

Draft Review Report
Modification Reference 0028

Review of Section Q for compliance with HSE Regulations

1 Transco Opinion

1.1 Redraft Of Section Q

Transco believe that the Review Group has achieved its objectives and that the redraft of Section Q produced by the Group is robust in its content and ensures that the Network Code both facilitates the procedures and meets the requirements of the Gas Safety Management Regulations, the NEC Safety Case, the Transco Safety Case and the Transco emergency procedures. Whilst debate could continue on the merits of some of the timing and triggers for commercial actions, Transco believe that this proposed redraft is well balanced in terms of minimising shippers financial exposure in unpredictable circumstances whilst not in any way fettering Transco ability to safely manage an emergency situation.

1.2 Code Suspension / Re-Instatement

Some doubt remained within the Group as to the timing of reinstatement of the Code and the original suspension of the Code. Transco believe it would be preferable to have discretion in the suspension and reinstatement of the Code, however, the Review Group discussions have shown that as the nature and extent of an emergency is not wholly predictable, the granting of discretionary powers may inadvertently allow shippers to make excessive gains or losses and manipulate the system to their advantage. It has not been possible to sufficiently define the parameters of any such Transco discretion and Transco therefore recommend that the existing mechanistic processes are retained.

1.3 Cash Out Price

Transco support the views of the Review Group and believe that the proposed cash out price, of the arithmetic mean of SAP for the 30 days preceding the emergency, fulfils a number of the criteria for the setting of such a price. It will be reflective of the price of gas at the time but will not be unduly volatile. This reduces the financial exposure of shippers to high priced cash out when circumstances have impeded their input. Whilst it may be argued that this price will not be high enough to encourage shippers to make their gas available, it must be remembered that shippers are obliged to maximise their inputs of gas at Transco's request during an emergency, and that a claims process would be instigated to address genuine financial shipper exposure arising from the purchase of gas at a high price.

With regard to the development of interconnectors and their potential impact on gas availability in an emergency, Transco believe it is appropriate to consider this when appropriate arrangements are finalised at a Government level.

1.4 Emergency Contacts

Transco are of the opinion that it is appropriate for the Network Code, in both Sections Q and G (interruption contacts), to describe the emergency contact requirements of the Sites and Meters database managed by Transco's Customer Portfolio Management function, and the modification proposed as a result of this Review process achieves this. In addition, a recent modification proposal, (nos. 151 and 151a) has contemplated a change to the threshold at which a fax number is required for large supply points. This has been debated within Development Group 151a which has agreed and proposes that the threshold be raised to 50,000 therms per annum. This Development Group felt that it was not appropriate to raise a separate modification whilst a redraft of the whole of Section Q was being proposed and this change is now incorporated in the proposed redraft of Section Q.

2 Transco Recommendation

Transco recommends that the proposed redraft of Section Q (and associated changes to Section G) developed by this Review Group should replace the existing text within the Network Code through the modification proposal detailed in appendix 1.

Appendix 1

DRAFT MODIFICATION PROPOSAL

SHORT TITLE: Redraft of Section Q to reflect current HSE Legislation

DATE: 4th August 1997

PROPOSED IMPLEMENTATION DATE: As soon as possible

URGENCY: Non Urgent

JUSTIFICATION:

In the original drafting of the Network Code, it was acknowledged within the Transition Document that the HSE were intending to publish regulations relating to the conveyance of gas and that the Network Code would need to be modified in the light of this. These regulations were published in April 1996 and led to the requirement for a Network Emergency Co-ordinator (NEC) Safety Case and a Transco Safety Case which were accepted by the HSE in November 1996 and April 1997 respectively. During this period Section Q has been the subject of an extensive review taking account of this change in the legislative framework and this modification is necessary to ensure that the Code is consistent with current HSE legislation and the Transco emergency procedures, which have themselves been refined in the light of these regulations. In addition to this, the Network Code is currently at odds with the information requirements of Transco for emergency contact data and this modification addresses this.

Within Development Group 151a, the issue of shippers encountering difficulties in obtaining a fax contact number for consumers close to the 25,000 therms per annum threshold has been discussed . The recommendation of this group to increase the threshold at which it is necessary for a consumer to provide a fax number contact, via their shipper, to 50,000 therms per annum is included in this proposal and this will reduce shippers risk of being in breach of the Code by failing to provide this data.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

The Network Code will continue to be inconsistent with the requirements of the HSE's Gas Safety (Management) Regulations and the revised Transco emergency procedures which arose from these regulations.

With regard to emergency contacts the Code would remain at odds with the requirements of Transco managed through Customer Portfolio Management and shippers would continue to risk being in breach of Code as a result of the difficulty in obtaining consumer fax information for sites between 25,000 and 50,000 therms per annum.

AREA OF NETWORK CODE CONCERNED

Section Q
Section G 6.2.2

NATURE OF PROPOSAL

This modification provides for a redraft of Section Q and drafting changes to Section G which achieves the following objectives:

1. This proposal defines and uses the terminology of the Gas Safety (Management) Regulations and the NEC Safety Case by describing the actions which may be taken in a Gas Supply Emergency, and provides detail of the actions to be taken and the communication channels which are applicable in a Network Gas Supply Emergency and in a Sub National Gas Supply Emergency.
2. The modification defines the use of a Potential Network Gas Supply Emergency as a period of time declared by the NEC during stage one of the Network Gas Supply Emergency procedures, during which shippers can make gas available through the flexibility mechanism with the flexibility overrun multiplier set to one.
3. The cash out price used for clearing of gas balances within and during a Network Gas Supply Emergency is defined as the arithmetical mean of the System Average Price on the thirty days preceding the emergency.
4. The emergency contact arrangements are described in detail and in line with the instructions and requirements of the Sites and Meters database managed by Transco's Customer Portfolio Management function. This requires between one and three, but not more than five, contact names and associated telephone numbers, depending on whether the site operates 24 hrs per day or otherwise, or is firm or interruptible. The requirement for this contact to have sufficient authority to cease using gas pursuant to a direction under the Gas Safety Management Regulations is also described.
5. Section G of the Code relating to interruption contacts will be modified to reflect the requirements of the Sites and Meters database managed by Customer Portfolio Management. This requires between one and three, but not more than five, contact names, and associated telephone numbers, depending on whether the site operates 24 hrs per day or otherwise.
6. The threshold at which a shipper is required to provide a facsimile number for a large firm supply point will be raised to 50,000 therms per annum.

PURPOSE OF PROPOSAL

The purpose of the proposal is to align Section Q of the Network Code with the requirements of the Gas Safety (Management) Regulations and the structure and procedures of the Transco Emergency procedures which have been refined and further developed as a result of these regulations .

This modification will also bring up to date the emergency contact arrangements described within the Network Code with the requirements of Sites and Meters database managed by Transco's Customer Portfolio Management function. Shippers will also be more able to fulfil their obligations for the provision of end user fax details as the increase in the base threshold will greatly reduce the instances of relevant end users not owning a fax.

IDENTITY OF PROPOSER'S REPRESENTATIVE: Mark Ripley

PROPOSER John Lockett

SIGNATURE :

POSITION :

COMPANY :

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number:

Date Received:

EMERGENCIES MODIFICATION

Section D

Amend paragraph 1.6:

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

Section G

Delete paragraph 6.6.2(i) and replace with the following:

- "(i) not later than the relevant date (in accordance with paragraph 6.6.4), provide to Transco:
- (a) in accordance with paragraph 6.6.2(v), the names and job titles of representatives of the consumer ("interruption contacts") (who, for the avoidance of doubt, may be the same contacts as those referred to in Section Q as "emergency contacts"), provided that the total number of interruption contacts provided for under this paragraph (and emergency contacts provided for under Section Q) shall not exceed 5 in relation to any Supply Point;
 - (b) at least one (but not more than four) telephone numbers for each interruption contact by means of which Transco may contact, 24 hours a day, at least one interruption contact; and
 - (c) one facsimile number, for the purposes of receiving communications pursuant to Section G and Section Q, which is able to receive transmissions 24 hours a day."

Add a new paragraph 6.6.2(v):

- "(v) for the purposes of paragraph 6.6.2(i):
- (a) in the case of an Interruptible Supply Point in respect of any site which is manned 24 hours a day, provide to Transco the name(s) and job title(s) of at least one but not more than 4 interruption contacts; and
 - (b) in the case of an Interruptible Supply Point in respect of any site which is not manned 24 hours a day, provide to Transco the name(s) and job title(s) of at least 3 but not more than 4 interruption contacts."

Section Q

Delete Section Q and replace with the attached text.

SECTION Q: EMERGENCIES

1. GENERAL

1.1 Introduction

1.1.1 In this Section Q:

- (a) "Regulations" means the Gas Safety (Management) Regulations 1996, and references to particular Regulations shall be construed accordingly;
- (b) "supply emergency" has the meaning ascribed thereto in the Regulations;
- (c) "NEC" means the person from time to time who is the network emergency coordinator in accordance with the Regulations;
- (d) references to Transco do not include Transco in its capacity as NEC where it has been so appointed;
- (e) "NEC Safety Case" means the safety case (in accordance with Regulation 2(5)) of the NEC.

1.1.2 Users and Transco acknowledge that the conveyance of gas by pipelines involves risk of supply emergency, in the context of which (and of the duties of Transco in relation to supply emergencies pursuant to the Regulations and any other Legal Requirement) the provisions of this Section Q are appropriate and reasonable.

1.1.3 This Section Q provides for the following matters:

- (i) requirements to be complied with by Users in respect of Gas Supply Emergencies to enable Transco to discharge its duties (pursuant to the Regulations and any other Legal Requirement) in respect of Gas Supply Emergencies;
- (ii) the consequences for Transco and Users of a Gas Supply Emergency in respect of the application of the Code.

1.1.4 Without prejudice to the duty of cooperation under Regulation 6(1) (*Co-operation*), a User shall not be required in a Gas Supply Emergency to comply with any requirement under this Section Q where it would be manifestly unreasonable to expect the User to do so; but where a User is of the opinion that it is (by reason of this paragraph 1.1.4) excused from complying with any requirement under this Section Q it shall forthwith notify 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.

1.1.5 A User shall not be excused by virtue of paragraph 1.1.4 from any payment obligation under paragraph 4.

1.2 Gas Supply Emergency

- 1.2.1 For the purposes of the Code, a **"Gas Supply Emergency"** is a gas supply emergency (as referred to in the NEC Safety Case), namely the occurrence of an event or existence of circumstances which have resulted in, or which give rise to a significant risk of, a loss of pressure in the System which itself has resulted in or might result in a supply emergency; and any reference in any other Section of the Code to an **"Emergency"** is a reference to a Gas Supply Emergency.
- 1.2.2 In particular, but without limitation, a Gas Supply Emergency may exist where 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 A **"Network Gas Supply Emergency"** is a network gas supply emergency (as referred to in the NEC Safety Case), namely a Gas Supply Emergency which involves or may involve a loss of pressure in the NTS; and any other Gas Supply Emergency is a **"Local Gas Supply Emergency"** (that is, local gas supply emergency as referred to in the NEC Safety Case).
- 1.2.4 In accordance with the NEC Safety Case, the existence, duration and cessation of a Network Gas Supply Emergency is to be determined by the NEC.
- 1.2.5 Transco confirms that in its opinion any Gas Supply Emergency including a Potential Network Gas Supply Emergency will constitute a pipeline system emergency (as referred to in Standard Licence Condition 4(1)(b) of the Shipper's Licence).
- 1.2.6 In this Section Q:
- (a) **"Stage"** means a stage (from 1 to 5) of the Network Gas Supply Emergency Procedure as described in the NEC Safety Case, and a Network Gas Supply Emergency is of a particular Stage where the NEC has determined that the relevant stage of such procedures applies in relation to such Gas Supply Emergency;
 - (b) A **"Potential Network Gas Supply Emergency"** is a potential network gas supply emergency as described in the Network Gas Supply Emergency Procedures, namely a case where the NEC has initiated Stage 1 of the Network Gas Supply Emergency Procedure and is for the time being of the opinion that a Network Gas Supply Emergency can be averted by Emergency Steps which may be taken in Stage 1;
 - (c) unless expressly otherwise provided, references to a Gas Supply Emergency or a Network Gas Supply Emergency do not include a Potential Network Gas Supply Emergency.
- 1.2.7 The existence of a Local Gas Supply Emergency 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 Local Gas Supply Emergency.
- 1.2.8 A Local Gas Supply Emergency will continue until such time as Transco determines that the circumstances which resulted in or might result in a supply emergency no longer apply, that no further Emergency Steps are required, and that normal operation of the relevant part of the System and implementation of the Code may be resumed.

1.3 Emergency Steps

- 1.3.1 For the purposes of the Code, "Emergency Steps" are steps to be taken by Transco or a User:
- (i) to avert and/or to reduce the probability of or the probable scale of a Gas Supply Emergency, and/or to prepare for the occurrence of a Gas Supply Emergency; or
 - (ii) to overcome or contain a Gas Supply 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 facilitating appropriate reinstatement of the provisions of the Code following the taking of any such steps.
- 1.3.2 Users and Transco acknowledge that in a Gas Supply Emergency their business interests will be subordinate to the need to take Emergency Steps in accordance with this Section Q.
- 1.3.3 Nothing in this Section Q or the Emergency Procedures shall limit the ability of Transco to take any action or step necessitated in its judgement in the interests of safety by a Gas Supply Emergency (including a Potential Network Gas Supply Emergency).
- 1.3.4 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 or Condition 4(2) of the Shipper's Licence 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.
- 1.3.5 It is acknowledged that, in a Gas Supply Emergency (including a Potential Network Gas Supply Emergency), if so authorised by the NEC pursuant to Regulation 8(2) (*Content and other characteristics of gas*), Transco may 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 in relation to a Network Gas Supply Emergency, the document issued by Transco entitled 'Network Gas Supply Emergency Procedure', and in relation to a Local Gas Supply Emergency the document issued by Transco entitled 'Transco Local Gas Supply Emergency Procedure', 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.
- 1.5 Large Firm Supply Points
- 1.5.1 For the purposes of this Section Q, a "Large Firm Supply Point" is a Firm Supply Point whose Annual Quantity is greater than 732,000 kWh (25,000 therms).
- 1.5.2 Where the Emergency Steps to be taken in any Gas Supply Emergency include a reduction in demand at Firm Supply Points, consumers at Large Firm Supply Points will (in accordance with the Emergency Procedures) be required to reduce demand before other categories of consumer.

1.6 Priority Consumers

For the purposes of this Section Q:

- (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, if the Secretary of State has not designated criteria, or to the extent that such designated criteria are not expressed to be exhaustive, any other criteria which Transco may from time to time notify to Users for the purposes of assisting Transco to determine which consumers should be given priority in accordance with 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 a Gas Supply 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 Scope of this Section

1.8.1 This Section Q does not apply in respect of:

- (a) Transco's duties under Regulation 7 (*Gas escapes and investigations*) 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 co-operation required of Users pursuant to Regulation 6(1) (*Co-operation*) in relation to such duties 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;
- (b) any other duties of Transco pursuant to the Regulations relating to matters other than Gas Supply Emergencies, it being understood that any cooperation required of Users pursuant to Regulation 6(1) in relation to any such matter is a matter outside the scope of the Code;
- (c) any circumstances constituting a pipeline system emergency where such circumstances do not also constitute a Gas Supply Emergency, it being understood that any request given by Transco for the purposes of that Condition in such circumstances is a matter outside the scope of the Code.

1.8.2 In accordance with paragraph 1.8.1(a) an escape of gas is not of itself a Gas Supply Emergency (but subject thereto an escape of gas may be a circumstance which gives rise to a Gas Supply Emergency); and Gas Supply Emergency and Emergency Steps shall be construed accordingly.

1.9 Shipper's Licence

1.9.1 Any request or instruction given by Transco to a User in a Gas Supply Emergency shall be treated as being:

- (i) a request for the purposes of Standard Licence Condition 4(2) of the Shipper's Licence, and
- (ii) a request for cooperation pursuant to Regulation 6(1), and
- (iii) to the intent that paragraph 4 shall (where relevant) apply in relation thereto, a request or instruction made pursuant to this Section Q

unless in any case such request or instruction is not capable of being construed as such.

1.9.2 Without prejudice to paragraph 1.9.1(ii), nothing in this Section Q shall preclude Transco from making any request to a User for the purposes of Standard Licence Condition 4(2) of the Shipper's Licence or for cooperation pursuant to Regulation 6(1).

1.9.3 Nothing in this Section Q shall be construed as precluding Transco from giving any direction to any person pursuant to Regulation 6(4) (*Co-operation*).

1.10 Code Communications

The provisions of the UK Link Manual as to the giving of Code Communications are without prejudice to the provisions of the Emergency Procedures and such other requirements as Transco may specify for communicating in a Gas Supply 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 a Gas Supply Emergency.

2.1.2 Each User shall ensure that suppliers supplying gas at Supply Points of which the User is the Registered User are aware of the terms of this Section Q in so far as they may be affected thereby.

2.2 User emergency contacts

2.2.1 Each User shall provide to 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 a Gas Supply 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 a Gas Supply Emergency.

2.2.3 The details required under paragraph 2.2.1 shall be provided by an Applicant User before becoming a User and shall at all times be maintained up to date; and for these purposes the User shall notify to 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) in accordance with paragraph 2.3.2, the names and job titles of representatives of the consumer ("emergency contacts") each of which has the power and authority to comply with any direction given pursuant to Regulation 6(4);
- (iii) at least one (but not more than four) telephone numbers for each emergency contact by means of which Transco may contact, 24 hours a day, at least one emergency contact; and
- (iv) in the case of a Large Firm Supply Point the Annual Quantity of which is greater than 1,464,000 kWh (50,000 therms), one facsimile number, for the purposes of receiving communications pursuant to Section G and Section Q, which is able to receive transmissions 24 hours a day.

2.3.2 For the purposes of paragraph 2.3.1(ii):

- (i) in the case of a Large Firm Supply Point in respect of any site which is manned 24 hours a day, the Registered User will provide to Transco the name(s) and job title(s) of at least one but not more than 5 emergency contacts; and
- (ii) in the case of a Large Firm Supply Point in respect of any site which is not manned 24 hours a day, the Registered User will provide to Transco the name(s) and job title(s) of at least 3 but not more than 5 emergency contacts.

2.3.3 A User shall comply with the requirements of paragraph 2.3.1:

- (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, as soon as reasonably practicable, and in any event not later than 30th September in that Gas Year.

2.3.4 The details required under paragraph 2.3.1 shall at all times be maintained up to date; and for these purposes the User shall notify to Transco any change in such details as soon as reasonably practicable and where possible in advance of such change.

2.4 Interruptible Supply Points

2.4.1 A User shall in respect of each Interruptible Supply Point of which it is the Registered User provide to Transco:

- (i) the name and (in the case of a corporation) registered office of the consumer;
- (ii) in accordance with paragraph 2.4.2, the names and job titles of representatives of the consumer ("emergency contacts") each of which has the power and authority to comply

with any direction given pursuant to Regulation 6(4);

- (iii) at least one (but not more than four) telephone numbers for each emergency contact by means of which Transco may contact, 24 hours a day, at least one emergency contact; and
- (iv) one facsimile number, for the purposes of receiving communications pursuant to Section G and Section Q, which is able to receive transmissions 24 hours a day.

For the avoidance of doubt, the emergency contacts provided for under this paragraph may be the same contacts as those referred to in Section G 6.6.2 as "interruption contacts". The total number of emergency contacts provided for under this paragraph (and interruption contacts provided for under Section G.6.6.2) shall not exceed 5 in relation to any Interruptible Supply Point.

2.4.2 For the purposes of paragraph 2.4.1(ii):

- (i) in the case of any Interruptible Supply Point in respect of any site which is manned 24 hours a day, the Registered User will provide to Transco the name(s) and job title(s) of at least one but not more than 4 emergency contacts; and
- (ii) in the case of any Interruptible Supply Point in respect of any site which is not manned 24 hours a day, the Registered User will provide to Transco the name(s) and job title(s) of at least 3 but not more than 4 emergency contacts.

2.4.3 A User shall comply with the requirements of paragraph 2.4.1 where the User becomes the Registered User in respect of an Interruptible Supply Point, when submitting the Supply Point Confirmation.

2.4.4 The details required under paragraph 2.4.1 shall at all times be maintained up to date; and for these purposes the User shall notify to Transco any change in such details as soon as reasonably practicable and where possible in advance of such change.

2.5 Priority Supply Points

2.5.1 Each User shall:

- (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;
- (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; and
- (iii) where:
 - (a) a User becomes Registered User at a Supply Point in relation to which the consumer is a Priority Consumer; or
 - (b) Transco confirms pursuant to paragraph 2.5.2 that a consumer in relation to which that User is Registered User is a Priority Consumer;

notify that consumer (in terms reasonably specified by Transco having regard to Standard

Condition 18 of Transco's Licence) of the circumstances in which it need not comply with instructions to reduce or cease, or in which it may resume or increase, the consumption of gas in a Gas Supply Emergency.

- 2.5.2 Where Transco adds the name of a consumer to the list described in paragraph 1.6(i) it shall inform the Registered User in relation to that consumer of such addition.
- 2.5.3 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.
- 2.5.4 Where Transco removes the name of a consumer from the list described in paragraph 1.6(i) it shall inform the User that is the Registered User in relation to that consumer of such removal.
- 2.5.5 Where Transco informs a User that a consumer in relation to which that User is Registered User has been removed from the list described in paragraph 1.6(i), that User shall notify the consumer of the change to the circumstances in which it may reduce, cease, resume or increase the consumption of gas in a Gas Supply Emergency.
- 2.5.6 A User may not designate a Priority Supply Point as Interruptible except as otherwise set out in the Priority Criteria.
- 2.5.7 Each User shall (subject to the other requirements of this Section Q), in respect of each Priority Supply Point of which it is Registered User, provide to Transco the name and/or title of one representative of the consumer, together with a telephone number by means of which Transco may contact such representative during normal working hours on a Business Day.

2.6 Emergency Procedures

- 2.6.1 Each User shall ensure that all of its relevant personnel are familiar with the Emergency Procedures.
- 2.6.2 For the purposes of paragraph 2.6.1 a User's relevant personnel are personnel employed or engaged by the User whose functions or areas of responsibility are such that (in order to enable the User to comply with any requirement of this Section Q) they are likely to be required to take any decision or action in a Gas Supply Emergency.

2.7 User procedures

- 2.7.1 Each User shall establish and maintain such procedures as may be necessary:
 - (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 a Gas Supply Emergency.
- 2.7.2 Each User shall take all reasonable steps within its power to ensure that, in so far as may be necessary to give effect to the requirements of this Section Q and to the Emergency Procedures, the procedures established by it under paragraph 2.7.1 are coordinated:
 - (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 Gas Supply Emergencies, or the procedures established by other Users under this paragraph 2.7; and shall consult with such other parties accordingly.

- 2.7.3 The User shall if requested by Transco provide to Transco a copy of the procedures from time to time established by it under paragraph 2.7.1; and Transco shall be at liberty to disclose to and discuss with any Competent Authority any such procedures provided to it.

3. OCCURRENCE OF A GAS SUPPLY EMERGENCY

3.1 General

- 3.1.1 Where the NEC declares a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency), or a Local Gas Supply Emergency arises, Transco will:

- (i) inform Users, in accordance with the Emergency Procedures and (except in the case of a Gas Supply Incident as described in such Procedures) as soon as reasonably practicable, of the commencement of the Gas Supply Emergency, whether it is a Local or a Network Gas Supply Emergency and (in the case of a Network Gas Supply Emergency) whether it is a Potential Network Gas Supply Emergency or of the Stage thereof, and (insofar as reasonably practicable) of the nature, extent and expected duration of the Gas Supply Emergency and the part of the System affected thereby;
- (ii) thereafter keep Users reasonably informed as to material changes to the information provided under paragraph (i) (including any change in the Stage of a Network Gas Supply Emergency) and material developments in respect of the Gas Supply Emergency;
- (iii) inform Users as soon as reasonably practicable when the NEC has informed Transco, or (as the case may be) Transco has determined (in accordance with paragraph 1.2.7), that the Gas Supply Emergency is no longer continuing.

- 3.1.2 Upon being informed of a Gas Supply Emergency (including a Potential Network Gas Supply Emergency) a User shall brief all relevant personnel (as defined in paragraph 2.6.2) as to the existence and nature of the Gas Supply Emergency.

- 3.1.3 During a Gas Supply Emergency each User is required:

- (i) to comply with the Emergency Procedures in so far as applicable to the User in the circumstances;
- (ii) to comply (in the case of a Network Gas Supply Emergency, including a Potential Network Gas Supply Emergency) with the requirements of paragraph 3.3.1, and (in the case of any Gas Supply Emergency) with the requirements (insofar as applicable to Users) of paragraph 3.4, as to Emergency Steps in relation to the delivery and offtake of gas to and from the 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 and will inform the relevant User of its decision, which decision will relieve the User of any obligation under the Code to comply with the conflicting requirement.
- 3.1.5 A User shall not be required to comply with any requirement under this paragraph 3 applying in respect of any Gas Supply Emergency (including a Potential Network Gas Supply Emergency) until and unless the User has been informed by Transco of the existence of such Gas Supply Emergency.
- 3.2 Supply and demand control
- 3.2.1 Emergency Steps may require (in the case of a Network Gas Supply Emergency) increases in deliveries of gas to the System, and (in the case of any Gas Supply Emergency) reductions in the offtake of gas from the System.
- 3.2.2 In a Network Gas Supply 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 Network Gas Supply 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 Network Gas Supply Emergency occurs Transco has (before the start of that Gas Supply 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 Network Gas Supply Emergency (including a Potential Network Gas Supply 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 (but without being obliged pursuant to this paragraph (ii) to secure any increase in the actual rates or quantities of delivery).
- 3.3.2 In a Network Gas Supply 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 Network Gas Supply Emergency Transco may (in lieu of applying paragraph 3.3.2 in relation to gas-in-storage) issue direct instructions to the operator of any Storage Facility in relation to which

appropriate arrangements exist (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)).

3.4 Demand-side steps

3.4.1 Where Emergency Steps include the reduction or discontinuance of offtake of gas at Firm as well as Interruptible Supply Points (in a Local Gas Supply Emergency or a Stage 3 Network Gas Supply Emergency), such steps will (insofar as is practicable and as may be required by Standard Licence Condition 18(10) of the Transco Licence) be applied in the following order:

- (i) first, at Interruptible Supply Points (insofar as offtake has not already been interrupted at such points);
- (ii) secondly, at Supply Points, other than Priority Supply Points, which include VLDMC Supply Point Components;
- (iii) thirdly, at other Large Firm Supply Points other than Priority Supply Points;
- (iv) lastly, at Firm Supply Points (including for the avoidance of doubt Supply Points whose Annual Quantities do not exceed 73,200 kWh (2,500 therms)) and at Priority Supply Points.

3.4.2 To the extent that Emergency Steps include the isolation of any part of 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 In a Gas Supply Emergency (including for the purposes of paragraph (i) below a Potential Network Gas Supply Emergency):

- (i) unless Transco notifies a User otherwise, 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 The relevant provisions of Section G6 will apply for the purposes of Interruption in a Gas Supply Emergency (including a Potential Network Gas Supply Emergency) or Local Gas Supply Emergency, except that:

- (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) the User may not request an alteration pursuant to Section G6.8.2 to the Supply Points to be Interrupted;
 - (iii) 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;
 - (iv) the provisions of Section G6.9 (other than Section G6.9.2(a)) in respect of a failure to Interrupt shall not apply.
- 3.4.6 Notwithstanding paragraph 3.4.5, where pursuant to the Emergency Procedures 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 a Gas Supply Emergency offtake of gas at Supply Points is restored will (so far as is practicable and subject to any requirements in relation to Priority Supply Points) be the inverse of that under paragraph 3.4.1.
- 3.5.2 For the purposes of paragraph 4, a Network Gas Supply Emergency will be considered to have ceased only:
- (i) when the integrity of the NTS is restored, such that any loss of pressure in the NTS (or risk of such loss arising as a result of a Gas Supply Emergency) has ceased; and
 - (ii) where Transco is reasonably able to provide forecasts and demand information in accordance with Section H; and
 - (iii) with effect from the start of a Day; and
 - (iv) upon notice to Users given not later than 10:00 hours on the Preceding Day.

4. CONSEQUENCES OF EMERGENCY

4.1 Suspension of certain provisions of the Code

4.1.1 In respect of each Day or part of a Day during a Network Gas Supply Emergency:

- (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 Gas Supply 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 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 a Gas Supply Emergency any other provision of the Code which would in any particular case conflict with the implementation of this Section Q shall to that extent not apply.
- 4.1.3 For each Day or part of a Day in a Potential Network Gas Supply Emergency the relevant multiplier for the purposes of calculating Flexibility Overrun Charges under Section B2.5.3 shall be 1.
- 4.2 Clearing of gas balances
- 4.2.1 In a Network Gas Supply Emergency Section F2 will apply on such modified basis as is appropriate to give effect to paragraph 4.2.2 (and in particular without the application of any tolerances, or of any price other than the relevant price under paragraph 4.2.3).
- 4.2.2 In respect of each Day during a Network Gas Supply Emergency:
- (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) 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 the value of the arithmetic mean the System Average Prices determined under Section F1.2.1 or F1.2.2 but by reference to the 30 Days

preceding the Day on which the Network Gas Supply Emergency started.

- 4.2.4 In applying Section F4 in respect of Days during a Network Gas Supply Emergency amounts payable by Transco 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 (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 Network Gas Supply Emergency (but not in respect of a quantity of gas which exceeds the amount of the claimant's Daily Imbalance if any under paragraph 4.2.2(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, so that it will not suffer such financial loss;
- (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).

4.3 Further consequences

Transco and Users acknowledge that during a Gas Supply Emergency it may be necessary for each of them to divert resources from other activities which may potentially result in a temporary impairment of their abilities subsequently to perform their respective obligations pursuant to the Code; and acknowledge that any such impairment resulting from such diversion of resources may be Force Majeure for the purposes of Section V9.