

Network Code Development

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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

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- 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;

- (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

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 Capability 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

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 Capability 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 capacity 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:

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

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:

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

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 Capacity (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 Capacity (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:
 - FSEC₁ 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;
 - FSEC₂ 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

- 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:

$$\text{RCR} - (\text{RCR} * 0.2)$$

where ‘RCR’ are Relevant Capacity Revenues;

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

$$\text{RCC} - (\text{IRCC} * 0.2)$$

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:

$$(\text{ARCC} - \text{ACIC}) - (\text{ARCR} - \text{ACIR})$$

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:

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

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:

$$\text{CIC} * \text{AURC} / \text{AARC}$$

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:

$$\text{CNAA} * \text{AURC} / \text{AARC}$$

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:

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- (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

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

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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

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;

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- (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.