

Modification Report
Alternative User Pays approach to – UNC Modification Proposal 0263 - Enabling the
Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity
Modification Reference Number 0276
Version 3.0

This Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Where capitalised words and phrases are used within this Modification Proposal, those words and phrases shall usually have the meaning given within the Uniform Network Code (unless they are otherwise defined in this Modification Proposal). Key UNC defined terms used in this Modification Proposal are highlighted by an asterisk () when first used. This Modification Proposal*, as with all Modification Proposals, should be read in conjunction with the prevailing Uniform Network Code* (UNC).*

Background

Implementation of Modification Proposal* 0195AV established the basis for the reform of NTS Exit Capacity* booking arrangements that, in full, are scheduled to come into effect on 1 October 2012.

As part of the package of new arrangements, National Grid NTS* will facilitate the assignment of Registered NTS Exit (Flat) Capacity* between Users*. However, Assignments* are to be restricted such that an Assignor User* can only assign to an Assignee User* its full NTS Exit (Flat) Capacity* holding at a given NTS Exit Point*. In assigning NTS Exit (Flat) Capacity, the Assignor User will also assign any outstanding user commitment (as defined within the ExCR), pertaining to the Assigned System Capacity*, to the Assignee User.

Therefore, under the current rules it is not possible for an Assignor User to assign, or an Assignee User to receive, less than an Assignor Users total holding of NTS Exit (Flat) Capacity at an NTS Exit Point. Some Shipper Users* may find that the introduction of a partial assignment process would further enhance their ability to utilise NTS Exit (Flat) Capacity in a manner which provides additional efficiencies, in particular when utilising NTS Exit (Flat) Capacity at interconnectors, Storage Facilities* and Shared Supply Meter Points*.

Summary of this proposal

The proposal is that, subject to the rules set out below, an Assignor User will be allowed to assign to another User (the Assignee User) at a given NTS Exit Point:

- (a) all or part of its quantity of Registered Annual NTS Exit (Flat) Capacity* and
- (b) the relevant proportion of any outstanding user commitment pertaining to the assigned quantity of Annual NTS Exit (Flat) Capacity and the time period of the assignment.

The main features of this Proposal are as follows:

1. Only Annual NTS Exit (Flat) Capacity can be assigned. For clarification Annual NTS Exit (Flat) Capacity also includes Enduring Annual NTS Exit (Flat) Capacity. The partial assignment process will clearly identify (for the benefit of all parties) which of the two products is to be assigned; if both products are to be assigned for a given NTS Exit Point then two separate assignments will be required.
2. Where Enduring Annual NTS Exit (Flat) Capacity is to be assigned then any user commitment associated with the assigned Enduring Annual NTS Exit (Flat) Capacity will be transferred from the Assignor to the Assignee.
3. The Assignor will retain a user commitment for their remaining Enduring Annual NTS Exit (Flat) Capacity in proportion to the Enduring Annual NTS Exit (Flat) Capacity they retain. The user commitment amount will be proportionately reduced for the Assignor User.
4. The Assignee User will obtain the user commitment associated with the proportion of Enduring Annual NTS Exit (Flat) Capacity it receives from the assignment and:

if the Assignee User already holds Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point and that Enduring Annual NTS Exit (Flat) Capacity has no user commitment attached to it then the total Enduring Annual NTS Exit (Flat) Capacity holding following the assignment will be subject to a user commitment based on the remaining time of the assigned user commitment and the user commitment amount will be increased proportionately

or

if the Assignee User already holds Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point and that Enduring Annual NTS Exit (Flat) Capacity has user commitment attached to it then the total enduring Annual NTS Exit (Flat) Capacity holding following the assignment will be subject to a user commitment based on the longest remaining user commitment of :

- i) the existing Enduring Annual NTS Exit (Flat) Capacity
- ii) and the assigned Enduring Annual NTS Exit (Flat) Capacity

The user commitment amount will be established for the total Enduring Annual NTS Exit (Flat) Capacity holding on the same basis.

5. Where assigned Enduring Annual NTS Exit (Flat) Capacity has no user commitment attached to it and the Assignee's existing registered holding of Enduring Annual NTS Exit (Flat) Capacity also has no user commitment attached to it then the Assignee's registered holding of Enduring Annual NTS Exit (Flat) Capacity at the NTS Exit Point will have no user commitment attached to it.
6. A partial assignment will not be permitted where it conflicts with any NTS Exit (Flat) Capacity Transfer* (Trade) already in place and accepted by National Grid NTS.
7. All NTS Exit (Flat) Capacity which is subject to a Demonstration Date* will be excluded from this assignment process.

8. National Grid NTS may reject a proposed assignment where to do so would result in a reduced amount of NTS Exit (Flat) Capacity being available to National Grid NTS under any existing Exit Forward Agreement* or Exit Option Agreement*, or where National Grid NTS' access to the NTS Exit (Flat) Capacity available under an existing Exit Forward Agreement or Exit Option Agreement cannot be guaranteed.
9. National Grid NTS may reject a partial assignment in accordance with UNC TPD Section V3.
10. A partial assignment will be in perpetuity in the case of Enduring Annual NTS Exit (Flat) Capacity and, for Annual NTS Exit (Flat) Capacity, will be for the full remaining term that the assigned Annual NTS Exit (Flat) Capacity holding was acquired for.
11. The process and timescales for effecting a partial assignment of NTS Exit (Flat) Capacity will remain as currently set out in under UNC TPD Section B6 for the full assignment of Registered NTS Exit (Flat) Capacity

For clarification, should Modification Proposal 0263 be implemented prior to the implementation of this Proposal, it is proposed that this Proposal will override all aspects (as detailed) of Modification Proposal 0263.

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User Pays

a) **Classification of the Proposal as User Pays or not and justification for classification**

It is the Proposer's view that this Proposal does not form part of Enduring Exit Reform and its omission from UNC Modification Proposal 0195AV was not a flaw in the Proposal. From reviewing the minutes of the meetings, relating to UNC Review Group 0166, there is no evidence that the concept of partial assignment was discussed at any stage. Whilst there was a reference to partial assignment in an early version of UNC Modification Proposal 0195AV, it is the view of the Proposer that this was subsequently removed both because of the complexity involved and the lack of discussion within Review Group 0166. This is supported by the lack of references to partial assignment within either the Review Group 0166 minutes or the subsequent business rules that were developed.

As this is a change/addition to the services provided by xoserve the Proposer's view is that this is a User Pays Proposal.

User Pays is justified because partial assignment would provide no clear benefit for either DNO Users or National Grid NTS. Whilst there would be a clearly discernable benefit for Shipper Users in the utilisation of their NTS Exit (Flat) Capacity, the introduction of a partial assignment process would not realise any benefits to Transporters, in addition to those already provided through existing processes ie Transporting Britain's Energy (TBE) process, Capacity Reduction and Transfer Processes.

Although recognising that issues regarding the funding may sit outside the criteria against which this Proposal may be finally judged, all respondents, except the Proposer, did not consider that this should be classified as a User

Pays Proposal, believing that this was a key part of enduring Exit Reform and should be funded by the Transporters.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Due to the reasons outlined above, this is a User Pays Proposal. It is proposed that the split of the recovery of implementation costs would be:

100% Shipper Users 0% Transporters

It is expected that there would be a one off implementation cost. It is proposed that this cost be wholly met by Shipper Users who have NTS Exit (Flat) Capacity holdings and would therefore benefit from this Proposal.

The above costs would be pro rated between Shipper Users based on their NTS Exit (Flat) Capacity holdings as a proportion of the total NTS Exit (Flat) Capacity holdings held by all Shipper Users as of the 1st October 2012 as registered by National Grid NTS on the implementation date of this Modification Proposal. These charges will be one off charges invoiced in the month following the introduction of the systems and processes enabling partial assignment, in effect:

$$\frac{\text{Shipper User NTS Exit (Flat) Capacity holdings}}{\sum \text{all Shipper Users NTS Exit (Flat) Capacity holdings}} * \text{Implementation Costs}$$

Should the Proposal to be accepted as a User Pays Proposal, respondents offered some critical observations.

BGT questioned the fairness of the cost recovery arrangements proposed, pointing out that the benefits to potentially be delivered:

- a) may not apply immediately (or ever) to current holders of Firm Exit capacity; or
- b) may apply in future to Shippers who currently do not hold any Firm Exit capacity (and therefore will not pay towards implementation.

EDF considered the proposed level of recovery of 100% costs from Shippers was inappropriate, and inconsistent with the principles set out in the User Pays Guidance Document.

c) Proposed charge(s) for application of Users Pays charges to Shippers

The final individually invoiced amount will be subject to an assessment of the NTS Exit (Flat) Capacity held by Shipper Users for the 1 October 2012 on implementation of this Modification Proposal and the final system implementation costs. Utilising the current levels of NTS Exit (Flat) Capacity held by Shipper Users (for the 1 October 2012) and the ROM Cost estimates provided by xoserve gives the following cost range:

Minimum cost per unit of capacity held 0.0092p/kWh

Maximum cost per unit of capacity held 0.01755p/kWh

However, SSE pointed out that the indicative maximum cost of 0.01775 p/kWh was in excess of the actual TO Exit Capacity Charges at a number of exit offtakes, and believed that any additional charge for partial assignment at this level of magnitude would discourage efficient and economic assignment of capacity, as it may be cheaper to signal new incremental capacity.

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Any charge applied will be based on the formula outlined in Section 2 b) above and will be dependent upon actual costs received from xoserve.

The draft ACS Review Report and draft Agency Charging Statement are published as separate documents alongside this Modification Report.

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of

(i) the combined pipe-line system, and/ or

(ii) the pipe-line system of one or more other relevant gas transporters;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

EDF considered that, by providing improved long term booking signals, implementation would be expected to better facilitate this relevant objective. However the Proposer, after describing the capacity planning process, concluded that implementations would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant

shippers;

Implementation would be expected to facilitate this relevant objective for the following reasons:

- Users would have more flexibility and confidence in the management of Registered NTS Exit (Flat) Capacity. In particular, it will allow Assignor Users the opportunity to assign capacity within relatively short timescales to Assignee Users in response to end user customers' needs. Such needs are likely to arise at interconnectors where an NTS User provides services to a number of downstream customers over different time periods.
- In the event that a customer chooses to assign to another (incoming) NTS User the current rules do not allow the current (outgoing) User to assign a portion of its NTS Exit (Flat) Capacity to the incoming User to meet its and the customer's requirements (the current Shipper User may need to retain some NTS Exit (Flat) Capacity to meet the needs of its other customers). Consequently, incoming Shipper Users and their newly acquired customers will need to rely on shorter-term NTS Exit (Flat) Capacity products (not guaranteed to be available) or plan years in advance to secure NTS Exit (Flat) Capacity.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would not be expected to better facilitate this relevant objective.

4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

None identified.

b) Development and capital cost and operating cost implications:

Implementation could give rise to development costs by way of change to the planned assignment regime.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

As detailed in Section 2 above, all costs would be met proportionately by Shipper Users based on their NTS Exit (Flat) Capacity holdings as at the 1st October 2012 and invoiced in the month following implementation of the above system development. However, this mechanism of cost recovery, was not supported by the respondents, other than the Proposer.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

None identified.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

None identified.

7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

National Grid NTS would need to undertake development of the UK Link system to accommodate partial assignments. National Grid NTS raised a ROM request with xoserve to ascertain the indicative costs, the results of which are as follows:

| | Minimum Cost | Maximum Cost |
|--|---------------------|---------------------|
| Analysis and Design Costs | £25k | £60k |
| Technical Solution Delivery Costs | £200K | £450k |
| Application Support Costs | £5k | £25k |
| National Grid Support Costs to xoserve for System Development | £125k | £150k |
| Total Costs | £355k | £685k |

Based on these ROM costs and the Total quantity of NTS Exit (Flat) Capacity that Shipper Users are currently registered as holding for the 1 October 2012, this would equate to the following cost per unit of NTS Exit (Flat) Capacity held:

$$\text{Cost (p/kWh)} = \text{Cost (£)/ Capacity (kWh)} * 100$$

Based on Minimum ROM Costs

$$\underline{\pounds 355,000.00} * 100 = 0.0092\text{p/kWh}$$

3,858,470,680 kWh

Based on Maximum ROM Costs

$$\underline{\pounds 685,000.00} * 100 = 0.01775\text{p/kWh}$$

3,858,470,680 kWh

Please note the following:

- that the costs utilised are Rough Order of Magnitude Costs and will be subject to change
- that the NTS Exit (Flat) Capacity figure used reflects the level of capacity that Shipper Users currently hold and will be subject to change

As such the above charges are indicative only.

SSE expressed surprise at the magnitude of these costs.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

Greater operational flexibility would be afforded to Users as a result of more customer-focused assignment rules. In turn, administrative burdens on Shipper Users would, in the round, be reduced as partial assignment would better meet the needs of their end user customers – otherwise, more involved contractual and NTS Exit (Flat) Capacity procurement measures may be required.

Development and capital cost and operating cost implications

None identified.

Consequence for the level of contractual risk of Users

None identified.

9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

None identified.

10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

None identified.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- As above.

Disadvantages

- None identified.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations were received from the following:

| | | |
|----------------------------------|-------|----------------|
| British Gas Trading Limited | BGT | Not in Support |
| EDF Energy plc | EDF | In Support |
| National Grid NTS | NGNTS | In Support |
| Scottish and Southern Energy plc | SSE | Not in Support |

Of the 4 responses received, 2 were in support of implementation of the Proposal, and 2 were not in support.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

15 Programme for works required as a consequence of implementing the Modification Proposal

A UK Link Modification would be required as a consequence of implementing the Modification Proposal.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

An implementation timetable would have to be submitted and approved by the UK Link Committee.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 21 January 2010, of the nine Voting Members present, capable of casting ten votes, ten votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommended implementation of this Proposal.

The Panel then proceeded to vote on which of the Proposals 0276 and 0263: "Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity", would be expected to better facilitate achievement of the Relevant Objectives. Of the nine Voting Members present, capable of casting ten votes, two votes were cast in favour of implementing Proposal 0276 in preference to Proposal 0263, and five votes were cast in favour of implementing Proposal 0263 in preference to Proposal 0276. Therefore, the Panel determined that, of the two Proposals, Proposal 0263 would better facilitate the achievement of the Relevant Objectives.

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

20 Text

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION B – SYSTEM USE AND CAPACITY

Amend paragraph 6 to read as follows:

“6 CAPACITY ASSIGNMENT

6.1 Basis of assignment

6.1.1 A User (the "Assignor User") may assign all or part of its:

(a) Registered Enduring Annual NTS Exit (Flat) Capacity; and/or

(b) Registered Annual NTS Exit (Flat) Capacity;

(but not both under the same System Capacity Assignment notification) in respect of an NTS Exit Point to another User ("Assignee User") by a System Capacity Assignment.

6.1.2 For the purposes of the Code a "**System Capacity Assignment**" is an assignment of System Capacity in accordance with paragraph 6.1.1.

6.1.3 ~~A~~An Assignor User may not make a System Capacity Assignment;

(a) ~~where the Assigned System Capacity exceeds the Assignor User's Registered Capacity~~comprising:

(i) Registered Enduring Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Enduring Annual NTS Exit (Flat) Capacity; or

(ii) Registered Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Annual NTS Exit (Flat) Capacity;

on any Day in the Assignment Period at the Assignment System Point~~(after taking; and~~

(b) where the Assigned System Capacity (which has been adjusted to take account of any deduction of any prior System Capacity Assignment under this paragraph 6) on any Day in the Assignment Period) exceeds its Registered Net Capacity on any Day in the Assignment Period at the Assignment System Point;

(c) in respect of any amount of Registered Enduring Annual NTS Exit (Flat) Capacity which is subject to the provision of demonstration information pursuant to paragraph 3.3.4(b).

6.1.4 In respect of a System Capacity Assignment or proposed System Capacity Assignment:

(a) the "**Assigned System Capacity**" is the amount of Registered Enduring Annual NTS Exit (Flat) Capacity or the amount of Registered Annual NTS Exit (Flat) Capacity which is (or is to be) assigned;

(b) the "**Assignment Period**" is the Day or Days commencing on the Day on which the System Capacity Assignment is to be effective and ending on the last Day on which the Assignor User is registered as holding the Assigned System Capacity;

(c) the "**Assignment System Point**" is the NTS Exit Point at which the NTS Exit (Flat) Capacity is to be assigned;

(d) the "**Registered Net Capacity**" is the amount of NTS Exit Flat Capacity determined by National Grid NTS in accordance with

paragraph 6.1.5:

- (e) **“remaining Registered Enduring Annual NTS Exit (Flat) Capacity”** is the Registered Enduring Annual NTS Exit (Flat) Capacity remaining after taking account of any deductions of any:
 - (i) prior System Capacity Assignment in respect of Registered Enduring Annual NTS Exit (Flat) Capacity; and
 - (ii) Registered Enduring Annual NTS Exit (Flat) Capacity which is subject to the provision of demonstration information pursuant to paragraph 3.3.4(b).
- (f) **“remaining Registered Annual NTS Exit (Flat) Capacity”** is the Registered Annual NTS Exit (Flat) Capacity remaining after taking account of any deductions of any prior System Capacity Assignment in respect of Registered Annual NTS Exit (Flat) Capacity;
- (g) **“User Commitment”** shall have the meaning given to it in the Exit Capacity Release Methodology Statement.

6.1.5 National Grid NTS shall determine the Registered Net Capacity by deducting from the aggregate amount of remaining Registered Enduring Annual NTS Exit (Flat) Capacity and remaining Registered Annual NTS Exit (Flat) Capacity the sum of:

- (a) the Transferred System Capacity which is effective on any Day in the Assignment Period, where the Assignor User was the Transferor User (but not where the Assignor User was the Transferee User); and
- (b) the amount of any Registered Enduring Annual NTS Exit (Flat) Capacity and Registered Annual NTS Exit (Flat) Capacity which has been or may be surrendered to National Grid NTS on any Day in the Assignment Period pursuant to an Exit Capacity Management Agreement.

6.1.6 Any deductions of any prior System Capacity Assignment shall be made having regard to paragraph 6.3.2.

6.2 Procedure

6.2.1 Where a User proposes to make a System Capacity Assignment, each of the Assignor User and the Assignee User must notify the System Capacity Assignment to National Grid NTS specifying:

- (a) the identity of the Assignor User and Assignee User;

- (b) the Assignment System Point;
- (c) the ~~amount~~ class of the Assigned System Capacity; ~~and~~
- (d) the amount in respect of the class of Assigned System Capacity;
and
- (e) the commencement date in the Assignment Period on which the System Capacity Assignment is to be effective in respect of the class of Assigned System Capacity;
- (f) where the System Capacity Assignment is for Registered Annual NTS Exit (Flat) Capacity, the Gas Year (or remaining part thereof) for which the Registered Annual NTS Exit (Flat) Capacity is held and in such case a separate System Capacity Assignment notice must be submitted in respect of each Gas Year.

6.2.2 A proposed System Capacity Assignment must be notified to National Grid NTS by not later than the fifth Business Day prior to the first Day of the Assignment Period.

6.2.3 National Grid NTS may reject a System Capacity Assignment:

- (a) where either the Assignor User or the Assignee User does not notify the System Capacity Assignment to National Grid NTS in accordance with paragraph 6.2.1 or 6.2.2;
- (b) in accordance with Section V3-~~2~~₃;
- (c) where the Assigned System Capacity comprising Registered Enduring Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Enduring Annual NTS Exit (Flat) Capacity or the Assigned System Capacity comprising Registered Annual NTS Exit (Flat) Capacity exceeds the remaining Registered Annual NTS Exit (Flat) Capacity;
- (d) where the Assigned System Capacity (which has been adjusted to take account of any deduction of any prior System Capacity Assignment) exceeds its Registered Net Capacity on any Day in the Assignment Period at the Assignment System Point;
- (e) where the Assigned System Capacity comprises any Registered Enduring Annual NTS Exit (Flat) Capacity which is subject to the provision of demonstration information pursuant to paragraph 3.3.4(b).

6.2.4 A System Capacity Assignment shall be effective if it is approved by National Grid NTS or is not rejected by National Grid NTS by the start of the fourth Business Day after it was notified by the Assignor User or (if later) the Assignee User under paragraph 6.2.1.

6.3 Effect of Assignment

- 6.3.1 The Assignee User will be treated for each Day throughout the Assignment Period as the registered holder of the Assigned System Capacity.
- 6.3.2 A User's Registered NTS Exit (Flat) Capacity at an NTS Exit Point on a Day is its Registered NTS Exit (Flat) Capacity, adjusted in respect of any System Capacity Assignment(s) (for which that point is an Assignment System Point and the Assignment Period includes that Day) by adding the Assigned System Capacity where the User was the Assignee User, and deducting the Assigned System Capacity where the User was the Assignor User.
- 6.3.3 With effect from the first Day of the Assignment Period (and in respect of each subsequent Day in such period):
- (a) the Assignor User shall cease to be liable for Capacity Charges in respect of the Assigned System Capacity;
 - (b) the Assignee User shall be liable for Capacity Charges in respect of the Assigned System Capacity;
 - (c) the Capacity Charges payable by the Assignee User shall be the same Capacity Charges that were payable by the Assignor User for the Assigned System Capacity.
- 6.3.4 ~~Where~~ The treatment of the User Commitment associated with the Assigned System Capacity shall be as set out in the Exit Capacity Release Methodology Statement and, for purposes of the User Commitment, where a System Capacity Assignment is made which comprises Enduring Annual NTS Exit (Flat) Capacity the Assignee User shall be deemed to have been allocated the Enduring Annual NTS Exit (Flat) Capacity (comprising the Assigned System Capacity) with effect from the time from which, in accordance with paragraphs 3.2.8(c) and 3.2.12, a User was first registered as holding the Enduring Annual NTS Exit (Flat) Capacity.
- 6.3.5 A System Capacity Assignment shall be without prejudice to the operation of paragraphs 3.2.14 to 3.2.24 (inclusive) in respect of any reduction in the amount of Enduring Annual NTS Exit (NTS) Capacity held by the Assignor User and the Assignee User following a System Capacity Assignment.
- 6.3.6 No consequences other than those described in this paragraph 6 are intended by the use of the term 'assignment' in this paragraph 6. ”

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters