit Capacity held by the User at the relevant NTS Exit Point shall automatically be increased (subject to paragraph 3.4.2) by an amount equal to 80% of the aggregate amount of the User's Supply Point Capacity to be held in respect of DM Supply Point Components comprising Converting Supply Meter Points in the relevant Exit Zone pursuant to paragraph 3.2.

3.4.2 For the purposes of Section B3.2.7:

(i) DM NTS Exit Capacity held by a User pursuant to paragraph 3.4.1 shall be treated as held separately from any other DM NTS Exit Capacity, and shall have a separate capacity period expiring on 30th November 1996;

(ii) for the purposes of determining pursuant to Section B3.2.9 the capacity period of any DM NTS Exit Capacity held other than pursuant to paragraph 3.4.1, the registration of a User as holding DM NTS Exit Capacity held pursuant to paragraph 3.4.1 shall not be counted.

4. ENERGY BALANCING: PHASE 1

4.1 Balancing by Users

4.1.1 Subject to paragraph 4.1.2, in respect of each Day in Phase 1 each User shall use all reasonable endeavours to secure that the sum of its Daily Imbalance and its Net Cumulative Imbalance (in accordance with paragraph 6.3.2(b)) is zero.

4.1.2 In respect of any Day in Phase 1 for which (as notified by TransCo pursuant to Section R6.4.8) Forecast System Demand, as at the latest LDZ Forecast Time not later than 14:00 hours on the Preceding Day, exceeds 85% of System 1-in-20 peak day demand, each User shall in any event secure that its Daily Imbalance is not negative.

4.1.3 In determining whether a User has complied with paragraph 4.1.2 on a Day, due allowance shall be made for any NDM Forecast Deviation (in accordance with Section F2.2.3).

4.2 Limited Flexibility Bid acceptance

4.2.1 During Phase 1, where the aggregate amount of relevant Balancing Neutrality Charges payable to TransCo, less the aggregate amount of relevant Balancing Neutrality Charges payable by TransCo, by or to all Users, in respect of all Days prior to the Gas Flow Day, exceeds (and provided that TransCo may reasonably be expected to know that it exceeds) the amount specified in paragraph 4.2.2, TransCo will not accept Flexibility Bids (other than pursuant to paragraph 4.2.4) for any purpose under Section D for the Gas Flow Day, or any later Day in the same calendar month.

4.2.2 The relevant amount, in respect of any Day in each month of phase 1, is as follows:

<u>Month (1996)</u>	<u>Amount (£ million)</u>
March	10
April	18
May	24
June	30
July	33
August	36

4.2.3 TransCo will inform Users as soon as reasonably practicable after it has determined that pursuant to paragraph 4.2.1 it may no longer accept Flexibility Bids during any month.

4.2.4 Where on any Day in any month in Phase 1 the circumstances in paragraph 4.2.1 apply:

(i) the Flexibility Bids (whether for System Buy or System Sell) submitted by BGT will be treated as made for a Bid Price equal to the System Average Price in accordance with paragraph (iii);

(ii) TransCo may accept such Flexibility Bids for any purposes contemplated by the Code;

(iii) System Average Price, System Marginal Buy Price and System Marginal Sell Price will be determined on the basis in Section F1.2.2 but on the basis that the 30 Days therein referred to are the 30 Days before the Day in the relevant month on which the circumstances in paragraph 4.2.1 first applied.

4.2.5 For the purposes of paragraph 4.2.1:

(a) relevant Balancing Neutrality Charges are Balancing Neutrality Charges calculated in accordance with Section F4 by reference only to Basic Net Neutrality Amounts (but without prejudice to the inclusion of Adjustment Net Neutrality Amounts for the general purposes of Section F4);

(b) in determining (for the purposes of calculating relevant Balancing Neutrality Charges) Basic Net Neutrality Amounts in relation to each Day in any month, it will be assumed, until the Day on which initial Entry Allocation Statements are submitted to TransCo pursuant to Section E2.1.2, that Users' UDQIs are determined on the basis in Section E2.1.8.

5. BALANCING NEUTRALITY CHARGES

5.1 Introduction

5.1.1 In Phase 2 the amount of Balancing Neutrality Charges payable to TransCo in respect of any Day will be capped and any resulting shortfall in the recovery by TransCo of amounts pursuant to Section F4 recovered subsequently, in accordance with this paragraph 5.

5.1.2 For the avoidance of doubt the application of this paragraph 5 will tend to result in positive Balancing Neutrality Financing Adjustments under Section F4.6.

5.2 Capped Balancing Neutrality Charges

5.2.1 Where in respect of any Day (the "**Capped Day**") in Phase 2, in respect of which Balancing Neutrality Charges are payable to TransCo, the Unit Daily Neutrality Amount determined under Section F4.3 exceeds 0.01 pence per kWh:

(i) the amount of the Unit Daily Neutrality Amount taken into account in determining (in accordance with Section F4.2.2) Balancing Neutrality Charges for the Capped Day shall be equal to 0.01 pence per kWh;

(ii) subject to paragraph 5.3.1(ii), the Daily Adjustment Neutrality Amount in respect of the Day following the Capped Day shall be the amount determined in accordance with Section F4.5.2 plus the Cap Carry-forward Amount.

5.2.2 For the purposes of paragraph 5.2.1(ii) the "**Cap Carry-forward Amount**" is the amount by which the Unit Daily Neutrality Amount determined under Section F4.3 in respect of the Capped Day exceeds 0.01 pence per kWh, multiplied by the sum of the relevant UDQIs and relevant UDQOs for all relevant Users for the Capped Day.

5.3 Gas Year 1996/7

5.3.1 Where the Unit Daily Neutrality Amount determined under Section F4.3 in respect of 30th November 1996 exceeds 0.01 pence/kWh:

(i) the amount of the Unit Daily Neutrality Amount, determined in accordance with Section F4.3, in respect of each Day with effect from and including 1st December 1996, shall be increased by the Year 2 Unit Carry Forward Amount, until such time as (by virtue of such increases in the Unit Daily Neutrality Amount) the Cap Carry-forward Amount in respect of 30th November 1996 has been recovered by TransCo;

(ii) paragraph 5.2.1(ii) shall not apply in respect of 1st December 1996.

5.3.2 The "**Year 2 Unit Carry Forward Amount**" is the amount determined as the Cap Carry-forward Amount in respect of 30th November 1996 divided by the sum of all relevant UDQIs and relevant UDQOs of all relevant Users for each Day in Phase 2 (or in respect of the last Day in respect of which paragraph 5.3.1(i) applies, such lesser amount as is necessary for the completion of the recovery of the Cap Carry-forward Amount in respect of 30th November 1996).

5.4 Start-up Funding Amount

5.4.1 TransCo will recover from Users the aggregate amounts incurred and paid (whether before or after the First Gas Flow Day) by TransCo pursuant to the arrangements described in the document entitled 'Start-up Expenses Funded by TransCo' dated 1st March 1996 in accordance with this paragraph 5.4.

5.4.2 For the purposes of this paragraph 5 "**Residual Funding Amount**" in respect of any month means:

- (i) the cumulative aggregate amounts referred to in paragraph 5.4.1, less
- (ii) the cumulative amount recovered by TransCo pursuant to paragraph 5.4.3 in respect of each preceding month.

5.4.3 For each month from the First Gas Flow Day there shall be included as an additional Monthly Neutrality Adjustment Cost for the purposes of Section F4.5.3(v) an amount equal to whichever is the lesser of £60,000, and the Residual Funding Amount.

5.4.4 TransCo will certify to Users the amount from time to time paid by it pursuant to the arrangements referred to in paragraph 5.4.1.

6. IMBALANCE CHARGES

6.1 Daily Imbalance Charges: Phase 1

For each Day in Phase 1, for each User:

- (i) the Imbalance Tolerance Quantity shall be an amount determined as one half of the sum of the User's UDQIs and UDQOs for the Day;

(ii) Section F2.2 shall accordingly not apply for the purposes of determining the Imbalance Tolerance Quantity (but without prejudice to Section C5.2.3(i)).

(iii) Section F2.3 shall apply only as to the amount (if any) of the Second Imbalance Tranche, and the Clearing Price in respect of the System Clearing Contract in relation to the Second Imbalance Tranche shall be ascertained in accordance with Section F2.4.1);

(iv) the amount of the First Imbalance Tranche will be carried forward and paragraphs 6.3 to 6.5 will apply.

6.2 Daily Imbalance Charges: Phase 2

6.2.1 For the purposes of this paragraph 6.2:

(a) the "**Absolute Tolerance Quantity**" is the amount of 219,600 kWh (7,500 *therms*);

(b) for each User, in respect of each Day:

(i) the "**Adjusted Daily Imbalance**" is the amount (if any) by which the magnitude of the Daily Imbalance exceeds the Absolute Tolerance Quantity;

(ii) the "**Adjusted First Imbalance Tranche**" is the amount (if any) by which the magnitude of the First Imbalance Tranche exceeds the Absolute Tolerance Quantity;

(iii) the "**Absolute Imbalance Tranche**" is:

(1) where the magnitude of the Daily Imbalance exceeds the Absolute Tolerance Quantity, the amount of the Absolute Tolerance Quantity;

(2) where the magnitude of the Daily Imbalance does not exceed the Absolute Tolerance Quantity, the magnitude of the Daily Imbalance.

6.2.2 For each Day in Phase 2, for each User:

(i) Section F2.3 shall apply only as to the amount (if any) of the Adjusted Daily Imbalance;

(ii) the reference in Section F2.4.1(a) to the First Imbalance Tranche shall be a reference to the Adjusted First Imbalance Tranche;

(iii) the Second Imbalance Tranche shall (notwithstanding Section F2.1.3(c)) be the amount (if any) by which the magnitude of the Daily Imbalance exceeds whichever is the greater of the Imbalance Tolerance Quantity and the Absolute Tolerance Quantity;

(iv) the amount of the Absolute Imbalance Tranche will be carried forward and paragraphs 6.3 to 6.5 will apply.

6.3 Net Cumulative Imbalances: General

6.3.1 In phases 1 and 2, the gas representing the net cumulative amount of a User's Carried-forward Imbalance Tranches shall be sold and purchased and the imbalance cleared in accordance with this paragraphs 6.3 to 6.5.

6.3.2 For the purposes of the Code, for each User:

(a) "**Carried-forward Imbalance Tranche**" means for a Day in Phase 1, a User's First Imbalance Tranche, and for a Day in Phase 2, a User's Absolute Imbalance Tranche, in each case as carried forward under paragraph 6.1(iv) or 6.2.2(iv);

(b) the "**Net Cumulative Imbalance**" in respect of each Day ("**NCI Day**") is the amount established by the cumulative net aggregation and clearing of that User's Carried-forward Imbalance Tranches under paragraphs 6.3.3 and 6.4 for Days up to and including that Day;

(c) the "**Cumulative Imbalance Tolerance Quantity**" is the quantity of gas which is:

(i) in Phase 1, 3 times the arithmetic mean of the User's Imbalance Tolerance Quantity under paragraph 6.1(i) for each of the 29 Days preceding the NCI Day and the NCI Day (or if less than 30, all of the Days from 1st March 1996 up to and including the NCI Day);

(ii) in Phase 2, the aggregate of the User's UDQIs and UDQOs for each of the 29 Days preceding the NCI Day and the NCI Day divided by 400;

(d) the "**Daily Uncleared NCI**" is the amount determined for the NCI Day in accordance with paragraph 6.3.3;

(e) the "**Excess Cumulative Imbalance Tranche**" is the amount (if any) by which the magnitude of the Daily Uncleared NCI exceeds the Cumulative Imbalance Tolerance Quantity.

6.3.3 For each User the magnitude of the Carried-forward Imbalance Tranche shall be:

(i) where the Daily Imbalance for the NCI Day is positive, added to the Net Cumulative Imbalance for the preceding Day;

(ii) where the Daily Imbalance for the NCI Day is negative, deducted from the Net Cumulative Imbalance for the preceding Day;

to determine the Daily Uncleared NCI for the NCI Day.

6.4 Net Cumulative Imbalances: Clearing

6.4.1 Where the magnitude of the Daily Uncleared NCI for the NCI Day exceeds the Cumulative Imbalance Tolerance Quantity, the quantity of gas comprising the Excess Cumulative Imbalance Tranche shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

6.4.2 For the purposes of such System Clearing Contract:

(i) where the Daily Uncleared NCI is positive, the seller is the User and the buyer is TransCo;

(ii) where the Daily Uncleared NCI is negative, the seller is TransCo and the buyer is the User.

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

6.4.4 The Daily Uncleared NCI shall be extinguished as to the Excess Cumulative Imbalance Tranche by the System Clearing Contract under paragraph 6.4.1 and (subject to paragraph 6.4.5) the remaining amount thereof is the Net Cumulative Imbalance for the NCI Day.

6.4.5 Where the NCI Day is the last Day of a month, the quantity of gas comprising the amount which (under paragraph 6.4.4) would be the Net Cumulative Imbalance for the NCI Day shall be deemed to have been purchased and sold pursuant to a System Clearing Contract (in relation to which paragraph 6.4.2 shall apply) and the Net Cumulative Imbalance for the NCI Day shall be extinguished accordingly.

6.5 Net Cumulative Imbalance: Clearing Price

6.5.1 The Clearing Price in respect of the System Clearing Contract under paragraph 6.4.1 shall be the amount of the Excess Cumulative Imbalance Tranche multiplied by:

(a) in Phase 1:

(i) where the Daily Uncleared NCI is positive, the System Marginal Sell Price for the NCI Day;

(ii) where the Daily Uncleared NCI is negative, the System Marginal Buy Price for the NCI Day.

(b) in Phase 2, the System Average Price for the NCI Day.

6.5.2 The Clearing Price in respect of the System Clearing Contract under paragraph 6.4.5 shall be the amount of the quantity referred to in that paragraph multiplied by the amount which would be determined as the System Average Price for the NCI Day pursuant to Section F1.2.2.

6.5.3 The buyer shall pay the Clearing Price in respect of the Excess Cumulative Imbalance Tranche or the quantity under paragraph 6.4.5 to the seller.

6.5.4 The Clearing Price shall be invoiced and payable in accordance with Section S.

6.6 Cumulative Imbalance Charges

6.6.1 For the purposes of the Code "**Cumulative Imbalance Charges**" are amounts payable pursuant to paragraph 6.4.

6.6.2 For the purposes of the Principal Document, in Phases 1 and 2:

(i) any reference to Balancing Charges shall include Cumulative Imbalance Charges;

(ii) in Section F4.4.2 there shall be deemed to be added as paragraph (d) the following: "the Cumulative Imbalance Charges payable to TransCo in respect of negative Net Cumulative Imbalances";

(iii) in Section F4.4.3 there shall be deemed to be added as paragraph (c) the following: "the Cumulative Imbalance Charges payable by TransCo in respect of positive Net Cumulative Imbalances".

7. INITIAL SUPPLY POINT REGISTER AND ANNUAL QUANTITIES

7.1 Introduction

7.1.1 For the purposes of establishing the Initial Supply Point Register:

(a) in December 1995 TransCo provided to each Founder User a Portfolio Statement ("**Pre-Code Portfolio Statement**"), and will as soon as reasonably practicable after the First Gas Flow Day, provide to each Founder User a further Portfolio Statement ("**Opening Portfolio Statement**");

(b) pursuant to the Agreed Transition Provision, each User has been able (until 16th February 1996) to advise TransCo that the User considers that it should not have been shown as Registered User in respect of any Supply Meter Point in a Pre-Code Portfolio Statement;

(c) with effect from 7th February 1996 TransCo agreed:

(i) to notify each User by facsimile before revising the Supply Point Register (other than pursuant to a Supply Point Confirmation submitted by the User) to show the User as Registered User of a Supply Meter Point, and

(ii) not to make such revision if (within 5 Business Days after TransCo's notification) the User requested that such revision should not be made.

7.1.2 For the purposes of this paragraph 7:

(a) a "**Portfolio Statement**" is an extract from the Supply Point Register showing the Supply Meter Points and Supply Points of which a Founder User is or is expected to be Registered User as at the First Gas Flow Day;

(b) the terms 'Initial' and 'Agreed Transition Provision' have the meanings ascribed thereto in Part III.

7.2 Disclaiming Withdrawals

7.2.1 Where:

(a) a User is shown as being the Registered User (as at the First Gas Flow Day) of a Supply Meter Point (the "**relevant**" Supply Meter Point) in the Opening Portfolio Statement, and

(b) either:

(i) the User was not shown as being the Registered User of such Supply Meter Point in the Pre-code Portfolio Statement and has not (pursuant to the Agreed Transition Provision) submitted a Supply Point Confirmation in respect of a Supply Point including that Supply Meter Point, or

(ii) the User was shown as the Registered User of such Supply Meter Point in the Pre-Code Portfolio Statement and (on or before 16th February 1996) advised TransCo that it should not be so shown, and TransCo has not (by revising the Supply Point Register) acted on such advice;

then paragraph 7.2.2 shall apply.

7.2.2 Where this paragraph 7.2.2 applies, if not later than the relevant date (in accordance with paragraph 7.4) the User:

(i) submits a Supply Point Withdrawal in respect of the Supply Point in which the relevant Supply Meter Point is comprised, and

(ii) at the same time notifies TransCo (specifying the Supply Meter Point Reference Number of the relevant Supply Meter Point) that the User considers that it should not be the Registered User in respect of such Supply Meter Point,

then in relation to such Supply Point Withdrawal (a "**Disclaiming Supply Point Withdrawal**") Section G3.2 shall be treated as applying (as respects such User) as though the relevant Supply Meter Point had been Isolated on the First Gas Flow Day.

7.2.3 Where (pursuant to paragraph 7.2.2) Section G3.2 is treated as applying:

- (i) Sections G3.2.3 and (where applicable) G3.4.3 shall not apply;
- (ii) without prejudice to any Meter Reading arranged by TransCo, G3.4.4 shall not apply.

7.2.4 Notwithstanding paragraph 7.2.2, in accordance with Section E1.9.2 no revision will be made in respect of the User's Daily Imbalance in respect of any Day from the First Gas Flow Day until the procedurally effective date, and no revision will be made in respect of any Balancing Charges (other than Scheduling Charges) payable by or to the User in respect of such period.

7.2.5 For the purposes of giving effect to paragraph 7.2.2:

(a) adjustments by way of invoice credit, or pursuant to NDM Reconciliation, will be made in relation to the period from the First Gas Flow Day until the procedurally effective date, in respect of any Transportation Charges, Overrun Charges, Supply Point Ratchet Charges or Output Scheduling Charges invoiced to or paid by the User in respect of the relevant Supply Meter Point and the Supply Point Component in which it was comprised, and (pursuant to NDM Reconciliation) in respect of the gas treated as offtaken by the User from the System at the Supply Meter Point in such period;

(b) such invoicing adjustments will be made on the basis of TransCo's best estimates of the relevant amounts.

7.2.6 For the avoidance of doubt (and in accordance with Section N1.4.2) the gas offtaken (before or after the procedurally effective date) from the System at a Supply Meter Point subject to a Disclaiming Supply Point Withdrawal will not be shrinkage.

7.2.7 Where a User submits a Disclaiming Supply Point Withdrawal, Section G3.1.4 shall not apply until after the procedurally effective date.

7.2.8 For the purposes of this paragraph 7, the "**procedurally effective date**" is the date on which TransCo completes such procedural and administrative steps (which steps shall be taken as soon as reasonably practicable after the submission of the Disclaiming Supply Point Withdrawal but in accordance with Section V7.1.3 shall not have the effect of making TransCo a User in respect of the relevant Supply Meter Point), in relation to the Supply Point Register and otherwise, as may be appropriate to give effect to a Disclaiming Supply Point Withdrawal.

7.3 No sale contract

Where a User:

(i) advised TransCo (as described in paragraph 7.1.1(b)) that it should not have been shown in a Pre-Code Portfolio Statement as the Registered User of a Supply Meter Point, or

(ii) requested TransCo (as described in paragraph 7.1.1(c)(ii)) not to revise the Supply Point Register to show the User as Registered User of a Supply Meter Point, or

(iii) submits a Disclaiming Supply Point Withdrawal in respect of a relevant Supply Point Meter,

the User shall be deemed to warrant or have warranted to TransCo that as at the First Gas Flow Day there will be or (as the case may be) there is no contract between the User and any person for the sale or supply of gas offtaken from the System at the Supply Meter Point (a "**Disclaimed Supply Meter Point**") and that the User has not required or received and will not require or receive any payment from any person in respect of gas so offtaken.

7.4 Relevant date

7.4.1 For the purposes of paragraph 7.2.2, subject to paragraph 7.4.2, the relevant date for a User is the date which is 15 Business Days after the date on which TransCo provided to the User the Opening Portfolio Statement.

7.4.2 Where:

(a) in the period from the 11th to the 13th Business Day after the date on which TransCo provided to the User the Opening Portfolio Statement, a User requests TransCo that the relevant date be deferred, specifying the requested deferred date; and

(b) the User has acted with all reasonable diligence in reviewing the Opening Portfolio Statement and exercising the entitlement pursuant to paragraph 7.2.2, having regard to:

(i) the progress made by the User in doing so, of itself and in comparison with other Users;

(ii) the number of Supply Meter Points contained in the User's Opening Portfolio Statement which were not contained in the User's Pre-Code Portfolio Statement; and

(iii) where (as described in paragraph 7.1.1(c)) TransCo notified the User of any proposed revisions to the Supply Point Register to show the User as Registered User of any Supply Meter Points and the User did not request otherwise, whether the User has submitted Disclaiming Supply Point Withdrawals in respect of any such Supply Meter Points;

the relevant date shall be deferred to such date (not later than the date specified by the User) as is reasonable in the circumstances.

7.4.3 If within 2 Business Days after a User's request under paragraph 7.4.2(a) the User and TransCo have failed to agree upon whether the relevant date should be deferred or (if so) to what later date:

(i) the matter shall be referred (on the basis of oral and not written representations) to Deloitte & Touche, London who shall be requested to determine the matter within 3 Business Days and shall be considered to be acting as an expert for the purposes of Sections T2.3.5, 2.3.6, 2.5, 2.7, 2.8 and 2.9, but not otherwise; and each User irrevocably authorises TransCo to engage Deloitte & Touche for such purposes and upon reasonable terms;

(ii) where the matter has not been so determined by the 15th Business Day (referred to in paragraph 7.4.1), the User shall submit no further Disclaiming Supply Point Withdrawals until and unless it is determined that the relevant date should be deferred.

7.5 Confirmation of relevant Supply Meter Points

7.5.1 Where a User submits a Supply Point Confirmation in respect a Supply Point which includes a Disclaimed Supply Meter Point, subject to paragraph 7.5.2, it will be considered that the User should with effect from the First Gas Flow Day have been the Registered User of the Supply Point.

7.5.2 Paragraph 7.5.1 will not apply if (not later than the time at which its Supply Point Confirmation is submitted) the User notifies and provides reasonable evidence to TransCo:

(i) that there was no contract between the User and any person for the sale or supply of gas offtaken from the System at the Disclaimed Supply Meter Point between the First Gas Flow Day and the Proposed Supply Point Registration Date, and

(ii) that the User has not required or received and will not require or receive any payment from any person in respect of gas so offtaken.

7.5.3 Where paragraph 7.5.1 applies, subject to paragraph 7.5.4, adjustments will be made in respect of the Transportation Charges payable by the User, and in respect of the next following NDM Reconciliation, with a view to securing (as nearly as may be) that such charges and the Reconciliation Values are determined and such reconciliation is given effect as though the User had been the Registered User with effect from the First Gas Flow Day; and appropriate invoice adjustments will be made.

7.5.4 Notwithstanding paragraph 7.5.3, in accordance with Section E1.9.2 no revision will be made in respect of the User's Daily Imbalance in respect of any Day from the First Gas Flow Day until the Supply Point Registration Date, and no revision will be made in respect of any Balancing Charges payable by or to the User in respect of such period.

7.5.5 TransCo will not take any steps in relation to any Disclaimed Supply Meter Point which it would or might take on the basis that there is no arrangement in force with a gas shipper for the conveyance of gas to such Supply Meter Point, until:

(i) in a case under paragraph 7.3(i), 1st May 1996;

(ii) in a case under paragraph 7.3(ii) or (iii), 1st June 1996;

but may do so thereafter.

7.6 Initial Annual Quantities

7.6.1 Subject to paragraph 7.6.3, before the First Gas Flow Day a User may have notified TransCo, and until the expiry of a period of one month after the date on which TransCo provided to the User the Opening Portfolio Statement a User may notify TransCo, that the User considers that the Initial Annual Quantity of a Supply Meter Point, comprised in a Supply Point of which on the First Gas Flow Day the User is the Registered User, fails to satisfy the requirement (in accordance with paragraph 7.6.4) in Section G1.6.9.

7.6.2 In relation to any such notification as is referred to in paragraph 7.6.1, Sections G1.6.8(b) and G1.6.10 shall apply as though the User's notification had been made under Section G1.6.8(a) (disregarding sub-paragraphs (i) and (ii) thereof) and on the basis that references to the relevant Gas Year are to the period from the First Gas Flow Day to 30th September 1996.

7.6.3 A notification under paragraph 7.6.1 may only have been given (unless it has otherwise been accepted by TransCo) or be given where the quantity which the User estimates (in accordance with Section G1.6.8(b)(i)) should be the Annual Quantity of the Supply Meter Point differs from the Initial Annual Quantity shown in the relevant Opening Portfolio Statement by not less than:

(i) where the Initial Annual Quantity of the Supply Point is greater than 732,000 kWh (*25,000 therms*), 10%;

(ii) where the Initial Annual Quantity of the Supply Point is greater than 293,000 kWh (*10,000 therms*) but not greater than 732,000 kWh (*25,000 therms*), 20%;

(iii) where the Initial Annual Quantity of the Supply Point is not greater than 293,000 kWh (*10,000 therms*), 30%.

7.6.4 For the purposes hereof Section G1.6.9 shall be construed on the basis that the period therein referred to is the period of 12 months ending 30th June 1995 and that the reference in that Section to the quantity offtaken shall be treated as being to the quantity which would under seasonal normal conditions have been offtaken.

7.7 Further revision of register

After the date on which TransCo provides Opening Portfolio Statements to Users, TransCo will not revise the Supply Point Register, other than in accordance with the provisions of the Code (including this paragraph 7):

(i) to show a User as the Registered User of a Supply Meter Point, without the prior consent of that User;

(ii) to change the Annual Quantity of a Supply Meter Point, without the prior consent of the Registered User.

8. MISCELLANEOUS

Section B

B2.2.7 A User who applies to be registered as holding System Entry Capacity at any Aggregate System Entry Point with effect from the First Gas Flow Day may at the time of its application elect that the capacity period should (notwithstanding Section B2.2.7) expire on 30th September 1996.

B2.6 (1) Paragraph (2) shall apply in respect of any Day from the First Gas Flow Day until 31st March 1997, other than a Day of Programmed Maintenance, on which, in relation to any System Entry Point (the "**relevant**" System Entry Point):

(a) either:

(i) TransCo does not take delivery of all of the gas which is tendered by Users in aggregate for delivery to the System at the relevant System Entry Point, or

(ii) TransCo notified a Transportation Constraint pursuant to Section C4 in respect of such System Entry Point

(whether or not Section I3.7.2 applies in respect of the relevant System Entry Point on that Day), and

(b) the aggregate quantity of gas of which TransCo took delivery at the relevant System Exit Point was less than the relevant maximum.

(2) Where for any relevant User the Day referred to in paragraph (1) is an overrun day (in accordance with Section B2.6.1) in respect of any Aggregate System Entry Point (other than that in which the relevant System Entry Point is comprised), the overrun quantity (in accordance with paragraph 2.6.2(a)), or in the case of more than one Aggregate System Entry Point the overrun quantities in aggregate (each as to a proportion specified by the User), will be reduced by the relevant proportion of the amount by which the relevant maximum exceeds the Entry Point Daily Quantity Delivered for the relevant System Entry Point for the Day.

(3) For the purposes of paragraph (2):

(a) a relevant User is a User who made an Input Nomination for the relevant System Entry Point for the Day;

(b) the relevant maximum is whichever is the least of:

(i) the maximum rate of delivery (expressed as a Daily amount and stated as a quantity on the basis of the appropriate calorific value), for the month in which

such Day falls, shown (pursuant to Section I3.11) in the Ten Year Statement for the relevant System Entry Point;

(ii) the amount determined as $(C_a * C1/C_n)$ in accordance with Section I3.7.2 (as though the Day were a relevant Day for the purposes of that Section); and

(iii) the sum of the Nomination Quantities under all Input Nominations for the relevant System Entry Point at the relevant time;

(c) the relevant proportion is the proportion determined as the eligible quantity for the relevant User divided by the sum of the eligible quantities for all relevant Users, where the eligible quantity for a relevant User is:

(i) the Nomination Quantity under the User's Input Nomination for the relevant System Entry Point at the relevant time, less

(ii) the UDQI for the relevant User for the relevant System Entry Point;

(d) the relevant time shall be the relevant time in accordance with Section I3.7.3(b) (as though that Section applied in the relevant case).

B3.6.3 For overrun days in March and April 1996 the figure 1.5 shall be substituted for the figure 2 in Section B3.6.3.

B4.7.6 For Supply Point Ratchets occurring in March and April 1996 the figure 1 shall be substituted for the figure 2 in Section B4.7.6(i) and (ii).

Section D

D2.4.1 Until 1st September 1996 or (if TransCo so notifies Users with an explanation of the delay in making the required modification to UK Link) 1st March 1997, a Flexibility Bid may not be designated as made under Section D2.4.1(b)(ii).

Section F

F1.2.3 Where in Phase 1 the System Average Price is to be a price determined by an alternative basis (as described in Section F1.2.3), such price shall be the System Average Price for all purposes of the Code and not only for the purposes of Section F5.

F2.2.2 The Applicable Imbalance Tolerance Percentage in respect of a DM Supply Point Component and a relevant Connected System Exit Point shall be 8% (and not 3%) from the First Gas Flow Day until 30th November 1997.

Section G (Supply Points)

G1.6 Where the Initial Annual Quantity of a Supply Point of which the Registered User is a User other than BGT, would otherwise be less than 73,200 kWh (2,500 therms), the Initial Annual Quantity shall be equal to 73,200 kWh (2,500 therms).

G1.6 Annual Quantities of Supply Meter Points for Gas Year 1995/6 are calculated on the basis of a flow weighted average calorific value for all quantities of gas offtaken from the System determined on the basis under Section W3.3.1(c)(iii).

G1.8.3 For the purposes of paragraph G1.8.3(c), until 31st March 1997, only TransCo may be appointed as Meter Reader in respect of a Sub-deduct Supply Meter Point.

G1.12 No Founder User elects to make Code Communications under Section G as Conventional Notices.

G2.7.5 Until 1st April 1997, the requirement that TransCo notify revised details of Supply Point Transportation Charges in the circumstances in Section G2.7.5 shall not apply.

G4.7 For the purposes of Section G4.7.1, non-compliant Supply Point Nominations, Supply Point Confirmations and requests for Isolation:

- (i) made in the months of March and April 1996, shall not be counted;
- (ii) made in the month of May 1996 by a User who did not request pursuant to paragraph 7.4.2 above a deferral of the relevant date, shall not be counted;
- (iii) made in the months of May (other than by such a User as is referred to in paragraph (ii)), and in the months of June to August 1996, shall be counted only as to every other one made by the relevant User.

G5.2.3 Until 30th September 1996, the Bottom-stop Supply Point Capacity in respect of an Interruptible DM Supply Point Component shall, notwithstanding Section G5.2.3, be equal to the Prevailing Supply Point Capacity.

Section I (Entry requirements)

I3.8.6 For the purposes of Section I3.8.6, for Days from the First Gas Flow Day until 31st March 1997, the requirement (pursuant to that Section) that there shall have been at least three consecutive relevant Days (as therein defined), before the reduction in the liability of a User to pay System Entry Capacity Charges therein provided for, shall not apply; and accordingly such reduction shall apply in respect of any relevant Day.

Section J (Exit requirements)

J3.10 (1) Unless the CSEP Network Exit Agreement provides otherwise, the CSEP Liability Sharing Proportion in respect of each LDZ Connected System Exit Point to which Section J3.10 applies shall (notwithstanding Section J3.10.7) be:

(i) until such time, not earlier than 1st May 1997, at which another proportion is determined under paragraph (3), one;

(ii) with effect from such time, the proportion (applicable to the relevant LDZ Connected System Exit Point) so determined.

(2) All relevant CSEP Users and TransCo agree to meet, commencing reasonably promptly after the date of the Code, and review together on a mutually agreeable basis (in consultation with relevant Connected System Operators and with the Director) what principles are appropriate to determine CSEP Liability Sharing Proportions.

(3) In respect of each LDZ Connected System Exit Point to which Section J3.10 applies, the proportion referred to in paragraph (1)(ii) shall be such proportion, or the proportion determined by such mechanism, as following the review under paragraph (2) TransCo shall with Condition 7(4) Approval of the Director determine and notify to the relevant CSEP Users and Connected System Operator.

Section K (Margins)

K5.5 For the purposes of Section K5.5, in relation the Storage Year 1995/6, the Closing Margins Adjustment Charge shall be calculated by reference to relevant UDQIs and relevant UDQOs of relevant Users for Days in the month preceding that in which such charge is calculated.

Section L (Maintenance planning)

L1.5 For the purposes of establishing the April Maintenance Programme for the period commencing 1st April 1996:

(a) the requirement under Section L2.1 will not apply;

(b) for the purposes of Section L3.3.1(i):

(i) TransCo will prepare a draft Maintenance Programme on the basis of its own estimates and information available to it before the First Gas Flow Day, and

(ii) the date in Section L1.5(a)(i) shall be deemed to be 1st March and not 30th November;

(c) Users may provide information in accordance with Section L3.3.2(i) until 15th March 1996;

(d) there will be no Annual Maintenance Meeting, and TransCo will prepare such Maintenance Programme on the basis of the draft referred to in paragraph (a) and the information received from Users in accordance with paragraph (c).

Section M (Supply Point Metering)

M1.5.3 Until 31st March 1997 (but not thereafter) the Network Code Validation Rules shall be treated, for the purposes of securing that they may be modified only by way of Code Modification, as forming part of the Code.

Section P (Top-up)

P3.4 (1) As provided in Part III in respect of Section P2.1.3, there is a Remaining Stored Gas Requirement for the Storage Year 1995/96.

(2) Section P3.4 shall accordingly apply from the date of the Code until the end of the Storage Year 1995/96.

(3) Where and for so long as, pursuant to an injection under Section P3.4, the Top-up Manager holds gas-in-storage in the Rough Facility, the application of what is provided below in respect of Section P5 below shall be suspended, and (subject to what is provided below in respect of Sections P5.3 and P6.4) Sections P5 and P6 shall apply in accordance with their terms.

P4.3.1 In Section P4.3.1, for the Gas Year 1995/96 the figure '100%' shall apply in place of the figure 105%.

P5 (1) Notwithstanding what is provided in Part III in respect of Section P2.6, in the Storage Year 1995/96, but subject to what is provided in respect of Section P3.4 above, the Top-up Manager will make Top-up Flexibility Bids (and where applicable Flexibility Bids under Section P5.2.5) in relation to the Storage Connection Point of the Rough Facility.

(2) For the purposes of giving effect to paragraph (1):

(i) the maximum Flexibility Flow Rate Change shall be the rate equivalent to the Storage Deliverability held by TransCo for Balancing Margins Purposes in the Rough Facility;

(ii) except as provided in paragraph (i), references in Section P5.2 to the Storage Capacity or gas-in-storage held by the Top-up Manager shall be construed as references to what is held by TransCo as Balancing Margins in the Rough Facility;

(iii) the value of 'G' in Section P5.3 shall be Balancing Margins WACOG for the Rough Facility.

(3) Where a Top-up Flexibility Bid is accepted the Flexibility Quantity (net of the Flexibility Quantity under any accepted Flexibility Bid under Section P5.2.5) will be treated as being gas withdrawn from the Rough Facility for Balancing Margins Purposes for the purposes of determining Eligible Margins Costs in accordance with Section K5.2.2; and

accordingly there shall not be deemed to be any Storage Transfer between TransCo for Balancing Margins Purposes and the Top-up Manager.

(4) In lieu of the provisions of Section P6:

(i) in Section F4.4.3 the amount determined under paragraph (ii) in respect of the Day shall be an additional Balancing Neutrality Adjustment Revenue;

(ii) the said amount is the amount receivable by the Top-up Manager by way of Flexibility Charge in respect of an accepted Top-up Flexibility Bid, less the amount payable by it in respect of any Flexibility Bid under Section P5.2.5 accepted for the Day.

P5.3 For the purposes of Section P5.3, the value of 'N' shall be 5 for the Gas Year 1995/96 and 15 for the Gas Year 1996/97.

P6.4 For the purposes of Section P6.4, in the Storage Year 1995/6 UDQOs of BGT in respect of Supply Points whose Annual Quantities do not exceed 73,200 kWh (2,500 therms) shall not be relevant UDQOs.

P6.4.3 For the purposes of Section P6.4.3(ii), in relation the Storage Year 1995/6, Top-up Neutrality Charges for months after the Top-up Recovery Period shall be calculated by reference to relevant UDQOs of relevant Users for Days in the preceding month.

Section Q (Emergencies)

Q TransCo and Users acknowledge:

(a) that the Health and Safety Commission is expected in 1996 to make regulations relating to the safety of the conveyance of gas by pipelines;

(b) that it will be necessary to modify (pursuant to a Code Modification) Section Q in the light of such regulations;

(c) that what constitutes an Emergency, and when an Emergency is taken to have occurred, may be capable of definition by reference to such regulations; and

(d) that in defining an Emergency (in any such modification of Section Q) it will be appropriate (by way of confirmation):

(i) to recognise that the level of the Bid Prices of the Flexibility Bids which TransCo is at any time accepting does not of itself prejudice the safety of the System, and accordingly

(ii) to define Emergency with a view (without prejudicing TransCo's ability to maintain safety of the System) to securing that the acceptance of Flexibility Bids (as a

measure for Operational Balancing) is not suspended until such time as it is no longer practicable for TransCo safely to maintain an Operational Balance by means of such measure.

Section R (Storage)

R3.1 The date by which (for the purposes of Section R3.1.1) the Annual Storage Invitation for the Storage Year commencing 1st May 1996 is to be issued will be 15th March 1996 (and not 31st January 1996); and the date by which (for the purposes of Section R3.1.6) the Storage Operator will inform Users of their Registered Storage Capacity pursuant to applications thereunder will be 30th April 1996.

R5.3.7(i) The date by which the Storage Operator will notify Initial Provision Injection Programmes will be 30th April 1996.

Section S (Invoicing)

S1.4.2 (1) Subject to paragraph (3), until the relevant date, the Invoice Due Date in respect of relevant Invoice Items (without prejudice to the Invoice Due Date in respect of other Invoice Items contained in the relevant Invoice Document) shall be the Invoice Due Date in respect of the last to be submitted (in respect of the relevant Billing Period) of the Invoice Documents in respect of relevant Invoice Items, and such Invoice Due Date shall be determined on the basis that the number of Days specified in Section S3.1.2(a)(i) is as set out below by reference to the relevant percentage of Monthly Meter Readings:

<u>Percentage</u>	<u>No of Days</u>
85 - 100	12
75 - 85	14
65 - 75	20
55 - 65	28
45 - 55	38
35 - 45	50
25 - 35	66
15 - 25	86
0 - 15	112

(2) For the purposes of paragraph (1):

(i) the relevant date is, as respects any particular User, the 1st Day of the first month after a period of three consecutive months in each of which the relevant percentage of Monthly Meter Readings (determined as respects such User and not as respects Users in aggregate) is not less than 90%, or if earlier, 31st March 1997;

(ii) relevant Invoice Items are LDZ Capacity Charges, LDZ Commodity Charges and Reconciliation Clearing Charges in relation to NDM Reconciliation;

(iii) the relevant percentage of Monthly Meter Readings is, as respects any particular User, and for the relevant Billing Period, the percentage determined as $(B/A * 100)$ where 'A' and 'B' have the meanings in paragraph 3.3.3 of Part V of this Transition Document.

(3) Where a User engages a person other than TransCo as Meter Reader in respect of a significant proportion of the User's Monthly Read Meters, TransCo and the User will review in good faith whether it is appropriate for paragraph (1) to continue to apply as respects that User.

S4.2.4 In relation to any Invoice Document in respect of Billing Periods from the First Gas Flow Day until 30th September 1996, where a User raises an Invoice Query in accordance with Section S4.2.1, for a period of 30 Days after the Invoice Due Date interest will not become payable on the amount agreed or determined to be payable by the User unless it is agreed or determined that the Invoice Query was not a bona fide question or dispute.

S-1 In Annex S-1 Cumulative Imbalance Charges shall be Invoice Amounts in the Balancing Invoice.

Network Code Supplement (Energy Balancing Credit Management)

Su2.4 (1) Subject to paragraph (2), from the First Gas Flow Day until 30th April 1996:

(a) there will be no Secured Credit Limit in respect of any User;

(b) a User's Cash Call Limit shall be 85 % of whichever is the greater of:

(i) £250,000, and

(ii) the amount calculated as 10% of the quantity estimated by TransCo (and notified to the User not later than the Transition Deadline Date) to be the total quantity of gas to be offtaken by the User from the System on all Days in March 1996, multiplied by 0.3 p/kWh (*8.79 pence/therm*);

(2) Where the User has expressly requested TransCo that a Secured Credit Limit should (in accordance with the Supplement) be assigned to such User, with effect from the date on which a Secured Credit Limit is so assigned, paragraph (1) shall not apply in relation to that User.

(3) With effect from 1st May 1996 each User shall have a Secured Credit Limit determined in accordance with the Supplement and the Energy Balancing Credit Rules (which accordingly shall be £250,000 where paragraph 2.2.3 of the Supplement does not apply).

9. DELAYED OR GRADUAL IMPLEMENTATION

9.1 Transitional contractual relief

9.1.1 For the purposes of this paragraph 9.1:

(a) a "**relevant provision**" is any provision of the Code (other than a provision of Sections B, C, D, E, F, Q, S, U or V):

(i) which is not substantially the same as a provision of an Existing Transportation Contract, and

(ii) with which no User could reasonably be expected to comply without there being a corresponding provision in a contract between the User and the supplier or consumer;

(b) a "**relevant contract**" is a contract between the User and the supplier or consumer for or in relation to the sale or supply of gas at the Supply Point in question.

9.1.2 In the period from the date of the Code until the expiry of 12 months after the relevant date, a User shall not be in breach of a relevant provision of the Code to the extent that:

(i) the relevant contract was entered into before the relevant date (and was not renewed or extended by the act or assent of the User on or after the relevant date), and

(ii) the User is unable to comply with such relevant provision by reason of there being no corresponding provision in the relevant contract.

9.1.3 For the purposes of paragraph 9.1.2 the relevant date is:

(i) as respects any relevant provision of the Code which the User might, as at 1st November 1995, reasonably have anticipated being contained in the Code, 1st November 1995;

(ii) as respects any other relevant provision of the Code, the First Gas Flow Day.

9.1.4 Where performance by a User of a relevant provision is due and paragraph 9.1.2 applies, the User shall:

(a) so notify TransCo, and

(b) if TransCo shall so require:

(i) approach the relevant supplier or consumer with a view to establishing whether the required corresponding provision may be agreed upon by way of modification of the relevant contract, or whether the supplier or consumer is in any event willing to do what is necessary to enable the User to perform the relevant provision; provided that the User will not be required in so doing to incur significant cost nor to agree to any other modification of the relevant contract adverse to its interests;

(ii) discuss with TransCo what alternative performance may (notwithstanding the absence of the corresponding provision in the relevant contract) be possible for the User, but without requiring the User to incur significant cost beyond what would be incurred in complying with the relevant provision, nor liability (in such alternative performance) under the Code; and (where any such alternative performance is possible) render such alternative performance.

9.1.5 For the avoidance of doubt, no provision of the Code requiring payment by a User shall be a relevant provision.

9.1.6 Without prejudice to Section V9, TransCo will not be in breach (as respects any User) of any provision of the Code where it is unable to comply with such provision by reason of a User's failure to comply with any provision and the User is relieved from breach under this paragraph 9.1.

9.2 Domestic Transition Issues

9.2.1 The Supply Meter Points at premises supplied by BGT as domestic premises are not entered on the Supply Point Register as at the First Gas Flow Day.

9.2.2 For the purposes of enabling:

(i) the determination of Annual Quantities, Supply Point Capacity and UDQOs in respect of NDM Supply Point Components comprising Supply Meter Points referred to in paragraph 9.2.1, and

(ii) NDM Reconciliation in respect of Supply Meter Points, and

(iii) the Supply Meter Points referred to in paragraph 9.2.1 to be entered onto the Supply Point Register as Supply Points

the provisions of the document dated 1st March 1996 and entitled 'Domestic Market Supply Point Migration' (as from time to time supplemented or modified by TransCo with Condition 7(4) Approval of the Director) shall apply.

9.2.3 Where there is any inconsistency between the provisions of the document referred to in paragraph 9.2.2 and any provision of Sections E, G, H, M and related provisions of the Code (including provisions of the Transition Document), the former provisions shall prevail.

NETWORK CODE TRANSITION DOCUMENT
PART III: TRANSITIONAL ARRANGEMENTS

GENERAL

1. Introduction

1.1 This Part III sets out the basis on which the Network Code is to come into force and in particular on which particular provisions of the Network Code shall apply with effect from the First Gas Flow Day.

1.2 For the purposes of this Part III:

- (a) the "**First Gas Year**" is the Gas Year 1995/6;
- (b) the "**First Storage Year**" is the Storage Year 1995/6;
- (c) "**Initial**" means applying or to apply (as the context may require) on or as at the First Gas Flow Day or (as the context may require) in respect of the First Gas Year or the First Storage Year;
- (d) references to Sections of the Principal Document are to such Sections as modified pursuant to the Interim Terms;
- (e) references to Users are to Founder Users;
- (f) where not otherwise specified references to dates or months are to dates or months (if in January, February or March) in the year 1996 and otherwise in the year 1995.

2. Pre-Code actions

2.1 TransCo and Users acknowledge that:

- (i) they have before the First Gas Flow Day had access to and have been able to use UK Link for the purposes of making and receiving certain communications;
- (ii) to the extent referred to in this Part III (but not otherwise) they have, in anticipation of the Network Code, made and received certain such communications;
- (iii) where this Part III contemplates that the Initial value of any parameter or any other Initial matter under the Network Code will or may have been established before the First Gas Flow Day, subject to paragraph 7 of Part II and to what is provided in respect of Section M3 below, Users and TransCo have had sufficient opportunity (having regard to any periods of notice required under the Network Code) to establish such value or matter by making such

communications before the First Gas Flow Day or (where it is capable of so being established) before the Transition Deadline Date.

2.2 Any such communication as is referred to in paragraph 2.1(ii) shall be deemed to be a valid and effective Code Communication for the purposes of the Code and shall be binding for the purposes of the Code upon the relevant User and TransCo.

2.3 A reference in this Part III to a Code Communication of any kind includes such a communication as is referred to in paragraph 2.1(ii).

2.4 This paragraph 2 is referred to as the "**Agreed Transition Provision**" in this Part III.

2.5 The fact that TransCo or a User may not before the First Gas Flow Day have done anything contemplated (by this Part III) as being done pursuant to the Agreed Transition Provision shall not be a breach of the Code; but without prejudice to the application of the Code in accordance with its terms with effect from First Gas Flow Day.

3. Existing Transportation Contracts

3.1 Nothing in the Network Code shall apply in respect of the delivery of gas to or offtake of gas from the System by a User before the start of the First Gas Flow Day.

3.2 Except as provided in this Part III, and without prejudice to Part IV, no notice given (before or after the First Gas Flow Day) by TransCo or User pursuant to an Existing Transportation Contract which is of a period which would expire or which would take effect on or after the First Gas Flow Day shall have any effect for the purposes of the Network Code.

4. Supply Point Administration

4.1 For the purposes of coordinating and avoiding conflict between the commencement (pursuant to communications made under paragraph 2 above) of implementation of Section G and the discontinuance of implementation of equivalent provisions of Existing Transportation Contracts:

(i) relevant communications and transactions made by a User after the relevant date under an Existing Transportation Contract will not be effective (and to the extent TransCo has disregarded any such communication the User hereby waives any breach of such contract constituted by or resulting from such disregard); and

(ii) relevant communications and transactions made by a User on or after the relevant date under paragraph 4.2 will be effective for the purposes of the Network Code.

4.2 For the purposes of paragraph 4.1 relevant communications and transactions and (in respect thereof) relevant dates are as follows:

(i) submission of a nomination of a supply point or request for an increase in SOQ under an Existing Transportation Contract: 24th January;

(ii) submission of a Supply Point Nomination under the Network Code: 1st December;

(iii) submission of a confirmation or withdrawal of a supply point or a request for isolation under an Existing Transportation Contract: 8th February;

(iv) submission of a Supply Point Confirmation or Supply Point Withdrawal or request for Isolation under the Network Code: 3rd January;

(v) introduction of a supply point under an Existing Transportation Contract: 29th February;

(vi) Supply Point Registration under the Network Code: 1st March.

5. Connected System Exit Points

Where the CSEP Network Exit Agreement in respect of any Connected System Exit Point contains provisions as to the basis on which (as described in paragraph 1 above) the Network Code is to apply with effect from the First Gas Flow Day, such provisions shall apply in addition to and (where in conflict) instead of those of this Part III.

SECTION A: SYSTEM CLASSIFICATION

None.

SECTION B: SYSTEM USE AND CAPACITY

B1.8.1 Transportation Statement for 1995/96

(1) The Initial Transportation Statement shall be the document published by TransCo in December 1995 and entitled 'Gas Transportation Charges 1995/6 (revised prices)'.

(2) For the purposes of determining the rate of any Transportation Charge payable in any month in respect of an LDZ Connected System Exit Point where such rate is expressed in the Initial Transportation Statement to be a function of Supply Point Capacity, a notional Supply Point Capacity shall be determined as the aggregate for all CSEP Users of the LDZ Capacity held at the Connected System Exit Point divided by the number of Individual System Exit Points comprised in the Connected System Exit Point.

B2.2 Initial System Entry Capacity

(1) The Agreed Transition Provision applies in respect of Initial System Entry Capacity.

(2) References in the Initial Transportation Statement to 'NTS Entry Capacity' are to System Entry Capacity.

B3.2 Initial DM NTS Exit Capacity

The Agreed Transition Provision applies in respect of Initial DM NTS Exit Capacity.

B3.3 Initial NDM NTS Exit Capacity

Users' Initial NDM NTS Exit Capacity will be determined in accordance with Section B3.3.

B4.2 Initial DM Supply Point Capacity

(1) The Initial DM Supply Point Capacity held by a User at each Registered Supply Point shall be an amount equal to the amount of the Pre-Code Capacity (and shall be assigned automatically without any application by the User).

(2) For the avoidance of doubt, paragraph (1) applies only in respect of Supply Point Components which are, in accordance with paragraph 2 of Part II, DM Supply Point Components on the First Gas Flow Day.

B4.3 Initial NDM Supply Point Capacity

Users' Initial NDM Supply Point Capacity will be determined in accordance with Section B4.3.

B4.4 Initial LDZ Capacity

Users' Initial LDZ Capacity at NDM Supply Point Components will be determined in accordance with Section B4.4.

B5 Capacity Transfers

Users may have made (in accordance with the Agreed Transition Provision) System Capacity Transfers, effective not earlier than the First Gas Flow Day.

SECTION C: NOMINATIONS

C2.2 Initial Output Nominations

The Agreed Transition Provision applies in respect of Initial Output Nominations.

C3.2 Initial Input Nominations

The Agreed Transition Provision applies in respect of Initial Input Nominations.

C4 Initial Operational Scheduling

The Agreed Transition Provision applies in respect of Initial Operational Scheduling.

C5 Initial Renominations

The Agreed Transition Provision applies in respect of Initial Renominations made before the First Gas Flow Day.

C6 Trade Nominations

Users may have made (in accordance with the Agreed Transition Provision) Trade Nominations, effective not earlier than the First Gas Flow Day.

SECTION D: OPERATIONAL BALANCING AND FLEXIBILITY BIDDING

D2.2 Initial Flexibility Bids

Users may have made (in accordance with the Agreed Transition Provision) Flexibility Bids, effective not earlier than the First Gas Flow Day.

D3 Initial acceptance of Flexibility Bids

TransCo may (in accordance with the Agreed Transition Provision) have accepted Flexibility Bids with effect not earlier than the First Gas Flow Day.

SECTION E: DAILY QUANTITIES, IMBALANCE AND NDM RECONCILIATION

E2.2 Initial Allocation Agents

Where TransCo has on or before the Transition Deadline Date received a copy of an agreement appointing a User Agent under paragraph E2.2, the requirements of Section V6.3 as to the notification of the appointment of a User Agent shall be treated as complied with.

E5.1 Daily Imbalance

Without prejudice to the Run-off Arrangements, no User shall be treated as having a Daily Imbalance, nor for the purposes of paragraph 6.3 of Part II a Net Cumulative Imbalance, for any Day before the First Gas Flow Day.

SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

F1.2.2 Initial default system prices

(1) If Section F1.2.2 applies in respect of the First Gas Flow Day, the System Marginal Sell Price, System Marginal Buy Price or (as the case may be) System Average Price for that Day shall be 0.34 p/kWh (*10 pence/therm*).

(2) If Section F1.2.2 applies in respect of any Day from 2nd to 31st March (inclusive), the reference in that Section F to the 30 Days preceding such Day shall be treated as a reference to the Days from and including the First Gas Flow Day up to the Day before such Day.

SECTION G: SUPPLY POINTS

G1.1 Initial Supply Points

Subject to paragraph 7 of Part II, the Initial Supply Points, and (in respect of each) the Registered User, shall be as recorded in the Supply Point Register as at the First Gas Flow Day, and a User may not become or cease to be the Registered User of a Supply Point other than pursuant to the relevant provisions of Section G.

G1.5.4 Initial meters uneconomic for Daily Reading

(1) The Initial Firm Supply Points where Annual Quantities exceed 58,600,000 kWh (*2,000,000 therms*) and Interruptible Supply Points in respect of which, pursuant to Section G1.5.4 the Daily Read Requirement does not apply, are those designated by TransCo and notified to the Registered User not later than 1st February 1996.

(2) Nothing shall prevent TransCo from giving notification pursuant to Section G1.5.4 to the Registered User of any relevant Supply Point, but without prejudice to any Condition 7(4) Disapproval thereunder or to any amount which TransCo may previously have become liable to pay the User pursuant to Section M5.

G1.6 Initial Annual Quantities

Subject to paragraphs 2.4.6 and 7 of Part II, the Initial Annual Quantity for every DM and NDM Supply Meter Point shall be the quantity established pursuant to the 'degree day approach' described in the Demand Estimation Transition Document.

G1.7 Initial Shared Supply Meter Points

(1) The Initial Shared Supply Meter Points and Initial Sharing Registered Users are those notified by TransCo to the Registered Users not later than the Transition Deadline Date.

(2) The Initial basis of allocation between the Sharing Registered Users of a Shared Supply Meter Point shall be as described in the notification referred to in paragraph (1) above, which shall be treated as being a Shared Supply Meter Notification given to TransCo for the purposes of Section G1.7.

(3) Notwithstanding paragraph (2) each Sharing Registered User undertakes as soon as reasonably practicable after the First Gas Flow Day to provide to TransCo a Shared Supply Meter Notification (in place of what is referred to in paragraph (2)) complying with the requirements of Section G1.7.

G1.11 10% Deviation Rule

The first Gas Year in respect of which the 10% Deviation Rule shall take effect shall be the Gas Year 1996/7.

G2.3 Initial Supply Point Nominations

The Agreed Transition Provision shall apply in respect of Initial Supply Point Nominations.

G2.5 Initial Supply Point Confirmations

The Agreed Transition Provision shall apply in respect of Initial Supply Point Confirmations.

G3.2 Initial Supply Point Withdrawals

The Agreed Transition Provision shall apply in respect of Initial Supply Point Withdrawals.

G5 Initial capacity requirements

(1) For the purposes of Section G5.3 a User's Initial Supply Point Offtake Rate in respect of a DM Supply Point Component shall be the Pre-Code Supply Point Offtake Rate.

(2) The Initial Bottom-stop Supply Point Capacity in respect of a Firm DM Supply Point Component shall be determined in accordance with Section G5.2.3 and paragraph 3.5 of Part I where applicable.

(3) Where TransCo has notified a User or the User becomes aware that the requirements of Section G5.4.1 are not complied with in respect of a DM Supply Point Component on the basis of the Initial Supply Point Capacity and Initial Supply Point Offtake Rate, the User shall as soon as reasonably practicable and in accordance with any reasonable timetable requested by TransCo, take (after consultation with TransCo) appropriate steps in accordance with the Code to ensure such compliance.

G6.1 Initial Interruptible Supply Points

Where under any Existing Transportation Contract a Pre-Code Supply Point is interruptible (in accordance with the provisions of that contract) as at the Final Pre-Code Date, the corresponding Supply Point shall be treated as designated as Interruptible.

G6.1.4 Initial change of status

For the purposes of Section G6.1.4, where pursuant to any contract, in force at any time before the First Gas Flow Day, between TransCo and any person for the transportation of gas by the System, the transportation service to a Supply Meter Point has changed from being firm to interruptible or interruptible to firm, that Supply Meter Point shall be treated as having changed status (with effect from the date of such change or the most recent such change).

G6.4 Initial SDMC(I) Supply Points

(1) Subject to paragraph (2), where TransCo has, on or before the Transition Deadline Date, so notified the Registered User, an eligible Interruptible Supply Point shall be an Initial SDMC(I) Supply Point.

(2) Where the User becomes the Registered User of a Supply Point in accordance with the Agreed Transition Provision (with a Supply Point Registration Date on or after the First Gas Flow Day), an eligible Interruptible Supply Point shall be an Initial SDMC(I) Supply Point where it was so specified in the Supply Point Offer made to the User.

G6.5 Initial TNI Supply Points

(1) Subject to paragraph (2), where TransCo has, on or before the Transition Deadline Date, so notified the Registered User, an Interruptible Supply Point shall be an Initial TNI Supply Point in respect of which the number of Days of interruptibility shall be the number so notified.

(2) Where the User becomes the Registered User of a Supply Point in accordance with the Agreed Transition Provision (with a Supply Point Registration Date on or after the First Gas Flow Day), an Interruptible Supply Point shall be an Initial TNI Supply Point where it was so specified in the Supply Point Offer made to the User, in respect of which the number of Days of interruptibility shall be the number so specified.

G6.6 Initial User requirements

If the requirements of Section G6.6 have not been complied with pursuant to the Agreed Transition Provision:

(i) the equivalent details provided by a User pursuant to the Existing Transportation Contract shall be treated as Initial details provided for the purposes of Section G6.6;

(ii) if the User has not complied with the equivalent requirement of the Existing Transportation Contract, the User shall immediately comply with Section G6.6.

G6.7.6 Initial Interruption Allowance

Days of interruption of a Pre-Code Supply Point on and after 1st October 1995 under an Existing Transportation Contract shall count as Days of Interruption in respect of a Supply Point in the Gas Year 1995/96.

SECTION H: DEMAND ESTIMATION AND DEMAND FORECASTING

H1.2 Initial End User Categories

The Initial End User Categories are as set out in the Demand Estimation Transition Document dated 1st March 1996 prepared by TransCo of which a copy has been provided to each User.

H1.3 Initial Demand Models

The Initial Demand Models and Initial values of the Derived Factors (for the purposes of Section H1.9.3) are as set out in the Demand Estimation Transition Document.

H1.4 Initial Composite Weather Variables

The Initial formula by which the Composite Weather Variable for each LDZ is derived is as set out in the Demand Estimation Transition Document.

H3.2 Revision of Annual Quantities

For the purposes of establishing pursuant to Section H3.2 Annual Quantities for NDM Supply Meter Points for Gas Years after the First Gas Year, any Valid Meter Reading obtained after 1st October 1995 may (subject as provided in that Section) be a starting Meter Read.

SECTION I: ENTRY REQUIREMENTS

I1.4 Initial System Entry Points

TransCo designates the Individual System Entry Point(s) comprised in each Initial System Entry Point in accordance with the document ("**initial entry definition document**") dated 1st March 1996 and entitled 'Entry Points Definitions' prepared by TransCo of which a copy has been provided to each User.

I1.5 Initial Aggregate System Entry Points

TransCo designates the System Entry Point(s) comprised in each Initial Aggregate System Entry Point in accordance with the initial entry definition document.

I2.6 Local Operating Procedures

Where at the First Gas Flow Day, and for so long as, there are no Local Operating Procedures in place in relation to any System Entry Point, such procedures as apply at the Final Pre-code Date will be treated as being Local Operating Procedures, and such information as may be provided to TransCo pursuant to those procedures will be treated as being Local Operating Information.

I3.5 Initial Special Delivery Arrangements

There are no Special Delivery Arrangements in force at the First Gas Flow Day other than any recorded in writing as such for the purposes of the Code between TransCo and the relevant User or the Delivery Facility Operator on or before the Transition Deadline Date.

I3.11 Initial indicative capacity figures

The initial estimates under Section I3.11.1 for each System Entry Point are set out in the initial entry definition document (and not in the Ten Year Statement).

SECTION J: EXIT REQUIREMENTS

J1.3.5 Initial NExA Supply Meter Points

Notwithstanding Section J1.3.6 but subject to what is provided below in respect of Section J4.2.1 a Network Exit Agreement is required to be in place in respect of each Supply Meter Point in respect of which TransCo has, on or before the Transition Deadline Date, so notified the Registered User.

J2.1.5 Reduced offtake pressure

Unless recorded in writing as such for the purposes of the Code between TransCo and the relevant User on or before the Transition Deadline Date, there is no case in which TransCo has notified any User that the pressure of gas available for offtake at a Supply Point will be reduced for any reason referred to in Section J2.1.5.

J2.2 Special Offtake Pressure

There is no arrangement under Section J2.2 in force at the First Gas Flow Day other than any recorded in writing as such for the purposes of the Code between TransCo and the relevant User on or before the Transition Deadline Date.

J2.3 Initial Special Offtake Arrangements

There are no Special Offtake Arrangements in force at the First Gas Flow Day other than any recorded in writing as such for the purposes of the Code between TransCo and the relevant User or the Connected System Operator on or before the Transition Deadline Date.

J2.4 Specification change

There is no arrangement under Section J2.4 in force at the First Gas Flow Day other than any recorded in writing as such for the purposes of the Code between TransCo and the relevant User on or before the Transition Deadline Date.

J4.2.1 Network Exit Agreements

(1) Where in respect of any existing Supply Meter Point in respect of which a Network Exit Agreement is (pursuant to what is provided above in respect of Section J1.3.5) required to be in place, there is no Network Exit Agreement in force at the First Gas Flow Day:

(a) those provisions (if any) of the Existing Transportation Contract in force at the Final Pre-Code Date which are equivalent to the provisions which may be included in a Network Exit Agreement, or if the Registered User(s) shall so request the provisions referred to in paragraph (2) below, shall (notwithstanding the termination or expiry of that contract with effect from the First Gas Flow Day) be treated as though they were provisions of a Network Exit Agreement until and unless a Network Exit Agreement is entered into;

(b) the Registered User(s) and TransCo agree:

(i) to record the provisions referred to in paragraph (a) in a separate document to be provided to the consumer;

(ii) if the Registered User wishes itself to be party to the Network Exit Agreement, to enter into such an Agreement containing the provisions recorded pursuant to paragraph (i) and such other provisions as they may (having regard to what is contemplated by Section J4) agree;

(iii) if the Registered User wishes the consumer to be party to the Network Exit Agreement, to use all reasonable endeavours (but without thereby being required to incur significant cost) to negotiate with the consumer the terms of a Network Exit Agreement and secure that the consumer enters into such agreement;

(c) the Supply Meter Point shall be treated as being a NExA Supply Meter Point for the purposes of Section J.

(2) The provisions referred to are any provisions of the agreement for supply of gas to the consumer which are more onerous (as respects performance by the consumer) than those of the Existing Transportation Contract.

J4.10 Frequency Response

There are no Ancillary Agreements in force at the First Gas Flow Day between TransCo and any User for the purposes of Section J4.10.

J5.6 Initial CSEP Users

Any User party to an Existing Transportation Contract pursuant to which gas was conveyed by TransCo to a Connected System Exit Point shall be an Initial CSEP User in respect of that Connected System Exit Point.

J5.8 Initial CSEP Network Exit Agreement

Where in respect of a Connected System Exit Point, in relation to which the Connected System Operator is not (and is not required to be) the holder of a Public Gas Transporter's Licence, there is no Network Exit Agreement in force at the First Gas Flow Day, and where and for so long as there is only one CSEP User:

(1) the CSEP User shall use all reasonable endeavours to secure that the Connected System Operator enters into a Network Exit Agreement in such form (including but not limited to the provisions referred to in paragraph (3)) as TransCo may reasonably require;

(2) subject to paragraph (1), the requirement in Section J1.3.2(i) shall be suspended until a CSEP Network Exit Agreement is entered into;

(3) those provisions (if any) of the Existing Transportation Contract in force at the Final Pre-Code Date which are equivalent to the provisions which may be included in a CSEP Network Exit Agreement shall (notwithstanding the termination or expiry of that Agreement with effect from the First Gas Flow Day) be treated as though they were provisions of a CSEP Network Exit Agreement;

(4) the provisions of the Code for the purposes of which the Connected System Exit Point is (in accordance with Section J5.5) a relevant Connected System Exit Point are as specified by TransCo to the CSEP User not later than the Transition Deadline Date, or failing such notification such provisions as will have the effect that the Connected System Exit Point is treated as though it were a NExA Supply Meter Point and the Supply Point Component in which it is comprised were a VLDMC Supply Point Component.

SECTION K: OPERATING MARGINS AND BALANCING MARGINS

K2.2 Initial Operating Margins

The amounts of Storage Capacity and gas-in-storage held in each Storage Facility by TransCo for Operating Margins Purposes as at 1st October 1995, and the assumptions in relation to the First Gas Year referred to in paragraph 2.2.2, and the Operating Margins Profile, are as set out in the document dated 1st March 1996 entitled Margins Transition Arrangements 1995/96 prepared by TransCo.

K3.2 Initial Balancing Margins

The amounts of Storage Capacity and gas-in-storage held in each Storage Facility by TransCo for Balancing Margins Purposes as at the First Gas Flow Day are as set out in Margins Transition Arrangements 1995/96.

K4.2 Storage application 1996/97

The date by which TransCo is to apply for Storage Capacity for System Margins Purposes in respect of the Storage Year 1996/97 is 14th April 1996.

K4.6 Initial procurement arrangements

The arrangements (made before the First Gas Flow Day) by TransCo for the procurement of gas for Systems Margins Purposes shall be Margins Gas Procurement Arrangements for the First Storage Year.

K5.2 Margins WACOG

The value of Net Operating Margins WACOG and Net Balancing Margins WACOG as at 8th December 1995 was 0.4736 p/kWh (*13.87 pence/therm*) (the Initial value thereof being determined by reference to the arrangements mentioned under K4.6 above).

SECTION L: MAINTENANCE PLANNING

L2.1 Maintenance planning

As at the First Gas Flow Day TransCo has not required further information under Section L2.1.1(iv).

L2.3 Operational planning

The first month in which Section L2.3 shall apply shall be April 1996.

L3.1 Initial Maintenance Programme

Without prejudice to the arrangements for establishing an April Maintenance Programme as described in Part II (and without prejudice to TransCo's internal maintenance programmes), there is no Maintenance Programme in force (for the purposes of the Code at the First Gas Flow Day).

L4.2 Initial planned maintenance notices

Any communication or notice given by TransCo before the First Gas Flow Day to a User to the effect that maintenance of the System will (on or after the First Gas Flow Day) affect the availability of gas for offtake at any Pre-Code Supply Point on an LDZ will be effective as a notification for the purposes of Section L4.2.1(b).

L4.3.2 Planned Maintenance allowance

Where pursuant to any provision of an Existing Transportation Contract expressly providing for such relief, TransCo has on any Day been relieved of its obligation to make gas available for offtake at a Pre-Code Supply Point by reason of planned maintenance of the System, such Day shall be counted (where relevant) for the purposes of Section L4.3.2.

SECTION M: SUPPLY POINT METERING

M3 Initial Meter Readings (Non-Daily Read Supply Meters)

(1) For each Non-Daily Read Supply Meter:

(i) the "**Initial Meter Reading**" is the reading of the index of a Supply Meter as at the start of the First Gas Flow Day;

(ii) an estimate of the Initial Meter Reading shall be determined, by estimation (using techniques equivalent to those used for determining Initial Annual Quantities as described in the Demand Estimation Transition Document) from the last valid Meter Reading obtained before 6th March 1996;

(iii) subject to paragraph (4), for the purposes of determining the Metered Volume for the NDM Reconciliation to be carried out upon the first Valid Meter Reading obtained on or after 6th March, the estimated Initial Meter Reading shall be deemed to have been obtained and provided to TransCo as a Valid Meter Reading for the purposes of Section M3.

(2) TransCo will determine and provide (in MRBILLREAD form) an estimate of the Initial Meter Reading to the Registered User as soon as reasonably practicable after the First Gas Flow Day and where possible by 11th March 1996, which will be the estimate used for the purposes of paragraph (1)(iii), unless the User gives a notification to TransCo pursuant to paragraph (3).

(3) Where:

(i) a User notifies TransCo that it considers, by reason of a valid Meter Reading obtained by the User, that a better estimate (in accordance with paragraph (1)(ii)) of the Initial Meter Reading than the estimate provided by TransCo under paragraph (2) is available,

(ii) the amount which would be determined (on the basis of the applicable calorific value on the First Gas Flow Day) as the Metered Quantity by reference to the interval between the User's estimate and TransCo's estimate exceeds 10% of the Annual Quantity of the relevant Supply Meter Point, and

(iii) the User provides to TransCo the Meter Reading referred to in paragraph (i) (together with reasonable details of the date on which and the circumstances in which it was obtained), and the User's estimate of the Initial Meter Reading

TransCo will review and discuss with the User the details provided by the User with a view to reaching agreement, before the first Valid Meter Reading is obtained pursuant to Section M3 in respect of the relevant Supply Meter, upon a revised estimate of the Initial Meter Reading; and where they agree upon an estimate the agreed estimate will be used for the purposes of paragraph (1)(iii).

(4) Where in respect of any Supply Meter:

(i) by reason of the absence of any suitable Meter Reading, TransCo is unable to make an estimate in accordance with paragraph (2), or

(ii) a User gives a notification to TransCo pursuant to paragraph (3) but TransCo and the User do not agree upon a revised estimate of the Initial Meter Reading before the first Valid Meter Reading is obtained,

then paragraph (5) will apply.

(5) In the circumstances in paragraph (4), upon the first Valid Meter Reading obtained in respect of the Supply Point:

(i) an NDM Reconciliation will be carried out, as though a Meter Reading had been obtained on the First Gas Flow Day, by reference to an assumed Metered Volume, derived from the NDM Supply Meter Point Demands (in accordance with Section H2) for Days in the period from the First Gas Flow Day to the relevant Meter Read Day;

(ii) the NDM Reconciliation Quantity (relating to such period) will accordingly be zero, and for the purposes of the relevant Existing Transportation Contract the quantities offtaken from the System at the Supply Meter Point up to the Final Pre-Code Date will be determined accordingly.

M4.7 Initial DM Check Read

The first Valid Meter Reading on or after the First Gas Flow Day in respect of a Supply Meter Point at which Daily Read Equipment is installed shall be treated as the preceding DM Check Read for the purposes of Section M4.7.

SECTION N: SHRINKAGE

N2.2.1 Initial NTS Shrinkage Factor

For the purposes of Section N2.2.1, the Agreed Transition Provision applies in respect of the Initial NTS Shrinkage Factor.

N2.2.2(i) Provisional forecast of NTS Shrinkage Factor

The Initial forecasts of NTS Shrinkage Factors are set out in the document dated 1st March 1996 and entitled 'Shrinkage Sources and Forecasts for the Gas Year 1995/6'.

N2.3 Assessed NTS Shrinkage

Section N2.3 will not require TransCo to provide details of assessed NTS shrinkage in respect of any Day before the First Gas Flow Day.

N3.2 Initial LDZ Shrinkage Factors

The Initial LDZ Shrinkage Factors are set out in Shrinkage Sources and Forecasts for the Gas Year 1995/6.

N3.3 Assessed LDZ Shrinkage

Section N3.3 will not require TransCo to provide details of assessed LDZ shrinkage in respect of any period before the First Gas Flow Day.

SECTION O: SYSTEM PLANNING

O3.1 Initial Base Plan Assumptions

The Initial Base Plan Assumptions (for which year 0 is the First Gas Year) shall be the document published by TransCo dated December 1995 and entitled 'Base Plan Assumptions - 1996' (without prejudice to paragraph 2.5 under "General" above).

O3.2 User information

Information which a User may have chosen to provide to TransCo before the First Gas Flow Day in response to the document referred to under O3.1 above shall be treated as provided under Section O3.2.

O4.1 Initial Ten Year Statement

The Initial Ten Year Statement (for which year 0 is the Gas Year 1994/5) shall be the document published by TransCo dated July 1995 entitled Ten Year Statement 1995 (notwithstanding any inconsistency between what is contained in such document and what is provided for in Section O4.2).

SECTION P: TOP-UP STORAGE

P1.5.2(i) Storage applications 1996/97

The date by which the Storage Operator will provide details to the Top-up Manager under Section P1.5.2(i) in respect of the Storage Year 1996/96 is 1st May 1996.

P2.1.3 Initial Remaining Stored Gas Requirement

There is a Remaining Stored Gas Requirement, in respect of LNG Facilities only, from the First Gas Flow Day until the end of the First Storage Year, which is 35 GWh.

P2.3.1 Top-up storage application 1996/97

The date by which the Top-up Manager will apply for Storage Capacity in respect of the Storage Year 1996/96 is 1st June 1996.

P2.6 Initial Top-up Storage Requirements

There is no Initial Top-up Space Requirement or Initial Top-up Deliverability Requirement for the First Storage Year.

P2.6.1 Top-up storage 1996/97

The date by which the Top-up Manager will notify Users of details in respect of the Storage Year 1996/96 pursuant to Section P2.6.1 is 1st June 1996.

SECTION Q: EMERGENCIES

Q1.4.1 Emergency Procedures

Until revised to do so, Emergency Procedures will be treated as including Local Emergency Interruption and Firm Load Shedding Procedures (November 1995).

Q2.2 User contacts

To the extent that equivalent information (remaining up to date at the Final Pre-Code Date) has not been provided by a User under an Existing Transportation Contract, each User will comply with Section Q2.2 as soon as possible on or after the First Gas Flow Day.

Q2.3 Large Firm Supply Points

To the extent that equivalent information (remaining up to date at the Final Pre-Code Date) has not been provided by a User under an Existing Transportation Contract, Users will comply with Section Q2.3 as soon as possible on or after the First Gas Flow Day.

Q2.4 Priority Supply Points

To the extent that equivalent information (remaining up to date at the Final Pre-Code Date) has not been provided by a User under an Existing Transportation Contract, Users will comply with Section Q2.4 as soon as possible on or after the First Gas Flow Day, or (if later) after the Priority Criteria are made known to the User.

SECTION R: BG STORAGE FACILITIES

R1.4.1 Initial gas-in-storage

Except as provided above in respect of the Top-up Manager and TransCo for Systems Margins Purposes, each User's Initial gas-in-storage in each BG Storage Facility shall be a quantity equal to the amount of its 'Balance' (of gas-in-storage) as defined in and prevailing as at the end of the Final Pre-Code Date under the relevant Existing Transportation Contract.

R2.2 Initial Storage Capacity

Except as provided above in respect of the Top-up Manager and TransCo for Systems Margins Purposes, each User's Initial Registered Storage Space and Storage Deliverability in each BG Storage Facility shall be an amount equal to the amount respectively of its 'Reserved Space' and 'Reserved Deliverability' each as defined in and prevailing as at the Final Pre-Code Date under the relevant Existing Transportation Contract.

R2.3 Initial Interruptible Storage Capacity

Where the 'Reserved Space' held by a User in the Rough Facility as at the Final Pre-Code Date is held under an 'Interruptible Service' as defined in and in accordance with the relevant Existing Transportation Contract, the User's Registered Storage Capacity (pursuant to what is provided in respect of Section R2.2 above) shall be Interruptible Storage Capacity.

R3.1 Annual Storage Invitation

The Annual Storage Invitation for the First Storage Year shall be the document issued by TransCo dated 1st March 1995 and entitled 'Storage Tender 1995/6'.

R3.4 Price tender

Where under an Existing Transportation Contract 'Reserved Space' or 'Reserved Deliverability' was held by a User pursuant to an application on the basis of a tender by price, the relevant prices tendered by such User shall be the Initial rates of the Storage Space Charge and Storage Deliverability Charge.

R4 Storage Transfers

Users may have made (in accordance with the Agreed Transition Provision) Storage Transfers, effective not earlier than the First Gas Flow Day.

R8.2.5(b) Constrained LDZs

For each Constrained LNG Facility, the Constrained LDZ(s) and (for each) the Threshold Constrained Demand for the First Storage Year are as follows:

<u>Constrained Facility</u>	<u>Constrained LDZ</u>	<u>Constrained Threshold Demand (GWh/Day)</u>
Avonmouth	South Western	201
Dynevor Arms	South Wales	132
Isle of Grain	South Eastern	400

R8.6.3 Weekly Minimum Requirement

The Weekly Minimum Requirement for a week in the Winter Period of the First Storage Year will be the percentage (applicable in respect of the relevant Constrained LNG Facility) shown in the Initial Annual Storage Invitation for the Sunday falling at the end of the week.

SECTION S: INVOICING AND PAYMENT

S1.4.2 Initial invoice timing

The Initial expected timing of submission of Invoice Types is as follows:

	<u>Business Day of the month</u>
NTS Capacity Invoice:	4th
LDZ Capacity Invoice:	4th
Storage Invoice	7th
Commodity Invoice	8th
Reconciliation Invoice	18th
Balancing Invoice:	23rd

S3.2.2 Initial bank details

TransCo and Users acknowledge that they have before the Transition Deadline Date provided the details required to be provided under Section S3.2.2.

SECTION T: DISPUTE RESOLUTION

T1.6.1 Initial disputes secretary

The Initial disputes secretary is Henry Loweth.

T2.10 Initial listed experts

The Initial listed experts will be identified as soon as practicable after the First Gas Flow Day in accordance with Section T2.

SECTION U: UK LINK

U1.4.1 Initial UK Link Manual

The Initial Network Code Manual is the document so entitled and dated 1st March, except that where so specified in a part of such manual which is dated 1st March any other part thereof may be dated before 1st March; and TransCo has provided copies of the Initial UK Link Manual to each User.

U2.3.4 TransCo Available Hardware

Users shall be deemed to have complied, as respects TransCo Available Hardware provided at the First Gas Flow Day, with the requirements in paragraphs 2.2, 3.1, 3.2 and 3.3 of the document contained in the UK Link Manual which sets out the terms referred to in Section U2.3.4.

SECTION V: GENERAL

V2.1.2 Admission requirements

(1) Subject to paragraph (2) each User shall be deemed to have complied with the requirements of Section V2.1.2, except to the extent that TransCo has notified the User of any non-compliance on or before the Transition Deadline Date.

(2) If after the Transition Deadline Date TransCo notifies the User of any requirement of Section V2.1.2 with which the User is not in compliance, the User shall ensure compliance with such requirement within such period as is reasonable in the circumstances.

V2.2.1 Initial User Accession Date

The User Accession Date for each Founder User shall be the First Gas Flow Day.

V3.1 Initial Code Credit Rules

The Initial Code Credit Rules are the rules in the document issued by TransCo in December 1995 entitled 'Credit Risk Management: Transportation - Rules and Procedures'.

V3.2 Initial Code Credit Limits

(1) Until 31st May 1996, a User's Code Credit Limit shall be the amount (whether or not secured in accordance with the Code Credit Rules) notified to it by TransCo not later than the Transition Deadline Date, or such other amount as may after the First Gas Flow Day be determined in accordance with Section V3 and the Code Credit Rules.

(2) After the First Gas Flow Day each User's Code Credit Limit will be reviewed, and on and with effect from 1st June 1996 will be revised, in accordance with the Code Credit Rules, irrespective of whether such a review and revision would otherwise be permitted under Section V3.2, and without the requirement for notice under Section 3.2.4 applying.

V6 User Agents

(1) Except as described under E2.2 no User Agent has been appointed as at the First Gas Flow Day.

(2) User Agents may be appointed with effect from the First Gas Flow Day.

V11 Initial Notice Details

The details prevailing for the purposes of giving notices under an Existing Transportation Contract shall be treated as having been specified for the purposes of Section V11.2.3, or provided for the purposes of paragraph 11.3.1(a), with effect from the First Gas Flow Day, by TransCo and the relevant User, save to the extent that TransCo or the User has (before the First Gas Flow Day) specified or provided any other details for the purposes of the Code.

NETWORK CODE TRANSITION DOCUMENT
PART IV: RUN-OFF ARRANGEMENTS

1. INTRODUCTION

1.1 For the purposes of this Part IV:

(a) the "**Pre-code Closing Imbalance**" is:

(i) in respect of any Founder User other than BGT, the amount of the imbalance between quantities delivered to and offtaken from the System by the User pursuant to relevant Existing Transportation Contracts as at the end of the Final Pre-code Date (ascertained on a cumulative basis up to and including the Final Pre-code Date, and after taking account of the provisions of Existing Transportation Contracts pursuant to which imbalances are reduced, other than provisions applying upon the expiry or termination of the relevant contract), which shall (for the purposes of the Code) be positive where such imbalance represents deliveries exceeding offtakes by the User, and negative where it represents offtakes exceeding deliveries by the User;

(ii) in respect of the BG Parties collectively, an amount equal and opposite to the net sum of all other Users' Pre-code Closing Imbalances (BGT's share of such amount being a portion of the balances transferred to it pursuant to the scheme referred to in the definition of BGT, adjusted in respect of the period from 24:00 hours on 29th February 1996 to the start of the First Gas Flow Day);

(b) "**BG Party**" means BGT or TransCo as the Shrinkage Provider, and "**BG Parties**" means such parties collectively;

(c) the "**Year 1 Estimated PCI**" is:

(i) in respect of a User other than a BG Party:

(1) where the amount of a User's Pre-code Closing Imbalance has been agreed by 15th November 1996, the amount so agreed;

(2) otherwise, the amount determined in accordance with paragraph 2.3(ii) or (iii);

(ii) in respect of the BG Parties, an amount equal and opposite to the net sum of all other Users' Year 1 Estimated PCIs;

(d) the "**Prevailing Run-off Imbalance**" of a User at any time is (subject to paragraph 3.6) the magnitude of its Pre-code Closing Imbalance less the aggregate amount of:

(i) the Run-off Trade Quantities under all (if any) notifications submitted by the User pursuant to paragraph 3 up to such time; and

(ii) the Trade Nomination Quantities under all Trade Nominations deemed to be made by the User pursuant to paragraph 4 up to such time;

(e) a "**Positive Run-off User**" is a User whose Prevailing Run-off Imbalance is positive and a "**Negative Run-off User**" is a User whose Prevailing Run-off Imbalance is negative;

(f) the share of each BG Party of the BG Parties' Pre-code Closing Imbalance will be established by agreement between them and will not be made known to other Users;

(g) where relevant, the amount of a User's Pre-code Closing Imbalance will be determined by reference to the estimates of Initial Meter Readings (including agreed or determined estimates) used pursuant to what is provided in Part III in respect of Section M3.

1.2 A relevant Existing Transportation Contract for the purposes of paragraph 1.1(a)(i) does not include an Existing Transportation Contract which remains in force after the Final Pre-code Date as to some of the 'Supply Points' thereunder.

1.3 Each User's Pre-code Closing Imbalance will be extinguished (and will be treated for the purposes of the Existing Transportation Contract as being extinguished) in accordance with the provisions of this Part IV (and accordingly will not be reduced or extinguished pursuant to any provision of an Existing Transportation Contract); and neither TransCo nor the User shall have rights or obligations in relation to the User's Pre-code Closing Imbalance except pursuant to this Part IV.

1.4 A User's Pre-code Closing Imbalance shall be treated as extinguished when the amount of its Prevailing Run-off Imbalance is zero.

1.5 A User may not cease to be a User pursuant to Section V4.2 at any time at which its Prevailing Run-off Imbalance is not zero.

1.6 If a User ceases to be a User pursuant to Section V4.3:

(i) where the User is a Positive Run-off User, TransCo shall pay to the User (subject to paragraph 1.7) and the BG Parties shall pay to TransCo,

(ii) where the User is a Negative Run-off User, the User shall pay to TransCo and TransCo shall pay to the BG Parties,

an amount determined as the User's Prevailing Run-off Imbalance multiplied by the average System Average Price for the period of 12 months preceding the User Discontinuance Date (or if shorter the period from the First Gas Flow Day to the User Discontinuance Date; and

the User's Pre-code Closing Imbalance shall thereupon be extinguished and the BG Parties' Pre-code Closing Imbalance adjusted accordingly.

1.7 TransCo shall be entitled to deduct by way of set-off from any amount payable pursuant to paragraph 1.6(i) any amount payable by the User to TransCo pursuant to the Code.

2. AGREEMENT OF Pre-code CLOSING IMBALANCE

2.1 TransCo and each User (other than BGT) will, with effect from the date of the Code, endeavour in good faith and as quickly as is reasonably practicable to agree upon the amount of the User's Pre-code Closing Imbalance; and each will take all reasonable steps to address the reasonable questions raised by the other for the purposes of reaching such agreement.

2.2 Where TransCo and a User agree upon the amount of the User's Pre-code Closing Imbalance they shall execute a memorandum recording such agreement.

2.3 If for any User the amount of its Pre-code Closing Imbalance has not been finally agreed by 15th November 1996 then:

(i) each of TransCo and such User shall not later than 20th November 1996 notify to the other in good faith, having regard to what has already been agreed, the amount which it believes (as at such date), to be the User's Pre-code Closing Imbalance;

(ii) subject to paragraph (iii) the lesser of the amounts so notified will be the Year 1 Estimated PCI;

(iii) if one of the amounts so notified is positive and the other is negative, the Year 1 Estimated PCI for the User shall be determined as one half of the difference between such amounts;

(iv) paragraph 2.1 will continue to apply after 15th November 1996 but no change shall be made to the Year 1 Estimated PCI notwithstanding any further agreement between TransCo and the User as respects the User's Pre-code Closing Imbalance.

2.4 If, by 1st August 1997 or such later date as they may agree, a User and TransCo have not agreed upon the amount of the User's Pre-code Closing Imbalance, then the Pre-code Closing Imbalance shall be determined by Expert Determination except that (in addition to the relevant provisions of Section T) the following shall apply:

(i) each of TransCo and such User shall submit to the expert (but not to the other) a statement of the amount which it believes to be the User's Pre-code Closing Imbalance;

(ii) the expert shall be required to choose whichever of the amounts stated pursuant to paragraph (i) he believes to be closest to the User's Pre-code Closing Imbalance, and may not determine any other amount as being the User's Pre-code Closing Imbalance;

(iii) the expert shall be requested to give his determination not later than 15th November 1997.

2.5 TransCo will provide to BGT regular reports (without disclosing the identity of particular Users) on progress in the estimation and agreement of other Users' Pre-code Closing Imbalances, and on the amount which TransCo estimates to be the net aggregate amount of such imbalances.

3. RUN-OFF TRADES

3.1 Subject to paragraph 3.4, where a Positive Run-off User and a Negative Run-off User agree to do so, they may submit to TransCo a notification ("**Run-off Trade Notification**") in respect of a quantity ("**Run-off Trade Quantity**") for the purposes of paragraph 3.3.

3.2 A Run-off Trade Notification shall be signed by or on behalf of both Users and shall specify:

- (i) the identity of each User;
- (ii) which User is the Positive Run-off User and which the Negative Run-off User;
- (iii) the amount of the Run-off Trade Quantity.

3.3 Subject to paragraph 3.5, the magnitude of the Prevailing Run-off Imbalance of a User will be reduced by the amount of the Run-off Trade Quantity under any Run-off Trade Notification submitted by the User.

3.4 A Run-off Trade Notification may not be submitted between 15th November 1996 and 10th March 1997, or after 15th November 1997.

3.5 If:

(i) the magnitude of the Run-off Trade Quantity under a Run-off Trade Notification exceeds the Prevailing Run-off Imbalance of either User submitting the notification, or

(ii) a User who is a Positive Run-off User is identified as a Negative Run-off User in a Run-off Trade Notification or vice versa

the Run-off Trade Notification shall nevertheless be effective, and shall result in the User having a Prevailing Run-off Imbalance in the case in paragraph (i), equal to the amount of the excess (and of opposite sign), and in the case in paragraph (ii), increased by the Run-off Nomination Quantity.

3.6 A Run-off Trade Notification shall be effective notwithstanding that the amount of either User's Pre-code Closing Imbalance is not known at the time the notification is submitted to TransCo.

4. RUN-OFF TRADE NOMINATIONS

4.1 On each of the 100 consecutive Days commencing 1st December 1996 and commencing 1st December 1997:

(i) each Positive Run-off User shall be deemed to have made an Acquiring Trade Nomination

(ii) each Negative Run-off User shall be deemed to have made a Disposing Trade Nomination

(in respect of each of which the requirements of Section C6 shall be deemed satisfied) in respect of a Trade Nomination Quantity the amount of which is equal to 1% of the magnitude of the User's Prevailing Run-off Imbalance (subject to paragraph 4.2) as at the relevant 1st December.

4.2 For the purposes of the application of paragraph 4.1 in respect of the period from 1st December 1996 to 10th March 1997, the User's Prevailing Run-off Imbalance shall be determined on the basis that the User's Pre-code Closing Imbalance is its Year 1 Estimated PCI.

4.3 Each User's Prevailing Run-off Imbalance shall be reduced by the amount of the Trade Nomination Quantity under each Trade Nomination deemed to be made pursuant to paragraph 4.1.

4.4 For the avoidance of doubt the Trade Nominations deemed to be made pursuant to paragraph 4.1 do not represent, and shall not give rise to, such contracts as are referred to in Section U5.3 nor payment obligations as between Users.

NETWORK CODE TRANSITION DOCUMENT
PART V: METER READING TERMS

1. GENERAL

1.1 Introduction

1.1.1 TransCo will until 31st March 1997 provide meter reading services to Users in relation to Non-Daily Read Supply Meters subject to and in accordance with this Part V.

1.1.2 In this Part V "**TransCo (MR)**" means TransCo when acting as the provider of meter reading services pursuant to this Part V.

1.1.3 This Part V applies in respect of Non-Daily Read Supply Meters at Supply Points whose Annual Quantities exceed 73,198 kWh (*2,500 therms*).

1.1.4 Until the date referred to in paragraph 1.3.1, no User may appoint any person other than TransCo (MR) as Meter Reader in relation to any Meter to which this Part V applies.

1.1.5 With effect from 1st April 1997 this Part V shall cease to have effect and TransCo (MR) will cease to be engaged by a User to provide meter reading services in relation to any Supply Meter unless TransCo and the User have agreed otherwise, and the User will be responsible for making other arrangements to comply with the relevant requirements of Section M.

1.1.6 For any User, where in relation to a Relevant Meter TransCo (MR) is for the time being Meter Reader pursuant to this Part V, as respects the Relevant Meter and any Meter Reading in respect thereof, the User shall be deemed to have complied with the provisions of the following paragraphs of Section M: 1.9.2, 3.1.2, 3.1.4(c), 3.1.5, 3.2.1, 3.3.5, 3.4.1, 3.5.1, 3.5.3, 3.5.4, 3.5.5 and 3.8.2.

1.1.7 For any User, where in relation to any Relevant Meter TransCo is not Meter Reader, the provisions of Section M3.4 or (as the case may be) M3.5 (and in relation thereto, of Section M3.6) shall be taken to apply separately in respect of all those Relevant Meters (in aggregate) in relation to which TransCo is not Meter Reader.

1.1.8 By agreement between TransCo and any User the terms of this Part V may be varied as respects that User, provided that the provisions of paragraphs 3.6 and 3.7 shall apply as though such variation had not been made.

1.2 Definitions

1.2.1 In this Part V the following terms have the following meanings:

"Ofgas Guidance Notes": any guidance notes from time to time published by the Director's Office relating to the reading of Supply Meters and which are of general application to persons reading Supply Meters, insofar as such notes contain rules or requirements with which it is reasonable to expect TransCo (MR) to comply;

"Meter": a Non-Daily Read Supply Meter in accordance with paragraph 1.1.3;

"Meter Reading Information": the Validated Meter Reading and other information to be recorded upon each Meter Read under this Part V;

"Relevant Meter": in relation to a User, a Meter at a Supply Point of which the User is for the time being the Registered User and (except for the purposes of paragraph 1.1 and 1.3) in relation to which TransCo is engaged as Meter Reader pursuant to this Part V;

"Self Read": a Meter Reading and other details obtained in accordance with paragraph 2.2.1.

1.2.2 For the purposes of this Part V:

(a) a **"Meter Read Visit"** is a visit, made on a Day and at a time of Day in accordance with paragraph (b), by a representative of TransCo (MR) to the premises where a Relevant Meter is located for the purposes of undertaking a Meter Read;

(b) the Day and the time of Day of the visit shall be such as appear to TransCo (MR) to be reasonable for the purposes of such a visit having regard to the relevant premises, or as has otherwise been agreed by TransCo (MR) with the Registered User or the consumer;

(c) nothing in paragraph (b) shall render invalid a Meter Reading obtained on any Day or at any time.

1.2.3 A reference in this Part V to a representative of TransCo (MR) shall include a representative of any person engaged by TransCo (MR) as agent or sub-contractor for performance of this Part V.

1.2.4 Upon a Supply Point Reconfirmation by a User, the Meter(s) at the relevant Supply Meter Points shall be treated for the purposes of this Part V as becoming Relevant Meters with effect from the Supply Point Registration Date (and as not having been Relevant Meters before such date).

1.3 Appointment of alternative Meter Reader

1.3.1 A User may:

(i) elect that (with effect not less than two months after such election) TransCo (MR) shall cease to be Meter Reader in relation to any Relevant Meter for the purposes of this Part V;
or

(ii) at the time of submitting a Supply Point Nomination (other than a Supply Point Renomination) elect that TransCo shall not, upon the relevant Supply Point Registration Date, become Meter Reader in respect of a Relevant Meter.

1.3.2 An election under paragraph 1.3.1 shall be made by notice to TransCo (MR), specifying the relevant Supply Meter Point Reference Number, and given not earlier than the date on which the necessary modifications to UK Link to enable Meter Readings to be received from Meter Readers other than TransCo (MR) have been completed and tested.

1.3.3 TransCo will notify Users of the date referred to in paragraph 1.3.2 so far in advance of such date as is reasonably practicable.

1.3.4 Paragraph 1.3.1 is without prejudice to Section M3.2.1.

1.4 Provision of meter reading services

1.4.1 TransCo (MR) will obtain, validate and provide to each User Meter Readings for Relevant Meters in accordance with paragraph 2.

1.4.2 TransCo (MR) agrees to perform its services hereunder in accordance with paragraph 3 and in the event of its failure to do so to pay compensation to Users in accordance with that paragraph.

1.4.3 The provisions of paragraph 3 represent the sole liability of TransCo (MR) to Users under this Part V.

1.4.4 Without prejudice to paragraph 3, each User undertakes to take all reasonable steps to procure that for each Relevant Meter, upon any Meter Read Visit, TransCo (MR) shall be given access to the relevant premises and to such meter (it being understood that TransCo (MR) is not required under this Part V to obtain access to premises or to a meter without the consent of the owner or occupier).

1.5 Payment

1.5.1 The amounts (exclusive of any value added tax) payable by Users to TransCo (MR) for the provision of services under this Part V shall be the amounts shown in or determined pursuant to the prevailing Transportation Statement as referable to the provision of meter reading services (any amount shown therein as rebatable from other charges, where a meter reading service is not provided, being deemed to be the amount so referable).

1.5.2 Each User shall pay to TransCo (MR) each month:

(i) in respect of each Meter which was a Relevant Meter for all or any part of the month, the amount (calculated on a daily basis for the Days in the month on which the Meter was a Relevant Meter) referred to in clause 1.5.1 (together with value added tax); and

(ii) in respect of each Relevant Meter which was an Opening Read Meter in the month the amount (if any) referred to in clause 1.5.1 (together with value added tax).

1.5.3 Amounts payable by Users or (pursuant to paragraph 3) by TransCo (MR) under this Part V will be invoiced and payable in accordance with the provisions as to invoicing and payment of Section S.

1.5.4 For the avoidance of doubt, for so long as the amounts referred to in paragraph 1.5.1 are (under the Transportation Statement) comprised in any other charge payable by Users under the Code, payment of such other charge by a User shall satisfy the User's obligations under paragraph 1.5.2.

1.6 Force majeure

1.6.1 Where:

(i) a representative of TransCo (MR) is prevented from or delayed in carrying out a Meter Read Visit, by reason of an event or circumstance which would (but for this paragraph 1.6.1) be Force Majeure, and

(ii) TransCo (MR) is, as a result of its representative being so prevented or delayed, in breach of this Part V

such event or circumstance shall not be Force Majeure in relation to such breach unless (subject to paragraph 1.6.2) it is or results from war, revolution, act of terrorism, fire, earthquake, flood or Act of God.

1.6.2 The inability of a representative of TransCo (MR) to gain access to any particular premises shall not be Force Majeure unless such inability results from an event or circumstance affecting the ability of TransCo (MR) to gain access to more than one premises.

1.6.3 Where by reason of Force Majeure (in accordance with paragraph 1.6.1 or otherwise, as appropriate) TransCo (MR) fails to provide to a User a Meter Reading due (pursuant to this Part V) in respect of any period under paragraph 3.3 or 3.4, or under paragraph 3.5, in respect of a Relevant Meter:

(i) except as provided in paragraph (ii), the User shall be relieved of the liability to make payment (under paragraph 1.5.2) in respect of that period;

(ii) in the case of an Opening Read Meter, where there is no such amount as is referred to in paragraph 1.5.2(ii), the amounts for which the User would otherwise be liable under paragraph 1.5.2(i) shall be reduced by £2.50;

and any necessary invoice adjustments and credits shall be made accordingly.

2. METER READING SERVICE

2.1 Meter reading

2.1.1 TransCo (MR) will establish or procure to be established such arrangements (including arrangements for the training of meter reading staff) and procedures for the reading of Meters as will provide a reasonable degree of assurance that upon any Meter Read Visit the Meter Reading Information will be accurately recorded.

2.1.2 Upon each Meter Read, the Meter Reading Information will be as specified (according to the relevant circumstances) in the UK Link Manual.

2.1.3 Without prejudice to the validation requirements of paragraph 3, TransCo (MR) will not be liable to the User for any inaccuracy in any Meter Reading Information provided by TransCo (MR) to the User.

2.1.4 Without prejudice to Sections M2.3.1(i) and M2.4.4 and G1.4.3, TransCo (MR) will take all reasonable steps to ensure that, upon any Meter Read, its representative records and TransCo (MR) reports to the Registered User any evidence which is or ought to be apparent to a person undertaking a Meter Read of the use of a meter by-pass at the Supply Meter Point or of any matter referred to in Section M2.3.1(ii) in relation to the Meter or of the Single Premises Requirement not being satisfied.

2.1.5 TransCo will take all reasonable steps to ensure that its representatives who undertake Meter Read Visits for the purposes of this Part V are persons fit and proper to do so.

2.1.6 TransCo (MR) shall use reasonable endeavours to secure that upon Meter Read Visits at intervals of not more than 2 years, the tasks referred to in Standard Condition 23(2)(b), (c), (d), (e) and (where TransCo is the owner of the Supply Meter but not otherwise) (f) of the Supplier's Licence are performed.

2.2 Self Reads

2.2.1 Where:

(i) TransCo (MR) has failed to gain access to the relevant premises upon a Meter Read Visit, and

(ii) a Customer Read will (in accordance with Section M3.1.6) be a Valid Meter Reading

TransCo (MR) may obtain a Meter Reading by arranging for the owner or occupier of the relevant premises to inspect the Meter and notify appropriate details to TransCo (MR).

2.2.2 Where any Meter Read is to be undertaken under this Part V a Self-Read shall be a sufficient Meter Reading for the purposes of this Part V, but without prejudice to the validation requirements (as they apply to Self-Reads) of paragraph 2.3.

2.2.3 A Self-Read shall be treated as obtained on the date notified by the owner or occupier as that on which he inspected the Meter.

2.2.4 Where TransCo (MR) has requested a Self-Read and not later than the 5th Business Day after the Meter Read Date the owner or occupier notifies the Self Read directly to the User or the supplier:

(i) the User shall take all reasonable steps to ensure that the Meter Reading and other details of the Self Read are notified to TransCo (MR) as soon as reasonably practicable;

(ii) TransCo (MR) agrees to subject such Meter Reading to validation under paragraph 2.3;

(iii) the Meter Reading shall count as a Meter Reading provided by TransCo (MR) for the purposes of this Part V;

(iv) for the purposes of paragraph 2.4.1 the date by which the Meter Reading Information is to be provided by TransCo (MR) to the User shall be the 5th Business Day after the Day on which the Meter Reading and other details were received by TransCo (MR) pursuant to paragraph (i).

2.3 Validation

2.3.1 TransCo (MR) will subject each Meter Reading to validation in accordance with the Network Code Validation Rules (as such rules apply to the relevant Meter Reading).

2.3.2 For the purposes hereof a Meter Reading which has been subjected to validation pursuant to this paragraph 2.3 is "**Validated**" where:

(i) the Meter Reading was not rejected by validation; or

(ii) the Meter Reading was rejected by validation, but TransCo (MR) has reasonable grounds for believing the Meter Reading to be valid (for which purposes a Meter Reading may be valid notwithstanding that the Meter is known or believed to be registering inaccurately).

2.3.3 Where a Meter Reading is provided which is Validated under paragraph 2.3.2(ii), TransCo (MR) will:

(i) so notify the User when providing the Meter Reading Information under paragraph 2.4;

(ii) on request from the User in any particular case made within 60 Days after the Meter Reading Information was provided, provide to the User details of the grounds or reason referred to in such paragraph.

2.4 Provision of meter readings

2.4.1 Subject to paragraph 2.2.4(iv), for each Meter Reading TransCo (MR) will provide to the User such of the Meter Reading Information as is referred to in paragraph 2.4.2:

(i) in the case of the Meter Read (under paragraph 3.3) of a Monthly Read Meter in respect of any month, not later than the 5th Business Day of the following month;

(ii) in any other case, not later than 5 Business Days after the date of the Meter Read.

2.4.2 Meter Reading Information will be provided to Users as and by the means and in the format (referred to as 'MRBILLREAD') described in the UK Link Manual (or in the event of a Code Contingency, in accordance with the Contingency Procedures).

2.4.3 At the same time as providing Meter Reading Information to the User under this paragraph 2.4, TransCo (MR) will be treated as having provided (on behalf of the User) the required information (in the format referred to as 'MR READ' in the UK Link Manual) for the purposes of the Network Code to TransCo.

2.5 Sub-deduct meters

TransCo (MR) will use all reasonable endeavours to ensure that Meter Readings in respect of Meters at Sub-deduct Supply Meter Points are obtained in compliance with the requirements of Section G1.8.4(b)(iii).

3 PERFORMANCE REGIME

3.1 Introduction

For the purposes of this paragraph 3:

(a) a "**Valid Reading**" is a Meter Reading which is:

(i) Validated in accordance with paragraph 2.3, and

(ii) provided to a User in accordance with paragraph 2.4.2 by the time required in accordance with paragraph 2.4.1;

(b) a Non-daily Read Supply Meter which is (pursuant to Section M5.1.1(a)(i)) a Performance Relevant Supply Meter shall not be counted as a Relevant Meter;

(c) a Meter will not be treated as one in relation to which TransCo (MR) did not provide a Valid Meter Reading where TransCo (MR) was unable to provide a Valid Meter Reading in respect of such Meter by reason of Force Majeure (in accordance with paragraph 1.6.1 where applicable).

3.2 Access-Denied Meter

3.2.1 Subject to paragraph 3.3.7, 3.4.7 and 3.5.6, where:

(a) either:

(i) upon a Meter Read Visit (other than one which materially failed to comply with a material applicable requirement of any Ofgas Guidance Notes) there is any person (in addition to any person who is a minor) present at the premises and the representative of TransCo (MR) is not given sufficient access to the premises or to the relevant Meter to undertake the Meter Read, or

(ii) in relation to a Meter:

(1) as a result of the absence or insufficiency of or error in Meter Reading Access Details, TransCo (MR) failed upon a Meter Read Visit (the "**first visit**") to obtain a Meter Reading, and

(2) upon the first visit TransCo (MR)'s representative made reasonable enquiries of any person available at the premises as to, but was not informed of, the correct Meter Reading Access Details, and

(3) following the first visit, TransCo (MR) informed the Registered User of the absence or insufficiency of or error in Meter Reading Access Details, and

(4) TransCo (MR) has updated its records of Meter Reading Access Details to reflect any such details or change therein notified to TransCo (MR) by the consumer or the Registered User since the first visit, and

(5) upon a subsequent Meter Read Visit (the "**second visit**"), TransCo (MR) failed to obtain a Meter Reading by reason of continuing absence or insufficiency of or error in Meter Reading Access Details; and

(b) in either such case, TransCo so notifies the Registered User and provides to the Registered User the details recorded pursuant to paragraph 3.2.2,

the relevant Meter is "**Access-Denied**" in relation to the Meter Read Visit under paragraph (a)(i) or (as the case may be) the second visit under paragraph (a)(ii).

3.2.2 TransCo (MR) will make arrangements to secure that, upon a Meter Read Visit in relation to which a Meter is Access-Denied, its representatives record in reasonable detail the circumstances (in accordance with paragraph 3.2.1) in which the Meter was Access-Denied.

3.2.3 For the purposes of this paragraph 3.2, "**Meter Reading Access Details**" in relation to a Meter are the details, if any, for the time being recorded by TransCo (MR) for the purpose of enabling its representatives upon a Meter Read Visit to locate or gain access to premises or the Meter at premises for the purposes of obtaining a Meter Reading.

3.3 Performance requirements: Monthly Read Meters

3.3.1 For the purposes of this paragraph 3.3, in relation to any calendar month and any User:

(a) a "**Relevant Monthly Read Meter**" is a Monthly Read Meter which is a Relevant Meter at all times from the 10th Day of the month until the end of the Monthly Read Window;

(b) subject to paragraph (c) and (d), the "**Monthly Read Window**" is:

(i) for a Monthly Read Meter whose Annual Quantity is not less than 732,000 kWh (25,000 therms), the last 4 Business Days of the month;

(ii) for a Monthly Read Meter whose Quantity is less than 732,000 kWh (25,000 therms), the last 6 Business Days of the month;

(c) for the purposes of paragraph 3.3.4, the first 2 Business Days of the following month shall be added to and form part of the Monthly Read Window;

(d) in the month of December, the Monthly Read Window (for any Monthly Read Meter) shall be the period from the 4th Business Day before 25th December until the end of the month;

(e) in relation to a Relevant Monthly Read Meter a "**Valid Monthly Reading**" is a Valid Reading obtained within the Monthly Read Window and (in accordance with paragraph 2.4.1(i)) provided to the Registered User by the 5th Business Day of the following month.

3.3.2 In respect of each calendar month TransCo (MR) will use reasonable endeavours to provide to each User a Valid Monthly Reading for each Relevant Monthly Read Meter.

3.3.3 Subject to the further provisions of this paragraph 3, if in respect of any calendar month TransCo (MR) does not provide to a User Valid Monthly Readings for at least 90% of Relevant Monthly Read Meters, TransCo (MR) will pay to the User an amount calculated as:

$$((0.9 * A) - B) * C$$

where for the relevant calendar month:

'A' is the number of Relevant Monthly Read Meters;

'B' is the number of Relevant Monthly Read Meters for which TransCo (MR) did provide Valid Monthly Readings;

and where 'C' is the relevant percentage of £12.

3.3.4 For the purposes of paragraph 3.3.5, subject to paragraph 3.3.6, in relation to a User a "**Failed Monthly Read Meter**" is a Relevant Monthly Read Meter for which in relation to any

calendar month (month 'n') TransCo (MR) did not provide a Valid Monthly Reading, and which continues to be a Relevant Meter until the end of, and is not an Access-Denied Meter at any time during:

(i) for the purposes of paragraph 3.3.5(i), the Monthly Read Window in relation to month n+1;

(ii) for the purposes of paragraph 3.3.5(ii), the Monthly Read Window in relation to month n+2.

3.3.5 Subject to the further provisions of this paragraph 3, if for a Failed Monthly Read Meter:

(i) TransCo (MR) fails to provide to the User a Valid Monthly Reading in relation to month n+1, TransCo (MR) will pay to the User the relevant percentage of £120;

(ii) having failed under paragraph (i), TransCo (MR) fails to provide to the User a Valid Monthly Reading in relation to month n+2, TransCo (MR) will pay to the User a further amount equal to the relevant percentage of £120.

3.3.6 Amounts payable under paragraph 3.3.5 are in addition to any amounts which may become payable under paragraph 3.3.3 in respect of months n+1 and n+2; but where a Relevant Meter is a Failed Monthly Read Meter in respect of several consecutive months paragraph 3.3.5 shall apply only once and on the basis that month 'n' is the first month in respect of which the Relevant Meter was a Failed Monthly Read Meter (and accordingly paragraph 3.3.5 shall not apply again until there has been a month in relation to which TransCo does provide a Valid Monthly Reading for the relevant Meter).

3.3.7 For any User, in relation separately to month 'n+1' and to month 'n+2', not more than 5% of the Relevant Monthly Read Meters for which in relation to month 'n' TransCo (MR) did not provide Valid Monthly Readings may be Access-denied Meters.

3.4 Performance requirements: annual read meters

3.4.1 For the purposes of this paragraph 3.4, in relation to any User:

(a) in relation to any Half-year Period a "**Relevant Annual Read Meter**" is an Annual Read Meter which was a Relevant Meter for the whole of the period commencing one month before the Half-year Period until the end of the Half-year Period;

(b) a "**Valid Half-yearly Reading**" in respect of a Relevant Annual Read Meter is a Valid Reading:

(i) obtained not more than 7 months nor (except in the cases specified in paragraph (e)) less than 5 months after the preceding Valid Reading obtained pursuant to this paragraph 3.4 or (as the case may be) after the Supply Point Registration Date, and

(ii) (in accordance with paragraph 2.4.1(ii)) provided to such User not later than 5 Business Days after the date of the Meter Read;

(c) a "**Half-year Period**" is the six month period beginning 1st October or 1st April in any year;

(d) in accordance with paragraph (b)(i), a Valid Half-yearly Reading obtained in respect of a Relevant Annual Read Meter during the month preceding a Half-year Period shall count as a Valid Half-yearly Reading in relation to that Half-year Period;

(e) the cases referred to in paragraph (b)(i) are each of the first two Valid Readings obtained after the Supply Point Registration Date, and the first Valid Reading obtained after a Valid Reading provided in respect of a Failed Annual Read Meter.

3.4.2 In respect of each Half-Year Period TransCo (MR) will use reasonable endeavours to provide to the User a Valid Half-yearly Reading for each Relevant Annual Read Meter.

3.4.3 Subject to the further provisions of this paragraph 3, if for any Half-year Period TransCo (MR) does not provide to the User Valid Half-yearly Readings for at least 90% of Relevant Annual Read Meters, TransCo (MR) will pay to the User an amount calculated as:

$$((0.9 * D) - E) * F$$

where for the relevant Half-year Period:

'D' is the number of Relevant Annual Read Meters;

'E' is the number of Relevant Annual Read Meters for which TransCo (MR) did provide Valid Half-yearly Readings;

and where F is the relevant percentage of £4.

3.4.4 For the purposes of paragraph 3.4.5, subject to paragraph 3.4.6, a "**Failed Annual Read Meter**" is a Relevant Annual Read Meter for which in relation to any Half-year Period TransCo (MR) did not provide a Valid Half-yearly Reading and which continues to be a Relevant Meter until the end of, and is not an Access-Denied Meter at any time during, the following Half-year Period (the "**Second**" Half year Period).

3.4.5 Subject to the further provisions of this paragraph 3, if for a Failed Annual Read Meter TransCo (MR) fails to provide to the User any Valid Reading by the end of the Second Half Year Period, TransCo (MR) will pay to the User the relevant percentage of £20.

3.4.6 Amounts payable under paragraph 3.4.5 are in addition to any amounts which may become payable under paragraph 3.4.3 in respect of the Second or any subsequent Half-year Period; but where a Relevant Meter is a Failed Annual Read Meter in respect of several consecutive Half Year Periods paragraph 3.4.5 shall apply only once and on the basis that the

Second Half-year Period is that following the first Half-year Period in respect of which the Relevant Meter was a Failed Relevant Annual Meter (and accordingly paragraph 3.4.5 shall not apply again until there has been a Half-year Period in relation to which TransCo does provide a Valid Half-yearly Reading for the relevant Meter).

3.4.7 For any User, not more than 5% of the Relevant Annual Read Meters for which in relation to a Half-year Period TransCo (MR) did not provide Valid Half-yearly Readings may (in relation to the Second Half-year Period) be Access-denied Meters.

3.5 Performance requirements: opening meter reads

3.5.1 In this paragraph 3.5:

(a) in relation to a calendar month:

(i) an "**Opening Read Meter**" is a Meter at a Supply Point for which the Supply Point Registration Date falls within that month;

(ii) in relation to any User, a "**Relevant Opening Meter**" is a Relevant Meter which is an Opening Read Meter;

(b) a "**Valid Opening Reading**" in respect of an Opening Read Meter is a Valid Meter Reading:

(i) obtained within the period of 5 Business Days commencing 2 Business Days before the Supply Point Registration Date, and

(ii) (in accordance with paragraph 2.4.1(ii)) provided to the Registered User not later than 5 Business Days after the Supply Point Registration Date.

3.5.2 TransCo (MR) will use reasonable endeavours to provide to the User a Valid Opening Reading to the User for each Relevant Opening Meter.

3.5.3 Subject to the further provisions of this paragraph 3, if in respect of any calendar month TransCo (MR) does not provide to the User Valid Opening Readings for at least 90% of Relevant Opening Meters, TransCo (MR) will pay to the User an amount calculated as:

$$((0.9 * G) - H) * I$$

where for the relevant calendar month:

'G' is the number of Relevant Opening Meters,

'H' is the number of Relevant Opening Meters for which TransCo (MR) did provide Valid Opening Readings, and

and where 'I' is the relevant percentage of £30.

3.5.4 For the purposes of paragraph 3.5.5, in relation to a User a "**Failed Opening Read Meter**" is a Meter which in any calendar month is a Relevant Opening Meter for which TransCo (MR) did not provide a Valid Opening Reading, and which continues to be a Relevant Meter and is not an Access-Denied Meter until:

(i) for the purposes of paragraph 3.5.5(i), the 20th Business Day after the Supply Point Registration Date;

(ii) for the purposes of paragraph 3.5.5(ii), the 40th Business Day after the Supply Point Registration Date.

3.5.5 Subject to the further provisions of this paragraph 3, if for a Failed Opening Read Meter:

(i) TransCo (MR) fails to provide to the User a Valid Reading within 20 Business Days after the Supply Point Registration Date, TransCo (MR) will pay to the User the relevant percentage of £75;

(ii) having failed under paragraph (i), TransCo (MR) fails to provide to the User a Valid Reading within 40 Business Days after the Supply Point Registration Date, TransCo (MR) will pay to the User a further amount equal to the relevant percentage of £75.

3.5.6 For any User, not more than 5% of the Relevant Opening Meters for which in relation to a month TransCo (MR) did not provide Valid Opening Readings may be Access-denied Meters.

3.6 Relevant percentage

3.6.1 For the purposes of this paragraph 3, the "**relevant percentage**" is:

(a) in respect of the period from 1st March until 31st August 1996, 50%;

(b) in respect of the month of September 1996, 100%;

(c) in respect of any subsequent quarter (quarter 'q'), subject to paragraph 3.6.3:

(i) where in respect of quarter q-1 TransCo (MR) failed to comply with the relevant aggregate requirement:

(1) where quarter q-1 is the quarter ending 30th September, 125%,

(2) except as provided in paragraph (1), 112.5%,

of the relevant percentage applicable in respect of quarter q-1;

(ii) where in respect of quarter q-2 TransCo (MR) failed to comply with the relevant aggregate requirement but in respect of quarter q-1 TransCo (MR) complied with the relevant aggregate requirement, the relevant percentage applicable in respect of quarter q-1;

(iii) where in respect of quarters q-1 and q-2 TransCo (MR) complied with the relevant aggregate requirement, 87.5% of the relevant percentage applicable in respect of quarter q-1, provided that (subject to paragraph (a)) the relevant percentage shall not be less than 100%.

3.6.2 For the purposes of paragraph 3.6.1:

(a) the "**relevant aggregate requirement**" in respect of any quarter:

(i) in relation to Monthly Read Meters, is the requirement that TransCo (MR) should provide to Users in aggregate not less than 90% of the required number of Valid Monthly Readings, where:

(1) the required number is the sum, for each month in the quarter, of the number of relevant Monthly Read Meters;

(2) for the purposes of paragraph (1) a relevant Monthly Read Meter is a Meter which was in respect of a User a Relevant Monthly Read Meter in relation to the relevant month;

(ii) in relation to Opening Read Meters, is the requirement that TransCo (MR) should provide to Users in aggregate Valid Opening Readings for not less than 90% of Opening Read Meters in that quarter;

(iii) in relation to Annual Read Meters, is the requirement that TransCo (MR) should, in the period of six months ending at the end of the quarter, provide to Users in aggregate Valid Half-yearly Readings for not less than 90% of the relevant Annual Read Meters, where a relevant Annual Read Meter is a Meter which was in respect of a User a Relevant Annual Read Meter in relation to that period of six months (for the purposes of which references to Half-year Periods in paragraph 3.4.1 shall be treated as references to such period of six months);

(b) a "**quarter**" is a period of three calendar months ending 31st December, 31st March, 30th June or 30th September.

3.6.3 For the purposes of determining any amount payable by TransCo (MR) to a User under this paragraph 3, the relevant percentage shall be that applicable in respect of the quarter, or in the case of an Annual Read Meter the arithmetic mean of the relevant percentages for the two quarters in the relevant Half-year Period, in which the Meter Read under paragraph 3.3.2, 3.4.2 or (as the case may be) 3.5.2, was required.

3.7 Aggregate payment cap

3.7.1 The amounts payable by TransCo (MR) pursuant to this Part V shall be subject to Section M5.4, for the purposes of which this Part V (as made binding between TransCo and each User) is a Non-daily Meter Reading Contract.

3.7.2 For the purposes of Section M5.4.2(a)(ii), the provisions of paragraphs 3.3, 3.4 and 3.5 are designated as relevant provisions.

3.7.3 For the purposes of Section M5.4.2(d)(iii)(2) of the Network Code each of the relevant aggregate requirements under paragraph 3.6.2 (separately as respects Relevant Monthly Read Meters, Relevant Annual Read Meters and Relevant Opening Meters) is designated as a separate relevant aggregate requirement.

3.7.4 It is acknowledged that contracts for the provision by TransCo of meter reading services in respect of the Supply Meters described in paragraph 3.7.5 will be Non-daily Meter Reading Contracts for the purposes of Section M5.4.

3.7.5 At any time, the Supply Meters referred to in paragraph 3.7.4 are Supply Meters installed at Supply Meter Points comprised in Supply Points whose Annual Quantities do not exceed 73,198 kWh (2,500 therms), where:

(i) the Supply Point Premises are located in an area for the time being specified in an order made pursuant to Section 6(6) of the Gas Act 1995; and

(ii) the time in question is after the date determined in relation to that area by or under the order,

(irrespective of whether BGT is the Registered User of such Supply Points).

3.7.6 It is acknowledged that the maximum amounts specified in Section M5.4.1(a) are set at levels which take account of the effect of this paragraph 3.7 (and accordingly assume the provision by TransCo of meter reading services pursuant to this Part V in respect of Non-daily Read Supply Meters), and that it will be appropriate to review and revise such amounts after TransCo ceases to provide such services.

3.8 Disapplication

Section M5.5 shall apply in respect of this paragraph 3 as though the provisions of this paragraph 3 were expressly referred to in that Section.

3.9 Invoicing and payment

Section M5.6 shall apply in respect of amounts payable by TransCo under this paragraph 3, on the basis that the payment month is the month following:

- (i) for the purposes of paragraph 3.3, the month in relation to which the amount is payable;
- (ii) for the purposes of paragraph 3.4, the last month of the relevant Half-yearly Period;
- (iii) for the purposes of paragraph 3.5.3, the month in relation to which the amount is payable;
- (iv) for the purposes of paragraphs 3.5.4(i) and (ii), respectively the first and second month following the month in which the Supply Point Registration Date fell.

3.10 Audit

For the purposes of Section V13, Section M5.7 shall apply on the basis that the relevant percentage pursuant to paragraph 3.6 is a Compensation Relevant Value.