

Network Code Development

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2 September 1999

Dear Colleague,

NOTICE OF IMPLEMENTATION

MODIFICATION PROPOSAL No: 0313 "Modification of the Energy Balancing Regime under BC99"

Please note that The Final Modification Report, Version 1.0 was signed by OFGEM on 1 September 1999 for Modification Proposal No:0313.

With effect from 06.00 hours on 1 October 1999, the new Network Code text resulting from this Modification is attached.

Yours sincerely

Paul Kew
PP

Julian Majdanski
Modification Panel Secretary

1 September 1999

MODIFICATION 0313

**DEVELOPMENT OF ENERGY BALANCING REGIME TO FACILITATE
IMPLEMENTATION OF THE ON THE DAY COMMODITY MARKET**

Proposed legal text.

SECTION B: SYSTEM USE AND CAPACITY:

Amend paragraph 1.3.5(i) as follows:

“....a User incurs an Overrun Charge, Supply Point Ratchet Charge....”

SECTION C: NOMINATIONS

Delete paragraph 1.1.2(vii).

Amend paragraph 1.1.2(viii) as follows:

“....(but does not include a New Renomination).”

Delete text at paragraph 1.4 and insert ‘Not Used’.

Amend paragraph 1.6.1 as follows:

“In respect of each Day Transco will”

Amend paragraph 1.10.2 as follows:

“The Renomination Effective Time of any Renomination shall be in accordance with paragraph 1.10.1.”

Amend paragraph 2.4.3 as follows:

“....the User shall have failed to make a Nomination (but without prejudice to any New Renomination).”

Amend paragraph 3.4.3 as follows:

“....the User shall have failed to make a Nomination (but without prejudice to any New Renomination).”

Delete text at paragraph 4 and insert 'Not Used'.

Amend paragraph 5.1.2 as follows:

“Subject to paragraph 5.1.4, a Nomination may be revised by a Renomination.”

Delete text at paragraph 5.1.3 and insert >Not Used'.

Delete text at paragraph 5.1.4(iii) and insert as follows:

“in the circumstances in Section D2.3.4;”

Delete text at paragraph 5.1.4(v) and insert as follows:

“in respect of a DMC Supply Point Component, an eligible Connected System Exit Point or DMA Supply Point Group and other than in the case of a Step Change Renomination, unless the Renomination revises its earlier Output Nomination by increasing or decreasing the Nominated Quantity by not less than $\frac{1}{2}$ of the Applicable Imbalance Tolerance Percentage (in accordance with Section F2.2.2).”

Amend paragraph 5.1.5 as follows:

“.....under which the Implied Nomination Flow Rate exceeds $\frac{1}{24}$ of the User's Available System Entry Capacity.”

Delete text at paragraph 5.1.6 and insert 'Not Used'.

Amend paragraph 5.1.11(a) as follows:

“a “**New Renomination**” is an original Nomination in accordance with paragraph 5.1.13;”

Add new paragraph 5.1.13 as follows:

“Where a User has not made an earlier:

- (i) Input Nomination for the Gas Flow Day in respect of a System Entry Point the User may make an original Input Nomination; or
- (ii) Output Nomination for the Gas Flow Day in respect of a DMC Supply Point Component, an eligible Connected System Exit Point or DMA Supply Point Component, the User may make an original Output Renomination (in respect thereof)

for a Nomination Quantity determined by the User.”

Amend paragraph 5.2.1 as follows:

“With effect from each Demand Forecast Time ...”

Delete paragraphs 5.2.2 and 5.2.3

Add new paragraph 5.2.2 as follows:

“A User may (subject to paragraph 5.1.4) make a Step Change Renomination.”

Renumber paragraph 5.2.4 as paragraph 5.2.3 and amend as follows:

“Users are required to make Renominations in respect of Supply Points ...”

Delete paragraphs 5.3, 5.4 and 5.5.

Amend paragraph 6.1.1 as follows:

“Where two Users, or (in accordance with paragraph 6.3) Transco and a User, agree to do so, ...”

Delete paragraph 6.2.2(ii) and renumber paragraph 6.2.2(iii) as paragraph 6.2.2(ii).

Add new paragraph 6.3 as follows:

“6.3 System Trade Nominations

6.3.1 Where Transco and a User (a “**System Trade User**”) so agree, they may make corresponding Trade Nominations (“**System Trade Nominations**”).

6.3.2 The Trade Nomination Quantity pursuant to a System Trade Nomination shall be deemed to be sold and purchased pursuant to a System Clearing Contract:

- (a) which shall arise upon the System Trade Nominations becoming effective and which shall be deemed fully performed;
- (b) for the purposes of which:
 - (i) where the System Trade User made the Disposing Trade Nomination, Transco is buyer and the System Trade User is seller;
 - (ii) where the System Trade User made the Acquiring Trade Nomination,

Transco is seller and the System Trade User is buyer;

- (c) in relation to which there shall be no Clearing Price (as the System Trade Contract is effective pursuant to the agreement between Transco and the User to make the System Trade Nominations).
- 6.3.3 In relation to the System Trade User, the Trade Nomination Quantity pursuant to a System Trade Nomination shall be treated in accordance with paragraph 6.1.3.
- 6.3.4 Transco may agree with the System Trade User that the Trade Nomination to be made by Transco shall (for the purposes of paragraph 6.2) be deemed to be submitted at the same time as that to be submitted by the System Trade User.”

SECTION D: OPERATIONAL BALANCING AND FLEXIBILITY BIDDING

*Rename Section D > “**OPERATIONAL BALANCING, TRADING ARRANGEMENTS AND ENERGY BALANCING INCENTIVES**”*

Amend paragraph 1.1.2(ii) as follows, and delete paragraph 1.1.2(iii):

- “(ii) take Eligible Balancing Actions in accordance with this Section D.”

Amend paragraph 1.3.2 as follows:

“....can be inferred from User’s Nominations (including Renominations), System Trade Nominations and Transaction Details.”

*Rename paragraph 1.4 ‘**Eligible Balancing Actions**’.*

Delete text at paragraph 1.4.1 and insert text as follows:

“1.4.1 For the purposes of the Code:

- (i) “**Eligible Balancing Actions**” are:
 - (a) Market Balancing Actions;
 - (b) other actions provided for in the Code to be ‘Eligible Balancing Actions’;
- (ii) the “**Market Balancing Action Charge**” is the amount payable by or to Transco in respect of a Market Balancing Action;
- (iii) a “**Market Balancing Action**” is a Market Balancing Buy Action or a Market

Balancing Sell Action.

- (iv) a “**Market Balancing Buy Action**” is the effecting of a Market Transaction (in which Transco is one of the Trading Participants) pursuant to which the User agrees to make a Disposing Trade Nomination;
- (v) a “**Market Balancing Sell Action**” is the effecting of a Market Transaction (in which Transco is one of the Trading Participants) pursuant to which the User agrees to make an Acquiring Trade Nomination;
- (vi) “**Market Balancing Action Quantity**” is the Trade Nomination Quantity in respect of a Market Balancing Action.

Delete text at paragraph 1.4.2 and insert as follows:

“Transco will maintain a record (which, without prejudice to any other provision of the Code, will not be available to Users) of each Eligible Balancing Action taken.”

Delete text at existing paragraph 1.5, and insert as follows:

“1.5 Localised Transportation Deficit

- 1.5.1 Where after 24:00 hours on the Preceding Day it appears to Transco that a Localised Transportation Deficit is likely to arise or has arisen, Transco will take (at such times as it judges operationally appropriate) Market Balancing Buy Action(s) at relevant System Point(s) with a view to gas flow rates at such System Points being increased or (as the case may be) decreased so as to avoid or remedy the Localised Transportation Deficit.
- 1.5.2 In paragraph 1.3 references to Operational Balancing shall be construed as including the taking of Market Balancing Buy Actions by Transco under paragraph 1.5.1 in respect of a Localised Transportation Deficit or anticipated Localised Transportation Deficit and Market Balancing Sell Actions taken as a consequence with a view to maintaining an Operational Balance and references to Operational Balancing Steps and Operational Balancing Requirements will be construed accordingly.
- 1.5.3 For the purposes of the Code a “**Localised Transportation Deficit**” is a condition affecting a part of the System resulting in a deficiency in the quantities of gas which Transco is able to make available for offtake from that part of the System whether such condition results from the size of any part of the System, the operation or failure to operate any part of the System or the extent or distribution of supply or demand in any part of the System but which does not result from a Transportation Constraint affecting a particular System Entry Point or System Entry Points.”

Move text at paragraphs 2, 3 and 4 to new Transition Document, Part VII and insert 'Not Used'

against paragraph 4.

Add new text at paragraph 2 to read as follows:

“2. TRADING ARRANGEMENTS

2.1 On the Day Market

2.1.1 [Where Transco appoints a person who has established a market for the purposes referred to in standard condition 7.4A of the Transco Licence, Transco will make arrangements with such person] ¹ pursuant to which such person will provide and operate an electronic trading system by means of which Users and Transco may (if they have been admitted by such person as participants in such system) post and accept (and revise and withdraw) offers to effect Market Transactions.

2.1.2 Without prejudice to the provisions of Section V4, provided such person has complied with the relevant requirements of Section V2, Transco will admit the Trading System Clearer as a User pursuant to Section V2.5.1 for the purposes only of making Trade Nominations (including System Trade Nominations) pursuant to Section C6.

2.1.3 For the purposes of the Code:

- (i) **“Trading System”** is an electronic trading system provided and operated by the Trading System Operator for the purposes described in paragraph 2.1.1; provided that references to the Trading System shall not include any part of such system by means of which transactions other than Market Transactions may be effected, or by means of which Market Transactions may be effected earlier than the 12:00 hours on the Day before the Gas Flow Day;
- (ii) **“Trading System Operator”** is the person providing and operating the system referred to in paragraph (i);
- (iii) **“Trading System Clearer”** is the Trading System Operator, or a person designated by the Trading System Operator to provide clearing services for the purposes of the Trading System;
- (iv) **“Trading System Arrangements”** are the arrangements including the rules for use of the Trading System made by the Trading System Operator in respect of the provision and operation of the Trading System;
- (v) **“Trading System Contract”** is the contract between Transco and the Trading System Operator setting out the arrangements made by Transco for the purposes of paragraph 2.1.1.

¹ Text subject to Ofgem/Transco discussions and licence modification consultation process.

2.1.4 The requirement to make arrangements in paragraph 2.1.1 is without prejudice to Transco's rights of termination pursuant to the Trading System Contract and Transco shall not be in breach of the obligation in paragraph 2.1.1 were the Trading System Contract to terminate as a consequence of:

- (i) Transco exercising its rights of termination thereunder;
- (ii) the Trading System Operator ceasing to, or otherwise being unable to, carry on its business in providing and operating the Trading System;
- (iii) the giving of a Termination Notice by Transco pursuant to paragraph 2.9.3 of the Network Code Supplement.

2.1.5 Transco shall not be liable to any User for any act, omission or failure of the Trading System Operator under or relating to the terms of the Trading System Contract or the Trading System Arrangements and Transco shall not be required to incur any liability or be required to take any steps, including the commencement of proceedings in connection with the enforcement against the Trading System Operator of its rights pursuant to the Trading System Contract.

2.2 Market Transactions and Trading Arrangements

2.2.1 For the purposes of the Code:

- (i) a "**Market Transaction**" is a transaction effected (by means of the Trading System) between two Trading Participants, pursuant to which the Trading System Clearer agrees with each of the Trading Participants separately to make equivalent Trade Nominations (so that the Trading System Clearer agrees with one such participant to make an Acquiring Trade Nomination, and with the other such participant to make a Disposing Trade Nomination);
- (ii) the "**Originating Participant**" in relation to a Market Transaction is the Trading Participant which posted (using the Trading System) the offer, acceptance of which by Transco or another User (the "**Accepting Participant**") effected such transaction; and where the Originating Participant is a User it is an "**Originating User**";
- (iii) a "**Physical Market Transaction**" is a Market Transaction pursuant to which the Originating User agrees:
 - (a) to modify the quantity of gas to be delivered to and/or offtaken from the System by the User in aggregate on the Gas Flow Day by an amount equal to the Trade Nomination Quantity (and to modify the rate of such

delivery and/or offtake accordingly); and

- (b) accordingly to make a Nomination(s) or Renomination(s) in accordance with paragraph 2.3;
- (iv) a “**Locational Market Transaction**” is a Physical Market Transaction pursuant to which the Originating User agrees to make a Nomination or Renomination in respect of a specified System Point in accordance with paragraph 2.3;
- (v) a “**Non-physical Market Transaction**” is a Market Transaction which is not a Physical Market Transaction;
- (vi) in respect of an Originating User and in relation to a Physical Market Transaction an “**Eligible Trading System Point**” is a System Point in respect of which the following conditions are satisfied:
 - (i) the System Point is:
 - (a) a System Entry Point in respect of which the User has complied with the requirement in Section B1.5; or
 - (b) a Supply Point in respect of which the User is the Registered User and in relation to which the User may submit a separate Output Nomination; or
 - (c) an eligible Connected System Exit Point in relation to which the User is a CSEP User; and
 - (ii) in the case of a Physical Market Transaction under which the Originating User has agreed to reduce:
 - (a) the quantity of gas to be delivered to the System at a System Entry Point, the User has made an Input Nomination for the Gas Flow Day at such System Entry Point; or
 - (b) the quantity of gas to be offtaken from the System at a System Exit Point, the User has made an Output Nomination for the Gas Flow Day at such System Exit Point

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

- (vii) a “**Contract Renomination**” is a Renomination made or to be made by a User (pursuant to a Physical Market Transaction) in accordance with paragraph 2.3;

- (viii) in relation to a Physical Market Transaction the “**Contract Renomination Time**” is the later of 19:00 hours on the Day preceding the Market Offer Date and that time falling 60 minutes after notification by the Trading System Operator to Transco of the Transaction Details, but not later than 04:00 hour on the Market Offer Date;
- (ix) in respect of a Market Transaction the “**Transaction Details**” are those details to be provided to Transco by the Trading System Operator (in accordance with the Trading System Arrangements) when the Trading System Operator notifies Transco that the Market Transaction has been effected;
- (x) “**Trading Participant**” means a User (other than one admitted pursuant to Section V2.5.1) or Transco, which is for the time being admitted by the Trading System Operator as a participant under the Trading System in relation to Market Transactions;
- (xi) references to ‘acceptance’ of an offer include acceptance by ‘order matching’, that is where the posting of the later posted of two matching orders acts as the acceptance of the earlier posted of such orders.

- 2.2.2 The Trading System Contract will provide for the Trading System Arrangements to be consistent with Annex D-1 and will in addition contain provision whereby the Trading System Operator shall covenant with Transco not to make any modification, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of Annex D-1 other than with the prior written agreement of Transco.
- 2.2.3 Transco shall not agree with the Trading System Operator pursuant to the terms of the Trading System Contract to any amendment, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of Annex D-1 unless pursuant to a Code Modification Annex D-1 has been amended in a manner such that following such modification Annex D-1 is consistent with the Trading System Arrangements following the amendment, change or alteration thereto.
- 2.2.4 In the event that pursuant to a Code Modification the terms of Annex D-1 are modified, changed or otherwise altered, Transco shall not be required to secure that the Trading System Operator modify the Trading System Arrangements such that they are made consistent with the Annex D-1 following such Code Modification.
- 2.2.5 The Trading System Arrangements will provide that, following the effecting of a Market Transaction, the Trading System Operator will submit, on its own account (or where the Trading System Operator and the Trading System Clearer are different persons, on the Trading System Clearer’s behalf) and as User Agent on behalf of the Originating and Accepting Participants, the Trade Nominations agreed to be made pursuant to such

Market Transaction.

- 2.2.6 The Trading System Operator shall be deemed to have submitted Trade Nominations pursuant to paragraph 2.2.5 (and complying with Section C6.2) by notifying to Transco details of the Market Transaction pursuant to those provisions of the Trading System Arrangements which comply with paragraph 5.4(iii) of Annex D-1.
- 2.2.7 A Trading Participant may not post a Market Offer to effect a Physical Market Transaction in relation to which the Market Transaction Lead Time is less than one (1) hour.
- 2.2.8 Where Transco takes a Market Balancing Action:
- (i) in the case of a Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) the Trading System Clearer shall pay to Transco the Market Balancing Action Charge;
 - (ii) in the case of a Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) Transco shall pay the Trading System Clearer the Market Balancing Action Charge.
- 2.2.9 Market Balancing Action Charges shall be invoiced and payable in accordance Section S.
- 2.3 Contract Renominations**
- 2.3.1 Subject to paragraph 2.3.6, where a Physical Market Transaction is effected, the Originating User shall make Contract Renomination(s) which are in compliance with the requirements in paragraphs 2.3.2 and 2.3.3.
- 2.3.2 The requirements referred to in paragraph 2.3.1 are that:
- (i) without prejudice to Section C5.1.4(ii), the Contract Renomination(s) are submitted not earlier than the time the Trading System Operator notifies Transco of the Transaction Details and not later than the Contract Renomination Time;
 - (ii) the Contract Renomination(s) shall be submitted in accordance with Section C5.1.7 and shall in addition specify:
 - (a) that the Renomination is a Contract Renomination;
 - (b) the Physical Market Transaction in respect of which it is made;
 - (iii) a Contract Renomination may not for the purposes of paragraph (ii) specify more

than one Physical Market Transaction;

- (iv) where the User is required to make Contract Renomination(s):
 - (a) other than pursuant to a Locational Market Transaction, the Contract Renomination(s) submitted by the User shall:
 - (1) be in respect of an Eligible System Trading Point(s); and
 - (2) be for Renomination Quantity(ies) in aggregate equal to the Trade Nomination Quantity in respect of which the relevant Physical Market Transaction was effected;
 - (b) pursuant to a Locational Market Transaction, the Contract Renomination submitted by the User shall:
 - (1) be in respect of the Eligible System Trading Point in respect of which the Locational Market Transaction was effected; and
 - (2) be for a Renomination Quantity equal to the Trade Nomination Quantity in respect of which the relevant Locational Market Transaction was effected.

2.3.3 Without prejudice to the requirements of paragraph 2.3.2, where pursuant to the Physical Market Transaction:

- (i) the User has agreed to make a Disposing Trade Nomination, the User must make a Contract Renomination(s) which:
 - (a) revises the User's Input Nomination for a System Entry Point by increasing the Nomination Quantity; and/or
 - (b) is an original Input Nomination for a System Entry Point in respect of which the User has made no earlier Nomination; and/or
 - (c) is a Renomination which revises the User's Output Nomination for a System Exit Point by reducing the Nomination Quantity;
- (ii) the User has agreed to make an Acquiring Trade Nomination, the User must make a Contract Renomination(s) which:
 - (a) revises the User's Input Nomination for a System Entry Point by reducing the Nomination Quantity; and/or

- (b) is an original Output Nomination for a System Exit Point in respect of which the User has made no earlier Nomination; and/or
- (c) is a Renomination which revises the User's Output Nomination for a System Exit Point by increasing the Nomination Quantity.

2.3.4 Where pursuant to a Physical Market Transaction in respect of which the Originating User agrees to make:

- (i) a Disposing Trade Nomination in relation to a System Entry Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Entry Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Entry Point;
- (ii) an Acquiring Trade Nomination in relation to a System Exit Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Exit Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Exit Point.

2.3.5 The Renomination Effective Time of a Contract Renomination shall be the Transaction Effective Time of the Physical Market Transaction pursuant to which the Contract Renomination is to be made.

2.3.6 In relation to a Locational Market Transaction in the event the System Point in respect of which the User has agreed to submit Contract Renomination(s) is not an Eligible System Trading Point:

- (i) the User shall not be entitled, notwithstanding paragraph 2.3.1, to make a Contract Renomination;
- (ii) paragraph 2.3.7 shall nonetheless apply.

2.3.7 Where a Physical Market Transaction is effected, in the event the Originating User:

- (i) does not submit a Contract Renomination in accordance with this paragraph 2.3;
- (ii) submits a Contract Renomination(s) which does not comply with the provisions of this paragraph 2.3

the Originating User shall pay a charge ("**Physical Renomination Incentive Charge**")

calculated in accordance with paragraph 2.3.8.

2.3.8 The Physical Renomination Incentive Charge shall be the greater of:

- (i) an amount calculated in accordance with the following formula:

$$\text{TNQ} * 0.005 \text{ pence}$$

where TNQ is the Trade Nomination Quantity in respect of which the relevant Physical Market Transaction was effected; and

- (ii) £200.

2.3.9 The Physical Renomination Incentive Charge will be invoiced and payable in accordance with Section S.

2.4 Trading System Contingencies

2.4.1 Where Transco is of the opinion that its ability to carry out Operational Balancing is prejudiced by an event or circumstance affecting the Trading System such that no Trading Participant is able to post or accept a Market Offer Transco shall notify Users and with effect from the time specified in such notice Transco shall cease to make use of the Trading System for the purposes of Operational Balancing and Transco may make use of Contingency Balancing Arrangements.

2.4.2 Following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.1 where Transco is of the opinion that the Trading System may be used by Transco for the purposes of Operational Balancing, Transco shall notify all Users of the Day with effect from the start of which Transco shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.

2.4.3 In the event that:

- (i) Transco exercises its rights of termination pursuant to the Trading System Contract;
- (ii) the Trading System Operator ceases to, or is unable to, carry on its business as the provider and operator of the Trading System;
- (iii) Transco gives the Trading System Operator a Termination Notice pursuant to paragraph 2.9.3 of the Network Code Supplement

Transco shall promptly notify Users, and with effect from the time specified in such notice Transco shall cease to make use of the Trading System for the purposes of Operational Balancing and Transco may make use of Contingency Balancing Arrangements.

- 2.4.4 Where Transco is of the opinion that by reference to the aggregate quantities of gas for which Users have posted Market Offers and Nomination Information its ability to carry out Operational Balancing is or may be prejudiced Transco shall notify Users of its opinion and request that Trading Participants post further Market Offers provided that the giving of such notice(s) shall be without prejudice to the provisions of Section Q and any actions Transco may take in its capacity as NEC where so appointed.
- 2.4.5 Transco may, with Condition 7(4) Approval of the Director, following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.4, recommence use of the Trading System for Operational Balancing Purposes and in such circumstances Transco shall notify all Users of the Day with effect from the start of which Transco shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.
- 2.4.6 In relation to each Day in respect of which Transco uses Contingency Balancing Arrangements the provisions of paragraph 2.3 as to Physical Renomination Incentive Charges will not apply.
- 2.4.7 For the purposes of the Code “**Contingency Balancing Arrangements**” are other arrangements provided for in the Code to be ‘Contingency Balancing Arrangements’.

Add new text at paragraph 3 to read as follows:

“3. ENERGY BALANCING INCENTIVES

3.1 Introduction

- 3.1.1 Pursuant to the arrangements set out in this paragraph 3, Transco will pay or be paid certain amounts to or by Users in respect of each Day by reference to the extent by which:
- (i) System Marginal Buy Price differs from System Average Price; and
 - (ii) System Marginal Sell Price differs from System Average Price.
- 3.1.2 The arrangement giving effect to paragraph 3.1.1(i) is the “**Buy Incentive Arrangement**”, and the arrangement giving effect to paragraph 3.1.1(ii) is the “**Sell Incentive Arrangement**”.

3.1.3 For the purposes of this paragraph 3:

(a) the **"Incentive Performance Measure"** is:

- (i) in relation to the Buy Incentive Arrangement, the percentage determined as:

$$((\text{SMBP} - \text{SAP}) / \text{SAP}) * 100$$

- (ii) in relation to the Sell Incentive Arrangement, the percentage determined as:

$$((\text{SAP} - \text{SMSP}) / \text{SAP}) * 100$$

where:

SAP is System Average Price;

SMSP is System Marginal Sell Price;

SMBP is System Marginal Buy Price.

(b) the **"Incentive Reference Measure"** is:

- (i) in relation to the Buy Incentive Arrangement, five percent (5%);
- (ii) in relation to the Sell Incentive Arrangement, five percent (5%).

3.1.4 For the purposes of this paragraph 3, in relation to the Buy Incentive Arrangement or the Sell Incentive Arrangement, for any Day, Transco's performance is **"superior"** where the Incentive Performance Measure is less than the Incentive Reference Measure and is **"inferior"** where the Incentive Performance Measure is greater than the Incentive Reference Measure.

3.1.5 For the purposes of this paragraph:

(a) the **"Incentive Measure Limit"** is, in respect of:

- (i) the Sell Incentive Arrangement for superior performance, zero per cent (0%);
- (ii) the Buy Incentive Arrangement for superior performance, zero per cent (0%);

- (iii) the Sell Incentive Arrangement for inferior performance, fifty per cent (50%);
 - (iv) the Buy Incentive Arrangement for inferior performance, fifty per cent (50%);
- (b) the “**Maximum Incentive Amount**” is, in respect of:
 - (i) the Sell Incentive Arrangement for superior performance, £2,000 (being a positive amount);
 - (ii) the Buy Incentive Arrangement for superior performance, £2,000 (being a positive amount);
 - (iii) the Sell Incentive Arrangement for inferior performance, £15,000 (being a negative amount);
 - (iv) the Buy Incentive Arrangement for inferior performance, £15,000 (being a negative amount);
- (c) the “**Monthly Incentive Maximum Amount**” is, in respect of the Sell Incentive Arrangement and the Buy Incentive Arrangement:
 - (i) for superior performance, £165,000 (being a positive amount);
 - (ii) for inferior performance, £165,000 (being a positive amount).

3.1.6 In respect of any Day in relation to which a Gas Supply Emergency is declared, or in respect of which Transco makes use of Contingency Balancing Arrangements pursuant to paragraph 2.4, the Sell Incentive Arrangement and the Buy Incentive Arrangement shall be suspended, and accordingly no Daily Incentive Amount shall be determined under paragraph 3.2, nor any User Daily Incentive Amount payable under paragraph 3.4.

3.2 **Daily Incentive Amount**

3.2.1 The provisions of this paragraph 3.2 apply in respect of both the Buy Incentive Arrangement and the Sell Incentive Arrangement, and shall be given effect in respect of each of them separately.

3.2.2 For each Day:

- (a) the “**Daily Incentive Amount**” is the amount determined as:

- (i) where Transco's performance is superior:

$$(IRM - \max(IPM, IML)) * MIA / (IRM - IML)$$

- (ii) where Transco's performance is inferior:

$$(IRM - \min(IPM, IML)) * MIA / (IML - IRM)$$

- (iii) where the Incentive Performance Measure is equal to the Incentive Reference Measure, zero

where:

IRM is the Incentive Reference Measure

IPM is the Incentive Performance Measure for the Day;

IML is the Incentive Measure Limit (for superior or inferior performance, as applicable)

MIA is the Maximum Incentive Amount (for superior or inferior performance, as applicable);

- (b) the "**Monthly Adjusted Daily Incentive Amount**" is the Daily Incentive Amount multiplied by the Monthly Adjustment Factor (for superior or inferior performance, as applicable) for the month in which the Day falls, in accordance with paragraph 3.3.

3.2.3 For the avoidance of doubt, where Transco took no Market Balancing Buy Action or (as the case may be) no Market Balancing Sell Action for a Day, the Daily Incentive Amount shall be equal to the relevant Maximum Incentive Amount for superior performance.

3.3 **Monthly Adjustment Factor**

3.3.1 For any month, the "**Aggregate Monthly Amount**":

- (a) in relation to superior performance, is the sum of:

- (i) the aggregate Daily Incentive Amounts under the Buy Incentive Arrangement for all Days in the month for which performance was superior; and

- (ii) the aggregate Daily Incentive Amounts under the Sell Incentive

Arrangement for all Days in the month for which performance was superior;

- (b) in relation to inferior performance, is the sum of:
 - (i) the aggregate Daily Incentive Amounts under the Buy Incentive Arrangement for all Days in the month for which performance was inferior; and
 - (ii) the aggregate Daily Incentive Amounts under the Sell Incentive Arrangement for all Days in the month for which performance was inferior.

3.3.2 The Monthly Adjustment Factor for each month, in relation to superior performance and inferior performance respectively, shall be:

- (i) where AMA is not greater than MIMA, one (1);
- (ii) where AMA is greater than MIMA, the factor determined as:

$$\text{MIMA} / \text{AMA}$$

where:

AMA is the magnitude of the Aggregate Monthly Amount, in relation to superior performance and inferior performance respectively;

MIMA is the magnitude of the Monthly Incentive Maximum Amount, for superior and inferior performance respectively.

3.4 Incentive amounts

3.4.1 The provisions of this paragraph 3.4 apply in respect of both the Buy Incentive Arrangement and the Sell Incentive Arrangement, and shall be given effect in respect of each of them separately.

3.4.2 For the purposes of this paragraph 3:

- (a) the terms 'relevant User', 'relevant UDQI' and 'relevant UDQO' have the meanings ascribed to them for the purposes of Section F4;
- (b) for each relevant User, for each Day, the "User Daily Incentive Amount" is the amount determined as the Monthly Adjusted Daily Incentive Amount multiplied by the User Proportion for that Day;

- (c) the “**User Proportion**” for a User in relation to a Day is the sum of the relevant UDQIs and relevant UDQOs for that User, divided by the sum for all relevant Users of their relevant UDQIs and relevant UDQOs.

3.4.3 In respect of each Day for which performance was superior, each relevant User shall pay to Transco the User Daily Incentive Amount.²

3.4.4 In respect of each Day for which performance was inferior, Transco shall pay to each User the User Daily Incentive Amount.

3.5 **Payment arrangements**

Amounts payable by way of User Daily Incentive Amount (under the Buy Incentive Arrangement and the Sell Incentive Arrangement collectively) shall be invoiced and are payable in accordance with Section S.

Add new Annex D-1 to read as follows:

“ANNEX D-1 TRADING SYSTEM ARRANGEMENTS”³

1. Introduction

1.1 This Annex D-1 sets out those terms and conditions relating to the Trading System to be incorporated into the Trading System Arrangements.

1.2 For the purposes of the Code:

- (i) “**Market Offer**” is an offer posted by a Trading Participant by way of the Trading System acceptance of which will effect a Market Transaction;
- (ii) “**Market Offer Date**” is the Day which is to be the Gas Flow Day in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
- (iii) “**Market Offer Price**” is the price (in pence/kWh) specified by the Originating Participant when posting a Market Offer;
- (iv) the “**Market Transaction Quantity**” is the quantity which is the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;

² See new paragraph 8.2 at Transition Document Part II regarding recovery of OCM start up costs.

³ The precise contents of Annex D-1 remain subject to consideration of the market rules and market change rules which at the time of preparing this text remain under discussion. Transco considers that it may be appropriate to amend the scope of Annex D-1 once the terms of the market rules and market change rules are settled such that only paragraphs 1, 2.1, 2.2, 3.1, 3.2, 3.3, 3.5, 5.2, 5.3, 5.4(ii) and (iii), 5.5, 5.6, 5.7, 5.8 and 7 would be retained.

- (v) the “**Market Transaction Charge**” is the Market Transaction Quantity multiplied by the Market Offer Price;
- (vi) the “**Market Transaction System Point**” in respect of a Locational Market Transaction, is the Eligible System Trading Point at which the Originating User offers to modify the gas flow rate;
- (vii) the “**Market Transaction Lead Time**” in respect of a Market Offer to enter into a Physical Market Transaction, is the period in time (expressed in whole hours) required by the Originating User after the Contract Nomination Time before the Originating User will modify the gas flow rate at a System Point;
- (viii) in relation to a Market Offer:
 - (a) to effect a Physical Market Transaction:
 - (1) the “**Market Offer Specified Quantity**” is the quantity which would be the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full;
 - (2) the “**Market Offer Derived Rate**” is the rate in kWh/Day calculated as the Market Offer Specified Quantity multiplied by 24 and divided by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
 - (3) the “**Market Offer Specified Rate**” is the rate in kWh/Day which would be equivalent to the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full and in relation to which the Transaction Effective Time is on or before 06:00 hours on the Market Offer Date;
 - (4) the “**Market Offer Derived Quantity**” is the quantity equivalent to the Market Offer Specified Rate divided by 24 and multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
 - (b) to enter into a Non-Physical Market Transaction, the “**Market Transaction Absolute Quantity**” is the maximum quantity which irrespective of the Transaction Effective Time would be the Trade Nomination Quantity in relation to the Trade Nominations to be submitted on acceptance of the Market Offer;

- (ix) the three “**Market Transaction Types**” are:
 - (a) Non-physical Market Transactions;
 - (b) Physical Market Transactions not being Locational Market Transactions;
 - (c) Locational Market Transactions;
- (x) the “**Transaction Effective Time**” is in respect of a Physical Market Transaction, the hour at which, after the Contract Nomination Time, the Market Transaction Lead Time elapses;
- (xi) the “**Contract Nomination Time**” is in relation to a Market Transaction, the hour next falling after the time at which the Market Offer giving rise to the Market Transaction was accepted as ascertained in accordance with the rules of the Trading System;
- (xii) a “**Market Transaction ID**” is a unique reference number given to each individual Market Transaction by the Trading System Operator and the “**Transco Batch Code**” is a unique reference number which identifies those Market Balancing Actions taken by Transco for the purposes of a particular Operational Balancing Requirement;
- (xiii) the “**Transco Reason Code**” is a code which identifies the nature of the Market Balancing Action which Transco has taken or is seeking to take;
- (xiv) the “**Market Transaction Flow Rate Change**” is
 - (i) where no earlier Nomination was made in respect of the Eligible System Trading Point, the rate in kWh/hour at which gas the subject of a Market Offer for a Physical Market Transaction is to be delivered or offtaken from the System;
 - (ii) where an earlier Nomination was made in respect of the Eligible System Trading Point the amount in kWh/hour by which the gas flow rate is to be increased or (as the case may be) decreased in respect of the gas the subject of a Market Offer for a Physical Market Transaction.

1.3 For the purposes of the Code, ‘Market Offer’ (as defined in paragraph 1.2) includes both an ‘offer’ to make a Disposing Trade Nomination and an ‘offer’ to make a Acquiring Trade Nomination.

2. **Participation and Trading System**

- 2.1 Each Trading Participant shall appoint the Trading System Operator as its User Agent, (and the Trading System Operator shall be required to act as each Trading Participant's User Agent) for the purposes of making Trade Nominations on behalf of Trading Participants pursuant to the acceptance of a Market Offer.
- 2.2 The identity of a Trading Participant making a Market Offer will not be disclosed to any other Trading Participant at any time prior to or after acceptance of the Market Offer except where a Market Offer in respect of a Physical Market Transaction is accepted where following such acceptance the identity of the Originating User will be disclosed to Transco.
3. **Market Transactions**
- 3.1 A Market Offer to effect a Non-physical Market Transaction must indicate:
- (i) that it is such a Market Offer;
 - (ii) the Market Offer Date;
 - (iii) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (iv) the Market Offer Absolute Quantity; and
 - (v) the Market Offer Price;
- 3.2 A Market Offer to effect a Physical Market Transaction must indicate:
- (i) that it is such a Market Offer;
 - (ii) the Market Offer Date;
 - (iii) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
 - (iv) the Market Offer Specified Quantity or the Market Offer Specified Rate;
 - (v) the Market Offer Price;
 - (vi) the Market Transaction Lead Time; and
 - (vii) whether the Market Offer may only be accepted in full.
- 3.3 In addition to the requirements of paragraph 3.1 (other than pursuant to paragraph (i)

thereof) a Market Offer to effect a Locational Market Transaction must specify:

- (i) that it is such a Market Offer; and
- (ii) the Market Transaction System Point.

3.4 Where Transco posts a Market Offer Transco shall in addition to the requirements of paragraphs 3.1, 3.2 and 3.3 indicate the Transco Reason Code.

3.5 The information to be indicated (other than pursuant to paragraph 3.4) in a Market Offer will be capable of being displayed (by means of differing screens) on the Trading System.

4. **Market Offer Restrictions and Options**

4.1 Trading Participants may not post a Market Offer specifying a Market Offer Date falling more than 7 days after the day on which the Market Offer was posted.

4.2 There is no limit on the number of Market Offers a Trading Participant may make in respect of a Day

4.3 A Market Offer may only specify:

- (i) a Market Offer Specified Quantity which is expressed in whole multiples of 100,000 kWh; or
- (ii) a Market Offer Specified Rate (provided that for the purposes of calculating the Market Offer Derived Quantity such quantity shall be rounded down to the nearest multiple of 100,000kWh).

4.4 When posting a Market Offer an Originating Participant may specify that the Market Offer (an "**Option Market Offer**") is linked to other Market Offers (a "**Related Market Offer**") made by the Originating Participant; and on acceptance of an Option Market Offer each other Related Market Offer shall no longer be capable of being accepted by any Trading Participant.

4.5 For the purposes of paragraph 4.4 an Option Market Offer may specify no more than one other Market Offer of each other Market Transaction Type as being a Related Market Offer.

4.6 Trading Participants may revise or withdraw a Market Offer at any time prior to acceptance of the Market Offer.

4.7 A Trading Participant may when posting a Market Offer to enter into a Physical Market Transaction specify that the Market Offer is only capable of acceptance in full.

4.8 The Trading System Operator will reject any Market Offer which does not comply with the relevant requirements of paragraphs 3, 4.1, 4.3 and 4.5 and where a Market Offer does not so comply it will not be displayed on the Trading System.

5. **Acceptance**

5.1 Market Offers in respect of a Market Offer Date will be capable of acceptance by Trading Participants between 12:00 hours on the Day preceding the Market Offer Date and 03:35 hours on the Market Offer Date.

5.2 Where a Trading Participant accepts a Market Offer in full the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Physical Market Transaction shall be equivalent to:

(i) in the case of a Market Offer to effect a Physical Market Transaction:

(1) where the Market Offer specified a Market Offer Specified Quantity, the Market Offer Specified Quantity;

(2) where the Market Offer specified a Market Offer Specified Rate, the Market Offer Derived Quantity;

(ii) in the case of a Market Offer to effect a Non-physical Market Transaction, the Market Offer Absolute Quantity.

5.3 Where a Trading Participant partially accepts a Market Offer the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be, where the Market Offer:

(i) was to effect a Physical Market Transaction:

(1) specified a Market Offer Specified Quantity, that quantity in respect of which the Accepting Participant accepted the Market Offer;

(2) specified a Market Offer Specified Rate, that quantity equivalent to the hourly rate in respect of which the Accepting Participant accepted the Market Offer multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;

(ii) was to effect a Non-physical Market Transaction, the quantity in respect of which the Accepting Participant accepted the Market Offer.

5.4 Subject to paragraph 5.5, following acceptance of a Market Offer the Trading System

Operator will:

- (i) immediately inform both Trading Participants that a Market Transaction has been effected (and whether it is the Originating Participant in relation thereto) and which Market Offer has been accepted;
- (ii) where the Market Offer was to effect a Physical Market Transaction not later than 5 minutes after acceptance of the Market Offer, submit the following details to Transco:
 - (a) the Market Transaction ID;
 - (b) the Market Offer Date;
 - (c) the identity of the Originating Participant;
 - (d) whether the Originating Participant has agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination;
 - (e) the quantity in respect of which the Trading Participants effected the Market Transaction;
 - (f) the relevant Market Transaction Type, and where acceptance has given rise to a Locational Market Transaction, the Market Transaction System Point;
 - (g) the time at which the Market Offer was accepted and the Transaction Effective Time;
 - (h) where Transco is a party to the Market Transaction, the Market Offer Price (expressed to four decimal places and as either a positive or negative) the Transco Reason Code and the Transco Batch ID;
- (iii) not later than 5 minutes after the effecting of a Market Transaction, submit the following details to Transco for the purpose of Section D2.2.5:
 - (a) the Gas Flow Day in respect of which the Market Transaction is effected;
 - (b) the identity of the Market Participant;
 - (c) whether the Market Participant had agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination

- (d) the Market Transaction Quantity (calculated in accordance with paragraphs 5.2 or 5.3).

- 5.5 For the purpose of paragraph 5.4(iii)(d), the Trading System Operator will be deemed to have provided such details by providing for each Trading Participant, the cumulative quantities for which the Trading Participant has made Disposing Trade Nominations and/or Acquiring Trade Nominations in respect of the Market Offer Date up to the time at which the Trading System Operator submits such details.
- 5.6 Where a Market Transaction is effected on the Day preceding the Market Offer Date, the Trading System Operator may not submit the Trade Nominations for the purposes of Section D2.2.5 prior to 13:45 hours on the Day the preceding the Market Offer Date.
- 5.7 Other than in respect of a Top-up Market Offer, a Market Offer will not be capable of acceptance by the Trading Participant posting the Market Offer.
- 5.8 Where Transco accepts a Market Offer it shall indicate by means of the Trading System the relevant Transco Reason Code.

6. **Partial Acceptance**

- 6.1 A Market Offer to effect a Non-physical Market Transaction, or a Physical Market Transaction which does not specify that it is only capable of acceptance in full, may be accepted by a Trading Participant for a quantity other than the Market Transaction Absolute Quantity, Market Offer Specified Quantity or Market Offer Derived Quantity and the Trading System will incorporate functionality that permits the partial acceptance of Market Offers by Trading Participants.
- 6.2 Where a Trading Participant partially accepts a Market Offer (including an Option Market Offer) where the Market Transaction Quantity is less than the Market Offer Specified Quantity or, as the case may be, the Market Offer Derived Quantity (such amount the “**Residual Offer Quantity**”) where the Residual Offer Quantity is greater than or equal to 100,000 kWh, the Originating Participant shall be deemed to have posted with effect from the time of such partial acceptance, a further Market Offer with the same specifications for the purposes of paragraph 3 as the original Market Offer but in respect of which the Market Offer Specified Quantity is equal to the Residual Offer Quantity.
- 6.3 A Trading Participant may only partially accept a Market Offer such that the Market Transaction Quantity in relation to such partial acceptance is a quantity equivalent to 100,000 kWh or any multiple thereof
- 6.4 A Trading Participant may not partially accept a Market Offer to effect a Physical Market Transaction where the Originating Participant has specified that the Market Offer is only capable of acceptance in full.

7. Market Quantities and Charges

In respect of each Day the Trading System Operator shall notify Transco (by not later than 07:00 hours on the following Day) of:

- (i) the aggregate of the Market Transaction Quantities and the aggregate of the Market Transaction Charges in respect of Market Transactions effected in respect of such Day;
- (ii) in respect of each Market Transaction effected in respect of such Day to which Transco was a party, the Market Offer Date, the Market Transaction ID, the Transco Batch Code, the Market Transaction Quantity, the Market Offer Price, the Transco Reason Code, the Market Transaction Type, the time at which the Market Transaction was effected and whether Transco made a Disposing Trade Nomination or an Acquiring Trade Nomination.

8. Additional Functionality

In addition to the functionality required to meet the requirements of paragraphs 1 to 7 (inclusive), the Trading System will have such additional functionality as the Trading Participants and the Market Operator shall in consultation agree.

SECTION E: DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

Amend paragraph 1.1.1(ii) as follows:

- “(ii)CSEP Overrun Charges and Supply Point Ratchet Charges;”

Amend paragraph 1.2.2 as follows:

“....(adjusted to take account of Trade Nominations including System Trade Nominations)....”

Delete paragraphs 5.1.1(a)(iv) and (e)(viii) and renumber paragraph 5.1.1(a)(ii) and (iii) as paragraph 5.1.1(a)(i) and (ii) and renumber paragraph 5.1.1(e)(vi) and (vii) as paragraph 5.1.1(b)(i) and (ii).

SECTION F: SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

Amend paragraph 1.1.2(d) as follows:

““**Balancing Neutrality Charges**” are amounts payable by or to Transco, so that it does not gain or lose by the payment and receipt of Market Balancing Action Charges, Daily

Imbalance Charges, Scheduling Charges and other amounts specified in and in accordance with paragraph 4.”.

Delete existing text at paragraph 1.2.1 and 1.2.2 and insert text as follows:

“1.2.1 Subject to paragraphs 1.2.2 and 1.2.5, for each Day:

- (i) the “**System Marginal Buy Price**” is the higher of the System Average Price and the price in pence/kWh which is equal to the highest Market Offer Price in relation to a Market Balancing Action taken for that Day;
- (ii) the “**System Marginal Sell Price**” is the lower of the System Average Price and the price in pence/kWh which is equal to the lowest Market Offer Price in relation to a Market Balancing Action taken for that Day;
- (iii) the “**System Average Price**” for a Day is the price in pence/kWh calculated as the sum of all Market Transaction Charges divided by the sum of the Trade Nomination Quantities for all Market Transactions effected in respect of that Day

(and for the avoidance of doubt on a Day on which Transco takes no Market Balancing Action the System Marginal Buy Price and the System Marginal Sell Price shall be the System Average Price).

1.2.2 Where for any Day no Market Balancing Action was taken (or none other than one excluded for the purposes of paragraph 1.2.1 pursuant to paragraph 1.2.3), the System Average Price for that Day shall be the arithmetic mean of the System Average Price determined under paragraph 1.2.1 (or under this paragraph) for each of the 7 preceding Days.

1.2.3 For the purposes of paragraph 1.2.1(i),(ii) and (iii) Primary Excluded Actions and Secondary Excluded Actions will be excluded in determining the System Marginal Sell Price, System Marginal Buy Price and the System Average Price.

1.2.4 For the purposes of paragraph 1.2.3:

- (i) a “**Primary Excluded Action**” is a Market Balancing Buy Action taken pursuant to Section D1.5 for the purposes of increasing or decreasing gas flows at a System Point for the purposes of avoiding or remedying a Localised Transportation Deficit;
- (ii) “**Secondary Excluded Actions**” are the Market Balancing Sell Actions which are excluded, in relation to any Relevant Primary Excluded Actions, in accordance with the following rules, which shall be applied in the chronological order in which Relevant Primary Excluded Actions were accepted:

- (a) all Relevant Sell Actions shall be ranked in order of Market Offer Price (the lowest ranked first, and bids of equal Market Offer Price ranked in chronological order of acceptance);
- (b) such Relevant Sell Actions shall be excluded (in the order ranked) until:
 - (1) the aggregate of the Market Balancing Action Quantities under the actions so excluded is equal to or first exceeds the Market Balancing Action Quantity(ies) under the Relevant Primary Excluded Actions (the amount of any such excess, the “**relevant deficit excess**”), or
 - (2) all such Relevant Sell Actions have been excluded, if the aggregate of the Market Balancing Action Quantities thereunder does not exceed the Market Balancing Action Quantity(ies) under the Relevant Primary Excluded Actions;
- (c) where there is a relevant deficit excess, the last Relevant Sell Action to be excluded under paragraph (b)(1) shall be deemed, for the purposes of the further application of this paragraph 1.2.6, to be two Relevant Sell Actions, one (which shall not be treated as so excluded) for an Eligible Balancing Action Quantity equal to the relevant shortfall excess, and one (which shall be treated as so excluded) for a Market Balancing Action Quantity equal to the balance of the whole Market Balancing Action Quantity;
- (d) for the purposes of this paragraph (ii), in relation to any Relevant Primary Excluded Actions, a “**Relevant Sell Action**” is a Market Balancing Sell Action which:
 - (1) was taken by Transco pursuant to a Market Transaction other than a Locational Market Transaction effected in respect of the System Point in respect of which the Primary Excluded Action was taken;
 - (2) was taken during the period commencing with the taking of the Relevant Primary Excluded Actions and expiring on the expiry of the first full hour (ending on the hour) to expire thereafter, and
 - (3) was not excluded pursuant to paragraph (b) in relation to any earlier accepted Relevant Excluded Primary Actions;

- (iii) **“Relevant Primary Excluded Actions”** means one Primary Excluded Action or several Primary Excluded Actions which were accepted at the same time;
- (iv) **“Excluded Balancing Actions”** are Primary Excluded Actions and Secondary Excluded Actions.

Renumber existing paragraph 1.2.3 as paragraph 1.2.5.

Amend paragraph 1.3.1 as follows: ⁴

“Subject to paragraph 1.3.2 for the purposes of paragraphs 2.2.1 and 3.2.2 until the date specified.....”

Amend paragraph 1.3.2 as follows: ⁵

“Paragraph 1.3.1 will apply only where the Registered User”

Amend paragraph 2.2.2 as follows:

- “(i) 2.25% in respect of System Exit Points....;
- (ii) 6% in respect of DM Supply Point Components....;
- (iii) 1.5% in respect of System Entry Points....”

Amend paragraph 3.2.1(a) as follows:

“....Input Nominations for each System Entry Point....”

Amend paragraph 3.3.2(a)(i) as follows:

“....Output Nomination for the relevant System Exit Point....”

Amend paragraph 3.3.2(a)(ii) as follows:

“....Output Nomination for the relevant System Exit Point....”

Amend paragraph 3.4(a)(ii) as follows:

“....Input Nominations of all Users;”

Amend paragraph 4.1.2(d) as follows:

⁴ Existing error in Code text
⁵ Existing error in Code text.

“a **“relevant Storage Operator”** is a Storage Operator who is not a Trading Participant.”

Amend paragraph 4.4.2(a) as follows;

“the Market Balancing Action Charges payable to Transco in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day and any other amounts payable to Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements in respect of such Day;”

Add new paragraph 4.4.2(d) as follows:

“(d) the Physical Renomination Incentive Charges payable to Transco in respect of that Day.”

Amend paragraph 4.4.3(a) as follows:

“the Market Balancing Action Charges payable by Transco in respect of each Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day and any other amounts payable by Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements in respect of such Day;”.

Amend paragraph 4.5.3(a)(ii) as follows:

“the amount of any Market Balancing Action Charges, other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements, Physical Renomination Incentive Charges, Balancing Charges....”.

Amend paragraph 4.5.3(b)(ii) as follows:

“the amount of any Market Balancing Action Charges, other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements, Physical Renomination Incentive Charges, Balancing Charges....”.

Amend paragraph 4.5.3(b)(iii) as follows:

“....by virtue of the late payment of Market Balancing Action Charges, other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements, Physical Renomination Incentive Charges, Balancing Charges....”.

SECTION I: ENTRY REQUIREMENTS

Amend paragraph 3.10.2(i) as follows:

“....with effect from the Renomination Effective Time of a Renomination in respect of that point.”

SECTION J: EXIT REQUIREMENTS

Amend paragraph 5.5 as follows:

“For the purposes of any provision of the the Code:

- (a) 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;
- (b) an “**eligible**” Connected System Exit Point is a Connected System Exit Point:
 - (i) at which immediately prior to the coming into effect of the Code Modification pursuant to which this paragraph has effect, a CSEP User may, pursuant to the applicable Network Exit Agreement (as it applied at such date), have offered to buy or sell gas to Transco by offtaking, by increasing the offtake or by decreasing the offtake of gas from the System;
 - (ii) which, pursuant to the applicable Network Exit Agreement, is to be such a Connected System Exit Point.”

SECTION K: OPERATING MARGINS

Amend paragraph 1.3.4 as follows:

“Transco will not take Market Balancing Actions for Operating Margins Purposes.”.

Amend paragraph 2.1.1(i) as follows:

“....which cannot be satisfied by the taking of any Market Balancing Action (because there are no or insufficient Market Offers which are operationally suitable);”

Amend paragraph 2.1.1(ii) as follows:

“....whether or not capable of being satisfied by the taking of a Market Balancing Action.”

SECTION N: SHRINKAGE

Amend paragraph 4.2.2(f) as follows:

“may not post Market Offers;”

Amend paragraph 4.2.4 as follows:

“...., Transco may not take a Market Balancing Action for the purposes of buying or selling gas for the account of the Shrinkage Provider.”

Add new paragraph 1.6 as follows:

“1.6 Shrinkage Scheduling

- 1.6.1 Each Day Transco will, by assessing gas flows anticipated in the System during the Gas Flow Day on the basis of the Nomination Quantities under approved Initial Nominations and other relevant information endeavour to identify Transportation Constraints affecting NTS System Entry Points in respect of which the Shrinkage Provider has made an Initial Input Nomination (“**Shrinkage Nomination**”).
- 1.6.2 Where an anticipated Transportation Constraint is identified for the Gas Flow Day at a relevant System Entry Point:
- (a) Transco shall determine the constrained percentage and notify the Shrinkage Provider;
 - (b) the Shrinkage Nomination will be revised by reducing the Nomination Quantity by the constrained percentage;
 - (c) the Shrinkage Provider may, by not later the revision deadline:
 - (i) revise its Initial Input Nomination(s) in respect of other System Entry Point(s) by increasing the Nomination Quantity; and/or
 - (ii) submit an original Nomination(s) in respect of a System Entry Point in respect of which the Shrinkage Provider has not made an earlier Nomination.
- 1.6.3 A revised Nomination under paragraph 1.6.2 shall be submitted in accordance with Section C3.2.
- 1.6.4 Transco may reject or approve the Shrinkage Provider’s revised or original Nomination(s) under paragraph 1.6.2 in accordance with Section C3.4.1(i); and (without prejudice to any Nomination not so rejected) where Transco rejects such revised Nomination the

prevailing Nomination shall remain in place.

1.6.5 A revised Nomination which has not been rejected (in accordance with paragraph 1.6.4) within 60 minutes after the revision deadline shall be deemed to be approved.

1.6.6 For the purposes of this paragraph 1.6:

- (a) the “**revision deadline**” is the time which is 30 minutes after Transco’s notification under paragraph 1.6.2(i);
- (b) the “**constrained percentage**” is the percentage reduction in the Nomination Quantity of the Shrinkage Nomination which would (in Transco’s estimation) eliminate or alleviate the Transportation Constraint.”

SECTION P: TOP-UP STORAGE

Amend paragraph 1.3.1(iv) as follows:

“will make Top-up Market Offers in accordance with paragraph 5;”

Amend paragraph 1.3.2 as follows:

“....for the purposes of making Top-up Market Offers.”

Amend paragraph 3.3.1 as follows:

“....upon acceptance of a Top-up Market Offer on which as such offer is accepted....”

Rename Section 5 ‘Top-up Market Transactions’, Section 5.2 ‘Top-up Market Offers’, Section 5.3 ‘Top-up Market Offer Price’, and Section 5.4 ‘Emergency Top-up Market Offers’.

Amend paragraph 5.2.1 as follows:

“....will make Top-up Market Offer....”

Amend paragraph 5.2.2 as follows:

“A “**Top-up Market Offer**” is a Market Offer to effect a Locational Market Transaction in relation to which the Top-up Manager agrees to make a Contract Renomination (in accordance with Section D2.3.3(i)(a) or (b)) for a System Entry Point comprising the Storage Connection Point of a Top-up Storage Facility.”

Amend paragraph 5.2.3 as follows:

“A Top-up Market Offer....”

Amend paragraph 5.2.4 as follows:

“For the purposes of each Top-up Market Offer:

- (a) the Market Transaction Lead Time shall be 6 hours....
- (b) the Market Transaction Flow Rate Change will be equivalent to the Top-up Manager’s Available Storage Deliverability....
- (c) the Market Offer Price shall be the Top-up Market Offer Price.”

Delete paragraph 5.2.5.

Amend paragraph 5.3 as follows:

“The Market Offer Price (“**Top-up Market Offer Price**” (“**TMOP**”)) under a Top-up Market Offer...

TMOP =

where

E is the unit rate (in pence/kWh) of the System Entry Overrun Charge in respect of System Entry Capacity at the Storage Connection Point on the Gas Flow Day;”

Amend paragraph 5.4.1 as follows:

“The Top-up Manager will also make a Top-up Market Offer (an “**Emergency Top-up Market Offer**”) to effect a Locational Market Transaction in relation to which the Top-up Manager agrees to make a Contract Renomination (in accordance with Section D2.2.3(i)(a) or (b)) for the System Entry Point comprising the Storage Connection Point of each Top-up Storage Facility....”

Amend paragraph 5.4.2 as follows:

“....an Emergency Top-up Market Offer shall be considered to be a Top-up Market Offer....”

Amend paragraph 5.4.3 as follows:

“In relation to an Emergency Top-up Market Offer....

- (i)(and accordingly where an Emergency Top-up Market Offer is accepted....
- (ii)as though the reference to Top-up Market Offer Price were to the highest Top-up Market Offer Price in respect of any Top-up Storage Facility.”

Delete paragraph 5.4.4.

Amend paragraph 6.1.1(vi) as follows:

“by way of Storage Overrun Charges in respect of Emergency Top-up Market Offers;”

Amend paragraph 6.1.2 as follows:

“(iii), by way of Market Balancing Action Charges in respect of Top-up Market Offers;”

Amend paragraph 6.1.4 as follows:

“...by way of Market Balancing Action Charges in respect of a Top-up Market Offer made for that Day under paragraph 5.2.5.”

Amend paragraph 6.3.2 as follows:

“...assuming that no Market Offer is accepted in the Top-up Recovery Period.”

Amend paragraph 6.3.5 as follows:

“(a)in respect of an Emergency Top-up Market Offer on that Day, less

(b) the sum of each Top-up Market Offer (if any)....

(ii)

where ‘Q’ is the amount of the Market Balancing Action Quantity under a Top-up Market Offer less the amount of the Market Balancing Action Quantity under a Top-up Market Offer under paragraph 5.2.5 which was accepted for the Day, plus....”

Amend 6.4.1 as follows:

“Where following the acceptance of a Top-up Market Offer, the Market Balancing Action Charge payable to the Top-up Manager exceeds an amount calculated as the Market Transaction Quantity for such offer multiplied.....any such excess (“**Top-up Market**

Offer Excess”.....”

Amend paragraph 6.4.3 as follows:

“.....for which a Top-up Market Offer was accepted....., as the Top-up Market Excess divided by the sum of”

Amend paragraph 6.5.6 as follows:

“....or (as the case may be) the Market Balancing Action Quantity under any accepted Top-up Market Offer....”

SECTION Q: EMERGENCIES

Amend paragraph 3.2.2 as follows:

“In a Network Gas Supply Emergency the application of Section D (other than paragraph 2.4 thereof) will be suspended and with effect from the time the Network Gas Supply Emergency was declared, and in respect of any later Gas Flow Day falling within the duration of a Network Gas Supply Emergency, Transco will not take any Market Balancing Actions; and (in lieu thereof)”

Delete paragraph 3.2.3.

Amend paragraph 4.1.1(iii) as follows:

“... Section D (other than paragraph 2.4 thereof) will not apply (and for the avoidance of doubt the provisions as to Physical Renomination Incentive Charges will not apply);”

Delete paragraph 4.1.3.

Amend paragraph 4.2.4 as follows:

“....as though such amounts were Market Balancing Action Charges payable by Transco (for the purposes of Section F4.3.3).”

SECTION R: STORAGE

Amend paragraph 4.2.5 as follows:

“....; provided that a User may post a Market Offer to effect a Locational Market Transaction in relation to which the User agrees to make an Acquiring Trade Nomination for the System Entry Point comprising the relevant Storage Connection Point for a Constrained Storage Day.”

SECTION S: INVOICING AND PAYMENT

Add new paragraph 2.4.6 as follows:

“Transco will, at the same time as it submits a Balancing Invoice in relation to any Billing Period, submit (as an Ad-hoc Invoice) an Invoice Document in respect of amounts payable by or to Transco pursuant to Section D3 in respect of such Billing Period.”

Amend paragraph 2.5.2 as follows:

“Without prejudice to paragraph 2.4.6, there is no expected timing within a calendar month....”

Amend paragraph 2.5.3 as follows:

“....or Ad-hoc Invoice (other than where submitted pursuant to paragraph 2.4.6) is to the period....”

Amend Annex S-1 paragraph 5 (as renumbered pursuant to Modification 0314) as follows:

- “(a) Market Balancing Action Charges in respect of Market Balancing Sell Actions;....
- (i) Market Balancing Action Charges in respect of Market Balancing Buy Actions (a self-bill amount);....
- (k) Physical Renomination Incentive Charges.”

SECTION V: GENERAL

Amend paragraph 1.6.4(ii) as follows:

“....to in the said Condition 5(3):”

Amend paragraph 2.5.1 as follows: ⁶

“A person which is for the time being [designated by the Director for the purposes of standard condition 7.4A of the Transco Licence], or a body which is declared by....”

Amend paragraph 2.5.2(a) as follows:

“....make any Nomination, will not or purport to act as if it were a Trading Participant,

⁶ Text subject to Ofgem/Transco discussions and licence modification consultation process

become a CSEP User....”

Add new paragraph 5.5.3(vi) as follows:

“to the Trading System Operator to the extent required pursuant to the provisions of Section D or to any person to the extent required pursuant to the Trading System Arrangements.”

Amend paragraph 7.2.1(iii) as follows:

“...the amounts of Market Balancing Action Charges, other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements, Balancing Charges....”

Amend paragraph 11.1.6(i) as follows:

“....a Nomination, Interruption Notice....”

Amend paragraph 12.1.1 as follows:

“in calculating Neutrality Charges, Aggregate NDM Reconciliation Charges and Relevant Incentive Charges, Transco has ...”.

Add a new paragraph (iii) in paragraph 12.1.2 as follows (and renumber remaining paragraphs (iii) and (iv) as (iv) and (v) respectively):

“(iii) “**Relevant Incentive Charges**” are Capacity Neutrality Charges (under Section B2.11.9(a) and User Daily Incentive Amounts (under Section D3.4.2(b).

Amend paragraphs 12.3.1 and 12.3.2 as follows:

“... Neutrality Charges, Aggregate NDM Reconciliation Charges and Relevant Incentive Charges ...”.

SECTION W: INTERPRETATION

Amend paragraph 1 as follows:

“**Energy Balancing Charges**”: Market Balancing Action Charges, other charges payable in respect of Eligible Balancing Actions pursuant to Contingency Balancing Arrangements, Physical Renomination Incentive Charges, Clearing Charges in respect of Unauthorised Gas Flows....”

Add a new paragraph 2.9.8 as follows:

“2.9.8 For any quantities A, B, C, and so on, the functions ‘max’(A, B, C ...) and ‘min’ (A, B, C ...) denote respectively the greatest and the lowest of A, B and C (and so on).”

SECTION Z: BGS LNG FACILITIES

Amend paragraph 1.4.3(b) as follows:

“....(including a Renomination)....”

Amend paragraph 6.2.1 as follows:

“....make a Renomination in respect of a Storage Withdrawal Nomination.”

Amend paragraph 6.2.2 as follows:

“Where a User makes a Renomination of a Storage Withdrawal Nomination (such a Renomination or Nomination a “**relevant Nomination**”) the implied withdrawal rate shall not exceed....”

Amend paragraph 6.2.5(e) as follows:

“....a relevant Nomination shall become effective at the time the nomination is made or in respect of a Contract Renomination at the time the Physical Market Transaction giving rise to the requirement to make the Contract Renomination was made plus the withdrawal lead time prevailing at such time or the Transaction Effective Time in relation to such Physical Market Transaction if longer.”

NETWORK CODE SUPPLEMENT

Amend paragraph 2.5.2(ii) as follows:

“....Scheduling Charges, Basic Balancing Neutrality Charges and Physical Renomination Incentive Charges which would (on the basis set out in paragraph 2.5.3) be payable, and the Market Balancing Action Charges and other charges in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements which are payable by or to each User in respect of the relevant Day;”

Delete paragraph 2.9.2(i) and amend paragraph 2.9.2 as follows:

“... and until the Cash Call is paid in full Transco will not pay, and (irrespective of the Invoice Due Date) shall be entitled to withhold payment...”

Add new paragraph 2.9.6 as follows:

“2.9.6 Where Transco has given a Trading Participant a Termination Notice pursuant to this paragraph 2.9 it shall promptly inform the Trading System Operator.”

TRANSITION DOCUMENT PART II

As the provisions at Part II paragraphs 4.2, 8.2, 8.3, 8.4.1, 8.4.3, 8.8.1 and 8.12 are no longer required the text at such paragraphs shall be deleted.

Add new paragraph 8.1A as follows:

“8.1A Section C: Nominations

“Until 1st October 2000, Transco will not make a System Trade Nomination other than pursuant to a transaction effected on the Trading System.”

Add new paragraph 8.2 as follows:

“8.2 Section D: Operational Balancing, Trading Arrangements and Energy Balancing Incentives

D3.4 In respect of each Day during the period 1 October 1999 to 30 September 2001 each relevant User shall pay to Transco an amount calculated as follows:

$$£750 * UP$$

where UP is the User Proportion for that Day.”

Delete existing paragraph 10 and insert text as follows: ⁷

“10 On the Day Commodity Market

10.1 Market Operation

Until 1 January 2000, the Physical Renomination Incentive Charge shall be £1.

10.2 Flexibility Charges

10.2.1 The provisions of Sections F and S of the Code and the Network Code Supplement in respect of or in connection with the invoicing and payment of Flexibility Charges and

⁷ Numbering of this paragraph dependant on removal of existing paragraph 10 pursuant to Modification 0314.

Flexibility Overrun Charges which applied immediately prior to the coming into effect of the Code Modification pursuant to which this paragraph has effect, shall continue to have effect until such time as there is no longer any such requirement that they continue to do so.

10.2.2 Without limitation to the provisions of paragraph 10.2.1, the reference:

- (i) in Section F4.4.2(a) to Market Balancing Action Charges payable to Transco in respect of a Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) shall be construed as including Flexibility Charges payable to Transco in respect of a Flexibility Bid for a System Sell (or negatively priced System Buy)
- (ii) in Section F4.4.3(a) to Market Balancing Action Charges payable by Transco in respect of a Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) shall be construed as including Flexibility Charges payable by Transco in respect of a Flexibility Bid for a System Buy (or negatively priced System Sell);
- (iii) in Sections F4.5.3(a)(ii), F4.5.3(b)(ii), F4.5.3(b)(iii), V7.2.1(iii) and paragraph 2.5.2(ii) to Market Balancing Action Charges shall be construed as including Flexibility Charges

where such Flexibility Charges are in respect of a Flexibility Bids accepted by Transco for a Day prior to the Day on which the Code Modification pursuant to which this paragraph applies had effect.

10.2.3 For the purposes of Section F1.2.2(i) where any of the preceding 7 Days referred to:

- (i) falls on or before the Day on which the Code Modification pursuant to which this paragraph applies had effect the System Average Price for such Day shall be the System Average Price calculated in accordance with the provisions of Sections F1.2.1 and 1.2.3 applying immediately prior to the coming into effect of the Code Modification pursuant to which this paragraph has effect;
- (ii) falls on a Day on which Part VII applied, the System Average Price for such Day shall be the System Average Price calculated in accordance with Part VII.

10.2.4 If at the time at which the Code Modification takes effect pursuant to which this paragraph 2.4 applies Transco has appointed a person who has established a market for the purposes referred to in standard condition 7A of the Transco Licence but at such time Transco is not party to a contract with such person or any conditions as to the effectiveness a contract between Transco and such person remain unsatisfied Transco shall promptly notify Users, and with effect from the time specified in such notice

Transco may make use of Contingency Balancing Arrangements for Operational Balancing.”

Add new paragraph 13 as follows:

“13. Transportation Constraints

- 13.1 The provisions of paragraphs 13.2 to 13.5 (inclusive) shall not apply until such time as by way of Code Modification this paragraph 13.1 no longer applies.
- 13.2 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 may take (at such time as it judges operationally appropriate), but shall not be required to, Market Balancing Sell Actions 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.
- 13.3 Nothing in paragraph 13.2 shall prejudice Section I3.7.
- 13.4 In Section D1.3 references to Operational Balancing shall be constructed as including steps taken by Transco under paragraph 13.2 in respect of a Transportation Constraint or anticipated Transportation Constraint, and references to Operational Balancing Steps and Operational Balancing Requirements shall be constructed accordingly.
- 13.5 Where Transco takes a Market Balancing Sell Action pursuant to this paragraph 13 the relevant User’s Available System Entry Capacity (determined as Adjusted pursuant to Sections B2.7.10, 2.8.3 and 2.8.5) at the relevant System Entry Point on the Day in respect of which such Market Balancing Sell Action was taken shall for the purposes of Section B2.10 be reduced by an amount equivalent to the Market Balancing Action Quantity in relation thereto.”

Add new Part VII as follows:

“PART VII FLEXIBILITY BIDDING

1. GENERAL

The provisions of this Part VII constitute a Contingency Balancing Arrangement and may have effect in accordance with Sections D2.4 or paragraph 10.2.4 from the time specified by Transco in a notice given to Users pursuant to Section D2.4 or paragraph 10.2.4.

2. FLEXIBILITY BIDDING

2.1 Flexibility Bid

2.1.1 For the purpose of this Part VII, 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 this Part VII 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 purpose 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 Entry Exit
- (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 Part VII) 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 Part VII).
- 2.2.5 In accordance with paragraph 5.2.1 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 the relevant number of Flexibility Bids for a System Exit Buy nor more than the relevant number of Flexibility

Bids for a System Exit Sell in respect of any Flexibility Eligible System Exit Point, where the relevant number is four in the case of a VLDMC Supply Point Component and one in the case of any other Flexibility Eligible System Exit Point.

2.3.5 For the purpose 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 Changes 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 Systems 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 with paragraph 2.5.1 is or has become valid (in accordance with that paragraph) but 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 offtake 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 purpose 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 an 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 the subsequent Days) shall be withdrawn upon submission of the bid withdrawal notice.

2.8 Definitions

For the purpose of this Part VII, 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/k/Wh) 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),(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 Part VII 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 facts 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 consideration 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 Part VII:
- (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 this Part VII, 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 E4) 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.

5. MISCELLANEOUS

5.1 General

5.1.1 For the purposes of giving effect to this Part VII in respect of each Day on which it applies, the provisions of this paragraph 5 shall apply.

5.1.2 The provisions of Sections F and S of the Code and the Network Code Supplement which applied in respect of or in connection with the invoicing and payment of Market Balancing Action Charges immediately prior to the coming into effect of this Part VII, shall be deemed to continue to have effect until such time as there is no longer any requirement that they continue to do so.

5.1.3 For the purposes of paragraph 5.6.3, where any of the preceding 7 Days referred to falls on or before a Day with effect from which this Part VII applies the System Average Price for such Day shall be the System Average Price calculated in accordance with the provisions of Sections F1.2.1 and 1.2.2 applying immediately prior to the coming into effect of this Part VII.

5.1.4 For each Day on which this Part VII applies for the purposes of the Code:

- (i) Eligible Balancing Actions shall include the acceptance by Transco of Flexibility Bids;
- (ii) Flexibility Charges in respect of System Sells (or negatively priced System Buys) shall be other amounts payable to Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements for the purposes of Section F4.4.2(a);
- (iii) Flexibility Charges in respect of System Buys (or negatively priced System Sells) shall be other amounts payable to Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements for the purposes of Section F4.4.3(a);
- (iv) Flexibility Charges shall be other amounts payable in respect of Eligible Balancing Actions pursuant to Contingency Balancing Arrangements for the purposes of Sections F4.5.3(a)(ii), F4.5.3(b)(ii) and 4.5.3(b)(iii), Section V7.2.1(iii) and paragraph 2.5.2(ii) of the Network Code Supplement;

5.2 Section B: System Use and Capacity

For each Day on which this Part VII applies 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 System Entry Overrun Charge in accordance with Section B2.10.

5.3 **Section C: Nominations**

5.3.1 For the purposes of this Part VII and the Code;

- (i) a “**Flexibility Nomination**” is the Renomination deemed to be made by a User upon acceptance of a Flexibility Bid under paragraph 4.2;
- (ii) an Initial Nomination does not include a Flexibility Nomination.

5.3.2 A Flexibility Nomination shall be deemed to comply with the requirements of Section C and to be approved by Transco.

5.3.3 A Flexibility Nomination made in respect of a System Point 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 Renomination Quantity (in accordance with paragraph 4.2) under such earlier Renomination.

5.3.4 For the purposes of Section C1.10.2 the reference to Renomination shall be construed as including a Flexibility Nomination in respect of an acceptance of a Flexibility Bid.

5.3.5 For the purposes of Sections C2.4.3 and 3.4.3 the reference to a New Renomination shall be construed as including a Flexibility Nomination.

5.3.6 A User shall not be entitled to make a Renomination after a Flexibility Bid made by the User has been accepted, in the circumstances in paragraph 2.5.3.

5.3.7 For the purposes of the Code a New Renomination shall include an original Nomination in accordance with paragraph 4.2.

5.4 **Section D: Operational Balancing, Trading Arrangements and Energy Balancing Incentives**

5.4.1 On any Day in respect of which this Part VII applies for the purposes of Operational Balancing:

- (i) prices and quantities of gas offered by Users for sale to or purchase by Transco each Day will be established;

- (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.

5.4.2 For the purposes of Section D1.5.1, the requirement that Transco will take a Market Balancing Buy Action(s) shall be deemed to be a requirement that Transco accept a Flexibility Bid(s) for a System Buy(s).

5.4.3 In Section D1.3 references to Operational Balancing shall be construed as including the acceptance of Flexibility Bids for System Buys under paragraph 5.4.2 and the acceptance of Flexibility Bids for System Sells taken as a consequence with a view to maintaining an Operational Balance and references to Operational Balancing Steps and Operational Balancing Requirement will be construed accordingly.

5.4.4 Subject to paragraphs 5.4.2 and 5.4.3 Transco will not accept Flexibility Bids other than for the purposes of Operational Balancing.

5.5 Section E: Daily Quantities, Imbalance and Reconciliation

5.5.1 For the purposes of Section E1.2.2 a User's Daily Imbalance shall be adjusted to take account of Flexibility Quantities.

5.5.2 For the purposes of determining the Daily Imbalance of a User on any Day on which this Part VII applies:

- (i) to the sum calculated at Section E5.1.1(a) shall be added the aggregate of the Flexibility Quantities under any accepted Flexibility Bids made by the User for System Sells which were accepted by Transco;
- (ii) to the sum calculated at Section E5.1.1(b) shall be added the aggregate of the Flexibility Quantities under any accepted Flexibility Bids made by the User for System Buys which were accepted by Transco.

5.6 Section F: System Clearing, Balancing Charges and Neutrality

5.6.1 The reference to Market Balancing Action Charges in Section F1.1.2(d) shall be construed as including Flexibility Charges.

5.6.2 For each Day on which this Part VII applies Sections F1.2.1 and F1.2.2 shall not apply and:

- (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 Buys and System Sells) accepted by Transco for that Day;
- (d) for the avoidance of doubt Sections F1.2.3 and 1.2.4 shall apply, for which purposes reference to a Market Balancing Buy Action and Market Balancing Sell Action taken by Transco shall be construed as including respectively a Flexibility Bid for a System Buy and a Flexibility Bid for a System Sell accepted by Transco.

5.6.3 Subject to Section F1.2.5, where for any Day no Flexibility Bid (or none other than one excluded for the purposes of paragraph 5.6.2 pursuant to Section F1.2.3) was accepted by Transco:

- (a) for either a System Buy or System Sell, the System Average Price for that Day shall be the arithmetic mean of the System Average Prices determined under paragraph 5.6.2 for the preceding 7 Days;
- (b) for a System Buy, the System Marginal Buy Price shall be the System Average Price (in accordance with paragraph 5.6.2 or paragraph (i)) for that Day;
- (c) for a System Sell, the System Marginal Sell Price shall be the System Average Price (in accordance with paragraph 5.5.1 or paragraph (i)) for that Day.

5.6.4 For the purposes of:

- (a) Section F3.2.1(a) the Scheduling Input Nominated Quantity in respect of a User shall be calculated after taking account of any Flexibility Nominations in respect of the relevant System Entry Point;
- (b) Section F3.3.2(a)(i) and F3.3.2(a)(ii) the Scheduling Output Nominated Quantity in respect of a User shall be calculated after taking account of any Flexibility Nominations in respect of the relevant System Exit Point;
- (c) Section F3.4(a)(ii) the Scheduling Input Nominated Quantity in respect of a relevant Storage Operator shall be calculated after taking account of any Flexibility Nominations in respect of the relevant Storage Connection Balancing Point.

5.6.5 In respect of any Day where following a notification by Transco pursuant to Section D2.4.1 or D2.4.4 that it may make use of Contingency Balancing Arrangements:

- (a) for the purposes of paragraph 5.6.2 no account shall be taken of any Market Transaction effected in respect of such Day prior to the time at which Transco notified Users that it may make use of Contingency Balancing Arrangements;
- (b) no Flexibility Bids are accepted by Transco, the System Average Price for such Day shall be the System Average Price determined pursuant to Section F1.2.1 or F1.2.2 in respect of the Preceding Day.

5.7 Section I: Entry Requirements

For the purposes of Section I3.10.2(i) the reference to the Renomination Effective Time of a Renomination shall be construed as including a reference to the Renomination Effective Time of a Flexibility Renomination.

5.8 Section K: Operating Margins

5.8.1 Transco will not make Flexibility Bids for System Margin Purposes.

5.8.2 For the purposes of :

- (i) Section K2.1.1(i) the reference to an Operational Balancing Requirement which cannot be satisfied by the taking of Market Balancing Actions because there are no or insufficient Market Offers available shall be construed as including an Operational Balancing Requirement which cannot be satisfied by the acceptance of a Flexibility Bid or Bids because there are no or insufficient Available Flexibility Bids suitable for acceptance;
- (ii) in Section K2.1.1(ii) the reference to the taking of a Market Balancing Action shall be construed as including the acceptance of Flexibility Bids.

5.9 Section N: Shrinkage

5.9.1 The Shrinkage Provider may not make a Flexibility Bid.

5.9.2 Transco may not accept a Flexibility Bid for the purposes of buying or selling gas for the account of the Shrinkage Provider.

5.10 Section P: Top-up Storage

5.10.1 Subject to paragraph 5.10.2, on any Day on which this Part VII applies the provisions of Section P shall be suspended and Old Section P shall apply; and for the purposes of this

paragraph “**Old Section P**” means the provisions of Section P which applied immediately prior to the coming into effect of the Code Modification pursuant to which this paragraph has effect.

5.10.2 For the purposes of paragraph 5.10.1 the reference in Old Section P:

- (i) at paragraph 1.3.2 to the Top-up Manager being required to pay Flexibility Overrun Charges in accordance with Section B2.5 shall be deemed to be a reference to System Entry Overrun Charges in accordance with Section B2.10;
- (ii) at paragraph 5.3 at ‘E’ to the Flexibility Overrun Charge shall be deemed to be a reference to the System Entry Overrun Charge.

5.11 **Section Q: Emergencies**

5.11.1 Section Q3.2.2 shall not apply and:

- (i) in a Network Gas Supply Emergency the application of paragraphs 2, 3 and 4 of this Part VII 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 shall be implemented pursuant to Section Q3.3 and 3.4;
- (ii) in accordance with paragraph (i), where on a Day on which a Network Gas Supply Emergency occurs Transco has (before the start of the Network Gas Supply Emergency) accepted a Flexibility Bid the Flexibility Charge will not be paid (and Section Q4 shall apply).

5.11.2 For the purposes of Section Q4.1.1(iii) the reference to Section D shall be deemed to be a reference to paragraphs 2, 3 and 4 of this Part VII.

5.11.3 For the purposes of Section Q4.2.4 the reference to the Market Balancing Action Charges payable by Transco shall be deemed to be a reference to the Flexibility Charges payable by Transco.

5.12 **Section R: Storage**

For the purposes of Section R4.2.5 the reference to a User posting a Market to effect a Locational Market Transaction in relation to which the User agrees to make an Acquiring Trade Nomination for the System Entry Point comprising the relevant Storage Connection Point shall be construed as including the making of a Flexibility Bid for a System Exit Sell at the relevant Storage Connection Point and if such Flexibility Bid is

accepted the Flexibility Nomination shall be valid and effective.

5.13 Section S: Invoicing and Payment

For the purposes of Annex S-1 paragraph 5 the reference to Market Balancing Action Charges, Market Balancing Sell Actions and Market Balancing Buy Actions shall be construed respectively as including Flexibility Charges, System Sells and System Buys.

5.14 Section V: General

5.14.1 A Non-Code Shipper may make a Flexibility Bid.

5.14.2 A User admitted pursuant to Section V2.5.1 shall be deemed to have undertaken to Transco that it will not make a Flexibility Bid.

5.14.3 For the purposes of Section V:

- (i) at Section V7.2.1(iii) the reference to Market Balancing Action Charges shall be construed as including Flexibility Charges;
- (ii) Section V11.1.5 shall not apply in respect of a Flexibility Bid.

5.15 Section Z: BGS Storage Facilities

5.15.1 At Section Z1.4.3(b) the reference to a Renomination shall be construed as including a Flexibility Nomination.

5.15.2 For the purposes of Section Z6.2.1, on acceptance of a Flexibility Bid for a System Entry Sell at a Storage Connection Point the User shall be deemed to make a Storage Withdrawal Nomination as a Flexibility Nomination in respect of the relevant Storage Connection Point, in accordance with Sections C and paragraphs 2, 3 and 4 of this Part VII.

5.15.3 Where a User is deemed to make a Storage Withdrawal Nomination on a acceptance of a Flexibility Bid pursuant to paragraph 5.15.2 such shall be deemed to be a relevant Nomination for the purposes of Section Z6 and the implied withdrawal rate shall not exceed the available withdrawal rate and shall not be less than zero.

5.15.4 For the purposes of Section Z6.2.5(e) and the calculation of the 'relevant period', a relevant Nomination shall become effective at the time the nomination is made or the Flexibility Bid is accepted plus the withdrawal lead time prevailing at such time (in the case of a Flexibility Bid for a System Entry Buy) the flexibility lead time if longer.

5.16 Network Code Supplement

Where Transco has given notice pursuant to paragraph 2.9.1 of the Network Code Supplement until the Cash Call is paid in full the User shall not be entitled to make a Flexibility Bid and Transco will not accept a Flexibility Bid made by the User.

Network Code Development

31 Homer Road
Solihull
West Midlands B91 3LT

Telephone 0121 626 4431
Direct Line 0121 623 2021
Fax 0121 711 1451
**24 hour gas escape
number 0800 111 999**

2 September 1999

Dear Colleague,

NOTICE OF IMPLEMENTATION

MODIFICATION PROPOSAL No: 0314 "Changes to Entry Capacity Entitlements based on a Seasonal Normal Demand Profile" and No: 0350 "Auction of Monthly System Entry Capacity and Capacity Availability"

Please note that The Final Modification Reports, Version 1.1 were signed by OFGEM on 1 September 1999 for Modification Proposals No: 0314 and No: 0350.

From 06.00 hours on 8 September 1999, the new Network Code text resulting from Modification No: 0350 takes effect.

From 06.00 hours on 1 October 1999, the new Network Code text resulting from Modification No: 0314 takes effect.

The combined Legal Text is attached.

Yours sincerely

Paul Ken
pp

Julian Majdanski
Modification Panel Secretary

1 September 1999

MODIFICATION 0314

**DEVELOPMENT OF ENTRY CAPACITY ENTITLEMENTS BASED ON AN SND
PROFILE, AUCTION OF MONTHLY SYSTEM ENTRY CAPACITY AND
CAPACITY AVAILABILITY**

Proposed legal text.

SECTION B: SYSTEM USE AND CAPACITY

Amend paragraph 1.2.2 as follows:

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

Delete paragraphs 1.2.3 (e) and (f).

Delete text at paragraph 1.3.2 and insert ‘Not Used’.

Amend paragraph 1.3.5(i) as follows:

“a User incurs an Overrun Charge, Supply Point Ratchet Charge or ...”

Amend paragraph 1.6 as follows:

“For the purposes of the registration of a User as holding NTS Exit Capacity in any Gas Year, “**Eligible Capacity Registration Date**” means any Day other than 29 February in any Gas Year.”

Amend paragraph 1.8.1 as follows:

“Subject to paragraphs 1.8.2 to 1.8.5 and paragraph 1.10, and except as provided in paragraph 2.9, the amount or rate of any Transportation Charge....”

Amend paragraph 1.8.5 as follows:

“....in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4,”

Amend paragraph 1.8.6 as follows:

“Subject to paragraph 1.8.4 and except as provided in paragraph 2.9, where the prevailing Transportation Statement....”

Delete existing text at paragraph 2 and insert text as follows:

“2. SYSTEM ENTRY CAPACITY

2.1 Introduction

- 2.1.1 Subject to the provisions of the Code, a User may deliver gas to the System at any System Entry Point.
- 2.1.2 Users may apply for and be registered as holding System Entry Capacity:
- (i) as Monthly System Entry Capacity pursuant to the auction under paragraph 2.3, or by subsequent application under paragraph 2.4;
 - (ii) as Daily System Entry Capacity pursuant to a bid under paragraph 2.5;
 - (iii) as Interruptible System Entry Capacity pursuant to a bid under paragraph 2.6.
- 2.1.3 A User may not apply for or be registered as holding System Entry Capacity at an Aggregate System Entry Point in an amount less than 100,000 kWh/Day (the “**minimum eligible amount**”).
- 2.1.4 In relation to any Aggregate System Entry Point:
- (a) “**Monthly System Entry Capacity**” is System Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular calendar month;
 - (b) “**Daily System Entry Capacity**” is System Entry Capacity which may be applied for and registered as held by a User for a particular Day only;
 - (c) “**Interruptible System Entry Capacity**” is System Entry Capacity which may be applied for and registered as held by a User for a particular Day only, and is liable to be curtailed pursuant to paragraph 2.8.2.
- 2.1.5 For the purposes of this paragraph 2:
- (a) at any time, in respect of an Aggregate System Entry Point and in relation to a Day, the “**System Entry Capability**” is the amount (in kWh) or rate (in kWh/Day), determined by Transco at such time, as the maximum amount of gas of which it will be feasible to take delivery on that Day at that Aggregate System Entry Point, or (as the case may be) the maximum rate at which it will be feasible to take delivery of gas on that Day or in the remaining part of that Day at that Aggregate System Entry Point;
 - (b) the “**Aggregate Registered Monthly Capacity**” in respect of an Aggregate System Entry Point in relation to a Day is the amount of Monthly System Entry Capacity for the time being held in aggregate by Users in respect of that Aggregate System Entry Point for the calendar month in which that Day falls;
 - (c) “**Firm System Entry Capacity**” means Monthly System Entry Capacity and Daily System Entry Capacity;
 - (d) a reference to the amount of a User’s Available or Registered System Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as “**Adjusted**”:
 - (i) pursuant to paragraph 2.7.10, is a reference to such amount as reduced pursuant to that paragraph;

(ii) pursuant to paragraph 2.8.3, is a reference to such amount as determined pursuant to that paragraph;

(iii) pursuant to paragraph 2.8.5, is a reference to such amount as determined pursuant to that paragraph;

and a reference to such amount as “**Unadjusted**” pursuant to any such paragraph is a reference to such amount before and disregarding such reduction or determination;

(e) a reference to the amount of a User’s Available or Registered System Entry Capacity (of any class) at an Aggregate System Entry Point for a Day as “**Fully Adjusted**” is a reference to such amount as adjusted pursuant to paragraphs 2.7.10, 2.8.3 (where applicable) and 2.8.5;

(f) any price to be specified in pence/kWh/Day by a User pursuant to any provision of this paragraph 2 shall be specified to four decimal places.

2.1.6 All determinations (as to quantities in which or rates at which gas is or is to be delivered to or accepted by the System at an Aggregate System Entry Point) to be made by Transco under this paragraph 2 will be made on the assumption that the requirement in Section I3.10.2 is complied with.

2.1.7 References to rates at which gas is or may be delivered to or accepted by the System at an Aggregate System Entry Point are references to an instantaneous rate of flow, whether expressed in kWh/Day or other units.

2.1.8 For the avoidance of doubt, where a User ceases to be a User in accordance with Section V4.3, the System Entry Capacity which the User was registered as holding shall (with effect from the latest time by which a transferee election might be made) cease to be treated as held by any User, save to the extent to which any other User elects to be registered as holding such System Entry Capacity pursuant to paragraph 5.4.1(c) (a ‘transferee election’).

2.2 Determined System Entry Capacity

2.2.1 Not later than 30th June in the Preceding Year, Transco will determine, in accordance with this paragraph 2.2, for each calendar month in the Gas Year, the amount (in kWh/Day) available to be held as Monthly System Entry Capacity at each Aggregate System Entry Point.

2.2.2 For any Aggregate System Entry Point in relation to any calendar month the “**Determined System Entry Capacity**” is the ASEP Estimated System Entry Capacity as adjusted (if appropriate) pursuant to paragraph 2.2.5 as set out in the Transportation Statement.

2.2.3 For the purposes of this paragraph 2.2 in relation to any calendar month in the Gas Year:

(a) the “**ASEP Estimated System Entry Capacity**” is the amount of System Entry Capacity estimated to be available at an Aggregate System Entry Point calculated in accordance with paragraph 2.2.4;

(b) the “**Aggregate Estimated System Entry Capacity**” the aggregate of the ASEP Estimated System Entry Capacity for all Aggregate System Entry Points;

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- (c) the “**System Normal Demand**” is the arithmetic mean of the demand for gas in respect of the System on each Day in such calendar month;
- (d) the “**Maximum Capacity Amount**” of an Aggregate System Entry Point is the amount, determined by Transco, as being the maximum amount of System Entry Capacity which is available at the Aggregate System Entry Point.

2.2.4 In respect of each Aggregate System Entry Point the ASEP Estimated System Entry Capacity for a calendar month shall be determined as follows:

$$\text{AMDF} * \text{PR}$$

where:

AMDF is calculated as follows:

where:

$$\frac{\sum_{t=1}^N \left[\frac{DQD_t}{PY_y} \right]}{N}$$

where:

DQD is for each day ‘t’ the aggregate of the Entry Point Daily Quantity Delivered at each System Entry Point comprised in the Aggregate System Entry Point;

PY is the peak flow forecast for the Aggregate System Entry Point set out in the Base Plan Assumptions for the Gas Year ‘y’ in which day ‘t’ falls;

N is, subject to paragraph 2.2.8, the aggregate number of days which fell in the relevant calendar month in the 36 month period ending on 31st May in the Preceding Year;

PR is the peak flow forecast for the Aggregate System Entry Point set out in the Base Plan Assumptions for the Gas Year.

2.2.5 Where in relation to any calendar month in the Gas Year:

- (a) the Aggregate Estimated System Entry Capacity differs from the System Normal Demand for such calendar month (“**monthly difference amount**”);
- (b) by reason of maintenance provided for in the Maintenance Programme for the Planning Period in which such month falls, Transco is of the opinion that the amount of System Entry Capacity available at an Aggregate System Entry Point (an “**affected ASEP**”) in such month will be less than that amount calculated as being available in accordance with paragraph 2.2.4, any such deficit the “**monthly maintenance amount**”

the ASEP Estimated System Entry Capacity at each Aggregate System Entry Point will be

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adjusted in accordance with paragraph 2.2.6.

2.2.6 Where the circumstances at:

- (a) paragraph 2.2.5(a) apply, the ASEP Estimated System Entry Capacity at each Aggregate System Entry Point will be adjusted for the calendar month, by way of:
 - (i) an increase in the available System Entry Capacity where the System Normal Demand is greater than the Aggregate Estimated System Entry Capacity for the calendar month;
 - (ii) a decrease in the available System Entry Capacity where the System Normal Demand is less than the Aggregate Estimated System Entry Capacity for the calendar month;
- (b) paragraph 2.2.5(b) apply, the ASEP Estimated System Entry Capacity at Aggregate System Entry Points other than an affected ASEP will be adjusted for the calendar month by way of an increase in the available System Entry Capacity

in each case by an amount determined by Transco; provided that in determining the amount of any adjustment Transco will have regard to the criteria in paragraph 2.2.7.

2.2.7 The criteria referred to in paragraph 2.2.6 are:

- (a) without prejudice to paragraph (b), that the monthly difference amount and/or the monthly maintenance amount be apportioned amongst relevant Aggregate System Entry Points pro rata to the ASEP Estimated System Entry Capacity at such Aggregate System Entry Points determined in accordance with paragraph 2.2.4;
- (b) that following the apportionment referred to in (a), the ASEP Estimated System Entry Capacity, as adjusted, at any relevant Aggregate System Entry Point is not greater than the Maximum Capacity Amount of the Aggregate System Entry Point or less than zero.

2.2.8 For the purposes of paragraph 2.2.4, where Transco is of the opinion that:

- (a) on any Day during the period referred to at 'N' flow rates at an Aggregate System Entry Point were unduly affected by a Transportation Constraint at a System Entry Point comprised in such Aggregate System Entry Point no account shall be taken of any such Day in calculating the ASEP Estimated System Entry Capacity for the relevant Aggregate System Entry Point.
- (b) there exists insufficient or inadequate flow rate information for the purposes of calculating the ASEP Estimated System Entry or that the flow rate information that does exist is unrepresentative of forecast flow rates at the Aggregate System Entry Point, the ASEP Estimated System Entry Capacity for the Aggregate System Entry Point shall be determined by Transco by such other methodology as Transco shall in its sole discretion determine.

2.2.9 Where paragraph 2.2.8(a) or (b) applies in relation to an Aggregate System Entry Point, the invitation to be made pursuant to paragraph 2.3 in relation to the Aggregate System Entry

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Point shall, in addition to the requirements of paragraph 2.3.2, specify the basis on which the ASEP Estimated System Entry Capacity was so determined by Transco.

2.3 Auction of Monthly System Entry Capacity

2.3.1 Transco will invite applications for the Determined System Entry Capacity in respect of each Aggregate System Entry Point for each calendar month in the Gas Year.

2.3.2 Transco's invitation under paragraph 2.3.1 will specify:

- (a) the dates ("**invitation dates**", each of which shall be a Business Day) on which applications pursuant to such invitation may be made, the last of which shall not be later than 31st July in the Preceding Year; and the period between each such invitation date shall be not less than a Business Day;
- (b) in respect of each invitation date and each Aggregate System Entry Point, the Available Monthly Capacity.

2.3.3 On each invitation date Users may apply for Monthly System Entry Capacity in respect of an Aggregate System Entry Point for a calendar month in the Gas Year in accordance with this paragraph 2.3.

2.3.4 An application (a "**monthly capacity bid**") for Monthly System Entry Capacity pursuant to this paragraph 2.3:

- (a) shall specify:
 - (i) the identity of the User;
 - (ii) the Aggregate System Entry Point;
 - (iii) the calendar month in the Gas Year for which Monthly System Entry Capacity is applied for;
 - (iv) the amount (not less than the minimum eligible amount) of Monthly System Entry Capacity applied for;
 - (v) the minimum amount (not less than the minimum eligible amount) of Monthly System Entry Capacity which the User is willing to be allocated if paragraph 2.3.7(c) and (d) applies; and
 - (vi) the amount (the "**bid price**", which shall not be less than the applicable monthly reserve price) in pence/kWh/Day which the User is willing to pay by way of Capacity Charge in respect of the Monthly System Entry Capacity applied for;
- (b) may not be submitted before 08:00 hours or after 17:00 hours on the invitation date;
- (c) may be withdrawn or amended until, but not after, 17:00 hours on the invitation date.

2.3.5 On each invitation date a User may submit up to but not more than 20 monthly capacity bids

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in respect of a particular Aggregate System Entry Point for calendar month in the Gas Year.

- 2.3.6 Transco will reject a monthly capacity bid where the monthly bid price is less than the applicable monthly reserve price, or where any other requirement of paragraph 2.3.4 is not complied with, and may reject such an application in accordance with Section V3.
- 2.3.7 For each calendar month in the Gas Year, in respect of each Aggregate System Entry Point, Monthly System Entry Capacity will be allocated pursuant to monthly capacity bids submitted on an invitation date as follows:
- (a) all monthly capacity bids (excluding any bid rejected pursuant to paragraph 2.3.6) will be ranked in order of bid price (the highest priced ranking first);
 - (b) Monthly System Entry Capacity will be allocated in respect of each bid, in descending order of bid price starting with the highest priced, in the amount applied for, until the amount of Monthly System Entry Capacity in aggregate for which bids are accepted is equal to (or falls short by no more than the minimum eligible amount of) the Available Monthly Capacity;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.3.8, where the amount of Monthly System Entry Capacity applied for under a bid exceeds the amount (the "**remaining unallocated amount**") of the Available Monthly Capacity remaining unallocated after allocation to higher priced bids, the User will be allocated an amount equal to the remaining unallocated amount;
 - (d) subject to paragraph (e) and paragraph 2.3.8, where each of two or more bids ("**equal priced bids**") specifies the same bid price, and the amount of Monthly System Entry Capacity applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for in each such bid;
 - (e) where the amount to be allocated in respect of a bid pursuant to paragraph (c) or (d) is less than the minimum amount specified pursuant to paragraph 2.3.4(a)(v), the bid will be disregarded (and of no effect), and a revised allocation will be made between remaining equal price bid(s) under paragraph (d), or (as the case may be) an allocation made in respect of the next priced bid.
- 2.3.8 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.3.7 is less than the minimum eligible amount, Transco will not accept that or any further monthly capacity bids under this paragraph 2.3.
- 2.3.9 Subject to paragraph 2.3.8, Transco will accept bids in respect of which Monthly System Entry Capacity is allocated in accordance with paragraph 2.3.7, and each User whose bid is so accepted will be registered as holding Monthly System Entry Capacity (in the amount so allocated) for the calendar month in the Gas Year in respect of the Aggregate System Entry Point.
- 2.3.10 Transco will, not later than 09:00 hours on the Business Day following each invitation date, inform each User of those of its monthly capacity bids which have been accepted and the amount of Monthly System Entry Capacity which it is registered as holding for a calendar month in the Gas Year pursuant to each such accepted bid.

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2.3.11 Each User who applies for Monthly System Entry Capacity shall tender in respect of each monthly capacity bid made a bid price (in accordance with paragraph 2.3.4(a)(vi)), and agrees by making such application to pay by way of System Entry Capacity Charges the bid price so tendered in respect of the Monthly System Entry Capacity allocated in accordance with this paragraph 2.3 pursuant to such monthly bid.

2.3.12 Transco will, as soon as reasonably practicable after the last of the invitation dates, notify to each User:

- (a) the amount of Monthly System Entry Capacity at each Aggregate System Entry Point for each month which was allocated in aggregate to all Users, pursuant to the invitation;
- (b) the amount (if any) outstanding of the Determined System Entry Capacity (after deducting the aggregate amount in (a)).

2.3.13 For the purposes of this paragraph 2.3:

- (a) the “**applicable monthly reserve price**” is the price determined as such (for the purposes of this paragraph 2.3) in accordance with the Transportation Statement;
- (b) the “**Available Monthly Capacity**” in respect of an Aggregate System Entry Point is the maximum amount of System Entry Capacity which will be allocated following the submission of monthly capacity bids on an invitation date; and the aggregate of the Available Monthly Capacity in relation to the invitation dates in respect of an Aggregate System Entry Point will be equal to the Determined System Entry Capacity for such Aggregate System Entry Point.

2.4 Later application for Monthly System Entry Capacity

2.4.1 Where (for any calendar month and in relation to any Aggregate System Entry Point) the amount of Monthly System Entry Capacity allocated in aggregate pursuant to monthly capacity bids submitted on invitation dates is less than the Determined System Entry Capacity, Users may subsequently apply for Monthly System Entry Capacity, subject to and in accordance with this paragraph, until such time as there is no longer any Outstanding System Entry Capacity.

2.4.2 For the purposes of this paragraph 2.4, at any time (or in relation to any application for Monthly System Entry Capacity) the “**Outstanding System Entry Capacity**” for any calendar month and in relation to any Aggregate System Entry Point, is the amount (if any) by which the Determined System Entry Capacity exceeds the Monthly System Entry Capacity for the time being held by Users in aggregate (including pursuant to all preceding applications under this paragraph 2.4, and taking account of paragraph 2.1.8).

2.4.3 An application for Monthly System Entry Capacity pursuant to this paragraph 2.4:

- (a) shall specify:
 - (i) the identity of the User,
 - (ii) the Aggregate System Entry Point,

- (iii) the calendar month for which Monthly System Entry Capacity is applied for,
 - (iv) the amount (not less than the minimum eligible amount) of Monthly System Entry Capacity applied for, and
 - (v) the minimum amount (not less than the minimum eligible amount) of Monthly System Entry Capacity which the User is willing to be allocated if paragraph 2.4.7 applies;
 - (b) may not be submitted before 06:00 hours or after 18:00 hours on any Day;
 - (c) may be submitted at any time after Transco has announced the allocations of Monthly System Entry Capacity for all Aggregate System Entry Points pursuant to the auction under paragraph 2.3 for the relevant Gas Year;
 - (d) may not be submitted later than the fourth Day before the first Day of the calendar month for which the application is made.
- 2.4.4 Transco will reject an application for Monthly System Entry Capacity under this paragraph where the requirements of paragraph 2.4.3 are not complied with, and may reject such an application in accordance with Section V3.
- 2.4.5 An application for Monthly System Entry Capacity pursuant to this paragraph 2.4 may be amended or withdrawn until but not after 18:00 hours on the Day on which it was submitted; and where such an application is amended it shall be treated (for the purposes of paragraph 2.4.8) as resubmitted at the time it is amended.
- 2.4.6 Where the Outstanding System Entry Capacity is less than the minimum eligible amount, Transco will not accept any (or any further) applications for Monthly System Entry Capacity (in respect of the relevant calendar month) under this paragraph 2.4.
- 2.4.7 Subject to paragraph 2.4.6, where under any application the amount of Monthly System Entry Capacity applied for is greater than the Outstanding System Entry Capacity, the User will be allocated an amount equal to the Outstanding System Entry Capacity unless the minimum amount specified pursuant to paragraph 2.4.3(a)(v) exceeds the Outstanding System Entry Capacity, in which case the application will be disregarded (and of no effect) and the next application will be considered.
- 2.4.8 Monthly System Entry Capacity will be allocated on a Daily basis to applications under this paragraph 2.4 in the chronological order in which such applications were submitted on each Day.
- 2.4.9 Where a User's application under this paragraph is accepted, the User will be registered as holding (in addition to any already held) Monthly System Entry Capacity at the Aggregate System Entry Point for the relevant calendar month in the amount applied for or allocated pursuant to paragraph 2.4.5 and/or 2.4.7.
- 2.4.10 Transco will notify to all Users by not later than 19:00 hours each Day:

- (a) the aggregate amount of Monthly System Entry Capacity held at each Aggregate System Entry Point for each calendar month following the allocation of such capacity pursuant to this paragraph 2.4 on the preceding Day;
- (b) the amount (if any) outstanding of the Determined System Entry Capacity (after deducting the aggregate amount in paragraph (a))

2.5 Daily System Entry Capacity

2.5.1 Users may apply for Daily System Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.5.

2.5.2 An application (a “**daily capacity bid**”) for Daily System Entry Capacity pursuant to this paragraph 2.5:

- (a) shall specify:
 - (i) the identity of the User,
 - (ii) the Aggregate System Entry Point,
 - (iii) the Day for which Daily System Entry Capacity is applied for,
 - (iv) the amount (not less than the minimum eligible amount) of Daily System Entry Capacity applied for,
 - (v) the minimum amount (not less than the minimum eligible amount) of Daily System Entry Capacity which the User is willing to be allocated if paragraph 2.5.5(c) or (d) applies, and
 - (vi) the amount (the “**bid price**”, which shall not be less than the applicable reserve price) in pence/kWh/Day which the User is willing to pay by way of Capacity Charge in respect of the Daily System Entry Capacity applied for;
- (b) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day;
- (c) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.

2.5.3 A User may submit up to but not more than 20 daily capacity bids in respect of a particular Aggregate System Entry Point for a Day.

2.5.4 Transco will reject a daily capacity bid where the bid price is less than the applicable reserve price, or where any other requirement of paragraph 2.5.2 is not complied with, and may reject such an application in accordance with Section V3.

2.5.5 For each Day, in respect of each Aggregate System Entry Point, Daily System Entry Capacity (up to the amount if any of the Available Daily Capacity) will be allocated pursuant to daily capacity bids as follows:

- (a) all daily capacity bids (excluding any bid rejected pursuant to paragraph 2.5.4) will be ranked in order of bid price (the highest priced ranking first);
 - (b) Daily System Entry Capacity will be allocated in respect of each bid, in descending order of bid price starting with the highest priced, in the amount applied for, until the amount of Daily System Entry Capacity in aggregate for which bids are accepted is equal to (or falls short by no more than the minimum eligible amount of) the Available Daily Capacity;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.5.6, where the amount of Daily System Entry Capacity applied for under a bid exceeds the amount (the “**remaining unallocated amount**”) of the Available Daily Capacity remaining unallocated after allocation to higher priced bids, the User will be allocated an amount equal to the remaining unallocated amount;
 - (d) subject to paragraph (e) and paragraph 2.5.6, where each of two or more bids (“**equal priced bids**”) specifies the same bid price, and the amount of Daily System Entry Capacity applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for in each such bid;
 - (e) where the amount to be allocated in respect of a bid pursuant to paragraph (c) or (d) is less than the minimum amount specified pursuant to paragraph 2.5.2(a)(v), the bid will be disregarded (and of no effect), and a revised allocation will be made between remaining equal price bid(s) under paragraph (d), or (as the case may be) an allocation made in respect of the next priced bid.
- 2.5.6 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.5.5 is less than the minimum eligible amount, Transco will not accept that or any further daily capacity bids under this paragraph 2.5.
- 2.5.7 Subject to paragraph 2.5.6, Transco will accept bids in respect of which Daily System Entry Capacity is allocated in accordance with paragraph 2.5.5, and each User whose bid is so accepted will be registered as holding Daily System Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.5.8 Where there is no Available Daily Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, Transco will not accept any daily capacity bids.
- 2.5.9 Transco will, not later than 15:00 hours on the Preceding Day, inform each User of those of its daily capacity bids which have been accepted and the amount of Daily System Entry Capacity which it is registered as holding pursuant to each such accepted bid.
- 2.5.10 For the purposes of this paragraph 2.5:
- (a) the “**applicable reserve price**” is the price determined as such (for the purposes of this paragraph 2.5) in accordance with the Transportation Statement;

- (b) the “**Available Daily Capacity**” in respect of an Aggregate System Entry Point for any Day is the amount (if any) determined by Transco on the Preceding Day, by which System Entry Capacity exceeds the Aggregate Registered Monthly Capacity.

2.6 Interruptible System Entry Capacity

2.6.1 Users may apply for Interruptible System Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.6.

2.6.2 An application (a “**interruptible capacity bid**”) for Interruptible System Entry Capacity pursuant to this paragraph 2.6:

- (a) shall specify:
 - (i) the identity of the User,
 - (ii) the Aggregate System Entry Point,
 - (iii) the Day for which Interruptible System Entry Capacity is applied for,
 - (iv) the amount (not less than the minimum eligible amount) of Interruptible System Entry Capacity applied for,
 - (v) the minimum amount (not less than the minimum eligible amount) of Interruptible System Entry Capacity which the User is willing to be allocated if paragraph 2.6.5(c) or (d) applies, and
 - (vi) the amount (the “**bid price**”, which shall not be less than the applicable reserve price) in pence/kWh/Day which the User is willing to pay by way of Capacity Charge in respect of the Interruptible System Entry Capacity applied for;
- (b) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day;
- (c) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.

2.6.3 A User may submit up to but not more than 20 interruptible capacity bids in respect of a particular Aggregate System Entry Point for a Day.

2.6.4 Transco will reject an interruptible capacity bid where the bid price is less than the applicable reserve price, or where any other requirement of paragraph 2.6.2 is not complied with, and may reject such a bid in accordance with Section V3.

2.6.5 For each Day, in respect of each Aggregate System Entry Point, Interruptible System Entry Capacity (up to the amount if any of the Available Interruptible Capacity) will be allocated pursuant to interruptible capacity bids as follows:

- (a) all interruptible capacity bids (excluding any bid rejected pursuant to paragraph 2.6.4) will be ranked in order of bid price (the highest priced ranking first);

- (b) Interruptible System Entry Capacity will be allocated in respect of each bid, in descending order of bid price starting with the highest priced, in the amount applied for, until the amount of Interruptible System Entry Capacity in aggregate for which bids are accepted is equal to (or falls short by no more than the minimum eligible amount of) the Available Interruptible Capacity;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.6.6, where the amount of Interruptible System Entry Capacity applied for under a bid exceeds the amount (the “**remaining unallocated amount**”) of the Available Interruptible Capacity remaining unallocated after allocation to higher priced bids, the User will be allocated an amount equal to the remaining unallocated amount;
 - (d) subject to paragraph (e) and paragraph 2.6.6, where each of two or more bids (“**equal priced bids**”) specifies the same bid price, and the amount of Interruptible System Entry Capacity applied for in aggregate under such bids exceeds the remaining unallocated amount, the remaining unallocated amount will be allocated pro rata the amounts applied for in each such bid;
 - (e) where the amount to be allocated in respect of a bid pursuant to paragraph (c) or (d) is less than the minimum amount specified pursuant to paragraph 2.6.2(a)(v), the bid will be disregarded (and of no effect), and a revised allocation will be made between remaining equal price bid(s) under paragraph (d), or (as the case may be) an allocation made in respect of the next priced bid.
- 2.6.6 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.6.5 is less than the minimum eligible amount, Transco will not accept that or any further interruptible capacity bids under this paragraph 2.6.
- 2.6.7 Subject to paragraph 2.6.6, Transco will accept bids in respect of which Interruptible System Entry Capacity is allocated in accordance with paragraph 2.6.5, and each User whose bid is so accepted will be registered as holding Interruptible System Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.
- 2.6.8 Where there is no Available Interruptible Capacity in respect of an Aggregate System Entry Point for a Day, or the amount thereof is less than the minimum eligible amount, Transco will not accept any interruptible capacity bids.
- 2.6.9 Transco will, not later than 15:00 hours on the Preceding Day, inform each User of those of its interruptible capacity bids which have been accepted and the amount of Interruptible System Entry Capacity which it is registered as holding pursuant to each such accepted bid.
- 2.6.10 For the purposes of this paragraph 2.6:
- (a) the “**applicable reserve price**”: is the price determined as such (for the purposes of this paragraph 2.6) in accordance with the Transportation Statement;
 - (b) the “**Available Interruptible Capacity**” in respect of an Aggregate System Entry Point for any Day is:
 - (i) subject to, in relation to all Aggregate System Entry Points, the aggregate Aggregate Firm Registered Capacity being less than 90% of the aggregate

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Determined System Entry Capacity, where the Aggregate Firm Registered Capacity is less than 90% of the Determined System Entry Capacity, the amount (if any) by which the Aggregate Firm Registered Capacity exceeds the Estimated Nomination Quantity;

- (ii) except where paragraph (i) applies, the amount (if any), determined by Transco on the Preceding Day, by which System Entry Capacity exceeds the lesser of the Estimated Nomination Quantity and the Aggregate Firm Registered Capacity;
- (c) in relation to any Aggregate System Entry Point, for any Day:
 - (i) the “**Estimated Nomination Quantity**” is the amount which Transco estimates will be the aggregate of the Nomination Quantities pursuant to Initial Input Nominations for that Day for all System Entry Points comprised in the Aggregate System Entry Point;
 - (ii) the “**Aggregate Firm Registered Capacity**” is the amount in aggregate of Monthly System Entry Capacity and Daily System Entry Capacity held in respect of the Aggregate System Entry Point for that Day.

2.6.11 Transco will not later than 12:00 hours on the Preceding Day notify to Users the amount (if any), for each Aggregate System Entry Point, by which the Aggregate Monthly Registered Capacity exceeds the Estimated Nomination Quantity (but for the avoidance of doubt Daily System Entry Capacity may have been allocated, and Transco’s estimate of the Estimated Nomination Quantity may change, before the time at which Transco allocates Interruptible System Entry Capacity pursuant to paragraph 2.6.5).

2.7 Surrender of Monthly System Entry Capacity

2.7.1 Users may offer to surrender Available Monthly System Entry Capacity for a Day in respect of an Aggregate System Entry Point, and (where it does not accept daily capacity bids for the Aggregate System Entry Point, or in accordance with paragraph 2.7.9) Transco will accept such offers, subject to and in accordance with this paragraph 2.7.

2.7.2 An offer (“**daily capacity offer**”) to surrender Monthly System Entry Capacity pursuant to this paragraph 2.7:

- (a) shall specify:
 - (i) the identity of the User,
 - (ii) the Aggregate System Entry Point,
 - (iii) the Day for which System Entry Capacity is offered for surrender,
 - (iv) the amount (not less than the minimum eligible amount) of System Entry Capacity offered for surrender,

- (v) the minimum amount (not less than the minimum eligible amount) of System Entry Capacity for which the User is willing to have the offer accepted if paragraph 2.7.6(d) or (e) applies, and
 - (vi) the amount (the “offer price”) in pence/kWh/Day which the User wishes to be paid in respect of the surrender of the offered System Entry Capacity;
 - (b) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day;
 - (c) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.
- 2.7.3 A User may submit up to but not more than 20 daily capacity offers in respect of a particular Aggregate System Entry Point for a Day.
- 2.7.4 Transco will reject a daily capacity offer where any requirement of paragraph 2.7.2 is not complied with, and may reject such an offer where the amount of System Entry Capacity offered for surrender exceeds the amount of the User’s Available Monthly System Entry Capacity (determined by reference to System Capacity Transfers which have at the relevant time become effective pursuant to paragraph 5.2.4).
- 2.7.5 For each Aggregate System Entry Point and each Day, Transco will on the Preceding Day determine whether, and if so the amount (“**Firm Capacity Shortfall**”) by which, the lesser of:
- (i) the amount in aggregate of gas which Transco estimates will be delivered to the System at the Aggregate System Entry Point on the Day (excluding, if Transco so decides, any amount which Transco anticipates would be delivered only if Interruptible System Entry Capacity were allocated), and
 - (ii) the Aggregate Registered Monthly Capacity,
- exceeds System Entry Capability.
- 2.7.6 Where Transco determines (in relation to any Aggregate System Entry Point for any Day) that there will be a Firm Capacity Shortfall, or for the purposes of paragraph 2.7.9:
- (a) all daily capacity offers (excluding any offer rejected pursuant to paragraph 2.7.4) will be ranked in order of offer price (the lowest priced ranking first);
 - (b) such offers will be selected for acceptance, in ascending order of offer price starting with the lowest priced, until the amount of System Entry Capacity in aggregate for which such offers are selected is equal to (or falls short of or exceeds by no more than the minimum eligible amount) the Firm Capacity Shortfall;
 - (c) subject to paragraphs (d) and (e) and paragraph 2.7.8, where the amount of System Entry Capacity offered for surrender pursuant to an offer exceeds the amount (the “**outstanding unsatisfied amount**”) of the Firm Capacity Shortfall remaining unsatisfied after selection of lower priced offers, the offer will be selected for the outstanding unsatisfied amount;

- (d) subject to paragraph (e) and paragraph 2.7.8, where each of two or more offers (“**equal priced offers**”) specifies the same offer price, and the amount of System Entry Capacity offered for surrender in aggregate pursuant to such offers exceeds the remaining unsatisfied amount, such offers will be selected for amounts pro rata the amounts offered and in aggregate equal to the remaining unsatisfied amount;
 - (e) where the amount for which a daily capacity offer is selected pursuant to paragraph (c) or (d) is less than the minimum amount specified pursuant to paragraph 2.7.2(a)(v), the offer will be disregarded (and of no effect), and a revised selection will be made between the remaining equal priced offer(s) under paragraph (d) or (as the case may be) the next priced offer selected;
 - (f) where after selection of all available daily capacity offers there remains any outstanding unsatisfied amount, paragraph 2.8 will apply.
- 2.7.7 Where two or more Aggregate System Entry Points are related (as defined in paragraph 2.7.9(c)(iii), a Firm Capacity Shortfall may exist in relation to such related Aggregate System Entry Points collectively; and in (and to the extent of) such a case paragraph 2.7.6 shall apply by reference to daily capacity offers in relation to all such related Aggregate System Entry Points collectively.
- 2.7.8 Where the amount for which a bid would be selected pursuant to paragraph 2.7.6 is less than the minimum eligible amount, Transco may select the bid for the minimum eligible amount.
- 2.7.9 Daily capacity offers may also be selected for acceptance pursuant to the following provisions:
- (a) Where in relation to any Aggregate System Entry Point, for any Day, the condition in paragraph (b) is satisfied in relation to any daily capacity offer:
 - (i) the daily capacity offer will be selected for acceptance in accordance with paragraph 2.7.6 as though references therein to the Firm Capacity Shortfall were to the aggregate of the unsatisfied bid quantities under all eligible bids; and
 - (ii) the Available Daily Capacity (in respect of that or the related Aggregate System Entry Point) shall be redetermined for the purposes of paragraph 2.5 so as to take account of the surrender of Firm System Entry Capacity pursuant to acceptance of such daily capacity offer (and, in the case of a related Aggregate System Entry Point, the resulting redetermination of System Entry Capability);
 - (b) The condition is that the daily capacity offer specifies an offer price which is lower than the bid price specified in any daily capacity bid (in respect of the same or a related Aggregate System Entry Point) in relation to which there is an unsatisfied bid quantity;
 - (c) For the purposes of this paragraph 2.7.9, in relation to any daily capacity offer:
 - (i) an “**unsatisfied bid quantity**” is the whole or part of the amount applied for in a daily capacity bid which would not be satisfied by an allocation of Daily System Entry Capacity made pursuant to the application of paragraph 2.5.5

in the absence of the application (in relation to that daily capacity offer) of this paragraph 2.7.9;

- (ii) an “**eligible bid**” is a daily capacity bid falling within paragraph (b);
 - (iii) an Aggregate System Entry Point is “**related**” to another if and to the extent that System Entry Capacity in respect of each is interdependent, so that Transco may treat the System Entry Capacity in respect of the related Aggregate System Entry Point as increased by the amount by which such capability ceases to be counted in Available Daily Capacity in respect of the other;
 - (d) This paragraph 2.7.9 shall apply iteratively to daily capacity offers (in the order ranked under paragraph 2.7.6) until the condition in paragraph (b) is not satisfied, and paragraph 2.5.5 shall apply thereafter.
- 2.7.10 Transco will accept daily capacity offers selected pursuant to paragraph 2.7.6 or 2.7.9, and the amount of Available Firm System Entry Capacity held (for the Day in respect of the Aggregate System Entry Point) by each User whose offer is so accepted will be reduced by the amount for which the offer was selected.
- 2.7.11 Transco will, not later than 15:00 hours on the Preceding Day, inform each User of those of its daily capacity offers which have been accepted, the amount of System Entry Capacity surrendered pursuant to each such accepted offer, and the amount by which its Available System Entry Capacity is accordingly reduced in respect of each Aggregate System Entry Point.

2.8 Entry curtailment

- 2.8.1 Where at any time after 15:00 hours on the Preceding Day Transco determines in relation to any Aggregate System Entry Point that there is or will be an Entry Capacity Shortfall, the System Entry Capacity held by Users at that Aggregate System Entry Point will be curtailed subject to and in accordance with the further provisions of this paragraph 2.8.
- 2.8.2 Where Users hold Interruptible System Entry Capacity at the Aggregate System Entry Point, Transco will give a notice (“**interruptible curtailment notice**”) to all Users specifying:
- (i) the Aggregate System Entry Point and the Day to which the notice relates;
 - (ii) the time (“**curtailment effective time**”) with effect from which such curtailment is to take place, which shall be on the hour, shall not be earlier than 06:00 hours nor later than 24:00 hours on the Gas Flow Day, and shall not be less than 60 minutes after such notice is given; and
 - (iii) a factor (“**interruptible curtailment factor**”) determined as:

$$1 - X/Y$$

where:

- X is the amount (in kWh or kWh/Day), of the Entry Capacity Shortfall, provided that X shall not be greater than Y; and

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Y is the aggregate amount (in kWh/Day) of Interruptible System Entry Capacity (disregarding any curtailment pursuant to this paragraph 2.8) held by Users at the Aggregate System Entry Point.

2.8.3 Where Transco gives an interruptible curtailment notice, the amount of Interruptible System Entry Capacity held (for the Day) by each User at the Aggregate System Entry Point will be determined as:

$$R * (ICF_1 * P_1 + ICF_2 * P_2 + + ICF_n * P_n) / 24$$

where R is the amount of Interruptible System Entry Capacity which the User was registered as holding pursuant to paragraph 2.6;

and where for each interruptible curtailment notice (from 1 to n) given in respect of the Aggregate System Entry Point and the Day:

ICF is the interruptible curtailment factor, and

P is the period in hours from the curtailment effective time until the end of the Gas Flow Day or (if earlier) the curtailment effective time of a subsequent curtailment notice;

and for the purposes of which, in the absence of any other interruptible curtailment notice, there shall be deemed to be an interruptible curtailment notice specifying an interruptible curtailment factor of one (1) in force at the start of the Gas Flow Day.

2.8.4 Where no Interruptible System Entry Capacity is held at the Aggregate System Entry Point, or such Interruptible System Entry Capacity has been wholly curtailed (by an interruptible curtailment factor of zero), Transco will give a notice ("**firm curtailment notice**") to all Users specifying:

- (i) the Aggregate System Entry Point and the Day to which the notice relates;
- (ii) the time ("**curtailment effective time**"), with effect from which such curtailment is to take place, which shall be on the hour, shall not be earlier than 06:00 hours nor later than 24:00 hours on the Gas Flow Day, and shall not be less than 60 minutes after such notice is given; and
- (iii) a factor ("**firm curtailment factor**") determined as:

$$A/B$$

where:

A is the amount (in kWh or kWh/Day), of the System Entry Capability, and

B is the aggregate amount (in kWh/Day) of Users' Registered Firm System Entry Capacity (Adjusted pursuant to paragraph 2.7.10 but disregarding any earlier curtailment pursuant to this paragraph 2.8) at the Aggregate System Entry Point.

- 2.8.5 Where Transco gives a firm curtailment notice, the amount of each User's Available Firm System Entry Capacity (excluding any negative Available Firm System Entry Capacity) for the Day at the Aggregate System Entry Point will be determined as:

$$C * (FCF_1 * P_1 + FCF_2 * P_2 + + FCF_n * P_n) / 24$$

where C is the amount of the User's Available Firm System Entry Capacity for the Day (Adjusted pursuant to paragraph 2.7.10);

and where for each firm curtailment notice (from 1 to n) given in respect of the Aggregate System Entry Point and the Day:

FCF is the firm curtailment factor, and

P is the period in hours from the curtailment effective time until the end of the Gas Flow Day or (if earlier) the curtailment effective time of a subsequent curtailment notice;

and for the purposes of which, in the absence of any other firm curtailment notice, there shall be deemed to be a firm curtailment notice specifying a firm curtailment factor of one (1) in force at the start of the Gas Flow Day.

- 2.8.6 For the purposes of this paragraph 2.8, an "Entry Capability Shortfall" in respect of an Aggregate System Entry Point for a Day is:

- (i) where determined before the start of the Gas Flow Day, the amount (in kWh) by which the aggregate amount of gas which (in Transco's determination) will be delivered to the System at the Aggregate System Entry Point on the Day exceeds the System Entry Capability (in kWh);
- (ii) where determined after the start of the Gas Flow Day, the amount (in kWh/Day) by which the aggregate rate at which (in Transco's determination) gas will be delivered to the System at the Aggregate System Entry Point on the Day exceeds the System Entry Capability (in kWh/Day).

2.9 Capacity Charges, Surrender Charges and Curtailment Charges

- 2.9.1 A User shall pay Capacity Charges ("System Entry Capacity Charges") in respect of its Registered System Entry Capacity at Aggregate System Entry Points.

- 2.9.2 The System Entry Capacity Charge payable by a User in respect of each Day will be determined for each Aggregate System Entry Point and each class (as described in paragraph 2.1.4) of System Entry Capacity, as the amount of the User's Registered System Entry Capacity (of the relevant class, and in the case of Monthly System Entry Capacity applied for pursuant to paragraph 2.3, allocated following a specific invitation date) multiplied by the Applicable Daily Rate.

- 2.9.3 The Applicable Daily Rate shall be:

- (i) in respect of Monthly System Entry Capacity applied for pursuant to the invitation under paragraph 2.3, the rate (for the relevant calendar month) determined following the relevant invitation dated in accordance with paragraph 2.3;

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- (ii) in respect of Monthly System Entry Capacity applied for pursuant paragraph 2.4, the rate determined as such (for the purposes of paragraph 2.4) in accordance with the Transportation Statement;
 - (iii) in respect of Daily System Entry Capacity, the clearing bid price, being the lowest bid price under any daily capacity bid (for the Aggregate System Entry Point) which was accepted for the Day pursuant to paragraph 2.5;
 - (iv) in respect of Interruptible System Entry Capacity, the clearing bid price, being the lowest bid price under any interruptible capacity bid (for the Aggregate System Entry Point) which was accepted for the Day pursuant to paragraph 2.6;
- 2.9.4 For the purposes of paragraph 2.9.2, the amount of the User's Registered System Entry Capacity shall be determined Adjusted pursuant to paragraph 2.8.3 (but is for the avoidance of doubt Unadjusted pursuant to paragraph 2.7.10 or paragraph 2.8.5).
- 2.9.5 Where Transco accepts a daily capacity offer pursuant to paragraph 2.7, Transco will pay to the User a charge ("**Capacity Surrender Charge**") in an amount determined as:
- (i) the amount of System Entry Capacity for which the offer was accepted by Transco, multiplied by
 - (ii) the offer price specified in the daily capacity offer.
- 2.9.6 Where Transco gives a firm curtailment notice pursuant to paragraph 2.8 in relation to an Aggregate System Entry Point (the "**curtailed**" Aggregate System Entry Point) for a Day, Transco will pay to each User holding Available Firm System Entry Capacity at the curtailed Aggregate System Entry Point on that Day an amount ("**Firm Curtailment Charge**") determined as the curtailment amount multiplied by the curtailment charge rate; where:
- (a) the curtailment amount for a User is the amount determined as $(FSEC_1 - FSEC_2)$, where:

$FSEC_1$ is the amount of the User's Available Firm System Entry Capacity determined as Adjusted pursuant to paragraph 2.7.10 but Unadjusted pursuant to paragraph 2.8.5;

$FSEC_2$ is the amount of the User's Available Firm System Entry Capacity determined as Adjusted pursuant to paragraphs 2.7.10 and 2.8.5;
 - (b) the curtailment charge rate is the greater of the rates determined as R1 and R2, where

R1 is $(F1 * ADR)$, where ADR is the Applicable Daily Rate determined in accordance with paragraph 2.9.3(ii) for Monthly System Entry Capacity at the Aggregate System Entry Point for the month in which the Day falls;

R2 is the rate determined as

$$F2 * (M + N) / Q$$

where

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- M is an amount determined as the aggregate notional surrender cost in relation to the curtailed Aggregate System Entry Point in respect of an amount determined as one half of the Curtailed Firm Capacity;
- N is an amount determined as the aggregate notional surrender cost in relation to the highest-priced Aggregate System Entry Point in respect of an amount determined as one half of the Curtailed Firm Capacity;
- Q is the amount of the Curtailed Firm Capacity;
- F1 is four (4);
- F2 is one decimal one (1.1).

2.9.7 For the purposes of paragraph 2.9.6(b):

- (a) in relation to a particular Aggregate System Entry Point and a given quantity of Curtailed Firm Capacity, the “**aggregate notional surrender cost**” is the aggregate of the amounts which Transco would have paid by way of Capacity Surrender Charges if Transco had accepted remaining daily capacity offers for that quantity pursuant to and in accordance with paragraph 2.7.6; where subject to paragraph (b) “**remaining**” daily capacity offers are daily capacity offers remaining:
 - (i) after acceptance of those daily capacity offers which Transco did accept for the relevant Day,
 - (ii) for the purposes of determining ‘N’ in paragraph 2.9.6(b), after excluding daily capacity offers to the extent taken into account in determining ‘M’ in that paragraph, and
 - (iii) after excluding daily capacity offers to the extent taken into account in any earlier application (pursuant to any provision of the Code) of that paragraph in respect of that Day;
- (b) for the purposes of paragraph (a) above, where paragraph 2.7.6(f) would have applied (in the notional application of paragraph 2.7.6) there shall be deemed to have been a remaining daily capacity offer for (and accepted for) the outstanding unsatisfied amount referred to in paragraph 2.7.6(f) specifying an offer price equal to ‘R1’ (in relation to the particular Aggregate System Entry Point) in paragraph 2.9.6 above (and accordingly the reference to paragraph 2.8 in paragraph 2.7.6(f) shall be disregarded);
- (c) the “**Curtailed Firm Capacity**” in relation to an Aggregate System Entry Point is the aggregate of the curtailment amounts for all Users;
- (d) the “**highest-priced Aggregate System Entry Point**” in relation to quantity ‘N’ is the Aggregate System Entry Point for which the aggregate notional surrender costs for that quantity would be the highest;

- (e) where Transco gives firm curtailment notices in respect of more than one Aggregate System Entry Point for a Day, the provisions of paragraph 2.9.6 and 2.9.7 shall be applied sequentially in respect of each such Aggregate System Entry Point, in the chronological order of the curtailment effective times (or if more than one for any such Aggregate System Entry Point, the earliest such time) under each such firm curtailment notice.

2.9.8 System Entry Capacity Charges, Capacity Surrender Charges and Firm Curtailment Charges will be invoiced and payable in accordance with Section S.

2.10 Overrun charges

2.10.1 If for any reason the quantity of gas delivered by a User to the System at an Aggregate System Entry Point on any Day exceeds the User's aggregate Available System Entry Capacity (determined as Adjusted pursuant to paragraphs 2.7.10, 2.8.3 and 2.8.5), the User shall pay a charge ("**System Entry Overrun Charge**") in respect of System Entry Capacity at that Aggregate System Entry Point on that Day.

2.10.2 For the purposes of this paragraph 2.10, in respect of a User at an Aggregate System Entry Point for any Day, the "**overrun quantity**" 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 exceeds the sum of the User's Fully Adjusted Available System Entry Capacity.

2.10.3 The System Entry Overrun Charge shall be calculated as the amount of the overrun quantity multiplied by whichever is the greatest of:

- (i) $(1.1 * A)$, where 'A' is the highest offer price pursuant to any daily capacity offer which was accepted by Transco in respect of the Aggregate System Entry Point for the Day;
- (ii) $(8 * B)$, where 'B' is the Applicable Daily Rate determined in accordance with paragraph 2.9.3(ii) for Monthly System Entry Capacity at the Aggregate System Entry Point for the calendar month in which the Day falls;
- (iii) $(1.1 * C)$, where 'C' is the highest bid price pursuant to any daily capacity bid which was accepted by Transco in respect of the Aggregate System Entry Point for the Day; and
- (iv) $(1.5 * D)$, where 'D' is the System Average Price for the Day.

2.10.4 The System Entry Overrun Charge shall be invoiced and payable in accordance with Section S.

2.11 Incentive and neutrality arrangements

2.11.1 For each Aggregate System Entry Point the difference between the amounts received or receivable and the amounts paid or payable by Transco in respect of Relevant Capacity Charges and certain other amounts in each calendar month, reduced by certain amounts to be retained or borne by Transco, is payable to or recoverable from relevant Users, in accordance with this paragraph 2.11.

2.11.2 For each Aggregate System Entry Point, in relation to each calendar month:

- (a) **“Relevant Capacity Revenues”** are the aggregate of the amounts payable to Transco by Users:
- (i) by way of Capacity Charges in respect of Daily System Entry Capacity and Interruptible System Entry Capacity at the Aggregate System Entry Point; and
 - (ii) where any User has negative Available System Entry Capacity, by way of System Entry Overrun Charges pursuant to (and calculated in respect of the amount determined under) paragraph 5.5.2(i)

in respect of Days in that calendar month;

- (b) **“Relevant Capacity Costs”** are the aggregate of the amounts payable by Transco to Users by way of Capacity Surrender Charges, Firm Curtailment Charges and Aggregate Constraint Amounts pursuant to Section I3.7.2, in relation to the Aggregate System Entry Point in respect of Days in that calendar month;
- (c) **“Incentive Relevant Capacity Costs”** are the Relevant Capacity Costs reduced by the amount of any excluded costs in accordance with paragraph 2.11.4;
- (d) **“Capacity Incentive Revenues”** are:

$$RCR - (RCR * 0.2)$$

where ‘RCR’ are Relevant Capacity Revenues;

- (e) **“Capacity Incentive Costs”** are:

$$RCC - (IRCC * 0.2)$$

where:

RCC are Relevant Capacity Costs,

IRCC are Incentive Relevant Capacity Costs;

- (f) a **“relevant User”** is a User holding Registered Monthly System Entry Capacity at an Aggregate System Entry Point for a month.

2.11.3 For each calendar month:

- (a) the **“Incentive Relevant Capacity Amount”** is:

$$(ARCC - ACIC) - (ARCR - ACIR)$$

where:

ARCC is the aggregate of the Relevant Capacity Costs,

ACIC is the aggregate of the Capacity Incentive Costs,

ARCR is the aggregate of the Relevant Capacity Revenues,

ACIR is the Aggregate of the Capacity Incentive Revenues

for all Aggregate System Entry Points;

- (b) the **"First Capacity Neutrality Adjustment Amount"** is the amount (if any) by which:
 - (i) the Incentive Relevant Capacity Amount, exceeds
 - (ii) the magnitude of the Monthly Capacity Incentive Limit Amount,and is positive where the Incentive Relevant Capacity Amount is positive and negative where the Incentive Relevant Capacity Amount is negative;
- (c) the **"Capacity Neutrality Adjustment Amount"** is the First Capacity Neutrality Adjustment Amount (if any) plus the Second Capacity Neutrality Adjustment Amount (in accordance with paragraph 2.11.8);
- (d) the **"Monthly Capacity Incentive Limit Amount"** is the Annual Capacity Incentive Limit Amount divided by 12.

2.11.4 To the extent that:

- (a) there occurs any event or circumstance which constitutes Force Majeure in relation to Transco, or which would constitute such Force Majeure but for the fact that (by reason of its actions referred to in paragraph (c)) Transco is not in breach of its obligation under Section I3.7.1; and
- (b) such event or circumstance results in a reduction in System Entry Capability in respect of any Aggregate System Entry Point; and
- (c) as a result of such reduction in System Entry Capability, Transco accepts daily capacity offers or gives firm curtailment notice pursuant to paragraphs 2.7.10 or 2.8.4, or is in breach of its obligation under Section I3.7.1,

the Relevant Capacity Costs incurred by Transco by reason of its accepting such offers, giving such notice or so being in breach shall be excluded costs for the purposes of paragraph 2.11.2(c).

2.11.5 In relation to:

- (a) each Aggregate System Entry Point and each calendar month, Transco shall pay to each relevant User an amount (**"ASEP Capacity Revenue Neutrality Charge"**), determined as:

$$\text{CIR} * \text{URC} / \text{ARC}$$

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where:

CIR are the Capacity Incentive Revenues,

URC is the User's Registered Monthly System Entry Capacity,

ARC is the aggregate of all Users' Registered Monthly System Entry Capacity,

for that Aggregate System Entry Point in relation to that calendar month;

- (b) each calendar month each relevant User shall pay to Transco an amount ("Capacity Cost Neutrality Charge") determined as:

$$CIC * AURC / AARC$$

where:

CIC are the Capacity Incentive Costs,

AURC is the aggregate of the User's Registered Monthly System Entry Capacity,

AARC is the aggregate of all Users' Registered Monthly System Entry Capacity,

for all Aggregate System Entry Points in relation to that calendar month.

2.11.6 In relation to each calendar month:

- (a) where the Capacity Neutrality Adjustment Amount (if any) is negative, Transco shall pay to each relevant User,
- (b) where the Capacity Neutrality Adjustment Amount (if any) is positive, each relevant User shall pay to Transco,

an amount ("Capacity Neutrality Adjustment Charge") determined as:

$$CNAA * AURC / AARC$$

where CNAA is the Capacity Neutrality Adjustment Amount,

and 'AURC' and 'AARC' have the meanings in paragraph 2.11.5(b).

2.11.7 ASEP Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Neutrality Adjustment Charges shall be invoiced and are payable in accordance with Section S.

2.11.8 The "Second Capacity Adjustment Neutrality Amount" for a calendar month (month 'm') is:

- (a) the sum of the following amounts:
 - (i) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to Transco), which was due for payment to Transco in month m-2 but were unpaid to Transco as at the last Day of month m;
 - (ii) 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 (i);

less

- (b) the sum of the following amounts:
 - (i) the amount of any charge of a kind referred to in the definition of Relevant Capacity Revenues, and of any Capacity Neutrality Charge (payable to Transco) which:
 - (1) was unpaid as at the last Day of month m-3 and was 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;
 - (ii) 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 any such charge as is referred to in paragraph (i).

2.11.9 For the purpose of this paragraph 2.11:

- (a) **“Capacity Neutrality Charges”** means ASEP Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Neutrality Adjustment Charges;
- (b) the **“Annual Capacity Incentive Limit Amount”** is £5,000,000;
- (c) **“Relevant Capacity Charges”** are Relevant Capacity Revenues and Relevant Capacity Costs”.

Amend paragraph 5.1.1 as follows:

- “(i) its Available Firm System Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.7.10 and 2.8.5, in respect of”

Amend paragraph 5.1.4:

“... Transferor User’s Available System Capacity (in the case of Firm System Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.7.10 and 2.8.5) at the

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Transfer System Point ...”

Delete paragraph 5.1.6.

Amend paragraph 5.5.1 (a):

“(a) exceeds the Transferor User’s Available System Capacity (in the case of Firm System Entry Capacity, on a Fully Adjusted basis) at the Transfer System Point; or”

Insert a new paragraph 5.5.1 (b) and renumber existing (b) as (c):

“(b) the Transferor User submits a daily capacity offer (pursuant to paragraph 2.7) for an amount of System Entry Capacity which exceeds its Available Firm System Entry Capacity; or”

In paragraph 5.5.2, replace ‘2.6.2(a)’ with ‘2.10.2’:

SECTION I

Delete paragraphs 3.7 and 3.8. Insert new paragraphs 3.7 and 3.8 as follows:

“3.7 Acceptance of gas delivered to the System

3.7.1 Subject to the provisions of the Code, Transco will accept into the System at any time gas tendered for delivery by Users at the System Entry Points comprised in an Aggregate System Entry Point, at a rate (in kWh/Day) in aggregate not exceeding the aggregate Available Firm System Entry Capacity held by Users at that Aggregate System Entry Point, as Adjusted pursuant to Sections B2.7.10 and B2.8.5.

3.7.2 Subject to the provisions of the Code, if for any period (a “**constraint period**”) during 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 (subject to paragraph 3.7.4) in aggregate are equal to the amount (“**Aggregate Constraint Amount**”) determined as:

$$A * B$$

where for each constraint period during the Day:

A is the shortfall between (i) the quantity of gas of which delivery would have been accepted at rate X_t and (ii) the quantity of gas of which delivery was accepted at rate Y_t during the constraint period, determined by integrating $(X_t - Y_t)$ with respect to time over the constraint period;

where at any time (t) during the constraint period:

X_t is the aggregate Available Firm System Entry Capacity held by Users at that Aggregate System Entry Point, as Adjusted pursuant to Sections B2.7.10 and B2.8.5

Y_t is the rate (in kWh/Day) in aggregate at which delivery of gas into the

System at the Aggregate System Entry Point was accepted;

B is the amount which would (if Transco had given a firm curtailment notice such that it would not have failed to comply with paragraph 3.7.1) be determined as the curtailment charge rate for the Aggregate System Entry Point for the Day pursuant to Section B2.9.6, but on the basis that in that paragraph:

- (i) references to Curtailed Firm Capacity are to the quantity 'A';
- (ii) the value of 'F1' is six (6);
- (iii) the value of 'F2' is one decimal four (1.4).

3.7.3 For the purposes of paragraph 3.7.2 a relevant User is a User holding Available Firm System Entry Capacity at the Aggregate System Entry Point for the Day; and subject to paragraph 3.7.4 the amount payable to each relevant User shall be the amount determined as:

$$ACA * U / A$$

where:

ACA is the Aggregate Constraint Amount;

U is the User's Available Firm System Entry Capacity, as Adjusted pursuant to Section B2.7.10 and B2.8.5, at the Aggregate System Entry Point for the Day;

A is the aggregate Available Firm System Entry Capacity, as Adjusted pursuant to Section B2.7.10 and B2.8.5, held by Users at the Aggregate System Entry Point for the Day.

3.7.4 The amount payable by Transco to a relevant User pursuant to paragraph 3.7.3 shall not exceed the amount determined as:

$$(U - ADQI) * B$$

where:

B has the meaning in paragraph 3.7.2,

U has the meaning in paragraph 3.7.3, and

ADQI is the aggregate of the User's UDQIs for the Day for each System Entry Point comprised in the Aggregate System Entry Point;

and for the purposes of Section B2.11 the Aggregate Constraint Amount shall be reduced by the amount in aggregate by which the amounts payable (in accordance with this paragraph 3.7.4) to relevant Users are less than the amounts determined pursuant to paragraph 3.7.3.

3.7.5 Transco will be deemed not to comply with paragraph 3.7.1 for any period during which, as a result of steps taken by Transco pursuant to paragraph 3.9.1, the aggregate rate at which gas is delivered or tendered for delivery by Users at the System Entry Points comprised in an

Aggregate System Entry Point is less than the aggregate Fully Adjusted Firm Available System Entry Capacity held by Users at that Aggregate System Entry Point.

3.7.6 Any dispute as to the amount 'A' in paragraph 3.7.2 shall be referred to Expert Determination.

3.8 ISEP capability

For the avoidance of doubt, Transco will not be in breach of its obligation under paragraph 3.7.1 by reason only of its being unable to accept delivery of gas at an Individual System Entry Point at a rate which exceeds the physical flow capability (determined without regard to any maintenance works in relation thereto) of the individual pipe at such Individual System Entry Point."

In paragraph 3.9.1, replace 'D1.5.1' with B2.7 and/or B2.8'.

In paragraph 3.9.3 delete 'where Transco is relieved of the obligation' and replace with 'to the extent that Transco is not obliged (pursuant to paragraph 3.7.1)'.

Delete paragraph 3.11.

SECTION L: MAINTENANCE AND OPERATIONAL PLANNING

In paragraph 1.1.3, delete 'delivery and'.

Amend paragraph 1.1.4 to read:

"References in the Code to maintenance (of the System or any part of it) include:

- (a) maintenance, inspection, repair, replacement, reinstatement and recommissioning of the System or such part of it;
- (b) works for the expansion, reinforcement or extension of the System, including works in relation to existing parts of the System (including taking any part of the System out of service, whether on a provisional or permanent basis) to enable such works to be carried out; and
- (c) any inspection, testing and commissioning of works within paragraphs (a) and (b), and works preparatory thereto, and any works required for bringing any new or existing part of the System into or back into service."

Add new paragraph 1.2.4:

"1.2.4 Planned maintenance taken into account in determining Determined System Entry Capacity for the purposes of Section B2.2 for a Gas Year will be maintenance provided for in the Maintenance Programme for the Planning Period which commences 1st April in the Preceding Year."

Add at the end of paragraph 3.2.1(iii):

"...provided that such estimate shall not affect any amount already declared by way of

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Determined System Entry Capacity in respect of any Aggregate System Entry Point.”

Insert new paragraph 3.5.3 and renumber existing paragraphs 3.5.3 and 3.5.4 accordingly:

“3.5.3 In particular, where planned maintenance was taken into account by Transco pursuant to Section B2.2.3(ii) in determining Declared System Entry Capacity, Transco will not be expected to modify the timing of such maintenance following consultation under paragraph 3.3 or with a view to any coordination under paragraph 3.5.1.”

Insert a new paragraph 4.1.1 and renumber existing paragraphs 4.1.1 to 4.1.4 accordingly:

“4.1.1 The provisions of this paragraph 4.1 apply to maintenance only insofar as it may affect the offtake of gas from the System at an NTS Exit Point; and nothing in this Section L requires Transco to adhere to any Maintenance Programme in carrying out maintenance insofar as such maintenance affects the delivery of gas to the System at System Entry Points.”

Amend paragraph 4.1.4 to read:

“... a User who at the relevant time holds NTS Exit Capacity at an NTS Exit Point at which the offtake of gas will be ...”.

Amend paragraph 4.2.1 (line 3):

“... in relation to a System Point (other than an NTS Entry Point) where:”

In paragraph 4.2.1 (a), delete 'NTS System Entry Point or'.

In paragraph 4.2.1(b) (line 1) delete 'or LDZ System Entry Point'

Delete paragraph 4.2.1(b)(iv)

In paragraph 4.2.2(i), delete 'or (in the case of an LDZ System Entry Point) ability of Transco to accept delivery of gas'

In paragraph 4.2.2(ii), delete 'or has Available System Entry Capacity at the LDZ System Entry Point'

In paragraph 4.2.5, delete 'or has Available System Entry Capacity at the LDZ System Entry Point'

In paragraph 4.3.1, delete 'or to accept into the System gas tendered for delivery by a User at a System Entry Point', and delete '(in either case)'.

In paragraph 4.3.1 (ii) delete “under Section I3.7 to accept into the System gas tendered for delivery, or (as the case may be)”.

Delete paragraph 4.3.2 (a) and re-letter the remaining paragraphs.

Amend paragraph 4.3.4 to read:

“... Registered System Capacity at any System Exit Point notwithstanding that Transco is unable to make gas available for offtake at such point ...”

In paragraph 4.3.3, delete 'or System Entry Point'

In paragraph 4.3.4, delete '13.7 and'.

SECTION Q: EMERGENCIES

Add at the end of paragraph 4.1.1(i):

“...and the provisions of Section B2 as to Daily System Energy Capacity, Interruptible System Entry Capacity, surrender of System Entry Capacity and curtailment of System Entry Capacity shall not apply (and in relation to the first such Day or part of a Day, amounts payable pursuant to the application of those paragraphs on the Preceding Day shall cease to be payable);”

SECTION S: INVOICING AND PAYMENT

Amend paragraph 1.2.2 as follows:

“...of Invoice Document to be submitted are NTS Entry Capacity Invoices, NTS Exit Capacity Invoices, LDZ Capacity Invoices....”

Amend paragraph 2.1.1 as follows:

“NTS Entry Capacity Invoices, NTS Exit Capacity Invoices, LDZ Capacity Invoices....”

Replace reference at paragraphs 4.2.5 (a) and (b) to paragraph 4 of Annex S-1 with a reference to paragraph 5 of Annex S-1

Replace reference at paragraph 4.4.2 to paragraph 4 of Annex S-1 with a reference to paragraph 5 of Annex S-1

Add new paragraph 1 at Annex S-1 as follows, and renumber existing paragraphs 1, 2, 3, 4 and 5 as 2, 3, 4, 5 and 6 respectively:

“NTS Entry Capacity Invoice

An “**NTS Entry Capacity Invoice**” is an Invoice Document in respect of the following separate Invoice Items:

- (a) System Entry Capacity Charges in respect of Monthly System Entry Capacity;
- (b) System Entry Capacity Charges in respect of Daily System Entry Capacity;
- (c) System Entry Capacity Charges in respect of Interruptible System Entry Capacity;
- (d) Capacity Surrender Charges;
- (e) Firm Curtailment Charges;
- (f) System Entry Overrun Charges;

- (g) Capacity Neutrality Charges.”

Amend Annex S-1 renumbered paragraph 2 as follows:

“NTS Exit Capacity Invoice

An “**NTS Exit Capacity Invoice**” is an Invoice Document in respect of the following separate Invoice Items:

- (a) NTS Exit Capacity Charges – DM NTS Exit Capacity;
- (b) NTS Exit Capacity Charges – NDM NTS Exit Capacity;
- (c) NTS Exit Overrun Charges.”

Add new paragraph 4.3.3 as follows:

“4.3.3 Notwithstanding paragraph 4.2.2, a User shall pay the Invoice Amount in respect of System Entry Capacity Charges in respect of Daily System Entry Capacity, System Entry Capacity Charges in respect of Interruptible System Entry Capacity and (where payable by the User) Capacity Neutrality Charges under each NTS Entry Capacity Invoice in full on the Invoice Due Date, notwithstanding any Invoice Query, and paragraphs 4.3.1 and 4.3.2 will apply in respect of any such Invoice Query.”

TRANSITION DOCUMENT PART II

Delete all text in paragraph 8.1 and replace with the following:

“B1.8 In respect of Pricing Consultations 48 and 49 the requirement in Section B1.8.2 that the notice to be given by Transco pursuant to the Transco Licence in relation thereto be given not less than 2 months prior to the proposed date of implementation shall not apply and Transco shall instead give such notice as far in advance of the date on which the proposals contained therein are to be implemented as is reasonably practicable.

B2 All System Entry Capacity held on 30th September 1999 pursuant to the application of any provision of Section B2 in force before the Code Modification pursuant to this paragraph 8.1 applies shall with effect from 1st October 1999 be cancelled.”

B2.3 In respect of the Gas Year 1999/2000:

- (1) the reference in Section B2.2.1 to 30th June in the Preceding Year shall be deemed to be a reference to 3rd September in the Preceding Year;
- (2) the reference in Section B2.3.1 to each calendar month in the Gas Year shall be deemed to be a reference to the calendar months October 1999 to March 2000;
- (3) the reference in Section B2.3.2(a) to 31st July in the Preceding Year shall not apply;

- (4) by not later than 15th February 2000 Transco will invite applications for the Determined System Entry Capacity in respect of each Aggregate System Entry Point for the calendar months April 2000 to September 2000 (inclusive);
- (5) for the purposes of paragraph (4), Section B2.3 shall apply separately in respect of applications made for Monthly System Entry Capacity for the calendar months referred to therein.”

Delete paragraph 10.

