

**MODIFICATION PROPOSAL 335A**  
**Offtake Metering Error – Small Shipper Payment Timescales**

**LEGAL TEXT – v. 3.0 (7 October 2011)**  
**(prepared by Scotia Gas Networks Limited)**

**Proposed Amendments to the Uniform Network Code**

**TRANSPORTATION PRINCIPAL DOCUMENT**

**Note: Change-marking indicates differences between the proposed legal text and current UNC provisions.**

**DEFINITIONS**

<b><u>Defined Term</u></b>	<b><u>Definition</u></b>	<b><u>X-Ref</u></b>	<b><u>Comment</u></b>
<b><u>Aggregate NDM Reconciliation</u></b>	is a reconciliation and adjustment in respect of gas offtaken from the Total System and certain Transportation Charges, in relation to Smaller NDM Supply Meter Points and Smaller Unmetered CSEPs in aggregate in an LDZ, in respect of quantities determined in accordance with paragraph 7	<u>E1.3.5</u>	
<b><u>Aggregate Reconciliation Transportation Charge Adjustments</u></b>	Subject to paragraph 7.8, for each Reconciliation Billing Period, for each LDZ and for each Individual Reconciliation Sector ... is the Aggregate Reconciliation Quantity multiplied by the sum of the Applicable Commodity Rate for Smaller Supply Points of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge, each applicable in relation to such Reconciliation Billing Period;	<u>E7.2.2(b)</u>	
<b><u>DNO Qualifying Aggregate NDM Reconciliation</u></b>	is <u>Aggregate NDM Reconciliation</u> carried out in respect of DNO Qualifying LDZ Reconciliation;	<u>E7.8.1(d)</u>	<u>New (and subsequently revised). The revised text in version 3.0 corrects the omission of the word DNO from the defined term.</u>
<b><u>DNO Qualifying Aggregate NDM Reconciliation Charge</u></b>	the aggregate of the <u>Aggregate Reconciliation Clearing Values</u> for each LDZ Reconciliation Month in the LDZ Reconciliation Period	<u>7.8.5(ii)</u>	<u>New.</u>
<b><u>DNO Qualifying LDZ</u></b>	is <u>Qualifying LDZ Reconciliation</u> in respect of which the <u>Aggregate</u>	<u>E7.2.1(e)</u>	<u>New. See comment on text below. In the</u>

<u>Reconciliation</u>	Reconciliation Quantity is negative		commentary on the text this type of reconciliation (and the corresponding DNO Qualifying Aggregate NDM Reconciliation) is referred to as “Mod 335A Reconciliation”
<u>LDZ Reconciliation</u>	means a reconciliation pursuant to paragraph 7.6.1 (which provides that “a reconciliation shall be carried out between the Transporter and the NTS Shrinkage Provider in respect of the relevant quantity of gas where: (a) after the Exit Close-out Date in relation to any Day, an adjustment is made in respect of the LDZ Daily Quantity Input for any LDZ and in respect of an amount calculated by multiplying such quantity of gas by the System Average Price for the Day on which such adjustment was deemed by the Transporter to relate; (b) ...”	E7.6.2(a)	
<u>LDZ Reconciliation Month</u>	in relation to Qualifying LDZ Reconciliation and DNO Qualifying Aggregate NDM Reconciliation ... is a calendar month which commences and/or ends in the LDZ Reconciliation Period	E7.8.1(e)	
<u>LDZ Reconciliation Period</u>	is the continuous period of Days (as referred to in paragraph 7.6.1(a) [see above]) in respect of which such adjustments were made;	E7.8.1(a)	In other words the period covered by the reconciliation – (defined term changed to avoid confusion as to what relevant period is being talked about (“relevant period” is defined in several different ways)
<u>“particular” LDZ Reconciliation</u>	is LDZ Reconciliation under paragraph 7.6.1(a) in respect of adjustments (as referred to in that paragraph) made as a result of a particular failure or error in measurement equipment or other particular cause;	E7.8.1(a)	
<u>“Qualifying” LDZ Reconciliation</u>	is particular LDZ Reconciliation for which the relevant quantity is not less than 50 GWh;	E7.8.1(c)	Qualifying LDZ Reconciliation covers significant metering errors whether or not these result in payments to or from NTS Shrinkage. A separate category is needed for Mod 335A

			Reconciliations hence the introduction of DNO Qualifying LDZ Reconciliations (and the corresponding DNO Qualifying Aggregate Reconciliation)
<u>“Qualifying User”</u>		7.2.1 (f)	New
<u>User Deferred Aggregate Reconciliation Charge</u>	in relation to DNO Qualifying Aggregate NDM Reconciliation and a User ...the User Aggregate Reconciliation Value in respect of each LDZ Reconciliation Month within the LDZ Reconciliation Period	7.8.4(c)	New.

## SECTION E

### DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

#### 7 AGGREGATE NDM RECONCILIATION

##### 7.2 Definition and calculation of relevant terms

Delete paragraph 7.2.1(d) and replace it with the following new paragraphs 7.2.1(d) and (e):

- (d) **“Individual Reconciliation Sector”** means, in relation to each LDZ, System Exit Points of the kind in respect of which paragraph (a), (b) or (c) applies and LDZ Reconciliation;
- (e) **“DNO Qualifying LDZ Reconciliation”** is Qualifying LDZ Reconciliation in respect of which the Aggregate Reconciliation Quantity is negative which arises as a consequence of a particular failure or error in measurement equipment notified pursuant to the Guidelines referred to in OAD Section D by the relevant DNO to the joint office (established by the Transporters pursuant to Standard Special Condition A12) subsequent to [insert date or the implementation of Modification Proposal 335A];
- (f) **“Qualifying User”** means, in relation to DNO Qualifying LDZ Reconciliation or DNO Qualifying Aggregate NDM Reconciliation a User which on the date of publication of the relevant Significant Measurement Error Report (produced pursuant to OAD Section D):
- (i) is the Registered User in respect of no more than 100,000 Smaller Supply Points; and

~~(i)~~(ii) has a Code Credit Limit in relation to the relevant DNO which, in aggregate with the Code Credit Limits in relation to that DNO of each other User in respect of which an instrument of surety or security has been provided pursuant to Section V3.4.6 jointly with such User, is no greater than £500,000.

### 7.3 Aggregate NDM Reconciliation Adjustments

Delete paragraph 7.3.2 and replace it with the following new paragraph 7.3.2:

7.3.2 For the purposes of Section F5, the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.3.1 shall be:

- (a) subject to paragraph (b) below, the User Aggregate Reconciliation Clearing Value; and
- (b) zero, where such System Clearing Contract relates to the User Aggregate Reconciliation Quantity of a Qualifying User in respect of DNO Qualifying LDZ Reconciliation.

### 7.3 Aggregate NDM Reconciliation Adjustments

Delete paragraph 7.3.4 and replace it with the following new paragraph 7.3.4:

7.3.4 For the purposes of Aggregate NDM Reconciliation the User Aggregate Transportation Charge Adjustment shall be payable:

- (a) where the Reconciliation Quantity is negative:
  - (i) in the case of the adjustment to the NTS Commodity Charges save where paragraph (iii) below applies, by the User to National Grid NTS;
  - (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the User to the Transporter;
  - (iii) (without prejudice to paragraph 7.8.4) in the case of the adjustment to the NTS Commodity Charges of a Qualifying User in relation to an Aggregate NDM Reconciliation in respect of DNO Qualifying LDZ Reconciliation (that is to say DNO Qualifying Aggregate NDM Reconciliation), by the relevant DNO User to National Grid NTS;
- (b) where the Reconciliation Quantity is positive:
  - (i) in the case of the adjustment to the NTS Commodity Charges, by National Grid NTS to the User;

- (ii) in the case of the adjustment to the LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges, by the Transporter to the User,

and, subject to paragraph 7.8, shall be invoiced and are payable in accordance with Section S.

## 7.8 Qualifying LDZ Reconciliation

Delete paragraph 7.8.1 and replace it with the following new paragraph 7.8.1:

7.8.1 For the purposes of the Code:

- (a) **“particular”** LDZ Reconciliation is LDZ Reconciliation under paragraph 7.6.1(a) in respect of adjustments (as referred to in that paragraph) made as a result of a particular failure or error in measurement equipment or other particular cause;
- (b) in relation to particular LDZ Reconciliation or Aggregate NDM Reconciliation:
  - (i) the **“LDZ Reconciliation Period”** is the continuous period of Days (as referred to in paragraph 7.6.1(a)) in respect of which such adjustments were made;
  - (ii) the **“relevant quantity”** is the aggregate quantity which is subject to such adjustment over the whole of the LDZ Reconciliation Period;
- (c) **“Qualifying”** LDZ Reconciliation is particular LDZ Reconciliation for which the relevant quantity is not less than 50 GWh;
- (d) **“DNO Qualifying Aggregate NDM Reconciliation”** is Aggregate NDM Reconciliation carried out in respect of DNO Qualifying LDZ Reconciliation;
- (e) in relation to Qualifying LDZ Reconciliation and DNO Qualifying Aggregate NDM Reconciliation, an **“LDZ Reconciliation Month”** is a calendar month which commences and/or ends in the LDZ Reconciliation Period.

In paragraph 7.8.2, after the words “for the purposes of paragraphs 7.2.2 and 7.2.3”, insert the words “and this paragraph 7.8”.

Delete paragraph 7.8.4 and replace it with the following new paragraphs 7.8.4 to 7.8.9:

7.8.4 In relation to DNO Qualifying Aggregate NDM Reconciliation and a Qualifying User:

- (a) the User Aggregate Transportation Charge Adjustment in respect of the NTS Commodity Charges;
- (b) the User Aggregate Transportation Charge Adjustment in respect of LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges; and
- (c) the “**User Deferred Aggregate Reconciliation Charge**”, being the User Aggregate Reconciliation Value,

in respect of each LDZ Reconciliation Month within the LDZ Reconciliation Period shall be payable by the Qualifying User to the relevant DNO User in installments as specified in paragraph 7.8.6.

7.8.5 In relation to DNO Qualifying Aggregate NDM Reconciliation the DNO User shall pay National Grid NTS:

- (i) the aggregate of, for each LDZ Reconciliation Month in the LDZ Reconciliation Period, the User Aggregate Reconciliation Values for each Qualifying User multiplied by F (where F is the factor specified in the Transportation Statement for the purposes of paragraph 7.2.3 - representing an estimate of the average discount in the Applicable Commodity Rate for Smaller Unmetered CSEPs compared with such rate for Smaller Supply Points) multiplied by the Applicable Commodity Rate for Smaller Supply Points of the NTS Commodity Charge; and
- (ii) the “**DNO Qualifying Aggregate NDM Reconciliation Charge**” being the aggregate of the User Aggregate Reconciliation Clearing Values for each Qualifying User in respect of that DNO Qualifying Aggregate NDM Reconciliation for each LDZ Reconciliation Month in the LDZ Reconciliation Period.

7.8.6 Payments due pursuant to paragraph 7.8.4 in respect of LDZ Reconciliation Months in relation to a DNO Qualifying Aggregate NDM Reconciliation shall be payable in a number of monthly installments equal to the number of LDZ Reconciliation Months in the LDZ Reconciliation Period. The payment in respect of the first LDZ Reconciliation Month in a LDZ Reconciliation Period shall be treated as being payable on the last Day in such LDZ Reconciliation Period and shall be invoiced as soon as reasonably practicable after the carrying out of such DNO Qualifying Aggregate NDM Reconciliation. Subject to Section S1.7.4(b), payments in respect of

subsequent LDZ Reconciliation Months in relation to such DNO Qualifying Aggregate NDM Reconciliation shall be payable sequentially in monthly intervals thereafter and shall be invoiced accordingly.

7.8.7 Payments due pursuant to paragraph 7.8.5 in respect of LDZ Reconciliation Months in relation to a DNO Qualifying Aggregate NDM Reconciliation shall be treated as being payable on the last Day in the LDZ Reconciliation Period and shall be invoiced as soon as reasonably practicable after the carrying out of such DNO Qualifying Aggregate NDM Reconciliation.

7.8.8 Amounts payable pursuant to this paragraph 7.8 shall be invoiced by Ad-hoc Invoice.

7.8.9 Where a User that was a User at any time during the Aggregate Reconciliation Period determined pursuant to paragraph 7.8.2(a)(i) becomes a Discontinuing User on or before the date of submission of the relevant Ad-hoc Invoice to that User, then to the extent that the amounts determined in accordance with paragraph 7.2.3 in relation to that Aggregate Reconciliation Period cannot be recovered from or paid to the Discontinuing User (or from or to any other User that is responsible for the payment of, or entitled to receive, such amounts), such amounts (including amounts payable to a DNO pursuant to paragraph 7.8.6) shall be payable by or to all other Users, as appropriate, in the proportions that would be determined in accordance with 7.2.3 (as modified by this paragraph 7.8.9) as if the User SP LDZ Aggregate AQ and the User CSEP LDZ Aggregate AQ for the Discontinuing User were zero.

## SECTION F

### SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

#### 5 RECONCILIATION CLEARING

##### 5.2 Clearing Charge

In paragraph 5.2.1, delete the words “paragraph 7.2.3” and replace them with the words “Section E7.2.3”.

Delete paragraph 5.2.3 and replace it with the following new paragraph 5.2.3:

5.2.3 Save where paragraph 5.2.3A applies, the buyer shall pay the Reconciliation Clearing Charge, the User Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge to the seller.

Insert the following new paragraph 5.2.3A:

5.2.3A The relevant DNO shall pay the Reconciliation Charge of a Qualifying User in respect of DNO Qualifying Aggregate NDM Reconciliation.

## SECTION 5

### INVOICING AND PAYMENT

#### 1.4 Invoice timing

Insert the following new paragraph 1.4.5:

1.4.5 Paragraph 1.4.4 shall not apply to Invoice Items or Invoice Amounts in respect of:

- (a) User Aggregate Transportation Charge Adjustments;
- (b) User Deferred Aggregate Reconciliation Charges; or
- (c) any adjustment to the amount payable by a User pursuant to Section E7.8.9,

in relation to a LDZ Reconciliation Month in respect of DNO Qualifying Aggregate NDM Reconciliation where any amount has become due and payable by the relevant DNO in respect of such LDZ Reconciliation Month and DNO Qualifying Aggregate NDM Reconciliation pursuant to Section E7.8.5

#### 1.7 Termination and Insolvency

Delete paragraph 1.7.4 and replace it with the following new paragraph 1.7.4:

1.7.4 In relation to a User, on the occurrence of any of the events set out in paragraph V4.3.1(e), notwithstanding paragraph 3.1:

- (a) all amounts payable to the Transporter (whether the Invoice Document in which such amounts are shown was submitted before or after the date of the occurrence of any of the events set out in paragraph V4.3.1(e)) shall be immediately payable; and
- (b) any installments of a User Aggregate Transportation Charge Adjustment or User Deferred Aggregate Reconciliation Charge payable by the defaulting User to the Transporter in relation to DNO Qualifying Aggregate NDM Reconciliation which have not as yet become due for payment shall become immediately due and payable.



## ANNEX S-1

### INVOICE TYPES AND INVOICE ITEMS

#### 6 Reconciliation Invoice

In paragraph 6, delete the words “Amounts in respect of Aggregate LDZ Reconciliation pursuant to Section E7.8.2” and replace them with the words:

Amounts in respect of:

- (i) Aggregate LDZ Reconciliation pursuant to Section E7.8.2; and
- (ii) DNO Qualifying Aggregate NDM Reconciliation pursuant to Sections E7.8.4 and E7.8.5,

shall be invoiced by way of Ad-hoc Invoice and not Reconciliation Invoice.

### SECTION V

#### GENERAL

#### 4.2 Voluntary discontinuance

Insert the following new paragraph 4.2.1A:

4.2.1A For the purposes of paragraph 4.2.1(a) User Aggregate Transportation Charge Adjustments and User Deferred Aggregate Reconciliation Charges in relation to a LDZ Reconciliation Month in respect of DNO Qualifying Aggregate NDM Reconciliation where any amount has become due and payable by the relevant DNO in respect of such LDZ Reconciliation Month and DNO Qualifying Aggregate NDM Reconciliation pursuant to Section E7.8 shall be treated as being payable at the relevant time.

Delete paragraph 4.2.3 and replace it with the following new paragraph 4.2.3:

- 4.2.3 Where a User has given notice under paragraph 4.2.1:
- (a) the User and the Transporter shall remain bound by the Code and the Shipper Framework Agreement and any Ancillary Agreement to which the User is party until the requirements of paragraph 4.2.2 are satisfied;
  - (b) the System Capacity which the User is registered as holding shall not be reduced or cancelled other than in accordance with the relevant

provisions of the Code (and the User will remain liable for payment of Transportation Charges in respect thereof but may elect to make prepayment thereof); and

(c) the User may elect to make prepayment of any installments of charges payable pursuant to Sections E7.8.4 and E7.8.6 in relation to DNO Qualifying Aggregate NDM Reconciliation.

## **GENERAL TERMS**

### **SECTION C**

Delete the definition of "Energy Balancing Charges" in paragraph 1 and replace it with the following new definition:

**"Energy Balancing Charges"** means Market Balancing Action Charges, other charges payable in respect of Eligible Balancing Actions pursuant to Contingency Balancing Arrangements, Physical Renomination Incentive Charges, Clearing Charges in respect of Unauthorised Gas Flows, Balancing Charges, Balancing Neutrality Charges, Reconciliation Clearing Charges, User Aggregate Reconciliation Clearing Charges, DNO Qualifying Aggregate NDM Reconciliation Charges and Reconciliation Neutrality Charges;