
UNC Modification Proposal 0454

Introduction of a Long Term Non Firm Capacity Product

Suggested Text

Transportation Principal Document

Section B

Amend paragraph 2.1.2 to read as follows:

- 2.1.2 Users may apply for and be registered as holding NTS Entry Capacity:
- (a) as Quarterly NTS Entry Capacity pursuant to an auction in accordance with paragraph 2.2;
 - (b) as Monthly NTS Entry Capacity pursuant to paragraph 2.1.15 or pursuant to an auction in accordance with paragraphs 2.2 and 2.3;
 - (c) as Daily NTS Entry Capacity pursuant to a bid under paragraph 2.4; and
 - (d) as Daily Interruptible NTS Entry Capacity pursuant to a bid under paragraph 2.5; and
 - (e) as Quarterly, Monthly, Daily or Daily Interruptible NTS Entry Capacity (as the case may be) pursuant to an invitation in accordance with paragraph 2.1.14.

Insert new paragraph 2.1.15:

2.1.15 Long Term Non Firm NTS Entry Capacity

- (a) Pursuant to the provisions of this paragraph 2.1.15, National Grid NTS may accept an application from a User for Monthly NTS Entry Capacity upon that User entering into an associated Option Agreement (which together shall constitute “**Long Term Non Firm NTS Entry Capacity**”).
- (b) A User shall only be permitted to apply for Long Term Non Firm NTS Entry Capacity if:
 - (i) the User has provided a capacity signal at the relevant Aggregate System Entry Point for a future delivery date by:
 - (1) submitting a bid or bids for Quarterly NTS Entry Capacity that satisfies the relevant test for the release of incremental entry capacity as set out in National Grid NTS’s Entry Capacity Release Methodology Statement; and
 - (2) subsequently being allocated NTS Entry Capacity; and
 - (ii) the amount of Available NTS Entry Capacity at the relevant Aggregate System Entry Point for all Days of the month for which the User applies for Long Term Non Firm NTS Entry Capacity is less than 100,000kWh/day; and
 - (iii) the relevant prices in accordance with Section Y2.3.1 for such Monthly NTS Entry Capacity have been published by National Grid NTS.

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- (c) In order to apply for Long Term Non Firm NTS Entry Capacity the User must complete an application form (using the form prescribed by National Grid NTS from time to time). Subject to paragraph 2.1.15(e)(ii), a User may only make one application for Long Term Non Firm NTS Entry Capacity relating to each Gas Year and each relevant Aggregate System Entry Point (but for the avoidance of doubt a User shall be entitled to make more than one application in respect of each relevant Aggregate System Entry Point provided that such applications relate to different Gas Years in accordance with the terms of this paragraph 2.1.15).
- (d) An application for Long Term Non Firm NTS Entry Capacity must be received by National Grid NTS by no later than the 10th Business Day of month M where Long Term Non Firm NTS Entry Capacity is required for month M+2 and shall specify:
- (i) the identity of the User;
 - (ii) the relevant Aggregate System Entry Point;
 - (iii) the calendar months applied for which shall be no longer than the end of Gas Year Y+1 or the month preceding the month in which the User will hold Quarterly NTS Entry Capacity signalled pursuant to paragraph 2.1.15(b)(i), whichever is the earlier;
 - (iv) the amount of Long Term Non Firm NTS Entry Capacity applied for by the User which shall be:
 - (1) no less than the minimum eligible amount; and
 - (2) no greater than the amount of NTS Entry Capacity that constituted the capacity signal pursuant to paragraph 2.1.15(b)for each month that the Long Term Non Firm NTS Entry Capacity is to be registered.
- (e) Following receipt of an application for Long Term Non Firm NTS Entry Capacity submitted to National Grid NTS, National Grid NTS shall notify the User within two (2) Business Days whether the application complies with the provisions of paragraphs 2.1.15(b), (c) and (d). In the event that paragraphs 2.1.15(b), (c) and (d):
- (i) are satisfied:
 - (1) National Grid NTS shall within one (1) month following National Grid NTS's notification to the User pursuant to this paragraph 2.1.15(e) determine and confirm to the User whether the requested amount of Long Term Non Firm NTS Entry Capacity can be made available for the period requested by the User;
 - (2) within 5 Business Days following National Grid NTS's confirmation pursuant to paragraph 2.1.15(e)(i)(1):
 - (aa) National Grid NTS shall, subject to the provisions of Section V3, allocate such Long Term Non Firm NTS Entry Capacity to the User; and
 - (bb) the User shall enter into an Option Agreement pursuant to which the User grants an option to National Grid NTS upon the exercise of which National Grid NTS may accept the surrender of Long Term Non Firm NTS Entry Capacity in whole or in part for any Day that the Long Term Non Firm

NTS Entry Capacity is held by the User;

- (3) the User permits National Grid NTS to enter onto National Grid NTS's relevant systems the details of the allocated Monthly NTS Entry Capacity and the Option Agreement on behalf of the User.
- (ii) are not satisfied:

 - (1) National Grid NTS shall advise the User that the application is non-compliant and shall specify the reasons therefor; and
 - (2) the User may amend the application so that it complies with paragraphs 2.1.15(b), (c) and (d) and resubmit the application to National Grid NTS.
- (f) Each User shall pay Capacity Charges for any Long Term Non Firm NTS Entry Capacity allocated to it, and such Capacity Charge shall be determined as the quantity of Monthly NTS Entry Capacity allocated multiplied by a fixed price multiplied by the relevant period for which such Long Term Non Firm NTS Entry Capacity has been allocated. For the purposes of this paragraph 2.1.15(f) the fixed price shall be equal to the prevailing reserve price for the allocation of Annual Monthly NTS Entry Capacity published by National Grid NTS for the relevant period at the relevant Aggregate System Entry Point at which the Long Term Non Firm NTS Entry Capacity is allocated.
- (g) In the event that National Grid NTS exercises the Option Agreement granted pursuant to 2.1.15(e)(i)(2), National Grid NTS shall:

 - (i) pay to the User an option exercise price of an amount equal to the price paid by the User for the quantity of Long Term Non Firm NTS Entry Capacity that is surrendered for that Day. The amount paid by National Grid NTS to the User in respect of an exercised option would be considered a Capacity Surrender Charge for the purposes of Code; and
 - (ii) publish on the Business Day following the Day for which such options were exercised the amount of Monthly NTS Entry Capacity for which the options were exercised along with the relevant option exercise price.
- (h) For the avoidance of doubt, any Long Term Non Firm NTS Entry Capacity allocated to a User pursuant to this paragraph 2.1.15 shall be included in the User's Fully Adjusted Available NTS Entry Capacity.
- (i) The price paid by a User for Long Term Non Firm NTS Entry Capacity shall be considered as the bid price for the determination of System Entry Overrun Charge rates at the relevant Aggregate System Entry Point.
- (j) National Grid NTS will no later than:

 - (i) two (2) Business Days prior to the first day of the period to which the application for Long Term Non Firm NTS Entry Capacity relates, inform the User that its application for Long Term Non Firm NTS Entry Capacity has been allocated, the amount of Long Term Non Firm NTS Entry Capacity which it is registered as holding for the relevant Aggregate System Entry

Point and the period for which the Long Term Non Firm NTS Entry Capacity has been allocated; and

(ii) one (1) Business Day following a notification to the User(s) pursuant to paragraph 2.1.15(j)(i), inform all Users of:

(1) the relevant period for which the Long Term Non Firm NTS Entry Capacity has been allocated;

(2) the aggregate amount of Long Term Non Firm NTS Entry Capacity requested;

(3) the aggregate amount of Long Term Non Firm NTS Entry Capacity allocated;

(4) the relevant Capacity Charge(s) in respect of the allocated Long Term Non Firm NTS Entry Capacity; and

(5) the option exercise price.

Amend paragraph 2.7.1 to read as follows:

2.7.1 Following the submission of monthly capacity bids, daily capacity bids and daily interruptible capacity bids, NTS Entry Capacity will be allocated for a relevant short term period in accordance with this paragraph 2.7. For the avoidance of doubt, this paragraph 2.7 shall not apply to applications for Long Term Non Firm NTS Entry Capacity made pursuant to paragraph 2.1.15.

Amend paragraph 2.8.8(b) to read as follows:

2.8.8 For the purposes of paragraph 2.8.9 below, the following words shall have the following meanings:

- (a) **"Forward Agreement"** means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User surrenders Firm NTS Entry Capacity to National Grid NTS over a forward period of days (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);
- (b) **"Option Agreement"** means a Capacity Management Agreement (entered into either following the issue of a Tender Invitation Notice or following an application for Long Term Non Firm NTS Entry Capacity pursuant to paragraph 2.1.15) pursuant to which a User grants an option to National Grid NTS upon the exercise of which National Grid NTS may accept the surrender of Firm NTS Entry Capacity (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);
- (c) **"Relevant Forward Combination"** means a specific combination of Aggregate System Entry Point and forward delivery period as set out in a valid tender offer submitted to National Grid NTS pursuant to a Tender Invitation Notice;
- (d) **"Relevant Option Combination"** means a specific combination of Aggregate System Entry Point and option exercise period as set out in a valid tender offer submitted to National Grid NTS pursuant to a Tender Invitation Notice; and
- (e) **"Tender Invitation Notice"** means a notice issued by National Grid NTS inviting

Users to submit a tender offer for a Forward Agreement or an Option Agreement (as the case may be).

Amend paragraph 2.11.3 to read as follows:

2.11.3 The Applicable Daily Rate shall be:

- (a) in respect of Quarterly NTS Entry Capacity applied for pursuant to an annual invitation under paragraph 2.2, the applicable reserve or cleared price (for the calendar quarter) as determined following the relevant annual invitation date in accordance with paragraph 2.6;
- (b) in respect of Monthly NTS Entry Capacity applied for pursuant to an invitation under paragraphs 2.2 and 2.3, the bid price tendered by the User in respect of the Monthly NTS Entry Capacity allocated for the relevant calendar month pursuant to paragraph 2.7.2;
- (c) in respect of Daily NTS Entry Capacity, the bid price tendered by the User in respect of the Daily NTS Entry Capacity allocated for the Day pursuant to paragraph 2.7.2; ~~and~~
- (d) in respect of Daily Interruptible NTS Entry Capacity, the bid price tendered by the User in respect of the Daily Interruptible NTS Entry Capacity allocated for the Day pursuant to paragraph 2.27.; ~~and~~
- (e) in respect of Monthly NTS Entry Capacity applied for pursuant to paragraph 2.1.15, the prevailing reserve price last published pursuant to paragraph 2.2.1(a) for the relevant Aggregate System Entry Point and calendar month.

Amend paragraph 2.12.3 to read as follows:

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

- (a) $(8 * A)$, where 'A' is the highest bid price in relation to a capacity bid in respect of which NTS Entry Capacity was allocated following an invitation under paragraphs 2.2, 2.3 and 2.4; and
- (b) $(1.1 * B)$, where 'B' is the relevant average accepted offer price;
- (c) $(1.1 * C)$, where 'C' is the relevant average accepted forward price;
- (d) $(1.1 * D)$, where 'D' is the relevant average accepted exercise price; and
- (e) $(1.1 * E)$, where 'E' is the highest unit price accepted by National Grid NTS

where (a), (b), (c), (d) and (e) are calculated by reference to information available to National Grid NTS at 02:00 hours on the relevant Day. For the purposes of this paragraph 2.12.3 an application for Long Term Non Firm NTS Entry Capacity made pursuant to paragraph 2.1.15 will be treated as a capacity bid and the price paid for the Long Term Non Firm NTS Entry Capacity will be treated as a bid price.

Amend paragraph 3.1.5 to read as follows:

3.1.5 In relation to an NTS Exit Point:

- (a) **"Annual"** NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a Gas Year;

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- (b) **"Daily"** NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only;
 - (c) **"Enduring"** Annual NTS Exit (Flat) Capacity is Annual NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User with effect from the Day for which it is allocated pursuant to paragraph 3.2, on the basis that the User will continue to hold such amount of capacity subject only to:
 - (i) a reduction in accordance with paragraph 3.2;
 - (ii) the User ceasing to hold the capacity in accordance with 3.3.7(a);
 - (iii) any System Capacity Assignment;
 - (d) Daily NTS Exit (Flat) Capacity is **"Off-peak"** where it is subject to curtailment in accordance with paragraph 3.10, and otherwise is **"Firm"**; and except where expressly stated to be Off-peak, references to Daily NTS Exit (Flat) Capacity are to Firm Daily NTS Exit (Flat) Capacity; and
 - (e) **"Monthly" NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar month.**

Amend paragraph 3.1.6 to read as follows:

3.1.6 For the purposes of the Code:

- (a) the **"classes"** of NTS Exit Capacity are Enduring Annual NTS Exit (Flat) Capacity, Annual NTS Exit (Flat) Capacity, Monthly NTS Exit (Flat) Capacity, Firm Daily NTS Exit (Flat) Capacity, Off-peak Daily NTS Exit (Flat) Capacity and NTS Exit (Flexibility) Capacity;
- (b) in respect of an NTS Exit Point and in relation to a Gas Year:
 - (i) the **"Baseline NTS Exit (Flat) Capacity"** is the amount of NTS Exit (Flat) Capacity which National Grid NTS is required to make available to Users in relation to each Day in that Gas Year (or part thereof) pursuant to National Grid NTS's Transporter's Licence and as set out in National Grid NTS's Exit Capacity release obligation summary report;
 - (ii) at any time the **"Remaining Available NTS Exit (Flat) Capacity"** in relation to that Gas Year or (as the case may be) a Day in that Gas Year is the amount (if any) by which the Baseline NTS Exit (Flat) Capacity for that Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered, at that time, as held by Users in relation to that Gas Year or Day;
- (c) for the purposes of any capacity invitation, the **"reserve price"** in relation to any class of NTS Exit Capacity, capacity period and NTS Exit Point is the price ascertained pursuant to National Grid NTS's Transporters Licence as set out in National Grid NTS's Transportation Statement;
- (d) a **"New"** NTS Exit Point is an NTS Exit Point in respect of which Users have not previously been able to submit an application or bid for Annual NTS Exit (Flat) Capacity in accordance with the provisions of paragraphs 3.2.3(a) and 3.4.

Insert new paragraph 3.1.11:

3.1.11 Long Term Non Firm NTS Exit (Flat) Capacity

- (a) Pursuant to the provisions of this paragraph 3.1.11, National Grid NTS may accept an application from a User for Monthly NTS Exit (Flat) Capacity upon that User entering into an associated Exit Option Agreement (which together shall constitute “Long Term Non Firm NTS Exit (Flat) Capacity”).
- (b) A User shall only be permitted to apply for Long Term Non Firm NTS Exit (Flat) Capacity if:
- (i) a capacity signal has been provided at the relevant NTS Exit Point for a future date either by:
 - (1) the User applying for and being allocated Enduring Annual NTS Exit (Flat) Capacity; or
 - (2) a Reservation Party reserving Enduring Annual NTS Exit (Flat) Capacity and subsequently nominating the User to be registered as holding some or all of the Reserved Capacity,
with the result that the Enduring Annual NTS Exit (Flat) Capacity registered or reserved to all Users in aggregate at the relevant NTS Exit Point exceeds the Baseline NTS Exit (Flat) Capacity; and
 - (ii) the amount of Remaining Available NTS Exit (Flat) Capacity for all Days within the Gas Year at the relevant NTS Exit Point is less than 100,000kWh/day; and
 - (iii) the relevant prices in accordance with Section Y2.1 for such Monthly NTS Exit (Flat) Capacity have been published by National Grid NTS.
- (c) In order to apply for Long Term Non Firm NTS Exit (Flat) Capacity the User must complete an application form (using the form prescribed by National Grid NTS from time to time). Subject to paragraph 3.1.11(e)(ii), a User may only make one application for Long Term Non Firm NTS Exit (Flat) Capacity relating to each Gas Year and each relevant NTS Exit Point (but for the avoidance of doubt a User shall be entitled to make more than one application in respect of each relevant NTS Exit Point provided that such applications relate to different Gas Years in accordance with the terms of this paragraph 3.1.11).
- (d) An application for Long Term Non Firm NTS Exit (Flat) Capacity must be received by National Grid NTS by no later than the 10th Business Day of month M where Long Term Non Firm NTS Exit (Firm) Capacity is required for month M+2 and shall specify:
- (i) the identity of the User;
 - (ii) the relevant NTS Exit Point;
 - (iii) the calendar months applied for which shall be no longer than the end of Gas Year Y+1 or the month preceding the month in which the User will hold Enduring Annual NTS Exit (Flat) Capacity signalled pursuant to paragraph 3.1.11(b)(i), whichever is the earlier;

(iv) the amount of Long Term Non Firm NTS Exit (Flat) Capacity applied for by the User which shall be:

- (1) no less than 100,000kWh/day; and
- (2) no greater than the amount of Enduring Annual NTS Exit (Flat) Capacity that constituted the incremental capacity signal pursuant to paragraph 3.1.11(b)

for each month that the Long Term Non Firm NTS Exit (Flat) Capacity is to be registered.

(e) Following receipt of an application for Long Term Non Firm NTS Exit (Flat) Capacity submitted to National Grid NTS, National Grid NTS shall notify the User within two (2) Business Days whether the application complies with the provisions of paragraphs 3.1.11(b), (c) and (d). In the event that paragraphs 3.1.11(b), (c) and (d):

(i) are satisfied:

- (1) National Grid NTS shall within one (1) month following National Grid NTS's notification to the User pursuant to this paragraph 3.1.11(e) determine and confirm to the User the amount of Long Term Non Firm NTS Exit (Flat) Capacity that can be made available for the period requested by the User; and
- (2) within 5 Business Days following National Grid NTS's confirmation pursuant to paragraph 3.1.11(e)(i)(1):

(aa) National Grid NTS shall, subject to the provisions of Section V3, allocate such Long Term Non Firm NTS Exit (Flat) Capacity to the User; and

(bb) the User shall enter into an Exit Option Agreement pursuant to which the User grants an option to National Grid NTS upon the exercise of which National Grid NTS may accept the surrender of Long Term Non Firm NTS Exit (Flat) Capacity in whole or in part for any Day that the Long Term Non Firm NTS Exit (Flat) Capacity is held by the User;

(3) the User permits National Grid NTS to enter onto National Grid NTS's relevant systems the details of the allocated Monthly NTS Exit (Flat) Capacity and the Exit Option Agreement on behalf of the User.

(ii) are not satisfied:

(1) National Grid NTS shall advise the User that the application is non-compliant and shall specify the reasons therefor; and

(2) the User may amend the application so that it complies with paragraphs 3.1.11(b), (c) and (d) and resubmit the application to National Grid NTS.

(f) Each User shall pay Capacity Charges for any Long Term Non Firm NTS Exit (Flat) Capacity allocated to it, and such Capacity Charge shall be determined as the quantity of Monthly NTS Exit (Flat) Capacity allocated multiplied by a fixed price multiplied by the relevant period for which such Long Term Non Firm NTS Exit (Flat) Capacity has been allocated. For the purposes of this paragraph 3.1.11(f) the fixed price shall

be equal to the prevailing price in accordance with Section Y2.1 published by National Grid NTS for the relevant period at the relevant NTS Exit Point at which the Long Term Non Firm NTS Exit (Flat) Capacity is allocated.

- (g) In the event that National Grid NTS exercises the Exit Option Agreement granted pursuant to 3.1.11(e)(i)(2), National Grid NTS shall:
- (i) pay to the User an option exercise price of an amount equal to the price paid for the quantity of Long Term Non Firm NTS Exit (Flat) Capacity that is surrendered for that Day. The amount paid by National Grid NTS to the User in respect of an exercised option would be considered a NTS Exit (Flat) Capacity Surrender Charge for the purposes of the Code; and
 - (ii) publish on the Business Day following the Day for which such options were exercised the amount of Monthly NTS Exit (Flat) Capacity for which the options were exercised along with the relevant option exercise price.
- (h) For the avoidance of doubt, any Long Term Non Firm NTS Exit (Flat) Capacity allocated to a User pursuant to this paragraph 3.1.11 shall be included in the User's Fully Adjusted Available NTS Exit (Flat) Capacity.
- (i) The price paid by a User for Long Term Non Firm NTS Exit (Flat) Capacity shall be considered to be a capacity application for the determination of NTS Exit (Flat) Overrun Charge rates at the relevant NTS Exit Point.
- (j) National Grid NTS will no later than:
- (i) two (2) Business Days prior to the first day of the period to which the application for Long Term Non Firm NTS Exit (Flat) Capacity relates, inform the User that its application for Long Term Non Firm NTS Exit (Flat) Capacity has been allocated, the amount of Long Term Non Firm NTS Exit (Flat) Capacity which it is registered as holding for the relevant NTS Exit Point and the period for which the Long Term Non Firm NTS Exit (Flat) Capacity has been allocated; and
 - (ii) one (1) Business Day following the notification to the User pursuant to paragraph 3.1.11(j)(i), inform all Users of:
 - (1) the relevant period for which the Long Term Non Firm NTS Exit (Flat) Capacity has been allocated;
 - (2) the aggregate amount of Long Term Non Firm NTS Exit (Flat) Capacity requested by the User;
 - (3) the aggregate amount of Long Term Non Firm NTS Exit (Flat) Capacity allocated to the User;
 - (4) the relevant Capacity Charge(s) in respect of the allocated Long Term Non Firm NTS Exit (Flat) Capacity; and
 - (5) the option exercise price.

Amend paragraph 3.9.3 to read as follows:

3.9.3 In accordance with the System Management Principles:

- (a) an Exit Constraint Management Agreement may comprise:
 - (i) an Exit Forward Agreement, pursuant to which a User will surrender a particular amount of NTS Exit (Flat) Capacity in relation to a period of one or more Days;
 - (ii) an Exit Option Agreement, pursuant to which National Grid NTS may require a User to surrender a particular amount (or up to that amount) of NTS Exit (Flat) Capacity in relation to any Day in a period of one or more Days;
- (b) Exit Constraint Management Agreements may be entered into either following a tender carried out by National Grid NTS for offers by Users to enter into such agreements or following an application for Long Term Non Firm NTS Exit (Flat) Capacity pursuant to paragraph 3.1.11.

Amend paragraph 3.12.3 to read as follows:

3.12.3 The Applicable Daily Rate shall be:

- (a) in respect of:
 - (i) Enduring Annual NTS Exit (Flat) Capacity; ~~and~~
 - (ii) Annual NTS Exit (Flat) Capacity allocated to the User in respect of a Gas Year pursuant to paragraph 3.4; ~~and~~
 - (iii) Monthly NTS Exit (Flat) Capacity;the rate determined in accordance with National Grid NTS's Transportation Statement;
- (b) in respect of each amount of:
 - (i) Daily NTS Exit (Flat) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.5;
 - (ii) Daily Off-peak NTS Exit (Flat) Capacity allocated to the User in respect of a Day pursuant to paragraph 3.6;the bid price tendered by the User pursuant to the respective annual capacity bid or daily capacity bid pursuant to which such NTS Exit (Flat) Capacity was allocated.

Amend paragraph 3.13.3 to read as follows:

3.13.3 The NTS Exit (Flat) Overrun Charge payable by a relevant User shall be calculated as the User's individual flat overrun multiplied by whichever is the greatest of:

- (a) $(8 * A)$, where 'A' is:
 - (i) the highest bid price paid to National Grid NTS in relation to any capacity bid accepted in respect of the Day; or
 - (ii) the Applicable Daily Rate in relation to a capacity application in respect of the Gas Year in which the Day falls, or an application for Long Term Non Firm NTS Exit (Flat) Capacity pursuant to paragraph 3.1.11., at the NTS Exit Point;
- (b) $(1.1 * B)$, where 'B' is the highest offer price, forward price or option exercise price paid by National Grid NTS in respect of any Exit Constraint Management Action

taken in respect of the Day at the NTS Exit Point; and

- (c) $(8 * C)$, where 'C' is the highest reserve price under any invitation for the Day or the Gas Year in which the Day falls for NTS Exit (Flat) Capacity at the NTS Exit Point.

Amend paragraph 5.5.1 to read as follows:

5.5.1 A User's Available System Capacity (determined in accordance with paragraph 5.3.2) may become negative where:

- (a) the User is a Transferor User in respect of a System Capacity Transfer under which the Transferred System Capacity exceeds the Transferor User's Available System Capacity (on a Fully Adjusted basis) at the Transfer System Point; or
- (b) the Transferor User submits:
- (i) a daily capacity offer (pursuant to paragraph 2.9) for an amount of NTS Entry Capacity which exceeds its Available Firm NTS Entry Capacity;
- (ii) a daily capacity offer (pursuant to paragraph 3.11) for an amount of NTS Exit (Flat) Capacity which exceeds its Available Firm NTS Exit (Flat) Capacity; or
- (c) the User is a Transferee User in respect of a System Capacity Transfer, and (subject to any election under paragraph 5.4.2):
- (i) the Transferee User has pursuant to a further System Capacity Transfer transferred System Capacity at the same Transfer System Point to another User; and
- (ii) the first System Capacity Transfer lapses pursuant to paragraph 5.4.1-; or
- (d) the User is a Transferor User in respect of a System Capacity Transfer which results in the Transferor User's Available System Capacity (on a Fully Adjusted basis) at the Transfer System Point being less than the Transferor User's existing allocation of:
- (i) Long Term Non Firm NTS Entry Capacity obtained pursuant to paragraph 2.1.15, and the Option Agreement associated with the Long Term Non Firm NTS Entry Capacity is subsequently exercised during the Transfer Period; or
- (ii) Long Term Non Firm NTS Exit (Flat) Capacity obtained pursuant to paragraph 3.1.11, and the Exit Option Agreement associated with the Long Term Non Firm NTS Exit (Flat) Capacity is subsequently exercised during the Transfer Period.

Section Y

Amend chapter 2.1 to read as follows:

2.1 System Exit Firm Capacity and Long Term Non Firm NTS Exit (Flat) Capacity

The terms on which Enduring Annual, Annual, ~~and~~ Daily firm NTS Exit (Flat) Capacity and Long Term Non Firm NTS Exit (Flat) Capacity is sold are set out in the UNC Transportation Principal Document Section B. Charges reflect the estimated long run marginal cost (LRMC) of reinforcing the system to transport additional gas between entry and exit points. The calculations are described in more detail below.

Exit capacity sold as Long Term Non Firm NTS Exit (Flat) Capacity, subject to the terms set out in UNC TPD Section B, will be priced at the prevailing price for Daily Firm NTS Exit (Flat) Capacity for the relevant period for which the capacity is purchased. Further details can be found in the Statement of Gas Transportation Charges.

Amend chapter 2.3.1 to read as follows:

2.3.1 Reserve Prices in System Entry Capacity Auctions

System entry capacity is allocated by means of auctions as described in the UNC and outlined in Section 2.3 above. This approach includes various reserve prices below which bids will not be accepted.

QSEC reserve prices for obligated entry capacity are calculated each year through using the NTS Transportation Model as described in 2.5 below. QSEC step prices for release of additional (incremental) capacity are calculated with reference to the applicable reserve price and in accordance with the methodology for the determination of incremental step prices as set out in National Grid's Incremental Entry Capacity Release (IECR) methodology statement.

MSEC reserve prices are equal to the obligated capacity price for capacity offered in the auction of QSEC capacity.

Reserve prices are calculated by applying the following discounts to the MSEC obligated capacity prices:

- Day Ahead Daily System Entry Capacity (DADSEC); 33.3%
- Within Day Daily System Entry Capacity (WDDSEC); 100%
- Daily Interruptible System Entry Capacity (DISEC); 100%

Discretionary Release System Entry Capacity (DRSEC) released via auction is subject to the prevailing MSEC reserve price.

Entry capacity allocated as Long Term Non Firm NTS Entry Capacity, subject to the terms set out in UNC TPD Section B, will be priced at the prevailing MSEC reserve price for the relevant period for which the capacity is purchased. Further details can be found in the Statement of Gas Transportation Charges.