

# **Network Code Principal Document**



## **NETWORK CODE PRINCIPAL DOCUMENT**

### **Preamble**

The Principal Document contains the substantive provisions of the Network Code. These provisions are modified for the transitional period by the Transitional Document (see Component 4).

The Standard Conditions of the Gas Transporters licence require Transco to produce the Network Code setting out the terms of the transportation arrangements available to shippers.

This Preamble does not form part of the Principal Document.

## PREAMBLE



# **Principal Document Contents**



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<b>Metering Charges</b> .....	B1.7.1(b)
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<b>Monthly Individual Reconciliation</b> .....	E7.2.1(a)
<b>Monthly Injection Overrun Cap</b> .....	Z7.1.7(b)
<b>Monthly Read Meter</b> .....	M3.1.7(b)
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## DEFINED TERMS



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SYSTEM CLASSIFICATION

# A SYSTEM CLASSIFICATION

## 1 INTRODUCTION

### 1.1 The System

In the Code, subject to paragraph 1.7.2, "**System**" means the main pipeline system operated by Transco the conveyance of gas through which is authorised by the Transco Licence.

- 1.1.1 Subject to paragraph 1.7.2, the System does not include any independent system (as defined in Special Condition 18 of the Transco Licence), nor any pipeline to which gas can only be conveyed through a pipeline system operated by a gas transporter other than Transco.
- 1.1.2 The System does not include any Storage Facility.
- 1.1.3 The System comprises the National Transmission System and Local Distribution Zones, and includes System Points of different classes, as described in this Section A.

### 1.2 NTS and LDZs

- 1.2.1 The "**National Transmission System**" or "**NTS**" is that part of the System for the time being designated by Transco as such, and described in the Ten Year Statement.
- 1.2.2 A "**Local Distribution Zone**" or "**LDZ**" is a part of the System, other than the NTS, for the time being designated by Transco as such, and described in the Ten Year Statement, or (where the context requires) the area in which such part of the System is located.

### 1.3 Exit Zones

- 1.3.1 The area in which each LDZ is located is divided into one or more Exit Zones.
- 1.3.2 Subject to paragraph 1.3.3, an "**Exit Zone**" is an area (within one LDZ only) for the time being designated by Transco as such, and described in the Transportation Statement.
- 1.3.3 Transco may from time to time designate the point at which a NTS System Exit Point (in accordance with paragraph 3.2) is located as a separate Exit Zone, provided that in the absence of such designation a NTS System Exit Point shall be in the Exit Zone in which it is located.

### 1.4 System Points

- 1.4.1 For the purposes of the Code:
  - (a) an "**Individual System Point**" is a point on the System which is designed to permit gas to flow through a single pipe into or out of the System or from one part of the System to another;
  - (b) a "**System Point**" is an Individual System Point or a composite group of Individual System Points of a class (defined according to provisions of the Code set out or referred to in this Section A) in respect of or by reference to which particular provisions of the Code apply.

## SYSTEM CLASSIFICATION

1.4.2 The classes of System Point comprise:

- (a) Individual System Entry Points, System Entry Points and Aggregate System Entry Points (in accordance with paragraph 2);
- (b) Individual System Exit Points and System Exit Points (in accordance with paragraph 3);
- (c) NTS/LDZ Offtakes (in accordance with paragraph 3.4);

and sub-classes thereof in accordance with the further provisions of the Code.

1.4.3 For the avoidance of doubt a point on the System is a System Point whether or not any transportation arrangement pursuant to which gas flows into or out of the System at such point is made on the terms of the Code.

## 1.5 Storage Connection Point

1.5.1 The Individual System Points at which a Storage Facility is connected to the System shall be a System Point (which is in relation to such Storage Facility the "**Storage Connection Point**").

1.5.2 A Storage Connection Point shall be both a System Entry Point (and an Aggregate System Entry Point) and a Connected System Exit Point.

## 1.6 NTS and LDZ System Points

1.6.1 A System Point is an "**NTS**" or an "**LDZ**" System Point where the Individual System Point(s) comprised in that System Point are point(s) on the NTS or (as the case may be) on an LDZ; and references in the Code to an "**NTS**" or an "**LDZ**" System Point of any particular class shall be construed accordingly.

1.6.2 References to a System Exit Point (of any class) in an Exit Zone are to such a System Exit Point:

- (a) on that part of any LDZ which is located in that Exit Zone; or
- (b) in the case of a NTS System Exit Point, located in or at such Exit Zone.

1.6.3 Subject to [Section G1.9.9\(a\)\(ii\)](#), no System Point may comprise Individual System Points on more than one LDZ or in more than one Exit Zone or on an LDZ and the NTS.

## 1.7 Scottish Independent Networks

1.7.1 Subject to paragraph 1.7.5, each of the separate pipeline networks located in Scotland at Thurso, Wick, Campbeltown and Oban provisioned with LNG, and at Stranraer with gas is a "**Scottish Independent Network**".

1.7.2 Except where otherwise provided and where the context otherwise requires, a reference to the System includes a reference to the Scottish Independent Networks.

1.7.3 A System Exit Point on a Scottish Independent Network is a "**SIN**" System Exit Point.

1.7.4 For the purposes of the Code:

- (a) each Scottish Independent Network shall be treated as being a separate LDZ the area of which is one separate Exit Zone;
- (b) there shall be deemed to be in relation to each such Exit Zone a NTS Exit Point ("**SIN NTS Exit Point**") at which gas is deemed to flow out of the NTS and into

such Scottish Independent Network.

- 1.7.5 Pursuant to an arrangement set out or described in the relevant CSEP Ancillary Agreement, the separate pipeline network located at Stranraer is supplied with gas taken from the System at a Connected System Exit Point and conveyed by means of pipes operated other than by Transco (and not forming part of the System); and accordingly in any provision of the Code referring to LNG Facilities, a reference to a Scottish Independent Network does not include the network at Stranraer.

## 2 SYSTEM ENTRY POINTS

### 2.1 Individual System Entry Point

An "**Individual System Entry Point**" is an Individual System Point (on the NTS or an LDZ) at which gas can flow into the System.

### 2.2 System Entry Point

- 2.2.1 A "**System Entry Point**" is a System Point comprising one or more Individual System Entry Points.
- 2.2.2 [Section II.4](#) sets out the basis on which Individual System Entry Point(s) are or are to be comprised in a System Entry Point.

### 2.3 Aggregate System Entry Point

- 2.3.1 An "**Aggregate System Entry Point**" is a System Point comprising one or more System Entry Points.
- 2.3.2 [Section II.5](#) sets out the basis on which System Entry Point(s) are or are to be comprised in an Aggregate System Entry Point.

## 3 EXIT POINTS

### 3.1 Individual System Exit Point

An "**Individual System Exit Point**" is an Individual System Point at which gas can flow out of the System.

### 3.2 System Exit Point

- 3.2.1 A "**System Exit Point**" is a System Point comprising one or more Individual System Exit Points.
- 3.2.2 The classes of System Exit Point are:
- (a) Supply Meter Points, Supply Point Components and Supply Points in accordance with paragraph 4, and further classes thereof in accordance with that paragraph; and
  - (b) Connected System Exit Points.

### 3.3 Connected System Exit Point

## SYSTEM CLASSIFICATION

- 3.3.1 A "**Connected System Exit Point**" (or "**CSEP**") is a System Point comprising one or more Individual System Exit Points which are not Supply Meter Points.
- 3.3.2 [Section J5.1](#) sets out the basis on which Individual System Exit Point(s) are or are to be comprised in a Connected System Exit Point.
- 3.3.3 In the case of a Connected System Exit Point, in accordance with [Section J5.4](#), the relevant provisions of the applicable CSEP Network Exit Agreement apply in addition to the provisions of the Code.
- 3.3.4 A Connected System Exit Point is an "**Unmetered**" Connected System Exit Point where at any Individual System Exit Point comprised in the Connected System Exit Point there is no meter for the purpose of measuring the volume of gas offtaken from the System, and otherwise is a "**Metered**" Connected System Exit Point.
- 3.3.5 Where so provided in the relevant CSEP Network Exit Agreement, a Connected System Exit Point may be treated as comprising separate System Exit Points for such purposes as are specified in such Network Exit Agreement, and references in the Code to Connected System Exit Points shall be construed accordingly.

### 3.4 NTS Exit Point

- 3.4.1 An "**NTS Exit Point**" is a System Point comprising one or more Individual System Points at which gas can flow out of the NTS (and either out of the System or into an LDZ).
- 3.4.2 The classes of NTS Exit Point are:
- (a) NTS Supply Points and NTS Connected System Exit Points (which are NTS System Exit Points), and
  - (b) NTS/LDZ Offtakes.
- 3.4.3 An "**NTS/LDZ Offtake**" is a NTS Exit Point comprising all of the Individual System Points at which gas flows out of the NTS into an LDZ or that part of an LDZ located in a particular Exit Zone.
- 3.4.4 In the context of a particular Exit Zone a reference to a NTS Exit Point is a reference to:
- (a) the NTS/LDZ Offtake at which gas flows out of the NTS into the LDZ or that part of an LDZ located in that Exit Zone, and/or
  - (b) the NTS Supply Point and/or NTS Connected System Exit Point in that Exit Zone (in accordance with paragraph 1.6.2);
- and a reference to an Exit Zone in the context of a particular NTS Exit Point shall be construed accordingly.

## 4 SUPPLY POINTS

### 4.1 Supply Meter Points



## SYSTEM CLASSIFICATION

- 4.1.1 Subject to paragraph 4.1.2, a **"Supply Meter Point"** is an Individual System Exit Point at which gas may (in accordance with the Code) be offtaken from the System for the purposes of supply directly to particular premises.
- 4.1.2 Where gas offtaken from the System at an Individual System Exit Point is or is to be conveyed through any pipe downstream of such Individual System Exit Point (other than a pipe comprised in a Sub-deduct Arrangement in accordance with [Section G1.8](#)) in which gas is conveyed to more than one premises, or to any other pipeline system as well as to any premises, such **"Individual System"** Exit Point is not a Supply Meter Point.
- 4.1.3 A **"Smaller"** or a **"Larger"** Supply Meter Point is a Supply Meter Point comprised respectively in a Smaller Supply Point or a Larger Supply Point.
- 4.1.4 A Supply Meter Point shall be classified as a **"DM Supply Meter Point"** where [paragraph G1.5.1](#) applies and otherwise shall be classified as an **"NDM Supply Meter Point"**.

## 4.2 Supply Point

- 4.2.1 In accordance with [Section G1.1.1](#), a Supply Point is the Supply Meter Point or Supply Meter Points for the time being comprised in a Supply Point Registration.
- 4.2.2 A **"Larger Supply Point"** is a Supply Point in respect of which the Annual Quantity is greater than 73,200 kWh (*2,500 therms*) and a **"Smaller Supply Point"** is a Supply Point in respect of which the Annual Quantity is not greater than 73,200 kWh (*2,500 therms*).

## 4.3 Supply Point Components

- 4.3.1 A Supply Point may comprise a DM Supply Point Component or an NDM Supply Point Component or both.
- 4.3.2 A **"Supply Point Component"** is either:
- (a) all (if any) of the Supply Meter Points comprised in one Supply Point which are DM Supply Meter Points (a **"DM Supply Point Component"**),
  - (b) all (if any) of the Supply Meter Points comprised in one Supply Point which are NDM Supply Meter Points (an **"NDM Supply Point Component"**).

## 4.4 Firm and Interruptible Supply Points

- 4.4.1 In accordance with [Section G6.1](#) a Supply Point may be a **"Firm Supply Point"** or an **"Interruptible Supply Point"**.
- 4.4.2 An **"Interruptible"** Supply Point Component is a Supply Point Component of an Interruptible Supply Point, and a **"Firm"** Supply Point Component is a Supply Point Component of a Firm Supply Point.

## 4.5 Further classification of DM Supply Point Components

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- 4.5.1 A DM Supply Point Component may be a DMC Supply Point Component (including a VLDMC Supply Point Component) or a DMA Supply Point Component.
- 4.5.2 A Supply Point Component shall be classified as a "**DMC**" Supply Point Component where it is:
- (a) a Firm or Interruptible DM Supply Point Component whose Annual Quantity is greater than 58,600,000 kWh (*2,000,000 therms*); or
  - (b) an SDMC(I) Supply Point Component in accordance with paragraph 4.5.3.
- 4.5.3 A Supply Point Component can be classified as a "**SDMC(I)**" Supply Point Component where it is an Interruptible DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), which is for the time being designated as requiring individual Output Nominations in accordance with [Section G6.4](#).
- 4.5.4 A Supply Point Component shall be classified as a "**DMA**" Supply Point Component where it is:
- (a) a Firm DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), or
  - (b) an Interruptible DM Supply Point Component whose Annual Quantity is not greater than 58,600,000 kWh (*2,000,000 therms*), which is not a SDMC(I) Supply Point Component.
- 4.5.5 A Supply Point Component shall be classified as a "**VLDMC**" Supply Point Component where it is a DMC Supply Point Component whose Annual Quantity is greater than 1,465,000,000 kWh (*50,000,000 therms*).

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SYSTEM CLASSIFICATION

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## B SYSTEM USE AND CAPACITY

### 1 INTRODUCTION

#### 1.1 Use of System

Users may use the System by delivering gas to the System and/or by offtaking gas from the System.

#### 1.2 System Capacity

1.2.1 Users may apply for and hold capacity in the System ("**System Capacity**") at certain System Points.

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

1.2.3 For the purposes of the Code:

- (a) "**System Entry Capacity**" at an Aggregate System Entry Point is capacity in the NTS which a User is treated as utilising in delivering gas to the System at that point;
- (b) "**NTS Exit Capacity**" at a NTS Exit Point is capacity in the NTS:
  - (i) in the case of a NTS Supply Point Component or NTS Connected System Exit Point, which a User is treated as utilising in offtaking gas from the System at that NTS System Exit Point, or
  - (ii) in the case of a NTS/LDZ Offtake, which a User is treated as utilising in offtaking gas from the System at LDZ System Exit Points in the relevant Exit Zone;
- (c) "**LDZ Capacity**" at an LDZ System Exit Point is capacity in the relevant LDZ:
  - (i) in the case of an LDZ Supply Point Component, which the User is treated as utilising in offtaking gas from the System at that point;
  - (ii) in the case of an LDZ Connected System Exit Point, which the User is treated as utilising in offtaking gas from the System at that point;
- (d) "**Supply Point Capacity**" at a Supply Point Component is capacity at that point which the User is treated as utilising in offtaking gas from the System at that Supply Point Component;

in each case in accordance with and subject to the provisions of the Code.

1.2.4 The Supply Point Capacity which a User may be registered as holding at a DM Supply Point Component will (in accordance with [Section G5](#)) be limited by reference to the rate at and quantities in which it is feasible for Transco to make gas available for offtake from the System at that Supply Point Component; and no entitlement to offtake gas at a

## SYSTEM USE AND CAPACITY

greater rate or in greater quantities shall be conferred on a User by the holding of any amount of NTS Exit Capacity or LDZ Capacity.

- 1.2.5 For the avoidance of doubt, where a System Point is both a NTS Exit Point and a Supply Point Component, the provisions of this Section B both as to the holding of NTS Exit Capacity and as to the holding of Supply Point Capacity are applicable (and a gas flow at such point shall be treated both as a gas flow out of the NTS and an offtake from the System).
- 1.2.6 Where an Aggregate System Entry Point is on an LDZ:
- (a) Users delivering gas to the System at that point are deemed (for the purposes of paragraph 1.2.3(a)) to utilise capacity in the NTS and accordingly may (in accordance with paragraph 2) apply for and hold System Entry Capacity at that point;
  - (b) the provisions of this Section B as to the holding of NTS Exit Capacity shall apply in full notwithstanding that deliveries of gas to the System at that Aggregate System Entry Point may result in reduced flows into the LDZ at relevant NTS/LDZ Offtake(s).
- 1.2.7 System Capacity is expressed in kWh/Day, except that where (for the purposes of any provision of the Code) it is to be determined what quantity of gas delivered to or offtaken from the System on a Day is equal to an amount of System Capacity held by a User, or whether such a quantity of gas exceeds or is less than such an amount of capacity, such amount of System Capacity shall be treated as expressed in kWh.
- 1.2.8 Where (in the Transportation Statement or elsewhere) the units in which System Capacity is expressed are 'peak day kWh', such units are the same as those under paragraph 1.2.7; and references to charges for System Capacity in 'pence per peak day kWh' (or similar references) shall be construed accordingly.

### 1.3 Overrun Charges

- 1.3.1 A User may use the System without holding System Capacity but (subject to paragraphs 1.3.2 and 1.3.3) will be liable to pay System Entry Overrun Charges and/or NTS Exit Overrun Charges (collectively "**Overrun Charges**") and/or LDZ CSEP Overrun Charges or Supply Point Ratchet Charges, in respect of the capacity utilised, in accordance with this Section B.
- 1.3.2 Not Used.
- 1.3.3 Users will not be liable to pay NTS Exit Overrun Charges or Supply Point Ratchet Charges for using the System by offtaking gas at Interruptible Supply Points; but the entitlement of the Registered User to offtake gas from the System at an Interruptible Supply Point is subject to the provisions (as to Interruption) of [Section G6](#).
- 1.3.4 If:
- (a) Transco rejects an application by a User for System Capacity other than in accordance with the provisions of the Code, and
  - (b) reasonably promptly thereafter the User so notifies Transco, stating that it



wishes the application to be given effect with effect from the date which was specified in the application

the User shall not be liable for any Overrun Charge, CSEP Overrun Charge or Supply Point Ratchet Charge which it would not have incurred had the application for System Capacity been approved (and where any such charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with [Section S](#)).

#### 1.3.5 Where:

- (a) a User incurs an Overrun Charge, Supply Point Ratchet Charge or CSEP Overrun Charge on a Day on which (by reason of a change in the time from BST to GMT) there are 25 hours in a Day, and
- (b) the User (by notice to Transco specifying the relevant System Point) requests Transco to redetermine the amount of such charge

the amount of the relevant charge will be redetermined as though (for the purposes of this paragraph 1.3.5 only) the User's UDQI or (as the case may be) UDQO for the Day were 24/25 of the amount thereof determined pursuant to [Section E](#), and (where the amount of the charge is invoiced or has been paid) an appropriate adjustment (by way of invoice credit in accordance with [Section S](#)) will be made.

### 1.4 Registered and Available Capacity

For the purposes of the Code:

- (a) a User's "**Registered**" System Capacity in relation to a System Point is the System Capacity which the User is registered (in accordance with this Section B) as holding at that System Point on the Gas Flow Day;
- (b) the User's "**Available**" System Capacity in relation to an Aggregate System Entry Point or a NTS Exit Point is the System Capacity which the User holds at that System Point on the Gas Flow Day after taking account of any System Capacity Transfer, in accordance with paragraph 5.

### 1.5 UK Link set-up

Before first delivering gas to or offtaking gas from the System at any System Point a User must comply with the requirements set out in the UK Link Manual for establishing (for the purposes of UK Link) the User as a user of the System at that System Point.

### 1.6 Eligible Capacity Registration Date

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.

### 1.7 Transportation Charges Metering Charges and Meter Reading Charges

#### 1.7.1 For the purposes of the Code,

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- (a) **"Transportation Charges"** are charges (other than Energy Balancing Charges or Storage Charges) payable by a User in respect of a transportation arrangement under the Code, and (subject to paragraph 1.7.8) comprise Capacity Charges, Commodity Charges, Customer Charges and CSEP Charges.
  - (b) **"Metering Charges"** are the prevailing charges payable by a User as contained in the Metering Charges Statement;
  - (c) **"Meter Reading Charges"** are the prevailing charges payable by a User as contained in the Meter Reading Charges Statement.
- 1.7.2 A **"Capacity Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered System Entry Capacity, Registered NTS Exit Capacity or Registered LDZ Capacity at a System Point.
- 1.7.3 A **"Commodity Charge"** is a charge in respect of use of the System, determined by reference to the quantity of the gas flow (or the part thereof attributable to a User) at a System Point, or a charge payable by reference to the arrangements in Special Condition 28B of the Transco Licence.
- 1.7.4 A **"Customer Charge"** is a charge payable by reason of being the Registered User of a Supply Point.
- 1.7.5 In respect of a Customer Charge:
- (a) the **"Capacity Variable Component"** is the component (if any) thereof the amount of which is determined by reference to the amount of a User's Registered Supply Point Capacity;
  - (b) the **"Commodity Variable Component"** is the component (if any) thereof the amount of which is determined by reference to the quantity of the gas flow at a Supply Point;
  - (c) the **"Fixed Component"** is the component (if any) thereof which is not determined by reference to Supply Point Capacity or gas flow.
- 1.7.6 Where any element of a Transportation Charge is payable by a User pursuant to a contract other than one made upon the terms of the Code, such element shall not in addition be payable under the Code.
- 1.7.7 A **"CSEP Charge"** is a charge payable by virtue of being (in relation to a relevant Connected System Exit Point) a CSEP User.
- 1.7.8 The further provisions of the Code set out the basis on which Transportation Charges, Metering Charges and Meter Reading Charges are payable by Users; provided that (subject to paragraph 1.8.2) where:
- (a) the prevailing Transportation Statement, Metering Charges Statement or Meter Reading Charges Statement provides for any charge which is not provided for in the Code; and
  - (b) the amount payable by way of such charge in any case is capable of being determined by reference to the provisions of the Code prevailing at the time;

such charge shall be a Transportation Charge, Metering Charge or Meter Reading Charge and shall be payable by Users or Users of such class in accordance with the relevant provisions of the Transportation Statement, the Metering Charges Statement or the Meter Reading Charges Statement respectively.

1.7.9 For the avoidance of doubt paragraph 1.7.8(b) shall not be taken as requiring that the Code should provide for the determination or (other than by virtue of paragraph 1.7.8) payment of any such charge as is therein referred to.

1.7.10 The basis on which Transco will reduce any Transportation Charges pursuant to Standard Condition 24(4) of the Transco Licence is not contained in the Code; and nothing contained in the Code shall be taken to prevent Transco from reducing such charges in accordance with that Standard Condition.

## 1.8 Rates and amounts of Transportation Charges

1.8.1 Subject to paragraphs 1.8.2 to 1.8.5 and paragraph 1.10, and except as provided in paragraph 2.9;

- (a) the amount or rate of any Transportation Charge accrues (irrespective of when it is due for payment); and accordingly the rate of the Transportation Charges payable by a User may vary during the period for which the User holds any System Capacity or is the Registered User of any Supply Point or is a CSEP User;
- (b) the amount or rate of any Metering Charge payable at any time by a User shall be determined in accordance with the Metering Charges Statement in force at the time such charge accrues irrespective of when it is due for payment;
- (c) the amount or rate of any Meter Reading Charge payable at any time by a User shall be determined in accordance with the Meter Reading Charges Statement in force at the time such charge accrues irrespective of when it is due for payment.

1.8.2 Transco agrees that, except where any other provision of the Transco Licence requires notice of a shorter period to be given,

- (a) each notice given by it to the Authority pursuant to Standard Condition 4(2)(b) of the Transco Licence will be given, and published in accordance with Standard Condition 4(3)(a) thereof, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Transportation Statement) to be implemented;
- (b) each statement or revision thereto sent by it to the Authority pursuant to Special Condition 23(8) of the Transco Licence will be sent to the Authority, and sent to Users, not less than 2 months before the date on which its proposals therein referred to are (pursuant to a revised Metering Charges Statement or Meter Reading Charges Statement) to be implemented.

1.8.3 In accordance with Standard Licence Condition 4(4) of the Transco Licence, the amount or rate of any Transportation Charge may with the approval of the Authority differ from what is provided for in the Transportation Statement and in accordance with Special Condition 23(4) of the Transco Licence, the amount or rate of any Metering Charge or Meter Reading Charge may with the approval of the Authority differ from what is provided for in the Metering Charges Statement or Meter Reading Charges Statement

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respectively.

- 1.8.4 In the case of a NTS Supply Point the rate(s) or amount(s) of the Capacity Charge in respect of NTS Exit Capacity and the Customer Charge may not be specified in the Transportation Statement, in which case they will be the rate or amount from time to time notified by Transco to the Registered User.
- 1.8.5 In respect of any Transportation Charge in respect of any System Point:
- (a) in the case of a Capacity Charge or the Capacity Variable Component of a Customer Charge, the "**Applicable Daily Rate**" is the daily rate of such charge, in pence per kWh/Day of System Capacity; and the "**Applicable Annual Rate**" is 365 times the Applicable Daily Rate;
  - (b) for the purposes of paragraph 4.6.2, the Applicable Daily Rate and Applicable Annual Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point and the capacity of the LDZ Specified Exit Point determined in accordance with Paragraph 4.6.9, (the "**LDZ Optional Capacity Rate**");
  - (c) in the case of a Commodity Charge or the Commodity Variable Component of a Customer Charge, the "**Applicable Commodity Rate**" is the rate of such charge, in pence per kWh of gas flow; or
  - (d) for the purposes of paragraph 3.5.3, the Applicable Commodity Rate may be the rate determined in accordance with the Transportation Statement by reference to the distance between the Specified Exit Point and the Specified Entry Point and the capacity of the Specified Exit Point, determined in accordance with Section B3.5.5, (the "**NTS Optional Commodity Rate**");
- in each case in accordance with and subject to paragraphs 1.8.1 to 1.8.4, and (where any such rate varies according to the time of year) as applicable from time to time.
- 1.8.6 Subject to paragraph 1.8.4 and except as provided in paragraph 2.9, where the prevailing Transportation Statement, Metering Charges Statement or Meter Reading Charges Statement does not provide for the determination of any particular Transportation Charge, in any particular case, the rate of such Transportation Charge, Metering Charge or Meter Reading Charge shall be deemed to be zero respectively.

## 1.9 Scottish Independent Networks

- 1.9.1 References in this Section B to the System include references to the Scottish Independent Networks.
- 1.9.2 In order to enable Users to offtake gas from the System at SIN Supply Point Components :
- (a) except as provided in paragraph (b), Transco will arrange with a Storage Operator(s) to hold Storage Space (as defined in [Section R](#)) in and inject gas into a Storage Facility(ies) in which gas is stored as LNG, and for LNG to be lifted from those facilities and transported by road tanker to and discharged to LNG storage and regasification plants at each Scottish Independent Network.

- (b) in relation to the Scottish Independent Network at Stranraer, Transco will arrange for gas to be taken from the System at a Connected System Exit Point and conveyed to that network pursuant to the arrangements referred to in [Section A1.7.5](#)

#### 1.9.3 For the purposes of the Code:

- (a) there shall be deemed to be capacity in the NTS at the SIN NTS Exit Point, and accordingly NTS Exit Capacity may be held by Users at the SIN NTS Exit Point;
- (b) for the purposes of paragraph 3 there will be deemed on each Day to be a gas flow out of the NTS at the SIN NTS Exit Point in respect of (and equal to the amount of) the offtake of gas from the System on that Day at SIN Supply Point Components by each User on a Day.

### 1.10 Long Term Contracts

If the Authority shall give Condition 9(3) Approval to its doing so, or otherwise with the assent of the Authority, Transco may enter into an Ancillary Agreement with any User:

- (a) pursuant to which, notwithstanding any other provision of the Code:
  - (i) the User may agree to apply for and hold System Capacity in particular amounts, and/or deliver gas to and/or offtake gas from the System in particular quantities at particular System Points, for particular periods, or to make payment to Transco in lieu of doing so; and/or
  - (ii) Transco may agree, notwithstanding [Section G5.5.3](#) or [5.5.4](#), to accept the User's application for particular Supply Point Capacity, and/or that it will not designate a particular Interruptible Supply Point as being TNI; and
- (b) containing other terms which may conflict with the terms of the Code.

### 1.11 Daily Read Errors

Where (pursuant to Sections [M4.8](#) and [E3.5](#)) for a Daily Read Error Day an Error Revised UDQO has been determined for a DM Supply Point Component:

- (a) Transco will redetermine, as nearly as may be, the amounts (if any) for which the User would have been liable by way of NTS Exit Overrun Charge and/or Supply Point Ratchet Charge, and the amount of any Ratchetted Supply Point Capacity (and any increment in Transportation Charges payable by the User in respect of such capacity), on the basis of the Error Revised UDQO;
- (b) the amounts for which the User is liable in respect of such charges will be determined accordingly, and invoice adjustments will be made, by way of debit or credit as appropriate, in accordance with [Section S](#).

## 2 SYSTEM ENTRY CAPACITY

## SYSTEM USE AND CAPACITY

## 2.1 Introduction

- 2.1.1 Subject to the provisions of the Code, a User may deliver gas to the System at any System Entry Point.
- 2.1.2 Users may apply for and be registered as holding System Entry Capacity:
- (a) as Quarterly System Entry Capacity pursuant to an auction in accordance with paragraph 2.2;
  - (b) as Monthly System Entry Capacity pursuant to an auction in accordance with paragraphs 2.2 and 2.3;
  - (c) as Daily System Entry Capacity pursuant to a bid under paragraph 2.4; and
  - (d) as Daily Interruptible System Entry Capacity pursuant to a bid under paragraph 2.5.
- 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 an Aggregate System Entry Point:
- (a) "**Quarterly System Entry Capacity**" is Firm System Entry Capacity which may be applied for and registered as held (in a given amount) by a User for each Day in a particular calendar quarter;
  - (b) "**Monthly System Entry Capacity**" is Firm System Entry 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;
  - (c) "**Daily System Entry Capacity**" is Firm System Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only; and
  - (d) "**Daily Interruptible System Entry Capacity**" is Interruptible System Entry Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only.
- 2.1.5 In respect of an Aggregate System Entry Point and in relation to a Day in a calendar month in a Formula Year:
- (a) "**NTS SO Baseline Entry Capacity**" is the amount of System Entry Capacity which Transco is required to make available to Users pursuant to the Transco Licence as set out in the Transportation Statement;
  - (b) "**Incremental System Entry Capacity**" is the amount of Firm System Entry Capacity (if any) in excess of the Unsold System Entry Capacity which Transco may (but shall not be required to) invite applications for pursuant to paragraphs 2.2 and 2.3; and
  - (c) "**Unsold System Entry Capacity**" is the amount of Firm System Entry

Capacity that Transco has, for the purposes of:

- (i) paragraph 2.2, in relation to each Day in a calendar quarter (in the case of QSEC) or in a month (in the case of AMSEC);
- (ii) paragraph 2.3, in relation to each Day in a calendar month;
- (iii) paragraph 2.4, in relation to a Day,

an obligation to make available (in accordance with the procedures set out in this paragraph 2) to Users pursuant to paragraph 14(5)(f) of Part 2 of Special Condition 28B of the Transco Licence as, in the case of System Entry Capacity to be made available under paragraphs 2.2, 2.3 and 2.4 but not paragraph 2.5, set out in the Transportation Statement.

2.1.6 For the purposes of the application of paragraph 2.6, the amount of Unsold System Entry Capacity in existence at a particular time will, unless expressly stated otherwise, be calculated by reference to a continuing obligation to make available Firm System Entry Capacity through the application of paragraph 14(5) of Part 2 of Special Condition 28B of the Transco Licence prior to the time at which the amount of Unsold System Entry Capacity is to be ascertained.

2.1.7 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) (in each case consistent with the provisions of paragraph 2.1.9), determined by Transco at such time, as the maximum amount of gas 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) "**Firm System Entry Capacity**" means Quarterly System Entry Capacity, Monthly System Entry Capacity and Daily System Entry Capacity which (without prejudice to [Section I3.7](#)) is not subject to curtailment and "**Interruptible System Entry Capacity**" means Daily Interruptible System Entry Capacity which is liable to be curtailed pursuant to paragraph 2.9;
- (c) 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 2.8.4, is a reference to such amount as reduced pursuant to that paragraph;
  - (ii) pursuant to paragraph 2.9.4, is a reference to such amount as reduced pursuant to that paragraph; and
  - (iii) pursuant to paragraph 2.10.8, 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;



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- (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 "**Fully Adjusted**" is a reference to such amount as adjusted pursuant to paragraphs 2.8.4, 2.9.4 and 2.10.8;
  - (e) an "**invitation date**" is a day on which Users may make applications for System Entry Capacity in accordance with paragraphs 2.2 and 2.3;
  - (f) a "**capacity bid**" is an application for System Entry Capacity in accordance with paragraphs 2.2, 2.3, 2.4 or 2.5; and
  - (g) a "**calendar quarter**" is a period of three calendar months commencing 1 January, 1 April, 1 July and 1 October in any calendar year.
- 2.1.8 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.
- 2.1.9 For the purposes of determining the System Entry Capacity available to the User for each hour in a Day:
- (a) where the System Entry Capacity is held in respect of the whole Day, the User shall hold in respect of each hour in the Day an amount of the System Entry Capacity equal to the System Entry Capacity held by the User, divided by 24; and
  - (b) where the System Entry Capacity is held for less than a Day, the User shall hold in respect of each remaining hour of the Day an amount of the System Entry Capacity equal to the System Entry Capacity, divided by the period (in hours) from the time the System Entry Capacity was first registered as being held by a User to the end of the Day.
- 2.1.10 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.
- 2.1.11 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').
- 2.1.12 Any price to be specified by Transco or a User pursuant to any provision of this paragraph 2 shall be expressed in pence/kWh/Day and specified to four decimal places.
- 2.1.13 For the purposes of this paragraph 2 and in particular in the context of applications for System Entry Capacity in accordance with the further provisions of this paragraph 2, a reference to a 'Capacity Year + *n*' is a reference to the Capacity Year commencing on the *n* anniversary of the first Day of the Capacity Year in which the applications are invited to be made.



## 2.2 Annual System Entry Capacity auctions

### 2.2.1 By:

- (a) not later than the Day falling twenty eight (28) Days before the annual AMSEC invitation date in any Capacity Year, Transco will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual AMSEC invitation;
- (b) not earlier than 1 February and not later than 29 February in a Capacity Year, Transco will invite, and Users may make, applications for Monthly System Entry Capacity in respect of each Aggregate System Entry Point for the period specified in paragraph 2.2.2(a);
- (c) not later than the Day falling twenty eight (28) Days before the first annual QSEC invitation date in any Capacity Year, Transco will notify Users of the reserve prices and the step prices that will apply in respect of each Aggregate System Entry Point for the purposes of the annual QSEC invitation; and
- (d) not earlier than 1 September and not later than 30 September in a Capacity Year, Transco will invite, and Users may make, applications for Quarterly System Entry Capacity in respect of each Aggregate System Entry Point for the periods specified in paragraph 2.2.2(b).

### 2.2.2 Transco will invite applications ("**annual invitation**") for:

- (a) for Monthly System Entry Capacity for each calendar month in Capacity Year + 1 and Capacity Year + 2; and
- (b) for Quarterly System Entry Capacity for each calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive),

in each case for such aggregate amounts of System Entry Capacity as is specified in the relevant annual invitation.

### 2.2.3 Transco's annual invitations under paragraph 2.2.2 will specify:

- (a) the dates (on which applications pursuant to the annual invitation may be made), which for the purposes of:
  - (i) paragraph 2.2.2(a), shall be four dates (each of which shall be a Business Day) on which applications pursuant to such annual invitation may be made; the period between each such date shall not be less than two Business Days; and
  - (ii) paragraph 2.2.2(b), shall be a period of ten (10) consecutive Business Days ("**annual invitation period**"),
 (each such date an "**annual**" invitation date);
- (b) for each Aggregate System Entry Point, and in respect of each of Capacity Year +1 to Capacity Year +16 (inclusive), the Available System Entry Capacity (and, in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity as referred to in paragraph (e) below) and the reserve price for Unsold

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System Entry Capacity (in accordance with the Transportation Statement) (the “**reserve price**”);

- (c) for each Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
  - (i) the relevant number of incremental amounts (each being for a different amount) of Quarterly System Entry Capacity greater than the NTS SO Baseline Entry Capacity (the maximum incremental amount being not less than an amount equal to 150% of Baseline Entry Capacity) (each amount an “**incremental capacity amount**”); and
  - (ii) the price payable by Users for each different incremental capacity amount (the “**step price**”) were Transco to make such incremental capacity amount available,

in each case (in accordance with the Transportation Statement); and

- (d) the relevant number for the purposes of paragraph (b) being twenty (20) except in the case of an Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) shall be set out in the Transportation Statement; and
- (e) for each Aggregate System Entry Point and in respect of Capacity Year +1 and Capacity Year +2, the Available Monthly Capacity for the relevant calendar month on the relevant annual invitation date. The “**Available Monthly Capacity**” for a calendar month shall mean, in respect of the first three annual invitation dates, an amount equal to 25% of the amount of the Available System Entry Capacity for that calendar month (as determined immediately prior to the first such annual invitation date); and in respect of the fourth annual invitation date shall mean an amount equal to the Available System Entry Capacity for that calendar month (again as determined immediately prior to the first such annual invitation date) less the amount of System Entry Capacity allocated in aggregate pursuant to the first three annual invitation dates for that calendar month.

2.2.4 Users may apply for Monthly System Entry Capacity for a calendar month in Capacity Year + 1 and/or Capacity Year + 2 and/or (without prejudice to paragraph 2.2.14) for Quarterly System Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of an Aggregate System Entry Point on the relevant annual invitation dates.

2.2.5 The “**Available System Entry Capacity**” for an Aggregate System Entry Point is, in respect of:

- (a) a calendar month in Capacity Year +1 and Capacity Year + 2, not less than the sum of:
  - (i) Unsold System Entry Capacity (if any); and
  - (ii) Incremental System Entry Capacity (if any); and

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- (b) a calendar quarter in Capacity Year + 2 to Capacity Year + 16 (inclusive), is not less than the sum of:
    - (i) Unsold System Entry Capacity (if any); and
    - (ii) Incremental System Entry Capacity (if any).
- 2.2.6 An application (a "**quarterly**" capacity bid) for Quarterly System Entry Capacity in respect of Capacity Year + 2 to Capacity Year + 16 (inclusive) shall specify:
- (a) the identity of the User;
  - (b) the Aggregate System Entry Point;
  - (c) the calendar year and calendar quarter for which Quarterly System Entry Capacity is applied for;
  - (d) the amount (not less than the minimum eligible amount) of Quarterly System Entry Capacity applied for (in kWh/Day);
  - (e) the minimum amount (not less than the minimum eligible amount) of Quarterly System Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.6.4; and
  - (f) the price (being either the reserve price or a step price as set out in the Transportation Statement) in respect of which the User is applying for the amount of Quarterly System Entry Capacity.
- 2.2.7 An application (a "**monthly**" capacity bid) for Monthly System Entry Capacity in respect of Capacity Year + 1 and Capacity Year + 2 shall specify:
- (a) the identity of the User;
  - (b) the Aggregate System Entry Point;
  - (c) the Capacity Year and calendar month for which Monthly System Entry Capacity is applied for;
  - (d) the amount (not less than the minimum eligible amount) of Monthly System Entry Capacity applied for (in kWh/Day);
  - (e) the minimum amount (not less than the minimum eligible amount) of Monthly System Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
  - (f) the amount (the "**bid price**") which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Monthly System Entry Capacity applied for.
- 2.2.8 A User may have, at any one time:
- (a) in aggregate in respect of all annual invitation dates, up to but not more than twenty (20) monthly capacity bids; and

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- (b) during the annual invitation period, up to but not more than twenty one (21) quarterly capacity bids provided that during such period the User may only have one (1) such quarterly capacity bid for which the price specified for the purposes of paragraph 2.2.6(f) is the reserve price or any particular step price,

in respect of a particular Aggregate System Entry Point for each calendar month or (as the case may be) calendar quarter capable of acceptance in accordance with paragraphs 2.6 and 2.7.

#### 2.2.9 A capacity bid:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on an invitation date; and
- (b) may be withdrawn or amended after 08:00 hours and until, but not after, 17:00 hours:
  - (i) where such bid is a monthly capacity bid, on the relevant invitation date;
  - (ii) where such bid is a quarterly capacity bid, on each annual invitation date in the annual invitation period.

#### 2.2.10 Where in relation to the incremental amounts of Quarterly System Entry Capacity specified in an annual invitation the step prices specified:

- (a) increase as the corresponding incremental amount itself increases, Users may only submit a second or further quarterly capacity bid where the step price applied for is greater than that applying to any other bid, if the amount of Quarterly System Entry Capacity applied for in such bid is no greater than that applied for under any earlier bid;
- (b) decrease as the incremental amount itself increases, Users may only submit a second or further Quarterly capacity bid where the step price applied for is less than that applying to any other bid, if the amount of Quarterly System Entry Capacity applied for in such bid is no less than that applied for under any earlier bid.

#### 2.2.11 Transco shall reject a capacity bid submitted on an annual invitation date where:

- (a) the bid price is less than the reserve price or is not a step price;
- (b) the requirement in paragraph 2.2.10 is not complied with;
- (c) any other requirement of paragraphs 2.2.6 or 2.2.7 is not complied with,

and Transco may reject a capacity bid in accordance with [Section V3](#).

#### 2.2.12 Nothing in this paragraph 2.2 shall be construed as giving rise to any restriction on Transco's ability to make available Quarterly System Entry Capacity (or Monthly System Entry Capacity) in an annual invitation in an amount which exceeds the Unsold System Entry Capacity.

#### 2.2.13 In the event that a User submits monthly capacity bids in response to an annual

invitation and the sum of:

- (a) the aggregate System Entry Capacity Charges payable by the User were all the Monthly System Entry Capacity applied for under the User's capacity bids in respect of Capacity Year +1 to be allocated in full; and
- (b) the User's Relevant Code Indebtedness at 17:00 hours on any Business Day on which monthly capacity bids may be made,

exceeds 85% of the User's Code Credit Limit, Transco shall not later than five (5) Business Days after the last relevant annual invitation date inform the User.

2.2.14 Following a notice under paragraph 2.2.13, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), all quarterly capacity bids submitted by the User in response to the annual invitation shall be disregarded for the purposes of this paragraph 2 (and have no effect).

2.2.15 Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the sum of:

- (a) the aggregate System Entry Charges payable by the User in respect of its Registered Quarterly Firm System Entry Capacity for each Day in the twelve (12) calendar months commencing from the first Day of the following calendar month ("**relevant months**"); and
- (b) the User's Relevant Code Indebtedness at such time,

exceeds 85% of its Code Credit Limit Transco shall not later than five (5) Business Days after the first Business Day of the calendar month inform the User.

2.2.16 Following a notice under paragraph 2.2.15, in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with the Code Credit Rules), the User's Registered Quarterly Firm System Entry Capacity for each of the relevant calendar quarters will lapse and the User will cease to be treated as holding the Registered Quarterly Firm System Entry Capacity.

2.2.17 Following the submission of quarterly capacity bids on each annual invitation date in the annual invitation period Transco shall as soon as reasonably practicable after 17:00 hours on each such date calculate and notify Users, in respect of each calendar quarter and each Aggregate System Entry Point, of the Stability Group by reference to identifying where the quantities of Quarterly System Entry Capacity applied for in aggregate by Users are first equal to or less than the incremental quantities specified in the annual invitation in ascending order.

2.2.18

- (a) For the purposes of this paragraph 2.2.18:
  - (i) a "**New**" Aggregate System Entry Point is an Aggregate System Entry Point in respect of which Transco has not previously held an annual invitation in accordance with the earlier provisions of this paragraph 2.2 or this paragraph 2.2.18;

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- (ii) an “**initial**” quarterly capacity bid is a capacity bid submitted on an initial annual invitation date and a “**secondary**” quarterly capacity bid is a quarterly capacity bid submitted on a secondary annual invitation date.
- (b) By not later than the Day falling twenty eight (28) Days before the first initial annual invitation date, Transco will notify Users of the applicable reserve prices and the step prices that will apply in respect of the New Aggregate System Entry Point for the purposes of the first annual invitation.
- (c) Transco will invite applications (“**first**” annual invitation) for Quarterly System Entry Capacity at the New Aggregate System Entry Point for each calendar quarter in Capacity Year +2 to Capacity Year +16 (inclusive) for such aggregate amounts of System Entry Capacity as is specified in the first annual invitation and Users may make applications for System Entry Capacity in respect of the New Aggregate System Entry Point in accordance with this paragraph 2.2.18.
- (d) Transco's annual invitation under paragraph 2.2.18(c) will specify:
  - (i) the date(s) on which applications (“**initial applications**”) pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date an “**initial**” annual invitation date);
  - (ii) the date(s) on which further applications (“**secondary applications**”) pursuant to the first annual invitation may be made, which shall be a period of ten (10) consecutive Business Days, (each such date a “**secondary**” annual invitation date);
  - (iii) the conditions which must be satisfied before Transco will invite Users to submit secondary applications;
  - (iv) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive), the Available System Entry Capacity and the applicable reserve prices for Baseline System Entry Capacity (in accordance with the Transportation Statement) (the “**applicable reserve price**”);
  - (v) for the New Aggregate System Entry Point, and in respect of each of Capacity Year + 2 to Capacity Year + 16 (inclusive):
    - (1) the relevant number of incremental capacity amounts of Quarterly System Entry Capacity greater than the NTS SO Baseline Entry Capacity (the maximum incremental capacity amount being not less than an amount equal to 150% of Baseline Entry Capacity); and
    - (2) the step price payable by Users for each different incremental capacity amount were Transco to make such incremental capacity amount available,

in each case (in accordance with the Transportation Statement); and

- (vi) the relevant number for the purposes of paragraph (v) being twenty (20) except in the event of a New Aggregate System Entry Point where the NTS SO Baseline Entry Capacity is less than 300,000,000 kWh/Day where the relevant number (being not greater than twenty (20) and not less than five (5)) as set out in the Transportation Statement.
- (e) Provided the conditions referred to in the first annual invitation are satisfied Transco will by not later than the Day falling twenty-eight (28) Days before the first Day on which Users may submit secondary applications re-notify Users of each of the secondary annual invitation date(s), and Transco's invitation will be in accordance with paragraph 2.2.18(d) and the applicable reserve price shall be the same as that applicable reserve price that applied when Users were invited to submit initial applications.
- (f) Users may apply for Quarterly System Entry Capacity for a calendar quarter in each of Capacity Year + 2 to Capacity Year + 16 (inclusive) in respect of the New Aggregate System Entry Point on initial annual invitation dates and on secondary annual invitation dates (and a User who has not submitted an initial application shall not be prevented from submitting a secondary application where Transco invites secondary applications).
- (g) For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.18, in relation to a first annual invitation:
  - (i) paragraphs 2.2.5, 2.2.6, 2.2.8, 2.2.10, 2.2.11 and 2.2.12 shall apply;
  - (ii) paragraph 2.2.9 shall apply provided that an initial quarterly capacity bid may not be withdrawn on a secondary annual invitation date;
  - (iii) paragraph 2.2.17 shall apply for which purposes the prevailing relevant step price group shall be determined by reference to the quantities of Quarterly System Entry Capacity applied for in aggregate at the New Aggregate System Entry Point by Users up until 17:00 hours on each relevant invitation date).
- (h) Without prejudice to paragraph 2.2.18(i), following the submission of initial applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall apply and Transco shall allocate System Entry Capacity and Users will be registered as holding Quarterly System Entry Capacity at the New Aggregate System Entry Point in the amounts so allocated.
- (i) Where Transco invites and Users submit secondary applications in relation to the New Aggregate System Entry Point paragraph 2.6 shall again apply for which purposes the Reserve Price Bid Amount and the relevant step price group shall be determined by reference to initial quarterly capacity bids and secondary quarterly capacity bids and Transco shall allocate or (as the case may be) reallocate System Entry Capacity and Users will be registered as holding Quarterly System Entry Capacity in the amounts so allocated or (as the case may be) reallocated.
- (j) For the avoidance of doubt following the allocation of System Entry Capacity under paragraph 2.2.18(i) Users agree to pay by way of System Entry Charges



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for the Quarterly System Entry Capacity allocated the step price corresponding to the relevant step price group for the calendar quarter following the second application of paragraph 2.6 irrespective of whether or not the step price is the same as the step price corresponding to the relevant step price group following the first application of paragraph 2.6 in respect of initial applications.

- (k) Nothing in this paragraph 2.2.18 shall be construed as giving rise to a requirement that Transco make available System Entry Capacity in relation to the New Aggregate System Entry Point on secondary annual invitation dates or that Transco invite Users to submit secondary applications.

2.2.19 In the event that following calculation of the Stability Group (in accordance with paragraph 2.2.17) for each calendar quarter and each Aggregate System Entry Point following submission of quarterly capacity bids on the next following invitation date, the Stability Group remains unchanged in respect of all but four or fewer calendar quarters and Aggregate System Entry Point combinations:

- (a) Transco shall by not later than 08:00 hours on the next following annual invitation date, notify Users that this paragraph 2.2.19 applies and that the annual invitation period has ended; and
- (b) Users shall not be not be permitted to submit and Transco shall not be permitted to accept any further quarterly capacity bids in respect of the annual invitation.

## 2.3 Rolling Monthly System Entry Capacity auctions

2.3.1 In respect of an Aggregate System Entry Point where there is in relation to a calendar month Unsold System Entry Capacity Transco will invite applications (a "**rolling monthly invitation**") for Monthly System Entry Capacity (in an amount not less than the sum of Unsold System Entry Capacity (if any) and Incremental System Entry Capacity (if any)) in respect of the Aggregate System Entry Point for the relevant calendar month in accordance with this paragraph 2.3.

2.3.2 Transco's rolling monthly invitation under paragraph 2.3.1 will specify:

- (a) the date (a "**rolling monthly**" invitation date) being one of the five (5) Business Days preceding the last Business Day in the calendar month preceding the relevant calendar month for which applications may be made) on which applications pursuant to the rolling monthly invitation may be made; and
- (b) for each Aggregate System Entry Point, the amount of Monthly System Entry Capacity to be made available; and
- (c) the reserve price to be applied.

2.3.3 Users may apply for Monthly System Entry Capacity in respect of an Aggregate System Entry Point in the relevant calendar month on a rolling monthly invitation date.

2.3.4 An application (a "**rolling monthly**" capacity bid) for Monthly System Entry Capacity shall specify:

- (a) the identity of the User;



- (b) the Aggregate System Entry Point;
- (c) the calendar month for which Monthly System Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Monthly System Entry Capacity applied for (in kWh/Day);
- (e) the minimum amount (not less than the minimum eligible amount) of Monthly System Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
- (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Monthly System Entry Capacity applied for.

2.3.5 A rolling monthly capacity bid:

- (a) may not be submitted before 08:00 hours or after 17:00 hours on a rolling monthly invitation date; and
- (b) may be withdrawn or amended until, but not after, 17:00 hours on a rolling monthly invitation date.

2.3.6 Transco shall reject a rolling monthly capacity bid where:

- (a) the bid price is less than the reserve price;
- (b) any other requirement of paragraph 2.3.4 is not complied with,

and Transco may reject a rolling monthly capacity bid in accordance with [Section V3](#).

## 2.4 Daily System Entry Capacity

2.4.1 Users may apply for Daily System Entry Capacity in respect of an Aggregate System Entry Point for a Day in accordance with this paragraph 2.4.

2.4.2 An application (a "**daily**" capacity bid) for Daily System Entry Capacity shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Day for which the Daily System Entry Capacity is applied for;
- (d) the amount (not less than the minimum eligible amount) of Daily System Entry Capacity applied for;
- (e) the minimum amount (not less than the minimum eligible amount) of Daily System Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e);
- (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily System Entry Capacity applied for; and

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- (g) whether such bid is a fixed or reducing daily capacity bid.
- 2.4.3 A daily capacity bid:
  - (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 02:00 hours on the Day for which the Daily System Entry Capacity is applied for; and
  - (b) may, subject to paragraph 2.4.4, in the case of a fixed bid be withdrawn or amended and in the case of a reducing bid withdrawn, at any time before Daily System Entry Capacity is allocated in respect of such bid.
- 2.4.4 A daily capacity bid may not be withdrawn during a capacity allocation period (irrespective of whether or not the daily capacity bid is in relation to an Aggregate System Entry Point at which, for the purposes of the capacity allocation, there is Available Daily Capacity) and where a User seeks to withdraw a bid during such period, Transco will notify the User that a capacity allocation period is current and Transco may, subject to paragraph 2.4.6, accept such daily capacity bid.
- 2.4.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity bids which are capable of acceptance in accordance with this paragraph 2.4.
- 2.4.6 Transco shall reject a daily capacity bid where:
  - (a) the bid price is less than the reserve price;
  - (b) any other requirement of paragraph 2.4.2 is not complied with,and Transco may reject a daily capacity bid in accordance with [Section V3](#).
- 2.4.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Available Daily Capacity is available Transco will initiate a capacity allocation period.
- 2.4.8 Where Transco has initiated a capacity allocation period or for the purposes of paragraph 2.4.11, Daily System Entry Capacity (up to the amount, if any, of the Available Daily Capacity) will be allocated in accordance with paragraph 2.7.
- 2.4.9 Subject to paragraph 2.7.3, Transco will accept bids in respect of which Daily System Entry Capacity is allocated in accordance with paragraph 2.7.2, 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.
- 2.4.10 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.
- 2.4.11 Daily capacity bids will also be selected for acceptance in accordance with the System Management Principles.
- 2.4.12 Transco will accept daily capacity bids selected pursuant to paragraph 2.7.2 or 2.4.11 and the amount of Available Daily Capacity for the Day at the Aggregate System Entry

Point will be decreased by the amount for which the bid was selected.

2.4.13 For the purposes of this paragraph 2.4:

- (a) the "**Available Daily Capacity**" in relation to an Aggregate System Entry Point, is an amount of Daily System Entry Capacity equivalent to the sum of Unsold System Entry Capacity (which was available for such Day in accordance with paragraph 2.3 (if any)) which remains available following the application of paragraph 2.3 in respect of each Day in the calendar month in which such Day falls and any additional Daily System Entry Capacity that Transco may in its sole discretion choose to make available for the Day (if any);
- (b) the "**bid effective time**" is the time on the hour in relation to a daily capacity bid being the later of:
  - (i) 06:00 hours on the Gas Flow Day; or
  - (ii) the time falling no earlier than 60 minutes after Daily System Entry Capacity has been allocated in respect of such bid;
- (c) a "**capacity allocation period**" is the period of 15 minutes, in which Transco conducts capacity allocation at an Aggregate System Entry Point for a Day, and which subject to there being Available Daily Capacity and available daily capacity bids at such time:
  - (i) first commences at 13:00 hours on the Preceding Day to that for which the Daily System Entry Capacity is applied for;
  - (ii) commences on any hour bar falling thereafter up to and including 02:00 hours on the Day for which the Daily System Entry Capacity is applied for (but not thereafter);
- (d) a "**capacity allocation**" is the allocation of Daily System Entry Capacity during a capacity allocation period in accordance with paragraph 2.7;
- (e) a "**fixed bid**", is a daily capacity bid in relation to which the Daily System Entry Capacity applied for is not conditional on the bid effective time and a "**reducing bid**" is a daily capacity bid in relation to which the amount of Daily System Entry Capacity applied for is determined as:

$$(DSEC / BET) * N$$

where:

DSEC is the amount of Daily System Entry Capacity applied for when the bid was first submitted;

BET commencing from the earliest bid effective time in respect of such bid, the number of hours remaining on the Gas Flow Day;

N the number of hours remaining from the actual bid effective time were Daily System Entry Capacity to be allocated in respect of such a bid.

- (f) the "**reserve price**" shall mean:

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- (i) in respect of Daily System Entry Capacity applied for and allocated prior to 06:00 on the Day for which it was applied for, the reserve price for Unsold System Entry Capacity (in accordance with the Transportation Statement); or
- (ii) in respect of Daily System Entry Capacity applied for and allocated after 06:00 hours on the Day for which it was applied for, zero.

2.4.14 A daily capacity bid is "**available**" where:

- (a) submitted and not withdrawn prior to the start of any capacity allocation period; and
- (b) the bid effective time is later than 06:00 on the Gas Flow Day, the implied capacity rate is less than or equal to the available capacity rate at the relevant Aggregate System Entry Point,

and for the avoidance of doubt, where Daily System Entry Capacity is allocated in respect of a bid such bid shall be extinguished and no longer be available for the purposes of paragraph 2.7.

2.4.15 For the purposes of this paragraph 2.4:

- (a) the "**available capacity rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Daily System Entry Capacity equal, as appropriate, to the Available Daily Capacity, divided by the number of hours remaining in the Day following the capacity allocation effective time;
- (b) the "**capacity allocation effective time**" is:
  - (i) where the capacity allocation period ends prior to 04:00 hours on the Preceding Day, 06:00 on the Gas Flow Day;
  - (ii) the hour bar following the next hour bar falling after the end of a capacity allocation period;
- (c) the "**implied capacity rate**" in relation to a:
  - (i) fixed bid, is the rate (in kWh/hour), calculated as the amount of Daily System Entry Capacity in respect of which the bid was made divided by the number of hours remaining in the Day were Daily System Entry Capacity to be allocated in respect of such bid;
  - (ii) reducing bid, is the rate (in kWh/hour) calculated as the amount of Daily System Entry Capacity in respect of which the bid was made divided by the number of hours remaining in the Day from the hour bar following the hour bar next falling after submission of such bid.

## 2.5 Daily Interruptible System Entry Capacity

2.5.1 Users may apply for Daily Interruptible 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 interruptible**" capacity bid) for Daily Interruptible System Entry Capacity pursuant to this paragraph 2.5 shall specify:
- (a) the identity of the User;
  - (b) the Aggregate System Entry Point;
  - (c) the Day for which the Daily Interruptible System Entry Capacity is applied for;
  - (d) the amount (not less than the minimum eligible amount) of Daily Interruptible System Entry Capacity applied for;
  - (e) the minimum amount (not less than the minimum eligible amount) of Daily Interruptible System Entry Capacity which the User is willing to be allocated for the purposes of paragraph 2.7.2(e); and
  - (f) the amount (the "**bid price**"), which shall not be less than the reserve price which the User is willing to pay by way of Capacity Charge in respect of the Daily Interruptible System Entry Capacity applied for.
- 2.5.3 A daily interruptible capacity bid:
- (a) may be submitted at any time from the 7th Day before the Gas Flow Day until 13:00 hours on the Preceding Day; and
  - (b) may be withdrawn or amended until, but not after, 13:00 hours on the Preceding Day.
- 2.5.4 For each Day, in respect of each Aggregate System Entry Point:
- (a) Transco will notify Users of the amount of Available Interruptible Capacity by not later than 12:00 hours on the Preceding Day; and
  - (b) Daily Interruptible System Entry Capacity (up to the amount if any of the Available Interruptible Capacity) will be allocated pursuant to daily interruptible capacity bids in accordance with paragraph 2.7.
- 2.5.5 In relation to each Aggregate System Entry Point and in respect of any Day a User may have, at any one time, up to but not more than 20 daily interruptible capacity bids which are capable of acceptance in accordance with paragraph 2.7.
- 2.5.6 Transco will reject a daily interruptible capacity bid where:
- (a) the bid price is less than the reserve price;
  - (b) any other requirement of paragraph 2.5.2 is not complied with,
- and Transco may reject a daily interruptible capacity bid in accordance with [Section V3](#).
- 2.5.7 Subject to paragraph 2.7.3, Transco will accept bids in respect of which Daily Interruptible System Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding Daily Interruptible System Entry Capacity (in the amount so allocated) for the Day in respect of the Aggregate System Entry Point.

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- 2.5.8 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 daily interruptible 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 interruptible capacity bids which have been accepted and the amount of Daily Interruptible 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 the "**Available Interruptible Capacity**" in respect of an Aggregate System Entry Point for any Day is an amount of System Entry Capacity equal to the daily average unutilised firm capacity.
- 2.5.11 The "**daily average unutilised firm capacity**" in respect of any relevant period in relation to an Aggregate System Entry Point is an amount of System Entry Capacity equal to:

$$\text{AUC} / 30$$

where:

AUC is the aggregate amount, for each relevant day, by which the Firm System Entry Capacity at the Aggregate System Entry Point held by Users in aggregate exceeds the sum of the Entry Point Daily Quantity Delivered for each System Entry Point comprised in the Aggregate System Entry Point,

and a "**relevant day**" is each of the thirty (30) Days up to (and including) the Day falling seven (7) Days before the first Day in any relevant period and "**relevant period**" is a period of seven (7) consecutive Days .

## 2.6 Allocation: Quarterly System Entry Capacity

- 2.6.1 Following an annual invitation and in relation to an Aggregate System Entry Point and a calendar quarter where the Reserve Price Bid Amount:
- (a) is equal to or less than the Unsold System Entry Capacity, paragraph 2.6.2 will apply;
  - (b) is greater than the Unsold System Entry Capacity, paragraph 2.6.3 will apply (other than where the circumstances in paragraph 2.6.4 exist in which case such paragraph shall apply).
- 2.6.2 Where this paragraph 2.6.2 applies pursuant to paragraph 2.6.1:
- (a) Quarterly System Entry Capacity will be allocated to each quarterly capacity bid (excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) in the amount of Quarterly System Entry Capacity applied for; and
  - (b) the User agrees to pay by way of System Entry Charge for the Quarterly System Entry Capacity allocated in accordance with paragraph (a) the applicable reserve price for the calendar quarter.
- 2.6.3 Where this paragraph 2.6.3 applies pursuant to paragraph 2.6.1, subject to paragraph

2.6.4:

- (a) Quarterly System Entry Capacity will be allocated to each quarterly capacity bid in the relevant step price group or the reserve price (as the case may be) (in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) in the amount of Quarterly System Entry Capacity applied for; and
- (b) the User agrees to pay by way of System Entry Charge for the Quarterly System Entry Capacity allocated in accordance with paragraph (a) the step price or the reserve price (as the case may be) corresponding to the relevant step price group for the calendar quarter.

2.6.4 In the event that there is no relevant step price group the Actual Available System Entry Capacity will be allocated to each quarterly capacity bid:

- (a) where paragraph 2.2.10(a) applies, in the step price group for which Users specified the highest step price when applying for Quarterly System Entry Capacity;
- (b) where paragraph 2.2.10(b) applies, in the step price group for which the incremental capacity amount which is equal to the Actual Available Aggregate System Entry Capacity,

(in each case excluding any quarterly capacity bid rejected pursuant to paragraph 2.2.11) pro rata the amount applied for (provided that where the amount to be allocated is less than the minimum amount specified in the quarterly capacity bid, the bid will be disregarded (and have no effect) and a revised allocation will be made between the quarterly capacity bids in accordance with this paragraph).

2.6.5 For the purposes of this paragraph 2.6, and in respect of an Aggregate System Entry Point in relation to a calendar quarter:

- (a) **"Actual Available System Entry Capacity"** is, following an annual invitation, an amount of Quarterly System Entry Capacity equal to the sum of:
  - (i) Unsold System Entry Capacity (as determined prior to the annual invitation);
  - (ii) any additional Quarterly System Entry Capacity which Transco is required to make available pursuant to the Incremental Entry Capacity Release Statement following the submission of quarterly capacity bids in response to the annual invitation; and
  - (iii) any additional Quarterly System Entry Capacity which Transco in its sole discretion determines to make available to Users;
- (b) the **"relevant step price group"** is:
  - (i) where a step price group quantity is exactly equal to the Actual Available System Entry Capacity, the step price group in respect of which the step price group quantity is exactly equal to the Actual Available System Entry Capacity at the step price in respect of the Actual Available System Entry Capacity; and



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- (ii) where paragraph (i) above is not applicable and paragraph 2.2.10(a) applies, the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the Actual Available System Entry Capacity; and
    - (iii) where paragraph (i) above is not applicable and paragraph 2.2.10(b) applies, the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is last equal to or less than the Actual Available System Entry Capacity;
  - (c) the "**Reserve Price Bid Amount**" is, in relation to an annual invitation, the aggregate amount of Quarterly System Entry Capacity applied for pursuant to quarterly capacity bids in respect of which different Users specified a price other than a step price when applying for Quarterly System Entry Capacity;
  - (d) a "**step price group**" are those quarterly capacity bids in respect of which different Users specified the same step price when applying for Quarterly System Entry Capacity; and
  - (e) the "**step price group quantity**" is the aggregate amount of Quarterly System Entry Capacity applied for by Users pursuant to quarterly capacity bids comprised in a step price group.
  - (f) the "**Stability Group**" is the step price group, when considering the incremental quantities specified in the annual invitation in ascending order, in respect of which the step price group quantity is first equal to or less than the incremental quantities specified in the annual invitation in ascending order.
- 2.6.6 Transco will accept quarterly capacity bids in respect of which Quarterly System Entry Capacity is allocated in accordance with paragraphs 2.6.2, 2.6.3 and 2.6.4, and each User whose bid is so accepted will be registered as holding Quarterly System Entry Capacity (in the amount so allocated) for the relevant calendar quarter in respect of the Aggregate System Entry Point.
- 2.6.7 Transco will, not later than:
- (a) two months following the last annual invitation date in a Capacity Year inform each User of those of its quarterly capacity bids which have been accepted and the amount of Quarterly System Entry Capacity which it is registered as holding for each calendar quarter pursuant to each such accepted quarterly capacity bid; and
  - (b) twenty four (24) hours after the time at which Transco notifies Users in accordance with paragraph (a) notify all Users in respect of each calendar quarter in accordance with paragraph 2.14.2.

## 2.7 Allocation: Monthly, Daily and Daily Interruptible System Entry Capacity

- 2.7.1 Following the submission of monthly capacity bids, rolling monthly, daily capacity bids and daily interruptible capacity bids, System Entry Capacity will be allocated for a



relevant short term period in accordance with this paragraph 2.7.

- 2.7.2 For a relevant short term period, System Entry Capacity in respect of an Aggregate System Entry Point will be allocated pursuant to capacity bids submitted in respect of such short term period as follows:
- (a) all capacity bids submitted in respect of the relevant short term period (excluding any bid rejected pursuant to paragraphs 2.2.11, 2.3.6, 2.4.6 or 2.5.6) will be ranked in order of bid price (the highest price ranking first) save that in the case of monthly capacity bids made pursuant to paragraph 2.2.4 the ranking will be made in respect of each relevant annual invitation date;
  - (b) in the case of monthly capacity bids made pursuant to paragraphs 2.2.4, the Available System Entry Capacity for the calendar month;
    - (i) in the case of monthly capacity bids made pursuant to paragraph 2.2.4, the Available Monthly Capacity for the relevant annual invitation date for the calendar month;
    - (ii) in the case of daily capacity bids made pursuant to paragraph 2.4.1 the Available Daily Capacity; and
    - (iii) in the case of daily interruptible capacity bids made pursuant to paragraph 2.5.1, the Available Interruptible Capacity;
  - (c) subject to paragraphs (d) and (e) and paragraph 2.7.3, where the amount of System Entry Capacity applied for under a bid exceeds the amount (the "**remaining unallocated amount**") of the relevant 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 2.7.3, where each of two or more bids ("**equal priced bids**") specifies the same bid price, and the amount of relevant capacity remaining 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 in the capacity bid, 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.
- 2.7.3 Where the amount to be allocated in respect of any bid pursuant to paragraph 2.7.2 is less than the minimum eligible amount, Transco will not accept that or any further capacity bids under, as appropriate, paragraphs 2.2, 2.3, 2.4 or 2.5.
- 2.7.4 Subject to paragraph 2.7.2, Transco will accept bids in respect of which System Entry Capacity is allocated in accordance with paragraph 2.7.2, and each User whose bid is so accepted will be registered as holding System Entry Capacity (in the amount so allocated) for the relevant short term period in respect of the Aggregate System Entry Point.
- 2.7.5 Each User who applies for System Entry Capacity for a relevant short term period shall

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tender in respect of each capacity bid a bid price (in accordance with paragraphs 2.2.7(f), 2.3.4(f), 2.4.2(f) or 2.5.2(f)) and agrees by making such application to pay by way of System Entry Capacity Charges the relevant bid price for the relevant short term period in respect of the System Entry Capacity allocated in accordance with this paragraph 2.7 pursuant to such capacity bid.

2.7.6 For the purposes of this paragraph 2.7:

- (a) **"relevant short term period"** means:
  - (i) in the case of an annual invitation or a rolling monthly invitation under paragraphs 2.2 and 2.3, the relevant calendar month; and
  - (ii) for the purposes of paragraphs 2.4 and 2.5, the relevant Day; and
- (b) **"relevant capacity remaining"** is, for the purposes of an allocation in accordance with paragraph 2.7.2 following applications made under:
  - (i) paragraphs 2.2.5 or 2.3.3, Monthly System Entry Capacity;
  - (ii) paragraph 2.4.1, Daily System Entry Capacity; and
  - (iii) paragraph 2.5.1, Daily Interruptible System Entry Capacity.

2.7.7 Transco will:

- (a) in respect of Monthly System Entry Capacity allocated in respect of Capacity Year + 1 not later than one month following the final date on which applications for Monthly System Entry Capacity could be made, 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 each calendar month in Capacity Year +1 pursuant to each such accepted monthly capacity bid;
- (b) in respect of Monthly System Entry Capacity allocated in respect of Capacity Year + 2 not later than two months following the final date on which applications for Monthly System Entry Capacity could be made, 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 each calendar month in Capacity Year + 2;
- (c) in respect of Monthly System Entry Capacity allocated in respect of a calendar month not later than three (3) Business Days following rolling monthly invitation inform each User of those of its rolling monthly capacity bids which have been accepted and the amount of Monthly System Entry Capacity which it is registered as holding for the calendar month;
- (d) one (1) hour after a capacity allocation of Daily System Entry Capacity and Daily Interruptible System Entry Capacity inform each User of those of its capacity bids which have been accepted and the amount of Daily System Entry Capacity and Daily Interruptible System Entry Capacity which it is registered as holding pursuant to each such accepted capacity bid; and

- (e) twenty four (24) hours after the time at which Transco notifies Users in accordance with paragraph (a), (b), (c) and (d) notify all Users in respect of each relevant short term period in accordance with paragraph 2.14.2.

## 2.8 Capacity Constraint Management

2.8.1 Transco may, for the purposes of Capacity Management:

- (a) initiate a capacity allocation period in accordance with the System Management Principles; and
- (b) undertake Capacity Management in accordance with the System Management Principles (which may include the acceptance of daily capacity offers on any Day at an Aggregate System Entry Point in such aggregate amounts as is consistent with the System Management Principles).

2.8.2 For the purposes of the Code:

- (a) **"Capacity Management"** means, in relation to an Aggregate System Entry Point and in relation to any Day:
  - (i) the entering into of a Capacity Management Agreement by Transco; and/or
  - (ii) the curtailment of Interruptible System Entry Capacity in accordance with paragraphs 2.9; and/or
  - (iii) the acceptance by Transco of daily capacity offers submitted by Users in accordance with paragraph 2.10,in each case in accordance with the System Management Principles (and this paragraph 2);
- (b) **"Capacity Management Charges"** are all amounts payable by Transco to a User pursuant to a Capacity Management Agreement and include Capacity Surrender Charges; and
- (c) a **"Capacity Management Agreement"** is any form of agreement (or mechanism) identified in the statement to be prepared and published by Transco pursuant to Special Condition 27(3) of the Transco Licence which may be utilised by Transco and pursuant to which Transco may secure the surrender of Firm System Entry Capacity by Users for the purposes of the management of a capacity constraint.

2.8.3 Transco may enter into a Capacity Management Agreement with a User.

2.8.4 Where pursuant to the terms of a Capacity Management Agreement a User surrenders Firm System Entry Capacity at an Aggregate System Entry Point in relation to a Day, the amount of the User's Available Firm System Entry Capacity at the Aggregate System Entry Point shall be reduced by the amount surrendered by the User pursuant to the terms of the Capacity Management Agreement.

2.8.5 Capacity Surrender Charges will be invoiced and payable in accordance with [Section S](#).

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- 2.8.6 Transco shall for the purposes of the management of a capacity constraint take such steps as are in accordance with the System Management Principles; it however being acknowledged that the System Management Principles do not form part of, and are not incorporated into, and are not binding upon Transco pursuant to, the Code.
- 2.8.7 For the avoidance of doubt, Transco shall not be under any obligation pursuant to paragraphs 2.2, 2.3, 2.4, 2.5 or any other provision of this Section B2 to make available to Users System Entry Capacity surrendered by Users pursuant to the terms of a Capacity Management Agreement.
- 2.8.8 For the purposes of paragraph 2.8.9 below, the following words shall have the following meanings:

“**Forward Agreement**” means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User surrenders Firm System Entry Capacity to Transco 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);

“**Option Agreement**” means a Capacity Management Agreement (entered into following the issue of a Tender Invitation Notice) pursuant to which a User grants an option to Transco upon the exercise of which Transco may accept the surrender of Firm System Entry Capacity (but, for the avoidance of doubt, shall not include an agreement made pursuant to the provisions of paragraph 2.10);

“**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 Transco pursuant to a Tender Invitation Notice;

“**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 Transco pursuant to a Tender Invitation Notice; and

“**Tender Invitation Notice**” means a notice issued by Transco inviting Users to submit a tender offer for a Forward Agreement or an Option Agreement (as the case may be).

## 2.8.9

- (a) Where, in respect of a Relevant Forward Combination and pursuant to a Tender Invitation Notice, Transco enters into Forward Agreement(s) with Users after the date of implementation of the modification proposal giving effect to this paragraph (a), it shall publish on the Business Day following that on which it enters into such Forward Agreement(s) and in respect of each Gas Flow Day in the relevant forward delivery period:
- (i) the volume weighted average price in respect of all valid offers received by Transco for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;

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- (ii) the aggregate quantity of Firm System Entry Capacity for which valid offers to surrender were received by Transco for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
  - (iii) the minimum price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
  - (iv) the maximum price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
  - (v) in respect of such Forward Agreement(s), the volume weighted average price for the surrender of Firm System Entry Capacity pursuant to such agreements;
  - (vi) in respect of such Forward Agreement(s), the aggregate quantity of Firm System Entry Capacity that was surrendered pursuant to such agreements;
  - (vii) in respect of such Forward Agreement(s), the minimum price paid for the surrender of Firm System Entry Capacity pursuant to such agreements; and
  - (viii) in respect of such Forward Agreement(s), the maximum price paid for the surrender of Firm System Entry Capacity pursuant to such agreements.
- (b) Where, in respect of a Relevant Option Combination and pursuant to a Tender Invitation Notice, Transco enters into Option Agreement(s) with Users after the date of implementation of the modification proposal giving effect to this paragraph (b), it shall publish on the Business Day following that on which it enters into such Option Agreement(s):
- (i) the volume weighted average strike price in respect of all valid offers received by Transco for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to the Tender Invitation Notice;
  - (ii) the aggregate quantity of Firm System Entry Capacity for which valid offers to surrender were received by Transco for that Relevant Option Combination pursuant to that Tender Invitation Notice;
  - (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
  - (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
  - (v) in respect of such Option Agreement(s), the volume weighted average strike price for the Firm System Entry Capacity available for surrender pursuant to such agreements;

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- (vi) in respect of such Option Agreement(s), the aggregate quantity of Firm System Entry Capacity that is available for surrender by Users pursuant to such agreements;
  - (vii) in respect of such Option Agreement(s), the minimum strike price for the surrender of Firm System Entry Capacity pursuant to such agreements; and
  - (viii) in respect of such Option Agreement(s), the maximum strike price for the surrender of Firm System Entry Capacity pursuant to such agreements.
- (c) Where, after the date of implementation of the modification proposal giving effect to this paragraph (c), Transco, whether in whole or in part, exercises its right to accept the surrender of Firm System Entry Capacity in respect of any specific Gas Flow Day and specific Aggregate System Entry Point pursuant to an Option Agreement or Option Agreements, it shall publish on the first Business Day following that specific Gas Flow Day:
  - (i) the aggregate quantity of Firm System Entry Capacity surrendered to Transco in respect of that Gas Flow Day and Aggregate System Entry Point pursuant to such exercise; and
  - (ii) the volume weighted average strike price in respect of the Firm System Entry Capacity surrendered to Transco in respect of that Gas Flow Day and Aggregate System Entry Point pursuant to such exercise.
- (d) Where, after the date of implementation of the modification proposal giving effect to this paragraph (d) and pursuant to a Tender Invitation Notice, Transco receives valid tender offers in respect of a Relevant Forward Combination but Transco does not enter into any Forward Agreements with Users in respect of that Relevant Forward Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish, within four Business Days following the last Day on which such tender offers may have been submitted to Transco pursuant to that Tender Invitation Notice, and in respect of each Gas Flow Day in the relevant forward delivery period:
  - (i) the volume weighted average price in respect of all valid offers received by Transco for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
  - (ii) the aggregate quantity of Firm System Entry Capacity for which valid offers to surrender were received by Transco for that Relevant Forward Combination pursuant to that Tender Invitation Notice;
  - (iii) the minimum price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice; and

- (iv) the maximum price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Forward Combination pursuant to that Tender Invitation Notice.
- (e) Where, after the date of implementation of the modification proposal giving effect to this paragraph (e) and pursuant to a Tender Invitation Notice, Transco receives valid tender offers in respect of a Relevant Option Combination but Transco does not enter into any Option Agreements with Users in respect of that Relevant Option Combination pursuant to that Tender Invitation Notice, it shall nevertheless publish within four Business Days following the last Day on which such tender offers may have been submitted to Transco pursuant to that Tender Invitation Notice:
  - (i) the volume weighted average strike price in respect of all valid offers received by Transco for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice;
  - (ii) the aggregate quantity of Firm System Entry Capacity for which valid offers to surrender were received by Transco for that Relevant Option Combination pursuant to that Tender Invitation Notice;
  - (iii) the minimum strike price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice; and
  - (iv) the maximum strike price offered by Users in valid offers for the surrender of Firm System Entry Capacity for that Relevant Option Combination pursuant to that Tender Invitation Notice.

## 2.9 Curtailment of Interruptible System Entry Capacity

- 2.9.1 For the purposes of this paragraph 2.9, an "**Entry Capability Shortfall**" in respect of an Aggregate System Entry Point for a Day is the amount (in kWh) by which the amount of (or rate at which) gas is or will be delivered exceeds the System Entry Capacity (as determined by Transco).
- 2.9.2 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 Capability Shortfall, the Interruptible System Entry Capacity held by Users at that Aggregate System Entry Point will be curtailed subject to and in accordance with the System Management Principles and the further provisions of this paragraph 2.9.
- 2.9.3 Transco will give a notice ("**interruptible curtailment notice**") to all Users specifying:
  - (a) the Aggregate System Entry Point and the Day to which the notice relates;
  - (b) 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



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06:00 hours nor later than 02:00 hours on the Gas Flow Day, and shall not be less than 60 minutes after such notice is given; and

- (c) a factor ("**interruptible curtailment factor**") determined in accordance with the System Management Principles.

- 2.9.4 Where Transco gives an interruptible curtailment notice, the amount of each User's Available Interruptible System Entry Capacity (excluding any negative Available Interruptible System Entry Capacity) will be determined as:

$$R * (ICF1 * P1 + ICF2 * P2 + .... + ICFn * Pn) / 24$$

where R is the amount of the User's Available Interruptible System Entry Capacity for the Day;

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.

## 2.10 Surrender of System Entry Capacity

- 2.10.1 Users may offer to surrender Available Firm System Entry Capacity for a Day in respect of an Aggregate System Entry Point, and Transco may accept such offers, subject to and in accordance with the System Management Principles and this paragraph 2.10.

- 2.10.2 An offer ("**daily capacity offer**") to surrender Firm System Entry Capacity pursuant to this paragraph 2.10 shall specify:

- (a) the identity of the User;
- (b) the Aggregate System Entry Point;
- (c) the Day for which System Entry Capacity is offered for surrender;
- (d) the amount (not less than the minimum eligible amount) of System Entry Capacity offered for surrender (in kWh/Day);
- (e) 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;
- (f) the amount (the "**offer price**") in pence/kWh/Day which the User wishes to be paid in respect of the of the surrender of the offered System Entry Capacity; and
- (g) whether such offer is a fixed or reducing daily capacity offer.



2.10.3 A daily capacity offer:

- (a) may be submitted at any time from 06:00 hours on the 7th Day before the Gas Flow Day until 02:00 hours on the Day for which the System Entry Capacity is offered for surrender; and
- (b) may, subject to paragraph 2.10.4, in the case of a fixed offer be withdrawn or amended and in the case of a reducing offer be withdrawn, at any time before System Entry Capacity in such bid is selected for surrender.

2.10.4 A daily capacity offer may not be withdrawn during a capacity selection period (irrespective of whether or not the daily capacity offer is in relation to an Aggregate System Entry Point at which, for the purposes of capacity selection, there is a Firm Capacity Shortfall) and where a User seeks to withdraw an offer during such period, Transco will notify the User that a capacity selection period is current and Transco may, subject to paragraph 2.10.6, accept such daily capacity offer.

2.10.5 In relation to each Aggregate System Entry Point and in respect of any Day (or part of any such Day) a User may have, at any one time, up to but not more than twenty (20) daily capacity offers which are capable of acceptance in accordance with this paragraph 2.10.

2.10.6 Transco will reject a daily capacity offer where any requirement of paragraph 2.10.2 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 Firm System Entry Capacity (determined by reference to System Capacity Transfers which have at the relevant time become effective pursuant to paragraph 5.2.4 and the provisions of paragraph 2.8 and this paragraph 2.10).

2.10.7 For each Day (or part of each such Day) in respect of each Aggregate System Entry Point, where Transco determines that there is a Firm Capacity Shortfall at one or more Aggregate System Entry Points, Transco will initiate, not earlier than 13:00 hours on the Preceding Day, a capacity selection period.

2.10.8 Transco may accept daily capacity offers in accordance with the System Management Principles and the amount of Available Firm System Entry Capacity held (for the relevant Day in respect of the relevant Aggregate System Entry Point) by each User whose offer is so accepted will be reduced by the amount for which the offer was selected.

2.10.9 Transco will, not later than one (1) hour after each capacity selection, 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.

2.10.10 For the purposes of this paragraph 2.10:

- (a) the "**offer effective time**" is the time on the hour in relation to a daily capacity offer being the later of:
  - (i) 06:00 hours on the Gas Flow Day; and
  - (ii) the time not earlier than 60 minutes after Firm System Entry Capacity

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has been selected pursuant to such bid for surrender;

- (b) a "**capacity selection period**" is the period of 15 minutes in which, where Transco intends to accept Firm System Entry Capacity for surrender pursuant to available daily capacity offers, it conducts a capacity selection;
- (c) a "**capacity selection**" is the acceptance of Firm System Entry Capacity for surrender during a capacity selection period in accordance with this paragraph 2.10;
- (d) a "**fixed offer**", is a daily capacity offer in relation to which the amount of Firm System Entry Capacity offered for surrender is not conditional on the offer effective time and a "**reducing offer**" is a daily capacity offer in relation to which the amount of Firm Entry Capacity offered for surrender is determined as:

$$(FSEC / OET) * N$$

where:

FSEC is the amount of Firm System Entry Capacity offered for surrender when the offer was first submitted;

OET commencing from the earliest offer effective time in respect of such bid, the number of hours remaining on the Gas Flow Day; and

N the number of hours remaining from the actual offer effective time were Firm System Entry Capacity to be selected for surrender pursuant to such offer; and

- (e) a "**Firm Capacity Shortfall**" is an amount of Firm System Entry Capacity equal to the amount by which the lesser of Transco's estimate of the amount of gas that will be delivered to the System at the Aggregate System Entry Point during a Day (or part thereof) and the Aggregate Registered Firm System Entry Capacity held by all Users at that Aggregate System Entry Point exceeds the System Entry Capability at that Aggregate System Entry Point.

2.10.11 A daily capacity offer is "**available**" where:

- (a) submitted and not withdrawn prior to the start of any capacity selection period; and
- (b) where the offer effective time is later than 06:00 on the Gas Flow Day, the implied surrender rate is less than or equal to the available surrender rate at the relevant Aggregate System Entry Point,

and for the avoidance of doubt, where Firm System Entry Capacity is selected for surrender pursuant to an offer such offer shall be extinguished and no longer be available for the purposes of this paragraph 2.10.

2.10.12 For the purposes of this paragraph 2.10:

- (a) the "**available surrender rate**" in relation to an Aggregate System Entry Point is the rate (in kWh/hour) calculated as an amount of Firm System Entry

Capacity equal, as appropriate, to the Firm Capacity Shortfall, divided by the number of hours remaining in the Day following the capacity selection effective time;

- (b) the "**capacity selection effective time**" is the hour bar following the next hour bar falling after the end of a capacity selection period;
- (c) the "**implied surrender rate**" in relation to:
  - (i) a fixed offer, is the rate (in kWh/hour), calculated as the amount of Firm System Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day were Firm System Entry Capacity to be selected for surrender pursuant to such offer;
  - (ii) a reducing offer, is the rate (in kWh/hour) calculated as the amount of Firm System Entry Capacity in respect of which the offer was made divided by the number of hours remaining in the Day from the hour bar following the hour next falling after submission of such offer.

## 2.11 Entry Charges, NTS Entry Commodity Charges and Capacity Surrender Charges

### 2.11.1

- (a) A User shall pay Capacity Charges ("**System Entry Capacity Charges**") in respect of its Registered System Entry Capacity at Aggregate System Entry Points, and
- (b) Commodity Charges ("**NTS Entry Commodity Charges**"), in respect of the flow of gas into the NTS on any day, or a charge calculated by reference to Special Condition [28B] of the Transco Licence.

2.11.2 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 Quarterly System Entry Capacity and Monthly System Entry Capacity, applied for pursuant to paragraphs 2.2 and/or 2.3, and allocated following an invitation date) multiplied by the Applicable Daily Rate.

2.11.3 The Applicable Daily Rate shall be:

- (a) in respect of Quarterly System 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 System 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 System Entry Capacity allocated for the relevant calendar month pursuant to paragraph 2.7.2;

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- (c) in respect of Daily System Entry Capacity, the bid price tendered by the User in respect of the Daily System Entry Capacity allocated for the Day pursuant to paragraph 2.7.2; and
  - (d) in respect of Daily Interruptible System Entry Capacity, the bid price tendered by the User in respect of the Daily Interruptible System Entry Capacity allocated for the Day pursuant to paragraph 2.7.2.
- 2.11.4 For the purposes of paragraph 2.11.1(a), the amount of the User's Registered System Entry Capacity shall be determined Unadjusted pursuant to paragraph 2.9.4 (but for the avoidance of doubt Unadjusted pursuant to paragraphs 2.8.4 and 2.10.7).
- 2.11.5 Where Transco accepts a daily capacity offer pursuant to paragraph 2.10 Transco will pay to the User a charge ("**Capacity Surrender Charge**") in an amount determined as the amount of System Entry Capacity for which the daily capacity offer was accepted by Transco multiplied by the offer price specified in the daily capacity offer.
- 2.11.6 The NTS Entry Commodity Charge payable by a User in respect of each Day will be determined for each NTS Entry Point as the User Daily Quantity Input less any quantity to which the NTS Optional Commodity Rate applies in accordance with Code multiplied by the Applicable Commodity Rate for such Commodity Charge.
- 2.11.7 System Entry Capacity Charges, NTS Entry Commodity Charges and Capacity Surrender Charges will be invoiced and payable in accordance with [Section S](#).

## 2.12 Overrun charges

- 2.12.1 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 Fully Adjusted), 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.
- 2.12.2 For the purposes of this paragraph 2.12, 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.
- 2.12.3 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 System 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; and
  - (d)  $(1.1 * D)$ , where 'D' is the relevant average accepted exercise price,
- where (a), (b), (c) and (d) are calculated by reference to information available to

Transco at 02:00 hours on the relevant Day.

- 2.12.4 For the purposes of paragraph 2.12.3(b), in respect of an Aggregate System Entry Point the “**relevant average accepted offer price**” for a Day is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of relevant successful offers;
- Q is the amount of Daily System Entry Capacity surrendered pursuant to each relevant successful offer (being in aggregate equal to the relevant capacity); and
- P is the offer price of each relevant successful offer,

and for the purposes of this paragraph 2.12.4 a “**relevant successful offer**” is an offer in respect of which relevant capacity was surrendered by a User and “**relevant capacity**” is that amount of System Entry Capacity equal to the first 25% of the total Firm System Entry Capacity surrendered by Users (determined by ranking all relevant successful offers for the Day in price order (the highest ranked first) and aggregating the Firm System Entry Capacity surrendered for each relevant successful offer, in descending order of bid price starting with the highest priced until the aggregate Firm System Entry Capacity surrendered equals the relevant capacity) in accordance with paragraph 2.10 and the System Management Principles.

- 2.12.5 For the purposes of paragraph 2.12.3(c), in respect of an Aggregate System Entry Point the “**relevant average forward price**” for a Day is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of relevant forward arrangements;
- Q is the amount of Daily System Entry Capacity surrendered (being in aggregate equal to the relevant forward capacity) pursuant to the relevant forward arrangements; and
- P is the forward price of each relevant forward arrangement,

and for the purposes of this paragraph 2.12.5 a “**relevant forward arrangement**” is a

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Capacity Management Agreement pursuant to which relevant forward capacity was surrendered by a User for the relevant Day on any earlier Day and "**relevant forward capacity**" is that amount of System Entry Capacity equal to the first 25% of Firm System Entry Capacity surrendered by Users (determined by ranking all relevant forward offers for the Day in price order (the highest ranked first) and aggregating the Firm System Entry Capacity surrendered for each relevant forward offer, in descending order of bid price starting with the highest priced until the aggregate Firm System Entry Capacity surrendered equals the relevant forward capacity) in accordance with paragraph 2.10 and the System Management Principles.

- 2.12.6 For the purposes of paragraph 2.12.3(d), in respect of an Aggregate System Entry Point the "**relevant average accepted exercise price**" for a Day is calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of relevant option arrangements;
- Q is the amount of Daily System Entry Capacity surrendered (being in aggregate equal to the relevant option capacity) pursuant to the relevant option arrangements; and
- P is the exercise price of each relevant option arrangement,

and for the purposes of this paragraph 2.12.5 a "**relevant option arrangement**" is a Capacity Management Agreement pursuant to which relevant option capacity was surrendered by a User for the relevant Day on any earlier Day following the exercise by Transco of an option that System Entry Capacity be surrendered on such Day and "**relevant option capacity**" is that amount of System Entry Capacity equal to the first 25% of Firm System Entry Capacity surrendered by Users (determined by ranking all relevant option offers for the Day in price order (the highest ranked first) and aggregating the Firm System Entry Capacity surrendered for each relevant option offer, in descending order of bid price starting with the highest priced until the aggregate Firm System Entry Capacity surrendered equals the relevant option capacity) in accordance with paragraph 2.10 and the System Management Principles.

- 2.12.7 Where on any Day Transco makes a Constrained Storage Renomination in respect of the Storage Connection Point of an LNG Facility then, subject to the proviso below, the System Entry Overrun Charge for a User in respect of that LNG Facility shall be zero for any overrun quantity but only to the extent and for such part of that Day that the implied rate derived from the Constrained Storage Renomination exceeds the implied rate derived from that User's Registered Storage Deliverability (as defined in [Section Z](#)) (in both cases for that LNG facility). This paragraph shall only apply in respect of a User where that User sends written notification to Transco within three Business Days of the relevant Day stating (a) that the zero rate is to apply; (b) the overrun quantity and the period for which it is to apply; and (c) reasonable evidence to support its claim.

2.12.8 System Entry Overrun Charges shall be invoiced and payable in accordance with [Section S](#).

## 2.13 Capacity Neutrality Arrangements

2.13.1 For each Aggregate System Entry Point the difference between amounts received or receivable and paid or payable by Transco in respect of Relevant Capacity Charges and certain other amounts in respect of each Day in a calendar month shall be payable to or recoverable from relevant Users (and such amount shall not be reduced by any amount to be retained or borne by Transco).

2.13.2 For each Aggregate System Entry Point, in relation to each Day:

- (a) **"Relevant Capacity Revenues"** are the aggregate of the amounts payable to Transco by Users:
  - (i) by way of Capacity Charges in respect of:
    - (1) Daily System Entry Capacity where the User was registered at any time during the Day in question as holding the Daily System Entry Capacity in respect of that Day;
    - (2) Daily Interruptible System Entry Capacity; and
    - (3) any additional Firm System Entry Capacity made available by Transco (as determined by Transco acting in its sole discretion) in excess of, and not comprising (for the avoidance of doubt), Unsold System Entry Capacity,
 at the Aggregate System Entry Point;
  - (ii) by way of System Entry Overrun Charges; and
  - (iii) 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(b); and
  - (iv) by way of Market Balancing Action Charges in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
  - (v) by way of any other amounts payable to Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
  - (vi) by way of Physical Renomination Incentive Charges,
 in respect of such Day;
- (b) **"Relevant Capacity Costs"** are the aggregate of the amounts payable by Transco to Users by way of:



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- (i) Capacity Management Charges (for which purposes any premium payable by Transco shall be attributable to the Day pro rata to the number of Days during which Transco may exercise rights in respect of the surrender of Firm System Entry Capacity pursuant to the relevant Capacity Management Agreement); and
- (ii) Aggregate Constraint Amounts pursuant to [Section 13.7.2](#),  
in relation to the Aggregate System Entry Point in respect of such Day;
- (iii) Market Balancing Action Charges in respect of each Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint; and
- (iv) any other amounts in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements as a result of a Localised Transportation Deficit and/or a Transportation Constraint.

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

$$RCR * UFAC / AFAC$$

where:

RCR is the Relevant Capacity Revenues;

UFAC is the aggregate sum of the User's Fully Adjusted Firm Available System Entry Capacity at each Aggregate System Entry Point; and

AFAC is the aggregate sum of all User's Fully Adjusted Firm Available System Entry Capacity at each Aggregate System Entry Point,

in each case as determined at 04:00 hours on the relevant Day.

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

$$RCC * UFAC / AFAC$$

where:

RCC are the Relevant Capacity Costs,

and 'UFAC' and 'AFAC' have the meanings in paragraph 2.13.3.

2.13.5 For the purposes of this paragraph 2.13:

- (a) the "**Second Capacity Adjustment Neutrality Amount**" for a Day in a



calendar month (month 'm') is

- (i) the sum of:
  - (1) 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;
  - (2) 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 (1) above;

less

- (ii) the sum of:
  - (1) 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:
    - (aa) was unpaid as at the last Day of month m-3 and was taken into account (under paragraph (a)(i) above) in calculating the Second Capacity Adjustment Neutrality Amount for month m-1, but
    - (bb) has been paid to Transco since the last Day of month m-1;
  - (2) 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 (1) above,

divided by the number of Days in month 'm';

- (b) "**Capacity Neutrality Charges**" comprise Capacity Revenue Neutrality Charges, Capacity Cost Neutrality Charges and Capacity Adjustment Neutrality Charges;
- (c) "**Relevant Capacity Charges**" comprise Relevant Capacity Revenues and Relevant Capacity Costs; and
- (d) a "**relevant User**" is a User registered as holding Firm System Entry Capacity at an Aggregate System Entry Point on the relevant Day.

2.13.6 In relation to a Day (and all Aggregate System Entry Points), where:

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

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relevant User shall pay to Transco,

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

$$\text{CNAA} * \text{UFAC} / \text{AFAC}$$

where CNAA is the Second Capacity Adjustment Neutrality Amount and 'UFAC' and 'AFAC' have the meanings in paragraph 2.13.3 (provided that in the event that no Firm System Entry Capacity was held by any User at any Aggregate System Entry Point on such Day, 'UFAC' and 'AFAC' shall be determined on the basis of the most recent preceding Day in respect of which a User held Firm System Entry Capacity at an Aggregate System Entry Point).

2.13.7 Capacity Neutrality Charges shall be invoiced and payable in accordance with [Section S](#).

## 2.14 Auction information

2.14.1 In respect of each annual invitation pursuant to paragraph 2.2.2(b), Transco will by not later than 20:00 hours on each invitation date (under paragraph 2.2.3(b)) notify Users, in respect of each Aggregate System Entry Point and each relevant long term period, of the cumulative amounts of Quarterly System Entry Capacity in relation to which Users have in aggregate submitted Quarterly capacity bids at each price step on such and earlier annual invitation dates for each relevant Capacity Year.

2.14.2 Following each allocation of System Entry Capacity pursuant to paragraphs 2.2, 2.3, 2.4 and 2.5 Transco will, in accordance with paragraphs 2.6.7 and 2.7.7 and in respect of each Aggregate System Entry Point and relevant long term period or (as the case may be) relevant short term period, notify Users of:

- (a) the price (in pence/kWh) accepted for System Entry Capacity by a User (and the amount of System Entry Capacity applied for);
- (b) the relevant step price group;
- (c) the lowest accepted bid price in respect of a successful capacity bid and the amount of System Entry Capacity applied for;
- (d) aggregate volume of System Entry Capacity allocated to successful capacity bids;
- (e) the number of Users who submitted successful capacity bids and the number of Users who submitted unsuccessful capacity bids;
- (f) the weighted average price in respect of capacity bids for which System Entry Capacity was allocated calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

- n is the number of successful relevant capacity bids;
- Q is the amount of System Entry Capacity allocated to each successful relevant capacity bid; and
- p is the bid price of each successful relevant capacity bid,

and for the purposes of this paragraph 2.14.2(f), "**relevant capacity bid**" is a bid in respect of which relevant capacity was allocated and "**relevant capacity**" is that amount of capacity equal to the first 50% of the total System Entry Capacity allocated (determined in accordance with the provisions of paragraphs 2.6.2 or 2.6.6 or (as the case may be) paragraph 2.7.2;

- (g) the amount of NTS SO Baseline Entry Capacity which remains unsold (if any) following the allocation; and
- (h) in the case of an allocation of Quarterly System Entry Capacity only, the number of Users who submitted, in respect of each step price group, a Quarterly capacity bid.

### 3 NTS EXIT CAPACITY

#### 3.1 Introduction

3.1.1 Subject to the provisions of the Code, a User may:

- (a) by offtaking gas from the System at a LDZ System Exit Point, require a gas flow out of the NTS at the NTS/LDZ Offtake for the relevant Exit Zone;
- (b) by offtaking gas from the System at a NTS Supply Point Component, require a gas flow out of the NTS at that NTS Supply Point Component; or
- (c) offtake gas from the System at a NTS Connected System Exit Point.

3.1.2 No provision of the Code in relation to gas flows at NTS Exit Points confers on any User any rights or obligations in respect of offtake of gas from the System other than at System Exit Points.

3.1.3 In any case where there is more than one NTS Exit Point in respect of one Exit Zone, any reference in this paragraph 3 to a NTS Exit Point is a reference to all such NTS Exit Points.

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## 3.2 Registration: NTS CSEPS

- 3.2.1 A User may at any time apply for NTS Exit Capacity ("**DM NTS Exit Capacity**") (subject to paragraph 3.4) at an NTS Connected System Exit Point, subject to and in accordance with this paragraph 3.2.
- 3.2.2 An application for DM CSEP Exit Capacity at an NTS Connected System Exit Point:
- (a) shall specify
    - (i) the identity of the User;
    - (ii) the Exit Zone;
    - (iii) the amount of DM NTS Exit Capacity applied for; and
    - (iv) the proposed date of registration (in accordance with paragraph 3.2.3);
  - (b) shall be submitted not earlier than 6 months nor later (other than in accordance with paragraph 3.2.12) than 4 Days before the proposed date of registration.
- 3.2.3 Subject to paragraph 5.4.2(b), a User may only be registered as holding DM NTS Exit Capacity in respect of an NTS Connected System Exit Point with effect from an Eligible Capacity Registration Date.
- 3.2.4 Transco may reject an application for DM NTS Exit Capacity in respect of an NTS Connected System Exit Point:
- (a) where the requirements of paragraph 3.2.2 are not complied with,
  - (b) in accordance with [Section V3](#), or
  - (c) in accordance with [Section J5.10.2](#).
- 3.2.5 A User may withdraw an application for NTS Exit Capacity at an NTS Connected System Exit Point by so notifying Transco by no later than 17.00 hours on the Day preceding the proposed date of registration (provided that where the User proposes a System Capacity Transfer for which the Transferred System Capacity comprises all or part of the NTS Exit Capacity in any application the User shall not be permitted to withdraw such application after notifying Transco of such proposed System Capacity Transfer).
- 3.2.6 The application will be approved unless withdrawn under paragraph 3.2.5 or rejected in accordance with paragraph 3.2.4 within 3 Days after the application was made.
- 3.2.7 The User (if its application is approved) will be registered as holding DM NTS Exit Capacity at the relevant NTS Connected System Exit Point with effect from the date of registration for the period (the "**capacity period**") established in accordance with paragraph 3.2.9.
- 3.2.8 A User may apply at any time (in accordance with paragraph 3.2.1) to increase its Registered DM NTS Exit Capacity at a NTS Connected System Exit Point in which case (if its application is approved) paragraph 3.2.7 shall apply in respect of the

increased or new DM NTS Exit Capacity.

- 3.2.9 The capacity period, in respect of an NTS Connected System Exit Point, shall be:
- (a) 12 months after the date of the registration; or
  - (b) where the User has increased its Registered DM NTS Exit Capacity at the NTS Connected System Exit Point (in accordance with paragraph 3.2.8(i)) 12 months after the date of the latest such registration.
- 3.2.10 During the capacity period a User's Registered DM NTS Exit Capacity at an NTS Connected System Exit Point shall not be reduced, and (subject to Section V4.3) the registration shall not be terminated.
- 3.2.11 On expiry of the capacity period the User shall cease to be registered as holding DM NTS Exit Capacity at the relevant NTS Connected System Exit Point, but without prejudice to any new registration pursuant to a further application under paragraph 3.2.1.
- 3.2.12 Until the expiry of a period of 3 months from the Day on which gas was first offtaken (by any User) from the System at an NTS Supply Meter Point, the Registered User may submit, by facsimile but otherwise in accordance with paragraph 3.2.2(a), an application for NTS Exit Capacity at a Firm NTS Supply Point Component which includes such Supply Meter Point by no later than 17:00 hours on the Day preceding the proposed date of registration; provided that the User may not withdraw (pursuant to paragraph 3.2.5) such an application.

### 3.3 Registration: NDM Supply Points

- 3.3.1 A User will be registered as holding NTS Exit Capacity ("**NDM NTS Exit Capacity**") in accordance with paragraph 3.3.3 at the relevant NTS/LDZ Offtake in respect of each Registered Firm NDM Supply Point Component in an Exit Zone with effect from the Supply Point Registration Date.
- 3.3.2 The User shall be deemed to have applied for NDM NTS Exit Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes a Firm NDM Supply Point Component, and shall not make a separate application for such capacity.
- 3.3.3 The NDM NTS Exit Capacity which the User is from time to time registered as holding in respect of each Firm NDM Supply Point Component will be determined in accordance with [Section H.4.1](#).
- 3.3.4 The User will cease to be registered as holding NDM NTS Exit Capacity at the NTS/LDZ Offtake in respect of a Firm NDM Supply Point Component in the relevant Exit Zone where the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with [Section G3.2](#).

### 3.4 Registration: CSEPs

The CSEP Network Exit Agreement in relation to an NTS Connected System Exit Point may set out rules for the allocation of NTS Exit Capacity subject to and in accordance with [Section J5.10](#). Where the CSEP Network Exit Agreement does not so provide, the

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provisions of paragraph 3.2 shall apply.

### 3.5 NTS Exit Charges

3.5.1 A User shall pay:

- (a) Capacity Charges ("**NTS Exit Capacity Charges**") in respect of its Registered NTS Exit Capacity at NTS Exit Points, and
- (b) Commodity Charges ("**NTS Exit Commodity Charges**") in respect of its use of the NTS on any Day, or a charge payable by reference to the arrangements in Special Condition 28B of the Transco Licence.

3.5.2 The NTS Exit Capacity Charge payable by a User in respect of each Day will be determined for each NTS Exit Point as the amount of its Registered NTS Exit Capacity multiplied by the Applicable Daily Rate.

3.5.3 The NTS Exit Commodity Charge payable (for any Day) by a User will be determined (for each NTS Exit Point) as:

- (a) in the case of a NTS/LDZ Offtake, the amount of its User Daily NTS Offtake Quantity at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s); and
- (b) in the case of a NTS Supply Point or a NTS Connected System Exit Point:
  - (i) the amount of its UDQO at the relevant NTS Exit Point multiplied by the Applicable Commodity Rate(s); and
  - (ii) where a NTS Storage Facility is connected to the System at the NTS Connected System Exit Point and in relation to which such facility the User is storage use gas provider, an amount equal to:

$$(SUG / n) * CR$$

where:

SUG is the quantity of storage use gas [attributed] to the User and is notified to Transco pursuant to the terms of the Storage Connection Agreement in respect of the NTS Storage Facility;

n is the number of days in the calendar month in which such Day falls; and

CR is the Applicable Commodity Rate(s) that would apply in relation to a NTS Connected System Exit Point in the event the gas flowing out of the System at such System Point was not being delivered into a Storage Facility.

3.5.4 NTS Exit Capacity Charges and NTS Exit Commodity Charges will be invoiced and payable in accordance with [Section S](#).

3.5.5 Pursuant to the prevailing Transportation Statement, a User may elect that, for the purposes of paragraph 3.5.3, the Applicable Commodity Rate of NTS Exit Commodity Charge in respect of a Specified Exit Point shall be the NTS Optional Commodity Rate,

determined in accordance with the following provisions:

- (a) For the purposes of Code:
  - an "**Eligible Entry Point**" is an Aggregate System Entry Point which is not A Storage Connection Point;
  - a "**Specified Entry Point**" is, in the case of a Supply Point, the Eligible Entry Point identified in the User's Nomination in accordance with [Section G2.3.2\(a\)](#) or, in the case of a CSEP, the Eligible Entry Point identified in the Conventional Notice in accordance with paragraph (vi);
  - a "**Specified Exit Point**" is, in the case of a Supply Point, the System Exit Point notified to Transco as the Proposed Supply Point in the User's Nomination in accordance with paragraph [G2.3.2\(a\)](#) or, in the case of a CSEP, the System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph (vi);
- (b) The NTS Exit Commodity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as:
  - (i) the UDQO multiplied by the NTS Optional Commodity Rate applicable for the capacity (calculated in accordance with paragraph (c)) and the distance (calculated in accordance with paragraph (d)); and
  - (ii) where the UDQI is less than the UDQO, the UDQO minus the UDQI multiplied by the difference between such NTS Commodity Rate as would apply if this paragraph 3.5.5 were not applied and the NTS Optional Commodity Rate;
  - (iii) provided that, where a User has nominated or identified more than one Specified Exit Point at a Specified Entry Point, the UDQI shall be prorated in relation to the UDQOs at the relevant Specified Exit Points (unless the User has notified Transco and Transco has confirmed an alternative allocation of the UDQI between the relevant Specified Exit Points);

and shall be invoiced in accordance with [Section S](#).
- (c) For the purposes of this paragraph 3.5.5, the capacity of the Specified Exit Point shall be the Supply Point Capacity, determined in accordance with [Section G5.4.1](#) except:
  - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
  - (ii) for an LDZ Interruptible Supply Point the capacity shall be the Supply Point Capacity determined in accordance with paragraph 4.6.5;
  - (iii) for a Shared Supply Point the capacity shall be determined in accordance with [Section G1.7.15](#);



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- (iv) for a NTS CSEP the capacity shall be the maximum aggregate amount of gas which it is feasible for Transco to make available for offtake at the Connected System Exit Point in a period of 24 hours; or
  - (v) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2.
- (d) The distance (to the nearest 0.1 km) from the Specified Entry Point to the curtilage of the Specified Exit Point or the offtake from the System at the Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using six figure grid references. Transco shall determine a six figure grid reference for each Specified Entry Point and each Specified Exit Point (which may be revised in accordance with paragraph (f) or [Section G2.4.12](#)).
- (e) An application for the NTS Optional Commodity Rate for a Supply Point shall be made in accordance with the provisions of [Section G2.3.2\(a\)](#) or [G2.3.9](#) (as the case may be) and, for a CSEP, shall be made in accordance with the provisions of paragraph (f).
- (f) A CSEP User, or a proposing CSEP User, may apply for the NTS Optional Commodity Rate in the following manner:-
  - (i) by Conventional Notice to Transco stating the CSEP User, the Specified Exit Point and the Specified Entry Point; and
  - (ii) Transco shall offer the NTS Optional Commodity Rate and shall provide the distance between the Specified Exit Point and the Specified Entry Point, the capacity of the CSEP determined in accordance with paragraph (c) and the six figure grid references used; and
  - (iii) where the CSEP User disputes the distance specified by Transco under paragraph (ii), the CSEP User may resubmit an application in accordance with paragraph (i) stating an alternative six figure grid reference for the Specified Exit Point with supporting evidence of calculation;
  - (iv) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (ii) not earlier than 15 days after the submission of the confirmation (or such lesser period as Transco may specify) and not later than six months from the date of the offer.
- (g) The provisions of this paragraph 3.5.5 shall be without prejudice to the operation of [Section G6.5.4](#).

### 3.6 Overrun Charges

- 3.6.1 Subject to paragraphs 3.6.6 and 3.6.7, if for any reason in any calendar month (an "**overrun month**") the quantity of gas offtaken by a User from the System at a Firm NTS Supply Point Component or a NTS Connected System Exit Point, on any Day or Days (each an "**overrun day**") exceeds the User's Available DM NTS Exit Capacity at the relevant NTS Exit Point, the User shall pay a charge ("**NTS Exit Overrun Charge**") in respect of NTS Exit Capacity at that NTS Exit Point in that month.



- 3.6.2 For the purposes of this paragraph 3.6, in respect of a User at a NTS Exit Point:
- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which in the case of a Firm NTS Supply Point or relevant NTS Connected System Exit Point, the User's UDQO in respect of that point exceeds the User's Available DM NTS Exit Capacity at that NTS Exit Point on that Day;
  - (b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity on any overrun day in that month.
- 3.6.3 The NTS Exit Overrun Charge shall be calculated by multiplying the chargeable overrun quantity by the relevant multiplier (determined as set out in the table below (subject to paragraph 3.6.4) by reference to the month in which the overrun occurred) of the Applicable Annual Rate of the NTS Exit Capacity Charge in respect of the relevant NTS Exit Point.

<u>Month</u>	<u>Relevant multiplier</u>
December to March	2.0
October, November, April, May	0.5
June to September	0.2

- 3.6.4 Where a month from December to March (inclusive) is an overrun month ("**second overrun month**") and the preceding month was an overrun month ("**first overrun month**") in relation to the amount of the chargeable overrun quantity in the second overrun month which is less than or equal to the chargeable overrun quantity in the first overrun month for which the multiplier was determined in accordance with paragraph 3.6.3 the multiplier shall instead be 0.5.
- 3.6.5 The NTS Exit Overrun Charge shall be invoiced and payable in accordance with Section S.
- 3.6.6 Where an NTS Supply Point Component comprises Shared Supply Meter Points:
- (a) paragraph 3.6.1 shall apply only if and to the extent that the aggregate quantity offtaken from the System by all Sharing Registered Users at Firm DM Supply Point Components which include such Shared Supply Meter Point(s) exceeds the aggregate of such Users' Available NTS Exit Capacity at the relevant NTS Exit Point (the amount of such excess, the "**aggregate overrun excess**");
  - (b) for each such Sharing Registered User:
    - (i) the overrun quantity shall be determined as the amount (the "**individual overrun excess**") by which that User's UDQO exceeds its Available NTS Exit Capacity, divided by the sum of the individual overrun excesses for all such Sharing Registered Users, multiplied by the aggregate overrun excess;

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- (ii) the chargeable overrun quantity shall be determined by reference to the largest aggregate overrun excess of any overrun day in an overrun month (or if there is more than one such overrun day, the first such overrun day).
- 3.6.7 Where a User has made an application to increase the NTS Exit Capacity at a Firm NTS Supply Point Component which is subsequently accepted by Transco or a Proposing User has made a Supply Point Confirmation for an increase in NTS Exit Capacity, on any Day or Days where the gas offtaken by the User from the System at the Firm NTS Supply Point Component exceeds the User's Available DM NTS Exit Capacity at such Supply Point, but does not exceed the User's Available DM Exit Capacity following the effective date of such application or confirmation, then no NTS Overrun Charge shall be payable in respect of such Day or Days.

### 3.7 Registration : DM Supply Points and non NTS CSEPs

- 3.7.1 A User will at any time be deemed to apply for DM NTS Exit Capacity ("**DM NTS Exit Capacity**") for each Exit Zone in its capacity as:
  - (a) the Registered User of any Firm DM LDZ Supply Point Components;
  - (b) the CSEP User of any LDZ Connected System Exit Points; or
  - (c) the Registered User of a Firm NTS Supply Point Component;
  - (d) subject to and in accordance with this paragraph 3.7.
- 3.7.2 The DM NTS Exit Capacity for each Exit Zone shall be calculated as:-
  - (a) the sum of the Supply Point Capacities for all Supply Points in paragraph 3.7.1(a) determined in accordance with [Section G2.3.2\(e\)](#); and
  - (b) the sum of the Firm DM LDZ Capacities for all CSEPs in paragraph 3.7.1(b), determined in accordance with paragraph H2.2 and the relevant CSEP Network Exit Agreement; or
  - (c) the Supply Point Capacity of the Supply Point Component in paragraph 3.7.1(c), determined in accordance with [Section G5](#).
- 3.7.3 A User shall only be registered as holding DM NTS Exit Capacity, in accordance with this paragraph 3.7 in respect of such capacity held by the User as at the 10th of the calendar month, with effect from the 15th of each calendar month and for the period of one calendar month from such date (the "**capacity period**").
- 3.7.4 During the capacity period, a User's Registered DM NTS Exit Capacity shall not be reduced, and (subject to [Section V4.3](#)) the registration shall not be terminated.

## 4 SUPPLY POINT AND LDZ CAPACITY

### 4.1 Introduction

Subject to the provisions of the Code, a User may:

- (a) offtake gas from the System at any Registered NTS or LDZ Supply Point Component;
- (b) by offtaking gas from the System at an LDZ System Exit Point, require a gas flow in the relevant LDZ; and
- (c) offtake gas from the System at a LDZ Connected System Exit Point.

## 4.2 Supply Point Capacity Registration: DM Supply Point Components

- 4.2.1 A User who submits a Supply Point Confirmation in respect of a Proposed Supply Point (whether a NTS Supply Point or an LDZ Supply Point) which includes a DM Supply Point Component shall thereby apply for Supply Point Capacity ("**DM Supply Point Capacity**") in accordance with [Section G5](#).
- 4.2.2 The User will if its Supply Point Confirmation becomes effective be registered as holding Supply Point Capacity at the DM Supply Point Component with effect from the Supply Point Registration Date, subject to paragraph 4.2.3 and until the User ceases in accordance with [Section G](#) to be the Registered User in respect of the relevant Supply Point.
- 4.2.3 A User's Registered Supply Point Capacity in respect of the DM Supply Point Component of a Registered Supply Point:
  - (a) may be increased or reduced subject to and in accordance with the conditions and requirements in [Section G5](#);
  - (b) shall not be reduced nor (subject to paragraph 4.7) increased other than as provided in paragraph (a), nor (subject to [Section V4.3](#)) shall the registration be terminated, except as provided in paragraph 4.2.4.
- 4.2.4 The User will cease to be registered as holding DM Supply Point Capacity at the DM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with [Section G3.2](#).

## 4.3 Supply Point Capacity Registration: NDM Supply Point Components

- 4.3.1 A User will be registered as holding Supply Point Capacity ("**NDM Supply Point Capacity**") in accordance with paragraph 4.3.3 at each Registered NDM Supply Point Component with effect from the Supply Point Registration Date.
- 4.3.2 The User shall be deemed to have applied for NDM Supply Point Capacity when submitting a Supply Point Confirmation for a Proposed Supply Point which includes an NDM Supply Point Component, and shall not make a separate application for such capacity.
- 4.3.3 The NDM Supply Point Capacity which the User is from time to time registered as holding will be determined in accordance with [Section H4.1](#).

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- 4.3.4 The User will cease to be registered as holding NDM Supply Point Capacity at the NDM Supply Point Component when the User submits a Supply Point Withdrawal which becomes effective in respect of the relevant Supply Point in accordance with [Section G3.2](#).

#### 4.4 LDZ Capacity Registration: LDZ Supply Point Components

- 4.4.1 A User will at all times be registered as holding LDZ Capacity at each LDZ Supply Point Component in an amount equal to the amount of the Supply Point Capacity which the User is for the time being registered as holding (pursuant to any provision of the Code) at that Supply Point Component; and Users will not make separate applications for such capacity.
- 4.4.2 In accordance with paragraph 4.4.1, a User will cease to be registered as holding LDZ Capacity at an LDZ Supply Point Component where it ceases to hold Supply Point Capacity at such Supply Point Component.

#### 4.5 LDZ Capacity Registration: LDZ Connected System Exit Points

- 4.5.1 A CSEP User may hold LDZ Capacity at an LDZ Connected System Exit Point.
- 4.5.2 The basis on which a User may apply for or may be treated as having applied for and may be registered as holding LDZ Capacity at an LDZ Connected System Exit Point will be in accordance with the CSEP Network Exit Agreement.
- 4.5.3 The CSEP Network Exit Agreement may provide (subject to [Section V3](#)) for:
- (a) a minimum amount and a maximum amount of LDZ Capacity to be held by CSEP Users in aggregate at an LDZ Connected System Exit Point, and for such amounts to vary from time to time;
  - (b) the LDZ Capacity held by each CSEP User at an LDZ Connected System Exit Point to vary from Day to Day.

#### 4.6 LDZ, Supply Point Charges and CSEP Charges

- 4.6.1 A User shall pay:
- (a) Capacity Charges ("**LDZ Capacity Charges**") in respect of its Registered LDZ Capacity at LDZ System Exit Points,
  - (b) Commodity Charges ("**LDZ Commodity Charges**") in respect of its use of each LDZ,
  - (c) Customer Charges in respect of its Registered NTS and LDZ Supply Points, and
  - (d) CSEP Charges in respect of each relevant Connected System Exit Point in relation to which it is a CSEP User.
- 4.6.2 The LDZ Capacity Charge payable by a User in respect of each Day will be determined (for each LDZ System Exit Point) as the amount of its Registered LDZ Capacity multiplied by the Applicable Daily Rate.

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- 4.6.3 The LDZ Commodity Charge payable (for any Day) by a User will be determined (for each LDZ System Exit Point) as the amount of its User Daily Quantity Output multiplied by the Applicable Commodity Rate.
- 4.6.4 The Customer Charge payable by a User in respect of each Day will be determined (for each Supply Point):
- (a) as to the Capacity Variable Component (if any) thereof, as the amount of its Registered Supply Point Capacity multiplied by the Applicable Daily Rate;
  - (b) as to the Commodity Variable Component (if any) thereof for a Day, as the amount of its UDQO multiplied by the Applicable Commodity Rate;
  - (c) as to the Fixed Component (if any) thereof, as the applicable fixed charge.
- 4.6.5 Insofar as (pursuant to the Transportation Statement) the rate of any Transportation Charge in respect of any Supply Point is a function of Supply Point Capacity, in the case of the DM Supply Point Component of an Interruptible Supply Point such rate shall be determined (in accordance with the Transportation Statement) by reference to the Bottom-stop Supply Point Capacity and not the Registered Supply Point Capacity.
- 4.6.6 For the avoidance of doubt no Capacity Charge is payable in respect of Supply Point Capacity.
- 4.6.7 The CSEP Charge payable by a User in respect of each Day will be determined for each relevant Connected System Exit Point in accordance with the relevant provisions of the Transportation Statement.
- 4.6.8 LDZ Capacity Charges, LDZ Commodity Charges, Customer Charges and CSEP Charges will be invoiced and payable in accordance with [Section S](#).
- 4.6.9 Pursuant to the prevailing Transportation Statement, a User may elect that, for the purpose of paragraph 4.6.2, the Applicable Daily Rate of the LDZ Capacity Charge in respect of an LDZ Specified Exit Point shall be the LDZ Optional Capacity Rate, determined in accordance with the following provisions.
- (a) For the purpose of Code:
    - (i) a “**Notional NTS Connection Point**” is the point on the NTS which is derived by Transco in accordance with paragraph 4.6.10. and in the case of a Supply Point, identified by Transco in its Supply Point Offer in accordance with [Section G2.4.2\(l\)](#) or, in the case of a CSEP, the point identified by Transco in accordance with paragraph (f).
    - (ii) an “**LDZ Specified Exit Point**” is, in the case of a Supply Point, the System Exit Point notified to Transco as the Proposed Supply Point in the User’s Supply Point Nomination in accordance with paragraph [G2.3.2\(j\)](#) or, in the case of a CSEP, the LDZ System Exit Point identified as the CSEP in the Conventional Notice in accordance with paragraph (f);
  - (b) The LDZ Capacity Charge payable (for any Day) by a Registered User or CSEP User will be determined (for each Specified Exit Point) as the Registered LDZ Capacity multiplied by the LDZ Optional Capacity Rate applicable for the

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capacity (calculated in accordance with paragraph (iii)) and the distance (calculated in accordance with paragraph (f));

and shall be invoiced in accordance with Section S.

- (c) For the purposes of this paragraph 4.6.9 the capacity of the LDZ Specified Exit Point shall be the Supply Point Capacity, determined in accordance with [Section G5.4.1](#) except;
  - (i) for an LDZ Firm Supply Point the capacity shall be the sum of the DM Supply Point Capacity and the NDM Supply Point Capacity that the User is registered as holding from time to time in accordance with paragraphs 4.2 and 4.3 respectively;
  - (ii) for an LDZ Interruptible Supply Point the capacity shall be the Supply Point Capacity determined in accordance with paragraph 4.6.5;
  - (iii) for a Shared Supply Point the capacity shall be determined in accordance with [Section G1.7.15](#);
  - (iv) for an LDZ CSEP the capacity shall be determined in accordance with paragraph 4.5.2.
- (d) The distance (to the nearest 0.1 km) from the Notional NTS Connection Point to the curtilage of the LDZ Specified Exit Point or the offtake from the System at the LDZ Specified Exit Point (whichever is the lesser) shall be calculated on a straight line basis using eight figure grid references.

Transco shall determine an eight figure grid reference for each Notional NTS Connection Point and each LDZ Specified Exit Point (which may be revised in accordance with paragraph (f) or [Section G2.4.12](#)).

- (e) An application for the LDZ Optional Capacity Rate for a Supply Point shall be made in accordance with the provisions of [Section G2.3.2\(j\)](#) and, for a CSEP, shall be made in accordance with the provisions of paragraph (f).
- (f) A CSEP User, or a proposing CSEP User, may apply for the LDZ Optional Capacity Rate in the following manner:-
  - (i) by Conventional Notice to Transco stating the CSEP User, the LDZ Specified Exit Point; and
  - (ii) Transco shall identify the Notional NTS Connection Point and offer the LDZ Optional Capacity Rate and shall provide the distance between the LDZ Specified Exit Point and the Notional NTS Connection Point, the capacity of the CSEP determined in accordance with paragraph 4.5.2 and the eight figure grid references used; and
  - (iii) where the CSEP User disputes the distance specified by Transco under paragraph (ii), the CSEP user may resubmit an application in accordance with paragraph (i) stating an alternative eight figure grid reference for the LDZ Specified Exit Point with supporting evidence of calculation;

- (iv) the CSEP User shall confirm acceptance of the offer made in accordance with paragraph (ii) not earlier than 15 days after the submission of the confirmation (or such lesser period as Transco may specify) and not later than six months from the date of the offer.
- (g) Where the User elects to pay the LDZ Optional Capacity Rate the LDZ Commodity Charge shall not be payable.

4.6.10 The Notional NTS Connection Point shall be derived by Transco as:

- (a) in the case of a Supply Point, the point on the NTS at which the NTS is nearest to either:
  - (i) the curtilage of the LDZ Specified Exit Point, or
  - (ii) the offtake from the System at the LDZ Specified Exit Point
 whichever gives the lesser distance.
- (b) in the case of a CSEP the point on the NTS at which the NTS is nearest to the LDZ Specified Exit Point.

## 4.7 Supply Point Ratchet

4.7.1 Subject to paragraphs 4.7.8, 4.7.9 and 4.7.10 if for any reason on any Day, other than a Day in the months of June to September inclusive, the quantity of gas offtaken by a User from the System at a Firm DM Supply Point Component exceeds the User's Registered DM Supply Point Capacity (such occurrence being a "**Supply Point Ratchet**"):

- (a) the User's Registered DM Supply Point Capacity at that Supply Point Component shall automatically be increased with effect from the following Day in accordance with paragraph 4.7.3; and
- (b) subject to paragraph 4.7.11. the User shall pay a charge ("**Supply Point Ratchet Charge**") in respect of the Capacity Ratchet Amount in accordance with paragraph 4.7.6.

4.7.2 For the purposes of this Section B, subject to paragraph 4.7.8, the "**Capacity Ratchet Amount**" shall be the amount by which the User's UDQO on the Day of the Supply Point Ratchet in respect of the DM Supply Point Component exceeds the User's Registered DM Supply Point Capacity.

4.7.3 Subject to [Section G5.5.5](#), the increased amount (the "**Ratchetted Supply Point Capacity**") of the User's DM Registered Supply Point Capacity shall be the sum of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet and the Capacity Ratchet Amount.

4.7.4 Notwithstanding paragraph 4.7.3, and unless the User's Registered Supply Point Capacity is increased other than pursuant to the Supply Point Ratchet, until the last Day of the calendar month in which the Supply Point Ratchet occurred the LDZ Capacity Charge (in the case of an LDZ Supply Point Component) and the Capacity Variable Component of the Customer Charge payable in respect of the Supply Point Component



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shall be determined on the basis of the User's Registered DM Supply Point Capacity on the Day of the Supply Point Ratchet (and not on the basis of the Ratchetted Supply Point Capacity).

4.7.5 For the avoidance of doubt (in the case of an LDZ Supply Point Component) the User's Registered LDZ Capacity will be increased so as to be equal to the Ratchetted Supply Point Capacity in accordance with paragraph 4.4.

4.7.6 The Supply Point Ratchet Charge shall be calculated as the Capacity Ratchet Amount multiplied by the sum of:

- (a) 2 times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(b)) of the LDZ Capacity Charge (in the case of an LDZ Supply Point Component), and
- (b) where applicable, 2 times the Applicable Annual Rate of the Capacity Variable Component (if any) of the Customer Charge;

the rate in each case being determined (where such rate is a function of LDZ Capacity or Supply Point Capacity) by reference to the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity at the DM and any NDM Supply Point Component on the Day of the Supply Point Ratchet.

4.7.7 Subject to paragraph 4.7.11, the Supply Point Ratchet Charge shall be invoiced and payable in accordance with Section S.

4.7.8 Where a DM Supply Point Component comprises Shared Supply Meter Point(s):

- (a) paragraph 4.7.1 shall apply only if and to the extent that the aggregate quantity offtaken from the System by all Sharing Registered Users at Firm DM Supply Point Components which include such Shared Supply Meter Point(s) exceeds the aggregate of such Users' Registered Supply Point Capacity, other than capacity which is excluded pursuant to Section G1.7.20(d)(i), at such Supply Point Components (the amount of such excess, the **"aggregate ratchet excess"**);
- (b) for each such Sharing Registered User, the Capacity Ratchet Amount shall be determined as the amount (the **"individual ratchet excess"**) by which that User's UDQO exceeds its Registered Supply Point Capacity, divided by the sum of the individual ratchet excesses for all such Sharing Registered Users, multiplied by the aggregate ratchet excess.

4.7.9 Without Prejudice to [Section G](#) paragraphs 2.7.3 to 2.7.6 inclusive, where in accordance with [Section G](#) paragraph 2.3.1 the Proposing User has submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point First Nomination (**"Supply Point First Confirmation"**) and this has become effective and has been registered in the name of the Proposing User (**"Supply Point First Registration"**) and subsequent to the date of such Supply Point First Registration such User incurs and pays a Supply Point Ratchet Charge in respect of such Supply Point then, where such Proposing User has also submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point Second Nomination (**"Supply Point Second Confirmation"**) and this has become effective and has been registered in the name of the Proposing User (**"Supply Point Second Registration"**) then, subject to



paragraph 4.7.10, Transco will reimburse the User the amount of such Supply Point Ratchet Charge which has been paid by the User for the period of 18 Days commencing from the Supply Point First Registration Date.

- 4.7.10 The amount of such reimbursement in accordance with paragraph 4.7.9 shall not exceed the amount of the Supply Point Ratchet Charge which applies in respect of the Confirmed Supply Point Capacity for the Supply Point Second Registration. For the purpose only of calculating the amount of such reimbursement, such Confirmed Supply Point Capacity shall not be treated as increased in accordance with [Section G](#) paragraph [2.7.4 \(a\)](#) as a result of the occurrence of a Supply Point Ratchet.
- 4.7.11 Where on any Day(s) in any relevant Billing Period, on the occurrence of a Supply Point Ratchet the User's Registered DM Supply Point Capacity is greater than or equal to the Provisional Maximum Supply Point Capacity (the "**Relevant Day(s)**"), only the highest Supply Point Ratchet Charge incurred on the Relevant Day(s) in such relevant Billing Period shall be invoiced and payable in accordance with paragraph 4.7.7.

## 4.8 LDZ CSEP Overrun Charge

- 4.8.1 If for any reason in any calendar month (an "**overrun month**"), other than a month from June to September inclusive:
- (a) the quantity of gas offtaken by a CSEP User from the System at a relevant LDZ Connected System Exit Point on any Day exceeds the User's Registered LDZ Capacity, and
  - (b) (where pursuant to the CSEP Network Exit Agreement this paragraph (b) applies) the aggregate quantity of gas offtaken by all CSEP Users at the relevant Connected System Exit Point on such Day exceeds the sum of such CSEP Users' Registered LDZ Capacities,
- (such Day being an "**overrun day**") the User shall pay a charge ("**LDZ CSEP Overrun Charge**") in respect of LDZ Capacity at that Connected System Exit Point in that month.
- 4.8.2 For the purposes of this paragraph 4.8, in respect of a CSEP User:
- (a) the "**overrun quantity**" in respect of an overrun day is the amount by which the UDQO in respect of the relevant LDZ Connected System Exit Point exceeds the User's Registered LDZ Capacity;
  - (b) the "**chargeable overrun quantity**" in respect of an overrun month is the largest overrun quantity in respect of any overrun day in that month.
- 4.8.3 The LDZ CSEP Overrun Charge shall be calculated as the amount of the chargeable overrun quantity multiplied by two (2) times the Applicable Annual Rate (including where determined in accordance with paragraph 1.8.5(b)) of the LDZ Capacity Charge.
- 4.8.4 The LDZ CSEP Overrun Charge shall be invoiced and payable in accordance with [Section S](#).

## 5 CAPACITY TRANSFER

## SYSTEM USE AND CAPACITY

## 5.1 Basis of transfer

5.1.1 A User (the "**Transferor User**") may transfer all or part of:

- (a) its Available System Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9.12 and 2.10.3, in respect of an Aggregate System Entry Point; and/ or
- (b) its Available NTS Exit Capacity in respect of a NTS CSEP booked in accordance with the relevant CSEP Ancillary Agreement or in accordance with paragraph 3.2 to another User (the "**Transferee User**"), subject to and in accordance with this paragraph 5.

5.1.2 For the purposes of the Code a "**System Capacity Transfer**" is a transfer of System Capacity in accordance with paragraph 5.1.1.

5.1.3 A System Capacity Transfer may be for any Day or consecutive Days within the period for which the Transferor User holds (by virtue of registration or any System Capacity Transfer) such capacity.

5.1.4 Transco may but shall not be required to reject a System Capacity Transfer where the Transferred System Capacity exceeds the Transferor User's Available System Capacity (in the case of Firm System Entry Capacity, as Adjusted for the time being pursuant to paragraphs 2.9.12 and 2.10.3) at the Transfer System Point on any Day in the Transfer Period.

5.1.5 In respect of a System Capacity Transfer or proposed System Capacity Transfer:

- (a) the "**Transferred System Capacity**" is the System Capacity which is (or is to be) transferred;
- (b) the "**Transfer Period**" is the Day or Days (in accordance with paragraph 5.1.3) for which the Transferred System Capacity is (or is to be) transferred;
- (c) the "**Transfer System Point**" is the Aggregate System Entry Point or NTS Exit Point at which System Capacity is (or is to be) transferred.

## 5.2 Procedure

5.2.1 Where a User proposes to make a System Capacity Transfer, each of the Transferor User and the Transferee User must notify the System Capacity Transfer to Transco specifying:

- (a) the identity of the Transferor User and Transferee User;
- (b) the Transfer System Point;
- (c) the amount of the Transferred System Capacity;
- (d) the Transfer Period; and
- (e) in the case of System Entry Capacity, whether the Transferred System Capacity is Firm System Entry Capacity or Interruptible System Entry Capacity.

5.2.2 A proposed System Capacity Transfer may not be notified later than 04:00 hours on the Day or first Day of the Transfer Period.

5.2.3 Transco may reject a System Capacity Transfer:

- (a) in accordance with paragraph 5.1.4;
- (b) where either the Transferor User or the Transferee User does not notify the System Capacity Transfer in accordance with paragraph 5.2.1 or 5.2.2, or
- (c) in accordance with [Section V3](#).

5.2.4 A System Capacity Transfer shall be effective if it is approved by Transco or is not rejected by Transco within 60 minutes after it was notified by the Transferor User or (if later) the Transferee User under paragraph 5.2.1.

5.2.5 If:

- (a) Transco purports to reject a System Capacity Transfer other than in accordance with paragraph 5.2.3, and
- (b) reasonably promptly thereafter the Transferor User and the Transferee User so notify Transco, stating that they wish the transfer to be implemented

the Transferee User shall not be liable for any Overrun Charge which it would not have incurred had the System Capacity Transfer been approved (and where any such Overrun Charge has been invoiced and/or paid, appropriate invoice adjustments will be made in accordance with [Section S](#)).

### 5.3 Effect of Transfer

5.3.1 Except for the purposes of paragraph 5.3.3, and subject to paragraph 5.4, the Transferee User will be treated during the Transfer Period as the holder of the Transferred System Capacity.

5.3.2 A User's Available System Capacity at a System Point on a Day is its Registered System Capacity, adjusted in respect of any System Capacity Transfer(s) (for which that point is the Transfer System Point and the Transfer Period includes that Day) by adding the Transferred System Capacity where the User was the Transferee User, and deducting the Transferred System Capacity where the User was the Transferor User, subject to paragraph 5.4.

5.3.3 A User will remain liable for Capacity Charges in respect of its Registered System Capacity irrespective of any System Capacity Transfer.

### 5.4 Effect of Termination

5.4.1 Where during the Transfer Period in respect of a System Capacity Transfer the Transferor User ceases to be a User in accordance with [Section V4.3](#):

- (a) Transco will so notify the Transferee User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferor User;

## SYSTEM USE AND CAPACITY

- (b) with effect from the User Discontinuance Date the System Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity;
- (c) the Transferee User may elect to be registered in accordance with paragraph 5.4.2 as holding System Capacity (in addition to any such capacity held other than by virtue of the System Capacity Transfer) at the Transfer System Point:
  - (i) in an amount not exceeding the Transferred System Capacity, and
  - (ii) for any Day or consecutive Days (before or after the date of such election, but not before the User Discontinuance Date) within the Transfer Period.

5.4.2 Where under paragraph 5.4.1 the Transferee User elects to be registered as holding System Capacity:

- (a) the Transferee User shall notify Transco, as soon as reasonably practicable and in any event not more than 5 Business Days after Transco's notice under paragraph 5.4.1(a), of such election, specifying the System Capacity and the date or period in accordance with paragraphs 5.4.1(c)(i) and (ii);
- (b) the Transferee User will be registered as holding System Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for the period of registration);
- (c) the Transferee User will accordingly be liable for Capacity Charges in respect of the elected amount of System Capacity at the Transfer System Point for the elected period.

5.4.3 Where during the Transfer Period in respect of a System Capacity Transfer the Transferee User ceases to be a User in accordance with [Section V4.3](#):

- (a) Transco will so notify the Transferor User as soon as reasonably practicable and in any event not more than 5 Business Days after giving Termination Notice to the Transferee User;
- (b) with effect from the User Discontinuance Date, the Capacity Transfer will lapse and the Transferee User will cease to be treated as holding the Transferred System Capacity which will revert to (and be treated as held by) the Transferor User.

## 5.5 Negative Capacity

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 (in the case of Firm System Entry Capacity, on a Fully Adjusted basis) at the Transfer System Point; or
- (b) the Transferor User submits a daily capacity offer (pursuant to paragraph 2.9)

for an amount of System Entry Capacity which exceeds its Available Firm System Entry 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.

5.5.2 Where and for so long as a User's Available System Capacity is negative the User will be liable to pay Overrun Charge(s) in accordance with paragraph 2.8 or 3.6 on the basis of an overrun quantity on each Day calculated as the sum of:

- (a) the magnitude of the User's negative Available System Capacity, and
- (b) the amount (if any) determined to be the overrun quantity in accordance with paragraph 2.12.2 or 3.6.2(a) (as the case may be) if the User's Available System Capacity at the Transfer System Point were zero.

## 5.6 Daily System Entry Capacity Transfer

5.6.1 Where a User wishes to transfer all or part of its Available Daily System Entry Capacity the provisions of paragraph 5.6.2 shall apply.

5.6.2 For the purpose of paragraph 5.6.1, the provisions of paragraphs 5.1 to 5.5 (inclusive) shall apply, provided that:

- (a) the amount of Transferred System Capacity may not exceed the User's Registered Daily System Entry Capacity;
- (b) references therein to Available System Entry Capacity shall be treated as if they were references to Available Daily System Entry Capacity;
- (c) for the purposes of paragraph 5.2.1 the Transferee User need not notify (and shall not be entitled to notify) Transco of a System Capacity Transfer and paragraphs 5.2.3(b), 5.2.4 and 5.2.5 shall be construed accordingly,
- (d) a proposed System Capacity Transfer may not be notified earlier than 16:00 hours on the Preceding Day or later than 04:00 during the Transfer Period;
- (e) the Transferor User may not withdraw a Proposed System Capacity Transfer following notification to Transco; and
- (f) for the purpose of paragraph 5.3.3 the reference to Capacity Charges shall be treated as if it were a reference to Daily System Entry Charges.
- (g) the provisions of paragraph 5.6.4 shall apply.

5.6.3 For the avoidance of doubt nothing in this paragraph 5 shall permit a User to transfer all or part of its Registered Secondary System Entry Capacity.

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- 5.6.4 Any Code Communication in connection with any application by a User for Daily System Entry Capacity or Secondary System Entry Capacity or the transfer of Available Daily System Entry Capacity shall be made in accordance with the procedures published by Transco from time to time, which shall include the form and format of any such Code Communication. Any Code Communication not given in accordance with such procedures shall be deemed not to have been given and shall be of no effect.

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NOMINATIONS

## C NOMINATIONS

### 1 INTRODUCTION

#### 1.1 Nominations

1.1.1 Users will nominate quantities of gas for delivery to and offtake from the System each Day in accordance with this Section C for the purposes of enabling Transco to plan and (subject to and in accordance with [Section D](#)) carry out the operation of the System and Operational Balancing.

1.1.2 For the purposes of the Code:

- (a) a "**Nomination**" is a nomination by a User in respect of a quantity of gas to be delivered to or offtaken from the System on a Day;
- (b) a "**Renomination**" is a Nomination which revises an earlier Nomination (including a Renomination) under paragraph 5, and includes a New Renomination (in accordance with paragraph 5.1.11(a)) and a Step Change Renomination (in accordance with paragraph 5.1.11(e));
- (c) an "**Output**" Nomination is a Nomination in respect of a quantity to be offtaken from the System;
- (d) an "**Input**" Nomination is a Nomination in respect of a quantity to be delivered to the System;
- (e) a "**Nomination Quantity**" is the quantity nominated for delivery or offtake in a User's prevailing Nomination;
- (f) the "**Nominated Quantity**" is the Nomination Quantity in a User's Nomination prevailing as at the end of the Gas Flow Day;
- (g) an "**Initial**" Nomination is the initial Nomination made or to be made before the Gas Flow Day (but does not include a New Renomination).

1.1.3 References in the Code to a Nomination prevailing at any time before or during the Gas Flow Day are to a Nomination as revised (in accordance with this Section C but not otherwise) up to that time.

1.1.4 For the purposes of the Code a Nomination is made by a User where the User has submitted a Nomination which has been approved or deemed to be approved by Transco in accordance with this Section C.

1.1.5 Each User shall use all reasonable endeavours to secure that (without prejudice to paragraphs 2.3.2 and 3.3.2) it makes Initial Nominations and (subject to the provisions of this Section C) Renominations in accordance with this Section C for the quantities in which and rates and times at which it intends or expects to deliver gas to or offtake gas from the System each Day.

1.1.6 A User may make a Nomination for a quantity of zero (but paragraph 1.1.5 does not



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require such a Nomination to be made in any case).

### 1.2 Nomination Timetable

The "**DM Output Nomination Time**", "**NDM Output Nomination Time**", "**Input Nomination Time**", "**Scheduling Start Time**", "**Nomination Finalisation Time**" and "**Renomination Start Time**" in relation to the Gas Flow Day shall be the following respective times on the Preceding Day:

DM Output Nomination Time:	13:00
NDM Output Nomination Time:	14:00
Input Nomination Time:	16:00
Scheduling Start Time:	16:00
Nomination Finalisation Time:	17:00
Renomination Start Time:	17:30

### 1.3 Nomination balancing

Without prejudice to [Section F2](#), the aggregate quantities of gas nominated by a User's Input Nominations and Output Nominations for a Day need not be equal.

### 1.4 Not Used

### 1.5 Supply Point Groups

1.5.1 For the purposes of the Code, for each User in relation to each Exit Zone:

- (a) the "**DMA(F) Supply Point Group**" is all of its Registered Firm DMA Supply Point Components in aggregate in that Exit Zone;
- (b) the "**DMA(I) Supply Point Group**" is all of its Registered Interruptible DMA Supply Point Components in aggregate in that Exit Zone;
- (c) the "**NDM Supply Point Group**" is all of its Registered NDM Supply Point Components in aggregate in that Exit Zone.

1.5.2 "**DMA Supply Point Group**" means a DMA(F) Supply Point Group or a DMA(I) Supply Point Group, and "**Supply Point Group**" means an NDM Supply Point Group or a DMA Supply Point Group.

### 1.6 NDM Output Nominations

1.6.1 In respect of each Day Transco will, subject to paragraph 5.2.2, on the basis of the daily demand forecasts under [Section H5](#):

- (a) for each User determine in accordance with [Section H2](#) the aggregate of the

NDM Supply Meter Point Demands for all Registered NDM Supply Meter Points in each Exit Zone; and

- (b) not later than each Demand Forecast Time (in accordance with [Section H5](#)):
  - (i) make or revise on behalf of each User an Output Nomination ("**NDM Output Nomination**") in respect of each NDM Supply Point Group; and
  - (ii) notify to each User the Nomination Quantity under each of its NDM Output Nominations or Renominations so made.

1.6.2 The Nomination Quantity under an NDM Output Nomination (including a Renomination thereof) for a User in respect of an NDM Supply Point Group will be the aggregate of the NDM Supply Meter Point Demands for all Registered NDM Supply Point Components in that Exit Zone, determined in accordance with paragraph 1.6.1(a).

1.6.3 The CSEP Network Exit Agreement may provide for Output Nominations in respect of a relevant Unmetered Connected System Exit Point to be treated (for such purposes of the Code as are specified in the CSEP Network Exit Agreement) as NDM Output Nominations (and references in the Code to NDM Output Nominations shall be construed accordingly).

## 1.7 Calorific value information

1.7.1 Not later than 11:00 hours on the Gas Flow Day Transco will make available to Users:

- (a) the calorific value applicable (in accordance with [Section W3.3.1](#)) in respect of each LDZ for the Preceding Day;
- (b) Transco's prevailing estimate of the calorific value applicable (in accordance with [Section W3.3.1](#)) in respect of each LDZ for the Gas Flow Day.

1.7.2 If having failed to comply with paragraph 1.7.1(a) and (b) on any Day, Transco does not make available to Users the information in that paragraph by 16:00 on the Gas Flow Day, Transco will pay to each User with an associated UDQO in respect of Supply Point(s) in the relevant LDZ on the Preceding Day the amount of £50.

1.7.3 Where within 12 calendar months of making information available to Users pursuant to paragraph 1.7.1(a) Transco becomes aware that such information is incorrect, Transco will recalculate such information for each day during the affected period and make it available to Users within 5 Business Days of the recalculation being complete.

1.7.4 Where Transco fails to comply with the provisions of paragraph 1.7.3 above, Transco will make a payment to each User with an associated UDQO in respect of Supply Point(s) in the relevant LDZ during the relevant period of the amount of £250.

1.7.5 For the purposes of Section V13, the rules in paragraph 1.7.2 and 1.7.4 are Compensation Rules within Compensation Group B; and in relation thereto the '**payment month**' is the second month following the month in which the relevant information is made available to the User pursuant to paragraph 1.7.3.

## 1.8 UK Link set-up



## NOMINATIONS

Before first submitting a Nomination in respect of any System Point a User must comply with the requirements set out in the UK Link Manual for establishing (for the purposes of UK Link) the User as a user of the System at that System Point.

### 1.9 Implied Nomination Flow Rate

In respect of any Nomination the "**Implied Nomination Flow Rate**" is the rate (in kWh/ hour) determined as:

- (a) in the case of a Nomination which is not a Renomination, the Nomination Quantity divided by 24;
- (b) in the case of a New Renomination, the Nomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day;
- (c) in the case of any other Renomination, the Implied Nomination Flow Rate in respect of the Nomination prevailing immediately prior to such Renomination plus (where the Renomination increased the Nomination Quantity) or minus (where the Renomination decreased the Nomination Quantity) an incremental hourly rate determined as the Renomination Quantity divided by the period (in hours) from the Renomination Effective Time to the end of the Gas Flow Day.

### 1.10 Hour-bar assumption

- 1.10.1 For the purposes of the Code it shall be assumed that any change in the rate of delivery of gas to or offtake of gas from the System by a User will occur on the hour.
- 1.10.2 The Renomination Effective Time of any Renomination shall be in accordance with paragraph 1.10.1.

### 1.11 Not Used

### 1.12 Nomination Approval

Where under this Section C a Nomination (other than an NDM Output Nomination) is approved or deemed to be approved by Transco:

- (a) the Nomination Quantity under such Nomination shall not subsequently be revised (other than by the User in accordance with this Section C);
- (b) subject to paragraph (a), such approval or deemed approval shall not amount to a waiver by Transco of any failure of the Nomination to comply with any requirement of this Section C.

## 2 OUTPUT NOMINATIONS

### 2.1 Basis of nominations

A User nominating quantities of gas for offtake on the Gas Flow Day from the System shall make Output Nominations subject to and in accordance with this paragraph 2.

### 2.2 Procedure and restrictions



- 2.2.1 The User shall submit a separate Output Nomination ("**DM Output Nomination**") in respect of:
- (a) each Connected System Exit Point;
  - (b) each Registered DMC Supply Point Component;
  - (c) each DMA(F) Supply Point Group,
  - (d) each DMA(I) Supply Point Group.
- 2.2.2 Each DM Output Nomination shall specify:
- (a) the Gas Flow Day;
  - (b) the identity of the User;
  - (c) the System Exit Point, or (in the case of a DMA Supply Point Group) the Exit Zone; and
  - (d) the quantity of gas nominated for offtake.
- 2.2.3 A User shall not submit a DM Output Nomination:
- (a) in respect of an NTS System Exit Point at which, under the prevailing Maintenance Programme, gas is not to be available for offtake from the System on the Gas Flow Day; or
  - (b) in respect of a relevant Connected System Exit Point or (subject to paragraph 2.2.5) DMC Supply Point Component, if the Implied Nomination Flow Rate exceeds
    - (i) in the case of a DMC Supply Point Component, the Supply Point Offtake Rate pursuant to [Section G](#);
    - (ii) in the case of a relevant Connected System Exit Point, any limit specified in the CSEP Network Exit Agreement for the purposes of this paragraph 2.2.3.
- 2.2.4 The relevant provisions of the CSEP Network Exit Agreement shall apply in addition to and (where in conflict with) instead of the provisions of this Section C as respects Output Nominations in respect of a Connected System Exit Point.
- 2.2.5 In relation to a DMC Supply Point Component which comprises Shared Supply Meter Point(s), paragraph 2.2.3(b)(i) shall apply only if the aggregate of the Implied Nomination Flow Rates exceeds the aggregate of the Supply Point Offtake Rates in respect of all of the DMC Supply Point Components which comprise the same Shared Supply Meter Point(s).
- 2.2.6 If in respect of a System Exit Point, a User has not made a DM Output Nomination in respect of the Gas Flow Day, the User shall be deemed to have made a DM Output Nomination of zero at the Relevant Output Nomination Time.

## 2.3 Timing



## NOMINATIONS

- 2.3.1 Initial DM Output Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Relevant Output Nomination Time.
- 2.3.2 Initial DM Output Nominations will not be treated as made before the Relevant Output Nomination Time; and Users may, up to but (subject to paragraphs 4 and 5) not after the Relevant Output Nomination Time, amend or replace Initial DM Output Nominations already submitted.
- 2.3.3 The **"Relevant Output Nomination Time"** is:
- (a) in respect of a Storage Connection Point the Input Nomination Time;
  - (b) except as provided in paragraph (a), the DM Output Nomination Time.

## 2.4 Nomination approval or rejection

- 2.4.1 Transco may reject or (in its discretion) approve a DM Output Nomination which is not submitted in accordance with, or does not comply with:
- (a) the requirements in paragraph 2.2; or
  - (b) the requirements in paragraph 2.3.1.
- 2.4.2 Transco will not approve or reject Initial DM Output Nominations before the Relevant Output Nomination Time.
- 2.4.3 If in respect of any System Exit Point:
- (a) a User has not submitted an Initial DM Output Nomination by the Relevant Output Nomination Time, or
  - (b) Transco has rejected an Initial DM Output Nomination submitted by a User,
- the User shall have failed to make a Nomination (but without prejudice to any New Renomination) and (where relevant) the provisions of [Section E4](#) as to Unauthorised Gas Flows shall apply.
- 2.4.4 An Initial DM Output Nomination submitted to Transco which has not been rejected (in accordance with paragraph 2.4.1) within 60 minutes after the Relevant Output Nomination Time shall be deemed to have been approved.

## 2.5 NDM Output Nominations

- 2.5.1 Output Nominations in relation to NDM Supply Point Groups will be made in accordance with paragraph 1.6, and deemed for the purposes of paragraph 1.1.4 to be made by the User; and the User shall not submit such Nominations.
- 2.5.2 In accordance with paragraph 1.6, Transco will notify to each User its Initial NDM Output Nominations no later than the NDM Output Nomination Time.

## 3 INPUT NOMINATIONS

### 3.1 Basis of nominations

3.1.1 A User nominating quantities of gas for delivery to the System on the Gas Flow Day shall make Input Nominations subject to and in accordance with this paragraph 3.

3.1.2 Not Used

### 3.2 Procedure and restrictions

3.2.1 The User shall submit a separate Input Nomination in respect of each System Entry Point.

3.2.2 Each Input Nomination shall specify:

- (a) the Gas Flow Day;
- (b) the identity of the User;
- (c) the System Entry Point;
- (d) the quantity of gas nominated for delivery; and
- (e) either the volume or the calorific value of the gas to be delivered.

3.2.3 A User shall not submit an Input Nomination in respect of an NTS System Entry Point at which, under the prevailing Maintenance Programme, gas is not to be delivered to the System on the Gas Flow Day.

3.2.4 If in respect of a System Entry Point located on the NTS, a User has not made an Input Nomination in respect of the Gas Flow Day, the User shall be deemed to have made an Input Nomination of zero at the relevant Input Nomination Time.

### 3.3 Timing

3.3.1 Initial Input Nominations may be submitted no earlier than 30 Days before the Gas Flow Day and no later than the Input Nomination Time.

3.3.2 Initial Input Nominations will not be treated as made before the Input Nomination Time; and Users may, up to but (subject to paragraphs 4 and 5) not after the Input Nomination Time, amend or replace Initial Input Nominations already submitted.

3.3.3 Not Used.

### 3.4 Approval and rejection

3.4.1 Transco may reject or (in its discretion) approve an Input Nomination:

- (a) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.2, or which specifies a calorific value, or a volume which implies a calorific value, which is not in compliance with the applicable Gas Entry Conditions in accordance with [Section 12.4](#);
- (b) which is not submitted in accordance with, or does not comply with, the requirements in paragraph 3.3.1.



## NOMINATIONS

- 3.4.2 Transco will not approve or reject Initial Input Nominations before the Input Nomination Time.
- 3.4.3 If in respect of any System Entry Point:
- (a) a User has not submitted an Initial Input Nomination by the Input Nomination Time, or
  - (b) Transco has rejected an Initial Input Nomination submitted by a User,
- the User shall have failed to make a Nomination (but without prejudice to any New Renomination) and (where relevant) the provisions of [Section E4](#) as to Unauthorised Gas Flows shall apply.
- 3.4.4 An Initial Input Nomination submitted to Transco which has not been rejected (in accordance with paragraph 3.4.1) within 60 minutes after the Input Nomination Time shall be deemed to have been approved.

## 4 Not Used

## 5 RENOMINATION

### 5.1 General

- 5.1.1 A User may not withdraw or, except as provided in paragraph 4 and paragraph 5.1.2, revise or replace an Output Nomination after the Relevant Output Nomination Time or an Input Nomination after the Input Nomination Time.
- 5.1.2 Subject to paragraph 5.1.4, a Nomination may be revised by a Renomination.
- 5.1.3 Not used.
- 5.1.4 A User shall not be entitled to make a Renomination:
- (a) (except in the case of a New Renomination) in respect of a System Point in respect of which the User has not made an earlier Nomination;
  - (b) earlier than the Renomination Start Time, or later than 04:00 hours on the Gas Flow Day;
  - (c) in the circumstances in Section D2.3.4;
  - (d) if the Implied Nomination Flow Rate ( in the case of a Step Change Renomination in respect of any hour of the Day ) is less than zero;
- 5.1.5 Without prejudice to [Section I3.10.3](#), a User shall secure that it has not made a Renomination in respect of a System Entry Point under which the Implied Nomination Flow Rate exceeds 1/24 of the User's Available System Entry Capacity.
- (a) in the case of a Renomination under paragraph 5.3.3, or
  - (b) to the extent that the User is unable, by reason of a Transportation Constraint other than one notified pursuant to paragraph C4, to deliver gas in its

Nomination Quantity at another System Entry Point.

- 5.1.6 Not used.
- 5.1.7 A Renomination shall be submitted in accordance with paragraph 2.2 or 3.2 (as appropriate), and shall in addition specify:
- (a) (except in the case of a New Renomination) the previous Nomination in respect of which it is made; and
  - (b) the Renomination Effective Time (in compliance with paragraph 5.1.12).
- 5.1.8 Transco may reject or approve a Renomination in accordance with paragraph 2.4.1(a) or 3.4.1(a) or 5.6.2; and where Transco rejects a Renomination the prevailing Nomination (if any) shall remain in place.
- 5.1.9 A Renomination submitted to Transco which has not been rejected (in accordance with paragraph 5.1.8):
- (a) within 60 minutes after it was submitted, or
  - (b) in the case of a VLDMC Supply Point Component or a relevant Connected System Exit Point only, by the Renomination Effective Time, if earlier
- shall be deemed (but without prejudice to paragraph 5.6) to have been approved as respects paragraphs 2.4.1(a) or 3.4.1(a).
- 5.1.10 An approved Renomination (other than a New Renomination) shall replace the previous Nomination (but without prejudice to the application of this Section C in respect of the previous Nomination until the Renomination Effective Time).
- 5.1.11 For the purposes of the Code:
- (a) a "**New Renomination**" is an original Nomination in accordance with paragraph 5.1.13;
  - (b) the "**Renomination Quantity**" in respect of a Renomination is the amount by which the Nomination Quantity under an earlier Nomination was revised by such Renomination, or in the case of a New Renomination, the Nomination Quantity; and the "**Primary Renomination Quantity**" is the Renomination Quantity in respect of a Primary Renomination;
  - (c) a Constrained LNG Renomination made by Transco on behalf of a User in accordance with Section R4 shall be a Primary Renomination;
  - (d) the "**Renomination Effective Time**" in respect of a Renomination (other than an NDM Output Nomination) is the time (within the Gas Flow Day) with effect from which the change in gas flow rate (at the relevant System Point) in respect of which the Renomination is made is to occur.
  - (e) a "**Step Change Renomination**" is a Renomination which specifies the Nomination Quantity for each remaining hour of the Day.
- 5.1.12 The Renomination Effective Time of a Renomination shall:



## NOMINATIONS

- (a) in the case of a System Point other than a VLDMC Supply Point Component or a relevant Connected System Exit Point, be not less than 60 minutes,
- (b) in the case of a VLDMC Supply Point Component or a relevant Connected System Exit Point, be not less than 15 minutes,

after the time at which the Renomination is submitted (and shall in addition comply with paragraph 1.10.2)

5.1.13 Where a User has not made an earlier:

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

for a Nomination Quantity determined by the User.

## 5.2 Primary Renominations: Output Nominations

5.2.1 With effect from each Demand Forecast Time (after the NDM Output Nomination Time):

- (a) Transco will by making a Renomination revise on behalf of each User its NDM Output Nomination for each NDM Supply Point Group in accordance with paragraph 1.6;
- (b) each User's NDM Output Nomination in respect of each relevant Unmetered Connected System Exit Point shall be revised in accordance with the applicable CSEP Network Exit Agreement.

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

5.2.3 Users are required to make Renominations in respect of Supply Points in respect of which Transco requires or ceases to require Interruption under [Section G6.8](#).

5.2.4 Not Used.

## 5.3 Renomination review

5.3.1 Transco shall not be required to determine whether a Renomination when made complies with the requirements of this paragraph 5 or [Section I3.10](#), and may accept a non-compliant Renomination, but Transco may reject a Renomination which does not so comply.

5.3.2 Transco will, after the Gas Flow Day, keep under review (on a sample basis) Renominations made by Users; and (without prejudice to any other entitlement of Transco under the Code) where it appears to Transco that a User may have made one or more Renominations which materially or persistently failed to comply with the requirements of this paragraph 5 or [Section I3.10](#):

- (a) Transco will invite the User to provide to Transco reasonable evidence that the Renomination(s) were compliant, and/or to provide to Transco such information as the User may (in the light of paragraph (b)) wish;
- (b) if Transco is not thereby reasonably satisfied that the User did not materially or persistently fail to comply with the requirements of this paragraph 5 or [Section 13.10](#), Transco will submit to the Authority a report identifying the User and containing details of the possible failure to comply together with any information provided by the User under paragraph (a); and
- (c) Transco will not be required to take any further action in respect of the possible failure to comply.

## 6 TRADE NOMINATIONS

### 6.1 Basis of Trade Nominations

6.1.1 Where two Users, or (in accordance with paragraph 6.3) Transco and a User, agree to do so, they may make in respect of any Day corresponding nominations (respectively a "**Disposing Trade Nomination**" and an "**Acquiring Trade Nomination**") for the purposes of paragraph 6.1.3, subject to and in accordance with this paragraph 6.

6.1.2 The quantities subject to a Disposing Trade Nomination and an Acquiring Trade Nomination (each a "**Trade Nomination**") must be equal.

6.1.3 The quantity ("**Trade Nomination Quantity**") subject to corresponding Trade Nominations will (in accordance with [Section E5](#)) be:

- (a) deducted in determining the Daily Imbalance of the User making the Disposing Trade Nomination, and
- (b) added in determining the Daily Imbalance of the User making the Acquiring Trade Nomination.

6.1.4 For the purposes of the Code (and without prejudice to any terms as between Users, with which Transco shall not be concerned) a Trade Nomination shall have no other effect than under paragraph 6.1.3.

6.1.5 A User may make a Trade Nomination irrespective of whether the User makes any Input Nomination or Output Nomination for the Day in respect of which the Trade Nomination is made.

6.1.6 For the purposes of the Code a Trade Nomination is made by a User where the User has submitted a Trade Nomination which has not been rejected by Transco in accordance with this Section C.

### 6.2 Content, timing and procedure

6.2.1 A Trade Nomination shall specify:

- (a) the Gas Flow Day;
- (b) the identity of the User;



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- (c) whether it is a Disposing Trade Nomination or an Acquiring Trade Nomination;
- (d) the identity of the User making the corresponding Trade Nomination; and
- (e) the Trade Nomination Quantity.

6.2.2 A Trade Nomination may not be made:

- (a) earlier than 30 Days before the Gas Flow Day,
- (b) later than 04:00 hours on the Gas Flow Day.

6.2.3 A Trade Nomination shall not be effective and shall be rejected by Transco:

- (a) if it does not comply with paragraph 6.2.1;
- (b) if the corresponding Trade Nomination is not submitted, in compliance with paragraph 6.2.1:
  - (i) where the first Trade Nomination was submitted before the Gas Flow Day, by 07:00 hours on the Gas Flow Day;
  - (ii) otherwise, within 60 minutes before or after the first Trade Nomination was made;
- (c) if the Trade Nomination Quantity and the quantity subject to the corresponding Trade Nomination are not equal;
- (d) in accordance with [Section V3](#).

6.2.4 A Trade Nomination may be withdrawn by the User who submitted it at any time before the Gas Flow Day, but may not be amended or withdrawn within the Gas Flow Day (but without prejudice to any subsequent Trade Nomination).

## 6.3 System Trade Nominations

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

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

- (a) which shall arise upon the System Trade Nominations becoming effective and which shall be deemed fully performed;
- (b) for the purposes of which:
  - (i) where the System Trade User made the Disposing Trade Nomination, Transco is buyer and the System Trade User is seller;
  - (ii) where the System Trade User made the Acquiring Trade Nomination, Transco is seller and the System Trade User is buyer;
- (c) in relation to which there shall be no Clearing Price (as the System Trade





Contract is effective pursuant to the agreement between Transco and the User to make the System Trade Nominations).

- 6.3.3 In relation to the System Trade User, the Trade Nomination Quantity pursuant to a System Trade Nomination shall be treated in accordance with paragraph 6.1.3.
- 6.3.4 Transco may agree with the System Trade User that the Trade Nomination to be made by Transco shall (for the purposes of paragraph 6.2) be deemed to be submitted at the same time as that to be submitted by the System Trade User.



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## Defined Terms

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# D OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

## 1 INTRODUCTION

### 1.1 Operational Balancing

1.1.1 For the purposes of the Code, “**Operational Balancing**“ means maintaining:

- (a) both during and at the end of each Gas Flow Day, and
- (b) within such operational tolerance as Transco may determine, and
- (c) after taking account of estimated shrinkage and intended changes in NTS linepack and LDZ stock, and
- (d) having regard to all Transportation Constraints and other factors relevant to the operation of the System,

the balance between the quantities of gas respectively delivered to and offtaken from the System; and references to an “**Operational Balance**“ shall be construed accordingly.

1.1.2 For the purposes of Operational Balancing (and without prejudice to [Section Q](#)) Transco may:

- (a) utilise Operating Margins in accordance with [Section K](#); and/or
- (b) take Eligible Balancing Actions in accordance with this Section D.

1.1.3 For the purposes of the Code an “**Operational Balancing Requirement**“ is any requirement for Operational Balancing Steps to be taken; and “**Operational Balancing Steps**“ are steps taken by Transco pursuant to the Code for the purposes of Operational Balancing.

1.1.4 It is acknowledged that the measures referred to in paragraph 1.1.2 are among the measures which are specified in the Operational Guidelines established by Transco pursuant to Special Condition 17 of the Transco Licence, and that such Operational Guidelines do not form a part of and are not incorporated into, and are not binding upon Transco pursuant to, the Code.

### 1.2 Operational Balancing Requirements

1.2.1 Without prejudice to the generality of paragraph 1.1.1, an Operational Balancing Requirement may arise:

- (a) where the quantities of gas expected to be delivered to the System over the whole of the Gas Flow Day are more or less (after taking account of shrinkage and any intended changes in NTS linepack and LDZ stock) than those expected to be offtaken from the System over the whole of that Day;

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 OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

- (b) irrespective of whether the circumstances in paragraph (a) apply, where at any time within the Gas Flow Day (by reason of differences in the times and/or rates at which gas is delivered to and offtaken from the System) pressures in the System and/or NTS linepack are or are expected to be more or less than the operationally acceptable limit determined by Transco.
- 1.2.2 Operational Balancing Steps taken for any Day in the circumstances in paragraph 1.2.1(b) may of themselves give rise to an Operational Balancing Requirement (for the same Day) under paragraph 1.2.1(a).
- 1.2.3 Subject to the provisions of [Section C](#), Transco will accept a Renomination for any Renomination Effective Time, irrespective of whether an Operational Balancing Requirement under paragraph 1.2.1(b) may arise as a result.

### 1.3 Operational Balancing decisions

- 1.3.1 In making decisions as to the taking of Operational Balancing Steps, Transco will and shall be entitled to take into account such information as it shall judge appropriate, including:
  - (a) its own estimates of demand and profiles of demand within the Day;
  - (b) Nomination Information under Output Nominations (including Renominations pursuant to Interruption of Interruptible Supply Point Components and Constrained Storage Renominations); and in respect of NExA Supply Meter Points and Connected System Exit Points, information provided pursuant to [Sections J4](#) or [J5](#) and the applicable Network Exit Agreement; and similar information provided to Transco pursuant to any other transportation arrangement;
  - (c) Nomination Information under Input Nominations; and
  - (d) Local Operating Information.
- 1.3.2 “**Nomination Information**“ means information, concerning the rates at and quantities in which gas is to be delivered to or offtaken from the System, which is provided under or can be inferred from Users' Nominations (including Renominations), System Trade Nominations and Transaction Details.
- 1.3.3 Without prejudice to Transco's entitlement (under paragraph 1.3.1) to take account of such information as it judges appropriate, where after any Renomination is made there is any inconsistency (outside such tolerance as Transco may reasonably determine to be appropriate) between Nomination Information and Local Operating Information in respect of any System Entry Point:
  - (a) Transco may view Nomination Information as decreasingly reliable, and Local Operating Information as increasingly reliable, with the passage of time (during the Gas Flow Day) after the relevant Renomination;
  - (b) to the extent that Nomination Information proves to have been more accurate than any Local Operating Information on which Transco may have relied, an additional Operational Balancing Requirement may arise.



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 OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

## 1.4 Eligible Balancing Actions

1.4.1 For the purposes of the Code.

- (a) “**Eligible Balancing Actions**” are:
  - (i) Market Balancing Actions;
  - (ii) other actions provided for in the Code to be ‘Eligible Balancing Actions’;
- (b) the “**Market Balancing Action Charge**” is the amount payable by or to Transco in respect of a Market Balancing Action;
- (c) a “**Market Balancing Action**” is a Market Balancing Buy Action or a Market Balancing Sell Action.
- (d) a “**Market Balancing Buy Action**” is the effecting of a Market Transaction (in which Transco is one of the Trading Participants) pursuant to which the User agrees to make a Disposing Trade Nomination;
- (e) a “**Market Balancing Sell Action**” is the effecting of a Market Transaction (in which Transco is one of the Trading Participants) pursuant to which the User agrees to make an Acquiring Trade Nomination;
- (f) “**Market Balancing Action Quantity**” is the Trade Nomination Quantity in respect of a Market Balancing Action.
- (g) NTS Linepack shall mean , for a Day, the volume of gas within the National Transmission System (ascertained in accordance with the principles set out in the Operational Guidelines).

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

## 1.5 Localised Transportation Deficit

1.5.1 Where after 24:00 hours on the Preceding Day it appears to Transco that a Localised Transportation Deficit is likely to arise or has arisen, Transco will take (at such times as it judges operationally appropriate) Market Balancing Buy Action(s) at relevant System Point(s) with a view to gas flow rates at such System Points being increased or (as the case may be) decreased so as to avoid or remedy the Localised Transportation Deficit.

1.5.2 In paragraph 1.3 references to Operational Balancing shall be construed as including the taking of Market Balancing Buy Actions by Transco under paragraph 1.5.1 in respect of a Localised Transportation Deficit or anticipated Localised Transportation Deficit and Market Balancing Sell Actions taken as a consequence with a view to maintaining an Operational Balance and references to Operational Balancing Steps and Operational Balancing Requirements will be construed accordingly.

1.5.3 For the purposes of the Code a “**Localised Transportation Deficit**” is a condition affecting a part of the System resulting in a deficiency in the quantities of gas which Transco is able to make available for offtake from that part of the System whether such condition results from the size of any part of the System, the operation or failure to

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operate any part of the System or the extent or distribution of supply or demand in any part of the System but which does not result from a Transportation Constraint affecting a particular System Entry Point or System Entry Points.

## 1.6 Emergencies

In accordance with [Section Q](#) in a Network Gas Supply Emergency the provisions of this Section D, other than this paragraph 1.6, shall not apply.

## 1.7 Scottish Independent Networks

- 1.7.1 References in this Section D to the System do not include references to the Scottish Independent Networks.
- 1.7.2 Injection of gas to LNG Facilities for the purposes described in [Section B1.9.2](#) will take place only at certain times of the year and not at a uniform rate through the year; and accordingly quantities delivered by Users to the System with a view to balancing the quantities offtaken from the Scottish Independent Networks will at certain times of the year exceed, and at others be less than, the quantities offtaken from the System for injection into LNG Facilities for such purposes.
- 1.7.3 Transco will manage and account for the differences in quantities referred to in paragraph 1.7.2 as changes in NTS linepack (potentially giving rise to or contributing to Operational Balancing Requirements) each Day; and will not be treated as a User of the System in so doing.
- 1.7.4 In accordance with paragraph 1.7.3, Injection Nominations made by Transco for the purposes referred to in paragraph 1.7.2 will not take effect as Output Nominations.

## 2 TRADING ARRANGEMENTS

### 2.1 On the Day Market

- 2.1.1 [Where Transco appoints a person who has established a market for the purposes referred to in standard condition 9(3A) of the Transco Licence, Transco will make arrangements with such person]<sup>1</sup> pursuant to which such person will provide and operate an electronic trading system by means of which Users and Transco may (if they have been admitted by such person as participants in such system) post and accept (and revise and withdraw) offers to effect Market Transactions.
- 2.1.2 Without prejudice to the provisions of [Section V4](#), provided such person has complied with the relevant requirements of [Section V2](#), Transco will admit the Trading System Clearer as a User pursuant to [Section V2.5.1](#) for the purposes only of making Trade Nominations (including System Trade Nominations) pursuant to [Section C6](#).
- 2.1.3 For the purposes of the Code:
  - (a) “**Trading System**” is an electronic trading system provided and operated by the Trading System Operator for the purposes described in paragraph 2.1.1; provided that references to the Trading System shall not include any part of

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<sup>1</sup> Text subject to Ofgem/Transco discussions and licence modification consultation process

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such system by means of which transactions other than Market Transactions may be effected, or by means of which Market Transactions may be effected earlier than the 12:00 hours on the Day before the Gas Flow Day;

- (b) “**Trading System Operator**” is the person providing and operating the system referred to in paragraph (a);
  - (c) “**Trading System Clearer**” is the Trading System Operator, or a person designated by the Trading System Operator to provide clearing services for the purposes of the Trading System;
  - (d) “**Trading System Arrangements**” are the arrangements including the rules for use of the Trading System made by the Trading System Operator in respect of the provision and operation of the Trading System;
  - (e) “**Trading System Contract**” is the contract between Transco and the Trading System Operator setting out the arrangements made by Transco for the purposes of paragraph 2.1.1.
- 2.1.4 The requirement to make arrangements in paragraph 2.1.1 is without prejudice to Transco’s rights of termination pursuant to the Trading System Contract and Transco shall not be in breach of the obligation in paragraph 2.1.1 were the Trading System Contract to terminate as a consequence of:
- (a) Transco exercising its rights of termination thereunder;
  - (b) the Trading System Operator ceasing to, or otherwise being unable to, carry on its business in providing and operating the Trading System;
  - (c) the giving of a Termination Notice by Transco pursuant to paragraph 2.9.3 of the Network Code Supplement.
- 2.1.5 Transco shall not be liable to any User for any act, omission or failure of the Trading System Operator under or relating to the terms of the Trading System Contract or the Trading System Arrangements and Transco shall not be required to incur any liability or be required to take any steps, including the commencement of proceedings in connection with the enforcement against the Trading System Operator of its rights pursuant to the Trading System Contract.

## 2.2 Market Transactions and Trading Arrangements

### 2.2.1 For the purposes of the Code:

- (a) a “**Market Transaction**” is a transaction effected (by means of the Trading System) between two Trading Participants, pursuant to which the Trading System Clearer agrees with each of the Trading Participants separately to make equivalent Trade Nominations (so that the Trading System Clearer agrees with one such participant to make an Acquiring Trade Nomination, and with the other such participant to make a Disposing Trade Nomination);
- (b) the “**Originating Participant**” in relation to a Market Transaction is the Trading Participant which posted (using the Trading System) the offer, acceptance of which by Transco or another User (the “**Accepting Participant**”) effected such transaction; and where the Originating Participant is a User it is

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an “**Originating User**”;

- (c) a “**Physical Market Transaction**” is a Market Transaction pursuant to which the Originating User agrees:
  - (i) to modify the quantity of gas to be delivered to and/or offtaken from the System by the User in aggregate on the Gas Flow Day by an amount equal to the Trade Nomination Quantity (and to modify the rate of such delivery and/or offtake accordingly); and
  - (ii) accordingly to make a Nomination(s) or Renomination(s) in accordance with paragraph 2.3;
- (d) a “**Locational Market Transaction**” is a Physical Market Transaction pursuant to which the Originating User agrees to make a Nomination or Renomination in respect of a specified System Point in accordance with paragraph 2.3;
- (e) a “**Non-physical Market Transaction**” is a Market Transaction which is not a Physical Market Transaction;
- (f) in respect of an Originating User and in relation to a Physical Market Transaction an “**Eligible Trading System Point**” is a System Point in respect of which the following conditions are satisfied:
  - (i) the System Point is:
    - (1) a System Entry Point in respect of which the User has complied with the requirement in [Section B1.5](#); or
    - (2) a Supply Point in respect of which the User is the Registered User and in relation to which the User may submit a separate Output Nomination; or
    - (3) an eligible Connected System Exit Point in relation to which the User is a CSEP User; and
- (g) in the case of a Physical Market Transaction under which the Originating User has agreed to reduce:
  - (i) the quantity of gas to be delivered to the System at a System Entry Point, the User has made an Input Nomination for the Gas Flow Day at such System Entry Point; or
  - (ii) the quantity of gas to be offtaken from the System at a System Exit Point, the User has made an Output Nomination for the Gas Flow Day at such System Exit Point

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

- (h) “**Contract Renomination**” is a Renomination made or to be made by a User (pursuant to a Physical Market Transaction) in accordance with paragraph 2.3;
- (i) in relation to a Physical Market Transaction the “**Contract Renomination Time**” is the later of 19:00 hours on the Day preceding the Market Offer Date

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and that time falling 60 minutes after notification by the Trading System Operator to Transco of the Transaction Details, but not later than 04:00 hours on the Market Offer Date;

- (j) in respect of a Market Transaction the “**Contract Renomination Time**” are those details to be provided to Transco by the Trading System Operator (in accordance with the Trading System Arrangements) when the Trading System Operator notifies Transco that the Market Transaction has been effected;
  - (k) “**Trading Participant**” means a User (other than one admitted pursuant to [Section V2.5.1](#)) or Transco, which is for the time being admitted by the Trading System Operator as a participant under the Trading System in relation to Market Transactions;
  - (l) references to ‘acceptance’ of an offer include acceptance by ‘order matching’, that is where the posting of the later posted of two matching orders acts as the acceptance of the earlier posted of such orders.
- 2.2.2 The Trading System Contract will provide for the Trading System Arrangements to be consistent with ANNEX D-1 and will in addition contain provision whereby the Trading System Operator shall covenant with Transco not to make any modification, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of ANNEX D-1 other than with the prior written agreement of Transco.
- 2.2.3 Transco shall not agree with the Trading System Operator pursuant to the terms of the Trading System Contract to any amendment, change or other alteration to the Trading System Arrangements in respect of a matter within the scope of ANNEX D-1 unless pursuant to a Code Modification ANNEX D-1 has been amended in a manner such that following such modification ANNEX D-1 is consistent with the Trading System Arrangements following the amendment, change or alteration thereto.
- 2.2.4 In the event that pursuant to a Code Modification the terms of ANNEX D-1 are modified, changed or otherwise altered, Transco shall not be required to secure that the Trading System Operator modify the Trading System Arrangements such that they are made consistent with the ANNEX D-1 following such Code Modification.
- 2.2.5 The Trading System Arrangements will provide that, following the effecting of a Market Transaction, the Trading System Operator will submit, on its own account (or where the Trading System Operator and the Trading System Clearer are different persons, on the Trading System Clearer’s behalf) and as User Agent on behalf of the Originating and Accepting Participants, the Trade Nominations agreed to be made pursuant to such Market Transaction.
- 2.2.6 The Trading System Operator shall be deemed to have submitted Trade Nominations pursuant to paragraph 2.2.5 (and complying with [Section C6.2](#)) by notifying to Transco details of the Market Transaction pursuant to those provisions of the Trading System Arrangements which comply with paragraph 5.4(c) of ANNEX D-1.
- 2.2.7 A Trading Participant may not post a Market Offer to effect a Physical Market Transaction in relation to which the Market Transaction Lead Time is less than one (1) hour.
- 2.2.8 Where Transco takes a Market Balancing Action:

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- (a) in the case of a Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) the Trading System Clearer shall pay to Transco the Market Balancing Action Charge;
  - (b) in the case of a Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) Transco shall pay the Trading System Clearer the Market Balancing Action Charge.
- 2.2.9 Market Balancing Action Charges shall be invoiced and payable in accordance [Section S](#).
- 2.3 Contract Renominations
  - 2.3.1 Subject to paragraph 2.3.6, where a Physical Market Transaction is effected, the Originating User shall make Contract Renomination(s) which are in compliance with the requirements in paragraphs 2.3.2 and 2.3.3.
  - 2.3.2 The requirements referred to in paragraph 2.3.1 are that:
    - (a) without prejudice to [Section C5.1.4\(b\)](#), the Contract Renomination(s) are submitted not earlier than the time the Trading System Operator notifies Transco of the Transaction Details and not later than the Contract Renomination Time;
    - (b) the Contract Renomination(s) shall be submitted in accordance with [Section C5.1.7](#) and shall in addition specify:
      - (i) that the Renomination is a Contract Renomination;
      - (ii) the Physical Market Transaction in respect of which it is made;
    - (c) a Contract Renomination may not for the purposes of paragraph (b) specify more than one Physical Market Transaction;
    - (d) where the User is required to make Contract Renomination(s):
      - (i) other than pursuant to a Locational Market Transaction, the Contract Renomination(s) submitted by the User shall:
        - (1) be in respect of an Eligible System Trading Point(s); and
        - (2) be for Renomination Quantity(ies) in aggregate equal to the Trade Nomination Quantity in respect of which the relevant Physical Market Transaction was effected;
      - (ii) pursuant to a Locational Market Transaction, the Contract Renomination submitted by the User shall:
        - (1) be in respect of the Eligible System Trading Point in respect of which the Locational Market Transaction was effected; and
        - (2) be for a Renomination Quantity equal to the Trade Nomination Quantity in respect of which the relevant Locational Market Transaction was effected.

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- 2.3.3 Without prejudice to the requirements of paragraph 2.3.2, where pursuant to the Physical Market Transaction:
- (a) the User has agreed to make a Disposing Trade Nomination, the User must make a Contract Renomination(s) which:
    - (i) revises the User's Input Nomination for a System Entry Point by increasing the Nomination Quantity; and/or
    - (ii) is an original Input Nomination for a System Entry Point in respect of which the User has made no earlier Nomination; and/or
    - (iii) is a Renomination which revises the User's Output Nomination for a System Exit Point by reducing the Nomination Quantity;
  - (b) the User has agreed to make an Acquiring Trade Nomination, the User must make a Contract Renomination(s) which:
    - (i) revises the User's Input Nomination for a System Entry Point by reducing the Nomination Quantity; and/or
    - (ii) is an original Output Nomination for a System Exit Point in respect of which the User has made no earlier Nomination; and/or
    - (iii) is a Renomination which revises the User's Output Nomination for a System Exit Point by increasing the Nomination Quantity.
- 2.3.4 Where pursuant to a Physical Market Transaction in respect of which the Originating User agrees to make:
- (a) a Disposing Trade Nomination in relation to a System Entry Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Entry Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Entry Point;
  - (b) an Acquiring Trade Nomination in relation to a System Exit Point, the Originating User shall not make a Renomination (other than a Contract Renomination) in respect of such System Exit Point as a result of which the Implied Nomination Flow Rate would be less than the aggregate of the Market Transaction Flow Rate Changes in relation to all earlier Contract Renominations made by the Originating User in respect of such System Exit Point.
- 2.3.5 The Renomination Effective Time of a Contract Renomination shall be the Transaction Effective Time of the Physical Market Transaction pursuant to which the Contract Renomination is to be made.
- 2.3.6 In relation to a Locational Market Transaction in the event the System Point in respect of which the User has agreed to submit Contract Renomination(s) is not an Eligible System Trading Point:



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

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

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

the Originating User shall pay a charge (“**Physical Renomination Incentive Charge**”) calculated in accordance with paragraph 2.3.8.

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

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

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

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

- (b) £200.

2.3.9 The Physical Renomination Incentive Charge will be invoiced and payable in accordance with [Section S](#).

## 2.4 Trading System Contingencies

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

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

2.4.3 In the event that:

- (a) Transco exercises its rights of termination pursuant to the Trading System Contract;
- (b) the Trading System Operator ceases to, or is unable to, carry on its business as the provider and operator of the Trading System;



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- (c) Transco gives the Trading System Operator a Termination Notice pursuant to paragraph 2.9.3 of the Network Code Supplement.

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

- 2.4.4 Where Transco is of the opinion that by reference to the aggregate quantities of gas for which Users have posted Market Offers and Nomination Information its ability to carry out Operational Balancing is or may be prejudiced Transco shall notify Users of its opinion and request that Trading Participants post further Market Offers provided that the giving of such notice(s) shall be without prejudice to the provisions of [Section Q](#) and any actions Transco may take in its capacity as NEC where so appointed.
- 2.4.5 Transco may, with Condition 9(3) Approval of the Authority, following the use of Contingency Balancing Arrangements pursuant to paragraph 2.4.1, recommence use of the Trading System for Operational Balancing Purposes and in such circumstances Transco shall notify all Users of the Day with effect from the start of which Transco shall recommence use of the Trading System (and cease to make use of Contingency Balancing Arrangements) by not later than 10:00 on the Preceding Day.
- 2.4.6 In relation to each Day in respect of which Transco uses Contingency Balancing Arrangements the provisions of paragraph 2.3 as to Physical Renomination Incentive Charges will not apply.
- 2.4.7 For the purposes of the Code “**Contingency Balancing Arrangements**” are other arrangements provided for in the Code to be ‘Contingency Balancing Arrangements’.

## ANNEX D-1 TRADING SYSTEM ARRANGEMENTS

### 1 Introduction

- 1.1 This Annex D-1 sets out those terms and conditions relating to the Trading System to be incorporated into the Trading System Arrangements.
- 1.2 For the purposes of the Code:
- (a) “**Market Offer**” is an offer posted by a Trading Participant by way of the Trading System acceptance of which will effect a Market Transaction;
  - (b) “**Market Offer Date**” is the Day which is to be the Gas Flow Day in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
  - (c) “**Market Offer Price**” is the price (in pence/kWh) specified by the Originating Participant when posting a Market Offer;
  - (d) the “**Market Transaction Quantity**” is the quantity which is the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to acceptance of the Market Offer;
  - (e) the “**Market Transaction Charge**” is the Market Transaction Quantity multiplied by the Market Offer Price;
  - (f) the “**Market Transaction System Point**” in respect of a Locational Market Transaction, is the Eligible System Trading Point at which the Originating User offers to modify the gas flow rate;
  - (g) the “**Market Transaction Lead Time**” in respect of a Market Offer to enter into a Physical Market Transaction, is the period in time (expressed in whole hours) required by the Originating User after the Contract Nomination Time before the Originating User will modify the gas flow rate at a System Point;
  - (h) in relation to a Market Offer:
    - (i) to effect a Physical Market Transaction:
      - (1) the “**Market Offer Specified Quantity**” is the quantity which would be the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is accepted in full;
      - (2) the “**Market Offer Derived Rate**” is the rate in kWh/Day calculated as the Market Offer Specified Quantity multiplied by 24 and divided by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
      - (3) the “**Market Offer Specified Rate**” is the rate in kWh/Day which would be equivalent to the Trade Nomination Quantity in respect of the Trade Nominations to be made where the Market Offer to effect such Physical Market Transaction is

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accepted in full and in relation to which the Transaction Effective Time is on or before 06:00 hours on the Market Offer Date;

- (4) the “**Market Offer Derived Quantity**” is the quantity equivalent to the Market Offer Specified Rate divided by 24 and multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
- (ii) to enter into a Non-Physical Market Transaction, the “**Market Transaction Absolute Quantity**” is the maximum quantity which irrespective of the Transaction Effective Time would be the Trade Nomination Quantity in relation to the Trade Nominations to be submitted on acceptance of the Market Offer;
- (i) the three “**Market Transaction Types**” are:
  - (i) Non-physical Market Transactions;
  - (ii) Physical Market Transactions not being Ag Locational Market Transactions;
  - (iii) Locational Market Transactions;
- (j) the “**Transaction Effective Time**” is in respect of a Physical Market Transaction, the hour at which, after the Contract Nomination Time, the Market Transaction Lead Time elapses;
- (k) the “**Contract Nomination Time**” is in relation to a Market Transaction, the hour next falling after the time at which the Market Offer giving rise to the Market Transaction was accepted as ascertained in accordance with the rules of the Trading System;
- (l) a “**Market Transaction ID**” is a unique reference number given to each individual Market Transaction by the Trading System Operator and the “**Transco Batch Code**” is a unique reference number which identifies those Market Balancing Actions taken by Transco for the purposes of a particular Operational Balancing Requirement;
- (m) the “**Transco Reason Code**” is a code which identifies the nature of the Market Balancing Action which Transco has taken or is seeking to take;
- (n) the “**Market Transaction Flow Rate Change**” is
  - (i) where no earlier Nomination was made in respect of the Eligible System Trading Point, the rate in kWh/hour at which gas the subject of a Market Offer for a Physical Market Transaction is to be delivered or offtaken from the System;
  - (ii) where an earlier Nomination was made in respect of the Eligible System Trading Point the amount in kWh/hour by which the gas flow rate is to be increased or (as the case may be) decreased in respect of the gas the subject of a Market Offer for a Physical Market Transaction.

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

**2 Participation and Trading System**

- 2.1 Each Trading Participant shall appoint the Trading System Operator as its User Agent, (and the Trading System Operator shall be required to act as each Trading Participant's User Agent) for the purposes of making Trade Nominations on behalf of Trading Participants pursuant to the acceptance of a Market Offer.
- 2.2 The identity of a Trading Participant making a Market Offer will not be disclosed to any other Trading Participant at any time prior to or after acceptance of the Market Offer except where a Market Offer in respect of a Physical Market Transaction is accepted where following such acceptance the identity of the Originating User will be disclosed to Transco.

**3 Market Transactions**

- 3.1 A Market Offer to effect a Non-physical Market Transaction must indicate:
- (a) that it is such a Market Offer;
  - (b) the Market Offer Date;
  - (c) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
  - (d) the Market Transaction Absolute Quantity; and
  - (e) the Market Offer Price;
- 3.2 A Market Offer to effect a Physical Market Transaction must indicate:
- (a) that it is such a Market Offer;
  - (b) the Market Offer Date;
  - (c) whether the Market Offer is a Market Offer to make a Disposing Trade Nomination or an Acquiring Trade Nomination;
  - (d) the Market Offer Specified Quantity or the Market Offer Specified Rate;
  - (e) the Market Offer Price;
  - (f) the Market Transaction Lead Time; and
  - (g) whether the Market Offer may only be accepted in full.
- 3.3 In addition to the requirements of paragraph 3.1 (other than pursuant to paragraph (a) thereof) a Market Offer to effect a Locational Market Transaction must specify:
- (a) that it is such a Market Offer; and
  - (b) the Market Transaction System Point.

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- 3.4 Where Transco posts a Market Offer Transco shall in addition to the requirements of paragraphs 3.1, 3.2 and 3.3 indicate the Transco Reason Code.
- 3.5 The information to be indicated (other than pursuant to paragraph 3.4) in a Market Offer will be capable of being displayed (by means of differing screens) on the Trading System.

#### 4 Market Offer Restrictions and Options

- 4.1 Trading Participants may not post a Market Offer specifying a Market Offer Date falling more than 7 days after the day on which the Market Offer was posted.
- 4.2 There is no limit on the number of Market Offers a Trading Participant may make in respect of a Day.
- 4.3 A Market Offer may only specify:
- (a) a Market Offer Specified Quantity which is expressed as a minimum of not less than 100,000 kWh; or
  - (b) a Market Offer Specified Rate (provided that for the purposes of calculating the Market Offer Derived Quantity such quantity shall be a minimum of not less than 100,000 kWh).
- 4.4 When posting a Market Offer an Originating Participant may specify that the Market Offer (an “**Option Market Offer**”) is linked to other Market Offers (a “**Related Market Offer**”) made by the Originating Participant; and on acceptance of an Option Market Offer each other Related Market Offer shall no longer be capable of being accepted by any Trading Participant.
- 4.5 For the purposes of paragraph 4.4 an Option Market Offer may specify no more than one other Market Offer of each other Market Transaction Type as being a Related Market Offer.
- 4.6 Trading Participants may revise or withdraw a Market Offer at any time prior to acceptance of the Market Offer.
- 4.7 A Trading Participant may when posting a Market Offer to enter into a Physical Market Transaction specify that the Market Offer is only capable of acceptance in full.
- 4.8 The Trading System Operator will reject any Market Offer which does not comply with the relevant requirements of paragraphs 3, 4.1, 4.3 and 4.5 and where a Market Offer does not so comply it will not be displayed on the Trading System.

#### 5 Acceptance

- 5.1 Market Offers in respect of a Market Offer Date will be capable of acceptance by Trading Participants between 12:00 hours on the Day preceding the Market Offer Date and 03:35 hours on the Market Offer Date.
- 5.2 Where a Trading Participant accepts a Market Offer in full the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be equivalent to:

## OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

- (a) in the case of a Market Offer to effect a Physical Market Transaction:
    - (i) where the Market Offer specified a Market Offer Specified Quantity, the Market Offer Specified Quantity;
    - (ii) where the Market Offer specified a Market Offer Specified Rate, the Market Offer Derived Quantity;
  - (b) in the case of a Market Offer to effect a Non-physical Market Transaction, the Market Transaction Absolute Quantity.
- 5.3 Where a Trading Participant partially accepts a Market Offer the Trade Nomination Quantity in respect of the Trade Nominations to be made pursuant to the Market Transaction shall be, where the Market Offer:
  - (a) was to effect a Physical Market Transaction:
    - (i) specified a Market Offer Specified Quantity, that quantity in respect of which the Accepting Participant accepted the Market Offer;
    - (ii) specified a Market Offer Specified Rate, that quantity equivalent to the hourly rate in respect of which the Accepting Participant accepted the Market Offer multiplied by the period in hours from the Transaction Effective Time to the end of the Gas Flow Day;
  - (b) was to effect a Non-physical Market Transaction, the quantity in respect of which the Accepting Participant accepted the Market Offer.
- 5.4 Subject to paragraph 5.5, following acceptance of a Market Offer the Trading System Operator will:
  - (a) immediately inform both Trading Participants that a Market Transaction has been effected (and whether it is the Originating Participant in relation thereto) and which Market Offer has been accepted;
  - (b) where the Market Offer was to effect a Physical Market Transaction not later than 5 minutes after acceptance of the Market Offer, submit the following details to Transco:
    - (i) the Market Transaction ID;
    - (ii) the Market Offer Date;
    - (iii) the identity of the Originating Participant;
    - (iv) whether the Originating Participant has agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination;
    - (v) the quantity in respect of which the Trading Participants effected the Market Transaction;
    - (vi) the relevant Market Transaction Type, and where acceptance has given rise to a Locational Market Transaction, the Market Transaction System Point;

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 OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

- (vii) the time at which the Market Offer was accepted and the Transaction Effective Time;
    - (viii) where Transco is a party to the Market Transaction, the Market Offer Price (expressed to four decimal places and as either a positive or negative) the Transco Reason Code and the Transco Batch Code;
  - (c) not later than 5 minutes after the effecting of a Market Transaction, submit the following details to Transco for the purpose of Section D2.2.5:
    - (i) the Gas Flow Day in respect of which the Market Transaction is effected;
    - (ii) the identity of the Market Participant;
    - (iii) whether the Market Participant had agreed to make an Acquiring Trade Nomination or a Disposing Trade Nomination
    - (iv) the Market Transaction Quantity (calculated in accordance with paragraphs 5.2 or 5.3).
- 5.5 For the purpose of paragraph 5.4(c)(iv), the Trading System Operator will be deemed to have provided such details by providing for each Trading Participant, the cumulative quantities for which the Trading Participant has made Disposing Trade Nominations and/or Acquiring Trade Nominations in respect of the Market Offer Date up to the time at which the Trading System Operator submits such details.
- 5.6 Where a Market Transaction is effected on the Day preceding the Market Offer Date, the Trading System Operator may not submit the Trade Nominations for the purposes of Section D2.2.5 prior to 13:45 hours on the Day the preceding the Market Offer Date.
- 5.7 Other than in respect of a Top-up Market Offer, a Market Offer will not be capable of acceptance by the Trading Participant posting the Market Offer.
- 5.8 Where Transco accepts a Market Offer it shall indicate by means of the Trading System the relevant Transco Reason Code.

## 6 Partial Acceptance

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

OPERATIONAL BALANCING AND TRADING ARRANGEMENTS

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Quantity.

- 6.3 A Trading Participant may only partially accept a Market Offer such that the Market Transaction Quantity in relation to such partial acceptance is a quantity equivalent to not less than a minimum quantity of 100,000 kWh.

## **7 Market Quantities and Charges**

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

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

## **8 Additional Functionality**

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



## Defined Terms

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# E DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

## 1 INTRODUCTION

### 1.1 User Daily Quantities

1.1.1 For the purposes required by the Code, including determining:

- (a) NTS and LDZ Commodity Charges, and the Commodity Variable Component (if any) of Customer Charges,
- (b) Overrun Charges, CSEP Overrun Charges and Supply Point Ratchet Charges;
- (c) Daily Imbalances, and
- (d) Scheduling Charges
- (e) the quantities of gas treated as delivered to and offtaken from the System by each User each Day shall be determined in accordance with paragraphs 2 and 3.

1.1.2 For the purposes of the Code, in respect of any Day:

- (a) the "**User Daily Quantity Input**" or "**UDQI**" is the quantity of gas treated as delivered by a User to the System on that Day at a System Entry Point;
- (b) the "**User Daily Quantity Output**" or "**UDQO**" is the quantity of gas treated as offtaken by a User from the System on that Day at:
  - (i) a Supply Point Component; or
  - (ii) a Connected System Exit Point;
- (c) in relation to a System Entry Point, a "**Delivering User**" is a User treated as delivering gas to the System at that point on that Day;
- (d) in relation to a Connected System Exit Point, an "**Offtaking CSEP User**" is a User treated as offtaking gas from the System at that point on that Day.

1.1.3 For the purposes of this Section E a User is a "**nominating**" User for a Day:

- (a) with respect to any Registered NDM Supply Point Component or relevant Unmetered Connected System Exit Point, and
- (b) with respect to any other System Exit Point and any System Entry Point, if the User made or is deemed (pursuant to any provision of the Code) to have made a Nomination (including a New Renomination) for that Day in respect of that point or the DMA Supply Point Group in which it is comprised,

and otherwise is a "**non-nominating**" User with respect to a System Entry Point or



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System Exit Point.

- 1.1.4 Unless the context otherwise requires, references in the Code to quantities delivered to or offtaken from the System by a User are to the quantities treated in accordance with this Section E as being so delivered or offtaken.
- 1.1.5 For the avoidance of doubt, [Section V1.6](#) shall apply for the purposes of ensuring that quantities of gas delivered to and offtaken from the System by Non-Code Shippers are taken into account in determining the quantities of gas delivered to and offtaken from the System by Users.

### 1.2 Daily Imbalance

- 1.2.1 For the purposes of the Code a Daily Imbalance shall be determined for each User in respect of each Day.
- 1.2.2 For each User the "**Daily Imbalance**" in respect of a Day is the imbalance between the quantities (adjusted to take account of Trade Nominations including System Trade Nominations) treated as delivered to and offtaken from the System by the User on that Day, determined in accordance with paragraph 5.

### 1.3 Reconciliation

- 1.3.1 For the purposes of Individual NDM Reconciliation, DM Reconciliation and Individual CSEP Reconciliation (collectively "**Individual Reconciliation**"), Reconciliation Values shall be calculated in accordance with paragraph 6.
- 1.3.2 "**Individual NDM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, in relation to a Larger NDM Supply Meter Point, in respect of differences between:

(a)

- (i) the quantities determined as offtaken by a User in accordance with [Section H2](#),
- (ii) the quantities subsequently determined to have been offtaken pursuant to Meter Reads (in accordance with [Section M](#); or.

(b) where the larger Supply Meter Point has Daily Read Equipment installed:

- (i) the quantities determined to have been offtaken by Meter Reads by such Daily Read Equipment and;
- (ii) the quantities determined to have been offtaken pursuant to a DM Check Read.

- 1.3.3 "**DM Reconciliation**" is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, in relation to a DM Supply Meter Point, in respect of:

(a) differences between:

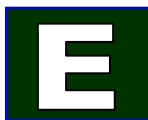


## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- (i) the quantities assumed to be offtaken on Failed Daily Read Day(s), and
    - (ii) the quantities subsequently determined to have been offtaken upon the obtaining of a Valid Meter Reading; or
  - (b) differences between:
    - (i) the quantities determined to have been offtaken by Meter Reads by Daily Read Equipment, and
    - (ii) the quantities subsequently determined to have been offtaken pursuant to a DM Check Read.
- 1.3.4 **"Individual CSEP Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges:
- (a) in relation to a relevant Unmetered Connected System Exit Point except the Smaller Unmetered CSEPs comprised therein, in respect of differences between:
    - (i) the quantities initially assumed to be offtaken, and
    - (ii) the quantities subsequently determined (by reference to readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken,

in accordance with the applicable CSEP Network Exit Agreement; or
  - (b) in relation to a relevant Metered Connected System Exit Point, in respect of differences between:
    - (i) the quantities determined to have been offtaken by automated or estimated readings of the meter at the Connected System Exit Point, or by readings of such meter before any testing, verification or calibration thereof, and
    - (ii) the quantities subsequently determined to have been offtaken, by reference to (as the case may be) a periodic check reading, or a reading following such estimation, or a determination or estimation following testing, verification or calibration, of such meter,

in accordance with the applicable CSEP Network Exit Agreement.
- 1.3.5 **"Aggregate NDM Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the 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.
- 1.3.6 For the purposes of an Individual NDM Reconciliation, a DM Reconciliation, an Individual CSEP Reconciliation or an Aggregate NDM Reconciliation:
- (a) the **"Reconciliation Clearing Value"** is the value of the Reconciliation Quantity for the purposes of the System Clearing Contract referred to in paragraph 6.5 or 7.3.1;



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- (b) **"Reconciliation Transportation Charge Adjustments"** are the adjustments in respect of NTS Commodity Charges, LDZ Commodity Charges and the Commodity Variable Component (if any) of Customer Charges to be made in paragraph 6.6 or 7.3.3;
  - (c) **"Reconciliation Values"** means:
    - (i) NDM Reconciliation Quantities, DM Reconciliation Quantities or (as the case may be) Individual CSEP Reconciliation Quantities; and
    - (ii) Reconciliation Clearing Values and Reconciliation Transportation Charge Adjustments.
- 1.3.7 For the purposes of Section 7, **"Smaller Unmetered CSEPs"** are those System Exit Points treated as comprised (as contemplated in [Section A3.3.5](#) and provided in the relevant CSEP Network Exit Agreement) in an Unmetered Connected System Exit Point which relate to points of supply (to premises connected to the relevant Connected Offtake System) equivalent to Smaller Supply Points.
- 1.3.8 **"End of Year AQ Reconciliation"** is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, following a revision of the Annual Quantity, in respect of quantities determined in accordance with paragraph 7.4.
- ### 1.4 System Daily Quantities: Entry
- 1.4.1 In respect of each System Entry Point, the **"Entry Point Daily Quantity Delivered"** is the aggregate quantity of gas delivered to the System on a Day at that System Entry Point, ascertained as described in [Section I2.5](#) (subject to paragraph 1.7.1).
- 1.4.2 The amount determined to be the Entry Point Daily Quantity Delivered in respect of any System Entry Point for the Gas Flow Day may be revised at any time up to and including the 5th following Day, but no revision will be made to such quantity after the 5th Day after the Gas Flow Day.
- 1.4.3 In respect of the System as a whole:
- (a) the **"System Daily Quantity Delivered"** is the aggregate quantity of gas delivered to the System on a Day, determined as the aggregate of the Entry Point Daily Quantities Delivered for all System Entry Points;
  - (b) the **"NTS Daily Quantity Delivered"** is the System Daily Quantity Delivered less the sum of the Entry Point Daily Quantities Delivered in respect of any LDZ System Entry Points.
- ### 1.5 System Daily Quantities: Exit from NTS/LDZ
- 1.5.1 In respect of each LDZ:
- (a) the **"LDZ Daily Input Quantity"** is the aggregate quantity of gas treated as flowing into that LDZ on a Day, less the quantity (if any) treated as flowing out of the LDZ into another LDZ;





## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- (b) the "**LDZ Daily Quantity Offtaken**" is the aggregate quantity of gas treated as offtaken from the System on a Day at all Supply Point Components and Connected System Exit Points on that LDZ, determined by adjusting the LDZ Daily Input Quantity to take account of LDZ Shrinkage and changes (between the start and the end of the Day) in LDZ stock.
- 1.5.2 In respect of each Connected System Exit Point the "**CSEP Daily Quantity Offtaken**" is the aggregate quantity of gas treated as offtaken from the System on a Day at that Connected System Exit Point, ascertained in accordance with the CSEP Network Exit Agreement (subject to paragraph 1.7.1).
- 1.5.3 In respect of each DM Supply Meter Point, the "**Supply Meter Point Daily Quantity**" is the quantity of gas (being the Metered Quantity) determined as offtaken from the System at the Supply Meter Point on a Day in accordance with [Section M](#).

## 1.6 Information

- 1.6.1 On each Day (the "**information Day**"), from the first information Day until the date 6 months thereafter, each User will have access (by means of UK Link) to details (on the basis of information available up to the end of the Day before the information Day) for the Gas Flow Day of:
  - (a) the Entry Point Daily Quantity Delivered for each System Entry Point and the System Daily Quantity Delivered, and
  - (b) the User's UDQIs for each System Entry Point, UDQOs for System Exit Points (by Exit Zone in the case of LDZ Supply Point Components) and Daily Imbalance.
- 1.6.2 The first information Day is:
  - (a) for the purposes of paragraph 1.6.1(a), the Day following the Gas Flow Day;
  - (b) for the purposes of paragraph 1.6.1(b), the 2nd Day following the Gas Flow Day.
- 1.6.3 On information Days from the first information Day until the Day after the Day on which (in accordance with paragraph 2.1.2) initial Entry Allocation Statements are submitted, the details under paragraph 1.6.1(b) will be determined on the basis of UDQIs determined provisionally on the basis in paragraph 2.1.8.
- 1.6.4 The information available to Users under paragraph 1.6.1 in respect of a Day will be revised each Day until the Entry Close-out Date to take account of revisions notified to Transco pursuant to paragraph 2 in the information from which it is derived.

## 1.7 Not Used

## 1.8 Scottish Independent Networks

For the purposes of this Section E a reference to the System includes a reference to the Scottish Independent Networks (and accordingly quantities offtaken by a User from the System at System Exit Points on a Scottish Independent Network will be taken into account in determining the User's Daily Imbalance) and a reference to LDZ shall include a reference to each Scottish Independent Network.



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

### 1.9 Close-out rules

1.9.1 For the purposes of the Code:

- (a) the "**Entry Close-out Date**" is 24:00 hours on the 15th Business Day of the calendar month following the month in which the Gas Flow Day occurs;
- (b) the "**Exit Close-out Date**" is the 5th Day after the Gas Flow Day.

1.9.2 Without prejudice to paragraph 6, or [Sections M4.8](#) and [G1.1.4](#), no revision shall be made for any purposes of the Code (including the determination of Users' Daily Imbalances and Energy Balancing Charges):

- (a) after the Entry Close-out Date, to any quantity determined pursuant to the Code as being an UDQI;
- (b) after the Exit Close-out Date, to any quantity determined pursuant to the Code as being an UDQO, Supply Meter Point Daily Quantity or CSEP Daily Quantity Offtaken.

### 1.10 Combined entry and exit quantities

1.10.1 In relation to a Connected System Point, the Connected System Agreement may provide for the Connected System Operator to notify to Transco in relation to each Day:

- (a) a quantity (the "**measured quantity**") which represents the aggregate physical quantity determined as having flowed on the Day at the Connected System Point, which will (if there were physical gas flows in both directions at different times during the Day) reflect the net amount of such flows; and
- (b) where on the Day (Irrespective of whether there were physical gas flows in both directions at different times) Users nominated gas flows both into and out of the Connected System at the Connected System Point:
  - (i) a quantity (the "**gross exit quantity**") which represents the aggregate amount to be treated as having flowed on the Day from the System to the Connected System at the CSEP, which will be a gross amount based on quantities which the Connected System Operator determines would have flowed in the absence of any nomination of a gas flow out of the Connected System at the Connected System Point; and
  - (ii) a quantity (the "**gross entry quantity**") which represents the aggregate amount to be treated as having flowed on the Day into the System from the Connected System at the System Entry Point, which will be a gross amount based on quantities which the Connected System Operator determines would have flowed in the absence of any nomination of a gas flow into the Connected System at the Connected System Point.

1.10.2 Transco shall have no responsibility to investigate or verify any quantity notified under paragraph 1.10.1(b).

1.10.3 Subject to paragraph 1.10.4 the gross exit quantity and the gross entry quantity, as notified by the Connected System Operator pursuant to paragraph 1.10.1(b)(i) and (ii),



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

shall be the CSEP Daily Quantity Offtaken and the Entry Point Daily Quantity Delivered, respectively.

- 1.10.4 If for any Day the net sum of the gross entry quantity and the gross exit quantity is not equal to the measured quantity, or the Connected System Operator fails to notify to Transco the gross entry quantity and gross exit quantity by the time required under the Connected System Agreement, the CSEP Daily Quantity Offtaken (where the measured quantity represents a flow out of the System) or the Entry Point Daily Quantity Delivered (where the measured quantity represents a flow into the System) shall be the measured quantity, and the other shall be zero.
- 1.10.5 If it appears that paragraph 1.10.4 will or may apply in relation to any Day, Transco will (before the latest time by which the Connected System Operator is required to provide the details referred to in that paragraph) so notify the Connected System Operator so as to give the Connected System Operator an opportunity to provide or correct such details and avoid the application of that paragraph.
- 1.10.6 In this paragraph 1.10.
- (a) **"Connected System Point"** means a System Point which (as contemplated in [Section J5.3](#)) is both a Connected System Exit Point and a System Entry Point;
  - (b) **"Connected System Agreement"** means the combined Network Exit Agreement and Network Entry Agreement in respect of a Connected System Point;
  - (c) **"Connected System"** means a Connected Offtake System which is also a Connected Delivery Facility;
  - (d) references to the Connected System Operator include such operator as Delivery Facility Operator.

## 2 INPUT QUANTITIES

### 2.1 User Daily Quantity Inputs

- 2.1.1 For each nominating User the UDQI in respect of each System Entry Point for the Gas Flow Day shall be determined in accordance with this paragraph 2.1, subject to paragraph 2.3.
- 2.1.2 In respect of each System Entry Point, each nominating User shall and any non-nominating User may submit to Transco, not later than the 7th Business Day after the Gas Flow Day, a statement ("**Entry Allocation Statement**") specifying:
- (a) the identity of the User;
  - (b) the identity of the System Entry Point;
  - (c) the Gas Flow Day; and
  - (d) the quantity of gas delivered by that User to the System on the Gas Flow Day at that System Entry Point.



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- 2.1.3 Where an Entry Allocation Statement submitted by a User in accordance with paragraph 2.1.2 does not correctly reflect the User's entitlement to gas delivered to the System on the Gas Flow Day, the User may, not later than the Entry Close-out Date, revise its Entry Allocation Statement so as correctly to reflect its entitlement, provided that where the conditions in paragraph 2.1.7 were satisfied in respect of the first-submitted Entry Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.
- 2.1.4 A revision under paragraph 2.1.3 of an Entry Allocation Statement shall not be made to reflect any dealing by the User and any other person after the Gas Flow Day in respect of entitlements in respect of gas delivered to the System.
- 2.1.5 For the avoidance of doubt, but without prejudice to paragraphs 2.2 and 2.3 and subject to [Section V1.6](#), no person who is not a User may submit an Entry Allocation Statement or otherwise may claim to have delivered gas to the System, and Transco will disregard any such purported submission or claim.
- 2.1.6 If for the Gas Flow Day in respect of a System Entry Point both of the conditions in paragraph 2.1.7 are satisfied:
- (a) each User who submitted an Entry Allocation Statement shall be a Delivering User;
  - (b) the UDQI for each nominating User shall be the quantity stated in the User's Entry Allocation Statement; and
  - (c) paragraph 4 shall apply in respect of any non-nominating User who submitted an Entry Allocation Statement.
- 2.1.7 The conditions referred to in paragraph 2.1.3 and 2.1.6 are:
- (a) that by the Entry Close-out Date, Entry Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User), and
  - (b) that the aggregate of the quantities stated in all Entry Allocation Statements (submitted by or on behalf of nominating Users and non-nominating Users) and any Unclaimed Entry Allocation Statement under paragraph 2.3 is equal to the Entry Point Daily Quantity Delivered.
- 2.1.8 If for the Gas Flow Day in respect of a System Entry Point either condition in paragraph 2.1.7 is not satisfied, subject to paragraph 2.1.9:
- (a) each nominating User shall be a Delivering User; and
  - (b) the UDQI for each Delivering User shall be determined by allocating the Entry Point Daily Quantity Delivered between the Delivering Users in proportion to the Nominated Quantities under their respective Input Nominations for the Gas Flow Day in respect of that System Entry Point.
- 2.1.9 If no User made an Input Nomination for the System Entry Point for the Gas Flow Day, and gas was delivered to the System at that point:
- (a) each User who was (whether or not by virtue of this paragraph 2.1.9) a



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

Delivering User on the Preceding Day shall be a Delivering User; and

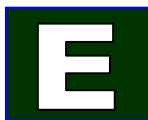
- (b) the Entry Point Daily Quantity Delivered shall be allocated to the Delivering Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph) allocated on the Preceding Day, and paragraph 4 shall apply in respect of each such User.

## 2.2 Entry Allocation Agents

- 2.2.1 In accordance with [Section V6](#) a User may appoint a User Agent for the purposes of submitting Entry Allocation Statements in respect of a System Entry Point in accordance with paragraph 2.1.
- 2.2.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Entry Allocation Statements in respect of the System Entry Point for each such User.
- 2.2.3 Not Used.
- 2.2.4 Where (by virtue of being Shrinkage Provider or Top-Up Manager or for Operating Margins Purposes or otherwise) Transco is party to an agreement pursuant to which a person is appointed as User Agent pursuant to paragraph 2.2.1, no provision of such agreement and nothing done by Transco pursuant to such agreement shall modify or take effect as a waiver of any provision of the Code.

## 2.3 Unclaimed Entry Allocation

- 2.3.1 Subject to the conditions in paragraph 2.3.3, where in respect of any Day all of the Entry Allocation Statements submitted by Users ("**relevant Users**") in relation to a System Entry Point are submitted by the same person as User Agent the Users may arrange with the User Agent that he will also submit an Unclaimed Entry Allocation Statement.
- 2.3.2 An "**Unclaimed Entry Allocation Statement**" is an Entry Allocation Statement in which the quantity of gas specified as delivered to the System is not allocated to any User but is treated as allocated to an unclaimed account maintained by Transco for the purposes of this paragraph 2.3.
- 2.3.3 The conditions referred to in paragraph 2.3.1 are:
  - (a) that the conditions in paragraph 2.1.7 are satisfied (taking into account for such purposes the Unclaimed Entry Allocation Statement and the quantity stated therein);
  - (b) that the quantity specified in the Unclaimed Entry Allocation Statement is less than the Entry Point Daily Quantity Delivered; and
  - (c) that the Unclaimed Entry Allocation Statement does not identify (directly or indirectly) any person as a person to whom the quantity thereunder is allocated.
- 2.3.4 Where in respect of a Day an Unclaimed Entry Allocation Statement is submitted, relevant Users' UDQIs shall be those determined under paragraph 2.1.6 on the basis of their respective Entry Allocation Statements.



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- 2.3.5 The User Agent may up to but not later than the Entry Close-out Date revise an Unclaimed Entry Allocation Statement, provided the conditions in paragraph 2.3.3 continue to be satisfied following such revision.
- 2.3.6 Each User undertakes:
- (a) that it will not, and will not authorise the User Agent to, do anything which would or might confer on any person (other than a User) any right or entitlement in respect of any quantity of gas the subject of a Unclaimed Entry Allocation Statement; and
  - (b) that (without prejudice to any revision of the User's Entry Allocation Statement in accordance with paragraph 2.1.4) it will not itself claim any right or entitlement to any such quantity of gas.
- 2.3.7 If any person makes any claim against Transco in respect of any quantity of gas the subject of an Unclaimed Entry Allocation Statement:
- (a) Transco will defend such claim in such manner and to such extent as (after consultation in accordance with paragraph (b)) it shall determine to be appropriate;
  - (b) Transco will consult with and keep informed the Network Code Committee or any relevant Sub-committee as respects such defence;
  - (c) Transco will be entitled to recover (in accordance with [Section F4.5.3\(a\)\(iii\)](#)) the costs and expenses reasonably incurred by it in such defence and any amount paid by it (whether in settlement or satisfaction of any such claim) to such person or other amount for which it may be liable in connection therewith.
- 2.3.8 Transco shall not for any purposes be treated as a User in respect of the unclaimed account referred to in paragraph 2.3.2 (and any quantity allocated to such account will not be taken into account in determining any User's Daily Imbalance nor in calculating Balancing Neutrality Charges under [Section F](#), and is not required to be cleared under [Section F](#)).

## 3 OUTPUT QUANTITIES

### 3.1 Supply Point UDQO

- 3.1.1 For a nominating User the UDQO in respect of a Registered Supply Point Component for the Gas Flow Day shall be:
- (a) in the case of a NDM Supply Point Component, the sum of the NDM Supply Meter Point Demands (in accordance with [Section H2](#)) for each NDM Supply Meter Point comprised in that NDM Supply Point Component;
  - (b) in the case of a DM Supply Point Component, the User SPDQ in accordance with paragraph 3.1.2.
- 3.1.2 The "**User SPDQ**" for a User in respect of a Registered DM Supply Point Component shall be the sum for each of the DM Supply Meter Points comprised in the Supply Point Component of:



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- (a) subject to paragraph (b), the Supply Meter Point Daily Quantity;
  - (b) in the case of a Shared Supply Meter Point, the portion of the Supply Meter Point Daily Quantity determined in respect of that User in accordance with the Shared Supply Meter Notification pursuant to [Section G1.7](#).
- 3.1.3 The provisions of paragraph 4 shall apply in respect of the User SPDQ in respect of any Supply Point for which the Registered User was a non-nominating User.
- 3.2 **Connected System Exit Points**
  - 3.2.1 For each nominating User the UDQO in respect of each Connected System Exit Point shall be determined in accordance with the applicable CSEP Network Exit Agreement and/or (where not inconsistent with the CSEP Network Exit Agreement) this paragraph 3.2.
  - 3.2.2 In respect of each Connected System Exit Point, each nominating User shall and any non-nominating User may submit to Transco, not later than the Exit Close-out Date, a statement ("**Exit Allocation Statement**") specifying:
    - (a) the identity of the User;
    - (b) the identity of the Connected System Exit Point;
    - (c) the Gas Flow Day; and
    - (d) the quantity of gas offtaken by that User from the System on the Gas Flow Day at that Connected System Exit Point.
  - 3.2.3 A User may, not later than the Exit Close-out Date, revise its Exit Allocation Statement, provided that where the conditions in paragraph 3.2.6 were satisfied in respect of the first-submitted Exit Allocation Statements, no revision may be made thereto unless revisions are made in aggregate such that such conditions remain satisfied following such revisions.
  - 3.2.4 For the avoidance of doubt, but without prejudice to paragraph 3.3, no person who is not a User may submit an Exit Allocation Statement or otherwise may claim to have offtaken gas from the System and Transco will disregard any such purported submission or claim.
  - 3.2.5 If for the Gas Flow Day in respect of a Connected System Exit Point both of the conditions in paragraph 3.2.6 are satisfied:
    - (a) each User who submitted an Exit Allocation Statement shall be an Offtaking CSEP User;
    - (b) the UDQO for each nominating User shall be the quantity stated in the User's Exit Allocation Statement; and
    - (c) paragraph 4 shall apply in respect of any non-nominating User who submitted an Exit Allocation Statement.
  - 3.2.6 The conditions referred to in paragraph 3.2.3 and 3.2.5 are:





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- (a) that by the Exit Close-out Date, Exit Allocation Statements have been submitted by or on behalf of all nominating Users (whether or not also submitted by or on behalf of any non-nominating User), and
  - (b) that the aggregate of the quantities stated in all Exit Allocation Statements (submitted by nominating Users and non-nominating Users) is equal to the CSEP Daily Quantity Offtaken.
- 3.2.7 If for the Gas Flow Day in respect of a Connected System Exit Point either condition in paragraph 3.2.6 above is not satisfied, subject to paragraph 3.2.8:
  - (a) each nominating User shall be an Offtaking CSEP User; and
  - (b) the UDQO for each Offtaking CSEP User shall be determined by allocating the CSEP Daily Quantity Offtaken between the Offtaking CSEP Users in proportion to the Nominated Quantities under their respective Output Nominations for the Gas Flow Day in respect of that Connected System Exit Point.
- 3.2.8 If no User made an Output Nomination for the Connected System Exit Point for the Gas Flow Day (and accordingly C2.2.6 applies), or where all the Output Nominations for the Connected System Exit Point for the Gas Flow Day are submitted as zero, and gas was offtaken from the System at the point:
  - (a) each User who was (whether or not by virtue of this paragraph 3.2.8) an Offtaking CSEP User on the Preceding Day shall be an Offtaking CSEP User; and
  - (b) the CSEP Daily Quantity Offtaken shall be allocated to the Offtaking CSEP Users in the proportions in which the equivalent quantity was (whether or not by virtue of this paragraph 3.2.8) allocated on the Preceding Day.

### 3.3 Exit Allocation Agents

- 3.3.1 In accordance with [Section V6](#) a User may appoint a User Agent for the purposes of submitting Exit Allocation Statements in respect of a Connected System Exit Point in accordance with paragraph 3.2.
- 3.3.2 Where the same person has been appointed as User Agent by more than one User for such purposes, the User Agent may make a composite submission containing the Exit Allocation Statements in respect of the Connected System Exit Point for each such User.
- 3.3.3 Not used.

### 3.4 NTS Offtakes

- 3.4.1 For the purposes of the Code for each User the "**User Daily NTS Offtake Quantity**" in respect of an NTS/LDZ Offtake is the quantity of the gas flow at the NTS/LDZ Offtake attributable (but without increase in respect of relevant LDZ Shrinkage or adjustment for stock change) to the offtake of gas by the User from the System on a Day at LDZ System Exit Points in the relevant Exit Zone.





## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- 3.4.2 The User Daily NTS Offtake Quantity in respect of a User for a Day shall be determined as the sum of the User's UDQOs for all such System Exit Points.
- 3.4.3 For each User the "**Firm DM User Daily NTS Offtake Quantity**" in respect of an NTS/ LDZ Offtake is the portion of a User's Daily NTS Offtake Quantity attributable to the offtake of gas by the User from the System at Registered Firm DM LDZ Supply Point Components and relevant LDZ Connected System Exit Points in the relevant Exit Zone, determined as the sum of the User's UDQOs for all such System Exit Points.

### 3.5 Daily Read Errors

Where pursuant to [Section M4.8](#) an Error Revised Quantity is established in respect of a DM Supply Meter Point for a Daily Read Error Day:

- (a) Transco will, as soon as reasonably practicable, determine (as nearly as may be) the amount (the "**Error Revised UDQO**") of the UDQO for the relevant DM Supply Point Component for the Day on the basis of such Metered Quantity;
- (b) adjustments will be made in respect of any Overrun Charges or Supply Point Ratchet Charges in accordance with [Section B1.11](#) and in respect of certain Balancing Charges in accordance with [Section F1.4](#);
- (c) except as provided in paragraph (b), in accordance with paragraph 1.9.2 no revision or recalculation of the quantities treated as offtaken from the System by Users, Users' Daily Imbalances or any Balancing Charges on or for the Daily Read Error Day will be made.

### 3.6 Gas illegally taken

#### 3.6.1 Where:

- (a) gas offtaken from the System has been illegally taken at or at a point downstream of the point of offtake (in accordance with [Section J3.7](#)) at a Larger Supply Meter Point, insofar as the quantity of gas so taken has not been properly metered, and except as permitted by the Meter By-Pass Policy; and
- (b) the case is not one in which Transco is (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas,

subject to paragraph 3.6.2, such adjustments shall be made, in respect of the quantities treated as offtaken from the System by the Registered User for the purposes of determining the quantities subject to Individual NDM Reconciliation or (where applicable) DM Reconciliation (but no adjustment will be made in respect of the determination of any UDQO of the User for any other purpose).

#### 3.6.2 Paragraph 3.6.1 shall not apply in a case to which Standard Condition 7(5) of the Transco Licence applies; and further, to give effect to that Condition (insofar as it relates to Energy Balancing Charges payable by Users):

- (a) Transco may pay to the Registered User, in respect of gas which has been or will be treated (pursuant to the Code) as offtaken by the User but is to be treated (pursuant to that Condition) as not having been taken out of the System, an amount estimated by Transco to be the amount which has been or will be

## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

payable by way of Reconciliation Clearing Charges in respect of such quantity of gas;

- (b) Users acknowledge that it is not feasible to make any adjustment (beyond what is provided for in paragraph (a)) in respect of any amount by which such gas may have contributed to the User's Daily Imbalance for or Energy Balancing Charges payable in respect of any Day;
- (c) amounts paid by Transco pursuant to paragraph (a) will be additional Adjustment Reconciliation Neutrality Costs for the purposes of [Section F6.5\(a\)](#).

## 4 UNAUTHORISED GAS FLOWS

### 4.1 Unauthorised Gas Flow

4.1.1 Where a User is a non-nominating User for a Day in respect of a System Point, any delivery (in the circumstances under paragraph 2.1.6 or 2.1.9) or offtake (in accordance with paragraph 3.1.3 or in the circumstances under paragraph 3.2.5 or 3.2.8) of gas to or from the System by that User at that point on that Day is an "**Unauthorised Gas Flow**", the amount of which shall be:

- (a) in respect of a System Entry Point, the quantity of gas stated in the User's Entry Allocation Statement or as the case may be allocated under paragraph 2.1.9;
- (b) in respect of a DM Supply Point Component, the amount of the User SPDQ;
- (c) in respect of a Connected System Exit Point, the quantity of gas stated in the User's Exit Allocation Statement or as the case may be allocated under paragraph 3.2.8 .

4.1.2 Subject to paragraph 4.1.3, an Unauthorised Gas Flow shall be an UDQI or (as the case may be) an UDQO for the User for the purposes of the Code.

4.1.3 The Unauthorised Gas Flow shall not be taken into account and shall not be treated as an UDQI or UDQO for the purposes of determining the User's Daily Imbalance under paragraph 5, and shall not be a relevant UDQI or relevant UDQO for the purposes of determining Balancing Neutrality Charges under [Section F4](#), Reconciliation Neutrality Charges under [Section F6](#) or Top-up Neutrality Charges under [Section P6.4](#), or for the purposes of calculating the UDQI under [Section B3.5.5](#).

### 4.2 Treatment of Unauthorised Gas Flows

4.2.1 The quantity of gas comprising an Unauthorised Gas Flow shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

4.2.2 For the purposes of such System Clearing Contract:

- (a) where the Unauthorised Gas Flow occurs at a System Entry Point:
  - (i) the seller is the User and the buyer is Transco, and
  - (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

Marginal Sell Price;

- (b) where the Unauthorised Gas Flow occurs at a System Exit Point:
  - (i) the seller is Transco and the buyer is the User, and
  - (ii) the Clearing Charge is the amount determined as the quantity of gas comprising the Unauthorised Gas Flow multiplied by the System Marginal Buy Price.

4.2.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.

4.2.4 The Unauthorised Gas Flow shall be extinguished by the System Clearing Contract.

4.2.5 The buyer shall pay the Clearing Charge in respect of the gas comprising the Unauthorised Gas Flow to the seller in accordance with [Section S](#).

## 5 IMBALANCE

### 5.1 Daily Imbalance

5.1.1 The Daily Imbalance for each User shall be calculated in respect of each Day as the difference between:

- (a) the sum of:
  - (i) the aggregate of the User's UDQIs,
  - (ii) the aggregate of the Trade Nomination Quantities under any Acquiring Trade Nominations made by the User, and
- (b) the sum of:
  - (i) the aggregate of the User's UDQOs,
  - (ii) the aggregate of the Trade Nomination Quantities under any Disposing Trade Nominations made by the User, and

5.1.2 The Daily Imbalance is positive where the quantity under paragraph 5.1.1(a) is greater than the quantity under paragraph 5.1.1(b), and negative where the quantity under paragraph 5.1.1(b) is greater than the quantity under paragraph 5.1.1(a).

### 5.2 Treatment of Daily Imbalances

A User's Daily Imbalances will be extinguished under System Clearing Contracts in accordance with [Section F2.3](#).

### 5.3 Incentivised Nomination Charges

5.3.1 At each Forecast Daily Imbalance Time (in respect of a Day) if a User's Prevailing Forecast Daily Imbalance differs from the User's Daily Imbalance for the Day the User shall pay a charge ("**Incentivised Nomination Charge**") in accordance with this



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

paragraph 5.3.

5.3.2 For the purposes of this paragraph 5.3:

- (a) **"Forecast Daily Imbalance"** is, in respect of a Day and in relation to a User, the User's projection of its Daily Imbalance for that Day;
- (b) **"Forecast Daily Imbalance Time"** is, in respect of a Day, each of 02:00 hours on the Preceding Day and 12:00 hours, 18:00 hours and 22:00 hours on the Day;
- (c) **"Initial"** Forecast Daily Imbalance is, in respect of a Day and in relation to a User, the Forecast Daily Imbalance prevailing at 17:00 hours on the Preceding Day;
- (d) **"Prevailing Forecast Daily Imbalance"** is, in respect of a Day and in relation to a User, the User's current Forecast Daily Imbalance (calculated in accordance with this paragraph 5) at a Forecast Daily Imbalance Time; and
- (e) **"Prevailing Provisional Daily Imbalance"** shall mean the projected Daily Imbalance of a User in respect of a Day (recorded on the UK Link System) at 17.00 hours on the Preceding Day determined by Transco by reference to Nomination information available to it at such time, excluding the Forecast Daily Imbalance referred to in paragraph (a) above.

5.3.3 Each User may submit a notice (**"Forecast Daily Imbalance Nomination"**) specifying its Forecast Daily Imbalance for a Day.

5.3.4 Each Forecast Daily Imbalance Nomination shall specify:

- (a) the identity of the User;
- (b) the Gas Flow Day; and
- (c) the Forecast Daily Imbalance for the Gas Flow Day.

5.3.5 A Forecast Daily Imbalance Nomination may be submitted no earlier than 30 Days before the Gas Flow Day and no later than 04:00 hours on a Gas Flow Day.

5.3.6 A User may revise an Initial Forecast Daily Imbalance Nomination in respect of a Gas Flow Day by submitting a further Forecast Daily Imbalance Nomination and where a User submits a further Forecast Daily Imbalance Nomination it shall replace the Initial Forecast Daily Imbalance Nomination or any subsequent Forecast Daily Imbalance Nomination (but without prejudice to the application of this paragraph 5.3 in respect of the Prevailing Forecast Daily Imbalance in respect of any earlier Forecast Daily Imbalance Time).

5.3.7 Without prejudice to paragraph 5.3.6, where a User does not submit a Forecast Daily Imbalance Nomination in respect of a Day by 17.00 hours on the Preceding day the User will be deemed to have submitted an Initial Forecast Daily Imbalance Nomination equal to the Prevailing Provisional Daily Imbalance.

5.3.8 For the purposes of the further provisions of this paragraph 5.3:



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- (a) a User's "**Forecast Performance Measure**" at a Forecast Daily Imbalance Time in respect of a Day shall be calculated as follows:

$$FPM_t = \text{abs} (N_t - A)$$

where:

$FPM_t$  is the Forecast Performance Measure at Forecast Daily Imbalance Time 't';  
 $N_t$  is the User's Prevailing Forecast Daily Imbalance at Forecast Daily Imbalance Time 't';  
 $A$  is the User's Daily Imbalance in respect of the Day; and

- (b) the "**Incentivised Nomination Price**" is in respect of a relevant Day, the price (in pence/kWh) calculated as follows:

- (i) where the User's Daily Imbalance is positive for the relevant Day:

$$INP = PSFS \times (SAP - SMSP)$$

- (ii) where the User's Daily Imbalance is negative for the relevant Day:

$$INP = PSPB \times (SMBP - SAP)$$

Where:

INP is the Incentivised Nomination Price for the relevant Day;  
 PSFS is the Sell Price Scaling Factor for the relevant Day;  
 PSFB is the Buy Price Scaling Factor for the relevant Day;  
 SAP is the System Average Price for the relevant Day;  
 SMBP is the System Marginal Buy Price for the relevant Day; and  
 SMSP is the System Marginal Sell Price for the relevant Day; and

- (iii) the Sell Price Scaling Factor for the relevant Day is zero; and

- (iv) the Buy Price Scaling Factor for the relevant Day is zero; and

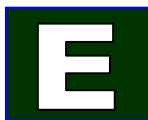
- (c) the "**scaling factor**" in respect of each Forecast Daily Imbalance Time in respect of a Day is 0.25.

- 5.3.9 The Incentivised Nomination Charge payable by a User in respect of a Daily Imbalance Nomination Time shall be calculated as follows:

$$INS_t = (FPM_t * SF_t * INP)$$

where:

$INS_t$  is the Incentivised Nomination Charge;



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

$FPM_t$  is the User's Forecast Performance Measure;  
 $SF_t$  is the scaling factor; and  
 $INP$  is the Incentivised Nomination Price,  
in each case in respect of Forecast Daily Imbalance Time 't'.

- 5.3.10 In respect of a User and in relation to a Day, the "**Total Incentivised Nomination Charge**" payable by a User is the sum of the Incentivised Nomination Charges payable (if any) by the User in respect of the Day and calculated as follows:

$$TINC = \sum_{t=1}^n INC_t$$

where:

$TINC$  is the Total Incentivised Nomination Charge;  
 $INC$  is the Incentivised Nomination Charge payable by the User in respect of each Forecast Daily Nomination Time 't',

where 'n' is the number of Forecast Daily Nomination Times in respect of a Day.

- 5.3.11 Total Incentivised Nomination Charges shall be invoiced and payable in accordance with [Section S](#).
- 5.3.12 In the event that Transco does not undertake a Market Balancing Action on a Day then the Total Incentivised Nomination Charge payable by a User in respect of that day, will be zero.

## 6 RECONCILIATION

### 6.1 Introduction

- 6.1.1 Individual NDM Reconciliation will be carried out (for all Days in the relevant Meter Reading Period) in respect of a Larger NDM Supply Meter Point, after each Valid Meter Read pursuant to [Section M3](#).
- 6.1.2 DM Reconciliation will be carried out (for each relevant Day) in respect of a DM Supply Meter Point after a DM Check Read pursuant to [Section M4.7](#) or (as the case may be) the determination, following a Failed Daily Read Day, of the volume offtaken on such Day pursuant to [Section M4.4.4](#).
- 6.1.3 For each CSEP User, Individual CSEP Reconciliation will be carried out in respect of a relevant Connected System Exit Point (other than Smaller Unmetered CSEPs) in respect of the periods provided in and in accordance with the CSEP Network Exit Agreement.
- 6.1.4 For the purposes of this Section E:
- (a) in respect of a Larger NDM Supply Meter Point, the "**NDM Reconciliation**



## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

**Quantity**" is the amount (determined in accordance with paragraph 6.2) by which on a Valid Meter Read the Metered Quantity differs from the aggregate of the quantities determined (as provided in paragraph 3.1.1(a)) each Day in accordance with [Section H2](#), in respect of the Meter Reading Period;

- (b) in respect of any DM Supply Meter Point, in respect of any Failed Daily Read Day or (as the case may be) Day in the period between DM Check Reads, the **"DM Reconciliation Quantity"** is:
  - (i) the amount (the **"DM Check Reconciliation Quantity"**) by which the quantity determined pursuant to a Valid Meter Reading or the DM Check Read to have been offtaken from the System on the Day differs from the quantity (the **"previously assumed quantity"**) previously assumed or determined (as provided in [Section M](#)) to have been offtaken since the relevant preceding Meter Reading; or
  - (ii) in the case of a Shared Supply Meter Point, for each Existing Sharing Registered User, the quantity determined by allocating the DM Check Reconciliation Quantity between such Users in the same proportions as the previously assumed quantity was allocated in respect of such Day.
- (c) in respect of any relevant Connected System Exit Point and CSEP User, the **"Individual CSEP Reconciliation Quantity"** is the amount by which (for the relevant period provided in the CSEP Network Exit Agreement):
  - (i) in the case of an Unmetered Connected System Exit Point (other than the Smaller Unmetered CSEPs comprised therein), the quantity determined (upon readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken from the System differs from the quantity previously assumed to have been offtaken,
  - (ii) in the case of a Metered Connected System Exit Point, the quantity determined (upon a periodic check reading or a reading following estimation of the reading, or a determination or estimation following testing, verification or calibration, of the meter installed at the Connected System Exit Point) to have been offtaken from the System differs from the quantity previously determined or estimated to have been offtaken,

in accordance with the CSEP Network Exit Agreement;

- (d) **"Reconciliation Quantity"** means an Individual NDM Reconciliation Quantity, a User Aggregate Reconciliation Quantity, a DM Reconciliation Quantity or CSEP Reconciliation Quantity.

6.1.5 Where (following a Supply Point Confirmation) a User (or potentially Users in the case of a Shared Supply Meter Point) becomes the Registered User(s) in respect of a Supply Meter Point, and:

- (a) in the case of an NDM Supply Meter Point, no Opening Meter Read was provided;





## DAILY QUANTITIES, IMBALANCE AND RECONCILIATION

- (b) in the case of a DM Supply Meter Point, or a Shared Supply Meter Point, the Supply Point Registration Date was a Failed Daily Read Day, or was not the Day of a DM Check Read,

upon the next following Individual NDM Reconciliation or (as the case may be ) DM Reconciliation, the Reconciliation Values will be attributed entirely to such User (or as the case may be Existing Sharing Registered Users in amounts specified in paragraph 6.8), notwithstanding that a part thereof relates to a period before the Supply Point Registration Date; and accordingly such User (or Existing Sharing Registered Users) will obtain the benefit and bear the risk (and the User (or Users) who formerly was/were Registered User(s) of the Supply Meter Point will neither obtain the benefit nor bear the risk) of the Reconciliation Quantity insofar as attributable to the period before the Supply Point Registration Date.

- 6.1.6 For the purposes of giving effect to paragraph 6.1.5 in the case of an NDM Supply Meter Point where no Opening Meter Reading was provided, an Individual NDM Reconciliation will be carried out, as though a Meter Reading had been obtained on the Supply Point Registration Date, by reference to an assumed Meter Volume derived from the NDM Supply Meter Point Demand (in accordance with [H2.2.2](#)).

### 6.2 Individual NDM Reconciliation: Reconciliation Values

- 6.2.1 This paragraph 6.2 applies in respect of Individual NDM Reconciliation.

- 6.2.2 The Individual NDM Reconciliation Quantity shall be established by:

- (a) dividing the NDM Supply Meter Point Demand for each Day in the Meter Reading Period in respect of the NDM Supply Point Component by the relevant calorific value for that Day to determine the 'daily NDM volume';
- (b) aggregating the daily NDM volumes for all Days in the Meter Reading Period to determine the 'aggregate NDM volume';
- (c) dividing the Metered Volume by the aggregate NDM volume to determine the 'NDM reconciliation factor';
- (d) multiplying the NDM Supply Meter Point Demand for each Day in the Meter Reading Period by the NDM reconciliation factor to determine the 'daily metered quantity';
- (e) subtracting the daily metered quantity from the NDM Supply Meter Point Demand for each Day in the Meter Reading Period to establish the 'daily reconciliation quantity'; and
- (f) aggregating the daily reconciliation quantities for all Days in the Meter Reading Period.

- 6.2.3 The Individual NDM Reconciliation Quantity is negative where the NDM reconciliation factor (under paragraph 6.2.2(c)) is greater than one and positive where the NDM reconciliation factor is less than one.

- 6.2.4 The Reconciliation Clearing Value shall be established by:





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- (a) multiplying the daily reconciliation quantity (under paragraph 6.2.2(e)) for each Day in the Meter Reading Period by the System Average Price for such Day to determine the 'daily reconciliation clearing value'; and
  - (b) aggregating the daily reconciliation clearing values for all Days in the Meter Reading Period.
- 6.2.5 Each of the Reconciliation Transportation Charge Adjustments shall be established by:
- (a) multiplying the daily reconciliation quantity (under paragraph 6.2.2(e)) for each Day in the Meter Reading Period by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge or (as the case may be) the Commodity Variable Component (if any) of the Customer Charge for such Day to determine the 'daily reconciliation charge adjustment'; and
  - (b) aggregating the daily reconciliation charge adjustments for all Days in the Meter Reading Period.

**6.3 DM Reconciliation: Reconciliation Values**

- 6.3.1 This paragraph 6.3 applies in respect of DM Reconciliation.
- 6.3.2 The DM Check Reconciliation Quantity for a Day shall be determined as the Failed Daily Read Reconciliation Volume, or (as the case may be) the DM Check Reconciliation Volume, multiplied by the applicable calorific value for the Day.
- 6.3.3 The DM Check Reconciliation Quantity is negative where (in accordance with [Section M](#)) the Failed Daily Read Reconciliation Volume or (as the case may be) the DM Check Reconciliation Volume is negative, and positive where it is positive.
- 6.3.4 The Reconciliation Clearing Value for a Day shall be established by multiplying the DM Reconciliation Quantity by the System Average Price for the relevant Day.
- 6.3.5 Each of the Reconciliation Transportation Charge Adjustments for a Day shall be established by multiplying the DM Reconciliation Quantity by the Applicable Commodity Rate(s) of the NTS Commodity Charge, the LDZ Commodity Charge or (as the case may be) the Commodity Variable Component (if any) of the Customer Charge for such Day.

**6.4 CSEP Reconciliation: Reconciliation Values**

- 6.4.1 This paragraph 6.4 applies in respect of Individual CSEP Reconciliation.
- 6.4.2 For the purposes of Individual CSEP Reconciliation, for each CSEP User for the relevant period:
- (a) the CSEP Reconciliation Quantity will be determined;
  - (b) the Reconciliation Clearing Value will be established by reference to the CSEP Reconciliation Quantity (or relevant part thereof) and the System Average Price(s) for Day(s) in the relevant period; and
  - (c) each of the Reconciliation Transportation Charge Adjustments will be



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established on the basis of the CSEP Reconciliation Quantity (or relevant part thereof) and the Applicable Commodity Rate of the NTS Commodity Charge or (as the case may be) the LDZ Commodity Charge;

in each case in accordance with the CSEP Network Exit Agreement.

### 6.5 Reconciliation Clearing

Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation the Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with [Section F5](#).

### 6.6 Transportation Charge Adjustments

6.6.1 Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation the Reconciliation Transportation Charge Adjustments shall be payable by way of adjustment in respect of the NTS Commodity Charges, LDZ Commodity Charges and Commodity Variable Components (if any) of the Customer Charges overpaid or underpaid by the User in respect of gas offtaken during the relevant period.

6.6.2 The Reconciliation Transportation Charge Adjustments shall be payable:

- (a) where the Reconciliation Quantity is negative, by the User to Transco;
  - (b) where the Reconciliation Quantity is positive, by Transco to the User;
- and shall be invoiced and paid in accordance with [Section S](#).

### 6.7 Individual NDM Reconciliation: Agreed Opening Meter Readings

6.7.1 Where in relation to an NDM Supply Meter Point:

- (a) upon the Individual NDM Reconciliation in respect of an Opening Meter Reading, or (in the absence of such a reading) in accordance with paragraph [6.1.7](#), Reconciliation Values (the "**original Reconciliation Values**") are determined under this paragraph 6, and
- (b) Transco subsequently accepts an Agreed Opening Meter Reading pursuant to that [Section M3.8.8](#);

then paragraph 6.7.2 shall apply.

6.7.2 In the circumstances in paragraph 6.7.1:

- (a) Transco will redetermine (on the basis of the Agreed Opening Meter Reading) the Reconciliation Values;
- (b) the Reconciliation Values determined under paragraph (a) will replace the original Reconciliation Values;
- (c) where the original Reconciliation Values have already been invoiced, Transco will determine and invoice (in accordance with [Section S](#)) such adjustments in respect thereof as are necessary to give effect to paragraph (b).



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## 6.8 Shared Supply Meter Point Reconciliation: Reconciliation Values

6.8.1 This paragraph 6.8 applies in respect of DM Reconciliation in respect of Shared Supply Meter Points.

6.8.2 For the purposes of DM Reconciliation, at the Shared Supply Meter Point for the relevant period:

- (a) Transco will in accordance with M4.7.1 arrange a DM Check Read.
- (b) The DM Check Reconciliation Quantity will be calculated in accordance with paragraph 6.3.

6.8.3 “**Existing Sharing Registered User**” is a Sharing Registered User (who may be the Proposing User) in respect of an Existing Supply Point which is a Shared Supply Meter Point.

6.8.4 “**Allocation Methodology**” is a methodology for the allocation of the Reconciliation Quantity between Existing Sharing Registered Users:

- (a) used by Transco; or
- (b) used by a User Agent, where the Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent;

provided that the proportions allocated to each Existing Sharing Registered User aggregate unity.

6.8.5 Where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent:

- (a) Transco will notify the Reconciliation Quantity to the User Agent in such manner as Transco may specify in the Shared Supply Meter Point Procedures.
- (b) Where the User Agent does not provide its Allocation Methodology to Transco within twenty (20) Business Days of Transco’s notification to the User Agent under paragraph (a) then Transco shall allocate the Reconciliation Quantity in accordance with the Default Allocation Methodology under Section G 1.7.11(b) (iv).

## 7 AGGREGATE NDM RECONCILIATION

### 7.1 Introduction

7.1.1 With effect from the Reconciliation by Difference Date, Aggregate NDM Reconciliation will be carried out (for each LDZ in accordance with this paragraph 7) in respect of each Reconciliation Billing Period.

7.1.2 The quantities subject to Aggregate NDM Reconciliation shall be quantities (ascertained in accordance with this paragraph 7), equal in aggregate and opposite to the net aggregate quantities subject to Individual Reconciliation in an LDZ (in accordance with paragraph 7.2.4) over a specified period; and shall (in aggregate and as attributed to each User in accordance with this paragraph 7, and on a cumulative basis)



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be treated as representing the difference between the quantities determined (in accordance with [Section H2](#)) as offtaken at Smaller Supply Points and Smaller Unmetered CSEPs, and the quantities which were actually so offtaken.

- 7.1.3 Accordingly, Aggregate NDM Reconciliation shall be deemed for all purposes to be a sufficient reconciliation and adjustment (in aggregate and for each User) in respect of any such differences as is referred to in paragraph 7.1.2, and accordingly, subject to paragraph 7.5, no account shall be taken (for any purposes of the Code other than the determination of Annual Quantities in accordance with [Section G1.6](#)) of Meter Readings obtained from Supply Meters at Smaller Supply Points.

## 7.2 Definition and calculation of relevant terms

- 7.2.1 For the purposes of this paragraph 7:

- (a) **"Monthly Individual Reconciliation"** is Individual NDM Reconciliation in respect of Supply Meter Points with Monthly Read Meters, DM Reconciliation pursuant to paragraph 1.3.3(a) in respect of Supply Meter Points with Daily Read Supply Meters and Individual CSEP Reconciliation in respect of any Connected System Exit Point (other than Smaller Unmetered CSEPs comprised therein) and Individual NDM Reconciliation in relation to adjustments pursuant to paragraph 7.7.2(b)(i);
- (b) **"Annual Individual Reconciliation"** is Individual NDM Reconciliation in respect of Supply Meter Points with Annual Read Meters; Individual NDM Reconciliation and DM Reconciliation for Gas illegally taken under paragraph 3.6.1, Individual NDM Reconciliation in relation to adjustments pursuant to paragraph 7.7.2(b)(ii);
- (c) **"DM Check Individual Reconciliation"** is DM Reconciliation pursuant to paragraph 1.3.3(b) in respect of Supply Meter Points with Daily Read Supply Meters and Individual NDM reconciliation in relation to adjustments pursuant to paragraph 7.7.2(b)(iii).
- (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.

- 7.2.2 For each Reconciliation Billing Period, for each LDZ and for each Individual Reconciliation Sector:

- (a) the **"Aggregate Reconciliation Quantity"** and **"Aggregate Reconciliation Clearing Value"** are the net aggregate respectively of the Reconciliation Quantities and of the Reconciliation Clearing Values for System Exit Points in that LDZ and LDZ Reconciliation and Individual Reconciliation Sector for which Individual Reconciliation or LDZ Reconciliation was carried out in that Reconciliation Billing Period;
- (b) the **"Aggregate Reconciliation Transportation Charge Adjustments"** 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



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Period;

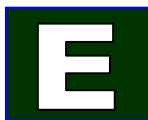
- (c) the "**Aggregate LDZ AQ**" is the sum for all Users of the User SP LDZ Aggregate AQs and the User CSEP LDZ Aggregate AQs: In determining the User LDZ Aggregate AQ, no account shall be taken of Smaller Supply Points to which [Section G](#) paragraph 3.4.3 applies;
- (d) in relation to Smaller Supply Points:
  - (i) for each User the "**User SP LDZ Aggregate AQ**" is the amount determined as follows:

$$\sum_{r=1} \sum_{d=1} \text{AQ}_{rd}$$

where, for each Smaller Supply Point ("r") in the relevant LDZ of which the User is Registered User on a Day ("d") in the Aggregate Reconciliation Period, 'AQ<sub>rd</sub>' is the Annual Quantity of such Supply Point;

- (ii) for each User the "**User SP Aggregate Reconciliation Proportion**" is the User LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (e) in relation to Smaller Unmetered CSEPs:
  - (i) for each User the "**User CSEP LDZ Aggregate AQ**" is the sum (for all such Smaller Unmetered CSEPs) of the quantities determined pursuant to the provisions of the relevant CSEP Network Exit Agreements as equivalent to the User SP LDZ Aggregate AQs;
  - (ii) for each User the "**User CSEP Aggregate Reconciliation Proportion**" is the User CSEP LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (f) "**Aggregate Reconciliation Period**" is:
  - (i) in relation to Monthly Individual Reconciliation and LDZ Reconciliation pursuant to paragraph 7.6.1(a), the calendar month
  - (ii) in relation to Annual Individual Reconciliation, the period of six calendar months
  - (iii) in relation to DM Check Individual Reconciliation, the period of twelve calendar months

immediately preceding the month in which the relevant Reconciliation Invoice in respect of the Reconciliation Billing Period is to be submitted (provided that where an Aggregate Reconciliation Period would otherwise commence before the Reconciliation by Difference Date, such period shall commence with the first calendar month whose first Day is not earlier than the Reconciliation by Difference Date) and for LDZ Reconciliation pursuant to paragraph 7.6.1(b) the



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Preceding Year.

7.2.3 For each User, in relation to each Reconciliation Billing Period and for each LDZ:

- (a) the "**User Aggregate Reconciliation Quantity**" and "**User Aggregate Reconciliation Clearing Value**" are the amounts determined as:

$$\sum_{s=1}^S \text{USPs}_s * V_s + \sum_{s=1}^S \text{UCPs}_s * V_s$$

- (b) the "**User Aggregate Transportation Charge Adjustment**" is the amount determined as:

$$\sum_{s=1}^S \text{USPs}_s * V_s + \sum_{s=1}^S \text{UCPs}_s * V_s * F$$

where for each Individual Reconciliation Sector ("s"):

$\text{USPs}_s$  is the "**User SP Aggregate Reconciliation Proportion**" in relation to that User, period and LDZ;

$\text{UCPs}_s$  is the "**User CSEP Aggregate Reconciliation Proportion**" in relation to that User, period and LDZ;

$V_s$  is respectively the Aggregate Reconciliation Quantity, Aggregate Reconciliation Clearing Value or Aggregate Reconciliation Transportation Charge Adjustment for that period and LDZ;

F is the factor specified in the Transportation Statement for the purposes of this paragraph (representing an estimate of the average discount in the Applicable Commodity Rate for Smaller Unmetered CSEPs compared with such rate for Smaller Supply Points).

7.2.4 For the purposes of Aggregate NDM Reconciliation, where:

- (a) the User Aggregate Reconciliation Quantity is positive for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be negative; and
- (b) the User Aggregate Reconciliation Quantity is negative for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be positive.

### 7.3 Aggregate NDM Reconciliation Adjustments



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- 7.3.1 Upon each Aggregate NDM Reconciliation the User Aggregate Reconciliation Quantity shall be extinguished by a System Clearing Contract in accordance with [Section F5](#).
- 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 the User Aggregate Reconciliation Clearing Value.
- 7.3.3 Upon each Aggregate NDM Reconciliation, the User Aggregate Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges and CSEP Charge overpaid or underpaid by the User in respect of gas offtaken by the User in the relevant period.
- 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, by the User to Transco;
  - (b) where the Reconciliation Quantity is positive, by Transco to the User;
- shall be invoiced and paid in accordance with [Section S](#).

#### 7.4 Annual Quantity revision and End of Year AQ Reconciliation

- 7.4.1 Where upon the revision of the Annual Quantity of any Larger Supply Point pursuant to [Section G1.6](#) the Supply Point becomes a Smaller Supply Point:
- (a) on the next Valid Meter Read, Individual NDM Reconciliation will be carried out in respect of the period from the previous Valid Meter Read to the Day preceding the Day on which the Annual Quantity is treated as being revised pursuant to [Section G1.6](#) and reference to Meter Reading Period in paragraphs 6.2.2(d), (e) and (f) shall be construed accordingly; and
  - (b) with the effect from the Day on which the Annual Quantity is revised, the Annual Quantity shall be included in the calculation, in respect of the relevant Registered User of the User LDZ Aggregate AQ, and of the Aggregate LDZ AQ in the relevant LDZ for the purposes of paragraph 7.2.2.
- 7.4.2 Where upon the revision of the Annual Quantity of any Smaller Supply Point pursuant to [Section G1.6](#) the Supply Point becomes a Larger Supply Point:
- (a) on the next Valid Meter Read Individual NDM Reconciliation will be carried out for the period from the Day on which the Annual Quantity is treated as being revised pursuant to [Section G1.6](#) until the Meter Read Date and reference to Meter Reading Period in paragraphs 6.2.2(d), (e) and (f) shall be construed accordingly; and
  - (b) with the effect from the Day on which the Annual Quantity is revised, the Annual Quantity shall be excluded from the calculation, in respect of the relevant Registered User of the User LDZ Aggregate AQ, and of the Aggregate LDZ AO in the relevant LDZ for the purposes of paragraph 7.2.2.
- 7.4.3 Where, as a result of the revision of the Annual Quantity of a Smaller Supply Point





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pursuant to [Section G1.6](#), the Supply Point becomes a Larger Supply Point and:-

- (a) the Annual Quantity is increased by more than:-
  - (i) 20% of the Annual Quantity at the start of the preceding Gas Year; and at least by
  - (ii) 15,000 kWh; and
- (b) there has not been a change in Registered User for the Supply Point since the last revision of the Annual Quantity of the Supply Point pursuant to [Section G1.6](#); and
- (c) the Annual Quantity of the Supply Point was not increased such that the Smaller Supply Point became a Larger Supply Point prior to the Provisional Annual Quantity being calculated by Transco

then paragraph 7.4.4 will apply.

7.4.4 In the circumstances set out in sub-paragraph 7.4.3 above:-

- (a) the User Annual Quantity Revision Difference shall be extinguished by a System Clearing Contract in accordance with [Section F5](#);
- (b) for the purposes of [Section F5](#), the Reconciliation Clearing Charge in respect of a System Clearing Contract under paragraph 7.4.4(a) shall be the User Annual Quantity Revision Difference Clearing Value;
- (c) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges underpaid by the User in respect of gas offtaken by the User in the relevant period;
- (d) the User Annual Quantity Revision Difference Transportation Charge Adjustment shall be payable by the User to Transco.

7.4.5 For the purposes of this paragraph 7.4:-

- (a) **“User Annual Quantity Revision Difference”** is the sum of:-

$$(X - Y)$$

Where:-

X is the Annual Quantity of the Supply Point notified by Transco in respect of the Gas Year following the relevant Gas Year;

Y is the Annual Quantity of the Supply Point notified by Transco in respect of the relevant Gas Year;

- (b) The **“User Annual Quantity Revision Difference Clearing Value”** is the amount established by:-



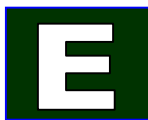


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- (i) Determining the additional NDM Supply Meter Point Demand as a result of the User Annual Quantity Revision Difference for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect;
  - (ii) Multiplying the daily additional NDM Supply Meter Point Demand by the System Average Price for such day to determine the daily User Annual Quantity Revision Difference Clearing Value; and
  - (iii) Aggregating the daily User Annual Quantity Revision Clearing Values for all days in the applicable period of the adjustment.
- (c) **“User Annual Quantity Revision Difference Transportation Charge Adjustment”** is the amount established:
- (i) Multiplying the daily additional NDM Supply Meter Point Demand (under 7.4.5(b)(i)) for each day in the relevant Gas Year in which Y (as defined in paragraph (a) above) was in effect by the Applicable Commodity Rate of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge for such day to determine the daily reconciliation charge adjustment; and
  - (ii) Aggregating the daily reconciliation charge adjustments for all days in the applicable period of the adjustment.

## 7.5 Transitional Reconciliation

- 7.5.1 For the purposes of this paragraph 7.5, **“First Reconciliation”** in respect of a Supply Meter Point is the Individual Reconciliation carried out in relation to a Meter Reading Period in which the Reconciliation by Difference Date falls.
- 7.5.2 For the purposes of First Reconciliation (and not for any subsequent Individual NDM Reconciliation), Smaller Supply Meter Points the subject of a Supply Point Registration on the Reconciliation by Difference Date shall be subject to Individual NDM Reconciliation in accordance with paragraph 6.
- 7.5.3 Subject to paragraph 7.5.4, following First Reconciliation:
- (a) the Individual NDM Reconciliation Quantity or DM Reconciliation Quantity will be calculated separately in accordance with paragraph 6 in respect of that part of the Meter Reading Period:
    - (i) preceding the Reconciliation by Difference Date; and
    - (ii) from the Reconciliation by Difference Date;
  - (b) the CSEP Reconciliation Quantity will be calculated separately in accordance with paragraph 6 in respect of that part of the relevant period provided in the CSEP Network Exit Agreement:
    - (i) preceding the Reconciliation by Difference Date; and



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(ii) from the Reconciliation by Difference Date.

7.5.4 On First Reconciliation of a Smaller Supply Point (in accordance with paragraph 7.5.2) Individual NDM Reconciliation will only be carried out in respect of the period prior to the Reconciliation by Difference Date.

7.5.5 The Reconciliation Quantities calculated in accordance with paragraph 7.5.3(a)(ii) and 7.5.3(b)(ii) shall be added to the Aggregate Reconciliation Quantity (for the relevant LDZ and relevant Individual Reconciliation sector) in the Reconciliation Billing Period in which First Reconciliation occurs.

7.5.6 The Reconciliation Transportation Charge Adjustments relating to the Reconciliation Quantities calculated in accordance with paragraph 7.5.3(a)(ii) and 7.5.3(b)(ii) shall be added to the Aggregate Reconciliation Transportation Charge Adjustments (for the relevant LDZ and relevant Individual Reconciliation Sector) in the Reconciliation Billing Period in which First Reconciliation occurs.

## 7.6 LDZ Reconciliation

7.6.1 A reconciliation shall be carried out between Transco and the 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 Transco to relate;
- (b) pursuant to [Section N 3.4](#), an adjustment is made in respect of the aggregate amount of LDZ Shrinkage for any LDZ in any Gas Year and in respect of an amount as provided in the LDZ Shrinkage Adjustment Methodology.

7.6.2 For the purposes of this paragraph 7:

- (a) "**LDZ Reconciliation**" means a reconciliation pursuant to paragraph 7.6.1;
- (b) in relation to any LDZ Reconciliation:
  - (i) the quantities and amounts referred to in paragraph 7.6.1 shall be treated as being respectively a Reconciliation Quantity and a Reconciliation Clearing Value;
  - (ii) such quantity and amount shall be negative where the LDZ Daily Quantity Input is increased by such adjustment, and positive where the LDZ Daily Quantity Input is reduced by such adjustment.

7.6.3 Except pursuant to this paragraph 7, any such adjustment as is referred to in paragraph 7.6.2 shall have no effect for the purposes of the Code.

## 7.7 Adjustments

7.7.1 Following resolution of a relevant Invoice Query:

- (a) no adjustment shall be made to the calculation of Aggregate LDZ AQs in



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respect of any prior Reconciliation Billing Period;

- (b) any adjustment to the calculation of:
  - (i) Aggregate LDZ AQs;
  - (ii) User Aggregate Reconciliation Clearing Charges or User Aggregate Transportation Adjustment Charges properly payable by Users (other than the User who notified Transco of the relevant Invoice Query) in respect of any prior Reconciliation Billing Period

shall have effect from, or be accounted for in, the following Reconciliation Billing Period.

## 7.7.2

- (a) A "**relevant Invoice Query**" is an Invoice Query which disputes the proper calculation of User Aggregate Reconciliation Clearing Charges or User Aggregate Transportation Charge Adjustments on the basis of the calculation (in respect of an LDZ and Individual Reconciliation Sector) of the Aggregate LDZ AQ for the relevant Reconciliation Billing Period; and
- (b) where a relevant Invoice Query rises due to the improper calculation of the Aggregate LDZ AQ any such User Aggregate Reconciliation Quantity subsequently determined to be due, paragraph 7.2.4 shall apply and the amount shall be invoiced to the User in accordance with [Section S](#) and:
  - (i) where the effective period is less than 1 month the Reconciliation Quantity shall be subject to Monthly Individual Reconciliation in accordance with paragraph 7.2.1(a), or
  - (ii) Where the effective period is greater to or equal to 1 month but less than 4 months the Reconciliation Quantity shall be subject to Annual Individual Reconciliation in accordance with paragraph 7.2.1(b) or
  - (iii) Where the effective period is more than 4 months the Reconciliation Quantity shall be subject to DM Check Individual Reconciliation in accordance with paragraph 7.2.1(c)

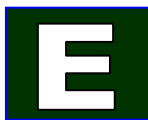
"**The effective period**" for the purpose of this paragraph 7.7.2 (b) is the period between the date at which improper calculation of the Aggregate LDZ AQ began and the date of resolution of such Invoice Query.

## 8 SUPPRESSED RECONCILIATION

### 8.1 General

8.1.1 In relation to Larger Supply Points with effect from the Reconciliation by Difference Date:-

- (a) subject to paragraph (c) below, Transco shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM



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Reconciliation where such Individual NDM and DM Reconciliation was undertaken pursuant to a Meter Reading obtained by Transco pursuant to [Section M3.6](#) and [M4.2](#) ("**Suppressed Reconciliation Values**");

- (b) subject to paragraph (c) below, the User shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM Reconciliation and DM Reconciliation was undertaken other than pursuant to a Meter Reading obtained by Transco pursuant to [Section M3.6](#) and [M4.2](#) ("**User Suppressed Reconciliation Values**"); and
  - (c) where Meter Information has or was due to have been provided by Users to Transco in accordance with [Section M3.2](#) and Transco informs the User that such Meter Information is incomplete, out of date or otherwise incorrect, the User shall investigate any Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation and such Reconciliation Values shall be User Suppressed Reconciliation Values.
- 8.1.2 Those Reconciliation Values in respect of which this paragraph 8 will apply (Reconciliation Values that have been "**Suppressed**", being Suppressed Reconciliation Values and User Suppressed Reconciliation Values) shall be identified in the "**Network Code Reconciliation Suppression Guidelines**", the document so entitled prepared and revised from time to time by Transco (in consultation with Users).
- 8.1.3 For the purposes of this paragraph 8:
- (a) "**Investigate**" means an investigation:-
    - (i) by Transco of the accuracy of a Suppressed Reconciliation Value; or
    - (ii) by the User of the accuracy of a User Suppressed Reconciliation Value
  - (b) "**relevant Reconciliation Billing Period**" is the Reconciliation Billing Period in respect of which a Reconciliation Invoice would have contained an Invoice Item derived from a Suppressed Reconciliation Value had not paragraph 8.1.4 applied;
  - (c) for each LDZ for each Reconciliation Billing Period the "**User LDZ Suppressed Reconciliation Proportion**" shall be the User's User Aggregate Reconciliation Proportion for Monthly Individual Reconciliation calculated in accordance with paragraph 7.2.2.
- 8.1.4 Where as a result of carrying out Individual NDM Reconciliation or DM Reconciliation a Reconciliation Value is Suppressed, neither the Suppressed Reconciliation Value nor the User Suppressed Reconciliation Value will be used for the purposes of calculating the relevant Invoice Items in a Reconciliation for the relevant Reconciliation Billing Period (Reconciliation Billing Period 'p').
- ## 8.2 Suppressed Reconciliation Values
- 8.2.1 In respect of each LDZ for each Reconciliation Billing Period Transco will pay to the User (provided such amount is positive) the aggregate of:



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(a)

$$(G * H) - (M * £25)$$

where following Individual NDM Reconciliation in Reconciliation Billing Period 'p'

G is the User's SP Aggregate Reconciliation Proportion for Reconciliation Billing Period "p+1";

H is  $((0.98 * A) - B * £20) + (C * £30)$

where:

A is the number of Suppressed Reconciliation Values that have been Suppressed in Reconciliation Billing Period 'p';

B is the number of Suppressed Reconciliation Values that had been Suppressed in Reconciliation Billing Period 'p' which are not Suppressed in Reconciliation Billing Period 'p + 1';

C is the number of Suppressed Reconciliation Values that had been Suppressed in any Reconciliation Billing Period 'p' and which remain Suppressed in Reconciliation Billing Period 'p + 2' or any subsequent Reconciliation Billing Period;

M is number of Meter Reads obtained by Transco in relation to the User Section M3.6.1 that are Suppressed in Reconciliation Billing Period 'p'

and

(b)

$$(((0.950 * D) - E) * £40) + (F * £60)$$

where following DM Reconciliation in Reconciliation Billing Period 'p'

D is the number of Reconciliation Values Suppressed in Reconciliation Billing Period 'p';

E is the number of Reconciliation Values Suppressed in Reconciliation Billing Period 'p' which are not Suppressed in Reconciliation Billing Period 'p + 1';

F is the number of Reconciliation Values suppressed in Reconciliation Billing Period 'p' and which remain Suppressed in Reconciliation Billing Period 'p + 2' or any subsequent Reconciliation Billing Period.

8.2.2 Amounts payable by Transco under paragraph 8 will be invoiced and payable in accordance with [Section S](#).

8.2.3 For the purposes of [Section V13](#):-

(a) the rules in paragraph 8.2.1(a) are Compensation Rules within Compensation

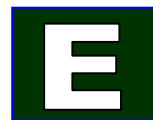


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Group C; and

- (b) the rules in paragraph 8.2.1(b) are compensation Rules within Compensation Group D

and in relation thereto the '**payment month**' is the second month following Reconciliation Billing Period p+2.



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## F SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

### 1 GENERAL AND SYSTEM PRICES

#### 1.1 Introduction

1.1.1 This Section F provides for:

- (a) the clearing of each User's Daily Imbalances;
- (b) the calculation and payment of Daily Imbalance Charges and Scheduling Charges;
- (c) the calculation and payment of Balancing Neutrality Charges;
- (d) the clearing of each User's Reconciliation Quantities; and
- (e) the calculation and payment of Reconciliation Neutrality Charges.

1.1.2 For the purposes of the Code:

- (a) a "**Daily Imbalance Charge**" is an amount payable by or to a User in respect of a Daily Imbalance, in accordance with paragraph 2;
- (b) "**Scheduling Charges**" are amounts payable by a User in respect of differences between quantities delivered and offtaken to or from the System each Day and the quantities Nominated for such delivery or offtake, in accordance with paragraph 3;
- (c) "**Balancing Charges**" are Daily Imbalance Charges and Scheduling Charges;
- (d) "**Balancing Neutrality Charges**" are amounts payable by or to Transco, so that it does not gain or lose by the payment and receipt of Market Balancing Action Charges, Daily Imbalance Charges, Scheduling Charges and other amounts specified in and in accordance with paragraph 4;
- (e) "**Reconciliation Neutrality Charges**" are amounts payable by or to Transco, so that it does not gain or lose by the payment and receipt of Reconciliation Clearing Values, in accordance with paragraph 6 (or in relation to NTS System Exit Points, paragraph 4).

#### 1.2 System prices

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

- (a) the "**System Marginal Buy Price**" is the greater of :
  - (i) the System Average Price plus 0.0287 pence/kWh; and
  - (ii) the price in pence/kWh which is equal to the highest Market Offer Price



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in relation to a Market Balancing Action taken for that Day;

- (b) the "**System Marginal Sell Price**" is the lesser of:
  - (i) the System Average Price less 0.0324 pence/kWh; and
  - (ii) the price in pence/kWh which is equal to the lowest Market Offer Price in relation to a Market Balancing Action taken for that Day;
- (c) the "**System Average Price**" for a Day is the price in pence/kWh calculated as the sum of all Market Transaction Charges divided by the sum of the Trade Nomination Quantities for all Market Transactions effected in respect of that Day

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

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

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

1.2.4 For the purposes of paragraph 1.2.3:

- (a) a "**Primary Excluded Action**" is a Market Balancing Buy Action taken pursuant to Section D1.5 for the purposes of increasing or decreasing gas flows at a System Point for the purposes of avoiding or remedying a Localised Transportation Deficit;
- (b) "**Secondary Excluded Actions**" are the Market Balancing Sell Actions which are excluded, in relation to any Relevant Primary Excluded Actions, in accordance with the following rules, which shall be applied in the chronological order in which Relevant Primary Excluded Actions were accepted:
  - (i) all Relevant Sell Actions shall be ranked in order of Market Offer Price (the lowest ranked first, and bids of equal Market Offer Price ranked in chronological order of acceptance);
  - (ii) such Relevant Sell Actions shall be excluded (in the order ranked) until:
    - (1) the aggregate of the Market Balancing Action Quantities under the actions so excluded is equal to or first exceeds the Market Balancing Action Quantity(ies) under the Relevant Primary Excluded Actions (the amount of any such excess, the "**relevant deficit excess**"), or
    - (2) all such Relevant Sell Actions have been excluded, if the aggregate of the Market Balancing Action Quantities



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thereunder does not exceed the Market Balancing Action Quantity(ies) under the Relevant Primary Excluded Actions;

- (iii) where there is a relevant deficit excess, the last Relevant Sell Action to be excluded under paragraph (ii)(1) shall be deemed, for the purposes of the further application of this paragraph 1.2.4, to be two Relevant Sell Actions, one (which shall not be treated as so excluded) for an Eligible Balancing Action Quantity equal to the relevant shortfall excess, and one (which shall be treated as so excluded) for a Market Balancing Action Quantity equal to the balance of the whole Market Balancing Action Quantity;
- (iv) for the purposes of this paragraph (b), in relation to any Relevant Primary Excluded Actions, a “**Relevant Sell Action**” is a Market Balancing Sell Action which:
  - (1) was taken by Transco pursuant to a Market Transaction other than a Locational Market Transaction effected in respect of the System Point in respect of which the Primary Excluded Action was taken;
  - (2) was taken during the period commencing with the taking of the Relevant Primary Excluded Actions and expiring on the expiry of the first full hour (ending on the hour) to expire thereafter, and
  - (3) was not excluded pursuant to paragraph (b) in relation to any earlier accepted Relevant Excluded Primary Actions;
- (c) “**Relevant Primary Excluded Actions**” means one Primary Excluded Action or several Primary Excluded Actions which were accepted at the same time;
- (d) “**Excluded Balancing Actions**” are Primary Excluded Actions and Secondary Excluded Actions.

## 1.2.5 Where:

- (a) it appears to Transco after consultation with the Network Code Committee or any relevant Sub-committee that there is an alternative basis for determining a price to apply each Day as the System Average Price for the purposes of paragraph 5, and that such basis would be more appropriate for such purposes than that set out in paragraphs 1.2.1 and 1.2.2 (or applying at the time pursuant to any prior application of this paragraph 1.2), and
- (b) upon Transco's application the Authority has given Condition 9(3) Approval to Transco's applying, with effect from the Day proposed by Transco after such consultation, such alternative basis for such purposes

then with effect from such Day the price determined each Day pursuant to such alternative basis will be applied for the purposes of paragraph 5 and references to the System Average Price in that paragraph will be construed accordingly (but without prejudice to the continued application of the System Average Price determined under paragraphs 1.2.1 and 1.2.2 for other purposes of the Code); and Transco will as soon as



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reasonably practicable after the Authority gave such approval notify Users of such alternative basis.

### 1.3 Commissioning VLDMCs

- 1.3.1 Subject to paragraph 1.3.2 for the purposes of paragraph 2.2.1 and 3.2.2 until the date specified or determined pursuant to the provisions (applying pursuant to [Section J1.3.2\(b\)](#)) of the applicable Network Exit Agreement as the date when commissioning of the Consumer's Plant is completed, a VLDMC Supply Point Component will be treated as a DMC Supply Point Component other than a VLDMC Supply Point Component.
- 1.3.2 Paragraph 1.3.1 will apply only where the Registered User gives notice to Transco of the specified or determined pursuant to the provisions (applying pursuant to [Section J1.3.2\(b\)](#)) of the applicable Network Exit Agreement as the date when commissioning of the Paragraph 1.3.1 will apply only where the Registered User gives notice to Transco of the commissioning and complies with any other procedural requirements in accordance with the applicable Network Exit Agreement.

### 1.4 Daily Read Errors

- 1.4.1 Where for a Daily Read Error Day an Error Revised UDQO has been determined (pursuant to [Sections M4.8](#) and [E3.5](#)) for a DM Supply Point Component:
- (a) Transco will, as soon as reasonably practicable, determine by reasonable estimation, and notify to the relevant User, the quantities and amounts referred to in this paragraph 1.4;
  - (b) this paragraph 1.4 shall apply on the basis of the quantities and amounts so determined by Transco.
- 1.4.2 Where the relevant Supply Point Component was a DMC Supply Point Component:
- (a) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge exceeds the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, Transco will pay to the User the amount of the excess;
  - (b) where the amount (if any) invoiced to or paid by the User by way of Output Scheduling Charge is less than the amount (if any) which the User would have been liable to pay by way of Output Scheduling Charge on the basis of the Error Revised UDQO, the User will pay to Transco the amount of the deficit.
- 1.4.3 Subject to paragraph 1.4.5, where the magnitude of the User's Daily Imbalance for the Daily Read Error Day would have been less had the Error Revised UDQO been used in the calculation under [Section E5](#), and there was a Second Imbalance Tranche for the User for the Day:
- (a) if the Daily Imbalance was positive, the User will be liable to pay to Transco
  - (b) if the Daily Imbalance was negative, Transco will be liable to pay to the User, the amount (if any) calculated as the relevant quantity multiplied by the relevant price

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(in accordance with paragraph 1.4.6).

- 1.4.4 Subject to paragraph 1.4.5, where the magnitude of the User's Daily Imbalance for the Daily Read Error Day would have been greater had the Error Revised UDQO been used in the calculation under [Section E5](#):

- (a) if the Daily Imbalance was positive, Transco will be liable to pay to the User,
- (b) if the Daily Imbalance was negative, the User will be liable to pay to Transco,

the amount (if any) calculated as the relevant quantity multiplied by the relevant price (in accordance with paragraph 1.4.6).

- 1.4.5 Where the User's Daily Imbalance would have been positive and not negative, or negative and not positive, had the Error Revised UDQO been used in the calculation under [Section E5](#):

- (a) paragraph 1.4.3 shall apply irrespective of whether the magnitude of such Daily Imbalance would have been less, and
- (b) paragraph 1.4.4 shall apply, irrespective of whether the magnitude of such Daily Imbalance would have been greater, and in addition to the application of paragraph 1.4.3, on the basis that the reference therein to whether the Daily Imbalance was positive or negative shall be to whether it would have been positive or negative.

- 1.4.6 For the purposes of this paragraph 1.4:

- (a) the "**relevant quantity**" is:
  - (i) for the purposes of paragraph 1.4.3, the lesser of the Second Imbalance Tranche and the error quantity;
  - (ii) for the purposes of paragraph 1.4.4:
    - (1) where there was a Second Imbalance Tranche for the User for the Day, the error quantity;
    - (2) otherwise, the sum of the User's Daily Imbalance and the error quantity, less the Imbalance Tolerance Quantity.
- (b) the "**relevant price**" is the difference between:
  - (i) for the purposes of paragraphs 1.4.3(a) and 1.4.4(a), the System Marginal Sell Price, or
  - (ii) for the purposes of paragraphs 1.4.3(b) and 1.4.4(b), the System Marginal Buy Price,

and the System Average Price, each for the Daily Read Error Day (it being acknowledged that DM Reconciliation will separately provide an appropriate adjustment as to the System Average Price);
- (c) the "**error quantity**" is the magnitude of the difference between the Error Revised UDQO and the UDQO originally determined under [Section E3](#).



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- 1.4.7 Amounts paid by Transco pursuant to paragraphs 1.4.2(a) and 1.4.3 and or paid to Transco pursuant to paragraphs 1.4.2(b) and 1.4.4 will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of paragraph 4.5.3 in the month in which such amounts are paid.
- 1.4.8 It is acknowledged that the payments to be made pursuant to this paragraph 1.4 are separate additional obligations for the purposes of the Code, and nothing in [Sections M4.8](#) or [E3.5](#) or this paragraph 1.4 shall prejudice the liability of Transco or any User to make payments (determined on the basis of the original UDQO) pursuant to any other provision of the Code.

## 2 DAILY IMBALANCES

### 2.1 Introduction

- 2.1.1 The gas representing the amount of a User's Daily Imbalance in respect of a Day shall be deemed to be sold and purchased and the imbalance cleared in accordance with this paragraph 2.
- 2.1.2 The Daily Imbalance Charge in respect of a User's Daily Imbalance shall be determined in accordance with paragraph 2.4.

### 2.2 Not Used.

### 2.3 System Clearing Contract

- 2.3.1 The quantity of gas comprising a User's Daily Imbalance shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.
- 2.3.2 For the purposes of such System Clearing Contract:
- (a) where the Daily Imbalance is positive, the seller is the User and the buyer is Transco;
  - (b) where the Daily Imbalance is negative, the seller is Transco and the buyer is the User.
- 2.3.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.
- 2.3.4 The Daily Imbalance shall be extinguished by the System Clearing Contract.

### 2.4 Clearing Charge

- 2.4.1 The Daily Imbalance Charge shall be the Clearing Charge in respect of the System Clearing Contract under this paragraph 2 and shall be calculated by multiplying the Daily Imbalance of the User as follows:
- (a) where the Daily Imbalance is positive, the System Marginal Sell Price for the Gas Flow Day; and
  - (b) where the Daily Imbalance is negative, the System Marginal Buy Price for the





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Gas Flow Day.

- 2.4.2 In the event of a Class A Contingency (in accordance with [Section U6](#)) occurring on the Gas Flow Day the references in paragraph 2.4.1(b) to System Marginal Sell Price and System Marginal Buy Price shall be to the System Average Price.
- 2.4.3 The buyer shall pay the Daily Imbalance Charge in respect of the Daily Imbalance to the seller.
- 2.4.4 The Daily Imbalance Charge shall be invoiced and payable in accordance with [Section S](#).

### 2.5 Clearing Charge

- 2.5.1 The Daily Imbalance Charge shall be the Clearing Charge in respect of the System Clearing Contract under this paragraph 2 and shall be calculated by multiplying the Daily Imbalance of the User as follows:-
  - (a) where the Daily Imbalance is positive, the System Marginal Sell Price for the Gas Flow Day; and
  - (b) where the Daily Imbalance is negative, the System Marginal Buy Price for the Gas Flow Day.
- 2.5.2 In the event of a Class A Contingency (in accordance with Section U6) occurring on the Gas Flow Day the references in paragraph 2.4.1 to System Marginal Sell Price and System Marginal Buy Price shall be to the System Average Price.

## 3 SCHEDULING CHARGES

### 3.1 Introduction

- 3.1.1 Where on a Day the quantity of gas delivered to or offtaken from the System by a User at a System Point or group of System Points differs (by more than an allowed tolerance) from the quantities nominated by the User in respect of that System Point or group, the User shall pay a Scheduling Charge in accordance with this paragraph 3.
- 3.1.2 Scheduling Charges incurred under this paragraph 3 will be invoiced and payable in accordance with [Section S](#).

### 3.2 Input Scheduling Charges

- 3.2.1 Subject to clause 3.4, for the purposes of the Code, for each User in respect of each Aggregate System Entry Point on each Day:
  - (a) the "**Scheduling Input Nominated Quantity**" is the sum of the Nominated Quantities under its Input Nominations for each System Entry Point comprised in that Aggregate System Entry Point;
  - (b) the "**Input Scheduling Quantity**" is the amount by which the sum of the UDQIs (in accordance with [Section E2.1](#)) for each System Entry Point comprised in that Aggregate System Entry Point was greater than or (as the case may be) less than the Scheduling Input Nominated Quantity;



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- (c) the "**Inner Input Tolerance Quantity**" is 3% of the Scheduling Input Nominated Quantity;
- (d) the "**Outer Input Tolerance Quantity**" is 5% of the Scheduling Input Nominated Quantity;
- (e) the "**First Chargeable Input Scheduling Quantity**" is:
  - (i) where the magnitude of the Input Scheduling Quantity exceeds the Outer Input Tolerance Quantity, the amount of the difference between the Outer Input Tolerance Quantity and the Inner Input Tolerance Quantity;
  - (ii) where the magnitude of the Input Scheduling Quantity does not exceed the Outer Input Tolerance Quantity, the amount (if any) by which the magnitude of the Input Scheduling Quantity exceeds the Inner Input Tolerance Quantity;
- (f) the "**Second Chargeable Input Scheduling Quantity**" is the amount (if any) by which the magnitude of the Input Scheduling Quantity exceeds the Outer Input Tolerance Quantity.

3.2.2 Where the magnitude of the Input Scheduling Quantity exceeds the Inner Input Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the sum of:

- (a) the amount of the First Chargeable Input Scheduling Quantity multiplied by 2% of the System Average Price for the Gas Flow Day, and
- (b) the amount of the Second Chargeable Input Scheduling Quantity (if any) multiplied by 5% of the System Average Price for the Gas Flow Day.

### 3.3 Output Scheduling Charges

3.3.1 Subject to clause 3.4 and to paragraph 3.3.4, for the purposes of this Section F, for each User:

- (a) an "**Output Scheduling Point or Group**" is:
  - (i) a Registered DMC Supply Point Component other than a SDMC(I) Supply Point Component; or
  - (ii) a relevant Connected System Exit Point; or
  - (iii) the Scheduling Firm Supply Point Group for any LDZ; or
  - (iv) the Scheduling Interruptible Supply Point Group for any LDZ;
- (b) for each LDZ:
  - (i) the "**Scheduling Firm Supply Point Group**" is all of the DMA(F) Supply Point Groups for each Exit Zone in that LDZ;
  - (ii) the "**Scheduling Interruptible Supply Point Group**" is all of the



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DMA(I) Supply Point Groups for each Exit Zone, and all of the Registered SDMC(I) Supply Point Components, in that LDZ.

3.3.2 Subject to Clause 3.4, for the purposes of the Code, for each User in respect of each Output Scheduling Point or Group:

- (a) the "**Scheduling Output Nominated Quantity**" is:
  - (i) in the case of a Registered DMC Supply Point Component (other than a SDMC(I) Supply Point Component), the Nominated Quantity under its Output Nomination for the relevant System Exit Point;
  - (ii) in the case of a relevant Connected System Exit Point, the Nominated Quantity under its Output Nomination for the relevant System Exit Point;
  - (iii) in the case of a Scheduling Firm Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(F) Supply Point Groups for Exit Zones in the relevant LDZ;
  - (iv) in the case of a Scheduling Interruptible Supply Point Group, the sum of the Nominated Quantities under its Output Nominations for all DMA(I) Supply Point Groups for Exit Zones, and for all Registered SDMC(I) Supply Point Components, in the relevant LDZ;
- (b) the "**Scheduling UDQO**" is:
  - (i) in respect of a Scheduling Firm Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Firm DMA Supply Point Components in the relevant LDZ;
  - (ii) in respect of a Scheduling Interruptible Supply Point Group, the aggregate of the User's UDQOs for all of the Registered Interruptible DMA Supply Point Components and all of the Registered SDMC(I) Supply Point Components in the relevant LDZ; and
  - (iii) in respect of any other System Exit Point (other than an NDM Supply Point Component), the User's UDQO for that System Exit Point;
- (c) the "**Output Scheduling Quantity**" is the amount by which the Scheduling UDQO was greater than or (as the case may be) less than the Scheduling Output Nominated Quantity;
- (d) the "**Output Tolerance Quantity**" is:
  - (i) in respect of a DMC Supply Point Component other than a VLDMC Supply Point Component or SDMC(I) Supply Point Component, or a relevant Connected System Exit Point, the quantity which is 25% of the Scheduling Output Nominated Quantity;
  - (ii) in respect of a VLDMC Supply Point Component or relevant Connected System Exit Point, the quantity which is 3% of the Scheduling Output Nominated Quantity;



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- (iii) in respect of a Scheduling Firm Supply Point Group, the quantity which is 20% of the Scheduling Output Nominated Quantity;
    - (iv) in respect of a Scheduling Interruptible Supply Point Group, the quantity which is 25% of the Scheduling Output Nominated Quantity;
  - (e) the "**Chargeable Output Scheduling Quantity**" is the amount (if any) by which the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity.
- 3.3.3 Where the magnitude of the Output Scheduling Quantity exceeds the Output Tolerance Quantity (but not otherwise), the User shall pay a Scheduling Charge determined as the Chargeable Output Scheduling Quantity multiplied by 1% of the System Average Price for the Gas Flow Day.
- 3.3.4 A DMC Supply Point Component, other than a SDMC(I) Supply Point Component, will not be an Output Scheduling Point or Group where:
- (a) in respect of any Supply Meter Point (other than a Supply Meter Point at which telemetry equipment is installed as part of the Supply Meter Installation) comprised therein, the Gas Flow Day was a Failed Daily Read Day; or
  - (b) Transco did not make gas available for offtake from the System at the Supply Point Component.

## 4 BALANCING NEUTRALITY CHARGES

### 4.1 Introduction

- 4.1.1 The difference between the amounts received or receivable and the amounts paid or payable by Transco in respect of Balancing Charges and certain other amounts in each month is payable to or recoverable from relevant Users in accordance with this paragraph 4.
- 4.1.2 For the purposes of this paragraph 4:
- (a) "**relevant User**" means any User other than the Shrinkage Provider, the Top-up Manager, and Transco when acting for Operating Margins Purposes;
  - (b) "**relevant UDQI**" means a UDQI of a relevant User; and
  - (c) "**relevant UDQO**" means a UDQO of a relevant User

### 4.2 Payment of charge

- 4.2.1 Each relevant User shall pay to Transco, or (as the case may be) Transco shall pay to each relevant User, in respect of each Day ("**relevant Day**") a Balancing Neutrality Charge.
- 4.2.2 For each relevant User the Balancing Neutrality Charge shall be calculated as the Unit Daily Neutrality Amount multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for the relevant Day.




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4.2.3 The Balancing Neutrality Charge is payable by Transco to the User where it is negative and by the User to Transco where it is positive.

4.2.4 Balancing Neutrality Charges shall be invoiced and are payable in accordance with [Section S](#).

### 4.3 Unit Daily Neutrality Amount

The "**Unit Daily Neutrality Amount**" for a relevant Day is the sum of the Basic Net Neutrality Amount (under paragraph 4.4) and the Adjustment Neutrality Amount (under paragraph 4.5) for the relevant Day, divided by the sum of all relevant UDQIs and relevant UDQOs for all relevant Users.

### 4.4 Basic Net Neutrality Amount

4.4.1 For each relevant Day the "**Basic Net Neutrality Amount**" is Aggregate System Payments (in accordance with paragraph 4.4.3) less Aggregate System Receipts (in accordance with paragraph 4.4.2).

4.4.2 "**Aggregate System Receipts**" for a Day are the aggregate, for all Users, of the following:

- (a) the Market Balancing Action Charges payable to Transco in respect of each Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day (other than any Market Balancing Sell Action (or negatively priced Market Balancing Buy Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint) and any other amounts payable to Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint) in respect of such Day;
- (b) the Daily Imbalance Charges payable to Transco in respect of each negative Daily Imbalance on that Day; and
- (c) the Scheduling Charges payable to Transco in relation to Input Scheduling Quantities and Output Scheduling Quantities in respect of that Day;
- (d) Total Incentivised Nomination Charges payable to Transco in respect of that Day.

4.4.3 "**Aggregate System Payments**" for a Day are the aggregate, for all Users, of the following:

- (a) the Market Balancing Action Charges payable by Transco in respect of each Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day (other than any Market Balancing Buy Action (or negatively priced Market Balancing Sell Action) taken for that Day as a result of a Localised Transportation Deficit and/or a Transportation Constraint) and any other amounts payable by Transco in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint) in respect of such Day;

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- (b) the Daily Imbalance Charges payable by Transco under paragraph 2.3.1 in respect of each positive Daily Imbalance on that Day.

### 4.5 Adjustment Neutrality Amount

4.5.1 The "**Adjustment Neutrality Amount**" for a Day is the sum of:

- (a) the "**Daily Adjustment Neutrality Amount**" for the relevant Day in accordance with paragraph 4.5.2,
- (b) the amount of the "**Monthly Adjustment Neutrality Amount**" determined under paragraph 4.5.3 for the calendar month (the "**relevant month**") in which the relevant Day falls, divided by the number of Days in the relevant month, and
- (c) the amount of the rounding adjustment in respect of the preceding Day in accordance with paragraph 4.5.5.

4.5.2 The "**Daily Adjustment Neutrality Amount**" for a relevant Day is the sum of:

- (a) the Daily Margins Recovery Amount in accordance with [Section K5.2](#), and
- (b) the Clearing Charges payable by Transco in respect of Unauthorised Gas Flows (in accordance with [Section E4.2.2\(a\)](#)) at System Entry Points, less
- (c) the Clearing Charges payable to Transco in respect of Unauthorised Gas Flows (in accordance with [Section E4.2.2\(b\)](#)) at System Exit Points.

4.5.3 The "**Monthly Adjustment Neutrality Amount**" for the relevant calendar month (month 'm') is:

- (a) the sum of the following amounts:
  - (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is positive;
  - (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to Transco) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which were due for payment to Transco in month m-2 but were unpaid to Transco as at the last Day of month m;
  - (iii) the amount of any costs, expenses, payment or other amount incurred by Transco as referred to in [Section E2.3.7\(c\)](#) in connection with any claim by a third party in respect of gas subject to an Unclaimed Entry

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Allocation Statement and paid in month m; and

- (iv) 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 (ii); and
- (v) any other amount (an "**additional Monthly Adjustment Neutrality Cost**"):
  - (1) provided to be included in this paragraph (a) in relation to month m under any provision of the Code, or
  - (2) incurred by Transco in month m where the Authority has, upon Transco's application, given Condition 9(3) Approval to Transco recovering such amount, or amounts of such kind, by inclusion in this paragraph (a);
- (vi) the amount of the Reconciliation Clearing Charges, relating to DM Reconciliation in respect of NTS Supply Meter Points or CSEP Reconciliation in respect of NTS Connected System Exit Points, payable by Transco in respect of Days in month m.

less

- (b) the sum of the following amounts:
  - (i) the magnitude of the Balancing Neutrality Financing Adjustment for each Day in month m for which it is negative;
  - (ii) the amount of any Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges (payable to Transco) or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points which:
    - (1) was unpaid as at the last Day of month m-3 and were 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;
  - (iii) 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 the late payment of Market Balancing Action Charges (other than Market Balancing Action Charges in relation to any Market Balancing Action



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taken as a result of a Localised Transportation Deficit and/or a Transportation Constraint), other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements (other than as a result of a Localised Transportation Deficit and/or a Transportation Constraint), Total Incentivised Nomination Charges, Balancing Charges, Balancing Neutrality Charges, User Aggregate Reconciliation Clearing Charges, Reconciliation Clearing Charges or Clearing Charges in respect of Unauthorised Gas Flows at System Entry Points; and

- (iv) any other amount (an "**additional Monthly Adjustment Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code.

4.5.4 For the purposes of paragraphs 4.5.3(a)(v) and 4.5.3(b)(iv) any amount therein referred to shall be included in the month in which Transco makes or receives payment of such amount, failing which in the month in which invoiced Balancing Charges in respect of the Day on which such amount accrued become due for payment pursuant to [Section S](#).

4.5.5 The rounding adjustment for a Day is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Daily Neutrality Amount for the Day, the sum of all Balancing Neutrality Charges for the Day is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount.

4.5.6 For the purposes of paragraph 4.5.3(b), so much of any amounts received by Transco:

- (a) from any gas supplier pursuant to the undertaking required to be entered into by the supplier pursuant to Standard Condition 37 of the Supplier's Licence, or
- (b) from any consumer, pursuant to an arrangement which is exempt pursuant to the Gas Act 1986 Exemptions (No. 2) Order 1996,

as are calculated in like manner to, or may be considered to be equivalent to, Energy Balancing Charges, will be Additional Neutrality Adjustment Costs.

### 4.6 Balancing Neutrality Financing Adjustment

4.6.1 For the purposes of this paragraph 4, "**Balancing Neutrality Financing Adjustment**" for a Day is the amount calculated as the Neutrality Interest Rate for the Day multiplied by the closing cash balance for that Day.

4.6.2 For the purposes of this paragraph 4:

- (a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by Transco from Users on that Day, less the amount of all payments made by Transco for Users on that Day, in each case in respect of:
  - (i) any of the amounts taken into account (in accordance with paragraphs 4.4 and 4.5) in determining Balancing Neutrality Charges, and





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- (ii) Balancing Neutrality Charges;
- (iii) User Aggregate Reconciliation Clearing Charges;
- (iv) Reconciliation Clearing Charges.
- (b) the "**opening cash balance**" for a Day is:
  - (i) for the date of the Code, zero;
  - (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

4.6.3 For the purposes of paragraph 4.6.2(a)(i):

- (a) the amount of the Balancing Neutrality Financing Adjustment for a Day shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by Transco,
- (b) the amount of the Daily Margins Recovery Amount for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 4.5.3) by Transco,

in each case on the date on which invoiced Balancing Chargesn respect of that Day become due for payment pursuant to [Section S](#).

4.6.4 The Balancing Neutrality Financing Adjustment for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by Transco exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to Transco exceeding payments made by it.

## 5 RECONCILIATION CLEARING

### 5.1 System Clearing Contract

5.1.1 Upon each Individual Reconciliation, Aggregate NDM Reconciliation and End of Year AQ Reconciliation, the quantity of gas comprising the Reconciliation Quantity shall be deemed to have been sold and purchased pursuant to a System Clearing Contract.

5.1.2 Without prejudice to Section N4.5, for the purposes of such System Clearing Contract:

- (a) where the Reconciliation Quantity is positive, the seller is the User and the buyer is Transco;
- (b) where the Reconciliation Quantity is negative, the seller is Transco and the buyer is the User.

5.1.3 The System Clearing Contract shall be deemed to have been performed fully except as to payment.

5.1.4 The amount of the Reconciliation Quantity shall be extinguished by the System Clearing Contract.



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### 5.2 Clearing Charge

- 5.2.1 The Clearing Charge ("**Reconciliation Clearing Charge**") in respect of the System Clearing Contract under this paragraph 5 shall be the Reconciliation Clearing Value determined in accordance with [Section E6.1.5](#) and the Clearing Charge ("**User Aggregate Reconciliation Clearing Charge**") in respect of the System Clearing Contract under paragraph 5 shall be the User Aggregate Reconciliation Clearing Value in accordance with paragraph 7.2.3. The Clearing Charge ("**End of Year AQ Reconciliation Clearing Charge**") in respect of the System Clearing Contract under paragraph 5 shall be the Annual Quantity Revision Difference Clearing Value in accordance with [Section E7.4.5](#).
- 5.2.2 The buyer shall pay the Reconciliation Clearing Charge, the Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge to the seller.
- 5.2.3 The Reconciliation Clearing Charge, the Aggregate Reconciliation Clearing Charge or the End of Year AQ Reconciliation Clearing Charge shall be invoiced and payable in accordance with [Section S](#).
- 5.2.4 The Reconciliation Clearing Charge shall be treated as payable in respect of the Day on which there was provided to or obtained by Transco the later of the two Meter Readings on the basis of which the DM Reconciliation, NDM Reconciliation or (as the case may be) CSEP Reconciliation was carried out, or if later the 5th Day following the Meter Read Date in respect of such Meter Reading.
- 5.2.5 The Aggregate Reconciliation Clearing Charge shall be treated as payable for the purposes of Aggregate NDM Reconciliation on the last Day in the relevant Reconciliation Billing Period.
- 5.2.6 The End of Year AQ Reconciliation Clearing Charge shall be treated as payable for the purposes of End of Year AQ Reconciliation as and when invoiced by Transco in accordance with the provisions of [Section S](#).

## 6 RECONCILIATION NEUTRALITY

### 6.1 Introduction

- 6.1.1 The difference between the amounts received or receivable and the amounts paid or payable by Transco in respect of Residual Reconciliation Clearing Charges in each month is payable to or recoverable from relevant Users in accordance with this paragraph 6.
- 6.1.2 This paragraph 6 shall apply in respect of Individual NDM Reconciliation, DM Reconciliation and CSEP Reconciliation, other than in respect of NTS Supply Meter Points and NTS Connected System Exit Points.
- 6.1.3 For the purposes of this paragraph 6:
- (a) "**relevant User**" means any User other than the Top-up Manager, the Shrinkage Provider and Transco when acting for Operating Margins Purposes;
  - (b) "**relevant UDQO**" means a UDQO of a relevant User in respect of an NDM Supply Point Component or relevant Unmetered Connected System Exit Point.



## SYSTEM CLEARING, BALANCING CHARGES AND NEUTRALITY

- (c) **"Residual Reconciliation Clearing Charges"** are those Reconciliation Clearing Charges attributable to Reconciliation Clearing Values calculated:
  - (i) following First Reconciliation in respect of the period prior to the Reconciliation by Difference Date; or
  - (ii) after the Reconciliation by Difference Date but attributable to the period before such date.

## 6.2 Payment of charge

- 6.2.1 Each relevant User shall pay to Transco, or (as the case may be) Transco shall pay to each relevant User, in respect of each calendar month ("**relevant month**") a Reconciliation Neutrality Charge.
- 6.2.2 For each relevant User the Reconciliation Neutrality Charge shall be calculated as the Unit Reconciliation Neutrality Amount multiplied by the sum of the relevant User's relevant UDQOs for each Day in the relevant neutrality month.
- 6.2.3 The Reconciliation Neutrality Charge is payable by Transco to the User where it is negative and by the User to Transco where it is positive.
- 6.2.4 Reconciliation Neutrality Charges shall be invoiced and are payable in accordance with [Section S](#).
- 6.2.5 The "**relevant neutrality month**" shall be, where the relevant month:
  - (a) is before the Reconciliation by Difference Date, the relevant month;
  - (b) is after the Reconciliation by Difference Date, the month ("**final neutrality month**") preceding the month in which the Reconciliation by Difference Date falls.

## 6.3 Unit Reconciliation Neutrality Amount

- 6.3.1 Subject to paragraph 6.3.2, the "**Unit Reconciliation Neutrality Amount**" for a relevant month is the sum of the Basic Net Reconciliation Neutrality Amount (under paragraph 6.4) and the Adjustment Reconciliation Neutrality Amount (under paragraph 6.5) for each Day in the relevant month, divided by the sum of all relevant UDQOs for each Day in the relevant neutrality month for all relevant Users.
- 6.3.2 Where in respect of any relevant neutrality month (the "**capped month**") the magnitude of the amount (where positive) determined under paragraph 6.3.1 exceeds 0.015 pence per kWh:
  - (a) the magnitude of the Unit Reconciliation Neutrality Amount shall be equal to 0.015 pence per kWh;
  - (b) the amount determined in accordance with paragraph 6.3.3 shall be carried forward and taken into account in determining the Adjustment Reconciliation Neutrality Amount for the following relevant neutrality month or in the final neutrality month, in the following Reconciliation Billing Period.

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- 6.3.3 The amount referred to in paragraph 6.3.2(b) is the amount by which the amount (where positive) determined under paragraph 6.3.1 (disregarding paragraph 6.3.2(a)) in respect of the capped month exceeds 0.015 pence per kWh, multiplied by the sum of the relevant UDQOs for all relevant Users for each Day in the relevant neutrality month.
- 6.3.4 The rounding adjustment for a month is the amount by which, as a result of the rounding (to any given number of decimal places) of the Unit Reconciliation Neutrality Amount for Days in that month, the sum of all Reconciliation Neutrality Charges is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the sum of the Basic Net Reconciliation Neutrality Amounts and the Reconciliation Adjustment Neutrality Amounts for all such Days.

### 6.4 Basic Net Reconciliation Neutrality Amount

For each relevant month the "**Basic Net Reconciliation Neutrality Amount**" is the aggregate amount of Residual Reconciliation Clearing Charges payable by Transco in respect of Days in the Reconciliation Billing Period which commenced in that month, less the aggregate amount of Residual Reconciliation Clearing Charges payable to Transco in respect of Days in that Reconciliation Billing Period, plus the amount of the rounding adjustment in respect of the preceding month in accordance with paragraph 6.3.4.

### 6.5 Adjustment Reconciliation Neutrality Amount

- (a) the sum of the following amounts:
- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is positive;
  - (ii) the amount of any Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to Transco) which were due for payment to Transco in month m-2 but were unpaid to Transco as at the last Day of month m;
  - (iii) 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 (ii);
  - (iv) the amount (if any) determined under paragraph 6.3.3; and
  - (v) any other amount (an "**additional Adjustment Reconciliation Neutrality Cost**") provided to be included in this paragraph (a) in relation to month m under any provision of the Code;

less

- (b) the sum of the following amounts:
- (i) the magnitude of the Reconciliation Neutrality Financing Adjustment for each Day in month m for which it is negative;
  - (ii) the amount of any Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges (payable to Transco) which:

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- (1) was unpaid as at the last Day of month m-3 and were taken into account (under paragraph (a)(ii) above) in calculating the Reconciliation Adjustment Neutrality Amount for month m-1, but
- (2) has been paid to Transco since the last Day of month m-1;
- (iii) 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 Residual Reconciliation Clearing Charges or Reconciliation Neutrality Charges, and
- (iv) any other amount (an "**additional Adjustment Reconciliation Neutrality Revenue**") provided to be included in this paragraph (b) in relation to month m under any provision of the Code.

## 6.6 Reconciliation Neutrality Financing Adjustment

6.6.1 For the purposes of this paragraph 6, "**Reconciliation Neutrality Financing Adjustment**" for a Day is the sum, for each Day in the relevant month, of the amounts calculated as the Neutrality Interest Rate for the Day multiplied by the closing cash balance for that Day.

6.6.2 For the purposes of this paragraph:

- (a) the "**closing cash balance**" for a Day is the amount of the opening cash balance, plus the amount (if any) of all payments received by Transco from Users on that Day, less the amount of all payments made by Transco for Users on that Day, in each case in respect of:
  - (i) any of the amounts taken into account (in accordance with paragraphs 6.4 and 6.5) in determining Reconciliation Neutrality Charges, and
  - (ii) Reconciliation Neutrality Charges
- (b) the "**opening cash balance**" for a Day is:
  - (i) for the date of the Code, zero;
  - (ii) for each subsequent Day, the amount of the closing cash balance for the preceding Day.

6.6.3 For the purposes of paragraph 6.6.2(a)(i), the amount of the Reconciliation Neutrality Financing Adjustment for a Day in any month shall be treated as a payment made or received (pursuant to paragraph 6.5) by Transco on the date on which invoiced Balancing Charges in respect of Days in that month become due for payment in accordance with [Section S](#).

6.6.4 The amount determined under paragraph 6.6.2 for a Day is positive where the closing cash balance represents (on a cumulative basis) payments made by Transco exceeding payments made to it, and negative where the closing cash balance represents (on a cumulative basis) payments made to Transco exceeding payments made by it.



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## Defined Terms

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## SUPPLY POINTS



# G SUPPLY POINTS

## 1 INTRODUCTION AND STRUCTURAL RULES

### 1.1 Supply Point and Registered User

#### 1.1.1 For the purposes of the Code:

- (a) a **"Supply Point"** is a System Exit Point comprising the Supply Meter Point or Supply Meter Points for the time being registered in the name of a User pursuant to a Supply Point Registration, or (for the purposes of this Section G only) the subject of a Proposed Supply Point Registration;
- (b) the **"Registered User"** of a Supply Point is the User in whose name such Supply Meter Points are so registered;
- (c) a **"Supply Point Registration"** is the registration of one or more Supply Meter Points in the name of a User pursuant to paragraph 2.8.7(a) or 2.9.1 or (where applicable) to paragraph 2.1.6.

#### 1.1.2 Without prejudice to paragraph 1.7, only one User may be the Registered User in respect of a Supply Point.

#### 1.1.3 A User may apply for a Supply Point Registration (**"Proposed Supply Point Registration"**) subject to and in accordance with paragraph 2, and may withdraw from a Supply Point Registration subject to and in accordance with paragraph 3.

#### 1.1.4 A Supply Point Registration may be modified only as respects those details of the Supply Point Registration specified as capable of being amended in Annex G-1; and a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) will be required in respect of any change in any other details.

#### 1.1.5 The **"Supply Point Registration Date"** in respect of a Supply Point is the date of the Supply Point Registration in accordance with paragraph 2.

#### 1.1.6 A reference in the Code in the context of a User to a **"Registered"** Supply Point, Supply Point Component or Supply Meter Point is to a Supply Point, or (as the case may be) a Supply Point Component or Supply Meter Point comprised in a Supply Point, of which the User is the Registered User.

#### 1.1.7 A reference in the Code to the Registered User of a Supply Point Component or Supply Meter Point is to the Registered User of the Supply Point (or in the case of a Shared Supply Meter Point any of the Supply Points) in which such Supply Point Component or Supply Meter Point is comprised.

#### 1.1.8 In this Section G **"Supply Point Transportation Charges"** means Customer Charges, LDZ Capacity Charges, LDZ Commodity Charges, NTS Commodity Charges and NTS Exit Capacity Charges; and in the context of a Supply Point or Proposed Supply Point a reference to details of Supply Point Transportation Charges is to the applicable rate or amount thereof in accordance with [Section B1.8](#).

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## 1.2 Offtake responsibility for Supply Points

Subject to paragraph 3.4.2 the gas offtaken from the System at a Supply Point will (in accordance with [Section E3](#) and where applicable paragraph 1.7) be attributed for the purposes of the Code to the Registered User; and the Registered User accepts (for the purposes of the Code) responsibility for such offtake of gas by itself or any other person whether or not authorised by the Registered User.

## 1.3 Supply Meter Points

- 1.3.1 In accordance with [Section A4.1](#) a Supply Meter Point is an Individual System Exit Point at which gas may (in accordance with the Code) be offtaken from the System for the purposes of supply directly to particular premises.
- 1.3.2 A Supply Meter Point may (subject to and in accordance with paragraph 1.7) be included in more than one Supply Point.
- 1.3.3 In accordance with [Section M2](#) a Supply Meter Installation is required to be installed at each Supply Meter Point; but a point may be a Supply Meter Point in accordance with paragraph 1.3.1 notwithstanding that no such installation is installed at such point.
- 1.3.4 Pursuant to this Section G, a Supply Meter Point which has not been Isolated will at all times be included in at least one Supply Point.
- 1.3.5 Paragraph 7.3 sets out the basis on which a New Supply Meter Point may be established.

## 1.4 Single Premises Requirement

- 1.4.1 A Supply Point must comply with the Single Premises Requirement.
- 1.4.2 The "**Single Premises Requirement**" is the requirement that where more than one Supply Meter Point is comprised in a Supply Point, gas offtaken from the System at all of such Supply Meter Points is to be supplied to premises:
  - (a) owned or occupied by one person,
  - (b) in close geographical proximity to each other,
  - (c) comprised within a common curtilage, and
  - (d) which serve each other in some necessary or reasonably useful way.
- 1.4.3 The Registered User shall:
  - (a) take all reasonable steps to ensure that the Single Premises Requirement does not cease to be satisfied in respect of a Supply Point without the Registered User's becoming aware of that fact; and
  - (b) if the Single Premises Requirement shall cease to be satisfied in respect of a Supply Point, as soon as it becomes aware of that fact:
    - (i) promptly so inform Transco, and

## SUPPLY POINTS

- (ii) apply (in accordance with paragraph 2) for two or more Supply Point Registrations (in respect of each of which such requirement is satisfied) in respect of the relevant Supply Meter Points.
- 1.4.4 If Transco becomes aware that the Single Premises Requirement has ceased to be satisfied in respect of a Supply Point Transco will promptly so inform the Registered User.
- 1.4.5 For the purposes of this Section G the premises to which gas offtaken from the System at a Supply Point is or is to be supplied are the "**Supply Point Premises**".
- 1.4.6 Following the rejection of a Supply Point Nomination pursuant to paragraph 2.3.6(a):
  - (a) the Proposing User may notify Transco that the User considers that the Single Premises Requirement is satisfied in respect of the Proposed Supply Point;
  - (b) where the User so notifies Transco:
    - (i) the User shall at the same time provide its reasons for so considering and supporting evidence;
    - (ii) Transco will consider the reasons and evidence provided by the User and where Transco is reasonably satisfied that the Single Premises Requirement is satisfied Transco will so inform the User and will not reject (on the grounds in paragraph 2.3.6(a)) a further Supply Point Nomination in respect of the Proposed Supply Point.

## 1.5 Daily Read Metering

- 1.5.1 Subject to paragraphs 1.5.5, 1.5.6(c) and 1.5.12(c) a Supply Meter Point shall be classified as a DM Supply Meter Point where:
  - (a) the Supply Meter Point is Daily Read in accordance with [M1.3.1](#), or paragraph 1.5.13 applies, and
  - (b) either
    - (i) the Daily Read Requirement applies; or
    - (ii) an election pursuant to paragraph 1.5.6(c) is in force in relation to such Supply Meter Point
- 1.5.2 Subject to paragraph 1.5.4, the Daily Read Requirement shall apply in respect of:
  - (a) each relevant Supply Meter Point comprised in any Supply Point whose Annual Quantity is greater than 58,600,000 kWh (*2,000,000 therms*);
  - (b) each relevant Supply Meter Point comprised in an Interruptible Supply Point; and
  - (c) each Supply Meter Point which is an NTS Supply Point.
- 1.5.3 For the purposes of paragraph 1.5.2:

## SUPPLY POINTS

- (a) the "**Daily Read Requirement**" is the requirement that the Supply Meter at a Supply Meter Point shall be Daily Read;
  - (b) a relevant Supply Meter Point is a Supply Meter Point in respect of which the Annual Quantity is greater than 2,196,000 kWh (*75,000 therms*).
- 1.5.4 If Transco determines and notifies the Registered User that it would not be practicable or economic for Supply Meters at a particular Supply Point to be Daily Read, unless upon application (made within 10 Business Days after such notification by the User) the Director shall give Condition 9(3) Disapproval to Transco not installing Daily Read Equipment, the Daily Read Requirement pursuant to paragraph 1.5.3(a) shall not apply, and the Registered User may not make a request under paragraph 1.5.9, in respect of that Supply Point (and for the avoidance of doubt the relevant Supply Meter Points shall be NDM Supply Meter Points).
- 1.5.5 Where:
  - (a) a Supply Meter Point is a DM Supply Meter Point, and
  - (b) upon a change in the Annual Quantity of the Supply Meter Point or the Supply Point in which it is comprised, or the Supply Point's ceasing to be an Interruptible Supply Point, the Daily Read Requirement ceases to apply,

the Supply Meter Point shall not be required to be classified as a NDM Supply Meter Point, and in the absence of any Supply Point Confirmation or Reconfirmation, the Supply Meter Point shall continue to be a DM Supply Meter Point, but without prejudice to the entitlement of the Registered User to make a Supply Point Reconfirmation as an NDM Supply Point (to which paragraph 1.5.6 shall apply).
- 1.5.6 Where a User is, or following a Supply Point Confirmation (including a Reconfirmation) a User becomes, the Registered User of a Supply Meter Point in relation to which the Supply Meter is Daily Read (including pursuant to a request under paragraph 1.5.9), but the Daily Read Requirement does not apply:
  - (a) subject to paragraph (c), the Supply Meter Point shall be classified as an NDM Supply Meter Point;
  - (b) except where Daily Read Equipment was installed pursuant to a request under paragraph 1.5.9, Transco may at any time (unless at such time the User has made an election under paragraph (c)) inform the User that it wishes to remove the Daily Read Equipment and having given the User reasonable notice, thereof, remove the Daily Read Equipment at its own expense;
  - (c) where the Annual Quantity exceeds 73,200 kWh (*2,500 therms*) the User may elect in accordance with paragraph 1.5.7 that the Supply Meter Point shall be classified as a DM Supply Meter Point.
- 1.5.7 An election for the purposes of paragraph 1.5.6(c):
  - (a) shall be made by Nominating the Supply Meter Point as a DM Supply Meter Point:
    - (i) at the time of the Supply Point Confirmation or Reconfirmation referred to in paragraph 1.5.6; or



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- (ii) in the case in paragraph 1.5.6(c) only, at any time thereafter, by way of Supply Point Reconfirmation;
  - (b) shall lapse with effect from the Supply Point Registration Date, where the Registered User or any other User submits a Supply Point Confirmation (including a Reconfirmation) which becomes effective in respect of a Supply Point including the relevant Supply Meter Point (and may be revoked accordingly).
- 1.5.8 Upon a change in the Annual Quantity of the Supply Meter Point such that the Annual Quantity becomes less than 73,200 kWh (2,500 therms) the Registered User shall be required to reclassify the Supply Meter Point as an NDM Supply Meter Point within 2 months of the change in Annual Quantity.
- 1.5.9 The Registered User may at any time request (subject to and pursuant to Siteworks Terms and Procedures as described in paragraph 7) that Daily Read Equipment be installed at any Supply Meter Point (other than one whose Annual Quantity does not exceed 73,200 kWh (2,500 therms)).
- 1.5.10 Where a User submits a Supply Point Nomination in respect of a Proposed Supply Point, with a Supply Meter Point, in relation to which the Supply Meter is not Daily Read, as a DM Supply Meter Point, Transco shall reject such Supply Point Nomination, unless the User has submitted such Supply Point Nomination in accordance with paragraph 7.3.5 and the New Supply Meter Point has been classified as a DM Supply Meter Point in accordance with paragraph 1.5.13.
- 1.5.11 Subject to paragraph 1.5.4, where (by reason of an increase in the Annual Quantity of a Supply Point or a Supply Meter Point at the start of the Gas Year, or upon a Supply Point being designated as Interruptible) the Daily Read Requirement applies in respect of a Supply Meter Point pursuant to paragraph 1.5.2(a) or 1.5.2(b), but is not satisfied:
  - (a) Transco will arrange for the satisfaction of such requirement (by installation of Daily Read Equipment at the relevant Supply Meter), as soon as reasonably practicable, and will inform the Registered User when the Daily Read Requirement is satisfied; and the installation for the purposes of this paragraph 1.5.9 of Daily Read Equipment will not be Siteworks;
  - (b) the relevant date for the purposes of paragraph 1.11.2 shall be the date on which the Supply Meter becomes Daily Read and the period referred to in that paragraph shall be 2 and not 3 months.
- 1.5.12 Where a User submits (pursuant to the provisions of this paragraph 1.5) a Supply Point Nomination (including a Renomination) pursuant to which an NDM Supply Meter Point is to become a DM Supply Meter Point:
  - (a) where in relation to any Supply Meter Point to be comprised in the DM Supply Point Component:
    - (i) the Supply Meter was Daily Read during the period of 12 months preceding the date of submission of the Supply Point Nomination, and
    - (ii) Transco and the User have not agreed that insufficient Valid Meter Readings (in accordance with [Section M4](#)) were obtained in the months

## SUPPLY POINTS

of October to May in such period of 12 months,

the Nominated Supply Point Capacity shall be not less than the Preceding Year Maximum Quantity in accordance with paragraphs 5.2.3 and 5.2.4, but paragraph 5.2.3(b) shall be read as though references to a Supply Meter Point being DM were to the relevant Supply Meter being Daily Read;

- (b) where paragraph (i) does not apply, the Nominated Supply Point Capacity shall not be less than the User's estimate (made in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care) of the maximum quantity of gas to be offtaken from the System at the DM Supply Point Component on any Day in the next 12 months, on the basis of reasonable assumptions as to weather conditions; and
- (c) the Supply Meter Point will become a DM Supply Point with effect from the Supply Point Registration Date.

1.5.13 Without prejudice to the other provisions of paragraph 1.5, a New Supply Meter Point which (pursuant to paragraph 7.3.5) is included in a Supply Point shall be classified as a DM Supply Meter Point, even though the Supply Meter is not Daily Read, where there is a Daily Read Requirement in accordance with paragraph 1.5.2 in respect of the Supply Meter at the Supply Meter Point but for any reason (other than due to an act or omission of the Registered User) Daily Read Equipment is not installed at the Supply Meter, or if installed is not operational in accordance with [Section M4.1.7](#).

## 1.6 Annual Quantity

For the purposes of this paragraph 1.6:

### 1.6.1

- (a) the “**relevant Gas Year**” is the Gas Year in which the Annual Quantity of a Supply Meter Point is to apply.
- (b) the “**preceding Gas Year**” is the Gas Year ending at the start of the relevant Gas Year.
- (c) the “**AQ Review Date**” is a date which Transco determines but shall in any event be no later than the 31st May in the preceding Gas Year.
- (d) the “**User Provisional Annual Quantity**” is the Registered User’s determination of what the Provisional Annual Quantity in respect of a Supply Meter Point should be.

### 1.6.2 Calculation of Provisional Annual Quantity

For each relevant Gas Year no later than the AQ Review Date Transco shall determine the Provisional Annual Quantity in respect of each Supply Meter Point. The “**Provisional Annual Quantity**” shall be either:

- (a) in respect of a NDM Supply Meter Point which has been Isolated at any time during the Relevant Metered Period or for a DM Supply Meter Point which has been Isolated at any time during the period of 12 months ending on the AQ Review Date the Annual Quantity applicable for the preceding Gas Year; or

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- (b) in respect of a DM Supply Meter Point, where paragraph (a) does not apply, where there are Supply Meter Point Daily Quantities for each Day in the period of 12 months ending on the AQ Review Date, the sum of such Supply Meter Point Daily Quantities; or
  - (c) in respect of an NDM Supply Meter Point where paragraph (a) does not apply or where [Section H3.2.4](#) does not apply, the quantity assumed to be offtaken in a period of 12 months, determined in accordance with [Section H3](#); or
  - (d) in respect of a Supply Meter Point where paragraphs (a), (b) and (c) do not apply, the Annual Quantity applicable for the Preceding Year unless the Supply Meter Point is a New Supply Meter Point in which case the Provisional Annual Quantity shall be the estimated quantity provided by the first Registered User in accordance with paragraph 7.3.6.
- 1.6.3 Transco shall no later than 31st May in the preceding Gas Year for Smaller Supply Meter Points and 30th June in the preceding Gas Year for Larger Supply Meter Points in respect of each Supply Meter Point notify to the Registered User the Provisional Annual Quantity in respect of the relevant Gas Year and supporting details including:
- (a) the Supply Meter Point Reference Number; and
  - (b) where available, the Meter Readings used by Transco to determine the Provisional Annual Quantity.
- 1.6.4 Amendment of Provisional Annual Quantity
- (a) Following the notification of the Provisional Annual Quantity the Registered User may, subject to paragraph 1.6.4(c) and where the provisions of paragraph 1.6.4(b) apply:
    - (i) in the case of a Smaller Supply Point where it considers that the Provisional Annual Quantity should be greater or lesser than the Provisional Annual Quantity notified by Transco by not less than 20%; or
    - (ii) in respect of any Larger Supply Point

not later than 13th August in the preceding Gas Year notify Transco that it considers that the Provisional Annual Quantity does not satisfy the requirement in paragraph 1.6.6 (“**User Provisional Annual Quantity**”).
  - (b) The provisions referred to in paragraph 1.6.4(a) are:
    - (i) that the Registered User reasonably considers that Transco’s calculation of the Provisional Annual Quantity is derived from:
      - (aa) Meter Readings that are incorrect or were taken prior to Meter Readings available to the Registered User and/or
      - (bb) materially incorrect details of the Supply Meter Installation for the relevant Supply Meter Point; or
    - (ii) where Transco has determined the Provisional Annual Quantity in accordance with paragraphs G1.6.2(a) or G1.6.2(d).

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- (c) Where, in respect of any Supply Point, the Registered User notifies Transco of a User Provisional Annual Quantity in accordance with paragraph 1.6.4(a) it shall warrant that:
  - (i) in reviewing the Provisional Annual Quantity it has applied a methodology that:
    - (aa) is consistent to all Supply Points for which it is the Registered User; and
    - (bb) does not materially differentiate in its treatment of Supply Points where the User Provisional Annual Quantity may be greater than the Provisional Annual Quantity notified by Transco and Supply Points where the User Provisional Annual Quantity may be less than the Provisional Annual Quantity notified by Transco; and
  - (ii) it has notified Transco of all User Provisional Annual Quantities resulting from the application of the methodology referred to in subparagraph (i) above that satisfy the requirements set out in paragraph 1.6.4(a).
- (d) Transco will be entitled to reject without consideration, notice or liability any notification by a User which does not comply with the requirement in paragraph 1.6.4(a).
- (e) The limitations upon notification contained in paragraph 1.6.4(a)(i) shall not apply where the User Provisional Annual Quantity will result in a Smaller Supply Point being re-classified as a Larger Supply Point.

1.6.5 When submitting a notification pursuant to paragraph 1.6.4, the Registered User:

- (a) shall specify, evidence as required by Transco including:
  - (i) the Supply Meter Point Reference Number; and
  - (ii) two Meter Readings in accordance with [Section H3](#); and
  - (iii) where there has been one or more meter exchanges at the Supply Meter Point, two Meter Readings for each meter exchange which falls within the period between the Meter Read Dates of the two Meter Readings in paragraph (a) (ii); and
  - (iv) the User Provisional Annual Quantity.
- (b) where the Supply Meter Point has a Provisional Annual Quantity of greater than 293,000 kWh (10,000 therms), may specify (but shall not be required to specify) in addition to the Meter Readings in paragraph (a)(ii):
  - (i) two Meter Readings, for which one of the Meter Read Dates falls within a period from 1st November to 31st December of the preceding Gas Year and the other Meter Read Date falls within a period from 1st March to 30th April of the preceding Gas Year; and
  - (ii) where there has been one or more meter exchanges at the Supply Meter

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Point, two Meter Readings for each meter exchange which falls within the period between the Meter Read Dates of the two Meter Readings in paragraph (b)(i) and;

- (iii) an estimate of the quantity offtaken derived from the two Meter Readings in paragraph (b)(i).

If the Registered User fails to comply with this paragraph then the notification pursuant to paragraph 1.6.4 will be rejected and the Registered User shall be notified of such rejection.

- (c) shall record evidence (and shall make such evidence available for inspection where reasonably requested) to support the applicable provision of paragraph 1.6.4(b) and the warranty given pursuant to paragraph 1.6.4(c).

- 1.6.6 The requirement referred to in paragraph 1.6.4 is that the Provisional Annual Quantity, User Provisional Annual Quantity or Annual Quantity of a Supply Meter Point should represent reasonable assumption(s) as to the quantity offtaken (or, in the case of a New Supply Meter Point or a Supply Meter Point notified to Transco under paragraph 1.6.13(a)(ii), which would have been offtaken) from the System in the period of 12 months by reference to which the Provisional Annual Quantity, User Provisional Annual Quantity and the Annual Quantity is determined. The variable that determines the End User Category of the Supply Point should reflect reasonable assumptions as to the quantity offtaken from the System during the period from the 1st December to 31st March in the preceding Gas Year.
- 1.6.7 The “**Annual Quantity**” of a Supply Meter Point shall be either:
- (a) where following a notification under paragraph 1.6.4 Transco considers that the requirement in paragraph 1.6.6 is satisfied the User Provisional Annual Quantity; or
  - (b) where paragraph (a) does not apply, the Provisional Annual Quantity.
- 1.6.8 The “**Annual Quantity**” of a Supply Point or a Supply Point Component is the sum of the Annual Quantities for each Supply Meter Point comprised in that Supply Point or Supply Point Component.
- 1.6.9 Subject to paragraph 1.6.2, where a DM Supply Meter Point becomes an NDM Supply Meter Point or an NDM Supply Meter Point becomes a DM Supply Meter Point the Annual Quantity of the Supply Meter Point shall not be affected by a change in its status to NDM or DM.
- 1.6.10 Subject to paragraph 1.6.2, where a Supply Meter Point is Isolated the Annual Quantity for that Supply Meter Point shall remain unchanged.
- 1.6.11 For the purposes of this paragraph 1.6.11, the “**Effective Period**” shall mean the Gas Year excluding the period of time commencing from and including 1 August until and including 14 September. Where a Supply Point Confirmation made in respect of a Larger Supply Point becomes or will become effective during the Effective Period the Proposing User may during the Effective Period but not later than 23 Business Days after the Supply Point Registration Date nor more than 7 Business Days earlier, notify Transco that the Proposing User considers the Annual Quantity of a Supply Meter Point

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or (as the case may be) variable that determines the End User Category of the Supply Point (pursuant to Section H 1.2), comprised in the Proposed Supply Point fails to satisfy the requirement in paragraph 1.6.6 and shall have the right to appeal the Annual Quantity under paragraph 1.6.13(a)(i).

1.6.12 Transco shall not later than 14th September in the preceding Gas Year notify to the Registered User the Annual Quantity for each Supply Meter Point for the relevant Gas Year and the applicable End User Category (where appropriate) in respect of each Supply Point.

#### 1.6.13 Appeal Process

Where following the notification of the Annual Quantity further to paragraph 1.6.12:

- (a) in respect of any Larger Supply Meter Point, the Registered User may not later than 31st July of the relevant Gas Year (or in the case of Larger Supply Meter Points under paragraph 1.6.11, 23 Business Days after the Supply Point Registration Date during the Effective Period) notify Transco that the Registered User considers that the Annual Quantity of that Supply Meter Point fails to satisfy the requirement in paragraph 1.6.6 either:
  - (i) on the basis of substantial evidence as to the actual consumption of gas; or
  - (ii) because of a change in the Consumer's Plant which results in a change in the basis on which gas is consumed.
- (b) Notwithstanding the Registered User's right to appeal in paragraph (a), in respect of any Larger Supply Meter Point, the Registered User may not later than 31st July in the relevant Gas Year notify Transco that the Registered User considers that the Annual Quantity of a Supply Meter Point fails to satisfy the requirement in paragraph 1.6.6 provided that the Registered User may only so notify Transco in the case of:
  - (i) a Larger Supply Meter Point where the Registered User's reasonable estimate of the Annual Quantity, is equal to or less than 50% of the Annual Quantity or is equal to or greater than 200% of the Annual Quantity; and
  - (ii) a Smaller Supply Meter Point, where the User considers that it should be a Larger Supply Meter Point.
- (c) where a Registered User so notifies Transco:
  - (i) pursuant to paragraph (a)(i) or paragraph (b) and the Registered User shall with such notice provide to Transco details as set out in paragraph 1.6.5 together with the Registered User's reasons or evidence for its view and a reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point;
  - (ii) pursuant to paragraph (a)(ii) the Registered User shall with such notice provide to Transco in a format specified by Transco details of the Registered User's reasons or evidence for its view and a reasonable



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estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point.

- (d) Transco will consider the details provided by the Registered User under paragraph (c) above, and where it is satisfied that the Annual Quantity or such variable notified to the Registered User pursuant to paragraph 1.6.12 fails to satisfy the requirement in paragraph 1.6.6 and that estimate of the Annual Quantity provided by the Registered User satisfies the requirement in paragraph 1.6.6, then Transco shall substitute the Annual Quantity with that estimate of the Annual Quantity Subject to 1.6.15 or (as the case may be) variable for the relevant Gas Year.
- 1.6.14 Where Transco agrees to revise the Annual Quantity or End User Category under paragraph 1.6.13(d) or paragraph 1.6.17:
- (a) the Registered User may submit a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) in respect of the relevant Supply Point on the basis of the revised Annual Quantity or End User Category;
  - (b) with effect from the Supply Point Registration Date in respect of such Supply Point Reconfirmation, Supply Point Transportation Charges, UDQOs and Energy Balancing Charges (so far as to be determined by reference to or directly or indirectly a function of Annual Quantity or End User Category) shall be determined by reference to the revised Annual Quantity or End User Category;
  - (c) no adjustment, revision or redetermination in respect of any such Supply Point Transportation Charge, UDQO and Energy Balancing Charge in respect of or accruing in respect of any Day before the Supply Point Registration Date will be made, it being agreed that such amounts and charges will be determined (and, in the case of charges, payable) by reference to the Annual Quantity and End User Category notified by Transco pursuant to the foregoing provisions of this paragraph 1.6 unless and until any revision is made pursuant to paragraph (a).
- 1.6.15 Where, Transco notifies any Registered User of that Supply Meter Point in the relevant Gas Year that a material error has been made in the calculation of any such Annual Quantities or any variables, Transco and the User concerned will discuss in good faith the manner in which and time at which such error may be corrected, having regard in particular to the need to ensure that the Registered User continues to enjoy the benefit (in relation to the corrected Annual Quantity) of this paragraph 1.6.
- 1.6.16 A User which is the Registered User of a Smaller Supply Meter Point, in relation to which the Supply Point Premises are premises in respect of which the conditions of Condition 35 of the Supplier's Licence are satisfied, may make an election for the purposes of this paragraph by submitting to Transco at any time a notice of such election.
- 1.6.17 Where a Registered User makes an election pursuant to paragraph 1.6.16, the Supply Meter Point shall be a Larger Supply Meter Point and Transco shall agree to revise the Annual Quantity pursuant to paragraph 1.6.14.

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## 1.7 Shared Supply Meter Points

1.7.1 Subject to and in accordance with this paragraph 1.7, a DM Supply Meter Point may be comprised in more than one Supply Point if the Registered Users in respect of such Supply Meter Point have submitted to Transco a notification confirming that they wish to be sharing Registered Users and specifying (in accordance with paragraph 1.7.7) the basis on which the quantity of gas offtaken each Day from the Supply Meter Point(s) comprised in such Supply Points is to be apportioned between such Users.

1.7.2 For the purposes of the Code:

- (a) a **"Shared Supply Meter Point"** is a Supply Meter Point which is pursuant to this paragraph 1.7 comprised in more than one Supply Point;
- (b) **"Sharing Registered Users"** are the Users which are the Registered Users of a Shared Supply Meter Point;
- (c) a **"Shared Supply Meter Point Notification"** is a notification given for the purposes of paragraph 1.7.1;
- (d) **"Shared Supply Meter Point Procedures"** are procedures established by Transco pursuant to paragraph 1.7.17;

and for the purposes of this paragraph 1.7 a **"relevant"** Supply Point or DM Supply Point Component is a Supply Point or DM Supply Point Component which includes a Shared Supply Meter Point;

1.7.3 Paragraph 1.7.1 applies only in respect of:

- (a) a Supply Meter Point which was at the date of the Code comprised in more than one Supply Point; or
- (b) a Supply Meter Point in relation to which the following conditions are satisfied:
  - (i) the Supply Meter Point is not part of a Sub-deduct Arrangement;
  - (ii) the aggregate of the Annual Quantities of the Supply Meter Point and each other Supply Meter Point comprised in each relevant Supply Point exceeds 58,600,000 kWh (2,000,000 therms);
  - (iii) there is no NDM Supply Point Component of any relevant Supply Point;
  - (iv) every other Supply Meter Point comprised in any relevant Supply Point is also a Shared Supply Meter Point subject to the same basis of apportionment.

1.7.4 Where there is a Shared Supply Meter Point the Single Premises Requirement shall apply to each of the relevant Supply Points (and accordingly the Supply Point Premises shall be the same for each such Supply Point).

1.7.5 A Shared Supply Meter Point may be comprised in a Firm Supply Point and in a Interruptible Supply Point; and a User may elect (by giving a Shared Supply Meter Point Notification subject to and in accordance with this paragraph 1.7) that a Supply



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Meter Point of which the User is Registered User shall be comprised both in a Firm Supply Point and in an Interruptible Supply Point of each of which the User is Registered User (and accordingly to be treated as two Sharing Registered Users).

- 1.7.6 Not Used.
- 1.7.7 A Shared Supply Meter Point Notification may provide for the allocation of gas offtaken at the Shared Supply Meter Point(s) to be determined each Day:
- (a) by Transco, under standing instructions notified to Transco in advance by the Sharing Registered Users, in accordance with paragraph 1.7.8;
  - (b) by a person appointed as User Agent on behalf of each Sharing Registered User, in accordance with paragraph 1.7.9.
- 1.7.8 A Shared Supply Meter Point Notification under paragraph 1.7.7(a) shall provide for allocation between the Sharing Registered Users either;
- (a) in tranches, in other words on the basis that the quantity of gas offtaken each Day which;
    - (i) does not exceed an amount, or
    - (ii) exceeds an amount but does not exceed a higher amount, or
    - (iii) exceeds an amount

in each case specified in the Shared Supply Meter Point Notification, is to be allocated to one of such Users, provided that such amounts shall be specified so that the whole quantity of gas offtaken each Day shall be allocated to one or more of such Users; or
  - (b) if none of the Supply Points in which the Shared Supply Meter Point is comprised is Interruptible, in percentages (aggregating 100%) specified in such notification.
- 1.7.9 A Shared Supply Meter Point Notification under paragraph 1.7.7(b) shall provide for the appointment (with effect from a single date) of one person (a "**Sharing Registered User Agent**") as User Agent by all Sharing Registered Users for the purposes of:
- (a) informing Transco of the portions of the Supply Meter Point Daily Quantity to be allocated to each of them in respect of each Day and for the purpose of paragraph 1.7.10; and
  - (b) complying with all Partial Interruption Rules and other provisions of paragraph 6.10 on behalf of all of the Sharing Registered Users.
- 1.7.10 Where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent:
- (a) Transco will notify the Supply Meter Point Daily Quantity to the User Agent not later than the specified time on the Day following the Gas Flow Day and (where such quantity is pursuant to any provision of the Code to be revised) may notify a revision of the quantity so notified to the User Agent not later than

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the specified time on the Exit Close Out Date;

- (b) if, by the specified time on the Day following the Gas Flow Day, and (where Transco notifies a revision of the Supply Meter Point Daily Quantity to the User Agent) by the specified time on the Day on which Transco notifies such revision, the User Agent has notified to Transco amounts, aggregating the Supply Meter Point Daily Quantity (as revised at the relevant time), to be allocated to the Sharing Registered Users:
  - (i) the amounts so notified may be revised (provided they continue to aggregate the Supply Meter Point Daily Quantity, as revised at the relevant time) by the User Agent at any time before the specified time on the Exit Close Out Day;
  - (ii) the Supply Meter Point Daily Quantity shall be allocated between the Sharing Registered Users in the amounts so notified or such revised amounts so notified not later than the specified time on the Exit Close Out Day;
- (c) if, by the specified time on the Day following the Gas Flow Day, or by the specified time on any Day on which Transco notifies to the User Agent any revision of the Supply Meter Point Daily Quantity, the User Agent has not so notified to Transco such amounts, the Supply Meter Point Daily Quantity shall be allocated between the Sharing Registered Users:
  - (i) in proportion to the Nominated Quantities under the Users' Output Nominations for the relevant DM Supply Point Components for the Day or (if such Nominated Quantity is zero for each such User) in proportion to the Registered Supply Point Capacities at each such DM Supply Point Component; or
  - (ii) if the User Agent shall have notified Transco (not less than 15 Days before the Gas Flow Day) of proportions aggregating unity for the purposes of allocation in the circumstances contemplated in this paragraph (c) , in such proportions;

provided that if Transco is reasonably satisfied that such omission of the User Agent resulted from an administrative error (by the agent) of an infrequent nature, Transco may permit the User Agent to submit (by such time, not later than the specified time, on the Exit Close Out Day as Transco may require) a late notification or revised notification for the purposes of paragraph (b);

- (d) such of the Code Communications which may be given under paragraphs 2, 3 and 4 as are specified in the Shared Supply Meter Point Procedures (i) if to be given by Transco may be given to the User Agent; (ii) if to be given by a User (other than a User who is not for the time being a Sharing Registered User) may only be given by the User Agent;
- (e) if the Supply Meter Point Daily Quantity is allocated pursuant to paragraph (c) in respect of more than 12 Days in any Gas Year, the charges payable pursuant to paragraph 1.7.19 in respect of that Gas Year by the Sharing Registered Users shall be determined (in accordance with the Transportation Statement) as though the Shared Supply Meter Point Notification were under paragraph

1.7.7(a).

1.7.11 A Shared Supply Meter Point Notification:

- (a) shall be submitted and signed by each of the Users proposed to be Sharing Registered Users (but may be submitted in separate but identical counterparts provided such counterparts are submitted simultaneously);
- (b) shall specify;
  - (i) the identity of each of such Users and relevant Supply Meter Point Reference Numbers(s);
  - (ii) the date, not earlier than 2 months (or such lesser period as Transco may specify in the Shared Supply Meter Point Procedures) after the notification is submitted, with effect from which such notification is to take effect;
  - (iii) (but without prejudice to the terms on which Users may apply for or increase or reduce Supply Point Capacity) the Supply Point Capacity which is intended that (following such notification) each Sharing Registered User should hold at the DM Supply Point Components which include Shared Supply Meter Points;
  - (iv) where a Shared Supply Meter Point Notification provides for the appointment of a Sharing Registered User Agent a default allocation methodology for the apportionment of Reconciliation Quantity among Existing Shared Registered Users in percentages (aggregating 100%) (“**Default Allocation Methodology**”);
  - (v) if an application for Partial Interruption status in accordance with paragraph 6.10.2 is being made;
- (c) shall be conditional upon a Supply Point Confirmation, for a Proposed Supply Point Registration Date which is the same as the proposed effective date of such notification, being submitted at least 20 Business Days prior to the Proposed Supply Point Registration Date:
  - (i) by any User proposed in such notification to be a Sharing Registered User who is not already a Registered User of the relevant Supply Meter Point;
  - (ii) by at least one of the Users proposed in such notification to be a Sharing Registered User, if any Existing Registered User is not proposed (in such notification) to be a Sharing Registered User, and becoming effective (an Existing Registered User accordingly being taken to have consented to such notification if no Supply Point Objection is submitted by it);
- (d) may not be withdrawn unless another such notification is submitted by all the Sharing Registered Users to take effect from such withdrawal
- (e) may not be modified other than by notification

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- (i) signed by each of the Sharing Registered Users and any new Sharing Registered User;
  - (ii) specifying the modification;
  - (iii) given not later than 2 months (or such lesser period as Transco may specify in the Shared Supply Meter Point Procedures) before the modification is required to take effect provided that no such modification shall be made with effect from a date less than 30 days after the preceding such modification; and
  - (iv) specifying (but without prejudice to the terms on which Users may apply for or increase or reduce Supply Point Capacity) the Supply Point Capacity which it is intended that (following such modification) each Sharing Registered User should hold at the DM Supply Point Components which include the Shared Supply Meter Point;
  - (f) shall take effect, where the Shared Supply Meter Point Procedures require it to take effect, as a Supply Point Nomination made by each of the Sharing Registered Users.
- 1.7.12 A Supply Point Confirmation (other than a Supply Point Reconfirmation) in respect of a Proposed Supply Point which includes a Shared Supply Meter Point will be rejected unless the requirements of this paragraph 1.7 are complied with.
- 1.7.13 In the case of a Shared Supply Meter Point which is comprised in relevant Supply Points of which at least one is Firm and one Interruptible (whether the Registered Users are the same or different Users), where an Interruption Notice was given:
- (a) in relation to any Day for which the requirement for Interruption applied for the whole of such Day:
    - (i) the requirement in paragraph 6.7.2(b) shall be treated as not complied with if and only if, in the case of Partial Interruption the requirement referred to in paragraph 6.10.4(b) is not satisfied and in any other case, the aggregate quantity of gas offtaken from the System on such Day by all Sharing Registered Users at the Shared Supply Meter Point exceeds the Supply Point Capacity (or aggregate such capacity), held by the Registered User(s) at relevant Firm DM Supply Point Components;
    - (ii) accordingly, the allocation of the gas offtaken at the Shared Supply Meter Point shall not be such that the UDQO (or sum of the UDQOs) in respect of the Firm Supply Point Component(s) exceeds the Supply Point Capacity (or aggregate such capacity), other than capacity which is so excluded, held by the Registered User(s) at such Firm Supply Point Component(s), and any gas which would otherwise be allocated to the Registered User of a relevant Firm Supply Point shall be (and shall be deemed to be) allocated to the Registered User(s) of the relevant Interruptible Supply Point(s);
    - (iii) if there is more than one relevant Interruptible Supply Point and the basis of allocation pursuant to paragraph 1.7.7 does not result in compliance with paragraphs (i) and (ii) and the allocation of the whole

of the Supply Meter Point Daily Quantity:

- (1) the gas which falls (pursuant to paragraph (ii)) to be allocated to the Registered Users of the relevant Interruptible Supply Points shall be allocated to them in proportion to the Nominated Quantities under such Users' Output Nominations for the relevant DM Supply Point Components for the Day or (if such Nominated Quantity is zero for each such User) in proportion to the Registered Supply Point Capacities at each such DM Supply Point Component;
- (2) the identity of the User(s) who failed to secure compliance with the requirement in paragraph 6.7.2(b) shall be established in accordance with paragraph (1);
- (iv) any conflicting allocation determined under paragraph 1.7.8 or notified under paragraph 1.7.9 shall be disregarded to the extent of the conflict;
- (b) in relation to any Day for which the requirement for Interruption applied for a part only of such Day:
  - (i) the requirement in paragraph 6.7.2(b) shall be treated as not complied with if the aggregate rate of offtake at any time (while such requirement applied) exceeds the aggregate of the Supply Point Offtake Rates in respect of relevant Firm DM Supply Point Components; and
  - (ii) where there is more than one relevant Interruptible Supply Point, each of the Sharing Registered Users of the Interruptible Supply Points shall be treated as having failed to secure compliance with such requirement;
- (c) in relation to any Day for which the requirement for Interruption applied (whether for the whole or any part of such Day) and the requirement in paragraph 6.7.2(b) was not complied with, each of the Sharing Registered Users of the Interruptible Supply Points shall be responsible for payment of the aggregate of the charges, in respect of all the Interruptible Supply Points in which such Shared Supply Meter Point is comprised (irrespective of the Supply Point at which the failure occurred), arising as a result of such failure, in the same proportion as its allocation pursuant to paragraph 1.7.10(c).

1.7.14 Subject to [Section M1.7.2](#), the liability of the Sharing Registered Users in respect of a Shared Supply Meter Point for obligations under the Code shall be several:

- (a) in the proportions in which they hold Supply Point Capacity at the DM Supply Point Components which include such Supply Meter Point, or
- (b) if a Sharing Registered User Agent has notified (but so that paragraph 1.7.11(b)(ii) and (e)(iii) shall be deemed to apply to such notification) to Transco proportions (aggregating unity) for the purposes of this paragraph 1.7.14, in such proportions,

except in the case of any such obligation which is not capable of being so divided, in which case the liability of the Sharing Registered Users shall be joint.

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1.7.15 Where the rate of any Supply Point Transportation Charge is a function of Supply Point Capacity, the rate of such charge payable by a Sharing Registered User shall be determined on the basis of:

- (a) the aggregate of the Supply Point Capacities held by each Sharing Registered User at the relevant Firm DM Supply Point Components; and
- (b) the aggregate of the Supply Point Capacities held by each Sharing Registered User at the relevant Interruptible DM Supply Point Components or the aggregate of the Bottom-Stop Supply Point Capacities held by each Sharing Registered User at the relevant Interruptible DM Supply Point Components, whichever is the lesser.

1.7.16 The whole of the Annual Quantity of a Shared Supply Meter Point shall be counted (without any apportionment) in determining the Annual Quantity of each relevant Supply Point and relevant DM Supply Point Component.

1.7.17 For the purposes of this paragraph 1.7:

- (a) Transco will, after consultation with Users, prepare and from time to time revise and publish reasonable procedures to apply in respect of Shared Supply Meter Points;
- (b) Sharing Registered Users shall comply and (in the case of a Sharing Registered User Agent) procure that such User Agent complies with such procedures;
- (c) the procedures may specify the form of Shared Supply Meter Point Notifications;
- (d) the procedures may provide that, where a person appointed as User Agent by all of the Sharing Registered Users submits on their behalf all of the Code Communications required to notify and give effect to a modification to a Shared Supply Meter Point Notification, the period of notice required under paragraph 1.7.11(e)(iii) shall be less than would otherwise be required;
- (e) in relation to any provision of paragraph 1.7.10, the specified time is the time specified (in relation to such provision) in such procedures.
- (f) the procedures shall specify that the Sharing Registered User Agent may vary the Default Allocation Methodology in accordance with paragraph 1.7.11(e).

1.7.18 All Code Communications made pursuant to paragraphs 1 to 3 of this Section G relating to a Supply Meter Point which is a Shared Supply Meter Point, or (with effect from such time as is specified in the Shared Supply Meter Point Procedures) is subject to a Shared Supply Meter Point Notification which has not yet become effective, shall be given as Conventional Notices.

1.7.19 Sharing Registered Users shall pay charges in respect of Shared Supply Meter Point Notifications in accordance with the prevailing Transportation Statement.

1.7.20 Where a Sharing Registered User submits a Supply Point Withdrawal which becomes effective pursuant to paragraph **Error! Reference source not found.**:

- (a) where only one of the Sharing Registered Users remains the Registered User of

the Shared Supply Meter Point:-

- (i) it shall cease to be a Shared Supply Meter Point with effect from the effective date of the withdrawal (and with effect therefrom all gas offtaken at such point shall be allocated to the remaining Registered User);
  - (ii) partial interruption status at such Supply Point shall transfer to such remaining Registered User.
- (b) where more than one of the Sharing Registered Users remain Registered Users of the Shared Supply Meter Point:
- (i) in the case of a Shared Supply Meter Point Notification under paragraph 1.7.7(a), such notification shall be deemed to have been modified (with effect from the effective date of the withdrawal, but subject to any intervening modification made by the remaining Sharing Registered Users) as follows:
    - (1) where the notification provides for allocation under paragraph 1.7.8(a), the upper and lower limits of any higher tranche of any remaining Sharing Registered Users shall be reduced by the amount of the tranche associated with the Withdrawing User, or where the tranche of the Withdrawing User was the tranche within paragraph 1.7.8(a)(iii), the highest tranche of any remaining Sharing Registered User shall cease to have an upper limit and shall become the tranche within paragraph 1.7.8(a)(iii) (a higher tranche being a tranche having a lower limit not less than the upper limit of the Withdrawing User, and the highest tranche being the tranche having the highest upper limit);
    - (2) where the notification provides for allocation under paragraph 1.7.8(b), the percentages of the remaining Sharing Registered Users shall be increased pro rata so as to aggregate 100%;
  - (ii) in the case of a Shared Supply Meter Point Notification under paragraph 1.7.7(b), no quantity may be allocated by the Sharing Registered User Agent to the Withdrawing User on or after the effective date of the withdrawal;
- 1.7.21 Where Transco has given Termination Notice (under [Section V4](#)) to a User which was a Sharing Registered User, such User shall be deemed to have submitted a Supply Point Withdrawal for the purposes of paragraphs 1.7.20(a) and (b).
- 1.7.22 Where there is Partial Interruption status at a Supply Point which comprises a Shared Supply Meter Point and where there is Shared Supply Point Modification which proposes to change the number or identity of any Sharing Registered Users, or a Supply Point Withdrawal, such Partial Interruption status shall be revoked upon the date such Shared Supply Point Modification or Supply Point Withdrawal is approved but the Sharing Registered User Agent may re-apply for Partial Interruption in accordance with paragraph 6.10.14.



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## 1.8 Sub-deduct Arrangements

### 1.8.1 For the purposes of the Code:

- (a) a "**Sub-deduct Arrangement**" is an arrangement of pipes and meters, installed before 1st March 1996, which Transco has recognised as being such an arrangement, by which a part of the gas which is conveyed by the System to premises for the purposes of supply to those premises, is further conveyed to other premises for the purposes of supply to those other premises;
- (b) the System Point at which a meter comprised in the Sub-deduct Arrangement is installed, and upstream of which no other meter comprised in such arrangement is installed, shall be a Supply Meter Point (the "**Primary Supply Meter Point**");
- (c) the Primary Supply Meter Point is not a Connected System Exit Point;
- (d) the gas conveyed in a Sub-deduct Arrangement may be conveyed:
  - (i) by a person (other than Transco) exempted pursuant to but subject to the conditions of any order under Section 6A of the Act granting exemption from paragraph (a) of Section 5(1) of the Act, in which case (irrespective of whether such conditions are complied with) the Sub-deduct Arrangement does not form part of the System;
  - (ii) by Transco, in which case the Sub-deduct Arrangement forms a part of the System;
- (e) in a Sub-deduct Arrangement:
  - (i) each of the meters referred to in paragraph (a) (other than a check meter in accordance with paragraph (iii)) and the Supply Meter installed at the Primary Supply Meter Point, is a "**relevant meter**";
  - (ii) a relevant meter (meter 'B') is "**dependent**" on another (meter 'A') where meter B is downstream of meter A and there is no relevant meter between meter A and meter B;
  - (iii) a meter is a check meter where all gas which flows through the meter also flows through one or more meters (in such arrangement) downstream of that meter.

### 1.8.2 Where a Sub-deduct Arrangement forms a part of the System:

- (a) each of the points in the Sub-deduct Arrangement at which gas is offtaken from the System for the purposes of supply to premises is a Supply Meter Point;
- (b) the point of offtake for each such Supply Meter Point shall be the point determined as the point of offtake in accordance with [Section J3.7.1](#), and title and risk in gas offtaken from the System shall pass accordingly.

### 1.8.3 Where a Sub-deduct Arrangement does not form a part of the System:

- (a) for the further purposes of this paragraph 1.8, the Primary Supply Meter Point



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shall be treated (for the purposes of the Code, but subject to paragraphs (b) and (d)) as being a number of Supply Meter Points each of which shall be associated with one relevant meter and so identified (by a unique reference) in the Supply Point Register;

- (b) the point of offtake in respect of each such Supply Meter Point shall be the point of offtake in accordance with [Section J3.7.1](#) in respect of the Primary Supply Meter Point, and title and risk in gas offtaken from the System shall pass accordingly; and (for the purposes of [Section J](#)) the provisions of paragraph 1.8.5 and of Section G shall have effect for the purposes of determining which Users are offtaking gas from the System at that point, and in what proportions;
- (c) none of such Supply Meter Points shall be treated as being a Shared Supply Meter Point;
- (d) no provision of this paragraph 1.8, nor the fact that the Supply Point Register records details in respect of the Supply Meter Points which are (pursuant to paragraph (a)) treated as existing at the Primary Supply Meter Point, shall be taken to imply that any User has arranged with Transco for the conveyance of gas beyond the Primary Supply Meter Point.

#### 1.8.4 Where there is a Sub-deduct Arrangement:

- (a) each of the Supply Meter Points (including the Primary Supply Meter Point) referred to in paragraph 1.8.2(a), or (as the case may be) treated as existing in accordance with paragraph 1.8.3(a), is a "**Sub-deduct Supply Meter Point**";
- (b) each relevant meter shall for the purposes of [Section M2](#) be treated as a Supply Meter (a "**Sub-deduct Supply Meter**") provided by Transco; provided that:
  - (i) the same person must be appointed as Meter Reader in respect of all Non-Daily Read Sub-deduct Supply Meters in a particular Sub-deduct Arrangement;
  - (ii) the Meter Reading Frequency in respect of each Non-Daily Read Sub-deduct Supply Meter shall be the Meter Reading Frequency of the primary Non-Daily Read NDM Sub-deduct Supply Meter;
  - (iii) where reasonably practicable, the Meter Reads for all Non-Daily Read Sub-deduct Supply Meters shall be undertaken on the same Day as a Meter Read in relation to the primary Non-Daily Read Sub-deduct Supply Meter; and a Meter Reading in respect of any Non-Daily Read Sub-deduct Supply Meter shall not be a Valid Meter Reading unless Meter Reads were undertaken for all Non-Daily Read Sub-deduct Supply Meters within a period of 5 Business Days commencing on the Day 2 Business Days before the Day of a Meter Read in relation to the primary Non-Daily Read Sub-deduct Supply Meter;
  - (iv) where Transco is the person appointed (pursuant to paragraph (i)) as Meter Reader, Transco agrees that its charges to Registered Users for Meter Reads at Non-Daily Read Sub-deduct Supply Meters (other than the primary such meter) will not be increased if the Meter Reading

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Frequency under paragraph (ii) is greater than that which would otherwise be required under [Section M3](#).

- (c) for the purposes of paragraph (b) the primary Non-Daily Read Sub-deduct Supply Meter is the Non-daily Read Sub-deduct Supply Meter which is furthest upstream in the Sub-deduct Arrangement (and for the avoidance of doubt may be the relevant meter at the Primary Supply Meter Point);
- (d) each Sub-deduct Supply Meter Point shall have a separate Annual Quantity, and may be the subject of separate Supply Point Nominations and/or Supply Point Confirmations and may be comprised in a separate Supply Point;
- (e) the details in the Supply Point Register will reflect the premises at which each Sub-deduct Supply Meter is actually located, and (in the case of a Sub-deduct Arrangement which forms part of the System) the Single Premises Requirement will apply accordingly;
- (f) the Registered User of a Supply Point which includes a Sub-deduct Supply Meter Point is a "**Sub-deduct Registered User**".

1.8.5 Upon any Meter Reads in respect of the relevant meters in a Sub-deduct Arrangement:

- (a) in respect of each Sub-deduct Supply Meter there shall be attributed to the Sub-deduct Registered User a volume (the "**Sub-deduct Volume**") determined as the Metered Volume in respect of the associated relevant meter less the sum of the Metered Volumes for all dependent relevant meters;
- (b) the Metered Quantity determined in respect of each Sub-deduct Supply Meter in accordance with [Section M1.4.4](#) will be determined on the basis of the Sub-deduct Volume.

1.8.6 In the case of a Sub-deduct Arrangement which forms part of the System, Transco reserves the right at its cost to undertake works to extend its System by laying additional pipes so as to cause any Sub-deduct Supply Meter Point to cease to be comprised in the relevant Sub-deduct Arrangement; provided that Transco will not undertake such works without first obtaining the consent (not to be unreasonably withheld) of the Registered User of each Supply Point affected thereby and in undertaking such works will endeavour to minimise the disruption to the offtake of gas from the System at such Supply Points (but subject thereto will not be in breach of its obligation to make gas available for offtake from the System by reason of the carrying out of such works).

1.8.7 Where, in relation to any relevant meter which is Daily Read, there is any dependent meter which is not Daily Read, the Supply Meter Point shall (notwithstanding that such meter is Daily Read and notwithstanding any other provision of the Code), unless otherwise agreed between Transco and the Registered User, be an NDM Supply Meter Point.

## 1.9 Supply Point Register

1.9.1 Transco has established and (without prejudice to paragraph 1.9.8) will maintain a register ("**Supply Point Register**") of all Supply Meter Points, Supply Points and Supply Point Premises.

1.9.2 In the Supply Point Register:

- (a) each Supply Meter Point will be identified by a unique number (the "**Supply Meter Point Reference Number**") assigned with effect from the date of the Code or in the case of a new Supply Meter Point the date on which the Supply Meter Point is entered in the register in accordance with paragraph 7.3.1;
- (b) for each Supply Meter Point:
  - (i) the post code ("**Meter Post Code**") of the address at which the Supply Meter is located will be recorded;
  - (ii) a code ("**Meter Link Code**") will be assigned to indicate whether the Supply Meter Point is a Sub-deduct Supply Meter Point, and if so whether it is the Primary Supply Meter Point;
- (c) each Supply Point will be identified by a unique number (the "**Supply Point Registration Number**") assigned with effect from the Supply Point Registration Date;
- (d) the details specified in the UK Link Manual will be recorded in respect of each Supply Meter Point, Supply Point and Supply Point Premises.

1.9.3 The Supply Meter Point Reference Number will continue to be assigned to a Supply Meter Point which has been Isolated.

1.9.4 The Supply Point Registration Number of a Supply Point and the Supply Meter Point Reference Number of any Supply Meter Point comprised therein will not be changed during the relevant Supply Point Registration.

1.9.5 A User shall not be entitled to have access to the information contained in the Supply Point Register except to the extent the Code provides for such information to be made available to such User.

1.9.6 Upon a request by any User identifying a Supply Meter Point by quoting the Supply Meter Point Reference Number and Meter Post Code, Transco will provide to the User certain of the details (such details being specified in the UK Link Manual for the purposes of this provision) recorded in the Supply Point Register of the Supply Point(s) in which the Supply Meter Point is comprised.

1.9.7 Following the rejection of a Supply Point Nomination pursuant to paragraph 2.3.6(c) or a Supply Point Confirmation pursuant to paragraph 2.6.2(b) or (c):

- (a) the Proposing User may within 10 Business Days after such rejection notify Transco that the User considers that any details recorded in respect of the Proposed Supply Point in the Supply Point Register are incorrect, or that details which should be so recorded are absent from the Supply Point Register;
- (b) where the User so notifies Transco:
  - (i) the User shall at the same time provide details of what it considers the relevant details should be and its reasons for so considering;
  - (ii) Transco will, as soon as reasonably practicable after the User's

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notification, consider the details and reasons provided by the User, and where it is reasonably satisfied that any of the relevant details in the Supply Point Register are incorrect, or that details which should be so recorded are absent from the Supply Point Register, Transco will (within 5 Days after being so satisfied) amend the Supply Point Register in respect of such details and will not reject (on the same grounds) a further Supply Point Nomination or Supply Point Confirmation in respect of the Proposed Supply Point.

1.9.8 Without prejudice to any other provision of the Code, Users and Transco agree:

- (a) to cooperate with a view to ensuring that the information contained in the Supply Point Register is at all times as accurate as is possible;
- (b) each to use reasonable endeavours to secure that it becomes aware, insofar as it might reasonably be expected to become aware, of any inaccuracy in the information contained in the Supply Point Register, and to inform (in the case of a User) Transco or (in the case of Transco) the Registered User of such inaccuracy;

but nothing in this paragraph 1.9.8 shall imply that the Supply Point Register is capable of being amended other than as provided in this Section G or [Section M](#).

- (c) where at any time prior to the Supply Point Registration Date the User considers that any Annual Quantity of a New Supply Meter Point comprised in the New Supply Point which has been recorded on the Supply Point Register does not reflect the User's estimate of the correct quantity then the User shall promptly (and in any event before Supply Point Registration Date) notify Transco of the same together with its estimate of the correct Annual Quantity.

1.9.9 Where, by reason of a change in any detail of a kind by reference to which an Exit Zone is designated, the details recorded in the Supply Point Register in respect of a Supply Meter Point cease to be accurate:

- (a) the Registered User shall, within 12 months after becoming aware of such inaccuracy (and unless it earlier ceases to be such Registered User):
  - (i) subject to paragraph (ii), submit a Supply Point Reconfirmation for the purposes of amending the relevant details;
  - (ii) where as a result of such change the requirement in [Section A1.6.3](#) ceases to be satisfied in respect of the relevant Supply Point, apply for two or more Supply Point Registrations (in respect of each of which the requirement [in Section A1.6.3](#) is satisfied) or submit a Supply Point Withdrawal in respect of the Supply Point;
- (b) no Supply Point Nomination or Supply Point Confirmation (including a Supply Point Renomination) may be submitted other than on the basis of the correct details, and any Supply Point Offer (outstanding at the time of such change) in respect of a Proposed Supply Point which includes the relevant Supply Meter Point shall lapse.

## 1.10 Business Day

1.10.1 In this Section G any reference to a "**Business Day**" is a reference to a Day other than:

- (a) a Saturday, a Sunday or a bank holiday in England and Wales, and
- (b) the Day which would (but for this paragraph (b)) be the first Business Day after 1st January.

1.10.2 Transco will maintain and not later than 30th September in each year provide to each User a list of Days in the following calendar year (other than Saturdays and Sundays) which are not Business Days.

## 1.11 Supply Point Classification

1.11.1 Any change in the relevant classification of a Supply Meter Point Component shall be given effect only upon and by way of Supply Point Confirmation or (as the case may be) Supply Point Reconfirmation; and the requirements of [Section A4](#) as the relevant classification shall be construed accordingly.

1.11.2 Where, by virtue of a change in Annual Quantity or otherwise, a Supply Meter Point or Supply Point Component is required (in accordance with any provision of the Code) to be classified differently from the prevailing relevant classification, the Registered User shall make a Supply Point Reconfirmation to give effect to such revised classification for a Supply Point Registration Date, subject to paragraph 1.5.11, not more than 3 months after the relevant date.

1.11.3 For the purposes of this paragraph 1.11:

- (a) "**relevant classification**" means the classification of a Supply Meter Point as a DM or NDM Supply Meter Point, or of a Supply Point Component as DMC or DMA or as VLDMC or not;
- (b) the relevant date is the 1st October or other date with effect from the Annual Quantity of the Supply Meter Point or Supply Point Component in question changed, or other date with effect from which the requirement for reclassification first arises.

## 1.12 Contingencies

In the event of a Class A Contingency the times by which before the start of each Gas Year details of Annual Quantities and other information in respect of Supply Points are (pursuant to this Section G) to be provided to Users will be deferred by a period commensurate with the duration of the relevant Code Contingency.

## 1.13 Code Communications

1.13.1 For a period of 3 months after the User Accession Date, or if sooner until such time as the aggregate Transportation Charges payable by the User in respect of any month exceed £20,000, a User may elect to make and receive all Code Communications under paragraphs 1 to 3 of this Section G as Conventional Notices.

1.13.2 Code Communications made under paragraph 1.13.1 must be made in the same format (as described in the UK Link Manual) as that in which such communications would have been made if made as UK Link Communications.

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## 1.14 Failure to revise Supply Point Register

1.14.1 If on any Day, as a result of a failure by Transco to revise the Supply Point Register in accordance with the provisions of the Code:

- (a) a Supply Meter Point, in respect of which the User has submitted a Supply Point Withdrawal which has become effective in accordance with paragraph 3.2, remains registered in the name of the User in the Supply Point Register, or
- (b) a Supply Meter Point, in respect of which the User has submitted a Supply Point Confirmation which has become effective in accordance with paragraph 2.8.7(a) or 2.9.1, has not become registered in the name of the User in the Supply Point Register

then, in view of (and without prejudice to) [Section E1.9.2](#), where the effect on the determination of the Energy Balancing Charges payable by the User is material, Transco may make a payment to or require a payment from the User of an amount reasonably estimated by Transco as required (having regard to the User's Daily Imbalance for the Day, whether such imbalance was positive or negative and whether there was or would have been a Second Imbalance Tranche for the User for the Day) to compensate the User or Transco for the inclusion or (as the case may be) exclusion (in the determination of such Energy Balancing Charges) of the quantity of gas offtaken from the System on the Day in the calculation of the User's Daily Imbalance.

1.14.2 Amounts paid by or to Transco pursuant to paragraph 1.14.1 will be additional Monthly Adjustment Neutrality Costs or (as the case may be) additional Monthly Adjustment Neutrality Revenues for the purposes of [Section F4.5.3](#) in the month in which they are paid.

1.14.3 For the avoidance of doubt, the Supply Meter Points which are to be taken into account in determining the Transportation Charges, Scheduling Charges and other charges (other than Energy Balancing Charges other than Scheduling Charges (but without prejudice to paragraph 1.14.1)) payable by a User shall be those which (but for any such failure as is referred to in paragraph 1.14.1) would be registered in the name of the User.

## 1.15 Interruptible Supply Point Firm Allowance (IFA)

1.15.1 The Registered User of an Interruptible Supply Point (the "relevant Supply Point" which term shall include the Supply Point Component comprised in it ) that is not comprised in a Shared Supply Meter Point which also includes Firm Supply Points, may apply (subject to paragraph 1.15.2) in accordance with paragraphs 1.15.3 and 1.15.4 for a firm allowance up to (or subject to paragraph 1.15.3, above) 14,650 kWh/Day (500 *therms/Day*) ("**the Firm Allowance**").

1.15.2 Where a Firm Allowance is in force under paragraph G1.15.3;

- (a) The Firm Allowance shall be treated as an exception to paragraph 6.7.2(b) such that the requirement that no gas shall be offtaken be read as no gas, other than the Firm Allowance shall be offtaken, and at a hourly rate not exceeding 12.5% of the Firm Allowance unless otherwise agreed with Transco in advance;
- (b) The Registered User shall pay to Transco the Administration Charges (if any) set out in the Transportation Statement;



- (c) The rate of any Supply Point Transportation Charge shall be determined by reference to the Supply Point Capacity held by the Registered User at the relevant Supply Point at the time that the offer of Firm Allowance has been offered by Transco in accordance with paragraphs 1.15.3 and 1.15.4;
- (d) The Registered User shall pay to Transco a charge ("**the IFA Charge**") calculated as LDZ Capacity Charge plus NTS Exit Capacity Charge as set out in the Transportation Statement;
- (e) For the purposes of determining the IFA Charges payable by the Registered User in respect of the provision of a Firm Allowance at the relevant Supply Point, the Firm Allowance shall be regarded as the Supply Point Capacity of a Firm Supply Point;
- (f) All amounts payable under this paragraph 1.15 shall be payable in a single payment, may be invoiced by way of an Ad Hoc invoice, at any time after the Registered User's election and shall be paid in accordance with [Section S](#). The charges shall be fixed in accordance with paragraph 1.15.2(h) having regard to the date on which the period of the Firm Allowance commences in accordance with paragraph 1.15.3(c) or 1.15.4 and are not refundable;
- (g) Where Transco requires Interruption at the relevant Supply Point the provisions of Section 6.7 shall apply.
- (h) The IFA Charge shall be determined for the period of the Firm Allowance commencing on the 1st October in accordance with paragraph 1.15.3(c) or 1.15.4, or (if later in the Gas Year) on a pro rata basis for the period commencing on the date of receipt by Transco of the confirmation in accordance with paragraph 1.15.3(c) and ending on 30th September.
- (i) Where a change to the IFA Charge takes place at anytime during a Gas Year no adjustments will be made to the IFA Charge paid before such change.

1.15.3 Applications under paragraph 1.15.1 in respect of a relevant Supply Point in which there is no current Firm Allowance in force, or in respect of which an increase is required to a current Firm Allowance, the increase:-

- (a) shall be for a period commencing 1st October or ( if later in the Gas Year) the date of receipt by Transco of the confirmation in accordance with paragraph (c) and ending on 30th September;
- (b) shall be offered, or rejected by Transco within 10 Business Days;
- (c) if offered by Transco, are open for confirmation by the Registered User for 5 Business Days from the date of offer;
- (d) for a Firm Allowance of 14,650 kWh (*500 therms/Day*) or less shall be considered in the order in which they were received by Transco;
- (e) for a Firm Allowance in excess of 14,650 kWh/Day (*500 therms/Day*), received by Transco prior to 1st October in respect of the next Gas Year shall, unless otherwise indicated on the application, be treated initially as an application for a Firm Allowance of 14,650 kWh/Day (*500 therms/Day*) the balance being

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processed on or after 1st October, in the order in which they were received by Transco;

- (f) for a Firm Allowance in excess of 14,650 kWh/Day (*500 therms/Day*), received by Transco on or after 1st October in respect of the year commencing 1st October, shall be treated in the order in which they were received by Transco;
- (g) for a Firm Allowance greater than 30% of the Supply Point Capacity which exceeds 14,650 kWh/Day ( *500 therms/Day* ) shall be treated as if it were an application for 30 % of the Supply Point Capacity in accordance with paragraphs (e) or (f);
- (h) may be refused by Transco where the hourly rate of offtake is greater than 12.5% of the Firm Allowance or where in Transco's opinion the Firm Transportation Requirement is not satisfied in respect of such Supply Point.

1.15.4 Applications under paragraph 1.15.1 in respect of a relevant Supply Point for which a Firm Allowance is currently in force ("a current Firm Allowance"):-

- (a) may be made by the Registered User in accordance with the following process;
  - (i) On or before 1st September, Transco shall issue to the Registered User of a relevant Supply Point with a current Firm Allowance a renewal notice, offering the Firm Allowance for the following year commencing 1st October;
  - (ii) The Registered User may accept all or part of such renewal offer at any time before 15th September.;
- (b) shall be for a period of 12 months commencing on 1st October.

1.15.5 Where another User is to become the Registered User of a relevant Supply Point, the Proposing User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify Transco of such change. The Firm Allowance shall transfer to the new Registered User from the Supply Point Registration Date provided that the DM Supply Point Component of the Proposing User is the same as the DM Supply Point Component of the Registered User.

1.15.6 Where a Registered User changes the configuration of a relevant Supply Point, the Registered User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify Transco of such change. The Firm Allowance shall transfer to the new Supply Point from the Supply Point Registration Date provided that there is an equivalent effect on the System and that the Registered User has paid to Transco the Administration Charge ( if any ) set out in the Transportation Statement.

1.15.7 An application under paragraph 1.15.1 may be rejected if the aggregate amount of Firm Allowances allocated together with such application exceeds the Top-up Deliverability Requirement for Firm Allowances ( being 1,000,000 kWh/Day or such other amount as the Top-Up Manager may, in its discretion determine).

1.15.8 All communication under this paragraph 1.15 shall be made by Transco and/or the Registered User by Conventional Notice or facsimile.



- 1.15.9 An application under paragraph 1.15.1 shall not re-designate an Interruptible Supply Point as Firm for the purposes of the Network Code, and no Firm Allowance may be or remain in force in respect of a Shared Supply Meter Point which is comprised in a Firm Supply Point.

## 1.16 Mandatory Allocation Agencies

- 1.16.1 All Users agree that (subject to and in accordance with this paragraph 1.16) if the conditions in paragraph 1.16.2 are satisfied and any User (the "**applicant User**") shall so require, a Supply Meter Point (the "**relevant Supply Meter Point**") shall become a Shared Supply Meter Point, in relation to which the applicant User and each Existing Registered User shall be Sharing Registered Users and shall appoint the consumer as Sharing Registered User Agent pursuant to an Agreement (the parties to which shall be each such User and the consumer, but for the avoidance of doubt not Transco) in the terms ("**Mandatory Allocation Agency Terms**"), subject to paragraph 1.16.2(e), in Annex G-2.

- 1.16.2 The conditions referred to in paragraph 1.16.1 are that:

- (a) the relevant Supply Meter Point is eligible (in accordance with paragraph 1.7.3) to be a Shared Supply Meter Point;
- (b) the requirement in paragraph 1.7.6 would be (or continue to be) satisfied;
- (c) the applicant User is willing to appoint the consumer as Sharing Registered User Agent upon the Mandatory Allocation Agency Terms;
- (d) the consumer is willing to act as Sharing Registered User Agent upon the Mandatory Allocation Agency Terms;
- (e) no existing Registered User would be obliged by virtue of Standard Condition 13 of the Shipper's Licence, by reason of a request made pursuant to Standard Condition 7(4)(a) of the Supplier's Licence, to submit a Supply Point Objection in respect of the Applicant User's Supply Point Confirmation.

- 1.16.3 Where the applicant User wishes to become a Sharing Registered User pursuant to paragraph 1.16.1:

- (a) the User shall submit to Transco a notification to that effect, identifying the consumer and the relevant Supply Meter Point, together with:
  - (i) an Agreement in the Mandatory Allocation Agency Terms, completed with details of the relevant Supply Meter Point, the effective date (consistent with paragraph 1.7.11(b)(ii) on the basis of paragraph (e) below) of the Agreement and the names of the applicant User and Existing Registered User(s) and the consumer (in the capacity of agent), in a number of originals equal to the number of proposed parties thereto, each executed by the applicant User and consumer but undated, and
  - (ii) a signed irrevocable authority by the consumer in favour of Transco to date and deliver the Agreement in accordance with paragraph (d);

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- (b) Transco will notify each Existing Registered User thereof enclosing a copy of the applicant User's notification and a copy of the Agreement;
- (c) pursuant to paragraph 1.16.1, each Existing Registered User shall, provided the conditions in paragraph 1.16.2 are satisfied, arrange for the execution of each original of the Agreement not later than the 10th Business Day after Transco's notification under paragraph (b);
- (d) when each Existing Registered User has complied with paragraph (c), Transco will (and each relevant User hereby authorises Transco to) date and deliver the Agreement on behalf of each such User and the consumer, and provide two originals to the applicant User and one each to each other such User;
- (e) the Agreement once executed by each Existing Registered User shall take effect as a Shared Supply Meter Point Notification for the effective date specified in the Agreement, subject to paragraph 1.7.11(c), and no Supply Point Objection may be submitted by any Existing Registered User nor (if submitted) shall be effective.

1.16.4 Subject to paragraph 1.16.5, if any Existing Registered User fails to execute an Agreement pursuant to paragraph 1.16.3(c) by the date therein specified:

- (a) such User shall be deemed to have submitted a Supply Point Withdrawal in respect of the relevant Supply Point, which shall be effective on the effective date specified in the Agreement, pursuant to paragraph **Error! Reference source not found.**;
- (b) the Agreement shall take effect (unless there was no other Existing Registered User), subject to paragraph 1.7.20, and the Supply Point Confirmation submitted by the applicant User shall become effective, and the applicant User shall not be entitled to submit a Supply Point Withdrawal within the period referred to in paragraph 3.2.7(ii).

1.16.5 Paragraph 1.16.4 shall not apply if any Existing User submits to Transco by the date specified in paragraph 1.16.3(c) written confirmation to the effect that the condition in paragraph 1.16.2(e) is not satisfied.

## 1.17 Supply Point Enquiries

- 1.17.1 A User (an "**Enquiring User**") contemplating submitting a Supply Point Nomination (the "**prospective**" Supply Point Nomination) may first submit an enquiry (a "**Supply Point Enquiry**") as to the matters referred to in paragraph 1.17.6.
- 1.17.2 For the purposes of this paragraph 1.17, references to the 'Proposed Supply Point' are to what would be the Proposed Supply Point if the Enquiring User were to submit the prospective Supply Point Nomination.
- 1.17.3 A Supply Point Enquiry shall specify the details which would be required to be specified pursuant to paragraphs 2.3.2(a) to (d) in the prospective Supply Point Nomination.
- 1.17.4 Transco will reject, or may reject, the Supply Point Enquiry in any case in which (if the Supply Point Enquiry were a Supply Point Nomination) Transco would be required, or

(as the case may be) entitled, to reject such Supply Point Nomination pursuant to paragraph 2.3.6.

- 1.17.5 Where Transco rejects a Supply Point Enquiry Transco will notify the Enquiring User of the reason for such rejection.
- 1.17.6 Where Transco does not reject the Supply Point Enquiry, Transco will submit a response to the enquiry specifying (in relation to the Proposed Supply Point) the details which Transco would be required to specify in a Supply Point Offer (in response to the prospective Supply Point Nomination) pursuant to paragraphs 2.4.2(b), (c), (d)(i), (f) and (g).

## 1.18 Site visit Appointments

1.18.1 This paragraph 1.18 applies where:

- (a) the User believes that the information set out in the Supply Point Register that:-
  - (i) has been provided by Transco pursuant to the Code; or
  - (ii) subject to paragraph (e) below, relates to Meter assets

is incorrect;

- (b) the User has so notified Transco, providing details of the information which the User believes to be incorrect, what the User believes to be the correct information and the contact details for the consumer at the Supply Point Premises (the “**relevant consumer**”);
- (c) following such notification, Transco has been unable (after examining the details contained in the Supply Point Register) to resolve the matter notified by the User (the “**relevant matter**”);
- (d) subject to paragraph (e) below, the User has accordingly requested Transco and Transco has agreed to endeavour to contact the relevant consumer and has consequently arranged with such consumer a time and date when Transco may visit the Supply Point Premises to investigate the relevant matter (a “**Site Visit Appointment**”);
- (e) a Site Visit Appointment shall not include any visit (whether undertaken or not) to the consumer’s premises which:-
  - (i) is subject to the standards of performance set out in the Gas (Standards of Performance) Regulations 2002;
  - (ii) after the Metering Separation Date, relates to Meter assets.

1.18.2 Where a Site Visit Appointment has been arranged as set out in paragraph 1.18.1, subject to paragraph 1.18.3, Transco will during normal business hours (08:30 hours to 17:00 hours), or on such date and time as Transco and the consumer may agree, visit the Supply Point Premises and (subject to being given the required access) investigate the relevant matter.

1.18.3 Where a Site Visit Appointment has been arranged, Transco may require that the User

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attend at the Supply Point Premises at such time and date, and where Transco so requires, Transco will not be required to investigate the relevant matter if the User does not so attend and such Site visit Appointment shall be deemed to be a completed Site Visit Appointment for the purposes of paragraph 4.9.1.

- 1.18.4 If Transco is unable (upon such a visit) to obtain the access required to investigate the relevant matter, Transco shall not be required to revisit the Supply Point Premises, and
- (a) if Transco did not require (pursuant to paragraph 1.18.3) the User to attend, Transco will so inform the User as soon as reasonably practicable after making such visit
  - (b) such Site Visit Appointment shall be deemed to be a completed Site Visit Appointment for the purposes of paragraph 4.9.1.

## 2 SUPPLY POINT REGISTRATION

### 2.1 Introduction

- 2.1.1 A User may apply to become the Registered User in respect of a Supply Point in accordance with this paragraph 2.
- 2.1.2 In order for a User (the "**Proposing User**") to become the Registered User in respect of a Supply Point:
- (a) where the Proposed Supply Point is a Larger Supply Point or a New Smaller Supply Point and there is more than one Supply Meter Point comprised in the Proposed New Smaller Supply Point, then the User must make a Supply Point Nomination in accordance with paragraph 2.3, in response to which Transco will (subject as provided in this Section G) submit to the Proposing User a Supply Point Offer in accordance with paragraph 2.4; and
  - (b) the Proposing User must make a Supply Point Confirmation in accordance with paragraphs 2.5 to 2.7 which must become effective in accordance with paragraphs 2.8 to 2.11.
- 2.1.3 For the purposes of this paragraph 2 a "**Proposed**" Supply Point is the Supply Point which is the subject of a Proposed Supply Point Registration.
- 2.1.4 In respect of a Proposed Supply Point Registration:
- (a) a "**Supply Point Nomination**" is a communication by a Proposing User in respect of a Larger Supply Point or, where required, a New Smaller Supply Point requesting a Supply Point Offer from Transco;
  - (b) a "**Supply Point Offer**" is a communication by Transco to a Proposing User providing information in respect of a Larger Supply Point or, where required, a New Smaller Supply Point;
  - (c) a "**Supply Point Confirmation**" is a communication by a Proposing User to Transco requesting Supply Point Registration in respect of a Proposed Supply Point.

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- 2.1.5 The Code provides that Transco will or may reject in certain cases a Supply Point Nomination or Supply Point Confirmation; and any reference in this Section G to such a rejection by Transco is to a rejection in accordance with any such provision of the Code.
- 2.1.6 Where Transco has given Termination Notice (under [Section V4](#)) to a User, Transco may decide:
- (a) to reduce any of the periods and/or curtail any of the procedures provided for in this Section G in relation to any Supply Point Nomination or Supply Point Confirmation by any other User in respect of, or
  - (b) to implement any other procedure for the registration in the name of any other User (who wishes to become the Registered User) of,
- any Supply Meter Points of which the Discontinuing User was the Registered User.
- 2.1.7 For the purposes of paragraphs 2.1.8, 2.1.9, 2.1.10, 2.1.11, 2.1.12 and 2.1.13:
- (a) where a User has been given a Termination Notice by Transco (under [Section V4](#)), all Supply Meter Points in respect of which the Discontinuing User was the Registered User immediately prior to the User Discontinuance Date shall be known as "**the Terminated Supply Meter Points**";
  - (b) a "**Supplier of Last Resort**" is a supplier whom by virtue of Standard Condition 29 of the Supplier's Licence has been directed by the Authority to supply gas in accordance with that condition in respect of any or all of the Terminated Supply Meter Points;
  - (c) "**the Last Resort User**" is a User who is the first User, following the appointment of the Supplier(s) of Last Resort, to become the Registered User of all of the Terminated Supply Meter Points;
  - (d) "**day of issue**" is the Day following the day of notification;
  - (e) "**day of notification**" is the Day on which Transco receives written notice from the Authority of the appointment and identity of the Last Resort User;
  - (f) "**TSMP Information**" is relevant information (including, but not limited to, Protected Information) relating to the Terminated Supply Meter Points to which the Discontinuing User would have had access through UK Link, immediately prior to the User Discontinuance Date.
- 2.1.8 Where Transco has given a Termination Notice (under [Section V4](#)) to a User and the Authority directs a Supplier of Last Resort in respect of a Terminated Supply Meter Point, then notwithstanding any other provision of Code, the Last Resort User shall become the Registered User of the Terminated Supply Meter Points, thereby accepting the benefit of the rights and the burden of obligations under Code, the Framework Agreement and any relevant Ancillary Agreement, in respect of the Terminated Supply Meter Points (including without limitation the payment of Transportation Charges and Energy Balancing Charges in respect thereof) with effect from and including the date of the appointment of the Supplier of Last Resort.

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2.1.9 To assist the Last Resort User in exercising its rights and discharging its obligations in respect of the Terminated Supply Meter Points Transco shall use reasonable endeavours, subject to paragraphs 2.1.11, 2.1.12 and 2.1.13, to provide to the Last Resort User on the day of issue a copy of the TSMP Information which can be accessed by the Last Resort User through UK Link.

## 2.1.10

- (a) Transco shall undertake a review of the Last Resort User's Code Credit Limit and Secured Credit Limit as soon as reasonably practicable following the day of notification, and shall advise the Last Resort User, as soon as reasonably practicable thereafter but in any event not later than 3 Days after the day of notification, of any further security that will be required to be provided by the Last Resort User in accordance with paragraph 2.1.10(b);
- (b) in the event that following the review referred to in paragraph 2.1.10(a) Transco notifies the Last Resort User that additional security is required, then the Last Resort User shall be obliged to provide the requisite security in accordance with the Code Credit Rules or Energy Balancing Credit Rules (as appropriate) in favour of Transco as soon as reasonably practicable thereafter but in any event no later than 14 Days of the day of notification and upon receipt of that security Transco shall revise the Last Resort User's Code Credit Limit and/or Secured Credit Limit (as appropriate) as soon as reasonably practicable thereafter but in any event no later than 14 Days after the date of notification to take effect from the date of that revision;
- (c) in the event that security is required to be provided by the Last Resort User pursuant to paragraph 2.1.10(a) but the Last Resort User fails to provide the security in accordance with paragraph 2.1.10(b), then the Code Credit Limit and/or Secured Credit Limit (as appropriate) shall not be revised pursuant to this paragraph 2.1.10 and Transco shall be entitled to exercise those rights and remedies available to it pursuant to [V3.3](#) or the Supplement, as appropriate.

2.1.11 By virtue of this paragraph 2.1.11 the Discontinuing User hereby is deemed to have given its written consent for the purposes of both paragraph [V5.5.2\(a\)](#) and Section 105 of the Utilities Act 2000 (as amended from time to time) to Transco to disclose to the Last Resort User the TSMP Information pursuant to paragraph 2.1.9 above.

2.1.12 It is acknowledged that the TSMP Information contains information which has been provided to Transco by the Discontinuing User and accordingly the Last Resort User hereby acknowledges and agrees that:

- (a) the TSMP Information disclosed to it pursuant to paragraph 2.1.9 above shall not have been independently verified;
- (b) it shall be solely responsible for making its own judgement and decision on the TSMP Information disclosed to it;
- (c) neither Transco, nor any of its employees, agents, consultants, advisers or directors, accept responsibility for, or make any representation or warranty (express or implied) regarding, the accuracy or completeness of the content of the TSMP Information; and

- (d) Transco shall have no liability to the Last Resort User, in respect of any of the contents of the TSMP Information.

2.1.13 For the purposes only of enabling Transco to comply with the provisions of paragraph 2.1.9, the Last Resort User shall execute all such documents, deeds and assignments and perform such acts as Transco may reasonably require, including, without limitation, executing any relevant documents, deeds and assignments, or perform such acts, necessary to ensure compliance with the provisions of the Data Protection Act 1998 (as may be amended from time to time).

2.1.14 Unless the context otherwise requires, references in this Section G to details to be included in a Supply Point Nomination, Supply Point Offer or Supply Point Confirmation are to details which would (if the Proposing User submits a Supply Point Confirmation and/or if the Supply Point Confirmation becomes effective) apply in respect of the Proposed Supply Point Registration.

## 2.2 Current, New and Existing Supply Points

2.2.1 Subject to paragraph 1.4, a Proposed Supply Point may be a Current Supply Point or a New Supply Point.

2.2.2 A "**Current Supply Point**" is a Proposed Supply Point all of the Supply Meter Points comprised in which are (at the relevant time) all of the Supply Meter Points comprised in one Existing Supply Point; and a "**New Supply Point**" is any other Proposed Supply Point (including for the avoidance of doubt a Proposed Supply Point which includes a New Supply Meter Point).

2.2.3 In relation to a Proposed Supply Point Registration:

- (a) an "**Existing Supply Point**" is a Supply Point which (at the relevant time):
  - (i) is the subject of an existing Supply Point Registration (which may be a registration in the name of the Proposing User); and
  - (ii) includes one or more Supply Meter Points which are comprised in the Proposed Supply Point;
- (b) an "**Existing Registered User**" is a User (who may be the Proposing User) who is the Registered User in respect of an Existing Supply Point.

2.2.4 Subject to paragraph 2.8.3, the Proposing User will not be entitled to have access to the identity of the Existing Registered User(s).

2.2.5 A "**Supply Point Reconfirmation**" or a "**Supply Point Renomination**" is a Supply Point Confirmation or (as the case may be) Supply Point Nomination submitted by the Existing Registered User of the Current Supply Point; and where the Code provides for a Supply Point Reconfirmation to be made in respect of a Larger Supply Point, the Code shall be deemed also to provide for an appropriate Supply Point Renomination to be made.

2.2.6 A "**Supply Point Commodity Rate Renomination**" is, where the Existing Registered



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User had previously confirmed in accordance with [paragraph B3.5.5](#) that the Applicable Commodity Rate in respect of the Current Supply Point was to be the NTS Optional Commodity Rate, a Supply Point Nomination submitted by the Existing Registered User of the Current Supply Point where:-

- (a) the Existing Registered User nominates that the Applicable Commodity Rate at the Current Supply Point is not to be the NTS Optional Commodity Rate; or
- (b) the NTS Optional Commodity Rate having previously been de-applied in accordance with sub-paragraph (a) above, the Existing Registered User wishes to re-apply for the NTS Optional Commodity Rate at the Current Supply Point.

## 2.3 Supply Point Nomination

2.3.1 A User may make a Supply Point Nomination in respect of a Larger Supply Point or may, where required, make a Supply Point Nomination in respect of a New Smaller Supply Point in accordance with paragraph 2.1.2 and this paragraph 2.3. Where a Proposing User wishes to make a Supply Point Nomination in respect of a Larger Supply Point for the purpose of:

- (a) increasing Supply Point Capacity for such Supply Point; and/or
- (b) changing the Supply Point Component of any Supply Meter Point; and/or
- (c) specifying a New Supply Point

then the Proposing User may use the following process:

- (i) (Provided that the Proposed Supply Point will be a Current Supply Point) the user may submit, as appropriate, one or more Supply Point Nominations in accordance with paragraph 2.3 to nominate:
  - (1) the prevailing Supply Point Capacity of the Supply Point;
  - (2) the existing Supply Point Component of each Supply Meter Point;
  - (3) the Current Supply Point;
 (any such Supply Point Nomination shall be referred to as a "**Supply Point First Nomination**"); and
- (ii) at any time up to the date of the Supply Point Offer in respect of the Supply Point First Nomination the User may also submit, as appropriate, in accordance with paragraph 2.3, one or more Supply Point Nominations to:
  - (1) increase the Supply Point Capacity for such Supply Point;
  - (2) change the Supply Point Component of any Supply Meter Point;
  - (3) specify a New Supply Point;
 (and any such Supply Point nomination shall be referred to as "**Supply Point Second Nomination**").



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- 2.3.2 A Supply Point Nomination which is a Supply Point Commodity Rate Renomination shall comply with the provisions of paragraph 2.3.9 and any other Supply Point Nomination shall specify:
- (a) the identity of the Proposing User;
  - (b) whether the Proposed Supply Point is a Current Supply Point or a New Supply Point, and in the case of a New Supply Point a description of the basis on which the Single Premises Requirement is satisfied;
  - (c) the Supply Meter Point Reference Number in respect of:
    - (i) in the case of a Current Larger Supply Point, either one or all of the Supply Meter Points comprised in the Proposed Supply Point, or
    - (ii) in the case of a New Supply Point, all of the Supply Meter Points comprised in the Proposed Supply Point;
  - (d) the Meter Post Code in respect of each Supply Meter Point for which the Supply Meter Point Reference Number is specified under paragraph (c);
  - (e) where the Proposed Supply Point includes one or more DM Supply Meter Points, the proposed Supply Point Capacity and proposed Supply Point Offtake Rate in respect of the DM Supply Point Component, in compliance with the requirements of paragraph 5;
  - (f) where the Proposed Supply Point includes an NDM Supply Meter Point:
    - (i) the proposed Meter Reader; and
    - (ii) where the Annual Quantity of the NDM Supply Point Component is less than 293,000 kWh (*10,000 therms*), whether the relevant Supply Meters are proposed to be a Monthly Read Meter (for the purposes of [Section M3.4](#));
  - (g) the Supply Meter Point Reference Number of any Supply Meter Point comprised in the Proposed Supply Point which is to become or (as the case may be) ceased to be a DM Supply Meter Point; and
  - (h) any other details which are required to be specified in any particular case pursuant to any provision of this Section G; or
  - (i) where a User wishes to apply for the NTS Optional Commodity Rate at an Eligible Exit Point, the Specified Exit Point and the Specified Entry Point; or
  - (j) where a User wishes to apply for the LDZ Optional Capacity Rate, the LDZ Specified Exit Point.
- 2.3.3 In this Section G "**Nominated**" means proposed in a Supply Point Nomination.
- 2.3.4 Where a User makes a Supply Point Nomination:
- (a) Transco will submit a Supply Point Offer (in accordance with paragraph 2.4), or reject the Supply Point Nomination (in accordance with paragraph 2.3.6), or

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submit a referral notice (in accordance with paragraph 2.3.8), within 2 Business Days after the Supply Point Nomination was submitted;

- (b) where (in accordance with paragraph 2.3.8) Transco submitted a referral notice, Transco will submit a Supply Point Offer within 12 Business Days after the Supply Point Nomination was submitted.

2.3.5 If Transco does not comply with paragraph 2.3.4 it will in any event reject the Supply Point Nomination or make a Supply Point Offer or submit a referral notice as soon as reasonably practicable.

2.3.6 Transco will reject the Supply Point Nomination where:

- (a) Transco is not reasonably satisfied that the Single Premises Requirement is complied with in respect of the Proposed Supply Point; or
- (b) the Supply Point Nomination is not made strictly in accordance with the requirements of paragraph 2.3.2 and /or 2.3.9 (as the case may be);
- (c) any of the Supply Meter Point Reference Number(s) specified pursuant to paragraph 2.3.2(c) is not identified in the Supply Point Register with the Meter Post Code(s) specified pursuant to paragraph 2.3.2(d);

and Transco may reject the Supply Point Nomination where the Supply Point Nomination does not comply with any other requirement provided for in this Section G or in accordance with [Section V3](#) or in any other case where such rejection is provided for in the Code.

2.3.7 Where Transco rejects the Supply Point Nomination Transco will inform the Proposing User of the reason (under paragraph 2.3.6) for such rejection (and where such rejection was pursuant to paragraph 2.3.6(b), the requirement of paragraph 2.3.2 and /or 2.3.9 (as the case may be) which was not complied with).

2.3.8 Where the Proposed Supply Point is a New Supply Point, or includes a New Supply Meter Point, or (in accordance with the further provisions of this Section G) it is necessary for Transco to assess the feasibility of making gas available for offtake from the System at the Proposed Supply Point, Transco may (unless it rejects the Supply Point Nomination) give notice (a “**referral notice**”) to that effect to the Proposing User.

2.3.9 A Supply Point Nomination which is a Supply Point Commodity Rate Renomination shall specify:

- (a) the identity of the Proposing User ;
- (b) the Supply Meter Point Reference Number in respect of the Supply Meter Points comprised in the Proposed Supply Point
- (c) the Applicable Commodity Rate that the User wishes to be applied being either:-
  - (i) the NTS Optional Commodity Rate; or
  - (ii) the Applicable Commodity Rate other than the NTS Optional Commodity Rate determined pursuant to [paragraph B1.8.1](#);

- (d) the Proposed Supply Point Registration Date;
- (e) any other details which are required to be specified in any particular case pursuant to any provision of this Section G.

## 2.4 Supply Point Offers

2.4.1 Where Transco does not reject (in accordance with paragraph 2.3.4) a Supply Point Nomination, Transco will submit to the Proposing User a Supply Point Offer in accordance with this paragraph 2.4.

2.4.2 A Supply Point Offer will specify in relation to the Proposed Supply Point:

- (a) the identity of the Proposing User;
- (b) the address(es) of the Supply Point Premises;
- (c) the Supply Meter Point Reference Number, manufacturer's serial number, and (where the Proposed Supply Point comprises a Sub-deduct Supply Meter Point) Meter Link Code of each Supply Meter Point comprised in the Proposed Supply Point Registration;
- (d) where the Proposed Supply Point includes one or more NDM Supply Meter Points:
  - (i) the Applicable End User Category in accordance with [Section H1.7](#);
  - (ii) Supply Point Capacity and NTS Exit Capacity (in accordance with [Section H4.1](#)); and
  - (iii) the Nominated Meter Reading Frequency or (where more frequent) the minimum Meter Reading Frequency required under [Section M3](#) in respect of each relevant Supply Meter;
- (e) where the Proposed Supply Point includes one or more DM Supply Meter Points:
  - (i) details in respect of Supply Point Capacity and Supply Point Offtake Rate in accordance with paragraphs 2.4.3;
  - (ii) whether the Proposed Supply Point is a Firm Supply Point or an Interruptible Supply Point, and (if Interruptible) whether TNI and whether (as respects the DM Supply Point Component) SDMC(I);
  - (iii) details of the Daily Read Equipment installed and the Supply Meter Point Reference Number of each Supply Meter Point at which any such Daily Read Equipment is installed;
- (f) the Exit Zone and (where applicable) LDZ in which the Proposed Supply Point is located;
- (g) the Annual Quantity for each Supply Meter Point;
- (h) Supply Point Transportation Charges;

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- (i) the Supply Meter Point Reference Number of any Supply Meter Point comprised in the Proposed Supply Point which has been Isolated; and
- (j) a number by which the Supply Point Offer may uniquely be identified; or
- (k) where a User has made a Supply Point Nomination in accordance with paragraph 2.3.2(i) or 2.3.9(c)(i), the distance between the Specified Entry Point and the Proposed Supply Point, the six figure grid references, the capacity of the Proposed Supply Point and the NTS Optional Commodity Rate; or
- (l) where a User has made a Supply Point Nomination in accordance with paragraph 2.3.2(j) the Notional NTS Connection Point, the distance between the Notional NTS Connection Point and the Proposed Supply Point, the eight figure grid references, the capacity of the Proposal Supply Point and the LDZ Optional Capacity Rate;
- (m) the identity of the Gas Act Owner;
- (n) the identity of the Meter Asset Manager.

## 2.4.3 Where the Proposed Supply Point includes a DM Supply Point Component:

- (a) the Supply Point Capacity ("**Offered Supply Point Capacity**") specified in the Supply Point Offer shall be:
  - (i) where the Nominated Supply Point Capacity is less than the Bottom-stop Supply Point Capacity, the Bottom-stop Supply Point Capacity;
  - (ii) otherwise, but subject to paragraph 5.5, the Nominated Supply Point Capacity (provided that where the Nominated Supply Point Capacity is not less than the Bottom-stop Supply Point Capacity but less than the Prevailing Supply Point Capacity, paragraph 2.7.3 shall apply).
- (b) subject to paragraph 5.5, the Supply Point Offtake Rate specified in the Supply Point Offer shall be the Nominated Supply Point Offtake Rate;
- (c) the Supply Point Offer will also specify (for information purposes, where not specified under paragraph (a)(i)) the Bottom-stop Supply Point Capacity.

## 2.4.4 Subject to paragraphs 1.9.9(b), 2.4.5 and 2.7.3, and unless and until a Supply Point Confirmation is made which becomes effective, a Supply Point Offer will remain valid for a period of six (6) months after it was made.

## 2.4.5 Where the Proposed Supply Point includes a DM Supply Point Component, at any time at which the Proposing User has not submitted a Supply Point Confirmation:

- (a) if:
  - (i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence in any month of a Supply Point Ratchet (pursuant to [Section B4.7](#)) in respect of any Existing Supply Point, or
  - (ii) at the start of a Gas Year, the Bottom-stop Supply Point Capacity

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becomes (pursuant to paragraph 5.2) greater than the Offered Supply Point Capacity,

Transco will so notify the Proposing User whereupon the Supply Point Offer will lapse (but without prejudice to any Supply Point Confirmation submitted before such notification was given, in respect of which paragraph 2.7.4 will apply);

- (b) if the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of a Capacity Revision Application (in accordance with paragraph 5.1.4) made by the Registered User for an increase in Supply Point Capacity in respect of any Existing Supply Point, paragraph 2.7.3 shall apply.

2.4.6 Transco will inform the Proposing User of the application of paragraph 2.7.3 pursuant to paragraph 2.4.5(b) within 5 Business Days after the occurrence of the event giving rise to the application of paragraph 2.7.3.

2.4.7 Where during the period for which a Supply Point Offer remains valid:

- (a) the Annual Quantity of the NDM Supply Point Component (if any) of the Proposed Supply Point is revised (including a revision to the Annual Quantity pursuant to a notice by an Existing Registered User under paragraph 1.6.8(a)), or such NDM Supply Point Component belongs to a different End User Category, from the Annual Quantity or End User Category specified in the Supply Point Offer:
  - (i) Transco will notify the Proposing User of the revised Annual Quantity or End User Category;
  - (ii) the Supply Point Offer shall be deemed to be modified accordingly (and shall remain valid);
- (b) the details of the Supply Point Transportation Charges are (upon a change in Annual Quantity or End User Category of any Supply Meter Point or the coming into force of a new Transportation Statement or otherwise) revised, Transco will not and is not required to notify the Proposing User of such change, and the Proposing User will be informed of the revised details only if it makes a Supply Point Confirmation which becomes effective.

2.4.8 There may be any number of Supply Point Offers outstanding, to different Proposing Users, in respect of a Proposed Supply Point or Proposed Supply Points comprising some or all of the same Supply Meter Points.

2.4.9 The details contained in a Supply Point Offer of the matters set out in paragraph 2.4.10 shall be binding upon Transco and the Proposing User where the User submits a Supply Point Confirmation in respect of such Supply Point Offer, notwithstanding any error in the details so stated (but without prejudice to the ability of Transco to withdraw a Supply Point Offer containing such erroneous details before a Supply Point Confirmation has been submitted).

2.4.10 The matters referred to in paragraph 2.4.9 are:

- (a) the Supply Meter Points comprised in the Proposed Supply Point;

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- (b) the Annual Quantity, End User Category and Supply Point Capacity of the Proposed Supply Point; and
  - (c) whether at the date of the Supply Point Offer any Existing Supply Point (if Interruptible) is TNI, and (if so) the number of Days of the Interruption Allowance.
- 2.4.11 Except as provided in paragraph 2.4.9, where any detail contained in a Supply Point Offer is incorrectly stated:
  - (a) such error shall not bind Transco or the Proposing User and shall not prejudice the proper determination of such detail; and
  - (b) a Supply Point Confirmation made on the basis of such Supply Point Offer shall be valid notwithstanding such error.
- 2.4.12 Where the User disputes the distance specified by Transco under paragraph 2.4.2(k) or paragraph 2.4.2(l), the User may resubmit a Supply Point Nomination for the Proposed Supply Point stating alternative eight figure grid references for the Proposed Supply Point and the Notional NTS Connection Point as appropriate with supporting evidence of calculation.
- 2.4.13 For the purposes of the Code:
  - (a) “**Gas Act Owner**” is the consumer, holder of a Gas Transporter’s Licence or relevant supplier that owns the meter (and for the purposes of this definition owner includes a lessee) and which in accordance with the Gas Code is responsible for keeping it in proper order for correctly registering the quantity of gas supplied;
  - (b) “**Meter Asset Manager**” is an organisation that works on behalf of another to install, replace, repair and maintain a Supply Meter Installation.

## 2.5 Supply Point Confirmations: General

- 2.5.1 A User may submit a Supply Point Confirmation to Transco:
  - (a) in respect of a Current Smaller Supply Point or a New Smaller Supply Point comprising of one Supply Meter Point (pursuant to the establishment of a New Supply Meter Point in accordance with G7.1.1(b)(i)), in accordance with paragraph 2.6, at any time;
  - (b) in respect of a Larger Supply Point or New Smaller Supply Point comprising of more than one Supply Meter Point, in accordance with paragraph 2.7, after making a Supply Point Nomination, at any time where the condition in paragraph 2.5.2 is satisfied; or
  - (c) in respect of a Supply Point where information has been specified in accordance with paragraph 2.4.2(k) or paragraph 2.4.2(l) provided that a Supply Point Offer made in respect of paragraphs 2.4.2(a) to 2.4.2(j) and has been or, is simultaneously being confirmed by the User under this paragraph 2.5.1.
- 2.5.2 The condition referred to in paragraph 2.5.1(b) is that:

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- (a) the Supply Point Confirmation is made at a time at which the Supply Point Offer remains (in accordance with paragraph 2.4.4) valid, and
  - (b) in the circumstances in paragraph 2.7.3, the Proposed Supply Point Registration Date is within the Capacity Reduction Period.
- 2.5.3 By making a Supply Point Confirmation in respect of a Proposed Supply Point the Proposing User:
  - (a) warrants to Transco:
    - (i) that, or
    - (ii) where the User will not be the supplier, that the supplier (or if there is more than one supplier, the suppliers between them) has (or have) warranted to the User that
 

as at the Proposed Supply Point Registration Date there will be in force a contract or contracts (including a deemed contract pursuant to paragraph 8(1) or 8(2) of the Gas Code) for the supply to the consumer of the gas offtaken by such User from the System at the Proposed Supply Point; and
  - (b) agrees (if the confirmation becomes effective):
    - (i) to be the Registered User in respect of the Proposed Supply Point; and
    - (ii) to be registered as holding:
      - (1) as to the NDM Supply Point Component (if any), Supply Point Capacity (and accordingly LDZ Capacity) and NTS Exit Capacity determined in accordance with [Section H4](#);
      - (2) as to the DM Supply Component (if any), the Confirmed Supply Point Capacity (and accordingly LDZ Capacity).
    - (iii) that it consents to the disclosure of the information by Transco in accordance with paragraph 2.8.8(b).
- 2.5.4 Subject to paragraph 2.7.4(a), the "**Confirmed Supply Point Capacity**" in respect of the DM Supply Point Component of a Proposed Supply Point (for which the Supply Point Confirmation becomes effective) is the Offered Supply Point Capacity.
- 2.5.5 A Supply Point Confirmation may not be made, and Transco will reject any Supply Point Confirmation submitted:
  - (a) (except in respect of a Shared Supply Meter Point), in respect of a Proposed Supply Point comprising any Supply Meter Point comprised in a Proposed Supply Point in respect of which any other Supply Point Confirmation has been made and is (in accordance with paragraph 2.5.9) outstanding;
  - (b) in respect of a Proposed Supply Point comprising any Supply Meter Point (other than a New Supply Meter Point) in respect of which there is any request for Siteworks outstanding or any Siteworks Contract which has not been completed, and for which the Siteworks Applicant is a gas shipper other than



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the Proposing User.

- 2.5.6 Transco may reject a Supply Point Confirmation in accordance with [Section V3](#).
- 2.5.7 The "**Proposed Supply Point Registration Date**" in respect of a Supply Point Confirmation is the date with effect from which the Proposing User wishes to become the Registered User in respect of the Proposed Supply Point.
- 2.5.8 The Proposed Supply Point Registration Date shall be:
- (a) not more than 30 Business Days after the Supply Point Confirmation is submitted; and
  - (b) not less than 15 Business Days after the Supply Point Confirmation is submitted unless;
    - (i) at the time that the Supply Point Confirmation is submitted a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point in which case the Proposed Supply Registration Date shall not be less than 8 Business Days; or
    - (ii) there is no change in the identity of the Registered User in respect of the Supply Point, in which case the Proposed Supply Registration Date shall not be less than 8 Business Days; or
    - (iii) where the Supply Point Confirmation is resulting from a Supply Point Commodity Rate Renomination (a "**Supply Point Commodity Rate Confirmation**") in which case the Proposed Supply Registration Date shall not be less than 4 Business Days; and
  - (c) where the Supply Point Offer made in accordance with paragraph 2.4.2 is received by Batch Transfer Communication, not earlier than 2 months (or such lesser period as Transco may specify);
- after the Supply Point Confirmation is submitted.
- 2.5.9 A Supply Point Confirmation shall be outstanding until it is rejected by Transco in accordance with this paragraph 2 or lapses in accordance with paragraph 2.8.6, or (where it becomes effective) until the Supply Point Registration Date.
- 2.5.10 Every Supply Point Confirmation shall specify (in addition to what is required under paragraph 2.6 or 2.7) the identity of the proposed supplier; and in any case where upon a change in the identity of the supplier a User continues to be the Registered User in respect of a Supply Point, such User shall submit a Supply Point Reconfirmation in respect of the change of supplier<sup>3</sup>.
- 2.5.11 Where Transco does not reject the Supply Point Confirmation it will within 2 Business Days after the Supply Point Confirmation was communicated, give notice to the Proposing User acknowledging the Supply Point Confirmation.
- 2.5.12 By making a Supply Point Confirmation in respect of a New Smaller Supply Point

<sup>3</sup> Paragraph 2.5.10 will be amended by Modification MR0663 with effect from 29 November 2004. Please refer to relevant Notice of Future Implementation.



comprising of one Supply Meter Point then the Proposing User shall be deemed to have included within the Supply Point Confirmation such relevant information as described under paragraph 2.4.2 as may be contained in the Supply Point Register in relation to the Proposed Supply Point.

## 2.6 Supply Point Confirmations: Smaller Supply Points

2.6.1 A Supply Point Confirmation in respect of a Smaller Supply Point shall specify:

- (a) the identity of the Proposing User;
- (b) the Supply Meter Point Reference Number in respect of one Supply Meter Point comprised in the Proposed Supply Point, and the Meter Post Code of such Supply Meter Point;
- (c) the Proposed Supply Point Registration Date;
- (d) the proposed Meter Reading Frequency and Meter Reader.

2.6.2 Transco will reject the Supply Point Confirmation where:

- (a) the Supply Point Confirmation is not made strictly in accordance with the requirements of paragraph 2.6.1, or
- (b) in the case of paragraph 2.6.1(b), the Supply Meter Point Reference Number specified is not identified in the Supply Point Register with the specified Meter Post Code;

and Transco may reject the Supply Point Confirmation where the Supply Point Confirmation does not comply with any other requirement provided for in this Section G or in any other case where such rejection is provided for in the Code.

2.6.3 Where Transco rejects the Supply Point Confirmation Transco will within 2 Business Days after the Supply Point Confirmation was communicated, inform the Proposing User of the provision of the Code pursuant to which the Supply Point Confirmation was rejected (and where such rejection was pursuant to paragraph 2.6.2(a), the requirement of paragraph 2.6.1 which was not complied with).

2.6.4 The Proposing User may in respect of a Smaller Supply Point cancel its Supply Point Confirmation in accordance with paragraph 2.8.1(c), where

- (a) a Consumer has cancelled the contract, or contracts, for the Supply to the Consumer of the gas offtaken by such User from the System at the Proposed Supply Point, or where the Proposing User will not be the Supplier, the Supplier has informed the Proposing User that a cancellation of such contract or contracts has occurred, or
- (b) the Proposing User has submitted a Supply Point Confirmation which is made in error.

2.6.5 The Proposing User will not submit a Confirmation in accordance with this paragraph 2.6, (in respect of a New Smaller Supply Point comprising one Supply Meter Point) where such Proposing User is aware that the Annual Quantity in respect of such Supply

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Point is greater than 73,200 kWh (2,5000 *therms*) and in such case any application in respect of the same shall be made in accordance with paragraph 2.3.

## 2.7 Supply Point Confirmations: Larger Supply Points and Smaller Supply Points subject to nomination

2.7.1 A Supply Point Confirmation in respect of a Larger Supply Point or Smaller Supply Point subject pursuant to paragraph 2.1.2(a) to the requirement to be Nominated shall specify:

- (a) the Supply Point Offer in respect of which it is made;
- (b) the Proposed Supply Point Registration Date;
- (c) where the Annual Quantity in respect of the Supply Point is greater than 732,000 kWh (25,000 *therms*), the details (for making contact in an Emergency) required under [Section Q2.3](#).

2.7.2 Subject to paragraphs 2.4.7(b) and 0, the details (other than any expressly required in this Section to be included) which are the subject of the Supply Point Confirmation are those specified in the Supply Point Offer, and no other detail may be specified in the Supply Point Confirmation which would conflict with or qualify any such details.

2.7.3 Where:

- (a) the Proposed Supply Point includes a DM Supply Point Component, and
- (b) the Prevailing Supply Point Capacity is, or (in accordance with paragraph 2.4.5(b)) at any time before a Supply Point Confirmation is submitted becomes, greater than the Offered Supply Point Capacity,

a Supply Point Confirmation may be submitted only for a Proposed Supply Point Registration Date falling within the Capacity Reduction Period.

2.7.4 Where the Proposed Supply Point includes a DM Supply Point Component, at any time after a Supply Point Confirmation is submitted but before the Supply Point Registration Date:

- (a) if:
  - (i) the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the occurrence of a Supply Point Ratchet (pursuant to [Section B4.7.1](#)) in respect of any Existing Supply Point; or
  - (ii) at the start of a Gas Year, the Bottom-stop Supply Point Capacity becomes (pursuant to paragraph 5.2.3(a)(i)) greater than the Offered Supply Point Capacity,

the Confirmed Supply Point Capacity will be the increased Prevailing Supply Point Capacity or (as the case may be) Bottom-stop Supply Point Capacity;

- (b) if the Prevailing Supply Point Capacity becomes greater than the Offered Supply Point Capacity, as a result of the Registered User in respect of any

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Existing Supply Point applying for an increase in its Registered Supply Point Capacity, the Confirmed Supply Point Capacity will be the Offered Supply Point Capacity.

- 2.7.5 In the circumstances in paragraph (a) Transco may, but is not required to, notify the Proposing User of the increased Confirmed Supply Point Capacity before the Supply Point Registration Date, but will not later than the 5th Business Day after the Supply Point Registration Date notify to the Proposing User the revised Confirmed Supply Point Capacity and revised details of Supply Point Transportation Charges (and Transco's notification under paragraph 2.8.8 or 2.9.2 shall to that extent be provisional).
- 2.7.6 Where the Proposed Supply Point is a New Supply Point and the Existing Supply Points include both a Firm Supply Point and an Interruptible Supply Point a Supply Point Confirmation may only be submitted before a Change Request Deadline and for a Proposed Supply Point Registration Date which is the Eligible Status Change Date.
- 2.7.7 Without prejudice to paragraph 2.7.1 a Supply Point Commodity Rate Confirmation shall specify:
- (a) the Supply Point Offer in respect of which it is made;
  - (b) the Supply Meter Point Reference Number in respect of the Supply Meter Points comprised in the Proposed Supply Point;
  - (c) the Proposed Supply Point Registration Date.

## 2.8 Effect of Confirmation: Existing Supply Points not already withdrawn

- 2.8.1 Where, at the time a User submits a Supply Point Confirmation which is not rejected by Transco, there is any Existing Supply Point in respect of which a Supply Point Withdrawal has not been submitted:
- (a) Transco will, within 2 Business Days after the Supply Point Confirmation was submitted, notify the Existing Registered User of the submission of the Supply Point Confirmation and the Proposed Supply Point Registration Date, but not the identity of the Proposing User;
  - (b) the Existing Registered User may, up to but not after the 7th Business Day after the date of notification to the Existing Registered User of the submission of the Supply Point Confirmation ("**Objection Deadline**"), submit to Transco an objection ("**Supply Point Objection**") in respect of such Existing Supply Point provided that the Existing Registered User shall not submit such Supply Point Objection where a domestic consumer supplied with gas at the Existing Supply Point has ceased or is to cease to own or occupy the relevant premises;
  - (c) the Proposing User may, subject to paragraph 2.8.9 (in the case of a Smaller Point) up to but not after the 8th Business Day before the Proposed Supply Point Registration Date (the Objection Deadline) submit to Transco a cancellation ("**Supply Point Confirmation Cancellation**") in respect of Such Supply Point Confirmation.
- 2.8.2 No Supply Point Objection may be submitted, nor (if purportedly submitted) shall be

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effective:

- (a) by an Existing Registered User, after the Objection Deadline, nor
- (b) (for the avoidance of doubt) in respect of an Existing Supply Point in respect of which the Existing Registered User has submitted a Supply Point Withdrawal.

2.8.3 Where a User submits a Supply Point Objection to Transco:

- (a) the objecting User is required to declare its identity in the objection;
- (b) Transco will, within 2 Business Days after the Supply Point Objection was submitted, notify such objection, including (where declared in the objection) the identity of the objecting User, to the Proposing User;
- (c) where the objecting User did not comply with the requirement in paragraph (a):
  - (i) Transco will not reject the Supply Point Objection (which will accordingly be effective for the purposes of paragraph 2.8.6);
  - (ii) Transco will, if requested by the Proposing User, provide to the Proposing User the identity of the objecting User as soon as is reasonably practicable but (as is acknowledged by each User) does not undertake to do so before the Objection Deadline.
- (d) the objecting User will declare in the objection the reason for its objection and if the objection User fails to do so Transco may reject such Supply Point Objection which accordingly will not be effective for the purposes of paragraph 2.8.6
- (e) and that Supply Point Objection was raised at the request (whether directly or indirectly) of the Consumer in respect of the affected Existing Supply Point, Transco will, where the reasons for the objection have been provided to Transco by the objecting User, within 2 Business Days after the Supply Point Objection was submitted, notify such reasons to the Proposing User

2.8.4 Transco:-

- (a) will not be concerned with the reason for any Supply Point Objection nor with any question as to whether such an objection is well founded;
- (b) shall, for the purposes of paragraph 2.8.1(b), notify the Existing Registered User of any notification received by Transco from the Proposing User that a domestic consumer supplied with gas at the Existing Supply Point has ceased or is to cease to own or occupy the relevant premises and Transco will not be concerned with the reason for such notification nor with any question as to whether such notification is well founded.

2.8.5 A User may withdraw a Supply Point Objection up to but not after:

- (a) the 7th Business Day after the Supply Point Objection was made, or
- (b) if earlier, the Objection Deadline.

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- 2.8.6 Where a Supply Point Objection is made and is not withdrawn in accordance with paragraph 2.8.5, the Supply Point Confirmation shall lapse and be of no effect, and Transco will so inform each Existing Registered User not later than the fifth Day before the Proposed Supply Point Registration Date.
- 2.8.7 Where no Supply Point Objection is made, or all (if any) Supply Point Objections made are withdrawn, or where the Supply Point Objection has been rejected by Transco in accordance with paragraph 2.8.3(d):
- (a) subject to paragraph 2.11, the Supply Point Confirmation shall be effective and the Supply Meter Points comprised in the Proposed Supply Point shall be registered in the name of the Proposing User with effect from the Proposed Supply Point Registration Date;
  - (b) each Existing Registered User shall be deemed to have submitted a Supply Point Withdrawal in accordance with paragraph 3 in respect of the relevant Existing Supply Point.
- 2.8.8 In the case of a Supply Point Confirmation within paragraph 2.8.1, after the Objection Deadline and not later than the fifth Day before the Proposed Supply Point Registration Date:
- (a) Transco will notify the Proposing User whether the Supply Point Confirmation has become effective, setting out (where it has become effective, and without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register;
  - (b) (where the Supply Point Confirmation has become effective) Transco will notify the User (which was the Existing Registered User immediately preceding the effective date of the Supply Point Confirmation) of the identity of the Proposing User (that has become the Registered User) and the identity of the supplier (that has become the supplier) in respect of the Supply Point recorded in the Supply Point Register and which is the subject of such Supply Point Confirmation.

## 2.9 Effect of Confirmation: Existing Supply Points already withdrawn

- 2.9.1 Where at the time a User submits a Supply Point Confirmation which is not rejected by Transco, a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point, subject to paragraph 2.11 the Supply Point Confirmation shall be effective and the Supply Meter Points comprised in the Proposed Supply Point shall be registered in the name of the Proposing User with effect from the Proposed Supply Point Registration Date.
- 2.9.2 In the case of a Supply Point Confirmation within paragraph 2.9.1, Transco will notify the Proposing User, as soon as reasonably practicable and not later than the fifth Day before the Proposed Supply Point Registration Date, that the Supply Point Confirmation has become effective, setting out (without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register.

## 2.10 Supply Point Confirmation: Effect of Isolation

- 2.10.1 A Supply Meter Point comprised in a Proposed Supply Point for which a Supply Point

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Confirmation has been submitted may, at the request of the Existing Registered User, be Isolated on any Day before (but not on or after) the Proposed Supply Point Registration Date.

2.10.2 Not Used

2.10.3 Not Used

2.10.4 Where a Supply Meter Point comprised in a Proposed Supply Point (for which a Supply Point Confirmation has been submitted) has been Isolated the Supply Point Confirmation may (in accordance with paragraph 2.8.7(a) or 2.9.1) become effective and the Proposing User will be the Registered User of a Supply Point which includes the Isolated Supply Meter Point.

## 2.11 Effect of Confirmation: New Supply Point

2.11.1 A Supply Point Confirmation in respect of a New Supply Point (other than one which comprises only New Supply Meter Points) shall not become effective and shall lapse (whether or not any Existing Registered User submitted or withdrew a Supply Point Objection) unless the requirement in paragraph 2.11.2 is satisfied.

2.11.2 The requirement referred to in paragraph 2.11.1 is that Supply Point Confirmations (whether submitted by the Existing Registered User or another User as Proposing User), for Proposed Supply Point Registration Date(s) the same as that for such New Supply Point, become effective for Proposed Supply Points which comprise all (if any) and only the Supply Meter Points (including any which are or are to be Isolated) which are comprised in each Existing Supply Point, other than that or those comprised in such New Supply Point.

2.11.3 Transco will not be concerned with the fact that, or the reason for which, any Existing Registered User may not submit a Supply Point Confirmation for the purposes of paragraph 2.11.1.

2.11.4 For the avoidance of doubt, it will be necessary for the Existing Registered User(s) to have submitted a Supply Point Nomination in sufficient time to have received a Supply Point Offer to allow any Supply Point Confirmation required under paragraph 2.11.1 to be submitted.

## 3 SUPPLY POINT WITHDRAWAL AND ISOLATION

### 3.1 Supply Point Withdrawal

3.1.1 In order for a User to cease to be the Registered User in respect of a Supply Point:

- (a) a User must submit, or be deemed in accordance with paragraph 2.8.7(b) to submit, a request ("**Supply Point Withdrawal**") for withdrawal, and
  - (b) the Supply Point Withdrawal must become effective,
- in accordance with this paragraph 3.

3.1.2 The Registered User in respect of a Supply Point (the "**Withdrawing Supply Point**") may at any time submit to Transco a Supply Point Withdrawal specifying:



- (a) the identity of the User (the "**Withdrawing User**");
  - (b) the Supply Point Registration Number of, and the Supply Meter Point Reference Number of one of the Supply Meter Points (the "**Withdrawing Supply Meter Points**") comprised in, the Withdrawing Supply Point.
- 3.1.3 Where a User submits or is deemed to submit a Supply Point Withdrawal, subject to paragraph 2.10.1, the User may but is not obliged to secure Isolation of any of the Withdrawing Supply Meter Points.
- 3.1.4 Transco will make available to all Users details of those Withdrawing Supply Meter Points which at any time have not become comprised in a Proposed Supply Point in respect of which a Supply Point Confirmation has become effective, identifying each Supply Meter Point (if any) which is or is to be Isolated.
- 3.1.5 Where a Withdrawing Supply Meter Point is comprised in a Proposed Supply Point for which the Supply Point Confirmation becomes effective, Transco will so notify the Withdrawing User not later than 2 Business Days after the date on which it is known that the Supply Point Confirmation will become effective.
- 3.1.6 Where a User submits a Supply Point Withdrawal in respect of a Supply Point which comprises Shared Supply Meter Point(s) Transco will inform each other Sharing Registered User of the submission of such withdrawal.

### 3.2 Effect of withdrawal

- 3.2.1 A Supply Point Withdrawal shall become effective ("**Effective Supply Point Withdrawal**") only where each of the Withdrawing Supply Meter Points:
- (a) is comprised in another Supply Point (of which the Registered User may be the Withdrawing User); and/or
  - (b) has been Isolated in accordance with paragraph 3.4
- and the date of the Effective Supply Point Withdrawal shall be:
- (i) in the case of paragraph (a), the Supply Point Registration Date (of such other Supply Point); and
  - (ii) in the case of paragraph (b), the later of the date of such Isolation and the date of the Supply Point Withdrawal, or in the case of (a) and (b) the latest of any such date.
- 3.2.2 For so long as a Supply Point Withdrawal has not become effective in accordance with paragraph 3.2.1, the Withdrawing User shall remain liable for Supply Point Transportation Charges in respect of the Withdrawing Supply Point determined on the basis of the Supply Point Capacity, LDZ Capacity and (where applicable) NTS Exit Capacity held immediately before the submission of the Supply Point Withdrawal (or in the case of an NDM Supply Point Component such capacities as revised with effect from 1st October in any Gas Year in accordance with [Section H4](#) by reference to the new Annual Quantities and End User Categories) and for the purposes of Aggregate NDM Reconciliation the Annual Quantity of the Withdrawing Supply Point will continue to be included for the purposes of [Section E7.2.2](#).

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3.2.3 Not Used

3.2.4 When a Supply Point Withdrawal has become effective in accordance with paragraph 3.2.1, the User shall cease to be the Registered User and the Supply Point (and the Supply Point Registration) shall be cancelled.

3.2.5 A Supply Point Withdrawal in respect of a Supply Point which comprises a Shared Supply Meter Point(s) shall be effective on the 15th Business Day after submission thereof, irrespective of whether any Shared Supply Meter Point has been Isolated, except where all of the Sharing Registered Users submit Supply Point Withdrawals on the same Day, in which case such withdrawals shall become effective only in accordance with paragraph 3.2.1.

3.2.6 Not Used

### 3.3 Withdrawal: Closing Meter Read

3.3.1 Where a Supply Point Withdrawal becomes effective (under paragraph 3.2.1) in respect of an NDM Supply Meter Point and the Proposing User provides an Opening Meter Reading in accordance with [Section M3.8](#), Transco will, within 5 Business Days after such Meter Reading was provided to it, notify such Meter Reading to the Withdrawing User and inform the Withdrawing User whether it passed the validation referred to in [Section M3.3.8](#).

3.3.2 In accordance with [Section M3.8.2](#) an Opening Meter Reading for an NDM Supply Meter Point obtained within a period of 5 Business Days commencing on the Day 2 Business Days before the Supply Point Registration Date will be deemed for all purposes of the Code to have been obtained on the Supply Point Registration Date (and the Reconciliation Values determined accordingly).

### 3.4 Isolation: General

3.4.1 For the purposes of the Code and subject to paragraph 3.8:-

- (a) **"Isolation"** of a Supply Meter Point shall mean the amendment of the Supply Point Register in accordance with paragraph 3.5.4 for the purposes of securing that gas cannot be offtaken from the System at such point and **"Isolate"** shall be construed accordingly;
- (b) **"Re-establish"** shall mean the re-setting by Transco of the previously recorded Isolation status of a Supply Meter Point to indicate that gas can be offtaken from the System at such Point and **"Re-established"** and **"Re-establishment"** shall each be construed accordingly; and
- (c) **"T/PR/GT4"** is the document relating to the cessation of the flow of gas entitled Sealing of Equipment to Protect against Theft of Gas and Tampering, as published by Transco from time to time.

3.4.2 For the avoidance of doubt and subject to paragraph 3.4.3, where a Supply Meter Point has been Isolated (and unless and until an Effective Supply Point Withdrawal) the Registered User of the Supply Point in which it is comprised shall continue to be responsible for gas offtaken from the System at the Supply Meter Point.



- 3.4.3 In the case of a NDM Supply Meter Point which has been Isolated (and unless and until it is Re-established in accordance with paragraph 3.7) NDM Supply Meter Point Demand will cease to be determined in respect of that NDM Supply Meter Point in accordance with [Section H2](#).

### 3.5 Isolation request

- 3.5.1 A Registered Supply Meter Point may be Isolated subject to and in accordance with this paragraph 3.5.

- 3.5.2 Not Used

- 3.5.3 For the purposes of paragraph 3.5.1 the User shall:

- (a) provide to Transco a notification complying with the following:
  - (i) specify the identity of the User;
  - (ii) specify the relevant Supply Point Registration Number, and the Supply Meter Point Reference Number of the Supply Meter Point;
  - (iii) specify the date on which gas ceased to flow;
  - (iv) contain a Valid Meter Reading obtained on the date set out in sub-paragraph (iii) above;
  - (v) specify whether the Supply Meter Installation remains connected at the Supply Meter Point;
- (b) have complied with paragraph 3.5.6.

- 3.5.4 Subject to paragraph 3.5.5, within one Day of receipt of a notice complying with paragraph 3.5.3 Transco will amend the Supply Point Register to set the status of the Supply Meter Point to “**Isolated**”.

- 3.5.5 Where the Supply Meter Point is a Shared Supply Meter Point Transco will not amend the Supply Point Register pursuant to paragraph 3.5.4 unless all Sharing Registered Users warrant that gas flow at all Supply Meter Points has ceased.

- 3.5.6 Where a User provides a notification in accordance with paragraph 3.5.3 such User shall have taken all reasonable steps to ensure that all work to cease the flow of gas has been carried out by suitably competent personnel using that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced person complying with applicable law, recognised industry standards and T/PR/GT4, engaged in the same type of undertaking and Transco will be entitled to assume that the User has complied with such obligation.

- 3.5.7 Transco will not amend the Supply Point Register pursuant to paragraph 3.5.4 in the event that:-

- (a) the notification submitted pursuant to paragraph 3.5.3 does not comply with the requirements set out in such paragraph; or
- (b) the User submitting the notification is not the Registered User for the relevant

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Supply Meter Point on the Day that the notice is received by Transco.

3.5.8 Not Used

3.5.9 Not Used

3.5.10 A Supply Meter Point will be treated as Isolated for the purposes of the Code (until and unless Re-established in accordance with paragraph 3.7) with effect from the Day on which the Supply Point Register was amended pursuant to paragraph 3.5.4.

### 3.6 Urgent Cessation of Flow of Gas

3.6.1 Nothing in the Code shall prevent Transco from ceasing the flow of gas at any Supply Meter Point where it appears to Transco that it is necessary to do so for the purposes of ensuring safety; and, for the avoidance of doubt, where it does so Transco shall not be in breach of its obligation to make gas available for offtake.

3.6.2 Where pursuant to paragraph 3.6.1 Transco undertakes work to cease the flow of gas at a Supply Meter Point other than at the request of the Registered User:

- (a) Transco will inform the Registered User as soon as reasonably practicable after undertaking work to cease the flow of gas;
- (b) nothing in the Code shall make the Registered User liable to make any payment to Transco in respect of the undertaking work to cease the flow of gas.

### 3.7 Re-establishment

3.7.1 Where a Supply Meter Point has been Isolated in accordance with paragraph 3.5.4 and Transco becomes aware that gas is capable of being offtaken at that time (without further action being taken) from the System at such point then Transco shall notify the Registered User of such fact.

3.7.2 Where a Supply Meter Point has been Isolated and the Registered User becomes aware (whether pursuant to paragraph 3.7.1 or otherwise) that gas is capable of being offtaken at that time (without further action being taken) from the System at such point it shall forthwith notify Transco of such fact and Transco shall Re-establish such Supply Meter Point.

3.7.3 For the avoidance of doubt, in the case of a NDM Supply Meter Point which has been Re-established, NDM Supply Meter Point Demand will be determined in respect of that NDM Supply Meter Point in accordance with Section H2 from the date of such Re-establishment.

3.7.4 Where a Supply Meter Point has been Isolated and is Re-established, and an Effective Supply Point Withdrawal has not occurred and the Supply Meter continues to remain physically connected to the System during the period from the date of Isolation to the date of Re-establishment then where gas was or is being offtaken from the System during such period, each Registered User in respect of the period for which it is or was the Registered User shall be liable for all charges (including without limitation Transportation Charges) associated with such Supply Meter Point as if it had not been so Isolated.

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- 3.7.5 Without prejudice to the generality of paragraph 3.7.4 where a Supply Meter Point has been Isolated and an Effective Supply Point Withdrawal has occurred and the Supply Meter continues to remain physically connected to the System then:
- (a) where gas was or is being offtaken at such Supply Meter Point during such period the Relevant Registered User at the time of Isolation shall be liable for all charges (including without limitation Transportation Charges) associated with such Supply Meter Point, as if an Isolation or Effective Supply Point Withdrawal had not occurred;
  - (b) where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during such period then the Relevant Registered User shall be liable for Capacity Charges and Customer Charges associated with such Supply Meter Point, as if an Isolation or Effective Supply Point Withdrawal had not occurred.
- 3.7.6 “**Relevant Registered User**” is the Registered User for the period commencing on the date of Isolation and ending on the next Supply Point Registration Date.
- 3.7.7 Charges payable in accordance with paragraph 3.7.5 shall cease to accrue on the date when a notice has been received by Transco that suitable works have been undertaken to ensure that the Supply Meter Point is no longer capable of offtaking gas (without further action being taken) or until Re-establishment, provided that Transco will be entitled to levy such charges where Transco discovers that suitable works have not been undertaken.

### 3.8 Disablement of Supply

- 3.8.1 In the event that a Supply Meter Point is Isolated and:
- (a) the Supply Meter Installation remains physically connected to the System, the User who is the Registered User at the time of such Isolation shall ensure that upon Effective Supply Point Withdrawal such Supply Meter Installation is physically disconnected from the System within twelve months from the date of such Effective Supply Point Withdrawal; and
  - (b) in the event that the Supply Meter Installation is not physically disconnected within the period specified in sub paragraph (a) above Transco will (where no supply of gas is required at the Supply Meter Point) take such actions to disable the flow of gas and the User who was the Registered User at the time of Effective Supply Point Withdrawal shall pay Transco's costs (as contained in the Transportation Statement) in respect thereof.

## 4 Compensation Rules

### 4.1 Responding to Supply Point Nominations

- 4.1.1 For the purposes of this paragraph 4.1:

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- (a) Transco “**responds**” to a Supply Point Nomination by rejecting such nomination (in accordance with paragraph 2.3.6) or submitting a Supply Point Offer (in accordance with paragraph 2.4.1) or submitting a referral notice (in accordance with paragraph 2.3.8); and Transco “**further**” responds to a referred Supply Point Nomination by submitting a Supply Point Offer (in accordance with paragraph 2.4.1);
  - (b) periods within which Transco is to respond to a Supply Point Nomination run from the Business Day after the Supply Point Nomination was submitted;
  - (c) a Supply Point Nomination is “**referred**” where paragraph 2.3.8 applies in relation thereto.
- 4.1.2 Transco will further respond within 12 Business Days to not less than 97% of the referred Supply Point Nominations submitted by each User in any calendar month.
- 4.1.3 If, in respect of the referred Supply Point Nominations submitted by a User in any calendar month, Transco does not comply with the requirement in paragraph 4.1.2, Transco will (subject to the further provisions of the Code) pay to the User an amount calculated as:

$$((0.97 * A) - B - C) * £30$$

where for the relevant month:

- A is the number of referred Supply Point Nominations submitted by the User in that month;
  - B is the number of referred Supply Point Nominations submitted by the User in that month to which Transco did respond within 12 Business Days;
  - C is the number of referred Supply Point Nominations where:-
- (a) Transco reasonably consider that a site visit was necessary (in accordance with the further provisions of this Section G); and
  - (b) Transco was unable to perform such site visit within 12 Business Days as a result of failure, acting reasonably, to obtain any consents necessary to undertake such site visit (and Transco shall not be required to seek any such consent after the 10th Business Day)
- 4.1.4 Transco will (subject to the further provisions of this paragraph 4) pay to the User £50 in respect of each referred Supply Point Nomination submitted by a User, if Transco does not respond within 17 Business Days provided that Transco will not be liable to pay such amounts where
- (a) Transco reasonably considered that a site visit was necessary (in accordance with the further provisions of this Section G); and
  - (b) Transco was unable to perform such site visit within 17 Business Days as a result of failure, acting reasonably, to obtain any consents necessary to undertake such site visit (and Transco shall not be required to seek any such consent after the 15th Business Day)

- 4.1.5 Amounts payable under paragraph 4.1.4 are in addition to and irrespective of any amounts which may become payable in respect of any month under paragraph 4.1.3.
- 4.1.6 For the purposes of [Section V13](#) the rules in paragraphs 4.1.3 and 4.1.4, are Compensation Rules within Compensation Group G; and in relation thereto the 'payment month' is the second month following that in which the relevant Supply Point Nomination was submitted.
- 4.2 Not Used.
- 4.3 Not Used.
- 4.4 Not Used.
- 4.5 Not Used.
- 4.6 Not Used.
- 4.7 Rejected Supply Point Confirmations
- 4.7.1 Where:
- (a) a Supply Point Offer submitted by Transco does not comply with the applicable requirements of Section G2.4 and the UK Link Manual;
  - (b) the Proposing User submitted a Supply Point Confirmation (on the basis of such Supply Point Offer) in accordance with the requirements of this Section G; and
  - (c) as a result of the Supply Point Offer's non-compliance (referred to in paragraph (a)) such Supply Point Confirmation was rejected
- then paragraph 4.7.2 shall apply.
- 4.7.2 Where this paragraph 4.7.2 applies, Transco will (subject to the further provisions of the Code) pay to the Proposing User an amount of £50 for each Supply Point Confirmation rejected as described in paragraph 4.7.1(c).
- 4.7.3 For the purposes of [Section V13](#), the rule in paragraphs 4.7.2 is a Compensation Rule within Compensation Group E, and in relation thereto and subject to paragraph 4.7.4 the 'payment month' is the second month following that in which the Supply Point Confirmation was submitted.
- 4.7.4 Transco will not and is not required to monitor its performance in relation to the Compensation Rules under this paragraph 4.7, and will not be required to make any payment under this paragraph 4.7 unless the User in question notifies to Transco the circumstances in which such payment is due not later than the expiry of the second month following that in which the Supply Point Confirmation was submitted, in which case the payment month becomes the second month after the month of such notification.
- 4.8 Not Used.
- 4.9 Site visits

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- 4.9.1 Transco shall be taken to have completed a Site Visit Appointment where Transco attends at the Supply Point Premises on a date which complies with paragraph 1.18; and
- (a) Transco investigates the relevant matter (as described in paragraph 1.18); or
  - (b) the User did not attend if required to do so in accordance with paragraph 1.18.3; or
  - (c) Transco was unable (after reasonable attempts to do so at the time of its visit) to obtain access to the Supply Point Premises.

4.9.2 Not Used.

- 4.9.3 If, Transco does not complete all Site Visit Appointments in a calendar month, Transco will (subject to the further provisions of the Code) pay to the User an amount calculated as:

$$(A) - B) * £20$$

where for the relevant month:

- A is the number of Site Visit Appointments due to be carried out in that month;
- B is the number of Site Visit Appointments completed in accordance with paragraph 4.9.1.

- 4.9.4 For the purposes of [Section V13](#), the rule in paragraph 4.9.3 is a Compensation Rule within Compensation Group H; and in relation thereto the 'payment month' is the second month following that in which the relevant Site Visit Appointment was due to be carried out.

4.10 Not Used.

#### 4.11 Conventional Notices

This paragraph 4 shall not apply in respect of a User who has elected under paragraph 1.13.1 to give Code Communications as Conventional Notices.

### 5 DM SUPPLY POINT CAPACITY AND OFFTAKE RATE

#### 5.1 Introduction

- 5.1.1 Except for paragraph 5.6, this paragraph 5 applies only in respect of DM Supply Point Components.
- 5.1.2 The Supply Point Capacity which a User is registered as holding at a DM Supply Point Component shall be subject to minimum and maximum requirements in accordance with this paragraph 5.
- 5.1.3 Subject to the provisions of this paragraph 5, the Registered User of a DM Supply Point Component may apply to reduce or increase its Registered DM Supply Point Capacity.

- 5.1.4 An application ("**Capacity Revision Application**") to revise (by increasing or decreasing) Registered DM Supply Point Capacity shall specify:
- (a) the Supply Point Registration Number;
  - (b) the Supply Meter Point Reference Number of one of the DM Supply Meter Points comprised in the Supply Point Component;
  - (c) the revised Supply Point Capacity and (in accordance with paragraph 5.3.2) Supply Point Offtake Rate; and
  - (d) the date in accordance with paragraph 5.1.5 with effect from which the revision is to take effect.
- 5.1.5 The date under paragraph 5.1.4(d) shall be:
- (a) except in paragraph (b), 5 Business Days, or
  - (b) where it will (in accordance with paragraph 5.5) be necessary for Transco to assess the feasibility of making gas available for offtake, 21 Business Days, after the application is submitted.
- 5.1.6 A User may withdraw a Capacity Revision Application by notice to Transco not less than 2 Business Days before the date specified pursuant to paragraph 5.1.4(d).
- 5.1.7 Transco may reject a Capacity Revision Application or an application (in accordance with paragraph 5.3.2) for a revised Supply Point Offtake Rate:
- (a) in the case of a Capacity Revision Application, where the requirements of paragraph 5.1.4 are not complied with, or (in the case of an application for an increase in Supply Point Capacity) in accordance with [Section V3](#);
  - (b) in either case, where any other requirement of this paragraph 5 is not complied with, or in accordance with any provision of this paragraph 5 which provides for such rejection.
- 5.1.8 Subject to paragraph 5.1.7, Transco will approve a Capacity Revision Application or (pursuant to paragraph 5.3.2) an application for a revised Supply Point Offtake Rate, and will inform the Registered User where such application is approved.
- ## 5.2 Minimum capacity requirements
- 5.2.1 Subject to paragraph 5.2.10 a Registered User's Supply Point Capacity at a DM Supply Point Component:
- (a) shall not at any time be less than the Bottom-stop Supply Point Capacity; and
  - (b) except within the Capacity Reduction Period or in accordance with paragraph 2.7.4(b), shall not upon the Supply Point Registration Date be less than, or thereafter be reduced below, the Prevailing Supply Point Capacity.
- 5.2.2 For the purposes of the Code "**Capacity Reduction Period**" means the months of October, November, December and January in any Gas Year.



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5.2.3 Subject to paragraph 5.2.4, at any time in the Gas Year:

- (a) subject to paragraph (d), the "**Bottom-Stop**" Supply Point Capacity in respect of a DM Supply Point Component is:
  - (i) the amount (the "**Preceding Year Maximum Capacity**") which is the highest User SPDQ for any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but not exceeding the Maximum Supply Point Capacity; or
  - (ii) if higher, but only in the case of a Firm DM Supply Point Component, where there has been a Supply Point Ratchet (in accordance with [Section B4.7](#)) in the Gas Year, the amount of the Prevailing Supply Point Capacity (subject to and in accordance with paragraph 5.5.5) following such (or if more than one, the most recent) Supply Point Ratchet;
- (b) any New Supply Meter Point, and any Supply Meter Point which has become a DM Supply Meter Point, shall be disregarded in determining the Preceding Year Maximum Capacity of a DM Supply Point Component until the Gas Year which commences next after the first month of June which falls after the First Supply Point Registration Date or (as the case may be) the date on which the Supply Meter Point became DM;
- (c) subject to paragraphs 5.2.5 and 5.2.6, the "**Prevailing**" Supply Point Capacity in respect of the DM Supply Point Component of a Supply Point is the Supply Point Capacity for the time being held by the Registered User
- (d) in the case of a DM Supply Point Component which comprises Shared Supply Meter Point(s):
  - (i) the "**Aggregate Bottom-Stop Capacity**" shall be the amount determined (irrespective of whether there were, or which Users were, Sharing Registered Users at any relevant time) as the aggregate of the Bottom-Stop Supply Point Capacities in accordance with paragraphs (a)(i) and (ii) for all DM Supply Point Component(s) which comprised such Supply Meter Point(s);
  - (ii) for the purposes of paragraph (a)(i) the Day by reference to which the Preceding Year Maximum Capacities are determined shall be the Day of the highest aggregate User SPDQs in respect of all relevant Firm DM Supply Point Component(s)
  - (iii) the Sharing Registered Users jointly, or a User Agent on their behalf, may from time to time notify to Transco the amounts, and changes in the amounts, which are to be the Bottom-Stop Supply Point Capacities in respect of their respective Firm DM Supply Point Components, provided that in aggregate such amounts are equal to the Aggregate Bottom-Stop Capacity;
  - (iv) upon any change in the Users who are Sharing Registered Users, unless Bottom-Stop Supply Point Capacities are notified to Transco in accordance with paragraph (iii) not later than such change, the Bottom-



## SUPPLY POINTS

Stop Supply Point Capacity in respect of each Firm DM Supply Point Component shall be the Aggregate Bottom-Stop Capacity divided by the number of Firm DM Supply Point Components.

- 5.2.4 In respect of the DM Supply Point Component of a Proposed Supply Point which is a New Supply Point:
- (a) the Preceding Year Maximum Capacity shall be determined as the highest relevant daily quantity (in accordance with paragraph 5.2.5(a)) in respect of any Day (other than a Day in the months of June to September inclusive) in the Preceding Year, but shall not exceed the Maximum Supply Point Capacity;
  - (b) the Prevailing Supply Point Capacity shall be determined as the sum of the scaled relevant daily quantities (in accordance with paragraph 5.2.5(b)) for each DM Supply Meter Point comprised in the Proposed Supply Point.
- 5.2.5 For the purposes of paragraph 5.2.4:
- (a) the relevant daily quantity in respect of a Day is the sum of the Supply Meter Point Daily Quantities (or, in the case of a Shared Supply Meter Point, the relevant proportion thereof) for each DM Supply Meter Point comprised in the Proposed Supply Point in respect of that Day;
  - (b) the scaled relevant daily quantity in respect of a DM Supply Meter Point comprised in an Existing Supply Point is the selected daily quantity (under paragraph (c)), multiplied by the Prevailing Supply Point Capacity, divided by the Preceding Year Maximum Capacity, in respect of the Existing Supply Point;
  - (c) for the purposes of paragraph (b), the selected daily quantity is the Supply Meter Point Daily Quantity (or, in the case of a Shared Supply Meter Point, the relevant proportion thereof) for the Supply Meter Point in respect of the Day by reference to which the Preceding Year Maximum Capacity was determined under paragraph 5.2.4(a);
  - (d) a New Supply Meter Point comprised in the Proposed Supply Point shall be disregarded.
  - (e) for the purposes of paragraphs (a) and (c), the relevant proportion is such proportion as the Sharing Registered Users jointly or a User Agent on their behalf may notify to Transco before the Proposed Supply Point Registration Date, provided that such proportions aggregate unity, failing which such proportion shall be one divided by the number of DM Supply Point Components which comprise the Shared Supply Meter Point.
- 5.2.6 At any time at which a Supply Point Offer is outstanding in respect of a Proposed Supply Point which includes a DM Supply Point Component:
- (a) the Proposing User may before submitting a Supply Point Confirmation notify Transco that the User considers that the circumstances in paragraph 5.2.7 apply;
  - (b) where a User so notifies Transco:
    - (i) the User shall at the same time provide to Transco details of the User's reasons for its view and of the Supply Point Capacity which the User

## SUPPLY POINTS

considers should be the Prevailing Supply Point Capacity, and evidence therefor;

- (ii) Transco will consider the details and evidence provided by the User, and where it is reasonably satisfied that the circumstances in paragraph 5.2.7 do apply, will (after consultation with the User) notify the User of a reduced Supply Point Capacity;
- (iii) if the User submits a further Nomination (for the purpose of this paragraph 5.2.6) in respect of the Proposed Supply Point, the reduced Supply Point Capacity under paragraph (ii) will be the Prevailing Supply Point Capacity for the purposes of the application of paragraph 2.7.3 in respect of any Supply Point Confirmation submitted by the User;
- (c) where in the meantime the User has submitted a Supply Point Confirmation which has become effective, the User may by submitting a Supply Point Reconfirmation revise (consistently with such reduced Prevailing Supply Point Capacity) the Supply Point Capacity which it holds at the DM Supply Point Component, and (where the User does so) any Transportation Charges already invoiced and/or paid will be redetermined (but subject to paragraph 5.2.9) on the basis that the revised Supply Point Capacity was held with effect from the Supply Point Registration Date and appropriate invoicing adjustments made in accordance with [Section S](#).

5.2.7 The circumstances referred to in paragraph 5.2.6 are that:

- (a) in applying for, or for an increase in, Supply Point Capacity, or in failing (in the Capacity Reduction Period) to apply for a reduction in Supply Point Capacity, an Existing Registered User acted either:
  - (i) in bad faith, in anticipation of or in consequence of the Proposing User's (or any other User's) Proposed Supply Point Registration; or
  - (ii) in good faith but in a manner which cannot reasonably be considered to have been commercially prudent for the Existing Registered User in the circumstances applicable to the Existing Registered User at the time; and
- (b) as a result, the Prevailing Supply Point Capacity is substantially higher than necessary.

5.2.8 For the purposes of paragraph 5.2.7:

- (a) the circumstances therein described do not include a change, since the application by the Existing Registered User for Supply Point Capacity or (as the case may be) an increase therein or the Capacity Reduction Period, in the nature or extent of the consumer's requirements for the supply of gas;
- (b) where the consumer's consumption of gas is weather-dependent, it shall not be considered commercially imprudent for the Existing Registered User to have held Supply Point Capacity equal to 1-in-20 peak day demand.

5.2.9 For the purposes of paragraph 5.2.6(c), no adjustment will be made in respect of any change in the Applicable Commodity Rate (where a function of Supply Point Capacity) in relation to any relevant Transportation Charge already invoiced or paid.

5.2.10 Where:

- (a) one of the Sharing Registered Users of a Supply Meter Point applies to increase its Registered Supply Point Capacity at a Firm DM Supply Point Component which includes such Supply Meter Point, and
- (b) another of such Sharing Registered Users applies to reduce its Registered Supply Point Capacity at such a Firm DM Supply Point Component with effect from the same date as, and by an amount which does not exceed the amount of, the increase applied for under paragraph (a)

then paragraph 5.2.1 shall not apply in respect of the application under paragraph (b).

### 5.3 Supply Point Offtake Rate

5.3.1 The "**Supply Point Offtake Rate**" in respect of a DM Supply Point Component is the maximum instantaneous rate (in kWh/hour) at which a User is permitted to offtake gas from the System at that Supply Point Component.

5.3.2 A User shall apply for a Supply Point Offtake Rate or revised Supply Point Offtake Rate:

- (a) when submitting a Supply Point Nomination (as a Proposing User) in respect of a Proposed Supply Point which includes a DM Supply Point Component;
- (b) when submitting a Capacity Revision Application (whether to increase or in the Capacity Reduction Period to reduce its Supply Point Capacity) in respect of a Registered DM Supply Point Component;
- (c) whenever the User becomes aware that the maximum offtake rate at a Registered DM Supply Point Component may be or has been subject to any increase.

5.3.3 Wherever a User applies for a Supply Point Offtake Rate or a revised Supply Point Offtake Rate:

- (a) the User shall estimate the maximum offtake rate, in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care, and
- (b) the Supply Point Offtake Rate for which the User applies shall be not less than, nor substantially more than, such estimate.

5.3.4 A User shall take all reasonable steps to secure that it becomes aware of any increase (whether by reason of a change in the size or nature of, or the nature of the use of, the Consumer's Plant or otherwise) in the maximum offtake rate before and (in any event) as soon as reasonably practicable after such increase occurs (without prejudice to paragraph 5.5.4(c) or [Section J3.8](#)).

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- 5.3.5 The Supply Point Offtake Rate prevailing at any time in respect of any DM Supply Point Component will be the Supply Point Offtake Rate specified in the Supply Point Offer, subject to any increase or decrease in such Supply Point Offtake Rate which has (at such time) been approved pursuant to paragraph 5.5.4.
- 5.3.6 In this paragraph 5.3, the "**maximum offtake rate**" is the maximum instantaneous rate (in kWh/hour) at which gas is or is likely to be offtaken from the System at a Registered DM Supply Point Component.
- 5.3.7 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), the maximum offtake rate is to be determined as at the time of the expected greatest instantaneous rate of offtake in aggregate at all of the Firm DM Supply Point Components which comprise such Shared Supply Meter Point(s).

**5.4 Absolute requirement**

- 5.4.1 A User's Supply Point Capacity in respect of a DM Supply Point Component shall not be greater than 24 times, or less than 4 times, the Supply Point Offtake Rate; provided that in the case of an NTS Supply Point Component the User's Supply Point Capacity shall be equal to 24 times the Supply Point Offtake Rate.
- 5.4.2 Transco will reject any Supply Point Nomination in respect of a Proposed Supply Point which includes a DM Supply Point Component where the Nominated Supply Point Capacity and Supply Point Offtake Rate are not in compliance with paragraph 5.4.1.
- 5.4.3 Transco will reject any Capacity Revision Application by the Registered User of a DM Supply Point Component where the Supply Point Offtake Rate (prevailing or applied for under paragraph 5.3.2(b)) and the increased or reduced Supply Point Capacity are not in compliance with paragraph 5.4.1.
- 5.4.4 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), the requirements in paragraph 5.4.1 shall apply by reference to the aggregate Supply Point Capacity held and the aggregate of the Supply Point Offtake Rates in respect of all the Firm DM Supply Point Components which comprise such Shared Supply Meter Point(s).

**5.5 Other requirements**

- 5.5.1 For the purposes of this Section G, in respect of a DM Supply Point Component:
- (a) the "**Maximum Supply Point Capacity**" is the quantity which (where it is necessary to do so under this Section G) Transco determines to be the maximum quantity which it is feasible to make available for offtake in a 24 hour period at the DM Supply Point Component;
  - (b) the "**Maximum Supply Point Offtake Rate**" is the instantaneous rate of offtake (in kWh/hour) which (where it is necessary to do so under this Section G) Transco determines to be the maximum instantaneous rate at which it is feasible to make gas available for offtake at the DM Supply Point Component;

in each case consistently with the requirements of paragraph 5.4.

- 5.5.2 The "**Provisional Maximum Supply Point Capacity**" in respect of the DM Supply

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Point Component of a Supply Point (other than a Proposed Supply Point which is a New Supply Point and other than an NTS Supply Point) is whichever is the lesser of:

- (a) 2 times the Prevailing Supply Point Capacity; and
- (b) 16 times the Supply Point Offtake Rate or (in the case of a Proposed Supply Point) Nominated Supply Point Offtake Rate.

5.5.3 Where a Proposing User submits a Supply Point Nomination (i) for a Current Supply Point, in which the Nominated Supply Point Capacity exceeds the Provisional Maximum Supply Point Capacity, or the Nominated Supply Point Offtake Rate exceeds the Supply Point Offtake Rate for the Existing Supply Point, or (ii) for a New Supply Point:

- (a) a Supply Point Offer will not be made until Transco has assessed whether it is feasible to make available gas for offtake at the Nominated Supply Point Offtake Rate or (in a 24 hour period) in the amount of the Nominated Supply Point Capacity;
- (b) where Transco determines that the Nominated Supply Point Capacity exceeds the Maximum Supply Point Capacity, the Supply Point Capacity specified in the Supply Point Offer will be the Maximum Supply Point Capacity;
- (c) where Transco determines that the Nominated Supply Point Offtake Rate exceeds the Maximum Supply Point Offtake Rate, the Supply Point Offtake Rate specified in the Supply Point Offer will be the Maximum Supply Point Offtake Rate.

5.5.4 Where the Registered User of a DM Supply Point Component (i) submits a Capacity Revision Application (for an increase) in which the increased Supply Point Capacity exceeds the Provisional Maximum Supply Point Capacity, or the Supply Point Offtake Rate (applied for under paragraph 5.3.2(b)) exceeds the prevailing Supply Point Offtake Rate, or (ii) applies for an increased Supply Point Offtake Rate pursuant to paragraph 5.3.2(c):

- (a) the application will not be approved until Transco has assessed whether it is feasible to make available gas for offtake at the proposed Supply Point Offtake Rate or (in a 24 hour period) in the amount of the proposed Supply Point Capacity;
- (b) where Transco determines that the increased Supply Point Capacity applied for exceeds the Maximum Supply Point Capacity, the application will be approved (if otherwise approved under this paragraph 5) for the Maximum Supply Point Capacity;
- (c) where Transco determines that the proposed Supply Point Offtake Rate exceeds the Maximum Supply Point Offtake Rate, the application will be approved (if otherwise approved under this paragraph 5, where relevant) for the Maximum Supply Point Offtake Rate.

5.5.5 Where, following the occurrence of a Supply Point Ratchet in relation to a Firm DM Supply Point Component, the sum of the Capacity Ratchet Amount and the User's Registered Supply Point Capacity would exceed the Provisional Maximum Supply

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Point Capacity:

- (a) with effect from the following Day, and until Transco has assessed whether it is feasible to make available gas for offtake (in a 24 hour period) in the amount of such sum, the Ratchetted Supply Point Capacity shall be equal to the Provisional Maximum Supply Point Capacity;
- (b) with effect from the time at which Transco has assessed such feasibility, the Ratchetted Supply Point Capacity shall be equal to the lesser of:
  - (i) the Maximum Supply Point Capacity, and
  - (ii) the sum of the User's Registered Supply Point Capacity (immediately before the Supply Point Ratchet) and the Capacity Ratchet Amount;
- (c) Transco will inform the Registered User of the Ratchetted Supply Point Capacity determined under paragraph (b) as soon as reasonably practicable after assessing such feasibility.

5.5.6 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), this paragraph 5.5 and paragraph 6.3.4 shall apply by reference to the aggregate of the Supply Point Capacities and Supply Point Offtake Rates, and the rates and quantities at and in which it is feasible to make gas available for offtake in aggregate, at or in respect of all the Firm DM Supply Point Components which comprise such Shared Supply Meter Point(s); and accordingly any determination pursuant to this paragraph 5.5 or paragraph 6.3.4 will be made by reference to the expected increment in the aggregate offtake of gas from the System at the relevant Shared Supply Meter Point(s).

## 5.6 Maximum NDM offtake rate

5.6.1 This paragraph 5.6 applies in respect of NDM Supply Point Components.

5.6.2 Where the Registered User becomes aware that (as a result in any change in the extent or nature of the consumer's requirements for consumption of gas) there will be or there has been a threshold rate increase in respect of an NDM Supply Point Component whose Annual Quantity exceeds 732,000 kWh (25,000 *therms*) paragraph 5.6.5 shall apply.

5.6.3 For the purposes of this paragraph 5.6, a "**threshold rate increase**" is an increase in the maximum rate at which gas is from time to time offtaken from the System at the NDM Supply Point Component of more than:

- (a) where the Annual Quantity does not exceed 2,196,000 kWh (75,000 *therms*), 100 kW,
- (b) where the Annual Quantity exceeds 2,196,000 kWh (75,000 *therms*), 300 kW.

5.6.4 The Registered User shall take all reasonable steps to secure that it is made aware of any threshold rate increase before such increase occurs.

5.6.5 In the circumstances in paragraph 5.6.2, the Registered User shall:



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- (a) notify Transco not less than 21 Business Days before the first time at which the threshold rate increase will occur, or if later as soon as possible after becoming aware of such increase, providing reasonable details of the amount of or reason for the increase;
- (b) take reasonable steps to secure that no threshold rate increase, or no further offtake at the rate of the threshold rate increase, occurs until such time as Transco has either:
  - (i) provided to the User the notice referred to in paragraph (c), or
  - (ii) notified the User that it is feasible to make gas available for offtake at the Supply Point Component at the increased rate notified under paragraph (a); and
- (c) where Transco notifies to the User a rate which Transco determines as being the maximum instantaneous rate at which it is feasible to make gas available for offtake at the Supply Point Component, secure that the rate of offtake of gas does not exceed such rate.

5.6.6 Transco will not be obliged under any provision of the Code to make gas available for offtake at an NDM Supply Point Component at any rate in excess of a rate in respect of which the requirements of this paragraph 5.6 have been complied with.

## 6 INTERRUPTIBLE SUPPLY POINTS

### 6.1 General

#### 6.1.1

- (a) Subject to the further provisions of this paragraph 6, where at any time a Supply Point is eligible to be an Interruptible Supply Point in accordance with paragraph 6.2, the Registered User may by giving notice to Transco not later than the Change Request Deadline designate the Supply Point as being Interruptible with effect from an Eligible Status Change Date.
- (b) Subject to the further provisions of this paragraph 6, where at any time a Firm Supply Point, other than a Firm Supply Point in which any Shared Supply Meter Point is comprised, is eligible to be an Interruptible Supply Point in accordance with paragraph 6.2, the Registered User of that Firm Supply Point and the Registered User of an Interruptible Supply Point, other than an Interruptible Supply Point in which any Shared Supply Meter Point is comprised, may, by giving written notice to Transco and on payment by the Registered User of the Interruptible Supply Point of the Administration Charges ( if any) set out in the Transportation Statement, designate the Firm Supply Point and the Interruptible Supply Point to be Partner Supply Points with effect from the notification by Transco being no more than 20 Business Days from the date of the notice to Transco, Transco may, from time to time issue guidelines to Registered Users to ensure that Partner Supply Points create an equivalent effect on the System.
- (c) A Supply Point which has been designated by the Registered User and confirmed by Transco to be a Partner Supply Point will remain so designated

## SUPPLY POINTS

until and unless its designation is cancelled by the Registered User by giving at least 10 Business Day's written notice to Transco, or in accordance with paragraph (d).

- (d) Where another User is to become the Registered User of a Partner Supply Point, the Proposing User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date notify Transco of such change. The Partner Supply Point shall transfer to the new Registered User from the Supply Point Registration Date as a Partner Supply Point.
  - (e) Where the Partner Interruptible Supply Point has a Firm Allowance in place in accordance with paragraph 1.15, such Firm Allowance may not be transferred to the Partner's Firm Supply Point, unless in Transco's reasonable opinion the Transportation Requirement is satisfied.
- 6.1.2 A Supply Point which has been designated as Interruptible will continue to be so designated until and unless it is redesignated as Firm under paragraph 6.3 or paragraph 6.9.
- 6.1.3 For the purposes of the Code:
- (a) a Supply Point is "**Interruptible**" where the offtake of gas from the System at the Supply Point is subject to Interruption in accordance with paragraph 6.7, and otherwise is "**Firm**";
  - (b) an "**Interruptible Supply Point**" is a Supply Point which is for the time being designated as Interruptible;
  - (c) a "**Firm Supply Point**" is a Supply Point which is not for the time being designated as Interruptible (including one which has been redesignated as Firm).
  - (d) A Partner Supply Point is a Partner Interruptible Supply Point or a Partner Firm Supply Point.
  - (e) A Partner Interruptible Supply Point is an Interruptible Supply Point which has, for the time being, in accordance with paragraph 6.1.1(b) nominated a Firm Supply Point to be its Partner Supply Point.
  - (f) A Partner Firm Supply Point is a Firm Supply Point which has, for the time being, in accordance with paragraph 6.1.1(b) been nominated to be a Partner Supply Point to an Interruptible Supply Point.
  - (g) A Network Sensitive Load ("**NSL**") is an Interruptible Supply Point where its specific interruption may be required by Transco for the purpose of maintaining the offtake of gas at the Firm Supply Points which are located in the local area of, and are connected to the same local pipeline system as such Interruptible Supply Point. As a consequence, such Interruptible Supply Point is therefore likely to have a higher probability of interruption than an Interruptible Supply Point which is not an NSL.
- 6.1.4 For the purposes of this Section G:
- (a) a reference to a Supply Meter Point changing status is a reference to the Supply



## SUPPLY POINTS

Point in which it is comprised becoming a Firm Supply Point where it was Interruptible or becoming an Interruptible Supply Point where it was Firm; and where a Supply Meter Point has changed status it will (but without prejudice to the provisions of this paragraph 6.1 pursuant to which it may change status) continue to be treated as having done so irrespective of the Registered User of any Supply Point in which it may subsequently be comprised;

- (b) an "**Eligible Status Change Date**" is a date with effect from which a Firm Supply Point may become Interruptible or an Interruptible Supply Point may become Firm;
- (c) in relation to a Supply Point at any time an Eligible Status Change Date is:
  - (i) if no Supply Meter Point comprised in the Supply Point has at any time changed status, any date;
  - (ii) except as provided in paragraph (i) or (iii), the date in respect of which the following conditions are satisfied:
    - (1) the date is not less than 12 months after the most recent date on which any such Supply Meter Point changed status; and

(for the purposes of which the date of a change in status of a Supply Meter Point pursuant to paragraph 6.3.7 shall not be counted);

  - (iii) if the Interruptible status of a Supply Point is being transferred to one or more Firm Supply Points which create an equivalent effect on the Network, any date;
- (d) in relation to an Eligible Status Change Date the "**Change Request Deadline**" is the Day two months before such Eligible Status Change Date;
- (e) where a User submits a Supply Point Confirmation which becomes effective in respect of a Supply Point, Transco will if requested by the User provide to the User as soon as reasonably practicable after the Supply Point Registration Date such information as may be necessary to enable the User to ascertain the Eligible Status Change Date or Dates.

6.1.5 Where a User submits a Supply Point Confirmation in respect of a Proposed Supply Point which includes any Supply Meter Point comprised in an Existing Supply Point which (at the Proposed Supply Point Registration Date) is Interruptible:

- (a) if each Existing Supply Point is Interruptible, the Proposed Supply Point will (if the Supply Point Confirmation becomes effective) be an Interruptible Supply Point, except that if the Supply Point Confirmation was submitted before the Change Request Deadline and the Proposed Supply Point Registration Date is not later than an Eligible Status Change Date, the Proposing User may (subject to and in accordance with paragraph 6.3) redesignate the Supply Point as Firm with effect from the Eligible Status Change Date;
- (b) (in accordance with paragraph 2.7.6) if there is another Existing Supply Point which (at the Proposed Supply Point Registration Date) is not Interruptible:
  - (i) the Proposed Supply Point Registration Date must be an Eligible Status

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Change Date, and

- (ii) the Proposing User may designate (provided the Proposed Supply Point is eligible in accordance with paragraph 6.2.1, and subject to paragraph 6.3) the Proposed Supply Point as Interruptible or Firm.
- 6.1.6 Where a User has submitted a Supply Point Confirmation which will (in accordance with paragraphs 2.8.7 or 2.9.1) become effective, no Existing Registered User may submit a notice designating an Existing Supply Point as Interruptible or redesignating it as Firm.
- 6.1.7 A notice designating a Supply Point as Interruptible or redesignating a Supply Point as Firm with effect from an Eligible Status Change Date may be revoked by the Registered User before but not after the Change Request Deadline; and accordingly a User who submits a Supply Point Confirmation after the Change Request Deadline may not alter the designation (as Interruptible or Firm) of the Supply Point until the next following Eligible Status Change Date.
- 6.1.8 Without prejudice to the generality thereof, the indemnity provided for in [Section V14.1.1](#) shall apply in respect of the taking of any steps or the exercise by Transco of any entitlement provided for in this paragraph 6.
- 6.1.9 In respect of an Interruptible Supply Point the Registered User (or Sharing Registered Users) shall:
  - (a) not be required to pay NTS Exit Capacity Charges and LDZ Capacity Charges;
  - (b) be entitled to a payment, where in respect of an Interruptible Supply Point Transco requires Interruption on more than 15 Days in any Formula Year, calculated in the manner provided in the Transportation Statement.

## 6.2 Conditions for designation as Interruptible

- 6.2.1 A Supply Point is eligible to be designated an Interruptible Supply Point in any Gas Year for which its Annual Quantity is greater than 5,860,000 kWh (*200,000 therms*).
- 6.2.2 In accordance with paragraph 1.7, a Supply Point includes a Shared Supply Meter, the Shared Supply Meter Point Notification shall provide (pursuant to paragraph 1.7.7(a)) for allocation in tranches:
- 6.2.3 By designating a Supply Point as Interruptible with effect from an Eligible Status Change Date, or submitting a Supply Point Confirmation in respect of an Interruptible Supply Point, and by not redesignating an Interruptible Supply Point as Firm with effect from an Eligible Status Change Date, the Registered User represents to Transco that, or where the User is not the supplier that the supplier has represented to the User that, the requirement in paragraph 6.2.4 will be complied with.
- 6.2.4 The requirement referred to in paragraph 6.2.3 is that the contract or contracts of supply to the consumer, in force at the Eligible Status Change Date or (as the case may be) the Supply Point Registration Date, oblige the consumer to give effect to Interruption (including in the case where the requirement for Interruption is notified by Transco under paragraph 6.8.4).

- 6.2.5 Without prejudice to paragraph 6.2.4, a Supply Point which includes an NDM Supply Point Component may (subject to this paragraph 6.2) be designated as Interruptible.

### 6.3 Redesignation as Firm

- 6.3.1 Where a Supply Point is for the time being an Interruptible Supply Point:

- (a) subject to paragraph 6.3.2 and except where the Supply Point is or is to be a TNI Supply Point, the Registered User may redesignate the Supply Point as Firm with effect from an Eligible Status Change Date, by giving notice to Transco not later than the Change Request Deadline;
- (b) where the Supply Point ceases to be eligible in accordance with paragraph 6.2.1 in respect of any Gas Year, the Supply Point shall unless Transco otherwise determines be redesignated as Firm with effect from the first Eligible Status Change Date in that Gas Year.

- 6.3.2 Where:

- (a) pursuant to any provision of this paragraph 6 a Supply Point is to be redesignated or (pursuant to paragraph 6.1.5(b)(ii)) designated as Firm with effect from an Eligible Status Change Date, and
- (b) Transco determines and notifies the User that the Firm Transportation Requirement is not satisfied

the designation or redesignation as Firm will not be effective and (subject to paragraph 6.3.5) the Supply Point will continue to be an Interruptible Supply Point.

- 6.3.3 In the case of a redesignation as Firm pursuant to paragraph 6.3.1(a), any notification by Transco under paragraph 6.3.2(b) will be given not later than one month after the relevant Change Request Deadline.
- 6.3.4 For the purposes of the Code the "**Firm Transportation Requirement**" in respect of an Interruptible Supply Point is the requirement that (after taking into account Transco's ability to Interrupt at other Interruptible Supply Points) it would be feasible to make gas available for offtake at the Supply Point (if the Supply Point were Firm) at a rate not less than the Supply Point Offtake Rate (and as respects any NDM Supply Point Component, an appropriate estimated rate of offtake) and in quantities (in a 24 hour period) in the amount of the Supply Point Capacity which the User would (pursuant to paragraph 6.3.9) hold upon its redesignation as Firm.
- 6.3.5 Subject to paragraph 6.3.6, the Registered User may after an Eligible Status Change Date redesignate a Siteworks Specified Interruptible Supply Point as Firm in accordance with paragraph 7.4.6.
- 6.3.6 Subject to paragraph 6.3.7, a User may not redesignate a Supply Point as Firm pursuant to paragraph 7.4.6 unless the User had not later than the Change Request Deadline given notice under paragraph 6.3.1(a) of such redesignation which pursuant to paragraph 6.3.2 was not effective.
- 6.3.7 Where at any time:

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- (a) a Supply Point is Interruptible, and
- (b) the Registered User demonstrates to the reasonable satisfaction of Transco that, by reason of a substantial change, which has occurred since and was not reasonably foreseeable at the most recent Change Request Deadline, in the physical nature of the consumer's requirements for the supply of gas, the consumer requires the Supply Point to be Firm,

the User may (subject to paragraph 6.3.2) redesignate the Supply Point as Firm with effect from any later Day.

6.3.8 Where in any Gas Year a Supply Point is redesignated as Firm pursuant to paragraph 6.3.7, until the first Eligible Status Change Date which is more than 12 months after the date of such redesignation, no Supply Meter Point comprised in the Supply Point may be comprised in any Interruptible Supply Point (irrespective of the Registered User).

6.3.9 Where an Interruptible Supply Point is redesignated as Firm, or for the purposes of calculating charges where there has been a failure to Interrupt, the Registered Supply Point Capacity held by the Registered User at the DM Supply Point Component or the Supply Point respectively shall be whichever is the greater of the Prevailing Supply Point Capacity and the Bottom-stop Supply Point Capacity (and the Supply Point Offtake Rate shall be unchanged).

6.3.10 Where a User seeks to redesignate an Interruptible Supply Point as Firm with effect from an Eligible Status Change Date between 2nd October and 31st March, Transco may reject such redesignation in accordance with [Section P2.9.3](#).

## 6.4 SDMC(I) Supply Points

6.4.1 Where Transco reasonably determines, in relation to an Interruptible Supply Point with a DM Supply Point Component whose Annual Quantity does not exceed 58,600,000 kWh (*2,000,000 therms*), that (by reason of the location or other characteristics of the part of the System in which the Supply Point is located, or the nature of the Consumer's Plant) the operational benefits of Transco's ability to Interrupt the Supply Point would be materially diminished unless individual Output Nominations are made in respect of the Supply Point, Transco may designate the Supply Point as requiring individual Output Nominations for the purposes of [Section A4.5.3](#).

6.4.2 Any designation under paragraph 6.4.1 shall be:

- (a) in the case of an existing Supply Point Registration, by notice to the Registered User not later than the 5th Business Day in September in the Gas Year preceding the first Gas Year in which such designation is to be effective, or
- (b) in the case of a Proposed Supply Point Registration, in the Supply Point Offer.

## 6.5 TNI Supply Points

6.5.1 Where Transco determines that the relevant number of Days (in accordance with paragraph 6.5.2) would exceed 45 in any Gas Year, Transco may with effect from 1st October (or any other Day agreed with the Registered User) designate an Interruptible Supply Point as being a "**TNI Supply Point**" by giving notice of not less than 12 months (or such lesser period as the Registered User may agree) to the Registered User.

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- 6.5.2 For the purposes of paragraph 6.5.1 the relevant number of Days is the number of Days on which, after taking into account Transco's ability to Interrupt at other Interruptible Supply Points, Transco estimates that, in a year of 1-in-50 Severe Annual Demand, Interruption would be required at the Supply Point.
- 6.5.3 Where Transco designates an Interruptible Supply Point as a TNI Supply Point, Transco's notice to the Registered User will specify the number of Days (exceeding 45) on which Transco may Interrupt the Supply Point or Tranche ( in accordance with paragraph 6.10.1(b)) at the Supply Point in accordance with paragraph 6.7.
- 6.5.4 Not Used.
- 6.5.5 Transco may from time to time by a further notice (of not less than 12 months) under paragraph 6.5.1 or by agreement with the Registered User alter the Interruption Allowance of a TNI Supply Point.
- 6.5.6 Subject to paragraph 6.3.6, the Registered User may (whether on or after an Eligible Status Change Date) redesignate a Siteworks Specified TNI Supply Point as Firm in accordance with paragraph 7.4.6 or apply to redesignate the Interruption Allowance in respect of a TNI Supply Point to a Siteworks Specified number of Days.
- 6.5.7 Transco may withdraw the designation of a Supply Point as a TNI Supply Point by giving notice of not less than 12 months (or such lesser period as the Registered User may agree) to the Registered User.
- 6.5.8 Where a User submits a Supply Point Confirmation which becomes effective in respect of an Interruptible Supply Point:
- (a) if any Existing Supply Point is, or pursuant to a notice given by Transco to the Existing Registered User pursuant to paragraph 6.5.1 would have become, a TNI Supply Point, the Proposed Supply Point shall be, or as the case may be shall (with effect from the date when the Existing Supply Point would have become a TNI Supply Point) become, a TNI Supply Point;
  - (b) any Existing Supply Point is, but pursuant to a notice given by Transco pursuant to paragraph 6.5.7 would have ceased to be, a TNI Supply Point, the Proposed Supply Point shall (with effect from the date when the Existing Supply Point would have ceased to be a TNI Supply Point) cease to be a TNI Supply Point.
- 6.5.9 Transco will, within 10 Business Days after the date of any Supply Point Nomination in respect of an Interruptible Supply Point (or if later as soon as practicable thereafter), notify the Proposing User of whether (and where applicable the date from which) the Proposed Supply Point is or is to become, and/or is to cease to be, a TNI Supply Point pursuant to paragraphs 6.5.8.

## 6.6 Requirements as to Interruptible Supply Points

- 6.6.1 Where a User is or is to become the Registered User of one or more Interruptible Supply Points the User shall:
- (a) not later than the relevant date (in accordance with paragraph 6.6.4) in respect of the first Interruptible Supply Point of which it becomes Registered User,

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provide to Transco at least one telephone number and at least one facsimile number (but not more than 4 numbers in total) by means of which Transco may contact, 24 hours a Day, a representative of the User, and the name(s) or title(s) of not more than 3 representatives of the User who may be contacted at such numbers;

- (b) maintain the details provided under paragraph (a) up to date, and notify Transco of any change in such details before such change takes effect; and
- (c) secure that at all times on each Day one of such representatives is available and capable of being so contacted by telephone (with access to facsimile) or by facsimile.

6.6.2 A User shall, in relation to each Interruptible Supply Point of which it is or is to become the Registered User:

- (a) not later than the relevant date (in accordance with paragraph 6.6.4), provide to Transco:
  - (i) in accordance with paragraph 6.6.2(e), the names and/or job titles of representatives of the consumer ("**interruption contacts**") (who, for the avoidance of doubt, may be the same contacts as those referred to in [Section Q](#) as "emergency contacts"), provided that the total number of interruption contacts provided for under this paragraph (and emergency contacts provided for under [Section Q](#)) shall not exceed 5 in relation to any Supply Point;
  - (ii) at least one (but not more than four) telephone numbers for each interruption contact by means of which Transco may contact, 24 hours a day, at least one interruption contact; and
  - (iii) one facsimile number, for the purposes of receiving communications pursuant to Section G and [Section Q](#), which is able to receive transmissions 24 hours a day.
- (b) take all reasonable steps to secure that the details provided under paragraph (a) are maintained up to date and to notify Transco of any change in such details before such change takes effect;
- (c) take all reasonable steps to secure that at all times on each Day one of such representatives is available and capable of being so contacted by telephone (with access to facsimile) and by facsimile;
- (d) secure that the consumer acknowledges the right of Transco to contact the consumer in the circumstances in paragraph 6.8.4 and undertakes to comply with any notification by Transco thereunder.
- (e) for the purposes of paragraph 6.6.2(a):
  - (i) in the case of an Interruptible Supply Point in respect of any site which is manned 24 hours a day, provide to Transco the name(s) and/or job title(s) of at least one but not more than 4 interruption contacts; and
  - (ii) in the case of an Interruptible Supply Point in respect of any site which



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is not manned 24 hours a day, provide to Transco the name(s) and/or job title(s) of at least 1 but not more than 2 interruption contacts.

6.6.3 For the purposes of enabling Transco to plan the exercise of its rights as to Interruption of Interruptible Supply Points, in relation to each Gas Year the Registered User of an Interruptible Supply Point or a Partner Supply Point, will, if so required by Transco, not later than the relevant date (in accordance with paragraph 6.6.4) and thereafter from time to time upon any significant change in such details, obtain from the consumer or supplier and provide to Transco the consumer's best estimate of the following details:

- (a) whether or not gas is likely in normal circumstances to be offtaken at or between particular times of Day specified by Transco for the purposes of this paragraph 6.6.3;
- (b) the maximum quantity of gas to be offtaken on any Saturday and on any Sunday;
- (c) holiday periods in each year during which gas will not be offtaken from the System at the Supply Point (or the DM Supply Point Component thereof).

6.6.4 For the purposes of this paragraph 6.6 the relevant date in respect of an Interruptible Supply Point or a Partner Supply Point is:-

- (a) where the Registered User designates the Supply Point as Interruptible or as a Partner Supply Point from the date set in accordance with paragraph 6.1.1(b); or
- (b) the date on which the User submits a Supply Point Confirmation in respect of the Supply Point.

6.6.5 Where, in relation to any Interruptible Supply Point (but without prejudice to [Section C](#) in relation to Renominations), the Registered User or supplier:

- (a) exercises (other than pursuant to an Interruption Notice under paragraph 6.8.1) any entitlement to require the consumer to discontinue consuming gas offtaken from the System on a Day, or
- (b) having exercised such an entitlement, authorises the consumer to resume such consumption

the Registered User will as soon as reasonably practicable, and in accordance with paragraph 6.6.7, inform Transco of the matters set out in paragraph 6.6.6, provided that the Registered User shall use reasonable endeavours to inform Transco not more than one hour after such discontinuance and/or not less than one hour before such resumption.

6.6.6 The matters to be informed by the Registered User to Transco pursuant to paragraph 6.6.5 are:

- (a) the identity of the Interruptible Supply Point;
- (b) the time with effect from which the consumer will be required to discontinue, or authorised to resume, consumption; and
- (c) an estimate of the amount by which the quantity of gas offtaken will increase or

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decrease as a result of such discontinuance or resumption.

- 6.6.7 For the purposes of paragraph 6.6.5 the User will give the relevant information to Transco by means of telephone or facsimile, unless it has given to Transco not less than one month's notice of its intention to give such information by Batch Transfer Communication, in which case such User will give information to Transco for the purposes of paragraph 6.6.5 only by Batch Transfer Communication, and will promptly inform Transco by telephone or facsimile of the transmission of each such Batch Transfer Communication.
- 6.6.8 Where Transco notifies a User that it is unable satisfactorily to access a Batch Transfer Communication transmitted pursuant to paragraph 6.6.7, that User will promptly send to Transco by facsimile the information contained in that Batch Transfer Communication.

## 6.7 Interruption

- 6.7.1 For the purposes of the Code "**Interruption**" at a Supply Point means interruption on Transco's instruction (for one or more Days or parts of a Day) of the offtake of gas from the System at each Supply Meter Point comprised in the Supply Point, and references to a Supply Point being Interrupted and to Transco's right to Interrupt a Supply Point shall be construed accordingly. Interruption at a Partner Firm Supply Point shall be treated as if the Interruption took place at the Partner Interruptible Supply Point.
- 6.7.2 Where (in accordance with this paragraph 6) Transco requires Interruption at a Supply Point:
- (a) the Registered User shall secure that (subject to paragraph 6.7.7) the requirement in paragraph (b) is complied with;
  - (b) subject to paragraph 6.10.4, the requirement is that no gas (beyond the Shutdown Tolerance) shall be offtaken from the System at the Supply Point, with effect from the Interruption Start Time (in accordance with paragraph 6.8.1) and until such time as Transco shall specify in accordance with paragraph 6.8.5.
  - (c) and the Registered User has a Firm Allowance greater than 3,000 kWh/Day (*100 therms/Day*) granted in accordance with paragraph 1.15 then no Shutdown Tolerance shall be available in accordance with paragraph (b). Where the Firm Allowance is less than 3,000 kWh/Day (*100 therms/Day*) a residual Shutdown Tolerance of 3,000 kWh/ Day (*100 therms/Day*) less the Firm Allowance shall be available.
- 6.7.3 Subject to paragraph 6.7.5, Transco may require Interruption at an Interruptible Supply Point:
- (a) on any Day on which there is or Transco anticipates that there would otherwise be a relevant Transportation Constraint (in accordance with paragraph 6.7.4);
  - (b) on not more than 3 Days in any Gas Year, where Transco has any reasonable doubt as to whether the requirements in paragraph 6.2.4 are satisfied or the provisions of this paragraph 6 in relation to Interruption are or are capable of being complied with in respect of the Supply Point, for the purposes of verifying such matters; and



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- (c) on any Day in respect of which, at any time, Forecast Total System Demand exceeds 85% of System 1-in-20 peak day demand.
- 6.7.4 A relevant Transportation Constraint is a Transportation Constraint which would be relieved (in whole or in part) by the discontinuance or suspension of offtake at the Interruptible Supply Point (provided that Transco will not be required to exercise its entitlement to require Interruption in respect of an Interruptible Supply Point which is a Maintenance Affected Point pursuant to [Section L4.3](#)).
- 6.7.5 The number of Days (including parts of a Day) in respect of which Transco requires Interruption in respect of an Interruptible Supply Point in any Gas Year shall not exceed the following (the "**Interruption Allowance**"):
- (a) except in the case of a TNI Supply Point, 45 Days;
  - (b) in the case of a TNI Supply Point, the number of Days for the time being specified pursuant to paragraph 6.5.3;

provided that a Day in respect of which Transco gives more than one Interruption Notice shall be counted only as one Day of Interruption at the Supply Point provided further that Transco may continue to require Interruption at certain Tranches at a Supply Point (up to the Interruption Allowance of such Tranches) where the Interruption Allowance of such Tranches is greater than that of other Tranches at the same Supply Point whose Interruption Allowances have been fully utilised.

- 6.7.6 Where a Supply Point Confirmation in respect of an Interruptible Supply Point becomes effective on a Day other than 1st October:
- (a) Days (in the Gas Year in which the Supply Point Registration Date falls) in respect of which Transco required Interruption of the Existing Supply Point, up to but not including the Supply Point Registration Date, shall be counted towards the use of the Interruption Allowance; provided that where the Proposed Supply Point is a New Supply Point the number of Days so counted shall be the average, weighted by reference to the Annual Quantity of each Supply Meter Point comprised in the New Supply Point, of the number of Days of Interruption in the relevant Gas Year in respect of each Interruptible Existing Supply Point;
  - (b) upon request of the Proposing User made after the Supply Point Registration Date, Transco will inform the Registered User of the number of Days counted towards the use of the Interruption Allowance pursuant to paragraph (a);
  - (c) where the Proposed Supply Point comprises only New Supply Meter Points:
    - (i) if the Supply Point Registration Date is before 1st April in the relevant Gas Year, the Interruption Allowance shall be in accordance with paragraph 6.7.5;
    - (ii) if the Supply Point Registration Date is on or after 1st April in the relevant Gas Year, the Interruption Allowance shall be reduced from that determined in accordance with paragraph 6.7.5 by 1/6th for each completed month in such Gas Year after 1st April and before the Supply Point Registration Date.

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- 6.7.7 In the case of an Interruptible Supply Point which is not comprised in a Partner Supply Point or a Shared Supply Meter Point, other than as provided in paragraph 1.7.5, Transco may, at its discretion on application by the Registered User, allow the Registered User to satisfy the requirement for Interruption by a reduction in offtake rather than a total discontinuance in offtake at the Supply Point, in accordance with paragraph 6.10 ("**Partial Interruption**").
- 6.7.8 The exercise by Transco of any right (other than pursuant to this paragraph 6) to require or secure the discontinuance or reduction of offtake at any Supply Meter Point shall not count towards the use of the Interruption Allowance or otherwise count as Interruption for the purposes of this paragraph 6.
- 6.7.9 Without prejudice to the requirement under paragraph 6.7.2(b), it is acknowledged that pursuant to [Section H](#) a User will be treated as having offtaken gas from the System at an Interruptible NDM Supply Point Component on a Day on which Transco required Interruption, and that such treatment will not constitute failure to Interrupt for the purposes of paragraph 6.9.
- 6.7.10 Transco will notify the Registered User when Transco requires an Interruptible Supply Point to be designated as an NSL (for the time being). Such notice will be sent no less than 20 Business Days in advance of the date of the required status change.
- 6.7.11 Where Transco has designated an Interruptible Supply Point as an NSL and its interruption has been required in accordance with paragraph 6.1.3(g), then the provisions of paragraph 6.8.2 shall cease to apply to such Interruptible Supply Point for the period it is designated as an NSL.
- 6.7.12 When Transco no longer requires the Interruptible Supply Point to be designated as an NSL it shall notify the Registered User accordingly and from the date of such notification such Interruptible Supply Point shall cease to be so designated.
- 6.7.13 Any Interruptible Supply Point which has been designated as an NSL will not be treated as a TNI Supply Point unless such Interruptible Supply Point has been designated as a TNI Supply Point in accordance with paragraph 6.5.
- 6.7.14 Not Used.

## 6.8 Notification requirements

- 6.8.1 Where Transco requires or has a revised requirement for Interruption in respect of one or more Supply Points, Transco will give to the Registered User, not less than 5 hours before the time ("**Interruption Start Time**") with effect from which Interruption is required, notice ("**Interruption Notice**") specifying:
- (a) the Supply Points (and Tranches where applicable) to be Interrupted,
  - (b) the Gas Flow Day,
  - (c) the Interruption Start Time, and
  - (d) Transco's estimate (which shall not bind Transco) of the time at which the requirement for Interruption will cease to apply.

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- 6.8.2 The User may request by telephone or facsimile an alteration to the Supply Points specified in the Interruption Notice; and where not less than 5 hours before the Interruption Start Time Transco and the User have agreed (but so that Transco shall not be required to agree) upon such an alteration, the Interruption Notice will be revised accordingly and resubmitted by Transco to the User as soon as reasonably practicable.
- 6.8.3 The User shall, by telephone or facsimile (or otherwise in accordance with this paragraph 6.8):
- (a) not later than 30 minutes after Interruption Notice was given, acknowledge receipt of that notice;
  - (b) not later than 5 hours after Interruption Notice was given, confirm to Transco that Interruption (in accordance with such notice) has taken place or will take place; and
  - (c) as soon as reasonably practicable, notify Transco of any facts or circumstances known to the User that might prevent Interruption from taking place or cause Interruption to take place after the Interruption Start Time; and
  - (d) in the case of a Partner Interruptible Supply Point confirm to Transco, at which Partner Supply Point the Interruption has taken place or will take place.
- 6.8.4 Where the User has not acknowledged receipt of an Interruption Notice within 30 minutes after such notice was given, Transco may not less than 4 hours before the Interruption Start Time notify the requirement for Interruption at each relevant Supply Point directly to the consumer, specifying the Gas Flow Day and Interruption Start Time.
- 6.8.5 Where Transco has given an Interruption Notice in respect of any Supply Point, as soon as reasonably practicable after Transco determines that the requirement for Interruption no longer applies or will at a certain time cease to apply (having regard to the circumstances in accordance with paragraph 6.7.3 in which such notice was given), Transco will so notify the User specifying the time (where later than the time of such notification) at which the requirement for Interruption will no longer apply.
- 6.8.6 As soon as reasonably practicable after Transco has given one or more Interruption Notices, it will send to all relevant Registered Users an Active Notification Communication stating that, in relation to all Users who have made an election under paragraph 6.8.7, such Batch Transfer Communications have been sent by Transco.
- 6.8.7 A User may elect, by giving not less than one month's notice to Transco:
- (a) to receive all Interruption Notices in respect of Supply Points in relation to which it is Registered User; and
  - (b) to give all confirmations pursuant to paragraph 6.8.3(b)
- by means of Batch Transfer Communication.
- 6.8.8 Subject to paragraphs 6.8.9 and 6.8.10, where a User makes an election under paragraph 6.8.7, on expiry of the relevant period of notice Code Communications for the purposes of paragraph 6.8.1 and 6.8.3(b) shall be given by Batch Transfer Communication, and where the User gives any Code Communication to Transco under this paragraph 6.8 by

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Batch Transfer Communication, the User must promptly inform Transco, by telephone or facsimile, of the transmission of such Batch Transfer Communication.

## 6.8.9 Where:

- (a) Transco has given to a User an Interruption Notice by Batch Transfer Communication; and
- (b) the User is unable, in accordance with [Section U paragraph 4.5](#), to access such Batch Transfer Communication; and
- (c) the User notifies Transco of such inability, by telephone or facsimile, not later than 30 minutes after the Interruption Notice was given

Transco will give to the User Interruption Notice by facsimile, and this facsimile shall constitute Interruption Notice for the purpose of establishing the Interruption Start Time.

## 6.8.10 Where any User has made an election pursuant to paragraph 6.8.7, that User may elect by notice to Transco:

- (a) to receive all Interruption Notices in respect of Supply Points in relation to which it is Registered User; and
- (b) to give all confirmations under paragraph 6.8.3(b)

by facsimile, provided that no election may be made under this paragraph 6.8.10 less than one month after the date of an election by that User under paragraph 6.8.7.

## 6.8.11 Where a User makes an election under paragraph 6.8.10, on expiry of one month from the date of the relevant notice, or from such other date as Transco and the User may agree, Code Communications for the purposes of paragraph 6.8.1 and 6.8.3(b) shall be given by telephone or facsimile.

## 6.8.12 Where an Interruptible Supply Point comprises Shared Supply Meter Point(s):

- (a) paragraph 6.8.2 shall not apply in respect of such Supply Point;
- (b) where there is more than one Interruptible Supply Point which comprises such Shared Supply Meter Point(s), any requirement for Interruption will apply in respect of all (and not some only) of such Interruptible Supply Points;
- (c) where a Sharing Registered User Agent is appointed, any Interruption Notice will be submitted (notwithstanding any requirement for submission to any User) to such Agent as well as to the Sharing Registered Users of the Interruptible Supply Points.

## 6.9 Failure to Interrupt

## 6.9.1 For the purposes of the Code:

- (a) subject to paragraph (b), there is a **"failure to Interrupt"** at an Interruptible Supply Point where, on any occasion on which Transco requires Interruption in respect of the Supply Point, the requirement in paragraph 6.7.2(b) is not

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complied with in respect of each Supply Meter Point at any time on any Day (the "**failure Day**") during the period referred to in that paragraph;

- (b) a failure to comply with a requirement for Interruption pursuant to paragraph 6.7.3(b):
    - (i) will not be counted as a failure to Interrupt for the purposes of paragraph 6.9.7;
    - (ii) subject to paragraph (i), will be counted as a failure to Interrupt if:
      - (1) the User does not demonstrate to the reasonable satisfaction of Transco that all appropriate steps are being taken to ensure that such a failure does not recur at the relevant Supply Point, or
      - (2) the failure is the third failure occurring at the relevant Supply Point during the same Gas Year to comply with a requirement for Interruption pursuant to paragraph 6.7.3(b);
- but not otherwise;
- (c) for the purposes of this paragraph 6.9 a Supply Point the subject of a Supply Point Reconfirmation shall be treated as being the same Supply Point as the Existing Supply Point.
  - (d) The "**Period of Interruption**" is the period between the Interruption Start Time and the time specified in accordance with paragraph 6.8.5.
  - (e) "**Shutdown**" means that in the event of interruption all of the gas consuming plant at the Supply Point has been turned off so that it is not consuming gas.
  - (f) "**Shutdown Tolerance**" means the amount of gas not exceeding 3,000kWh/Day (100 therms/Day) which may be offtaken, in the event of a Shutdown, at an Interruptible Supply Point, or in the case of a Shared Supply Meter Point that comprises more than one Interruptible Supply Point, in total at such Supply Points.

#### 6.9.2 Where there is a failure to Interrupt at a Supply Point:

- (a) irrespective of whether the failure to Interrupt resulted from Force Majeure, where Transco determines that the failure to Interrupt results in a significant risk to System security, Transco may take any steps available to it to isolate or disconnect any or all Supply Meter Points (irrespective of whether any is a Shared Supply Meter Point) comprised in the Supply Point; and
- (b) subject to paragraph 6.10.5, save where the failure to Interrupt resulted from Force Majeure or, in exceptional circumstances, where the Registered User can demonstrate to Transco's reasonable satisfaction that it made all reasonable efforts to Shutdown (including but not limited to ensuring that appropriate action is taken at the Supply Point but despite such efforts gas in excess of the Shutdown Tolerance flowed):-
  - (i) the Registered User shall on the first Day of the first failure to Interrupt in any Gas Year, pay a charge determined as 2 times the Applicable

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Annual Rate of the NTS Exit Capacity Charge in respect of an NTS Supply Point or LDZ Capacity Charge where the Supply Point is not an NTS Supply Point that would be payable ( in respect of Supply Point Capacity in accordance with paragraph 6.3.9) if the Supply Point was designated as Firm; and

- (ii) the Registered User shall pay, on all days other than the first Day of the first Period of Interruption in each Gas Year, a charge determined as:-

$$X = 2 \times Y \times Z$$

Where:-

- X is the amount payable in respect of each Day  
 Y is the quantity of gas offtaken at the Supply Point ( in kWh ) on the Day  
 Z in any Gas Year is the price difference ( in pence/kWh ) taken from the figures published in Table 26 of the DTI Energy Trends ( or superseding publication), for the 1st Quarter of the calendar year in which the current Gas Year commenced, between the all consumer average for Gas Oil (shown in £/tonne and converted to pence/kWh using the estimated average calorific value for Gas Oil set out in Annex B of the Digest of United Kingdom Energy Statistics) and the price of gas, all consumers, Interruptible.

- 6.9.3 The charges payable under paragraph 6.9.2(b)(i), 6.9.2(b)(ii), 6.9.4 and 6.10.3 will be invoiced and payable in accordance with [Section S](#).
- 6.9.4 Where Transco takes any such steps as are referred to in paragraph 6.9.2(a) the Registered User will be liable to reimburse to Transco the costs and expenses incurred by Transco in taking such steps and in any subsequent reconnection or restoration of the connection of the Supply Point.
- 6.9.5 The Registered User shall secure that there is made available to Transco such access to the Supply Point and all Supply Meter Points comprised in the Supply Point as shall be required for the purposes of paragraph 6.9.2(a).
- 6.9.6 Not Used
- 6.9.7 In addition to the provisions of paragraphs 6.9.2 and 6.9.5, where (disregarding any failure to Interrupt which resulted from Force Majeure):
- (a) in any Gas Year in which there has on any Day been a failure to Interrupt at any Registered Interruptible Supply Point(s) of a User, there is on a later Day a failure to Interrupt (at the same or any other Registered Interruptible Supply Point(s)), and
- (b) the number of occasions (including the failure(s) on such later Day) on which there have been failures to Interrupt at the User's Registered Interruptible Supply Points is equal to or greater than:
- (i) 5, or
- (ii) if more, the number (rounded up to the nearest whole number) equal to 5% of the mean of the numbers of Interruptible Supply Points of which the User is the Registered User at the time of each such failure to Interrupt

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in determining which each failure at any Supply Point shall count separately, paragraph 6.9.8 shall apply.

6.9.8 In the circumstances in paragraph 6.9.7, subject to paragraph 6.9.9:

- (a) all of the Interruptible Supply Points of which the User is Registered User, other than those within paragraph (b), shall automatically be redesignated as Firm with effect from the failure Day;
- (b) in relation to each such Supply Point in respect of which Transco determines that the Firm Transportation Requirement would not (without adjustment of the Supply Point Capacity or Supply Point Offtake Rate) be satisfied and in relation to such Supply Points as are specified in paragraph (d):
  - (i) the Supply Point shall be treated as being a Firm Supply Point for the purposes of determining the Supply Point Transportation Charges and any Supply Point Ratchet Charges or NTS Exit Overrun Charges payable by the User, but shall be treated (subject to paragraph (ii)) as being an Interruptible Supply Point for other purposes of the Code;
  - (ii) Transco will be at liberty to inform the supplier and consumer of the occurrence and consequences of the circumstances in paragraph 6.9.7;
  - (iii) Transco may elect that (in relation to any or all requirements for Interruption) paragraphs 6.8.1, 6.8.2 and 6.8.3 shall not apply and may notify the consumer in accordance with paragraph 6.8.4 but without first communicating with the User;
- (c) until the expiry of the Gas Year following that in which the failure to Interrupt occurred, the User may not designate any Supply Point (including any which was redesignated as Firm under paragraph (a) or is treated as Firm under paragraph (b)) as Interruptible and may not submit a Supply Point Confirmation in respect of any Proposed Supply Point which is Interruptible;
- (d) paragraph (a) shall not apply in respect of such Supply Points to the extent that the redesignation of Supply Point would not be permitted by virtue of Section [P2.9.3](#).

6.9.9 Paragraph 6.9.8 shall not apply where the User demonstrates to Transco's reasonable satisfaction that the User had taken all reasonable steps to comply with the requirement to Interrupt and that the failure to Interrupt occurred despite the taking of such steps.

6.9.10 Where an Interruptible Supply Point, other than one which was the subject of a failure to Interrupt referred to in paragraph 6.9.2, was redesignated as Firm pursuant to paragraph 6.9.8(a), any User who:

- (a) is the first User to have become the Registered User of a Firm Supply Point which includes a Supply Meter Point which was comprised in the Interruptible Supply Point; and
- (b) is not the User which was the Registered User of such Interruptible Supply Point

may designate such Firm Supply Point as Interruptible with effect from the Supply



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Point Registration Date.

6.9.11 No Day on which there is a failure to Interrupt at a Supply Point shall count towards use of the Interruption Allowance in respect of that Supply Point.

6.9.12 The following shall not be Force Majeure affecting a User for the purposes of this paragraph 6.9:

- (a) the unavailability of any such representative as is referred to in paragraphs 6.6.1 or 6.6.2 of the User or the consumer to be contacted by Transco, other than for wholly unforeseeable and unavoidable reasons (which must also satisfy the conditions for being Force Majeure);
- (b) the fact that there is no facility for the Consumer's Plant to operate with a supply of fuel or energy alternative to or in substitution for gas.

## 6.10 Partial Interruption

6.10.1 For the purposes of Section G:-

- (a) "**Tranche**" means one of two or more increments by which the User of an Interruptible Supply Point may reduce its offtake (or by which Sharing Registered Users may reduce their offtake in aggregate) from the System during a Period of Interruption.
- (b) "**Tranche Annual Quantity**" means in respect of each Tranche, the Tranche percentage multiplied by the Supply Point Annual Quantity.
- (c) "**Tranche Quantity**" means the quantity of gas, measured in kWh, that shall be allowed to be offtaken from the System at each Tranche in any period of 60 minutes in any Day in respect of which an Interruption Notice has been served.
- (d) "**Tranche Percentage**" means in respect of each Tranche, the Tranche Quantity expressed as a percentage of the sum of all the Tranche Quantities at the Supply Point.

6.10.2 Transco may allow Partial Interruption at an Interruptible Supply Point provided that the following rules are satisfied:-

- (a) the User (or Sharing Registered Users) shall specify the number of Tranches which it requires at the Supply Point, such number shall not exceed 9;
- (b) each Tranche Annual Quantity shall not be less than 5,860,000kWh (200,000 therms);
- (c) an application may be made by the User (or Sharing Registered Users) to Transco for a Partial Interruption status at a Supply Point at any time, for a period not exceeding 12 months, commencing on or after the operational date requested by the User (or Sharing Registered Users) and ending on the next 30th September;
- (d) Transco shall accept or reject all applications for Partial Interruption within 10 Business Days of their receipt by Transco from a Registered User or the



Sharing Registered Users Agent as appropriate; and

- (e) Daily Read Equipment has been installed by Transco at the Supply Point prior to the commencement of Partial Interruption status.
- 6.10.3 Where Partial Interruption is in force at a Supply Point under paragraph 6.10, the Registered User (or Sharing Registered Users) in accordance with G1.7.14 shall pay to Transco the Administration Charge (if any) set out in the Transportation Statement. Transco shall (where applicable) issue an Ad-hoc Invoice in relation to the Administration Charge which will be invoiced and payable in accordance with Section S.
- 6.10.4 Where Transco requires Interruption at the Supply Point;
- (a) in any period of 60 minutes in the Day, the Registered User will be allowed to offtake a quantity of gas (and Sharing Registered Users will be allowed to offtake a quantity of gas in aggregate), measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Supply Point in respect of which an Interruption Notice has not been served;
  - (b) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2.(b) shall not be satisfied where the hourly offtake in paragraph (i) has been exceeded; and
  - (c) the provisions of paragraph 6.9.2(a) and 6.10.5 shall apply.
- 6.10.5 Where there is a failure to Interrupt at a Supply Point with Partial Interruption status:-
- (a) where this is the first failure to Interrupt at the Supply Point in the Gas Year, the Registered User (or Sharing Registered Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served;
  - (b) For the remainder of the Gas Year any Tranche which has paid a failure to Interrupt charge in accordance with paragraph (a) above or paragraph (d) shall be termed a "**failed Tranche**";
  - (c) Where on any subsequent day in the Gas Year there is a failure to Interrupt at the Supply Point and the failure to Interrupt occurs only at failed Tranches, (determined in accordance with paragraph 6.10.5(b));
    - (i) for each period of 60 minutes in the Day, the quantity offtaken in excess of the Tranche Quantity of all Tranches in respect of which the Interruption Notice was not served shall be termed the "**excess failure quantity**";
    - (ii) the Registered User (or Sharing Registered Users) shall pay the charge calculated in accordance with paragraph 6.9.2(b)(ii), provided that Y shall be the total excess failure quantities in the Day;
  - (d) Where on any subsequent day in the Gas Year there is a failure to Interrupt at the Supply Point and the failure to Interrupt occurs at one or more Tranches

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which are not failed Tranches ( determined in accordance with paragraph 6.10.5(b)), the Registered User (or Sharing Registered Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served, less the sum of the Tranche Percentages of the failed Tranches (determined in accordance with paragraph 6.10.5(b)) in respect of which the Interruption Notice was served.

6.10.6 Transco shall revoke the Partial Interruptible status at a Supply Point if:-

- (a) the Supply Point ceases to be an Interruptible Supply Point;
- (b) subject to paragraph 6.10.7 , the User ceases to be the Registered User of the Supply Point or;
- (c) in the case of a Supply Point which comprises a Shared Supply Meter Point there is a Shared Supply Meter Point Modification which proposes to change the number or identity of any sharing Registered Users, or a Supply Point Withdrawal unless a re-application in accordance with paragraph 6.10.14 has been accepted.

6.10.7 Except in the case of a Shared Supply Meter Point, where another User is to become the Registered User of relevant Supply Point, the Proposing User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify Transco of such change. The Partial Interruption status of the Supply Point shall transfer to the new Registered User provided that the requirements of paragraph 6.10.2 remain satisfied.

6.10.8 If the Registered User (or Sharing Registered Users) wishes to change the number of Tranches or any of the Tranche Quantities, Transco shall, subject to paragraph 6.10.2, allow such change provided that the Interruption Allowance in relation to any Tranches shall not be changed.

6.10.9 Subject to paragraph 6.10.2(a), if the Registered User (or Sharing Registered Users) wishes to increase the Supply Point Capacity of the Interruptible Supply Point, Transco may grant such additional Supply Point Capacity as an additional Tranche with an Interruption Allowance which may be greater than the Interruption Allowance of any of the existing Tranches at the Supply Point.

6.10.10 If the Supply Point ceases to have Partial Interruption status, but continues to be an Interruptible Supply Point, the Interruption Allowance of the Supply Point shall be the greatest Interruption Allowance of any of the Tranches previously at the Supply Point.

6.10.11 Where any of the Tranches at the Interruptible Supply Point has an Interruption Allowance greater than 45 days, for the purposes of paragraph 6.5.4, the Interruption Allowance shall be determined by the sum of the products of the Tranche Percentage and the Interruption Allowance of each Tranche at the Interruptible Supply Point.

6.10.12 Nothing in this paragraph 6.10 shall prevent Transco from requiring Interruption at all Tranches at the Supply Point on the same Day.

6.10.13 In the case of a Partial Interruption at a Shared Supply Meter Point;

- (a) the Sharing Registered Users shall ensure that all actions which are required to be undertaken by the Sharing Registered Users in accordance with this paragraph 6.10 (including compliance with paragraph 6.10.2) shall be undertaken on behalf of all the Sharing Registered Users by the Sharing Registered Users Agent and for the purposes of this paragraph 6.10 all Code Communications shall be in accordance with paragraph 1.7.10(d);
- (b) all references to Supply Point in this paragraph 6.10 shall be deemed to include references to the relevant Supply Point for the purposes of paragraph G1.7.

6.10.14 The Sharing Registered User Agent may re-apply for Partial Interruption at the relevant Supply Point in accordance with 6.10.2(c) and, pursuant to such re-application the Partial Interruption Status of the Supply Point shall transfer to the Sharing Registered Users identified in the re-application provided the requirements of paragraph 6.10.2 remain satisfied.

## 6.11 Partial Interruption at CSEPS

6.11.1 For the purposes of Section G:-

- (a) **"Tranche"** means one of two or more increments by which the CSEP User of an Interruptible CSEP may reduce its offtake (or by which CSEP Users may reduce their offtake in aggregate) from the System during a Period of Interruption.
- (b) **"Tranche Annual Quantity"** means in respect of each Tranche, the Tranche Percentage multiplied by the Interruptible CSEP Annual Quantity.
- (c) **"Tranche Quantity"** means the quantity of gas, measured in kWh, that shall be allowed to be offtaken from the System at each Tranche in any period of 60 minutes in any Day in respect of which a CSEP Interruption Notice has been served.
- (d) **"Tranche Percentage"** means in respect of each Tranche, the Tranche Quantity expressed as a percentage of the sum of all the Tranche Quantities at the Interruptible CSEP.
- (e) **"CSEP Interruption Notice"** shall have the same meaning as that ascribed thereto by the term Interruption Notice except that it shall apply in respect of a CSEP rather than a Supply Point.

6.11.2 Transco may allow Partial Interruption at an Interruptible CSEP provided that the following rules are satisfied:-

- (a) the CSEP User (or CSEP Users) shall specify the number of Tranches which it requires at the Interruptible CSEP, such number shall not exceed 9;
- (b) each Tranche Annual Quantity shall not be less than 5,860,000kWh (200,000 therms);
- (c) an application may be made by the CSEP User (or CSEP Users) to Transco for a Partial Interruption status at an Interruptible CSEP at any time, for a period not exceeding 12 months, commencing on or after the operational date

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requested by the CSEP User (or CSEP Users) and ending on the next 30th September;

- (d) Transco shall accept or reject all applications for Partial Interruption within 10 Business Days of their receipt by Transco from a CSEP User or the CSEP User Agent as appropriate; and
- (e) where requested by Transco, equipment (as set out in the relevant CSEP NexA ) to provide information to Transco in aggregate to allow Transco to monitor the requirements in paragraph 6.11.4 shall be installed by the CSEP User (the identity of which has been notified by the CSEP User Agent where there is more than one CSEP User) prior to the commencement of Partial Interruption status.

6.11.3 Where Partial Interruption is in force at an Interruptible CSEP under this paragraph 6.11, the CSEP User (or CSEP Users) shall pay to Transco the relevant Administration Charge (if any) set out in the Transportation Statement. Transco shall (where applicable) issue an Ad-hoc Invoice in relation to the Administration Charge which will be invoiced and payable in accordance with [Section S](#).

6.11.4 Where Transco requires Interruption at an Interruptible CSEP;

- (a) in any period of 60 minutes in the Day, the CSEP User will be allowed to offtake a quantity of gas, (and CSEP Users will be allowed to offtake a quantity in aggregate), measured in kWh, not exceeding the sum of the Tranche Quantities of the Tranches at the Interruptible CSEP in respect of which an Interruption Notice has not been served;
- (b) for the purposes of paragraph 6.9.1(a), the requirement of paragraph 6.7.2(b) shall not be satisfied where the hourly offtake in paragraph (a) has been exceeded; and
- (c) the provisions of paragraph 6.9.2(a)) and 6.11.5 shall apply.

6.11.5 Where there is a failure to Interrupt at an Interruptible CSEP with Partial Interruption status:-

- (a) where this is the first failure to Interrupt at the Interruptible CSEP in the Gas Year, the CSEP User (or CSEP Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served;
- (b) For the remainder of the Gas Year any Tranche which has paid a failure to Interrupt charge in accordance with paragraph (a) above or paragraph (d) shall be termed a "**failed Tranche**";
- (c) Where on any subsequent day in the Gas Year there is a failure to Interrupt at the Interruptible CSEP and the failure to Interrupt occurs only at failed Tranches, (determined in accordance with paragraph 6.11.5(b));
  - (i) for each period of 60 minutes in the Day, the quantity offtaken in excess of the Tranche Quantity of all Tranches in respect of which the Interruption Notice was not served shall be termed the "**excess failure**

**quantity";**

- (ii) the CSEP User (or CSEP Users) shall pay the charge calculated in accordance with paragraph 6.9.2(b)(ii), provided that Y shall be the total excess failure quantities in the Day;
  - (d) where on any subsequent day in the Gas Year there is a failure to Interrupt at the Interruptible CSEP and the failure to Interrupt occurs at one or more Tranches which are not failed Tranches (determined in accordance with paragraph 6.11.5(b)), the CSEP User (or CSEP Users) shall pay the charge determined under paragraph 6.9.2(b)(i), multiplied by the sum of the Tranche Percentages of the Tranches in respect of which an Interruption Notice was served, less the sum of the Tranche Percentages of the failed Tranches (determined in accordance with paragraph 6.11.5(b)) in respect of which the Interruption Notice was served.
- 6.11.6 Transco shall revoke the Partial Interruptible status at an Interruptible CSEP if:-
- (a) the CSEP ceases to be an Interruptible CSEP;
  - (b) subject to paragraph 6.10.7, any CSEP User ceases to be a CSEP User for any reason, or where a User becomes a CSEP User.
- 6.11.7 Where at an Interruptible CSEP there is only one CSEP User and an alternative CSEP User is to become the CSEP User of relevant CSEP, the Proposing CSEP User shall, at least 2 but not more than 7 Business Days prior to the proposed Supply Point Registration Date, notify Transco of such change. The Partial Interruption status of the Interruptible CSEP shall transfer to the new CSEP User provided that the requirements of paragraph 6.11.2 remain satisfied.
- 6.11.8 Where, at an Interruptible CSEP, any CSEP User ceases to be a CSEP User for any reason or where a User becomes a CSEP User, then the CSEP Agent may re-apply for Partial Interruption in accordance with paragraph 6.11.2 and pursuant to such re-application the Partial Interruption Status of the CSEP shall transfer to the CSEP User (or CSEP Users) identified in the re-application provided the requirements of paragraph 6.11.2 remain satisfied.
- 6.11.9 If the CSEP User (or CSEP Users) wishes to change the number of Tranches or any of the Tranche Quantities, Transco shall, subject to paragraph 6.11.2, allow such change provided that the Interruption Allowance in relation to any Tranches shall not be changed.
- 6.11.10 Subject to paragraph 6.11.2(a), if the CSEP User (or CSEP Users) wishes to increase the NTS Exit Capacity and LDZ capacity (as applicable) of the Interruptible CSEP, Transco may grant such additional NTS Exit Capacity and LDZ Capacity (as applicable) as an additional Tranche with an Interruption Allowance which may be greater than the Interruption Allowance of any of the existing Tranches at the Interruptible CSEP.
- 6.11.11 If the Interruptible CSEP ceases to have Partial Interruption status, but continues to be an Interruptible CSEP, the Interruption Allowance of the Interruptible CSEP shall be the greatest Interruption Allowance of any of the Tranches previously at the Interruptible CSEP.

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- 6.11.12 Where any of the Tranches at the Interruptible CSEP has an Interruption Allowance greater than 45 days, for the purposes of paragraph 6.5.4, the Interruption Allowance shall be determined by the sum of the products of the Tranche Percentage and the Interruption Allowance of each Tranche at the Interruptible CSEP.
- 6.11.13 Nothing in this paragraph 6.11 shall prevent Transco from requiring Interruption at all Tranches at the Interruptible CSEP on the same Day.
- 6.11.14 In the case of Partial Interruption at an Interruptible CSEP:
- (a) the CSEP Users shall ensure that all actions which are required to be undertaken by the CSEP Users in accordance with this paragraph 6.11 (including compliance with paragraph 6.11.2) shall be undertaken on behalf of all the CSEP Users by the CSEP Users Agent;
  - (b) for the purpose of this paragraph 6.11 all Code Communications
    - (i) if to be given by Transco may be given to the CSEP Users Agent;
    - (ii) if to be given by CSEP Users may only be given by the CSEP User Agent.
- 6.11.15 The CSEP User Agent may re-apply for Partial Interruption in accordance with 6.11.2(c) and, pursuant to such re-application, the Partial Interruption Status of the Interruptible CSEP shall transfer to the CSEP Users identified in the re-application provided the requirement of paragraph 6.11.2 remain satisfied.
- 6.11.16 All references within this paragraph 6.11 to sub-paragraphs of paragraph 6 shall be construed in accordance with the relevant CSEP Ancillary Agreement or the relevant CSEP NExA.

## 7 NEW SUPPLY METER POINTS AND OTHER SITEWORKS

### 7.1 General

#### 7.1.1 For the purposes of the Code:

- (a) a "**New Supply Meter Point**" is a new Supply Meter Point;
- (b) "**Siteworks**" means works undertaken by Transco at the request of a User or other person in connection with the System for the purposes of:
  - (i) the establishment of a New Supply Meter Point;
  - (ii) enabling an increase in the rate or pressure at or quantities in which it is feasible to make gas available for offtake from the System at an existing Supply Meter Point;
  - (iii) modifying or replacing any part of the System located on the Supply Point Premises (but not the Supply Meter Installation at an existing Supply Meter Point);
  - (iv) enabling the Firm Transportation Requirement (in accordance with

paragraph 6.3.4) to be satisfied in respect of an Interruptible Supply Point, or a reduction in the Interruption Allowance in respect of a TNI Supply Point to be secured; or

- (v) furnishing, installing, removing, making operational and/or maintaining Daily Read Equipment;
- (c) Siteworks under paragraph (b)(i) may be:
  - (i) for the construction and/or installation (and connection to the System) by Transco of the service pipe or any part thereof (but not the Supply Meter Installation); or
  - (ii) for the purposes of making a connection to the System of any service pipe constructed or installed by any other person (but not the new Supply Meter Installation).

#### 7.1.2 In respect of any Siteworks:

- (a) the "**Siteworks Applicant**" is the User or other person who has requested that the Siteworks be undertaken;
- (b) the "**Siteworks Contract**" is the contract between Transco and the Siteworks Applicant under which Transco is to undertake the Siteworks;
- (c) the "**Completion Date**" is the date of substantial completion (as defined or described in the Siteworks Contract) of the Siteworks;
- (d) the "**Target Completion Date**" means the intended Completion Date of the Siteworks as specified in or determined under the Siteworks Contract.
- (e) "**Connections Work**" is the connection of the service pipe (or any part thereof) for the establishment of a New Supply Meter Point on to the System.
- (f) "**Meter Fix Date**" is the date which has been notified to Transco as the date upon which a Supply Meter has been installed at a New Supply Meter Point.

7.1.3 Where the Siteworks Applicant is a User the Siteworks Contract shall not (unless it expressly provides to the contrary) be an Ancillary Agreement and does not form a part of and is not incorporated into the Code.

7.1.4 Where the Siteworks Applicant is not the Registered User of the relevant Supply Meter Point:

- (a) nothing in the Code shall make the Registered User liable for any payment becoming due under the Siteworks Contract;
- (b) Transco will have no liability to the Registered User in respect of any breach of the Siteworks Contract.

7.1.5 The Registered User of a Supply Meter Point will not be liable for any breach of the Code which results from a breach by Transco of a Siteworks Contract relating to that Supply Meter Point.



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## 7.2 Siteworks Terms and Procedures

- 7.2.1 Transco will from time to time publish Siteworks Terms and Procedures applicable to different types of Siteworks or Siteworks in relation to different Supply Meter Points.
- 7.2.2 **"Siteworks Terms and Procedures"** means the procedures by which and terms and conditions on and subject to which a User or other person may request Transco to provide a quotation (where the price is not published) for and to undertake Siteworks and a Siteworks Contract may be entered into.
- 7.2.3 Siteworks Terms and Procedures do not form a part of the Code; and (without prejudice to any Legal Requirement applying to Transco) nothing in the Code requires Transco to undertake any Siteworks or to do so on any particular terms.
- 7.2.4 Transco agrees to give to Users notice:
- (a) of not less than 2 months of any change in published prices of Siteworks;
  - (b) of not less than 3 months of any other change to contract terms contained in Siteworks Terms and Procedures (other than the addition of terms and procedures for a type of Siteworks not previously covered).

## 7.3 New Supply Meter Points

- 7.3.1 Where Transco has been notified that Connections Work is to be or has been undertaken then on or as soon as reasonably practical after the relevant date (in accordance with paragraph 7.3.2) Transco will:
- (a) enter such New Supply Meter Point and the Supply Meter Point Reference Number for the same on to the Supply Point Register;
  - (b) for the purposes of this Section G treat the same as a Supply Meter Point.
- 7.3.2 For the purposes of paragraph 7.3.1 the relevant date is the date upon which Transco has received notice of the (i) allocation of a specific Supply Meter Point Reference Number to a New Supply Meter Point, or (ii) completion of the Connections Work, from the person who has undertaken the same, where received earlier than such allocation notice.
- 7.3.3 Subject to paragraph 7.3.7, no person shall be entitled to offtake gas from the System at a New Supply Meter Point at any time before the First Supply Point Registration Date.
- 7.3.4 For the purposes of the Code, the **"First Supply Point Registration Date"** is the Supply Point Registration Date of the first Supply Point Registration to be made for a Supply Point comprising the New Supply Meter Point.
- 7.3.5 Any User may, at any time after the time at which a New Supply Meter Point was entered in the Supply Point Register, submit a Supply Point Nomination in accordance with paragraph 2.3.1 and (subject to having received a Supply Point Offer), submit a Supply Point Confirmation in respect of a Proposed Supply Point which includes a New Supply Meter Point.
- 7.3.6 Where a User submits



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- (a) a Supply Point Nomination in accordance with paragraph 2.3 (in respect of a Larger Supply Point, or a New Smaller Supply Point and there is more than one Supply Meter Point comprised in the Proposed New Smaller Supply Point):
  - (i) the User shall provide to Transco the User's estimate of the quantity which the User expects to be offtaken from the System at the Supply Meter Point in a 12 month period under seasonal normal conditions, which estimate shall (if the Supply Point Confirmation becomes effective) be the Annual Quantity for the Supply Meter Point;
  - (ii) where there is a DM Supply Point Component, the Nominated Supply Point Capacity shall not be less than the User's estimate of the maximum quantity of gas to be offtaken on any Day in the next 12 months on the basis of reasonable assumptions as to weather conditions;
  - (iii) where there is an NDM Supply Point Component, the User shall provide to Transco the User's estimate of the value of any variable by reference to which any End User Category (to which such Supply Point Component might belong) is in the relevant Gas Year defined in accordance with [Section H](#);
  - (iv) the User's estimates under paragraphs (i), (ii) and (iii) shall be made in good faith and after all appropriate enquiries of the consumer and on the basis of reasonable skill and care.
- (b) a Confirmation in accordance with paragraph 2.6 then the User shall be deemed to have provided User's estimate of the quantity which the User expects to be offtaken from the System at the Supply Meter Point in a 12 month period under seasonal normal conditions, which estimate shall (if the Supply Point Confirmation becomes effective) be the Annual Quantity for the Supply Meter Point.

## 7.3.7 In respect of both Smaller and Larger Supply Meter Points:

- (a) where a Confirmation (including any subsequent Confirmation) in respect of a New Supply Meter Point has been submitted then in the absence of a rejection of such Confirmation:
  - (i) where the Meter Fix Date is prior to the date upon which such Confirmation is submitted, the Proposing User which submitted such Confirmation will be treated as being the Registered User (but not an Existing Registered User) from
    - (1) the Meter Fix Date, where such Proposing User is the person that has submitted the Meter Fix Reading as described M3.8.11(a);
    - (2) the date such Confirmation is submitted, where such Proposing User is not the person that has submitted the Meter Fix Reading as described in M3.8.11(a);

until the Supply Point Registration Date;



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- (ii) where the Meter Fix Date is after or upon the date on which such Confirmation is submitted, the Proposing User which submitted such Confirmation will be treated as being the Registered User (but not an Existing Registered User) from the Meter Fix Date until the Supply Point Registration Date.
- (b) Where the Proposing User is treated as being the Registered User, the Proposing User shall, notwithstanding that there is no Supply Point Registration in respect of the Proposed Supply Point (and irrespective of the Proposed Supply Point Registration Date) be permitted to offtake gas from the System at such New Supply Meter Point.
- (c) the quantity of gas (if any) so offtaken on any Day will be counted as an UDQO of the User for the purposes of Code (and in particular the User will be liable to pay any appropriate Transportation Charges in relation thereto).
- (d) for the purposes of the first NDM Reconciliation the quantity of gas (if any) so offtaken will be counted as part of the Reconciliation Quantity (for which purposes a quantity of zero shall be assumed to have been offtaken); and accordingly the User will be liable to pay Reconciliation Clearing charges and Reconciliation Transportation Charge Adjustments in respect of the quantity of gas (if any) so offtaken.
- (e) where any Confirmation (including any subsequent Confirmation) has been rejected by Transco then the Proposing User whose Confirmation has been rejected shall promptly take steps to ensure gas is not offtaken at the New Supply Meter Point.

## 7.4 Siteworks Specified Capacity, etc

7.4.1 The Siteworks Terms and Procedures allow for the Siteworks Contract to specify (at the request of the Siteworks Applicant):

- (a) a Supply Point or (without prejudice to the requirements of this Section G for submission of a Supply Point Nomination and/or Supply Point Confirmation) a Proposed Supply Point, or a Supply Point Component, in which the Supply Meter Point or New Supply Meter Point subject to the request for Siteworks is or is to be comprised, and
- (b) in relation to such Supply Point or Supply Point Component:
  - (i) in the case of an DM Supply Point Component, an amount of Supply Point Capacity and/or a Supply Point Offtake Rate (but without prejudice to the requirement subsequently to apply therefor), or
  - (ii) in the case of an NDM Supply Point Component, a threshold rate increase (in accordance with paragraph 5.6.3(b)), and/or
  - (iii) a request that the Firm Transportation Requirement be satisfied or (in the case of a TNI Supply Point) the Interruption Allowance be reduced following such Siteworks.

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7.4.2 For the purposes of this Section G, in respect of any Siteworks a Supply Point Component, Supply Point Capacity, Supply Point Offtake Rate, threshold rate increase, Firm Transportation Requirement or reduced Interruption Allowance (as the case may be) is "**Siteworks Specified**" where it is specified in a Siteworks Contract as described in paragraph 7.4.1.

7.4.3 Where:

- (a) a User submits (in accordance with paragraph 2.3), not later than the Target Completion Date or such later date as Transco shall have agreed (for the purposes of this paragraph) with the Siteworks Applicant, a Supply Point Nomination in respect of a Proposed Supply Point which includes a Siteworks Specified Supply Point Component which includes a New Supply Meter Point,
- (b) the Nominated Supply Point Capacity or Nominated Supply Point Offtake Rate does not exceed the Siteworks Specified Supply Point Capacity or Supply Point Offtake Rate,

the Offered Supply Point Capacity or Supply Point Offtake Rate (in respect of the DM Supply Point Component) under a Supply Point Offer will be equal to the Nominated Supply Point Capacity or (as the case may be) Supply Point Offtake Rate.

7.4.4 Where a User applies, not later than the Target Completion Date or such later date as Transco shall have agreed (for the purposes of this paragraph 7.4.4) with the Siteworks Applicant, for increased Supply Point Capacity or an increased Supply Point Offtake Rate (in accordance with paragraph 5) at a Siteworks Specified Supply Point Component, which does not exceed the Siteworks Specified Supply Point Capacity or (as the case may be) Supply Point Offtake Rate, Transco will (subject to the provisions of the Code) accept such application.

7.4.5 Where a User notifies (in accordance with paragraph 5.6.5(a)), not later than the Target Completion Date or such other date as Transco shall have agreed (for the purposes of this paragraph 7.4.5) with the Siteworks Applicant, a threshold rate increase of not more than the Siteworks Specified threshold rate increase, Transco will give to the User the notification described in accordance with paragraph 5.6.5(b)(ii).

7.4.6 Where a User requests (in accordance with paragraph 6.3), not later than the Target Completion Date or such other date as Transco shall have agreed (for the purposes of this paragraph 7.4.6) with the Siteworks Applicant, that a Siteworks Specified Interruptible Supply Point be redesignated Firm in accordance with the Siteworks Specified Firm Transportation Requirement, or in respect of a TNI Supply Point a reduced Interruption Allowance not less than the Siteworks Specified reduced Interruption Allowance, Transco will accept such request.

7.4.7 A Siteworks Applicant may (subject to the Siteworks Terms and Procedures) request any Siteworks without at the same time requesting Siteworks for any reinforcement of the System that may be required to make it feasible to make gas available for offtake at any relevant Supply Meter Point; and accordingly, except to the extent expressly provided in this paragraph 7.4, the fact that Transco has entered into a Siteworks Contract or undertaken any Siteworks (for a New Supply Meter Point or otherwise) shall not commit Transco to accept a Supply Point Nomination or Supply Point Confirmation for any particular Nominated Supply Point Capacity or Supply Point Offtake Rate, nor any application for Supply Point Capacity or Supply Point Offtake

## SUPPLY POINTS

Rate, or an increase therein, made by any User at any DM Supply Point Component nor a notification by any User of any particular threshold rate increase at any NDM Supply Point Component.

## 7.5 Undertaking Siteworks

- 7.5.1 Transco will not be in breach of its obligation to make gas available for offtake at a Supply Meter Point where or to the extent that its ability to do so is impaired by reason of its carrying out any Siteworks in respect of that Supply Meter Point.
- 7.5.2 Where Transco carries out Siteworks at a Supply Meter Point comprised in a Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 *therms*), and the Siteworks Applicant is not the Registered User, Transco will, unless the Siteworks Applicant has requested Transco not to do so, notify the Registered User of the Siteworks where practicable before and in any event promptly upon completing such Siteworks.

## 8 Annex G-1

### REVISIONS TO SUPPLY POINT REGISTER NOT REQUIRING RECONFIRMATION

1. Subject to paragraph 2, the following revisions may be made (where and in the manner otherwise permitted under the Code) to the Supply Point Register without a Supply Point Reconfirmation by the Registered User:
  - (i) change in Supply Point Capacity;
  - (ii) change in Supply Point Offtake Rate;
  - (iii) change in Meter Reading Frequency;
  - (iv) change of Meter Reader;
  - (v) change in User emergency contacts;
  - (vi) change in User contacts' details for Interruptible Supply Points;
  - (vii) change in any details maintained pursuant to Standard Licence Condition 5(8)(e) of the Transco Licence;
  - (viii) Isolation of a Supply Meter Point;
  - (ix) reconnection of a Supply Meter Point<sup>4</sup>.
2. The revisions in items (i) and (ii) in paragraph 1 require a Supply Point Reconfirmation where such revisions are made following Siteworks.

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<sup>4</sup> Annex G1 paragraph 1(x) will be inserted by Modification MR0663 with effect from 29 November 2004. Please refer to relevant Notice of Future Implementation.

## SUPPLY POINTS

## 9 Annex G-2

**MANDATORY ALLOCATION AGENCY TERMS**

THIS AGREEMENT is made on \_\_\_\_\_

BETWEEN

- (1) the persons whose names and addresses are set out in Part 1 of the Schedule hereto (the "**Shippers**"), and
- (2) 1 the person whose name and address are set out in Part 2 of the Schedule hereto (the "**Consumer**")

WHEREAS

- A The Consumer is or is to be supplied with gas at the Premises by each of the persons named in Part 3 of the Schedule.
- B The Shippers are or will be Sharing Registered Users in respect of the Supply Meter Point(s) and wish to appoint the Consumer as Sharing Registered User Agent.

IT IS AGREED as follows:

**1. Definitions**

In this Agreement:

"**Supply Contract**" means, in relation to each Supplier, the contract between the Consumer and that Supplier for the supply of gas at the Premises, as from time to time in force;

"**Network Code**" means the network code prepared by Transco pursuant to its public gas transporter's licence, as from time to time modified;

"**Premises**" means the premises specified in Part 4 of the Schedule hereto;

"**Proper Quantity**" means, in relation to any Shipper, a quantity of gas which is:

- (a) not more than what the relevant Supplier was obliged to deliver and the Consumer was entitled to take, and
- (b) not less than what the Consumer was obliged to take and the relevant Supplier was entitled to deliver

at the Premises on any Day pursuant to the relevant Supply Contract (having regard to all nominations or other notices given or other things done by or on behalf of the Consumer or the relevant Supplier pursuant to and in accordance with that contract on that or any previous Day);

"**relevant Supplier**" means in relation to any Shipper, the Supplier (whether or not being such Shipper itself) which supplies or is to supply to the Consumer gas offtaken from the System by such Shipper at the Supply Meter Point(s);

"**Supplier**" means a person specified in Part 3 of the Schedule (whether or not being a Shipper) supplying gas to the Consumer at the Premises;

"**Supply Meter Point(s)**" means the Supply Meter Point or Points (at the Premises) specified in Part 5 of the Schedule hereto;

"**Transco**" means Transco plc;

words and expressions defined in the Network Code and not otherwise defined herein shall have the meanings ascribed thereto in the Network Code, and references to Sections are to Sections of the Network Code.

## 2. Duration

This Agreement shall become effective at 06:00 hours on the date specified in Part 6 of the Schedule and shall continue in force until and unless terminated by agreement of all of the Shippers.

## 3. Appointment and undertakings of User Agent

- 3.1 At the request of the Consumer, the Shippers hereby appoint the Consumer, and the Consumer agrees to act as Sharing Registered User Agent for the purposes of Section G1.7 of the Network Code.
- 3.2 The Consumer undertakes to each Shipper, in relation to each Day while this Agreement is in force:
  - (a) that the Consumer (as Sharing Registered User Agent) will notify to Transco, in accordance with the requirements of Section G1.7 and the Shared Supply Meter Point Procedures, an allocation (and where so required a revised allocation) between the Shippers of the Supply Meter Point Daily Quantity Offtaken in respect of the Supply Meter Point(s); and
  - (b) that the allocation so notified will be such that:
    - (i) Section G1.7.10(b) applies;
    - (ii) the quantity of gas allocated to each Shipper is a Proper Quantity; and
  - (c) where any Supplier is a Qualifying Supplier, that the Consumer will not take gas from a Supplier other than a Qualifying Supplier where the quantity of gas which the Consumer takes (by way of supply at the Premises) from any Qualifying Supplier is less than the maximum quantity which the Consumer was entitled, after taking account of any interruption requirement (and any unwillingness of a Qualifying Supplier to supply gas) in relation to the relevant Day, so to take on the Day from such Qualifying Supplier.
- 3.3 The Consumer undertakes to each Shipper to indemnify the Shipper against:
  - (a) any loss (including without limitation by reason of any System Price differing from the price payable to it by the relevant Supplier), liability or damage incurred, by reason of the operation of the Network Code, by the Shipper

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- (b) where the Shipper is not the relevant Supplier, any liability of the Shipper to the relevant Supplier pursuant to the arrangements from time to time in force between the Shipper and the relevant Supplier

as a result (in either case) of any failure of the Consumer to comply with 3.2.

- 3.4 Where any Shipper is the relevant Supplier, nothing in this Agreement shall affect or prejudice the Supply Contract or any rights or obligations of the Shipper or Consumer thereunder; and in particular the Shipper shall not be taken, by reason of entering into this Agreement, to have assented to or waived any claim relating to the entering by the Consumer into any other Supply Contract.
- 3.5 The Consumer shall make no charge to any Shippers in respect of its services as Sharing Registered User Agent hereunder, and shall reimburse to each Shipper any amounts which the Shipper is liable to pay to Transco pursuant to Section G1.7.19 by virtue of the Supply Meter Point being a Shared Supply Meter Point.
- 3.6 For the purposes of clause 3.2(c):
  - (a) an "**interruption requirement**" is a requirement, imposed on the consumer by a Qualifying Supplier pursuant to any term of the relevant Supply Contract to limit the quantity of gas taken or not to take gas on a Day;
  - (b) a "**Qualifying Supplier**" is a Supplier whose Supply Contract came into force before 1st January 1998 and who was supplying gas to the Consumer at the Premises pursuant to its Supply Contract before the effective date specified in part 6 of the Schedule.

#### 4. Miscellaneous

- 4.1 If any one or more of the provisions contained in this Agreement shall be invalid, illegal, or unenforceable in any respect the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.
- 4.2
  - (a) No waiver by any Shipper or the Consumer of any default or defaults by another Shipper or the Consumer in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any other or further default or defaults whether of a like or different character.
  - (b) No failure or delay by any Shipper or the Consumer in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof nor shall any single partial exercise by such Shipper or the Consumer of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.
- 4.3 This Agreement shall be governed by and construed in all respects in accordance with English law and the Shippers and the Consumer agree to submit to the jurisdiction of the English Courts as regards any claim or matter arising in relation to this Agreement.
- 4.4 This Agreement constitutes the entire agreement and understanding between the Shippers and the Consumer in relation to the Sharing Registered G1.7 of the Network



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Code and no Shipper nor the Consumer has relied on any warranty or representation of the other except as expressly stated or referred to in this Agreement.

## 4.5

- (a) Any notice to be given under this Agreement shall be in writing and shall be duly given if signed by or on behalf of a person duly authorised to do so by the person giving the notice and delivered by hand at, or by sending it by first class post or by facsimile transmission to the relevant address, or facsimile number set out in Part 1 of the Schedule hereto in the case of the Shippers, and Part 2 of the Schedule hereto, in the case of the Consumer.
- (b) Any Shipper and the Consumer shall be entitled to amend in any respect the particulars which relate to it and which are set out in Parts 1 and 2 of the Schedule hereto by notice to the other Shippers and the Consumer.
- (c) Any such notice given as aforesaid shall be deemed to have been given or received:
  - (i) if sent by hand, at the time of delivery;
  - (ii) if sent by facsimile, upon transmission acknowledged by a correct transmission slip at the end of the message; and
  - (iii) if sent by post, 48 hours after posting.

**IN WITNESS WHEREOF** the parties have entered into this Agreement as of the day and year first above written

Signed by \_\_\_\_\_ for  
and on behalf of

**[INSERT NAMES OF SHIPPERS]** \_\_\_\_\_

Signed by \_\_\_\_\_ for  
and on behalf of

**[INSERT NAME OF THE CONSUMER]** \_\_\_\_\_

## SCHEDULE

### Part 1 - the Shippers

*[Names and addresses]*

### Part 2 - the Consumer

*[Name and address]*

### Part 3 - the Suppliers



SUPPLY POINTS

[Names]

**Part 4 - the Premises**

[Address]

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Supply Meter Point Reference Number:

**Part 6 - effective date**

[Date]

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# H DEMAND ESTIMATION AND DEMAND FORECASTING

## 1 DEMAND MODELS AND END USER CATEGORIES

### 1.1 Introduction

1.1.1 Demand for gas at NDM Supply Point Components is required to be estimated (in accordance with this Section H) for purposes including determining Supply Point Capacity and NTS Exit Capacity under [Section B](#), establishing nominations under [Section C](#) and daily offtakes under [Section E](#), and determining Annual Quantities under [Section G1.6](#).

1.1.2 For the purposes of such demand estimation, each NDM Supply Point Component will belong to an End User Category for which a Demand Model will be established in accordance with this paragraph 1.

1.1.3 In accordance with [Section W2.6](#), references in this Section H to demand are:

- (a) at the level of any System Exit Point or End User Category, exclusive of shrinkage;
- (b) at the level of an LDZ, inclusive of LDZ shrinkage;
- (c) at the level of LDZ Aggregate NDM Points, exclusive of shrinkage.

1.1.4 In its application in respect of NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms), certain provisions of this Section H are modified as herein provided.

1.1.5 For the purposes of the Code "**LDZ Aggregate NDM Points**" are in relation to an LDZ all the NDM Supply Point Components and all relevant Connected System Exit Points in the LDZ.

### 1.2 End User Categories

1.2.1 An "**End User Category**" is a category of NDM Supply Point Components in an LDZ defined by rules established in accordance with paragraph 1.6.9; and where appropriate a reference to an End User Category includes reference to the NDM Supply Point Components for the time being belonging to that category.

1.2.2 End User Categories will be defined:

- (a) by reference only to variables values of which:
  - (i) are maintained in the Supply Point Register, and/or
  - (ii) can be derived from Meter Readings obtained with the Meter Reading Frequency required (in relation to relevant Supply Meters) under [Section M3](#)



## DEMAND ESTIMATION AND DEMAND FORECASTING

in respect of NDM Supply Point Components belonging to the relevant category; and

- (b) so that at any time every NDM Supply Point Component belongs to one and only one such category.

1.2.3 The "**Applicable End User Category**" in respect of an NDM Supply Point Component or NDM Supply Meter Point at any time is the End User Category to which the NDM Supply Point Component (or that in which that Supply Meter Point is comprised) belongs at that time.

1.2.4 The "**EUC Sample**" in relation to an End User Category is the Sampled NDM Supply Point Components (in accordance with paragraph 1.6.4) belonging to that category.

### 1.3 Demand Models

1.3.1 For the purposes of this Section H a "**Demand Model**" is a mathematical model which estimates, for an LDZ, an End User Category or LDZ Aggregate NDM Points, by reference to variables (including weather and day of week) specified by Transco for the purposes of the model, daily demand at the System Exit Points in the LDZ or (as the case may be) the EUC Sample or (as the case may be) LDZ Aggregate NDM Points.

1.3.2 The "**Applicable Demand Model**" in relation to an LDZ, an End User Category or LDZ Aggregate NDM Points is the Demand Model applicable in any Gas Year to such LDZ or End User Category or LDZ Aggregate NDM Points in accordance with this paragraph 1.

1.3.3 Notwithstanding Section [W3.3.1](#), a Demand Model may estimate demand (for all relevant System Exit Points) on the basis of the flow weighted average calorific value referred to in Section [W3.3.1\(c\)\(iii\)](#).

### 1.4 Composite Weather Variable

1.4.1 The elements of a Demand Model will include:

- (a) a single variable (the "**Composite Weather Variable**") derived from a formula established by Transco and estimated to represent for the relevant LDZ the combined effect on demand of the components of weather (including actual temperature, seasonal normal temperature and windchill, with relative weights assigned to each) which affect demand; and
- (b) a single coefficient ("**Weather Variable Coefficient**") in respect of the element of demand (in the relevant LDZ or End User Category) which varies with weather as represented by the Composite Weather Variable.

1.4.2 Every 5 years, commencing 2000, Transco will, after consultation with the Network Code Committee or any relevant Sub-committee, review and where appropriate revise (with effect from the start of a Gas Year) the formula by which the Composite Weather Variable for an LDZ is determined on the basis of new weather experience; provided that Transco may (after such consultation) revise such formula at more frequent intervals where Transco determines it to be appropriate on the basis of unusual new weather experience in any shorter period.

1.4.3 Daily values of the Composite Weather Variable for an LDZ, required for the purposes



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of developing Demand Models, will be established (by reference to the prevailing formula) on the basis of weather data relating to the relevant LDZ obtained by Transco in accordance with paragraph 5.2.

## 1.5 Seasonal Normal Demand

- 1.5.1 For the purposes of this Section H seasonal normal demand ("**SND**") for an LDZ, an EUC Sample or LDZ Aggregate NDM Points for any Day will be determined in accordance with the Applicable Demand Model on the basis of the seasonal normal value of the Composite Weather Variable for the Day in respect of that LDZ.
- 1.5.2 The "**seasonal normal value**" of the Composite Weather Variable for an LDZ for a Day in any year is the smoothed average of the values of the variable (derived from the formula prevailing in accordance with paragraph 1.4 for that year) for that Day in a significant number of consecutive previous years, up to and including a year not more than 6 years prior to the year in question, derived from weather records maintained by Transco.
- 1.5.3 Where the seasonal normal values of the Composite Weather Variable are revised, Transco will provide to Users the revised values not later than 30th June in the Gas Year before the Gas Year in which such values first apply.

## 1.6 NDM Sampling

- 1.6.1 For the purposes of development of End User Categories and Demand Models Transco will obtain data (which may, subject to paragraph 1.6.7, include estimates of missing data) as to daily offtakes of gas at the Supply Meter Points comprised in a sample of NDM Supply Point Components in LDZs.
- 1.6.2 For the purposes of paragraph 1.6.1:
  - (a) Transco shall be entitled at its cost to install, operate and read data recorders at NDM Supply Meter Points from time to time selected by Transco;
  - (b) Transco will designate (as sampled for such purposes) NDM Supply Meter Points at which Daily Read Equipment is installed or at which it wishes to install Daily Read Equipment and which are comprised in Supply Points whose Annual Quantities are not greater than 2,196,000 kWh (75,000 therms);
  - (c) the sample will be selected by Transco by random sampling from NDM Supply Point Components having different Annual Quantities and geographical locations.
- 1.6.3 For the purposes of paragraph 1.6.2:
  - (a) a data recorder is a device which captures Meter Readings at the start of each Day, but is capable of being read only at the Supply Point Premises;
  - (b) Transco will not select any NDM Supply Meter Point for installing a data recorder or Daily Read Equipment without the consent of the consumer.
- 1.6.4 For each Gas Year an NDM Supply Point Component at which a data recorder is for the time being installed or which is for the time being designated under paragraph 1.6.2(b)



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is a "**Sampled**" NDM Supply Point Component.

- 1.6.5 The aggregate number of Sampled NDM Supply Point Components for all LDZs will be approximately 3,900 (of which approximately 2,700 will be subject to paragraph 1.6.2(a) and 1,200 subject to paragraph 1.6.2(b)), or such other number as may be established pursuant to paragraph 1.6.6.
- 1.6.6 Transco will consult from time to time with all Users and the Authority on whether to increase or reduce the number or materially alter the identity or location of the NDM Supply Point Components which are Sampled.
- 1.6.7 The data obtained by Transco in accordance with paragraph 1.6.1 will be subject to validation by Transco (by techniques which provide reasonable statistical assurance of the validity of each data set), and such of the data as is so validated will be the demand data in respect of Sampled NDM Supply Point Components for the purposes of paragraph 1.7.2.
- 1.6.8 For NDM Supply Point Components whose Annual Quantity exceeds 2,196,000 kWh (75,000 therms) paragraphs 1.6.1 and 1.6.7 will not apply and the data used for the development of Demand Models will be data (including estimates of missing data) obtained for each Gas Year from Supply Meter Points comprised in Supply Point Components from a sample randomly selected by Transco having different Annual Quantities in the relevant LDZ; the aggregate number of such Supply Point Components for all such LDZs will be approximately 1,600 and reference to the EUC Sample shall be construed accordingly.
- 1.6.9 The Registered User will co-operate with Transco:
  - (a) in enabling access (where required) to Supply Meters for the purposes of establishing the NDM samples of NDM Supply Point Components and in ensuring that such samples are and will continue to fulfil the requirement to obtain the data as described in paragraphs 1.6.1 and 1.6.8;
  - (b) in obtaining the consent (where required) of any relevant person including the consumer for the installation, operation and reading of the data recorder or Daily Read Equipment at NDM Supply Meter Point.

## 1.7 Development of Demand Models and End User Categories

- 1.7.1 For each Gas Year, after 31st March in the Preceding Year, Transco will:
  - (a) update its recorded data (maintained for the purposes of this paragraph from October 1994) by the relevant data in accordance with paragraph 1.7.2;
  - (b) select a set of such data with a view to achieving an appropriate balance between the objectives (so far as conflicting) of maximising the size of EUC Samples and the period to which such set of data relates;
  - (c) by statistical analysis (applied consistently as between End User Categories) of the selected data, develop or revise for each LDZ:
    - (i) definitions of a number of End User Categories for the LDZ;



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- (ii) a Demand Model for each such End User Category; and
- (iii) a Demand Model for the LDZ; and
- (iv) a Demand Model for LDZ Aggregate NDM Points,

which (on the basis of such data and analysis) in Transco's reasonable judgment are most appropriate having regard to the objectives in paragraph 1.7.3.

1.7.2 The relevant data is:

- (a) the demand data for each Sampled NDM Supply Point Component referred to in paragraph 1.6;
- (b) the demand data for LDZ Aggregate NDM Points (such demand data being the LDZ Daily Quantity Offtaken less the aggregate sum for quantities offtaken at all DM Supply Point Components and relevant Connected System Exit Points in the LDZ and adjusted by deducting LDZ shrinkage); and
- (c) demand data and daily values of the Composite Weather Variable for each LDZ, for a 12 month period ending in March in the Preceding Year.

1.7.3 The objectives referred to in paragraph 1.7.1(c) are:

- (a) to define End User Categories so as to recognise significant differences in the annual profile of daily demand at different groups of NDM Supply Point Components; and
- (b) to maximise the goodness of fit (in statistical terms) of the Demand Model applicable to each End User Category to the relevant updated data referred to in paragraph 1.7.1(a).

1.7.4 The definition of an End User Category may be the same for all or several LDZs, and an EUC Sample may include the Supply Point Components in more than one LDZ.

1.7.5 For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) the End User Categories (insofar as defined by reference to Annual Quantities) will be those applicable for the Gas Year commencing 1st October 1995 and will not be revised annually; and to that extent paragraphs 1.7.1(c)(i) and 1.7.3(a) shall not apply in respect thereof.

## 1.8 Consultation on Transco's proposals

1.8.1 Transco will in June of the Preceding Year, consult with the Network Code Committee or any relevant Sub-committee on proposed End User Category definitions and Demand Models developed under paragraph 1.6.9, and not later than 30th June in the Preceding Year will submit to all Users:

- (a) the proposed End User Category definitions and Demand Models developed under paragraph 1.6.9;
- (b) values of the Derived Factors (in accordance with paragraph 1.9.3), determined on the basis of such proposals;



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- (c) any alternative End User Category definitions and Demand Models which Transco (in undertaking the exercise under paragraph 1.6.9) considered to be not significantly inferior (on the basis of the objectives in paragraph 1.7.3 and such other criteria as Transco may reasonably consider to be appropriate) to those proposed; and
  - (d) a summary of Transco's analysis of the performance in the Preceding Year against the objectives in paragraph 1.7.3 of the End User Categories and Demand Models (applicable in the Preceding Year).
- 1.8.2 Upon the request (made not earlier than 1st May nor later than 31st May in the Preceding Year) of any User, Transco will not later than 15th June in the Preceding Year provide to that User (by electronic format chosen by Transco) the data referred to in paragraph 1.7.2 (aggregated by EUC Sample in the case of the data referred to in paragraph 1.6.8), together with other data used in the analysis referred to in paragraph 1.8.1(d), in a form which does not include the identity of Registered Users, Supply Point Premises, suppliers or consumers, nor details of the individual components of the Composite Weather Variable.
- 1.8.3 Users may submit to Transco representations in respect of the proposed End User Categories and Demand Models up to but not later than 15th July in the Preceding Year.
- 1.8.4 Between 16th July and 14th August in the Preceding Year, Transco:
  - (a) will review the representations made by Users under paragraph 1.8.3;
  - (b) will consult, so far as it deems appropriate, with any User in respect of representations made by it or any other User;
  - (c) may convene meetings with any User or Users for the purposes of such consultation.
- 1.8.5 Transco will make available to Users reasonable details of the representations made to it under paragraph 1.8.3 and consultations held under paragraph 1.8.4 (but may do so by oral presentation at a meeting of Users convened under paragraph 1.8.4(c)); and shall be free to disclose to any User and the Authority any such representation and details of any such consultation.
- 1.8.6 Transco may at any time convene a meeting of the Network Code Committee or any relevant Sub-committee for the purposes of consulting on any particular issue which may arise in the development or revision under paragraph 1.7.1 of End User Categories and Demand Models.
- 1.9 Finalisation of End User Categories and Demand Models**
  - 1.9.1 Not later than 15th August in the preceding Year, Transco will submit to the Authority and all Users its final proposals for End User Categories and Demand Models (and corresponding values of the Derived Factors) with such changes as it may on the basis of Users' representations and consultation under paragraph 1.8 determine appropriate.
  - 1.9.2 The End User Categories and Demand Models (and corresponding values of the Derived Factors) applicable to the Gas Year shall be those submitted by Transco under paragraph 1.9.1 unless upon the application of Transco or any User, made not later than

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the 5th Business Day after the final proposals were submitted, the Authority shall within a further five Business Days after such date give Condition 9(3) Disapproval to Transco's applying any particular such End User Category or Demand Model (and corresponding values), in which case Transco will use the End User Categories and End User Category Demand Models applying in the preceding Year to create corresponding values of the Derived Factors and such End User Categories and Derived Factors shall then apply to the Gas Year.

1.9.3 For the purposes of this Section H the "**Derived Factors**" are:

- (a) for each Day of the Gas Year, the Annual Load Profile and Daily Adjustment Factor (in accordance with paragraph 2) for each End User Category; and
- (b) the EUC peak load factor for each End User Category and the peak load scaling factor (in accordance with paragraph 4).

## 2 DETERMINATION OF SUPPLY METER POINT DEMAND

### 2.1 Supply Meter Point Demand

2.1.1 For the purposes of this Section H "**NDM Supply Meter Point Demand**" is the quantity of gas estimated or (as the case may be) deemed to be offtaken on a Day at an NDM Supply Meter Point.

2.1.2 Subject to paragraph 2.1.3 NDM Supply Meter Point Demand will be determined (in accordance with paragraph 2.2):

- (a) before and (as appropriate) during the Gas Flow Day, for the purpose ("**Nomination Determination**") of establishing Output Nominations for NDM Supply Point Groups, in accordance with [Section C](#);
- (b) after the Gas Flow Day, for the purpose ("**Offtake Determination**") of establishing UDQOs for NDM Supply Point Components, in accordance with [Section E](#).

2.1.3 For the purpose only of establishing an assumed metered volume to carry out individual NDM Reconciliation pursuant to Section [E6.1.6](#), NDM Supply Meter Point Demand will be determined in accordance with paragraph 2.2.2.

### 2.2 Supply Meter Point Demand Formula

2.2.1 NDM Supply Meter Point Demand ('SPD') for a Day (Day 't') shall be determined according to the following formula:

$$SPD = \frac{AQ}{365} \times ALP_t \times (1 + DAF_t \times WCF_t) \times SF_t$$

where AQ is the Annual Quantity (in kWh) in respect of the relevant NDM Supply Meter Point (in accordance with paragraph 3.1.5(a) in the case of a Shared Supply Meter Point);

and where for Day t:





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- $ALP_t$  is the value of the Annual Load Profile for the Applicable End User Category;
- $DAF_t$  is the value of the Daily Adjustment Factor for the Applicable End User Category;
- $WCF_t$  is the Weather Correction Factor for the relevant LDZ in accordance with paragraph 2.5;
- $SF_t$  is the Scaling Factor for the relevant LDZ in accordance with paragraph 2.5.

- 2.2.2 NDM Supply Meter Point Demand ('SPD') for a Day (Day 't') shall be determined according to the following formulae:

$$\frac{AQ}{SPD=365 \times ALP_t}$$

Where AQ is the Annual Quantity (in kWh) in respect of the relevant NDM Supply Meter Point ( in accordance with Paragraph 3.1.5(a) in the case of a Shared Supply Meter Point);

and where for Day t:

$ALP_t$  is the value of the Annual Load Profile for the Applicable End User Category.

### 2.3 Annual Load Profile

- 2.3.1 The "**Annual Load Profile**" for an End User Category for a Day is a factor representing the Seasonal Normal Demand of the End User Category for that Day as a proportion of the average Seasonal Normal Demand (for all Days of the Gas Year) of the End User Category.
- 2.3.2 The Annual Load Profile (' $ALP_t$ ') for an End User Category for Day t shall be determined as:

$$ALP_t = \frac{SNDE_t}{\left( \frac{\sum_{t=1}^N SNDE_t}{N} \right)}$$

where:

$SNDE_t$  is seasonal normal demand for the End User Category for Day t

N is the number of Days in the Gas Year.

### 2.4 Daily Adjustment Factor

- 2.4.1 The "**Daily Adjustment Factor**" for an End User Category for a Day is a factor





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representing the weather sensitivity of demand in that End User Category on that Day relative to the weather sensitivity of demand in the LDZ on that Day.

- 2.4.2 The Daily Adjustment Factor ('DAF<sub>t</sub>') for an End User Category for a Day shall be determined as:

$$DAF_t = \frac{(WVCE_t / SNDE_t)}{(WVCN_t / SNDN_t)}$$

where for Day t:

- WVCN<sub>t</sub> is the value of the Weather Variable Coefficient (in accordance with paragraph 1.4) in the Demand Model for the LDZ Aggregate NDM Points for the relevant LDZ;
- SNDN<sub>t</sub> is the value of seasonal normal demand for LDZ Aggregate NDM Points for the relevant LDZ;
- WVCE<sub>t</sub> is the value of the Weather Variable Coefficient in the Demand Model for the End User Category;
- SNDE<sub>t</sub> is the value of seasonal normal demand for the End User Category.

## 2.5 Weather Correction Factor and Scaling Factor

For the purposes of paragraph 2.2 the "**Weather Correction Factor**" ('WCF<sub>t</sub>') and "**Scaling Factor**" ('SF<sub>t</sub>') in respect of an LDZ are (respectively) the factors determined as follows:

$$SF_t = \frac{ASD_t}{NDMD_t}$$

$$WCF_t = \frac{ASD_t - SNDN_t}{SNDN_t}$$

ASD<sub>t</sub> is:

- (a) for the purposes of Nomination Determination, Forecast LDZ Demand (at the relevant time of Nomination Determination) determined in accordance with paragraph 5.2 less the aggregate sum of DM Output Nominations (at the relevant time of Nomination Determination) at all DM Supply Point Components and relevant Connected System Exit Points in the LDZ and adjusted by deducting LDZ shrinkage;
- (b) for the purposes of Offtake Determination, that quantity comprised in the LDZ Daily Quantity Offtaken attributable to NDM Supply Point Components and relevant Connected System Exit Points (determined as the LDZ Daily Quantity Offtaken less the aggregate sum for quantities offtaken at all DM Supply Point Components and relevant Connected System Exit Points in the LDZ and adjusted by deducting LDZ shrinkage);



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$SNDN_t$  has the meaning in paragraph 2.4.2;

$NDMD_t$  is the aggregate for all NDM Supply Point Components and for any relevant Connected System Exit Point in the LDZ of the amounts determined by calculating Supply Point Demand for Day  $t$  in accordance with paragraph 2.2 with a Scaling Factor equal to one or (as the case may be) calculated in accordance with the relevant provisions of the CSEP Network Exit Agreement.

### 3 NDM ANNUAL QUANTITIES

#### 3.1 Introduction

- 3.1.1 Subject to paragraphs 3.1.2 and 3.1.3, the Annual Quantity or the Provisional Annual Quantity of an NDM Supply Meter Point for each Gas Year shall be determined (on the basis of a standard 365 Day year) by seasonal normal adjustment of the metered quantity for a period ending before such Gas Year in accordance with this paragraph 3.
- 3.1.2 In the circumstances in paragraph 3.2.4 the Annual Quantity or the Provisional Annual Quantity of the NDM Supply Meter Point for a Gas Year shall be that applicable for the Preceding Year.
- 3.1.3 For the Gas Year in which a New Supply Meter Point is established its Provisional Annual Quantity shall be the quantity specified by the relevant User in accordance with Section [G7.3.6](#).
- 3.1.4 Upon annual determination thereof in accordance with this paragraph 3, the Annual Quantity of an NDM Supply Meter Point will be notified to the Registered User in accordance with Section [G 1.6.12](#).
- 3.1.5 In the case of a Shared Supply Meter Point which is an NDM Supply Meter Point:
  - (a) the Annual Quantity shall be established for the Supply Meter Point as a whole (disregarding the Shared Supply Meter Notification);
  - (b) thereafter a separate Annual Quantity shall be established (in accordance with Section [G1.7.11](#)) in respect of each Sharing Registered User.

#### 3.2 Relevant Metered Period

- 3.2.1 For the purposes of this paragraph 3.2 the "**Relevant Metered Period**" in respect of a Gas Year is the period from the Day after the starting Meter Read (in accordance with paragraph 3.2.3) to the ending Meter Read (in accordance with paragraph 3.2.2).
- 3.2.2 The ending Meter Read is the latest Valid Meter Read (in accordance with Section [M3](#)) before 10th August in the Preceding Year.
- 3.2.3 The starting Meter Read shall be:
  - (a) the latest Valid Meter Read before the target opening date, or if there was no such Meter Read less than three years before the target opening date;
  - (b) subject to paragraph 3.2.4, the first Valid Meter Read after the target opening date.



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- 3.2.4 If there was no Valid Meter Read less than three years before the target opening date or more than 6 months before the ending Meter Read, paragraph 3.1.2 shall apply.
- 3.2.5 For the purposes of this paragraph 3.2 the "**target opening date**" is the date which is:
- (a) where the NDM Supply Point Meter is a Monthly Read Meter, 50 weeks, or
  - (b) where the NDM Supply Point Meter is an Annual Read Meter, 42 weeks, before the ending Meter Read.

### 3.3 Relevant Metered Quantity

The "**Relevant Metered Quantity**" is the Metered Quantity or (if there was one or more intervening Valid Meter Reads in the Relevant Metered Period) the sum of the Metered Quantities for the Relevant Metered Period (in accordance with Section [M1.4.4\(b\)](#)).

### 3.4 Annual Quantity

- 3.4.1 The Annual Quantity ('AQ') for an NDM Supply Meter Point for a Gas Year shall be determined as follows:

$$AQ = RMQ \times \frac{365}{\sum_{t=1}^M (ALP_t \times (1 + DAF_t \times EWCF_t))}$$

where:

RMQ is the Relevant Metered Quantity;

M is the number of Days in the Relevant Metered Period;

and where for each Day (Day 't') in the Relevant Metered Period:

$ALP_t$  is the value for the year in which Day t falls (the "**relevant year**") of the Annual Load Profile for the Applicable End User Category;

$DAF_t$  is the value for the relevant year of the Daily Adjustment Factor for the Applicable End User Category;

$EWCF_t$  is the value for the relevant year of the Estimated Weather Correction Factor (in accordance with paragraph 3.4.2).

- 3.4.2 The "**Estimated Weather Correction Factor**" for a Day in respect of an LDZ is the factor determined by calculating the Weather Correction Factor (in accordance with paragraph 2.5) for that Day substituting for the term ' $ASD_t$ ' the value of demand for the LDZ Aggregate NDM Points determined from the Applicable Demand Model for the relevant year (on the basis of the value of the Composite Weather Variable).

## 4 NDM CAPACITY

### 4.1 Introduction



## DEMAND ESTIMATION AND DEMAND FORECASTING

The Supply Point Capacity ('SPC') and the NTS Exit Capacity ('NEC') which a User is registered as holding at or (as the case may be) in respect of an NDM Supply Point Component on any Day in the Gas Year will be determined in accordance with the following formula:

$$SPC = NEC = \frac{AQ}{PLF \times 365}$$

where

AQ is the Annual Quantity of the NDM Supply Point Component for the Gas Year;

PLF is the EUC peak load factor in accordance with paragraph 4.2;

### 4.2 EUC peak load factor

The "**EUC peak load factor**" is a load factor for the Applicable End User Category determined as follows:

$$PLF = \frac{AAQ}{PDD - 365}$$

where:

AAQ is the sum of the Annual Quantities in respect of the NDM Supply Point Components in the EUC Sample

PDD is the 1-in-20 peak day demand of the Applicable End User Category determined under paragraph 4.4.

### 4.3 Not Used

### 4.4 1-in-20 peak day demand

4.4.1 Transco will determine 1-in-20 peak day demand by simulation using the relevant Demand Model and otherwise in accordance with the methodology referred to in Section [W2.6.6](#).

4.4.2 For NDM Supply Point Components whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) 1-in-20 peak day demand will be determined as aggregate NDM Supply Meter Point Demand (for all Supply Meter Points comprised in the NDM Supply Point Component) in accordance with paragraph 2 on the basis that:

- (a) for the purposes of determining the values of 'ALP<sub>t</sub>', 'DAF<sub>t</sub>' and 'SNDN<sub>t</sub>', Day 't' is the Day of the highest seasonal normal demand under the Applicable Demand Model for the relevant LDZ Aggregate NDM Points;
- (b) for the purpose of determining the value of 'WCF<sub>t</sub>' under paragraph 2.5, the value of 'ASD<sub>t</sub>' is 1-in-20 peak day demand for the relevant LDZ Aggregate NDM Points; and
- (c) the value of 'SF<sub>t</sub>' is 1.

## 5 DAILY DEMAND FORECASTING



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## 5.1 Weather forecasting

- 5.1.1 Transco will obtain (from the Meteorological Office or other reputable meteorological services provider) at certain times within each Day:
- (a) forecasts of temperatures and wind speeds at a number of weather stations at intervals during the remainder of that Day and the following Day; and
  - (b) details of the temperatures and wind speeds recorded at such weather stations at intervals during that Day and the preceding Day.
- 5.1.2 The times at which Transco will obtain weather data under paragraph 5.1.1 include the following approximate times: 11:30 hours, 15:15 hours and 23:30 hours on the Preceding Day and 07:30 hours, 11:30 hours and 15:15 hours on the Gas Flow Day.

## 5.2 LDZ Demand Forecasting

- 5.2.1 Transco will (during the Preceding Day and the Gas Flow Day in accordance with paragraph 5.2.3) forecast and notify to Users demand in each LDZ and for the System for the Gas Flow Day, using Short Term Demand Models, on the basis of the weather data most recently obtained in accordance with paragraph 5.1 (in the case of LDZ demand, for the weather station(s) located in or closest to the relevant LDZ).
- 5.2.2 A "**Short Term Demand Model**" is a mathematical model established by Transco on the basis of historic demand and other data, which estimates (at a given time) for an LDZ or the System and for any Day demand, by reference to data including:
- (a) forecasts of temperature and wind speeds for the Gas Flow Day or the remainder thereof;
  - (b) recorded temperature and wind speeds for the Preceding Day and (where relevant) the Gas Flow Day up to the time of forecasting; and
  - (c) actual demand (assessed by reference to gas flows at NTS/LDZ Offtakes adjusted for estimated changes in LDZ stock) for the Preceding Day and (where relevant) the Gas Flow Day up to the time of forecasting.
- 5.2.3 Transco will notify demand under 5.2.1 after receipt of weather data under paragraph 5.1.1 not later than the following times: 14:00 hours, and 02:00 hours on the Preceding Day and 12:00 hours, 15:00 hours, 18:00 hours and 21:30 hours on the Gas Flow Day.
- 5.2.4 Transco may in addition and at its discretion notify demand (for one or more LDZs or for the System) at other times for any reason it considers appropriate including, but not limited to where it appears to Transco that the prevailing Forecast LDZ Demand may be substantially inaccurate; and where it does so it will inform Users of the reasons for its view.
- 5.2.5 Where there is a delay in the provision of forecast and other information to Transco as described in paragraph 5.1, Transco may defer the time at which it notifies demand under paragraph 5.2.3 by a commensurate period.
- 5.2.6 For the purposes of the Code:



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- (a) **"Forecast LDZ Demand"** means aggregate demand for the Gas Flow Day in an LDZ, forecast in accordance with this paragraph 5;
  - (b) **"Forecast Total System Demand"** means aggregate demand for the Gas Flow Day on the System, forecast in accordance with this paragraph 5;
  - (c) **"Demand Forecast Time"** means any time at which (in accordance with paragraph 5.2.3 or 5.2.4) Transco notifies Forecast LDZ Demand under paragraph 5.2.1.
- 5.2.7 In forecasting demand under this paragraph 5, Transco will act in good faith and will exercise reasonable skill and care, but Transco will not be liable (as to any loss or liability incurred by a User or otherwise) to any User in respect of or in consequence of anything done or omitted to be done by Transco under this paragraph 5.



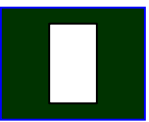
## Defined Terms

## Paragraph

Annual Load Profile.....	2.3.1
Applicable Demand Model.....	1.3.2
Applicable End User Category.....	1.2.3
Composite Weather Variable.....	1.4.1(a)
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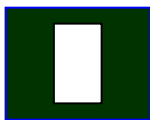




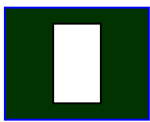
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## ENTRY REQUIREMENTS



# I ENTRY REQUIREMENTS

## 1 GENERAL

### 1.1 Introduction

- 1.1.1 The provisions of this Section I shall apply in respect of the delivery of gas to the System at System Entry Points.
- 1.1.2 Users delivering gas to the System at a System Entry Point shall comply with the relevant requirements of this Section I.
- 1.1.3 Nothing in the Code confers on any person any entitlement to have any pipeline, plant or other installation connected to the System for the purposes of delivering gas to the System.

### 1.2 Connected Delivery Facility

- 1.2.1 For the purposes of this Section I a "**Connected Delivery Facility**" is a single facility or system (comprising pipeline(s), plant and/or other installations), operated by one person (or jointly operated by several persons), and connected to the System at one or more Individual System Entry Points.
  - 1.2.2 Without prejudice to paragraph 1.1.3, a Connected Delivery Facility may be:
    - (a) a facility for processing gas produced (and transported to such facility) from offshore or on-shore oil or gas fields;
    - (b) a facility for the storage of gas;
    - (c) the pipeline system operated by another public gas transporter;
    - (d) a pipeline interconnector by which gas is transported from another country; or
    - (e) any other pipeline or pipeline system.
  - 1.2.3 A "**Delivery Facility Operator**" is the operator of a Connected Delivery Facility.
  - 1.2.4 A Connected Delivery Facility may (in accordance with [Section J5.3](#)) also be a Connected Offtake System.
- ### 1.3 Network Entry Agreement
- 1.3.1 Subject to paragraph 1.6, a User may not deliver gas to the System at any System Point unless there is in force an Agreement ("**Network Entry Agreement**") to which the parties include both Transco and the Delivery Facility Operator, containing Network Entry Provisions and (if not incorporated into the Network Entry Provisions) Local Operating Procedures applicable in respect of the System Entry Point.
  - 1.3.2 For the purposes of the Code "**Network Entry Provisions**" are terms and conditions or

## ENTRY REQUIREMENTS

other provisions which specify requirements (for the purposes of the Code) in respect of the delivery of gas to the System.

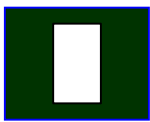
- 1.3.3 Where in relation to a Connected Delivery Facility there is (in accordance with paragraph 1.4.2) more than one System Entry Point the Network Entry Provisions applicable in respect of each System Entry Point may be contained in one Network Entry Agreement.
- 1.3.4 A Network Entry Agreement may contain provisions other than Network Entry Provisions.
- 1.3.5 The existence of a Network Entry Agreement shall not relieve Users of any obligation under the Code, and Transco shall not be required (for itself or for the benefit of any User) to secure in a Network Entry Agreement any remedy against the Delivery Facility Operator nor to take steps to enforce any provision of a Network Entry Agreement.
- 1.3.6 There may be other persons (in addition to Transco and the Delivery Facility Operator) party to a Network Entry Agreement; but a User shall not (in its capacity as User) be required or entitled to be a party to a Network Entry Agreement.

### 1.4 System Entry Point

- 1.4.1 Subject to paragraph 1.4.2, a System Entry Point is the Individual System Entry Point or Individual System Entry Points at which a Connected Delivery Facility is connected to the System.
- 1.4.2 The Individual System Entry Points at which a Connected Delivery Facility is connected to the System may form more than one System Entry Point.
- 1.4.3 The Individual System Entry Point or Individual System Entry Points comprised in a System Entry Point will be specified in the applicable Network Entry Provisions.
- 1.4.4 Where so specified pursuant to paragraph 1.4.3 by agreement of the Delivery Facility Operators, a System Entry Point may comprise the Individual System Entry Points at which more than one Connected Delivery Facility, each in operation at the date of the Code, is connected to the System.

### 1.5 Aggregate System Entry Point

- 1.5.1 An Aggregate System Entry Point is a System Entry Point, or (in the case where in relation to a Connected Delivery Facility there is more than one System Entry Point and/or there are several adjacent Connected Delivery Facilities) any two or more of the System Entry Points in respect of such Connected Delivery Facility(ies) so designated by Transco pursuant to paragraph 1.5.2.
- 1.5.2 Transco will designate the System Entry Point or System Entry Points which are comprised in an Aggregate System Entry Point, and may from time to time after consultation with Users change such designation upon notice to Users of not less than 12 months or a lesser period of notice if the Authority shall upon Transco's application give Condition 9(3) Approval to its giving notice of such lesser period.
- 1.5.3 For the purposes of enabling a User to make a modification proposal pursuant to the



## ENTRY REQUIREMENTS

Modification Rules in respect thereof, any designation or the absence of a designation pursuant to paragraph 1.5.2 shall be deemed to be a provision of and incorporated in the Code.

## 1.6 No Network Entry Agreement

- 1.6.1 If in respect of any System Entry Point (other than a Storage Connection Point) at which gas was delivered to the System before the date of the Code a Network Entry Agreement has not for the time being been entered into:
- (a) paragraph 1.3.1 shall not apply;
  - (b) the Individual System Entry Points comprised in the System Entry Point will be as designated by Transco on or before the date of the Code;
  - (c) the Network Entry Provisions shall be those provisions which relate (in respect of the delivery of gas to the System) to the matters described in paragraphs 2.3.1(c)(iii), 2.4, and 2.5, of contractual arrangements (other than transportation agreements) in force immediately before the date of the Code (and disregarding any subsequent amendment unless made with the assent of Transco) between Transco plc and any other person which provide for or relate to the delivery of gas (in a commingled stream, where gas is so delivered) to the System at the relevant System Entry Point;
  - (d) Local Operating Procedures shall be such procedures as the Delivery Facility Operator and Transco shall separately establish;
  - (e) the further provisions of this paragraph 1.6 shall apply.
- 1.6.2 In respect of such a System Entry Point paragraph 2.1.1 shall apply only to the extent that Transco shall, with the concurrence of all parties to the arrangements referred to in paragraph 1.6.1(c), have prepared a document setting out the Network Entry Provisions as referred to in that paragraph; and paragraph 2.1.2 shall nevertheless apply on the basis that the User is expected to have obtained details of such provisions from the person from whom it purchases gas for delivery to the System.
- 1.6.3 Nothing in the Code shall prevent Transco plc or its successor(s) in title from enforcing in accordance with its terms any such arrangement as is referred to in paragraph 1.6.1(c).
- 1.6.4 Where Transco subsequently proposes to enter into a Network Entry Agreement in respect of the relevant System Entry Point, such proposal shall be deemed to be a modification of the Network Entry Provisions for the purposes of paragraph 2.2.1 only to the extent that:
- (a) under such proposed Network Entry Agreement the Network Entry Provisions which will apply for the purposes of paragraphs 2.4 and 2.5 are different from those which applied pursuant to paragraph 1.6.1(c),
  - (b) such difference may reasonably be considered to be materially adverse to the interests of Users delivering gas to the System at the System Entry Point at the time of such proposal; and

## ENTRY REQUIREMENTS

- (c) the effect of such difference, where the Network Entry Provisions which apply pursuant to paragraph 1.6.1(c) deviate from the Network Entry Specification Guidelines dated 21st February 1996, is not to reduce the extent of the deviation.

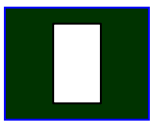
## 2 NETWORK ENTRY PROVISIONS

### 2.1 Availability of Network Entry Provisions

- 2.1.1 Subject to paragraph 2.1.3, Transco will make available to any User on request a copy of the Network Entry Provisions and Local Operating Procedures applicable to any System Entry Point, but shall not be required to provide to any User any other details of a Network Entry Agreement.
- 2.1.2 A User who applies (in accordance with [Section B](#)) for System Entry Capacity at an Aggregate System Entry Point, or delivers gas to the System at a System Entry Point, shall be responsible for obtaining and shall be deemed to have obtained and to be fully informed of the applicable Network Entry Provisions and Local Operating Procedures.
- 2.1.3 Paragraph 2.1.1 shall not apply in respect of any particular provision of the Network Entry Provisions applicable pursuant to paragraph 2.3.3 or Local Operating Procedures where the disclosure of such provision would be materially prejudicial to the commercial interests of the Delivery Facility Operator or where the provision contains personal or confidential information relating to individuals or refers to any other agreement to which the Delivery Facility Operator is party.

### 2.2 Amendment of Network Entry Provisions

- 2.2.1 Subject to paragraphs 1.6.4, 2.2.3 and 2.3.3(a), the Network Entry Provisions applicable pursuant to paragraph 2.3.1 in respect of any System Entry Point will not be modified other than by agreement between Transco and the relevant Delivery Facility Operator.
- 2.2.2 Transco will not agree (for the purposes of paragraph 2.2.1) to a modification of the Network Entry Provisions applicable pursuant to paragraph 2.3.1 except:
  - (a) with the consent in writing of all Users who are registered at the date when such amendment is to take effect as holding System Entry Capacity at the Aggregate System Entry Point in which the relevant System Entry Point is comprised; or
  - (b) in accordance with paragraph 2.2.3.
- 2.2.3 Where Transco and the relevant Delivery Facility Operator have agreed (subject to a Code Modification) upon an amendment to any such Network Entry Provisions, such Network Entry Provisions may be amended for the purposes of the Code by way of Code Modification pursuant to the Modification Rules, for which purposes only the Network Entry Provisions shall be deemed to form a part of the Code.
- 2.2.4 Such Network Entry Provisions may (in accordance with the provisions of the relevant Network Entry Agreement) be amended without the consent of any User insofar as may be required to enable:



## ENTRY REQUIREMENTS

- (a) Transco or
  - (b) the relevant Delivery Facility Operator to comply with any Legal Requirement.
- 2.2.5 Nothing in paragraphs 2.2.1, 2.2.2, 2.2.3 or 2.2.4 applies to any Network Entry Provisions other than those applying pursuant to paragraph 2.3.1 nor to Local Operating Procedures or any other provision of a Network Entry Agreement; and such Network Entry Provisions or other provisions may be amended without the consent of any User.
- 2.2.6 Transco will notify to all Users:
  - (a) any modification to the Network Entry Provisions (other than any such provisions to which paragraph 2.1.3 applies) applicable to any System Entry Point, not later than the date upon which such modification becomes effective; and
  - (b) except to the extent prevented from doing so by any duty of confidence, any requirement for modification of Network Entry Provisions under paragraph 2.2.4(a) as soon as reasonably practicable after Transco becomes aware of such requirement.

## 2.3 Network Entry Provisions

- 2.3.1 Network Entry Provisions will:
  - (a) identify the Connected Delivery Facility (by name, location or otherwise);
  - (b) specify the Individual System Entry Points comprised in the relevant System Entry Point;
  - (c) specify for such System Entry Point:
    - (i) Gas Entry Conditions in accordance with paragraph 2.4;
    - (ii) Measurement Provisions in accordance with paragraph 2.5;
    - (iii) the point or points of delivery in accordance with paragraph 3.6.1.
- 2.3.2 Network Entry Provisions may specify (unless separately specified) Local Operating Procedures in accordance with paragraph 2.6.
- 2.3.3 Network Entry Provisions may include:
  - (a) procedures by and standards to which the Connected Delivery Facility is to be maintained, repaired and operated, but only insofar as material to the ability of Transco safely, efficiently and economically to operate the System or to comply with any Legal Requirement;
  - (b) terms entitling Transco and the Delivery Facility Operator to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Network Entry Provisions, or requiring them to procure and facilitate audit of such compliance;

## ENTRY REQUIREMENTS

- (c) terms according to which, and circumstances in which, it is permitted to deviate or depart from any other Network Entry Provision;
- (d) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the delivery of gas to the System or (in relation to such delivery) the Connected Delivery Facility;
- (e) procedures applicable to gas flows applicable in the event of any emergency circumstances affecting Transco or the Delivery Facility Operator (including any Emergency in accordance with [Section Q](#)).

### 2.3.4 Where and for so long as:

- (a) any requirement (other than a requirement which is to be performed by Transco, and save as regards Gas Entry Conditions where paragraph 3.3 shall apply) of the Network Entry Provisions is not for the time being complied with or is incapable of being complied with (other than as a result of a failure by Transco to perform any requirement under the Network Entry Agreement); and
- (b) either:
  - (i) such non-compliance or inability to comply materially and adversely affects the ability of Transco to operate the System or to comply with any Legal Requirement or any provision (other than a provision the failure to comply with which has no significant consequences for Transco or any User) of the Code, or
  - (ii) upon Transco's application, on the basis that in its opinion non-compliance or inability to comply adversely affects the interests pursuant to the Code of Users other than in respect of System Entry Capacity or the delivery of gas to the System at the relevant System Entry Point, the Authority has given Condition 9(3) Approval to its doing so,

Transco shall be entitled to refuse (until such time as Transco is reasonably satisfied that such non-compliance has been remedied) to accept delivery by Users to the System of gas at the relevant System Entry Point, in which case Transco will notify all affected Users of such refusal and (subject to any duties of confidence) the relevant circumstances (under paragraph (a)).

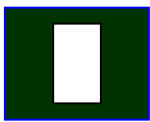
2.3.5 Any requirement of the Network Entry Provisions may be specified by reference to any published standard of a recognised body or other Recognised Standard, or standards or requirements from time to time published by Transco, and/or may be specified in terms of an objective or requirement to be achieved without specifying the manner by means of which such objective or requirement is to be achieved.

2.3.6 Nothing contained in a Network Entry Agreement shall be taken to constrain the basis upon which the Transportation Statement may provide for the determination of any Transportation Charges.

2.3.7 Network Entry Provisions may differ as between different System Entry Points.

2.3.8 Where:





## ENTRY REQUIREMENTS

- (a) a Connected Delivery Facility is or forms part of an Interconnected System, and
- (b) at the relevant System Entry Point only gas which has first been offtaken from the System can be delivered to the System

certain Network Entry Provisions may not be required.

## 2.4 Gas Entry Conditions

2.4.1 The "**Gas Entry Conditions**" in respect of a System Entry Point are limits or other requirements as to the composition, pressure, temperature and other characteristics of gas delivered or tendered for delivery to the System at the point or points of delivery (in accordance with paragraph 2.3.1(c)(iii)).

2.4.2 Gas Entry Conditions may include limits, prohibitions or requirements in respect of the following:

- (a) composition limits:
  - Gross calorific value (maximum and minimum, MJ/m<sup>3</sup>)
  - Wobbe number (maximum and minimum, MJ/m<sup>3</sup>)
  - Hydrogen Sulphide (maximum, ppm)
  - Hydrocarbon Dewpoint (maximum °C for specified maximum pressure)
  - Water Dewpoint (maximum °C for specified maximum pressure);
  - Total Sulphur (maximum volume, ppm expressed as H<sub>2</sub>S)
  - Oxygen (maximum volume, ppm)
  - Inert gases (maximum mol%), including
    - Carbon Dioxide (maximum mol%) and
    - Nitrogen (maximum mol%);
- (b) delivery temperature (minimum and maximum °C);
- (c) contaminants - materials, dust or other solid or liquid matter;
- (d) odour;
- (e) the pressure (maximum and minimum, bar g) at which and against which gas may be required to be delivered to the System.

2.4.3 Network Entry Provisions will include any tolerances within which (for any person or in any circumstances) deviations from any of the Gas Entry Conditions are permitted.

2.4.4 For the purposes of this Section I "**delivery characteristics**" are the characteristics of gas delivered or tendered for delivery to the System in respect of which Gas Entry Conditions apply in respect of any System Entry Point.

2.4.5 Where under any new or changed Legal Requirement there is any requirement, applicable to the characteristics (other than odour) of gas conveyed by means of or

## ENTRY REQUIREMENTS

tendered for delivery to the System, which either does not apply or is more stringent than any which does apply under the prevailing Gas Entry Conditions, such requirement shall (unless expressly provided otherwise under any Special Delivery Arrangement) at the time at which it comes into force be deemed to be incorporated in the Gas Entry Conditions (which will be amended accordingly as soon as reasonably practicable thereafter).

### 2.5 Measurement Provisions

2.5.1 The "**Measurement Provisions**" in respect of a System Entry Point are the procedures, methods and standards by which:

- (a) gas delivered or tendered for delivery to the System at that point will be measured, sampled and analysed;
- (b) the volume, calorific value, quantity, and delivery characteristics of such gas will be determined; and
- (c) Transco and the Delivery Facility Operator will inform each other of the determinations made under paragraph (b).

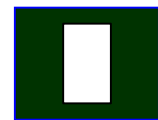
2.5.2 "**Measurement Equipment**" is the metering, sampling, analysis and other equipment required by the Measurement Provisions to be installed (whether at the Connected Delivery Facility or on the System).

2.5.3 The Measurement Provisions will provide for the Entry Point Daily Quantity Delivered to be determined and (if not determined by Transco) communicated to Transco.

2.5.4 Measurement Provisions may include:

- (a) standards of accuracy and procedures for testing and calibration of Measurement Equipment;
- (b) terms by which volume, calorific value, quantity, or any delivery characteristic of gas delivered or tendered for delivery may be estimated in the case of failure or defect of any Measurement Equipment, non-compliance with any of the Measurement Provisions, or otherwise;
- (c) terms upon which any difference or dispute between the Delivery Facility Operator and Transco as to the volume, calorific value, quantity or delivery characteristic of gas delivered or tendered for delivery will be resolved (which may include resolution by agreement between them).

2.5.5 Each User acknowledges that the volume, calorific value, quantity and delivery characteristics of gas delivered or tendered for delivery (by Users in aggregate) to the System at a System Entry Point, and the compliance or non-compliance with the applicable Gas Entry Conditions in respect thereof, will be established (by Transco and the Delivery Facility Operator pursuant to the Network Entry Provisions) in accordance with the applicable Measurement Provisions and by means of the Measurement Equipment, and agrees to be bound (for the purposes of the Code) by what is so established.



## 2.6 Local Operating Procedures

- 2.6.1 The "**Local Operating Procedures**" in respect of a System Entry Point or System Entry Points are procedures for coordination between Transco and the Delivery Facility Operator in connection with the operation of the Connected Delivery Facility and the part of the System at which it is connected, including the exchange of information between Transco and the Delivery Facility Operator.
- 2.6.2 Local Operating Procedures will provide for the Delivery Facility Operator to provide information ("**Local Operating Information**") to Transco as to the rates at and quantities in which gas is expected to be delivered to the System at the System Entry Point at intervals during and at the end of the Gas Flow Day.
- 2.6.3 Except with the prior written consent of the Delivery Facility Operator Transco will not and will not be required to provide to any User any information provided by the Delivery Facility Operator under the Local Operating Procedures.
- 2.6.4 Transco may (in accordance with [Section D1.3](#)) rely on Local Operating Information (including any such information which is or appears to be inconsistent with the requirements in paragraph 3.10.2) in operating and planning the operation of the System and for the purposes of Operational Balancing.
- 2.6.5 Local Operating Procedures may provide for the Delivery Facility Operator and Transco to agree at any time:
- (a) for the purposes of enabling any inspection, repair or maintenance to be carried out in respect of the Connected Delivery Facility or any related part of the System, or
  - (b) for the purposes of avoiding a Transportation Constraint, or enabling the delivery of gas notwithstanding a Transportation Constraint, or
  - (c) in any other circumstances (affecting facilities upstream of the System Entry Point) provided for in such procedures,

that the Delivery Facility Operator will arrange for the quantity of gas to be delivered to the System to be delivered at a rate which will vary during the Day, and/or during a part only of the Day.

- 2.6.6 Local Operating Procedures may contain procedures pursuant to which Transco may permit for limited periods the delivery of gas which does not comply with the applicable Gas Entry Conditions; and any such procedure shall not be a Special Delivery Arrangement for the purposes of paragraph 3.5.
- 2.6.7 Transco will be entitled to act in accordance with any such provision as is referred to in paragraph 2.6.5 or 2.6.6 or any agreement made with the Delivery Facility Operator pursuant thereto, and to assume that the terms on which any User may have purchased gas for delivery to the System or otherwise procured such delivery take account thereof; and will not be in breach of its obligation under paragraph 3.7 by reason of its so acting.

## 3 DELIVERY OF GAS TO THE SYSTEM

## ENTRY REQUIREMENTS

### 3.1 Delivering Users

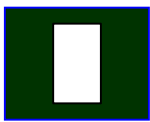
- 3.1.1 Subject to [Sections E2.3](#) and Q3.3.4, all gas delivered or tendered for delivery to the System at a System Entry Point on a Day shall be deemed to be delivered or tendered for delivery by the Delivering User(s), irrespective of any act or omission of the Delivery Facility Operator or any other person.
- 3.1.2 For the purposes of this Section I the "**Delivery Proportion**" for a Delivering User on a Day in respect of a System Entry Point is that User's UDQI for that Day divided by the Entry Point Daily Quantity Delivered in accordance with [Section E](#).

### 3.2 Delivered gas

- 3.2.1 The gas delivered or tendered for delivery to the System at an Individual System Entry Point shall for all purposes of the Code be assumed to be a single homogenous gas stream.
- 3.2.2 Where on a Day more than one User delivers gas or tenders gas for delivery to the System at a System Entry Point:
- (a) each such User shall be treated as delivering or tendering for delivery at each Individual System Entry Point gas of the same delivery characteristics as that delivered or tendered for delivery at such System Entry Point by each other such User, and
  - (b) the gas delivered or tendered for delivery at each System Entry Point at any time on such Day shall, irrespective of differences in such delivery characteristics as between Individual System Entry Points, be treated as delivered or tendered for delivery by each Delivering User as to its Delivery Proportion thereof.
- 3.2.3 Subject to the terms of any Special Delivery Arrangement, where the delivery characteristics of gas delivered or tendered for delivery at Individual System Entry Points comprised in the same System Entry Point differ, Transco may exercise its rights under paragraph 3.3.2 separately in respect of each Individual System Entry Point.

### 3.3 Compliance with Gas Entry Conditions

- 3.3.1 Subject to paragraph 2.6.6 and 3.5, a User shall not deliver gas or tender gas for delivery to the System at a System Entry Point unless the applicable Gas Entry Conditions are complied with in respect of such gas.
- 3.3.2 Where non-compliant gas is tendered for delivery to the System at a System Entry Point (whether or not resulting from any procedures referred to in paragraph 2.6.6) Transco may, from time to time until such time as the relevant Gas Entry Conditions are complied with in respect of gas tendered for delivery at such point, in its discretion either:
- (a) refuse to accept delivery or continued delivery of such gas, or
  - (b) (subject to any Legal Requirement) accept such delivery or accept such delivery as to part only of what is tendered for delivery.



## ENTRY REQUIREMENTS

- 3.3.3 Transco's rights under paragraph 3.3.5 shall not be prejudiced by its election to accept delivery of non-compliant gas (whether or not it is aware that the gas is non-compliant).
- 3.3.4 Transco shall be entitled pursuant to paragraph 3.3.2 to take any steps available to it (including any steps pursuant to Local Operating Procedures) to limit the rate at which non-compliant gas is delivered to the System or to secure that such gas is not so delivered.
- 3.3.5 Subject to paragraph 3.4.6, where non-compliant gas has been delivered on any Day to the System, each Delivering User shall be liable to pay to Transco an amount determined in accordance with paragraph 3.4.
- 3.3.6 Where Transco first becomes aware (pursuant to the applicable Measurement Provisions or otherwise) that non-compliant gas is being or has been delivered to the System at a System Entry Point on any Day, the delivery of which is likely in Transco's opinion to entitle Transco to claim any material sum under paragraph 3.4, Transco will as soon as reasonably practicable inform Users of that fact; provided that no failure by Transco so to inform any User shall affect Transco's rights under paragraphs 3.3.5 and 3.4.
- 3.3.7 For the purposes of this paragraph 3, subject to paragraphs 3.3.8 and 3.4.6, "**non-compliant gas**" is gas delivered or tendered for delivery at an Individual System Entry Point, in respect of which or the delivery or tendered delivery of which (after taking account of any tolerance referred to in paragraph 2.4.3) any of the relevant Gas Entry Conditions is not or was not complied with.
- 3.3.8 Where and for so long as a Special Delivery Arrangement under paragraph 3.5.1 is in force and the terms thereof are being complied with, gas subject to such Special Delivery Arrangement shall not be non-compliant gas by reason only of its not complying with the Gas Entry Conditions as to the delivery characteristic(s) in respect of which the Special Delivery Arrangement was made.
- 3.3.9 Where on any Day on which non-compliant gas was delivered to the System at a System Entry Point an Unclaimed Entry Allocation Statement is submitted to Transco in accordance with [Section E2.3](#), Delivering Users agree to cooperate with Transco in identifying any person who may be liable to Transco in respect of the delivery of non-compliant gas the subject of such statement; provided that no User shall be required to incur significant cost nor to breach any obligation of confidence in so doing, and that nothing so done shall be a breach of [Section E2.3.6](#).

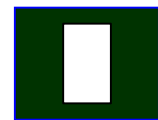
### 3.4 Payment in respect of non-compliant gas

- 3.4.1 Subject to paragraphs 3.4.2 and 3.4.3, the amount payable by a Delivering User to Transco under paragraph 3.3.5 shall be its Delivery Proportion of all reasonable costs and expenses reasonably incurred by Transco in consequence of the delivery of the non-compliant gas, including (without limitation) costs and expenses incurred:
  - (a) in cleaning or clearing any part of the System, and/or
  - (b) in taking reasonable measures (excluding any Operational Balancing Steps) to secure that the System can be operated in accordance with applicable Legal Requirements notwithstanding the delivery or continued delivery of such non-

## ENTRY REQUIREMENTS

compliant gas.

- 3.4.2 The amount payable by a Delivering User pursuant to paragraph 3.4.1 shall not exceed 10% of its Delivery Proportion of the amount calculated as the total quantity of non-compliant gas delivered to the System at the relevant System Entry Point on the relevant Day multiplied by the Applicable Liability Gas Price.
- 3.4.3 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the delivery of non-compliant gas to the System at a System Entry Point on more than one Day:
- (a) references in paragraphs 3.4.1 and 3.4.2 to a User's Delivery Proportion shall be deemed to be references to a weighted average Delivery Proportion determined for each Delivering User as the sum, for all such Days, of the User's Delivery Proportion for each Day multiplied by the Entry Point Daily Quantity Delivered, divided by the sum of the Entry Point Daily Quantities Delivered for all such Days;
  - (b) the reference in paragraph 3.4.2 to the total quantity of non-compliant gas delivered on the relevant Day shall be to the total quantity of non-compliant gas delivered on all such Days.
- 3.4.4 Where any amount has become payable to Transco pursuant to paragraph 3.3.5:
- (a) Transco shall as soon as reasonably practicable after the Entry Close-out Date so notify each Delivering User specifying:
    - (i) the relevant System Entry Point and the Day or Days on which non-compliant gas was delivered to the System;
    - (ii) the total quantity of non-compliant gas referred to in paragraph 3.4.2, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the applicable Gas Entry Conditions;
    - (iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the purposes for which they were incurred;
    - (iv) each Delivering User's Delivery Proportion;
  - (b) the amount payable by each Delivering User shall be invoiced and paid in accordance with [Section S](#).
- 3.4.5 Any dispute (other than one resolved pursuant to Network Entry Provisions under paragraph 2.5.4) as to anything specified by Transco under paragraph 3.4.4(a) shall be referred to Expert Determination.
- 3.4.6 Paragraph 3.3.5 and this paragraph 3.4 do not apply and Delivering Users shall not be liable thereunder to the extent that the failure (of gas delivered or tendered for delivery) to comply with Gas Entry Conditions was a failure to comply with a requirement as to pressure or odour; and references in those paragraphs to non-compliant gas shall be construed accordingly.
- 3.4.7 Where for the purposes of clearing non-compliant gas from the System it is necessary



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for Transco to vent gas from the System, each Delivering User's Delivery Proportion of the quantity of gas so vented shall for the purposes of [Sections E5](#) and [F2](#) (but not otherwise) be treated as having been offtaken from the System by and accordingly deemed to be an UDQO of the Delivering User; and in such circumstances Transco will inform all Users (or those who made Nominations for the relevant System Entry Point) as soon as reasonably practicable after such venting.

- 3.4.8 In the case of a System Entry Point designated by Transco on or before the date of the Code for the purposes of this paragraph 3.4.8, where (in respect of a Day or Days on which non-compliant gas was delivered to the System at a System Entry Point) not later than the Entry Close-out Date all Delivering Users jointly submit to Transco a notice signed by or on behalf of all of them:
- (a) stating that some only of them (the "**Non-compliant Delivering Users**") are to be treated as having delivered non-compliant gas to the System at the System Entry Point, and
  - (b) identifying the Non-compliant Delivering Users and specifying the proportions (aggregating to unity) in which they are to be treated as having delivered non-compliant gas to the System at a System Entry Point

paragraphs 3.4.1 to 3.4.7 shall (notwithstanding paragraph 3.2.2) be construed as though references to Delivering Users were to Non-compliant Delivering Users and references to Delivery Proportions were to the proportions specified pursuant to paragraph (b).

- 3.4.9 Each User who is for the time being a Delivering User in respect of such a System Entry Point as is referred to in paragraph 3.4.8 hereby irrevocably and unconditionally appoints the Delivery Facility Operator for the time being as User Agent to sign and submit on behalf of such User a notice for the purposes of that paragraph.

### 3.5 Special Delivery Arrangement

- 3.5.1 Pursuant to an arrangement ("**Special Delivery Arrangement**") in relation to a System Entry Point or Individual System Entry Point therein, Transco may agree either to accept delivery of gas which does not comply with the applicable Gas Entry Conditions, or that the applicable Gas Entry Conditions will permit the delivery of gas which does not comply with the conditions which Transco would otherwise require to be included, as to any of the delivery characteristics under paragraph 2.4.2(a), (b), (c), (d) or (e).
- 3.5.2 A Special Delivery Arrangement may be recorded in the Network Entry Provisions or in an Ancillary Agreement or both.
- 3.5.3 The terms of a Special Delivery Arrangement may include:
- (a) the basis on which Transco shall be remunerated (whether by the Delivery Facility Operator or Users) for the measures taken by it to allow, or otherwise for, acceptance of gas subject to the Special Delivery Arrangement;
  - (b) any restrictions or requirements as to, or by reference to, the rates, times, quantities and/or characteristics:



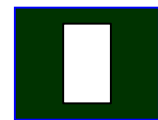
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- (i) of the gas or delivery of the gas subject to the Special Delivery Arrangement, and/or
    - (ii) of any other gas or the flow of any other gas flowing at any point in the System;
  - (c) any terms (in addition to those provided for in this Section I) upon which the delivery to the System of gas subject to the Special Delivery Arrangement may be required to be curtailed, suspended or discontinued.
- 3.5.4 Where a Special Delivery Arrangement is recorded in an Ancillary Agreement, Transco shall be entitled to require that a User shall not deliver gas to the System at the relevant System Entry Point unless it shall first have acceded to such Agreement in the manner provided (pursuant to [Section V1.3.6](#)) for therein.
- 3.5.5 A Special Delivery Arrangement in respect of any of the delivery characteristics specified in paragraphs 2.4.2(a) or (b) will not be made where there is any System Exit Point (other than one in respect of which an appropriate Special Offtake Arrangement is in force in accordance with [Section J2.3](#)), located anywhere on the System between the relevant System Entry Point and the point on the System at which gas which would be subject to the Special Delivery Arrangement can be blended with other gas within the System so as to conform to the Standard Offtake Requirements under [Section J2.1](#).
- 3.5.6 Nothing done by Transco in accordance with the terms of a Special Delivery Arrangement will constitute a breach of Transco's obligation to accept delivery of gas at the relevant System Entry Point.
- 3.5.7 Where:
- (a) under the terms of a Special Delivery Arrangement any amount (the "**Special Delivery Arrangement Charge**") payable to Transco is payable by Users pro rata to their UDQIs (in relation to the relevant System Entry Point), and
  - (b) a person appointed by any User or Users as User Agent submits to Transco a statement (differing from Users' Entry Allocation Statements) of the whole of the Entry Point Daily Quantity delivered to or between the User or Users appointing such Agent for the purpose of allocating the Special Delivery Arrangement Charge then the Special Delivery Arrangement Charge shall be payable by such User or Users pro rata to their respective Special Delivery Arrangement Charging allocations and not pro rata to Users UDQIs.

## 3.6 Delivery of gas

- 3.6.1 The applicable Network Entry Provisions will identify (by description or a diagram or both) a point of delivery at each Individual System Entry Point comprised in a System Entry Point.
- 3.6.2 Title and (without prejudice to any other provision of this Section I) risk in gas delivered to the System at a System Entry Point shall pass to Transco at the relevant point of delivery established in accordance with paragraph 3.6.1.
- 3.6.3 Each User warrants to Transco:





## ENTRY REQUIREMENTS

- (a) that such User will have title (at the point of delivery) to all gas delivered or tendered for delivery to the System at any System Entry Point by that User, and
  - (b) that all such gas will (at such point) be free of any lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and tendering of gas arising on or before delivery thereof to the System.
- 3.6.4 Each User shall indemnify Transco and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against Transco in consequence of any breach of the warranties in paragraph 3.6.3.
- 3.6.5 The warranty in paragraph 3.6.3(a) shall be treated as satisfied where the User has arranged for delivery or tender for delivery of gas to the System by a person or persons who has or jointly have title (at the point of delivery) to such gas and such person passes or persons jointly pass title to such gas to Transco.

### 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 to [Sections B2.10.8](#).
- 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 Section B2.10.8;
- $Y_t$  is the rate (in kWh/Day) in aggregate at which delivery of gas into the System at the Aggregate System Entry Point was accepted;
- B is the charge rate determined as the greater of the rates R1 and R2, where,
- R1 is  $(F1 * ADR)$ , where ADR is the Applicable Daily Rate determined as the weighted average price of Quarterly System Entry Capacity and Monthly System Entry Capacity in respect of capacity bids for which System Entry

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Capacity was allocated calculated as:

$$\frac{\sum_{i=1}^n Q_i * P_i}{\sum_{i=1}^n Q_i}$$

where:

n is the number of successful relevant capacity bids;

Q is the amount of System Entry Capacity allocated to each successful relevant capacity bid; and

p is the bid price of each successful relevant capacity bid,

and for the purposes of this paragraph I.3.7.2, "**relevant capacity bid**" is a bid in respect of which relevant capacity was allocated and "**relevant capacity**" is that amount of capacity equal to the first 50% of the total System Entry Capacity allocated (determined in accordance with the provisions of paragraphs 2.6.2 or 2.6.6 and paragraph 2.7.2;

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 constrained Aggregate System Entry Point in respect of an amount determined as one half of the Constrained Amount;

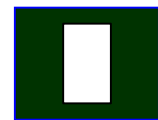
N is an amount determined as the aggregate notional surrender cost in relation to the highest-priced Aggregate System Entry Point in respect of an amount determined as one half of Constrained Amount;

Q is the Constrained Amount;

F1 is six (6);

F2 is one decimal four (1.4),

and for purposes of determining the aggregate notional surrender costs on a Day in respect of an Aggregate System Entry Point, such costs shall include the exercise price (in pence/ kWh/Day) payable by Transco pursuant to a Capacity Management Agreement were Transco to exercise its rights there under) in respect of the surrender of System Entry Capacity on such Day but shall not include any costs payable by Transco pursuant to the Capacity Management Agreement by way of a premium and which for any other purpose under the Code is determined as attributable to such Day).



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- 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 B2.10.8](#), at the Aggregate System Entry Point for the Day;

A is the aggregate Available Firm System Entry Capacity, as Adjusted pursuant to [Section B2.8.4](#), [B2.9.4](#) and [B2.10.8](#), 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 B2.13](#) 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.
- 3.7.7 For the purposes of paragraph 3.7.2:
- (a) in relation to a particular Aggregate System Entry Point and a given quantity of the Constrained Amount, 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

## ENTRY REQUIREMENTS

that quantity pursuant to and in accordance with paragraph 2.7.8; where subject to paragraph (b) “**remaining**” daily capacity offers are daily capacity offers remaining:

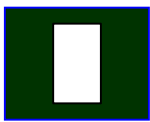
- (i) after acceptance of those daily capacity offers which Transco did accept for the relevant Day,
  - (ii) for the purposes of determining ‘N’ in paragraph 3.7.2, after excluding daily capacity offers to the extent taken into account in determining ‘M’ in that paragraph, and
  - (iii) after excluding 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 2.7.8(f) would have applied (in the notional application of paragraph 2.7.8) there shall be deemed to have been a remaining daily capacity offer for (and accepted for) the outstanding unsatisfied amount referred to in paragraph 2.7.8(f) specifying an offer price equal to ‘R1’ (in relation to the particular Aggregate System Entry Point) in paragraph 3.7.2 above (and accordingly the reference to paragraph 2.8 in paragraph 2.7.8(f) shall be disregarded);
- (c) the “**Constrained Amount**” in relation to an Aggregate System Entry Point is the aggregate of the constrained 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.

### 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.

### 3.9 Restricted delivery of gas

- 3.9.1 Where Transco determines that (notwithstanding the steps if any taken [under Section B2.7](#) and/or [B2.8](#)) a Transportation Constraint is imminent or has arisen at a System Entry Point Transco may take any available steps to curtail (or by so informing the Delivery Facility Operator or Users to secure the curtailment of) gas flow rates at the relevant System Entry Point.
- 3.9.2 Where a Transportation Constraint affects more than one System Entry Point and Transco takes any steps under paragraph 3.9.1, it will do so with a view so far as is practicable to apportioning the curtailment of gas flow rates in such manner as appears equitable to Transco.
- 3.9.3 Without prejudice to the applicable Local Operating Procedures and any applicable

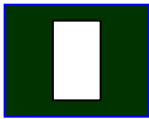


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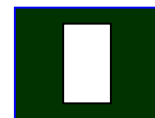
Legal Requirement, to the extent that Transco is not obliged (pursuant to paragraph 3.7.1) to accept delivery of gas at a System Entry Point, nothing in the Code shall be taken to require Transco to take any steps to prevent the increase of pressure within the System adjacent to a System Entry Point to a level at which gas will not flow from the Connected Delivery Facility into the System.

### 3.10 Rates of delivery

- 3.10.1 Each User shall use all reasonable endeavours to secure that the requirements of paragraph 3.10.2 are complied with, and in taking decisions as to Operational Balancing Steps Transco may assume that Users will do so; provided that nothing in the Code shall require Transco to verify whether such requirements have been complied with nor to take any action in respect of any failure to comply with such requirements.
- 3.10.2 The requirements referred to in paragraph 3.10.1 are that (after allowing for the time required to implement an increase or decrease in the rate of delivery), for each User:
- (a) the rate at which it delivers gas to the System at a System Entry Point changes only with effect from the start of the Day and (within the Day) with effect from the Renomination Effective Time of a Renomination in respect of that point;
  - (b) gas is delivered to the System at the prevailing Implied Nomination Flow Rate.
- 3.10.3 A User shall not be in breach of paragraph 3.10.1 by reason of anything done pursuant to Local Operating Procedures in accordance with paragraph 2.6.5.



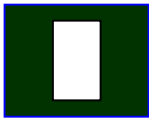
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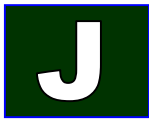


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## J EXIT REQUIREMENTS

### 1 GENERAL

#### 1.1 Introduction

- 1.1.1 The provisions of this Section J shall apply in respect of the offtake of gas from the System at System Exit Points.
- 1.1.2 Nothing in the Code confers on any person any entitlement to have any premises, pipeline, plant or other installation connected to the System for the purposes of offtaking gas from the System.

#### 1.2 System Exit Point

- 1.2.1 In accordance with [Section A3](#), a System Exit Point may be a Supply Point (or Supply Meter Point or Supply Point Component comprised therein) or a Connected System Exit Point.
- 1.2.2 Paragraphs 4 and 5 set out provisions applying (in addition to other applicable provisions of this Section J) in respect of NExA Supply Meter Points and Connected System Exit Points respectively.

#### 1.3 Network Exit Agreements

- 1.3.1 For the purposes of the Code a "**Network Exit Agreement**" is an agreement, containing provisions relating to or to the offtake of gas from the System at a System Exit Point, made between Transco and:
  - (a) in the case of a Supply Meter Point, either the consumer (subject to paragraph 1.3.7) or the Registered User (or if Transco shall so agree, both of them);
  - (b) in the case of a Connected System Exit Point, the Connected System Operator.
- 1.3.2 A Network Exit Agreement is required to be in force in respect of:
  - (a) any Connected System Exit Point; and
  - (b) unless Transco otherwise determines in any case, any Supply Meter Point comprised in a VLDMC Supply Point;and where a Network Exit Agreement is required to be in force a User will not be entitled to offtake gas from the System at the relevant System Exit Point unless there is such an Agreement in force.
- 1.3.3 A Network Exit Agreement may be in force in respect of any other Supply Meter Point.
- 1.3.4 A User shall not (in its capacity as User) be required or entitled to be a party to a Network Exit Agreement in respect of a Connected System Exit Point or a

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Supply Meter Point where the consumer is already party to a Network Exit Agreement.

- 1.3.5 For the purposes of this Section J a "**NExA Supply Meter Point**" is a Supply Meter Point in respect of which there is a Network Exit Agreement in force.
- 1.3.6 Nothing in the Code shall be taken to require the execution of a Network Exit Agreement in respect of any Supply Meter Point which is not a New Supply Meter Point where there is a Registered User for the time being.
- 1.3.7 A Network Exit Agreement in respect of a Supply Meter Point (where not made with the Registered User) may be made with a person other than or in addition to the consumer, where such person is the operator of the Consumer's Plant; and in such a case references in paragraph 4 to the consumer shall be construed as references to such person.
- 1.3.8 Where a Network Exit Agreement is made between Transco and the Registered User:
- (a) the Network Exit Agreement shall be an Ancillary Agreement, and [Section V1.3.6](#) shall apply in respect of the Network Exit Agreement as though that Section also referred to Ancillary Agreements in respect of Supply Meter Points;
  - (b) the Registered User shall secure that the consumer is provided with a copy of the Network Exit Agreement and any amendments thereto.

#### 1.4 Offtake metering at Supply Points

[Section M](#) applies in respect of the metering of gas offtaken at Supply Points.

#### 1.5 Antifluctuators, etc

- 1.5.1 Each User shall as soon as reasonably practicable notify Transco if such User becomes aware in relation to any Supply Meter Point of which it is the Registered User:
- (a) that any requirement applying to the relevant consumer under paragraph 17 of the Gas Code has not been or is not being complied with, or
  - (b) of circumstances in which Transco would be entitled to exercise its rights under paragraph 18 of the Gas Code.
- 1.5.2 Where pursuant to paragraph 17 of the Gas Code Transco seeks to give any notice to or exercise any other entitlement in relation to any consumer the Registered User in respect of the relevant Supply Point agrees to extend reasonable cooperation to Transco so as to facilitate the exercise of such entitlements (and in particular but without limitation agrees if so requested to secure that there is conveyed on behalf of Transco to the relevant consumer any communication to be given by Transco pursuant to such paragraph 17).
- 1.5.3 Transco will inform the Registered User before or as soon as reasonably practicable after giving any notice to or exercising any other entitlement in

relation to any consumer pursuant to paragraph 17 or 18 of the Gas Code.

- 1.5.4 Users acknowledge that where a Network Exit Agreement is in force in relation to a Supply Point such agreement may provide for additional terms in respect of the matters subject to paragraphs 17 and 18 of the Gas Code.
- 1.5.5 If so requested on reasonable grounds by Transco, the Registered User in respect of any Supply Point shall (within a reasonable period specified by Transco) make reasonable enquiries of the consumer or supplier with a view to ascertaining and obtaining reasonable evidence as to whether the requirements of paragraph 17 of the Gas Code are applicable or (where applicable) are being complied with, and inform Transco of the outcome of such enquiries; and where the Registered User fails so to make reasonable enquiries or inform Transco of such outcome within such period the User shall reimburse to Transco any expenses reasonably incurred by Transco in ascertaining any such matter itself (including without limitation any expenses paid by Transco pursuant to paragraph 17(6) of the Gas Code).

## 1.6 Entitlements under the Act

- 1.6.1 Nothing in the Code shall prevent Transco from exercising any entitlement or discharging any duty under the Gas Code or otherwise under the Act or pursuant to the Transco Licence which may involve the disconnection of or refusal to convey gas to or to allow gas to be conveyed to any premises.
- 1.6.2 Where under the Gas Code or otherwise under the Act or pursuant to the Transco Licence Transco is not required to connect or to maintain a connection of, or has exercised or is entitled to exercise any right to disconnect, or is required to disconnect, any premises, or (having disconnected them) is not required to reconnect any premises, or is entitled to refuse to convey gas to or to allow gas to be conveyed to any premises, Transco will not be in breach of its obligation to make gas available for offtake from the System at the relevant System Exit Point(s).
- 1.6.3 Transco will inform the Registered User(s) or (where applicable) CSEP Users as soon as reasonably practicable after exercising an entitlement (as described in paragraph 1.6.2) to disconnect or refuse to convey gas or allow gas to be conveyed.

## 2 OFFTAKE REQUIREMENTS

### 2.1 Applicable Offtake Requirements

- 2.1.1 For the purposes of the Code, the "**Applicable Offtake Requirements**" are:
  - (a) subject to paragraph 2.1.1(b):
    - (i) except as provided in paragraph (ii), the Standard Offtake Requirements;
    - (ii) subject to paragraph 2.1.5, as respects the pressure of gas made available for offtake at NTS Supply Meter Points, a pressure of 25 bar;

## EXIT REQUIREMENTS

- (b) to the extent inconsistent with paragraph 2.1.1(a), but subject to paragraph 2.1.5:
    - (i) any requirement as to the pressure of gas made available for offtake at a Supply Meter Point which applies pursuant to paragraph 2.2.5;
    - (ii) the specification applicable pursuant to any Special Offtake Arrangement in accordance with paragraph 2.3;
    - (iii) any provision contained in a Network Exit Agreement as to the pressure of gas made available for offtake at a System Exit Point.
- 2.1.2 The "**Standard Offtake Requirements**" are the requirements as to gas composition and pressure of the regulations from time to time applying pursuant to Section 16(1) of the Act as they apply in respect of gas made available by Transco for offtake at any System Exit Point; which requirements shall be treated for the purpose of the Code as applying (subject to paragraph 2.1.1(b)) in respect of any LDZ Connected System Exit Point.
- 2.1.3 A Network Exit Agreement or Ancillary Agreement may include any tolerances within which (for any periods or in any circumstances) deviation from any of the Applicable Offtake Requirements are permitted.
- 2.1.4 The "**Applicable Offtake Pressure**" is the requirement as to pressure of gas made available for offtake from the System at an Individual System Exit Point for the time being applicable in accordance with this paragraph 2.1.
- 2.1.5 Where at any time, by reason of any building, mining or engineering developments (other than a development planned by Transco), or changes in population density, in the vicinity of any part of the System, it is not or ceases or will cease to be feasible safely or in accordance with any Recognised Standard to maintain at any Supply Meter Point a pressure of at least the Applicable Offtake Pressure (applicable at the time in accordance with paragraph 2.1.1, this paragraph 2.1.5, or paragraph 2.2.5):
  - (a) Transco will, as soon as reasonably practicable after becoming aware that (by reason of such circumstances) such pressure cannot be maintained, so inform the Registered User specifying the date with effect from which it will be necessary to reduce such pressure and the reduced pressure which can (after such date) be so maintained; and
  - (b) with effect from the date specified by Transco (and as respects any User who may become the Registered User), the reduced pressure so specified shall be the Applicable Offtake Pressure.
- 2.1.6 Transco will not be in breach of its obligation to make gas available for offtake from the System at a System Exit Point if for any reason the pressure of the gas immediately downstream of the point of offtake (in accordance with paragraph 3.7) exceeds the Applicable Offtake Pressure.

## 2.2 Special offtake pressure

- 2.2.1 Upon the request of the Registered User in respect of a Supply Point, specifying (in respect of a Supply Meter Point comprised in the Supply Point) a particular pressure (the "**specified pressure**") greater than the prevailing Applicable Offtake Pressure, Transco will advise the User:
- (a) whether the anticipated normal offtake pressure is greater or less than the specified pressure, and
  - (b) insofar as it is reasonably practicable to do so, of the circumstances (other than Excluded Offtake Circumstances in accordance with paragraph 3.2.2) in which Transco anticipates at the time of the request that the pressure of gas available for offtake at the Supply Meter Point may fall below the specified pressure.
- 2.2.2 Where Transco has advised a User under paragraph 2.2.1 that anticipated normal offtake pressure is not less than the specified pressure, Transco will advise the User, not less than 24 months (in the case of an LDZ Supply Point) or 36 months (in the case of an NTS Supply Point) before such change, of any reduction in anticipated normal offtake pressure below the specified pressure (but without prejudice to the Applicable Offtake Pressure).
- 2.2.3 In this paragraph 2.2, "**anticipated normal offtake pressure**" means the pressure or (within a range of pressures) lowest pressure at which Transco expects (having regard to the period of notice of any reduction required under paragraph 2.2.2) that, under normal System operating conditions, gas will be available for offtake at a Supply Meter Point.
- 2.2.4 Where a User makes a request to Transco under paragraph 2.2.1, the User may in addition propose to Transco to enter into a Network Code Ancillary Agreement pursuant to which Transco would undertake the works in respect of the System necessary to enable it to make available for offtake under all operating conditions (other than Excluded Offtake Circumstances) gas at the specified pressure.
- 2.2.5 Where, following the proposal of a User under paragraph 2.2.4, the User and Transco so agree, they shall enter into a Network Code Ancillary Agreement (upon such terms including terms as to payment by the User as shall be agreed between them), and the Applicable Offtake Pressure will (for such period as may be specified in such Ancillary Agreement) be the specified pressure or such other pressure as shall be specified in such Ancillary Agreement.

## 2.3 Special Offtake Arrangement

- 2.3.1 Pursuant to an arrangement ("**Special Offtake Arrangement**") provided for in a Network Exit Agreement, Transco may agree to make gas available for offtake from the System at a System Exit Point in circumstances where the Standard Offtake Requirements are not complied with pursuant to the terms of any Network Exit Agreement, or where the Standard Offtake Requirements are not (and are not treated pursuant to paragraph 2.1.2 as being) appropriate.
- 2.3.2 Without prejudice to any Legal Requirement, a Special Offtake Arrangement may be in force where by reason of a Special Delivery Arrangement under [Section I3.5](#), gas available for offtake at a System Exit Point does not or will

## EXIT REQUIREMENTS

not comply with the Standard Offtake Requirements.

## 2.4 Notice of specification change

### 2.4.1 Where:

- (a) the Registered User wishes to be informed of changes in particular characteristics ("**relevant characteristics**") of gas offtaken from the System at a Supply Meter Point comprised therein, and
- (b) the User so requests Transco, specifying the Supply Meter Point and the relevant characteristics,

Transco will, where in its reasonable opinion it is feasible to do so, and upon such reasonable terms (if any) as it may notify to the User, agree that paragraph 2.4.3 shall apply.

2.4.2 Where Transco notifies any terms to the User pursuant to paragraph 2.4.1, paragraph 2.4.3 shall apply only if the User notifies Transco of its acceptance of such terms, which terms (if so accepted) shall form a Network Code Ancillary Agreement between Transco and such User.

2.4.3 Where this paragraph applies, Transco will use reasonable endeavours to notify the Registered User as soon as reasonably practicable after Transco becomes aware that a change in relevant characteristics of gas available for offtake at the Supply Point has occurred or will occur.

2.4.4 Where paragraph 2.4.3 applies Transco reserves the right at any time and from time to time to make a charge to the User (for so long as it is the Registered User) in respect of the reasonable costs incurred by Transco in performing its obligations under that paragraph.

## 3 OFFTAKE OF GAS FROM THE SYSTEM

### 3.1 Offtaking User

3.1.1 For the purposes of this Section J an "**Offtaking User**" is:

- (a) in respect of a Supply Meter Point, the Registered User of the Supply Point (or in the case of a Shared Supply Meter Point, of any of the Supply Points) in which the Supply Meter Point is comprised;
- (b) in respect of a Connected System Exit Point, on any Day, any Offtaking CSEP User.

3.1.2 The "**Offtake Proportion**" of an Offtaking User for a Day in respect of a System Exit Point is:

- (a) in the case of a Supply Meter Point:
  - (i) except as provided in paragraph (ii),1;
  - (ii) in the case of a Shared Supply Meter Point, the proportion which the quantity allocated to that User in respect of the Day



in accordance with the Shared Supply Meter Notification bears to the Supply Meter Point Daily Quantity;

- (b) in the case of a Connected System Exit Point, that User's UDQO for that Day divided by the CSEP Daily Quantity Offtaken in accordance with [Section E3.2](#).

3.1.3 For the purposes of this Section J:

- (a) references to quantities of gas offtaken on a Day at an NDM Supply Meter Point are to the quantities determined to have been offtaken pursuant to [Section H2](#);
- (b) no adjustments to any amount, payment or quantity ascertained under this Section J shall be made by reason of DM Reconciliation, NDM Reconciliation or CSEP Reconciliation.

### 3.2 Obligation to make gas available for offtake

3.2.1 Subject to the provisions of the Code, Transco will make gas available for offtake by User(s) from the System at the point of offtake (in accordance with paragraph 3.7) in accordance with the requirements of paragraph 3.3.1 at each System Exit Point where the requirements (other than requirements to be complied with by Transco) of this Section J are complied with.

3.2.2 For the purposes of the Code, "**Excluded Offtake Circumstances**" are circumstances in which, in accordance with the Code, Transco is not obliged or not in breach of its obligation to make gas available for offtake at a System Exit Point or is not liable in respect of any failure to do so.

3.2.3 For the avoidance of doubt, a User's obligations to pay Capacity Charges shall not be affected by the existence of any Excluded Offtake Circumstances except as provided in paragraph 3.6 in respect of Force Majeure.

### 3.3 Compliance with offtake requirements

3.3.1 Gas made available by Transco for offtake at any System Exit Point will comply with the Applicable Offtake Requirements, subject to paragraph 3.3.6.

3.3.2 Where non-compliant gas is made available for offtake from the System at a System Exit Point, the Offtaking User(s) may, from time to time until such time as the Applicable Offtake Requirements are complied with in respect of gas made available for offtake at such point, in its or their discretion, either:

- (a) offtake or continue to offtake such gas, in which case paragraph 3.4 shall apply, or
- (b) decline to offtake or to continue to offtake such gas, in which case paragraph 3.5 shall apply.

3.3.3 A User's rights under paragraph 3.3.2 shall not be prejudiced by its election to offtake non-compliant gas (whether or not it is aware that the gas is non-compliant).

## EXIT REQUIREMENTS

- 3.3.4 Subject to paragraph 3.4.7, where non-compliant gas has been offtaken on any Day from the System, Transco shall be liable to pay to each Offtaking User an amount determined in accordance with paragraph 3.4.
- 3.3.5 Where Transco becomes aware that non-compliant gas is being made available for offtake at any System Exit Point (other than where the failure to comply is not material), Transco will endeavour to inform the Registered User or (as the case may be) the relevant CSEP User and the Connected System Operator of that fact as soon as reasonably practicable, but in the case of a Supply Meter Point whose Annual Quantity does not exceed 732,000 kWh (25,000 therms) a notice to all Users generally that gas in any part of the System is non-compliant shall be sufficient.
- 3.3.6 Subject to paragraph 3.4.7, for the purposes of this paragraph 3 "**non-compliant gas**" is gas made available for offtake from the System in respect of which (after taking account of any tolerance referred to in paragraph 2.1.3) any of the Applicable Offtake Requirements is not or was not complied with.

### 3.4 Payment in respect of non-compliant gas

- 3.4.1 Subject to paragraph 3.4.3 and 3.4.4, the amount payable by Transco to an Offtaking User under paragraph 3.3.4 shall be all reasonable costs and expenses reasonably incurred by the User in consequence of the offtake of the non-compliant gas, including (without limitation) costs and expenses incurred:
- (a) in cleaning or clearing any part of the relevant offtake facility, and/or
  - (b) in taking reasonable measures (excluding in the case of a Connected Offtake System any measures equivalent to Operational Balancing Steps) to secure that:
    - (i) in the case of a Supply Point, the non-compliant gas can be made fit for use in the relevant offtake facility;
    - (ii) in the case of a Connected System Exit Point, that the relevant offtake facility can be operated in accordance with applicable Legal Requirements notwithstanding the offtake or continued offtake of such non-compliant gas.
- 3.4.2 For the purposes of paragraph 3.4.1:
- (a) "**relevant offtake facility**" means
    - (i) in the case of a Supply Point, the Consumer's Plant; and
    - (ii) in the case of a Connected System Exit Point, the Connected Offtake System;
  - (b) references to costs and expenses incurred by an Offtaking User include costs and expenses incurred by:
    - (i) in the case of a Supply Point, the supplier or consumer;

- (ii) in the case of a Connected System Exit Point, the Connected System Operator.
- 3.4.3 The amount payable by Transco to an Offtaking User shall not exceed 10% of the amount calculated as the User's Offtake Proportion of the total quantity of non-compliant gas offtaken from the System at the relevant System Exit Point on the relevant Day multiplied by the Applicable Liability Gas Price.
- 3.4.4 Where costs and expenses referred to in paragraph 3.4.1 are incurred in consequence of the offtake of non-compliant gas from the System on more than one Day at a Shared Supply Meter Point or Connected System Exit Point:
  - (a) references in paragraphs 3.4.1 and 3.4.3 to a User's Offtake Proportion shall be deemed to be references to a weighted average Offtake Proportion determined for each Offtaking User as the sum, for all such Days, of the User's Offtake Proportion for each Day multiplied by the Supply Meter Point Daily Quantity or (as the case may be) CSEP Daily Quantity Offtaken, divided by the sum of the Supply Meter Point Daily Quantities or (as the case may be) CSEP Daily Quantities Offtaken for all such Days;
  - (b) the reference in paragraph 3.4.3 to the total quantity of non-compliant gas offtaken on the relevant Day shall be to the total quantity of non-compliant gas offtaken on all such Days.
- 3.4.5 Where any amount has become payable to an Offtaking User pursuant to paragraph 3.3.4:
  - (a) the User shall as soon as reasonably practicable after the Exit Close-out Date so notify Transco specifying:
    - (i) the relevant System Exit Point and the Day or Days on which non-compliant gas was offtaken from the System;
    - (ii) the total quantity of non-compliant gas referred to in paragraph 3.4.3, and reasonable details of the respect(s) in which the non-compliant gas did not comply with the Applicable Offtake Requirements;
    - (iii) reasonable details of the costs and expenses referred to in paragraph 3.4.1 and the person(s) by whom and purposes for which they were incurred;
    - (iv) the Offtaking User's Offtake Proportion;
  - (b) the amount payable by Transco shall be invoiced and paid in accordance with [Section S](#).
- 3.4.6 Any dispute as to anything specified by a User under paragraph 3.4.5(a) (other than a dispute as to anything specified under paragraph 3.4.5(a)(ii) or (ii) which was resolved pursuant to a Network Exit Agreement) shall be referred to Expert Determination.
- 3.4.7 Paragraph 3.3.4 and this paragraph 3.4 do not apply and Transco shall not be

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liable thereunder to the extent that the failure (of gas offtaken) to comply with Applicable Offtake Requirements was a failure to comply with the Applicable Offtake Pressure; and references in those paragraphs to non-compliant gas shall be construed accordingly.

- 3.4.8 Where non-compliant gas was offtaken from the System and for the purposes of clearing such non-compliant gas from the Consumer's Plant or a Connected Offtake System it is necessary for the consumer or (as the case may be) the Connected System Operator to vent gas from such plant or system, the quantity of gas which each Offtaking User is treated as having offtaken from the System on the relevant Day shall be reduced by its Offtake Proportion of the quantity of gas so vented (and the User's UDQO shall be determined accordingly).

### 3.5 Gas not made available for offtake

- 3.5.1 Where:

- (a) Transco is or has been in breach of its obligation to make gas available for offtake from the System at a System Exit Point, or
- (b) gas made available for offtake from the System at a System Exit Point does not comply with the Applicable Offtake Requirements and an Offtaking User declined (in accordance with paragraph 3.3.2(b)) to offtake such gas

the further provisions of this paragraph 3.5 shall apply.

- 3.5.2 In the case of a Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms) per annum and where the supply of gas is not taken wholly or mainly for domestic purposes:

where as a result of the relevant failure gas is not available for offtake for a period of not less than 24 hours, Transco will pay to the Registered User an amount of £50 for each consecutive period of 24 hours or part of such a period, commencing with the expiry of the first 24 hours of such failure, during which the relevant failure continued.

- 3.5.3 In the case of a Supply Point Component whose Annual Quantity exceeds 73,200 kwh (2,500 therms) per annum and where the supply of gas is not taken at the Supply Point Component wholly or mainly for doemstic purposes Transco will pay to the Registered User an amount determined as:

- (a) subject to paragraph (b), the amount calculated according to the following formula

$$C * (1 - X/Y) * P * F$$

where:

- C is the amount of the Supply Point Capacity held by the User at the Supply Point Component on the relevant Day, or in relation to an Interruptible Supply Point Component only, if less, the Bottom-stop Supply Point Capacity;
- X is in the case of a DM Supply Point Component, the quantity of gas which was made available for offtake from the System on the relevant Day;
- Y is in the case of a DM Supply Point Component the Nominated Quantity

## EXIT REQUIREMENTS

(subject to paragraph 3.5.4) under the Output Nomination for the relevant Supply Point Component, provided that

- (i) no account shall be taken of any Renomination, on the Day when the failure occurred or first occurred, made after the time at which the Registered User first became aware of such failure; and
- (ii) Y shall not exceed the amount of the User's Registered Supply Point Capacity at the Supply Point Component, disregarding any increase therein applied for after the relevant failure first occurred;

X/Y is in the case of an NDM Supply Point Component, zero;

P is the sum of the Applicable Daily Rates of:

- (i) the Capacity Variable Component of the Customer Charge, and
- (ii) in the case of an LDZ Supply Point, the LDZ Capacity Charge, and
- (iii) the applicable NTS Exit Capacity Charge.

F is ten (10) in relation to a Firm Supply Point Component and five (5) in relation to an Interruptible Supply Point Component;

(b) where:

- (i) as a result of the relevant failure gas is not available for offtake for a period of 24 hours, and
- (ii) the amount determined under paragraph (a) would for each consecutive period of 24 hours during which the relevant failure continued to be less than £50 in relation to a NDM Supply Point Component and £250 in relation to an DM Supply Point Component the amount determined under paragraph (a) shall not be payable to the User and for each consecutive period of 24 hours or part of such a period, commencing with the expiry of the first 24 hours of such failure, during which the relevant failure continued, Transco will pay to the Registered User an amount of £50 in relation to a NDM Supply Point Component and an amount of £250 in relation to an DM Supply Point Component.

3.5.4 For the purposes of the foregoing provisions of this paragraph 3.5:

- (a) in determining 'Y' in paragraph 3.5.3, in the case of a DMA Supply Point Component there shall be deemed to be a Nomination Quantity in respect of each DMA Supply Point Component in the relevant DMA Supply Point Group, determined by apportioning the Nomination Quantity for such Supply Point Group between such Supply Point Components in proportion to their respective Annual Quantities.
- (b) in relation to an Interruptible Supply Point Component, the Applicable

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Daily Rates in 'P' in paragraph 3.5.3 shall be determined as though the Supply Point Component were Firm;

- (c) for the purposes of paragraphs 3.5.2 and 3.5.3(b), any such period of 24 hours as is referred to in Section L4.3.2(d) is concurrent with and not in addition to the first 24 hours referred to in paragraph 3.5.2 or 3.5.3(b), and accordingly (notwithstanding [Section L4.3.1](#)) any period of Programmed Maintenance (in respect of the Supply Point) shall count towards such first 24 hours.

- 3.5.5 In the case of a Connected System Exit Point, Transco will pay to each CSEP User an amount determined as:

$$C \times (1 - X / Y) \times P$$

where:

- C is the amount of the Relevant Exit Capacity held by the CSEP User at the Connected System Exit Point on the relevant Day;
- X is the relevant proportion of the quantity of gas which was made available for offtake from the System by CSEP Users in aggregate on the relevant Day;
- Y is the Nominated Quantity (subject to paragraph 3.5.4) under the CSEP User's Output Nomination for the Connected System Exit Point, provided that
  - (i) no account shall be taken of any Renomination, on the Day when the failure occurred or first occurred, made after the time at which the CSEP User first became aware of such failure; and
  - (ii) Y shall not exceed the amount of the User's Relevant Exit Capacity at the Connected System Exit Point, disregarding any increase therein applied for after the relevant failure first occurred;
- P is the sum of the Applicable Daily Rates of:
  - (i) the CSEP Charge to the extent of any component thereof which varies with Relevant Exit Capacity, and
  - (ii) in the case of an LDZ Connected System Exit Point, the LDZ Capacity Charge, and
  - (iii) the applicable NTS Exit Capacity Charge.

- 3.5.6 For the purposes of paragraph 3.5.5:

- (a) a CSEP User's "**Relevant Exit Capacity**" is, in the case of an LDZ Connected System Exit Point, its Registered LDZ Capacity, and in the case of an NTS Connected System Exit Point, its Available NTS Capacity, at such Connected System Exit Point;
- (b) the relevant proportion of a CSEP User is the amount determined as 'Y' for the User on the relevant Day in accordance with paragraph 3.5.5 divided by the aggregate of the amounts so determined as 'Y' for all CSEP Users.

- 3.5.7 For the purposes of [Section V13](#), the rules in paragraph 3.5.2 and 3.5.3 are Compensation Rules within Compensation Group J; and in relation thereto the 'payment month' is the second month following the month in which the relevant failure commenced.
- 3.5.8 For the purposes of paragraphs 3.5.3 and 3.5.5, any dispute as to the quantity of gas which was made available for offtake at the relevant DM Supply Point Component or Connected System Exit Point on the relevant Day shall be referred to Expert Determination.

### 3.6 Force Majeure

#### 3.6.1 Where:

- (a) by reason of Force Majeure affecting Transco, Transco is relieved from liability in respect of its obligation to make gas available for offtake from the System at a System Exit Point, and
- (b) the occurrence of Force Majeure continues for a period of more than 7 Days,

for each Day after the 7th Day on which Transco continues to be relieved of such obligation, the User(s) registered as holding System Capacity at such point will cease to be liable to pay the Capacity Charges referred to in paragraph 3.6.2.

#### 3.6.2 Subject to paragraph 3.6.3, the relevant Capacity Charges are:

- (a) in the case of any System Exit Point, the LDZ Capacity Charges (where relevant) and the Capacity Variable Component of the Customer Charge payable by the User in respect of such point;
- (b) in the case of a System Exit Point other than an Interruptible Supply Point, NTS Exit Capacity Charges in respect of an amount of NTS Exit Capacity (in respect of the relevant NTS Exit Point) equal to the User's Registered LDZ Capacity.

#### 3.6.3 Where in relation to any Day (after the 7th Day) the effect of the occurrence of Force Majeure is a partial (rather than total) reduction in the availability of gas for offtake from the System, the relevant Capacity Charges will be that proportion of those described in paragraph 3.6.2 determined as:

$$(C - X)/C$$

where:

'C' is the amount of the User's Registered LDZ Capacity (as at the Day when the occurrence of Force Majeure commenced) at the relevant System Exit Point; and

'X' is the quantity of gas which was made available for offtake from the System at the relevant System Exit Point on the Day.

### 3.7 Point of offtake

#### 3.7.1 The point of offtake in respect of each Individual System Exit Point comprised in any System Exit Point shall be:



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- (a) in the case of a Supply Point:
    - (i) except as provided in paragraph (ii), the outlet of the customer control valve on the service pipe;
    - (ii) where there is in force a Network Exit Agreement which identifies (by description or a diagram or both) the point(s) of offtake, the point or points so identified;
  - (b) in the case of a Connected System Exit Point, the point of offtake identified in accordance with paragraph 3.7.2.
- 3.7.2 The Network Exit Agreement in force in respect of a Connected System Exit Point will identify (by description or a diagram or both) a point of offtake in respect of each Individual System Exit Point comprised in the Connected System Exit Point.
- 3.7.3 Title and (without prejudice to paragraph 3.4) risk in gas offtaken from the System at a System Exit Point shall pass to the Offtaking User at the relevant point of offtake in accordance with paragraph 3.7.1.
- 3.7.4 Transco warrants to each User that Transco will have title (at the point of offtake) to all gas made available for offtake from the System at any System Exit Point by that User, and that all such gas will (at such point) be free of any lien, charge, encumbrance or adverse claim (as to title or otherwise), including any claim for any tax, royalty or other charge in respect of the production, gathering, processing and tendering of gas arising on or before offtake thereof from the System.
- 3.7.5 Transco shall indemnify each User and hold it harmless against any loss, liability, damage, claim, action, proceeding, cost and expense suffered or incurred by or made or brought against such User in consequence of any breach of the warranty in paragraph 3.7.4.

### 3.8 User offtake obligations: DM Supply Point Components

- 3.8.1 A User is not entitled to offtake gas from the System at a DM Supply Point Component at a rate which exceeds the Supply Point Offtake Rate, and shall take all reasonable steps to ensure that gas is not offtaken at such a rate.
- 3.8.2 Where:
  - (a) Transco believes on reasonable grounds that gas is being or will be offtaken from the System at a DM Supply Point Component at a rate which exceeds the Supply Point Offtake Rate; and
  - (b) in Transco's reasonable judgment System security may be prejudiced as a result

Transco may take any steps available to it to secure the required reduction in the rate of or the discontinuance of the offtake of gas from the System at the Supply Point Component.
- 3.8.3 The steps referred to in paragraph 3.8.2 include the disconnection of the relevant premises; but (without prejudice to any provision of the Gas Code)



Transco will endeavour not to take this step where alternative steps are available and adequate in the circumstances.

- 3.8.4 Transco will not be obliged under any provision of the Code to make gas available for offtake from the System by a User at a DM Supply Point Component:
- (a) at any time, at a rate which exceeds the Permitted Supply Point Offtake Rate, or
  - (b) on any Day, in a quantity which exceeds the User's Registered Supply Point Capacity.
- 3.8.5 In relation to a DM Supply Point Component which comprises Shared Supply Meter Point(s), a User shall not be in breach of paragraph 3.8.1, and paragraph 3.8.2 shall not apply, if the aggregate rate at which gas is offtaken from the System at all of the DM Supply Point Components which comprise such Shared Supply Meter Point does not exceed the aggregate of the Supply Point Offtake Rates in respect of such Supply Point Components.

### 3.9 User offtake obligations: CSEPs

- 3.9.1 A CSEP User is not entitled to offtake gas from the System at a relevant Connected System Exit Point at a rate which exceeds the maximum rate permitted (for that CSEP User) in accordance with the CSEP Network Exit Agreement.
- 3.9.2 Where:
- (a) Transco believes on reasonable grounds that gas is being or will be offtaken from the System at a rate which exceeds the maximum aggregate rate permitted in accordance with the CSEP Network Exit Agreement, and
  - (b) in Transco's reasonable judgement System security may be prejudiced as a result;
- Transco may (subject to and/or in accordance with any provisions of the CSEP Network Exit Agreement) take any steps available to it to secure the required reduction in the rate of or discontinuance of offtake of gas from the Connected System Exit Point.
- 3.9.3 Transco will not be obliged under any provision of the Code to make gas available for offtake from the System at a relevant Connected System Exit Point:
- (a) by CSEP Users in aggregate, at any time, at a rate which exceeds the maximum aggregate rate permitted in accordance with the CSEP Network Exit Agreement;
  - (b) by a CSEP User, on any Day, in a quantity which exceeds the User's Registered LDZ Capacity (in the case of a relevant LDZ Connected System Exit Point) or Available NTS Exit Capacity (in the case of a relevant NTS Connected System Exit Point).

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**3.10 Alternative arrangements for PGT CSEPs**

- 3.10.1 This paragraph 3.10 shall apply, in addition to and (to the extent in conflict with) in substitution for the provisions of paragraphs 3.4 and 3.5, in the case of a LDZ Connected System Exit Point, where the Connected System Operator is the holder of a Gas Transporter's Licence and the Connected Offtake System is a pipeline system the conveyance of gas in which is either authorised by such licence, or exempt (from the requirement to be so licensed) pursuant to an order (under Section 6A of the Act) granting temporary exemption from such requirement.
- 3.10.2 For the purposes of paragraph 3.4, where the condition in paragraph 3.10.4 is satisfied:
- (a) subject to the limit in paragraph 3.4.3, the costs and expenses referred to in paragraph 3.4.1 shall include costs and expenses incurred in cleaning or clearing plant and/or equipment at Connected System Premises in which the non-compliant gas has been used;
  - (b) the limit in paragraph 3.4.3 shall apply only in relation to the amount of the costs and expenses in paragraph 3.10.2(a);
  - (c) the amount payable by Transco to an Offtaking User in relation to the costs and expenses referred to in paragraph 3.4.1 (including subject to the limit in paragraph 3.4.3 those within paragraph (a)) shall be the User's Offtake Proportion of the CSEP Liability Sharing Proportion of such costs and expenses.
- 3.10.3 For the purposes of paragraph 3.5, where the condition in paragraph 3.10.4 is satisfied:
- (a) paragraph 3.5.5 shall not apply;
  - (b) Transco shall pay to each CSEP User an amount calculated as the CSEP Liability Sharing Proportion of:
    - (i) the amount determined under paragraph 3.10.6, where that paragraph applies; and
    - (ii) the User's Offtake Proportion of any costs and expenses incurred by the Connected System Operator, directly as a consequence of the failure by Transco to make gas available for offtake at the Connected System Exit Point, so that the Connected Offtake System can be operated in accordance with applicable Legal Requirements.
- 3.10.4 The condition referred to in paragraphs 3.10.2 and 3.10.3 is that the Connected System Operator:
- (a) shall (to the maximum extent permitted by law) fully and effectively have waived any claim against Transco in respect of any liability (in contract, tort or otherwise) in respect of the making available for offtake from the System of non-compliant gas, or (as the case may be)

the failure to make gas available for offtake, or (in either case) the event or circumstances giving rise thereto;

- (b) shall have taken all such steps as are reasonable in the circumstances and having regard to any such provisions of the CSEP Network Exit Agreement as are referred to in paragraph 5.8.1(e) to avoid or limit the consequences of the relevant occurrence in relation to which such costs and expenses referred to in paragraph 3.10.2 or 3.10.3 are incurred, and to limit such costs and expenses;
- (c) shall have agreed insofar as is reasonable in the circumstances that, if Transco so requires, all or some of the works necessitated by the relevant occurrence shall be undertaken by Transco at Transco's cost (offsetting the cost of such works against the amounts payable by Transco pursuant to paragraphs 3.10.2(c) and 3.10.3(b)(ii)) and on such other terms as shall be reasonable for Transco and the Connected System Operator to agree.

3.10.5 Paragraph 3.10.6 applies where:

- (a) in consequence of the failure (for whatever period of time) to make gas available for offtake from the System at the Connected System Exit Point, the Connected System Operator fails to make gas available for offtake from the Connected Offtake System at Connected System Premises, and
- (b) a commitment exists on the part of the Connected System Operator or a relevant supplier to make a payment, in consequence of such failure, to the consumer at the Connected System Premises.

3.10.6 Where this paragraph applies, the amount referred to in paragraph 3.10.3(b)(i) is the aggregate, for all of the Connected System Premises to which the CSEP User has (at the relevant time) arranged for gas to be conveyed by the Connected System Operator, of the amount (in respect of each such premises) ascertained pursuant to paragraph (a) or (b) below:

- (a) where the rate at which gas is expected to be supplied to the consumer at the Connected System Premises does not exceed 73,200 kWh (2,500 *therms*) per annum, for each consecutive period of 24 hours, or part of such period, after the first period of 24 hours, for which the failure by the Connected System Operator to make gas available continues, the lesser of £30 and the amount which the Connected System Operator or relevant supplier is (as described in paragraph 3.10.5(b) committed to pay to the consumer. Provided always that:
  - (i) Transco shall not be liable to pay a sum in excess of £1000 in respect of a consumer at a Connected System Premises is any one relevant failure to make gas available; and
  - (ii) Transco shall not be liable to make any payment where the number of Connected System Premises exceeds 50,000 in any one relevant failure to make gas available;

## EXIT REQUIREMENTS

- (b) where the rate at which gas is expected to be supplied to the consumer at the Connected System Premises exceeds 73,200 kWh (*2,500 therms*) per annum, the lesser of the amount which the Connected System Operator or relevant supplier is (as described in paragraph 3.10.5(b)) committed to pay to the consumer, and the amount which (if the Connected System Premises were connected to the System at a Supply Point) Transco would be required to pay pursuant to paragraph 3.5.3.

3.10.7 For the purposes of this paragraph 3.10:

- (a) the "**CSEP Liability Sharing Proportion**" in relation to a Connected System Exit Point at any time shall be the proportion from time to time specified in or determined pursuant to the CSEP Network Exit Agreement, or determined (for the purposes of this paragraph 3.10) by Transco with Condition 9(3) Approval of the Authority (where the CSEP Network Exit Agreement does not so specify or provide for such determination);
- (b) "**Connected System Premises**" are premises connected to the Connected Offtake System.

3.10.8 For the purposes of [Section VI3](#), the rule in paragraph 3.10.3 is a Compensation Rule within Compensation Group J; and in relation thereto the "**payment month**" is the second month following the month in which the relevant failure commenced.

## 4 NExA SUPPLY METER POINTS

### 4.1 General

- 4.1.1 The requirements of this paragraph 4 apply, as and to the extent required by Transco pursuant to the relevant Network Exit Agreement (a "**Supply Point Network Exit Agreement**"), in respect of the plant and equipment to be installed at and the offtake of gas from the System at a NExA Supply Meter Point.
- 4.1.2 Each of paragraphs 4.6 to 4.11 applies in respect of a NExA Supply Meter Point where the relevant Network Exit Agreement contains provisions (whether or not expressly referring to such paragraph) by reference to which such paragraph is capable of applying.
- 4.1.3 Where and for so long as:
  - (a) any requirement applying pursuant to this paragraph 4 (other than a requirement applying to Transco) of a Supply Point Network Exit Agreement is not for the time being complied with or is incapable of being complied with in relation to a NExA Supply Meter Point, and
  - (b) in Transco's reasonable opinion such non-compliance or inability to comply may prejudice System security

Transco shall (until such time as it is reasonably satisfied that such non-compliance has been remedied) be entitled to require by notice to the Registered User that the offtake of gas shall be discontinued or its rate reduced, and may in any event take any steps

available to it to secure such discontinuance or reduction, provided that where Transco takes such steps it will so notify the Registered User as soon as reasonably practicable after so doing.

- 4.1.4 Subject to paragraph 4.5, nothing in this paragraph 4 affects the application of any provision of the Code to any other Supply Meter Point comprised in the same Supply Point as a NExA Supply Meter Point.

## 4.2 Network Exit Agreement

- 4.2.1 The Network Exit Agreement in respect of a NExA Supply Meter Point:

- (a) will specify the point of offtake in accordance with paragraph 3.7.1(a);
- (b) will specify the plant and equipment installed pursuant to paragraph 4.4;
- (c) may provide (whether by express reference to such provisions or otherwise) for the application of any of paragraphs 4.6 to 4.11;
- (d) may provide for a Special Offtake Arrangement in accordance with paragraph 2.3.1;
- (e) may specify requirements (without prejudice to paragraph 2.1.5) as to the pressure at which gas is to be made available for offtake from the System, and/or stipulate that the point at which the Applicable Offtake Pressure is to apply is a point other than the point of offtake;
- (f) may contain provisions applicable for the purposes of paragraph 4.3.3;
- (g) may specify details and/or standards for the design, specification and manufacture and/or the accuracy of the Supply Meter, and/or contain provisions (which may differ from those of [Section M](#)) as to any of the matters provided for in [Section M](#);
- (h) will specify (in the case of an NTS Supply Meter Point) for the purposes of [Section L4.3.2\(b\)](#) the numbers of Days of permitted Planned Maintenance in any Planned Maintenance Period and any three consecutive Planned Maintenance Periods;
- (i) where the Consumer's Plant is generating plant, will specify the basis for determining the date at which commissioning of the Consumer's Plant shall be treated as completed (by reference to the successful completion of that part of the commissioning programme which tests the ability of the Consumer's Plant to run reliably for a continuous period of 30 days);
- (j) may specify other matters relating to the offtake of gas for purposes of commissioning the Consumer's Plant or any plant or equipment referred to in paragraph (b);
- (k) may specify procedures applicable in the event of any emergency circumstances affecting Transco or the consumer (including any Emergency in accordance with [Section Q](#)).

## EXIT REQUIREMENTS

- 4.2.2 A Supply Point Network Exit Agreement may also provide for:
- (a) Transco and the consumer to have access to each other's facilities for the purposes of verification of compliance with the requirements of the Agreement;
  - (b) terms according to which and circumstances in which the Agreement may be terminated or expire;
  - (c) any other terms or conditions which may be appropriate for the purposes of the Code in respect of the offtake of gas from the System or (in relation to such offtake) the Consumer's Plant.
- 4.2.3 Where a Supply Point Network Exit Agreement is made with the consumer, Transco shall not be required (for itself or for the benefit of any User) to secure in such Agreement any remedy against the relevant consumer, nor to take any steps to enforce any provision of such a Network Exit Agreement.
- 4.2.4 Transco will not be required to make gas available for offtake at a NExA Supply Meter Point where (other than by reason of a breach by Transco thereof) the applicable Network Exit Agreement has been suspended or terminated in accordance with its terms.
- 4.2.5 Where a Supply Point Network Exit Agreement made with the consumer is in force and there is a Registered User in respect of the NExA Supply Meter Point, Transco will not, unless upon Transco's application the Authority shall give Condition 9(3) Approval to its doing so, agree to any modification of the Network Exit Agreement without the approval of the Registered User(s) for the time being.
- 4.2.6 Where a User submits a Supply Point Nomination in respect of a Supply Point which includes a NExA Supply Meter Point, Transco will inform the User of the existence (but not of the terms) of the Network Exit Agreement, and the User shall be responsible for ascertaining the terms thereof from the relevant consumer; and where the User subsequently submits a Supply Point Confirmation the User shall be deemed to be fully informed of such terms.
- 4.2.7 Except as provided in paragraph 4.2.6 Transco will not, unless the terms of the Network Exit Agreement expressly so permit, disclose the provisions of a Supply Point Network Exit Agreement to any User (including a User who has submitted a Supply Point Nomination or Supply Point Confirmation) other than the Registered User.

### 4.3 Application

- 4.3.1 The Registered User, or (where relevant) the Sharing Registered Users jointly, shall be responsible for securing that the requirements of paragraphs 4.6 to 4.9 are complied with in respect of a NExA Supply Meter Point.
- 4.3.2 The requirements of paragraphs 4.6 to 4.10 apply as to the offtake of gas from the System at a NExA Supply Meter Point in aggregate by all Sharing Registered Users (where applicable).

4.3.3 Transco may agree, pursuant to a Network Exit Agreement, that no person shall be a Registered User in respect of a NExA Supply Meter Point unless such person has agreed (together with any other Sharing Registered User):

- (a) to appoint the consumer or any other person as User Agent for such purposes as may be specified in the Network Exit Agreement, and/or to cooperate in such manner as may be prescribed in the Network Exit Agreement with the consumer and (where there are Sharing Registered Users) with each other Sharing Registered User to secure coordinated communications with Transco in respect of the offtake of gas from the System;
- (b) to enter into or accede to any agreement in writing with the relevant consumer and any other Sharing Registered User for the purposes of paragraph 4.3.3(a) (to which agreement Transco may or may not be party).

4.3.4 Transco shall be entitled to reject a Supply Point Confirmation made by a User who has not complied with any such requirement as is referred to in paragraph 4.3.3.

#### 4.4 Plant and equipment installed at NExA Supply Meter Points

4.4.1 The plant and equipment installed at a NExA Supply Meter Point will, if Transco so requires, include:

- (a) volumetric control or override, by means of which the instantaneous rate (in terms of volume) at which gas may be offtaken may be limited (and such limit set remotely by Transco);
- (b) remote isolation valve, by means of which Transco may remotely cause the offtake of gas to be discontinued;
- (c) calorimetric equipment, by means of which the calorific value of gas offtaken may be continuously monitored;
- (d) preheating equipment, by means of which the temperature of gas offtaken may be maintained (having regard to the operation of any other plant or equipment installed pursuant to this paragraph 4.4.1 or paragraph 4.4.2) at a given temperature (not less than 0°C).

4.4.2 The plant and equipment required by Transco to be installed pursuant to paragraph 4.4.1 will be specified in the relevant Network Exit Agreement (and may where so provided in such Agreement be or have been furnished and installed by Transco).

4.4.3 Where volumetric control or override is installed pursuant to paragraph 4.4.1(a), Transco may, but (subject to any provision of the Network Exit Agreement) shall not be required to, set such control or override, or require it to be set, so as to limit the rate (in volume terms) at which gas is offtaken to a rate equivalent (on the basis of the applicable calorific value) to the Prevailing Offtake Rate, or otherwise as may be provided in the Network Exit Agreement.



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- 4.4.4 Where a remote isolation valve is installed pursuant to paragraph 4.4.1(b), Transco may, but (subject to any provision of the Network Exit Agreement) shall not be required to, operate such valve in any circumstances in which, in accordance with the Code or the Act, Transco is permitted to interrupt or cause the discontinuance or reduction of offtake, or disconnect the Supply Point Premises.
- 4.4.5 Transco will not be in breach of its obligation to make gas available for offtake at the NExA Supply Meter Point:
- (a) where and to the extent that:
    - (i) any plant or equipment installed pursuant to paragraphs 4.4.1 operates (in accordance with any provisions of the Supply Point Network Exit Agreement as to such operation or the control or setting of such plant or equipment) so as to limit or discontinue the offtake of gas from the System; or
    - (ii) Transco takes any action in accordance with any provisions of this paragraph 4 or of a Supply Point Network Exit Agreement which limits or discontinues the offtake of gas from the System;
  - (b) in the event of any failure of or defect in any plant or equipment installed by Transco at the NExA Supply Meter Point, or requirement for maintenance thereof, until and unless:
    - (i) the User or the consumer has notified Transco of such failure, defect or requirement, and
    - (ii) following such notice Transco has not, within 24 hours after such notification or such other period as may be provided in the Network Exit Agreement, and subject to having such access as shall be reasonable in the circumstances, repaired or replaced the relevant plant or equipment or carried out the required maintenance (but so that nothing in the Code or the Network Exit Agreement shall require the Registered User to pay for any such repair, replacement or maintenance).

## 4.5 Preheating offtake

- 4.5.1 Where in accordance with the Network Exit Agreement preheating equipment is installed (whether or not pursuant to paragraph 4.4.1(d)) at a NExA Supply Meter Point:
- (a) the point at which gas is offtaken from the System for consumption by such preheating equipment shall be a Supply Meter Point (in respect of which the Network Exit Agreement shall specify the point of offtake for the purposes of paragraph 3.7.1);
  - (b) Daily Read Equipment will be installed at such Supply Meter Point (which shall accordingly be a DM Supply Meter Point);



- (c) such Supply Meter Point shall be treated for all purposes of the Code as comprised in the same Supply Point as the NExA Supply Meter Point;
  - (d) the gas offtaken from the System at such Supply Meter Point shall for all purposes of the Code be treated as offtaken by the Registered User or Sharing Registered Users.
- 4.5.2 Where the NExA Supply Meter Point is a Shared Supply Meter Point, the Supply Meter Point referred to in paragraph 4.5.1 shall be deemed to be a Shared Supply Meter Point and subject to the same Shared Supply Meter Notification.

## 4.6 Offtake Profile Notice

- 4.6.1 Where this paragraph 4.6 applies, a notification ("**Offtake Profile Notice**") shall be provided to Transco, not later than the time on the Preceding Day specified in the Network Exit Agreement, setting out rates of offtake (not exceeding the Permitted Supply Point Offtake Rate) throughout the Gas Flow Day.
- 4.6.2 For the purposes of this paragraph 4, "**rate of offtake**" means the instantaneous rate (expressed in MW) of offtake of gas from the System at a NExA Supply Meter Point (and references to the rate of offtake include a rate of zero where gas is not offtaken, and references to a change in rate of offtake shall be construed accordingly).
- 4.6.3 Where this paragraph 4.6 applies, the Network Exit Agreement will prescribe a period of notice to be given (by way of modified Offtake Profile Notice) to Transco of any change ("**Offtake Rate Change**"), by reference to the prevailing Offtake Profile Notice, in the rate of offtake of gas, which period of notice may depend:
- (a) on whether the Offtake Rate Change is an increase or a decrease in rate of offtake,
  - (b) on the amount of the Offtake Rate Change, expressed as an absolute amount or a percentage of a rate determined from the Permitted Supply Point Offtake Rate or otherwise, and
  - (c) on whether any earlier change in the rate of offtake has been notified or occurred within any specified period before the Offtake Rate Change.
- 4.6.4 The Offtake Profile Notice may be modified, as to the rate of offtake from and after any time, by notice before that time of the period referred to in paragraph 4.6.3, but (without prejudice to paragraph 4.9 or 4.10 where either applies) not otherwise.
- 4.6.5 Where, upon a request to that effect, Transco determines that it is feasible, consistently (so far as Transco can judge in the circumstances) with the expectation in paragraph 4.6.6, to make gas available for offtake at the NExA Supply Meter Point at a changed rate of offtake (specified in such request) upon a lesser period of notice than that referred to in paragraph 4.6.3, the Offtake Profile Notice may be modified in accordance with such request.

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- 4.6.6 The expectation referred to in paragraph 4.6.5 is that the change in rate of offtake on such lesser period of notice should not, of itself and at the time, give rise to an Operational Balancing Requirement (but it is recognised that such change may contribute to any such requirement at any later time).
- 4.6.7 No communication to Transco pursuant to this paragraph 4.6 shall be (or shall be treated as in substitution for) a Nomination or Renomination under [Section C](#).
- 4.6.8 Without prejudice to this paragraph 4, the Registered User shall in any event ensure that as much notice as is reasonably practicable is given to Transco of any change in the rate of offtake.

#### 4.7 Prevailing Offtake Rate

- 4.7.1 At any time on the Gas Flow Day the "**Prevailing Offtake Rate**" is the rate of offtake set out in respect of such time in the Offtake Profile Notice (as from time to time modified pursuant to paragraph 4.6.4).
- 4.7.2 Where this paragraph 4.7 applies, subject to paragraphs 4.9 and 4.10, gas may not be offtaken from the System at the NExA Supply Meter Point at any time on any Day at a rate of offtake which exceeds or is less than the Prevailing Offtake Rate by more than the tolerance specified (for the purposes of this requirement) in the Supply Point Network Exit Agreement.
- 4.7.3 Where this paragraph 4.7 applies, subject to paragraph 4.10, Transco will not be required to make gas available for offtake from the System at the NExA Supply Meter Point at any time on any Day at a rate of offtake which exceeds the Prevailing Offtake Rate.

#### 4.8 Ramp Rates

- 4.8.1 The Supply Point Network Exit Agreement may prescribe maximum rates of change (expressed in MW/minute or other units of rate of change) of the rate of offtake.
- 4.8.2 Where this paragraph 4.8 applies, subject to paragraph 4.10, at any time on the Gas Flow Day at which there is a change (pursuant to the Offtake Profile Notice) in the Prevailing Offtake Rate, the rate of change of the rate of offtake shall not exceed the rate of change prescribed (in accordance with paragraph 4.8.1) in the Network Exit Agreement.
- 4.8.3 Where this paragraph 4.8 applies, subject to paragraph 4.10, Transco will not be required to make gas available for offtake from the System at the NExA Supply Meter Point at an increasing rate the rate of change of which exceeds the rate of increase prescribed (in accordance with paragraph 4.8.1) in the Network Exit Agreement.

#### 4.9 Intertripping and forced outages

- 4.9.1 The Network Exit Agreement may prescribe particular circumstances in which, by reason of a sudden interruption in the operation of the Consumer's Plant, the rate of offtake may be reduced suddenly.

- 4.9.2 Where this paragraph 4.9 applies, in such circumstances and subject to such requirements as may be so prescribed in the Network Exit Agreement:
- (a) the requirements (as to notice and rate of reduction of rate of offtake) of paragraphs 4.6.4 and 4.8 shall not apply;
  - (b) the requirements (as to notice of increase of rate of offtake) of paragraph 4.6.4 shall not apply in respect of a subsequent increase in the rate of offtake not exceeding such amount, and within such period (after the occurrence of the sudden interruption referred to in paragraph 4.9.1), as may be prescribed in the Network Exit Agreement.

## 4.10 Frequency Response

4.10.1 Where the Consumer's Plant is gas fired generating plant subject to Central Despatch by the National Grid Company plc, Scottish and Southern Energy plc or Scottish Power plc acting as operators of the electricity transmission in Great Britain ("**the Grid Operators**"), it may be required, at the request of the Grid Operators, to respond automatically and rapidly to changes in the electrical frequency of such system by rapidly increasing or subsequently decreasing the rate of offtake, by up to 25% of the Supply Point Offtake Rate ("**Frequency Response**"). "**Central Despatch**" is the process of scheduling and issuing direct instructions by the Grid Operators in accordance with their grid codes.

4.10.2 Where this paragraph 4.10 applies:-

- (a) there shall be a Network Exit Agreement in force at the System Exit Point;
- (b) the Registered User of the System Exit Point shall notify Transco by Conventional Notice that it requires the Frequency Response service subject to the conditions set out in paragraphs (c) to (i) below;
- (c) the Registered User shall pay such amount (if any) as is identified in the Transportation Statement for Frequency Response;
- (d) where the Registered User has so elected, the requirements of paragraphs 4.5, 4.7.2 and 4.8 shall be disapplied during any period (not exceeding one hour) when the Consumer's Plant is responding to a specific request by a Grid Operator to provide Frequency Response ("**Frequency Response Period**");
- (e) except as set out in this paragraph 4.10 the requirements set out in the Network Exit Agreement shall apply,
- (f) during any Frequency Response Period any provision contained in the Network Exit Agreement as to the pressure of gas made available for offtake at the System Exit Point shall be suspended;
- (g) during any Frequency Response Period any provision contained in the Network Exit Agreement as to the ramp rates, in accordance with paragraph 4.8, shall be amended such that the rate of increase or decrease in the rate of offtake shall not exceed 25% of the maximum

## EXIT REQUIREMENTS

offtake rate in a period of 10 seconds during any Frequency Response Period;

(h) in respect of any Frequency Response Period any provision contained in the Network Exit Agreement as to the period of notice to be given to Transco in accordance with paragraph 4.6.3 shall be amended such that:-

(i) the Registered User(s) shall notify Transco within 30 minutes of a Frequency Response Period having commenced at the System Exit Point; and

(ii) the Offtake Profile Notice submitted on the Day following any Day on which a Frequency Response Period was actually provided shall state the time and duration of any period(s) of Frequency Response;

(i) during any Frequency Response Period any provision contained in the Network Exit Agreement as to the temperature of gas, where preheating equipment has been installed in accordance with paragraph 4.5, shall be suspended.

4.10.3 Transco may, on written notice, or verbal notice subsequently confirmed in writing, to the Registered User withdraw the right of the Registered User to take Frequency Response at the Consumer's Plant where Transco considers that there has been, or is likely to be, a serious detrimental effect on the safe and effective operation of the System by reason of the provision of Frequency Response at the Consumer's Plant.

4.10.4 Transco may temporarily suspend, by giving 10 Working Days notice in writing (or immediately on verbal notice in the case of an Emergency, subsequently confirmed in writing) to the Registered User(s) provision of Frequency Response where maintenance activities on the System may impact Transco's ability to provide Frequency Response at the Customer's Plant.

4.10.5 In providing Frequency Response, or following any material change in the Supply Point Offtake Rate at the Specified Exit Point, Transco shall require that a flow test be performed at the Specified Exit Point. Following any material change in the operating conditions of the System, Transco may require that a flow test be performed at the Specified Exit Point. Any charges for provision of the flow test (if any) shall be set out in the Transportation Statement. If the results of the flow test are unsatisfactory, Transco may decline to provide or withdraw Frequency Response at the Specified Exit Point with effect from a specified date.

#### 4.11 Metering and Measurement

Where (in accordance with paragraph 4.2.1(g) or 4.4.1(c)) the Network Exit Agreement contains provisions alternative to those contained in [Section M](#), such provisions shall apply as between Transco and the Registered User (and any inconsistent provisions of [Section M](#) shall not apply).

### 5 CONNECTED SYSTEM EXIT POINTS

## 5.1 Introduction

- 5.1.1 In accordance with [Section A3.3](#), a Connected System Exit Point is a System Exit Point comprising one or more Individual System Exit Points which are not Supply Meter Points.
- 5.1.2 The Individual System Exit Point or Individual System Exit Points comprised in a Connected System Exit Point will be specified in the applicable Network Exit Agreement.

## 5.2 Connected Offtake System

- 5.2.1 For the purposes of the Code a "**Connected Offtake System**" is a single system or facility (comprising pipeline(s), plant and/or other installations) operated by one person (or jointly operated by several persons) and connected to the System at the Individual System Exit Point(s) comprised in a Connected System Exit Point.
- 5.2.2 Without prejudice to paragraph 1.1.2, a Connected Offtake System may be:
  - (a) a facility for the storage of gas;
  - (b) the pipeline system operated by another Gas transporter;
  - (c) a pipeline interconnector by which gas is transported to another country;
  - (d) any other pipeline (other than a pipeline connecting the System directly to single premises) or pipeline system.
- 5.2.3 A "**Connected System Operator**" is the operator of a Connected Offtake System.

## 5.3 Interconnected Systems, etc

A Connected Offtake System may also be a Connected Delivery Facility where gas can flow in either direction between such system and the System (for example in the case of a Storage Facility), in which case the provisions of the Network Entry Agreement and the Network Exit Agreement may be contained in a single document.

## 5.4 Network Exit Agreement

- 5.4.1 A User may not offtake gas from the System at a Connected System Exit Point unless there is in force a Network Exit Agreement (a "**CSEP Network Exit Agreement**") in accordance with this paragraph 5.
- 5.4.2 Transco will make available to any User on request a copy of the CSEP Network Exit Agreement applicable to a Connected System Exit Point where the Connected System Operator either is a Gas transporter or has consented to Transco's doing so, but not otherwise.
- 5.4.3 A User who becomes a CSEP User (in accordance with paragraph 5.6) in respect of a Connected System Exit Point shall be responsible for obtaining and shall be deemed to have obtained and to be fully informed of the applicable

## EXIT REQUIREMENTS

CSEP Network Exit Agreement.

- 5.4.4 Each CSEP User acknowledges and shall be bound by the terms of the CSEP Network Exit Agreement as they apply pursuant to the Code, including those relating to the determination of System Capacity held by the User, nomination of quantities for offtake by the User and measurement or determination of quantities of gas offtaken by the User.
- 5.4.5 A CSEP Network Exit Agreement may contain provisions in addition to those contemplated by the Code; and in such a case references in this paragraph 5.4 to the Network Exit Agreement are to those of its provisions which are contemplated by the Code.

## 5.5 Relevant Connected System Exit Point

For the purposes of any provision of the Code:

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

## 5.6 CSEP User

- 5.6.1 No User may apply for or hold System Capacity at or offtake gas at a Connected System Exit Point unless the User has given notice (but subject to paragraphs 5.6.4 and 5.9.1) to Transco of its intention to do so.
- 5.6.2 Where a User has given notice under paragraph 5.6.1 the notice shall not be withdrawn other than in accordance with the provisions of the relevant Network Exit Agreement.
- 5.6.3 In respect of any Connected System Exit Point a "**CSEP User**" is a User who has given and has not withdrawn notice under paragraph 5.6.1 in respect of that Connected System Exit Point.
- 5.6.4 A User shall not be entitled to give notice pursuant to paragraph 5.6.1 until and unless the User has complied with such conditions as may be specified in the relevant Network Exit Agreement and (where required pursuant to paragraph 5.9.1) has acceded to the CSEP Ancillary Agreement.

## 5.7 Amendment of Network Exit Agreement

- 5.7.1 Transco will not agree with the Connected System Operator to amend any provision of a CSEP Network Exit Agreement which governs or otherwise is directly relevant to the arrangements between Transco and Users pursuant to the Code except:
- (a) in the case where the Connected System Operator is a Gas transporter, by way of modification pursuant to the Modification Rules (subject to paragraph 5.8.4), for which purposes the relevant provision of the CSEP Network Exit Agreement shall be deemed to form a part of the Code;
  - (b) in any other case, with the approval of each User who is at the relevant time a CSEP User (in respect of the relevant Connected System Exit Point), unless the Authority shall (upon Transco's application) give Condition 9(3) Approval to Transco's agreeing to such amendment without the approval of such a User.
- 5.7.2 Paragraph 5.7.1 shall not apply in respect of any amendment of a CSEP Network Exit Agreement made in order to comply with any Legal Requirement.

## 5.8 Provisions of Network Exit Agreement

- 5.8.1 A CSEP Network Exit Agreement:
- (a) will specify the point or points of offtake in accordance with paragraph 3.7.2;
  - (b) except in the case of an Unmetered Connected System Exit Point, will specify the procedures, methods and standards by which the volume and quantity of gas offtaken each Day from the System at the Connected System Exit Point is to be determined;
  - (c) may specify the basis on which the pressure and composition of gas made available for offtake each Day at the Connected System Exit Point is to be determined;
  - (d) will specify the measurement equipment required to be installed (whether on the Connected Offtake System or on the System) in connection with the requirements (where applicable) specified under paragraphs 5.8.1(b) and (c);
  - (e) may require plant and equipment required to be installed, maintained and operated by the Connected System Operator or Transco;
  - (f) may contain provisions (including operating procedures, requirements as to notifications by the Connected System Operator, and provisions as to the control or setting of any plant, equipment or installation installed pursuant to paragraph (e)) pursuant to which the offtake of gas from the System at the Connected System Exit Point may be discontinued or restricted, or changes (including reductions) in the rate of such offtake limited; and Transco will not be in breach of its obligation to make gas available for offtake at the Connected System Exit Point by virtue of the operation (in accordance with its terms) of any such provision;



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- (g) may specify requirements as to the pressure at which gas is to be made available for offtake from the System at the Connected System Exit Point, and the rate or rates at which gas is permitted to be offtaken from the System at the Connected System Exit Point;
- (h) may contain provisions equivalent to any provision which may be contained in a Supply Point Network Exit Agreement pursuant to paragraph 4.2.1, and may accordingly provide for the application of any corresponding provision of paragraph 4 (on the basis that references therein to the consumer were to the Connected System Operator);
- (i) may specify matters relating to the offtake of gas for purposes of the commissioning of the Connected Offtake System, and may provide for the CSEP User to be relieved from liability to pay LDZ CSEP Overrun Charges pursuant to such arrangements; and
- (j) will for a NTS CSEP specify the method by which NTS Exit Capacity shall be allocated and registered to the CSEP User or shall reference the CSEP Ancillary Agreement which specifies the method by which NTS Exit Capacity shall be booked by the CSEP User.

## 5.8.2 A CSEP Network Exit Agreement:

- (a) will specify for the purposes of [Section L4.3.2\(b\)](#) the number of Days of permitted Programmed Maintenance in any Planned Maintenance Period and any three consecutive Planned Maintenance Periods;
- (b) may contain any provision contemplated by any other Section of the Code;
- (c) may provide for any Code Communication to be made at a different time from that applicable under the usual provisions of the Code;
- (d) may provide for the Connected System Operator to implement any reduction in the rate of or discontinuance of offtake of gas from the Connected Offtake System (including disconnection of any premises therefrom) where Transco or the Connected System Operator believes on reasonable grounds that gas is being or will be offtaken from the System by a CSEP User or CSEP Users in aggregate at a rate which exceeds the maximum rate or maximum aggregate rate (as the case may be) permitted in accordance with the CSEP Network Exit Agreement and in Transco's judgement System security may be prejudiced as a result;
- (e) may provide for the Connected System Operator to implement any disconnection of premises from the Connected Offtake System in connection with any Termination Notice given by Transco under [Section V4.3](#).

## 5.8.3 A CSEP Network Exit Agreement may provide for the Connected System Operator or any other person (including Transco) to be appointed as User Agent by each User intending to hold System Capacity or offtake gas at the Connected System Exit Point for such purposes as are specified in the Network Exit



Agreement, and may provide for each such User to be party to a specified Agreement for the purposes of such appointment (which Agreement may contain terms upon which such person is so appointed including terms as to remuneration of such person); and where the CSEP Network Exit Agreement so provides a User shall not be entitled to give notice pursuant to paragraph 5.6.1 until and unless the User has appointed such person as agent for such purposes and (if so required) has entered into or acceded to such Agreement.

5.8.4 Where the Connected System Operator is a Gas transporter a CSEP Network Exit Agreement may provide:

- (a) for Transco or the Connected System Operator to propose a modification to its own code where a modification (affecting the Connected System Exit Point) is proposed to the other's code (for the purposes of which Transco's own code is the Code and the Connected System Operator's own code is its relevant network code);
- (b) (so far as consistent with each Gas Transporter's Licence) for the coordination of such modifications.

5.8.5 The CSEP Network Exit Agreement in respect of an Unmetered Connected System Exit Point:

- (a) will provide for the basis on which the quantities offtaken by CSEP Users individually and in aggregate are to be determined;
- (b) will provide for adjustment in respect of quantities assumed or determined to have been offtaken in respect of gas which is lost from or unaccounted for in the Connected Offtake System;
- (c) may provide for circumstances in which the Connected System Exit Point must cease to be Unmetered.

## 5.9 CSEP Ancillary Agreement

5.9.1 Transco may require, as a condition of a User's giving notice pursuant to paragraph 5.6.1, that the User enter into or accede to an Ancillary Agreement ("**CSEP Ancillary Agreement**") in a form designated by Transco with Condition 9(3) Approval of the Authority setting out terms (in addition to or by way of variation of the terms of the Code) in relation to the use of the System for the purposes of offtake of gas at a Connected System Exit Point.

5.9.2 A CSEP Ancillary Agreement shall be deemed to be a part of the Code for the purposes of enabling such Agreement to be modified pursuant to the Modification Rules.

5.9.3 A CSEP Ancillary Agreement may contain any provision which may be included in a CSEP Network Exit Agreement, in which case any requirement that the CSEP Network Exit Agreement contain such a provision shall not apply.

5.9.4 Transco will make available to any User on request a copy of any CSEP Ancillary Agreement.

## EXIT REQUIREMENTS

## 5.10 NTS Exit Capacity at relevant NTS Connected System Exit Points

- 5.10.1 In accordance with paragraph 3.9, but subject to paragraph 5.10.6, the aggregate of the maximum permitted rates (for each CSEP User) of offtake at a relevant NTS Connected System Exit Point shall not exceed the maximum instantaneous rate at which it is feasible for Transco to make gas available for offtake at the relevant NTS Connected System Exit Point; and the aggregate amount of NTS Exit Capacity which Users may be holding at a relevant NTS Connected System Exit Point shall not exceed the maximum aggregate amount of gas which it is feasible for Transco to make available for offtake at the Connected System Exit Point in a period of 24 hours.
- 5.10.2 Without prejudice to any provisions for allocation of NTS Exit Capacity contained in the CSEP Network Exit Agreement or any CSEP Ancillary Agreement, or the further provisions of this paragraph 5.10, Transco shall be entitled to reject any application for (or for an increase in) NTS Exit Capacity at a relevant NTS Connected System Exit Point where the requirement in paragraph 5.10.1 would be infringed if it accepted such application.
- 5.10.3 Transco may agree, pursuant to the CSEP Network Exit Agreement or CSEP Ancillary Agreement, and subject to any conditions contained in such Agreement, that with effect from the expiry of the capacity period (as defined in such Agreement) in respect of any prevailing registration in the name of any User of NTS Exit Capacity at an NTS Connected System Exit Point, the User shall be entitled to apply for and may be registered (in priority to any other User) as holding NTS Exit Capacity in an amount subject to such prevailing registration.
- 5.10.4 The CSEP Network Exit Agreement or a CSEP Ancillary Agreement may include a requirement to the effect that a User applying for NTS Exit Capacity at a relevant NTS Connected System Exit Point shall demonstrate (as a condition of such application) to the reasonable satisfaction of Transco that it, or a person purchasing gas from it, is entitled to have gas which has been offtaken by such User from the System at the relevant NTS Connected System Exit Point (in the maximum amounts and at the maximum rates commensurate with the NTS Exit Capacity applied for and for a period commensurate with the proposed capacity period) conveyed in the Connected Offtake System.
- 5.10.5 Unless Transco shall otherwise agree, any application by a User for NTS Exit Capacity at a relevant NTS Connected System Exit Point shall be made by way of Conventional Notice; and any registration of NTS Exit Capacity at a relevant NTS Connected System Exit Point in respect of which this paragraph 5.10.5 is not complied with shall be invalid and ineffective notwithstanding such registration may be recorded in UK Link and notwithstanding Transco may have invoiced NTS Exit Capacity Charges pursuant to such registration.
- 5.10.6 Transco may agree pursuant to a CSEP Network Exit Agreement or a CSEP Ancillary Agreement, upon such terms and subject to such conditions as may be provided in such Agreement, that:
- (a) a relevant NTS Connected System Exit Point may be treated, pursuant to [Section A3.3.5](#), as comprising two separate Connected System Exit

Points (respectively a “**Firm CSEP**” and an “**Interruptible CSEP**”) for the purposes described in this paragraph 5.10.6 and such other purposes as may be specified in such Agreement;

- (b) a CSEP User may apply for and hold NTS Exit Capacity at the Interruptible CSEP the basis that Transco shall be entitled to require the User to reduce or discontinue the offtake of gas from the System at the Connected System Exit Point:
  - (i) where it would not otherwise be feasible for Transco to make available gas for offtake from the System by CSEP Users at the Firm CSEP pursuant to the exercise of their entitlements so to offtake gas;
  - (ii) in any such other circumstances as may be provided in such Agreement; and
- (c) a CSEP User will not be liable to pay NTS Exit Capacity Charges, or will be liable to pay such charges only at a reduced rate, in respect of NTS Exit Capacity held (in accordance with paragraph (b)) at the Interruptible CSEP;

and in such a case the Firm CSEP, but not the Interruptible CSEP, shall be a relevant Connected System Exit Point for the purposes of paragraph 5.10.1.

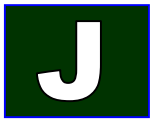


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OPERATING MARGINS



# K OPERATING MARGINS

## 1 GENERAL

### 1.1 Introduction

- 1.1.1 Transco shall be entitled to hold Storage Capacity in Storage Facilities, and inject gas to, hold gas-in-storage in and withdraw gas from such facilities, subject to and in accordance with this Section K, for the purpose of meeting the requirements ("**Operating Margins Requirements**") set out in paragraph 2.1.
- 1.1.2 For the purposes of the Code:
- (a) anything done or to be done by Transco pursuant to any provision of this Section K for the purposes of meeting or otherwise in connection with Operating Margins Requirements is done or to be done for "**Operating Margins Purposes**";
  - (b) references to "**Operating Margins**" are to the Storage Capacity and gas-in-storage which Transco holds in Storage Facilities in any Storage Year for Operating Margins Purposes;
  - (c) a reference to the utilisation of Operating Margins is to the withdrawal of gas from a Storage Facility in which Transco holds Operating Margins.
- 1.1.3 Certain costs incurred and/or revenues received by Transco for Operating Margins Purposes will be recovered from or paid to Users in accordance with paragraph 4.

### 1.2 Transco as Storage User

- 1.2.1 Subject to paragraph 1.2.2, Transco shall be entitled to be a Storage User in respect of Storage Facilities for Operating Margins Purposes, and in particular Transco:
- (a) may apply for and hold Storage Capacity in, and inject and withdraw gas to and from Storage Facilities, and
  - (b) may make Storage Gas Transfers
- pursuant to the relevant Storage Terms.
- 1.2.2 For the purposes of [Section R4](#), no Constrained Storage Renomination may be made for withdrawal of gas-in-storage held by Transco for Operating Margins Purposes.
- 1.2.3 For Operating Margins Purposes, the requirements of [Section Z](#) as to Storage Duration in relation to Transco LNG Storage Facilities do not apply.
- 1.2.4 Transco will (as provided in [Section Z](#)) have priority over all other Users in applications for Storage Capacity for Operating Margins Purposes in Transco LNG Storage Facilities.

**OPERATING MARGINS****1.3 Transco as System User**

- 1.3.1 Transco will be a User for the purposes of the Code in respect of the System for Operating Margins Purposes; and in particular Transco:
- (a) may apply for and hold System Entry Capacity at System Entry Points (subject to paragraph 1.3.2) and NTS Exit Capacity at Storage Connection Points in accordance with [Section B](#);
  - (b) will make Nominations in accordance with [Section C](#);
  - (c) may make Acquiring Trade Nominations in accordance with [Section C](#);
  - (d) will pay and receive Balancing Charges in accordance with [Section E](#).
- 1.3.2 In particular, on any Day on which Transco withdraws gas from a Storage Facility for delivery to the System for Operating Margins Purposes, Transco will (by virtue of the fact that it does not and is not deemed to offtake gas from the System and does not make Disposing Trade Nominations) have a Daily Imbalance equal (subject to anything else done by it) to the quantity of gas so withdrawn, and will receive Daily Imbalance Charges accordingly.
- 1.3.3 The general provisions of the Code are (as provided in the relevant Section) modified in respect of their application to Transco for Operating Margins Purposes as follows:
- (a) Balancing Neutrality Charges, Reconciliation Neutrality Charges and Top-up Neutrality Charges are not payable by or to Transco for Operating Margins Purposes;
  - (b) Initial Input Nominations may be made at any time up to 04:00 hours on the Gas Flow Day.
- 1.3.4 Transco will not take Market Balancing Actions for Operating Margins Purposes.

**2 OPERATING MARGINS****2.1 Operating Margins Requirements**

- 2.1.1 Operating Margins Requirements are requirements for gas to be delivered to the System:
- (a) for the purposes of Operational Balancing to the extent that Transco determines at any time on the Gas Flow Day that there is an Operational Balancing Requirement which cannot be satisfied by the taking of any Market Balancing Action (because there are no or insufficient Market Offers which are operationally suitable);
  - (b) for the purposes of Operational Balancing where and for so long as Transco determines that, as a result of damage to or failure of any part of the NTS (other than Programmed Maintenance) occurring on the Gas Flow Day, there is an Operational Balancing Requirement, whether or not capable of being satisfied by the taking of a Market Balancing Action;

- (c) in an Emergency (in accordance with [Section Q](#)), for the purposes of maintaining safe pressures in the System during the period in which (pursuant to Emergency Steps in relation to demand under [Section Q3.4](#)) the System is run down.
- 2.1.2 For the purposes of paragraph 2.1.1(b) damage or failure to the NTS includes the failure of any compression facility within the NTS to operate (or continue to operate) or a break in any pipe forming part of the NTS.

## 2.2 Annual estimation of Operating Margins Requirements

2.2.1 For each Storage Year Transco will estimate:

- (a) an aggregate quantity of gas required for Operating Margins Requirements for the Storage Year;
- (b) the maximum rate of delivery on any Day of gas to the System required for Operating Margins Requirements;
- (c) on the basis of the amounts under paragraphs (a) and (b), amounts of Storage Injectability, Storage Space and Storage Deliverability required for Operating Margins Requirements; and
- (d) a profile ("**Operating Margins Profile**") of the quantity of gas-in-storage for Operating Margins Requirements at different times during the Storage Year, and the aggregate ("**Aggregate Operating Margins Profile**"), the maximum amount of which being the quantity under paragraph (a) of such profiles for all Storage Facilities.

2.2.2 The estimates under paragraph 2.2.1 will be made:

- (a) on the basis of such assumptions as Transco shall (in the light of the circumstances prevailing at the time and experience of a number of years) reasonably determine to be appropriate as to the probable extent and frequency of occurrence of the circumstances in which Operating Margins Requirements under paragraphs 2.1.1(a) and (b) may arise;
- (b) having regard to the need to balance the costs of Operating Margins with the risk of there being insufficient gas-in-storage or Storage Deliverability for such requirements;
- (c) having regard to the location on the System and operational characteristics of each Storage Facility;
- (d) on the basis of the estimate of 1-in-50 Severe Annual Demand as may be published from time to time by Transco (provided publication occurs at an interval of not more than 12 months);
- (e) on the basis of such other reasonable assumptions as Transco shall determine to be appropriate in the circumstances (but for the avoidance of doubt assuming that shrinkage requirements will be provided for by the Shrinkage Provider).

2.2.3 Transco will, not later than 1st March in each Storage Year, provide to Users and the

## OPERATING MARGINS

Authority details of:

- (a) the assumptions made pursuant to paragraph 2.2.2; and
- (b) the amounts estimated under paragraph 2.2.1 and (on the basis of the assumptions referred to in paragraph (a)) the calculation of such estimated amounts.

2.2.4 Transco's assumptions and estimates under paragraphs 2.2.1 and 2.2.2 will be made in good faith; but (provided that Transco has acquired Storage Capacity on the basis of such assumptions and estimates, and procured and injected gas, in accordance with paragraph 4) to the extent that on any Day:

- (a) the quantities or rates of delivery of gas for Operating Margins Requirements exceed the quantities of gas-in-storage and/or the Storage Deliverability held by Transco for Operating Margins Purposes, and
- (b) as a result, Transco is unable (after utilising in accordance with paragraph 2.3.1 such Operating Margins as are available) to maintain an Operational Balance in the System or any part thereof (or to do so without taking Emergency Steps)

Transco will not be liable under [Section J3.2.1](#) in respect of any resulting failure to make gas available for offtake from the System.

2.2.5 Transco shall be entitled to acquire Storage Capacity and procure and inject (into Storage Facilities) gas for Operating Margins Requirements in accordance with paragraph 3.

## 2.3 Utilisation of Operating Margins

- 2.3.1 Transco shall be entitled to utilise Operating Margins (in such Storage Facility or Facilities as it shall determine to be operationally appropriate in the circumstances) with a view to meeting Operating Margins Requirements in accordance with the relevant provisions of paragraph 2.1.1.
- 2.3.2 Transco will utilise Operating Margins for the requirements in paragraph 2.1.1(b) only on the Day on which the damage or failure referred to in that paragraph occurs.

## 3 STORAGE TRANSFERS, PROCUREMENT AND INJECTION

### 3.1 Storage Capacity and pre-Storage Year transfers

- 3.1.1 Transco may apply for and be registered as holding Storage Capacity in Storage Facilities in the amounts estimated for Operating Margins Purposes under paragraph 2.2.1(c).
- 3.1.2 Following 1 February in a Storage Year, Transco may, in respect of each Storage Facility, estimate:
  - (a) the Relevant Residual Gas that will be held by each Relevant System Manager at the end of the Storage Year (the “**estimated Relevant Residual Gas**”);
  - (b) the amount (if any) (the “**pre-Storage Year estimated surplus**”) by which the

estimated Relevant Residual Gas of a Relevant System Manager (the “**pre-Storage Year transferor**”) exceeds the amount of Storage Space that Transco estimates will be held for the following Storage Year in that Storage Facility by the Relevant System Manager.

3.1.3 In respect of a Storage Facility where there exists a pre-Storage Year estimated surplus, Transco may on behalf of a pre-Storage Year transferor seek to make a transfer in favour of a User(s) in respect of the pre-Storage Year estimated surplus before the end of the Storage Year by way of:

- (a) Storage Gas Transfer(s); or
- (b) Storage Gas Transfer(s) between relevant Storage Facilities; or
- (c) withdrawal from a relevant Storage Facility and Trade Nominations in respect of the quantity of gas withdrawn by conducting a tender or a series of tenders.

3.1.4 For the purposes of a tender referred to in paragraph 3.1.3, the provisions of paragraph 3.3.2(a) to (h) shall apply as if the references therein to Residual Surplus Gas were references to the pre-Storage Year estimated surplus, as if references to Residual Gas Transfer were references to a transfer under paragraph 3.1.3 and as if the reference at paragraph 3.3.2(f)(ii) to paragraph 3.3.7 did not apply.

## 3.2 Start of year gas transfers

3.2.1 At the start of each Storage Year Transco will determine, in respect of each Storage Facility:

- (a) the amount (the “**Relevant Residual Gas**”) of gas-in-storage held at the end of the preceding Storage Year by each Relevant System Manager;
- (b) whether, and if so the amount (the “**relevant surplus**”) by which the Relevant Residual Gas of a Relevant System Manager (the “**transferor**”) exceeds the amount of Storage Space held for the Storage Year in that Storage Facility by that Relevant System Manager; and
- (c) whether, and if so the amount (the “**relevant deficit**”) by which the Relevant Residual Gas of another Relevant System Manager (the “**transferee**”) is less than the amount of Storage Space held for the Storage Year in that Storage Facility by that Relevant System Manager.

3.2.2 Subject to the relevant Storage Terms, a transferor may effect from the start of the Storage Year a Storage Gas Transfer in favour of a transferee in respect of the lesser of the relevant surplus and the relevant deficit, and the transferee shall pay to the transferor an amount determined by multiplying the amount of the transferred gas-in-storage by the relevant WACOG of the transferor.

3.2.3 Where in relation to a Storage Facility there is more than one transferor or transferee, paragraph 3.2.2 shall apply to each so far as practicable pro rata their respective relevant surpluses or relevant deficits.

3.2.4 Following Transco's determination pursuant to paragraph 3.2.1, Transco shall (subject to paragraph 3.2.7) determine in respect of each Relevant System Manager:

OPERATING MARGINS

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- (a) for each Storage Facility (a "**surplus**" Storage Facility) whether, and if so the amount (the "**remaining surplus**") by which, any relevant surplus exceeds the amount(s) to be transferred by the Relevant System Manager in accordance with paragraph 3.2.2; and
  - (b) for each Storage Facility (a "**deficit**" Storage Facility) whether, and if so the amount (the "**remaining deficit**") by which, any relevant deficit exceeds the amount(s) to be transferred to the Relevant System Manager in accordance with paragraph 3.2.2.
- 3.2.5 Where this would be consistent with the requirements of paragraph 3.4.1 or (as the case may be) [Section P2.7.1](#), a Relevant System Manager may choose to make all or part of its Margins Gas Procurement Arrangements or (as the case may be) its Top-Up Gas Procurement Arrangements in respect of any deficit Storage Facility by arranging for the withdrawal from a surplus Storage Facility and injection into a deficit Storage Facility in the relevant Storage Year of a quantity of gas not in aggregate exceeding the lesser of the remaining surplus and the remaining deficit (the aggregate quantity of gas which is to be so withdrawn and injected, the "**Carry-Across Gas**").
- 3.2.6 For the purposes of this paragraph 3:
- (a) a "**Relevant System Manager**" is:
    - (i) Transco acting for Operating Margins Purposes; and
    - (ii) the Top-up Manager in accordance with [Section P](#);
  - (b) references to the amount of Storage Space held by a Relevant System Manager are to the amount held pursuant to the relevant provisions of this Section K or [Section P](#);
  - (c) relevant WACOG is Operating Margins WACOG or (as the case may be) Top-up WACOG, at the end of the preceding Storage Year.
- 3.2.7 For the purposes of the Code:
- (a) "**Winter Carry-Across Gas**" means gas withdrawn from one Storage Facility by a Relevant System Manager and injected into another Storage Facility by the same or another Relevant System Manager,
  - (b) a "**Winter Storage Gas Transfer**" means a Storage Gas Transfer in respect of a Storage Facility made by a Relevant System Manager as transferee with another Relevant System Manager or other User as transferor
- for the purposes of avoiding or limiting or curing (in accordance with the relevant provisions of this Section K or [Section P](#) or [R](#)) a deficiency of gas-in-storage by reference to the Operating Margins Profile, Remaining Stored Gas Requirement or Aggregate Weekly Minimum Requirement respectively.
- 3.2.8 Where two Relevant System Managers make a Winter Storage Gas Transfer the transferee shall pay to the transferor an amount determined by multiplying the amount of the transferred gas-in-storage by the relevant WACOG (in accordance with paragraph 3.2.6(c), but as at the Day for which such Nomination was made) of the transferor.

### 3.3 Disposal of residual gas

#### 3.3.1 For the purposes of this Section K:

- (a) in relation to a Storage Year "**Residual Surplus Gas**" is the amount (if any) of a Relevant System Manager's Relevant Residual Gas in a Storage Facility at the end of the preceding Storage Year which after taking account of any Storage Gas Transfer and any Carry-Across Gas (in relation to which the Storage Facility is the surplus facility) under paragraphs 3.1 and/or 3.2 exceeds the Storage Space held by the Relevant System Manager for the Storage Year in that facility;
- (b) a "**Residual Gas Transfer**" is a transfer in favour of a User by Transco on behalf of a Relevant System Manager in respect of Residual Surplus Gas by way of:
  - (i) a Storage Gas Transfer; or
  - (ii) withdrawal from a relevant Storage Facility and Trade Nominations in respect of the quantity of gas withdrawn.

#### 3.3.2 Transco on behalf of each Relevant System Manager will, as soon as reasonably practicable after the start of the Storage Year, seek to make Residual Gas Transfers in respect of the Residual Surplus Gas in each relevant Storage Facility by conducting a tender as follows:

- (a) Transco will issue a tender document to all Users specifying the aggregate amount of Residual Surplus Gas in each Storage Facility and inviting each User to bid a price at which it would be willing to enter into a Residual Gas Transfer in respect of a quantity of gas, to be specified by such User, not exceeding the aggregate amount of the Residual Surplus Gas in each Storage Facility;
- (b) the terms of the tender document (including the tranches of Residual Surplus Gas, if any, for which bids may be made, the times at or periods within which bids are to be made and accepted, the times at or periods within which Residual Gas Transfers will be made, and the terms of payment by Users whose bids are accepted) will be determined by Transco;
- (c) a bid submitted by a User pursuant to the tender document shall be an offer capable of acceptance by Transco, and may not be made conditional (save as to any condition provided for in the tender document) in any respect;
- (d) any bid shall be capable of acceptance as to all, or (for the purpose of paragraph (g), and unless the User expressly states otherwise) any part of the quantity specified by the User;
- (e) the terms of the tender document will set out the basis on which Residual Gas Transfers are to be made pursuant to an accepted bid, and may authorise Transco to make such a Residual Gas Transfer on behalf of any User;
- (f) the tender document:
  - (i) will not (but without prejudice to paragraph 3.3.7) provide for any



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reserve price below which bids would not be accepted;

- (ii) may (where it provides for alternative times or forms of Residual Gas Transfer, and/or offers Residual Storage Gas in more than one Storage Facility, at the bidding User's option) provide for adjustments to the bid price payable by a User (in respect of a bid accepted by Transco in accordance with paragraph (g)) to reflect different costs incurred (as a result of the option chosen by the User) by Relevant System Managers (or Transco on their behalf) in making the Residual Gas Transfer and/or (where paragraph 3.3.7 applies) in Margins Gas Procurement Arrangements or (as the case may be) Top-Up Gas Procurement Arrangements;
  - (g) Transco will accept bids in order of price (the highest priced being accepted first) for the whole of the quantity specified in each bid (subject to paragraph (h)) until it has accepted bids for that amount of gas equal to the difference between the aggregate remaining surpluses and the aggregate remaining deficits as determined by Transco in accordance with 3.2.3 (provided that Transco shall not be required to accept bids for Residual Surplus Gas at a relevant Storage Facility in excess of the amount of Residual Surplus Gas at such relevant Storage Facility);
  - (h) the last bid (for the lowest price) accepted may be accepted for a part of the quantity specified in the bid, and if more than one such bid has the same price such bids will be accepted pro rata the amounts of each, disregarding any bid which states that it may only be accepted for the whole of the specified quantity.
- 3.3.3 A Relevant System Manager will not transfer or surrender Storage Capacity when making Residual Gas Transfers in respect of Residual Surplus Gas.
- 3.3.4 The Shrinkage Provider may bid pursuant to the tender document under paragraph 3.3.2.
- 3.3.5 If after the tender under paragraph 3.3.2 there is any remaining Residual Surplus Gas, Transco (on behalf of Relevant System Managers) will take such other reasonable action as it shall think fit to dispose thereof (it being apparent that no User is willing at any price to enter into a Storage Gas Transfer thereof); and any reasonable costs incurred by Transco in so doing (including costs incurred by reason of having gas-in-storage in excess of its Storage Space) shall be costs of the Relevant System Manager for the purposes of this Section K or [Section P](#).
- 3.3.6 Where more than one Relevant System Manager holds Residual Surplus Gas in a Storage Facility, the gas-in-storage subject to Residual Gas Transfers and the proceeds of the tender under paragraph 3.3.2 and any costs under paragraph 3.3.5 will be apportioned pro rata their respective quantities of Residual Surplus Gas in the facility.
- 3.3.7 Transco may provisionally determine the amount of the Residual Surplus Gas for the purposes of the tender document under paragraph 3.3.2 before determining (under paragraph 3.2.4) the amount of Carry-Across Gas in which case:
- (a) the tender document shall state that the amounts of Residual Surplus Gas subject to tender are liable to be reduced following determination of the



amounts of Carry-Across Gas; and

- (b) the amounts of Carry-Across Gas may be determined having regard to the prices which are bid pursuant to such tender.

### 3.4 Treatment of residual gas for Operating Margins Purposes

- 3.4.1 The amounts (if any) received by Transco for Operating Margins Purposes pursuant to any Storage Gas Transfer under paragraph 3.2 or tender in respect of Residual Surplus Gas pursuant to paragraph 3.3, less certain amounts incurred by Transco in connection with the procurement and injection of gas for Operating Margins Purposes, will be refunded to Users in accordance with paragraph 4.5.
- 3.4.2 The amounts (if any) paid by Transco for Operating Margins Purposes pursuant to any Storage Gas Transfer under paragraph 3.2 will count in determining relevant Margins WACOG in accordance with paragraph 4.2.
- 3.4.3 For the purposes of this Section K, in respect of each Storage Facility the "**Carry-over Margins Gas**" is the amount of Relevant Residual Gas held by Transco for Operating Margins Purposes after taking account of any Storage Gas Transfer under paragraph 3.2 and less the amount of the Residual Surplus Gas (if any) under paragraph 3.3.

### 3.5 Procurement

- 3.5.1 Transco will in or before the Storage Year make such arrangements ("**Margins Gas Procurement Arrangements**") for the procurement of gas (in excess of the aggregate Carry-over Margins Gas) for injection into the Storage Space held by it pursuant to paragraph 3.1 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability of gas, the need to secure injection in accordance with the provisions of the relevant Storage Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section K.
- 3.5.2 In particular Transco may (with a view to meeting the objectives in paragraph 3.5.1):
  - (a) contract with Users or others for the purchase of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
  - (b) contract for the purchase of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over a period (subject to paragraph (e)) of up to 12 months, and/or on a spot basis;
  - (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require Transco to accept the lowest priced or any offer where in its reasonable opinion a prudent purchaser of gas in comparable circumstances would not do so);
  - (d) make Acquiring Trade Nominations on any terms as to payment and quantity;
  - (e) make Storage Gas Transfers (as transferee) on terms requiring payment and/or requiring the Top-up Manager to make a corresponding Storage Gas Transfer (as transferor) by the end of the relevant Storage Year or (to the extent of and in

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place of a Storage Gas Transfer it would otherwise make under paragraph 3.2 or 3.3) in the following Storage Year, and upon any other terms as to payment and quantity;

- (f) where permitted under this Section K, make Output Nominations (for injections at a Storage Connection Point) for a Day without delivering gas to the System or making an Acquiring Trade Nomination.

3.5.3 Transco will make its Margins Gas Procurement Arrangements for material quantities of gas under paragraph 3.5.1 on the basis in paragraph 3.5.2(c) where reasonably feasible in the circumstances (and having regard to the time or times for delivery of such gas); and in any case where such arrangements are not made on such basis agrees to inform Users of the circumstances in which its arrangements were not so made.

3.5.4 Without prejudice to paragraph 3.5.3, Transco may procure gas (in accordance with paragraph 3.2) for Operating Margins Purposes and on behalf of the Top-up Manager and the Shrinkage Provider on an integrated basis; but Transco shall in any event maintain separate records of the quantities of gas procured for Operating Margins Purposes and for the Top-up Manager and the Shrinkage Provider.

### 3.6 Injection - general

Transco will arrange its injections (in accordance with the relevant Storage Terms) in respect of Storage Space allocated to it under paragraph 3.1 (after taking account of Carry-over Margins Gas and any Margins Gas Procurement Arrangement under paragraph 3.5.2(e)) on such basis as it shall in its discretion determine having regard to:

- (a) the requirement to secure injection of quantities in aggregate equal to its Storage Space;
- (b) the injection rules under the relevant Storage Terms;
- (c) the extent to which it has (under paragraph 3.5.2) chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (d) any differences in the rates of injection charges at different times in the relevant injection periods.

### 3.7 Additional injection

3.7.1 Where at any time in the Storage Year (as a result of the utilisation of Operating Margins earlier in the year) the quantity of gas-in-storage held by Transco for Operating Margins Purposes in any Storage Facility is less than the quantity shown as required at that time according to the Operating Margins Profile for that Facility (the amount by which it is less being the "**Operating Margins Profile Deficiency**"), Transco will, but only to the extent that and at a time at which it is reasonably practicable to do so:

- (a) if and to the extent that any other Storage Facility in which Transco has gas-in-storage for Operating Margins Purposes is Available (in accordance with paragraph 3.8), make an Input Nomination (and a corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas) in respect of that other facility for a quantity of gas, and/or

- (b) if and to the extent that the Storage Facility is Available (in accordance with Sections [P3.8.1](#) and [R4.7.1](#)) for Top-Up and Constrained Storage purposes, make (as transferee) a Winter Storage Gas Transfer in relation to that facility with the Top-Up Manager (if the facility is a Top-Up Storage Facility) or, where any other User offers to do so on terms which Transco reasonably determines to be acceptable, with such other User (as transferor), in respect of a quantity of gas, and/or
- (c) where any User offers to do so, on terms which Transco reasonably determines to be acceptable, make an Acquiring Trade Nomination in respect of a quantity of gas, and/or
- (d) to the extent, if any, to which its Margins Gas Procurement Arrangements permit it do so on terms which Transco reasonably determines to be acceptable, secure that a quantity of gas (in addition to any other quantity to be delivered) is delivered to the System on the Gas Flow Day

the amount or aggregate amount of which does not exceed the amount of the relevant deficiency; and (except in the case of a Winter Storage Gas Transfer) inject such quantity into the Storage Facility for Operating Margins Purposes.

- 3.7.2 Paragraph 2.2.4 shall not be affected by any inability of Transco to do any of the things referred to in paragraph 3.7.1.

### 3.8 Winter Carry-Across and Winter Storage Gas Transfers

- 3.8.1 In relation to any possible withdrawal of Winter Carry-Across Gas or Winter Gas Storage Transfer, a Storage Facility is "**Available**" for Operating Margins Purposes if at the relevant time:
- (a) Transco holds gas in storage in the facility for Operating Margins Purposes;
  - (b) the aggregate gas-in-storage held by Transco for Operating Margins Purposes is not less than the Aggregate Operating Margins Profile; and
  - (c) no Operating Margins Profile Deficiency in respect of such facility exists or would arise as a result of such withdrawal or transfer.
- 3.8.2 For the purposes of paragraph 4, Winter Carry-Across Gas injected by Transco for Operating Margins Purposes shall be treated as if it were Carry-Across Gas pursuant to paragraph K3.3.4, except that the reference in paragraph 4.2.4(b) to the last Day of the Storage Year shall be treated as a reference to the Day for which such Nomination was made.
- 3.8.3 For the avoidance of doubt, injection of Winter Carry-Across Gas by Transco for Operating Margins Purposes and any Winter Storage Gas Transfer made for such purposes by it as transferee, shall be treated as part of the Margins Gas Procurement Arrangements.
- 3.8.4 Amounts accruing due on any Day to Transco (Margins) in respect of Winter Carry-Across Gas or Winter Storage Gas Transfer made by it as transferor shall be counted as Eligible Margins Revenues for the purposes of paragraph 4.3.3.

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### 3.9 Transfers of Storage Deliverability

For the purposes of avoiding or reducing the liability of a Relevant System Manager to pay Storage Overrun Charges under Section Z or equivalent charges under other Storage Terms in respect of the withdrawal of gas on any Day from a Storage Facility, Transco may on behalf of a Relevant System Manager make, subject to the relevant Storage Terms, a Storage Gas Transfer in favour of another Relevant System Manager.

## 4 RECOVERY OF OPERATING MARGINS COSTS

### 4.1 Introduction

Certain of the costs incurred by Transco in connection with Margins Gas Procurement Arrangements and in utilising Operating Margins in accordance with this Section K will subsequently be recovered from Users by virtue of the inclusion of the Daily Margins Recovery Amount in the calculation of Balancing Neutrality Charges under [Section F](#).

### 4.2 Operating Margins WACOG

4.2.1 In respect of each Storage Facility "**Operating Margins WACOG**" is the weighted average cost of gas-in-storage for the time being held by Transco for Operating Margins Purposes in that facility.

4.2.2 In this paragraph 4 "**Transco (Margins)**" means Transco acting for Operating Margins Purposes.

4.2.3 Operating Margins WACOG shall be calculated:

- (a) so as to take account of the costs set out in paragraph 4.2.4 (and where such costs are incurred by Transco (Margins) in connection with injection on a Day into more than one Storage Facility, allocating such costs in proportion to the quantities of gas injected into each such Storage Facility); and
- (b) on the basis that any reduction (by withdrawal or Storage Gas Transfer) in the amount of gas-in-storage held by Transco (Margins) shall be valued at Operating Margins WACOG at the time of such reduction.

4.2.4 The relevant costs of Transco (Margins) are the following amounts:

- (a) the amounts (if any) paid by Transco (Margins) to the Top-up Manager in respect of Storage Gas Transfers made pursuant to paragraph 3.3;
- (b) the quantity of the relevant Carry-Over Margins Gas multiplied by the Operating Margins WACOG as at the last Day of such Storage Year;
- (c) the amounts which have accrued due from Transco (Margins) pursuant to the Margins Gas Procurement Arrangements in respect of:
  - (i) quantities of gas delivered to the System, and
  - (ii) Acquiring Trade Nominations, (irrespective of whether such amounts have been paid or have become due for payment by Transco (Margins));

- (d) the amounts which have accrued due from Transco (Margins) in respect of any Storage Gas Transfers (including Winter Storage Gas Transfers) made in favour of Transco (Margins);
  - (e) the amounts payable by Transco (Margins) by way of Transportation Charges (in respect of the delivery of gas to the System at System Entry Points and the offtake of gas from the System at Storage Connection Points for injection to Storage Facilities), determined on a daily basis;
  - (f) amounts incurred by Transco (Margins) by way of Balancing Charges payable to Transco;
  - (g) the amounts paid or payable by Transco (Margins) by way of injection charges in respect of injection on relevant Days into the relevant Storage Facility;
  - (h) amounts payable by Transco (Margins) (or Transco (Margins) share of amounts payable by Transco) by way of fees to a User Agent appointed by it in accordance with [Section E2.2](#);
  - (i) the amounts paid or payable by Transco (Margins) by way of withdrawal charges in respect of withdrawal on relevant Days of Carry-Across Gas from a surplus Storage Facility in relation to which the relevant Storage Facility is the deficit Facility.
- 4.2.5 Where the amount of any cost under paragraph 4.2.4 is not known at any time at which Operating Margins WACOG is calculated, Transco will use an estimate of such amount.
- 4.2.6 For the purposes of this paragraph 4 "**Net Margins WACOG**" is Operating Margins WACOG calculated in accordance with this paragraph 4.2 but on the basis that the amounts under paragraphs 4.2.4(d) and (f) are excluded from such calculation, and that in respect of amounts under paragraphs 4.2.4(a), (b) and (c) an appropriate deduction shall be made to remove amounts reflected in the value of the gas or gas-in-storage acquired for Operating Margins Purposes attributable to Transportation Charges and injection charges at the rates applicable at the start of the relevant Storage Year.
- 4.2.7 In determining Operating Margins WACOG in respect of a surplus or a deficit Storage Facility, gas withdrawn or injected as Carry-Across Gas shall be treated as having been withdrawn from or (as the case may be) injected to such facility on the Day such withdrawal or injection occurs.

### 4.3 Daily Margins Recovery Amount

- 4.3.1 The "**Daily Margins Recovery Amount**" in respect of each Day is Eligible Margins Costs less Eligible Margins Revenues.
- 4.3.2 "**Eligible Margins Costs**" in respect of a Day is the sum of:
- (a) the amount of gas withdrawn from each Storage Facility on the Day for Operating Margins Purposes multiplied by Net Margins WACOG; and
  - (b) the amount of any Balancing Charges payable by Transco (Margins) in respect of the Day.

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4.3.3 **"Eligible Margins Revenues"** in respect of a Day on which Operating Margins were utilised is the amount of the Daily Imbalance Charge payable to Transco (Margins) in respect of the Day (and reflecting the imbalance resulting from the delivery of gas to the System for Operating Margins Requirements and anything done under the Margins Gas Procurement Arrangements).

4.3.4 The withdrawal of gas from a surplus Storage Facility as Carry-Across Gas shall not be treated as utilisation of such gas for Operating Margins Purposes, and such gas shall not be treated as withdrawn for Operating Margins Purposes for the purposes of paragraphs 4.3.1 and 4.3.2.

#### 4.4 Closing Margins Adjustment Charge

4.4.1 Following each Storage Year the difference between:

- (a) the aggregate (for each Storage Facility for Operating Margins Purposes) of the quantities of gas:
  - (i) subject to Storage Gas Transfers under paragraph 3.3.2 in favour of the Top-up Manager, and
  - (ii) subject to Residual Gas Transfers (as Residual Surplus Gas) under paragraph 3.4,

multiplied by Operating Margins WACOG for the relevant Storage Facility (as at the end of the Storage Year following which such transfers are made), and

- (b) the aggregate amounts received (in accordance with paragraphs 3.3 and 3.4) by Transco (Margins) in respect of the Storage Gas Transfers or Residual Gas Transfers referred to in paragraph (a) less any amounts received (if any) pursuant to any adjustment under 3.3.2(f)(ii) to the bid prices payable by Users as a result of the Relevant System Manager or Transco on their behalf) incurring withdrawal charges or other costs in connection with Residual Gas Transfers;

is payable to or recoverable from relevant Users in such Storage Year in accordance with this paragraph 4.4.

4.4.2 The amount under paragraph 4.4.1 is positive where the amount under paragraph (a) thereof exceeds that under paragraph (b), and otherwise is negative.

4.4.3 Following each Storage Year Transco (Margins) shall pay to each relevant User, or (as the case may be) each relevant User shall pay to Transco (Margins), a charge (the **"Closing Margins Adjustment Charge"**) calculated as the amount under paragraph 4.4.1 divided by the sum of all relevant Users' relevant UDQIs and relevant UDQOs for such Storage Year, multiplied by the sum of the relevant User's relevant UDQIs and relevant UDQOs for such Storage Year.

4.4.4 For the purposes of this paragraph 4.4 relevant User, relevant UDQI and relevant UDQO have the same meanings as in [Section F4.1.2](#).

4.4.5 Transco (Margins) will as soon as reasonably practicable in the following Storage Year determine the Closing Margins Adjustment Charges.

- 4.4.6 The Closing Margins Adjustment Charges shall be invoiced and are payable in accordance with [Section S](#).
- 4.4.7 It is acknowledged (without prejudice to the determination of relevant Margins WACOG in each Storage Facility) that it is not necessary to account for Carry-Across Gas in determining the Closing Margins Adjustment Charge as such gas will continue to be held by Transco (Margins) relevant Margins WACOG for Operating Margins Purposes



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## Defined Terms

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## L MAINTENANCE AND OPERATIONAL PLANNING

### 1 GENERAL

#### 1.1 Introduction

1.1.1 Users are required to provide information to Transco in accordance with this Section L for the purposes of enabling Transco:

- (a) to plan (on a weekly basis) the operation of the System;
- (b) to comply with its obligations pursuant to applicable Legal Requirements in relation to the maintenance of the System;
- (c) to estimate calorific values; and
- (d) to prepare Maintenance Programmes in accordance with paragraph 3.

1.1.2 Transco will establish and update each year a Maintenance Programme in accordance with this Section L.

1.1.3 In undertaking maintenance activities Transco will be relieved of its obligations in respect of the offtake of gas subject to and in accordance with paragraph 4.3.

1.1.4 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.

#### 1.2 Maintenance Programme

1.2.1 For the purposes of this Section L a "**Maintenance Programme**" is a programme (or an updated programme) of planned maintenance of the NTS, as amended pursuant to paragraph 4.1.2, containing in relation to the relevant Planning Period the information specified in paragraph 3.2 and such other information as Transco shall decide to include.

1.2.2 A "**Planning Period**" is a period of 24 months commencing 1st April or 1st October in any year.

1.2.3 The "**April Maintenance Programme**" and the "**October Maintenance Programme**" respectively are the Maintenance Programmes for the Planning Periods commencing 1st



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April and 1st October in any year (the October Maintenance Programme being the April Programme updated in respect of updated information and extended for a further 6 months).

- 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 1<sup>st</sup> April in the Preceding Year.

### 1.3 Planned Maintenance Period

- 1.3.1 A "**Planned Maintenance Period**" is the months of April to October inclusive in any year.
- 1.3.2 A Maintenance Programme will not provide for maintenance of the NTS other than during a Planned Maintenance Period.

### 1.4 Maintenance Relevant Parties, etc

For the purposes of this Section L a "**Maintenance Relevant Facility**" is a Connected Delivery Facility or Connected Offtake System or the Consumer's Plant at an NTS Supply Point, and a "**Maintenance Relevant Party**" is any User, a Delivery Facility Operator, Offtake System Operator or (in relation to an NTS Supply Point) the consumer.

### 1.5 Planning timing

The timetable for preparation during each Gas Year of Maintenance Programmes will normally be as follows:

- (a) in relation to the April Maintenance Programme:
- (i) by 30th November, Users will provide estimates in accordance with paragraph 2.1;
  - (ii) by 1st February, Transco will publish a draft of the Maintenance Programme in accordance with paragraph 3.3.1(a);
  - (iii) by 1st March, Transco will hold the Annual Maintenance Meeting(s) in accordance with paragraph 3.3.1(b);
  - (iv) by 1st April Transco will publish the Maintenance Programme in accordance with paragraph 3.1;
- (b) in relation to the October Maintenance Programme:
- (i) by 30th June, Users will provide updated estimates in accordance with paragraph 2.1;
  - (ii) by 1st September, Transco will publish a draft of the Maintenance Programme in accordance with paragraph 3.3.7;
  - (iii) until 15th September, Users may submit comments on the draft



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Maintenance Programme in accordance with paragraph 3.3.2(a);

- (iv) by 1st October (of the following Gas Year) Transco will publish the Maintenance Programme in accordance with paragraph 3.1.

## 2 USER INFORMATION REQUIREMENTS

### 2.1 Planning information

2.1.1 In each year each User shall provide, not later than the respective dates determined under paragraph 1.5, for the purposes of the April Maintenance Programme an estimate, and for the purposes of the October Maintenance Programme an updated estimate, in respect of each week in the relevant Planning Period, of the following:

- (a) the quantities of gas expected to be offtaken from the System on a Day (in each such week) at LDZ Supply Points in aggregate by LDZ, and at each NTS Supply Point, each Storage Connection Point and each other Connected System Exit Point;
- (b) the quantities of gas expected to be delivered to the System on a Day (in each such week) at each System Entry Point (including Storage Connection Points), and the extent to which the User expects to be able to vary such expected deliveries by delivering quantities at other System Entry Points;
- (c) the average calorific value and Wobbe Index value of gas to be delivered at each System Entry Point;
- (d) such further information (if any) as Transco may reasonably require for the purposes of this Section L.

2.1.2 The quantities referred to in paragraphs 2.1.1(a) and (b) are the average quantities expected (in accordance with paragraph 2.1.4) to be offtaken or delivered on a Business Day in the relevant week.

2.1.3 The information required under paragraph 2.1.1 is to be provided in such format as Transco, after consultation with the Network Code Committee or any relevant Subcommittee, shall from time to time notify to Users.

2.1.4 The estimates under paragraphs 2.1.1(a) and (b) are to be provided separately on the assumption of seasonal normal conditions and on the assumption of 1-in-20 peak day demand.

2.1.5 Estimates concerning quantities to be offtaken at Supply Points are to be provided in relation to those Supply Points of which the User is the Registered User (and at Connected System Exit Points, in relation to the premises in respect of which the User is the relevant shipper) at the date one month before the date by which (in accordance with paragraph 1.5 or 2.3) the information is to be provided.

### 2.2 Maintenance Relevant Facilities

2.2.1 Users may provide to Transco, at the same time as providing their estimates under paragraph 2.1.1, details of the times and periods for which maintenance of Maintenance Relevant Facilities is planned during the relevant Planning Period.



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- 2.2.2 Users are not obliged to provide information under paragraph 2.2.1, but Users acknowledge that (except where the relevant Maintenance Relevant Party may have provided such information) the extent to which Transco is able, in planning the maintenance of the NTS in accordance with paragraph 3.4.1, to take account of information concerning maintenance of Maintenance Relevant Facilities, may depend on whether they do so.

### 2.3 Operational planning

Not later than the 1st Day of each month Users are required to provide updated estimates (in accordance with paragraph 2.1.5) of the information required under paragraph 2.1 for the 12 month period commencing on the 1st Day of the following month.

## 3 MAINTENANCE PROGRAMMING

### 3.1 General

- (a) Transco will each year, not later than the respective dates determined under paragraph 1.5, prepare and publish a Maintenance Programme for the Planning Period commencing 1st April and an updated Maintenance Programme for the Planning Period commencing 1st October.
- (b) Indicative Annual Maintenance Programme
  - (i) Transco will not less than one week prior to the first invitation date referred to in [Section B.2.3](#), for the sale of at least six months of System Entry Capacity commencing on 1st October in any Gas Year, prepare and publish an indicative Maintenance Programme (“**the indicative programme**”) for the Planning Period of twelve months commencing with the 1st October date referred to in the above mentioned invitation (“**indicative period**”)
  - (ii) Such indicative programme shall be based on the Maintenance Programme issued for the period commencing with the 1st April immediately preceeding the 1st October referred to in (i) above, but should take into account relevant maintenance matters that Transco has become aware of prior to the preparation of the indicative programme in respect of the indicative period.

### 3.2 Content of programme

#### 3.2.1 A Maintenance Programme will identify:

- (a) the NTS System Entry Points and NTS System Exit Points at which the ability of Transco to accept delivery of gas or to make gas available for offtake will be affected by planned maintenance of the NTS;
- (b) the periods (within the relevant Planned Maintenance Period) for which such System Points will be so affected;
- (c) where Transco expects that it will continue within such period (or part thereof) to be able to accept delivery of gas or make gas available for offtake at any such





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System Point, but (by reason of such maintenance) on a restricted basis, an indicative estimate (on the basis of seasonal normal conditions and assumptions as to supply and demand under the Ten Year Statement) of the maximum rate at which Transco expects to be able to accept delivery of gas or make gas available for offtake at such point 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.

- 3.2.2 The information specified in paragraph 3.2.1 will be identified for NTS Supply Points, NTS Connected System Exit Points and NTS System Entry Points individually.
- 3.2.3 The Maintenance Programme will contain:
  - (a) firm maintenance periods and details for the first 7 months (in the case of an April Maintenance Programme) or 6 months (in the case of an October Maintenance Programme) of the Planning Period, which will be subject to change only in accordance with paragraph 4.1.2;
  - (b) provisional maintenance periods and details for the second 5 or (as the case may be) 6 months of the Planning Period and outline maintenance periods and details for the last 12 months of that period, which will be subject to change in the next Maintenance Programme.
- 3.2.4 A Maintenance Programme may contain information in relation to the operational planning of the System, or maintenance which will not affect Transco's ability to accept delivery of gas or make gas available for offtake, but such information will not be binding on Transco or any User for the purposes of the Code.
- 3.2.5 Neither Transco nor any other person will be required, by virtue of anything contained in a Maintenance Programme, to carry out any particular maintenance works or (but without prejudice to paragraph 1.3.2) to do so at any particular time.

### 3.3 Maintenance consultation

- 3.3.1 Before publishing an April Maintenance Programme Transco will (in accordance with paragraph 1.5):
  - (a) publish a draft Maintenance Programme; and
  - (b) convene, on not less than 21 Days notice to persons invited in accordance with paragraph 3.3.5, a meeting ("**Annual Maintenance Meeting**"), or if Transco so decides more than one such meeting, for review of the timing of planned maintenance of the NTS under such draft Maintenance Programme.
- 3.3.2 Users may, up to but not later than 7 Days before the date of the Annual Maintenance Meeting (or first such meeting):
  - (a) submit to Transco details of the dates and periods of maintenance planned in respect of any Maintenance Relevant Facility and/or comments in relation to the timing of any planned maintenance under the draft Maintenance Programme;
  - (b) request Transco to invite any Maintenance Relevant Party to an Annual Maintenance Meeting.



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- 3.3.3 Before holding the Annual Maintenance Meeting(s) Transco will discuss with each User, to such extent as it deems appropriate, the details and comments submitted to it by that User under paragraph 3.3.2(a).
- 3.3.4 Without prejudice to paragraph 3.4.2, Transco will be at liberty to discuss any aspect of the draft Maintenance Programme with any Maintenance Relevant Party and to take into consideration any comments made or details (of maintenance of any Maintenance Relevant Facility) provided by such party.
- 3.3.5 Transco will invite to an Annual Maintenance Meeting each User, any Maintenance Relevant Party requested under paragraph 3.3.2(b) and such other Maintenance Relevant Parties and other persons as Transco may determine; provided that no such meeting shall have power to take decisions binding on Transco or any other party, and no User or other party whom Transco may accidentally have omitted to invite to any such meeting shall have any grounds for claim or complaint against Transco.
- 3.3.6 An Annual Maintenance Meeting will be chaired by Transco and will be conducted on an informal basis with a view (subject always as provided in this paragraph 3) to Transco ascertaining the views of Users and other Maintenance Relevant Parties as to the timing of planned maintenance of the NTS, and to facilitating (insofar as maintenance requirements for the NTS so permit) the resolution of any conflicts between such views.
- 3.3.7 In respect of the October Maintenance Programme, Transco will publish a draft Maintenance Programme upon which Users may provide comment (in accordance with paragraph 3.3.2(a)); but no meeting need be held for discussion of such programme.

### 3.4 Confidentiality

- 3.4.1 Subject to Transco's duties under the Transco Licence and the Act, a Maintenance Programme will not identify Users or Maintenance Relevant Parties by name (but the identity of Maintenance Relevant Facilities may be apparent from the details contained therein pursuant to paragraph 3.2.2).
- 3.4.2 Unless a User notifies Transco that, by reason of its commercial sensitivity, any information provided to Transco by that User pursuant to this Section L should not be so included or disclosed, Transco will be at liberty to include such information in a Maintenance Programme and to disclose such information to any other User and any Maintenance Relevant Party or at an Annual Maintenance Meeting.
- 3.4.3 It is acknowledged that Transco's ability to take account of information provided to it, in planning the maintenance of the NTS in accordance with this Section L, may be limited where the person who provided such information notified Transco that such information should not be included or disclosed.

### 3.5 Maintenance planning

- 3.5.1 Subject to paragraphs 3.4.3 and 3.5.2, insofar as information concerning the maintenance of Maintenance Relevant Facilities has been provided to it pursuant to this Section L, Transco will plan the maintenance of the NTS and prepare Maintenance Programmes in good faith with a view, so far as is practicable having regard to the nature and urgency of the requirements for such maintenance and any Legal Requirement applying to Transco, and consistent with Transco's normal working



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practices, to coordinating the timing of such maintenance with the timing of maintenance of Maintenance Relevant Facilities and thereby minimising disruption to the operation of Maintenance Relevant Facilities.

- 3.5.2 Notwithstanding paragraph 3.5.1, decisions as to Maintenance Programmes shall be taken by Transco in its sole discretion, after consultation in accordance with paragraph 3.3.
- 3.5.3 In particular, where planned maintenance was taken into account by Transco pursuant to [Section B2.2.3\(b\)](#) 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.
- 3.5.4 To the extent any information (whether to be provided by a User or another person) which is required to be provided to Transco under this Section L, or otherwise is requisite or desirable for the preparation of a Maintenance Programme, is not provided to it, Transco will use its own best estimates of the information required.
- 3.5.5 Where any information provided to Transco by a Maintenance Relevant Party conflicts with information provided by a User, Transco will (so far as is reasonable in the circumstances, and subject to any duties of confidence) inform the relevant parties of the conflict, and if such conflict is not resolved will make such assumptions concerning the matter in question as it shall reasonably deem appropriate.

## 4 SYSTEM MAINTENANCE

### 4.1 Maintenance of the NTS under the Maintenance Programme

- 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.
- 4.1.2 In carrying out maintenance of the NTS, Transco will adhere so far as is reasonably practicable to the dates and periods provided for (in respect of the first 6 months of the relevant Planning Period) in the applicable Maintenance Programme, but without prejudice to paragraph 4.1.2.
- 4.1.3 Transco may (subject to paragraph 1.3.2) revise the Maintenance Programme by providing for additional maintenance and/or by varying the dates or periods of any maintenance already provided for, upon notifying relevant Users not less than 30 Days (or such lesser period as relevant Users may agree) before:
  - (a) the date on which (following such revision) such maintenance is to commence, or
  - (b) where the effect of the revision is to defer maintenance, the date of commencement thereof as shown in the Maintenance Programme before such revision.
- 4.1.4 Transco will notify relevant Users, by way of reminder, of the carrying out of maintenance provided for in the Maintenance Programme (as revised under paragraph



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4.1.2) not less than 7 Days before the commencement of such maintenance, provided that no accidental omission so to notify a User shall prejudice the provisions of paragraph 4.3 and Transco's entitlements thereunder.

- 4.1.5 For the purposes of this paragraph 4.1, a relevant User is a User who at the relevant time holds NTS Exit Capacity at an NTS Exit Point at which the offtake of gas will be affected by maintenance provided for by a Maintenance Programme or any proposed revision thereto; provided that Transco may elect to give any notification under this paragraph 4.1 to all Users generally.

### 4.2 Programmed maintenance

- 4.2.1 For the purposes of the Code, maintenance of any part of the System carried out by Transco on any Day (the "**maintenance day**") is "**Programmed Maintenance**" as respects any User in relation to a System Point (other than an NTS Entry Point) where:

- (a) in the case of an NTS Exit Point, the maintenance day was a Day (in a Planned Maintenance Period) on which such maintenance was planned under the Maintenance Programme (including any revision of the Maintenance Programme notified to such User in accordance with paragraph 4.1.2);
- (b) in the case of an LDZ System Exit Point (subject to paragraph 4.2.5), Transco gave the notification required under paragraph 4.2.2 to the User:
  - (i) in the case of a Connected System Exit Point, in accordance with the applicable requirements, if any, of the Network Exit Agreement, or in the absence of any such requirements, not less than 30 Days before the maintenance day;
  - (ii) in the case of a Supply Point whose Annual Quantity exceeds 732,000 kWh (25,000 therms), not less than 30 Days before the maintenance day;
  - (iii) in the case of a Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 therms) but does not exceed 732,000 kWh (25,000 therms), not less than 7 Days before the maintenance day;
- (c) in the case of a Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms) where Transco gives to the consumer not less than 7 Days notice (or with the consumer's consent less notice) of the carrying out of such maintenance (but so that Transco shall not be required to give any notice thereof to the Registered User).

- 4.2.2 For the purposes of paragraph 4.2.1(b):

- (a) the notification required is a notification that the availability of gas for offtake, at the relevant System Point will be affected by the carrying out of such maintenance;
- (b) the notification is required to be given to a User only where, at the time the notification is (in accordance with that paragraph) required to be given, the User is a CSEP User in relation to the Connected System Exit Point, Registered User in respect of the Supply Point, in question.



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- 4.2.3 Notification under paragraph 4.2.1 may identify LDZ Supply Points which do not include DM Supply Point Components in groups, by geographic area, rather than individually.
- 4.2.4 Programmed Maintenance of any part of the System other than the NTS is not limited to Planned Maintenance Periods.
- 4.2.5 Where a User has, after the time at which a notification under paragraph 4.2.1(b) was required to be given, but not less than 3 Business Days before the maintenance day or first maintenance day, become a CSEP User in relation to the Connected System Exit Point, Registered User in respect of the Supply Point, Transco will use reasonable endeavours to notify such User of the carrying out of the relevant maintenance.

### 4.3 Transco maintenance entitlements

- 4.3.1 To the extent that on any Day it is not feasible for Transco to make available gas for offtake from the System by a User at a System Exit Point, or its ability to do so is restricted, by reason of its carrying out any Programmed Maintenance:
  - (a) such System Point is a "**Maintenance Affected Point**"; and
  - (b) subject to paragraph 4.3.2, Transco will be relieved of its obligations under [Section J3.2](#) to make gas available for offtake from the System, at such System Point.
- 4.3.2 Subject to paragraph 4.3.3 and [Section V9](#), Transco will not be relieved by virtue of paragraph 4.3.1(b) of its obligations therein referred to in respect of a Maintenance Affected Point:
  - (a) in the case of a Connected System Exit Point or NTS Supply Point, on more than the number of Days in any Planned Maintenance Period or on more than the number of Days in any three consecutive Planned Maintenance Periods in each case specified (pursuant to [Section J4.2.1](#) or [J5.8.2](#)) in the applicable Network Exit Agreement;
  - (b) in the case of an LDZ Supply Point whose Annual Quantity exceeds 732,000 kWh (25,000 therms), on more than 8 Days in any Gas Year or on more than 20 Days in any three consecutive Gas Years;
  - (c) in the case of an LDZ Supply Point whose Annual Quantity exceeds 73,200 kWh (2,500 therms) but does not exceed 732,000 kWh (25,000 therms), on more than 5 Days in any Gas Year or on more than 10 Days in any 5 consecutive Gas Years;
  - (d) in the case of an LDZ Supply Point whose Annual Quantity does not exceed 73,200 kWh (2,500 therms), for a period exceeding 24 hours (or any longer period requested by the consumer) on any one occasion.
- 4.3.3 Where for reasons of Force Majeure, including in the case of maintenance of an LDZ Supply Point any failure of the consumer after being so requested to provide any required access to Supply Point Premises, Transco is unable to commence or to complete any Programmed Maintenance in respect of any System Exit Point:



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- (a) the relevant number of Days or period specified in or pursuant to paragraph 4.3.2 shall be increased by such period for which the completion of the Programmed Maintenance was delayed by reasons of Force Majeure (but in the case of maintenance of the NTS, not beyond the end of the relevant Planned Maintenance Period);
  - (b) if Transco has commenced such Programmed Maintenance, for so long as Transco is unable to carry out or to continue to carry out the Programmed Maintenance, such point shall nevertheless continue to be a Maintenance Affected Point
- 4.3.4 For the avoidance of doubt (but without prejudice to [Sections J3.5](#) where applicable or to any other provision of the Code pursuant to which the User may be released from such liability) a User will remain liable to pay Capacity Charges in respect of its Registered System Capacity at any System Point notwithstanding that Transco is unable to make gas available for offtake at such point by reason of the carrying out of maintenance of the System.
- 4.3.5 If requested by Transco the Registered User will cooperate with Transco with a view to ensuring that the offtake of gas is discontinued at any Supply Point which is (and for so long as it continues to be) a Maintenance Affected Point (other than one referred to in paragraph 4.2.1(c)).

### 4.4 On-line inspection

- 4.4.1 A Network Entry Agreement or Network Exit Agreement may provide for the rates of delivery or offtake at a particular System Entry Point or NTS Exit Point to be controlled so as to ensure fixed rates of gas flow in any part of the System for a period where required for certain pipeline inspection activities.
- 4.4.2 Where Transco notifies a User that on any Day such a provision as is referred to in paragraph 4.4.1 is to be implemented in respect of any System Point and provides to the User such details as may be necessary to enable the User to do so, the User shall make Nominations for that Day in respect of that System Point consistent with the requirements of that provision.
- 4.4.3 A User shall not be in breach of [Sections I3.10, J3.7](#) or [J3.8](#) by reason of complying with paragraph 4.4.2 on any Day; and to the extent that (by reason of such compliance) the quantity of gas delivered to or offtaken from the System on the relevant Day at the relevant System Point exceeds the System Capacity held by the User at or in respect of such point, such excess will not be an overrun quantity for the purposes of [Section B2.6](#) or [B3.6](#).
- 4.4.4 Inspection of the kind referred to in paragraph 4.4.1 will count as maintenance for the purposes of this Section L (and the relevant Day as a Day of Programmed Maintenance for the purposes of paragraph 4.3.2) if and only if the control of flow rates pursuant to that paragraph results in any inability or restriction on the ability of Transco to accept into the System gas tendered for delivery or make available gas for offtake from the System (or which would have been so tendered but for Renominations made by Users to comply with paragraph 4.4.2



## Defined Terms

### Paragraph

<b>Annual Maintenance Meeting .....</b>	<b>3.3.1(b)</b>
<b>April Maintenance Programme .....</b>	<b>1.2.3</b>
<b>indicative period .....</b>	<b>3.1(b)(ii)</b>
<b>Maintenance Affected Point .....</b>	<b>4.3.1(a)</b>
<b>maintenance day .....</b>	<b>4.2.1</b>
<b>Maintenance Programme .....</b>	<b>1.2.1</b>
<b>Maintenance Relevant Facility .....</b>	<b>1.4</b>
<b>Maintenance Relevant Party .....</b>	<b>1.4</b>
<b>October Maintenance Programme .....</b>	<b>1.2.3</b>
<b>Planned Maintenance Period .....</b>	<b>1.3.1</b>
<b>Planning Period .....</b>	<b>1.2.2</b>
<b>Programmed Maintenance .....</b>	<b>4.2.1</b>
<b>the Indicative programme .....</b>	<b>3.1(b)(ii)</b>





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## M SUPPLY POINT METERING

### 1 GENERAL

#### 1.1 Introduction

This Section M contains provisions for the metering of the offtake of gas from the System at Supply Meter Points and the determination pursuant to such metering of the quantities so offtaken.

#### 1.2 Supply Meter Installation

1.2.1 Paragraph 2 sets out requirements in respect of the installation of meters and other equipment at Supply Meter Points.

1.2.2 For the purposes of the Code, in relation to a Supply Meter Point:

- (a) the "**Supply Meter Installation**" is the meter and associated equipment and installations installed or to be installed at a consumer's premises, including associated pipework, regulator filters, valves, seals, and mountings;
- (b) the "**Supply Meter**" is the meter comprised in the Supply Meter Installation.

1.2.3 A Supply Meter Installation includes (where installed pursuant to this Section M) any meter by-pass (under paragraph 2.4) and/or any convertor (where installed pursuant to the Gas (Calculation of Thermal Energy) Regulations 1996).

1.2.4 Not Used

1.2.5 Subject to paragraph 1.7, references in this Section M to the Registered User in the context of a Supply Meter Installation or a Supply Meter are to the Registered User of the Supply Meter Point at which it is installed.

#### 1.3 Daily Read and Non-Daily Read Supply Meters

1.3.1 Subject as provided in [Sections G1.5.5](#) and [G1.5.6](#), a Supply Meter is a "**Daily Read**" Supply Meter where Daily Read Equipment is connected to the Supply Meter Installation and has become operational in accordance with paragraph 4.1.7.

1.3.2 The circumstances in which a Supply Meter is required to be, or otherwise may be, Daily Read are set out in [Section G1.5](#).

1.3.3 A Supply Meter which is not a Daily Read Supply Meter is a "**Non-Daily Read**" Supply Meter.

#### 1.4 Meter Reading

1.4.1 The requirements of the Code for obtaining Meter Readings:

- (a) from Non-Daily Read Supply Meters are set out in paragraph 3;

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- (b) from Daily Read Supply Meters are set out in paragraph 4.
- 1.4.2 For the purposes of this Section M, in relation to a User a **"Relevant"** Supply Meter is the Supply Meter at a Supply Meter Point comprised in a Supply Point of which the User is the Registered User.
- 1.4.3 For the purposes of the Code, in relation to a Supply Meter:
- (a) a "Meter Reading" is:
    - (i) the reading of the index of the Supply Meter, and
    - (ii) where a convertor is installed as described in paragraph 1.2.3, the converted and the unconverted readings of the convertor;  
except that where Daily Read Equipment and such a convertor are installed, a Meter Reading need not include both the reading under paragraph (i) and the unconverted reading under paragraph (ii);
  - (b) a **"Meter Read"** is the obtaining (by appropriate means) of a Meter Reading and in the case of a Non-Daily Read Supply Meter the further details required pursuant to paragraph 3.3.1;
  - (c) an **"On-site Meter Read"** is a Meter Read undertaken by a person visiting the Supply Point Premises (as opposed to an automated meter read);
  - (d) a **"Customer Read"** is a Meter Reading in respect of a Supply Meter obtained by inspection of the Supply Meter by the owner or occupier of the Supply Point Premises (and not by inspection by a Meter Reader or automated meter read);
  - (e) except in the case of a Meter Reading obtained by Daily Read Equipment, a Meter Reading obtained at any time on a given Day shall be treated as obtained at the start of that Day.
  - (f) **"Gas Card Read"** is a Meter Reading provided by the User in respect of a Supply Meter obtained by means of a Gas Card.
  - (g) **"Gas Card"** is a electronic card used by a consumer to purchase gas by way of pre payment facility and containing the Meter Reading that such card collects from time to time.
  - (h) **"Remote Read"** is a Meter Reading provided by the User in respect of a Supply Meter obtained by means of a Remote Meter Reading Equipment.
  - (i) **"Remote Meter Reading Equipment"** is equipment which enables Meter Readings to be obtained remotely at set intervals and which comprises a device for capturing from the Supply Meter, and/or (where installed) a convertor, data which constitutes or permits a derivation of a Meter Reading and suitable equipment as shall be required for transmitting such data.
- 1.4.4 In relation to a Meter Read:
- (a) the **"Metered Volume"** is the volume (converted for temperature and pressure in accordance with the Gas (Calculation of Thermal Energy) Regulations 1996) of gas determined as having been offtaken at the Supply Meter Point during:

- (i) in the case of a Non-Daily Read Supply Meter, the Meter Reading Period (as defined in paragraph 3.1.7(e)(ii)); or
    - (ii) in the case of a Daily Read Supply Meter or a Supply Meter at a DM Supply Meter Point the relevant Day or other period in accordance with paragraph 4;
  - (b) the "**Metered Quantity**" is the quantity determined by multiplying the Metered Volume by the applicable calorific value.
- 1.4.5 A "**Meter Reader**" is a person appointed to undertake Meter Reads in respect of a Supply Meter.
- ## 1.5 Validation
- 1.5.1 Meter Readings are required (for the purposes of the Code) to be subjected to validation.
- 1.5.2 For the purposes of this Section M "**validation**" means the testing, by tolerance checking in accordance with and for the purposes described in the Network Code Validation Rules (as applicable in respect of the relevant Supply Meter and Meter Reading), of the validity of the Meter Reading.
- 1.5.3 The "**Network Code Validation Rules**" are the rules and procedures contained in the document dated 1st March 1996 issued by Transco and so entitled, as from time to time amended, after consultation with the Network Code Committee or any relevant Subcommittee, by Transco upon notice of not less than 3 months to Users, unless the Director shall, upon application by any User made within one month after such notice, give Condition 7(4) Disapproval to Transco's making any particular such amendment.
- ## 1.6 IGE Recommendations
- In this Section M "**IGE Meter Recommendation**" means any recommendation or standard from time to time issued or updated by the Institute of Gas Engineers in respect of the nature, type, design, specification or manufacture of any Supply Meter Installation or part thereof (which do not form a part of the Code).
- ## 1.7 Shared Supply Meter Points
- 1.7.1 All of the Sharing Registered Users shall be responsible jointly for the performance of the obligations and responsibilities of a User under this Section M in respect of a Shared Supply Meter Point.
- 1.7.2 The amount payable under paragraph 4.1.6 in respect of Daily Read Equipment installed at a Shared Supply Meter Point will be payable in equal parts by the Sharing Registered Users.
- ## 1.8 Not Used
- ## 1.9 Ownership of meter reading data
- 1.9.1 [Section V5.8](#) applies in respect of the ownership of data relating to Meter Readings.



## SUPPLY POINT METERING

1.9.2 Each User shall secure that its arrangements with any Meter Reader are consistent with [Section V5.8](#).

### 1.10 Meter error

1.10.1 Where a meter examiner finds (in accordance with paragraph 4(3) of the Gas Code) or Transco or a User believes that a Supply Meter is or has been registering erroneously, without prejudice to [Section E1.9.2](#) the relevant adjustment shall be made:

- (a) in the case of a Non-Daily Read Supply Meter, as an adjustment in respect of the Metered Quantity for the purposes of NDM Reconciliation pursuant to [Section E6](#) (and accordingly since the date of the preceding Valid Meter Read);
- (b) in the case of a Daily Read Supply Meter, by way of DM Reconciliation on the basis that the adjusted Meter Reading is treated as an Annual Check Read (irrespective of the period since the preceding Annual Check Read) in accordance with paragraph 4.7.

1.10.2 The relevant adjustment is an adjustment in respect of the amount by which it is determined that the Supply Meter has over- or under-registered the volume of gas oftaken from the System at the relevant Supply Meter Point, which amount shall be:

- (a) in the case under paragraph 4(3) of the Gas Code, ascertained on the basis described in that paragraph;
- (b) except as in paragraph (a):
  - (i) the amount agreed by Transco and the User, or
  - (ii) if either Transco or the User shall so require, determined by Expert Determination.

1.10.3 Paragraphs 1.10.1(a) and 1.10.1(b) are without prejudice to the period for which it may be agreed or determined that the Supply Meter has been registering erroneously.

1.10.4 Transco may issue guidance for assisting with the agreement of adjustment amounts under paragraph 1.10.2(b)(i), but any such guidance shall not be binding on any User or Transco.

### 1.11 Business Day

In this Section M Business Day shall have the same meaning as in [Section G1.10](#).

## 2 SUPPLY METER INSTALLATION

### 2.1 Supply Meter and other equipment

2.1.1 The Registered User shall secure that at each Supply Meter Point (other than a Supply Meter Point which has been Isolated) there is installed, operated and maintained in proper working order, for registering the volume of gas oftaken from the System at the Supply Meter Point, a Supply Meter Installation.

2.1.2 The Supply Meter Installation shall:

- (a) be of a type and standard of design and accuracy complying with, and shall be installed in compliance with, the IGE Meter Recommendations, the Gas (Meters) Regulations 1983, the Gas Safety (Installation and Use) Regulations 1998 and any other applicable Legal Requirements, as in force at the date of installation of the Supply Meter Installation, and shall be stamped in accordance with Section 17 of the Act;
  - (b) include such equipment (including any convertor) as may be required in accordance with the further provisions of Section M.
- 2.1.3 The point at which the Supply Meter Installation is to be installed shall be such point as shall be required by or shall be in accordance with paragraph 5 of the Gas Code and the Gas Safety (Installation and Use) Regulations 1998.
- 2.1.4 For the avoidance of doubt, but without prejudice to the requirements of paragraph 2.1.1, the Supply Meter shall be the meter referred to in the Gas Code, and may be provided and owned by a person and/or installed by a person other than the Registered User.
- 2.1.5 Nothing in this Section M prevents a User from securing that a Supply Meter Installation conforms to higher standards than are (or provides any function in addition to what is) required pursuant to paragraph 2.1.2.
- 2.1.6 The design and specification of certain Supply Meter Installations (where required to be installed) will need to be agreed with Transco on a case by case basis in accordance with Transco T/PR/GT2 and comply with the relevant Ofgem Codes of Practice.
- 2.1.7 Supply Meter Installations installed as at the date of the Code and before the **Metering Separation Date** shall be deemed (for the purposes of the Code) to comply with the requirements of paragraphs 2.1.2 and 2.1.3, provided that this shall not prejudice any requirement for the installation of a different Supply Meter Installation arising by reason of a change in the nature of or the use of the Consumer's Plant after the Supply Meter Installation was installed.
- 2.1.8 Whenever a Supply Meter Installation is replaced or modified the Registered User shall provide to Transco, Meter Information in accordance with paragraph 3 and such information concerning the replacement or modification, within such period, as Transco may reasonably prescribe.
- 2.1.9 In respect of each Supply Meter Point at which the Daily Read Requirement applies, the Registered User will ensure that the Supply Meter Installation will be suitable and will remain suitable to enable the attachment, installation, maintenance and continuing operation of the Daily Read Equipment. This will require the Supply Meter to incorporate a port (Interface) capable of indicating a pulse representing a discrete amount of gas (usually 0.1, 1, 10, 100 or 1000 units) dependent on the make and size of meter, being a port on the Supply Meter providing such indication by cyclic changes in the electrical resistance across such port or otherwise (including but not limited to ports known as "R5").
- 2.1.10 The Registered User shall take all reasonable steps to secure that any notice affixed for safety reasons to the Supply Meter Installation shall not be removed or defaced.
- 2.1.11 Where in the opinion of Transco the Supply Meter Installation is unsafe or is in

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imminent risk of becoming unsafe then Transco will be entitled to take any steps to make the Supply Meter Installation safe.

- 2.1.12 “**Transco T/PR/GT2**” is the Transco Procedure for Obtaining Authorisation for the Setting and Sealing of the Meter Regulator and any Associated Pressure Control and Protection Device(s) associated with the Gas Supply Meter Installation.

“**Ofgem Codes of Practice**” is as appropriate:

- (a) Ofgas COP/1a: Code of practice for low-pressure diaphragm and electronic meter installations with badged meter capacities not exceeding  $6\text{m}^3/\text{hr}$ :
- (b) Ofgas COP/1b: Code of Practice for low pressure diaphragm and rotary displacement meter installations with badged meter capacities exceeding  $6\text{m}^3/\text{hr}$  ( $212\text{ft}^3/\text{hr}$ ) but not exceeding  $1076\text{m}^3/\text{hr}$  ( $38,000\text{ft}^3/\text{hr}$ ):
- (c) Ofgas COP/1c: Code of practice for all high pressure and other low-pressure meter installations not covered by COP/1a or COP/1b.

## 2.2 Failure of Supply Meter Installation

- 2.2.1 Where as a result of any failure or defect in any Supply Meter Installation gas cannot be offtaken from the System at the relevant Supply Meter Point, and except where Section J4.4.5(b) applies, Transco will not be in breach (by reason thereof) of its obligation to make gas available for offtake from the System.

## 2.3 Interference with meters and meter by-pass utilisation

The Registered User shall take all reasonable steps to ensure that:

- (a) no person improperly breaks any seal affixed to any part of the Supply Meter Installation or tampers or otherwise interferes with any Supply Meter Installation, utilises a meter by-pass other than as permitted by T/PR/GT3, or utilises a temporary alternative arrangement;
- (b) upon each visit to the Supply Point Premises by any representative of that User or the supplier, or by any person engaged (by that User, the supplier or the consumer) to obtain an On-site Meter Read, there is promptly reported to Transco any evidence which is or ought (having regard to the purposes for which such person is visiting the premises) to be apparent to such representative or person of the breaking of any such seal or of any such tampering or interference (including any activated tamper alarm) or otherwise of theft or attempted theft of gas, or the utilisation of a meter by-pass other than as permitted by T/PR/GT3, or the utilisation of a temporary alternative arrangement.

## 2.4 Meter By-pass

- 2.4.1 In the circumstances permitted by the Registered User in accordance with T/PR/GT3 a meter by-pass may be installed (as a part of the Supply Meter Installation), or a temporary alternative arrangement may be utilised, at a Supply Meter Point

- 2.4.2 For the purposes of the Code:



- (a) A "**meter by-pass**" is any pipe, and associated gas fittings used in connection with it, used to supply gas to a consumer without passing through the Supply Meter, and thereby secure the continued offtake of gas at the Supply Meter Point, in the event of any failure of, or any work on, part of the Supply Meter Installation which would impede the flow of gas through the Supply Meter.
  - (b) a "**temporary alternative arrangement**" is an arrangement other than by means of a meter by-pass to temporarily enable the flow of gas to the premises of a consumer without measurement by a Supply Meter.
  - (c) "**T/PR/GT3**" is the document entitled Procedure for Meter By-pass Provision, Use and Approval relating to the installation and utilisation of meter by-passes, as published by Transco from time to time.
- 2.4.3 Where the Registered User has permitted a meter by-pass to be installed, or temporary alternative arrangement to be utilised, at a Supply Meter Point it shall notify Transco as soon as reasonably practicable following such installation or utilisation.
- 2.4.4 Where a meter by-pass is installed, or a temporary alternative arrangement utilised, at a Supply Meter Point then in the event of a cessation of use:
- (a) within 2 Business Days following the Day on which such discontinuance occurred, the Registered User shall notify Transco of the following information:
    - (i) the MPRN;
    - (ii) the Shipper ID;
    - (iii) the type of Supply Meter Point (identified as an NDM Supply Meter Point or DM Supply Meter Point);
    - (iv) the date on which the meter by-pass was opened or the temporary alternative arrangement commenced;
    - (v) the time at which the meter by-pass opened or the temporary alternative arrangement commenced;
    - (vi) the Meter Reading at the time on which the meter by-pass opened or the temporary alternative arrangement commenced;
    - (vii) the date on which the meter by-pass was closed or the temporary alternative arrangement ceased;
    - (viii) the time on which the meter by-pass was closed or the temporary alternative arrangement ceased;
    - (ix) the Meter Reading at the time on which the meter by-pass was closed or the temporary alternative arrangement ceased;
  - (b) within 15 Business Days following the Day on which cessation occurred, the Registered User shall notify Transco of its estimate of gas used in accordance with paragraph 2.4.5 or 2.4.6 where such estimate is 10,000 kWh (*340 therms*) or greater.



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- 2.4.5 Where a meter by-pass is open or the temporary alternative arrangement is in use on any Day at an NDM Supply Meter Point, subject to paragraph 2.4.7.
- (a) an estimate of the gas offtaken for each such Day will be calculated by the Registered User by dividing the Annual Quantity for such NDM Supply Meter Point by 365;
  - (b) for less than one Day, the estimate of the gas offtaken for such part Day will be calculated by the Registered User by dividing the estimate generated for such Day in accordance with paragraph (a) by 24 to produce an hourly estimate which will in turn be multiplied to the nearest whole number by the number of hours during such Day that the meter by-pass was open;  
and on receipt of the next Valid Meter Reading, any estimates notified to Transco in accordance with paragraph 2.4.4(b) will be used by Transco as the Metered Quantity for such Day(s) in order to calculate the NDM Reconciliation Quantity.
- 2.4.6 Where a meter by-pass is open or a temporary alternative arrangement commences on any Day at a DM Supply Meter Point, subject to paragraph 2.4.7:
- (a) an estimate of the gas offtaken for each such Day will be calculated on the basis that the Metered Volume for such Day shall be assumed to be the same as the Metered Volume for the same Day in the immediately preceding week;
  - (b) for less than one Day, the estimate for such part Day will be generated by dividing the estimate calculated for such Day in accordance with paragraph (a) by 24 to produce an hourly estimate which will in turn be multiplied to the nearest whole number of hours during such Day that the meter by-pass was open, or the temporary alternative arrangement was utilised;  
and on receipt of the next Valid Meter Reading, any estimates notified to Transco in accordance with paragraph 2.4.4(b) will be used by Transco as the Metered Volume for such Day(s) in order to calculate the DM Reconciliation Quantity.
- 2.4.7 Where information is available Transco or the Registered User to ascertain a more accurate estimate of the gas offtaken, such information will be used for such purpose in substitution of the estimate derived by paragraphs 2.4.5 or 2.4.6.
- 2.4.8 Such estimate of gas will be used by Transco to calculate and adjust the quantities of gas treated as offtaken from the System by the Registered User during the period of the utilisation of the meter by-pass or temporary alternative arrangement at Larger Supply Points for the purpose of individual NDM Reconciliation or (where applicable) DM Reconciliation save that no adjustment will be made in respect of the determination of any UDQO of the User or for any other purpose.
- 2.4.9 The Registered User will ensure that:
- (a) the meter by-pass is released promptly;
  - (b) further use of the temporary alternative arrangement arrangement is no longer possible;

following cessation of its use.

## 2.5 Prepayment meters

2.5.1 Where the Supply Meter Installation includes a prepayment installation:

- (a) the Registered User will be responsible for making arrangements for payment collection (including emptying or replacement of coin or token boxes or arrangements with any issuer of payment tokens or cards), and for remedying faults resulting from the abuse or defective use of the prepayment installation;
- (b) any theft or other loss in respect of monies representing payments made into the prepayment facility will be for the User's account and Transco will have no responsibility to the User or supplier or consumer therefor.

2.5.2 Where:

- (a) a Supply Meter Installation includes a prepayment installation;
- (b) Transco takes any step under paragraph 18 or 19 of the Gas Code (Disconnections) in respect of gas not flowing to the Supply Point Premises or to appliances at such premises, and
- (c) after taking such steps Transco ascertains that the cause of gas not flowing is the inability of the consumer to utilise the prepayment installation, overfilling of a coin or token box, use of defective payment tokens or cards, or any fault in or tampering with a prepayment facility

then paragraph 2.5.3 shall apply.

2.5.3 In the circumstances in paragraph 2.5.2:

- (a) Transco shall be entitled (without liability to the Registered User) to take any reasonable steps to ensure the restoration of supply to the consumer through the Supply Meter Installation until the end of the next following Business Day (making such assumption as to the rate of offtake as shall appear reasonable);
- (b) the Registered User shall reimburse to Transco the cost and expense incurred by Transco in taking the steps referred to in paragraph 2.5.2(b) and paragraph (a) above (including the value of any coins, tokens or cards utilised for the purpose in paragraph (a)).

## 3 METER READING: NON-DAILY READ SUPPLY METERS

### 3.1 General

3.1.1 Meter Readings are required to be obtained from Non-Daily Read Supply Meters and provided to Transco for the purposes of:

- (a) Individual NDM Reconciliation under [Section E6](#); and
- (b) the determination of Annual Quantities under [Section H3](#).



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- 3.1.2 Users are responsible for obtaining Meter Readings from Non-Daily Read Supply Meters in accordance with this paragraph 3 and for the validation (in accordance with paragraph 1.5) of such Meter Readings.
- 3.1.3 Without prejudice to any other provision of this Section M, a Meter Read in respect of a Non-Daily Read Supply Meter may be undertaken by any Meter Reader.
- 3.1.4 A Meter Reading obtained from a Non-Daily Read Supply Meter is a "**Valid Meter Reading**", and the relevant Meter Read a "**Valid Meter Read**", where the following conditions are satisfied and not otherwise:
- (a) except in the case of a Customer Read permitted under paragraph 3.1.6, or an Opening Meter Reading permitted under paragraph 3.1.4(f), the Meter Reading was provided by a Meter Reader appointed in accordance with paragraph 3.2.1;
  - (b) except in the case of an Opening Meter Reading, the Meter Reading has been subject to validation in accordance with paragraph 1.5;
  - (c) where the Meter Reading was rejected by such validation, the Registered User has taken or secured the taking of such further steps as it determines to be necessary to investigate the validity of the Meter Reading and has thereby confirmed such validity; and
  - (d) the Meter Reading together with the details required pursuant to 3.3.1 are provided to Transco in accordance with that paragraph;
  - (e) the details provided pursuant to paragraph 3.3.1 are consistent with the equivalent Meter Information appearing in the Supply Point Register.
  - (f) in the case of an Opening Meter Reading obtained and provided in accordance with M3.8.2, the Meter Reading has been obtained by a Gas Card Read.
  - (g) the Meter reading was provided by means of a Remote Read.
- 3.1.5 In the circumstances in paragraph 3.1.4(c) the Registered User shall when providing the Meter Reading to Transco in accordance with paragraph 3.3.1 notify Transco that the validity of the Meter Reading was not confirmed by validation, and certify that the validity thereof has been confirmed by further steps as required in paragraph 3.1.4(c).
- 3.1.6 A Customer Read obtained in any calendar month will (subject to the requirements of paragraph 3.1.4) be a Valid Meter Reading .
- 3.1.7 For the purposes of this Section M:
- (a) the "**Meter Reading Frequency**" in respect of a Non-Daily Read Supply Meter is the expected frequency of Meter Reads for the purposes of the Code;
  - (b) the Meter Reading Frequency of a Non-Daily Read Supply Meter (a "**Monthly Read Meter**") is monthly where:
    - (i) it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is not less than 293,000 kWh (10,000 therms); or

- (ii) the Registered User has (in accordance with [Section G2.3.2\(f\)\(ii\)](#)) so elected;
- (c) subject to paragraph (d) the Meter Reading Frequency of a Non-Daily Read Supply Meter other than a Monthly Read Meter (an "**Annual Read Meter**") is annual;
- (d) all Non-Daily Read Supply Meters at the Supply Meter Points comprised in a Supply Point must have the same Meter Reading Frequency;
- (e) in relation to a Non-Daily Read Supply Meter:
  - (i) the "**Meter Read Date**" is the date of a Valid Meter Read;
  - (ii) the "**Meter Reading Period**" in respect of a Meter Read is the period to the Meter Read Date from the preceding Meter Read Date.

## 3.2 Meter Information

3.2.1 For the purposes of facilitating compliance with Code, the Shipper Licence and the Transco Licence, the Registered User and Transco shall in accordance with paragraph 3.2 each provide timely and accurate Meter Information to the other in accordance with the requirements in the UK Link Manual.

3.2.2 The Registered User will provide to Transco, Meter Information which is:

- (a) C&D Information by means of a Meter Information Notification;
- (b) not C&D Information by means of a Meter Information Update Notification.

3.2.3 Within 6 Business Days from the Day on which the Registered User receives Meter Information in respect of the installation, removal, exchange or repositioning of a Supply Meter Installation the Registered User shall provide Transco with such information by means of a Meter Information Notification and/or Meter Information Update Notification as appropriate.

3.2.4 Where C&D Information is received by Transco:

- (a) by means of a Meter Information Notification from the Registered User (being the Registered User on the date specified in the Metering Information Notification as the date on which such Meter Work was completed) then Transco will record such information and update the Supply Point Register accordingly;
- (b) by means of a Meter Information Notification, from the Proposing User (in respect of a Supply Meter Point comprised in a Proposed Supply Point, in respect of which the Supply Point Confirmation has become effective) Transco will record such C&D Information and update the Supply Point Register accordingly;
- (c) by means of a C&D Notification, from any User, other than a Registered User or Proposing User, Transco will only record such C&D Information.

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- (d) by means of a C&D Notification, from a Meter Worker Transco will only record such C&D Information.
- 3.2.5 Transco will update the Supply Point Register where it receives a Meter Information Update Notification only from a Registered User and no other.

As soon as reasonably practicable after a Meter Information Update Notification is submitted, Transco will revise the Meter Information in accordance with such notification, unless Transco is not satisfied that the details contained in the notification are valid, in which case it will so notify the Registered User and Transco and the Registered User shall co-operate with a view to establishing the correct details, and once such details are established Transco will make any required revision of the Meter Information.

A Meter Information Update Notification shall be “**outstanding**” for the purpose of the Code until the Meter Information has been revised pursuant to this paragraph 3.2.5.

A Meter Information Notification shall be outstanding for the purposes of paragraphs 3.2.6, 3.2.7, 3.2.8 and 3.2.10 until the Meter Information has been revised pursuant to this paragraph 3.2.5.
- 3.2.6 Where in respect of a Supply Meter Point, C&D Information is received by Transco from a Meter Worker or User in accordance with paragraph 3.2.4(c) or (d), Transco will provide a copy of such C&D Information to the Registered User within 2 Business Days from the Day on which the identity of the such Registered User is known to Transco, and the Registered User will:
  - (a) submit such C&D Information to the relevant supplier;
  - (b) review the suppliers response and within 30 Days from the date that such C&D Information was received by the Registered User, by means of a Meter Information Notification, use its best endeavours to provide Transco with the corrected C&D Information (if it is not correct) or confirmation that such C&D Notification is correct;
  - (c) notify Transco as soon as reasonably practicable where the Registered User is unable to comply with (b), together with the reasons for such non-compliance.
- 3.2.7 Where in respect of a Supply Meter Point comprised in a Proposed Supply Point, (whether a New Supply Point or a Current Supply Point) C&D Information is received by Transco from a Meter Worker or User in accordance with paragraph 3.2.4(c) or (d), before the Supply Point Registration Date (and therefore the identity of the Registered User is not known to Transco at that time) then within 2 Business Days following the Day on which of such C&D Information was received and after Supply Point Confirmation becomes effective, Transco will provide a copy of such C&D Information (together with any additional relevant data in the possession of Transco at such time) to the Proposing User and the Proposing User will:
  - (a) submit such C&D Information to the relevant supplier;
  - (b) review the supplier’s response and within 30 Days from the date that such C&D Information was received by the Proposing User, by means of a Meter Information Notification, use its best endeavours to provide Transco with the

corrected C&D Information (if it is not correct) or confirmation that such C&D Notification is correct;

- (c) notify Transco as soon as reasonably practicable where the Proposing User is unable to comply with (b), together with the reasons for such non-compliance.
- 3.2.8 Where in respect of a Supply Meter Point comprised in a Proposed Supply Point which is a Current Supply Point, C&D Information is received from a Meter Worker or User in accordance with paragraph 3.2.4(c) or (d), and at the date of receipt by Transco of such C&D Information there is a Proposing User and a Registered User, than on the Day on which the Supply Point Confirmation becomes effective Transco will submit a copy of such C&D Information to such Proposing User and Registered User and the Proposing User will:
- (a) submit such C&D Information to the relevant supplier;
  - (b) review the relevant supplier's response and within 30 Days from the date that such C&D Information was received by Proposing User, by means of a Meter Information Notification, use its best endeavours to provide Transco with the corrected C&D Information (if it is not correct) or confirmation that such C&D Notification is correct;
  - (c) notify Transco as soon as reasonably practicable where the Proposing User is unable to comply with (b), together with the reasons for such non-compliance.
- 3.2.9 In respect of a Supply Meter Point comprised in a Proposed Supply Point in respect of which the Supply Point Confirmation has become effective, Transco will provide to the Proposing User the Meter Information (as held on the Supply Point Register) on the 7th Business Day before the Proposed Supply Point Registration Date.
- 3.2.10 Where Transco receives C&D Information from any User which subsequently becomes a Registered User then Transco will not resubmit such C&D Information to such User.
- 3.2.11 In order to ensure that Meter Information is accurate as practicable, where at any time a Registered User becomes aware that there are material changes to the Meter Information it will:
- (a) validate this and use its best endeavours to submit a Meter Information Update Notification to Transco within 30 Business Days from the Day it first becomes aware of such change; or
  - (b) as soon as reasonably practicable notify Transco where the Registered User is unable to so comply together with the reasons for such non-compliance; and
  - (c) in accordance with Section G1.9.8(b) use reasonable endeavours to secure that it becomes aware of any respect in which Meter Information provided to it is or becomes incorrect or out of date, including giving appropriate instructions to the Meter Reader for the time being.
- 3.2.12 Transco will update the Supply Point Register in accordance with paragraph 3.2.16 where Transco has received a Meter Information Notification:
- (a) in respect of a Current Supply Point (in accordance with paragraph 3.2.7 or 3.2.8) from the User that is the Proposing User on or after the Supply Point





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Confirmation becoming effective;

- (b) in respect of a New Supply Point, (in accordance with paragraph 3.2.8) from the User that is the Proposing User on or after the Supply Point Confirmation.
- 3.2.13 Where a Meter Information Update Notification is received from the Registered User and the Meter Information contained therein has resulted or may result in the amount of Transportation Charges paid or payable by the Registered User being inaccurate and a Meter Reading in respect of the Supply Meter at such Supply Meter Point:
  - (a) is not received from the Registered User at the time of receipt of such Meter Information Update Notification then Transco will determine a notional Meter Reading in respect of such Supply Meter to be effective upon either:
    - (i) the date provided within the Meter Information Update Notification; or
    - (ii) if (such date has not been so provided) the date on which the Meter information Update Notification was processed by Transco;and where no Opening Meter Reading is provided in accordance with M3.8.2(b) or 3.8.5(a) and the notional Meter Reading applies in respect of a Non-Daily Read Meter, such notional Meter Reading will be utilised by Transco as the Opening Meter Reading and this will be effective at the Supply Point Registration Date and paragraph 3.8.6 and 3.8.7 will not apply.
  - (b) is received from the Registered User at the time of receipt of such Meter Information Update Notification but no Opening Meter Reading is provided in accordance with M3.8.2(b) or 3.8.5(a) then the Meter Reading provided within the Meter Information Update Notification where it applies in respect of a Non-Daily Read Meter, will be utilised by Transco as the Opening Meter Reading and this will be effective at the Supply Point Registration Date and paragraph 3.8.6 and 3.8.7 will not apply.
- 3.2.14 Prior to the submission of any Meter Information to Transco, the Proposing User and/or Registered User will consider any known data inconsistencies with the relevant supplier (or any person acting on its behalf) and where appropriate ensure that the Meter Information which is submitted has been corrected.
- 3.2.15 Where at any time in respect of any Supply Meter Point Transco becomes aware that the Meter Information held in the Supply Point Register is incorrect, (other than where Transco has received this information from the Registered User) within 6 Business Days of the Day upon which it becomes aware of this, Transco will so notify the Registered User and provide all relevant details and the Registered User will as soon as reasonably practicable review such details, and where necessary update the Meter Information and submit to Transco a Meter Information Notification or a Meter Information Update Notification containing such update in respect of such Supply Meter Point.
- 3.2.16 Upon receipt of a change of Meter Information from the Registered User, or the Proposing User in accordance with paragraph 3.2.12, Transco will within 2 Business Days of such receipt revise the details held in the Supply Point Register as specified in the Meter Information Notification. Transco will ensure the Supply Point Register reflects the Meter Information as supplied by the Registered User or Proposing User.



- 3.2.17 Where Transco receives from the Registered User a revised Meter Information Update Notification in respect of a Supply Meter Point that has resulted or may result in the amount of Transportation Charges paid or payable by the Registered User or the Previous Registered User (if any) being inaccurate then by the end of the month following the month in which it receives such Meter Information Update Notification Transco will so notify such Registered User and provide to each Previous Registered User (if any) for such Supply Meter Point the revised Meter Information.
- 3.2.18 Without prejudice to the Meter Information Notification obligations in paragraph 3.2.2, the Registered User will submit as a Meter Information Notification or as a Meter Information Update Notification, additional data items relating to the Supply Meter installation, that are required by Transco to operate in accordance with its Code or other obligations. Such data items may include but are not limited to:
- Meter serial number, dials and digits
  - Metric/Imperial indicator
  - converter number of dials (unconverted/converted)
  - meter/converter round the clock count
  - meter pulse value
  - the identity of the Gas Act Owner
  - the identity of the Meter Asset Manager
  - Conversion Factors
  - physical works on Converters where not performed in associated with physical works on the Meter.
- 3.2.19 Where Transco believes that a User is not undertaking its Code obligations for the calculation of consumption in conjunction with the validation of meter readings, then where Transco and such User are unable to resolve such matter Transco may notify the User with reasons for such belief and require the User to provide to Transco evidence of its compliance with such obligations by means of either (a) sufficient data to enable Transco to examine whether the User has so complied or (b) an audit report produced by an external independent Auditor. Where the User has not produced such data or report, or where following examination by Transco of such data, Transco believes it has evidence that the User has not complied with such Code obligations, or the report finds that the User has not so complied then Transco will be entitled to submit a report to the Competent Authority detailing its findings. The cost and expense of such report shall be borne by the User unless the report finds that the User has complied with such Code obligations in which case the cost and expense shall be borne by Transco.
- 3.2.20 For the purposes of the Code:
- (a) “**C&D Information**”: is information obtained in respect of Meter Work;
  - (b) “**C&D Notification**”: is a notification (which is not a Meter Information Notification) containing C&D Information;
  - (c) “**Meter Information**”: is the information in relation to a Supply Meter Installation, comprising the details set out in the UK Link Manual, including but not limited to:
    - (i) the location of the Supply Meter Installation at the Supply Point Premises;
    - (ii) number of dials and serial numbers of the Supply Meter and any



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converter;

- (iii) meter access details;
- (iv) C&D Information.
- (d) “**Meter Information Notification**”: is a notification in accordance with the UK Link Manual containing Meter Information that is C&D Information;
- (e) “**Meter Information Update Notification**”: is a notification in accordance with the UK Link Manual containing Meter Information that is not C&D Information;
- (f) “**Meter Work**”: is work performed in respect of which a notice has been served under Schedule 2B of the Gas Act in accordance with the Gas Meters (Information on Connection and Disconnection) Regulations 1996;
- (g) “**Meter Worker**”: is a person that has performed Meter Work;
- (h) “**Previous Registered User**”: is any Registered User (other than the existing Registered User) who was the Registered User at the Supply Meter Point at any time within a period of 18 months preceding the date upon which Transco records such Meter Information Update Notification or, if earlier, the date upon which Transco revised Meter Information which was capable of affecting the amount of the Transportation Charge at such Supply Meter Point.

### 3.3 Provision of Meter Readings to Transco

- 3.3.1 Meter Readings are required to be provided to Transco by way of UK Link Communication by the means and in the form described in the UK Link Manual, and accompanied by the details specified in the UK Link Manual.
- 3.3.2 Except as otherwise provided in this Section M, Transco will accept Meter Readings provided to it in accordance with paragraph 3.3.1 for the purposes of NDM Reconciliation, provided that Transco will not be required to accept a Meter Reading which is not a Valid Meter Reading.
- 3.3.3 Each User shall use best endeavours to comply with the requirements in paragraph 3.3.4.
- 3.3.4 The requirement referred to in paragraph 3.3.3 is that, of the Valid Meter Readings obtained by a User pursuant to paragraphs 3.4 and 3.5 in respect of Relevant Non-daily Read Supply Meters on any particular Day:
  - (a) not less than 50% are provided (in accordance with paragraphs 3.3.1) by the 5th Business Day after the Meter Read Date;
  - (b) not less than 100% are provided (in accordance with paragraph 3.3.1) by the 10th Business Day after the Meter Read Date.
- 3.3.5 Subject to paragraphs 3.3.6 and 3.3.7, Transco will not be required to accept any Meter Readings in respect of which the requirement in paragraph 3.3.4 is not complied with.

### 3.3.6 Where :

- (a) a User submits to Transco any Meter Reading in respect of which the requirement in paragraph 3.3.4 is not complied with, and
- (b) it is feasible for Transco to accept such Meter Reading and in Transco's reasonable opinion the circumstances make it appropriate that it should do so, and
- (c) if the number of such Meter Readings submitted on a Day exceeds 1% of the total number of Meter Readings submitted by the User on the Day, the User has first requested Transco to do so

Transco will accept such Meter Reading pursuant to paragraph 3.3.2.

3.3.7 Where in relation to a Supply Meter a Meter Information Notification is outstanding at the Meter Read Date or is submitted not later than the 10th Business Day after the Meter Read Date, paragraph 3.3.5 shall not apply upon the submission or resubmission, following resolution of the Meter Information Notification, of a Meter Reading in respect of such Supply Meter.

3.3.8 Transco will subject Opening Meter Readings submitted to it to validation (which is additional to that required to be undertaken by Users), and may subject any other Meter Reading submitted to it to validation; but Transco will accept Meter Readings notwithstanding that such validation may be failed.

3.3.9 For the purposes of paragraph 3.3.1, where a convertor is installed at a Supply Meter all readings comprised (in accordance with paragraph 1.4.3(a)) in the Meter Reading are required to be provided to Transco.

## 3.4 Cyclic reading: Monthly Read Meters

3.4.1 Each User shall secure, in relation to Monthly Read Meters, that a Valid Meter Reading is obtained:

- (a) for each Relevant Monthly Read Meter, not less frequently than once every 4 calendar months;
- (b) in each calendar month, in accordance with paragraph 3.4.2, for not less than 90% of the number of Monthly Read Meters which are Relevant Supply Meters for the whole of the month).

3.4.2 For the purposes of paragraph 3.4.1(b) the Meter Read Date in respect of a Monthly Read Meter is required to be not less than 23 Days (or in the month of December 16 Days) and not more than 37 Days (or in the month of January 44 Days) after the Meter Read Date of the preceding Meter Read under paragraph 3.4.1.

## 3.5 Cyclic reading: Annual Read Meters

3.5.1 Each User shall secure, in relation to Annual Read Meters, that a Valid Meter Reading is obtained:

- (a) for each Relevant Annual Read Meter, not less frequently than once every 24



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months, subject to paragraph 3.5.4;

- (b) in any period of 12 months, for not less than the relevant percentage of the number of Relevant Annual Read Meters at the end of such period.

3.5.2 For the purposes of paragraph 3.5.1(b) the relevant percentage is:

- (a) where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised does not exceed 73,200 kWh (2,500 therms), 70%;
- (b) except as provided in paragraph (a), 90%.

3.5.3 Not used.

3.5.4 In respect of a New Supply Meter Point the Meter Read Date of the first Meter Read obtained pursuant to paragraph 3.5.1(a) shall be not less than 1 nor more than 12 months after the First Supply Point Registration Date.

## 3.6 Failure to obtain readings

3.6.1 Subject to paragraphs 3.6.4 and 3.6.5, where at the end of any calendar month a User has failed to comply with the requirement in paragraph 3.4.1(a) or 3.5.1(a) in respect of a Monthly Read Meter or (as the case may be) Annual Read Meter:

- (a) Transco will, unless in the case of a Monthly Read Meter it appears to Transco (in its sole discretion) that the circumstances are such that it would be inappropriate to do so, use reasonable endeavours to obtain a Meter Reading from such Meter;
- (b) the user shall, irrespective of whether the User remains the Registered User of the relevant Meter, pay (in accordance with [Section S](#)) to Transco the amount shown as payable in such circumstances in the prevailing Transportation Statement.

3.6.2 Transco will not initiate a Meter Read pursuant to paragraph 3.6.1 for a Meter Read Date earlier than the 10th Business Day of the calendar month (the "**following month**") following the month of the failure referred to in that paragraph.

3.6.3 Where Transco has initiated a Meter Read pursuant to paragraph 3.6.1(a), and (before such Meter Read takes place) the User subsequently provides a Valid Meter Reading in respect of the relevant Supply Meter, Transco will endeavour to cancel the Meter Read, but the User will be liable to make payment pursuant to paragraph 3.6.1(b) irrespective of whether such Meter Read is so cancelled.

3.6.4 Where not less than 10 Business Days before the beginning of the following month the User has submitted a Meter Information Notification in respect of the relevant Supply Meter, paragraph 3.6.1 shall not apply until the expiry of a period of 10 Business Days after the Meter Information Notification ceases to be outstanding.

3.6.5 If:

- (a) before Transco has initiated a Meter Read pursuant to paragraph 3.6.1, the User notifies Transco (by Conventional Notice) that the User is taking steps to obtain

a Meter Reading in respect of the relevant Supply Meter, specifying the expected date of the Meter Read;

- (b) not later than the 10th Business Day of the following month the User provides to Transco a copy of a warrant (granted under the Rights of Entry (Gas and Electricity Boards) Act 1954, as amended) authorising entry to the relevant premises, or a copy of an application for such a warrant, or demonstrates to Transco's reasonable satisfaction that a Meter Reading can be obtained without such a warrant; and
- (c) a Valid Meter Reading is provided to Transco in respect of the relevant Supply Meter not later than the 20th Business Day after the start of the following month

then paragraph 3.6.1 shall not apply.

3.6.6 Where Transco obtains a Meter Reading under paragraph 3.6.1, such Meter Reading shall be treated for all purposes of the Code as a Meter Reading obtained in accordance with the requirements of this Section M.

3.6.7 Where a User materially or persistently fails to comply with the requirement in paragraph 3.4.1(b) or 3.5.1(b), Transco may require the User:

- (a) to submit to Transco an explanation for the User's failure to comply together with a proposal to remedy such non-compliance;
- (b) to implement the User's proposal under paragraph (a) as modified after discussion with Transco;
- (c) if and for so long as the User fails to comply with paragraphs (a) and (b), to agree to a scheme under which Transco will (at the User's expense on the same basis as under paragraph 3.6.1(b)) obtain sufficient Meter Readings from time to time each month to remedy the User's failure to comply with paragraph 3.4.1(b) or 3.5.1(b).

### 3.7 More frequent readings<sup>1</sup>

3.7.1 Subject to paragraph 3.7.2, a User may secure and provide to Transco Valid Meter Readings in respect of any Non-Daily Read Supply Meter more frequently than is required by this paragraph 3.

3.7.2 Transco will not be required to accept under paragraph 3.7.1 a Meter Reading (other than one required under paragraph 3.8 or paragraph 3.9) for which:

- (a) in the case of a Monthly Read Meter, the Meter Read Date is less than 23 Days (or in December 16 Days),
- (b) in the case of an Annual Read Meter, the Meter Read Date is less than 5 months,

<sup>1</sup> Paragraph Heading 3.7 will be amended by Modification MR0662 with effect from tbc. Please refer to the relevant Revised Notice of Future Implementation.



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after the Meter Read Date of the preceding Meter Reading (excluding any required under paragraph 3.8 or 3.9) for the same Supply Meter<sup>2</sup>.

### 3.8 Opening Meter Readings

3.8.1 Where a User submits a Supply Point Confirmation which becomes effective for a Proposed Supply Point which includes one or more NDM Supply Meter Points, this paragraph 3.8 applies in respect of the Non-Daily Read Meter installed at each such Supply Meter Point provided that this paragraph 3.8 shall only apply where the Supply Point Confirmation submitted by a User records a change to one or more of the User identity, the supplier identity or the Supply Meter Point configuration<sup>3</sup>.

3.8.2 The Proposing User shall secure that a Valid Meter Reading (an "**Opening Meter Reading**") is:

- (a) obtained for a Meter Read Date within the required date range, and
- (b) provided to Transco not later than 16:00 hours on the 7th Business Day after the Supply Point Registration Date

from each Non-Daily Read Meter referred to in paragraph 3.8.1.

3.8.3 For the purposes of this paragraph 3.8 the required date range is the period of 5 Business Days commencing 2 Business Days before the Supply Point Registration Date<sup>4</sup>.

3.8.4 Transco will not accept an Opening Meter Reading which is not obtained in accordance with paragraph 3.8.2(a) but may (though shall not be required to) accept a Valid Meter Reading obtained in accordance with paragraph 3.8.2(a) as an Opening Meter Reading if provided to Transco not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date.

3.8.5 Without prejudice to paragraph 3.8.10, where an Opening Meter Reading is not provided to Transco by the date required under paragraph 3.8.2(b):

- (a) a notional Meter Reading will be used for the purposes of Individual NDM Reconciliation in accordance with [Section E6.1.6](#) (and for the purposes of calculating such notional Meter Reading Transco may utilise any Meter Reading provided by the Proposing User where provided to Transco not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date),
- (b) and Transco will not later than 15 Business Days after the Supply Point Registration Date provide such notional Meter Reading to the Proposing User and the Withdrawing User as an estimated Meter Reading.

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<sup>2</sup> New paragraphs 3.7.3 and 3.7.4 will be added by Modification MR0662 with effect from tbc. Please refer to the relevant Notice of Future Implementation.

<sup>3</sup> Paragraph 3.8.1 will be amended by Modification MR0663 with effect from 29 November 2004. Please refer to the relevant Notice of Future Implementation.

<sup>4</sup> Paragraph 3.8.3 will be amended by Modification MR0602 with effect from (tbc). Please refer to the relevant Notice of Future Implementation.

- 3.8.6 The Withdrawing User may (if it has bone fide and material grounds for doing so) notify Transco that it objects to the Opening Meter Reading (or the estimated Meter Reading under paragraph 3.8.5), in which case:
- (a) Transco will inform the Withdrawing User of the identity of the Proposing User, but (except as provided in paragraph 3.8.8(b)) will not be further concerned with the objection;
  - (b) if the Withdrawing User notifies the Proposing User of its objection, the Proposing User agrees to use reasonable endeavours (without thereby being in breach of any provision of the Code) to secure that no other Meter Reading (in respect of the relevant Supply Meter) is provided to Transco until the objection has been resolved between such Users, and [Section V1.5.1](#) shall not apply in respect of this paragraph (b) (but Transco shall not be concerned with this paragraph (b)).
- 3.8.7 Subject to paragraph 3.8.9, the Proposing User may notify to Transco a revised value of a Meter Reading (an "**Agreed Opening Meter Reading**") for a Non-Daily Read Supply Meter which is agreed between the Proposing User and the Withdrawing User as being valid for a date within the required date range and is to replace the Opening Meter Reading (or estimated Meter Reading under paragraph 3.8.5).
- 3.8.8 Subject to paragraph 3.8.9, where a User notifies to Transco an Agreed Opening Meter Reading under paragraph 3.8.7:
- (a) the User shall be deemed thereby to warrant to Transco and to the Withdrawing User that such reading has been agreed by the Withdrawing User (and [Section V1.5.1](#) shall not apply in respect of this paragraph (a));
  - (b) Transco will accept such reading;
  - (c) the Individual NDM Reconciliation in relation to the Withdrawing User (determined under [Section E6.2](#) in accordance with the original Opening Meter Reading or estimated Meter Reading under paragraph 3.8.5) will be revised in accordance with [Section E6.7.2](#); and
  - (d) Transco will notify the Agreed Opening Meter Reading to the Withdrawing User.
- 3.8.9 A User may not give notice under paragraph 3.8.7, and Transco will not accept (under paragraph 3.8.8(b)) an Agreed Opening Meter Reading which is notified to it, at any time after any other Meter Reading (for a Meter Read Date after the Supply Point Registration Date) has been provided to Transco for the relevant Non-Daily Read Supply Meter.
- 3.8.10 Where Users submit Supply Point Confirmations in respect of Smaller Supply Points in relation to which the Supply Point Registration Date is on or after 18 February 1998 ("**SSP qualifying transfers**"):
- (a) without prejudice to (c) and in respect of each Proposing User, in the event that in any calendar month (or part thereof) less than 90% of Opening Meter Readings for SSP qualifying transfers are provided to Transco in accordance with paragraph 3.8.2(b), the Proposing User shall pay to Transco the charge, if



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any, set out in the Transportation Statement for the provision of that number of estimated Meter Readings determined in accordance with (c) (where provided by Transco pursuant to paragraph 3.8.5);

- (b) for the purposes of (a), no account shall be taken of Proposed Supply Point transfers which relate to Supply Meter Points at which the Supply Meter Installation includes a prepayment installation and in respect of such Supply Meter Points Transco shall not be required to provide an estimated Meter Reading pursuant to paragraph 3.8.5;
- (c) the number of estimated Meter Readings in respect of which the Proposing User shall be required to pay the charge under (a) shall be calculated as:

$$(0.90 * A) - B$$

where for each Proposing User:

A is the number of SSP qualifying transfers;

B is the number of Opening Meter Reads provided to Transco for SSP qualifying transfers in accordance with paragraph 3.8.2(b).

- 3.8.11 For the purposes of paragraph 3.8.2, where in respect of the installation of a Supply Meter Installation, Transco receives a notice in accordance with The Gas Meters (Information on Connections and Disconnections) Regulations 1996 which provides a Meter Reading (“**Meter Fix Reading**”) then (a) where such Meter Fix Reading has been submitted to Transco by a Shipper in accordance with its Shippers Licence and the Registered User is such Shipper, then such Meter Fix Reading shall be treated as the Opening Meter Reading of the Supply Meter Point and any Opening Reading subsequently submitted by such Registered User shall be disregarded, (b) where an Opening Meter Reading (which differs from the Meter Fix Reading) has been submitted to Transco by a Registered User and such Registered User is not the person which provided the Meter Fix Reading to Transco in accordance with the above regulations, then such Opening Meter Reading submitted shall be the Opening Meter Reading.

### 3.9 Other non-cyclic meter reading requirements

- 3.9.1 The Registered User shall secure that a Valid Meter Reading is obtained and provided to Transco:
- (a) (as required by Section G3.5.3(iv) upon the Isolation of any Supply Meter Point in accordance with [Section G3.5](#);
  - (b) upon the replacement (whether for examination, inspection, repair, maintenance or exchange or otherwise) of any Supply Meter, in respect of both the replaced and the replacement meter.

3.9.2 Not Used.

3.9.3 Not Used.

### 3.10 Metered volume and quantity calculation



- 3.10.1 Upon the provision of a Valid Meter Reading in respect of a Non-Daily Read Supply Meter Transco will calculate the Metered Volume and the Metered Quantity.
- 3.10.2 Transco will maintain records of Valid Meter Readings provided to it, in such form and for such time (but not in any event exceeding 5 years) as shall be requisite for the purposes of paragraph 3.10.1.

## 4 DAILY READ SUPPLY METERS

### 4.1 Daily Read Equipment

- 4.1.1 Subject to paragraph 4.9, for the purposes of the Code "**Daily Read Equipment**" is equipment, of a design and standard of manufacture specified (consistently with any Legal Requirement) by Transco for the purposes of this Section, which enables Meter Readings to be obtained by Transco remotely at set intervals.
- 4.1.2 Daily Read Equipment comprises:
- (a) a device for capturing from the Supply Meter, and/or (where installed) a convertor, data which constitutes or permits the derivation of a Meter Reading; and
  - (b) a telephone line or radio transmitter and/or such other equipment as shall be required for transmitting such data to Transco in accordance with the relevant requirements of the UK Link Manual.
- 4.1.3 Not Used
- 4.1.4 Daily Read Equipment may (where designed to be capable of such installation) be installed in connection with more than one Supply Meter at a single Supply Point Premises.
- 4.1.5 Where installation of Daily Read Equipment is required pursuant to [Section G1.5](#) or 6.10.2(e) Transco will have the sole entitlement and responsibility for:
- (a) furnishing, installing, removing, making operational and maintaining Daily Read Equipment (including its connection or reconnection to the Supply Meter Installation); and
  - (b) repairing or replacing the Daily Read Equipment where such repair or replacement is necessary as a result of the failure (including by reason of damage, normal wear or tear or defective design or manufacture) thereof.
- 4.1.6 Where Transco furnishes or has furnished Daily Read Equipment, with effect from the date upon which the relevant Supply Meter Point becomes a DM Supply Meter Point, the Registered User shall (unless the cost thereof has been paid pursuant to a Siteworks Contract) pay the appropriate charges in accordance with the Metering Charges Statement.
- 4.1.7 Daily Read Equipment installed at a Supply Meter Point will be treated as being operational (for the purposes of paragraph 1.3.1) with effect from the later of:
- (a) the Day on which Transco notifies the Registered User that the equipment is

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- operational, and
- (b) the first Day on which Transco provides to the User a Valid Meter Reading obtained by means of such equipment.
- 4.1.8 Subject to [Section G 1.5.4](#), where a New Supply Point has been classified in accordance with [Section G1.5.13](#), Transco will, as soon as reasonably practicable, furnish, install, make operational and maintain Daily Read Equipment at the relevant Supply Meter, and will inform the Registered User when Daily Read Equipment has been installed and made operational in accordance with paragraph 4.1.7. In the event of undue delay being experienced, Transco will:
- (a) promptly notify the Registered User of the nature of the delay and of an expected timescale for resolution;
  - (b) ensure that the Registered User is regularly advised of progress and promptly notified when the Daily Read Equipment has been installed and made operational.
- 4.1.9 Where Transco is unable to obtain or install the telephone line or experiences undue delay in obtaining or installing it and this is not due to the act or omission of any other person then where practicable Transco will install a radio transmitter provided there is a suitable site at the Supply Point Premises for such purposes and security as may be required.
- 4.1.10 Where requested by Transco, the Registered User will:
- (a) procure permission and access for Transco to:
    - (i) install and make operational the Daily Read Equipment;
    - (ii) attach the Daily Read Equipment to the Supply Meter Installation;
  - (b) facilitate inspection and maintenance and any activity referred to in paragraph 4.1.5 by Transco as required for the purposes of keeping such equipment operational (including any requirement for resynchronisation and/or adjustment);
  - (c) procure that a suitable site including support, protection and security for the Daily Read Equipment is available at the Supply Point Premises.
- 4.1.11 Where the Registered User intends, or becomes aware that the consumer or any other person intends, to undertake works on the Supply Meter Installation (or any part of it) which will or is likely to impact on the ability of Transco to obtain accurate and timely Valid Daily Meter Readings then:
- (a) the Registered User will use reasonable endeavours, to notify Transco at least two Business Days prior to the commencement of such works:
    - (i) of the date when disconnection of Daily Read Equipment from such Supply Meter Installation will occur and subject to (ii) such date will be the date when reconnection of Daily Read Equipment to the Supply Meter Installation is required;

- (ii) of the date when reconnection of Daily Read Equipment to the Supply Meter Installation is required if different from (i).
  - (b) Transco will within two Business Days of the reconnection date stated in (ii) use reasonable endeavours to reconnect and resynchronise its Daily Read Equipment with the Supply Meter Installation.
- 4.1.12 The Registered User shall take reasonable steps to secure that the Daily Read Equipment is not damaged or otherwise mistreated.
- 4.1.13 Ownership of the Daily Read Equipment shall remain with Transco (or any person to whom Transco may transfer ownership).

## 4.2 Daily Meter Readings

- 4.2.1 Where a Supply Meter is Daily Read:
  - (a) Transco will obtain (and the User authorises Transco to obtain) by means of the Daily Read Equipment (where it is operational) a Meter Reading for the start and for the end of each Day;
  - (b) Transco may so obtain Meter Readings at other times within the Day.
- 4.2.2 Transco is responsible for validation of the Meter Readings in accordance with paragraph 1.5.
- 4.2.3 In respect of a Daily Read Supply Meter:
  - (a) **"Daily Meter Readings"** for a Day are Meter Readings obtained by Transco in accordance with paragraph 4.2.1(a) for the start and the end of the Day;
  - (b) subject to paragraphs (c) and 4.8 **"Valid Meter Readings"** for a Day are Daily Meter Readings which have been subject to and not rejected by validation in accordance with paragraph 1.5, and are provided to the relevant User in the format and by the means specified in the UK Link Manual;
  - (c) the Daily Meter Reading for the start of a Day will not be a Valid Meter Reading if it differs from the Valid Meter Reading for the end of the preceding Day.
  - (d) the User will pay appropriate charges in accordance with the Metering Charges Statement in respect of such Daily Meter Readings obtained by Transco.
- 4.2.4 In relation to a DM Supply Meter Point so classified in accordance with [Section G1.5.13](#), Transco shall use all reasonable endeavours to obtain Meter Readings by procuring On-Site Meter Reads, for each Day commencing with the Supply Point Registration Date; and the Registered User shall cooperate with Transco in relation thereto.
- 4.2.5 When the Supply Meter at the DM Supply Meter Point classified in accordance with [Section G1.5.13](#) becomes a Daily Read Supply Meter Transco will obtain Meter Readings in accordance with paragraph 4.2.1.



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- 4.2.6 When Transco cannot obtain Meter Readings under paragraph 4.2.4 for the Supply Point Registration Date or for any of the six consecutive Days thereafter, then for each Day for which Meter Readings are not obtained the Metered Quantity shall be deemed to be the Annual Quantity for the DM Supply Point divided by 365, and the Metered Volume determined (by reference to the relevant calorific value) accordingly, but thereafter paragraph 4.4 shall apply as though a Meter Reading obtained under paragraph 4.2.4 were a Valid Meter Reading obtained from Daily Read Equipment.

### 4.3 Metered Volume and Metered Quantity calculation

Subject to paragraph 4.4, Transco will calculate for each Daily Read Supply Meter each Day:

- (a) the Metered Volume, by reference to the Valid Meter Readings for the Day obtained in accordance with paragraph 4.2.1(a) or by reference to the Meter Readings for the Day obtained in accordance with paragraph 4.2.4.
- (b) the Metered Quantity, by reference to the Metered Volume.

### 4.4 Failure to obtain meter readings

- 4.4.1 Subject to paragraph 4.8, Valid Meter Readings for a Day obtained from Daily Read Equipment at any time up to and including the Exit Close Out Date will be used for the purposes of paragraph 4.3.
- 4.4.2 Where for any Day (a "**Failed Daily Read Day**") Valid Meter Readings for the Day are not obtained by the Exit Close-Out Date:
- (a) the Metered Volume for the Failed Daily Read Day shall (irrespective in the case of a Supply Meter Point comprised in an Interruptible Supply Point of whether Interruption was required on the Day or the same Day in the preceding week) be assumed to be the same as the Metered Volume (whether determined under paragraph 4.3.1 or this paragraph 4.4.2) for the same Day in the immediately preceding week;
  - (b) there will be a subsequent DM Reconciliation in accordance with [Section E6](#).
- 4.4.3 Where a Day is a Failed Daily Read Day, except in the circumstances in paragraph 4.4.5(a), irrespective of the Metered Quantity derived from the assumed Metered Volume determined under paragraph 4.4.2, the Day shall not be a Ratchet Day (in accordance with [Section B4.7](#)).
- 4.4.4 After a Failed Daily Read Day, upon the restoration of operation of the Daily Read Equipment (except where paragraph 1.10 applies), Transco will determine:
- (a) the volume offtaken on such Day, by reference to a Valid Meter Reading then obtained, in accordance with paragraph 4.4.5;
  - (b) for the purposes of DM Reconciliation, the amount (the "**Failed Daily Read Reconciliation Volume**") by which the Metered Volume assumed under paragraph 4.4.2 is greater (in which case such amount shall be positive) or less (in which case such amount shall be negative) than the volume determined under paragraph (a).

4.4.5 For the purposes of paragraph 4.4.4(a):

(a) where:

(i) the reason for the earlier failure to obtain Valid Meter Readings for the Failed Daily Read Day was the failure of that part of the Daily Read Equipment referred to in paragraph 4.1.2(b) and not the part referred to in paragraph 4.1.2(a)), and

(ii) accordingly, Valid Meter Readings are later obtained for the Failed Daily Read Day,

the volume offtaken on the Day shall be the Metered Volume determined on the basis of such Valid Meter Readings;

(b) except as provided in paragraph (a):

(i) the Metered Volume for the period of all of the consecutive Failed Meter Read Days will be determined (on the basis of the Valid Meter Reading obtained for the start of the first such Day and for the end of the last such Day under paragraph 4.3 or paragraph (a) above);

(ii) such Metered Volume will be apportioned between such Days in the proportions of the assumed Metered Volumes under paragraph 4.4.2.

#### 4.5 Provision of Meter Readings to Users

Paragraph 5 shall apply in respect of the provision by Transco to Users of Meter Readings from Daily Read Supply Meters.

#### 4.6 User or consumer access to Daily Read Equipment

4.6.1 Where Daily Read Equipment is furnished and installed by Transco in accordance with paragraph 4.1.5, Transco will, upon request by the Registered User and provided it is operationally feasible to do so make available to the Registered User, readings received from the Daily Read Equipment in respect of each hour of a Day, and provided such readings to the User at four hourly intervals.

4.6.2 Not Used

4.6.3 Data obtained by the Registered User or consumer under paragraph 4.6 shall have no significance for the purposes of the Code.

#### 4.7 DM Check Read

4.7.1 Transco will at intervals of approximately 12 months, or as soon as reasonably practicable following a Supply Meter Point first becoming a Shared Supply Meter Point, and may on other occasions on which it undertakes an inspection, repair or maintenance of the Daily Read Equipment, arrange an On-Site Meter Read (a "**DM Check Read**") in respect of each Daily Read Supply Meter.

4.7.2 The Registered User shall use best endeavours to secure that Transco is given such access to the Supply Point Premises and the Supply Meter as it reasonably requires to carry out a DM Check Read.



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- 4.7.3 In respect of any DM Check Read the Metered Volume will be determined by reference to the period to the date of such Meter Read from the date of the preceding DM Check Read.
- 4.7.4 Where upon a DM Check Read the Metered Quantity differs from the sum (the "**previous metered quantity**") of the Metered Quantities determined in accordance with the foregoing provisions of this paragraph 4 (including paragraph 4.4) for each Day of the period referred to in paragraph 4.7.3 by more than 100,000 kWh (3,413 *therms*), Transco will determine and notify to the Registered User:
- (a) the amount of such difference; and
  - (b) for each Day in such period, a part (the "**DM Check Reconciliation Volume**", which shall be positive where the previous metered quantity exceeds the Metered Quantity in respect of the DM Check Read, and otherwise negative) of the amount determined under paragraph (a), in accordance with paragraph 4.7.5.
- 4.7.5 For the purposes of paragraph 4.7.4(b) the amount determined under paragraph 4.7.4(a) will be apportioned to Days in the relevant period in the same proportions as the Metered Volumes determined for such Days under paragraph 4.2 and 4.4.
- 4.7.6 DM Reconciliation in respect of the DM Check Reconciliation Volume for each Day will be carried out in accordance with [Section E6.3](#).

## 4.8 Daily Read Errors

- 4.8.1 For the purposes of this paragraph 4.8:
- (a) there is a "**Daily Read Error**" in respect of a Daily Read Supply Meter on a Day where, by reason of the Daily Read Equipment not functioning correctly, and not by reason of a failure of any other part of the Supply Meter Installation, the volume of gas which is determined on the basis of the Daily Meter Readings provided by Transco to the User (pursuant to paragraph 4.5) differs from the metered consumption;
  - (b) "**metered consumption**" is the volume of gas which was offtaken from the System at the Supply Meter Point on the Day, as registered by the Supply Meter and any convertor (and not what is determined by reference to the Daily Meter Readings obtained by the Daily Read Equipment);
  - (c) where the Supply Meter Installation includes a convertor, references to volume are to volume as converted for temperature and/or pressure by such convertor;
  - (d) Daily Read Equipment functions correctly where it functions within a tolerance of accuracy of 1%;
  - (e) a reference to Daily Read Equipment shall include a reference to the elements of UK Link by which messages sent by Daily Read Equipment located at the Supply Point Premises are processed and submitted as Daily Meter Readings to the Registered User.
- 4.8.2 In respect of any Day (a "**Daily Read Error Day**"), other than a Failed Daily Read

Day, a User may until the 5th Day after the Day on which Transco provided to the User the Daily Meter Readings in respect of a Relevant Daily Read Supply Meter, give notice ("**Daily Read Error Notice**") to Transco:

- (a) to the effect that (notwithstanding validation under paragraph 1.5) the User considers that there was a Daily Read Error on the Day; and
- (b) specifying the volume (the "**User Volume Estimate**") which the User considers to have been the metered consumption on the Day.

#### 4.8.3 Where a User gives a Daily Read Error Notice:

- (a) Transco will, as soon as reasonably practicable and wherever possible within 3 Business Days after such notice, ascertain whether the elements of UK Link referred to in paragraph 4.8.1(e) are functioning correctly, and (if they are) visit and (subject to being given sufficient access) to the Supply Meter Installation and/or the Daily Read Equipment) inspect the Daily Read Equipment;
- (b) upon or as soon as reasonably practicable after its inspection, Transco will provide to the User a notice stating:
  - (i) whether in Transco's judgement the Daily Read Equipment is functioning correctly; and
  - (ii) where in Transco's judgement the Daily Read Equipment is not functioning correctly, Transco's estimate (the "**Transco Volume Estimate**"), in accordance with paragraph 4.8.4 where applicable, and after taking account of the User Volume Estimate, of what was the metered consumption for the Daily Read Error Day, and the basis for its estimate;
- (c) notwithstanding the Daily Read Error Notice and Transco's notice under paragraph (b), except as provided in paragraph 4.8.8 the volume determined by reference to the Daily Meter Readings will be used to determine the User's UDQO for the purposes of the Code;
- (d) subject to paragraph (c), and unless otherwise agreed, Transco's statement under paragraph (b) will be final and its estimate will apply for the purposes of paragraph 4.8.10 unless within 5 Business Days after Transco's notice under paragraph (b) the User gives notice ("**rejection notice**") to Transco that the User does not accept Transco's judgement under paragraph (b)(i) or its estimate under paragraph (b)(ii);
- (e) upon receiving the rejection notice, Transco will enter into a dialogue with the User to attempt to resolve the difference. Where such resolution is not promptly achieved and in any event within 5 Business Days following receipt of the rejection notice, paragraph 4.8.6 will apply;
- (f) Where correction of the fault (by repair or replacement of the Daily Read Equipment) is not possible at the same time as the inspection, Transco will correct such fault as soon as possible following such inspection.

#### 4.8.4 Where the Daily Read Equipment is found not to be functioning correctly, and it is not





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apparent when the equipment started to function incorrectly, unless Transco and the User otherwise agree it shall be assumed (for the purposes of estimating the metered consumption for the Daily Read Error Day) that such equipment started to function incorrectly half way through the period from when the equipment was last inspected by Transco (whether pursuant to this paragraph 4.8 or any annual or other maintenance inspection) to the Day of Transco's inspection under paragraph 4.8.3(a).

- 4.8.5 The costs and expenses incurred by Transco in carrying out the inspection pursuant to paragraph 4.8.3(a) shall be borne:
- (a) by the User, if the amount of the User Volume Estimate differs from the volume determined by reference to the Daily Meter Readings by less than 10%;
  - (b) except as provided in paragraph (a):
    - (i) where the User did not give a rejection notice:
      - (1) by the User where in Transco's judgement the Daily Read Equipment was functioning correctly, and
      - (2) otherwise by Transco;
    - (ii) where the User gave rejection notice:
      - (1) by Transco, where it was agreed or the expert determined that the Daily Read Equipment was not functioning correctly (under paragraph 4.8.6(a)(i)) or it was agreed or the expert determines under paragraph 4.8.6(a)(ii) that the metered consumption was closer to the User Volume Estimate than to the Transco Volume Estimate, and
      - (2) otherwise by the User;
- 4.8.6 Where the User gives a rejection notice, then unless Transco and the User agree otherwise:
- (a) there shall be referred to Expert Determination the following questions:
    - (i) whether the Daily Read Equipment was functioning correctly, unless in Transco's judgement (under paragraph 4.8.3(b)(i)) it was not; and
    - (ii) unless the expert determines that the Daily Read Equipment was functioning correctly, what is the best available estimate (in accordance with paragraph 4.8.4 where applicable) of the metered consumption;
  - (b) the costs of the expert shall (notwithstanding any contrary provision of [Section I](#)) be borne by the User where:
    - (i) the expert determines (under paragraph (a)(i)) that the Daily Read Equipment was functioning correctly, or
    - (ii) the metered consumption determined (under paragraph (a)(ii)) by the expert was closer to the Transco Volume Estimate than to the User Volume Estimate;

and otherwise by Transco.

- 4.8.7 Where:



- (a) a User has submitted a Daily Read Error Notice in respect of a Day;
  - (b) the User considers that there was a Daily Read Error in respect of any subsequent Day, up to:
    - (i) the Day of Transco's inspection under paragraph 4.8.3(a), or
    - (ii) (where the Daily Read Equipment is found not to be functioning correctly) the Day of its repair or replacement under paragraph 4.8.11, then unless Transco agrees otherwise the further provisions of this paragraph 4.8 shall not apply in relation to such subsequent Day unless the User gives a Daily Read Error Notice for such Day, but the giving of such notice shall not require a further inspection pursuant to paragraph 4.8.3.
- 4.8.8 For the purposes of determining the User's UDQO, where a User submits a Daily Read Error Notice not later than the Exit Close-out Date in relation to the Daily Read Error Day:
- (a) if by the Exit Close-out Date:
    - (i) Transco has undertaken an inspection under paragraph 4.8.3(a), and
    - (ii) the User has informed Transco that it accepts the Transco Volume Estimate notified by Transco under paragraph 4.8.3(b);
 the value of the Metered Quantity derived from the Transco Volume Estimate shall be substituted for the value of the Metered Quantity derived from the original Daily Meter Readings;
  - (b) Transco may (before the Exit Close-out Date) by agreement with the User substitute, for the value of the Metered Quantity derived from the original Daily Meter Readings, the value derived from the User Volume Estimate or such other value as Transco and the User shall agree.
- 4.8.9 Transco may also agree with the User to adjust (for the purposes of determining the User's UDQOs) the Metered Quantity determined for each Day after the first Daily Read Error Day, until the Day referred to in paragraph 4.8.7(b)(i) or (ii), on a basis reflecting an agreed degree of error.
- 4.8.10 Except in a case where a substituted or adjusted value of the Metered Quantity was (before the Exit Close-out Date) used pursuant to paragraph 4.8.8 or 4.8.9, upon the estimated metered consumption being agreed or established (pursuant to this paragraph 4.8):
- (a) Transco will determine (as nearly as may be) the Metered Quantity ("**Error Revised Quantity**") for the Day on the basis of such metered consumption;
  - (b) revisions and adjustments will be made in accordance with [Sections B1.11, E3.5](#) and [F1.4](#).
- 4.8.11 Where it is agreed or determined that the Daily Read Equipment is not functioning correctly, Transco will at its expense as soon as is reasonably practicable (but subject to paragraph **Error! Reference source not found.**) repair or replace the Daily Read Equipment.



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4.8.12 For the purposes of paragraph 5 (and notwithstanding paragraph 4.2.3), where a User gives a Daily Read Error Notice:

- (a) subject to paragraph (b), where:
  - (i) in Transco's judgement (in accordance with paragraph 4.8.3(b)) the Daily Read Equipment is not functioning correctly,
  - (ii) by agreement between Transco and the User pursuant to paragraph 4.8.8(b) a substituted Metered Quantity has been used, or an estimate of metered consumption, other than the metered consumption derived from the original Daily Meter Readings, has been agreed by Transco and the User for the purposes of paragraph 4.8.10,the Daily Meter Readings provided in respect of the Daily Read Error Day shall not be Valid Meter Readings;
- (b) where the Metered Quantity for any of the next 6 Days following the first Daily Read Error Day has (by agreement between Transco and the User pursuant to paragraph 4.8.9) been adjusted, the Daily Meter Readings provided by Transco for such Days shall be deemed for the purposes of paragraphs **Error! Reference source not found.** and **Error! Reference source not found.** to be Valid Meter Readings;
- (c) where in Transco's judgement the Daily Read Equipment is functioning correctly and the User gave a rejection notice:
  - (i) the Daily Meter Readings for the Daily Read Error Day, and (subject to paragraph (ii)) for subsequent Days, shall be Valid Meter Readings (if otherwise valid in accordance with paragraph 4.2.3);
  - (ii) where the expert determines that the Daily Read Equipment is not functioning correctly, the Daily Meter Readings provided in respect of each Daily Read Error Day, from the Day on which the expert made known his determination to Transco until such time as Transco has repaired or replaced the Daily Read Equipment in accordance with paragraph 4.8.11, shall not be Valid Meter Readings.

## 4.9 Telemetry equipment

- 4.9.1 By agreement between Transco and the Registered User or the consumer, telemetry equipment may be installed at a Supply Meter instead of such equipment as is described in paragraph 4.1.2.
- 4.9.2 Subject to any conflicting provisions of a Supply Point Network Exit Agreement, a reference to Daily Read Equipment includes telemetry equipment where installed at a Supply Meter, and this paragraph 4 shall apply (so far as capable of applying, and except as may otherwise be agreed by Transco and the Registered User or consumer) in respect of such telemetry equipment; but paragraph 5 shall not apply in respect of a Supply Meter at which telemetry equipment is installed.

## 5 PROVISION OF DAILY READ METER READINGS TO USERS

### 5.1 General

5.1.1 For the purposes of this paragraph 5:

- (a) Subject to paragraphs 5.1.2, 5.1.3 and 5.2.3, for any User a "**Performance Relevant Supply Meter**" is:
  - (i) a Relevant Supply Meter which at the date of the Code was subject to the Daily Read Requirement pursuant to [Section G1.5.2\(a\)](#) or [\(c\)](#) or (where the request referred to in [Section G1.5.7](#) was made before 1st January 1996) [Section G1.5.2\(b\)](#), and
  - (ii) with effect from the date upon which the Supply Meter Point becomes a DM Supply Meter Point, any other Supply Meter at which for the time being Daily Read Equipment is installed and has become operational (in accordance with paragraph 4.1.7),  
in either case until such time (if any) at which the Registered User makes an election pursuant to [Section G1.5.5](#) that the Supply Meter cease to be Daily Read;
- (b) in relation to a Performance Relevant Supply Meter, Valid Meter Readings (for the start and end of a Day) shall be counted as one Valid Meter Reading;
- (c) where a single item of Daily Read Equipment is installed and has become operational (in accordance with paragraph 4.1.7) in connection with more than one Performance Relevant Supply Meter:
  - (i) Transco will be treated as providing Valid Meter Readings only where it provides a Valid Meter Reading in respect of each such Supply Meter;
  - (ii) without prejudice to paragraph (i), for all other purposes of this paragraph 5 all of such Supply Meters collectively shall be counted as a single Performance Relevant Supply Meter, and all of the Valid Meter Readings for a Day in respect thereof shall be counted as a single Valid Meter Reading; and accordingly payments made by reference to a Performance Relevant Supply Meter or the number of such Supply Meters shall be made by reference to an item of Daily Read Equipment or the number of such items;
- (d) a Performance Relevant Supply Meter will not be treated as one in relation to which Transco did not provide a Valid Meter Reading where Transco was unable to provide a Valid Meter Reading in respect of such Performance Relevant Supply Meter by reason of Force Majeure;
- (e) A Performance Relevant Supply Meter will not be treated as one in relation to which Transco did not provide a Valid Meter Reading in respect of such Performance Relevant Supply Meter where Transco was unable to provide a Valid Meter Reading by reason of:
  - (i) failure or unavailability of the Supply Meter Installation in which the Performance Relevant Supply Meter is contained; or
  - (ii) Transco is being unable to perform any of the activities in paragraph 4.1.5 due to the failure of the Registered User to comply with Transco's

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request in accordance with paragraph 4.1.10 in respect of its Daily Read Equipment and/or the Supply Meter Installation; or

- (iii) Meter Information in respect of such Performance Relevant Supply Meter relevant to the calculation by Transco of the Metered Quantity being absent, out of date or subsequently found to be incorrect, which has or should have been provided in accordance with Section M, paragraph 3.2.

## 5.1.2 Where:

- (a) a User has given a Daily Read Error Notice, or it appears to Transco that the Daily Read Equipment may not be functioning correctly,
- (b) Transco has, upon reasonable notice to the User, sought to arrange or gain access (pursuant to paragraph 2.2.2(c)(iii)) at a reasonable time to the relevant premises for the purposes of inspecting, and/or repairing or replacing, the Daily Read Equipment but has been unable to gain access to the relevant premises or to the Daily Read Equipment, and
- (c) Transco has promptly notified the Registered User, providing details of the circumstances in which it was unable to arrange or gain access, and requesting that such access be arranged at a reasonable time,

the relevant Supply Meter(s) shall not be a Performance Relevant Supply Meter until such time as Transco has been given such access as it may reasonably require for the purposes of such inspection, repair or replacement.

## 5.1.3 Where, upon an inspection (pursuant to a Daily Read Error Notice or otherwise) of Daily Read Equipment, Transco finds that there is a failure or unavailability of the Supply Meter Installation and this is the cause of the Daily Read Equipment not functioning correctly:

- (a) Transco shall so notify the Registered User promptly after its inspection;
- (b) where the Registered User receives notice under paragraph 5.1.3 or otherwise becomes aware of a failure or unavailability of the Supply Meter Installation that may impact on Transco's ability to procure accurate and timely Valid Daily Meter Readings, the Registered User will promptly advise Transco when it becomes aware of such failure or unavailability;
- (c) in the event of (a) or (b) the User will:
  - (i) promptly arrange for the repair/replacement of the Supply Meter Installation by a competent person;
  - (ii) notify Transco when the Supply Meter Installation has been repaired or replaced;
  - (iii) unless the Supply Meter Installation has been repaired or replaced, no later than one month after either of the events in (a) or (b) inform Transco of the date by which the User is expecting the Supply Meter Installation to be repaired or replaced and thereafter notify Transco of any changes to the expected date;

- (d) upon notification that a Supply Meter Installation has been repaired/replaced, Transco will arrange for the prompt resynchronisation of the Daily Read Equipment.
- (e) with effect from the Day of Transco's inspection, or if later from the 5th Business Day before Transco's notification to the User under paragraph (a), and until such time as the Supply Meter Installation has been repaired or replaced and resynchronized, the Supply Meter will not be a Performance Relevant Supply Meter.

5.1.4 Not Used

## 5.2 Provision of Meter Readings

5.2.1 Transco will provide not less than 97.5% of the required number of Valid Meter Readings to each User, in respect of each month in each case not later than 11:00 hours on the Day following the Day to which the relevant Meter Reading relates; and for the purposes of this paragraph, the required number of Valid Meter Readings in respect of a User in a month is the sum of the numbers of the Performance Relevant Supply Meters of the User on each Day of such month.

5.2.2 Subject to paragraph 5.2.3, if in respect of any month Transco does not comply with the requirement in paragraph 5.2.1, Transco will pay to the User an amount calculated as:

$$((0.975 * A) - B) * £30$$

where for the relevant month:

- A is the sum for all Days in the month of the number of the User's Performance Relevant Supply Meters;
- B is the sum for all Days in the month of the number of Valid Meter Readings in respect of the User's Performance Relevant Supply Meters which Transco provided by 11:00 hours on the following Day.

5.2.3 In respect of each Performance Relevant Supply Meter, if for each of 4 consecutive Days Transco does not provide to a User a Valid Meter Reading by 11:00 hours on the Day following each such Day then for each further Day (after the 4th) for which Transco fails to provide a Valid Meter Reading by 11:00 hours on the following Day:-

- (a) Transco will pay to the User (subject to paragraph 5.2.5) £75; and
- (b) such Meter shall not be counted as a Performance Relevant Supply Meter for the purposes of paragraph 5.2.2.

5.2.4 Not Used.

5.2.5 In the case of a Shared Supply Meter Point the amount payable to a User pursuant to paragraph 5.2.3 will be the amount specified under that paragraph divided by the number of Sharing Registered Users.



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5.2.6 For the purposes of Section V13, the rules in paragraphs 5.2.2 and 5.2.3 are Compensation Rules within Compensation Group A; and in relation thereto the 'payment month' is the second month following:

- (a) for the purposes of paragraph 5.2.2, the relevant month;
- (b) for the purposes of paragraph 5.2.3, that in which the relevant Day fell.

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SHRINKAGE

## N SHRINKAGE

### 1 GENERAL

#### 1.1 Introduction

1.1.1 For the purposes of the Code "**shrinkage**" means gas in the System which is used by Transco in connection with the operation of, or which is unaccounted for as offtaken from, the System or any part of the System; and where the context admits a reference to shrinkage includes the quantity of such gas.

1.1.2 Shrinkage will be for the account of the Shrinkage Provider in accordance with paragraph 4.

1.1.3 Shrinkage quantities will be determined separately for the NTS and each LDZ.

1.1.4 Shrinkage comprises own use gas in accordance with paragraph 1.3 and unaccounted for gas in accordance with paragraph 1.4.

#### 1.2 Not used

#### 1.3 Own use gas

For the purposes of this [Section N](#) own use gas is gas used by Transco in connection with the operation of the NTS ("**NTS own use gas**") or an LDZ ("**LDZ own use gas**"), including gas used in running compressors, gas used for preheating and vented gas (such venting being counted for the purposes hereof as use by Transco).

#### 1.4 Unaccounted for gas

1.4.1 For the purposes of this [Section N](#) unaccounted for gas is gas which is lost or otherwise not accounted for as offtaken from the NTS ("**NTS unaccounted for gas**") or an LDZ ("**LDZ unaccounted for gas**"), including gas lost or unaccounted for by reason of unidentified theft, error in meter correction and leakage and (in respect of the NTS) CV shrinkage.

1.4.2 Shrinkage shall:

- (a) include gas offtaken from the System which has been illegally taken:
  - (i) upstream of the point of offtake (in accordance with Section J3.7) at any System Exit Point (it being recognised the effect of Standard Condition 7(3) of the Transco Licence is that the rates of Transportation Charges may reflect the taking of such gas); and
  - (ii) subject to paragraph (b)(ii), at or at a point downstream of the point of offtake at a System Exit Point, in a case in which Transco is (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas;
- (b) not include gas offtaken from the System:

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- (i) except as provided in paragraph (a)(ii), illegally taken at or downstream of the point of offtake at any System Exit Point (but without prejudice to [Section E3.6.2](#) or to any reduction of Transportation Charges pursuant to Standard Condition 7(3) of the Transco Licence);
- (ii) taken at (or at a point downstream of) the point of offtake, at a Supply Meter Point of which the Registered User has ceased to be a User pursuant to [Section V4.3](#), except in a case where, after the Supply Meter Point has been Isolated, Transco becomes (pursuant to paragraph 9(2) of the Gas Code) entitled to recover the value of the gas.

### 1.5 Determination of shrinkage

1.5.1 In accordance with this Section N, shrinkage will be:

- (a) estimated for each Day (before and after the Day), on the basis of Shrinkage Factors determined before the Day; and
- (b) subsequently assessed, on the basis of information available after the Day;

and references respectively to estimated and assessed shrinkage shall be construed accordingly.

1.5.2 A "**Shrinkage Factor**" is a factor determined before each Day by which the shrinkage attributable to any gas flow in a part of the System on that Day may be estimated.

1.5.3 The "**Daily Shrinkage Quantity**" is the estimated shrinkage in the NTS or an LDZ on a Day, determined:

- (a) in respect of the NTS as the NTS Shrinkage Factor multiplied by the NTS Daily Quantity Delivered;
- (b) in respect of an LDZ as the applicable LDZ Shrinkage Factor multiplied by the LDZ Daily Quantity Offtaken.

1.5.4 Differences between assessed shrinkage and estimated shrinkage for any period will (in accordance with the further provisions of this Section N) be taken into account in the Shrinkage Factors for a Day or Days subsequent to that period.

### 1.6 Shrinkage Scheduling

1.6.1 Each Day Transco will, by assessing gas flows anticipated in the System during the Gas Flow Day on the basis of the Nomination Quantities under approved Initial Nominations and other relevant information endeavour to identify Transportation Constraints affecting NTS System Entry Points in respect of which the Shrinkage Provider has made an Initial Input Nomination ("**Shrinkage Nomination**").

1.6.2 Where an anticipated Transportation Constraint is identified for the Gas Flow Day at a relevant System Entry Point:

- (a) Transco shall determine the constrained percentage and notify the Shrinkage

Provider;

- (b) the Shrinkage Nomination will be revised by reducing the Nomination Quantity by the constrained percentage;
- (c) the Shrinkage Provider may, by not later than the revision deadline:
  - (i) revise its Initial Input Nomination(s) in respect of other System Entry Point(s) by increasing the Nomination Quantity; and/or
  - (ii) submit an original Nomination(s) in respect of a System Entry Point in respect of which the Shrinkage Provider has not made an earlier Nomination.

1.6.3 A revised Nomination under paragraph 1.6.2 shall be submitted in accordance with [Section C3.2](#).

1.6.4 Transco may reject or approve the Shrinkage Provider's revised or original Nomination(s) under paragraph 1.6.2 in accordance with [Section C3.4.1\(a\)](#); and (without prejudice to any Nomination not so rejected) where Transco rejects such revised Nomination the prevailing Nomination shall remain in place.

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

1.6.6 For the purposes of this paragraph 1.6:

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

## 2 NTS SHRINKAGE

### 2.1 NTS Shrinkage Factor

2.1.1 For the purposes of establishing the Shrinkage Factor ("**NTS Shrinkage Factor**") applicable in respect of the NTS Transco will estimate:

- (a) each Day, the quantity of NTS own use gas and CV shrinkage on the following Day;
- (b) by the end of each month, the average daily quantity of NTS unaccounted for gas (other than CV shrinkage) in the following month.

2.1.2 The NTS Shrinkage Factor for a Day will be determined (by reference to expected gas flows in the NTS on the Day) on the basis of the estimates (for that Day or the month in which it occurs) under paragraph 2.1.1 of NTS own-use gas and NTS unaccounted for gas, adjusted in respect of differences (insofar as not taken into account in determining NTS Shrinkage Factors for any earlier Day(s)) between the Daily Shrinkage Quantity and assessed NTS shrinkage for Days in the preceding month as determined under

## SHRINKAGE

paragraph 2.3.

## 2.2 Notification of NTS Shrinkage Factor

- 2.2.1 The NTS Shrinkage Factor for the Gas Flow Day will be made available to Users not later than 13:30 hours on the Preceding Day.
- 2.2.2 Transco will provide to Users:
- (a) not later than 1 September in the Preceding Year, for each month in the Gas Year, a provisional forecast of the NTS Shrinkage Factor to apply in such month;
  - (b) not later than the last Day of each month, for each Day in the following month, a forecast of the NTS Shrinkage Factor to apply in respect of such Day .
- 2.2.3 The forecasts of NTS Shrinkage Factors under paragraph 2.2.2 are indicative only and will not bind Transco, the Shrinkage Provider or Users.

## 2.3 Assessed NTS Shrinkage

- 2.3.1 Assessed NTS shrinkage for a Day will be determined as the NTS Daily Quantity Delivered less the aggregate of the LDZ Daily Input Quantities for each LDZ, the Supply Meter Point Daily Quantities for each NTS Supply Meter Point and the CSEP Daily Quantity Offtaken for each NTS Connected System Exit Point, adjusted by the amount of the change in NTS linepack for the Day.
- 2.3.2 Transco will assess NTS shrinkage for each Day in each month, and provide to Users details of the average assessed NTS shrinkage for Days in that month, not later than the 15th Day of the following month.

## 3 LDZ SHRINKAGE

### 3.1 LDZ Shrinkage Factor

- 3.1.1 Subject to paragraph 3.1.3, for the purposes of establishing the Shrinkage Factor ("**LDZ Shrinkage Factor**") applicable in respect of each LDZ, Transco will estimate by 1st September in the Preceding Year, the average daily amounts of LDZ own use gas and LDZ unaccounted for gas for that LDZ in the Gas Year.
- 3.1.2 Subject to paragraph 3.1.3, the LDZ Shrinkage Factor for each Day in the Gas Year will be determined (by reference to expected average gas flows in the LDZ on each such Day) on the basis of the estimates under paragraph 3.1.1 of own use gas and unaccounted for gas in the LDZ, adjusted in respect of the difference between the estimated and assessed own use gas and unaccounted for gas for the 12 month period ending 31st August in the Preceding Year.
- 3.1.3 When Transco determines that the basis on which it estimates LDZ unaccounted for gas is sufficiently robust to permit its valid estimation more frequently than annually, Transco will increase (after giving Users not less than 30 Days notice) the frequency with which it estimates LDZ unaccounted for gas, and accordingly reduce the period by reference to which adjustments are made for differences between estimated and assessed LDZ unaccounted for gas.

- 3.1.4 Transco will, not later than 1st July in the Preceding Year, submit to all Users:
- (a) the estimated LDZ Shrinkage Factor for each LDZ in the Gas Year;
  - (b) the methodology by which the estimate was determined,
- and Users may submit to Transco representations in respect of the estimated LDZ Shrinkage Factor up to but not later than 1st August in the Preceding Year.
- 3.1.5 Between 1st and 15th August in the Preceding Year, Transco:
- (a) will review any representations made by Users under paragraph 3.1.5;
  - (b) will consult, so far as it deems appropriate, with any User in respect of any representations made by it or any other User;
  - (c) may convene meetings with any User or Users for the purposes of such consultation.
- 3.1.6 Transco will make available to Users reasonable details of the representations made to it under paragraph 3.1.4 and consultations under paragraph 3.1.5 (but may do so by oral presentation at a meeting of Users convened under paragraph 3.1.5(c)), and shall be free to disclose to any User and the Authority any such representation and details of any such consultation.
- 3.1.7 Not later than 1st September in the Preceding Year, Transco will submit to the Authority and all Users its final estimate of the LDZ Shrinkage Factor for each LDZ in the Gas Year with such changes as it may on the basis of Users' representations and consultation under paragraph 3.1.4 and 3.1.5 determine appropriate.
- 3.1.8 The estimate of the LDZ Shrinkage Factor for each LDZ applicable to the Gas Year shall be those submitted under paragraph 3.1.7 unless upon the application of Transco or any User, made no later than 15th September, the Authority shall give Condition 9(3) Disapproval to Transco applying a particular estimate of the LDZ Shrinkage Factor, in which case the estimate of the LDZ Shrinkage Factor in the LDZ shall be that applying in the Preceding Year.

## 3.2 Notification of LDZ Shrinkage Factor

- 3.2.1 Subject to paragraph 3.2.2, the LDZ Shrinkage Factor for each LDZ for the Gas Year will be notified to Users not later than 1st September in the Preceding Year.
- 3.2.2 Where the frequency of estimation of LDZ Shrinkage Factors is increased under paragraph 3.1.3:
- (a) the LDZ Shrinkage Factor for each LDZ for the Gas Year will be notified to Users on a basis commensurate with such increased frequency;
  - (b) Transco will provide to Users, not later than 1st September in the Preceding Year, a provisional forecast of the LDZ Shrinkage Factors to apply in the each relevant period in the Gas Year.
- 3.2.3 The forecast of LDZ Shrinkage Factors under paragraph 3.2.2(b) are indicative only and

## SHRINKAGE

will not bind Transco, the Shrinkage Provider or Users.

### 3.3 Assessed LDZ Shrinkage

- 3.3.1 Transco will assess LDZ shrinkage in each LDZ at intervals of approximately 12 months, on the basis of such historic information as may be available to it, by technical and statistical analysis including extrapolation of sampled information and identification of any long term trends.
- 3.3.2 The sources of the information referred to in paragraph 3.3.1 include:
- (a) as respects quantities consumed at preheating facilities, meter readings (where such facilities are metered);
  - (b) as respects leakage, assumptions which may be made from measurement of pressure profiles in each LDZ.
- 3.3.3 Not later than 31st March in each Gas Year Transco will provide to Users a report setting out in respect of the Preceding Year:
- (a) values (for the whole year and/or on an average daily basis) of assessed LDZ shrinkage for each LDZ together with a summary of the statistics and information from which (as described in paragraph 3.3.1) such values were derived; and
  - (b) a comparison of such assessed values with the values of LDZ shrinkage estimated before the Preceding Year in accordance with paragraph 3.1.

### 3.4 LDZ Shrinkage Adjustment

- 3.4.1 Not later than 31st March in the Gas Year, Transco will in respect of the Preceding Year review the estimate of the LDZ Shrinkage Factor for each LDZ established under paragraph 3.3.1 and the aggregate LDZ Shrinkage for each LDZ, and where appropriate undertake a reconciliation in accordance with the LDZ Shrinkage Adjustment Methodology for the purposes of [Section E7.6](#).
- 3.4.2 The "**LDZ Shrinkage Adjustments Methodology**" is the methodology from time to time established and revised by Transco and issued to Users setting out the calculations for the reconciliation to be carried out under paragraph 3.4.1.

## 4 ACCOUNTING FOR SHRINKAGE

### 4.1 Shrinkage Provider

- 4.1.1 Shrinkage shall be for the account of the Shrinkage Provider (and treated for certain purposes as gas deemed to be offtaken from the System) in accordance with this paragraph 4.
- 4.1.2 For the purposes of the Code, "**Shrinkage Provider**" means Transco or any person to whom the responsibility for shrinkage has for the time being been assigned in accordance with paragraph 4.1.3.
- 4.1.3 Transco may (by agreement with such person) assign to any person the responsibility



for shrinkage at any time and for any period and upon any terms as to payment or otherwise.

4.1.4 Where a person other than Transco is Shrinkage Provider:

- (a) such person shall be required first to become a User in accordance with [Section V2](#);
- (b) if such person is or becomes a User for purposes other than those of Shrinkage Provider, it shall (and is hereby permitted to) be a separate User in its capacity as Shrinkage Provider and the provisions of paragraph 4.2 shall apply only in respect of such capacity as Shrinkage Provider.

## 4.2 Shrinkage Provider as User

4.2.1 The Shrinkage Provider shall be a User for the purposes of the Code, subject as provided in paragraph 4.2.2.

4.2.2 The Shrinkage Provider:

- (a) may purchase gas in respect of shrinkage:
  - (i) provided such terms include a requirement that the Shrinkage Provider and the counterparty shall give effect to the sale and purchase of shrinkage gas by making Trade Nominations in accordance with [Section C6](#); and
  - (ii) save for the requirement in (i) above, on such other terms as it thinks fit;
- (b) may make Input Nominations and Renominations thereof in accordance with [Section C3](#) and [C5](#);
- (c) shall make Output Nominations and Renominations in accordance with paragraph 4.4;
- (d) may make Acquiring Trade Nominations and Disposing Trade Nominations in accordance with Section C6: provided always that the Shrinkage Provider may only make a Disposing Trade Nomination in respect of a Gas Day where the aggregate Trade Nomination Quantity of all Disposing Trade Nominations made by the Shrinkage Provider in respect of such Gas Day is less than or equal to the aggregate Trade Nomination Quantity of all Acquiring Trade Nominations made by the Shrinkage Provider in respect of the same Gas Day;
- (e) shall not be required to apply for and pay for NTS Exit Capacity, LDZ Capacity or Commodity Charges; and require (in respect of LDZ Shrinkage) gas flows at NTS/LDZ Offtakes without incurring Overrun Charges under [Section B](#);
- (f) may post Market Offers;
- (g) subject to paragraph (h), will make or receive payments in respect of Balancing Charges, in accordance with [Section F](#);

## SHRINKAGE

- (h) shall not be required to pay Scheduling Charges in respect of Output Nominations, nor to pay Balancing Neutrality Charges, Reconciliation Neutrality Charges or Top-up Neutrality Charges.

4.2.3 The Shrinkage Provider may apply for and hold Storage Capacity and have gas-in-storage in accordance with the relevant Storage Terms, but may not make Storage Gas Transfers as Transferor Storage User.

4.2.4 For the avoidance of doubt, Transco may not take a Market Balancing Action for the purposes of buying or selling gas for the account of the Shrinkage Provider.

### 4.3 Shrinkage offtake

4.3.1 For the purposes of determining the Shrinkage Provider's Daily Imbalance in respect of any Day in accordance with Section E, the Daily Shrinkage Quantities for that Day shall be treated as quantities offtaken by the Shrinkage Provider (and accordingly shall be deemed to be UDQOs for the purposes of that [Section E](#)).

4.3.2 In accordance with paragraph 4.3.1, the Shrinkage Provider's Daily Imbalance for a Day will not take account of differences between estimated and assessed shrinkage (which will be taken into account by adjustment of Shrinkage Factors subsequently applicable in accordance with paragraphs 2 and 3).

4.3.3 For the purposes of Renominations (under [Section C5](#)) and Daily Imbalance Charges (under [Section F2](#)) the quantities treated as offtaken by the Shrinkage Provider shall be treated as though they were offtaken at NDM Supply Point Components.

### 4.4 Shrinkage Output Nominations

4.4.1 Subject to paragraph 4.4.2, Output Nominations and Renominations for the Shrinkage Provider will be made for the Shrinkage Provider by Transco.

4.4.2 For each Day, there will (notwithstanding [Section C](#)) be a single Output Nomination for the System as a whole for the Shrinkage Provider.

4.4.3 The Nomination Quantity under each such Output Nomination will be the sum of:

- (a) Forecast Total System Demand, less the aggregate of the Nomination Quantities under Input Nominations in respect of LDZ System Entry Points, multiplied by the NTS Shrinkage Factor, and
- (b) for each LDZ, Forecast LDZ Demand multiplied by the relevant LDZ Shrinkage Factor

at the relevant Demand Forecast Time.

### 4.5 Reconciliation

Where following DM Reconciliation and CSEP Reconciliation in respect of a NTS Supply Meter Point or NTS Connected System Exit Point:

- (a) where, for the purposes of [Section F5.1.1](#), the Reconciliation Quantity:
  - (i) is positive, the seller is the User and the buyer is the Shrinkage

Provider;

- (ii) is negative, the seller is the Shrinkage Provider and the buyer is the User; and
- (b) the Reconciliation Clearing Charges are payable:
  - (i) to the User, they shall be payable by the Shrinkage Provider;
  - (ii) by the User, they shall be payable to the Shrinkage Provider.

## 4.6 Information Provision

4.6.1 For the purposes of this paragraph 4.6:

- (a) **“relevant shrinkage disposals”** shall mean all gas disposed of by the Shrinkage Provider, which gas had previously been purchased by the Shrinkage Provider in respect of NTS shrinkage for the relevant Gas Flow Day;
- (b) **“relevant shrinkage purchases”** shall mean all gas purchased by the Shrinkage Provider in respect of NTS shrinkage for the relevant Gas Flow Day;
- (c) prices shall be quoted in pence per kWh and, to the extent that the Shrinkage Provider is reasonably able to do so, shall take into account any discounts or premiums applied or charged in respect of relevant shrinkage purchases or relevant shrinkage disposals, provided the amount of such discounts and premiums were known to the Shrinkage Provider at the time of the calculation of the relevant prices and were reasonably able to be applied to one or more relevant shrinkage purchases or relevant shrinkage disposals;
- (d) where the Shrinkage Provider has entered into a transaction for an amount on each Gas Flow Day for a specific period it shall, for the purpose of calculating the number of transactions entered into, be deemed to be a separate transaction in respect of each and every Gas Flow Day to which it relates; and
- (e) whilst all information published by the Shrinkage Provider will so far as reasonably practicable be reflective of the information in its possession at a time as close as reasonably practicable to the time of publication, it will not be reflective of information which comes into its possession subsequently (or of any subsequent relevant shrinkage purchases or relevant shrinkage disposals in respect of the relevant Gas Flow Day), will not bind Transco or the Shrinkage Provider and will be without prejudice to the provisions in this Section N and elsewhere in the Code whether to later adjustment, assessment, reconciliation or otherwise.

4.6.2 The Shrinkage Provider shall, no later than the end of the fifth Day following the relevant Gas Flow Day (or, if such Day is not a Business Day, the end of the first Business Day thereafter), publish the following information (where such information is available) in relation to relevant shrinkage purchases and relevant shrinkage disposals made in respect of that Gas Flow Day:

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- (a) the net quantity of gas purchased (being the quantity derived as the aggregate quantity of gas purchased pursuant to relevant shrinkage purchases less the aggregate quantity of gas disposed of pursuant to relevant shrinkage disposals);
- (b) the aggregate quantity of gas purchased pursuant to relevant shrinkage purchases;
- (c) the aggregate quantity of gas disposed of pursuant to relevant shrinkage disposals;
- (d) the aggregate number of transactions entered into in respect of relevant shrinkage purchases;
- (e) the aggregate number of transactions entered into in respect of relevant shrinkage disposals;
- (f) the weighted average price of relevant shrinkage purchases;
- (g) the weighted average price of relevant shrinkage disposals;
- (h) the minimum price paid under a transaction for a relevant shrinkage purchase;
- (i) the maximum price paid under a transaction for a relevant shrinkage purchase;
- (j) the minimum price received under a transaction for a relevant shrinkage disposal; and
- (k) the maximum price received under a transaction for a relevant shrinkage disposal.

## Defined Terms

### Paragraph

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Daily Shrinkage Quantity .....	1.5.3
LDZ own use gas .....	1.3
LDZ Shrinkage Adjustments Methodology .....	3.4.2
LDZ Shrinkage Factor .....	3.1.1
LDZ unaccounted for gas .....	1.4.1
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NTS Shrinkage Factor .....	2.1.1
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relevant shrinkage disposals .....	4.6.1(a)
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## SHRINKAGE



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SYSTEM PLANNING



## O SYSTEM PLANNING

### 1 GENERAL

#### 1.1 Introduction

- 1.1.1 Each year Transco will publish assumptions and information in respect of supply and demand for gas, and in respect of the System and its use, in accordance with the requirements of the Transco Licence.
- 1.1.2 Transco needs Users to provide (and cooperate in the provision of) information to Transco for the purposes of enabling Transco:
- (a) to comply with its obligations pursuant to the Act and the Transco Licence in relation to the development of the System, and
  - (b) to prepare and publish the assumptions and information referred to in paragraph 1.1.1 and otherwise contemplated under this Section O.
- 1.1.3 The information to be provided by Users pursuant to this Section O shall be treated as having been requested by Transco for the purposes of Standard Condition 8(1) of the Shipper's Licence.
- 1.1.4 Pursuant to paragraph 1.1.3, to the extent that a User is required by virtue of Standard Condition 8(1) of the Shipper's Licence to comply with any requirement for information to be provided to Transco under this Section O, this Section O does not create an additional obligation for the User to provide such information.

#### 1.2 Base Plan Assumptions and Ten Year Statement

- 1.2.1 Each year Transco will publish Base Plan Assumptions and subsequently the Ten Year Statement in accordance with paragraphs 3 and 4.
- 1.2.2 "**Base Plan Assumptions**" is a document setting out initial assumptions as to supply and demand in Gas Years and requesting information from Users and other persons.
- 1.2.3 The "**Ten Year Statement**" is a document containing:
- (a) the statement (or revised statement) required to be prepared by Transco pursuant to Standard Condition 25 of the Transco Licence and any direction of the Authority pursuant thereto; and
  - (b) further information which may be required for the purposes of the Code (in particular, [Section P](#)) or which Transco may decide to include in such document.
- 1.2.4 Where the context admits, any reference in the Code to the Ten Year Statement is a reference to the most recently published such statement at any time, and a reference to the Ten Year Statement applicable to a particular Gas Year is to the statement for which (in accordance with paragraph 1.4) such year is year 0.

## SYSTEM PLANNING

### 1.3 Status of planning documents

Transco will not be liable pursuant to the Code to any User in relation to any estimate, forecast or other information contained in or omitted from the Base Plan Assumptions or Ten Year Statement, and nothing contained therein will bind Transco to undertake any reinforcement of the System.

### 1.4 Planning years

For the purposes of this Section O, in relation to the planning activities undertaken in accordance with this Section O in any year, year 0 is the Gas Year in which such activities are being undertaken, year 1 is the immediately following Gas Year and years 2 to 9 are the following 8 Gas Years, and years -1 to -3 are the three Gas Years preceding year 0.

## 2 SUPPLY AND DEMAND

### 2.1 Demand

2.1.1 For the purposes of this Section O references to demand exclude demand for gas offtaken to Storage Facilities, but include demand for gas offtaken to Connected Offtake Systems other than Storage Facilities.

2.1.2 Except in paragraph 3.2, references in this Section O to demand are inclusive of shrinkage.

2.1.3 For the purposes of this Section O:

- (a) demand may be estimated on different assumptions as to the inclusion or exclusion of and the nature of interruptible demand (for these purposes being demand under contracts of sale or supply which permit the interruption of the supply of gas);
- (b) where Transco publishes or requests information as to estimated demand it may specify the assumptions (or alternative assumptions) as to interruptible demand on which such estimates are made or to be made.

2.1.4 For the purposes of determining System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, peak day demand excludes interruptible demand, and annual demand excludes interruptible demand on Days of permitted Interruption (within the Interruption Allowance) in the period from 1st October to 31st March.

### 2.2 Supply

2.2.1 For the purposes of this Section O, in respect of any Gas Year, in relation to the System or any System Entry Point "**maximum daily supply**" is the maximum availability of gas for supply on one Day in that year; where availability of gas for supply is the quantity of gas that can be delivered on a Day to the System at a System Entry Point or System Entry Points, other than from Storage Facilities.

2.2.2 For the purposes of paragraph 2.2.1:

- (a) availability of gas for supply in any year may be estimated on assumptions

which include, in addition to contractual commitments as to the supply of gas, assumptions as to such commitments expected to be made before or during the year, and/or supplies of gas expected to be available on a spot basis during such year, and/or sources of gas expected to be developed before or during such year;

- (b) where Transco publishes or requests information as to estimated availability of gas for supply it may specify the assumptions (or alternative assumptions) on which such estimates are made or to be made.

## 2.3 Transco sources of information

Except as provided in the Code, Transco is not party to any agreement for the sale of gas offtaken from the System, or the purchase of gas delivered to the System; and accordingly Transco depends on the information provided by persons who are party to such agreements, and on other sources of information (including any information requirements under Network Entry Agreements and Network Exit Agreements, and Transco's historic records), in estimating under this Section O demand and availability of gas for supply.

## 3 BASE PLAN ASSUMPTIONS

### 3.1 Publication and content

- 3.1.1 In October of each year (year 0), Transco will publish for consultation the Base Plan Assumptions, and invite comments from Users and others thereon in accordance with paragraph 3.2.
- 3.1.2 The Base Plan Assumptions will typically include:
  - (a) details for each of years -3 to -1 of actual peak day demand:
    - (i) for the System as a whole, and
    - (ii) for System Exit Points (other than Unmetered Connected System Exit Points) in accordance with paragraph 3.1.3;
  - (b) estimates for each of years 0 to 9 (or for certain of such years) of:
    - (i) System 1-in-20 peak day demand and System seasonal normal annual demand, upon each of the demand growth assumptions under paragraph (e) below, and
    - (ii) 1-in-20 peak day demand for System Exit Points in accordance with paragraph 3.1.3;
  - (c) estimates for each of years 0 to 9 (or for certain of such years) of maximum daily supply for the System as a whole, by System Entry Point, and the assumptions (in accordance with paragraph 2.2.1) on which such estimates were made;
  - (d) an estimate for year 1 of the amounts by which maximum daily supply falls short of System 1-in-20 peak day demand;



## SYSTEM PLANNING

- (e) different assumptions (high, low and central) as to overall growth in demand for gas in years 0 to 9 or certain of such years;
  - (f) the principal economic and other assumptions made by Transco in preparing such estimates;
  - (g) a reference date for the making of estimations of demand.
- 3.1.3 The details or estimates in respect of System Exit Points under paragraphs 3.1.2(a)(ii) and (b)(ii) will be given:
  - (a) in respect of LDZ Supply Points, on an aggregated basis by LDZ;
  - (b) in respect of NTS Supply Points, on an aggregated basis for the System as a whole;
  - (c) in respect of each LDZ Connected System Exit Point on an aggregated basis by LDZ (but not for Storage Connection Points).

### 3.2 User information requirements

- 3.2.1 Each User shall provide to Transco, by the date (not less than one month after the Base Plan Assumptions were published) and in the format specified in the Base Plan Assumptions:
  - (a) estimates for years 1 to 3 of 1-in-20 peak day demand and seasonal normal annual demand at Supply Points of which it is the Registered User and (as respects demand for gas attributable to it) at Connected System Exit Points other than Storage Connection Points;
  - (b) such estimates for years 1 to 3 of availability of gas for supply (in accordance with paragraph 2.2.1) to such User, upon such assumptions (as referred to in paragraph 2.2.2), as may be required pursuant to the Base Plan Assumptions;
  - (c) such further information as may reasonably be requested by Transco under the Base Plan Assumptions.
- 3.2.2 The information required under paragraph 3.2.1 is to be provided:
  - (a) as respects LDZ Supply Points, for each LDZ, on an aggregated basis by reference to bands of demand (specified by Transco) at Firm Supply Points, and on an aggregated basis for Interruptible Supply Points;
  - (b) as respects NTS Supply Points and Connected System Exit Points, by System Point;
  - (c) as respects availability of gas for supply, by Aggregate System Entry Point;and on such basis of estimation or otherwise as may be specified in the Base Plan Assumptions.
- 3.2.3 Subject to paragraph 3.2.4, in order to ensure consistency of information provided to Transco and to avoid duplication in estimation of demand, a User's estimates of demand are to be in relation to Supply Points in respect of which the User is Registered User

and other sources of demand as at the reference date specified (pursuant to paragraph 3.1.2(g)) in the Base Plan Assumptions, and Users should not take into account anticipated changes in their portfolios of Supply Points or in market share, other than as respects new loads in accordance with paragraph 3.2.4;

- 3.2.4 In providing estimates and information under paragraph 3.2.1(a) each User will be required in particular to provide information in relation to the new sources of demand of the User such as new residential, commercial or industrial developments, and to indicate the extent to which the User has secured or expects to secure contractual commitments for the sale of gas in connection with such developments.
- 3.2.5 References to demand in this paragraph 3.2 are exclusive of shrinkage.

### 3.3 Confidential information

- 3.3.1 Transco and Users acknowledge that Users will be required under paragraph 3.2.1 to provide information which may be commercially sensitive vis-à-vis other Users.
- 3.3.2 Where the Base Plan Assumptions specify the form in which information provided to Transco pursuant thereto is to be published, a person providing information pursuant thereto will be deemed to have consented to the publication by Transco of such information in such form unless such person expressly notifies Transco otherwise.
- 3.3.3 Subject to paragraph 3.3.2 and to Transco's duties under the Transco Licence and the Act, and except where any such person consents thereto, Transco agrees that the Base Plan Assumptions or the Ten Year Statement will not identify by name any particular Users nor (insofar as any User shall have provided information to Transco relating to such person) any supplier, consumer or person producing or selling gas before its delivery to the System.

### 3.4 Information requested under Licence

If a User intends, pursuant to Standard Condition 8(2) of the Shipper's Licence, to refuse to provide any item of information requested by Transco, the User undertakes promptly:

- (a) to inform Transco of such intention;
- (b) if requested by Transco, to discuss with Transco whether there is a form in which the information can be provided or alternative information which can be provided;
- (c) if requested by Transco, to refer or cooperate with Transco in referring its refusal to the Authority for determination under that Licence Condition.

### 3.5 Information from other persons

- 3.5.1 Subject to paragraph 3.5.2, each User will, in so far as lies within its power, cooperate with and provide reasonable assistance to Transco in obtaining information requested under the Base Plan Assumptions from persons not bound by the Code, including Delivery Facility Operators in respect of Connected Delivery Facilities at Aggregate System Entry Points and Offtake System Operators in respect of Connected Offtake Systems at Connected System Exit Points at which the User holds capacity, persons



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from whom the User has contracted to purchase gas, suppliers to whom the User has contracted to sell gas and consumers who are customers of such suppliers or of the User directly.

- 3.5.2 Users will not be required pursuant to paragraph 3.5.1 to incur significant expenditure or to infringe any obligation of confidentiality or other obligation, and will not (by virtue of anything done pursuant to that paragraph) be responsible for any information provided by any person (other than a User) referred to in that paragraph.

## 4 TEN YEAR STATEMENT AND TOP-UP ESTIMATES

### 4.1 Publication and content of Ten Year Statement

On the basis of the information provided by Users, other responses to the Base Plan Assumptions and other information available to it, Transco will prepare and by 31st March or such other date as may be required pursuant to the Transco Licence in year 0 publish the Ten Year Statement.

### 4.2 Top-up details

- 4.2.1 Transco will prepare and publish as ‘Top-Up Estimates’, by the time such estimates are required for the purposes of [Section P](#) (and accordingly before preparing the Ten Year Statement) estimates for year 1 of:

- (a) System 1-in-20 peak day demand and System 1-in-50 Severe Annual Demand, and
- (b) maximum daily supply for the System as a whole,

which will, subject to paragraph 4.2.5, be the values thereof used for the purposes of the Code (including those of [Section P](#)).

- 4.2.2 The Top-Up Estimates will state the assumptions as to interruptible demand (in accordance with paragraph 2.1.3) and availability of gas for supply (in accordance with paragraph 2.2.2) made for the purposes of the estimates made pursuant to paragraph 4.2.1.
- 4.2.3 Without prejudice to the generality of paragraph 4.2.2, the Top-Up Estimates will include assumptions as respects demand and supply at any System Point at which an interconnector (connecting the System with a pipeline system in another country) is connected to the System.
- 4.2.4 The Ten Year Statement may contain up-dated details of the matters of which details for year 1 are contained in the Top-Up Estimates, notwithstanding which the details in the Top-Up Estimates will prevail for the purposes of the Code.
- 4.2.5 Transco may (but shall not be obliged to) revise estimates under paragraph 4.2.1, on any date from 1st May up to and including 1st October in year 1, for the purposes of [Section P2.9](#).



Defined Terms

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## P TOP-UP STORAGE

### 1 GENERAL

#### 1.1 Introduction

1.1.1 In each Storage Year Transco will take the steps described in this Section P for the purposes of supplementing the amounts of Storage Capacity and gas-in-storage held by Storage Users, and the quantities of gas withdrawn from Storage Facilities by Storage Users, in the circumstances and to the extent set out in this Section P.

1.1.2 In this Section "**Top-up Manager**" means Transco when performing its functions under this Section P.

1.1.3 Subject to paragraph 1.2.2, the Top-up Manager may be a Storage User of Storage Facilities in accordance with the relevant Storage Terms; and in particular the Top-up Manager:

- (a) may apply for and hold Storage Capacity in, and inject and withdraw gas to and from Storage Facilities,
- (b) may make Storage Gas Transfers, and
- (c) may where appropriate, incur and pay Storage Charges

in accordance with the Relevant Storage Terms.

#### 1.2 The Top-up Manager as a User of Transco LNG Storage Facilities

1.2.1 The general provisions of [Section Z](#) are modified in respect of their application to the Top-up Manager as therein provided and as follows:

- (a) the requirements of [Section Z3](#) as to timing and approval of applications for Storage Capacity shall not apply to the Top-up Manager (and the Top-up Manager will only apply for capacity in a Transco LNG Storage Facility in accordance with [Section Z3.7](#));
- (b) the requirements of [Section Z5](#) as to the notice required of changes to injection quantities shall not apply to Top-up Manager;
- (c) Storage Overrun Charges will not be payable by the Top-up Manager in respect of injection to a Transco LNG Storage Facility outside the Transco LNG Injection Period; and
- (d) the Top-Up Manager may surrender Storage Capacity in accordance with paragraphs 2.9, 4.1 and 4.4.

1.2.2 Where the Top-up Manager applies for Storage Capacity in a Transco LNG Storage Facility for which applications were by way of tender on the basis of price, the Top-up Manager will pay Storage Capacity Charges on the basis of the late-booking rates under [Section Z3.1.3\(f\)](#)

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- 1.2.3 When entering into Storage Terms in respect of a Storage Facility other than a Transco LNG Storage Facility the Top-up Manager shall endeavour to ensure that such Storage Terms contain terms which give the Top-up Manager rights of an equivalent nature to those referred to in paragraph 1.2.1 and the Top-up Manager shall not be under any obligation to enter into Storage Terms which so provide and the Top-up Manager shall not be liable to Users in any respect should any other Storage Terms to which it is a party not so provide.

### 1.3 The Top-up Manager as System User

- 1.3.1 The Top-up Manager will be a User for the purposes of the Code in respect of the System; and in particular the Top-up Manager:
- (a) in accordance with [section B](#) may apply for and hold System Entry Capacity at System Entry Points) and NTS Exit Capacity at Storage Connection Points;
  - (b) will make Nominations in accordance with [Section C](#);
  - (c) may make Acquiring Trade Nominations in accordance with [Section C](#);
  - (d) will make Top-up Market Offers in accordance with paragraph 5;
  - (e) will pay and receive Balancing Charges under [Section F](#); and
  - (f) may make System Capacity Trades (where it has made a Top-up Storage Transfer).
- 1.3.2 The Top-up Manager will not pay or receive Balancing Neutrality Charges, Reconciliation Neutrality Charges or (in its capacity as User) Top-up Neutrality Charges.

### 1.4 Top-up Storage Facilities

- 1.4.1 A Storage Facility in which the Top-Up Manager for the time being holds Storage Capacity or has gas-in-storage is a **"Top-up Storage Facility"**.
- 1.4.2 In this Section P **"Storage Facility Type"** means one of the three types of Storage Facility referred to in paragraph 1.4.3 or (where the context requires) all Storage Facilities of such a type.
- 1.4.3 For the purposes of this Section P a Storage Facility is a:
- (a) **"Short Duration"** facility, where the Total Storage Duration is less than 10 Days;
  - (b) **"Medium Duration"** facility, where the Total Storage Duration is 10 or more Days but less than 30 Days; or
  - (c) **"Long Duration"** facility, where the Total Storage Duration is equal to or greater than 30 Days

and a Storage Facility Type is **"shorter"** than any other Storage Facility Type where facilities of such type have a shorter Total Storage Duration.

## 1.5 Top-up information

- 1.5.1 The Top-up Manager shall have access to such details of the use of a Storage Facility by all Storage Users as may be provided for under the relevant Storage Connection Agreement.
- 1.5.2 In particular, each Storage Operator will provide to the Top-up Manager:
- (a) where the Top-up Manager so requests, the details of the amounts of aggregate Storage Capacity allocated to Storage Users for each Storage Facility for the Storage Year or remaining part of the Storage Year pursuant to applications for Storage Capacity under the relevant Storage Terms;
  - (b) on a daily basis throughout the Storage Year, details for each Storage Facility of Storage Users' aggregate Storage Capacity, injections, withdrawals and gas-in-storage; and
  - (c) where the Top-up Manager so requests, details of the Applicable Total Storage Space, the Applicable Total Storage Deliverability and Maximum Injection Rate of each Storage Facility.
- 1.5.3 Each Storage Operator shall ensure that its Storage Terms permit the disclosure by the Storage Operator to the Top-up Manager of the information referred to in paragraph 1.5.2(a) and (b).

## 2 TOP-UP REQUIREMENTS

### 2.1 Total storage requirements

- 2.1.1 For each Storage Year the Top-up Manager will determine, and not later than 31st May in the relevant Storage Year notify to Users:
- (a) the Stored Gas Requirement and the Storage Deliverability Requirement; and
  - (b) for each Day in the Winter Period the Aggregate Remaining Stored Gas Requirement.
- 2.1.2 For the purposes of this Section P, for each Storage Year:
- (a) the "**Stored Gas Requirement**" is the amount (in kWh) of annual demand represented by the area under the 1-in-50 load duration curve (as described in [Section W2.6.4\(d\)](#)) above the level of demand equal to maximum daily supply (in accordance with [Section O2.2](#)) for the Gas Year commencing 1st October in such Storage Year;
  - (b) the "**Storage Deliverability Requirement**" is the amount (in kWh/Day) by which System 1-in-20 peak day demand exceeds estimated maximum daily supply (in accordance with [Section O2.2](#)) for the Gas Year commencing 1st October in such Storage Year;
  - (c) the "**Constrained Storage Requirement**" in respect of a Constrained Storage Facility is the amount of Storage Space (as shown in the Annual Storage Invitation) which Transco estimates is required with a view to avoiding a

## TOP-UP STORAGE

Transportation Constraint arising in the constrained LDZ(s) on any Day the basis of demand not exceeding 1-in-20 peak day demand at System Exit Points (other than Interruptible Supply Points) in such LDZ(s).

- 2.1.3 The "**Aggregate Remaining Stored Gas Requirement**" in respect of a Day in the Winter Period is the amount (being all or a part of the Stored Gas Requirement) determined (and from time to time redetermined) by Transco as the amount by which estimated remaining 1-in-50 Severe Annual Demand exceeds remaining maximum annual supply, each determined for the period of the Gas Year remaining after such Day (and not for the year as a whole) and (as respects demand) otherwise in accordance with the methodology referred to in [Section W2.6.6](#) and (as respects supply) on the basis of a profile of availability of gas for supply at different times in the year.

## 2.2 Top-up storage requirements

- 2.2.1 After the Storage Operator has allocated Storage Capacity for a Storage Year to Transco for Systems Margins purposes and Users pursuant to the Annual Storage Invitation, The Top-up Manager will determine, by not later than 31st May in the relevant Storage Year, on the basis of Storage Capacity allocated by each Storage Operator to Transco for Operating Margins Purposes and to Storage Users pursuant to the Relevant Storage Terms prior to such date:
- (a) whether, and if so the amount (the "**top-up constrained space requirement**") by which, Allocated Storage Space in each Constrained Storage Facility is less than the Constrained LNG Requirement;
  - (b) the amount (the "**top-up constrained deliverability**") of Storage Deliverability in each Constrained Storage Facility associated with the top-up constrained space requirement in that facility;
  - (c) whether, and if so the amount (the "**aggregate top-up deliverability requirement**") by which the sum of Allocated Storage Deliverability and top-up constrained deliverability is less than the Storage Deliverability Requirement;
  - (d) whether, and if so the amount (the "**aggregate top-up space requirement**") by which the sum of Allocated Storage Space and the top-up constrained space requirement is less than the Storage Gas Requirement;
  - (e) the:
    - (i) amount (the "**top-up space requirement**") of Storage Space, ascertained in respect of each Storage Facility by allocating the aggregate top-up space requirement between Storage Facilities;
    - (ii) amount (the "**top-up deliverability requirement**") of Storage Deliverability in respect of each Storage Facility consistent with the top-up space requirement in respect of such facility and the relevant Storage Terms; and
    - (iii) (the "**top-up flow rate requirement**"), being the amount of Storage Deliverability ascertained in respect of each Storage Facility which is not less than the top-up deliverability requirement in respect of such

facility and which in aggregate for all Storage Facilities is not less than the aggregate top-up deliverability requirement,

in each case in accordance with the objective in paragraph 2.4, but subject to Transportation Constraints anticipated to affect the withdrawal of gas from any such facility;

- (f) for each Storage Facility the sum:
  - (i) (the “**Top-up Space Requirement**”) of the top-up constrained space requirement and the top-up space requirement;
  - (ii) (the “**Top-up Deliverability Requirement**”) of the top-up constrained deliverability requirement and the top-up deliverability requirement; and
  - (iii) (the “**Deliverability Requirement**”) of the top-up constrained deliverability requirement and the top-up flow rate requirement.

2.2.2 For the purposes of paragraph 2.2.1:

- (a) “**Allocated Storage Space**” is the aggregate amount at 1st May in the relevant Storage Year of Storage Space allocated by all Storage Operators to Storage Users in respect of the Storage Year pursuant to applications, in accordance with the relevant Storage Terms other than to Transco for Operating Margins Purposes;
- (b) “**Allocated Storage Deliverability**” is the sum of:
  - (i) the aggregate amount of Storage Deliverability allocated to Storage Users in respect of Short Duration and Medium Duration Storage Facility Types for the Storage Year pursuant to applications under the relevant Storage Terms, other than to Transco for Operating Margins Purposes; and
  - (ii) in respect of each Storage Facility which is a Long Duration Storage Facility, the aggregate of the Applicable Total Storage Deliverability for each such facility.

2.2.3 Where the Top-up Manager revises the supply security levels during the Storage Year in accordance with paragraph 2.6.1 (following a new Storage Facility becoming operational) the Top-up Manager may redetermine any of the requirements and/or amounts in paragraph 2.2.1 for which purposes the Allocated Storage Space and the Allocated Storage Deliverability shall be construed by reference to the Storage Space and Storage Deliverability allocated by Storage Operators to Storage Users for the remaining part of the Storage Year falling after the date from which the Top-up Manager makes any such redetermination.

2.2.4 Following its determinations under paragraph 2.2.1 or 2.2.3, and any subsequent redetermination of the Aggregate Remaining Stored Gas Requirement, Transco will determine for each Storage Facility Type an amount (the “**Remaining Stored Gas Requirement**”) in respect of each Day in the Winter Period by allocating or reallocating the Aggregate Remaining Stored Gas Requirement between each Storage

## TOP-UP STORAGE

Facility Type, on the basis of the Allocated Storage Space, the Top-up Space Requirement and Top-up Deliverability Requirement and anticipated likelihood under conditions of 1-in-50 Severe Annual Demand of gas being withdrawn during the Winter Period from Storage Facilities of each type. In so allocating or reallocating the Aggregate Remaining Stored Gas Requirement between each Storage Facility Type the Top-Up Manager may have regard to any relevant specific characteristics of each Storage Facility within each such Storage Facility Type.

2.2.5 Following the time at which the Top-up Manager makes its initial determination in respect of a Storage Year under paragraph 2.2.1 or any redetermination under paragraph 2.2.3, where a User is registered as holding additional Storage Deliverability in a Storage Facility:

- (a) pursuant to an application to the relevant Storage Operator; or
- (b) following the surrender of Storage Deliverability by the Top-up Manager under paragraph 4,

the Deliverability Requirement in respect of the Storage Facility shall be reduced from such time by an amount equivalent to the additional Storage Deliverability registered as held by the User.

## 2.3 Top-up Storage Capacity

2.3.1 Subject to paragraphs 2.3.2 and 2.4.2 the Top-up Manager will, no earlier than the start of the Storage Year and no later than 31st October in the Storage Year, apply for and will be registered as holding:

- (a) Storage Space in each Storage Facility equal to the Top-up Space Requirement for that facility; or
- (b) Storage Deliverability in each Storage Facility equal to the Top-up Deliverability Requirement for that facility.

2.3.2 In the event that at the date of a Top-up Manager's application:

- (a) the aggregate of the Uncommitted Storage Space is less than the aggregate of the Top-up Space Requirement, for all Storage Facilities; or
- (b) the aggregate of the Uncommitted Storage Deliverability is less than the aggregate of the Top-up Deliverability Requirement, for all Storage Facilities

the “**Storage Space**” or (as the case may be) “**Storage Deliverability**” with the “**Top-up Manager**” will be registered as holding under paragraph 2.3.1 in each “**Storage Facility**” will be equal to the “**Uncommitted Storage Space**” or “**Uncommitted Storage Deliverability**”.

2.3.3 To the extent that there is a Top-up Space Requirement independent of the Top-up Deliverability Requirement, the Top-up Manager may apply for interruptible Storage Space.

2.3.4 Where following the Transco LNG Invitation Close Date and after the date when the Top-up Manager has made an application for Storage Capacity in a Transco LNG



Storage Facility, any Storage User applies for and is registered as holding Storage Capacity in a Transco LNG Storage Facility, paragraph 4.4 will apply.

## 2.4 Top-up Storage Facilities

2.4.1 The Top-up Manager will, in particular when making relevant determinations under paragraphs 2.2.1(c) to (f), allocate relevant requirements for Storage Deliverability and Storage Space between Storage Facilities (and thereby select the Storage Facilities in which it applies for Storage Capacity), with a view:

- (a) to maximising the quantities of gas subject to Storage Gas Transfers made in favour of the Top-up Manager in respect of Relevant Residual Gas by Transco for Operating Margins Purposes in accordance with [Section K3.2](#); and
- (b) after giving effect to paragraph (a), having regard to the Applicable Storage Space Charge Rate and the Applicable Storage Deliverability Charge Rate in respect of each Storage Facility, with a view (insofar as reasonably practicable and subject to the amount of Uncommitted Storage Capacity in each facility) to its holding in aggregate Storage Capacity, as to such remaining amount, for the lowest aggregate Storage Space Charges and Storage Deliverability Charges (ascertained as at the date of its application) and the making of Storage Gas Transfers (in accordance with [Section K3.9](#)).

In making such determinations the Top-up Manager may have regard to any relevant specific characteristics of each Storage Facility.

2.4.2 The Top-up Manager may apply for and hold Storage Capacity in a Storage Facility in excess of, but (subject to paragraph 2.3.2) not less than the Top-up Space Requirement or the Top-up Deliverability Requirement, but only to the extent that the objective under paragraph 2.4.1(b) is thereby secured.

## 2.5 Closing and opening top-up gas

2.5.1 The provisions of [Sections K3.2](#) and [K3.3](#) apply in respect of gas-in-storage held by the Top-up Manager at the end of the Storage Year.

2.5.2 For the purposes of this Section P, at the start of each Storage Year, in respect of each Top-up Storage Facility:

- (a) the "**Closing Top-up Gas**" is the amount (if any) of the Top-up Manager's gas-in-storage at the end of the Preceding Storage Year;
- (b) the "**Carry-over Top-up Gas**" is the lesser of the amount of the Closing Top-up Gas and the amount (if any) of Storage Space allocated to the Top-up Manager for the Storage Year;
- (c) the "**Opening Top-up Gas**" is the sum of the amount of the Carry-over Top-up Gas and the amount of gas-in-storage subject to any Storage Gas Transfer made in favour of the Top-up Manager pursuant to [Section K3.2](#).
- (d) Carry-Across Gas has the meaning ascribed thereto (in relation to the Top-Up Manager) in [Section K3.2](#).

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- 2.5.3 A payment in respect of the Closing Top-up Gas (by reference to the amounts received by the Top-up Manager pursuant to the provisions referred to in paragraph 2.5.1, and the value at the relevant Top-up WACOG at the end of the Storage Year of the Carry-over Top-up Gas) will be made to Users pursuant to paragraph 6 .
- 2.5.4 The Opening Top-up Gas will be carried forward into the Storage Year for the purposes of this Section P.

## 2.6 Notification of Top-up Requirements

- 2.6.1 The Top-up Manager will not later than 31st October in the Storage Year:
- (a) notify to Users the Top-up Space Requirement and the Top-up Deliverability Requirement for each Storage Facility Type and in aggregate for all Storage Facilities, and the basis of calculation thereof;
  - (b) notify to Users the Storage Capacity held by it in each Storage Facility;
  - (c) in the circumstances in paragraph 2.3.2 and on the basis of the amounts of Storage Capacity it was registered as holding under that paragraph, estimate and notify to Users revised supply security levels.

and where during the Storage Year a Storage Facility which was not operational in the Preceding Storage Year becomes operational the Top-up Manager will estimate, and where they differ from the supply security levels previously notified promptly notify Users of, revised supply security levels.

- 2.6.2 For the purposes of paragraph 2.6.1 the supply security level is the severity of weather conditions in which (for the System as a whole) peak day demand would exceed maximum daily supply, or annual demand would exceed maximum annual supply, expressed as the number of years in one only of which would demand so exceed supply, on the basis of the methodology referred to in [Section W2.6.6](#) and on such other assumptions as may have been specified in the Ten Year Statement.
- 2.6.3 If the circumstances in paragraph 2.3.2 apply in respect of any Storage Year, all references in this Section P (as it applies in respect of such year) to the Top-up Space Requirement and the Top-up Deliverability Requirement (in respect of any Storage Facility) and the Aggregate Remaining Stored Gas Requirement and Remaining Stored Gas Requirement in respect of any Storage Facility Type shall be construed on the basis of the revised supply security levels estimated under paragraph 2.6.1(c).

## 2.7 Procurement

- 2.7.1 The Top-up Manager will in or before the Storage Year make such arrangements ("**Top-up Gas Procurement Arrangements**") for the procurement of gas (in excess of the Opening Top-up Gas) for injection into the Storage Space allocated to it under paragraph 2.3 as it shall determine to be appropriate with a view to balancing the cost of such arrangements with the need to secure the availability to the Top-up Manager of gas, the need to secure injection in accordance with the relevant Storage Terms, requirements of flexibility as to the delivery of gas and such other factors as it may reasonably determine to be relevant to the discharge of its functions under this Section P.

- 2.7.2 In particular the Top-up Manager may (with a view to meeting the objectives in paragraph 2.7.1):
- (a) contract with Users or others for the purchase of gas on such terms (as to price, quantities and times of delivery of gas, payment for gas which it was unable to take, and otherwise) as it shall determine;
  - (b) contract for the purchase of gas (as to all or any part of its requirements) under agreement(s) providing for delivery over a period (subject to paragraph (e)) of up to 12 months, and/or on a spot basis;
  - (c) conduct a tender for the award of a contract under paragraph (b) (the terms of which need not require the Top-up Manager to accept the lowest-priced or any offer where in its reasonable opinion a prudent purchaser of gas in comparable circumstances would not do so);
  - (d) make Acquiring Trade Nominations on any terms as to payment and quantity;
  - (e) make Storage Gas Transfers (as Transferee Storage User) on terms requiring payment and/or requiring the Top-up Manager to make a corresponding Storage Gas Transfer (as Transferor Storage User) by the end of the relevant Storage Year or (to the extent of and in place of a Storage Gas Transfer it would otherwise make under [Section K3.2](#) or [K3.3](#)) in the following Storage Year, and upon any other terms as to payment and quantity;
  - (f) where permitted under this Section P, make an Output Nomination (and a corresponding Storage Injection Nomination) for a Day without delivering gas to the System or making an Acquiring Trade Nomination.
- 2.7.3 Without prejudice to paragraph 2.7.4, in accordance with [Section K3.5.4](#) the Top-up Gas Procurement Arrangements may be integrated with Margins Gas Procurement Arrangements and the arrangements made (in accordance with [Section N4.2.2](#)) by the Shrinkage Provider for the purchase of gas.
- 2.7.4 Subject to [Section K3.5.4](#), the Top-up Manager will make its Top-up Gas Procurement Arrangements for material quantities of gas under paragraph 2.7.1 on the basis in paragraph 2.7.2(c) where reasonably feasible in the circumstances (and having regard to the time or times for delivery of such gas); and in any case where such arrangements are not made on such basis The Top-up Manager will inform Users of the circumstances in which its arrangements were not so made.

## 2.8 Revised Supply & Demand Estimates

- 2.8.1 Where this paragraph applies (in accordance with paragraph 2.8.4):
- (a) the Top-Up Manager will redetermine the Stored Gas Requirement and Stored Deliverability Requirement on the basis of the revised estimates of System 1-in-20 peak day demand, System 1-in-50 Severe Annual Demand and maximum daily supply (in accordance with [Section O2.2](#)), taking account of such revision or redesignation as is referred to in paragraph 2.8.4 and any redesignation of Firm Supply Points as Interruptible during the same period;
  - (b) the Top-up Manager will:

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- (i) to the extent that there is Uncommitted Storage Capacity and (in the opinion of the Top-up Manager) it will be feasible during the remainder of the Applicable Injection Period to procure and inject quantities of gas to fill such additional Storage Space, revise the Top-up Space Requirement and the Top-up Deliverability Requirement in accordance with the redetermined amounts under paragraph (a);
    - (ii) to the extent that it does not revise the Top-up Space Requirement and the Top-up Deliverability Requirement under paragraph (a), estimate and notify to Users revised supply security levels (in accordance with paragraph 2.6.2).
  - (c) in the event that the Stored Deliverability Requirement is reduced as a result of any redetermination under paragraph (a), the Top-Up Manager will, subject to and in accordance with the relevant Storage Terms, surrender Storage Deliverability (but without being obliged to surrender Storage Space) in an amount not exceeding such reduction in the Stored Deliverability Requirement.
  - (d) in the event that the Stored Gas Requirement is reduced as a result of any redetermination under paragraph (a), the Top-Up Manager will, subject to and in accordance with the relevant Storage Terms, dispose of the surplus gas-in-storage following such redetermination ("**Further Residual Surplus Gas**") in accordance with paragraph 2.9; and
  - (e) the Top-up Manager will redetermine the top-up flow rate requirement for each Storage Facility subject to the relevant Storage Terms.
- 2.8.2 With effect from any revision by the Top-up Manager of the Top-up Space Requirement, Top-up Deliverability Requirement and Deliverability Requirement in accordance with paragraph 2.8.1(b)(ii) or (as the case may be) 2.8.1(e), references in this Section P to such requirements shall be to such revisions thereof.
- 2.8.3 Where with effect after 1st October in the Storage Year, Interruptible Supply Points are redesignated as Firm (pursuant to any provision of [Section G6](#)):
- (a) the Top-up Manager will not revise any of its estimates under this Section P;
  - (b) after the time at which the aggregate Supply Point Capacity held by Users in aggregate at Supply Point Components of the Supply Points which have been so redesignated (or are subject to a notification of such redesignation with effect from a date before 1st April in the Storage Year) is not less than 1,000,000 kWh/Day, the Top-up Manager will so notify Transco;
  - (c) where the Top-up Manager notifies Transco under paragraph (b), subject to paragraph (d), no further redesignation pursuant to [Section G6.3](#) of any Interruptible Supply Point as Firm will be permitted with effect from any date before 1st April of that Storage Year (but without prejudice to any redesignation pursuant to [Section G6.9](#));
  - (d) the Top-up Manager may in its discretion permit further such redesignation if in its opinion at the time the Remaining Gas-in-Storage (in accordance with paragraph 3.4.2) at the time exceeds the Remaining Stored Gas Requirement by an appropriate margin.

2.8.4 Paragraph 2.8.1 applies where:

- (a) on any date prior to the 1<sup>st</sup> December in the Storage Year Transco has revised its estimates of System 1-in-20 peak day demand, System 1-in-50 Severe Annual Demand or maximum daily supply (in accordance with [Section O2.2](#)); or
- (b) Interruptible Supply Points are redesignated as Firm (pursuant to any provision of [Section G6](#)) with effect from any date from the 1st April in the preceding Storage Year up to and including 1st October in the Storage Year.

2.8.5 The Top-up Manager may:

- (a) determine at the end of any month from November to April in any Storage Year, the difference between the Aggregate Stored Gas and the Remaining Stored Gas Requirement for that Storage Year;
- (b) in the event that the Aggregate Stored Gas exceeds the Remaining Stored Gas Requirement following any redetermination under paragraph (a), the Top-Up Manager may dispose of any or all of the Top-Up Manager's surplus gas-in-storage following such redetermination ("**Winter Period Residual Surplus Gas**") in accordance with paragraph 2.9

## 2.9 Disposal of Residual Surplus Gas

- 2.9.1 Transco on behalf of the Top-Up Manager will following the redetermination under paragraph 2.8.1(a) or may, following redetermination under paragraph 2.8.5 seek to make Residual Gas Transfers in respect of Further Residual Surplus Gas or Winter Period Residual Surplus Gas in each Relevant Facility as soon as reasonably practicable in accordance with the further provision of this paragraph 2.9.
- 2.9.2 Subject to the provisions of this paragraph, the provisions of Section [K3.3.2\(a\)](#) to [\(h\)](#) (inclusive), [K3.3.5](#) and [K3.3.6](#) apply in respect of the disposal of any Further Residual Surplus Gas or Winter Period Residual Surplus Gas and references therein to Residual Surplus Gas shall be treated as references to any Further Residual Surplus Gas or Winter Period Residual Stored Gas (as appropriate).
- 2.9.3 The terms of any tender pursuant to this paragraph will specify whether an amount of Storage Space will be transferred equal to or less than the amount of a Residual Gas Transfer by way of Storage Gas Transfer.

## 3 TOP-UP INJECTION

### 3.1 Basic injection

The Top-up Manager will arrange its injections (in accordance with the relevant Storage Terms) in respect of Storage Space allocated to it under paragraph 2.3.1(a) (after taking account of Opening Top-up Gas and any Top-up Gas Procurement Arrangement under paragraph 2.7.2(e)) on such basis as it shall in its discretion determine having regard to:

- (a) the requirement to secure injection of quantities in aggregate equal to its Storage Space;

## TOP-UP STORAGE

- (b) the injection rules under the relevant Storage Terms;
- (c) the extent to which it has (under paragraph 2.7.2) chosen to purchase gas under term and not spot arrangements (and the delivery terms of such term arrangements); and
- (d) any differences in the rates of injection charges at different times in the relevant injection periods.

### 3.2 Additional Top-up injection

3.2.1 The Top-up Manager will, on each relevant Day (the "**review day**"), review the details provided by each the Storage Operator under paragraph 1.5 and determine in respect of each Storage Facility:

- (a) the amount (the "**Outstanding Injection Requirement**") by which the Stored Gas Requirement exceeds the Aggregate Stored Gas on the Day preceding the review day;
- (b) whether, and if so the amount (the "**Imminent Top-up Injection Requirement**" and/or as the case may be "**Actual Top-up Injection Requirement**") by which, the Outstanding Injection Requirement exceeds the Relevant Remaining Injectable Quantity.

3.2.2 For the purposes of paragraph 3.2.1, in respect of each Storage Facility:

- (a) a relevant Day is one Day each week from 1st July until the last Day of the Applicable Injection Period or 1st December, whichever is the earlier, or for so long as the Top-up Manager has determined that there is an Imminent Top-up Injection Requirement, every Day;
- (b) the "**Aggregate Stored Gas**" on a Day is the aggregate gas-in-storage of all Storage Users and the Top-up Manager (after taking account of all injections and withdrawals) other than gas-in-storage held by Transco for Operating Margins Purposes;
- (c) the "**Relevant Remaining Injectable Quantity**" is determined by the following formula:

$$\text{FIR} * (\text{PID} - \text{X})$$

where:

FIR is the Applicable Facility Injection Rate;

PID is the number of programmed injection Days remaining in the Applicable Injection Period (starting with the Day after the review day and ending on the last Day of the Applicable Injection Period or 1st December, whichever is the earlier); and

X is,



- (i) 7, for the purposes of an Imminent Top-up Injection Requirement;
- (ii) 2, for the purposes of an Actual Top-up Injection Requirement.

3.2.3 Where under paragraph 3.2.1 there is on a review day an Imminent Top-up Injection Requirement (but not an Actual Top-up Injection Requirement), the Top-up Manager will:

- (a) notify by telephone or facsimile the Storage Operator of the relevant Storage Facility in respect of which the condition in paragraph 3.2.4 applies to a Relevant Storage User (with a view to the Storage Operator advising the relevant Storage User of the Imminent Top-up Injection Requirement and seeking if they so wish that they bring forward their injections into the relevant Storage Facility); and
- (b) insofar as it is reasonably practicable to do so consistent with the relevant Storage Terms its Top-up Gas Procurement Arrangements and its Applicable User Injection Rate (and at such additional cost if any as the Top-up Manager may determine appropriate), bring forward its own injections into each Top-up Storage Facility to the extent it has unfilled Storage Space.

3.2.4 The condition referred to in paragraph 3.2.3(a) is that if Storage User were in aggregate to make no injections for 7 Days the Storage User would need to inject at a rate in excess their respective Applicable User Injection Rate in order to fill their respective Allocated Storage Space.

3.2.5 Subject to paragraph 3.7, where the Top-up Manager determines under paragraph 3.2.1 on a review day that there is an Actual Top-up Injection Requirement (irrespective of whether there was an Imminent Top-up Injection Requirement on any earlier Day), the Top-up Manager will:

- (a) make an Output Nomination(s) for Nomination Quantity(ies) (and corresponding Storage Injection Nominations), and/or;
- (b) under Output Nomination(s) (and the Storage Nomination Quantities under corresponding Storage Injection Nomination(s)) which it would otherwise have made by amount(s),

equal in aggregate to the amount of the Actual Top-up Injection Requirement.

### 3.3 Top-up withdrawals during injection periods

3.3.1 Subject to paragraph 3.7, if before the end of the Applicable Injection Period in respect of any Storage Facility gas is withdrawn from a Storage Facility upon acceptance of a Top-up Market Offer, the Top-up Manager will, on the next Day or Days (if any) within such Applicable Injection Period on which as such offer is accepted, make an Output Nomination (including a Renomination) and a corresponding Storage Injection Nomination (including a Storage Renomination) in respect of the facility for a quantity or quantities in aggregate on all such Days not exceeding the quantity withdrawn.

3.3.2 Where paragraph 3.3.1 applies and by the end of the Applicable Injection Period the quantity injected by the Top-up Manager is less than the quantity withdrawn (as therein referred to), the deficiency will be dealt with as a Winter Top-up Injection Requirement

## TOP-UP STORAGE

under paragraph 3.4.

### 3.4 Winter Injection

- 3.4.1 Subject to paragraphs 3.4.6 and 3.4.7, the Top-up Manager will immediately after the Output Nomination Time determine in respect of each Day in the Winter Period:
- (a) in respect of each Storage Facility Type whether, and if so the amount (the "**Winter Top-up Injection Requirement**") by which, the Remaining Stored Gas Requirement exceeds the Remaining Gas-in-Storage;
  - (b) whether, and if so the amount (the "**Aggregate Winter Top-up Injection Requirement**") by which, the Aggregate Remaining Stored Gas Requirement exceeds the aggregate Remaining Gas-in-Storage in respect of all Storage Facility Types.
- 3.4.2 For the purposes of paragraph 3.4.1 subject to Paragraph 3.4.6, in respect of a Day in the Winter Period "**Remaining Gas-in-Storage**" in respect of a Storage Facility Type is the aggregate amount of gas-in-storage in facilities of that type which will be held by Storage Users and the Top-up Manager other than gas-in-storage held by Transco for Operating Margin Purposes after taking account of Nomination Quantities under initial Input Nominations made by Storage Users for the Day.
- 3.4.3 Subject to paragraphs 3.4.7 and 3.7, where on any Day the Top-Up Manager determines that there is a Winter Top-up Injection Requirement in respect of a Storage Facility Type, the Top-up Manager will, but only to the extent to which Storage Users are withdrawing gas from a Storage Facility of the relevant type on that Day, inject gas into such Storage Facility pursuant to Nominations (and corresponding Storage Injection Nominations) in accordance with paragraph 3.4.4.
- 3.4.4 The Nomination Quantity(ies) under Output Nominations (and corresponding Storage Injection Nomination(s)) made by the Top-up Manager under paragraph 3.4.3 will be for amount(s) not in aggregate exceeding the amount of the Winter Top-up Injection Requirement;
- 3.4.5 Where, in respect of a Day in the Winter Period, Input Nominations made in respect of Storage Connection Points by Storage Users are revised (by way of increase or decrease) by Renominations, the Top-up Manager will endeavour to revise its determination pursuant to paragraph 3.4.1 and accordingly to revise its Output Nominations (and corresponding Storage Injection Nominations) pursuant to paragraph 3.4.3.
- 3.4.6 For the purposes of paragraph 3.4.1, in determining both the Winter Top-up Injection Requirement and the Aggregate Winter Top-up Injection Requirement:
- (a) without prejudice to paragraph (c), the Remaining Stored Gas Requirement in respect of a Storage Facility Type will be reduced by an amount (if any) equal to the aggregate amount by which the Remaining Gas-in-Storage exceeds the Remaining Stored Gas Requirement in relation to any shorter Storage Facility Type;
  - (b) the Remaining Gas-in-Storage will be increased by an amount (if any) equal to the amount by which the aggregate gas-in-storage in respect of:



- (i) the relevant Storage Facility Type;
- (ii) any shorter Storage Facility Type

held by Transco for Operating Margins Purposes exceeds the requirements that Transco has for gas-in-storage at the Storage Facility Type for Operating Margins Purposes (pursuant to [Section K](#)) (provided that for the purposes of this paragraph 3.4.6 where under this paragraph (b) an amount of gas is taken into consideration in respect of a Storage Facility, it may not be taken into consideration for the purposes of this paragraph 3.4.6 in respect of any other Storage Facility);

- (c) for the purpose of paragraph (a), the Remaining Stored Gas Requirement in respect of a Storage Facility Type will not be reduced under paragraph (b) to the extent that such requirement relates to a Constrained Storage Facility.

3.4.7 Notwithstanding any of the foregoing provisions of this paragraph 3.4, at any time between 1 February and 31 March in a Storage Year, the Winter Top-up Injection Requirement and the Aggregate Winter Top-up Injection Requirement may be reduced in respect of any Day by the Top-Up Manager by such amount as shall be determined by the Top-up Manager having regard to information available to it of Forecast Total System Demand and maximum daily supply for the System over the following five Days.

### 3.5 Space for additional injection

3.5.1 To the extent permitted by the relevant Storage Terms the Top-up Manager shall be entitled to make any Storage Injection Nomination(s) contemplated by paragraph 3.2 or 3.4 notwithstanding that the Nomination Quantity(ies) exceed its unfilled Storage Space in any Storage Facility, and shall not be required to pay any Storage Overrun Charge in respect thereof.

3.5.2 Where, in accordance with the relevant Storage Terms, the Top-up Manager is to make Storage Injection Nomination(s) under paragraph 3.2 or 3.4 and the Nomination Quantity(ies) exceed its unfilled Storage Space (in accordance with paragraph 3.5.4(c) where applicable) in any Storage Facility:

- (a) the Top-up Manager will apply for and be registered as holding any uncommitted Storage Space (and the minimum associated Storage Deliverability and Storage Injectability) in the relevant Storage Facility;
- (b) to the extent that (taking account of paragraph (a)) its Storage Space remains insufficient, the Top-up Manager shall nevertheless be entitled to make such Storage Injection Nomination(s).

in each case to the extent permitted by the relevant Storage Terms.

3.5.3 Where the Top-up Manager makes a Storage Injection Nomination in accordance with paragraph 3.5.2(b), upon the making of such nomination:

- (a) the relevant storage Operator shall promptly inform relevant Storage Users that the Top-up Manager has made a Storage Injection Nomination.

## TOP-UP STORAGE

- (b) relevant Storage Users in the relevant proportions (in accordance with paragraph 3.5.4(a)) shall be (to the extent provided for in the relevant Storage Terms) deemed to have made Storage Space Transfers to the Top-up Manager (which transfers shall be treated as effective on the Gas Flow Day), in respect of amounts of Storage Space in aggregate equal to the amount by which the Nomination Quantity under the Storage Injection Nomination made by the Top-up Manager in accordance with paragraph 3.5.2 exceeds its unfilled Storage Space (in accordance with paragraph 3.5.4(c) and after taking account of paragraph 3.5.2(a)) in the relevant Storage Facility;
- (c) paragraph (b) shall take effect without any requirement as to payment on the part of the Top-up Manager and without prejudice to any Storage User's obligations to pay Storage Capacity Charges.

## 3.5.4 For the purposes of this paragraph 3.5:

- (a) in the case of a Storage Injection Nomination made under paragraph 3.2.5:
  - (i) a relevant Storage User is a Storage User who holds on the Gas Flow Day unfilled Storage Space which, if he were to make no injections for 2 Days, could not be filled by injecting at the Applicable User Injection Rate on all Applicable Programmed Injection Days remaining in the Applicable Injection Period; and
  - (ii) the relevant proportions are the proportions in which relevant Storage Users hold such unfilled Storage Space as is referred to in paragraph (a)(i);
- (b) in the case of a Storage Injection Nomination made under paragraph 3.4:
  - (i) a relevant Storage User is a Storage User who holds on the Gas Flow Day unfilled Storage Space in the relevant Storage Facility; and
  - (ii) the relevant proportions are the proportions in which relevant Storage Users hold such unfilled Storage Space;
- (c) in the case of a Storage Injection Nomination under paragraph 3.2, the Top-up Manager's unfilled Storage Space is to be determined after deducting space for quantities remaining to be injected by the Top-up Manager into the relevant Storage Facility.

## 3.5.5 Where relevant Storage Users are deemed to have transferred Storage Space to the Top-up Manager under paragraph 3.5.3, Transco will so inform relevant Storage Operators as soon as reasonably practicable after making Storage Injection Nomination under paragraph 3.2 or 3.4; and:

- (a) each relevant Storage User shall, at any time thereafter within the Storage Year, be entitled (upon request in accordance with paragraph 4) to Top-up Storage Transfer(s):
  - (i) comprising the surrender by the Top-up Manager of amount(s) of Storage Space in the relevant facility not in aggregate exceeding the amount transferred by the relevant Storage User under paragraph 3.5.3,

and (subject to paragraph 3.5.6) Storage Gas Transfer(s) for a quantity of gas-in-storage of the same amount(s); and

- (ii) in respect of which paragraph 4.3.3 shall not apply (so that the Storage User shall make payment in respect of the Transferred Gas-in-Storage but not the surrendered Storage Space);
- (b) where the Top-up Manager's Storage Injection Nomination was made under paragraph 3.2, the Top-up Manager will notify all Storage Operators and Users that, until the end of the Storage Year or until pursuant to paragraph (b) the Top-up Manager has been left with unfilled Storage Space equal to the amount deemed transferred to it by relevant Storage Users, the requirements of paragraph 4.2.4(a) and 4.2.3 are for the time being suspended, so that:
  - (i) a Storage User may (within such period) request a Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, and
  - (ii) should such a Storage Gas Transfer be made, the Top-up Manager will be left with unfilled Storage Space in the relevant Storage Facility;

provided that the Top-up Manager shall not be required to approve a request under paragraph (a) or (b) other than in accordance with paragraph 4.1 (except that paragraph 4.1.4(d) shall not apply in respect of a surrender of Storage Space only under paragraph (a)).

3.5.6 Where at the time of a relevant Storage User's request under paragraph 3.5.5(a) the Top-up Manager holds unfilled Storage Space in the relevant Storage Facility, a Top-up Storage Transfer under paragraph 3.5.5(a)(i) may (if such Storage User so requests) comprise a surrender of Storage Space exceeding, by an amount not exceeding such unfilled Storage Space, the amount of gas-in-storage subject to the Storage Gas Transfer required under that paragraph.

3.5.7 The amount of Storage Space transferred to the Top-up Manager under paragraph 3.5.3 is excluded from the amount of Storage Space at any time eligible for a Top-up Storage Transfer to any Storage User other than in accordance with paragraph 3.5.5(a).

### 3.6 Additional injection quantities

3.6.1 Where the Top-Up Manager makes an Output Nomination (and corresponding Storage Injection Nomination) under paragraph 3.2, 3.3 or 3.4, or revises (by increasing) such a nomination under paragraph 3.4.5, the Top-Up Manager shall insofar as it is reasonably practicable to do so:

- (a) if and to the extent that any other Top-up Storage Facility is Available (in accordance with paragraph 3.8.1) for Top-up purposes and (in accordance with [Section R4.7.4](#), where relevant) for Constrained Storage purposes, make an Input Nomination (and corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas) in respect of that other facility for a quantity of gas, and/or
- (b) where any User offers to do so on terms which the Top-up Manager reasonably determines to be acceptable, make an Acquiring Trade Nomination in respect of

## TOP-UP STORAGE

a quantity of gas, and/or

- (c) to the extent, if any, to which its Top-up Gas Procurement Arrangements permit it to do so on terms which the Top-up Manager reasonably determines to be acceptable, secure that a quantity of gas (in addition to the quantity to be delivered under paragraph 2.7) is delivered to the System on the Gas Flow Day

the amount or aggregate amount of which does not exceed the Nomination Quantity (or increase in the Nomination Quantity) under such Output Nomination (and corresponding Storage Injection Nomination).

- 3.6.2 For the purposes of paragraphs 3.2, 3.3 and 3.4, except to the extent that it does any of the things described in paragraph 3.6.1, the Top-up Manager shall be entitled to make or revise an Output Nomination (and corresponding Storage Injection Nomination) on a Day without delivering gas to the System or making any Acquiring Trade Nomination, and the provisions of paragraph 6 as to the recovery of Top-up Costs shall not be prejudiced by its doing so or by the resulting effect on its Daily Imbalance.
- 3.6.3 In determining which action to take under this paragraph 3.6.1 and 3.6.2, the Top-up Manager will have regard, so far as is reasonably practicable in the circumstances and at the relevant time and consistently with the discharge of its functions under this Section P, to the objective of minimising the Top-up Costs resulting from such action
- 3.6.4 The Top-up Manager may revise (by reducing) an Output Nomination (and corresponding Storage Injection Nomination) under paragraph 3.4.5 without undoing (or doing the inverse of) anything done pursuant to paragraph 3.6.1 (unless it is reasonably practicable to do so on terms which the Top-Up Manager reasonably determines to be acceptable), and the provisions of paragraph 6 as to the recovery of Top-up Costs shall not be prejudiced by its doing so or by the resulting effect on its Daily Imbalance.

### 3.7 Constrained Storage Facilities

Nothing in this paragraph 3 shall require the Top-up Manager to make any Storage Injection Nomination in respect of a Constrained Storage Facility on a Day for which Transco has made Constrained Storage Renominations.

### 3.8 Winter Carry-across and Winter Storage Gas Transfers

- 3.8.1 In relation to any possible withdrawal of Winter Carry-across Gas or Winter Storage Gas Transfer (as defined in [Section K2.3.7](#)), a Storage Facility is "**Available**" for Top-up purposes if at the relevant time:
  - (a) the Top-Up Manager or another Storage User holds gas-in-storage in that facility;
  - (b) except for the purposes of paragraph 3.6.1(a), there is no Aggregate Winter Top-up Injection Requirement; and
  - (c) no Winter Top-up Injection Requirement in respect of the relevant Storage Facility Type exists or would arise as a result of such withdrawal or transfer.
- 3.8.2 For the purposes of paragraph 6, Winter Carry-across Gas injected by the Top-Up

Manager shall be treated as if it were Carry-across Gas pursuant to [Section K3.2.5](#), except that the reference in paragraph 6.5.4(a)(ii) to the last Day of the Storage Year shall be treated as a reference to the Day for which such Nomination was made.

- 3.8.3 For the avoidance of doubt, injection of Winter Carry-Across Gas by the Top-up Manager, and any Winter Storage Gas Transfer made by it as Transferee Storage User, shall be treated as part of the Top-up Gas Procurement Arrangements.

## 4 TOP-UP STORAGE IN TRANSCO LNG STORAGE FACILITIES

### 4.1 Request

- 4.1.1 Subject as provided in this paragraph 4, any Storage User or User may request the Top-up Manager to surrender Storage Space and/or Storage Injectability, and/or Storage Deliverability to make a Storage Gas Transfer, (in each case only in relation of Transco LNG Storage Facility) in favour of such Storage User, on terms (as to payment and otherwise) in accordance with this paragraph 4.

- 4.1.2 A "**Top-up Storage Transfer**" is a surrender of Storage Space or Storage Injectability or Storage Deliverability, or a Storage Gas Transfer, or a combination thereof, by the Top-up Manager in favour of a Storage User (the "**Top-up Transferee Storage User**") in accordance with this paragraph 4.

- 4.1.3 The Storage User's request shall specify:

- (a) the identity of the Storage User;
- (b) the relevant Storage Facility; and
- (c) the Storage Capacity and/or quantity of gas subject to the proposed Top-up Storage Transfer.

- 4.1.4 The Top-up Manager may reject the Storage User's request:

- (a) where the request is not made in compliance with the requirements of paragraph 4.1.3;
- (b) where the amount of Storage Space or Storage Injectability or Storage Deliverability or quantity of gas proposed to be subject to the Top-up Storage Transfer exceeds the Top-up Manager's Available Storage Capacity or gas-in-storage in the relevant Storage Facility, or the requirements of paragraph 4.2.4 are not complied with;
- (c) for Storage Deliverability or Storage Injectability or Storage Space during the conduct of a tender pursuant to paragraph 2.9,
- (d) pursuant to paragraph 3.5.5; or
- (e) in accordance with [Section V3](#).

- 4.1.5 The Top-up Manager will approve or (in accordance with paragraph 4.1.4) reject the Storage User's request and notify the Storage User of such approval or rejection not later than the Business Day after such request is made.

## TOP-UP STORAGE

- 4.1.6 Where the Top-up Manager approves the Storage User's request the Top-up Manager's notice under paragraph 4.1.5 will constitute an offer to make a Top-up Storage Transfer in accordance with the Storage User's request.
- 4.1.7 The Storage User may accept the Top-up Manager's offer under paragraph 4.1.6 by notice to the Top-up Manager not later than the Business Day after the Top-up Manager's notice was given.
- 4.1.8 If the Storage User does not accept the Top-up Manager's offer in accordance with paragraph 4.1.7 such offer will lapse.
- 4.1.9 The Top-Up Manager may but will not be required to surrender Storage Deliverability required for making Residual Gas Transfers following a tender pursuant to paragraph 2.9. The Top up Manager may, but shall not be obliged to, transfer Storage Injectability as part of a Top up Storage Transfer.
- 4.1.10 Where the Top-up Manager is a Storage User in relation to a Storage Facility other than a Transco LNG Storage Facility, where another Storage User at such facility requests the Top-up Manager to surrender Storage Space and/or Storage Injectability and/or Storage Deliverability and/or to make a transfer of gas (in a manner akin to a Storage Gas Transfer in accordance with [Section Z](#)) in favour of such Storage User, the Top-up Manager shall, but only to the extent permitted by the relevant Storage Terms, seek to give effect to such request as if it were a request made in respect of a Transco LNG Storage Facility under this paragraph 4.
- 4.1.11 Nothing in paragraph 4.1.10 shall be construed as requiring the Top-up Manager to seek any change to relevant Storage Terms such as to facilitate the taking of any of the actions referred to in paragraph 4.1.10

## 4.2 Terms of transfer

- 4.2.1 Where the Storage User accepts under paragraph 4.1.7 the Top-up Manager's offer, on and with effect from the Day following the Day on which the Storage User notified its acceptance:
- (a) the Top-up Transferee Storage User will be registered as holding and the Top-up Manager will cease to be registered as holding the Storage Space and/or Storage Injectability and/or Storage Deliverability subject to such offer; and/or
  - (b) the Top-up Manager and the Top-up Transferee Storage User will make in accordance with [Section Z4.2](#) a Storage Gas Transfer in respect of the quantity of gas subject to such offer.
- 4.2.2 In accordance with paragraph 4.2.1(a), a Top-up Storage Transfer (as respects Storage Capacity) will not take effect as a Storage Capacity Transfer under [Section Z4](#).
- 4.2.3 Except pursuant to paragraphs 3.5.3 and 3.5.5(a), a Top-up Storage Transfer may only be made with effect from any Day between 1st May and 30th November in the Storage Year.
- 4.2.4 The following requirements must be satisfied in respect of a Top-up Storage Transfer:
- (a) subject to paragraphs 3.5.5(b), 4.3.3(a) and 4.4.4, where the Top-up Storage



Transfer includes a Storage Gas Transfer, it shall also comprise a surrender of an amount of Storage Space not less than the Transferred Gas-in-Storage;

- (b) the amount by which the Storage Space surrendered exceeds the amount of Transferred Gas-in-Storage under a Top-up Storage Transfer shall not exceed the Top-up Manager's unfilled Storage Space in the relevant Storage Facility;
  - (c) the ratio of Storage Space to Storage Deliverability for the Top-up Storage Transfer must be the same as the ratio of Storage Space to Storage Deliverability then held by the Top-up Manager at the relevant Storage Facility.
  - (d) the amount of Storage Injectability proposed to be subject to the Top up Storage Transfer shall not exceed the amount which the Top up Manager may reasonably determine it requires to retain for the purposes of filling Top up Storage Space remaining after the Top-up Storage Transfer.
- 4.2.5 A Top-up Storage Transfer may be made notwithstanding that (after such transfer) the remaining aggregate amount of unfilled Storage Space held by the Top-up Manager in all Storage Facilities will be less than the aggregate quantities of gas of which it is committed to take delivery (or to pay for if it does not take delivery) under its Top-up Gas Procurement Arrangements (the difference being the "**exposed commitment**"); and in such a case all amounts expended and costs incurred whatsoever and howsoever by the Top-up Manager by reason of its not taking delivery or in securing its release (to the extent of the exposed commitment) from such commitment or defending or settling any claim in respect thereof and any damages or other amounts payable in respect thereof will be Top-up Costs in accordance with paragraph 6.1.1(a).
- 4.2.6 Where under a Top-up Storage Transfer the amount by which the Storage Space surrendered exceeds the amount of Transferred Gas-in-Storage.
- (a) the Top-up Manager will (if so requested by the Top-up Transferee Storage User, and unless otherwise agreed) notify to the Storage Operator (by way of a Storage Renomination in accordance with [Section Z5.2](#)) a proportionate reduction in the Storage Nomination Quantity for any Day (after the Day the Top-up Storage Transfer takes effect) in respect of which the Top-up Manager has made a Storage Injection Nomination;
  - (b) if the Top-up Manager is unable (due to the provisions set out in [Section Z5.2](#)) to reduce the Storage Nomination Quantity for any Day (after the Day the Top-up Storage Transfer takes effect) in respect of which the Top-up Manager has made a Storage Injection Nomination, the Top-up Transferee Storage User shall pay to the Top-up Manager an amount equal to the amount of any Storage Overrun Charge and/or Storage Management Charge payable by the Top-up Manager pursuant to [Section Z7.1](#) and [Z7.3](#) in consequence thereof.

### 4.3 Transfer charges

- 4.3.1 Where a Top-up Storage Transfer includes a Storage Gas Transfer, the Top-up Transferee Storage User undertakes (by accepting the Top-up Manager's offer under paragraph 4.1.6), to pay to the Top-up Manager in addition to any amount under paragraph 4.2.5, an amount equal to the quantity of Transferred Gas-in-Storage multiplied by the greater of the amount of the Transferred Gas-in-Storage:

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- (a) 105% of Top-up WACOG; or
  - (b) the sum of the price in pence/kWh which is equal to the highest Market Offer Price for a Market Transaction effected for the Day on which the Storage Operator makes the request for a Top-up Storage Transfer and the amount payable in pence/kWh to the Storage Operator in respect of the injection of a kWh into the relevant Top-up Storage Facility.
- 4.3.2 Such amount shall be payable as a single payment and shall be invoiced and paid in accordance with [Section S](#).
- 4.3.3 Where a Top-up Storage Transfer includes a surrender of Storage Space or Storage Injectability or Storage Deliverability:
  - (a) the Top-up Transferee Storage User shall become liable for Storage Charges in respect thereof with effect from such Top-up Storage Transfer;
  - (b) the Top-up Transferee Storage User shall in addition be liable for and pay to the Storage Operator the amount(s) payable in respect of the surrendered Storage Capacity by way of Storage Capacity Charges under [Section Z2.6](#), on the basis that the User was registered as holding the transferred capacity pursuant to an application under [Section Z3.7](#) made on the Day of the Top-up Storage Transfer under paragraph 4.2.1(a);
  - (c) the amount(s) payable by the Top-up Transferee Storage User under paragraph (b) shall be paid by the Storage Operator to the Top-up Manager.

## 4.4 Surrender on late booking at Transco LNG Storage Facilities

### 4.4.1 Where at any time:

- (a) a Storage User is registered under [Section Z3](#) as holding Storage Capacity pursuant to an application made after the Applicable Invitation Close Date, and
- (b) the Top-up Manager then or (pursuant to paragraph 4.4) later has unfilled Storage Space in an amount exceeding the aggregate quantity of gas of which it is committed to take delivery under its Top-up Gas Procurement Arrangements

the Top-up Manager will by so notifying the Storage Operator surrender and thereby cease to be registered as holding Storage Space in the amount under paragraph 4.4.2 and associated Injectability (but not exceeding the Storage Injectability which such Storage User was so registered as holding) and associated Storage Deliverability (on the basis of the Top-up Manager's Storage Duration in the relevant Storage Facility but not exceeding the Storage Deliverability which such Storage User was so registered as holding).

### 4.4.2 The amount of Storage Space surrendered under paragraph 4.4.1 will be the lesser of:

- (a) the Storage Space which the Storage User was registered as holding under [Section Z3.7](#), and
- (b) the excess amount of Storage Space referred to in paragraph 4.4.1(b).



- 4.4.3 Upon a surrender of Storage Capacity under paragraph 4.4.1 in relation to a Transco LNG Storage Facility the Storage Operator will pay to the Top-up Manager an amount determined as the amount which would be payable by a Storage User by way of Storage Capacity Charges under [Section Z2.6](#) if the User applied for and was registered as holding that amount of Storage Capacity on the date of such surrender.
- 4.4.4 In the circumstances in paragraph 4.4.1(a), the Top-up Manager will (until such time, if any, as it has surrendered Storage Space in aggregate equal to the amount under paragraph 4.4.1(a)):
- (a) suspend the requirements of paragraph 4.2.4(a) and 4.2.3 in relation to the relevant Storage Facility, so that a Storage User may request a Top-up Storage Transfer comprising a Storage Gas Transfer without a corresponding surrender of Storage Space, provided that the Top-up Manager shall not be required to approve such a request other than in accordance with paragraph 4.1; and
  - (b) where as a result of such a Storage Gas Transfer, the Top-up Manager is left with additional unfilled Storage Space in the relevant Storage Facility, surrender or further surrender Storage Capacity in accordance with paragraph 4.4.1.
- 4.4.5 The Top-Up Manager may but will not be required to surrender associated Storage Injectability and/or associated Storage Deliverability pursuant to paragraph 4.4.1. at a Relevant Storage Facility during the conduct of a tender pursuant to paragraph 2.9 and thereafter the Top-Up Manager may but will not be required to surrender Storage Deliverability required for making Residual Gas Transfers following such tender.
- 4.4.6 When entering into Storage Terms in respect a Storage Facility other than a Transco LNG Storage Facility, the Top-up Manager shall endeavour to ensure that such Storage Terms contain terms which give the Top-up Manager rights of an equivalent nature to those referred to in this paragraph 4.4, and the Top-up Manager shall not be under any obligation to only enter into Storage Terms which so provide and the Top-up Manager shall not be liable to Users in any respect should any other Storage Terms to which it is a party not so provide.

## 5 TOP-UP MARKET TRANSACTIONS

### 5.1 General

The Top-up Manager will withdraw gas from Top-up Storage Facilities in accordance with this paragraph 5. and in accordance with the relevant Storage Terms.

### 5.2 Top-up Market Offers

- 5.2.1 Subject to paragraph 5.2.3, the Top-up Manager will (in respect of any Day for which, at any time, Forecast Total System Demand exceeds 85% of System 1-in-20 peak day demand) and may (in respect of every other Day) make a Top-up Market Offer in relation to each Top-up Storage Facility for that Day in the Storage Year in accordance with this paragraph 5.
- 5.2.2 A "**Top-up Market Offer**" is a Market Offer to effect a Locational Market Transaction in relation to which the Top-up Manager agrees to make a Contract Renomination (in accordance with [Section D2.3.3\(a\)\(i\)](#) or [\(ii\)](#)) for a System Entry Point comprising the

## TOP-UP STORAGE

Storage Connection Point of a Top-up Storage Facility.

5.2.3 A Top-up Market Offer will not be made (or if made, will be withdrawn) in respect of a Storage Facility:

- (a) in which the Top-up Manager does not have, or no longer has, gas-in-storage;
- (b) where the Storage Facility is a Constrained Storage Facility, if the requirement in paragraph 5.2.5 is not satisfied or would cease to be satisfied;
- (c) which is not in operation or ceases to be in operation on the Day.

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

- (a) the Market Transaction Lead Time shall be 6 hours or if longer the withdrawal lead time (for an increase) of the Top-up Storage Facility at the time the Top-up Market Offer is made;
- (b) the Market Transaction Flow Rate Change will be equivalent to:
  - (i) without prejudice to paragraph (ii) in respect of a Storage Facility other than a Constrained Storage Facility, the Top-up Manager's Available Storage Deliverability (less any Storage Deliverability required for making Residual Gas Transfers following a tender pursuant to paragraph 2.9) in the Top-up Storage Facility on the Gas Flow Day (or if less a rate for the Day equivalent to the amount of its gas-in-storage);
  - (ii) in respect of a Storage Facility in relation to which the Total Deliverability Requirement exceeds the Top-up Manager's Available Storage Deliverability, the Total Deliverability Requirement;
  - (iii) in respect of a Constrained Storage Facility, a rate for the Day equivalent to the greater of the amount by which the Top-up Manager's gas-in-storage exceeds the applicable Aggregate Weekly Minimum Requirement (for the week in which the Day in respect of which the Top-up Market Offer is made falls) or 100,000 kWh/n (where n is the number of hours remaining in the Day after the time referred to in paragraph (a));
- (c) the Market Offer Price shall be the Top-up Market Offer Price.

5.2.5 The requirement referred to in paragraph 5.2.3(b) is that on each day in each week of the Winter Period the Top-up Manager will have an amount of gas-in-storage no less than the applicable Aggregate Weekly Minimum Requirement.

## 5.3 Top-Up Market Offer Price

The Market Offer Price ("**Top-up Market Offer Price**" ("**TMOP**")) under a Top-up Market Offer shall be either the amount (in pence/kWh) determined in respect of the relevant Top-up Facility in accordance with the following formula or 99.9999 pence/kWh whichever is the lesser:

$$TMOP = W + G + E + Nx(C/T)$$

where

- W is the unit rate (in pence/kWh) of the Storage Withdrawal Charge in respect of withdrawal from the facility on the Gas Flow Day;
- E is the unit rate (in pence/kWh) of the System Entry Overrun Charge determined in accordance with [Section B2.12.3\(b\)](#) for the relevant Storage Connection Point;
- G is the Top-up WACOG;
- N is 20;
- C is the total cost (in pence) to the Top-up Manager at the date of the Top-up Market Offer for all Storage Capacity purchased by it in respect of the Storage Year for the facility; and
- T is the total quantity (in kWh) of Storage Space purchased by the Top-up Manager at the date of the Top-up Market Offer in respect of the Storage Year for the facility.

For the purposes of calculating C and T, no account shall be taken of any surrender or other disposal of Storage Capacity by the Top-up Manager (or the proceeds therefrom) in respect of the Storage Year.

## 6 TOP-UP COST RECOVERY

### 6.1 Net Top-up Costs

- 6.1.1 Subject to paragraph 6.1.5, the costs ("**Top-up Costs**") incurred by the Top-up Manager in respect of a Storage Year are amounts payable by it and in respect of withdrawal of Carry-Across Gas;
- (a) under or in respect of the Top-up Gas Procurement Arrangements;
  - (b) by way of Transportation Charges in respect of Storage Connection Points and other System Entry Points;
  - (c) under [Section F4](#) in respect of Balancing Charges;
  - (d) by way of Storage Capacity Charges in respect of Storage Capacity in Top-up Storage Facilities;
  - (e) by way of Storage Injection Charges in respect of injection to Top-up Storage Facilities;
  - (f) by way of Storage Withdrawal Charges in respect of withdrawal;
  - (g) in paying amounts to Storage Users pursuant to paragraph 6.6 in respect of the Closing Top-up Adjustment Amount;

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- (h) pursuant to any other provision of the Code by which (as Storage User) the Top-up Manager is required to make any payment.
- 6.1.2 Subject to paragraph 6.1.5, the revenues ("**Top-up Revenues**") realised by the Top-up Manager in respect of a Storage Year are amounts payable to it:
  - (a) in respect of Top-up Storage Transfers under paragraph 4;
  - (b) under [Section F4](#) in respect of Balancing Charges;
  - (c) subject to paragraph 6.1.4, by way of Market Balancing Action Charges in respect of Top-up Market Offers made:
    - (i) for Days in the Winter Period; and
    - (ii) for Days not in the Winter Period.
  - (d) in respect of any Storage Withdrawal Nomination in respect of Winter Carry-across Gas or Winter Storage Gas Transfer made by it as Transferor Storage User.
- 6.1.3 The amounts referred to in paragraph 6.1.2(c)(i) are "**Relevant Top-up Bid Revenues**"; and Top-up Revenues excluding Relevant Top-up Bid Revenues are "**General Top-up Revenues**".
- 6.1.4 In determining in respect of a Day the amount referred to in paragraph 6.1.2(c) there shall be deducted any amount payable by the Top-up Manager by way of Market Balancing Action Charges in respect of a Top-up Market Offer made for that Day under paragraph 5.2.5.
- 6.1.5 The net amount of the Top-up Financing Adjustments for each Day in each month shall be (where positive) a Top-up Cost or (where negative) a Top-up Revenue, and shall be treated as paid or received by the Top-up Manager on the date on which invoiced Balancing Charges in respect of that Day become due for payment pursuant to [Section S](#).
- 6.1.6 Top-up Costs do not include any internal administration costs of Transco, but do include (under paragraph 6.1.1(a)) the amounts payable by the Top-up Manager (or the Top-up Manager's share of amounts payable by Transco) by way of fees to a Storage User Agent appointed in accordance with [Section E2.2](#).
- 6.1.7 In determining Top-up Costs and Top-up WACOG in respect of a surplus or a deficit Storage Facility (and the Top-up Financing Adjustment), gas withdrawn or injected as Carry-Across Gas shall be treated as having been withdrawn from or (as the case may be) injected to such facility on the Day such withdrawal or injection occurs.
- 6.2 Top-up Financing Adjustment
  - 6.2.1 The "**Top-up Financing Adjustment**" for a Day in any Storage Year is the amount calculated as the Neutrality Interest Rate for the Day multiplied by the closing top-up balance for the Day.
  - 6.2.2 For the purposes of this paragraph 6.2:

- (a) the "**closing top-up balance**" for a Day is the amount of the opening top-up balance, plus the amount (if any) of all payments received by the Top-up Manager on that Day, less the amount (if any) of all payments made by the Top-up Manager on that Day, in each case in respect of:
    - (i) Top-up Costs or (as the case may be) Top-up Revenues, and
    - (ii) Top-up Neutrality Charges;
  - (b) the "**opening top-up balance**" is:
    - (i) on the first Day of the Storage Year, zero
    - (ii) for each subsequent Day, the amount of the closing top-up balance for the preceding Day.
- 6.2.3 The Top-up Financing Adjustment for a Day is positive where the closing top-up balance represents (on a cumulative basis for the Storage Year) amounts paid by the Top-up Manager exceeding amounts received by it, and negative where the closing top-up balance represents (on a cumulative basis for the Storage Year) amounts received by the Top-up Manager exceeding amounts paid by it.
- 6.2.4 For the purposes of paragraph 6.2.2(a)(i), the amounts referred to in paragraph 6.6.1(a)(i) and (ii) shall be treated as paid or received by the Top-up Manager on the 1st Day of the following Storage Year.
- ### 6.3 Top-up cost estimation
- 6.3.1 The net costs or revenues of the Top-up Manager will be estimated in accordance with this paragraph 6.3.
- 6.3.2 In respect of each Storage Year, not later than the last Day of each month, commencing in November, the Top-up Manager will estimate (or in subsequent months, re-estimate) the amount of its Top-up Costs and General Top-up Revenues in respect of the whole of the Storage Year, until the Final Adjustment Month, assuming that no Market Offer is accepted in the Top-up Recovery Period.
- 6.3.3 The Top-up Manager will also determine, not later than 30th November in the Storage Year, the amount ("**Provisional Closing Top-up Amount**") calculated as the sum (for all Top-up Storage Facilities) of the amount of the Top-up Manager's gas-in-storage in each Top-up Storage Facility multiplied by Top-up WACOG for that Top-up Storage Facility, in each case as at the time of estimation.
- 6.3.4 For each month (month (n)) in the Top-up Recovery Period:
- (a) the "**Aggregate Net Top-up Cost**" is the sum of Top-up Costs less the sum of General Top-up Revenues, each estimated during month (n-1) in accordance with paragraph 6.3.2, less the Provisional Closing Top-up Amount determined under paragraph 6.3.3;
  - (b) the "**Estimated Daily Top-up Amount**" is the amount determined as the Aggregate Net Top-up Cost divided by the aggregate number of Days in the Top-up Recovery Period;

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- (c) the "**Daily Estimation Adjustment**" is:
  - (i) where month (n) is the month of December, zero;
  - (ii) in relation to subsequent months, the amount determined as the difference between the Estimated Daily Top-up Amount determined for month (n) and the Estimated Daily Top-up Amount determined for month (n-1), multiplied by the number of Days in month (n-1), divided by the number of Days in all months from and including month (n) to and including the last month of the Top-up Recovery Period;
- (d) the "**Adjusted Estimated Daily Top-up Amount**" is the Estimated Daily Top-up Amount for month (n) plus or minus the Daily Estimation Adjustment.

6.3.5 For each Day in month (n) the "**Top-up Daily Recovery Amount**" is:

- (a) the amount of any Adjusted Estimated Daily Top-up Amount, less
- (b) the sum for each Top-up Market Offer (if any) accepted for the Day of the difference between:
  - (i) the amount of Relevant Top-up Bid Revenues, and
  - (ii) the amount calculated as:

$$(W + E + G) \times Q$$

where W, G and E have the meanings under paragraph 5.3, and

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

- (c) the amount of the rounding adjustment in respect of the preceding Day in accordance with paragraph 6.3.8.

6.3.6 For the purposes of this paragraph 6.3 the "**Top-up Recovery Period**" is the months of December to March inclusive, and the "**Final Adjustment Month**" is the first month (after the Top-up Recovery Period) for which the Daily Estimation Adjustment is zero.

6.3.7 For each month (month 'm') after the Top-up Recovery Period in respect of a Storage Year the "**Top-up Recovery Adjustment Amount**" is:

- (a) the aggregate of:
  - (i) the amount of any Top-up Costs incurred in that month,
  - (ii) the amount of any Top-up Neutrality Charges which were due for payment in month m-1 but were unpaid as at the last Day of month m,
  - (iii) the amount of any interest paid (in accordance with [Section S4.3.2](#)) by the Top-up Manager to any Storage User on any Day in the relevant month by virtue of the Storage User having made an over-payment in

respect of any Top-up Neutrality Charge; and

- (iv) in the month in which the same is calculated, the magnitude of the Closing Top-up Adjustment Amount, where positive;

less

- (b) the aggregate of:

- (i) the amount of any Top-up Revenues received in that month;
- (ii) the amount of any Top-up Neutrality Charges which:
  - (1) were unpaid as at the last Day of month m-2 and were taken into account in calculating the Top-up Recovery Adjustment Amount for month m-1, but
  - (2) have been paid to the Top-up Manager since the last Day of month m-1;
- (iii) the amount of any interest paid (in accordance with [Section S4.3.2](#)) by any relevant Storage User to the Top-up Manager on any Day in the relevant month by virtue of late payment of Top-up Neutrality Charges;
- (iv) in the month in which the same is calculated, the magnitude of the Closing Top-up Adjustment Amount, where negative;

plus

- (c) the amount of the rounding adjustment in respect of the preceding month in accordance with paragraph 6.3.8.

6.3.8 The rounding adjustment for a Day or (as the case may be) month is the amount by which, as a result of the rounding (to any given number of decimal places) of any intermediate quantity in the calculation of Top-up Neutrality Charges for that Day or for Days in that month, the sum of all such charges is less (in which case the rounding adjustment is positive) or more (in which case the rounding adjustment is negative) than the Top-up Daily Recovery Amount or (as the case may be) the Top-up Recovery Adjustment Amount.

## 6.4 Top-up recovery

6.4.1 Where following the acceptance of a Top-up Market Offer, the Market Balancing Action Charge payable to the Top-up Manager exceeds an amount calculated as the Market Transaction Quantity for such offer multiplied by the lesser of 99.9999 pence/kWh or that price determined by reference to the formula in paragraph 5.3 (for which such purposes N shall be deemed to be one) any such excess ("**Top-up Market Offer Excess**") shall be payable to Storage Users by the Top-up Manager in accordance with this paragraph 6.4.

6.4.2 For the purposes of this paragraph 6.4:



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- (a) **"relevant Storage User"** means any Storage User other than the Top-up Manager, the Shrinkage Provider and Transco when acting for Operating Margins Purposes;
  - (b) **"relevant UDQO"** means an UDQO of a relevant Storage User other than one in respect of an Interruptible Supply Point or a Storage Connection Point.
- 6.4.3 Where an amount is payable by the Top-up Manager in accordance with paragraph 6.4.1, the Top-up Manager shall pay each relevant Storage User a charge ("**Top-up Neutrality Charge**") calculated, in respect of each Day for which a Top-up Market Offer was accepted and in respect of which paragraph 6.4.1 applies, as the Top-up Market Excess divided by the sum of all relevant UDQOs for the Day multiplied by the sum of the relevant Storage User's UDQOs for such Day.
- 6.4.4 Top-up Neutrality Charges shall be invoiced and are payable in accordance with [Section S](#).
- ## 6.5 Top-up WACOG
- 6.5.1 For each Top-up Storage Facility, every 14 Days the Top-up Manager will calculate and provide to Storage Users Top-up WACOG as at the Day (the "**WACOG Calculation Date**") 7 Days before such calculation.
- 6.5.2 In respect of each Top-up Storage Facility, in relation to any Day, "**Top-up WACOG**" is the weighted average cost of gas-in-storage held by the Top-up Manager in that facility as at the preceding WACOG Calculation Date.
- 6.5.3 Top-up WACOG in respect of a Top-up Storage Facility shall be calculated as the relevant costs of the Top-up Manager in accordance with paragraph 6.5.4, less the sum of the amounts calculated in accordance with paragraph 6.5.6, in respect of each Day (a "**relevant Day**") in the Storage Year up to and including the WACOG Calculation Date, divided by the amount of the Top-up Manager's gas-in-storage as at the WACOG Calculation Date.
- 6.5.4 In relation to each Top-up Storage Facility, the relevant costs of the Top-up Manager are the sum of the following amounts:
- (a) the aggregate of:
    - (i) the amounts (if any) paid by the Top-up Manager to Transco (for Operating Margins Purposes) in respect of Storage Gas Transfers made pursuant to [Section K3.2](#); and
    - (ii) the quantity of Carry-over Top-up Gas multiplied by Top-up WACOG, and the amount of Carry-Across Gas (in respect of which the relevant Storage Facility is the deficit facility) multiplied by relevant Margins WACOG in respect of the surplus Storage Facility, in each case as at the last Day of such Storage Year;
  - (b) the relevant proportions of the amounts which have accrued due from the Top-up Manager pursuant to the Top-up Gas Procurement Arrangements in respect of quantities of gas delivered on relevant Days to the System and Acquiring Trade Nominations (irrespective of whether such amounts have been paid or



have become due for payment by the Top-up Manager);

- (c) the amounts which have accrued due from the Top-up Manager in respect of any Storage Gas Transfers made on any relevant Day to the Top-up Manager;
- (d) the relevant proportions of the amounts payable by the Top-up Manager by way of Transportation Charges in respect of relevant Days (in respect of the delivery of gas to the System at System Entry Points and the offtake of gas from the System at Storage Connection Points for injection to Storage Facilities), determined on a daily basis;
- (e) the amounts paid or payable by the Top-up Manager by way of injection charges in respect of injection on relevant Days into the relevant Top-up Storage Facility and by way of withdrawal charges in respect of withdrawal on relevant Days of Carry-Across Gas from a surplus Storage Facility in relation to which the relevant Storage Facility is the deficit facility;
- (f) the amounts payable by the Top-up Manager by way of Balancing Charges in respect of relevant Days.

- 6.5.5 For the purposes of paragraph 6.5.4 "**relevant proportion**" in respect of a Top-up Storage Facility is the quantity injected by the Top-up Manager into that Storage Facility divided by the aggregate of the quantity injected by the Top-up Manager into all Storage Facilities on the relevant Day.
- 6.5.6 The amount to be deducted in accordance with paragraph 6.5.3 is the quantity of gas-in-storage subject to any Storage Gas Transfer made by the Top-up Manager or (as the case may be) the Market Balancing Action Quantity under any accepted Top-up Market Offer, multiplied by Top-up WACOG for the relevant Top-up Storage Facility for the Day on which such transfer was made or bid accepted (to the extent that any reduction in the Top-up Manager's gas-in-storage shall be valued at the prevailing Top-up WACOG).
- 6.5.7 Where the amount of any relevant cost under paragraph 6.5.4 is not known by the WACOG Calculation Date, the Top-up Manager will use an estimate of such amount in calculating Top-up WACOG.

## 6.6 Out-turn Closing Top-up Amount

- 6.6.1 In respect of each Storage Year the Top-Up Manager will as soon as reasonably practicable in the following Storage Year determine the Closing Top-Up Adjustment Amount and where such amount is negative the Top-Up Manager shall pay to each relevant Storage User an amount calculated in accordance with paragraph 6.6.3.
- 6.6.2 For the purposes of this paragraph 6 in respect of each Storage Year for each Top-up Storage Facility:
- (a) the "**Closing Top-up Adjustment Amount**" is the Provisional Closing Top-up Amount less the Out-Turn Closing Top-up Amount;
  - (b) the "**Out-turn Closing Top-up Amount**" is the sum of:
    - (i) the amounts (if any) paid by Transco (for Operating Margins Purposes)

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to the Top-up Manager in respect of Storage Gas Transfers made pursuant to [Section K3.2](#);

- (ii) the quantity of Carry-over Top-up Gas, and the quantity of Carry-Across Gas (in relation to which the facility is the surplus Storage Facility), in each case multiplied by Top-up WACOG as at the last Day of such Storage Year; and
- (iii) the amounts received by the Top-up Manager pursuant to a tender under [Section K3.3](#) in respect of the disposal of Residual Surplus Gas (or Further Residual Surplus Gas) less amounts received (if any) pursuant to any adjustment under [Section K3.3.2\(f\)\(ii\)](#) to the bid prices payable by Storage Users as a result of the Top-Up Manager (or Transco on its behalf) incurring withdrawal charges or other costs in connection with Residual Gas Transfers;

in or for the following Storage Year in respect of the Top-up Storage Facility.

6.6.3 Where an amount is payable by the Top-up Manager in accordance with paragraph 6.6.1, the Top-up Manager shall pay each relevant Storage User an amount calculated as the Closing Top-up Adjustment Amount divided by the sum of all relevant UDQOs for each Day in the Top-up Recovery Period multiplied by the sum of the relevant Storage User's UDQOs for each Day in the Top-up Recovery Period.

6.6.4 For the purposes of paragraph 6.6.3 'relevant Storage User' and 'relevant UDQOs' have the meanings given in paragraph 6.4.2.

## 6.7 Top-up details

6.7.1 Not later than 31st May each Storage Year the Top-up Manager will determine and notify to Storage Users the actual amounts of its Top-up Costs, Additional Top-up Costs and Top-up Revenues for the preceding Storage Year.

6.7.2 The notification under paragraph 6.7.1 will identify separately any Top-up Costs incurred by the Top-up Manager described in paragraph 4.2.5 in respect of an exposed commitment.

## Defined Terms

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## EMERGENCIES

## Q EMERGENCIES

### 1 GENERAL

#### 1.1 Introduction

##### 1.1.1 In this Section Q:

- (a) "**Regulations**" means the Gas Safety (Management) Regulations 1996, and references to particular Regulations shall be construed accordingly;
- (b) "**supply emergency**" has the meaning ascribed thereto in the Regulations;
- (c) "**NEC**" means the person from time to time who is the network emergency coordinator in accordance with the Regulations;
- (d) references to Transco do not include Transco in its capacity as NEC where it has been so appointed;
- (e) "**NEC Safety Case**" means the safety case (in accordance with Regulation 2(5)) of the NEC.

1.1.2 Users and Transco acknowledge that the conveyance of gas by pipelines involves risk of supply emergency, in the context of which (and of the duties of Transco in relation to supply emergencies pursuant to the Regulations and any other Legal Requirement) the provisions of this Section Q are appropriate and reasonable.

##### 1.1.3 This Section Q provides for the following matters:

- (a) requirements to be complied with by Users in respect of Gas Supply Emergencies to enable Transco to discharge its duties (pursuant to the Regulations and any other Legal Requirement) in respect of Gas Supply Emergencies;
- (b) the consequences for Transco and Users of a Gas Supply Emergency in respect of the application of the Code.

1.1.4 Without prejudice to the duty of cooperation under Regulation 6(1) (*Co-operation*), a User shall not be required in a Gas Supply Emergency to comply with any requirement under this Section Q where it would be manifestly unreasonable to expect the User to do so; but where a User is of the opinion that it is (by reason of this paragraph 1.1.4) excused from complying with any requirement under this Section Q it shall forthwith notify Transco of that fact and if so requested cooperate with Transco to the maximum extent reasonable in the circumstances to establish what alternative requirement (whether or not contemplated by this Section Q) it would be able to comply with; provided that paragraph 4.2 shall (insofar as capable of applying) apply in respect of compliance with any such alternative requirement.

1.1.5 A User shall not be excused by virtue of paragraph 1.1.4 from any payment obligation under paragraph 4.

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## 1.2 Gas Supply Emergency

1.2.1 For the purposes of the Code, a "**Gas Supply Emergency**" is a gas supply emergency (as referred to in the NEC Safety Case), namely the occurrence of an event or existence of circumstances which have resulted in, or which give rise to a significant risk of, a loss of pressure in the System which itself has resulted in or might result in a supply emergency; and any reference in any other Section of the Code to an "**Emergency**" is a reference to a Gas Supply Emergency.

1.2.2 In particular, but without limitation, a Gas Supply Emergency may exist where Transco's ability to maintain safe pressures within the System is affected or threatened by any actual or potential interruption or disruption to or insufficiency of deliveries of gas to the System, or by any actual or potential failure of or damage to any part of the System.

1.2.3 For the purposes of the Code:

- (a) a "**Network Gas Supply Emergency**" is a network gas supply emergency (as referred to in the NEC Safety Case), namely a Gas Supply Emergency which involves or may involve a loss of pressure in the NTS;
- (b) a "**Network Gas Supply Emergency Gas Deficit Emergency**" is a Network Gas Supply Emergency which arises as a result of:
  - (i) deliveries of gas to the System being insufficient for the purpose of meeting demand for gas on the System;
  - (ii) or a Transportation Constraint affecting the deliveries of gas to the System;
  - (iii) or a Transportation Constraint on the System which does not prejudice the ability of Users to offtake gas from the System;
- (c) a "**Network Gas Supply Emergency Critical Transportation Constraint Emergency**" is a Network Gas Supply Emergency which is not a Network Gas Supply Emergency Gas Deficit Emergency; and
- (d) any other Gas Supply Emergency is a "**Local Gas Supply Emergency**" (that is, local gas supply emergency as referred to in the NEC Safety Case).

1.2.4 In accordance with the NEC Safety Case, the existence, duration and cessation of a Network Gas Supply Emergency is to be determined by the NEC.

1.2.5 Transco confirms that in its opinion any Gas Supply Emergency including a Potential Network Gas Supply Emergency will constitute a pipeline system emergency (as referred to in Standard Licence Condition 4(1)(b) of the Shipper's Licence).

1.2.6 In this Section Q:

- (a) "**Stage**" means a stage (from 1 to 5) of the Network Gas Supply Emergency Procedure as described in the NEC Safety Case, and a Network Gas Supply Emergency is of a particular Stage where the NEC has determined that the



relevant stage of such procedures applies in relation to such Gas Supply Emergency;

- (b) A "**Potential Network Gas Supply Emergency**" is a potential network gas Supply emergency as described in the Network Gas Supply Emergency Procedures, namely a case where the NEC has initiated Stage 1 of the Network Gas Supply Emergency Procedure and is for the time being of the opinion that a Network Gas Supply Emergency can be averted by Emergency Steps which may be taken in Stage 1;
- (c) unless expressly otherwise provided, references to a Gas Supply Emergency or a Network Gas Supply Emergency do not include a Potential Network Gas Supply Emergency.

1.2.7 The existence of a Local Gas Supply Emergency shall be determined by Transco in its sole judgement and irrespective of the cause of and of whether Transco or any other person may have caused or contributed to the Local Gas Supply Emergency.

1.2.8 A Local Gas Supply Emergency will continue until such time as Transco determines that the circumstances which resulted in or might result in a supply emergency no longer apply, that no further Emergency Steps are required, and that normal operation of the relevant part of the System and implementation of the Code may be resumed.

### 1.3 Emergency Steps

1.3.1 For the purposes of the Code, "**Emergency Steps**" are steps to be taken by Transco or a User:

- (a) to avert and/or to reduce the probability of or the probable scale of a Gas Supply Emergency, and/or to prepare for the occurrence of a Gas Supply Emergency; or
- (b) to overcome or contain a Gas Supply Emergency and/or to avert or reduce the hazard presented by it, and/or restore gas supply and normal operation of the System and facilitate appropriate reinstatement of the provisions of the Code following the taking of any such steps.

1.3.2 Users and Transco acknowledge that in a Gas Supply Emergency their business interests will be subordinate to the need to take Emergency Steps in accordance with this Section Q.

1.3.3 Nothing in this Section Q or the Emergency Procedures shall limit the ability of Transco to take any action or step necessitated in its judgement in the interests of safety by a Gas Supply Emergency (including a Potential Network Gas Supply Emergency).

1.3.4 No Emergency Step taken or other thing done or not done, by Transco or any User, pursuant to (and in compliance with any requirements under) this Section Q or Condition 4(2) of the Shipper's Licence shall be a breach of any provision of the Code; and in particular Transco will not be in breach of its obligation to accept gas tendered for delivery to the System at a System Entry Point or to make gas available for offtake from the System at a System Exit Point to the extent that (as a result of any such step taken or thing done or not done) gas tendered for delivery is not accepted or gas is not

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made available for offtake and in accordance with the Applicable Offtake Requirements.

- 1.3.5 It is acknowledged that, in a Gas Supply Emergency (including a Potential Network Gas Supply Emergency), if so authorised by the NEC pursuant to Regulation 8(2) (*Content and other characteristics of gas*), Transco may permit gas which does not comply with the applicable Gas Entry Conditions to be delivered to the System at a System Entry Point.

## 1.4 Emergency Procedures

- 1.4.1 "**Emergency Procedures**" means in relation to a Network Gas Supply Emergency, the document issued by Transco entitled 'Network Gas Supply Emergency Procedure', and in relation to a Local Gas Supply Emergency the document issued by Transco entitled 'Transco Local Gas Supply Emergency Procedure', containing details (inter alia) of planned Emergency Steps, as from time to time revised by Transco in consultation with the Health and Safety Executive, Users and others.
- 1.4.2 Transco will provide without charge to each User a reasonable number of copies of the Emergency Procedures not later than the User Accession Date, and thereafter of any update thereof or revision thereto upon making such update or revision.

## 1.5 Large Firm Supply Points

- 1.5.1 For the purposes of this Section Q, a "**Large Firm Supply Point**" is a Firm Supply Point whose Annual Quantity is greater than 732,000 kWh (25,000 therms).
- 1.5.2 Where the Emergency Steps to be taken in any Gas Supply Emergency include a reduction in demand at Firm Supply Points, consumers at Large Firm Supply Points will (in accordance with the Emergency Procedures) be required to reduce demand before other categories of consumer.

## 1.6 Priority Consumers

For the purposes of this Section Q:

- (a) a "**Priority Consumer**" is a consumer whose name appears on the list established (and from time to time amended) by Transco in accordance with Standard Condition 6(17) of the Transco Licence; and the relevant Supply Point is a "**Priority Supply Point**".
- (b) "**Priority Criteria**" means the criteria designated by the Secretary of State pursuant to that Condition and, if the Secretary of State has not designated criteria, or to the extent that such designated criteria are not expressed to be exhaustive, any other criteria which Transco may from time to time notify to Users for the purposes of assisting Transco to determine which consumers should be given priority in accordance with that Condition.

## 1.7 Connected Systems

Transco may agree pursuant to a Network Entry Agreement or Network Exit Agreement (or other agreement with the relevant person) upon procedures or steps to be taken in a

Gas Supply Emergency by Transco or a Delivery Facility Operator or Connected System Operator and may give effect to such procedures or steps in addition to or in lieu of any Emergency Steps pursuant to this Section Q.

## 1.8 Scope of this Section

1.8.1 This Section Q does not apply in respect of:

- (a) Transco's duties under Regulation 7 (*Gas escapes and investigations*) nor the arrangements referred to in paragraphs (1), (8) of Standard Condition 6 of the Gas Transporter's Licence, it being understood that such arrangements (and any co-operation required of Users pursuant to Regulation 6(1) (*Co-operation*) in relation to such duties and any arrangements which Transco and any User may make in connection with Standard Condition 4(1)(a) of the Shipper's Licence) are matters outside the scope of the Code;
- (b) any other duties of Transco pursuant to the Regulations relating to matters other than Gas Supply Emergencies, it being understood that any cooperation required of Users pursuant to Regulation 6(1) in relation to any such matter is a matter outside the scope of the Code;
- (c) any circumstances constituting a pipeline system emergency where such circumstances do not also constitute a Gas Supply Emergency, it being understood that any request given by Transco for the purposes of Standard Condition 4(1)(a) of the Shipper's Licence in such circumstances is a matter outside the scope of the Code.

1.8.2 In accordance with paragraph 1.8.1(a) an escape of gas is not of itself a Gas Supply Emergency (but subject thereto an escape of gas may be a circumstance which gives rise to a Gas Supply Emergency); and Gas Supply Emergency and Emergency Steps shall be construed accordingly.

## 1.9 Shipper's Licence

1.9.1 Any request or instruction given by Transco to a User in a Gas Supply Emergency shall be treated as being:

- (a) a request for the purposes of Standard Licence Condition 4(2) of the Shipper's Licence; and
- (b) a request for cooperation pursuant to Regulation 6(1); and
- (c) to the intent that paragraph 4 shall (where relevant) apply in relation thereto, a request or instruction made pursuant to this Section Q.

unless in any case such request or instruction is not capable of being construed as such.

1.9.2 Without prejudice to paragraph 1.9.1(b), nothing in this Section Q shall preclude Transco from making any request to a User for the purposes of Standard Licence Condition 4(2) of the Shipper's Licence or for cooperation pursuant to Regulation 6(1).

1.9.3 Nothing in this Section Q shall be construed as precluding Transco from giving any

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direction to any person pursuant to Regulation 6(4) (*Co-operation*).

## 1.10 Code Communications

The provisions of the UK Link Manual as to the giving of Code Communications are without prejudice to the provisions of the Emergency Procedures and such other requirements as Transco may specify for communicating in a Gas Supply Emergency.

## 2 EMERGENCY PREPAREDNESS

### 2.1 Introduction

- 2.1.1 Users are required to comply with the requirements in this paragraph 2 with a view to ensuring an adequate level of preparedness for the occurrence of a Gas Supply Emergency.
- 2.1.2 Each User shall ensure that suppliers supplying gas at Supply Points of which the User is the Registered User are aware of the terms of this Section Q in so far as they may be affected thereby.

### 2.2 User emergency contacts

- 2.2.1 Each User shall provide to Transco:
  - (a) a single telephone number and a single facsimile number by means of each of which Transco may contact, 24 hours a Day, a representative of the User in a Gas Supply Emergency for any purpose pursuant to this Section Q;
  - (b) the name(s) or title(s) of the User's representatives who may be contacted at such numbers.
- 2.2.2 Each such representative shall be a person having appropriate authority and responsibilities within the User's organisation to act as the primary contact for Transco in the event of a Gas Supply Emergency.
- 2.2.3 The details required under paragraph 2.2.1 shall be provided by an Applicant User before becoming a User and shall at all times be maintained up to date; and for these purposes the User shall notify to Transco any change in such details promptly and where possible in advance.

### 2.3 Large Firm Supply Points

- 2.3.1 A User shall in respect of each Large Firm Supply Point of which it is the Registered User provide to Transco:
  - (a) in accordance with paragraph 2.3.2, the names and/or job titles of representatives of the consumer ("**emergency contacts**") each of which has the power and authority to comply with any direction given pursuant to Regulation 6(4);
  - (b) at least one (but not more than four) telephone numbers for each emergency contact by means of which Transco may contact, 24 hours a day, at least one

emergency contact; and

- (c) in the case of a Large Firm Supply Point the Annual Quantity of which is greater than 1,464,000 kWh (*50,000 therms*), one facsimile number, for the purposes of receiving communications pursuant to this Section Q, which is able to receive transmissions 24 hours a day.

2.3.2 For the purposes of paragraph 2.3.1(b):

- (a) in the case of a Large Firm Supply Point in respect of any site which is manned 24 hours a day, the Registered User will provide to Transco the name(s) and/or job title(s) of at least one but not more than 5 emergency contacts; and
- (b) in the case of a Large Firm Supply Point in respect of any site which is not manned 24 hours a day, the Registered User will provide to Transco the names and/or job titles of at least 3 but not more than 5 emergency contacts.

2.3.3 A User shall comply with the requirements of paragraph 2.3.1:

- (a) where the User becomes the Registered User in respect of a Large Firm Supply Point, when submitting the Supply Point Confirmation;
- (b) where for any Gas Year a Supply Point of which a User is the Registered User becomes (by virtue of a change in its Annual Quantity or being designated as Firm) a Large Firm Supply Point, as soon as reasonably practicable, and in any event not later than 30th September in that Gas Year.

2.3.4 The details required under paragraph 2.3.1 shall at all times be maintained up to date; and for these purposes the User shall notify to Transco any change in such details as soon as reasonably practicable and where possible in advance of such change.

## 2.4 Interruptible Supply Points

2.4.1 A User shall in respect of each Interruptible Supply Point of which it is the Registered User provide to Transco:

- (a) the name and (in the case of a corporation) registered office of the consumer;
- (b) in accordance with paragraph 2.4.2, the names and/or job titles of representatives of the consumer ("**emergency contacts**") each of which has the power and authority to comply with any direction given pursuant to Regulation 6(4);
- (c) at least one (but not more than 4) telephone numbers for each emergency contact by means of which Transco may contact, 24 hours a day, at least one emergency contact; and
- (d) one facsimile number, for the purposes of receiving communications pursuant to [Section G](#) and Section Q, which is able to receive transmissions 24 hours a day.

For the avoidance of doubt, the emergency contacts provided for under this paragraph

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may be the same contacts as those referred to in [Section G 6.6.2](#) as "interruption contacts". The total number of emergency contacts provided for under this paragraph (and interruption contacts provided for under [Section G 6.6.2](#)) shall not exceed 5 in relation to any Interruptible Supply Point.

2.4.2 For the purposes of paragraph 2.4.1(b):

- (a) in the case of any Interruptible Supply Point in respect of any site which is manned 24 hours a day, the Registered User will provide to Transco the name(s) and/or job title(s) of at least one but not more than 4 emergency contacts; and
- (b) in the case of any Interruptible Supply Point in respect of any site which is not manned 24 hours a day, the Registered User will provide to Transco the names and/or job titles of at least 3 but not more than 4 emergency contacts.

2.4.3 A User shall comply with the requirements of paragraph 2.4.1 where the User becomes the Registered User in respect of an Interruptible Supply Point, when submitting the Supply Point Confirmation.

2.4.4 The details required under paragraph 2.4.1 shall at all times be maintained up to date; and for these purposes the User shall notify to Transco any change in such details as soon as reasonably practicable and where possible in advance of such change.

## 2.5 Priority Supply Points

2.5.1 Each User shall:

- (a) take all reasonable steps to ascertain, in relation to any Supply Point in respect of which the User submits a Supply Point Nomination, or of which it is the Registered User, whether the consumer satisfies or (as the case may be) has come to satisfy the Priority Criteria;
- (b) where it believes that the consumer does satisfy the Priority Criteria, (where it is the Registered User, promptly upon forming that belief) so notify Transco, stating the identity of the consumer and the basis for its belief; and
- (c) where:
  - (i) a User becomes the Registered User at a Supply Point in relation to which the consumer is a Priority Consumer; or
  - (ii) Transco confirms pursuant to paragraph 2.5.2 that a consumer in relation to which that User is the Registered User is a Priority Consumer;

notify that consumer (in terms reasonably specified by Transco having regard to Standard Condition 6 of Transco's Licence) of the circumstances in which it need not comply with instructions to reduce or cease, or in which it may resume or increase, the consumption of gas in a Gas Supply Emergency.

2.5.2 Where Transco adds the name of a consumer to the list described in paragraph 1.6(a) it

shall inform the Registered User in relation to that consumer of such addition.

- 2.5.3 The Registered User shall promptly inform Transco if it becomes aware (and shall take reasonable steps to ensure that it does become aware) that the consumer at a Priority Supply Point ceases to satisfy the Priority Criteria.
- 2.5.4 Where Transco removes the name of a consumer from the list described in paragraph 1.6(a) it shall inform the User that is the Registered User in relation to that consumer of such removal.
- 2.5.5 Where Transco informs a User that a consumer in relation to which that User is the Registered User has been removed from the list described in paragraph 1.6(a), that User shall notify the consumer of the change to the circumstances in which it may reduce, cease, resume or increase the consumption of gas in a Gas Supply Emergency.
- 2.5.6 A User may not designate a Priority Supply Point as Interruptible except as otherwise set out in the Priority Criteria.
- 2.5.7 Each User shall (subject to the other requirements of this Section Q), in respect of each Priority Supply Point of which it is the Registered User, provide to Transco the name and/ or title of one representative of the consumer, together with a telephone number by means of which Transco may contact such representative during normal working hours on a Business Day.

## 2.6 Emergency Procedures

- 2.6.1 Each User shall secure that all of its relevant personnel are familiar with the Emergency Procedures.
- 2.6.2 For the purposes of paragraph 2.6.1 a User's relevant personnel are personnel employed or engaged by the User whose functions or areas of responsibility are such that (in order to enable the User to comply with any requirement of this Section Q) they are likely to be required to take any decision or action in a Gas Supply Emergency.

## 2.7 User procedures

- 2.7.1 Each User shall establish and maintain such procedures as may be necessary:
  - (a) to facilitate compliance by the User with the requirements of this paragraph 2;
  - (b) to enable the User to comply with the requirements of paragraph 3 in a Gas Supply Emergency.
- 2.7.2 Each User shall take all reasonable steps within its power to ensure that, in so far as may be necessary to give effect to the requirements of this Section Q and to the Emergency Procedures, the procedures established by it under paragraph 2.7.1 are coordinated:
  - (a) with the Emergency Procedures; and
  - (b) if Transco shall so notify the User identifying the other person(s) and specifying the coordination required, with any procedures established by Delivery Facility



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Operators or Offtake System Operators relating to Gas Supply Emergencies, or the procedures established by other Users under this paragraph 2.7; and shall consult with such other parties accordingly.

- 2.7.3 The User shall if requested by Transco provide to Transco a copy of the procedures from time to time established by it under paragraph 2.7.1; and Transco shall be at liberty to disclose to and discuss with any Competent Authority any such procedures provided to it.

### **3 OCCURRENCE OF A GAS SUPPLY EMERGENCY**

#### **3.1 General**

- 3.1.1 Where the NEC declares a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency), or a Local Gas Supply Emergency arises, Transco will:
- (a) inform Users, in accordance with the Emergency Procedures and (except in the case of a Gas Supply Incident as described in such Procedures) as soon as reasonably practicable, of the commencement of the Gas Supply Emergency, whether it is a Local or a Network Gas Supply Emergency and (in the case of a Network Gas Supply Emergency) whether it is a Potential Network Gas Supply Emergency or of the Stage thereof, and (in the case of a Network Gas Supply Emergency which is not a Potential Network Gas Supply Emergency) whether it is a Network Gas Supply Emergency Gas Deficit Emergency or a Network Gas Supply Emergency Critical Transportation Constraint Emergency, and (in the case of any Gas Supply Emergency), in so far as reasonably practicable, of the nature, extent and expected duration of the Gas Supply Emergency and the part of the System affected thereby;
  - (b) thereafter keep Users reasonably informed as to material changes to the information provided under paragraph (a) (including any change in the Stage of a Network Gas Supply Emergency) and material developments in respect of the Gas Supply Emergency (including, without limitation, any determination made by Transco pursuant to paragraph 3.5.1); and
  - (c) inform Users as soon as reasonably practicable when the NEC has informed Transco, or (as the case may be) Transco has determined (in accordance with paragraph 1.2.7), that the Gas Supply Emergency is no longer continuing.
- 3.1.2 Upon being informed of a Gas Supply Emergency (including a Potential Network Gas Supply Emergency) a User shall brief all relevant personnel (as defined in paragraph 2.6.2) as to the existence and nature of the Gas Supply Emergency.
- 3.1.3 During a Gas Supply Emergency each User is required:
- (a) to comply with the Emergency Procedures in so far as applicable to the User in the circumstances;
  - (b) to comply (in the case of a Network Gas Supply Emergency, including a Potential Network Gas Supply Emergency) with the requirements of paragraph 3.3.1, and (in the case of any Gas Supply Emergency) with the requirements



(insofar as applicable to Users) of paragraph 3.4, as to Emergency Steps in relation to the delivery and offtake of gas to and from the System;

- (c) to cooperate with Transco, to the extent within the User's power (and without thereby rendering the User unable to comply with any requirement to take Emergency Steps itself), so as to enable Transco to take Emergency Steps in accordance with the Emergency Procedures; and
- (d) in so doing to comply with Transco's instructions and requests (made for the purposes of paragraphs (a), (b) and (c)) as soon as reasonably practicable.

3.1.4 Where there is any conflict between any requirement under this Section Q or the Emergency Procedures as to anything to be done by a User, Transco may decide which requirement is to prevail and will inform the relevant User of its decision, which decision will relieve the User of any obligation under the Code to comply with the conflicting requirement.

3.1.5 A User shall not be required to comply with any requirement under this paragraph 3 applying in respect of any Gas Supply Emergency (including a Potential Network Gas Supply Emergency) until and unless the User has been informed by Transco of the existence of such Gas Supply Emergency.

## 3.2 Supply and demand control

3.2.1 Emergency Steps may require (in the case of a Network Gas Supply Emergency) increases in deliveries of gas to the System, and (in the case of any Gas Supply Emergency) reductions in the offtake of gas from the System.

3.2.2 In a Network Gas Supply Emergency Gas Deficit Emergency the application of [Section D](#) (other than paragraph 2.4 thereof) will be suspended and with effect from the time the Network Gas Supply Emergency Gas Deficit Emergency was declared, and in respect of any later Gas Flow Day falling within the duration of a Network Gas Supply Emergency Gas Deficit Emergency, Transco will not take any Market Balancing Actions; and (in lieu thereof) the Emergency Procedures will apply and Transco's decisions as to the delivery and offtake of gas to and from the System will be implemented pursuant to paragraphs 3.3 and 3.4.

## 3.3 Supply-side steps

3.3.1 In a Network Gas Supply Emergency (including a Potential Network Gas Supply Emergency) each User shall:

- (a) comply with any request from time to time made by Transco to inform and/or keep informed Transco of the maximum rates at which and/or quantities in which gas can be delivered to the System by the User at any System Entry Point at such time(s) or over such period(s) as Transco may specify;
- (b) if requested by Transco, take such steps as may be available (pursuant to contract) to the User to secure any increase in the maximum rates or quantities referred to in paragraph (a), for example by arranging the deferment of maintenance or other works in respect of gas production or processing facilities (but without being obliged pursuant to this paragraph (b) to secure any increase

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in the actual rates or quantities of delivery).

- 3.3.2 In a Network Gas Supply Emergency Gas Deficit Emergency each User shall comply with all instructions by Transco to deliver gas to the System at System Entry Points in such quantities and at such rates as Transco may specify, up to the maximum quantities or rates which are available (by the exercise of all contractual rights as to the supply of gas or otherwise) to the User, irrespective of the commercial terms of such supplies, and irrespective of the quantities of gas being offtaken from the System by the User.
- 3.3.3 In any Network Gas Supply Emergency Transco may (where appropriate, in lieu of applying paragraph 3.3.2 in relation to gas-in-storage) issue direct instructions to the Operator of any Storage Facility in relation to which appropriate arrangements exist in the relevant Storage Connection Agreement to deliver gas to the system at the relevant Storage Connection Point (in which case relevant Users shall be treated as having delivered to the System, at the relevant Storage Connection Point, such quantities of gas as have been notified to Transco by the relevant Storage Operator).

### 3.4 Demand-side steps

- 3.4.1 Where Emergency Steps include the reduction or discontinuance of offtake of gas at Firm as well as Interruptible Supply Points (in a Local Gas Supply Emergency or a Stage 3 Network Gas Supply Emergency), such steps will (insofar as is practicable and as may be required by Standard Licence Condition 6(15) of the Transco Licence) be applied in the following order:
- (a) first, at Interruptible Supply Points (insofar as offtake has not already been interrupted at such points);
  - (b) secondly, at Supply Points, other than Priority Supply Points, which include VLDMC Supply Point Components;
  - (c) thirdly, at other Large Firm Supply Points other than Priority Supply Points;
  - (d) lastly, at Firm Supply Points (including for the avoidance of doubt Supply Points whose Annual Quantities do not exceed 73,200 kWh (2,500 therms)) and at Priority Supply Points.
- 3.4.2 To the extent that Emergency Steps include the isolation of any part of the System in which several Supply Points are located, the order in paragraph 3.4.1 may not apply.
- 3.4.3 The manner in and priority with which Emergency Steps may be taken for the reduction or discontinuance of offtake of gas at a Connected System Exit Point will be in accordance with the relevant Network Exit Agreement (which will where appropriate take account of the requirements of Standard Condition 6(15) of the Gas Transporter's Licence); and Transco and the Connected System Operator shall be at liberty to take Emergency Steps in accordance therewith.
- 3.4.4 In a Gas Supply Emergency (including for the purposes of paragraph (a) below a Potential Network Gas Supply Emergency):
- (a) unless Transco notifies a User otherwise, instructions to consumers in relation to interruption of offtake at Interruptible Supply Points will be given by Users;

- (b) instructions to consumers in relation to the reduction or discontinuance of offtake at Large Firm Supply Points will be given by Transco;
  - (c) appeals, directions or other communications to other consumers will be made by Transco.
- 3.4.5 The relevant provisions of [Section G6](#) will apply for the purposes of Interruption in a Gas Supply Emergency (including a Potential Network Gas Supply Emergency) or Local Gas Supply Emergency, except that:
- (a) Transco shall not be required to give 5 hours notice of Interruption but may require Interruption as soon as practicable following Transco's Interruption Notice;
  - (b) the User may not request an alteration pursuant to [Section G 6.8.2](#) to the Supply Points to be Interrupted;
  - (c) any Day or Days of Interruption pursuant to this Section Q shall not count towards the use of the Interruption Allowance under [Section G 6.7.5](#);
  - (d) the provisions of [Section G 6.9](#) (other than [Section G 6.9.2\(a\)](#)) in respect of a failure to Interrupt shall not apply.
- 3.4.6 Notwithstanding paragraph 3.4.5, where pursuant to the Emergency Procedures Transco instructs a User to give any notification or communication to a consumer or supplier, the User shall comply with that instruction.
- 3.4.7 Without prejudice to Transco's ability to take any Emergency Step, Transco may take steps physically to isolate any Large Firm Supply Point where the consumer does not comply with any instruction given under paragraph 3.4.4(b).

### 3.5 Network Gas Supply Emergency Critical Transportation Constraint Emergency

- 3.5.1 If, in the event of a Network Gas Supply Emergency Critical Transportation Constraint Emergency, Transco determines at any time that the application of [Section D](#) may have a detrimental effect on Transco's immediate ability to take Emergency Steps in accordance with paragraph 1.3.1 above, then the application of Section D (other than paragraph 2.4 thereof) will be suspended with effect from such time as may be determined by Transco and notified to Users pursuant to paragraph 3.1.1(b) and in respect of any later Gas Flow Day falling within the duration of a Network Gas Supply Emergency Critical Transportation Constraint Emergency. Transco will not take any Market Balancing Actions from such time and (in lieu thereof) the Emergency Procedures will apply and Transco's decisions as to the delivery and offtake of gas to and from the System will be implemented pursuant to paragraphs 3.3 and 3.4.
- 3.5.2 In the event that paragraph 3.5.1 applies, the provisions of paragraphs 3.3.2, 4.1.1 and 4.2 shall, from the time determined by Transco pursuant to paragraph 3.5.1, apply mutatis mutandis to the Network Gas Supply Emergency Critical Transportation Constraint Emergency as if all references in such paragraphs to a Network Gas Supply Emergency Gas Deficit Emergency were to the Network Gas Supply Emergency Critical Transportation Constraint Emergency.

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### 3.6 Return to normal operation

- 3.6.1 The order in which during a Gas Supply Emergency offtake of gas at Supply Points is restored will (so far as is practicable and subject to any requirements in relation to Priority Supply Points) be the inverse of that under paragraph 3.4.1.
- 3.6.2 For the purposes of paragraph 4, a Network Gas Supply Emergency will be considered to have ceased only:
- (a) when integrity of the NTS is restored, such that any loss of pressure in the NTS (or risk of such loss arising as a result of a Gas Supply Emergency) has ceased; and
  - (b) where Transco is reasonably able to provide forecasts and demand information in accordance with [Section H](#); and
  - (c) with effect from the start of a Day; and
  - (d) upon notice to Users given not later than 10:00 hours on the Preceding Day.

## 4 CONSEQUENCES OF EMERGENCY

### 4.1 Suspension of certain provisions of the Code

- 4.1.1 In respect of each Day or part of a Day during a Network Gas Supply Emergency Gas Deficit Emergency:
- (a) the provisions of [Section B](#) as to Overrun Charges, LDZ CSEP Overrun Charges and Supply Point Ratchets will not apply and the provisions of [Section B2](#) as to Daily System Entry 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);
  - (b) [Section C](#) will not apply, except to the extent to which Transco may wish to use the Nomination process as a means for Users to communicate with Transco;
  - (c) in accordance with [paragraph 3.2.2](#), [Section D](#) (other than paragraph 2.4 thereof) will not apply (and for the avoidance of doubt the provisions as to Physical Renomination Incentive Charges will not apply);
  - (d) [Section E](#) will apply, subject to paragraph (f); but the Exit Close-out Date may be deferred;
  - (e) [Section F2](#) will apply on the basis in paragraph 4.2; [Section F3](#) will not apply (so that no Scheduling Charges will be payable); [Section F4](#) will apply, modified in accordance with paragraph 4.2 (and in consequence of the provisions of this paragraph 4.1.1); and [Sections F5](#) and [F6](#) will apply;
  - (f) the application of [Section H](#) will be modified with a view to ensuring (on such approximate basis as is reasonably practicable in the circumstances) that gas is

not treated as offtaken at NDM Supply Point Components at which the offtake of gas has been discontinued pursuant to Emergency Steps as described in paragraph 3.4.1;

- (g) [Section I 3.10](#) (as to rates of delivery of gas) will not apply, and where Transco requests or permits the delivery of gas to the System which does not comply with the applicable Gas Entry Conditions, [Section I 3.4](#) will not apply;
- (h) the provisions of [Sections G](#) and [M](#) as to payments by Transco to Users in respect of the performance or failure to perform Transco's obligations under those Sections will not apply to the extent any failure in such performance results from the Gas Supply Emergency or the taking of Emergency Steps; and
- (i) Transco may by notice to Users suspend the implementation (as respects all Users) of any of the provisions of [Section G](#).
- (j) Not used.

4.1.2 In a Gas Supply Emergency any other provision of the Code which would in any particular case conflict with the implementation of this Section Q shall to that extent not apply.

## 4.2 Clearing of gas balances following a Network Gas Supply Emergency Gas Deficit Emergency

4.2.1 In a Network Gas Supply Emergency Gas Deficit Emergency [Section F2](#) will apply on such modified basis as is appropriate to give effect to paragraph 4.2.2 (and in particular without the application of any tolerances, or of any price other than the relevant price under paragraph 4.2.3).

4.2.2 In respect of each Day during a Network Gas Supply Emergency Gas Deficit Emergency:

- (a) Transco shall pay to each User who delivered on a Day more gas to the System than it offtook on such Day an amount determined as the User's Daily Imbalance multiplied by the relevant price, subject to paragraph 4.2.5;
- (b) each User who offtook on a Day more gas from the System than it delivered on such Day shall pay to Transco an amount determined as the User's Daily Imbalance multiplied by the relevant price.

4.2.3 For the purposes of this paragraph 4.2 the "**relevant price**" is the value of the arithmetic mean of the System Average Prices determined under [Section F1.2.1](#) or [F1.2.2](#) but by reference to the 30 Days preceding the Day on which the Network Code Gas Supply Emergency Gas Deficit Emergency started.

4.2.4 In applying [Section F4](#) in respect of Days during a Network Gas Supply Emergency Gas Deficit Emergency amounts payable by Transco to Users pursuant to paragraph 4.2.5, as to the amount so payable which exceeds the amount payable at the relevant price, will be taken into account as though such amounts were Market Balancing Action Charges payable by Transco (for the purposes of [Section F 4.4.3](#) ).

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4.2.5 Where a User (the "**claimant**") believes that it will suffer a financial loss by reason of being paid only the relevant price in respect of any gas delivered to the System on a Day during a Network Gas Supply Emergency Gas Deficit Emergency (but not in respect of a quantity of gas which exceeds the amount of the claimant's Daily Imbalance if any under paragraph 4.2.2(a)):

- (a) the claimant may within such time as Transco shall reasonably require submit to Transco a claim to be paid at a higher price, together with details of the basis on which it believes it will suffer a financial loss and the amount of such loss;
- (b) Transco will appoint an independent accountant or other appropriately qualified person as "**claims reviewer**" to review each claimant's claim and advise Transco of whether the claim appears to the claims reviewer to be justified and the amount which (in the claims reviewer's opinion) the claimant should be paid, in excess of what is payable calculated at the relevant price, so that it will not suffer such financial loss;
- (c) the claimant shall be required (as a condition to its claim being considered, but subject to the claims reviewer accepting a reasonable obligation of confidence) to provide such information, access to records and cooperation as the claims reviewer shall reasonably require;
- (d) the fees and costs of the claims reviewer shall be paid by Transco and shall be additional Monthly Adjustment Neutrality Costs for the month in which they are paid;
- (e) Transco will (after consultation with the claimant and the Authority) pay to the claimant the amount advised by the claims reviewer (unless on Transco's application after consultation with the claimant the Authority shall give Condition 9(3) Approval to Transco's paying a different amount).

#### 4.3 Consequences of Network Gas Supply Emergency Critical Transportation Constraint Emergency

4.3.1 Save where paragraph 3.5.1 applies (in which event this paragraph 4.3 shall be of no effect), where a User (the "**claimant**") believes that it will suffer a financial loss in respect of any gas delivered to the System on a Day during a Network Gas Supply Emergency Critical Transportation Constraint Emergency in accordance with Transco's instructions to the operator of a Storage Facility (in which the User had gas-in-storage) pursuant to paragraph 3.3.3:

- (a) the claimant may within such time as Transco shall reasonably require submit to Transco a claim in respect of such financial loss together with details of the basis on which it believes it will suffer such loss and the amount thereof;
- (b) Transco will appoint an independent accountant or other appropriately qualified person as "**claims reviewer**" to review each claimant's claim and advise Transco of whether the claim appears to the claims reviewer to be justified and the amount which (in the claims reviewer's opinion) the claimant should be paid so that it will not suffer such financial loss;
- (c) the claimant shall be required (as a condition to its claim being considered, but

subject to the claims reviewer accepting a reasonable obligation of confidence) to provide such information, access to records and cooperation as the claims reviewer shall reasonably require;

- (d) the fees and costs of the claims reviewer shall be paid by Transco and shall be additional Monthly Adjustment Neutrality Costs for the month in which they are paid; and
- (e) Transco will (after consultation with the claimant and the Authority) pay to the claimant the amount advised by the claims reviewer (unless on Transco's application after consultation with the claimant the Authority shall give Condition 9(3) Approval to Transco's paying a different amount).

4.3.2 Save where paragraph 3.5.1 applies, in applying Section F4 in respect of Days during a Network Gas Supply Emergency Critical Transportation Constraint Emergency:

- (a) amounts payable by Transco to Users pursuant to paragraph 4.3.1; and
- (b) all such costs as Transco may reasonably incur pursuant to paragraph 3.4.

#### 4.4 Further consequences

Transco and Users acknowledge that during a Gas Supply Emergency it may be necessary for each of them to divert resources from other activities which may potentially result in a temporary impairment of their abilities subsequently to perform their respective obligations pursuant to the Code; and acknowledge that any such impairment resulting from such diversion of resources may be Force Majeure for the purposes of [Section V9](#).



## EMERGENCIES



## Defined Terms

## Paragraph

claimant .....	4.2.5 & 4.3.1
claims reviewer .....	4.2.5(b) & 4.3.1(b)
Emergency .....	1.2.1
Emergency Steps .....	1.3.1
Emergency Procedures .....	1.4.1
emergency contacts .....	2.3.1(a) & 2.4.1(b)
Gas Supply Emergency .....	1.2.1
Large Firm Supply Point .....	1.5.1
Local Gas Supply Emergency .....	1.2.3
NEC .....	1.1.1(c)
NEC Safety Case .....	1.1.1(e)
Network Gas Supply Emergency .....	1.2.3
Network Gas Supply Emergency Gas Deficit Emergency .....	1.2.3(b)
Network Gas Supply Emergency Critical Transportation Constraint Emergency ...	1.2.3(c)
Potential Network Gas Supply Emergency .....	1.2.6(b)
Priority Consumer .....	1.6(a)
Priority Supply Point .....	1.6(a)
Priority Criteria .....	1.6(b)
relevant price .....	4.2.3
Regulations .....	1.1.1(a)
Stage .....	1.2.6(a)
supply emergency .....	1.1.1(b)



## EMERGENCIES

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## R STORAGE

### 1 GENERAL

#### 1.1 Introduction

- 1.1.1 This Section R sets out provisions (in addition to or in substitution for those of [Sections I and J](#)) as to the terms on which Users may offtake gas from the System for injection to Storage Facilities, and deliver gas withdrawn from Storage Facilities to the System, and otherwise relating to Storage Connection Points and Storage Facilities.
- 1.1.2 Provisions as to the terms on which Transco LNG Storage makes available the services of its LNG Facilities are contained in [Section Z](#).

#### 1.2 Storage Facilities

##### 1.2.1 For the purposes of the Code:

- (a) a "**Storage Facility**" is a facility:
  - (i) which is directly connected to the System;
  - (ii) whose principal purpose is the storage of gas;
  - (iii) in which gas offtaken from the System, together with (if any) gas located within a storage facility which has not been injected from the System nor any other system or facility ("**native gas**"), and only gas offtaken from the System and native gas (if any) may be stored, and from which stored gas may be delivered to the System whether or not gas withdrawn from such storage may also be delivered other than to the System;
  - (iv) which is not a facility operated and used by Transco solely for diurnal storage;
- (b) a "**Storage Operator**" is the person (or several persons jointly) operating a Storage Facility (and, for the avoidance of doubt, Transco LNG Storage may be a Storage Operator);
- (c) an "**LNG Facility**" is a Storage Facility in which gas is liquefied, stored as liquefied natural gas ("**LNG**") and either:
  - (i) regasified for purposes of withdrawal; or
  - (ii) withdrawn as LNG by tanker(d).
- (d) "**stored gas**" is gas which has been injected into a Storage Facility from the System by Storage Users and which Storage Users are entitled to withdraw from the facility in accordance with the relevant Storage Terms (and accordingly does not include either native gas or gas which has been injected into the Storage Facility from the System by the relevant Storage Operator for purposes related to, or otherwise connected with, the operation of the facility).

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- (e) “**storage use gas provider**” means in relation to a NTS Storage facility, the User who, by agreement with the Storage Operator, has responsibility for storage use gas at the NTS Storage Facility.
- 1.2.2 Pursuant to [Sections I.1.2.2](#) and [J.5.2.2](#), a Storage Facility is a Connected Offtake System (in relation to which the Storage Operator is the Connected System Operator) in relation to the Connected System Exit Point, and a Connected Delivery Facility (in relation to which the Storage Operator is the Delivery Facility Operator) in relation to the System Entry Point, at which it is connected to the System.
- 1.2.3 A Storage Operator may be, but shall not (by reason only of having the Storage Facility connected to the System) be required to be, a User.
- 1.2.4 The Entry Point Daily Quantity Delivered and CSEP Daily Quantity Offtaken at the Storage Connection Point in respect of a Storage facility will be established by means of measurement equipment installed (and operated, maintained, tested and calibrated) by Transco or the Storage Operator in accordance with procedures established by Transco or the Storage Operator for such purposes (details of which Users may obtain from the Storage Operator).

### 1.3 Storage Connection Agreement

- 1.3.1 A “**Storage Connection Agreement**” is a single document constituting (as contemplated by [Section J5.3](#) ) the Network Entry Agreement and the Network Exit Agreement in respect of a Storage Facility.
- 1.3.2 A Storage Connection Agreement in respect of a NTS Storage Facility:
  - (a) will provide that, as a condition to such agreement having effect and continuing to have effect, the Storage Operator has an agreement with one or more Users whereby the User(s) have responsibility for storage use gas;
  - (b) will provide that for the purposes of [Section B3.5.3](#), the Storage Operator shall notify Transco, by not later than the fifth Business Day of each calendar month:
    - (i) the quantity of storage use gas; and
    - (ii) the identity of each storage use gas provider,and where there is more than one storage use gas provider, the Storage Operator will in addition notify Transco of the quantities of storage use gas attributable to each storage use gas provider (and the quantities so attributed shall in aggregate equal the quantity notified under paragraph (i));
  - (c) will specify the procedures, methods and standards by which the quantity of storage use gas in relation to a calendar month is to be calculated; and
  - (d) will provide Transco with a right to review the Storage Operator’s calculations of quantities of storage use gas and will contain procedures for the resolution of any dispute between Transco and the Storage Operator as to the proper calculation of a quantity of storage use gas.

### 1.4 Storage Year

For the purposes of the Code a “**Storage Year**” is a 12 month period from 1st May in

any year to the following 30th April.

## 1.5 References to storage services

### 1.5.1 For the purposes of the Code:

- (a) **"Storage Terms"** means the terms and conditions on and subject to which the Storage Operator permits Storage Users or a particular Storage User to utilise the services of the Storage Facility;
- (b) a **"Storage User"** is any person (including the Storage Operator), whether or not such a person is a User, which utilises or is entitled to utilise the services of the Storage Facility;
- (c) **"Applicable Injection Period"** is in respect of:
  - (i) a Transco LNG Storage Facility, the Transco LNG Injection Period;
  - (ii) any other Storage Facility, the period during which Storage Users may inject gas into the facility identified in the relevant Storage Terms;
- (d) **"Applicable Total Storage Space"** is in respect of:
  - (i) a Transco LNG Storage Facility, the Total Storage Space;
  - (ii) any other Storage Facility, the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility when full of stored gas;
- (e) **"Applicable Total Storage Deliverability"** is in respect of:
  - (i) a Transco LNG Storage Facility, the Total Storage Deliverability;
  - (ii) the maximum quantity of gas that the Storage Operator determines can be withdrawn from the facility in a period of 24 hours during the calendar months of January and February in any Storage Year;
- (f) **"Maximum Injection Rate"** is the maximum quantity of gas that the Storage Operator determines can be injected into the facility in a period of 24 hours during the Applicable Injection Period;
- (g) **"Applicable Invitation Close Date"** is in respect of:
  - (i) a Transco LNG Storage Facility, the Transco LNG Invitation Close Date;
  - (ii) any other Storage Facility, the date identified in the relevant Storage Terms by which Storage Users must make applications for Storage Capacity for a Storage Year;
- (h) **"Applicable Programmed Injection Days"** are in respect of:
  - (i) a Transco LNG Storage Facility, the days in the Transco LNG Injection Period other than Days on which is planned or known that the relevant

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injection facilities will not be in operation for any reason;

- (ii) any other Storage Facility, the days in the Applicable Injection Period (or in the context of a particular programme for injection, in the period to which the programme applies) other than Days on which is planned or known that the relevant injection facilities will not be in operation for any reason;

- (i) “**Applicable User Injection Rate**” in respect of:

- (i) a Transco LNG Storage Facility, is, in respect of a User, the User’s Available Storage Injectability;
- (ii) any other Storage Facility, is in respect of a Storage User a rate of injection in KWh/Day determined as the Storage User’s available space in the Storage Facility determined in accordance with the relevant Storage Terms divided by the Applicable Injection Period;

- (j) “**Applicable Storage Nomination Time**” in respect of:

- (i) a Transco LNG Storage Facility, is the LNG Storage Injection Nomination Time and/or the LNG Storage Withdrawal Nomination Time (as the case may be);
- (ii) any other Storage Facility, is the time identified in the relevant Storage Terms after which time the Storage Operator is not required to act on nominations made by the Storage User;

- (k) “**Applicable Facility Injection Rate**” is in respect of:

- (i) a Transco LNG Storage Facility, the Total Storage Injectability;
- (ii) any other Storage Facility, the injection rate at which gas may be injected into the facility, as identified in the relevant Storage Terms.

### 1.5.2 In relation to any Storage Facility:

- (a) “**injection**” is the transfer of gas offtaken from the System to storage in (or for use in connection with the operation of) the Storage Facility, and “**withdrawal**” is the transfer of gas from storage in the Storage Facility for delivery to the System, in each case whether or not the User offtaking or delivering such gas is the same person as the Storage User effecting such transfer;
- (b) a Storage User’s “**gas-in-storage**” at any time is the amount in aggregate of gas which (in accordance with the relevant Storage Terms) the Storage User is entitled to withdraw from the Storage Facility (and reflecting its injections to and withdrawals from and any transfers of its entitlements in respect of gas stored in such facility);
- (c) “**Storage Injectability**” is (as the context may require) the capability of the Storage Facility to have gas injected, or the entitlement (pursuant to the relevant Storage Terms) of a Storage User to inject gas into the Storage Facility, expressed as a rate or a quantity in a given period;



- (d) **"Storage Space"** is (as the context may require) the capability of the Storage Facility to have gas stored, or the entitlement (pursuant to the relevant Storage Terms) of a Storage User to have gas-in-storage in the Storage Facility, expressed as a quantity;
- (e) **"Storage Deliverability"** is (as the context may require) the capability of the Storage Facility to have gas withdrawn, or the entitlement (pursuant to the relevant Storage Terms) of a Storage User to withdraw gas from the Storage Facility, expressed as a rate or a quantity in a given period;
- (f) **"Storage Capacity"** means Storage Injectability, Storage Space and Storage Deliverability, or any of them, as the context may require;
- (g) a **"Storage Gas Transfer"** in relation to a Storage Facility, is a transfer (subject to and in accordance with the relevant Storage Terms) of or in respect of Storage Capacity or gas-in-storage.
- (h) **"Total Storage Duration"** in respect of a Storage Facility is the number of Days obtained by dividing the Applicable Total Storage Space by Applicable Total Storage Deliverability.

## 1.6 Simultaneous offtakes and deliveries

A Storage Connection Agreement may provide for the application of [Section E1.10](#), irrespective of whether there is a Storage Balancing Arrangement in force pursuant to paragraph 2.2, provided that [Section E1.10.4](#) may be substituted by provisions in the relevant Storage Connection Agreement.

## 1.7 Transco LNG Storage

### 1.7.1 For the purposes of the Code:

- (a) **"Transco LNG Storage"** means Transco acting as operator of the Transco LNG Storage Facilities (whether or not, pursuant to Condition 9(14) of the Transco Licence, the arrangements which relate to the utilisation of such facilities are for the time being arrangements falling within Condition 9(13) thereof); and
- (b) **"Transco LNG Storage Facilities"** means the LNG Facilities which are from time to time operated by Transco and are located at Glenmavis, Partington, Dynevor Arms, and Avonmouth.

1.7.2 In relation to each of the Transco LNG Storage Facilities there shall be a document, in the form of a Storage Connection Agreement, which shall act and take effect for the purposes of the Code as a Storage Connection Agreement in respect of the relevant Storage Connection Point and this Section R shall apply (in relation to such Transco LNG Storage Facility) by reference to such document as though such document were enforced (as a Storage Connection Agreement) by Transco consistently with its enforcement of Storage Connection Agreements with other Storage Operators.

1.7.3 Transco LNG Storage may be a User of the System for the purposes of the Code.

## 1.8 Transco as Storage User

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- 1.8.1 Transco may be a Storage User in respect of Storage Facilities for Operating Margins purposes pursuant to [Section K](#), as Top-up Manager pursuant to [Section P](#) or as Shrinkage Provider pursuant to [Section N](#).
- 1.8.2 Where Transco (as Storage User) has agreed (pursuant to the relevant Storage Connection Agreement or the relevant Storage Terms) with the Storage Operator, for Operating Margins Purposes or as Top-up Manager, terms and conditions for the provision of storage services which differ from the published standard Storage Terms applying to other Storage Users, copies of any such agreed differences shall be made available to Users on request.
- 1.8.3 Transco will enter into an arrangement, with a Storage Operator in respect of a Storage Facility in which gas is stored as LNG, pursuant to which Transco may withdraw gas from the facility as LNG loaded onto road tankers, for the purposes of enabling Transco to provide Scottish Independent Networks with LNG as provided in [Section B1.9.2](#).

### 1.9 Offtake and input requirements

Transco may require, as a condition of a User applying for or holding System Entry Capacity or delivering gas to the System at a Storage Connection Point, that the User has complied with such conditions as may be specified in the relevant Storage Connection Agreement.

## 2 TERMS RELATING TO STORAGE FACILITIES

### 2.1 Storage Nomination Arrangements

#### 2.1.1 For the purposes of the Code:

- (a) **"Storage Injection Nomination"** in respect of a Storage Facility is a nomination in respect of a quantity of gas to be injected into the Storage Facility;
- (b) a **"Storage Withdrawal Nomination"** in respect of a Storage Facility is a nomination in respect of a quantity of gas to be withdrawn from the Storage Facility;
- (c) a **"Storage Nomination"** is a Storage Injection Nomination or a Storage Withdrawal Nomination;
- (d) a "Storage Renomination" is a Storage Nomination which is made before or after (in each case to the extent permitted by the relevant Storage Terms) the Applicable Storage Nomination Time and which revises an earlier Storage Nomination (including a Storage Renomination); and
- (e) **"Storage Nomination Quantity"** is the quantity nominated for injection or withdrawal under a User's prevailing Storage Nomination.

## 3 OFFTAKE OF GAS AT STORAGE CONNECTION POINTS

### 3.1 NTS Exit Capacity

- 3.1.1 If, upon the application of a User, Transco has informed the User that a Storage

Connection Point is 'eligible for firm transportation' for the purposes of this paragraph 3.1, the User may elect to hold (and pay NTS Exit Capacity Charges in respect of) NTS Exit Capacity at the Storage Connection Point.

3.1.2 For the purposes of this paragraph 3, in relation to a Storage Connection Point:

- (a) a **"Firm User"** is a User who holds Available NTS Exit Capacity at that point (pursuant to an election by that or another User under paragraph 3.1.1);
- (b) the **"Aggregate Firm Offtake Rate"** is the rate of offtake determined as 1/24 of the aggregate amount (if any) of the NTS Exit Capacity for the time being held by Firm Users at that point;
- (c) a User's **"Interruptible UDQO"** for a Day in relation to that point is:
  - (i) subject to paragraph (ii), that User's UDQO;
  - (ii) in the case of a Firm User, the amount (if any) by which its UDQO exceeds the amount of its Available NTS Exit Capacity at the point.

## 3.2 Interruption

3.2.1 Transco shall be entitled to require interruption (including a reduction in the rate) of the offtake (in aggregate by all Users) of gas from the System at a Storage Connection Point, by giving notice (**"SCP Interruption Notice"**) to the Storage Operator and each Storage CSEP User, specifying:

- (a) the time (**"interruption time"**), not being less than 5 hours after such notice was given, with effect from which such offtake of gas is to be interrupted, and
- (b) the reduced aggregate rate (or discontinuance) of offtake required by such interruption; provided that such rate shall not be less than the Aggregate Firm Offtake Rate.

3.2.2 [Sections G6.7.3](#) (other than [G6.7.3\(b\)](#)) and [G6.7.4](#) shall apply in respect of interruption under paragraph 3.2.1 at a Storage Connection Point.

3.2.3 Storage CSEP Users shall secure compliance with any SCP Interruption Notice and shall be responsible for submitting Output Renominations accordingly.

3.2.4 Transco may (but shall not be required to) agree pursuant to the Storage Connection Agreement that the Storage Operator will take such steps as are necessary to interrupt or reduce the rate of offtake of gas at the Storage Connection Point so as to comply with a SCP Interruption Notice.

3.2.5 Where Transco has given an SCP Interruption Notice, as soon as reasonably possible after Transco determines that the requirement for interruption no longer applies or will at a certain time cease to apply, Transco will so notify the Storage Operator and Storage CSEP Users specifying the time at which the requirement for such interruption will no longer apply.

## 3.3 Days of interruption

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- 3.3.1 The number of Days on which Transco requires interruption at a Storage Connection Point shall be determined in accordance with [Section G6.7.5](#).
- 3.3.2 For the purposes of this paragraph 3, [Section G6.5](#) (other than [G6.5.6](#), [6.5.8](#) and [6.5.9](#)) shall apply.
- 3.3.3 Transco will not require interruption at a Storage Connection Point on more than 15 Days outside the Winter Period in any Gas Year.

**3.4 Failure to interrupt**

- 3.4.1 [Section G6.5](#) (other than [G6.5.6](#)), shall apply for the purposes of this paragraph 3, subject as follows.
- 3.4.2 For the purposes of [Section G6.9.2\(b\)\(i\)](#), in the context of interruption required at a Storage Connection Point, the amount payable by Storage CSEP Users in aggregate shall be calculated:
- (a) by reference to the basis of the Applicable Annual Rate of NTS Exit Capacity Charge for the Exit Zone in which the Storage Connection Point is located;
  - (b) on the basis of a notional Supply Point Capacity calculated as the difference between the rate (in MW) of offtake of gas at the Storage Connection Point immediately before the interruption time, and the reduced rate (including zero, subject to the proviso to paragraph 3.2.1(b)) of offtake (in MW) required by such interruption, multiplied by the period (in hours, divided by 24) from the interruption time until the end of the Gas Flow Day.
- 3.4.3 For the purposes of [Section G6.9.2\(b\)\(ii\)](#), in the context of interruption required at a Storage Connection Point, the term 'Y' shall be the aggregate quantity of gas offtaken, at times when the SCP Interruption Notice was in force, at a rate in excess of the reduced rate (including zero, subject to the proviso to paragraph 3.2.1(b)) of offtake (in MW) required by such interruption.
- 3.4.4 [Section G6.9.8](#) shall not apply, but the Storage Connection Point shall be counted as a Registered Interruptible Supply Point for the purposes of the further application of [Section G6.9.7](#).
- 3.4.5 Subject to paragraph 3.4.6, in relation to a Storage Connection Point, Storage CSEP Users (including the Storage Operator) shall be liable for the aggregate amounts payable pursuant to paragraph 3.4.1 in respect of a Day in the proportions of their respective Interruptible UDQOs in respect of the Storage Connection Point.
- 3.4.6 Where Storage CSEP Users have appointed a User Agent for the purposes of determining the allocation of such amounts:
- (a) Transco will notify to such agent the aggregate amounts payable pursuant to paragraph 3.4.1 not later than 6 Days after the Gas Flow Day;
  - (b) where the agent notifies to Transco, not later than the Exit Close-out Date, an allocation of such amounts (in aggregate equal to the aggregate amount notified by Transco under paragraph (a)) between particular Storage CSEP Users specified by the agent, paragraph 3.4.5 shall not apply, and Storage CSEP Users

will be liable for such amounts in accordance with the agent's notification to Transco.

### 3.5 Interpretation

- 3.5.1 In this paragraph 3 "**Storage CSEP User**" means a CSEP User in respect of a Storage Connection Point.
- 3.5.2 Where any provision of [Section G6](#) is to apply for the purposes of this paragraph 3, such references in [Section G6](#) to the terms in the first column in the table below shall be construed as references to the terms (as used in relation to a particular Storage Connection Point in this paragraph 3) in the second such column:

Section G6	This paragraph 3
Interruption	Interruption under paragraph 3.2
Interruption Notice	SCP Interruption Notice
Supply Point or Interruptible Supply Point	Storage Connection Point
Supply Meter Point	Any Individual System Exit Point comprised in the Storage Connection Point
User or Registered User	All of the Storage CSEP Users, or where the context admits, a particular Storage CSEP User
The requirement in Section G6.7.2(b)	The requirement for interruption under paragraph 3.2
TNI Supply Point	A Storage Connection Point subject to a designation by Transco pursuant to Section G6.5.1.

## 4 CONSTRAINED STORAGE

### 4.1 Introduction

- 4.1.1 The Storage Facilities for which Transco LNG Storage is the Storage Operator at Dynevor Arms, and Avonmouth are each a "**Constrained Storage Facility**" in relation to a Storage Year for the purposes of this paragraph 4.
- 4.1.2 Transco shall be entitled to require Storage Users to nominate gas for withdrawal from a Constrained Storage Facility in accordance with this paragraph 4.
- (a) to a Nomination (or Nomination Quantity) shall accordingly include a nomination (or nomination quantity) in respect of the Storage Facility as well as the System;
- (b) to a User, includes the User as Storage User.
- 4.1.3 Not Used.
- 4.1.4 Where any Storage Facility is to be a Constrained Storage Facility for a Storage Year, Transco will, not later than 1st March before the start of such Storage Year, publish a document (the "**Constrained Storage Statement**") containing the following details for each Constrained Storage Facility:

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- (a) the "**Constrained Point(s)**", being a point or points on the NTS as identified by Transco as being relevant, for the purposes of this paragraph 4, to a Constrained Storage Facility;
  - (b) the rate of flow ("**Constrained Threshold Demand Flow**") at a Constrained Storage Point at which Transco may make Constrained Storage Renominations in respect of the relevant Constrained Storage Facility;
  - (c) the System Entry Capacity Charges in respect of the relevant Storage Connection Point;
  - (d) a percentage for each Week in the Winter Period for the purposes of paragraph 4.6.3.
- 4.1.5 The Storage Operator and Transco will (and Transco is authorised to) provide to each other all such information concerning Users holding Storage Space in a Constrained Storage Facility (including details of their gas-in-storage and Storage Space) as may be required to give effect to this paragraph 4; and Transco may delegate to the Storage Operator the making of any determination which is required for the implementation of this paragraph 4.
- 4.1.6 This paragraph 4 shall not apply to Transco when acting for Operating Margins Purposes as a Storage User of a Constrained Storage Facility, and references in this paragraph 4 to Users do not include a reference to Transco when so acting; but references in this paragraph 4, other than in paragraph 4.6, to Users do include the Top-up Manager.
- 4.1.7 The amounts payable by Users by way of System Entry Capacity Charge in respect of the Storage Connection Point in respect of a Constrained Storage Facility shall be adjusted on the basis set out in the Transportation Statement.

## 4.2 Constrained Storage Renominations

- 4.2.1 Each User holding Storage Space in a Constrained Storage Facility authorises Transco to make an Input Nomination ("**Constrained Storage Renomination**") in respect of the relevant Storage Connection Point on behalf of the User in accordance with this paragraph 4.
- 4.2.2 Subject to paragraph 4.4, a Constrained Storage Renomination will be made as a Renomination, including a New Renomination where the relevant User has not already made an Input Nomination in respect of the relevant Storage Connection Point (and accordingly will not be made by the Applicable Storage Nomination Time).
- 4.2.3 Transco may make Constrained Storage Renominations in respect of a Constrained Storage Facility in respect of any Day (a "**Constrained Storage Day**") where at 16:00 D-1 and/or at any subsequent Demand Forecast Time, the forecast flow, at the relevant Constrained Point, exceeds the Constrained Threshold Demand Flow ; and where Transco makes a Constrained Storage Renomination, it will notify Users of the forecast flow at the Constrained Point.
- 4.2.4 The Nomination Quantity ("**Constrained Nomination Quantity**") under a Constrained Storage Renomination shall be:

- (a) in the case of a Transco LNG Storage Facility, the Storage Constrained Nomination Quantity determined in accordance with [Section Z6.9](#); and
  - (b) in the case of any other Storage Facility, the quantity determined in accordance with the relevant Storage Terms.
- 4.2.5 Without prejudice to [Section Z6.2.8](#), on a Constrained Storage Day a User may not make any Renomination in respect of the relevant Storage Connection Point to reduce the Constrained Nomination Quantity (and any such Renomination purportedly made may be disregarded); provided that a User may post a Market Offer to effect a Locational Market Transaction in relation to which the User agrees to make an Acquiring Trade Nomination for the System Entry Point comprising the relevant Storage Connection Point for a Constrained Storage Day.
- 4.2.6 Where, on a Constrained Storage Day after Constrained Storage Renominations have been made, actual flow for a Constrained Point increases, Transco will notify Users and may make further Constrained Storage Renominations in accordance with this paragraph 4.
- 4.2.7 Where, on a Constrained Storage Day after Constrained Storage Renominations have been made, actual flow in respect of a Constrained Point is reduced to less than 90% of the Constrained Threshold Demand Flow, Transco will notify Users and revise the Constrained Storage Renominations such that the Constrained Nomination Quantities are, in the case of Constrained Storage Renominations :
  - (a) in respect of a Transco LNG Storage Facility, equivalent to the Storage Constrained Nomination Quantities determined in accordance with [Section Z6.9.4](#); and
  - (b) in respect of any other Storage Facility, equivalent to the quantities determined in accordance with the relevant Storage Terms.
- 4.2.8 The aggregate amount ("**Total Constrained Quantity**") of gas for which Transco on a Constrained Storage Day makes Constrained Storage Renominations in respect of a Constrained Storage Facility shall not exceed either:
  - (a) the maximum Storage Deliverability for that facility (as specified in the Storage Connection Agreement or otherwise agreed between Transco and the Storage Operator); or
  - (b) the aggregate amount of all Users' gas-in-storage in that facility on the relevant Day.
- 4.3 Not Used
- 4.4 Not Used
- 4.5 Effect of nomination
  - 4.5.1 The relevant Storage Terms will provide in relation to a User holding Storage Space in a Constrained Storage Facility to authorise the Storage Operator to deliver gas to the System at the Storage Connection Point pursuant to a Constrained Storage Renomination.





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- 4.5.2 Users will be responsible for ensuring they have sufficient Storage Deliverability to enable any Constrained Storage Renomination to be complied with, and Transco will not be concerned with any question whether the Storage Renomination Quantity exceeds the User's Storage Deliverability in the Constrained Storage Facility; and the Storage Connection Agreement will require the Storage Operator to comply with the Constrained Storage Renomination irrespective of whether it will (in accordance with the Storage Terms) result in the User becoming liable for any charge to the Storage Operator.

### 4.6 Minimum inventory requirements

- 4.6.1 Subject to paragraph 4.6.4, on each Day in each week in the Winter Period, a User's gas-in-storage in each Constrained Storage Facility shall not be less than the Weekly Minimum Requirement.
- 4.6.2 Each User holding Storage Space in a Constrained Storage Facility shall secure that the requirement in paragraph 4.6.1 is at all times in the Winter Period satisfied.
- 4.6.3 For each User the "**Weekly Minimum Requirement**" for a Constrained Storage Facility in respect of any week in the Winter Period is the amount determined as the relevant percentage of the User's Available Storage Space (as defined in [Section Z](#)), for which purpose the relevant percentage is the percentage set out in respect of such week for such facility in the Constrained Storage Document; and the "**Aggregate Weekly Minimum Requirement**" in respect of any such week is the amount determined as the relevant percentage of the Maximum Storage Space (less Storage Space held by Transco for Operating Margins Purposes) in the Constrained Storage Facility.
- 4.6.4 Without prejudice to paragraph 4.6.5, the requirement in paragraph 4.6.1 shall not be treated as not being satisfied where by reason of a Constrained Storage Renomination a User's gas-in-storage in a Constrained Storage Facility becomes less than the Weekly Minimum Requirement.
- 4.6.5 Where at any time in the Winter Period a User's gas-in-storage in a Constrained Storage Facility is for the time being less than the Weekly Minimum Requirement (whether or not as a result of any Constrained Storage Renomination), the User may not make any Input Nomination in respect of the relevant Storage Connection Point for the relevant Constrained Storage Facility; but Transco may continue to make Constrained Storage Renominations in accordance with this paragraph 4.
- 4.6.6 Transco may but shall not be required to reject an Input Nomination in respect of the relevant Storage Connection Point for the Constrained Storage Facility which would result in the requirement in paragraph 4.6.1 ceasing to be satisfied or is made at a time at which such requirement is not satisfied.
- 4.6.7 Where as respects any User and any Constrained Storage Facility:
- (a) on the first Day of the Winter Period the requirement in paragraph 4.6.1 is not satisfied, or
  - (b) on any other Day in the Winter Period (subject to paragraph 4.6.4) the requirement in paragraph 4.6.1 ceases to be satisfied,

paragraph 4.6.8 shall apply.



4.6.8 In the circumstances in paragraph 4.6.7:

- (a) the Storage Connection Agreement and Storage Terms will provide that, or will provide that Transco may elect that (on such terms as between the Storage Operator and User, as may be provided in the Storage Terms) the Storage Operator (as User) shall make Output Nominations in respect of the Storage Connection Point (for injection to the Constrained Storage Facility), on or as soon as reasonably practicable after the relevant Day under paragraph 4.6.7, for a quantity or quantities equal in aggregate to the relevant quantity (and may but shall not be obliged to secure the delivery to the System of a quantity of gas not exceeding the relevant quantity);
- (b) such injection quantity(ies) will be treated as injected by the User to the Constrained Storage Facility, for the purposes of the relevant Storage Terms, but will not be treated as offtaken from the System by the User.

4.6.9 For the purposes of paragraph 4.6.8 the relevant quantity is the amount by which the User's gas-in-storage in the relevant Constrained Storage Facility was, on the relevant Day under paragraph 4.6.7, less than the Weekly Minimum Requirement.

4.6.10 A User will not make a Storage Withdrawal Nomination which would result in the requirement in paragraph 4.6.1 ceasing to be satisfied or at a time at which such requirement is not satisfied.

## 4.7 Constrained top-up injections

4.7.1 The Top-up Manager will determine, in relation to each Day in the Winter Period and each Constrained Storage Facility, whether, and if so the amount (the "**Constrained Top-up Injection Requirement**") by which, the Aggregate Weekly Minimum Requirement exceeds the sum of the aggregate gas-in-storage (excluding gas-in-storage for Operating Margins Purposes) and the amounts (if any) for which the Storage Operator may make Storage Injection Nominations pursuant to paragraph 4.6.8.

4.7.2 Where on any Day the Top-up Manager determines that there is a Constrained Top-up Injection Requirement, the Top-up Manager will, but only to the extent that and at a time at which it is reasonably practicable to do so (and not on a Day for which Transco has made Constrained Storage Renominations):

- (a) if and to the extent that any other Storage Facility is Available (in accordance with [Section K3.8.1](#)) for Operating Margins Purposes or (in accordance with [Section P3.8.1](#)) for Top-up purposes and (in accordance with paragraph 4.7.4) for Constrained Storage purposes, make an Input Nomination in respect of the relevant Storage Connection Point for the Constrained Storage Facility (and corresponding Storage Withdrawal Nomination) (for Winter Carry-across Gas) in respect of that other facility for a quantity of gas; and/or
- (b) if and to the extent that the Constrained Storage Facility is Available (in accordance with [Section K3.8.1](#)) for Operating Margins Purposes, make (as transferee) a Winter Storage Gas Transfer in relation to the Constrained Storage Facility with Transco for Operating Margins Purposes (as transferor), in respect of a quantity of gas; and/or
- (c) where any User offers to do so, on terms which Transco reasonably determines

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to be acceptable, make an Acquiring Trade Nomination in respect of a quantity of gas; and/or

- (d) to the extent, if any, to which its Top-up Gas Procurement Arrangements permit it to do so on terms which Transco reasonably determines to be acceptable, secure that a quantity of gas (an addition to any other quantity to be delivered) is delivered to the System the amount or aggregate amount of which does not exceed the amount of the Constrained Top-up Injection Requirement (as determined after completion of the injection hereinafter referred to);

and (except in the case of a Winter Storage Gas Transfer) inject such quantity into the Constrained Storage Facility.

4.7.3 [Section P3.5](#) shall apply in respect of Output Nominations in respect of the relevant Storage Connection Point for Constrained Storage Facilities made by the Top-up Manager (and corresponding Storage Injection Nominations) pursuant to this paragraph 4.7; and for these purposes a reference in [Section P3.5](#) to a Storage Injection Nomination made pursuant to [Section P3.4](#) shall include an Output Nomination (and corresponding Storage Injection Nomination) made pursuant to this paragraph 4.7.

4.7.4 In relation to any possible withdrawal of Winter Carry-across Gas or Winter Gas Storage Transfer (as defined in [Section K3.2.7](#) ), a Constrained Storage Facility is "**Available**" for Constrained Storage purposes if at the relevant time:

- (a) there is gas-in-storage in such facility; and
- (b) no Constrained Top-up Injection Requirement in respect of such facility exists or would arise as a result of such withdrawal or transfer

## Defined Terms

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INVOICING AND PAYMENT

## S INVOICING AND PAYMENT

### 1 INVOICING

#### 1.1 Introduction

- 1.1.1 The amounts payable by Users to Transco and by Transco to Users in accordance with the Code will be invoiced and payable in accordance with this Section S.
- 1.1.2 Transco will submit to each User Invoice Documents in respect of each Billing Period in accordance with this Section S.
- 1.1.3 For the purposes of this Section S:
- (a) subject to paragraph 2.5.3, a "**Billing Period**" is a calendar month; provided that in relation to a Reconciliation Invoice the Billing Period is the Reconciliation Billing Period;
  - (b) a "**Billing Day**" is a Day in a Billing Period;
  - (c) an "**Invoice Document**" is an invoice document submitted by Transco to a User pursuant to this Section S;
  - (d) "**Invoice Item**" is an item (in respect of all charges of a particular kind) shown as payable by Transco or by a User in an Invoice Document (including where relevant a self-bill amount in accordance with paragraph 1.1.4);
  - (e) the "**Invoice Amount**" in relation to an Invoice Item is the amount shown as payable by the User or Transco in respect of that item under the relevant Invoice Document;
  - (f) a "**Reconciliation Billing Period**" is the period of one month (or in the event of a change in the last reconciliation day a shorter or longer period) ending on the last reconciliation day; for which purposes the last reconciliation day is the Day of the month (not more than 8 Business Days before the prevailing date on which the relevant Reconciliation Invoice is to be submitted pursuant to paragraph 1.4), from time to time advised by Transco to Users as being the last Day on which Transco is able to undertake calculations of Individual NDM Reconciliation and Aggregate NDM Reconciliation for inclusion in the next Reconciliation Invoice to be submitted.
- 1.1.4 An Invoice Document may show as an Invoice Amount an amount (a "**self-bill amount**") payable by Transco to a User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply.
- 1.1.5 An Invoice Document may contain an adjustment by way of credit ("**Invoice Credit**") in respect of an Invoice Amount in another Invoice Document.
- 1.1.6 An Invoice Document shall take effect as a separate invoice in respect of each Invoice Item, but without prejudice to paragraph 4.
- 1.1.7 No delay by Transco in submitting an Invoice Document shall prejudice the liability

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(once such Invoice Document has been submitted) of Transco or the User for the amounts subject thereto.

## 1.2 Invoice types

1.2.1 For each Billing Period separate Invoice Documents (as described in paragraph 1.2.2) will be submitted to each User in respect of amounts payable (if any) under different provisions of the Code.

1.2.2 The types (each an "**Invoice Type**") of Invoice Document to be submitted are NTS Entry Capacity Invoices, NTS Exit Capacity Invoices, LDZ Capacity Invoices, Balancing Invoices, Commodity Invoices, Reconciliation Invoices, Adjustment Invoices, Interest Invoices and Ad-hoc Invoices in accordance with paragraph 2.

## 1.3 Form and content of Invoice Document

1.3.1 Each Invoice Document will specify:

- (a) the identity of the User;
- (b) the Billing Period to which the Invoice Document (other than as respects any Invoice Credit) relates;
- (c) the Invoice Type;
- (d) in respect of each Invoice Item, the Invoice Amount;
- (e) a unique number by which the Invoice Document may be identified, and a reference number for each Invoice Item; and
- (f) the amount of Value Added Tax (if any) payable in respect of each Invoice Item and the further details required under Regulation 14 of the Regulations referred to in paragraph 1.1.4.

1.3.2 An Invoice Document which contains an Invoice Credit will also identify the Invoice Document and Invoice Item to which the Invoice Credit relates and the amount of the Invoice Credit.

1.3.3 Each Invoice Document will be accompanied by a remittance advice ("**Invoice Remittance Advice**"), to be completed by the User in accordance with paragraph 3.4.

1.3.4 Subject to paragraph 1.3.6 and to [Section U6](#), Invoice Documents will be submitted to Users either by UK Link Communication in the form and manner described in the UK Link Manual or by Conventional Notice in the specific circumstances set out in the UK Link Manual, and subject to paragraph 1.3.5 will be accompanied by the supporting data specified in respect of each Invoice Item in the UK Link Manual (the supporting data in respect of any such UK Link Communication comprising all data contained therein other than that described in paragraph 1.3.1).

1.3.5 An Invoice Document will not be invalid solely by reason of its not being accompanied by any particular item of supporting data, but (in accordance with paragraph 4.2.1(c)(i)) the specificity of any Invoice Query will depend on the extent to which such data was provided.



1.3.6 Supporting data in respect of an Ad-Hoc Invoice may be submitted on paper unless it would be unreasonable to expect a User to process such data so submitted by the relevant Invoice Due Date.

1.3.7 Not used.

## 1.4 Invoice timing

1.4.1 Subject to paragraphs 1.7 and 2.5.2, Invoice Documents of different Invoice Types will be submitted at different times after the Billing Period to which they relate.

1.4.2 Subject to paragraphs 1.7 and 2.5.2, Transco will inform every User:

- (a) of the expected timing of the submission of each Invoice Type;
- (b) upon not less than 6 months notice to Users, of any change in such expected timing;
- (c) upon becoming aware that such delay will occur, of any delay of more than 5 Business Days (by reference to such expected timing) in the submission of an Invoice Document in respect of a particular Billing Period (but Transco may not by notifying such delays avoid the requirements under paragraphs (b) and 1.4.3).

1.4.3 Subject to paragraph 1.7, Transco will not change the expected timing of Invoice Documents of a particular Invoice Type more than once in any period of 12 months.

## 1.5 Divided Invoices

1.5.1 Without prejudice to paragraph 2.5.2, Transco may, in the circumstances in paragraph 1.5.2, after notifying the User and (in the cases in paragraph 1.5.2(b) and (c) explaining the reason therefor in reasonable detail and providing reasonable evidence thereof, submit to a User more than one Invoice Document of the same Invoice Type in respect of a particular Billing Period.

1.5.2 The circumstances referred to in paragraph 1.5.1 are:

- (a) where the User has requested that more than one such Invoice Document is submitted, provided it is reasonably practicable for Transco to accommodate such request;
- (b) where a problem in the operation of UK Link, which it was reasonable for Transco not to have foreseen at the date of the Code, adversely affects the ability of Transco to produce or submit to the User an Invoice Document in respect of a given Billing Period;
- (c) where anything required to be done (for or on behalf of or in relation to the User) by a person other than Transco (whether acting as Meter Reader or otherwise, and including an agent or contractor of Transco) to enable an Invoice Document to be produced or submitted is not done or not done by the required time.

1.5.3 The charges subject to each Invoice Document submitted pursuant to paragraph 1.5.1

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will be allocated between such Invoice Documents by reference to the LDZ of the System Points in respect of which such charges arise or on another basis agreed with the User.

- 1.5.4 Such Invoice Documents may be submitted on different Days and each such Invoice Document will be treated as a separate Invoice Document for the purposes of this Section S; provided that the Invoice Due Date in respect of each such Invoice Document shall be:
- (a) in the cases under paragraph 1.5.2(a) and (c):
    - (i) the Invoice Due Date (in accordance with paragraph 3.1.2) of the first submitted such Invoice Document, or
    - (ii) where later, the date which is 5 Business Days after the date on which the relevant Invoice Document is submitted; provided that in such a case (notwithstanding such later Invoice Due Date) interest shall be payable pursuant to paragraph 3.5.1 as though the Invoice Due Date were the date established under paragraph (i);
  - (b) in the cases under paragraph 1.5.2(b), the Invoice Due Date (in accordance with paragraph 3.1.2) of the last-submitted such Invoice Document.
- 1.5.5 Transco will give the User as much notice (pursuant to paragraph 1.5.1) as is reasonably practicable, and Transco and the User will coordinate with each other to facilitate the giving and receiving of such Invoice Documents.

## 1.6 Value Added Tax

- 1.6.1 All amounts expressed as payable by a User or Transco pursuant to the Code, and whether the amount thereof is set out in the Code or determined by reference to the Transportation Statement, the Metering Charges Statement, the Meter Reading Charges Statement or otherwise, are exclusive (unless expressly otherwise stated) of any applicable Value Added Tax (and accordingly Value Added Tax shall be paid by the paying party where payable in respect of any such amount).
- 1.6.2 Where:
- (a) any amount has been included in any Adjustment Neutrality Amount, Adjustment Reconciliation Neutrality Amount, or Top-up Recovery Adjustment Amount, pursuant to [Section F4.5.3\(a\)\(ii\)](#), [Section F6.5.1\(a\)\(ii\)](#) or [Section P6.3.7\(a\)\(ii\)](#), by reason of any amount (as therein referred to) being unpaid by a User;
  - (b) any Value Added Tax (unpaid by the User) in respect of the unpaid charge was also so included; and
  - (c) Transco, having accounted for the unpaid Value Added Tax, subsequently recovers any amount from the relevant authorities in respect of the unpaid Value Added Tax,

the amount which was so recovered in respect of Value Added Tax will be included as an additional Monthly Adjustment Neutrality Revenue for the purposes of [Section](#)

[F4.5.3\(b\)](#) in the month in which it is paid to Transco.

## 1.7 Termination and Insolvency

- 1.7.1 Notwithstanding paragraph 1.4, Transco may, at any time (whether before or after the User Discontinuance Date) after submitting to a User a Termination Notice under [Section V4.3](#), submit to that User any Invoice Document in respect of any Billing Period or part of a Billing Period ending at or before the time at which Transco submits such Invoice Document.
- 1.7.2 Where Transco has submitted a Termination Notice to a User, all amounts payable by that User to Transco or by Transco to the User (whether the Invoice Document in which such amounts are shown was submitted before or after the date of the Termination Notice) shall be immediately payable notwithstanding paragraph 3.1.
- 1.7.3 Notwithstanding paragraph 1.4, Transco may, at any time on or following the occurrence of any of the events set out in paragraph [V4.3.1\(e\)](#) in relation to any User, submit to that User any Invoice Document in respect of any Billing Period or part of a Billing Period ending at or before the time at which Transco submits such Invoice Document.
- 1.7.4 In relation to a User, on the occurrence of any of the events set out in paragraph [V4.3.1\(e\)](#), all amounts payable to Transco (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 notwithstanding paragraph 3.1.

## 1.8 Invoice adjustment

- 1.8.1 Subject to paragraph 1.8.3, where it appears to Transco that any Invoice Amount has been incorrectly stated in an Invoice Document, the Invoice Amount may be adjusted by an Adjustment Invoice or as the case may be an Ad-hoc Invoice submitted by Transco in accordance with paragraph 2.2 or 2.4 (and Transco will not be required to revise and resubmit the original Invoice Document).
- 1.8.2 An adjustment (by way of debit) representing an increase in an Invoice Amount shall be a new Invoice Amount in respect of which the Invoice Due Date will be the Invoice Due Date of the relevant Adjustment Invoice or Ad-hoc Invoice.
- 1.8.3 In the absence of fraud, after the expiry of 18 months (or any other period agreed between Transco and the User) after the Invoice Due Date (in accordance with paragraph 3.1) in respect of any Invoice Document:
  - (a) no adjustment may be made to an Invoice Amount under that Invoice Document, other than:
    - (i) an adjustment of which Transco had given notice to the User, or
    - (ii) an adjustment pursuant to an Invoice Query raised by a User (in accordance with paragraph 4)
 before the expiry of such period;
  - (b) no Invoice Query may be raised in respect of the Invoice Document; and

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- (c) the Invoice Document shall (subject to any adjustments already made and any permitted under paragraph (a)) be deemed to be final and conclusive as to the amounts shown as payable thereunder.

1.8.4 The provisions of this Section S whereby an Invoice Amount may be adjusted or an Invoice Query raised are without prejudice to the provisions of the Code pursuant to which determinations of quantities delivered to and oftaken from the System are made final.

## 1.9 Contingencies

1.9.1 Subject to paragraph 1.9.4, in the event that, as a result of a Code Contingency, Transco is unable to produce or submit any Invoice Documents within 7 Days after the expected date (in accordance with paragraph 1.4) of submission thereof:

- (a) Transco may prepare and submit an Invoice Document (as an Ad-Hoc Invoice) containing estimated Invoice Amounts;
- (b) such an Invoice Document will be a valid Invoice Document;
- (c) for the purposes of paragraph 1.3.4, the supporting data to be provided with the Invoice Document will be an explanation of the basis of estimation.

1.9.2 Where the User believes that Transco's estimate or basis of estimation is materially inaccurate, the User shall as soon as reasonably practicable after receiving the Invoice Document (and in any event before the Invoice Due Date) contact Transco and discuss the estimate or basis of estimation with a view to agreeing upon a more accurate estimate of the amount which is payable, which amount (if so agreed) shall be the amount payable by the User in respect of the estimated Invoice Document, but without prejudice to paragraph 1.8.1 or 4.3.

1.9.3 Where (following discussion under paragraph 1.9.2) the User raises an Invoice Query under paragraph 4.2.1:

- (a) paragraph 4.2.1(c)(i) shall apply on the basis of the detail provided of the basis of estimation;
- (b) for the purposes of paragraph 4.2.1(c)(ii), the User shall specify the amount by which the User reasonably believes Transco's estimate to be under- or over-stated.

1.9.4 Except with the agreement of a User, Transco may not on the occurrence of any Code Contingency submit Invoice Documents containing estimated Invoice Amounts under this paragraph 1.9 in respect of consecutive Billing Periods.

1.9.5 Where in accordance with the Contingency Procedures Transco submits Invoice Documents, which do not contain estimated Invoice Amounts, such Invoice Documents shall be submitted in the format required in paragraph 1.3.4.

## 1.10 Adjustment neutrality

Where any Energy Balancing Charge has been invoiced and, upon the resolution of an Invoice Query or pursuant to paragraph 1.8.1 or (unless expressly otherwise provided)

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following a Code Modification or otherwise, any adjustment is subsequently made in respect of such Energy Balancing Charge, any amount payable by Transco to a User or by a User to Transco pursuant to such adjustment shall be:

- (a) except as provided in paragraph (b), an additional Monthly Adjustment Neutrality Cost, or (as the case may be) an additional Monthly Adjustment Neutrality Revenue for the purposes of [Section F4.5.3\(a\)](#) or [\(b\)](#) in respect of the month(s) to which the adjustment relates,
- (b) where the relevant Energy Balancing Charge was a Reconciliation Clearing Charge other than in respect of a NTS System Exit Point or a Reconciliation Neutrality Charge, an additional Adjustment Reconciliation Neutrality Cost or (as the case may be) additional Adjustment Reconciliation Neutrality Revenue for the purposes of [Section F6.5\(a\)](#) or [\(b\)](#) (applying pursuant to [Section F6.1.2](#)), in respect of the month in which the amount of such adjustment was determined.

## 2 INVOICE TYPES

### 2.1 General

- 2.1.1 NTS Entry Capacity Invoices, NTS Exit Capacity Invoices, LDZ Capacity Invoices, Balancing Invoices, Commodity Invoices and Reconciliation Invoices are Invoice Documents of the Invoice Types described in Annex S-1
- 2.1.2 Subject to paragraphs 2.1.3 and 2.1.5, the Invoice Items to be comprised in each of the Invoice Types referred to in paragraph 2.1.1 are set out in Annex S-1.
- 2.1.3 Upon not less than 3 months notice to Users, Transco may include in any Invoice Document of an Invoice Type referred to in paragraph 2.1.1 Invoice Items which previously were or would have been contained in an Ad-hoc Invoice (but for the avoidance of doubt only in respect of Invoice Items in respect of charges payable pursuant to the Code).
- 2.1.4 The provisions of paragraph 2 and Annex S-1 as to the scope and contents of particular Invoice Documents shall be deemed from time to time to be modified to the extent necessary to be consistent with any Manual Modification under [Section U8](#) (but for the avoidance of doubt only in respect of Invoice Items in respect of charges payable pursuant to the Code).
- 2.1.5 An amount which:
  - (a) is payable under the Code in relation to, or in connection with the holding of System Capacity at or the offtake of gas at, a Connected System Exit Point, a Shared Supply Meter Point, a VLDMC Supply Point Component, or a System Exit Point in a part of an LDZ to which [Section W3.3.4](#) applies, and
  - (b) would otherwise be an Invoice Item within an Invoice Type in Annex S-1, may be contained in an Ad-hoc Invoice.

### 2.2 Adjustment Invoice

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2.2.1 An Adjustment Invoice is an Invoice Document containing Invoice Credits or Invoice Amounts (if not contained in an Ad-hoc Invoice) representing adjustments (by way of credit or debit) to Invoice Amounts contained in one or more LDZ Capacity Invoices or Commodity Invoices.

2.2.2 The amount of interest (if any) payable in respect of any amount payable or repayable pursuant to an Adjustment Invoice will be shown in an Ad-hoc Invoice or Interest Invoice and not in the relevant Adjustment Invoice.

## 2.3 Interest Invoice

An Interest Invoice is an Invoice Document containing Invoice Amounts representing interest payable pursuant to paragraph 3.5 (other than pursuant to paragraph 4.2.4) by a User or Transco in respect of an Invoice Amount under any Invoice Document (including an earlier Interest Invoice).

## 2.4 Ad-hoc Invoice

2.4.1 An Ad-hoc Invoice is an Invoice Document in respect of an amount not included in another Invoice Type.

2.4.2 Transco may submit an Ad-hoc Invoice to any User at any time (but subject to paragraph 1.8.3) in respect of any amount (not included in another Invoice Type) which, at any time prior to the submission of such Invoice Document, becomes payable or repayable by the User or Transco to the other pursuant to any provision of the Code or otherwise pursuant to [Section B 1.7.9](#) or (unless otherwise therein provided) pursuant to any Ancillary Agreement.

2.4.3 An Ad-hoc Invoice may also contain adjustments (by way of credit or debit) in respect of any Invoice Amount, other than adjustments to be contained (in accordance with paragraph 2.2) in Adjustment Invoices.

2.4.4 Transco will submit (as an Ad-hoc Invoice) an Invoice Document in respect of amounts becoming payable by Transco to a User pursuant to:

- (a) [Sections G4](#) and [M5](#); and
- (b) any provision for the payment by Transco of compensation under a contract (including pursuant to the Code) for the provision by Transco of meter reading services to which this Section S applies,

as soon as reasonably practicable after the month in which the liability to pay such amounts accrues.

2.4.5 The liability of Transco pursuant to any provision referred to in paragraph 2.4.4 or [Sections I3.7](#) or [J3.5](#) to make any payment to a User is without prejudice to the User's liability for any charge payable to Transco, and Transco shall not be entitled to discharge its liability by releasing the User from any such liability of the User; and Transco shall secure that (where relevant) the Invoice Amounts in relevant Ad-hoc Invoices are stated accordingly.

2.4.6 Transco will, at the same time as it submits a Balancing Invoice in relation to any Billing Period, submit (as an Ad-hoc Invoice) an Invoice Document in respect of

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amounts payable by or to Transco pursuant to [Section D3](#) in respect of such Billing Period.

- 2.4.7 The management of the issuing of Ad-Hoc Invoices and the service provided in respect of Ad-Hoc Invoices are contained in the “Operational Rules Governing the Supply of Invoice Charges via the Ad-Hoc Process” which is the document so entitled and revised from time to time by Transco (following consultation with Users), and such document does not form part of Code.

## 2.5 Miscellaneous

- 2.5.1 An Adjustment Invoice, Interest Invoice or Ad-hoc Invoice may contain Invoice Amounts (or Invoice Credits in respect of Invoice Amounts) accruing (before such invoice is submitted):
- (a) in the calendar month in which the Invoice Document is submitted, and/or
  - (b) in more than one calendar month.
- 2.5.2 Without prejudice to paragraph 2.4.6, there is no expected timing within a calendar month for the submission of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice; and, except in the case of an Interest Invoice, more than one such Invoice Document may be submitted to a User in the same calendar month.
- 2.5.3 A reference to a Billing Period in the context of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice (other than where submitted pursuant to paragraph 2.4.6) is to the period from the date of accrual of the first to that of the last accruing Invoice Amount contained in such Invoice Document.

## 3 INVOICE PAYMENT

### 3.1 Invoice Due Date

- 3.1.1 Subject to paragraphs 1.7.2, 1.7.4 and 4.2.2, the Invoice Amounts under each Invoice Document shall be paid (by the User to Transco or by Transco to the User, as the case may be) on or before the Invoice Due Date.
- 3.1.2 The "**Invoice Due Date**" in respect of an Invoice Document is the day ending at 24:00 hours on:
- (a) subject to paragraphs (b) and (c), whichever is the later of:
    - (i) the 12th Day after the Day on which the Invoice Document was deemed to be received in accordance with [Sections U](#) and [V11](#), and
    - (ii) the 20th Day after the last Day of the Billing Period to which the Invoice Document relates;
  - (b) in the case of an Adjustment Invoice, Interest Invoice or Ad-hoc Invoice, subject to paragraph (c), the 12th Day after the Day on which the Invoice Document was deemed to be received in accordance with [Sections U](#) and [V11](#);
  - (c) where the Day (the "**target due date**") determined under paragraph (a) or (b) is



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not a Business Day:

- (i) subject to paragraph (ii), the Business Day (whether before or after the target due date) which is nearest to the target due date, or
- (ii) if the nearest Business Days before and after the target due date are equally near, the nearest Business Day after the target due date.

- 3.1.3 Where a Balancing Invoice contains Invoice Amounts payable both by and to a User, only the net amount (the "**Net Invoice Amount**") shall be payable.

### 3.2 Payment details

- 3.2.1 Payment of any amount payable under the Code shall be made in pounds sterling in same day funds to the account of the payee at a bank in the United Kingdom notified to the paying party in accordance with paragraph 3.2.2.
- 3.2.2 Transco will notify each User, and each User shall notify Transco, of the account name and number, and the name, address and sort code of the account bank, to which payments to Transco by such User or (as the case may be) to such User by Transco are to be made, within 5 Business Days after the User Accession Date, and of any change in such details not less than 30 Days before such change occurs.
- 3.2.3 The payer shall instruct the bank remitting payment of any amount payable under the Code to quote the number (under paragraph 1.3.1(e)) of the relevant Invoice Document to the payee's bank when remitting such payment.

### 3.3 Deductions, withholdings, taxes etc

- 3.3.1 Without prejudice to paragraph 4.2.2, amounts payable under the Code shall be paid:
- (a) free and clear of any restriction, reservation or condition, and
  - (b) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the paying party, whether by way of set off, counterclaim or otherwise.
- 3.3.2 If, in respect of a payment to be made to Transco by a User, any deduction or withholding is required to be made by the law of any country other than a country of the United Kingdom, the User shall:
- (a) ensure that the amount of such withholding or deduction does not exceed the minimum so required;
  - (b) forthwith pay Transco such additional amounts as will ensure that the net amount received by Transco will be equal to that which would have been received had no deduction or withholding been made; and
  - (c) pay the amount withheld or deducted to the relevant authority in accordance with the relevant requirement of law, and provide to the payee a receipt issued by such authority or (if such a receipt is not available) a certificate in respect of such payment.



### 3.4 Remittance advice

- 3.4.1 Where payment of any amount is made pursuant to an Invoice Document, the User shall complete and submit to the payee the Invoice Remittance Advice not later than the Day on which payment is made (but no inability of the User to do so shall affect its obligation to make payment).
- 3.4.2 The completed Invoice Remittance Advice shall specify:
- (a) the date when payment is to be made;
  - (b) the amounts, by reference to each Invoice Item (payable to Transco) specified in the Invoice Document, in respect of which the payment is to be made, and the total amount to be paid;
  - (c) any amount or amounts, by reference to each Invoice Item, in respect of which payment is not being made pursuant to paragraph 4.2.2.
- 3.4.3 Where Transco makes payment of any amount pursuant to an Invoice Document, Transco will not later than the date on which payment is made notify the User of details equivalent to those to be specified in an Invoice Remittance Advice pursuant to paragraph 3.4.2 (but no inability of Transco to do so shall affect its obligation to make payment).
- 3.4.4 Where Transco or a User makes payment under more than one Invoice Document on the same Day, it shall secure that a separate remittance is made in respect of each Invoice Document.
- 3.4.5 Where the Invoice Document number is not quoted (in accordance with paragraph 3.4.4) with any remittance made by or on behalf of a User, and no Invoice Remittance Advice corresponding to the remittance is submitted, Transco will endeavour to obtain the User's instructions (by telephone or facsimile) as to the application thereof; but if it has not (by the Business Day following the Day of the remittance) obtained such instructions, Transco will apply the amount remitted to or towards Invoice Amount(s) in order of Invoice Due Date (the earliest first) and proportionately as between Invoice Amounts with the same Invoice Due Date, but applying such amount last to any Invoice Amounts which are subject to an Invoice Query.

### 3.5 Late payment

- 3.5.1 Without prejudice to [Section V4.3.1](#), where any amount payable under an Invoice is not paid on or before the Invoice Due Date, the paying party shall pay interest, after as well as before judgment, at the Applicable Interest Rate, on the unpaid amount from the Invoice Due Date until the Day on which payment is made.
- 3.5.2 For the avoidance of doubt paragraph 3.5.1 shall not be construed as permitting late payment of any Invoice Amount.
- 3.5.3 Without prejudice to any other rights of Transco under the Code, including without limitation those under [Section V4.3](#), where, in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by a User under the Code (excluding for the avoidance of doubt amounts which are the subject of an Invoice Query which by virtue of paragraph 4.2.2 have not become due for payment)

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and the relevant User has not paid the amount in full by the due date for payment;

Transco shall be entitled to reject or refuse to accept all or any of the following by the relevant User:

- (a) an application for System Capacity or increased System Capacity at any System Point under [Section B](#) or [Section G5](#); and
- (b) a System Capacity Trade under [Section B5](#) in respect of which the User is Transferee User; and
- (c) a Supply Point Nomination or Supply Point Confirmation under [Section G](#), other than a Supply Point Nomination or Supply Point Reconfirmation (unless made in the context of an application under paragraph (a) (above));

with effect from the day after the due date for payment until such time as the relevant User has paid the amount due for payment in full.

### 3.6 Interest

- 3.6.1 Where pursuant to any provision of this Section S interest is payable by Transco or a User, such interest shall accrue on a daily basis and on the basis of a 365 day year.
- 3.6.2 Interest payable under this Section S will be compounded to the extent and by virtue of being invoiced in an Interest Invoice, late payment of which will itself be subject to interest under this paragraph 3.6.
- 3.6.3 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or subject to repayment, under the Code.
- 3.6.4 The Applicable Interest Rate shall be the base rate for the time being of Barclays Bank plc plus:
  - (a) except as provided in paragraph (b), three (3) percentage points per annum;
  - (b) for the purposes only of paragraphs 1.5.4(a)(ii), 4.2.5 and 4.3.2, or where otherwise expressly provided in the Code one (1) percentage point per annum.

### 3.7 Statement of account

- 3.7.1 Transco will provide to each User each month a statement of account showing, by reference to individual Invoice Documents (but not individual Invoice Items) and in aggregate:
  - (a) the amounts shown under paragraph (d) in the preceding statement of account (if any) as payable by the User or Transco;
  - (b) the amounts shown as payable by the User or Transco under Invoice Documents submitted to the User since the date of the preceding statement of account (if any), including any amount for which the Invoice Due Date is after the date of the statement of account for the current month;

- (c) the amounts paid by the User or Transco since the date of the preceding statement of account (if any);
  - (d) the sum of the amounts shown under paragraphs (a) and (b) less the amounts shown under paragraph (c).
- 3.7.2 Each statement provided under paragraph 3.7.1 shall state that it is not a tax invoice for Value Added Tax purposes.
- 3.7.3 No payment obligation of any User or Transco shall be affected by any delay or failure by Transco in producing a statement of account.

## 4 INVOICE QUERIES, ETC

### 4.1 Invoice Queries

- 4.1.1 For the purposes of this Section S an "**Invoice Query**" is any question or dispute as to the proper calculation of any amount shown as payable by a User or Transco under an Invoice Document or as to whether any such amount is or was properly payable and references to the amount of an Invoice Query are to the amount by which the User submitting the Invoice Query considers the Invoice Amount to be incorrect.
- 4.1.2 A User may notify an Invoice Query by telephone (subject to paragraph 4.1.3), by Conventional Notice or by UK Link Communication.
- 4.1.3 Where a User notifies an Invoice Query by telephone, Transco may (at the time of the telephone communication) require that the Invoice Query be notified by Conventional Notice or UK Link Communication, in which case the Invoice Query shall be deemed not to have been raised for the purposes of paragraph 4.2.1 until so notified.
- 4.1.4 Transco and the relevant User will endeavour to resolve Invoice Queries by agreement.
- 4.1.5 Any reference in this Section S:
- (a) to the resolution of an Invoice Query is a reference to the resolution thereof by agreement (at any time) between Transco and the relevant User or by determination thereof (in accordance with paragraph (b));
  - (b) to the determination of an Invoice Query is a reference:
    - (i) to the resolution of a dispute in respect thereof under any provision of [Section T](#) where applicable;
    - (ii) except as provided in paragraph (i), to the outcome of any proceedings commenced by Transco or the relevant User in respect thereof.
- 4.1.6 Without prejudice to any obligation (including any liability to pay interest pursuant to paragraph 4.2.4) of Users pursuant to this Section, Transco agrees that it will make available such resources as are in its reasonable opinion reasonably adequate to deal reasonably promptly with reasonable Invoice Queries.
- 4.1.7 In paragraph 4.1.8 'appropriate resources' shall mean the application by Transco in respect of an Invoice Query, of available resources that are commensurate with and

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appropriate to the value of the Invoice Query.

4.1.8 In relation to an Invoice Query, for which there exists an Invoice Query Methodology, relating to an Invoice Document in respect of which the relevant Billing period is February 1998 or any subsequent month:

- (a) where it has not been possible to resolve the Invoice Query by applying appropriate resources: or
- (b) Transco is of the opinion that the Invoice Query will not be resolved by applying appropriate resources ;

Transco shall, where agreed with the User, calculate, in accordance with the Invoice Query Estimation Methodology, an estimated value for the Invoice Amount which is the subject of the Invoice Query.

4.1.9 Without prejudice to paragraph 4.1.5 where Transco calculates an estimated value for the amount of an Invoice Query in accordance with paragraph 4.1.8, the Invoice Query shall be held to have been resolved on the basis of such estimated value, which estimated value shall be deemed to be final and conclusive as to the proper calculation of the amount payable.

4.1.10 An "**Invoice Query Estimation Methodology**" is a document so entitled prepared and revised from time to time by Transco (in consultation with Users) setting out (inter alia) the methodology to be applied by Transco for the purposes of calculating an estimated value of the amount of each Invoice Query.

4.1.11 In the preparation (and revision) of an Invoice Query Methodology Transco shall seek to ensure that the methodology is designed to apply in such a manner that the estimated values calculated for amounts that are the subject of Invoice Queries are, as between Transco and Users and as between Users, fair and equitable.

4.1.12 Without prejudice to paragraphs 4.1.6, 4.1.8 and 4.1.9, where a User gives simultaneous notification to Transco of thirty or more relevant Invoice Queries, the User may also notify Transco that it elects that paragraph 4.5 apply to the resolution of the relevant Invoice Queries ( an "**Invoice Query Batch**").

4.1.13 For the purposes of paragraph 4.1.12, a "**relevant Invoice Query**" is an Invoice Query

- (a) which relates to a Larger Supply Point, other than in respect of an Invoice Item on a Commodity Invoice or Reconciliation Invoice determined by reference to the Metered Quantity or Reconciliation Quantity respectively; and
- (b) where the amount is less than £40

## 4.2 Invoice Queries before payment

4.2.1 Where a User wishes to raise any Invoice Query in respect of an amount shown as payable by the User under an Invoice Document, the User may, not later than the Day before the Invoice Due Date, notify (in accordance with paragraph 4.1.2 and 4.1.3) such Invoice Query to Transco, specifying:

- (a) the Invoice Type, date and number of the Invoice Document;

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- (b) the Invoice Item to which the Invoice Query relates;
  - (c) an explanation of the basis on which the Invoice Query arises, and the amount of the Invoice Amount which is subject to the Invoice Query:
    - (i) identified by reference to the particular item of supporting data (in accordance with paragraph 1.3.4) in respect of which the Invoice Query arises, on the basis of the level of greatest detail of such supporting data provided for in the UK Link Manual, to the extent that such data was provided by Transco, and subject to paragraph 4.2.6 where applicable; and
    - (ii) where the basis of the Invoice Query is that the value of any parameter by reference to which the Invoice Amount is determined is incorrectly stated in such supporting data, the amount (estimated as accurately as is reasonably practicable) by which such value is incorrectly stated;
  - (d) the amount of the Invoice Amount which is not subject to the Invoice Query, determined on the basis that only so much of the Invoice Amount as is identified in paragraph (c) is subject to the Invoice Query.
- 4.2.2 Where a User raises an Invoice Query in accordance with the requirements of paragraph 4.2.1 (but not otherwise), the amount subject to the Invoice Query (in accordance with paragraph 4.2.1(c)) shall not be payable on the Invoice Due Date, but without prejudice to paragraph 4.2.4.
- 4.2.3 Except as provided in paragraph 4.2.2, but without prejudice to paragraph 4.3.1, the whole amount shown as payable by a User in any Invoice Document shall be payable on the Invoice Due Date.
- 4.2.4 Where pursuant to paragraph 4.2.2 any amount is not paid on the Invoice Due Date by a User, the amount (if any) which is agreed or determined (following resolution of the Invoice Query) to be payable by the User shall be payable upon such resolution, and interest from the Invoice Due Date shall be payable in accordance with paragraph 3.5 (but subject to paragraph 4.2.5) on such amount.
- 4.2.5 For the purposes of paragraph 4.2.4, where it is agreed or determined that the question or dispute the subject of the Invoice Query pursuant to paragraph 4.2.2 was a bona fide question or dispute, the Applicable Interest Rate shall be:
- (a) for Invoice Items other than those listed in paragraph 5 of Annex S-1, the rate under paragraph 3.6.4(b)
  - (b) for Invoice Items listed in paragraph 5 of Annex S-1 the rate under paragraph 3.6.4(b) until the expiry of 2 Business Days after the date of resolution of the Invoice Query.
- 4.2.6 Where, by reason of a delay (after the date of the Code) in the preparation or submission of any Invoice Documents:
- (a) Transco submits to a User, in the same month, Invoice Documents of the same Invoice Type (other than the Invoice Types referred to in paragraph 4.2.8) in respect of several Billing Periods to a User;

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- (b) Transco submits to a User in any month Invoice Documents of different Invoice Types (other than the Invoice Types referred to in paragraph 4.2.8) at intervals which are substantially less (so that they are submitted on the same Day or within the space of a few Days) than those allowed for by the expected timing under paragraph 1.4.2,

paragraph 4.2.7 shall apply.

4.2.7 In relation to any such Invoice Document as is referred to in paragraph 4.2.6:

- (a) the level of detail by reference to which (for the purposes of paragraph 4.2.1) any Invoice Query is required to be given shall be such as is reasonable having regard to the extent of the supporting data and the time (from submission of the Invoice Document until the Invoice Due Date) available for the User to review such Invoice Documents and the supporting data;
- (b) where the User raised an Invoice Query containing less detail than would have been required but for paragraph (a):
  - (i) the User shall as soon as is reasonable provide to Transco the details which were omitted;
  - (ii) to the extent that the User does not comply with paragraph (i), the suspension (pursuant to paragraph 4.2.2) of the User's obligation to pay shall cease to apply.

4.2.8 The Invoice Types excluded from paragraph 4.2.6(a) and (b) are Invoice Types within paragraph 2.5.1, except that Ad-hoc Invoices submitted pursuant to paragraph 1.9.1 shall be included.

### 4.3 Other Invoice Queries

- 4.3.1 Subject to paragraph 1.8.3, nothing in this paragraph 4 shall prevent a User from raising any Invoice Query other than pursuant to paragraph 4.2.1, including in respect of any amount after payment has been made in respect of such amount, or from paying any such amount at the same time as notifying an Invoice Query in respect thereof; provided that (without prejudice to the resolution of the Invoice Query) no constructive trust or other implied term as to the receipt or application by the payee of the amount paid shall arise.
- 4.3.2 Where, upon the resolution of an Invoice Query or otherwise, it is agreed or determined that any amount or part of any amount paid should not have been paid, the payee shall repay such overpaid amount with interest at the Applicable Interest Rate from the date on which payment was made to it or if later the Invoice Due Date until the date of such repayment.
- 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.

#### 4.4 Invoicing of resolved Queries

- 4.4.1 As soon as reasonably practicable after any Invoice Query is resolved, and in any event by the end of the second following month, Transco will prepare and submit to the relevant User an appropriate Invoice Document in respect of the amount (if any) agreed or determined to be payable or repayable by Transco or the relevant User.
- 4.4.2 Save in respect of an Invoice Query relating to charges in respect of the Invoice Items listed in paragraph 5 of Annex S-1, as soon as reasonably practicable after any Invoice Query is resolved, and in any event by the end of the third following month, Transco will prepare and submit to the relevant User an appropriate Invoice Document in respect of the amount (if any) of interest payable by Transco or the User in respect of such Invoice Query.

#### 4.5 Invoice Query Batch sampling

- 4.5.1 Following an election by a User pursuant to paragraph 4.1.12,
- (a) Transco shall take a batch sample from the Invoice Query Batch and determine in respect of each Invoice Query in the batch sample whether the Invoice Query complies with paragraph 4.2.1:
  - (b) where:
    - (i) more than 5% (in number) of the Invoice Queries in the batch sample do not comply with the requirements of paragraph 4.2.1, all Invoice Queries in the Invoice Query Batch shall be deemed not to comply with paragraph 4.2.1;
    - (ii) 5% or fewer (in number) of the Invoice Queries in the batch sample do not comply with the requirements of paragraph 4.2.1, all Invoice Queries in the Invoice Query Batch shall be deemed to comply with paragraph 4.2.1;
  - (c) where paragraph (b)(i) applies,
    - (i) Transco will provide the User with details of the Invoice Queries in the batch sample which did not comply with paragraph 4.2.1;
    - (ii) The User shall be deemed not to have notified Transco of any of the Invoice Queries in the Invoice Query Batch and the User may notify Transco of such Invoice Queries pursuant to paragraph 4.2.1 or 4.1.12.
    - (iii) where paragraph (b)(ii) applies, Transco shall calculate the average invoice query factor;
  - (d) the "**average invoice query factor**" shall be, for each Invoice Query in the batch sample which complied with paragraph 4.2.1, the sum of the amounts determined by Transco as being the amount which should have properly been the subject of the Invoice Query divided by the sum of the amounts as notified by the User;
  - (e) in respect of each Invoice Query in the Invoice Query Batch, the amount which



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should have properly been the subject of the Invoice Query shall be, where the average invoice query factor is;

- (i) less than or greater than 1, the amount notified by the User multiplied by the average invoice query factor;
- (ii) equal to 1, the amount notified by the User.

4.5.2 For the purposes of paragraph 4.5.1, the "**batch sample**" shall comprise, where the number of Invoice Queries comprised in the Invoice Query Batch;

- (a) exceeds 10,000, a random sample of 222 Invoice Queries;
- (b) is greater than 30 but less than 10,000, a random sample of such number of Invoice Queries ('s') determined as follows;

$$s = (nl + (f * (nh - nl)))$$

where: f equals  $(N - NI)/(Nh - NI)$ ;

N is the number of Invoice Queries in the Invoice Query Batch; and

'NI' is the closest batch size below (lower batch size) the actual number of queries is an Invoice Query Batch.

'Nh' is the closest batch size above (higher batch size) the actual number of queries in the Invoice Query Batch.

'nl' and 'nh' are the appropriate sample size set out in Annex S-2.

## 4.6 Not Used

## 4.7 GRE Invoice Query Incentive Scheme Methodology<sup>1</sup>

4.7.1 For the purposes of this section:

- (a) the "**GRE Invoice Query Incentive Scheme Methodology**" is a document prepared by Transco and agreed with the Authority dated February 2003 setting out the methodology for the calculation of Incentive Payments;
- (b) the "**GRE Invoice Query**" shall mean an Invoice Query raised by a User for the overpayment of Reconciliation Clearing Charges as determined in accordance with the GRE Invoice Query Incentive Scheme Methodology;
- (c) a "**Valid GRE Invoice Query**" is a GRE Invoice Query which results in a financial adjustment for the overpayment of Reconciliation Clearing Charges;
- (d) a "**month**" for the purposes of this paragraph is the period from the 6th day in one month until and including the 5th day in the following month;
- (e) the "**Query Receipt Month**" shall mean the month in which the GRE Invoice

<sup>1</sup> based on provisions previously in Transition Document



Query is received by Transco;

- (f) the "**Service Standard Adjustment Month**" shall mean the target month for the processing of financial adjustments in respect of a Valid GRE Invoice Query and this will be the third month following the Query Receipt Month;
- (g) the "**Relevant Month**" shall mean the month in which the financial adjustment for the overpayment of the Reconciliation Charge is paid by Transco to the User in accordance with the service standard as defined within the GRE Invoice Query Incentive Scheme Methodology;
- (h) the "**Incentive Payment**" shall mean the amount payable by Transco to the User and such amounts will be determined in accordance with the GRE Invoice Query Incentive Table contained within the GRE Invoice Query Incentive Scheme Methodology;

4.7.2 For the purposes of Section V13, the rules in this paragraph are Compensation Rules within Compensation Group F; and in relation thereto the payment month is the second month following the Relevant Month.

4.7.3 Any amount payable by Transco pursuant to this GRE Invoice Query Incentive Scheme Methodology will be invoiced and payable in accordance with Section S.

## 4.8 Operational Queries

4.8.1 For the purposes of this Section S:

- (a) the "**the Guidelines**" is a document entitled "Standards of Service Query Management Operational Guidelines" as prepared and revised from time to time by Transco (in Consultation with Users);
- (b) "**Queries**" shall have the meaning of 'Invoice and Operational queries for both Gas Transportation (GT) and Meter Asset Queries' as defined in the Guidelines but not including Excluded Queries and "**Query**" shall be defined accordingly;
- (c) the "**Query Receipt Day**" shall mean the day in which a Query is received by Transco in accordance with the Guidelines;
- (d) a "**Query Count Day**" shall have the same meaning as "Transco Day" in the Guidelines being a Business day where the resolution of the query is within the direct control of Transco;
- (e) an "**Excluded Query**" shall (subject to paragraph 4.8.8) be a Query of a type that is to be excluded from the calculation of liability payments under this Section as further set out in the Guidelines in relation to 'Query Categories Excluded';
- (f) "**Final Achieved Performance**" is the performance figure for the resolution of Queries calculated in accordance with the Guidelines;
- (g) "**Query Standard**" shall mean:-
  - (i) from the Query Implementation Date (subject to paragraph (ii) below),

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the appropriate percentage set out in the "**Query Implementation Date**" column in Annex V-1;

- (ii) from the first day of the calendar month that is no less than 6 months after the Query Implementation Date (subject to paragraph (iii) below), the appropriate percentage set out in the '6 month' column in Annex V-1;
- (iii) from the first day of the calendar month that is no less than 12 months after the Query Implementation Date (subject to paragraph (iv) below), the appropriate percentage set out in the '12 month' column in Annex V-1;
- (iv) from the first day of the calendar month that is no less than 18 months after the Query Implementation Date, the appropriate percentage set out in the '18 month' column in Annex V-1.

4.8.2 In respect of Queries relating to Smaller Supply Points and Larger Supply Points respectively, Transco is required to resolve within a calendar month not less than the appropriate Query Standard set out for 'metering' Queries and 'GT' Queries respectively (and as such terms are further described in the guidelines).

4.8.3 Where Final Achieved Performance for Smaller Supply Points is less than the relevant Query Standard for a User within a calendar month Transco will pay to the User an amount calculated as the aggregate of:

$$\begin{aligned}
 & (i) \quad (((SGT_4/100)*A) - B_4 - C) * £1) + \\
 & \quad (((SGT_{10}/100)*A) - B_{10} - C) * £3) + \\
 & \quad (((SGT_{20}/100)*A) - B_{20} - C) * £6) +
 \end{aligned}$$

where:-

$SGT_4$  is the relevant Query Standard for "4 day standard" for Smaller Supply Points: GT set out in Annex V-1

$SGT_{10}$  is the relevant Query Standard for "10 day standard" for Smaller Supply Points: GT set out in Annex V-1

$SGT_{20}$  is the relevant Query Standard for "20 day standard" for Smaller Supply Points: GT set out in Annex V-1

A is the number of Queries resolved in the calendar month relating to gas transportation at Smaller Supply Points

$B_4$  is the number of Queries resolved within 4 Query Count Days for Smaller Supply Points in the calendar month relating to gas transportation

$B_{10}$  is the number of Queries resolved within 10 Query Count Days for Smaller Supply Points in the calendar month relating to gas transportation

$B_{20}$  is the number of Queries resolved within 20 Query Count Days for Smaller Supply Points in the calendar month relating to gas transportation

C is the number of Excluded Queries resolved for the User within the calendar month;

$$(ii) \quad (((SM_4/100)*A) - B_4 - C) * £1) + \\ (((SM_{10}/100)*A) - B_{10} - C) * £3) + \\ (((SM_{20}/100)*A) - B_{20} - C) * £6) +$$

where:-

- SM<sub>4</sub> is the relevant Query Standard for "4 day standard" for Smaller Supply Points: metering set out in Annex V-1
- SM<sub>10</sub> is the relevant Query Standard for "10 day standard" for Smaller Supply Points: metering set out in Annex V-1
- SM<sub>20</sub> is the relevant Query Standard for "20 day standard" for Smaller Supply Points: metering set out in Annex V-1
- A is the number of Queries resolved in the calendar month relating to metering at Smaller Supply Points
- B<sub>4</sub> is the number of Queries resolved within 4 Query Count Days for Smaller Supply Points in the calendar month relating to metering
- B<sub>10</sub> is the number of Queries resolved within 10 Query Count Days for Smaller Supply Points in the calendar month relating to metering
- B<sub>20</sub> is the number of Queries resolved within 20 Query Count Days for Smaller Supply Points in the calendar month relating to metering
- C is the number of Excluded Queries resolved for the User within the calendar month.

4.8.4 If for a Smaller Supply Point Transco does not resolve the Query within 40 Query Count Days Transco will be liable to pay to the User £20 and Transco will further pay an additional £20 for each further period of not less than 20 Query Count Days in which the Query remains unresolved. Such payment to become due upon resolution of such Query.

4.8.5 Where Final Achieved Performance for Larger Supply Points is less than the relevant Query Standard for a User within a calendar month Transco will pay to the User an amount calculated as the aggregate of:

$$(i) \quad (((LGT_{10}/100)*A) - B_{10} - C) * £5) + (((LGT_{20}/100)*A) - B_{20} - C) * £30)$$

where:-

- LGT<sub>10</sub> is the relevant Query Standard for "10 day standard" for Larger Supply Points: GT set out in Annex V-1

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LGT<sub>20</sub> is the relevant Query Standard for "20 day standard" for Larger Supply Points: GT set out in Annex V-1

A is the number of Queries resolved in the calendar month relating to gas transportation at Larger Supply Points

B<sub>10</sub> is the number of Queries resolved within 10 Query Count Days for Larger Supply Points in the calendar month relating to gas transportation

B<sub>20</sub> is the number of Queries resolved within 20 Query Count Days for Larger Supply Points in the calendar month relating to gas transportation

C is the number of Excluded Queries resolved for the User within the calendar month.

$$(ii) \quad (((LM_{10}/100)*A) - B_{10} - C) * £5) + \\ (((LM_{20}/100)*A) - B_{20} - C) * £30)$$

where:-

LM<sub>10</sub> is the relevant Query Standard for "10 day standard" for Larger Supply Points: metering set out in Annex V-1

LM<sub>20</sub> is the relevant Query Standard for "20 day standard" for Larger Supply Points: metering set out in Annex V-1

A is the number of Queries resolved in the calendar month relating to metering at Larger Supply Points

B<sub>10</sub> is the number of Queries resolved within 10 Query Count Days for Larger Supply Points in the calendar month relating to metering

B<sub>20</sub> is the number of Queries resolved within 20 Query Count Days for Larger Supply Points in the calendar month relating to metering

C is the number of Excluded Queries resolved for the User within the calendar month.

4.8.6 If for a Larger Supply Point Transco does not resolve the Query within 40 Query Count Days Transco will be liable to pay to the User £70 and Transco will further pay an additional £70 for each further period of not less than 20 Query Count Days in which the Query remains unresolved. Such payment to become due upon resolution of such Query.

4.8.7 Where the volume of Queries submitted by a User on a day exceeds the volume daily limits set out in the Guidelines, the rules for dealing with such daily excess submissions set out in the Guidelines will be applied.

4.8.8 Queries relating to Meter assets, shall be Excluded Queries from Metering Separation Date.

4.8.9 For the purposes of Section V13 (Compensation), the rules in this paragraph are Compensation Rules within Compensation Group L; and in relation thereto the



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**'payment month'** is the second month following the month in which the Query was resolved<sup>3</sup>.

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<sup>3</sup> Paragraph 4.7 will be amended by Modification MR0673 with effect from 12 July 2004. Please refer to the relevant Notice of Future Implementation.

## Annex S-1 INVOICE TYPES AND INVOICE ITEMS

### 1 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.

### 2 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.

### 3 LDZ Capacity Invoice

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

- (a) LDZ Capacity Charges;
- (b) Customer Charges - Capacity Variable Component; and
- (c) Customer Charges - Fixed Component.

### 4 Commodity Invoice

A “**Commodity Invoice**” is an Invoice Document in respect of the following Invoice Items:

- (a)
  - (i) NTS Entry Commodity Charges;
  - (ii) NTS Exit Commodity Charges; and
  - (iii) NTS Optional Commodity Charges;
- (b) LDZ Commodity Charges;
- (c) Customer Charges - Commodity Variable Component;
- (d) Supply Point Ratchet Charges - LDZ Capacity Charges; and
- (e) Supply Point Ratchet Charges - Capacity Variable Component of Customer Charge

## 5 Balancing Invoice

A "**Balancing Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Market Balancing Action Charges in respect of Market Balancing Sell Actions;
- (b) Daily Imbalance Charges in respect of which Transco is the seller;
- (c) Scheduling Charges - Input;
- (d) Scheduling Charges - Output;
- (e) Balancing Neutrality Charges;
- (f) Top-up Neutrality Charges;
- (g) Reconciliation Neutrality Charges - NDM Reconciliation and CSEP Reconciliation for Unmetered Connected System Exit Points;
- (h) Reconciliation Neutrality Charges - DM Reconciliation and CSEP Reconciliation for Metered Connected System Exit Points;
- (i) Market Balancing Action Charges in respect of Market Balancing Buy Actions (a self-bill amount);
- (j) Daily Imbalance Charges in respect of which the User is the seller (self-bill amount);
- (k) Physical Renomination Incentive Charges; and
- (l) Total Incentivised Nomination Charges.

## 6 Reconciliation Invoice



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A "**Reconciliation Invoice**" is an Invoice Document in respect of the following Invoice Items:

- (a) Reconciliation Clearing Charge;
- (b) Reconciliation Transportation Charge Adjustment in respect of the NTS Exit Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component of Customer Charges.
- (c) User Aggregate Reconciliation Clearing Charges;
- (d) User Aggregate Transportation Charge Adjustments.





## Annex S-2

Invoice Query Batch Size (NI/Nh)	Sample Size (nl/nh)
30	30
50	41
100	69
200	105
300	128
500	154
1,000	182
2,000	200
10,000	217



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## Defined Terms

## Paragraph

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Invoice Amount .....	1.1.3(e)
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Query .....	4.7.1(b)
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Query Standard .....	4.7.1(g)
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## T DISPUTE RESOLUTION

### 1 GENERAL

#### 1.1 Introduction

1.1.1 This Section T provides for the resolution of certain disputes between Transco and Users.

1.1.2 For the purposes of this Section T:

- (a) a "**dispute**" is any dispute or difference arising between Transco and any User or Users under or in connection with the Code, the Framework Agreement or any Ancillary Agreement;
- (b) in respect of any dispute "**parties**" means Transco and the User or Users party to such dispute, and "**party**" shall be construed accordingly.

#### 1.2 Expert determination

1.2.1 For the purposes of the Code "**Expert Determination**" means the determination of an expert pursuant to paragraph 2.

1.2.2 Where the Code or any Ancillary Agreement provides or the parties have agreed that a dispute is to be referred to or resolved by Expert Determination:

- (a) paragraph 2 shall apply; and
- (b) subject to paragraph 1.4, no party shall commence proceedings in any court in respect of or otherwise in connection with such dispute.

#### 1.3 Mediation

The parties may agree to refer any dispute (including such a dispute as is referred to in paragraph 1.2) to mediation in accordance with paragraph 3.

#### 1.4 Interlocutory relief

Nothing in this Section T shall prevent any party from seeking interim or interlocutory relief in any court.

#### 1.5 Communications

1.5.1 Except where otherwise provided in this Section T, any notice, submission, statement or other communication relating to any dispute to be given pursuant to this Section T by or to any party, an expert, a mediator, the disputes secretary or a User shall be in writing.

1.5.2 No such notice, submission, statement or communication shall be given as a UK Link Communication.

1.5.3 Where two or more Users are parties to a dispute any such notice, submission, statement or communication to be given by them may be given by them jointly (and any reference



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to the party or parties by whom and to whom it is to be given shall be construed accordingly).

- 1.5.4 For the purposes of any limit under this Section T on the length of any submission or statement or any attachments thereto a "**page**" is a single-sided A4 sheet which may contain single spaced type in a normal font size.

### 1.6 Disputes secretary

- 1.6.1 Transco shall designate one of its employees as secretary ("**disputes secretary**") for the administrative purposes provided in this Section T, and may from time to time change the person designated as disputes secretary.
- 1.6.2 Transco shall keep each User informed of the identity of the disputes secretary for the time being.
- 1.6.3 The disputes secretary shall not represent Transco in any dispute under this Section T.

## 2 EXPERT DETERMINATION

### 2.1 Introduction

- 2.1.1 A dispute which is to be referred to or resolved by Expert Determination shall be determined by an individual appointed as expert in accordance with this paragraph 2.
- 2.1.2 In this paragraph 2 a "**listed expert**" is an individual whose name is for the time being on the list of experts maintained under paragraph 2.10.
- 2.1.3 No person shall be nominated as a proposed expert under paragraph 2.2.2 or 2.2.3 or as a listed expert under paragraph 2.10 unless that person has the requisite qualifications to resolve a dispute referable under the Code to Expert Determination by virtue of his education, experience and training.

### 2.2 Initial notice and selection of expert

- 2.2.1 Any party to a dispute which is to be resolved by or referred to Expert Determination may give notice of the dispute in accordance with paragraph 2.2.2.
- 2.2.2 The notice shall be given to each other party and shall:
- (a) provide brief details of the issues to be resolved; and
  - (b) nominate four persons as proposed experts (who may but need not be listed experts).
- 2.2.3 Within 5 Business Days after any notice under paragraph 2.2.1 was given, each party (other than the party giving such notice) shall by notice to each other party nominate four persons as proposed experts (who may but need not be listed experts).
- 2.2.4 The parties shall endeavour within 10 Business Days after the notice under paragraph 2.2.1 was given to agree upon the selection of an expert, and may meet for this purpose.
- 2.2.5 If within 10 Business Days after the notice under paragraph 2.2.1 was given the parties





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shall not have agreed upon the selection of an expert, each shall within a further 5 Business Days give to the others a notice ("**preference notice**") specifying the names of seven listed experts in order of preference and assigning to each a number ("**preference number**") from 7 (the most preferred) to 1 (the least preferred), and paragraphs 2.2.6 to 2.2.9 shall apply.

2.2.6 Where only one User is a party, or all Users who are parties have submitted a preference notice jointly (in accordance with paragraph 1.5.3), the listed expert whose name appears in both preference notices, or if more than one appears the preferred listed expert (in accordance with paragraph 2.2.8(a)), shall be selected.

2.2.7 Where more than one User is party and they do not submit a preference notice jointly:

- (a) if the name of a listed expert appears in all of the preference notices (including Transco's) he shall be selected, and if there is more than one the preferred listed expert shall be selected;
- (b) otherwise a list of listed experts shall be established from such Users' preference notices, comprising the seven listed experts with the greatest aggregate preference numbers, in order of aggregate preference number, and such list shall be treated for the purpose of paragraph 2.2.6 as a preference notice submitted jointly by all such Users (each such listed expert being treated as having a preference number from 7 to 1 assigned to him).

2.2.8 For the purposes of paragraphs 2.2.6 and 2.2.7.

- (a) "**preferred listed expert**" means the listed expert with the greatest aggregate preference number;
- (b) a listed expert's "**aggregate preference number**" is the aggregate of:
  - (i) for the purposes of paragraph 2.2.6, the preference numbers assigned to him under each preference notice (including a deemed joint preference notice under paragraph 2.2.7(b));
  - (ii) for the purposes of paragraph 2.2.7(a), the sum of (1) the preference numbers assigned to him under Users' preference notices divided by the number of Users' preference notices, and (2) the preference number assigned to him under Transco's preference notice;
  - (iii) for the purposes of paragraph 2.2.7(b), the preference numbers assigned to him under each User's preference notice;
- (c) where two or more experts have the same aggregate preference number they shall be ranked in the order in which their names appear in the list of experts maintained under paragraph 2.10.

2.2.9 At the request of any party, all parties shall submit a copy of their preference notices to the disputes secretary who shall ascertain and inform the parties of the selected expert in accordance with paragraphs 2.2.6 and 2.2.7.

## 2.3 Appointment of the Expert



## DISPUTE RESOLUTION

- 2.3.1 Upon the selection under paragraph 2.2 or 2.3.3 of an expert, the parties shall forthwith notify the expert selected of his selection and request him to confirm within 5 Business Days whether or not he is willing and able to accept the appointment.
- 2.3.2 The notification to the expert shall include the following:
- (a) the names of the parties and a summary of the dispute;
  - (b) a request that the expert provide the confirmation required under paragraph 2.6;
  - (c) a request for confirmation of the expert's scale of fees;
  - (d) a statement that the expert's fees and expenses will be paid as provided in paragraph 2.8;
  - (e) a statement that the information disclosed in the notification is confidential and that it should not be disclosed, copied or revealed whether the appointment is accepted or not;
  - (f) a copy of this paragraph 2, and
  - (g) a request for confirmation that the expert is able and willing to act in accordance with the procedure set out herein.
- 2.3.3 If the selected expert is unwilling or unable to accept the appointment, or shall not have confirmed his willingness and ability to accept such appointment within the period required under paragraph 2.3.1, or the amount of his remuneration or terms of his appointment are not agreed within the period required under paragraph 2.3.4, the parties shall endeavour to agree upon the selection of another expert within 3 Business Days, failing which another expert shall be selected in accordance with paragraphs 2.2.5 to 2.2.9.
- 2.3.4 The parties shall use their best endeavours to ensure that the terms of the contract of appointment of the expert are agreed with him within 10 Business Days following his confirmation of ability and willingness to act, and agree that if the parties are unable to agree with the expert the amount of his remuneration or any other terms of his appointment then:
- (a) if one or more of the parties is willing to agree what the expert proposes, such amount or terms shall be determined by the President for the time being of the Law Society whose decision shall be final and binding on the parties to the dispute and whose costs of such reference shall be borne by the parties to the dispute equally;
  - (b) if none of the parties is willing to agree what the expert proposes, or the expert is not willing to agree what is determined pursuant to paragraph (a), another expert shall be selected in accordance with paragraph 2.3.3.
- 2.3.5 The expert shall be an independent contractor and the relationship of the parties and the expert shall in no event be construed to be that of principal and agent or master and servant.
- 2.3.6 The expert shall not act as an arbitrator (and accordingly the provisions of the Arbitration Acts 1950-1979 shall not apply) nor as mediator.



## 2.4 Timetable and Procedure

- 2.4.1 No later than 5 Business Days following his appointment, the expert shall by giving reasonable notice to each party convene a meeting with the parties at which he shall raise any matters upon which he requires clarification and discuss with the parties any additional procedural requirements he or they may have.
- 2.4.2 The parties shall, not later than 10 Business Days after the appointment of the expert, submit to the expert and to each other party written submissions of not more than 10 pages in length together with all supporting documentation, information and data which they wish to submit in respect of the dispute; and the parties may also submit a statement of facts which they have agreed between themselves to the expert.
- 2.4.3 Each party may, not later than 20 Business Days after the appointment of the expert, submit to the expert and each other party written submissions of not more than 10 pages in length, together with any additional supporting documentation, information and data, in reply to the submissions made under paragraph 2.4.2.
- 2.4.4 The expert shall disregard any documentation, information, data or submissions supplied or made (other than pursuant to paragraph 2.4.9) by any party later than 20 Business Days after his appointment unless the same are provided in response to a request from the expert.
- 2.4.5 If the expert shall wish to obtain independent professional and/or technical advice in connection with the dispute:
- (a) he shall first provide the parties with details of the name, organisation and estimated fees of the professional or technical adviser, and
  - (b) he may engage such adviser with the consent of the parties (which consent shall not be unreasonably withheld) for the purposes of obtaining such professional and/ or technical advice as he may reasonably require.
- 2.4.6 The expert may at his discretion and at any time request information from any of the parties orally but shall only do so in the presence of the other parties.
- 2.4.7 At any time after the period referred to in paragraph 2.4.3 expires, with the written consent of the parties, the expert may (but shall not be required to) convene a hearing upon giving the parties reasonable notice.
- 2.4.8 The expert shall provide a draft of his determination, which shall be a report in writing giving reasons for the determination, to the parties not later than 35 Business Days following his appointment.
- 2.4.9 Each party may, within 10 Business Days following delivery of the draft determination, submit to the expert any documentation, information, data, submissions or comments not exceeding 5 pages in length on or in respect of the draft determination.
- 2.4.10 The expert shall submit his final determination, which shall be a report in writing giving reasons for his determination of the dispute, to the parties not later than 50 Business Days following his appointment.
- 2.4.11 If the expert fails to submit the final determination by the time required under paragraph



## DISPUTE RESOLUTION

2.4.10, at the request of any party another expert may be appointed in accordance with the provisions of this paragraph 2 and the appointment of the previous expert shall cease unless before the appointment of the new expert, the previous expert shall have submitted his final determination hereunder, in which case the new expert shall be forthwith informed that his services will not be required.

### 2.5 Effect of determination

- 2.5.1 The expert's final determination shall (unless given after the appointment of another expert under paragraph 2.4.11) be final and binding on the parties except in the event of fraud or where it is so clearly erroneous on its face that it would be unconscionable for it to stand, in which case another expert may be appointed in accordance with the provisions of this paragraph 2.
- 2.5.2 Except as provided in paragraph 2.5.1, no party shall commence proceedings in respect of or refer to any court any finding by the expert, whether made at any time after his appointment or in his determination, as to the dispute or the construction of or otherwise in respect of the Code or any Ancillary Agreement.

### 2.6 Conflict of interests

- 2.6.1 The expert shall confirm to the parties before his appointment that he does not hold any interest or duty which would or potentially would conflict with the performance of his duties under his contract with the parties.
- 2.6.2 If after his appointment the expert becomes aware of any interest or duty which conflicts or potentially conflicts with the performance of his duties under his contract with the parties, the expert shall inform the parties forthwith of such conflict giving full details thereof.
- 2.6.3 Any party may within 5 Business Days of the disclosure of any such conflict or potential conflict object to the appointment or continued appointment of an expert, in which case the expert shall not be or shall cease to be appointed and a new expert shall be selected and appointed in accordance with this paragraph 2 (and the rejected expert shall not be nominated for such selection).

### 2.7 Confidentiality

- 2.7.1 The parties and the expert shall keep the fact that the Expert Determination is taking place and its outcome confidential.
- 2.7.2 All documentation, information, data, submissions and comments disclosed or delivered whether in writing or otherwise by any party to the expert or to any other party either in connection with or in consequence of the appointment of the expert shall be regarded and treated as confidential; and the expert and the parties shall not disclose any or all of the documentation, information, data, submissions and comments including the contents and copies thereof in any form except in connection with any proceedings in any court which a party is not prohibited under this Section T from commencing.

### 2.8 Costs

- 2.8.1 Each party shall bear its own costs including without limitation costs of providing documentation, information, data, submissions or comments under this paragraph 2 and



all costs and expenses of all witnesses and other persons retained by it.

2.8.2 The expert shall provide the parties with a breakdown of:

- (a) his fees;
- (b) his reasonable expenses, including the fees of and reasonable expenses incurred by any technical or professional advisers.

2.8.3 The expert's fees and expenses under paragraph 2.8.2 shall be payable by the parties in equal amounts, unless the expert (having regard to the conduct of the parties with respect to the dispute in question) shall direct in his final determination that such costs and expenses should be borne by one or some only of the parties, in which case the parties shall pay such fees and expenses in accordance with such direction.

2.8.4 If the terms of the expert's appointment provide for the payment of his fees and expenses before the delivery of the final determination, the parties shall pay such fees and expenses in equal amounts, and shall make adjustment payments inter se following any such direction as is referred to in paragraph 2.8.3.

## 2.9 Miscellaneous

The expert shall not be held liable for any act or omission unless it shall be shown that the expert has acted fraudulently or in bad faith.

## 2.10 List of Experts

2.10.1 The disputes secretary shall maintain a list of experts comprising (except in the case of any casual vacancy) 12 persons available to act as experts in accordance with paragraph 2.10.2 and listed in alphabetical order by surname.

2.10.2 The listed experts shall be such persons as the Network Code Committee (identifying 6 such persons being treated as nominated by Transco and 6 by Users) shall by panel majority nominate.

2.10.3 In default of such nomination by the Network Code Committee, the list shall comprise:

- (a) 6 persons nominated by Transco; and
- (b) 6 persons nominated by Users (not being persons appointed by Transco under paragraph (a)) in accordance with paragraph 2.10.4.

2.10.4 Where Users are to nominate a person or persons under this paragraph 2.10:

- (a) the disputes secretary shall invite each User to nominate (by notice in writing to the disputes secretary) up to three persons;
- (b) the persons placed on the list shall be the six persons (or for the purposes of paragraph 2.10.6(c) the person) whose name(s) appear most frequently in all Users' nominations;
- (c) the disputes secretary shall determine and inform Users of reasonable procedures and time periods for the implementation of this paragraph 2.10.4.



## DISPUTE RESOLUTION

- 2.10.5 No person shall be nominated as expert under this paragraph 2.10 unless he has first confirmed in writing to the disputes secretary that he accepts his nomination.
- 2.10.6 If any listed expert indicates that he no longer wishes to be included in the list he shall be removed from the list and replaced by a person nominated:
- (a) by panel majority of the Network Code Committee at either of its next following meetings; or
  - (b) where he was nominated or treated as nominated by Transco, by Transco; or
  - (c) where he was nominated or treated as nominated by Users, by the application of paragraph 2.10.4 (but so as to refer to 1 and not 6 persons).
- 2.10.7 At intervals of approximately 5 years the Network Code Committee shall review the list of experts, and unless it shall by panel majority decide otherwise the list shall be cancelled and a new list established in accordance this paragraph 2.10 (but so that any of the former listed experts may be renominated).

## 3 MEDIATION

### 3.1 Introduction

- 3.1.1 A dispute which is to be referred to mediation shall be referred to a single mediator who shall explore the interests of the parties to the dispute and encourage the parties to resolve the dispute in light of such interests.

### 3.2 Appointment of mediator

- 3.2.1 Within 5 Business Days after agreeing to refer a dispute to mediation the parties shall meet and use their best endeavours to agree upon a person to act as mediator, unless they have agreed upon a mediator when agreeing so to refer the dispute.
- 3.2.2 Where the parties agree upon a mediator they shall request such person to accept appointment as mediator, and shall use all reasonable endeavours to agree (between themselves and with the mediator) upon the terms of his appointment.
- 3.2.3 A person shall be treated as appointed as a mediator for the purposes of this paragraph 3 when he has confirmed his acceptance to act as mediator in accordance herewith.

### 3.3 Procedure and timetable

- 3.3.1 Within 5 Business Days following his appointment, the mediator shall require each party to provide him with a written summary of the dispute, which written summary shall not exceed 5 pages.
- 3.3.2 The mediator may in his discretion:
- (a) request any party to provide him with copies of any documentation or information which he believes will assist to explain any such summary; and
  - (b) provide any such written summary and/or any information or copy documentation received under paragraph (a) to the other party(ies) to the



dispute.

- 3.3.3 Within 10 Business Days following his appointment, the mediator shall contact the parties and shall arrange to meet them.
- 3.3.4 Each party shall attend the meeting with the mediator with a maximum of three representatives, one of whom shall be a person with decision making authority in relation to the subject matter of the dispute and one of whom may be the legal adviser of that party.
- 3.3.5 No additional persons shall attend without the prior written consent of the mediator.
- 3.3.6 The mediator may convene more than one meeting with the parties but shall not convene any meetings later than 40 Business Days following his appointment, unless the parties agree otherwise.
- 3.3.7 The mediator may at his discretion meet each party on his own whether during a meeting attended by the other parties or otherwise, but he shall not disclose to any other party matters disclosed to him in such circumstances without the consent of the disclosing party.
- 3.3.8 At any meeting attended by the parties, the mediator may require each party to make a brief presentation of its case and he may also require the other parties to reply to another party's presentation.
- 3.3.9 The mediator shall not act as an arbitrator (and accordingly the provisions of the Arbitration Acts shall not apply).

### 3.4 Result of mediation

- 3.4.1 The mediator shall encourage the parties to resolve the dispute by agreement and may also discuss informally with any party his own views as to the merits of the dispute.
- 3.4.2 If the dispute remains unresolved 45 Business Days after the mediator's appointment the mediator shall, if so requested by any party, advise the parties of his views and may, at his discretion, also inform them of what he considers to be a fair settlement of the dispute.
- 3.4.3 No party shall be bound to adopt the views or advice expressed or provided by the mediator.
- 3.4.4 If the dispute is resolved or the parties accept the views and advice of the mediator under paragraph 3.4.2, the parties shall use their best endeavours, within 5 Business Days after such resolution or acceptance, to enter into a settlement agreement which shall:
  - (a) set out the terms accepted by the parties or on which the dispute was resolved; and
  - (b) contain provisions of confidentiality similar to those set out in paragraph 3.5.
- 3.4.5 Such settlement agreement shall be made pursuant to English law and courts in England shall be given exclusive jurisdiction over any dispute arising from the settlement



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agreement.

3.4.6 A settlement agreement shall not be an Ancillary Agreement.

### 3.5 Confidentiality

3.5.1 The mediator and the parties, their representatives and advisers and any person connected in any way with the mediation shall keep confidential the fact that the mediation is taking place, and its outcome, and all documents, submissions, statements, information and data including anything revealed orally or otherwise during the mediation and any settlement agreement except as may be necessary for implementation or enforcement of the settlement agreement.

3.5.2 All documents and information prepared by a party for and disclosed in the mediation, and all discussions which take place with a party during the course of the mediation, shall be afforded the same protection from discovery as "**Without Prejudice**" negotiations in proceedings in court; provided that this shall not preclude any document, which may have been disclosed during the mediation but was not prepared solely for use in the mediation, from being discoverable in any proceedings.

### 3.6 Costs

3.6.1 The parties shall unless they agree otherwise bear their own costs and expenses of whatsoever nature of the mediation.

3.6.2 The parties shall bear the fees and expenses of the mediator and all administrative costs arising from the mediation equally.

### 3.7 Further proceedings

3.7.1 The mediator shall not act in any subsequent legal or similar proceedings in respect of the dispute in which he acted as mediator.

3.7.2 The mediator shall not be held liable for any act or omission unless it shall be shown that he has acted fraudulently or in bad faith.





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## U UK LINK

### 1 GENERAL

#### 1.1 Introduction

- 1.1.1 Transco will secure the establishment and operation of UK Link, and will afford to Users access to and use of UK Link, and Transco and each User will communicate with each other by means of UK Link, subject to and in accordance with this Section U.
- 1.1.2 UK Link Users are required to comply with the relevant requirements of this Section U in respect of access to and use of UK Link.
- 1.1.3 For the purposes of the Code:
- (a) the "**UK Link Network**" is an information exchange system (described in the UK Link Manual), as from time to time modified in accordance with paragraph 8, which runs on a wide area network, allowing the electronic transfer of information between Transco and UK Link Users and certain access (as described in the UK Link Manual) by UK Link Users to the UK Link System;
  - (b) the "**UK Link System**" means the computer systems (described in the UK Link Manual), as from time to time modified in accordance with paragraph 8, operated by Transco to support implementation of certain provisions of the Code and the giving of certain communications by Transco and UK Link Users;
  - (c) "**UK Link**" means the UK Link Network and, to the extent to which (as described in the UK Link Manual) Users have access to and use of it, the UK Link System.
- 1.1.4 A "**UK Link User**" is:
- (a) any User, provided that a Discontinuing User shall cease to be a UK Link User upon the User Discontinuance Date; and
  - (b) any other person permitted to have access to and use of UK Link under paragraph 1.3.
- 1.1.5 For the purposes of the Code a "**UK Link Communication**" is a message transmitted by Transco or by a UK Link User by means of UK Link (which shall be deemed for this purpose to include the Active Notification System) in accordance with the requirements of paragraph 4; and for these purposes a "**message**" is a discrete transmission electronically sent or electronically posted by Transco or by a UK Link User.
- 1.1.6 Without prejudice to any contractual obligation binding on Transco other than under the Code, Transco accepts no responsibility for the accuracy of any communication which is not a Code Communication and is made as a UK Link Communication.
- 1.1.7 In this Section U "**UK Link Committee**" means the Network Code Committee or any relevant Sub-committee.

#### 1.2 Code Communications



## UK LINK

- 1.2.1 A UK Link Communication given in accordance with this Section U shall be treated as an effective and valid Code Communication, and Transco and each User confirms that it intends and agrees that UK Link Communications shall have legal effect for the purposes of the Code.
- 1.2.2 The UK Link Manual specifies in respect of each Code Communication therein listed whether it is to be given as a UK Link Communication, by Conventional Notice, by facsimile or by telephone, and in some cases alternative such means by which it may be given; and (subject to paragraph 1.2.4 and [Section V11.1.2](#)) a Code Communication may only be given by the means so specified or (where alternative such means are specified) by one of such alternative means.
- 1.2.3 Where the Code or the UK Link Manual specifies the form and/or format of UK Link Communication by which a particular Code Communication is required to be given, that Code Communication may be given only in that form and/or that format.
- 1.2.4 In the event of certain failures (referred to in paragraph 6) of UK Link, Code Communications shall be (and are permitted to be) given in accordance with paragraph 6.
- 1.2.5 Where a Code Communication which is required to be given as a UK Link Communication (and is not permitted to be given by another means except pursuant to paragraph 1.2.4) is not given in accordance with the requirements of this Section U and the UK Link Manual, and as a result is not properly received by the intended recipient, it shall be deemed not to have been given and shall be of no effect.
- 1.2.6 The failure of a UK Link User or Transco to comply with a requirement that a Code Communication be given as a UK Link Communication, or as to the form or format in which such UK Link Communication is to be given, shall not of itself be a breach of the Code (but without prejudice to paragraph 1.2.5 or to any breach which may result from the failure to give the Code Communication).

## 1.3 External UK Link Users

- 1.3.1 Users acknowledge that Transco may permit persons (other than Users), within any of the categories set out in paragraph 1.3.2, to have access to and use of UK Link.
- 1.3.2 The categories of persons referred to in paragraph 1.3.1 are as follows:
  - (a) the Authority;
  - (b) Meter Readers;
  - (c) User Agents;
  - (d) Delivery Facility Operators and Connected System Operators.
- 1.3.3 No such person will be permitted to have access to or use of UK Link unless such person has executed an agreement substantially in the form set out (for the purposes of this paragraph 1.3.3) in the UK Link Manual; provided that in the case of the Authority Transco may waive or modify this requirement and such agreement shall not be required to contain a provision limiting the ability of the Authority to disclose information.

- 1.3.4 Insofar as differing from those under this Section U, the procedure by and terms upon which such a person may become a UK Link User are set out in the UK Link Manual.
- 1.3.5 Such a person will cease to be a UK Link User in accordance with the provisions (as to such cessation) of the agreement referred to in paragraph 1.3.3.
- 1.3.6 The extent to which any such person may have access to and use of UK Link will be as set out in the UK Link Manual.

## 1.4 UK Link Manual

- 1.4.1 The "**UK Link Manual**" means the document so entitled and issued by Transco, as from time to time revised in accordance with paragraph 8.
- 1.4.2 It shall be an obligation of Transco or a UK Link User to comply with a provision of the UK Link Manual where such provision is expressly identified in the UK Link Manual as one which is made binding on Transco or such UK Link User by this Section U, and not otherwise; but it is acknowledged that as respects all provisions of the UK Link Manual (whether or not made binding by this Section U) a User may be unable to make a UK Link Communication (and so may be unable to exercise an entitlement to make a Code Communication required to be made as such) where the User does not comply with such provisions.
- 1.4.3 The UK Link Manual does not form a part of the Code (subject to paragraph 8.5.1); and in case of any conflict between the Code and the UK Link Manual, the Code shall prevail.
- 1.4.4 Transco reserves the right to charge any UK Link User for any copy of the UK Link Manual or any revision or update thereto (including on a serviced basis which includes the provision of all revisions and updates up to a specified date), other than such number of copies as may be provided (as described in the UK Link Manual) free of charge to UK Link Users, and other than any copies the provision (without charge) of which is covered by the terms of any charge within paragraph 1.6.1(a).

## 1.5 Help desk

- 1.5.1 Transco will provide a help desk, with reasonable resources to meet reasonable requests made by UK Link Users, as described in the UK Link Manual, which will assist UK Link Users in identifying the nature and cause of any operational problems experienced in accessing or using UK Link.
- 1.5.2 Without prejudice to paragraph 7.3 or to the terms on which Transco may supply or maintain any Transco Available Equipment or Licensed Software pursuant to paragraph 2.3, where (following any assistance from such help desk or the identification of any such operational problem or otherwise) Transco agrees to provide any further assistance to a UK Link User in the remedying of such an operational problem as is referred to in paragraph 1.5.1 (other than one resulting from any default of Transco), Transco reserves the right to make a charge therefor in accordance with the UK Link Manual.
- 1.5.3 Except where the Code or the UK Link Manual expressly provides otherwise, no communication by or to the help desk shall take effect as a Code Communication.

## 1.6 UK Link User Charges



## UK LINK

- 1.6.1 Transco reserves the right to require any UK Link User to pay:
- (a) an initial and/or periodic subscription charge or charges for access to and use of UK Link or any class of such access and use;
  - (b) charges in respect of the provision by Transco of training in the use of UK Link to personnel of the UK Link Users.
- 1.6.2 Any charge payable under paragraph 1.6.1 shall be in addition to any amounts payable pursuant to paragraphs 1.4.4, 1.5.2 and 2.3.4.
- 1.6.3 In any case where the amount or rate of any charge payable by a User under this Section U does not fall to be included in the Transportation Statement, the amount or rate of such charge shall be as set out in the UK Link Manual; provided that a charge payable by a UK Link User who is not a User may either be as specified in the Transportation Statement or as specified in the UK Link Manual.
- 1.6.4 Amounts payable by Users pursuant to this Section U will be invoiced and are payable in accordance with [Section S](#).
- 1.6.5 The terms of invoicing and payment of any amount payable pursuant to this Section U by a UK Link User who is not a User shall be as set out in the UK Link Manual.

## 1.7 Additional Access to UK Link System

- 1.7.1 UK Link incorporates (in addition to facilities for making Code Communications referred to elsewhere in this Section U) certain facilities, as described in the UK Link Manual, enabling Users:
- (a) to obtain certain information concerning the User's entitlements and obligations under the Code or other information relating to the User and maintained by Transco under the Code, and
  - (b) to verify the accuracy of or otherwise to validate UK Link Communications made by that User.
- 1.7.2 A User may, by using the UK Link Network, access the facilities within the UK Link System referred to in paragraph 1.7.1, subject to and in accordance with the UK Link Manual, for the purposes set out in paragraphs 1.7.1(a) and (b).
- 1.7.3 Notwithstanding paragraph 1.7.2, each User shall be responsible (without relying on the facilities referred to in paragraph 1.7.1) for maintaining appropriate records of its entitlements and obligations under the Code and other information relating to that User, and for the accuracy and validity (and for maintaining such information as will ensure the accuracy and validity) of Code Communications made by it.
- 1.7.4 Accordingly a User shall not be relieved of any obligation or liability under the Code by reason of any failure (including defective operation) of any such facility as is referred to in paragraph 1.7.1, and Transco will not be responsible for the consequences of any such failure, provided that Transco will notify Users as soon as reasonably practicable upon becoming aware of any such failure.
- 1.7.5 No message transmitted by or to a User in the course of accessing the facilities referred



to in paragraph 1.7.1 shall be a Code Communication.

- 1.7.6 Paragraphs 1.7.3 and 1.7.4 are without prejudice to any express obligation of Transco under the Code to provide information to Users, or as to the accuracy of information subject to any such obligation.

## 1.8 Operational Security

- 1.8.1 Each UK Link User and Transco undertakes to implement and maintain all security procedures and measures required under 'UK Link Security Policy' by the UK Link Manual to prevent unauthorised access to or use of UK Link and to ensure the protection of UK Link Communications against the risk of resulting alteration, delay, disruption or loss.
- 1.8.2 If a UK Link User becomes aware that (notwithstanding paragraph 1.8.1) any unauthorised access to or use of UK Link has or may have occurred, it shall promptly by telephone or facsimile so notify Transco and take such other steps as may be required under the UK Link Manual.
- 1.8.3 If Transco becomes aware that (notwithstanding paragraph 1.8.1) any unauthorised access to or use of UK Link has or may have occurred, it shall promptly by telephone or facsimile so notify any UK Link User who may be affected thereby (a User being so affected where a UK Link Communication given by or to such UK Link User may have been affected thereby, or where there may have been unauthorised access to information relating to such UK Link User), and take such other steps as may be required under the UK Link Manual.
- 1.8.4 Upon any notification under paragraph 1.8.2 or 1.8.3, Transco and the relevant User(s) shall discuss what steps if any (in addition to those required under the UK Link Manual) may be appropriate to reduce the risk of any further unauthorised access to or use of UK Link, and the extent to which any modification under paragraph 8 may be appropriate in the light thereof.
- 1.8.5 If through UK Link a UK Link User obtains or receives unauthorised access to information concerning another UK Link User, or receives a Code Communication sent to another UK Link User, the first UK Link User will promptly so inform Transco and will close the screen on which such information or communication appears or delete the same from its UK Link User Equipment and any other equipment without making any copy thereof (and destroying any copy accidentally made) and make no further use thereof.

## 1.9 Virus protection

Transco and each UK Link User shall:

- (a) implement and maintain policies and procedures, in accordance with the requirements of the UK Link Manual, designed to prevent harmful code or programming instruction(s):
  - (i) from being transmitted to the other or incorporated into UK Link or into any computer program material or medium delivered to the other by reason of anything done by such party pursuant to this Section U, or

- (ii) if received by it from the other, from being incorporated into its own computer hardware or software; and
- (b) promptly notify the other (in accordance with the relevant procedures set out in the UK Link Manual) if it knows or has any reason to believe that (notwithstanding paragraph (a)) any such code or instruction has been so transmitted or incorporated or received.

## 1.10 Liability

- 1.10.1 For the purposes of [Section V8.1.1](#), damage or loss to or corruption of any software or data or information contained in a computer system, resulting from a wilful breach of paragraph 1.8 or 1.9(a), shall be deemed to be physical damage.
- 1.10.2 [Section V1.5.1](#) shall not apply in respect of paragraph 1.10.1.
- 1.10.3 Transco or (as the case may be) a UK Link User shall not be liable in respect of any such damage or loss as is referred to in paragraph 1.10.1 to the extent the breach giving rise thereto occurred as a result of the breach by another UK Link User or (as the case may be) Transco of a provision of this Section U.

## 1.11 Planned UK Link downtime

- 1.11.1 To enable Transco to operate and maintain UK Link, on each Day and/or particular Days UK Link, or (where so specified in the UK Link Manual) particular parts of UK Link, will not be operational at certain times and for certain periods ("**planned UK Link downtime**") specified in or determined in accordance with the UK Link Manual.
- 1.11.2 During planned UK Link downtime, UK Link Users and Transco will not be able to have access to or use UK Link or the relevant part thereof, and accordingly will not be able to make UK Link Communications, except to the extent, if any, provided for in the UK Link Manual.
- 1.11.3 During planned UK Link downtime, notwithstanding any other provision of the Code, Users and Transco will not be entitled to make any Code Communication which is required to be made as a UK Link Communication, except to the extent (if any) provided for in the UK Link Manual or (where part only of UK Link is subject to such downtime) where such part is not required to enable such communication to be made, and their respective rights under the Code shall be construed accordingly.
- 1.11.4 Except as provided in paragraph 6.1.3(b), the unavailability of UK Link during planned UK Link downtime will not be a Code Contingency for the purposes of paragraph 6; but any such unavailability which extends or Transco reasonably anticipates will extend beyond the period of planned UK Link downtime will (subject to and in accordance with the Contingency Procedures) be a Code Contingency.

## 2 EQUIPMENT AND OPERATIONAL REQUIREMENTS

### 2.1 Introduction

- 2.1.1 This paragraph 2 sets out requirements (in respect of the provision of computer hardware, telecommunications facilities and equipment and computer software, and operational requirements) applicable to UK Link Users in relation to access to and use

of UK Link.

2.1.2 UK Link has been designed to function:

- (a) on and with certain hardware and software configurations;
- (b) in accordance with the address strategy; and
- (c) in accordance with defined standards and protocols

all as described in the UK Link Manual.

## 2.2 User Equipment and User Software

2.2.1 It is the responsibility of each UK Link User, at its expense (but subject to paragraph 2.2.13), to secure that there are provided at its premises (except that the Active Notification Device referred to in paragraph 4.6.4 need not be held on the premises) and maintained and from time to time (as required by any UK Link Modification in accordance with paragraph 8) modified, upgraded or replaced, the computer hardware and other equipment, software and telecommunication facilities, and the other facilities and resources, necessary to enable the UK Link User to access and use UK Link and transmit, receive, translate, record and store UK Link Communications, as described in the UK Link Manual.

2.2.2 Transco and each UK Link User shall take all reasonable steps:

- (a) to secure that the equipment, software and facilities to be installed by it in connection with UK Link are adequately protected against damage and security risks, and
- (b) to implement and maintain at its premises the operational environment required for the operation of the UK Link Network.

2.2.3 In accordance with the UK Link Manual, UK Link Users will be classified according to indicators of expected use of and access to UK Link; and the minimum scope and configuration of the equipment, software, facilities and resources from time to time to be provided by a UK Link User in accordance with paragraph 2.2.1 will be determined (as described in the UK Link Manual) by reference to such classification.

2.2.4 For the purposes of this Section U:

- (a) **"UK Link User Equipment"** is the computer hardware and other equipment from time to time provided by a UK Link User in accordance with paragraph 2.2.1;
- (b) **"UK Link User Software"** is the software from time to time installed on the UK Link User Equipment in accordance with paragraph 2.2.1.

2.2.5 A UK Link User shall not access or use UK Link other than by means of the UK Link User Equipment and UK Link User Software and in accordance with the protocols and standards and other requirements set out in the UK Link Manual.

2.2.6 Except in so far as provided by Transco in accordance with paragraph 2.3, it is the



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responsibility of each UK Link User to ensure that the UK Link User Equipment and UK Link User Software comply with the specifications and satisfy the configurations described in the UK Link Manual.

- 2.2.7 In accordance with the UK Link Manual, a UK Link User must obtain and Transco will provide certain of the software required to be installed pursuant to paragraph 2.2.1 under licence from Transco.
- 2.2.8 Except as provided in paragraph 2.2.7 and as otherwise provided in the UK Link Manual, and without prejudice to the requirements of this paragraph 2.2, UK Link Users may procure from any source any of the equipment, facilities and software required under paragraph 2.2.1.
- 2.2.9 Where the UK Link Manual specifies (in addition to what is specified for the purposes of paragraph 2.2.1) any benchmark ("**Benchmark UK Link Configuration**") for the specification, standard or configuration of equipment, software or other facilities to be installed pursuant to paragraph 2.2.1:
- (a) a UK Link User shall not be required to secure that its UK Link User Equipment and UK Link User Software comply with the Benchmark UK Link Configuration (but without prejudice to paragraph 2.2.1), but
  - (b) a UK Link User who does not secure compliance with the Benchmark UK Link Configuration shall be responsible for satisfying himself and securing that the equipment, software and facilities installed by him are capable of operating in accordance with the requirements of this Section U and allowing UK Link to function thereon.
- 2.2.10 The Benchmark UK Link Configuration expressly excludes any computer hardware or software whose functions are beyond the scope of what is required (in accordance with paragraph 2.2.1) for the use of and access to UK Link.
- 2.2.11 Transco agrees that it will, in consultation with the UK Link Committee, from time to time review the Benchmark UK Link Configuration in the light of technological developments in the computer hardware and software generally available to Users with a view to determining whether it would be appropriate (as a UK Link Modification) to modify such configuration.
- 2.2.12 Where the UK Link Manual so requires in respect of any UK Link User Equipment (not including an Active Notification Device), a UK Link User shall inform Transco of the premises at which such UK Link User Equipment is installed and shall not relocate such equipment from such premises except in accordance with the requirements of the UK Link Manual.
- 2.2.13 Paragraph 2.2.1 is without prejudice to any term referred to in paragraph 2.3.4 pursuant to which the cost of maintenance of any Transco Available Equipment is to be borne by Transco.

## 2.3 Transco Available Equipment and Software

- 2.3.1 For the purposes of this Section U "**Transco Available Equipment**" and "**Transco Available Software**" are respectively those items of computer hardware and other equipment, and computer software (excluding that referred to in paragraph 2.2.7), which

are available to be provided by Transco as described in the UK Link Manual.

- 2.3.2 Upon request by a UK Link User (by notice to Transco and otherwise subject to and in accordance with the UK Link Manual), Transco will provide on hire any Transco Available Equipment and/or supply Transco Available Software.
- 2.3.3 Transco will not provide (and shall not be deemed to have provided) to a UK Link User any Transco Available Software except on terms that Transco does not license and is not a party to any licence of such software to the UK Link User and that the existence and terms of the licence between the UK Link User and the person entitled to grant such a licence will be as prescribed by such person or as otherwise agreed between such person and the UK Link User.
- 2.3.4 The terms (including without limitation terms as to hire and other charges or fees) upon which Transco provides any Transco Available Equipment or Transco Available Software, or maintains any Transco Available Equipment, shall be those set out in the UK Link Manual or otherwise agreed between Transco and the UK Link User, and do not form part of the Code and are not an Ancillary Agreement; provided that where a UK Link User has not entered into an agreement with Transco in respect thereof, it shall be deemed to have agreed to the applicable terms in the UK Link Manual.
- 2.3.5 UK Link User Equipment (including replacement parts) which is provided by Transco shall be deemed to comply with the Benchmark UK Link Configuration.

## 2.4 Means of Telecommunication

The means of telecommunication to be used for the purposes of the UK Link Network, including the telecommunication protocols and requirements as to third party service provider(s) will be as set out in the UK Link Manual.

## 2.5 Authorised Representative

- 2.5.1 Where so specified in the UK Link Manual, a UK Link User may only have access to and use of certain parts ("**individual access parts**") of UK Link by an Authorised Representative.
- 2.5.2 An "**Authorised Representative**" is a representative of a UK Link User who has been designated by the UK Link User in accordance with paragraph 2.5.3 and for whom a UK Link Identity under paragraph 2.6.1(b) has been issued.
- 2.5.3 Each UK Link User shall designate one or more representatives of that UK Link User as having authority to access and use, on behalf of that UK Link User, individual access parts of UK Link.
- 2.5.4 A designation, and any withdrawal of the designation, of a representative under paragraph 2.5.3 shall be made by the nominating UK Link User by Conventional Notice to Transco specifying:
  - (a) the name of the representative;
  - (b) the date (not, unless Transco shall agree otherwise, being less than 5 Business Days after such notification is given) with effect from which such designation or withdrawal is to take effect.



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- 2.5.5 A representative designated under paragraph 2.5.3 shall become an Authorised Representative with effect from the date when a UK Link Identity is issued for his use in accordance with paragraph 2.6.2(b).
- 2.5.6 Each UK Link User shall comply, and secure that its Authorised Representatives shall comply, with the provisions of the UK Link Manual in respect of the designation and actions of Authorised Representatives.
- 2.5.7 Subject to paragraph 2.5.8, a UK Link User shall not be entitled to have access to or use of individual access parts of UK Link other than by its Authorised Representatives.
- 2.5.8 Where, in accordance with any relevant requirements under the UK Link Manual, any access to or use of any individual access part of UK Link by a UK Link User is initiated by a computer system of the UK Link User on an automated basis pursuant to an arrangement made by an Authorised Representative, such access or use shall be treated as being by such Authorised Representative.

## 2.6 User Identification and Passcode

- 2.6.1 A "**UK Link Identity**" is the user identification(s) and passcode(s) (as described in the UK Link Manual) by means of which:
  - (a) a UK Link User, or
  - (b) as respects individual access parts of UK Link, a representative of a UK Link User,may have access to UK Link.
- 2.6.2 Transco shall issue to each UK Link User in accordance with the UK Link Manual:
  - (a) a UK Link Identity under paragraph 2.6.1(a); and
  - (b) upon receipt of notice from a UK Link User under paragraph 2.5.4, a UK Link Identity under paragraph 2.6.1(b) for the use of the representative designated in such notice.
- 2.6.3 A UK Link User shall be responsible for the actions of persons to whom it may make known its UK Link Identity under paragraph 2.6.1(a), and of its Authorised Representatives, and for the security of its and of each of its Authorised Representatives' UK Link Identities, which shall not be assigned or transferred or made known to any third party, nor (in the case of a UK Link Identity under paragraph 2.6.1(b)) to any representative of the UK Link User other than the Authorised Representative for whose use it was issued.
- 2.6.4 The passcode(s) comprised in each UK Link Identity are subject to requirements for periodic change in accordance with the UK Link Manual.
- 2.6.5 For security reasons, in the circumstances described in and otherwise in accordance with the UK Link Manual, a new UK Link Identity may be issued to a UK Link User or an Authorised Representative.
- 2.6.6 Transco shall be entitled to assume that any person using a UK Link User's UK Link

Identity under paragraph 2.6.1(a), and any Authorised Representative of a UK Link User, is fully authorised to access and use UK Link (and in particular to initiate, authorise and transmit, and to receive or access for the purposes of receiving, UK Link Communications); and any UK Link Communication transmitted by such a person or (as the case may be) an Authorised Representative shall be treated as given by the UK Link User.

## 2.7 Temporary inhibition of access

### 2.7.1 Where at any time:

- (a) a UK Link User is not complying with any requirement of this Section U or the UK Link Manual in respect of access to or use of UK Link;
- (b) such non-compliance does not result from:
  - (i) any action by Transco, other than an action which it is required to take or might reasonably be expected to take to comply with a requirement of this Section U or the UK Link Manual, or
  - (ii) a failure by Transco to comply with a requirement of this Section U or the UK Link Manual; and
- (c) in the reasonable opinion of Transco such non-compliance is resulting in or will result in material disruption to the access to or use of UK Link by other UK Link Users and/or Transco

Transco may take any reasonable steps to inhibit or (but only where appropriate) discontinue access to UK Link by the defaulting UK Link User.

- 2.7.2 Transco will notify a UK Link User by telephone (followed by facsimile) of any steps under paragraph 2.7.1 wherever practicable before and in any event as soon as practicable after taking such steps; and will restore the UK Link User's access to UK Link promptly upon the UK Link User demonstrating to Transco's reasonable satisfaction that the non-compliance referred to in paragraph 2.7.1(c) will not recur.

## 2.8 Termination

Upon ceasing to be a UK Link User for any reason, a former UK Link User shall:

- (a) return all Transco Available Equipment which has been supplied (other than by way of sale) by Transco to the former UK Link User forthwith and in accordance with the terms on which that Equipment was supplied as set out in the UK Link Manual;
- (b) return the Licensed Software and all copies of the Licensed Software and documents relating to the Licensed Software or supply to Transco a certificate signed by an authorised officer of the former UK Link User confirming that the Licensed Software, related documentation and all copies thereof have been destroyed;
- (c) return all copies of the UK Link Manual forthwith to Transco or supply a certificate to Transco signed by an authorised officer of the former UK Link





User confirming that all copies of the UK Link Manual have been destroyed;

- (d) ensure that its Authorised Representatives discontinue access to and use of UK Link.

### 3 LICENCE

#### 3.1 Introduction

3.1.1 Subject to the restrictions in paragraph 3.1.2, a UK Link User may for the purposes contemplated by the Code or the UK Link Manual (including such purposes under an Ancillary Agreement, Network Entry Agreement or Network Exit Agreement), but not otherwise:

- (a) have access to and use UK Link;
- (b) use the Licensed Software; and
- (c) make use of the UK Link Manual.

3.1.2 The licence granted in paragraph 3.1.1 to each UK Link User is royalty-free (but without prejudice to paragraph 1.6) and non-exclusive and non-transferable and shall terminate automatically upon that UK Link User ceasing to be a UK Link User for any reason.

3.1.3 In respect of each UK Link User, the "**Licensed Software**" means the software referred to in paragraph 2.2.6 (as described in the UK Link Manual) and provided to the UK Link User (in object code or other form), and new releases of that software.

3.1.4 UK Link, the Licensed Software, any accompanying documentation, the UK Link Manual and all copyright and other intellectual property rights of whatever nature therein are and shall at all times remain as between Transco and each UK Link User the property of Transco.

#### 3.2 Restrictions on the Use of Licensed Software and the UK Link Manual

3.2.1 A UK Link User may use the Licensed Software only on the UK Link User Equipment.

3.2.2 A UK Link User may not:

- (a) copy the Licensed Software, any documentation including any manual accompanying the Licensed Software, or the UK Link Manual, except for the purpose of making 2 back-up copies of these materials;
- (b) sub-license use of the Licensed Software to a third party;
- (c) except as may be permitted by law, decompile, disassemble or modify the whole or any part of the Licensed Software;
- (d) charge or otherwise deal in or encumber the Licensed Software or any accompanying documentation;



- (e) delete, remove or in any way obscure any proprietary notices of Transco or a third party on any copy of the Licensed Software, accompanying documentation or the UK Link Manual.
- 3.2.3 Without prejudice to the provisions as to confidentiality of [Section V5](#) or (as the case may be) the agreement referred to in paragraph 1.3.3, each UK Link User shall:
  - (a) reproduce Transco's copyright notices on any copy made by it of the Licensed Software, accompanying documentation or the UK Link Manual;
  - (b) keep records of the making of each copy of the Licensed Software, accompanying documentation or the UK Link Manual and location of such copies, and upon request forthwith produce such records to Transco; and
  - (c) without prejudice to the foregoing, subject to paragraph 3.2.4, take all such other reasonable steps which shall from time to time be necessary in the reasonable opinion of Transco to protect the confidential information and intellectual property rights of Transco in the Licensed Software, accompanying documentation and the UK Link Manual.
- 3.2.4 Except where the UK Link User is in breach of this paragraph 3.2, paragraph 3.2.3(c) shall not require a UK Link User to take or join in taking any legal proceedings:
  - (a) where the UK Link User is (in its reasonable opinion) justified in declining to do so on the grounds that it does not wish to be involved in legal proceedings against the particular third party(ies) involved; and
  - (b) except on terms that Transco indemnifies the UK Link User in respect of all costs and liabilities incurred in so doing and on such other terms as the UK Link User may reasonably require.
- 3.2.5 A UK Link User shall not, and shall not attempt to, download, delete, modify or knowingly damage or access for any purpose other than as authorised under this Section U, any software program comprised in the UK Link System or installed on any equipment (other than the UK Link User Equipment) forming part of UK Link.

### 3.3 Interoperability of Licensed Software

- 3.3.1 To the extent permitted by Transco under the terms of any head licence Transco may have with a third party in respect of any of the Licensed Software, Transco will provide on request from a UK Link User to that UK Link User information regarding interfaces and standard protocols relating to the Licensed Software, to enable the Licensed Software to be used in conjunction with other software which is not provided by Transco.
- 3.3.2 Transco gives no warranty regarding the interoperability of the Licensed Software with other software (other than any other software comprised in the Benchmark UK Link Configuration).

### 3.4 Releases

- 3.4.1 Transco may issue from time to time new versions of any of the Licensed Software by way of UK Link Modification subject to and in accordance with paragraph 8.



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3.4.2 Each UK Link User shall be obliged to install new releases of the Licensed Software on the UK Link User Equipment by the date and time specified (so as to provide reasonable notice to the UK Link User) by Transco.

3.4.3 Within a reasonable time after installation of a new release, a UK Link User shall destroy all copies or any part of the superseded version of the Licensed Software, as required by Transco.

### 3.5 Copyright

3.5.1 Transco warrants to each UK Link User that the licence granted to such UK Link User in respect of the Licensed Software under paragraph 3.1, and the use by such UK Link User of the Licensed Software in compliance with the requirements of this Section U, does not and will not infringe the intellectual property rights of any third party.

3.5.2 In the event that any of the Licensed Software or any part of UK Link becomes, or in Transco's reasonable opinion is likely to become, the subject of a claim for infringement of copyright or any other intellectual property rights owned by a third party, Transco may (without prejudice to any other action it may take in respect of such claimed infringement) in accordance with paragraph 8 but without prejudice to paragraph 7 replace or modify that Licensed Software or part of UK Link so as to make it non-infringing (but notwithstanding paragraph 8.1.3(b) Transco will reimburse the reasonable costs incurred by UK Link Users in implementing such replacement or modification).

### 3.6 Indemnities

3.6.1 Each UK Link User shall indemnify and hold harmless Transco from and against any and all loss, liability, damage, claim, action, proceeding, cost and expense resulting from any breach by such UK Link User of paragraph 3.2.

3.6.2 Transco shall indemnify and hold harmless each UK Link User from and against any and all loss, liability, damage, claim, action, proceeding, cost and expense resulting from any breach by Transco of paragraph 3.5.

3.6.3 Where any claim has been made against Transco or (as the case may be) a UK Link User (the "**indemnified party**") on the basis of facts, events or circumstances which are or may be the subject of the indemnity given under paragraph 3.6.1 or 3.6.2 by a UK Link User or (as the case may be) Transco (the "**indemnifying party**"), and the indemnified party would intend to enforce such indemnity in respect of such claim, the indemnifying party:

- (a) if so requested by the indemnified party, agrees to provide reasonable assistance, not being financial assistance (but without prejudice to the indemnity itself), to the indemnified party in defending the claim;
- (b) agrees that where it may reasonably be concluded, having regard to the extent to which the indemnified party has defended the claim, from a finding of a court of competent jurisdiction against the indemnified party that the indemnifying party was in breach of paragraph 3.2 or (as the case may be) paragraph 3.5, such breach will be taken to be established by such finding of such court;
- (c) acknowledges that there will be circumstances in which it is commercially

appropriate that the indemnified party should settle or cease to defend such claim, and agrees (if requested) to discuss in good faith with the indemnified party such settlement or ceasing to defend, or any other arrangements by which the financial and other burden of continued defence would be borne by the indemnifying party.

## 4 UK LINK COMMUNICATION

### 4.1 Introduction

4.1.1 The forms of UK Link Communication comprise the following:

- (a) T-U On-Line Communication (given by Transco) in accordance with paragraph 4.3;
- (b) U-T On-Line Communication (given by a UK Link User) in accordance with paragraph 4.4;
- (c) Batch Transfer Communication (given by Transco or a UK Link User) in accordance with paragraph 4.5;
- (d) Active Notification Communication (given by Transco) in accordance with paragraph 4.6.

4.1.2 The form in which particular Code Communications are to be given as a UK Link Communication is described in the UK Link Manual.

### 4.2 Particular communication facilities

4.2.1 For the purposes of UK Link Communications, UK Link includes Gateways and certain Automatic Audit Trail Facilities.

4.2.2 In respect of certain forms of UK Link Communication, an "**Automatic Audit Trail Facility**" is a facility (described in the UK Link Manual) forming part of the UK Link System at Transco's premises, which will automatically record the sending or the receipt by Transco of the message comprised in such UK Link Communication and log the date and time of such sending or receipt.

4.2.3 A "**Gateway**" is a computer server (as described in the UK Link Manual), forming part of the UK Link Network, installed at the premises of Transco and of each UK Link User (and in the case of a UK Link User forming part of the UK Link User Equipment and including Licensed Software).

### 4.3 T-U On-Line Communication

4.3.1 A "**T-U On-Line Communication**" is a message transmitted by Transco to a UK Link User or UK Link Users by means of UK Link, as described in the UK Link Manual.

4.3.2 A message transmitted as a T-U On-Line Communication will reside in the UK Link System at Transco's premises, and can be accessed by the UK Link User on-line by means of the UK Link Network as described in the UK Link Manual.

4.3.3 Any T-U On-Line Communication is (as described in the UK Link Manual) either:



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- (a) a message posted by Transco to a particular UK Link User or group of UK Link Users, or
  - (b) a message posted on a public electronic notice board accessible by all UK Link Users or (if so specified in the UK Link Manual) all Users.
- 4.3.4 A T-U On-Line Communication will remain accessible by a UK Link User or Users for the period specified (in respect of the relevant communication) in the UK Link Manual, following which it will no longer be accessible.
- 4.3.5 UK Link Users shall be responsible for accessing (in accordance with paragraph 4.3.2) T-U On-Line Communications at such intervals as shall be appropriate and prudent (having regard without limitation to paragraph 4.3.4).
- 4.3.6 A Code Communication given as a T-U On-Line Communication shall be deemed to have been received by a UK Link User to whom it is transmitted at the time the message is logged 'as sent' by the Automatic Audit Trail Facility, irrespective of whether or when accessed in accordance with paragraph 4.3.5 by that UK Link User.

## 4.4 U-T On-Line Communication

- 4.4.1 A "**U-T On-Line Communication**" is a message transmitted on-line by a UK Link User to Transco by UK Link, as described in the UK Link Manual.
- 4.4.2 A Code Communication given as a U-T On-Line Communication shall be deemed to have been received by Transco at the time the message is logged 'as received' by the Automatic Audit Trail Facility.

## 4.5 Batch Transfer Communication

- 4.5.1 A "**Batch Transfer Communication**" is a data file containing one or more messages transmitted by Transco or by a UK Link User by means of the UK Link Network, as described in the UK Link Manual.
- 4.5.2 Where the UK Link Manual specifies (in respect of particular Code Communications or in particular circumstances) times at or periods within which Batch Transfer Communications may be given, Code Communications may be given as Batch Transfer Communications only at the times or within the periods so specified.
- 4.5.3 A message transmitted as a Batch Transfer Communication will reside at the recipient's Gateway, and can be accessed by the recipient as described in the UK Link Manual.
- 4.5.4 A Batch Transfer Communication will remain accessible by a UK Link User or Transco at its Gateway until deleted by it or deleted automatically (after the period and/or in the circumstances described in the UK Link Manual).
- 4.5.5 Each UK Link User and Transco shall be responsible for accessing (from its Gateway) Batch Transfer Communications transmitted to it at such intervals as shall be appropriate and prudent (having regard without limitation to paragraph 4.5.4).
- 4.5.6 Each Gateway incorporates facilities (as described in the UK Link Manual) by which:
  - (a) where a Batch Transfer Communication is transmitted, a message is

automatically transmitted from the recipient's Gateway to the sender's Gateway acknowledging receipt thereof;

- (b) if a Batch Transfer Communication is transmitted and no acknowledging message (in accordance with paragraph (a)) is received at the sender's Gateway, the Batch Transfer Communication will be re-transmitted as described in the UK Link Manual.
- 4.5.7 Subject to paragraph 4.5.9(e), a Batch Transfer Communication shall be deemed to have been received by the recipient at the time the message referred to in paragraph 4.5.6(a) acknowledging receipt thereof is received at the sender's Gateway.
- 4.5.8 Where Transco or a UK Link User has transmitted a Batch Transfer Communication and has not received an acknowledging message (in accordance with paragraph 4.5.6(a)), paragraph 4.5.9 shall apply.
- 4.5.9 In the circumstances in paragraph 4.5.8:
- (a) the sender of the Batch Transfer Communication shall, as soon as it becomes aware that no acknowledging message was received, endeavour to contact (by telephone or facsimile) and so notify the intended recipient of that Batch Transfer Communication;
  - (b) following such notification the sender and the intended recipient shall immediately take all reasonable steps (other than steps involving the investigation of equipment installed at the other's premises) to identify the cause of the recipient's non-receipt of an acknowledging message, and if either of them shall so identify such cause it shall promptly so inform the other (by telephone or facsimile);
  - (c) upon the identification of such cause the party responsible for such cause shall promptly remedy any non-compliance with any operational requirement for the proper functioning of the UK Link Network and take any other reasonable steps available to it to restore proper communication between their respective Gateways;
  - (d) as soon as such communication has been restored, the sender shall retransmit the Batch Transfer Communication;
  - (e) unless the sender informed the intended recipient under paragraph (b), or the intended recipient is able to demonstrate, that the sender had failed to comply with any operational requirement for the proper functioning of the UK Link Network, the Batch Transfer Communication when retransmitted under paragraph (d) shall be deemed to have been received by the recipient at the time (as logged by the sender's Gateway) of the sender's first transmission referred to in paragraph 4.5.8.

## 4.6 Active Notification

- 4.6.1 An "**Active Notification Communication**" is a message transmitted by Transco by means of the Active Notification System, as described in the UK Link Manual.
- 4.6.2 The "**Active Notification System**" is the system (as described in the UK Link Manual)



for transmitting messages to a warning device ("**Active Notification Device**") forming part of the UK Link User Equipment.

4.6.3 An Active Notification Communication shall be deemed to have been received by the UK Link User to whom it is transmitted at the time it is logged 'as sent' by the Active Notification System.

4.6.4 Each UK Link User shall ensure that at all times a representative of the UK Link User has an Active Notification Device in his continuous possession and control.

4.6.5 An Active Notification Communication may (where so provided in the UK Link Manual) be notice to the effect that a Code Communication has been given by some other permitted means (in which case the Active Notification Communication will not contain the Code Communication itself).

#### 4.7 Audit Trail

4.7.1 Transco will retain a complete and chronological record of all UK Link Communications it transmits and receives, for the minimum period applicable in respect of the relevant communication, as specified in the UK Link Manual, following transmission or receipt.

4.7.2 Transco and each UK Link User shall ensure that electronic or computer records containing UK Link Communications are readily accessible and are capable of being reproduced in a human readable form and of being printed, if required.

4.7.3 Records made by the Automatic Audit Trail Facility of the transmission or receipt of UK Link Communications, and (as respects UK Link Communications the transmission or receipt of which is not so recorded) other records retained by Transco and/or UK Link Users in accordance with this paragraph 4.7, shall be prima facie evidence of the transmission or receipt of such UK Link Communications.

4.7.4 In the event of a dispute between Transco and a UK Link User as to any Code Communication the sending of which was (as a UK Link Communication) recorded by the Automatic Audit Trail Facility, Transco will, as soon as reasonably practicable after a request to do so, provide to the UK Link User a copy of what is recorded (in respect of such communication) in such facility.

### 5 TRADING BETWEEN USERS

#### 5.1 General

5.1.1 Users may use the UK Link Network (in addition to use for communicating with Transco) for the purposes of making User Trade Communications, in accordance with and subject to the relevant provisions of the UK Link Manual.

5.1.2 A "**User Trade Communication**" is:

(a) an invitation by a User to other Users to make such an offer as is referred to in paragraph (b);

(b) an offer by a User to another User to make:

- (i) a System Capacity Transfer, as Transferee User;
    - (ii) a Storage Transfer, as transferee;
  - (c) an acceptance by a User of such an offer (made by another User) as is referred to in paragraph (b) (such Users, the "**Trading Users**").
- 5.1.3 A User Trade Communication shall be a UK Link Communication but (without prejudice to paragraph 5.4.1) is not a Code Communication.
- 5.1.4 Without prejudice to any other provision of the Code, nothing in this paragraph 5 prevents any User agreeing with another User a Capacity Transfer, Trade Nomination or Storage Transfer other than pursuant to a User Trade Communication.

## 5.2 Basis of User Trade Communications

- 5.2.1 A User Trade Communication shall be made as a U-T On-line Communication (by the sending User) and received as a T-U On-line Communication (by the receiving User); and for these purposes the UK Link System includes a facility (as described in the UK Link Manual) by which on receipt of the U-T On-line Communication (designated by the sending User as a User Trade Communication) the related T-U On-line Communication is automatically transmitted (and without prejudice to paragraph 5.4.1 there is no instrumentality of Transco in such transmission nor will Transco be concerned with such User Trade Communication).
- 5.2.2 The sending and receiving of a User Trade Communication will be logged by the Automatic Audit Trail Facility in accordance with paragraphs 4.3.6 and 4.4.2.
- 5.2.3 The UK Link Manual sets out:
- (a) the basis on which a User Trade Communication may be made, and restrictions applying thereto;
  - (b) details of the information concerning the User making the User Trade Communication, or comprised in that communication, which will be available to or accessible by other Users by or on the UK Link Network.

## 5.3 Effect of User Trade Communications: Users

- 5.3.1 Each User agrees with each other User that:
- (a) a User Trade Communication shall be treated as a valid and effective communication as between Users;
  - (b) a User Trade Communication under paragraph 5.1.2(b) shall be an offer capable of acceptance by the User to whom it is addressed;
  - (c) a User Trade Communication under paragraph 5.1.2(c) shall be an acceptance of an offer giving rise to a contract between the relevant Users.
- 5.3.2 The terms of the contract referred to in paragraph 5.3.1(c) shall be those terms contained in the relevant User Trade Communication(s) and such other terms as shall have been agreed by the Trading Users or in default of such agreement the terms in



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5.3.3 [Section V1.5.1](#) shall not apply in respect of paragraphs 5.3.1 and 5.3.2.

## 5.4 Effect of User Trade Communication: Transco

5.4.1 Upon a User making a User Trade Communication under paragraph 5.1.2(c), the Trade Notices will (as described in the UK Link Manual) automatically be given, and shall be treated as having been given for all purposes of the Code, by that User and the User who made the corresponding User Trade Communication under paragraph 5.1.2(b).

5.4.2 For the purposes of paragraph 5.4.1, the "**Trade Notices**" are:

- (a) in the case of a System Capacity Transfer, the notices required under [Section B5.2.1](#);
- (b) in case of a Storage Gas Transfer, the notices required by the relevant Storage Terms.

5.4.3 Except as provided in paragraph 5.4.1 or where Transco is acting as User, Transco shall not be concerned with a User Trade Communication or any contract referred to in paragraph 5.3.2 (and in particular shall not be a party to such a contract).

## 6 CONTINGENCY ARRANGEMENTS

### 6.1 General

6.1.1 For the purposes of the Code:

- (a) the "**Contingency Procedures**" are procedures forming part of the UK Link Manual for Transco and Users to communicate with each other in the event of a Code Contingency;
- (b) a "**Code Contingency**" is an event or circumstance affecting UK Link, of a kind specified in the Contingency Procedures, which affects the ability of Transco or Users (or where so specified in the Contingency Procedures, of a particular User or particular Users) to give or receive UK Link Communications, or to generate information to be contained in a Code Communication.

6.1.2 Transco and UK Link Users agree to adopt and (in the event of a Code Contingency) to implement the relevant Contingency Procedures.

6.1.3 A Code Contingency may (where so specified in the Contingency Procedures) include:

- (a) a degradation in performance of UK Link which falls short of a failure thereof (where the Contingency Procedures are likely, having regard to such degradation, to provide a superior method of communicating);
- (b) planned UK Link downtime which occurs other than between 04:00 hours and 06:00 hours on any Day.

### 6.2 Code Communications



- 6.2.1 In the event of a Code Contingency, where so provided in the Contingency Procedures, a Code Communication which would normally be required to be given as a UK Link Communication may (notwithstanding any other provision of the Code or the UK Link Manual) be given by any means provided for in the Contingency Procedures.
- 6.2.2 Except as provided in the Code or the Contingency Procedures, the provisions of the Code will apply in and will not be affected by a Code Contingency; and in particular any requirements under the Code or the UK Link Manual as to the timing and content of any Code Communication, and the giving of communications by means other than UK Link, will continue to apply.
- 6.2.3 Where the Contingency Procedures specify intervals or other requirements for the giving in a Code Contingency of any Code Communication which would normally be given as a T-U On-Line Communication under paragraph 4.3.3(b), the giving of such communication at such intervals will be treated as complying with the relevant requirements of the Code.
- 6.2.4 Under the Contingency Procedures communication resources of Transco and Users will be used for the purposes of facilitating the continued giving (in accordance with the Contingency Procedures) of certain kinds of Code Communications in a Code Contingency, and so may not be available for other kinds of Code Communications; and accordingly in any case where the Contingency Procedures do not make provision for the giving of a particular kind of Code Communication (which is required to be given as a UK Link Communication), it may not be possible for Code Communications of that kind to be given.

## 6.3 Class A Contingencies

- 6.3.1 It is agreed that where certain Code Contingencies occur or continue for particular periods or at particular times:
- (a) the application of certain provisions of the Code (in particular, the requirement for Users to pay certain charges, or the basis on which such charges are determined), will be modified), and/or
  - (b) the timetable provided for in the Code for the giving of certain Code Communications may be extended,
- as provided in the relevant Section of the Code.
- 6.3.2 A Code Contingency of the kind referred to in paragraph 6.3.1 is a "**Class A Contingency**".
- 6.3.3 The Code Contingencies which are Class A Contingencies are specified, for the purposes of the relevant provisions of the Code, in the Contingency Procedures.

## 6.4 Short-term suspension of access

Where at any time a failure in or degradation in the performance of any part of UK Link is likely to occur, or such a degradation has occurred, and in Transco's judgement it will be possible to prevent such failure or degradation, or remedy such degradation, by suspending access to and use of UK Link or a part thereof at a time and for a period which will not result in significant inconvenience to Users in the use of UK Link for

making Code Communications:

- (a) Transco shall be entitled, without initiating any Contingency Procedures (but subject to paragraph (b)) which otherwise would be applicable, to suspend access to and use of UK Link (in accordance with such procedures as to notification of UK Link Users and otherwise as may be provided in the UK Link Manual);
- (b) if at any time subsequently it becomes apparent to Transco that such suspension will continue for a period or at a time at which it will result in such inconvenience to Users, any applicable Contingency Procedures will be initiated.

## 7 FAILURE OF UK LINK

### 7.1 Performance levels

7.1.1 Transco and UK Link Users agree and acknowledge:

- (a) that it would not be economical for UK Link to be designed, built or operated so as to reduce the probability of its failure below a certain level, and accordingly that such failures may occur; and
- (b) that the Contingency Procedures referred to in paragraph 6 for giving Code Communications in circumstances of such a failure have been established in recognition of what is stated in paragraph (a), and are reasonable and adequate for the purposes of implementation of the Code in such circumstances.

7.1.2 UK Link is designed and built and will be operated with a view to achieving over particular periods ("**Performance Periods**") the performance levels ("**Performance Levels**") set out in the UK Link Manual for the purposes of this paragraph 7, subject to paragraph 7.1.3 and otherwise subject as provided in the UK Link Manual.

7.1.3 In respect of any Performance Level in relation to which the UK Link Manual specifies a design maximum volume of access to and use of UK Link, UK Link is not designed and will not be operated to achieve the Performance Levels if the volume ("**Usage Volume**") of access to and use of UK Link (defined and determined as provided in the UK Link Manual) exceeds such design maximum volume.

7.1.4 Transco will each month prepare and provide to UK Link Users a statement of:

- (a) the achievement during the Performance Periods (excluding any period during an Emergency) up to the end of the preceding month of UK Link in respect of the parameters ("**Performance Parameters**") by which the Performance Levels are defined, and whether the Performance Levels were achieved;
- (b) Usage Volumes during those Performance Periods, and whether any design maximum volume was exceeded.

7.1.5 To the extent that Usage Volume(s) exceed design maximum volume(s), Transco will not be required to undertake any works in respect of UK Link to enable any Performance Level to be achieved at such higher Usage Volume(s) except as a UK Link Modification within paragraph 8.2.4(a); provided that if any User so requests, Transco

will propose such a UK Link Modification.

## 7.2 UK Link operational performance

7.2.1 The software programming within UK Link is intended to operate:

- (a) in a manner which is consistent with the functions of UK Link described in this Section U and the UK Link Manual, and
- (b) as respects any Code Communication to be given by UK Link Communication, in a manner which is consistent with the requirements of the Code as to the form and content of such communication.

7.2.2 For the purposes of this paragraph 7:

- (a) subject to paragraphs (b) and (c), the software programming within UK Link contains a software error if and only if such software programming operates in a way which is inconsistent with the functions referred to in paragraph 7.2.1(a) or the requirements referred to in paragraph 7.2.1(b);
- (b) references to software programming do not include Transco Available Software;
- (c) software programming comprised in the Licensed Software shall be deemed not to contain a software error if such software programming when installed in the Benchmark UK Link Configuration operates in a manner which is consistent with the functions referred to in paragraph 7.2.1(a) and the requirements referred to in paragraph 7.2.1(b), irrespective of any such inconsistency in operation when installed by any UK Link User other than in the Benchmark UK Link Configuration.

7.2.3 Where:

- (a) a software error has been identified, but
- (b) there are means, not involving significant expense or inconvenience to UK Link Users with the Benchmark UK Link Configuration or to Transco, by which the impact or incidence of the software error can be avoided or corrected so that UK Link Users can continue to have access to and use of UK Link without the software error itself being corrected,

the software error is a "**minor**" software error.

7.2.4 Transco will each month prepare and provide to each UK Link User a report of all software errors identified during the preceding month as being contained within UK Link, specifying those software errors which are minor software errors, describing (in relation to each such minor software error) the means referred to in paragraph 7.2.3(b) and stating whether the error is to be corrected in accordance with paragraph 7.2.5.

7.2.5 Implementation of the means referred to in paragraph 7.2.3(b) shall not be a breach by a UK Link User or Transco of any conflicting requirement of the Code or the UK Link Manual nor shall a UK Link Communication given in accordance with such means be invalidly given for the purposes of paragraph 1.2.



## UK LINK

- 7.2.6 Where the existence of a minor software error would otherwise result in a UK Link User or Transco being in breach of this Section U or would invalidate a particular UK Link Communication, such party shall not be in such breach and such UK Link Communication shall not be so invalidated.
- 7.2.7 Transco may elect to correct (as a Class 1 or Class 2 Modification in accordance with paragraph 8) a minor software error by way of issuing an updated version of the Licensed Software (and not pursuant to paragraph 7.3), provided that Transco will not normally so correct minor software errors at intervals of less than 3 months, nor (where it elects to correct such errors) of more than 12 months.

### 7.3 Performance liability

- 7.3.1 Subject to paragraph 7.4, where:

- (a) either:
  - (i) any statement published by Transco under paragraph 7.1.4 shows or it is otherwise established:
    - (1) that UK Link failed to achieve any Performance Level, and
    - (2) that such failure did not arise by reason of Usage Volumes during the relevant Performance Period(s) exceeding the design maximum volume; or
  - (ii) it is established that the software programming within UK Link contains any error (other than a minor software error which Transco has elected to correct under paragraph 7.2.7, unless Transco elected to but failed to correct a minor software error); and
- (b) such failure of or error in UK Link affects the ability of any User or Transco to give or receive Code Communications in such a way as adversely to affect the conduct by or cost to such User or Users of operations under the Code,

then, except where such adverse effect on the conduct or cost of operations is not material and the cost to Transco of remedying the matter would be material, paragraph 7.3.2 shall apply.

- 7.3.2 In the circumstances in paragraph 7.3.1, Transco will at its cost:

- (a) prepare and propose as a Class 2 Modification:
  - (i) a programme of works for (as the case may be):
    - (1) the improvement of the performance of UK Link (in respect of the Performance Parameter(s) in respect of which the failure occurred) to such a level as, on the assumption that Usage Volume(s) will not exceed the relevant design maximum volume(s), will allow the Performance Levels to be achieved, or
    - (2) the correction of the relevant error in software programming;

and

- (ii) a timetable for the carrying out of such works as soon as shall be reasonably practicable in the circumstances;
  - (b) subject to paragraph 8.4, implement such programme of works in accordance (so far as is reasonably practicable) with such timetable.
- 7.3.3 Except as provided in paragraph 7.3.2, and without prejudice to any other provision of the Code, Transco will not be liable to any User or other UK Link User for or for the consequences (including as respects Users under the Code generally) of any failure, error or defect in or in the operation or performance of UK Link or any other part of the UK Link System (whether in respect of the Performance Parameters, the software programming or otherwise).

## 7.4 Defects not attributable to Transco

7.4.1 For the purposes of this paragraph 7:

- (a) references to UK Link:
  - (i) will be considered as including a reference to any Licensed Software and any requirement contained in the UK Link Manual as to the specification for equipment, other software and any facility to be provided (in accordance with paragraph 2) by a UK Link User;
  - (ii) except as provided in paragraph (i), will not be considered as extending to or including any UK Link User Equipment or UK Link User Software;
- (b) in determining the performance of UK Link or whether there is an error in software programming within UK Link, there shall be excluded all occurrences, errors, delays or failures which:
  - (i) result from or are attributable to any defect in, or in the installation, performance, operation or use of, any UK Link User Equipment or UK Link User Software other than Licensed Software, or any other equipment, facility or software provided by a UK Link User;
  - (ii) result from or are attributable to any failure (not being the failure of UK Link or software error in question itself) by any UK Link User, in its use of or access to UK Link, to comply with the requirements of this Section U and the UK Link Manual, except as respects any error (in accordance with paragraph 8.2.8 where applicable) in the UK Link Manual;
  - (iii) would not have arisen but for the election of a UK Link User not to provide the Benchmark UK Link Configuration; or
  - (iv) are attributable to the provider(s) of telecommunication services (as referred to in paragraph 2.4).

7.4.2 Paragraph 7.4.1 shall apply irrespective of whether Transco provided to a particular UK

Link User any UK Link User Equipment or UK Link User Software, but without prejudice to the terms of provision or maintenance by Transco of any UK Link User Equipment pursuant to paragraph 2.3.

- 7.4.3 Without prejudice to paragraph 7.4.1(b)(iv), where a provider of telecommunications services (for the purposes of UK Link) is failing to perform its obligations in respect of the provision of such services, Transco agrees to take reasonable steps to secure that such person resumes such performance.

## 7.5 UK Link Performance Monitoring Procedures and Review

- 7.5.1 Transco will establish and implement procedures (such procedures, as from time to time revised by Transco, the "**UK Link Performance Monitoring Procedures**") for the collection and monitoring of data samples relating to the achievement of UK Link in respect of the Performance Parameters (to enable Transco to prepare the statements required under paragraph 7.1.4).

- 7.5.2 Transco will appoint in relation to each relevant period in accordance with paragraph 7.5.4 an independent and appropriately qualified person ( the "**UK Link Performance Auditor**"):

- (a) to conduct a review, following any material revision of the UK Link Performance Monitoring Procedures, of whether in the opinion of such person the UK Link Performance Monitoring Procedures are in all material respects adequate (having regard to the technical feasibility, cost and administrative burden of implementing such procedures) to ensure on a continuing basis the collection and monitoring of such data samples as are necessary to ascertain with reasonable certainty Usage Volumes and the level of achievement over Performance Periods of UK Link in respect of the Performance Parameters against the Performance Levels;
- (b) to conduct a review, after each relevant period, of whether in the opinion of such person, in each relevant period, Transco has:
  - (i) in all material respects implemented the UK Link Performance Monitoring Procedures in accordance with their terms; and
  - (ii) made any material revision in the relevant period to the UK Link Performance Monitoring Procedures without subsequently initiating a review pursuant to paragraph (a)).

- 7.5.3 For the purposes of this paragraph 7.5 "**relevant period**" means each Gas Year or any other period (whether shorter or longer than a Gas Year) proposed by Transco after consultation with the UK Link Committee where the Authority (upon Transco's application) gives Condition 9(3) Approval to Transco's implementing this paragraph 7.5 on the basis of such other period.

- 7.5.4 The person appointed as UK Link Performance Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 7.5) the terms of his appointment, including the scope and objectives of the reviews under paragraph 7.5.2, shall be the person, period and terms from time to time agreed by the UK Link Committee, unless (upon the application of Transco or any User made within 10 Business Days after Transco notified to Users the decision of the UK Link Committee)

the Authority in any case shall give Condition 9(3) disapproval to Transco's making an appointment of the UK Link Performance Auditor on such basis (in which case Transco will arrange for an alternative proposal to be considered by the UK Link Committee).

7.5.5 The terms of appointment will require that:

- (a) the UK Link Performance Auditor shall present to and discuss with Transco its draft findings before reporting under paragraph (b);
- (b) the UK Link Performance Auditor shall report his findings to Transco and the UK Link Committee;
- (c) without prejudice to paragraph (b), the UK Link Performance Auditor shall agree to permit a representative of each User to attend a meeting of the UK Link Committee at which the UK Link Performance Auditor's report is presented;
- (d) where he finds that the UK Link Performance Monitoring Procedures are not in all material respects adequate (as described in paragraph 7.5.2(a)), the UK Link Performance Auditor shall make recommendations as to how such procedures should be revised so as to be adequate (as so described);
- (e) the UK Link Performance Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the UK Link Performance Auditor in the course of his review.

7.5.6 A copy of the UK Link Performance Auditor's full report will be provided by Transco to each User and to the Authority.

7.5.7 The fees and costs of the UK Link Performance Auditor (in connection with the reviews under paragraphs 7.5.2(a) and (b)) will be paid by Transco and (subject to paragraph 7.5.8) recovered from Users as follows:

- (a) before each relevant period the fees and costs of the UK Link Performance Auditor will be estimated by Transco and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under [Section F4.5.3\(a\)\(iv\)](#) for each month in the relevant period;
- (b) when the UK Link Performance Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (a) will be an additional Monthly Adjustment Neutrality Cost under [Section F4.5.3\(a\)\(iv\)](#) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under [Section F4.5.3\(b\)\(iv\)](#) for the month following that in which the final account is rendered.

7.5.8 Where a report of the UK Link Performance Auditor in respect of a review under paragraph 7.5.2(b) contains a finding that Transco:

- (a) failed in a material respect to implement the UK Link Performance Monitoring Procedures, or
- (b) made any material revision in the relevant period to the UK Link Performance Monitoring Procedures without subsequently initiating a review pursuant to



paragraph 7.5.2(a),

the fees and costs of the UK Link Performance Auditor in connection with such review, or such proportion of such fees and costs as he shall specify as being appropriate for the purposes of this paragraph 7.5.8, shall be borne by Transco and not recovered from Users pursuant to paragraph 7.5.7.

- 7.5.9 Where a report of the UK Link Performance Auditor in respect of a review under paragraph 7.5.2(a) contains a finding that the UK Link Performance Monitoring Procedures are not in all material respects adequate (as described in that paragraph) and a recommendation as to how such procedures should be revised so as to be so adequate, Transco will revise such procedures in accordance with such recommendations unless the Authority shall upon the application of Transco give Condition 9(3) Approval to its not doing so.

## 7.6 Failure Liability

7.6.1 For the purposes of this Section:

- (a) a "**UK Link Failure**" is a system failure as defined within priority level IM6 of the UK Link Manual<sup>1</sup>;
- (b) an "**Affected UK Link User**" is a UK Link User who was using UK Link at the time of a system failure and reported that they were unable to access the failed system in accordance with the Problem Management process within the UK Link Manual;
- (c) "**Problem Management Process**" shall mean the problem management process set out within the UK Link Manual;
- (d) "**recover**" shall mean the successful return of service for the affected element within UK Link and "**recovery**" shall be construed accordingly;
- (e) "**recovery period**" be the period commencement on the earlier of:
  - (i) where Transco becomes aware of a UK Link Failure by way of a User communication, the time that the problem is defined as priority level IM6; else<sup>2</sup>
  - (ii) the time that Transco becomes aware of the UK Link Failure until the completion of recovery.
- (f) a "**Repeated Failure of UK Link**" is a reoccurrence within 24 hours of a UK Link Failure, recorded by Transco in accordance with the Problem Management Process;

<sup>1</sup> Paragraph 7.6.1(a) will be amended by Modification MR0706 with effect from 28 October 2004. Please refer to relevant Notice of Future Implementation.

<sup>2</sup> Paragraph 7.6.1(e)(i) will be amended by Modification MR0706 with effect from 28 October 2004. Please refer to relevant Notice of Future Implementation.



- (g) an "**Inappropriate User Action**" is a failure by a UK Link User as set out in paragraph 7.4.1(b)(ii) that results in or contributes to a UK Link Failure.
- 7.6.2 In the event of a UK Link Failure, Transco will endeavour to recover UK Link within a 5 hour recovery period.
- 7.6.3 Subject to paragraphs 7.6.4 and 7.6.7, if the recovery period for a UK Link Failure exceeds 5 hours then Transco will pay each Affected UK Link User £50.
- 7.6.4 In the event of a Repeated Failure or series of Repeated Failures of UK Link, paragraphs 7.6.2 and 7.6.3 shall apply save that in the event that a User is an Affected UK Link User for both the original UK Link Failure and subsequent Repeated Failure(s) of UK Link, paragraph 7.6.3 shall apply in respect of the subsequent Repeated UK Link Failure as though the amount set out were 200% of the payment due in respect of the immediately preceding UK Link Failure or Repeated Failure (as the case may be).
- 7.6.5 In the event of a UK Link Failure where the recovery period is greater than 24 hours, Transco will (subject to paragraph 7.6.7) pay to each Affected UK Link User an amount of £1,000.
- 7.6.6 For Batch Transfer Communications, where Transco fails to make the UK Link Network available (as defined in the UK Link Manual) for a period greater than 24 hours over and above the timescales permitted for processing Batch Transfer Communications as specified in the Network Code, Transco will (subject to paragraph 7.6.7) pay to each Affected UK Link User an amount of £1,000.
- 7.6.7 Transco shall not be liable to pay:-
- (a) the amounts set out in paragraphs 7.6.3 and 7.6.4 where a UK Link Failure has been caused by the performance levels (as set out in the UK Link Manual) being exceeded;
  - (b) the amounts set out in paragraphs 7.6.3, 7.6.4, 7.6.5 and/or 7.6.6 in the event that the UK Link Failure was in whole or part the result of an Inappropriate User Action;
  - (c) the amounts set out in this paragraph 7.6 to the extent that the UK Link Committee (if Transco so requests) agrees by majority decision to suspend any obligation to make payment (or reduce the amount of such payment) under this paragraph 7.6 for the period of such suspension (or reduction).
- 7.6.8 The performance standards set out in this paragraph 7.6 shall be in addition to and not replacement of the performance standards set out in paragraphs 7.2 and 7.
- 7.6.9 For the purposes of Section V13 (Compensation Rules), the rules in paragraphs 7.6.3, 7.6.4, 7.6.5 and 7.6.6 are Compensation Rules within Compensation Group K; and the relevant '**payment month**' will be the second month following the month in which the relevant failure occurred.

## 8 UK LINK MODIFICATIONS

### 8.1 Introduction



## UK LINK

- 8.1.1 Transco may not make UK Link Modifications other than in accordance with this paragraph 8.
- 8.1.2 For the purposes of this Section U:
- (a) **"UK Link Modification"** means a Transco System Modification, a User System Modification or a Manual Modification;
  - (b) **"Transco System Modification"** means a modification to the specification of the UK Link System or the UK Link Network or any modification to any equipment or software comprised therein and installed at Transco's premises;
  - (c) **"User System Modification"** means a modification to the specification required under the UK Link Manual of the equipment, software and other facilities required to be provided by a UK Link User under paragraph 2;
  - (d) **"Manual Modification"** means any amendment to the UK Link Manual.
- 8.1.3 Except in the case of a Class 3 Modification, or as otherwise provided in this Section U, where any UK Link Modification is to be made:
- (a) Transco will bear the costs of developing any required change in the Licensed Software;
  - (b) each UK Link User will bear the costs of any modification to the UK Link User Equipment or (except as provided in paragraph (a)) UK Link User Software required to implement the UK Link Modification (or to enable the UK Link User to continue to comply with this Section U following such modification), and all other costs incurred by the UK Link User in consequence of the UK Link Modification;
  - (c) Transco will bear all other costs incurred for the purposes of making the UK Link Modification.
- 8.1.4 A User will not be in breach of any provision of the Code by reason of any inability of the User to comply with such provision which results from disruption to the User's use of or access to UK Link during and occasioned by the making of a UK Link Modification, provided that the UK Link User shall have complied with any reasonable requirements proposed by Transco for implementing the modification and for making UK Link Communications during the making of such modification.

## 8.2 Modification Classes

- 8.2.1 UK Link Modifications are classified for the purposes of this paragraph 8 as Class 1, Class 2 and Class 3 Modifications in accordance with this paragraph 8.2.
- 8.2.2 A **"Class 1 Modification"** is:
- (a) a Transco System Modification which will have no adverse operational or other adverse impact on any UK Link User and will not require any UK Link User to incur any cost to be borne by it in accordance with paragraph 8.1.3(b), or which has been consented to by all UK Link Users on whom such modification will have such an impact; or

- (b) a Manual Modification (other than one within paragraph 8.2.4(b)) required:
  - (i) as a consequence of any Transco System Modification or User System Modification made in accordance with this paragraph 8; or
  - (ii) to correct any inaccuracy in the UK Link Manual so that it correctly describes any aspect of UK Link which is not itself the subject of a Transco System Modification or User System Modification.

8.2.3 A "**Class 2 Modification**" is:

- (a) a UK Link Modification which is required under paragraph 7.3.2;
- (b) a User System Modification which is required to enable a Transco System Modification which is a Class 2 Modification or a Class 3 Modification to be implemented;
- (c) any other UK Link Modification (other than a Manual Modification within paragraph 8.2.4(b)) proposed by Transco in any of the following circumstances:
  - (i) where:
    - (1) Transco reasonably determines that the functionality or performance of UK Link is insufficient to support the implementation of relevant provisions of the Code, notwithstanding that such modification may not be required under paragraph 7.3.2, and such modification is required to make the required improvement to such performance, and
    - (2) Transco does not intend that the costs incurred by Transco in making such modification should be recovered from UK Link Users, and
    - (3) the costs (of revising or replacing any computer hardware or software) for UK Link Users entailed by the making of the modification are reasonable in the circumstances; or
  - (ii) where each of the conditions in paragraph 8.2.5 is satisfied in respect of such modification; or
  - (iii) where the modification is required by or in connection with a modification to the Code which is made pursuant to the Modification Rules; or
  - (iv) where the modification is to be made pursuant to paragraph 3.5.2; or
  - (v) where the modification is made to correct a minor software error in accordance with and subject to paragraph 7.2.4.

8.2.4 A "**Class 3 Modification**" is:

- (a) any Transco System Modification where Transco does not intend to make such modification unless the costs of making the modification are to be recovered from UK Link Users;

- (b) any of the following Manual Modifications:
    - (i) a change in the Contingency Procedures which would materially worsen the ability of Transco and UK Link Users to communicate pursuant to the Contingency Procedures;
    - (ii) a modification of any provision of the UK Link Manual which is (pursuant to paragraph 1.4.2) expressly identified as binding on Transco or UK Link Users;
    - (iii) a modification in respect of the means (as described in paragraph 1.2.2) of giving a Code Communication, or the form (as described in paragraph 4.1.2), other than the inclusion of an additional such form, of giving any UK Link Communication; or
  - (c) any other UK Link Modification which is not a Class 1 or Class 2 Modification or is one which Transco elects to treat as a Class 3 Modification.
- 8.2.5 The conditions referred to in paragraph 8.2.3(c)(ii) are that, in respect of a proposed UK Link Modification:
- (a) such modification would not materially increase the scope of information concerning a User to which other UK Link Users have access by virtue of UK Link;
  - (b) such modification would not adversely affect the functions or facilities of UK Link which are available to UK Link Users, nor reduce the scope of the information which Transco makes available to Users by means of UK Link;
  - (c) such modification would not result in a UK Link User with the Benchmark UK Link Configuration incurring material cost, after taking account of any quantifiable savings in cost which such a User acting reasonably efficiently and prudently would reasonably be expected to enjoy as a result of making the modification; and
  - (d) where such modification is a Manual Modification, the modification would not result in any of the following provisions of this Section U applying or taking effect in a way which is (as respects the interests of UK Link Users) materially and adversely different from that in which it applies or takes effect in the absence of such modification: paragraphs 1.2.2, 1.6, 1.8, 1.9, 2.2.9, 2.3.4, 6.3.7 and this paragraph 8.
- 8.2.6 The condition in paragraph 8.2.5(b) shall not be regarded as infringed by reason only of a reasonable level of disruption for the purposes of implementation of a UK Link Modification.
- 8.2.7 Where there is any bona fide doubt as to whether an inconsistency between the operation of the software programming within UK Link and the relevant functions described in the UK Link Manual is a software error (in accordance with paragraph 7.2) or an inaccuracy in the UK Link Manual (in accordance with paragraph 8.2.2(b)(i)):
- (a) subject to paragraph (b), Transco will resolve such doubt in the manner which is most consistent with the proper implementation of the Code or (failing that)

in such manner as Transco shall reasonably determine after consultation with the UK Link Committee;

- (b) if upon the application (within 5 Business Days after Transco has notified Users of its proposed resolution) of any User, the Authority shall give Condition 9(3) Disapproval to Transco's resolving the matter in the proposed manner under paragraph (a), Transco will resolve the matter in such other manner to which the Authority shall upon Transco's application give Condition 9(3) Approval.

### 8.3 Class 1 Modifications

8.3.1 Transco shall be entitled to make a Class 1 Modification at any time.

8.3.2 Where possible before or (failing that) as soon as reasonably practicable after making a Class 1 Modification Transco will:

- (a) inform UK Link Users of that modification if it is a Manual Modification or if UK Link Users are likely (in having access to and use of UK Link) to become aware of it or if (in Transco's opinion) it is likely to be of interest operationally to UK Link Users, and
- (b) if it is a Manual Modification, provide an updated version of the relevant part of the UK Link Manual to UK Link Users without charge.

### 8.4 Class 2 Modifications

8.4.1 Transco shall be entitled to make a Class 2 Modification subject to and in accordance with this paragraph 8.4.

8.4.2 Where Transco proposes to make any Transco System Modification or User System Modification (other than one required to implement a Class 3 Modification) as a Class 2 Modification:

- (a) Transco will notify UK Link Users of its proposal, setting out in outline the nature and purpose of the modification and an indicative timetable for implementing the modification;
- (b) UK Link Users may, within a period of 10 Business Days after Transco's notification, submit to Transco any comments on the proposal (including its implications for UK Link Users);
- (c) Transco may revise its proposal in the light of any comments made by UK Link Users (and will not be required to notify under paragraph (a) any such revision);
- (d) after the period referred to in paragraph (b), and after considering any comments made by UK Link Users, Transco will (unless it has withdrawn its proposal) prepare a plan (such plan, as from time to time revised pursuant to the further provisions of this paragraph 8.4, being the "**implementation plan**") for the implementation of its proposal or revised proposal, setting out in reasonable detail the nature of the proposal and the steps and timetable proposed for its implementation;
- (e) Transco will submit the implementation plan to the UK Link Committee, for

consultation as to whether the steps and timetable planned by Transco for the implementation of the modification are appropriate having regard to the nature of the modification and the implications for UK Link Users of making the modification.

- 8.4.3 The implementation plan will be discussed at one or (if Transco so requests) more than one meeting of the UK Link Committee, and Transco may on one or more occasions revise the implementation plan on the basis of any such discussion and resubmit such revised plan to the committee.
- 8.4.4 If by consensus of the members of the UK Link Committee the implementation plan (with or without any revisions proposed by Transco pursuant to paragraph 8.4.3) is approved, Transco will proceed to implement the proposed modification in accordance with the implementation plan.
- 8.4.5 If such a consensus of the UK Link Committee is not reached:
  - (a) Transco may, where it considers that the making of the modification in accordance with its implementation plan is necessary to enable it or Users to comply with the Code (disregarding for this purpose paragraph 8.4.9) or any Legal Requirement, notify Users that it intends to proceed with the modification;
  - (b) where Transco has given a notification under paragraph (a), Transco shall be entitled to make the modification unless upon the application (within 5 Business Days after Transco's notification) of any User the Authority shall give Condition 9(3) Disapproval to Transco's doing so;
  - (c) except where Transco gives notice under paragraph (a), or if the Authority gives Condition 9(3) Disapproval under paragraph (b), Transco will (unless it decides to withdraw its proposal) refer the implementation plan to the Network Code Committee.
- 8.4.6 Where by panel majority (upon a referral under paragraph 8.4.5(c)) the Network Code Committee approves the implementation plan, with or without any revisions which Transco may propose to the committee, Transco will proceed to implement the proposed modification in accordance with the implementation plan.
- 8.4.7 Where (upon a referral under paragraph 8.4.5(c)) the Network Code Committee does not approve the implementation plan, Transco will not proceed with the proposed modification.
- 8.4.8 Transco will provide to each UK Link User a copy of each implementation plan approved pursuant to paragraph 8.4.4 or 8.4.6.
- 8.4.9 Where a UK Link Modification is proposed by Transco for the purposes of enabling it or Users to comply with any provision of the Code (including without limitation paragraph 7), it is agreed that Transco and Users will be deemed not to be in breach of such provision of the Code as a result of such modification not being made:
  - (a) where its implementation plan is not approved by the UK Link Committee pursuant to paragraph 8.4.4 or the Network Code Committee pursuant to paragraph 8.4.6;

- (b) to the extent that Transco is delayed in implementing such proposal by reason of anything done pursuant to this paragraph 8.4.

- 8.4.10 Where Transco has notified a UK Link User of a proposal under paragraph 8.4.2(a), unless the UK Link User notifies Transco otherwise by way of comment pursuant to paragraph 8.4.2(b), the UK Link User shall be deemed to have accepted the proposed modification as being a Class 2 Modification.
- 8.4.11 UK Link Users may propose to Transco modifications which would be made as Class 2 Modifications, and where Transco does not decide to adopt and propose such a proposed modification Transco will so notify the UK Link User; and Transco will at reasonable intervals notify all UK Link Users of those proposed modifications which Transco has not adopted and proposed, with brief explanations of its decisions.
- 8.4.12 Where the UK Link Modification is one within paragraph 8.2.3(c)(iii), the requirements of this paragraph 8.4 will be deemed satisfied to the extent that equivalent steps have been taken by Transco pursuant to the Modification Rules.

## 8.5 Class 3 Modifications

- 8.5.1 For the purposes only of this paragraph 8.5, that part of the UK Link Manual which describes or specifies any aspect of UK Link which is the subject of a proposed Class 3 Modification shall be deemed to be incorporated into and to form a part of the Code.
- 8.5.2 Before making a Class 3 Modification, Transco must make a modification proposal in respect thereof in accordance with the Modification Rules.
- 8.5.3 Transco may make a Class 3 Modification where (in accordance with the Transco Licence and the Modification Rules) the Authority directs or consents to the modification the subject of the modification proposal referred to in paragraph 8.5.2.
- 8.5.4 If the terms of the modification do not themselves provide for such matters, and subject to the nature of the modification, paragraph 8.4 shall apply in respect of a Class 3 Modification.
- 8.5.5 Transco acknowledges that Users are at liberty to propose modifications to UK Link which would be implemented as Class 3 Modifications.

## 8.6 Notifying Class 2 and Class 3 Modifications

- 8.6.1 Subject to paragraph 8.6.2, where Transco proposes to make a Class 2 Modification or a Class 3 Modification (other than a Manual Modification except where the UK Link Manual anticipates the making of such Manual Modification) when notifying UK Link Users of its proposals in the event that Transco:
  - (a) fails to inform UK Link Users that they have not less than 10 Business Days to submit any comments to Transco in respect of the proposal, Transco will pay to each UK Link User £500;
  - (b) fails to provide the UK Link Users with an indicative timetable for implementing the modification and the implementation date for the modification set out in such timetable is for a date less than 3 months from the giving of such notice, Transco will pay to each UK Link User £500.





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- 8.6.2 Paragraph 8.6.1 shall not apply in respect of a Class 2 Modification or a Class 3 Modification in respect of which alternate timescales to those referred to in paragraphs 8.6.1(a) or (b) are agreed to by Transco and the UK Link Committee or pursuant to the Modification Rules or where the modification is one in respect of which paragraph 8.4.12 applies.
- 8.6.3 Where Transco fails to notify UK Link Users by the Business Day following the Day in respect of which a Class 2 Modification or a Class 3 Modification was to be implemented but was not so implemented, Transco will pay each UK Link User £1,000.
- 8.6.4 For the purposes of Section V13, the rule in paragraphs 8.6.1 and 8.6.3 are Compensation Rules within Compensation Group I; and in relation thereto the 'payment month' is the second month following the month in which the relevant failure occurred.





## 9 Annex U-1

### 1 Application of this Annex

- 1.1 This Annex does not form part of the Network Code Principal Document.
- 1.2 This Annex sets out certain terms which, subject to paragraph 1.3, are incorporated into every contract arising as a result of a User Trade Communication made under Section U5.1.2(c) of the Code (a "**User Trade Contract**").
- 1.3 In accordance with Section U5.3.2 of the Code, a term set out in this Annex is not incorporated into a User Trade Contract:
  - (a) if the Trading Users have expressly agreed another term; or
  - (b) to the extent that such term is inconsistent with any term expressly agreed by the Trading Users.

### 2 Interpretation

- 2.1 Terms used in this Annex have the same meanings as in the Code.
- 2.2 For the purposes of this Annex:
  - (a) "**applicable daily rate**" means:
    - (i) in respect of System Capacity, the Applicable Daily Rate (in pence per kWh/Day) of the relevant Capacity Charge; and
    - (ii) in respect of Storage Space, the Applicable Storage Space Charge Rate (in pence per kWh of Storage Space for a Storage Year) divided by 365; and
    - (iii) in respect of Storage Deliverability, the Applicable Storage Deliverability Charge Rate (in pence per kWh/Day of Storage Deliverability for a Storage Year) divided by 365;
    - (iv) in respect of Storage Injectability, the Applicable Storage Injectability Charge Rate (in pence per kWh/Day of Storage Injectability for a Storage Year) divided by 365;
  - (b) "**Capacity Transfer**" means a System Capacity Transfer or a Storage Capacity Transfer;
  - (c) "**Capacity Transfer Day**" means a Day in the Relevant Transfer Period in respect of which the Trade Transferee is treated as holding the Transferred Capacity in accordance with the Code;
  - (d) "**Relevant Transfer Period**" means:
    - (i) in respect of a System Capacity Transfer the Transfer Period;
    - (ii) in respect of a Storage Capacity Transfer the Storage Transfer Period;



- (e) **"Trade Transferor"** means:
  - (i) in respect of a System Capacity Transfer the Transferor User; and
  - (ii) in respect of a Storage Transfer the Transferor Storage User; and
- (f) **"Trade Transferee"** means:
  - (i) in respect of a System Capacity Transfer the Transferee User; and
  - (ii) in respect of a Storage Transfer the Transferee Storage User.
- (g) **"Transferred Capacity"** means Transferred System Capacity or Transferred Storage Capacity.

### 3 Price

#### 3.1 Capacity Transfer

- 3.2 In respect of a Capacity Transfer the Trade Transferee shall, subject to paragraph 3.3, pay to the Trade Transferor in respect of each month some or all of the Days of which are Capacity Transfer Days a sum determined in accordance with the following formula:

$$A = B \times C \times D$$

where

A = the sum payable by the Trade Transferee in respect of the month;

B = the applicable daily rate in respect of the Capacity Transfer;

C = the amount of the Transferred Capacity;

D = the number of Capacity Transfer Days in that month.

- 3.3 If in respect of any Capacity Transfer Day in a month the Trade Transferor ceases to be liable to pay to Transco the relevant Capacity Charges or Storage Capacity Charges in respect of an amount of Transferred Capacity in accordance with the Code, the sum which would but for this paragraph 3.1.2 be payable by the Trade Transferee pursuant to paragraph 3.2 in respect of that month shall be reduced by a sum equal to the aggregate of the sums for each such Capacity Transfer Day, each such sum being calculated in accordance with the following formula:

$$E = F \times G$$

Where

E = the sum by which the Trade Transferee's liability is reduced in respect of such Day;

F = the applicable daily rate;

G = the amount of Transferred Capacity in respect of which the Trade

Transferor ceased to be liable to pay Capacity Charges or Storage Capacity Charges in respect of such Day.

### 3.4 Storage Gas Transfer

- 3.5 In respect of a Storage Gas Transfer the Trade Transferee shall pay to the Trade Transferor a sum determined in accordance with the following formula:

$$H = I \times J$$

where

H = the sum payable by the Trade Transferee in respect of the Storage Gas Transfer;

I = the Top-up WACOG (in pence per kWh) for the Transfer Storage Facility on the last WACOG Calculation Date before the transfer date;

J = the Transferred Gas-in-Storage (in kWh).

## 4 VAT

- 4.1 The sums payable pursuant to a User Trade Contract are exclusive of Value Added Tax.

## 5 Payment

- 5.1 Sums payable by the Trade Transferee to the Trade Transferor under a User Trade Contract shall be paid on or before whichever is the later of:

- (a) the 5th Day after the Day on which the Trade Transferee receives an invoice in respect of such sum from the Trade Transferor; and
- (b) the 15th Day of the month following the relevant month (in accordance with paragraph 5.2)

- 5.2 For the purposes of paragraph 5.1 the relevant month is:

- (a) for a Capacity Transfer, the month to which the invoice relates; and
- (b) for a Storage Gas Transfer, the month in which the User Trade Communication under Section U5.1.2(c) of the Code was made.

## 6 Interest

- 6.1 Where any sum payable pursuant to a User Trade Contract is not paid on or before the due date for payment in accordance with paragraph 5.1 (the "**Due Date**"), the paying User shall pay interest, after as well as before judgment, at the rate for the time being of Barclays Bank plc plus 3 percentage points per annum on the unpaid amount from the Due Date until the day on which payment is made.
- 6.2 Interest payable pursuant to paragraph 6.1 shall accrue on a daily basis and on the basis of a 365 day year.



- 6.3 Governing law and jurisdiction
- 6.4 Each User Trade Contract shall be governed by, and construed in all respects in accordance with, English law.
- 6.5 The parties to a User Trade Contract irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with that User Trade Contract.

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## V GENERAL

### 1 INTRODUCTION

#### 1.1 Code

- 1.1.1 References to the "**Code**" are to this Network Code Principal Document, as (and for so long as) modified or supplemented by the Network Code Transition Document dated 1st March 1996, and as from time to time modified in accordance with the Modification Rules or the Transco Licence; and references to the Code include the Code as given contractual effect by the Framework Agreement.

#### 1.2 Network Code Framework Agreement

- 1.2.1 For the purposes of this Section V "**Network Code Framework Agreement**" or "**Framework Agreement**" means the agreement pursuant to which the Code is made binding upon Transco and each User.

#### 1.3 Network Code Ancillary Agreement

- 1.3.1 A "**Network Code Ancillary Agreement**" or "**Ancillary Agreement**" is an agreement between Transco and one or more Users setting out any terms of a transportation arrangement (as defined in Standard Condition 1 of the Transco Licence) in relation to the System:
- (a) entered into pursuant to any provision of the Code which contemplates that such an Agreement may be entered into; or
  - (b) which expressly provides that it is to be a "**Network Code Ancillary Agreement**" for the purposes of this Section V.
- 1.3.2 Subject as provided in this Section V an Ancillary Agreement shall be treated as forming, as between Transco and the User or Users party thereto, and as to its subject matter, a part of the contractual relationship between Transco and such User(s) existing pursuant to the Code and the Framework Agreement.
- 1.3.3 In any Ancillary Agreement (unless it otherwise provides) terms defined in or for the purposes of the Code and not otherwise defined in such Ancillary Agreement shall have the meanings ascribed thereto in or for the purposes of the Code.
- 1.3.4 An Ancillary Agreement may be amended by agreement of Transco and the User(s) party to that Agreement and not otherwise; and accordingly an Ancillary Agreement shall not be subject to modification pursuant to the Modification Rules (but without prejudice to any modification of any provisions of the Code which apply to or are incorporated into such Agreement).
- 1.3.5 A breach by a User of a term of an Ancillary Agreement will not (unless the Ancillary Agreement so provides) be a breach of the Code.
- 1.3.6 Any Ancillary Agreement applying in respect of a System Entry Point or Connected System Exit Point shall provide (in such manner as Transco shall reasonably determine)



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for any User who may (or intends to) deliver gas to or (as the case may be) offtake gas from the System at that point to accede to such Agreement; and Transco may refuse to allow a User who has not acceded or agreed to accede to such an Agreement to deliver or offtake gas or to hold System Capacity or to make a Nomination at or in respect of such System Point.

## 1.4 Parties

In this Section "**Party**" means:

- (a) in the context of the Network Code Framework Agreement, Transco or any User; and
- (b) in the context of any Ancillary Agreement, Transco or a User who is party to that Agreement.

## 1.5 Effect of Code

- 1.5.1 Except where the Code expressly provides otherwise or disapplies this paragraph 1.5.1, or as may be provided in an Ancillary Agreement, neither the Code nor the Framework Agreement nor any Ancillary Agreement creates contractual rights or liabilities between Users inter se.
- 1.5.2 Paragraph 1.5.1 shall not apply in respect of paragraphs 11 and 14 (except for paragraph 14.1 and 14.3).

## 1.6 Non-Code Transportation Arrangements

- 1.6.1 For the purposes of the Code:

- (a) "**Non-Code Transportation Arrangement**" means a transportation arrangement, which is for the time being in force, made between Transco and a gas shipper on terms other than those of the Code, or in the context of a particular System Point, such a transportation arrangement relating to the delivery or offtake of gas to or from the System at such point;
- (b) "**Non-Code Shipper**" means a gas shipper who is party to a Non-Code Transportation Arrangement.

- 1.6.2 Where Transco makes or has made a Non-Code Transportation Arrangement, subject to paragraphs 1.6.3 and 1.6.4(a):

- (a) for the purposes of giving effect to such arrangement and to the provisions of [Sections C, D, E, F, H, I, K](#) and [P](#) of the Code which apply by reference to the quantities of gas delivered to and offtaken from the System by Users, and of calculating such quantities, Transco will be treated as a User of the System as respects the quantities of gas delivered to and offtaken from the System by the Non-Code Shipper;
- (b) for the purposes of giving effect to such arrangement and to the provisions of [Sections G2](#) and [G3](#), Transco will be treated as a User of the System as respects the Supply Meter Points which are or are to become subject to such arrangement.



- 1.6.3 Nothing in paragraph 1.6.2 shall have the effect of conferring on the Non-Code Shipper any right or imposing on it any obligation under the Code, nor as implying any terms into the Non-Code Transportation Arrangement.
- 1.6.4 Where a Non-Code Transportation Arrangement is one to which Condition 5(3) of the Shipper's Licence applies:
- (a) Transco may elect for some or all of the purposes of paragraph 1.6.2 that the Non-Code Shipper shall be treated as a User in place of Transco;
  - (b) the Code shall apply so as to give effect to the arrangement or undertaking referred to in the said Condition 5(3);
  - (c) paragraphs 1.6.5 and 1.6.6 shall not apply in respect of the Non-Code Transportation Arrangement.
- 1.6.5 Where a User is also a Non-Code Shipper, its Non-Code Transportation Arrangements (including without limitation holdings of System Capacity or Storage Capacity for LNG facilities) as Non-Code Shipper shall be separate from, and shall be given effect and accounted for separately from, those under the Code.
- 1.6.6 In accordance with and without prejudice to the generality of paragraph 1.6.4, the calculation of a User's Daily Imbalance, and any Daily Imbalance Charges, Scheduling Charges, Overrun Charges or Storage Overrun Charges at LNG Facilities, shall be made disregarding quantities of gas delivered to or offtaken from the System or System Capacity held by the User as Non-Code Shipper.

## 2 USER ADMISSION

### 2.1 Admission requirements

- 2.1.1 In order to become a User a person (the "**Applicant User**") must:
- (a) satisfy or secure satisfaction of the requirements in paragraph 2.1.2, and
  - (b) accede to the Framework Agreement and thereby agree to be bound by the Code.
- 2.1.2 The requirements referred to in paragraph 2.1.1(a) are as follows:
- (a) the Applicant User shall have applied to Transco, in such form as Transco may from time to time prescribe, giving the following details:
    - (i) the name of the Applicant User;
    - (ii) the legal nature of the Applicant User, and where the Applicant User is not a company incorporated under the Companies Act 1985 (as amended), such further information concerning the constitution of the Applicant User as Transco may reasonably require;
    - (iii) the address and telephone and facsimile numbers of the Applicant User, and the individual for whose attention notice is to be marked, for the purposes of notice under paragraph 11.2.3 and 11.3.1;



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- (iv) where the Applicant User is not a company incorporated under the Companies Act 1985 (as amended), an address for service in accordance with paragraph 14.8.3;
  - (b) either:
    - (i) a Shipper's Licence shall have been granted to the Applicant User which is in force and in respect of which no notice of revocation has been given, and the Applicant User shall have provided a copy of such licence to Transco, or
    - (ii) a Shipper's Licence shall be treated as having been granted to the Applicant User pursuant to a scheme made under paragraph 15 or 16 of Schedule 5 to the Gas Act 1995;
  - (c) the Applicant User shall have secured compliance with those requirements of Section U which are required to be complied with before a User is able to send and receive UK Link Communications, including without limitation:
    - (i) the installation and connection of the UK Link User Equipment and the UK Link User Software at the Applicant User's premises;
    - (ii) the appointment of one or more Authorised Representatives;
  - (d) the Applicant User shall have provided the emergency contact details required under [Section Q2.2](#);
  - (e) the Applicant User shall have obtained from Transco one or more copies of the Code and such other documents referred to in the Code or the Framework Agreement as Transco shall from time to time prescribe for the purposes of this paragraph (e);
  - (f) the Applicant User shall have been assigned an initial Code Credit Limit in accordance with paragraph 3;
  - (g) the Applicant User shall have been assigned an initial Secured Credit Limit in accordance with the Supplement.
- 2.1.3 An Applicant User may accede to the Framework Agreement before the requirements of paragraphs 2.1.2(c), (f) and (g) are satisfied.
- 2.1.4 Where in accordance with paragraph 2.1.3 an Applicant User has executed the Framework Agreement, the Applicant User and Transco shall be bound by this Section V and (but only for the purposes of enabling an Applicant User to satisfy the requirements in paragraph 2.1.2(c)) [Section U](#); and the Applicant User shall for such purposes only be treated as a User.

## 2.2 Admission of User

- 2.2.1 The Applicant User will become a User with effect from the Day ("**User Accession Date**") which is 3 Business Days after satisfaction of the last of the requirements under paragraphs 2.1.1 and 2.1.2 to be satisfied.



2.2.2 Upon the Applicant User's becoming a User pursuant to paragraph 2.2.1 Transco will so notify:

- (a) the Applicant User, specifying:
  - (i) Transco's notice details for the purposes of paragraph 11.2.3; and
  - (ii) the names of all other Users and their prevailing notice details in accordance with paragraph 11.2.3;
- (b) all other Users, specifying the name of the Applicant User, its notice details provided under paragraph 2.1.2(a)(iii) and the User Accession Date.

## 2.3 Restricted authorization of User

Where the Shipper's Licence held by a User limits or restricts the premises to which the User may arrange for the conveyance of gas by the System or in any other way limits or restricts the activities which the User is authorised to carry on:

- (a) the User shall be solely responsible for compliance with such limit or restriction and (subject to paragraph (b)) Transco shall not in the implementation of the Code as respects such User be concerned with such limit or restriction; but
- (b) Transco shall be at liberty in its discretion to (but shall not be required to) withhold from the User any right or entitlement pursuant to the Code so as to give effect to such limit or restriction.

## 2.4 Single User admission

Unless expressly otherwise provided in the Code or agreed by Transco, a person may only be one User, and accordingly a person who is for the time being a User may not make a further application to be admitted as a User.

## 2.5 Restricted User

2.5.1 A person which is for the time being either:

- (a) designated by the Authority for the purposes of standard condition 9(3A) of the Transco Licence, or
- (b) a body which is declared by an Order of the Secretary of State to be a Recognised Clearing House for the purposes of the Financial Services Act 1986 (as amended), or
- (c) a body which is declared by an Order of the Secretary of State to be a Recognised Investment Exchange for the purposes of the Financial Services Act 1986 (as amended) and which makes its own arrangements for clearing transactions effected on its exchange,

may be admitted as a User for the purposes only of making Trade Nominations pursuant to [Section C6](#).

2.5.2 Where a User is admitted pursuant to paragraph 2.5.1:



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- (a) the User hereby undertakes to Transco that it will not and will not purport to deliver gas to nor offtake gas from the System, make any Nomination, will not or purport to act as if it were a Trading Participant, become a CSEP User or the Registered User of any Supply Point, or hold System Capacity or Storage Capacity at LNG Facilities, or make a System Capacity Transfer or Storage Gas Transfer in relation to an LNG Facility, or otherwise exercise any right or entitlement of a User other than the right to make Trade Nominations pursuant to [Section C6](#) and any rights (consequent thereon) arising under [Section F](#), [Section S](#), [Section T](#), this Section V, [Section U](#) or [the Supplement](#);
  - (b) the User shall not make a Trade Nomination more than 5 Days before the Gas Flow Day;
  - (c) the User shall not be bound to comply with any obligation under [Section L](#), [O](#) or (except pursuant to paragraph 4 thereof) [Q](#).
- 2.5.3 Where an Applicant User informs Transco that it wishes to be admitted as a User pursuant to paragraph 2.5.1:
  - (a) the requirements in paragraph 2.1.2(b) and (d) shall not apply in respect of the Applicant User;
  - (b) it shall be an additional requirement for the purposes of paragraph 2.1.1 that, at the same time as the User accedes to the Framework Agreement, Transco and the User enter into a memorandum to record that the User is or is to be admitted pursuant to paragraph 2.5.1;
  - (c) Transco's notification to Users under paragraph 2.2.2(b) will specify that the Applicant User has been so admitted.

### 3 CODE CREDIT LIMITS

#### 3.1 General

- 3.1.1 Transco will, in accordance with the Code Credit Rules, determine and assign to each User a Code Credit Limit, and will keep each User informed of its Code Credit Limit (as revised in accordance with paragraph 3.2.2) for the time being.
- 3.1.2 The "**Code Credit Rules**" are the rules from time to time established and revised by Transco and issued to Users setting out (inter alia):
  - (a) the principles on which Transco will assess and from time to time revise (in accordance with paragraph 3.2.2) its assessment of the credit-worthiness of Users (and persons providing surety for Users) and establish Code Credit Limits;
  - (b) the basis on which a User may (with a view to increasing its Code Credit Limit) provide surety or security for Relevant Code Indebtedness, or (with a view to reducing its Relevant Code Indebtedness) make prepayments to Transco;
  - (c) procedures by which a User may discuss its Code Credit Limit with Transco.
- 3.1.3 The Code Credit Rules do not form a part of the Code and (but without prejudice to the





further provisions of this paragraph or to anything done pursuant to the Code Credit Rules) nothing in the Code shall make compliance with such rules an obligation of Transco or Users.

- 3.1.4 Nothing in the Code or the Code Credit Rules shall constitute any duty of care or other obligation on the part of Transco (whether to or for the benefit of the User in question or Users in general) in relation to the implementation of the Code Credit Rules or the provisions of this paragraph 3.

## 3.2 Code Credit Limit and Relevant Code Indebtedness

- 3.2.1 For the purposes of the Code:

- (a) a "**Code Credit Limit**" is an amount representing a User's maximum permitted Relevant Code Indebtedness.
- (b) "**Relevant Code Indebtedness**" is:
  - (i) the aggregate amount, other than in respect of Energy Balancing Charges, for which a User is at any time liable to Transco pursuant to the Code or any Ancillary Agreement, determined on the basis of amounts accrued (and in accordance with paragraph (c) where applicable) and irrespective of whether such amounts have been invoiced under [Section S](#) or (where invoiced) have become due for payment; less
  - (ii) any amount which has been paid to Transco by the User by way of prepayment, on the basis that Transco may apply such amount without the User's consent in or towards payment of amounts referred to in paragraph (i), and which has not yet been so applied;
- (c) for the purposes of paragraph (b)(i) a User's liability for Capacity Charges in respect of a Day shall be treated as accruing on the following Day.

- 3.2.2 For the avoidance of doubt, the amount of a User's Relevant Code Indebtedness shall be determined by reference to the relevant provisions of the Code, and nothing in the Code shall be construed as withdrawing from a User any right to dispute whether Transco has correctly calculated such amount in any case, or from Transco any right to dispute the validity of any Invoice Query submitted by any User.

- 3.2.3 Without prejudice to paragraph 3.2.2, where a User has submitted an Invoice Query in accordance with [Section S4.2.1](#) in respect of any Invoice Document Transco will review and give due consideration to such Invoice Query before taking any steps pursuant to paragraph 3.3.

3.2.4

- (a) A User's Code Credit Limit may from time to time be reviewed and revised, in accordance with the Code Credit Rules, save where either paragraph 3.2.4(b) or 3.2.4(c) applies, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:
  - (i) at intervals of approximately 12 months;



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- (ii) at the User's request (but subject to paragraph 3.2.6);
    - (iii) where any published credit rating of the User or any person providing surety for the User is revised downwards;
    - (iv) where (but without prejudice to any requirement of the Code Credit Rules) any instrument of surety or security expires or is determined;
    - (v) at Transco's request where at any time Transco has reasonable grounds to believe that the effect of the review will be to reduce the User's Code Credit Limit.
  - (b) Where any published credit rating of the User or any person providing surety for the User is revised downwards to the extent that the said credit rating following such revision is less than the minimum prescribed credit rating as set out in the Code Credit Rules, a User's Code Credit Limit may be immediately reviewed and revised by Transco in accordance with the Code Credit Rules, on notice to the User.
  - (c) Where a Supplier of Last Resort (as defined in paragraph [G2.1.7\(b\)](#)) has been appointed and paragraph [G2.1.8](#) applies, a Last Resort User's Code Credit Limit may be reviewed and revised by Transco in accordance with paragraph [G2.1.10](#).
- 3.2.5 Subject to paragraph 3.2.6, Transco will bear the costs and fees that it incurs (but not any costs incurred by the User) in connection with any review of a User's Code Credit Limit in accordance with paragraph 3.2.4.
- 3.2.6 Transco will not be obliged to agree to any request of the User under paragraph 3.2.4(b) unless the User agrees to reimburse to Transco the reasonable costs and fees payable by Transco to any third party in accordance with the Code Credit Rules in connection with such request.

### 3.3 Requirements as to Relevant Code Indebtedness

3.3.1 Where:

- (a) a User's Relevant Code Indebtedness exceeds 70% of its Code Credit Limit and Transco has given notice to the User to that effect; and
- (b) at any time following such notice the User's Relevant Code Indebtedness exceeds 85% of its Code Credit Limit and Transco has given notice to the User to that effect (which notice may in appropriate circumstances be given at the same time as that under paragraph (a)),

paragraphs 3.3.2 and 3.3.3 shall apply.

- 3.3.2 Subject to paragraph 3.3.1, where and for so long as the Relevant Code Indebtedness of a User for the time being exceeds 85% of the User's Code Credit Limit, Transco shall be entitled to reject or refuse to accept all or any of the following by the relevant User:

- (a) an application for System Capacity or increased System Capacity at any System Point under [Section B](#) or [G5](#);



- (b) a System Capacity Trade under [Section B5](#) in respect of which the User is Transferee User;
- (c) a Supply Point Nomination or Supply Point Confirmation under [Section G](#), other than a Supply Point Renomination or Supply Point Reconfirmation (unless made in the context of an application under paragraph (a));
- (d) Not used.
- (e) Not used.

until such time as the User's Relevant Code Indebtedness is reduced to less than 85% of its Code Credit Limit.

- 3.3.3 Subject to paragraph 3.3.1, where and for so long as the Relevant Code Indebtedness of a User for the time being exceeds 100% of the User's Code Credit Limit, Transco may give Termination Notice (in accordance with paragraph 4.3) to the User.

### 3.4 Security under Code Credit Rules

- 3.4.1 Any instrument of surety or security provided by a User pursuant to the Code Credit Rules (and whether or not entered into by the User) shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by Transco pursuant to the Code, shall prejudice or invalidate any such instrument.
- 3.4.2 Where a User has provided surety or security pursuant to the Code Credit Rules the User (or the person giving the surety) may request Transco to release all or any of such security or agree to a reduction in any maximum amount of such surety.
- 3.4.3 Following a request by a User under paragraph 3.4.2, Transco will as soon as reasonably practicable and, except where the User also requests a review (by an agency appointed by Transco for such purposes) and revision of its Code Credit Limit, in any event not more than 10 Business Days after such request, release security, or agree to a reduction in surety, to such extent or by such amount as will permit the condition in paragraph 3.4.4 to be satisfied.
- 3.4.4 The condition referred to in paragraph 3.4.3 is that the amount of the User's Relevant Code Indebtedness at the date of such release or reduction is not more than 85% of the amount of the User's Code Credit Limit, determined in accordance with the Code Credit Rules on the basis of the release of security or reduction in surety (and taking account of any alternative surety or security provided by the User).
- 3.4.5 A User may (inter alia) provide security for the purposes of the Code Credit Rules in the form of a deposit in a bank account where:
- (a) the account is in the joint names of the User and Transco;
  - (b) interest on the amount deposited in the account will accrue for the benefit of the User;
  - (c) the User and Transco have irrevocably instructed the bank, in terms reasonably satisfactory to Transco and the User, to make payment to Transco of amounts



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(up to the amount deposited in the account) which have become due for payment to Transco (but having regard to the time at which pursuant to [Section S4.2](#) payment is due where an Invoice Query has been raised) against reasonable evidence provided by Transco that payment of such amount has become due (but such instruction shall be without prejudice to any provision of [Section S](#) as to the payment of interest);

- (d) the bank shall have agreed that the amounts deposited in the account may not be set-off or otherwise applied by the bank in respect of any indebtedness of the User or other person;
- (e) amounts (other than in respect of interest earned) standing to the credit of the account will not be paid to the User except with Transco's written agreement (but subject to paragraph 3.4.3).

## 4 DISCONTINUING USERS AND TERMINATION

### 4.1 General

4.1.1 A User may cease to be a User pursuant to paragraph 4.2 or 4.3; and for the purposes of the Code a "**Discontinuing User**" is a User who so ceases to be a User and the "**User Discontinuance Date**" is the date with effect from which (in accordance with paragraph 4.2 or 4.3) a Discontinuing User ceases to be a User.

4.1.2 Upon a User's ceasing to be a User:

- (a) subject to paragraphs 5.6 and 4.3.5, the Framework Agreement shall cease to bind the Discontinuing User and (as respects the Discontinuing User) Transco;
- (b) each Ancillary Agreement to which a Discontinuing User is party shall, unless otherwise provided in such Ancillary Agreement, terminate as respects that User (but without prejudice to the continuance of that Agreement as respects any other User(s) party thereto) with effect from the User Discontinuance Date.

4.1.3 Transco will as soon as reasonably practicable after the User Discontinuance Date notify all other Users of a User's ceasing to be a User.

4.1.4 An Ancillary Agreement may be subject to termination as respects any User(s), in accordance with its terms, but (except as may be provided in such Ancillary Agreement) such termination shall not result in any such User ceasing to be a User.

4.1.5 The Framework Agreement shall have no fixed duration, but without prejudice to the provisions of this paragraph 4 as respects Discontinuing Users.

### 4.2 Voluntary discontinuance

4.2.1 A User may at any time by giving notice ("**Discontinuance Notice**") to Transco apply to cease to be a User.

4.2.2 A User may not cease to be a User under this paragraph 4.2 until such time as:

- (a) all amounts payable or (other than in respect of any recurrent charge becoming payable by reason only of the lapse of time after the date on which the last of



the other requirements of this paragraph 4.2.2 is satisfied) which may become payable by the User to Transco pursuant to any provision of the Code, the Framework Agreement or any Ancillary Agreement have been paid in full;

- (b) the User is not the Registered User in respect of any Supply Point and is not party to any Shared Supply Meter Notification;
- (c) the User has complied with the requirements of [Section U2.8](#);
- (d) there is no outstanding Daily Imbalance or NDM Reconciliation Quantity or DM Reconciliation Quantity in respect of the User;
- (e) any requirements under any Ancillary Agreement in respect of termination under this paragraph 4.2 have been complied with; and
- (f) any outstanding breach, being a breach capable of remedy and of which Transco has given notice to the User, by the User of any provision of the Code or the Framework Agreement or any Ancillary Agreement shall have been remedied.

4.2.3 Where a User has given notice under paragraph 4.2.1:

- (a) the User and Transco shall remain bound by the Code and the 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).

4.2.4 Where a User has given notice under paragraph 4.2.1, after the satisfaction of last of the requirements of paragraph 4.2.2 to be satisfied:

- (a) with effect from the 5th Business Day following such satisfaction, the User will cease to be a User;
- (b) without prejudice to paragraph 4.2.5, Transco will as soon as reasonably practicable (and where possible before such date) inform the User of the date on which it ceases to be a User under paragraph (a).

4.2.5 Notwithstanding paragraph 4.2.4, without prejudice to paragraph 4.1.2(a), Transco or (as the case may be) the Discontinuing User shall remain liable, subject to and in accordance with the Code, to the other and (in the case of the Discontinuing User, subject to paragraph 1.5.1) to each other User, after the User Discontinuance Date:

- (a) for any amount which was or becomes payable under the Code or any Ancillary Agreement in respect of any period before the User Discontinuance Date; and
- (b) in respect of any outstanding breach of any provision of the Code, the Framework Agreement or any Ancillary Agreement where such breach was not (for the purposes of paragraph 4.2.2(vii)) capable of remedy or (notwithstanding that paragraph) was capable of remedy but was not remedied.



## 4.3 Termination

4.3.1 For the purposes of this paragraph there shall have occurred a "**User Default**" in relation to a User (the "**Defaulting User**") in any of the following events or circumstances:

- (a) where in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by the Defaulting User under the Code (excluding for the avoidance of doubt amounts the subject of an Invoice Query which by virtue of [Section S4.2.2](#) have not become due for payment):
  - (i) the Defaulting User has not paid the amount in full by the 5th Business Day after the due date for payment, and
  - (ii) on or after the 5th Business Day after the due date for payment Transco has given notice to the Defaulting User requiring payment of such amount, and
  - (iii) the Defaulting User has not paid such amount in full by the 5th Business Day after the date of Transco's notice under paragraph (ii) or
- (b) in accordance with paragraph 3.3.3; or
- (c) where:
  - (i) the Defaulting User is in material breach, other than such a breach as is referred to in paragraph 4.3.7, of any material provision (other than a payment obligation) of the Code; and
  - (ii) the breach is capable of remedy by the Defaulting User; and
  - (iii) Transco has given notice (making reference to this paragraph 4.3) of such breach to the Defaulting User; and
  - (iv) within 14 Days after Transco's notice under paragraph (iii), the Defaulting User does not either:
    - (1) remedy the breach in all material respects, where the breach is capable of remedy within such period of 14 Days; or
    - (2) where the breach is not so capable of remedy, provide to Transco a programme (setting out the steps to be taken by the User and the timetable for taking such steps) for the remedy of the breach as soon as is reasonably practicable; and
  - (v) in the case in paragraph (iv)(2), the Defaulting User does not:
    - (1) remedy the breach in all material respects with all reasonable diligence and so far as reasonably practicable in accordance with the programme provided under that paragraph or a revised programme pursuant to paragraph (2), and
    - (2) where notwithstanding the reasonable diligence of the User it is not reasonably practicable for the User to remedy the breach in accordance with that programme, provide to Transco a revised such programme; and
  - (vi) the breach remains unremedied in any material respect after the expiry of 7 Days after a further notice by Transco to the Defaulting User to the



effect that the Defaulting User has not complied with paragraph (iv) or (v); or

(d) where:

- (i) the Defaulting User is in material breach, other than such a breach as is referred to in paragraph 4.3.7, of any relevant provision (other than a payment obligation) of the Code; and
- (ii) the breach is not capable of remedy; and
- (iii) Transco has given notice (making reference to this paragraph 4.3) of the breach to the Defaulting User; and
- (iv) at any time within the period of 12 months following Transco's notice under paragraph (iii), there occurs a further material breach by the Defaulting User of the same provision of the Code; and
- (v) Transco has given a notice of such further breach to the Defaulting User and a period of 7 Days has expired following such notice; or

(e) where:

- (i) the Defaulting User is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 4.3.2), or any voluntary arrangement is proposed in relation to it under Section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
- (ii) the Defaulting User has a receiver (which expression shall include an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed; or
- (iii) the Defaulting User has an administration order under Section 8 of the Insolvency Act 1986 made in relation to it; or
- (iv) the Defaulting User passes any resolution for winding-up (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
- (v) the Defaulting User becomes subject to an order by the High Court for winding-up; or
- (vi) the Defaulting User becomes subject to a bankruptcy order; or
- (vii) the Defaulting User becomes subject to an event made in a jurisdiction outside England and Wales, equivalent or analogous to any one or more of those events listed in paragraphs 4.3.1(e)(i) to (vi) above; or

(f) where the Shipper's Licence granted to the Defaulting User is determined or revoked or otherwise ceases to be in force for any reason whatsoever, or such licence is assigned unless such assignment is contemporaneous with an





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assignment by the User of all of its rights and obligations under the Code and the Framework Agreement in accordance with paragraph 14.2.

- 4.3.2 For the purposes of paragraph 4.3.1(e)(i), Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£10,000"; and the Defaulting User shall not be deemed to be unable to pay its debts for the purposes of that paragraph if any such demand as is mentioned in the said Section is being contested in good faith by the Defaulting User with recourse to all appropriate measures and procedures.

4.3.3

- (a) Upon the occurrence of a User Default, and at any time after such occurrence at which the User Default is continuing Transco may give notice ("**Termination Notice**") to the Defaulting User to the effect that the User shall cease to be a User with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.
- (b) Without prejudice to Transco's right to give a Termination Notice, as set out in paragraph V4.3.3(a), where the condition in paragraph 4.3.3(c) is satisfied, [paragraph 4 of the Supplement](#) shall apply.
- (c) The condition referred to in paragraph V4.3.3(b) is that:
  - (i) a User Default occurs by reason of the circumstances set out in any one or more of paragraphs 4.3.1(e)(ii), (iii) or (vi), or 4.3.1(e)(vii) to the extent that a person, analagous or equivalent to those persons appointed pursuant to paragraphs V4.3.1(e)(ii), (iii) or (vi) is appointed in a jurisdiction outside England and Wales ("**foreign insolvency practitioner**") in respect of the User; and
  - (ii) the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) fails to provide adequate assurances to Transco in compliance with the principles established in the Energy Balancing Credit Management Supplement and Energy Balancing Credit Rules (such assurances not to exceed a legal and binding commitment by the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate), to pay to Transco all Energy Balancing Debt accruing from (and including) the date of appointment of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate)), as soon as reasonably practicable after being appointed (but for the avoidance of doubt not within two Business Days of its appointment).

- 4.3.4 Where Transco gives Termination Notice to a Defaulting User, with effect from the date specified in the notice, the User will cease to be a User and paragraph 4.1.2 shall apply.

- 4.3.5 The giving of a Termination Notice and the application of paragraph 4.3.4 shall not affect the rights and obligations of Transco and the Defaulting User under the Code, the Framework Agreement and any Ancillary Agreement (including rights and obligations in respect of the User Default, and in respect of amounts including interest payable by either Party, and rights and obligations arising pursuant to any provision of the Code in respect of the User's ceasing to be a User) accrued up to the date referred to in paragraph 4.3.4, which shall continue to be enforceable notwithstanding that paragraph.





- 4.3.6 Where Transco has given a Termination Notice it shall be entitled to inform such persons as it thinks fit that it has done so, including the supplier and consumer in relation to any Supply Point of which the Defaulting User was Registered User, the Connected System Operator or Delivery Facility Operator in relation to any Connected System Exit Point or System Entry Point comprised in an Aggregate System Entry Point at which the Defaulting User held System Capacity, and any person from whom Transco believes the Defaulting User to have purchased gas for delivery to the System.
- 4.3.7 For the purposes of paragraph 4.3.1(c)(i) and (d)(i) the following breaches are excluded:
- (a) a breach which results from a breach by Transco of the Code or an Ancillary Agreement;
  - (b) a failure to Interrupt (as described in [Section G6.9](#));
  - (c) the delivery or tendered delivery by the User of non-compliant gas (as described in [Section I3.5](#));
  - (d) a breach other than a wilful breach of a provision of the Code where the Code specifically provides some other remedy for such breach and such other remedy may reasonably be considered to be adequate in the circumstances.
- 4.3.8 For the purposes of paragraph 4.3.1(d)(i) a breach is a material breach of a relevant provision where and only where:
- (a) in the case of a material provision, the breach is wilful or reckless, or
  - (b) in the case of any provision, as a result of the breach Transco or any other User is in material breach of any material provision of the Code or any Legal Requirement or incurs any material liability or expense.

## 4.4 Gas-in-storage on termination

4.4.1 Not Used.

4.4.2 Not Used.

4.4.3 Not Used.

## 5 INFORMATION AND CONFIDENTIALITY

### 5.1 Transco obligations

5.1.1 Transco shall secure that Protected Information is not:

- (a) disclosed to any person other than:
  - (i) an officer or employee of Transco whose province it is to know the same, or
  - (ii) a professional adviser of or consultant to Transco, or
  - (iii) without prejudice to any requirement under the Transco Licence, any



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10% Affiliate (other than an Affiliate which is the holder of a Shipper's Licence or a gas supplier's licence) of Transco

in any such case in accordance with the requirements of paragraph 5.4; or

(b) used by Transco for any purpose other than carrying on the Transco Activities.

5.1.2 "**Transco Activities**" means the carrying on of transportation business (as defined in the Transco Licence), the operation, administration, maintenance and development of the System and the Transco LNG Storage Facilities, facilitation of connections to the System, and the implementation and performances of the Code, the Framework Agreement, any Ancillary Agreement and any Siteworks Contract.

## 5.2 User obligations

5.2.1 Each User shall secure that Protected Information is not:

(a) disclosed to any person other than:

- (i) an officer or employee of the User whose province it is to know the same, or
- (ii) a professional adviser of or consultant to that User or a User Agent appointed by that User, or
- (iii) a 10% Affiliate (other than an Affiliate which is the holder of a Gas Transporter's Licence) of that User, or
- (iv) subject to paragraph 5.2.3, a consumer or a supplier,

in any such case in accordance with the requirements of paragraph 5.4; or

(b) used by such User for any purpose other than one expressly contemplated by the Code or any Ancillary Agreement or Siteworks Contract to which such User is party.

5.2.2 Paragraph 1.5.1 shall not apply in respect of this paragraph 5.

5.2.3 For the purposes of paragraph 5.2.1(a)(iv) Protected Information relating to a Supply Point may be disclosed to the supplier or consumer to the extent reasonably necessary to enable the conclusion and implementation of a contract of sale to the supplier (where relevant) and a contract of supply to the consumer.

## 5.3 Protected Information

5.3.1 In this Section "**Protected Information**" means:

(a) for the purposes of Transco's obligations under paragraph 5.1:

- (i) any information relating to the affairs of a User which is obtained by Transco pursuant to or in the course of the negotiation, implementation or performance of the Code, the Framework Agreement or any Ancillary Agreement to which that User is party, or the implementation



of the Modification Rules;

- (ii) the terms of any Ancillary Agreement;
- (b) for the purposes of a User's obligations under paragraph 5.2:
  - (i) any information relating to the affairs of Transco or of another User which is obtained by the User pursuant to or in the course of the negotiation, implementation or performance of the Code, the Framework Agreement or any Ancillary Agreement to which the User and (in relation to another User) that other User are party, or the implementation of the Modification Rules;
  - (ii) the terms of any Ancillary Agreement to which that User is party.

5.3.2 For the purposes of paragraph 5.3.1:

- (a) information obtained by a Party in the course of the negotiation of the Code or the Framework Agreement shall be Protected Information only insofar as such information was obtained in writing;
- (b) the following information shall (without prejudice to the generality of paragraph 5.3.1(a)(i)) be treated as information relating to the affairs of a User:
  - (i) the identity, address and any other details of a supplier or consumer, or any representative thereof, insofar as disclosed by the User to Transco pursuant to or for the purposes of the Code;
  - (ii) (without prejudice to paragraph 5.5.2(d)) information provided by the User to Transco pursuant to [Sections L](#) and [O](#) and details of the User's Code Credit Limit and record of payment of charges under the Code;
- (c) the following information shall (without prejudice to the generality of paragraph 5.3.1(b)(i)) be treated as relating to the affairs of Transco: details of Demand Models, End User Categories and other information provided by Transco to Users pursuant to [Section H](#); the UK Link Manual; information (other than information referred to in paragraph (b)) which is maintained or recorded in the UK Link System.

5.3.3 The terms of the Code and the Framework Agreement are not Protected Information.

5.3.4 For the avoidance of doubt, the provisions of the Code are without prejudice to the requirements of the Data Protection Act 1984.

## 5.4 Terms of permitted disclosure

Where Protected Information is disclosed by Transco as permitted under paragraph 5.1.1(a) or by a User as permitted under paragraph 5.2.1(a), the Disclosing Party shall (without prejudice to its obligations under paragraph 5.1.1 or 5.2.1) take all reasonable steps to secure that the person to whom the information is disclosed:

- (a) is aware of the Disclosing Party's obligations under paragraph 5.1.1 or 5.2.1 in relation thereto, and



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- (b) does not use or disclose the information other than as is permitted of such Party in accordance with paragraph 5.1.1 or 5.2.1.

## 5.5 Exceptions

5.5.1 For the purposes of this paragraph 5.5, "**Disclosing Party**" and "**Protected Party**" shall be construed as follows:

- (a) for the purposes of Transco's obligations under paragraph 5.1, the Disclosing Party is Transco and the Protected Party is the User to whose affairs any Protected Information relates;
- (b) for the purposes of a User's obligations under paragraph 5.2, the Disclosing Party is such User and the Protected Party is the Party (either Transco or another User) to whose affairs any Protected Information relates.

5.5.2 Nothing in paragraph 5.1 or 5.2 shall apply:

- (a) to the disclosure or use by the Disclosing Party of Protected Information to which the Protected Party has consented in writing;
- (b) to any Protected Information which:
  - (i) before it is obtained by the Disclosing Party is in the public domain; or
  - (ii) after it is obtained by the Disclosing Party enters the public domain, in either case otherwise than as a result of a breach by the Disclosing Party of its obligations under paragraph 5.1 or 5.2;
- (c) to the disclosure of any Protected Information to any person if and to the extent that the Disclosing Party is required to make such disclosure to such person:
  - (i) in compliance with the duties of the Disclosing Party under the Act or any other requirement of a Competent Authority; or
  - (ii) in compliance with the conditions of the Transco Licence or (as the case may be) Shippers Licence held by the Disclosing Party or any document referred to in such licence with which the Disclosing Party is required by virtue of the Act or such licence to comply; or
  - (iii) in compliance with any other Legal Requirement; or
  - (iv) in response to a requirement of any stock exchange or regulatory authority or the Panel on Take-overs and Mergers; or
  - (v) pursuant to any provision of [Section T](#) or pursuant to any judicial or other arbitral process or tribunal having jurisdiction in relation to the Disclosing Party; or
- (d) to any Protected Information to the extent that the Disclosing Party is expressly permitted or required to disclose that information under the terms of any agreement or arrangement made with the Protected Party or to which it is party (including the Code, the Network Code Framework Agreement and any Ancillary Agreement to which the Protected Party is party);



- (e) to the disclosure of Protected Information to any lending or other financial institution proposing to provide or arrange the provision of finance to the Disclosing Party, where and to the extent that the disclosure of such information is reasonably required for the purposes of the provision or arrangement of such finance, and provided that the person to whom the information is disclosed undertakes in writing to and in terms reasonably satisfactory to the Protected Party to maintain the confidentiality of such information;
- (f) to the disclosure of any Protected Information to the Authority, where the Disclosing Party considers in good faith that the Protected Party may be in breach of a condition of the Transco Licence or (as the case may be) the Shipper's Licence, to the extent reasonably necessary to draw such possible breach to the attention of the Authority.
- (g) to the disclosure of any Protected Information to any person proposing to make a connection directly or indirectly to the System, where and to the extent that the disclosure of such information is reasonably required for the purposes of supporting Transco's charges or requirement to allow such proposed connection to the System to be made and provided that the person to whom the information is to be disclosed is informed in writing of the confidentiality of such information and that prior to disclosure, such person has entered into a confidentiality agreement with Transco which prohibits use or disclosure of such Protected Information in terms no less onerous than those contained in this Section V paragraph 5.

5.5.3 Nothing in paragraph 5.1 shall apply to the disclosure by Transco of Protected Information:

- (a) to any person to the extent such disclosure is required pursuant to the Modification Rules;
- (b) to any UK Link User where such information is contained in a User Trade Communication transmitted to such UK Link User in accordance with the requirements of [Section U5](#) or is accessible by such UK Link User by or from UK Link in accordance with any function or facility of UK Link described in the UK Link Manual;
- (c) to any User Agent where the disclosure by Transco of such Protected Information to the appointing User would not have infringed paragraph 5.1; or
- (d) referred to in paragraph 5.3.2(b)(i) where the supplier or consumer concerned has consented to such disclosure pursuant to a Siteworks Contract, Network Exit Agreement or other document contemplated by the Act, the Transco Licence or the Code as being entered into by Transco and the consumer;
- (e) to the Authority where such information is accessible by the Authority by or from the UK Link System to the extent of the access and in accordance with any function or facility thereof described in the UK Link Manual.
- (f) to the Trading System Operator to the extent required pursuant to the provisions of [Section D](#) or to any person to the extent required pursuant to the Trading System Arrangements.



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- (g) to a consumer or other relevant party to the extent designated by the Authority within Special Condition 17A of the Transco Licence.

5.5.4 Where:

- (a) the Disclosing Party has complied with the requirements of [Section U1.8](#), and
- (b) notwithstanding such compliance a person obtains any Protected Information by unauthorised access to any element of UK Link for the security of which the Disclosing Party is (in accordance with [Section U](#)) responsible

the Disclosing Party shall not be in breach of paragraph 5.1 or 5.2 by virtue of such person having so obtained such Protected Information.

## 5.6 Survival

The provisions of paragraphs 5.1 to 5.5 shall continue, for a period of 3 years after the User Discontinuance Date, to bind a Discontinuing User and (as respects the Discontinuing User) Transco and each other User, notwithstanding that the Discontinuing User has ceased to be a User and irrespective of the reason for such cessation.

## 5.7 Transco Licence

Nothing in the Code, the Framework Agreement or any Ancillary Agreement shall be construed as requiring Transco to disclose or use any information in breach of any requirement of the Transco Licence.

## 5.8 Data ownership

- 5.8.1 Subject to paragraph 5.8.2(a), the data, including metering data, which is processed by or recorded or maintained on the UK Link System (including all intellectual property rights in such data) shall belong to Transco; and subject to paragraph 5.8.2(b) Transco may, but without prejudice to paragraph 5.1 or any other requirement of the Code, use and deal with such data as it thinks fit.
- 5.8.2 Where pursuant to the Code a User provides or arranges for the provision of data to Transco:
  - (a) such data (as provided to Transco by the User) shall belong to the User;
  - (b) the User hereby grants to Transco a perpetual, non-exclusive, royalty-free licence (which shall survive the User Discontinuance Date) in respect of such data and all intellectual rights therein to use, copy, adapt and deal with such data for the purposes of performance and implementation of the Code and for other purposes contemplated by the Code, but not otherwise;
  - (c) paragraph 5.8.1 shall apply in respect of data derived (pursuant to any process) by Transco from such data and in all compilations created by or on behalf of Transco of such data.
- 5.8.3 Where pursuant to the Code Transco provides data to a User or data which is recorded or maintained on the UK Link System is available to a User, the User shall (but without



prejudice to paragraph 5.2) be entitled without charge to use such data for the purposes of performance and implementation of the Code, and for other purposes contemplated by the Code, but not otherwise.

## 5.9 Operational and Market Data

- 5.9.1 Subject to the provisions of the Code Transco shall arrange for the data referred to in Annex V-1, “operational and market data” to be published or made available in the manner specified in Annex V-1.
- 5.9.2 Where market data is sent to Transco on a day that is not a Business Day Transco shall publish such data on the next following Business Day.

**Annex V-1: Table of Operational and Market Data**

Column	Name	Description
1	Data	data definition and indication of the time period to which the data corresponds
2	Timing	initial publication timing and where appropriate, timing of updates if the data is subject to any change
3	Format	tabular, graphical, other
4	Presentation	downloadable, viewable or both
5	Disclosure	public or restricted (and if restricted, list of entities to whom the data can be released)

Data	Timing	Format	Presentation	Disclosue
None specified				

## 5.10 System Operator Commodity Charge Information

- 5.10.1 Transco shall arrange for the information referred to in ANNEX V-2 (‘SO Commodity Charge Information’) to be published in the manner and frequency specified in that annex.
- 5.10.2 Where Transco is not reasonably able to publish SO Incentive Data in the manner and frequency set out in ANNEX V-2, the requirements of paragraph V5.10.1 shall not apply, and Transco shall publish the SO Incentive Data as soon as is reasonably practicable.

## 5.11 Disclosure of Supplier Identity

- 5.11.1 Where in respect of any Supply Point Transco is requested by a Registered Metering Applicant to disclose to such Registered Metering Applicant the identity of a supplier then the Registered User of such Supply Point agrees that any such request will be regarded as made on behalf of such Registered User and accordingly Transco is authorised by such Registered User to disclose such supplier identity to the Registered Metering Applicant in accordance with such request.
- 5.11.2 For the purposes of paragraph 5.11.1, “**Registered Metering Applicant**” is any person





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who has been registered to request and receive supplier identity from Transco pursuant to an appropriate registration scheme administered by Transco<sup>1</sup>.

## 6 USER AGENTS

### 6.1 General

6.1.1 A User may, subject to and in accordance with this paragraph 6, appoint another person to be the agent of the User for the purposes of making and receiving Code Communications or particular Code Communications on behalf of the User.

6.1.2 For the purposes of the Code, a "**User Agent**" is a person who has been appointed as agent of a User in accordance with paragraph 6.1.1.

6.1.3 Subject to paragraph 6.4.3, a User may appoint more than one person as User Agent.

6.1.4 A person may be appointed as User Agent by more than one User.

### 6.2 Agent for UK Link Communications

6.2.1 A person who is a User or another UK Link User (in accordance with [Section U](#)) may be appointed as User Agent (a "**UK Link User Agent**") for the purposes of making and receiving Code Communications as UK Link Communications.

6.2.2 A UK Link User Agent may be appointed for the purposes of making and receiving on behalf of the appointing User Code Communications within all or any of the categories specified (for the purposes of this paragraph 6.2) in the UK Link Manual.

6.2.3 The scope of a UK Link User Agent's authority may not be limited other than by reference to the categories referred to in paragraph 6.2.2; and a UK Link User Agent will at all times be authorised to make any Code Communication on behalf of the appointing User within the category(ies) for which he is appointed.

6.2.4 The appointing User may change the categories of Code Communication for which a UK Link User Agent is appointed by giving notice to Transco to that effect specifying the changed categories in accordance with paragraph 6.2.2 and the date in accordance with paragraph 6.3.4 with effect from which such change is to take effect.

6.2.5 A User shall terminate (in accordance with paragraph 6.3.3) the appointment of a UK Link User Agent if the agent ceases to be a UK Link User.

### 6.3 Appointment

6.3.1 A User wishing to appoint a User Agent shall give notice to Transco:

- (a) specifying the identity of the appointing User and the proposed User Agent;
- (b) specifying the categories of Code Communication (in the case of UK Link Communications, in accordance with paragraph 6.2.2) for which the User Agent is to be appointed, or specifying that the User Agent is appointed for all such

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<sup>1</sup> Paragraph 5.11 will be added by Modification MR0649 with effect from tbc. Please refer to the relevant Revised Notice of Future Implementation.



categories; and

- (c) specifying the Day in accordance with paragraph 6.3.4 with effect from which the appointment is to take effect.
- 6.3.2 The appointment of the User Agent shall be effective from the Day specified in accordance with paragraph 6.3.1(c), and shall continue, subject to any change under paragraph 6.2.4, until terminated in accordance with paragraph 6.3.3.
- 6.3.3 The appointing User may terminate the appointment of a User Agent by giving notice to Transco to that effect specifying the date in accordance with paragraph 6.3.4 with effect from which such termination is to take effect.
- 6.3.4 The date with effect from which a User Agent is appointed, or the categories of Code Communication for which a UK Link User Agent is appointed may be changed, or the appointment of a User Agent may be terminated, shall be not less than 5 Business Days after the User's notice to Transco thereof; provided that upon the User's request in exceptional circumstances Transco will endeavour to accommodate notice (of any such matter) of a lesser period.

## 6.4 Effect of appointment

- 6.4.1 A Code Communication given by a User Agent shall identify the appointing User on whose behalf the Code Communication is given, and (subject to paragraph 6.4.2) shall not be effective unless it does so.
- 6.4.2 Where a User Agent who is itself a User gives any Code Communication which does not state that it is given on behalf of an appointing User and identify that User, such Code Communication shall be treated as given by the User Agent on its own account in its capacity as User.
- 6.4.3 Any Code Communication given by a User Agent within the categories for which such agent is appointed shall be deemed to have been given by and shall be binding on the appointing User, and Transco shall be entitled without enquiry as to the agent's authority to rely on such Code Communication for all purposes of the Code.
- 6.4.4 A User who has appointed a User Agent may continue itself to give Code Communications.
- 6.4.5 Where a User has appointed one or more User Agents:
- (a) the User shall be responsible for ensuring that the actions of the User and each such agent are not in conflict;
  - (b) where any Code Communication is given by the User or any such agent:
    - (i) to the extent any further Code Communication is subsequently given by any of them which (in accordance with the Code) is effective to modify or revoke the earlier Code Communication, the earlier Code Communication shall be so modified or revoked;
    - (ii) except as provided in paragraph (i), any Code Communication subsequently given by any of them which conflicts with the earlier

Code Communication will be disregarded.

- 6.4.6 Transco shall not be responsible for any unauthorised use or disclosure by a User Agent of information relating to the appointing User (whether or not obtained, in the case of a UK Link User Agent, in its capacity as UK Link User).

## **7 TRANSCO AS USER**

### **7.1 User Capacities**

- 7.1.1 This paragraph 7 applies in respect of the provisions of the Code under which Transco is referred to as a User.
- 7.1.2 The provisions referred to in paragraph 7.1.1, and the capacities ("**Transco User Capacities**") in which Transco is referred to as User thereunder, are as follows:
- (a) provisions of [Section P](#) under which Transco as Top-up Manager is a User in respect of the System and Transco LNG Storage Facilities;
  - (b) provisions of [Section K](#) under which Transco for Operating Margins Purposes is a User in respect of the System and Storage Facilities;
  - (c) provisions of [Section N](#) under which Transco as Shrinkage Provider is a User in respect of the System;
  - (d) provisions of [Section R](#) under which Transco LNG Storage may be a User in respect of the System;
  - (e) provisions of [Section R](#) under which Transco is a User (for the purposes of [Section Z](#)) in respect of Transco LNG Storage Facilities for the purposes of provisioning the Scottish Independent Networks with LNG;
  - (f) provisions of paragraph 1.6.2.
- 7.1.3 Where a User becomes a Discontinuing User following a Termination Notice under paragraph 4.3, Transco shall not be taken to be acting as User by reason of the fact that it may, for administrative or other purposes (including any purposes in connection with such an undertaking as is referred to in [Section F4.5.6](#)) establish particular arrangements (including any arrangements within UK Link) to account for gas offtaken at Supply Meter Points of which the User was Registered User.

### **7.2 Effect of relevant provisions**

- 7.2.1 For the purposes of giving effect to the provisions referred to in paragraph 7.1, Transco will:
- (a) account for payments to be made to and by it pursuant to the Code in each Transco User Capacity;
  - (b) account (in particular in applying the provisions of [Section E](#) as to the determination of quantities delivered to and offtaken from the System) for the quantities of gas delivered and offtaken from the System by it in each Transco User Capacity;



- (c) in particular, in determining the amounts of Market Balancing Action Charges, other amounts payable in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements, Balancing Charges payable and quantities of gas delivered to the System by Transco in each Transco User Capacity;
  - (d) secure that accounting records are maintained sufficient to allow separate identification of the payments referred to in paragraph (a) and the calculation of the amounts of such payments;
  - (e) nominate personnel in respect of each Transco User Capacity, each of which shall be treated as the Authorised Representative(s) of a separate Link User for the purposes of [Section U](#), and conduct operations under the Code in accordance with that Section separately in respect of each such capacity.
- 7.2.2 Nothing in the Code shall require Transco to establish separate subsidiaries, or (other than as provided in paragraph 7.2.1) to prepare separate accounts, or to maintain separate bank accounts, in respect of the Transco User Capacities; nor to give any Code Communication (other than under Contingency Procedures) which is not to be given as a UK Link Communication.
- 7.2.3 The Code shall, to the extent of any reference to Transco (including Transco LNG Storage) as User, be construed in accordance with this paragraph 7.

## 8 LIABILITY AND RELATED ISSUES

### 8.1 Limitation of liability

- 8.1.1 Subject to the further provisions of this paragraph 8, each Party agrees and acknowledges that:
- (a) no Party shall be liable to any other Party for loss arising from any breach of the Code, the Framework Agreement or an Ancillary Agreement, other than (but without prejudice to any other provision of the Code or an Ancillary Agreement which excludes or limits liability in respect of any breach) for loss directly resulting from such breach and which at the relevant date was reasonably foreseeable as not unlikely to occur in the ordinary course of events from such breach in respect of:
    - (i) physical damage to the property of any other Party, and/or
    - (ii) the liability (in law) of any other such Party to any other person for loss in respect of physical damage to the property of such person;
  - (b) no Party shall in any circumstances be liable in respect of any breach of the Code, the Framework Agreement or any Ancillary Agreement to any other Party for:
    - (i) any loss of profit, loss of revenue, loss of use, loss of contract, loss of goodwill, or increased cost of working; or
    - (ii) any indirect or consequential loss; or



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- (iii) except as provided in paragraphs 8.1.1(a)(ii) and 8.1.5, loss resulting from the liability of any other Party to any other person howsoever and whensoever arising.
- 8.1.2 For the purposes of paragraph 8.1.1(a) the "**relevant date**" is the date of the Framework Agreement or as the case may be of an Ancillary Agreement, except that where the breach in question would not have been a breach of the Code but for a modification (pursuant to the Modification Rules or the Transco Licence) of the Code, the relevant date shall be the date of such modification.
- 8.1.3 The amount or amounts for which a Party may be liable to any other Party or Parties pursuant to paragraphs 8.1.1(a) in respect of any one event or circumstance constituting or resulting in the first Party's breach of a provision of the Code, the Framework Agreement and/or any Ancillary Agreement shall not exceed:
  - (a) as respects the liability of Transco to any one User or of any one User to Transco, £1,000,000;
  - (b) as respects the liability in aggregate of Transco to Users collectively or of Users collectively to Transco, £10,000,000.
- 8.1.4 Paragraph 8.1.1 is without prejudice to any provision of the Code or any Ancillary Agreement which provides for an indemnity, or which provides for any Party to make a payment to another.
- 8.1.5 Nothing in the Code or any Ancillary Agreement shall exclude or limit the liability of any Party for death or personal injury resulting from the negligence of such Party.

## 8.2 Exclusion of certain rights and remedies

- 8.2.1 The rights and remedies of the Parties pursuant to the Code, the Framework Agreement and any Ancillary Agreement exclude and are in place of any rights or remedies of any Party in tort (including negligence and nuisance) or misrepresentation in respect of the subject matter of the Code, the Framework Agreement or such Ancillary Agreement; and accordingly, but without prejudice to paragraphs 8.1.5 and 8.2.4, each Party (to the fullest extent permitted by law):
  - (a) waives any rights or remedies, and
  - (b) releases each other Party from any duties or liabilitiesarising in tort or misrepresentation in respect of the subject matter of the Code, the Framework Agreement or such Ancillary Agreement.
- 8.2.2 Without prejudice to paragraph 8.2.1, where any provision of the Code or any Ancillary Agreement provides for any amount to be payable by a Party upon or in respect of that Party's breach of any provision of the Code, the Framework Agreement or any Ancillary Agreement, each Party agrees and acknowledges that the remedy conferred by such provision is exclusive of and is in substitution for any remedy in damages in respect of such breach or the event or circumstance giving rise thereto.
- 8.2.3 For the avoidance of doubt, nothing in this paragraph 8 shall prevent any Party from or restrict it in enforcing any obligation (including suing for a debt) owed to it under or



pursuant to the Code, the Framework Agreement or any Ancillary Agreement.

- 8.2.4 Nothing in this paragraph 8 shall constitute a waiver by any Party of any right or remedy it may have (other than pursuant to the Code) in respect of a breach by any other Party of any Legal Requirement.

### 8.3 Effect of this paragraph

- 8.3.1 Each provision of this paragraph 8 shall be construed as a separate and severable contract term, and shall as respects any Discontinuing User survive that User's ceasing to be a User.
- 8.3.2 Each Party acknowledges and agrees that the provisions of this paragraph 8 have been the subject of discussion and negotiation and are fair and reasonable having regard to the circumstances as at the date of the Framework Agreement.

### 8.4 Liquidated damages

Where any provision of the Code provides for any amount to be payable by a Party upon or in respect of that Party's breach of any provision of the Code, each Party agrees and acknowledges that such provision has been the subject of discussion and negotiation, and that the amount provided to be payable represents no more than a genuine pre-estimate of the loss of the Party to which such amount is payable.

### 8.5 Indemnities

The amount or amounts for which a Party may be liable to any other Party or Parties pursuant to any indemnity provided for in the Code in respect of any one event or circumstance giving rise to liability under such indemnity shall not exceed:

- (a) as respects the liability of Transco to any one User or of any one User to Transco, £1,000,000;
- (b) as respects the liability in aggregate of Transco to Users collectively or of Users collectively to Transco, £20,000,000.

## 9 FORCE MAJEURE

### 9.1 Meaning of Force Majeure

- 9.1.1 For the purposes of the Code, subject to paragraph 9.1.2, "**Force Majeure**" means any event or circumstance, or any combination of events and/or circumstances, the occurrence of which is beyond the reasonable control of, and could not have been avoided by steps which might reasonably be expected to have been taken by, a Party (the "**Affected Party**") and which causes or results in the failure of the Affected Party to perform or its delay in performing any of its obligations owed to any other Party or Parties (each an "**Other Party**") under the Code or any Ancillary Agreement, including:

- (a) war declared or undeclared, threat of war, act of public enemy, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism;
- (b) act of God;



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- (c) strike, lockout or other industrial disturbance;
- (d) explosion, fault or failure of plant, equipment or other installation which the Affected Party could not prevent or overcome by the exercise of the degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same kind of undertaking under the same or similar circumstances;
- (e) governmental restraint or the coming into force of any Legal Requirement.

9.1.2 Inability (however caused) of a Party to pay shall not be Force Majeure.

9.1.3 The act or omission of:

- (a) any agent or contractor of a Party, or
- (b) in relation to a User, any person selling or supplying gas to such User, or any Delivery Facility Operator or Connected System Operator (other than in either case Transco LNG Storage (for the purposes only of [Section Z](#))), or any supplier or consumer

shall not be Force Majeure unless such act or omission is caused by or results from events and/or circumstances which would be Force Majeure within the meaning of paragraph 9.1.1 if such person were the Affected Party.

## 9.2 Effect of Force Majeure

9.2.1 Subject to paragraph 9.2.2, the Affected Party shall be relieved from liability (including any requirement under the Code to make payment of any sum or to take any other action) for any delay or failure in the performance of any obligation under the Code or any Ancillary Agreement which is caused by or results from Force Majeure.

9.2.2 The Affected Party shall be relieved from liability under paragraph 9.2.1 only for so long as and to the extent that the occurrence of Force Majeure and/or the effects of such occurrence could not be overcome by measures which the Affected Party might reasonably be expected to take with a view to resuming performance of its obligations.

## 9.3 Information

Following any occurrence of Force Majeure the Affected Party shall:

- (a) as soon as reasonably practicable notify each Other Party of the occurrence and nature of the Force Majeure, the expected duration thereof (insofar as the same can reasonably be assessed) and the obligations of the Affected Party performance of which is affected thereby; and
- (b) from time to time thereafter provide to each Other Party reasonable details of:
  - (i) developments in the matters notified under paragraph (a), and
  - (ii) the steps being taken by the Affected Party to overcome the Force Majeure occurrence or its effects and to resume performance of its relevant obligations.



## 10 NETWORK CODE COMMITTEE AND SUB-COMMITTEES

### 10.1 Network Code Committee

- 10.1.1 There is hereby established a committee (the "**Network Code Committee**") constituted of all of the persons who are for the time being members of the Modification Panel established pursuant to the Modification Rules.
- 10.1.2 The following provisions of the Modification Rules shall apply, mutatis mutandis and disregarding references therein to other provisions of the Modification Rules, in respect of the Network Code Committee as though incorporated herein: Rules 3.2, 3.5, 4.6 and 5 (excluding Rules 5.1 and 5.2).
- 10.1.3 The persons who are for the time being Chairman and Secretary of the Modification Panel shall be Chairman and Secretary of the Network Code Committee.
- 10.1.4 The Network Code Committee shall be distinct from the Modification Panel and accordingly:
- (a) the agenda of each meeting of the Network Code Committee and of the Modification Panel shall be separate;
  - (b) no business of the Network Code Committee shall be conducted at a meeting of the Modification Panel and vice versa;
  - (c) at the commencement of each such meeting the chairman thereof shall confirm the capacity in which the persons present are meeting.
- 10.1.5 Subject to the requirements of paragraph 10.1.4, meetings of the Network Code Committee and the Modification Panel may take place on the same Day and consecutively.

### 10.2 Functions of Network Code Committee

- 10.2.1 The function of the Network Code Committee shall (subject to paragraph 10.4) be to review such matters concerned with the implementation of the Code, and to do such other things, as are provided for by the Code.
- 10.2.2 To the extent that any procedure of the Network Code Committee is not provided for under this paragraph 10 or pursuant to paragraph 10.1.2, the Network Code Committee may by panel majority decide upon the procedures to be adopted by it.

### 10.3 Network Code Sub-committees

- 10.3.1 The Network Code Committee may by panel majority establish sub-committees (each a "**Network Code Sub-committee**" or for the purposes of this paragraph 10 a "**Sub-committee**") for the purposes of doing or assisting in doing anything to be done by the Network Code Committee; and the Network Code Committee may by panel majority decide that a Sub-committee shall cease to be established.
- 10.3.2 Where the Code provides for anything to be done by the Network Code Committee or a relevant Sub-committee, the reference to a relevant Sub-committee is to a Sub-committee established pursuant to this paragraph 10.3 for the purposes of (or including)





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doing that thing.

- 10.3.3 A Sub-committee may be established for a fixed period (or for such period as shall be required for a fixed purpose) or on a standing basis.
- 10.3.4 When establishing a Sub-committee the Network Code Committee shall determine by panel majority:
- (a) the members of the Sub-committee, or the manner of appointment of such members;
  - (b) the basis on which the Sub-committee is to report to the Network Code Committee and/or to Transco and Users;
  - (c) the procedures by which the Sub-committee shall conduct its business, provided that (except where the Code expressly provides for such a vote) such procedures shall not require or permit a vote to be taken on any matter.
- 10.3.5 Each Sub-committee shall be comprised of persons representing Transco (one of whom shall unless otherwise agreed be the chairman of such Sub-committee), persons representing Users, a person representing the Authority (if the Authority shall nominate such a person) and any other persons whom the Network Code Committee shall determine shall be members thereof.
- 10.3.6 Members of a Sub-committee appointed to represent Users shall be appointed having regard to the contribution which they may as individuals make to the business of the Sub-committee and not to the Users by whom they are employed or engaged.

## 10.4 No powers to bind

- 10.4.1 Except as expressly provided in the Code, neither the Network Code Committee nor any Sub-committee shall have any power to bind Transco or any User and no decision of the Network Code Committee or any Sub-committee shall be effective to modify any provision of the Code or the application thereof.
- 10.4.2 Without prejudice to any requirement under the Code for Transco to consult with the Network Code Committee or any Sub-committee in respect of any matter, neither Transco nor any User may be required to provide to the Network Code Committee or any Sub-committee any information which such person is not willing so to provide.

## 11 NOTICES AND COMMUNICATIONS

### 11.1 General

- 11.1.1 The Code contemplates that Code Communications may be given by the following means:
- (a) by UK Link Communication, in accordance with [Section U](#); or
  - (b) by delivery or by post or facsimile or (in certain cases) by telephone in accordance with paragraphs 11.2 and 11.3;

subject to and in accordance with the provisions of the Code.





- 11.1.2 Subject to [Section U6.2](#), and except where the means by which a Code Communication is to be given is specified in the Code, the particular means (in accordance with paragraph 11.1.1) by which each Code Communication is to be given is set out in the UK Link Manual, provided that where in any case such means is not so specified, such communication shall be given as a Conventional Notice.
- 11.1.3 For the purposes of the Code a "**Conventional Notice**" is a notice or communication which is or may be given by any of the means in paragraph 11.2.
- 11.1.4 Any reference in the Code to the time or date of any Code Communication, or the giving or making of a Code Communication, is a reference to the time or date when (in accordance with this paragraph or [Section U](#)) the Code Communication is deemed to have been received by the Party to which it was sent.
- 11.1.5 Subject to paragraph 11.1.6, a Code Communication which is given after 24:00 hours, or such other time as may be specified in the UK Link Manual in respect of such Code Communication, on a Day may be deemed to have been received on the following Day.
- 11.1.6 Paragraph 11.1.5 does not apply in respect of:
- (a) a Nomination, Interruption Notice, or notice of a System Capacity Trade, Trade Nomination or Storage Trade;
  - (b) a communication to be made (in accordance with [Section Q](#)) during an Emergency; or
  - (c) any other communication to be made by UK Link Communication or by telephone or by facsimile where the context requires that such communication be treated as received within the Day on which it is given.
- 11.1.7 Where any provision of the Code or the Contingency Procedures specify any requirement to be complied with by any Party in respect of any specific Code Communication, such requirement shall be in addition to and (to the extent inconsistent) in substitution for the provisions of this paragraph 11.
- 11.1.8 Where under any provision of the Code a Code Communication may be given in the form of a computer disk (including an optical disk), it shall be given by delivering or sending by post such disk in accordance with paragraph 11.2 (and shall be treated for the purposes of paragraph 11.2.3 as being in writing), but without prejudice to any procedures which the relevant Parties may agree for the purposes of ensuring that it is received in appropriately readable form.

## 11.2 Notices by delivery, post or facsimile

- 11.2.1 References in this paragraph 11.2 to a notice are to any Code Communication or other notice or communication to be given by one Party to another under the Framework Agreement or an Ancillary Agreement, other than one which is given as a UK Link Communication or by telephone.
- 11.2.2 Any notice shall be in writing and shall be addressed to the recipient Party at the recipient Party's address or facsimile number referred to in paragraph 11.2.3, and marked for the attention of the representative (identified by name or title) referred to in that paragraph, or to such other address or facsimile number and/or marked for such



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other attention as the recipient Party may from time to time specify by notice given in accordance with this paragraph 11.2 to the Party giving the notice.

11.2.3 The initial address or facsimile number of a Party, and representative for whose attention notices are to be marked, shall be as specified by a User pursuant to paragraph 2.1.2(a)(iii) or by Transco pursuant to paragraph 2.2.2(a)(i).

11.2.4 Any notice given by delivery shall be given by letter delivered by hand, and any notice given by post shall be sent by first class prepaid post (airmail if overseas).

11.2.5 Any notice shall be deemed to have been received:

- (a) in the case of delivery by hand, when delivered; or
- (b) in the case of first class prepaid post, on the second Day following the Day of posting or (if sent airmail overseas or from overseas) on the fifth Day following the Day of posting; or
- (c) in the case of facsimile, on acknowledgement by the recipient Party's facsimile receiving equipment.

11.2.6 Where a notice is sent by facsimile:

- (a) the Party giving the notice shall (but without prejudice to paragraph 11.2.5(c)) if requested by the recipient Party, resend as soon as reasonably practicable the notice by facsimile; and
- (b) in the case of a Termination Notice, Transco will in any event, within 2 Days following the sending of such facsimile, send to the recipient Party a copy of the notice by first class prepaid post (airmail if overseas).

11.2.7 A Party may specify different addresses or facsimile numbers and representatives pursuant to paragraph 11.2.2 for the purposes of notices of different kinds or relating to different matters.

## 11.3 Communication by telephone

11.3.1 For the purposes of enabling Code Communications to be given (where required or permitted to be so given) by telephone:

- (a) Transco shall provide to each User and each User shall provide to Transco not more than 3 telephone numbers (or such other number as they may agree) and details (by name or title) of the representative to whom the Party giving such a communication should speak;
- (b) each Party shall use reasonable endeavours to ensure that a Party seeking to give such communication will at any time be able to contact a representative (of the first Party) by means of one of such telephone numbers;
- (c) Transco and each User shall, if either of them shall so request, establish such further procedures as may be reasonable and appropriate for the purposes of ensuring:



- (i) that a Code Communication being given by telephone may be identified by the recipient as such; and/or
  - (ii) that such communications may be given securely, without delay and effectively.
- 11.3.2 Where a Party seeking to give a Code Communication by telephone is unable to contact a representative of the receiving Party, such Party must give the communication by facsimile and the communication will not be deemed to have been given except in accordance with paragraph 11.2.5(c).
- 11.3.3 Unless otherwise agreed between the relevant Parties a telephone notice may not be given as a message recorded on a telephone answering device.
- 11.3.4 Where a Code Communication is given by telephone:
  - (a) Transco will promptly after the telephone communication is completed make and keep a record in which the time and content of the telephone notice is logged, but may do so by recording the telephone communication where it has notified the User (on the occasion or on a standing basis) of its intention to do so;
  - (b) the Code Communication shall be treated as given at the time at which the telephone communication is completed.
- 11.3.5 A Party may specify different telephone numbers and representatives pursuant to paragraph 11.3.1 for the purposes of receiving by telephone Code Communications of different kinds or relating to different matters.

## 12 NEUTRALITY AND AGGREGATE NDM RECONCILIATION AUDITOR; OPERATIONS REPORTING

### 12.1 Neutrality Auditor

- 12.1.1 Transco will, subject to paragraphs 12.1.3 and 12.1.4, appoint in accordance with paragraph 12.2.1 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, in calculating Neutrality Charges and Relevant Incentive Charges, Transco has complied in material respects with applicable provisions of the Code.
- 12.1.2 For the purposes of this paragraph 12
  - (a) "**Neutrality Charges**" means Balancing Neutrality Charges, Top-up Neutrality Charges and Reconciliation Neutrality Charges;
  - (b) "**Relevant Incentive Charges**" are Capacity Neutrality Charges (under Section B2.11.9(a)) and User Daily Incentive Amounts (under [Section D3.4.2\(b\)](#)).
  - (c) "**relevant period**" means each Gas Year or any other period (whether shorter or longer than a Gas Year) proposed by Transco after consultation with the Network Code Committee or any relevant Sub-committee where the Authority (upon Transco's application) gives Condition 9(3) Approval to Transco's



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implementing this paragraph 12.1 on the basis of such other period;

- (d) the person appointed under paragraph 12.1.1 in respect of a relevant period is the "**Neutrality Auditor**".

12.1.3 A Neutrality Auditor may not be appointed for a relevant period:-

- (a) where Transco proposes after consultation with the Network Code Committee or any relevant Sub-committee and where the Authority (upon Transco's application) gives Condition 9(3) Approval that such Neutrality Auditor not be appointed; or
- (b) where:-
  - (i) pursuant to this paragraph 12.1.3 a Neutrality Auditor was not appointed for the immediately prior relevant period; and
  - (ii) Transco reasonably determines that such Neutrality Auditor should not be appointed after consultation with the Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco or any User made within 10 Business Days after Transco notified to Users the decision of the Committee or Sub-committee) the Authority in any case shall give Condition 9(3) Disapproval.

12.1.4 In the event that a Neutrality Auditor is appointed for a relevant period following relevant period(s) where (pursuant to paragraph 12.1.3) the Neutrality Auditor was not appointed, he may not review any prior relevant period unless expressly instructed by the Network Code Committee in accordance with paragraph 12.2.1.

## 12.2 Basis and terms of appointment

12.2.1 The person appointed as Neutrality Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 12.2) the terms of his appointment, including the scope and objectives of the review under paragraph 12.1.1, shall be the person, period and terms from time to time agreed by the Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco or any User made within 10 Business Days after Transco notified to Users the decision of the Committee or Sub-committee) the Authority in any case shall give Condition 9(3) Disapproval to Transco's making an appointment of the Neutrality Auditor on such basis (in which case Transco will arrange for an alternative proposal to be considered by the Network Code Committee or any relevant Sub-committee).

12.2.2 The terms of appointment will require that:

- (a) the Neutrality Auditor shall present to and discuss with Transco its draft findings before reporting under paragraph (b);
- (b) the Neutrality Auditor shall report his findings to Transco and the Network Code Committee or any relevant Sub-committee;
- (c) without prejudice to paragraph (b), the Neutrality Auditor shall agree to permit a representative of each User to attend a meeting of the Network Code Committee or any relevant Sub-committee at which the Neutrality Auditor's

report is presented;

- (d) the Neutrality Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the Neutrality Auditor in the course of its review.

12.2.3 A copy of the Neutrality Auditor's full report will be provided by Transco to each User and to the Authority.

12.2.4 The fees and costs of the Neutrality Auditor will be paid by Transco and recovered from Users as follows:

- (a) before each relevant period the fees and costs of the Neutrality Auditor will be estimated by Transco and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under [Section F4.5.3\(a\)\(v\)](#) for each month in the relevant period;
- (b) when the Neutrality Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (a) will be an additional Monthly Adjustment Neutrality Cost under [Section F4.5.3\(a\)\(v\)](#) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under [Section F4.5.3\(b\)\(iv\)](#) for the month following that in which it is rendered.

## 12.3 Effect of Neutrality Auditor's report

12.3.1 Where the report of the Neutrality Auditor contains a recommendation to the effect that the provisions of the Code as to the calculation of Neutrality Charges and Relevant Incentive Charges would be materially better implemented by a change in the procedures and controls adopted by Transco for such calculation, Transco will take all reasonable steps to comply with such recommendations, unless the Authority shall upon the application of Transco give Condition 9(3) Approval to its not doing so.

12.3.2 Nothing in the report of the Neutrality Auditor shall entitle any User or Transco to require any recalculation of, or to any adjustment in respect of, or to withhold payment or require repayment of, any Neutrality Charges and Relevant Incentive Charges, nor give rise to any liability of Transco to any User in respect thereof.

## 12.4 Operations reporting

12.4.1 Transco will, in accordance with the Network Code Operations Reporting Manual, and subject to paragraph 12.4.3, publish each month and at such other intervals as may be specified in such manual, information relating to:

- (a) the implementation by Transco of certain provisions of the Code, including the Operational Balancing Steps taken by Transco;
- (b) the operations of Users pursuant to certain provisions of the Code.

12.4.2 For the purposes of the Code the "**Network Code Operations Reporting Manual**" is the document so entitled prepared and (subject to paragraph 12.4.5) from time to time revised by Transco in consultation with the Network Code Committee or any relevant Sub-committee.



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12.4.3 In accordance with the Network Code Operations Reporting Manual, the form in which information under paragraph 12.4.1(b) is provided:

- (a) to a User, will identify that User in the context of the information which relates to that User, but will not identify any other User in the context of the information which relates to such other User;
- (b) to the Authority, will identify each User in the context of the information which relates to such User;
- (c) to any other person, will not identify any User in the context of the information which relates to such User.

12.4.4 Each User hereby authorises Transco to publish in accordance with paragraph 12.4.1 such information relating to such User, in such form, as is provided for in the Network Code Operations Reporting Manual.

12.4.5 If Transco proposes to revise the Network Code Operations Reporting Manual in such a way as materially to increase the extent of the information relating to Users to be published pursuant thereto:

- (a) Transco will notify Users of its proposal not less than one month before implementing such proposal;
- (b) any User may, within 14 Days after Transco's notification under paragraph (a), notify Transco that the User objects to such revision, providing reasonable details of the grounds for the User's objection;
- (c) if a User so notifies an objection to Transco, Transco will not implement the revision unless the Authority shall (upon Transco's application) give Condition 9(3) Approval to its doing so.

## 12.5 Aggregate NDM Reconciliation Auditor

12.5.1 Transco will appoint in accordance with paragraph 12.6 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, Transco has complied in all material respects with applicable provisions of the Code.

12.5.2 For the purposes of these paragraphs 12.5 to 12.7 :

- (a) "**Aggregate NDM Reconciliation Charges**" means User Aggregate Reconciliation Clearing Values and User Aggregate Transportation Charge Adjustments; and
- (b) the person appointed under paragraph 12.5.1 in respect of the relevant period shall be the "**RbD Auditor**".

## 12.6 Basis and terms of appointment

12.6.1 The person appointed as RbD Auditor for each relevant period, and the period and (subject to the further provisions of this paragraph 12.6) the terms of his appointment,

including the scope and objectives of the review under paragraph 12.5.1, shall be the person, period and terms from time to time agreed by the Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco or any User made within 10 Business Days after Transco notified to Users the decision of the Network Code Committee or relevant Sub-committee) the Authority in any case shall give Condition 9(3) Disapproval to Transco's making an appointment of the RbD Auditor on such basis (in which case Transco will arrange for an alternative proposal to be considered by the Network Code Committee or any relevant Sub-committee).

12.6.2 The terms of the appointment will require that:

- (a) the RbD Auditor shall present to and discuss with Transco its draft findings before reporting under paragraph (b);
- (b) the RbD Auditor shall report his findings to Transco and the Network Code Committee or any relevant Sub-committee;
- (c) without prejudice to paragraph (b), the RbD Auditor shall agree to permit a representative of each User to attend a meeting of the Network Code Committee or any relevant Sub-committee at which the RbD Auditor's report is presented;
- (d) the RbD Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the RbD auditor in the course of its review.

12.6.3 A copy of the RbD auditor's report shall be provided by Transco to each "**relevant User**", (which for the purpose of this paragraph 12.6.3 and 12.7.2 shall mean a User who during the relevant period was the Registered User of a Smaller Supply Point) and the Authority.

12.6.4 The fees and costs of the RbD Auditor shall be paid by Transco.

## 12.7 Effect of the RbD Auditor's Report

12.7.1 Where the report of the RbD Auditor contains a recommendation to the effect that the provisions of the Code as to the calculation of Aggregate NDM Reconciliation Charges would be materially better implemented by a change in the procedures and controls adopted by Transco for such calculation, Transco will take all reasonable steps to comply with such recommendations, unless the Authority shall upon application of Transco give Condition 9(3) Approval to its not doing so.

12.7.2 Nothing in the report of the RbD Auditor shall entitle any User or Transco to require any recalculation of, or to any adjustment in respect of, or to withhold payment or require repayment of, any Aggregate NDM Reconciliation Charge, nor give rise to any liability of Transco to any relevant User in respect thereof except where such entitlement is provided for in the terms of the Code.

## 13 COMPENSATION

### 13.1 Introduction

For the purposes of this paragraph 13:





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- (a) “**Compensation Rule**” means a rule pursuant to the Code, identified as such and providing for Transco to pay an amount by way of compensation to Users;
- (b) “**Compensation Year**” means a period of 12 months expiring 31st March in any year;
- (c) “**Compensation Provisions**” means the provisions of the Code which establish a Compensation Rule;
- (d) “**Compensation Group**” means a group of Compensation Rules, such groups being designated as Groups A to L inclusive, and the Compensation Group to which each Compensation Rule belongs being specified in the relevant Compensation Provisions;
- (e) the “**Group Limit**” in respect of each Compensation Group is as follows:
  - for each of Groups A, B, C, D, F and K: £5,000,000
  - for Group E: £2,500,000 in respect of Larger Supply Points and £2,500,000 in respect of Smaller Supply Points
  - for Group G: £4,000,000 in respect of Larger Supply Points and £1,000,000 in respect of Smaller Supply Points
  - for Group H: £1,000,000 in respect of Larger Supply Points and £1,000,000 in respect of Smaller Supply Points
  - for Group I: £3,000,000
  - for Group J: £2,500,000 in respect of Larger Supply Points and £2,500,000 in respect of Smaller Supply Points
  - for Group L: £5,000,000 in respect of Larger Supply Points and £5,000,000 in respect of Smaller Supply Points
- (f) an amount is “**adjusted**” where it has been adjusted pursuant to paragraph 13.3.2 and/or 13.3.3, and otherwise is “**unadjusted**”.

## 13.2 Not Used.

## 13.3 Aggregate payment caps

- 13.3.1 The aggregate amount payable pursuant to all of the Compensation Rules in any Compensation Group (excluding amounts in respect of interest) by Transco to all Users in respect of any month (month ‘n’, where n is 1 for the first month in the Compensation Year, 2 for the second such month, and so on) in any Compensation Year shall not exceed an amount (the “**Monthly Available Compensation Amount**”) determined as the lesser of :

$$(CML - PP) * SF$$

or

$$GLI * SF$$

where:





CML is the cumulative monthly limit for that Group calculated as:

$$GL * n / 12$$

where GL is the amount of the Group Limit;

PP is zero (0) in relation to month 1, and otherwise is the aggregate amount (adjusted pursuant to paragraphs 13.3.2 and 13.3.3) payable pursuant to all of the Compensation Rules in the relevant Compensation Group in respect of months 1 to n-1 inclusive;

GLI the aggregate unadjusted amount payable pursuant to all of the Compensating Rules in the Compensation Group in respect of month n;

SF is a scaling factor which shall be the lesser of one (1) and a factor determined as:

$$\frac{(50,000,000 * n) / 12 - APP}{AMC}$$

where:

APP is the sum, for all Compensation Groups, of the amounts PP in relation to months 1 to n-1;

AMC is the sum, for all Compensation Groups, of the lesser of:

(1) GLI;

or

(2) the cumulative monthly limit CML for the Compensation Group in relation to month n less PP.

13.3.2 Where in respect of any month the aggregate unadjusted amount payable by Transco pursuant to all of the Compensation Rules in any Compensation Group would exceed the applicable Monthly Available Compensation Amount, determined in accordance with paragraph 13.3.1 but on the basis of a scaling factor SF equal to one, the amounts payable by Transco to Users pursuant to each Compensation Rule in respect of that month shall be reduced pro rata so that the aggregate of such reduced amounts is equal to the Monthly Available Compensation Amount.

13.3.3 The amounts, adjusted in accordance with paragraph 13.3.2, payable by Transco to Users pursuant to each Compensation Rule in respect of that month shall be further adjusted by the scaling factor SF.

## 13.4 Invoicing and payment

13.4.1 Subject to paragraphs 13.4.2 and 13.4.3, amounts payable by Transco pursuant to each Compensation Rule will be invoiced and payable in accordance with [Section S](#).

13.4.2 Any amount payable by Transco pursuant to a Compensation Rule will be payable not later than the 15th Day of the payment month (which date will be the Invoice issue date in respect of an Invoice Document in respect of any such amounts).

13.4.3 Where (whether or not by reason of the Invoice Document being submitted after such date) Transco makes payment after the date referred to in paragraph 13.4.2, Transco will pay interest on the amount payable with effect from such date, provided that until

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the last Day of the payment month the Applicable Interest Rate shall be the rate under [Section S3.6.4\(b\)](#).

- 13.4.4 Transco will provide by way of supporting data with each relevant Invoice Document reasonable details of the basis on which the Invoice Amounts (pursuant to a Compensation Rule) are calculated (not for the avoidance of doubt including details of the calculations of any Compensation Relevant Value).
- 13.4.5 For the purposes of this paragraph 13.4 (as it applies for the purposes of any Compensation Rule), the "**payment month**" is the month specified in the relevant Compensation Provisions.

### 13.5 Force Majeure

Where by reason of Force Majeure Transco is unable to comply in any case with any requirement by reference to which a Compensation Rule applies, Transco shall not be treated as having failed to comply with such requirement in such case for the purposes of the Compensation Provision (and for the purposes of any relevant aggregate requirement) including whether Transco has complied with the requirement in a given percentage of cases.

### 13.6 Audit

For the purposes of paragraphs 13.8 to 13.10 (providing for the review by the Compensation Value Auditor of the determination of Compensation Relevant Values):

- (a) in relation to each Compensation Group, the maximum aggregate amount payable in a month pursuant to paragraph 13.3 is a Compensation Relevant Value;
- (b) in relation to each Compensation Rule referred to in paragraph 13.2, the relevant percentage (determined pursuant to paragraph 13.2) is a Compensation Relevant Value.

### 13.7 Disapplication

- 13.7.1 If at any time Transco shall have delivered a disapplication request pursuant to paragraph 6(1)(a) of Special Condition Appendix B: 9C of the Transco Licence, or the equivalent provision in any condition of that Licence which may apply following any modification of that licence, then if Transco shall give notice to the Authority not less (except with the consent of the Authority) than 9 months before the disapplication date (as defined in that Condition), all Compensation Rules and the related Compensation Provisions shall cease to have effect with effect from the disapplication date.
- 13.7.2 If Transco gives notice under paragraph 13.7.1 it will so inform Users as soon as reasonably practicable after doing so.

### 13.8 Compensation Value Auditor

- 13.8.1 Transco will, subject to paragraphs 13.8.3 and 13.8.4, appoint in accordance with paragraph 13.2 a person eligible for appointment as a company auditor (within the meaning of Part II of the Companies Act 1989) to conduct a review (after the relevant period) of whether, in the opinion of such person, in each relevant period, in

determining the values of Compensation Relevant Values, Transco has complied in material respects with applicable provisions of the Code.

13.8.2 For the purposes of this paragraph 13:

- (a) a "**Compensation Relevant Value**" is the value of any amount or percentage, by reference to which (pursuant to particular provisions of the Code) the amount or maximum amount payable by Transco by way of compensation to Users is determined, specified as being such in any provision of the Code;
- (b) "**relevant period**" means:
  - (i) the period from the date of the Code until 30th September 1996, and
  - (ii) thereafter, each Gas Year or any other period (whether shorter or longer than a Gas Year, but not shorter than 3 months) proposed by Transco after consultation with the Network Code Committee or any relevant Sub-committee where the Authority (upon Transco's application) gives Condition 9(3) Approval to Transco's implementing this paragraph 13 on the basis of such other period;
- (c) the person appointed under paragraph 13.1.1 in respect of a relevant period is the "**Compensation Value Auditor**".

13.8.3 A Compensation Value Auditor may not be appointed for a relevant period:-

- (a) where Transco proposes after consultation with the Network Code Committee or any relevant Sub-committee and where the Authority (upon Transco's application) gives Condition 9(3) Approval that such Compensation Value Auditor not be appointed; or
- (b) where:-
  - (i) pursuant to this paragraph 13.8.3 a Compensation Value Auditor was not appointed for the immediately prior relevant period; and
  - (ii) Transco reasonably determines that such Compensation Value Auditor should not be appointed after consultation with the Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco or any User made within 10 Business Days after Transco notified to Users the decision of the Committee or Sub-committee) the Authority in any case shall give Condition 9(3) Disapproval.

13.8.4 In the event that a Compensation Value Auditor is appointed for a relevant period following relevant period(s) where (pursuant to paragraph 12.1.3) the Compensation Value Auditor was not appointed, he may not review any prior relevant period unless expressly instructed by the Network Code Committee in accordance with paragraph 13.9.1.

## 13.9 Basis and terms of appointment

13.9.1 The person appointed as Compensation Value Auditor for each relevant period, and the

period and (subject to the further provisions of this paragraph 13.2) the terms of his appointment, including the scope and objectives of the review under paragraph 13.1.1, shall be the person, period and terms agreed by the Network Code Committee or any relevant Sub-committee, unless (upon the application of Transco or any User made within 10 Business Days after Transco notified to Users the decision of the Committee or Sub-committee) the Authority in any case shall give Condition 9(3) Disapproval to Transco's making an appointment on such basis (in which case Transco will arrange for an alternative proposal to be considered by the Network Code Committee of any relevant sub-committee).

13.9.2 The terms of appointment will require that:

- (a) the Compensation Value Auditor shall present to and discuss with Transco its draft findings before reporting under paragraph (b);
- (b) the Compensation Value Auditor shall report his findings to Transco and the Network Code Committee or any relevant Sub-committee;
- (c) without prejudice to paragraph (b), the Compensation Value Auditor shall agree to permit a representative of each User to attend a meeting of the Network Code Committee or any relevant Sub-committee at which the Compensation Value Auditor's report is presented;
- (d) the Compensation Value Auditor shall undertake, in reasonable terms, to keep confidential the information disclosed to the Compensation Value Auditor in the course of its review.

13.9.3 A copy of the Compensation Value Auditor's full report will be provided by Transco to each User and to the Authority.

13.9.4 The fees and costs of the Compensation Value Auditor will be paid by Transco and (subject to paragraph 13.2.5) recovered from Users as follows:

- (a) before each relevant period the fees and costs of the Compensation Value Auditor will be estimated by Transco and the amount of such estimate, divided by the number of months in the relevant period will be an additional Monthly Adjustment Neutrality Cost under [Section F4.5.3\(a\)\(v\)](#) for each month in the relevant period;
- (b) when the Compensation Value Auditor's final account for the relevant period is rendered, the amount of the difference between the amount thereof and the estimate under paragraph (a) will be an additional Monthly Adjustment Neutrality Cost under [Section F4.5.3\(a\)\(v\)](#) or (as the case may be) an additional Monthly Adjustment Neutrality Revenue under [Section F4.5.3\(b\)\(iv\)](#) for the month following that in which it is rendered.

13.9.5 Where a report of the Compensation Value Auditor contains a finding that Transco failed in a material respect to determine a Compensation Relevant Value in accordance with the applicable provisions of the Code, that part of the fees and costs of the Compensation Value Auditor certified by the auditor as relating to the review (under paragraph 13.1.1) in respect of that Compensation Relevant Value shall be borne by Transco and not recovered from Users pursuant to paragraph 13.2.4.

### 13.10 Effect of Compensation Value Auditor's report

Where the report of the Compensation Value Auditor contains a recommendation to the effect that the provisions of the Code as to the determination of Compensation Relevant Values would be materially better implemented by a change in the procedures adopted by Transco for such determination, Transco will take all reasonable steps to comply with such recommendation, unless the Authority shall upon the application of Transco give Condition 9(3) Approval to its not doing so.

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### 14.1 Suppliers and Consumers

#### 14.1.1 Where:

- (a) the Code provides for Transco to do anything at or affecting any Supply Point Premises or the offtake of gas from the System at any Supply Point;
- (b) in doing that thing Transco complies with the requirements of the Code and any other agreement with the User, supplier or consumer in relation thereto, does not act unlawfully, and is not negligent; and
- (c) by reason of Transco's doing that thing the consumer or supplier suffers loss or damage or claims to have done so or otherwise makes any claim or complaint or brings any action or proceeding against Transco (other than pursuant to a contract between Transco and such consumer or supplier)

the User or each User which is (at the time at which Transco does such thing) the Registered User in respect of the relevant Supply Point shall indemnify Transco and hold it harmless against any liability to such consumer or supplier in respect of any such loss damage, claim, complaint, action or proceeding, and all costs and expenses incurred in connection therewith.

14.1.2 Nothing in the Code or the Framework Agreement or (except as may be expressly provided therein) an Ancillary Agreement shall be construed as imposing upon Transco any obligation or duty to or enforceable by a consumer or a supplier; and no User shall make any commitment to any supplier or consumer binding on or purporting to bind Transco.

14.1.3 Nothing in the Code, the Framework Agreement or any Ancillary Agreement shall prevent Transco from exercising any right or remedy which it may have against a consumer or supplier at law or pursuant to the Act or otherwise.

### 14.2 Assignment

14.2.1 Subject to paragraph 14.2.4, a Party may assign its rights under the Code, the Framework Agreement and any Ancillary Agreement:

- (a) to a 33 1/3% Affiliate of such Party, provided that the assigning Party shall continue to be bound by and liable under the Code, Framework Agreement and any such Ancillary Agreement;
- (b) subject to paragraph 14.2.5, with the prior agreement in writing of each relevant



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other Party, which shall not unreasonably be withheld, to any person.

14.2.2 For the purposes of this paragraph 14.2, a relevant other Party is:

- (a) where the assigning Party is Transco, each other User;
- (b) where the assigning Party is a User, Transco.

14.2.3 Except as provided in paragraph 14.2.1, a Party shall not assign or transfer and shall not purport to assign or transfer any of its rights or obligations under the Code, the Framework Agreement or (except as may be expressly permitted thereby) any Ancillary Agreement.

14.2.4 No assignment shall be made to a person unless:

- (a) where the assigning Party is Transco, that person holds a Gas Transporter's Licence;
- (b) where the assigning Party is a User, that person holds a Shipper's Licence and has complied with the other requirements which (if the person were an Applicant User) it would be required under paragraph 2 to comply with.

14.2.5 Where a Party assigns its rights under the Code and the Framework Agreement and any Ancillary Agreement to a person (including a 33 $\frac{1}{3}$ % Affiliate) pursuant to paragraph 14.2.1(b):

- (a) it shall be a condition precedent to such assignment that such person shall enter into an Agreement with each relevant other Party covenanting to be bound by the Framework Agreement, Code and any such Ancillary Agreement;
- (b) the assigning Party shall be released from obligations under the Code, the Framework Agreement and any such Ancillary Agreement arising after the time at which the assignment is effective, but shall remain liable for any obligations accruing up to such time.

14.2.6 Any credit limit required under the Code shall be determined separately for a person to whom a User assigns its rights under paragraph 14.2.1(b); and the assigning Party may not assign its own credit limit.

14.2.7 A reference in the Code, the Framework Agreement or any Ancillary Agreement to any Party shall include a reference to that Party's successors and assigns.

### 14.3 Transco performance

14.3.1 In relation to exercising its discretions and performing obligations under the Code Transco shall at all times:

- (a) act in a reasonable and prudent manner in relation to the management and operation of the System and Transco LNG Storage Facilities; and
- (b) act reasonably and in good faith in its dealings with Users;

save that the foregoing shall not apply to the extent that:

- (i) there is any standard of performance already provided for by any statute, regulation or licence condition to which Transco is subject; or
- (ii) Transco would thereby be required to act in a manner which would conflict with any Legal Requirement.

14.3.2 For the avoidance of doubt the operation of this paragraph 14.3 shall not prevent Transco from performing any obligation under the Code.

## 14.4 Waiver

14.4.1 No delay by or omission of any Party in exercising any right, power, privilege or remedy under the Code or the Framework Agreement or any Ancillary Agreement shall operate to impair such right, power, privilege or remedy or be construed as a waiver thereof.

14.4.2 Any single or partial exercise of any such right, privilege or remedy shall not preclude any other or future exercise thereof or the exercise of any other right, power, privilege or remedy.

## 14.5 Language

Every Code Communication, and every notice or other communication to be given by one Party to another under the Framework Agreement or any Ancillary Agreement, shall be in the English language.

## 14.6 Severance

If any provision of the Code, the Framework Agreement or any Ancillary Agreement is or becomes invalid, unenforceable or illegal, or is declared to be invalid, unenforceable or illegal by any court of competent jurisdiction or by order of any other Competent Authority, such invalidity, unenforceability or illegality shall not prejudice or affect the remaining provisions of the Code, Framework Agreement or Ancillary Agreement, which shall continue in full force and effect notwithstanding the same.

## 14.7 Entire Agreement

14.7.1 The Code, the Framework Agreement and (as respects the Parties thereto) each Ancillary Agreement contain or expressly refer to the entire agreement between the Parties with respect to the subject matter thereof, and supersede all previous agreements or understandings between the Parties with respect thereto; and any warranty, condition or other term implied at law or by custom is (to the fullest extent permitted by law) expressly excluded therefrom.

14.7.2 Each Party acknowledges that in entering into the Framework Agreement and any Ancillary Agreement it does not rely on any representation, warranty or other understanding not expressly contained in the Code, Framework Agreement or such Ancillary Agreement.

14.7.3 Nothing contained in a document (other than the Framework Agreement or an Ancillary Agreement) referred to in the Code, beyond what is expressly contemplated by the Code as being contained in such document or is necessary for the purposes of giving effect to a provision of the Code, shall modify or have any effect for the purposes of the Code or





be construed as relevant to the interpretation of the Code.

## 14.8 Jurisdiction

- 14.8.1 Subject and without prejudice to the provisions of [Section T](#) as to Expert Determination, all the Parties irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Code, the Framework Agreement and any Ancillary Agreement and that accordingly any suit, action or proceeding (collectively "**proceedings**") arising out of or in connection with the Code, the Framework Agreement and any Ancillary Agreement may be brought in such courts.
- 14.8.2 Party irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any proceedings in any such court as is referred to in paragraph 14.8.1 and any claim that any such proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgment in any proceedings brought in the English courts shall be conclusive and binding upon such Party and may be enforced in the courts of any other jurisdiction.
- 14.8.3 Any Party which is not a company incorporated under the Companies Act 1985 shall provide to Transco an address in England or Wales for service of process on its behalf in any proceedings.

## 14.9 Governing law

The Code, the Framework Agreement and every Ancillary Agreement shall be governed by, and construed in all respects in accordance with, English law



## 15 ANNEX V-1

<b><u>QUERY STANDARD</u></b>	<b><u>Query Implementation Date</u></b>	<b><u>6 month</u></b>	<b><u>12 month</u></b>	<b><u>18 month</u></b>
<b><u>Smaller Supply Points: GT</u></b>				
4 Day Standard: GT (SGT <sub>4</sub> )	50%	65%	75%	80%
10 Day Standard: (SGT <sub>10</sub> )	85%	90%	95%	95%
20 Day Standard (SGT <sub>20</sub> )	98%	98%	98%	98%
<b><u>Smaller Supply Points: Metering</u></b>				
4 Day Standard: GT (SM <sub>4</sub> )	50%	65%	75%	80%
10 Day Standard: (SM <sub>10</sub> )	85%	90%	95%	95%
20 Day Standard (SM <sub>20</sub> )	98%	98%	98%	98%
<b><u>Larger Supply Points: GT</u></b>				
4 Day Standard: (LGT <sub>4</sub> )	50%	65%	75%	80%
10 Day Standard: (LGT <sub>10</sub> )	85%	90%	95%	95%
20 Day Standard (LGT <sub>20</sub> )	98%	98%	98%	98%
<b><u>Larger Supply Points: Metering</u></b>				
4 Day Standard: (LM <sub>4</sub> )	50%	65%	75%	80%
10 Day Standard: (LM <sub>10</sub> )	85%	90%	95%	95%
20 Day Standard (LM <sub>20</sub> )	98%	98%	98%	98%

**16 ANNEX V-2**

<b>Annex V-2</b>	<b>SO Commodity Charge Information</b>			
<b>SO Commodity Charge Information description</b>	<b>Licence definition</b>	<b>period</b>	<b>reporting deadline</b>	<b>location</b>
forecast of annual System throughput for Formula Year t	N/A	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>
forecast of monthly System throughput for Formula Year t	N/A	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>
actual weekly System throughput	N/A	Formula Year to date	9 Days after week end	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>
annual target cost for each of the Relevant SO Incentive Schemes for Formula Year t	NTS SO exit capacity incentive targets (ExCITt) & (ExITt), system reserve incentive target (SRITt), gas cost incentive target (GCITt), internal cost incentive target (ICITt).	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>
forecast monthly target cost for each of the Relevant SO Incentive Schemes for Formula Year t	N/A	Formula Year	On 1 April or as soon as reasonably practicable thereafter in Formula Year t-1	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>
sum of weekly outturn costs for the Relevant SO Incentive Schemes	The exit performance measure (ExCPt), The NTS SO system balancing costs (SBICt), The internal cost performance measure (ICCPt)	Formula Year to date	62 Days after week end	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>
quarterly outturn costs for each of the Relevant SO Incentive Schemes	The exit performance measure (ExCPt), The NTS SO system balancing costs (SBICt), The internal cost performance measure (ICCPt)	Formula Year to date	62 Days after quarter end	<a href="http://info.transco.uk.com">http://info.transco.uk.com</a>

Where:

t	means the relevant Formula Year;
t-1	means the Formula Year prior to the relevant Formula Year;
week	means the seven day period from 06:00 hours on a Monday until 06:00 hours on the following Monday;
throughput	means $(\text{actual inputs to the System} + \text{sum of UDQOs}) / 2$
Relevant SO Incentive Schemes	means exit capacity investment incentive, system balancing incentive and internal cost incentive schemes as defined by the Licence;
Licence	means the Transco Licence;
Formula Year	means a period of twelve months commencing on 1 April at 06:00 hours.





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## W INTERPRETATION

### 1 DEFINED TERMS

In addition to terms defined elsewhere in the Code, the following terms and expressions are used with the following meanings in the Code:

**"Authority"**: the Gas and Electricity Markets Authority as established pursuant to section 1 of the Utilities Act 2000.

**"the Act"**: the Gas Act 1986, as amended by the Gas Act 1995 and as otherwise amended;

**"Code Communication"**: any communication to be given by a User or Transco (including any notification, application, nomination, confirmation, request, approval, acceptance, invoice or other notice to be given, made or submitted) under the Code;

**"Code Modification"**: a modification of the Code pursuant to the Modification Rules or the Transco Licence;

**"Competent Authority"**: the Authority, or any local, national or supra-national agency, authority, department, inspectorate, minister, official, court, tribunal or public or statutory person (whether autonomous or not) of the United Kingdom (or the government thereof) or the European Communities which has jurisdiction over Transco or a User or the subject matter of the Code;

**"Consumer's Plant"**: in respect of any Supply Meter Point, the plant and/or equipment in which gas offtaken from the System at that point is to be used (including any plant or equipment in which gas is compressed or otherwise treated before being consumed);

**"date of the Code"**: 1st March 1996;

**"Directive"**: any present or future directive, request, requirement, instruction, code of practice, direction or rule of any Competent Authority (but only, if not having the force of law, if it is reasonable in all the circumstances for it to be treated as though it had legal force), and any modification, extension or replacement thereof;

**"Director"**: the Director General of Gas Supply; or in the context of anything done before 1st March 1996 by another Competent Authority whose functions have become exercisable by the Director General of Gas Supply, such other Competent Authority;

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

**"Gas Code"**: the Gas Code in Schedule 2B to the Act;

**"Incremental Entry Capacity Release Statement"** is the statement prepared and published by Transco in accordance with Special Condition 34 of the Transco Licence;

**"Legal Requirement"**: any Act of Parliament, regulation, licence, or Directive of a Competent Authority;

**"Metering Charges Statement"**: the prevailing statement furnished by Transco to the Authority under Special Condition 23 of the Transco Licence.

**"Meter Reading Charges Statement"**: the prevailing statement furnished by Transco to the Authority under Special Condition 23 of the Transco Licence.

**"Metering Separation Date"**: shall mean the date notified to Users by Transco after consultation with the Network Code Committee, or any relevant Sub-committee, when certain metering provisions are to be removed from the Network Code as a result of the Authority's review of gas metering arrangements.

**"Modification Rules"**: the modification rules (which do not form part of and are not incorporated into the Code) prepared by Transco pursuant to Standard Condition 9 of the Transco Licence, as from time to time modified pursuant to that Standard Condition;

**"Neutrality Interest Rate"**: the percentage rate calculated as the base rate for the time being of Barclays Bank plc divided by 365;

**"Non-Code Shipper"**: a gas shipper who has made a transportation arrangement with Transco other than upon the terms of the Code;

**"Gas Transporter's Licence"**: a licence granted or treated as granted under Section 7(2) of the Act;

**"Query Implementation Date"** shall mean the date notified to Users by Transco after consultation with the Network Code Committee, or any relevant Sub-committee, upon notice of not less than 3 months to Users after which certain standards are to apply in respect of queries submitted by Users from such date.

**"Recognised Standard"**: any technical, engineering or other standard, issued or published by any governmental body or professional or other institution, and generally recognised as applying to the gas industry in the United Kingdom or the European Union, as from time to time applicable;

**"Reconciliation by Difference Date"**: shall be 1st February 1998,

**"Shipper's Licence"**: a licence granted or treated as granted under Section 7A(2) of the Act; or in the context of any User the licence so granted or treated as granted to that User;

**"Supplier's Licence"**: a licence granted or treated as granted under Section 7A(1) of the Act; or in the context of any supplier the licence so granted or treated as granted to that supplier;

**"Special Condition"**: a condition of a Gas Transporter's Licence or Shipper's Licence other than a Standard Condition;

**"System Management Principles"** are the principles and criteria established and

published by Transco pursuant to Special Condition 27(5) of the Transco Licence for the purposes of (inter alia) Capacity Management;

**"Transco"**: without prejudice to paragraph 2.9.1, Transco plc as licensee under the Transco Licence;

**"Transco Licence"**: the Gas Transporter's Licence treated as granted to Transco, as from time to time in force;

**"Transportation Statement"**: the prevailing statement furnished by Transco to the Authority under Standard Condition 4 of the Transco Licence;

**"User"**: a person other than Transco (but subject to [Section V7](#)) who is for the time being bound by the Code pursuant to the Framework Agreement.

## 2 INTERPRETATION

### 2.1 General

- 2.1.1 Unless the context otherwise requires, words and expressions defined in or for the purposes of the Act and not otherwise defined in the Code shall have the meanings ascribed thereto under the Act.
- 2.1.2 In the Code, unless the context otherwise requires:
- (a) a reference to a particular Section, paragraph, or Annex is to a paragraph or Section of or Annex to a Section of the Network Code Principal Document;
  - (b) a reference in a particular Section to a particular paragraph is to a paragraph of that Section;
  - (c) words in the singular may be interpreted as including the plural;
  - (d) the word "including" is to be construed without limitation;
  - (e) a derivative term of any defined or interpreted term shall be construed in accordance with the relevant definition or interpretation.
- 2.1.3 A reference in the Code to any Legal Requirement shall be construed, at any particular time, as including a reference to any modification, extension or reenactment (before or after the date of the Code) of that Legal Requirement in force at that time.
- 2.1.4 A reference to the Act includes where the context permits a reference to Regulations made pursuant to the Act.
- 2.1.5 Section and paragraph headings in the Code and clause headings in the Framework Agreement and any Ancillary Agreement shall not affect the interpretation of any provision thereof.

### 2.2 Times and dates

- 2.2.1 For the purposes of the Code:

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- (a) **"Day"** means the period from 06:00 hours on one day until 06:00 hours on the following day;
- (b) **"Business Day"** means (except for the purposes of [Sections G](#) and [M](#)) a Day other than a Saturday or a Sunday or a Day which begins at 06:00 hours on a bank holiday in England and Wales;
- (c) **"Gas Flow Day"** means, in relation to the application of any provision of the Code, the Day in relation to deliveries, offtakes or flows of gas or other operations on which such provision is to apply;
- (d) **"Preceding Day"** means the Day before the Gas Flow Day;
- (e) **"Gas Year"** means the period from 1st October in any year until and including 30th September in the following year;
- (f) in relation to any Gas Year the **"Preceding Year"** is the Gas Year ending at the start of such Gas Year;
- (g) **"Winter Period"** means the period from 1st November in any year until and including 30th April in the following year.
- (h) **"Capacity Year"** means the period from 1 April in any year until and including 31 March in the following year;
- (i) and in relation to a Capacity Year, **"the Preceding Capacity Year"** is the Capacity Year ending at the start of such Capacity Year.
- (j) **"Formula Year"** means the period from 1 April in any year until and including 31 March in the following year.

2.2.2 Unless the context otherwise requires, a reference in the Code:

- (a) to a calendar day (such as 1st January) or a day of the week (such as Sunday) is to the Day which begins at 06:00 hours on that day;
- (b) to a week is to the period from 06:00 hours on a day until 06:00 hours on the 7th day following;
- (c) to a month (or a number of months) is to the period from 06:00 hours on a day in one month until 06:00 hours on the same day of the month which follows (or follows by the relevant number of months), or if there is no such day in such month 06:00 hours on the first day of the next following month;
- (d) to a calendar month is to the period from 06:00 hours on the first day of a month until 06:00 hours on the first day of the following month, and references to a particular calendar month (such as January) shall be construed accordingly;
- (e) to a year is to the period from 06:00 hours on a day in one year until 06:00 hours on the same day (or where the day in the first year was 29th February, on 1st March) in the following year;
- (f) to a calendar year (such as 1996) is to be construed accordingly.

- 2.2.3 References to times of the day in the Code are to official time in the United Kingdom.
- 2.2.4 Except where otherwise provided:
- (a) where anything is to be done under the Code by or not later than a Day or any period under the Code is to run to a Day, such thing may be done or such period shall run up to the end of such Day;
  - (b) where anything is to be done under the Code from or not earlier than a Day or any period under the Code is to run from a Day, such thing may be done or such period shall run from the start of such Day.
- 2.2.5 Where under any provision of the Code Transco or a User is required to provide any information by a certain date or time, the relevant provision shall be taken to include a requirement that such information shall be provided not earlier than is reasonable before such date or time.

## 2.3 System Clearing Contract

- 2.3.1 A "**System Clearing Contract**" is a contract between Transco and a User pursuant to which a quantity of gas (which is or was or is not or was not delivered to or offtaken from the System) is treated as purchased and sold.
- 2.3.2 In relation to a System Clearing Contract:
- (a) the "**buyer**" and the "**seller**" respectively are the parties (Transco or the User) respectively treated as buying and selling gas under the contract;
  - (b) the "**Clearing Price**" is the amount payable by the buyer to the seller in respect of the quantity of gas subject to the contract.

## 2.4 Transportation Constraint

- 2.4.1 A "**Transportation Constraint**" is a constraint in or affecting any part of the System at any time, as a result of which (having regard to operational requirements as to pressures in the System) gas flows in any part of the System are or (but for anything done by Transco) would be restricted, whether such constraint results from the size of any part of the System, the operation or failure to operate of any part of the System, or the extent or distribution of supply or demand in any part of the System.
- 2.4.2 A System Point is "**affected**" by a Transportation Constraint where Transco is or (but for anything done by Transco) would be unable to accept delivery of gas or make available gas for offtake at that System Point, or its ability to do so is impaired, by reason of a Transportation Constraint.
- 2.4.3 A Transportation Constraint includes a constraint which arises by reason of Programmed Maintenance or other maintenance (but without prejudice to the provisions of [Section G6.7.8](#) and [I3.8](#)).
- 2.4.4 In determining whether there is at any time a Transportation Constraint all gas flows planned by Transco shall be taken into account (including gas flows planned for the purposes of Operational Balancing in relation to the Day or a subsequent Day).

## 2.5 Costs and expenses

For the purposes of any provision of the Code which requires a User or Transco to pay or reimburse to Transco or a User (as the case may be) any costs or expenses incurred by Transco or the User in undertaking any works or performing any service:

- (a) such costs and expenses shall be treated as including a reasonable and appropriate amount in respect of internal costs, including costs of capital, personnel, and materials and reasonable overhead costs, so far as the scope of what is so included is reasonable and appropriate in the circumstances;
- (b) no element of profit (other than what is implicit in cost of capital under paragraph (a)) shall be included in such costs and expenses;
- (c) in the case where a User is to pay or reimburse Transco, where works or services of the same, or of a similar, kind are undertaken or performed by Transco under engagements of service for Users or others, such costs and expenses shall be deemed to be the charges that would at the relevant time be made by Transco for any such engagement for the relevant works or services (or those most similar);
- (d) any dispute as to the amount of such costs and expenses shall be referred to Expert Determination.

## 2.6 Demand, etc

2.6.1 For the purposes of the Code "**demand**" or "**demand for gas**", in or in respect of the System or any part of or point on the System, and on any Day or in any other period, is the quantity of gas offtaken or to be offtaken from the System or that part of the System or at that point on that Day or in that period.

2.6.2 Demand may be stated on a basis which includes attributable shrinkage (so as to be comparable to quantities delivered to the System), or includes attributable LDZ shrinkage, or which does not include shrinkage.

2.6.3 Unless otherwise stated references in the Code to demand:

- (a) at the level of particular Supply Points or other System Exit Points or LDZ Aggregate NDM Points, are exclusive of shrinkage;
- (b) at the level of an LDZ, are inclusive of LDZ shrinkage;
- (c) at the level of the System, are inclusive of all shrinkage.

2.6.4 For the purposes of the Code, in relation to the System or any part of the System, and in respect of any Gas Year:

- (a) "**peak day demand**" is the highest demand for gas on any Day in that year;
- (b) "**annual demand**" is the aggregate demand for gas on all Days in that year;
- (c) "**1-in-20 peak day demand**" is the peak day demand that, in a long series of winters, with connected load being held at the levels appropriate to the winter in

question, would be exceeded in one out of 20 winters, each winter being counted only once;

- (d) **"1-in-50 Severe Annual Demand"** is the annual demand represented by the area (above a demand threshold of zero) under the 1-in-50 load duration curve, being the curve which, in a long series of years, with connected load held at the levels appropriate to the year in question, would be such that the volume of demand above any given demand threshold (represented by the area under the curve and above the threshold) would be exceeded in one out of 50 years.

- 2.6.5 A reference in the Code to **"seasonal normal"** demand is a reference to demand under seasonal normal conditions.
- 2.6.6 Where pursuant to the Code estimates of peak day demand or annual demand are to be made, such estimates will be made under the statistical methodology for such estimation described in the Base Plan Assumptions for the Gas Year 1995/96 (or any revised such methodology established by Transco after consultation with Users and described in Base Plan Assumptions or the Ten Year Statement for any subsequent Gas Year).
- 2.6.7 A reference in the Code in relation to any Gas Year to **"System 1-in-20 peak day demand"** is the 1-in-20 peak day demand for the System established for the Gas Year pursuant to Section O and set out in the relevant Ten Year Statement.

## 2.7 Applicable Liability Gas Price

- 2.7.1 Subject to this paragraph 2.7, the **"Applicable Liability Gas Price"** as at any Day is the arithmetic mean of the prices (in pence/kWh) in the most recently published issue of the publication entitled Energy Trends issued by the Department of Trade and Industry (or any successor publication) set out in the table entitled 'Prices of fuels purchase by manufacturing industry in Great Britain' as 'GAS - all consumers - average' for the most recent four consecutive quarters for which such prices are shown in such issue but ending not more recently than 3 months before such Day.
- 2.7.2 No revision in any such price for any such quarter in any subsequent issue of such publication shall affect the Applicable Liability Gas Price as at the relevant Day.
- 2.7.3 Should the basis on which such prices are stated in such publication be changed so as to include applicable value added tax, such prices will (in the determination of the Applicable Liability Gas Price) be adjusted so as to exclude the effect of the inclusion of value added tax.
- 2.7.4 If the publication referred to in paragraph 2.7.1 ceases to be published, or ceases to contain the prices referred to in that paragraph, or if the publication thereof is suspended, the Applicable Liability Gas Price will be determined by reference to such published gas prices as Transco shall, after consultation with the Network Code Committee or any relevant Sub-committee, determine and notify to Users as being the most similar available published prices, unless upon the application of any User the Authority shall give Condition 9(3) Approval to Transco's determining of the Applicable Liability Gas Price by reference to any other published gas prices.

## 2.8 Condition 9(3) Approval

- 2.8.1 Where any provision of the Code (the **"relevant provision"**) provides that Transco will



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or may take a particular step or action (the "**relevant step**") in pursuance of that provision if the Authority shall give Condition 9(3) Approval thereto, or if the Authority shall not give Condition 9(3) Disapproval thereto:

- (a) except in a case in paragraph (b), Transco will not take the relevant step unless Transco has given a notification under paragraph 2.8.2(a);
- (b) where under the relevant provision Transco may take the relevant step unless a User applies to the Authority for Condition 9(3) Disapproval to Transco's doing so, Transco may take the relevant step unless the User or any of the Users concerned has, within the period or by the date prescribed in the relevant provision, given a notification under paragraph 2.8.2(b).

2.8.2 Paragraph 2.8.3 shall apply in respect of a relevant provision of the Code in any particular case where and only where:

- (a) (for the purposes of Condition 9(3) Approval) subject to paragraph 2.8.5, Transco has notified the User or Users concerned that the circumstances are such that, and of the manner in which, Transco might take the relevant step; or
- (b) (for the purposes of Condition 9(3) Disapproval) the relevant provision permits a User to make an application to the Authority, a User has notified Transco that the User wishes Transco not to take the relevant step.

2.8.3 Where this paragraph 2.8.3 applies in respect of a relevant provision in any particular case:

- (a) the provision shall be construed as:
  - (i) requiring Transco to make a determination (after its notification required by paragraph 2.8.1(a) or the relevant provision) as to whether to take the relevant step; and
  - (ii) requiring that such determination should be such as is calculated to facilitate the achievement of the relevant objectives (as described in Standard Condition 9(1) of the Transco Licence);
- (b) Transco will (in the case in paragraph 2.8.2(a), not less than 10 Business Days after its notification thereunder) make the determination under paragraph (a)(i) and (having done so) will:
  - (i) notify the Authority and the User(s) concerned of its determination, and
  - (ii) not implement (by taking the relevant step) such determination:
    - (1) if the Authority shall give Condition 9(3) Disapproval to its doing so, or
    - (2) where Condition 9(3) Approval of the Authority is required for the relevant step, if the Authority shall not give Condition 9(3) Approval to its doing so;
- (c) in the case in paragraph 2.8.2(b), Transco will send to the Authority a copy of each notification given by a User thereunder.

2.8.4 For the purposes of the Code, "**Condition 9(3) Approval**" means a determination by



the Authority, pursuant to Standard Condition 9(3) of the Transco Licence, that the determination made by Transco pursuant to paragraph 2.8.3(a)(i) complies with the requirement in paragraph 2.8.3(a)(ii), and "**Condition 9(3) Disapproval**" means a determination by the Authority that such determination does not so comply.

- 2.8.5 For the purpose of [Sections Q4.2.3](#) and [Q4.2.5\(e\)](#) Transco will not give any notification to any User under paragraph 2.8.2(a) or 2.8.3(b)(i); and the notification required under paragraph 2.8.2(a) shall be given to the Authority.
- 2.8.6 An Ancillary Agreement may, with Condition 9(3) Approval of the Authority, provide for Transco to take a particular step or action with Condition 9(3) Approval, or in the absence of Condition 9(3) Disapproval, of the Authority and any such provision of an Ancillary Agreement is hereby deemed to be a provision of (and shall be treated as being incorporated in) the Code.

## 2.9 Miscellaneous

- 2.9.1 Unless the context otherwise requires, references in the Code to Transco:
- (a) in [Sections T](#) (Disputes), [U](#) (UK Link) and [V](#) (General), and in this Section W, include a reference to Transco LNG Storage (when acting pursuant to the provisions of [Section Z](#));
  - (b) except as provided in paragraph (a), do not include a reference to Transco LNG Storage (when acting pursuant to the provisions of [Section Z](#)).
- 2.9.2 A reference in the Code to:
- (a) a "**consumer**" is a reference to:
    - (i) a consumer (as defined in the Gas Code) who is supplied with gas conveyed to particular premises by means of the System; or
    - (ii) in the context of a particular Supply Point, Supply Meter Point or Supply Point Component, the consumer who is supplied with gas offtaken from the System at such System Point; or
    - (iii) in the context of a User, the consumer in respect of a Supply Point of which the User is the Registered User.
  - (b) a "**supplier**" is a reference to:
    - (i) a person who supplies to premises gas offtaken from the System (including a person supplying gas to itself); or
    - (ii) in the context of a particular Supply Point, Supply Meter Point or Supply Point Component, the supplier who supplies the consumer with gas; or
    - (iii) in the context of a User, the supplier in respect of a Supply Point of which the User is the Registered User.
- 2.9.3 Where any provision of the Code requires or entitles Transco to "**publish**" any

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information or document, Transco will provide such information or document to each User, any other person to whom Transco may (pursuant to the Transco Licence or any other Legal Requirement or any provision of the Code) be required to provide such information and (subject to [Section V5](#)) such other persons as Transco shall think fit.

2.9.4 A reference in the Code to a "**Standard Condition**" is a reference to a standard licence condition determined by the Secretary of State pursuant to Section 8 of the Gas Act 1995, as from time to time modified in accordance with the Act:

- (a) in the context of Transco or the Transco Licence, as incorporated into the Transco Licence;
- (b) in the context of a User or its Shipper's Licence, as incorporated into such Shipper's Licence;
- (c) in the context of a supplier or its Supplier's Licence, as incorporated into such Supplier's Licence.

2.9.5 A reference in the context of any provision of the Code to a "**representative**" of any person is a reference to any Authority, officer or employee of that person or any agent, consultant or contractor appointed or engaged by that person for purposes connected with the subject matter of the relevant provision of the Code.

2.9.6 A reference in the Code to the quantities in which or rate or pressure at which it is "**feasible**" for Transco to make gas available for offtake from the System at a System Exit Point is a reference to what is in Transco's reasonable judgement operationally and technically feasible without prejudicing System security, without reinforcement of the System and without prejudicing Transco's ability to perform its obligations under the Code, any Ancillary Agreement or any other contract for the conveyance of gas, or to comply with any Legal Requirement;

2.9.7 An "**Affiliate**" of a specified percentage in relation to a body corporate is:

- (a) another body corporate which holds not less than the specified percentage of the voting rights of the first body corporate; or
- (b) a subsidiary of the first body corporate or of such a body corporate as is referred to in paragraph (a);

and for these purposes 'voting rights', 'holding' voting rights and 'subsidiary' are to be construed in accordance with Section 736A of the Companies Act 1985.

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

## 3 TECHNICAL INTERPRETATION

### 3.1 Gas

3.1.1 In the Code, unless the context otherwise requires, "**gas**" means any hydrocarbons or mixture of hydrocarbons and other gases consisting primarily of methane which at a temperature of 15 °C and an absolute pressure of 1.01325 bar are or is predominantly in the gaseous state.

3.1.2 Unless the context otherwise requires, for the purposes the Code:

- (a) a "**quantity**" of gas is a quantity in kWh;
- (b) a "**volume**" of gas is a volume in MCM.

## 3.2 Units and other terms

3.2.1 The following terms have the following meanings in the Code:

"**bar**": the bar as defined in ISO 1000-1981(E);

"**Cubic Metre**" or "**M<sup>3</sup>**": when applied to gas, that amount of gas which at a temperature of 15°C and an absolute pressure of 1.01325 bar and being free of water vapour occupies one 1 cubic metre;

"**degree Celsius**" and "**°C**": the particular interval between the temperature in Kelvin and the temperature 273.15 Kelvin as defined in ISO 1000-1981(E);

"**gauge**": when used in relation to pressure, the pressure in excess of 1 standard atmosphere where 1 standard atmosphere is 1.01325 bar;

"**calorific value**": that number of Megajoules produced by the complete combustion at a constant absolute pressure of 1.01325 bar of 1 Cubic Metre of gas at a temperature of 15°C with excess air at the same temperature and pressure as the gas when the products of combustion are cooled to 15°C and when the water formed by combustion is condensed to the liquid state and the products of combustion contain the same total mass of water vapour as the gas and air before combustion; and for the avoidance of doubt calorific value shall be REAL as defined in ISO 6976-1:1983(E);

"**hour**": the hour as defined in ISO 1000-1981(E);

"**Joule**": the joule as defined in ISO 1000-1981(E);

"**kilogram**": the kilogram as defined in ISO 1000-1981(E);

"**kilometre**" or "**km**": 1000 metres;

"**kWh**": 3,600,000 Joules;

"**mbar**": one thousandth of a bar;

"**MCM**": 1,000,000 Cubic Metres;

"**Megajoule**" or "**MJ**": 1,000,000 Joules;

"**metre**": the metre as defined in ISO 1000-1981(E);

"**mol%**": molecular percentage;

"**MW**": 1,000,000 Watts;

"**pascal**": the pascal as defined in ISO 1000-1981(E)

"**ppm**": parts per million by volume;

"**Relative Density**": shall mean the mass of a volume of dry gas divided by the mass (expressed in the same units) of an equal volume of dry standard air as defined in ISO 6976-1:1983(E) both such gases being at a temperature of 15°C and an absolute pressure of 1.01325 bar; and Relative Density (REAL) shall for the avoidance of doubt be REAL as defined in ISO 6976-1:1983(E);

"**second**": the second as defined in ISO 1000-1981(E);

"**Specific Gravity**": the mass of a volume of dry gas divided by the mass (expressed in the same units) of an equal volume of dry standard air (as defined in ISO 6976-1:1983(E)) both gases being at a temperature 15°C and an absolute pressure of 1.01325 bar;

"**Watt**": 1 Joule per second;

"**Wobbe Index**": when applied to gas, the calorific value divided by the square root of the Relative Density.

### 3.3 Calorific value

3.3.1 A reference in the Code to "**calorific value**" or to the "**relevant calorific value**" of gas delivered to or offtaken from the System shall be a reference:

- (a) in the context of a System Entry Point, to the calorific value of gas delivered to the System established in accordance with the relevant provisions (if any) of the Network Entry Provisions;
- (b) in the context of any System Exit Point where the quantity of gas conveyed to such point is required to be calculated in accordance with the Gas (Calculation of Thermal Energy) Regulations 1996, to the calorific value established by Transco pursuant to those Regulations;
- (c) in the context of any other System Exit Point:
  - (i) in the case of a NExA Supply Meter Point or Connected System Exit Point, to the calorific value established in accordance with the relevant provisions (if any) of the Network Exit Agreement;
  - (ii) except as provided in paragraph (i), where there is calorimetric equipment installed (by or with the approval of Transco) at the relevant System Exit Point, to the calorific value ascertained by means of such equipment;
  - (iii) except as provided in paragraphs (i) and (ii), to the flow weighted average calorific value established as the average of the average calorific values (applicable to the area in which such System Exit Point is located) referred to in Part II of the above Regulations, weighted by reference to the gas flows each Day at points on the System where apparatus referred to in that Part is located.

3.3.2 Any reference to a quantity of gas delivered or to be delivered to, or offtaken or to be

offtaken from, the System at a System Entry Point or (as the case may be) System Exit Point shall be construed in accordance with paragraph 3.3.1 above.

- 3.3.3 For the purposes of [Section N](#), "**CV shrinkage**" is gas which is unaccounted for as offtaken from the System at System Exit Points by reason of the quantities of gas delivered to the System exceeding (by virtue of paragraphs 3.3.1 and 3.3.2 above) those offtaken from the System.
- 3.3.4 Where the Authority has made a determination (for the purposes of the definition of 'calorific value' in Section 12(2)(a) of the Act) specifying in respect of any area an amount of water vapour to be contained in gas conveyed in the System, or Transco with the concurrence of the Authority for the purposes of the above Regulations determines (in respect of a part of the System in which the gas being conveyed contains an amount of water vapour) a calorific value which is different from the calorific value which would apply pursuant to the Regulations:
- (a) for the purposes of giving effect to such determination, upon any Meter Read in respect of a Supply Meter Point in the relevant area, the Metered Quantity shall be determined by reference to the calorific value which applies on the basis of such determination, and NDM Reconciliation or DM Reconciliation shall be carried out accordingly;
  - (b) the calorific value applicable for purposes of the Code (including in particular the implementation of [Section H](#)), other than the purposes in paragraph (a), shall be the calorific value which would apply disregarding such determination.

### 3.4 Conversions

- 3.4.1 Where to give effect to any provision of the Code it is necessary to compare an amount of gas which is or is to be delivered to or offtaken from the System or injected to or withdrawn from a Transco LNG Storage Facility, or a rate of such delivery, offtake, injection or withdrawal, expressed in terms of quantity, with such an amount or rate expressed in terms of volume, a conversion shall be made on the basis of the applicable calorific value in accordance with paragraph 3.3.1.
- 3.4.2 Where to give effect to any provision of the Code it is necessary to do so, a rate of delivery or offtake of gas to or from the System, or injection to or withdrawal from a Transco LNG Storage Facility, or any amount of System Capacity or Storage Capacity, expressed in quantity or volume units per Day, or per hour, or in kW, shall be treated as expressed in any other such units on the basis of the appropriate conversion.

### 3.5 Therms

References in the Code to quantities in therms are explanatory only and of no effect for the purposes of the Code (and the rates at which quantities in kWh are converted to quantities in therms are not uniform).



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# Section X

## NETWORK CODE SUPPLEMENT:

### Energy Balancing Credit Management

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# X NETWORK CODE SUPPLEMENT: ENERGY BALANCING CREDIT MANAGEMENT

## 1 GENERAL

### 1.1 Introductions

- 1.1.1 This Supplement forms a part of the Network Code Principal Document; and references to the Code include this Supplement.
- 1.1.2 The effect of the provisions of [Sections F4.5.3\(a\)\(ii\)](#), [F6.5.1\(a\)\(ii\)](#) and [P6.3.7\(a\)\(ii\)](#) is that if a User fails to make payment of any Energy Balancing Charge when due, all other Users may become liable for (in aggregate) an equivalent amount (together with an amount in respect of the cost of financing such non-payment).
- 1.1.3 Users have agreed (inter se) to, and requested Transco to implement, the provisions of this Supplement with a view to limiting the extent to which they will incur the liability described in paragraph 1.1.2.
- 1.1.4 Nothing in this Supplement shall modify the provisions referred to in paragraph 1.1.2.
- 1.1.5 This Supplement is independent of and shall apply separately from the provisions of [Section V3](#) (which relates to indebtedness of Users other than in respect of Energy Balancing Charges).
- 1.1.6 In this Supplement "**Energy Balancing Invoice**" means an Invoice Document in respect of any Energy Balancing Charges or interest thereon.

### 1.2 Energy Balancing Credit Committee

- 1.2.1 Subject to paragraph 1.2.2 the "**Energy Balancing Credit Committee**" is the Network Code Committee or any relevant sub-committee.
- 1.2.2 Where this Supplement provides for any decision by the Energy Balancing Credit Committee (including any approval or authorisation of anything proposed to be done by Transco) such decision shall be taken by the affirmative vote of a simple majority of the members of the committee who are appointed to represent Users (and subject to such other procedures as the committee may establish); and the representatives of Transco who are members of the Network Code Committee or any relevant sub-committee will not vote on any matter brought before the Energy Balancing Credit Committee pursuant to this Supplement.
- 1.2.3 Transco may consult with the Energy Balancing Credit Committee in relation to any aspect of its functions under this Supplement, and may at any time convene a meeting of such committee on any reasonable period of notice.
- 1.2.4 Where Transco has any reasonable grounds for wishing to consult with the Energy

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Balancing Credit Committee in relation to any step required to be taken under this Supplement, Transco may (where it has convened a meeting of such committee for the purposes for the earliest reasonable date) defer taking such step until it has consulted with such committee.

1.2.5 Where Transco brings to the Energy Balancing Credit Committee any matter relating to a particular User, Transco will not disclose the identity of the User to the committee unless:

- (a) the User in question agrees to such disclosure, or
- (b) it is not practicable for the matter in question to be considered by the committee without the identity of the User being disclosed or becoming apparent, or
- (c) Transco has given Termination Notice to the User (but this paragraph (c) shall not of itself require Transco to inform the committee of the fact that it has given such notice to any User).

1.2.6 With the approval of the Energy Balancing Credit Committee, Transco is authorised, in implementing the provisions of this Supplement as respects Users or any particular User, to delay the implementation of any such provision or to implement any such provision on a modified basis which is (as respects the interests of Users or the User in question) less onerous than the provision in the absence of such modification.

1.2.7 No member of the Energy Balancing Credit Committee shall be liable (whether in contract or tort including negligence or otherwise) to Transco or any of the Users for anything done when acting properly in or in connection with his office under the Code, or anything done in what such member in good faith believes to be the proper exercise and discharge of the powers, duties, functions and discretions of that office in accordance with the Code; and each User and Transco waives any such liability that any such member may have and any claim in respect thereof.

1.2.8 Nothing contained in paragraph 1.2.7 shall exercise or limit the liability of a member of the Energy Balancing Credit Committee:

- (a) for death or personal injury resulting from the negligence of such member; or
- (b) in any case where such member has in the exercise and discharge of its powers, duties, functions and discretions acted in bad faith or fraudulently.

### 1.3 Liability of Transco

1.3.1 Users acknowledge that the calculation of Energy Balancing Charges and other matters to be calculated under this Supplement involves the possibility of error; and agree (subject to paragraph 2.7) to make the payments required under this Supplement, and that Transco is to take the steps contemplated by this Supplement, notwithstanding any such error (on the basis that any necessary repayments or additional payments will be made following resolution of any such error).

1.3.2 Notwithstanding paragraph 1.3.1 and the provisions of this Supplement, where Transco has reasonable grounds for believing that any calculation required to be made by it for the performance of its functions under this Supplement has been or may have been

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made erroneously, Transco may (but shall not be required to) defer the taking of any step that would otherwise be required under this Supplement until Transco has had a reasonable opportunity of verifying such calculation.

- 1.3.3 Without prejudice to paragraph 1.3.4, nothing in this Supplement shall require Transco to take any step which Transco believes on reasonable grounds may result in its becoming liable to any person in damages or otherwise, whether or not the amount of any such liability would be recoverable under paragraph 1.3.7, but the possibility of a claim being made against Transco shall not of itself suffice for the purposes of this paragraph unless Transco believes on reasonable grounds that such claim would be well founded.
- 1.3.4 Each User authorises Transco to take any step contemplated by this Supplement, and (without prejudice to [Section V8](#), but subject to paragraph 1.3.8) agrees that Transco shall have no liability (in contract or tort including negligence or otherwise) to such User for taking any such step, and waives any such liability that Transco may have and any claim in respect thereof.
- 1.3.5 Nothing in this Supplement shall require Transco to take any step which conflicts with any Legal Requirement or any order of any court of competent jurisdiction.
- 1.3.6 Transco will act in good faith in implementing the provisions of this Supplement but (subject to paragraph 1.3.8) will not be liable (in contract or tort including negligence or otherwise) to any User for any failure or delay of Transco in doing so or in taking any particular step contemplated by this Supplement, and each User waives any such liability that Transco may have and any claim in respect thereof.
- 1.3.7 Subject to paragraph 1.3.8, where any person makes any claim (in negligence or otherwise) against Transco in consequence of Transco's taking any step contemplated by this Supplement:
  - (a) Transco will defend such claim and will (subject to any duties of confidence) consult with and keep informed the Energy Balancing Credit Committee in relation to such claim and the defence thereof;
  - (b) the fees, costs and expenses incurred by Transco (other than its own internal costs and expenses) in defending such claim, and any amounts which Transco may be found liable (or with the approval of the Energy Balancing Credit Committee may agree by way of settlement) to pay by way of damages or costs or otherwise in respect of such claim, shall be additional Monthly Neutrality Adjustment Costs in the months in which Transco makes payment thereof.
- 1.3.8 Nothing in the Code shall exclude or limit Transco's liability, or entitle Transco to recover from Users any amount in respect of any liability of Transco:
  - (a) in respect of any death or personal injury resulting from Transco's negligence;
  - (b) in respect of a reckless or wilful breach by Transco of this Supplement; or
  - (c) in any case where Transco has in the exercise of its functions under this Supplement acted in bad faith or fraudulently.

#### 1.4 Code Contingencies

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Transco will not be required to implement this Supplement in any case where and for so long as, by reason of any Code Contingency, it is not reasonably practicable for Transco to perform with reasonable accuracy any calculation required for such implementation.

## 2 SECURITY, ENERGY BALANCING INDEBTEDNESS AND CASH CALL PRINCIPLES

### 2.1 Energy Balancing Credit Rules

- 2.1.1 The "**Energy Balancing Credit Rules**" are the rules established by Transco dated 1st March 1996 and so entitled, as from time to time amended in accordance with paragraph 2.1.4 and 2.1.5.
- 2.1.2 The Energy Balancing Credit Rules provide for the specified forms and the basis on which a User may provide a letter of credit or cash by way of security for the User's indebtedness in respect of Energy Balancing Charges.
- 2.1.3 Subject to paragraph 2.1.5, and without prejudice to any express requirement under this Supplement to comply therewith, the Energy Balancing Credit Rules do not form part of and are not incorporated into the Code.
- 2.1.4 With the approval of the Energy Balancing Credit Committee, Transco may revise the Energy Balancing Credit Rules upon giving notice to all Users of not less than 2 months or such shorter period as may in any particular case be approved by the Committee.
- 2.1.5 For the purposes only of enabling Transco or a User to propose a modification pursuant to the Modification Rules, the Energy Balancing Credit Rules shall be deemed to be incorporated into and to form part of the Code.

### 2.2 Secured Credit Limit

- 2.2.1 Each User shall secure that its Cash Call Limit elected under paragraph 2.4 is not greater than 85% of its Secured Credit Limit.
- 2.2.2 For each User the "**Secured Credit Limit**" shall be the amount determined under paragraph 2.2.3.
- 2.2.3 The amount referred to in paragraph 2.2.2 is the amount for the time being of the Security the User has provided.
- 2.2.4 A User may apply to increase its Secured Credit Limit by giving notice to Transco specifying the basis (in accordance with paragraph 2.2.3) for the increased limit and (if the User wishes) the increased limit sought, and where any new or revised Security forms or forms part of such basis, submitting such Security.
- 2.2.5 Where a User applies to increase its Secured Credit Limit:
  - (a) Transco will revise the User's Secured Credit Limit in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2 as soon as reasonably practicable after the User's application;
  - (b) where the revised Secured Credit Limit determined under paragraph (a) is less than that specified by the User, Transco will notify the User as soon as

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reasonably practicable after Transco becomes aware thereof.

## 2.2.6

- (a) A User's Secured Credit Limit may also be revised, in accordance with the Energy Balancing Credit Rules, save where either paragraph 2.2.6(b) or (c) applies, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:
  - (i) at intervals of approximately 12 months;
  - (ii) where any published credit rating of a provider of security is revised downwards;
  - (iii) where (but without prejudice to any requirement of the Energy Balancing Credit Rules) any instrument of Security expires or is determined;
  - (iv) where at any time Transco has reasonable grounds to believe that the effect of the review will be to reduce the User's Secured Credit Limit

provided that nothing in this Supplement shall require Transco to undertake a review under paragraph 2.2.6(a)(ii) or 2.2.6(a)(iii).

- (b) Where any published credit rating of a provider of security is revised downwards to the extent that the said credit rating following such revision is less than the minimum prescribed credit rating as set out in the Energy Balancing Credit Rules, a User's Secured Credit Limit may be immediately reviewed and revised by Transco in accordance with the Energy Balancing Credit Rules, on notice to the User.

## 2.3 Securities

## 2.3.1 For the purposes of this Supplement:

- (a) "**Security**" means letter of credit or cash by way of security for a User's indebtedness for Energy Balancing Charges, in the forms specified in, and provided and documented in accordance with any applicable requirements of, the Energy Balancing Credit Rules.

2.3.2 Where a User proposes that any Security be given not substantially in accordance with the requirements of the Energy Balancing Credit Rules, Transco will table the User's proposal at the first meeting of the Energy Balancing Credit Committee convened not less than 10 Business Days following the User's proposal; but Transco will not be required to accept the User's proposal unless and until such Committee shall have approved such proposal.

2.3.3 Any reference in this Supplement to the amount of any Security shall be to such amount:

- (a) in the case of Security, as determined in accordance with the Energy Balancing Credit Rules; and

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- (b) as reduced by the amount of any payment made pursuant to the application of such Security.
- 2.3.4 A User who has provided a Security may request Transco to release such Security (in whole or in part); and following such a request, provided that the requirement in paragraph 2.3.5 is met, Transco will, as soon as reasonably practicable and in any event within 10 Business Days after such request, comply with such request.
- 2.3.5 The requirement is that at the date 2 Business Days before the date of such release or reduction the amount of the User's Outstanding Relevant Balancing Indebtedness does not exceed 90% of the lesser of:
  - (a) the amount of the User's Cash Call Limit; and
  - (b) the amount of the User's revised Secured Credit Limit established (in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2) on the basis of the reduced or released Security.
- 2.3.6 An instrument of Security shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by Transco pursuant to the Code, shall prejudice or invalidate any such instrument.
- 2.4 **Cash Call Limit**
  - 2.4.1 For each User the "**Cash Call Limit**" is the amount, not exceeding 85% of the User's Secured Credit Limit, elected by or assigned to the User in accordance with this paragraph 2.4 as the limit on its Outstanding Relevant Balancing Indebtedness.
  - 2.4.2 Each User shall, on or before the User Accession Date, notify Transco of the initial amount of its Cash Call Limit.
  - 2.4.3 A User may by giving notice to Transco of not less than 7 Business Days revise its Cash Call Limit provided that its revised Cash Call Limit is not greater than 85% of its Secured Credit Limit.
  - 2.4.4 Where a User notifies Transco of a revised Cash Call Limit, or a User's Secured Credit Limit is reduced, and as a result its Cash Call Limit is or would be greater than 85% of its Secured Credit Limit, it shall be assigned a Cash Call Limit which is equal to 85% of its Secured Credit Limit.
- 2.5 **Calculation of Outstanding Relevant Balancing Indebtedness**
  - 2.5.1 In relation to each Gas Flow Day (the "**relevant Day**"), as soon as reasonably practicable after the Day on which (pursuant to [Section E2.1.2](#)) initial Entry Allocation Statements are required to be submitted to Transco, or in accordance with paragraph 2.5.6 or 2.7.6, Transco will calculate for each User:
    - (a) the amount of the Relevant Balancing Charges for the relevant Day; and
    - (b) the amount of the Outstanding Relevant Balancing Indebtedness.
  - 2.5.2 For the purposes of this Supplement:



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- (a) **"Relevant Balancing Charges"** means the Daily Imbalance Charges, Scheduling Charges, Basic Balancing Neutrality Charges and Physical Renomination Incentive Charges which would (on the basis set out in paragraph 2.5.3) be payable, and the Market Balancing Action Charges and other charges in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements which are payable, by or to each User in respect of the relevant Day;
- (b) **"Basic Balancing Neutrality Charges"** are the amounts that would be determined as Balancing Neutrality Charges in accordance with [Section F4](#) on the basis that the Unit Daily Neutrality Amount (under [Section F4.3](#)) is calculated on the basis of the Basic Net Neutrality Amount only, and disregarding the Adjustment Neutrality Amount;
- (c) **"Anticipated Balancing Indebtedness"** for each User is an amount calculated, in respect of all Days in the relevant period (each such day ('i')), in accordance with the following formula:

$$ABI = \sum_{i=d-n}^{d-1} \left( ADSAP_i * \sum_{j=i-n-9}^{i-n} \frac{DI_j}{10} \right)$$

where:

ABI is the Anticipated Balancing Indebtedness;

ADSAP<sub>i</sub> is the Adjusted System Average Price for a Day, 'i', being any Day falling during the relevant period, which shall be the System Average Price for that Day 'i'; except where either:

- (i) the SAP the Day 'i', is greater than the mean of the SAPs for the previous 10 days plus 1.96 times the standard deviation of the SAPs for the previous 10 days ("**the Upper Limit**"), in which case the ADSAP shall be equal to the Upper Limit; or
- (ii) SAP the Day 'i', is less than the mean of the SAPs for the previous 10 days minus 1.96 times the standard deviation of the SAPs for the previous 10 days ("**the Lower Limit**"), in which case the ADSAP shall be equal to the Lower Limit.

DI<sub>j</sub> is the User's Daily Imbalance for the Day 'j' falling during the Imbalance Period (being a positive or (as the case may be) negative amount in accordance with Section E5.1.2),

d is the relevant Day

n is the number of days in the relevant period,

**"relevant period"** is the period from (and including) the 7th Business Day preceding the relevant Day, d, until (and including) the Day preceding the relevant Day ('d-1');

**"Imbalance Period"** is the period from and including nine Days preceding the

day 'i-n' until (and including) the day 'i-n'<sup>1</sup>

- (d) **"Outstanding Relevant Balancing Indebtedness"** for each User means (subject to paragraph (g)) the sum of<sup>2</sup>:
- (i) the net aggregate amount (payable by or to the User) of the Relevant Balancing Charges for each Day of the Uninvoiced Period;
  - (ii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is on or after the calculation Day;
  - (iii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is before the calculation Day and which have not been paid by the User;
  - (iv) the User's Anticipated Balancing Indebtedness less the amount (excluding any interest earned thereon) of any Cash Call which has been paid by the User and not for the time being applied in or towards payment of any Invoice Amount under paragraph 2.8;
- (e) the **"calculation Day"** is the Day on which Transco makes the calculation under paragraph 2.5.1;
- (f) for the purposes of paragraph (d)(i) the **"Uninvoiced Period"** is the period from the first Day of the earliest Billing Period in respect of which no Energy Balancing Invoice has been submitted to the User up to and including the relevant Day;
- (g) in determining the amount of a User's Outstanding Relevant Balancing Indebtedness, Transco will make an appropriate allowance for any material unpaid amount which may be payable to the User pursuant to [Section F1.4](#)<sup>3</sup>;
- (h) in determining Outstanding Relevant Balancing Indebtedness, amounts payable by the User shall be positive, and amounts payable to the User shall be negative; and where Outstanding Relevant Balancing Indebtedness would otherwise be negative it shall be deemed (for the purposes of this Supplement only) to be zero<sup>4</sup>.

2.5.3 The Relevant Balancing Charges and a User's Anticipated Balancing Indebtedness will be calculated in respect of each Gas Flow Day on the basis of the amounts determined as the User's UDQIs on the basis of initial Entry Allocation Statements, applying (where relevant) the provisions of [Section E2.1.8](#) or [E2.1.9](#), and on the basis of the User's UDQOs determined in accordance with [Section E3](#).

<sup>1</sup> Paragraph 2.5.2(c) will be amended by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>2</sup> Paragraph 2.5.2(d) will be amended by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>3</sup> Paragraph 2.5.2(g) will be amended by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>4</sup> Paragraph 2.5.2(i) will be added by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

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## 2.5.4 Users acknowledge that:

- (a) subject to paragraphs 2.5.6 and 2.7.6, the calculation of Relevant Balancing Charges and a User's Anticipated Balancing Indebtedness will disregard any revision of initial Entry Allocation Statements pursuant to [Section E2.1.3](#)<sup>5</sup>;
- (b) the calculation of Outstanding Relevant Balancing Indebtedness takes no account of Energy Balancing Charges which either may become payable by Transco to a User, or may become payable by a User to Transco, in respect of Days after the relevant Day and up to the calculation Day.

2.5.5 For the avoidance of doubt paragraph 2.5.4 is without prejudice to the subsequent determination of Energy Balancing Charges for the purposes of submission of an Energy Balancing Invoice.

## 2.5.6 Where:

- (a) any Entry Allocation Statement submitted in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of [Section E2.1.3](#)) so as to reduce the UDQI of any User, and
- (b) any User so requests Transco by notice given not less than 5 Days before the Entry Close-out Date, and
- (c) the amount by which such UDQI was so reduced exceeds whichever is the greater of:
  - (i) 2,000,000 kWh (68,260 therms), and
  - (ii) an amount determined as 10% of the aggregate of the User's UDQIs (determined as at the time of such request) for all System Entry Points for the relevant Day,

Transco will as soon as reasonably practicable recalculate the amount of all Users' Outstanding Relevant Balancing Indebtedness on the basis of the revised UDQIs under all of the revised Entry Allocation Statements for the relevant Day<sup>6,7</sup>.

## 2.6 Cash Calling

2.6.1 Where the amount of a User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit, Transco will as soon as reasonably practicable on or after the calculation Day submit to the User a Cash Call.

2.6.2 The Cash Call shall be for an amount calculated as the sum (rounded up to the nearest £1,000) of:

- (a) the amount by which the User's Outstanding Relevant Balancing Indebtedness

<sup>5</sup> Paragraph 2.5.4(a) will be amended by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>6</sup> Paragraph 2.5.6 will be amended by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>7</sup> Paragraph 2.5.7 will be added by Modification MR0685 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

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exceeds the amount of its Cash Call Limit, and

- (b) an amount equal to 10% of the User's Cash Call Limit.

2.6.3 For the purposes of this Supplement:

- (a) a "**Cash Call**" is a notice, in the form set out in the Energy Balancing Credit Rules, requiring the User to make payment to Transco of the amount stated in the notice;
- (b) where the context requires, a reference to a Cash Call includes the amount required to be paid and the requirement to pay such amount.

2.6.4 Paragraph 2.10 shall apply where within 28 days of the submission of a Cash Call to a User Transco submits a further Cash Call (including a revised Cash Call pursuant to paragraph 2.7.3) to the same User.

2.6.5 Subject to paragraph 2.6.6, where a Cash Call or Further Security Request is submitted on a Day which is not a Business Day, or after 15:00 hours on a Business Day, it shall be treated as having been made on the next following Business Day.

2.6.6 Paragraph 2.6.5 shall not apply to a revised Cash Call made pursuant to paragraph 2.7.3.

## 2.7 Cash Call Appeals

2.7.1 Where:

- (a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- (b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20% of the User's Cash Call Limit, and
- (c) the User considers that the amount of the relevant Cash Call has been calculated erroneously,

the User may, not later than 12:00 hours on the Business Day on which the relevant Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(a)) due for payment, so notify Transco, specifying in as much detail as is possible the User's reasons for so considering.

2.7.2 Where a User gives a notification under paragraph 2.7.1:

- (a) the relevant Cash Call (and the obligation of the User to make payment thereof) will be suspended, subject to paragraph 2.7.3;
- (b) Transco will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Balancing Indebtedness;
- (c) if requested by Transco the User shall provide by telephone or facsimile any further details or explanation of its view.

2.7.3 Following its review under paragraph 2.7.2(a) Transco will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under

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paragraph 2.7.1):

- (a) where it is reasonably satisfied that there has been or may have been such an error, withdraw the relevant Cash Call or revise the relevant Cash Call accordingly and submit the revised Cash Call to the User;
- (b) otherwise, notify the User that the original Cash Call remains valid (and is no longer suspended);

and any such revised Cash Call or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

2.7.4 A User may not give a further notification under paragraph 2.7.1 to Transco in respect of the relevant Cash Call (whether or not revised under paragraph 2.7.3).

2.7.5 Where:

- (a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- (b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20 % of the User's Cash Call Limit,
- (c) any Entry Allocation Statement submitted by or on behalf of the User in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of [Section E2.1.3](#)) so as to increase the User's UDQI, and
- (d) the amount by which such UDQI was so increased exceeds whichever is the greater of:
  - (i) 500,000 kWh (*17,060 therms*), and
  - (ii) an amount determined as 5% of the aggregate of the User's UDQIs (determined at the relevant time) for all System Entry Points for the Day referred to in paragraph (c),

the User may, not later than 12:00 hours on the Day on which the Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(a)) due for payment, by notice to Transco request Transco to recalculate the amount of the User's Outstanding Relevant Balancing Indebtedness on the basis of such revised UDQI.

2.7.6 Where a User makes a request under paragraph 2.7.5 Transco will as soon as reasonably practicable (and wherever possible within 24 hours after such request) withdraw the relevant Cash Call or revise (on the basis of the recalculated Outstanding Relevant Balancing Indebtedness) the relevant Cash Call and submit the revised Cash Call to the User.

2.7.7 Without prejudice to paragraph 2.5.6, Transco will not be required to recalculate the Outstanding Relevant Balancing Indebtedness of any other User by reason of a request under paragraph 2.7.5.

2.7.8 Where a User gives a notification under paragraph 2.7.1 or request under paragraph

2.7.5, further references in this Supplement:

- (a) to the date of a Cash Call are to the Day of Transco's revised Cash Call under paragraph 2.7.3(a) or 2.7.6 or notification to the User under paragraph 2.7.3(b), and
- (b) to the amount of a Cash Call are to any revised amount under paragraph 2.7.3(a) or 2.7.6.

2.7.9 A notification under paragraph 2.7.1 or notice under 2.7.5 shall be given:

- (a) by facsimile, or
- (b) by telephone confirmed by facsimile given not later than 17:00 hours on the same Day.

## 2.8 Payment of Cash Calls

2.8.1 A User shall, subject to paragraph 2.7, make payment of the full amount of a Cash Call on the Business Day following the Day on which the Cash Call was made.

2.8.2 [Sections S3.2.1](#) and [S3.3](#) shall apply in respect of the payment of a Cash Call.

2.8.3 Where a User pays an amount ("**Cash Call Payment**") in respect of a Cash Call:

- (a) where there is any amount (in respect of Energy Balancing Charges) unpaid by the User under an Energy Balancing Invoice for which the Invoice Due Date was before the date on which the Cash Call was paid, Transco will apply the Cash Call Payment in or towards payment of such unpaid amount;
- (b) except as provided in paragraph (a) Transco will (unless it required payment by the User to be made to such account) as soon as reasonably practicable after receipt thereof pay the Cash Call Payment (or the balance thereof after application under paragraph (a)) into a Cash Call Account.

2.8.4 In relation to each User a Cash Call Account is a separately designated sub-account of a general interest bearing account in the name of Transco at any branch in the United Kingdom of a bank at which Transco maintains accounts other than pursuant to this paragraph 2.8 (which account may be the account to which the User is to make payment pursuant to and in accordance with [Sections S3.2.1](#)).

2.8.5 The moneys (including interest) for the time being standing to the credit of a Cash Call Account shall belong beneficially and absolutely to Transco and (without prejudice to paragraph 2.8.6) there shall be no implied or constructive trust in respect thereof in favour of the User, and Transco shall be under no obligation to repay any of such moneys to the User.

2.8.6 Subject to paragraph 2.8.7, where at any time:

- (a) there is any amount standing to the credit of a User's Cash Call Account;
- (b) the User's Outstanding Relevant Balancing Indebtedness is less than 90% of the User's Cash Call Limit; and

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- (c) the User is not a Defaulting User,

Transco will if requested by the User pay to the User an amount equal to the amount standing to the credit of the Cash Call Account or (if less) to such part thereof as will, after repayment to the User, result in the User's Outstanding Relevant Balancing Indebtedness being approximately equal to 90% of the User's Cash Call Limit.

- 2.8.7 A User may not make a request pursuant to paragraph 2.8.6 less than 5 Days before the Invoice Due Date in respect of any Energy Balancing Invoice, and Transco shall be entitled to disregard any such request purportedly so made.

- 2.8.8 The amount standing to the credit of a User's Cash Call Account together with interest accrued thereon (after deducting an amount equal to any payment to the User under paragraph 2.8.6) will be applied by Transco in or (pro rata) towards payment of the Invoice Amounts in respect of Energy Balancing Charges under the Energy Balancing Invoice(s) for which the Invoice Due Date(s) next follows the date of payment of the relevant Cash Call Amount.

## 2.9 Failure to pay Cash Call

- 2.9.1 Where a User has not paid the whole of a Cash Call by the Business Day following the Day on which the Cash Call was made, and irrespective of the amount of the User's Outstanding Relevant Balancing Indebtedness as at any Day after the calculation of the Cash Call, Transco shall be entitled to, and as soon as reasonably practicable after such Business Day will, submit to the User a notice substantially in the form set out the Energy Balancing Credit Rules, notifying the User that Transco will give Termination Notice to the User if the User does not pay the amount of the Cash Call in full by the 3rd Business Day after the date of such notice.

- 2.9.2 Where Transco has given notice to a User under paragraph 2.9.1, and until the Cash Call is paid in full Transco will not pay, and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges, (and no interest shall accrue and be payable on any such amounts from the Invoice Due Date until the day on which the payment is made) and Transco shall instead pay the relevant amounts into the User's Cash Call Account.

- 2.9.3 Where Transco has given notice to a User under paragraph 2.9.1 and the User has not paid the amount referred to in the notice in full by the 3rd Business Day following the date of such notice, Transco shall be entitled to, and as soon as reasonably practicable after such 3rd Business Day will, give Termination Notice (for the purposes of [Section V4.3.3](#)) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.<sup>8</sup>

- 2.9.4 Transco will send a copy of any notice given under paragraph 2.9.1 or 2.9.3 to the Authority<sup>9</sup>.

- 2.9.5 For the avoidance of doubt, Transco will not realise and apply any Security in respect of any Cash Call (the basis on which a Security realised and applied being set out in

<sup>8</sup> Paragraph 2.9.3 will be amended by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>9</sup> Paragraph 2.9.4 will be amended by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.



paragraph 3.2.4(b)).

2.9.6 Where Transco has given a Trading Participant a Termination Notice pursuant to this paragraph 2.9 it shall promptly inform the Trading System Operator<sup>10</sup>.

## 2.10 Further Security Request

2.10.1 Where this paragraph 2.10 applies Transco will as soon as reasonably practicable on or after the date on which the further Cash Call (referred to in paragraph 2.6.4) is submitted submit to the User a Further Security Request.

2.10.2 For the purposes of this Supplement a "**Further Security Request**" is a notice, in a form set out in the Energy Balancing Credit Rules, requiring the User to provide a further, additional or revised Security in such amount and for such period as determined in accordance with the Energy Balancing Credit Rules.

2.10.3 Where:

- (a) a Further Security Request (the "**relevant**" Further Security Request) has been submitted to a User;
- (b) the User considers it inappropriate that it should be required to provide a further, additional or revised Security,

the User may, not later than 12:00 hours on the 5th Business Day following the Day on which the Further Security Request was submitted, so notify Transco, specifying in as much detail as possible the User's reasons for so considering.

2.10.4 Where a User gives a notification under paragraph 2.10.3:

- (a) the relevant Further Security Request (and the obligation to provide further, additional or revised Security) will be suspended, subject to paragraph 2.10.5;
- (b) Transco will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Code Indebtedness;
- (c) if requested by Transco the User shall provide by telephone or facsimile any further details or explanation of its view.

2.10.5 Following its review under paragraph 2.10.4, Transco will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.10.3):

- (a) where it is reasonably satisfied that it is inappropriate that the User provide

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<sup>10</sup> Paragraph 2.9.7 will be added by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.



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further, additional or revised Security in accordance with the Further Security Request, withdraw the Further Security Request or revise the further, additional or revised Security requested accordingly and submit the revised Further Security Request to the User;

- (b) otherwise, notify the User that the Further Security Request remains valid (and is no longer suspended),

and such revised Further Security Request or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

2.10.6 A User may not give a further notification under paragraph 2.10.3 to Transco in respect of a relevant Further Security Request (whether or not revised under paragraph 2.10.5).

2.10.7 Where Transco has submitted a Further Security Request to a User, the User shall, subject to paragraph 2.10.4, provide further, additional or revised Security in such amount and for such period as determined in accordance with the Energy Balancing Credit Rules.

2.10.8 Where Transco has submitted a revised Further Security Request or notified a User that a Further Security Request remains valid pursuant to paragraph 2.10.5 until the further additional or revised Security is provided in accordance with the Further Security Request a User may not make a request pursuant to paragraph 2.8.6 and Transco shall:

- (a) be entitled to disregard a request purportedly so made pursuant to paragraph 2.8.6; and
- (b) be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of any amounts payable to the User in respect of Energy Balancing Charges.

2.10.9 Where a User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the 8th Business Day following:

- (a) the date the Further Security Request was submitted; or
- (b) where the User has given a notification under paragraph 2.10.4, the date the revised Further Security Request was submitted or the date the User was notified that the Further Security Request remains valid pursuant to paragraph 2.10.5,

Transco shall submit to the User a Failure to Supply Further Security Notice in a form set out in the Energy Balancing Credit Rules<sup>11</sup>.

<sup>11</sup> Paragraph 2.10.9 will be amended by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

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2.10.10 Where the User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the 7th Business Day following the date the Failure to Supply Further Security Notice was submitted and irrespective of the User's Outstanding Relevant Code Indebtedness as at any Day after the submission of the Further Security Request, Transco shall be entitled to, and as soon as reasonably practicable thereafter may, give Termination Notice to the User (for the purposes of [Section V4.3.3](#)) to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice and Transco shall send a copy of any notice given under this paragraph 2.10.9 to the Authority<sup>12</sup>.

2.10.11 It shall not be a condition to Transco's giving Termination Notice under paragraph 2.10.10 that Transco shall first have made any call upon or taken any steps to enforce or realise any Security<sup>13</sup>.

## 2.11 Trading System Operator

2.11.1 Without prejudice to the implementation of the other provisions of this Supplement in relation to the Trading System Operator, paragraph 2.11.2 shall also apply in relation to the Trading System Operator (and not in relation to any other User).

2.11.2 Where the amount of the Trading System Operator's Outstanding Relevant Balancing Indebtedness exceeds 60% of its Secured Credit Limit:

- (a) Transco shall convene a meeting of the Energy Balancing Credit Committee, to be held as soon as is reasonable;
- (b) the Energy Balancing Credit Committee shall consider the delayed or modified implementation of the provisions of this Supplement in relation to the Trading System Operator; and
- (c) where the Energy Balancing Credit Committee approve the delayed or modified implementation of the provisions of this Supplement in relation to the Trading System Operator, Transco shall implement the provisions of this Supplement in the manner and for such period as the Energy Balancing Credit Committee have approved.

2.11.3 For the purposes of paragraph 2.11.2(b), the Energy Balancing Credit Committee may:

- (a) delay the application of paragraph 2.6 until such time as the Trading System Operator's Outstanding Relevant Balancing Indebtedness exceeds such other amount as the Energy Balancing Credit Committee approve (which such amount may exceed 100% of the Trading System Operator's Secured Credit Limit);
- (b) [authorise Transco to withhold amounts payable to the Trading System Operator by Transco pursuant to any Energy Balancing Invoice until such time as the Trading System Operator's Outstanding Relevant Balancing Indebtedness no](#)

<sup>12</sup> Paragraph 2.10.10 will be amended by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>13</sup> Paragraph 2.10.12 will be added by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

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longer exceeds such amount as the Energy Balancing Credit Committee have approved;

- (c) authorise Transco to withhold the payment of interest payable to the Trading System Operator pursuant to [Section S](#) (and where Transco is so authorised Transco shall be relieved from its obligation to pay interest under [Section S](#));
- (d) authorise Transco to take other such steps in respect of the implementation of the provisions of this Supplements as it considers to be reasonable; and
- (e) require the Trading System Operator to take such steps as it considers, in the context of this Supplement, to be reasonable.

2.11.4 For the purposes of this paragraph 2.11, the Energy Balancing Credit Committee may, for such period as the Energy Balancing Credit Committee determines, request:

- (a) Transco provide details of any steps taken by Transco in implementing the provisions of this Supplement in relation to the Trading System Operator;
- (b) the Trading System Operator provide details of:
  - (i) the levels of security cover and other credit facility and security arrangements in place with Users and third parties for the purposes of the Trading System Arrangements ("**other credit arrangements**");
  - (ii) historic and current levels of utilisation of credit facilities by Users under the other credit arrangements;
  - (iii) current projections of its future cash flows;
  - (iv) of any steps taken by the Trading System Operator in relation to Users pursuant to the other credit arrangements; and
  - (v) a trend analysis of the Trading System Operator's trading activities and data on the movement of the Trading System Operator's Outstanding Relevant Balancing Indebtedness,

and where requested Transco and the Trading System Operator shall provide such information as soon as is reasonably practicable.

2.11.5 Nothing in paragraph 2.11.4 shall require Transco or the Trading System Operator to disclose information which it is otherwise prohibited from disclosing pursuant to the Section V5 or the Trading System Arrangements.

### **3 PAYMENT OF ENERGY BALANCING INVOICES**

#### **3.1 Resolution of queries after payment in full**

It is agreed that, notwithstanding [Section S4.2.2](#), Users shall pay the Net Invoice Amount under each Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding any Invoice Query (and accordingly that [Section S4.3](#) will apply in respect of any such Invoice Query).

### 3.2 Failure to make payment

3.2.1 Where a User does not pay the Net Invoice Amount under an Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding [Section V4.3.1\(a\)](#) Transco shall be entitled to, and as soon as reasonably practicable after the Invoice Due Date will, submit to the User a notice, substantially in the form set out in the Energy Balancing Credit Rules, notifying the User that Transco will give Termination Notice to the User if the User does not pay the outstanding amount of the Net Invoice Amount in full by the 5th Business Day after the date of such notice.

3.2.2 Where Transco has given notice to a User under paragraph 3.2.1 and the User has not paid the outstanding amount of the Net Invoice Amount in full by the 5th Business Day following the date of such notice, Transco shall be entitled to, and as soon as reasonably practicable after such 5th Business Day will, give Termination Notice (for the purposes of [Section V4.3.3](#)) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice<sup>14</sup>.

3.2.3 Transco will send a copy of any notice given under paragraph 3.2.1 or 3.2.2 to the Authority<sup>15</sup>.

3.2.4 Where

(a) Transco has given notice to a User under paragraph 3.2.1, and until the Net Invoice Amount under the relevant Energy Balancing Invoice is paid in full; or

(b) a User is a Defaulting User,

Transco will not pay and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges ("**relevant amounts**") (and no interest shall accrue and be payable on any such amounts from the Invoice Due Date until the day on which the payment is made) and Transco shall instead pay the relevant amounts into the User's Cash Call Account<sup>16</sup>.

### 3.3 Securities

3.3.1 Transco may make or take any step to enforce and realise any Security at any time after Transco has given notice to the User under paragraph 3.2.1 at which any part of the Net Invoice Amount under any Energy Balancing Invoice remains outstanding.

3.3.2 It shall not be a condition to Transco's giving Termination Notice under paragraph 3.2.2 that Transco shall first have taken any steps to enforce or realise any Security.

### 3.4 Enforcement and recovery steps

3.4.1 For the purposes of this paragraph:

<sup>14</sup> Paragraph 3.2.2 will be amended by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>15</sup> Paragraph 3.2.3 will be amended by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

<sup>16</sup> Paragraph 3.2.5 will be added by Modification MR0686 effective from 1 November 2004. Please refer to relevant Notice of Future Implementation.

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- (a) **"Transportation Debt"** means unpaid indebtedness of a defaulting User in respect of any amount payable under the Code other than Energy Balancing Charges;
- (b) **"Energy Balancing Debt"** means unpaid indebtedness of a defaulting User in respect of Energy Balancing Charges;
- (c) **"Recovery Steps"** are any steps (including any proceedings in any court, and including the defence of any counterclaim or other claim, proceeding or application made or brought by the User or a provider of security in connection with any such step taken by Transco) taken by Transco to recover any Energy Balancing Debt or Transportation Debt from a defaulting User, or to enforce or realise any security (including Security) provided by a defaulting User, or to enforce any judgment against a defaulting User, or to make any claim in any insolvency proceedings relating to a defaulting User;
- (d) **"Recovered Amounts"** means amounts recovered (by way of payment of debt or damages or otherwise) by Transco as a result of taking Recovery Steps;
- (e) **"Recovery Costs"** means all fees, costs and expenses (including any payments Transco may be required to make by way of damages or costs or otherwise by any court) incurred by Transco in taking Recovery Steps (but not including amounts in respect of Transco's own internal costs and expenses);
- (f) Recovered Amounts or Recovery Costs are:
  - (i) **"energy balancing exclusive"** where such amounts or costs were recovered or incurred:
    - (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to a Security, or
    - (2) after Transco has informed the Energy Balancing Credit Committee that Transco has decided not to take further Recovery Steps in respect of Transportation Debt;
  - (ii) **"transportation exclusive"** where such amounts or costs were recovered or incurred:
    - (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to an instrument which secures only Transportation Debt, or
    - (2) after Transco has been requested by the Energy Balancing Credit Committee not to take further Recovery Steps in respect of the relevant Energy Balancing Debt;
 and otherwise are **"shared"**;
- (g) the **"energy balancing proportion"** and the **"transportation proportion"** are the aggregate amounts of a defaulting User's Energy Balancing Debt or (as the case may be) Transportation Debt outstanding at the User Discontinuance Date, and before the application of any Recovered Amounts in or towards satisfaction of such amounts, each as a proportion of the sum of such amounts;

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- (h) particular Recovered Amounts and Recovery Costs are "**associated**" where such amounts are recovered pursuant to Recovery Steps in taking which such costs are incurred.
- 3.4.2 Transco agrees that it will, subject to the further provisions of this paragraph 3.4, take all reasonable steps to recover Energy Balancing Debt from a defaulting User, and to enforce and realise the Security provided by a defaulting User; provided that nothing in this Supplement shall require Transco to initiate or continue any Recovery Steps where to do so would in Transco's reasonable opinion expose Transco or any representative of Transco to any material risk or liability against which Transco is not adequately protected by virtue of paragraphs 3.4.4 and 3.4.6.
- 3.4.3 Transco will consult with the Energy Balancing Credit Committee and keep such committee reasonably informed as to the Recovery Steps it takes in relation to Energy Balancing Debt, and circumstances in which Transco does not consider it commercially worthwhile to take or continue to take such Recovery Steps in relation to Transportation Debt; and will and shall be entitled to discontinue taking Recovery Steps (other than any steps necessary for such discontinuance) where the Energy Balancing Credit Committee has authorised it to do so.
- 3.4.4 Transco shall be entitled to apply any Recovered Amounts first in or towards payment of the associated Recovery Costs.
- 3.4.5 Subject to [Section V4.4.2](#), the balance (after application in accordance with paragraph 3.4.4) of any Recovered Amounts will be applied as follows:
  - (a) in the case of energy balancing exclusive Recovered Amounts, as to the whole of such balance, as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with [Section F4](#) in the month in which Transco receives payment in respect of the Recovery Amount;
  - (b) in the case of transportation exclusive Recovered Amounts, as to the whole of such balance, in or towards satisfaction of any Transportation Debt;
  - (c) in the case of shared Recovery Amounts, as to the energy balancing proportion thereof (but not exceeding the amount of unpaid Energy Balancing Debt), as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with [Section F4](#) in the month in which Transco receives payment in respect of the Recovery Amount, and as to the transportation proportion thereof, in or towards satisfaction of any Transportation Debt.
- 3.4.6 Where the amount of Transco's Recovery Costs exceeds the amount (if any) of the associated Recovery Amounts:
  - (a) in the case of energy balancing exclusive Recovery Costs, the whole of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with [Section F4](#) in the month in which Transco pays such amount;
  - (b) in the case of shared Recovery Costs, the energy balancing proportion of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with [Section F4](#) in the month in which Transco pays such amount.

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**4 Appointment of Receiver**

- 4.1 Subject to paragraph 4.2, where [Section V4.3.3\(b\)](#) applies, Transco shall, as soon as reasonably practicable, give Termination Notice (for the purposes of [Section V4.3.3](#)) to the User to the effect that the User shall cease to be a User with effect from the Day following the date set out in the Termination Notice.
- 4.2 4.21 Before Transco shall take the action envisaged by paragraph 4.1, Transco shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable following the failure of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) to provide those assurances referred to in [Section V4.3.3\(b\)](#) and shall consult with the Energy Balancing Credit Committee to determine whether Transco should be obliged to issue the Termination Notice, pursuant to paragraph 4.1, or whether Transco should defer taking such step.
- 4.2.2 Subject to paragraph 1.3, Transco shall be entitled to take such action as the Energy Balancing Credit Committee recommends pursuant to the meeting referred to in paragraph 4.2.1 as soon as reasonably practicable.





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## MODIFICATION RULES



# **Y MODIFICATION RULES**

## **1 STATUS OF THESE RULES**

### **1.1 Origin of these Rules**

Transco is required to establish and operate procedures for the Modification of Code, so as to better facilitate, consistently with Transco's duties under Section 9(1) and (2) of the Act, the achievement of the relevant objectives. The procedures are to provide for:

- 1.1.1 the reviewing of the Network Code;
- 1.1.2 the making of proposals for the Modification of Code either by Transco, a User, or a Third Party Participant;
- 1.1.3 the giving of adequate publicity to any such proposal including, in particular, drawing it to the attention of all Users and sending a copy of the proposal to any other person who asks for one;
- 1.1.4 the seeking of the Views of the Authority on any matter connected with any such proposal;
- 1.1.5 the consideration of any representations relating to such a proposal made (and not withdrawn) by a User or other person likely to be materially affected were the proposal to be implemented; and
- 1.1.6 where the Authority accepts that the Code may require Modification as a matter of urgency, the exclusion, acceleration or other variation, subject to his approval, of any particular procedural steps which would otherwise be applicable.

### **1.2 Document setting out the Rules**

Transco is required to prepare a document setting out the procedures (referred to in paragraph 1.1) which it establishes. These Rules constitute that document, and the review procedures (which are, without prejudice to paragraph 10.1, designed to provide the means by which matters may be considered without being subject to the Modification Procedures) and the Modification Procedures (which are designed to provide the means by which Modification Proposals shall be considered) constitute those procedures.

### **1.3 Application**

These Rules do not apply to any Modification which Transco may, from time to time, be required to make pursuant to paragraph (10) of Condition 9.

### **1.4 Network Code**

These Rules constitute part of Code.

## **2 INTERPRETATION**

### **2.1 Defined terms**



## MODIFICATION RULES

In addition to terms defined elsewhere in the Code, the following terms and expressions are used with the following meanings in this Section:

**"Agenda"**: an Agenda detailing (amongst other things) the nature of the matters and materials to be discussed at the meeting of the Modification Panel to which the Agenda relates;

**"Condition 9"**: Condition 9 of the standard licence conditions of gas transporter's licences determined pursuant to Section 8 of the Act 1995, as incorporated into the Licence;

**"Consumers' Representative(s)"**: the individuals (if any) for the time being appointed by the Gas & Electricity Consumers' Council (energywatch) to the Modification Panel in accordance with these Rules;

**"Designated Person"**:

- (a) subject to (b) below, the individual for the time being appointed as the company Secretary of the Gas Forum (a company incorporated in England and Wales with limited liability and company registration number 2941152); or
- (b) any other individual of whose identity the Panel Chairman may be notified by the Authority;

**"Development Phase"**: those provisions of the Modification Procedures set out in paragraph 8 and, as the context may require, any of those provisions;

**"Development Work"**: in respect of each Development Work Group, the work detailed and the matters (if any) specified, pursuant to paragraphs 11.9.1(c) and 11.9.1(d), in the Terms of Reference of that Development Work Group as the same may be changed pursuant to paragraph 11.9.3(a);

**"Development Work Group"**: any Development Work Group constituted pursuant to paragraph 7.6;

**"Development Work Group Report"**: the final report of the relevant Development Work Group prepared pursuant to paragraph 8.6;

**"Independent Transporters' Representative"**: the individual (if any) for the time being appointed by the Association of Independent Gas Transporters (a company incorporated in England and Wales with limited liability and company registration number 3591677) in accordance with these Rules;

**"Licence"**: the gas transporter's licence treated as held by Transco under Section 7 of the Act;

**"Member"**: any individual for the time being appointed to the Modification Panel;

**"Modification"**: any Modification made pursuant to these Rules and in accordance with Condition 9 of the Licence; and **"Modifications"** shall be construed accordingly;

**"Modification Panel"**: the Modification Panel established and constituted from time to time pursuant to and in accordance with these Rules;

**"Modification Procedures"**: the provisions relating to Modifications and Modification Proposals set out in these Rules and, as the context may require, any of those provisions;

**"Modification Proposal"**: a Modification Proposal made by Transco or, as the case may be, a User;

**"Modification Report"**: a report prepared (and finalised) by Transco in accordance with paragraph 8.9 or paragraph 9.1.2(c);





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**"Non-Code Party"**: any person to whom Transco shall send a copy of a Modification Proposal or Modification or report, or from whom Transco shall invite representations pursuant to paragraph 7.7;

**"Ofgem Representative"**: the individual (if any) for the time being appointed by the Authority to the Modification Panel in accordance with these Rules;

**"Panel Chairman"**: the Transco Representative for the time being nominated, pursuant to paragraph 5.6, by Transco and, as the context may require, shall include either deputy chairman;

**"Panel Majority"**: in relation to any matter to be determined at a meeting of the Modification Panel:

- (a) a majority (in number) of the votes exercisable by the User's Representatives present at that meeting and voting in favour of such matter; and
- (b) a vote of a Transco Representative (who is entitled to vote), in favour of such matter.

**"Proposer"**: the person who shall have made the relevant Modification Proposal or Third Party Modification Proposal pursuant to paragraphs 6.2.1 or 6.2.2 or the relevant Review Proposal pursuant to paragraph 10.2.3 or, as the case may be, paragraph 10.2.4;

**"Qualified Majority"**: in respect of a meeting of the Modification Panel, a determination made with the agreement of that number of the voting Members representing not less than two thirds plus one of the User's Representatives present (for which purposes the calculation shall be rounded down) plus the vote of a Transco Representative;

**"Relevant Objectives"**: the relevant objectives in paragraph (1) of Condition 9;

**"Review Group"**: a group comprised of representatives of Users and Transco convened by Transco for the purpose of the consideration and discussion of any matter in accordance with paragraph 10 (which such group shall have no power or authority to bind any User and/or Transco);

**"Review Proposal"**: any matter or any Modification Proposal which the Modification Panel determines pursuant to paragraph 10 should be subject to review;

these **"Rules"**: the Rules contained herein, as the same may, from time to time, be modified pursuant to Condition 9; and **"Rule"** shall be construed accordingly;

the **"Secretary"**:

- (a) the individual for the time being appointed as Secretary; or
- (b) as the case may be, any individual for the time being appointed as a deputy Secretary, of the Modification Panel pursuant to paragraph 3.5;

**"Storage Operator"**: shall mean an operator of gas storage facilities in the UK;

**"Independent Suppliers' Representative"**: the individual (if any) for the time being appointed by the Designated Person to represent independent Supplier organisations (i.e. not affiliated to a User who already has a representative on the Panel) in accordance with these Rules;

**"Terminal Operator"**: a person who is for the time being the operator of a terminal the address of which is specified in the schedule to the Gas Transporters Exemption Order 1996 or any later order of like effect;

**"Terminal Operators' Representative"**: the individual (if any) for the time being



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appointed by terminal operators to the Modification Panel in accordance with these Rules;

**"Terms of Reference"**: means those terms of reference in relation to:

- (a) a Development Work Group finalised by Transco, pursuant to paragraph 7.2.2(f)(i) or paragraph 7.6;
- (b) a Review Group determined by Transco, pursuant to paragraph 10.4; or
- (c) the consideration of a Modification Proposal referred to a Workstream determined by Transco pursuant to paragraph 7.4

(in each case as may be amended pursuant to paragraph 11.9.3);

**"Third Party Participant"** (As required by paragraph 6(a) of Licence Condition 9): any person or body who are not shippers but who are representative of interested third parties, as may be designated in writing for this purpose by the Authority, from time to time and maintained on a register held by the Authority;

**"Third Party Modification Proposal"**: a proposal to modify [Annex VI](#) ("Table of Market Data") of the Code made by a recognised "Third Party Participant"

**"Transco Proposal"**: any Modification Proposal made by Transco pursuant to paragraph 6.1.1, or, as the case may be, paragraph 6.4 as the same may be varied pursuant to paragraph 11.4;

**"Transco Representative"**: any individual for the time being appointed (or, as the case may be, re-appointed) by Transco as a Member;

**"Unanimity"**: in respect of a meeting of the Modification Panel, a determination made with the agreement of all Voting Members participating in the meeting; and

**"Unanimous"** and **"Unanimously"** shall be construed accordingly;

**"Urgent Modification"**: a Modification made pursuant to an Urgent Modification Proposal;

**"Urgent Modification Proposal"**: a Modification Proposal in respect of which it is to be submitted to the Authority that the Modification is required as a matter of urgency as described in paragraph (5)(f) of Condition 9;

**"User Proposal"**: any Modification Proposal made by a User pursuant to paragraph 6.1.2;

**"Users' Representative"**: each of those individuals for the time being appointed (or, as the case may be, re-appointed) pursuant to paragraph 4.2.4, re-appointed pursuant to paragraph 4.2.6 or appointed pursuant to paragraph 4.4.2(d);

**"Views"**: the Views of the Authority referred to in paragraph (5)(d) of Condition 9; and **"View"** shall be construed accordingly;

**"Voting Member"**: any Transco Representative (other than the Panel Chairman, which term, in this context, shall not include either deputy chairman) and any User's Representative;

**"Workstream"**: a group comprised of representatives of Users and Transco, chaired by Transco and operating within the Workstream Chairmans' Guidelines, which is convened for the general purposes of consideration and discussion of matters relating to the Code or a Modification Proposal in accordance with paragraph 7.4 in accordance with its Terms of Reference (which such group shall have no power or authority to bind any User and/or Transco);



**"Workstream Chairmans' Guidelines"**: a set of standing guidelines governing the conduct of Workstream meetings, issued by Transco, which may be amended from time to time by Panel Majority.

## 2.2 Use of Headings

The headings in these Rules are used for ease of reference only and shall not be taken into account in construing these Rules.

## 2.3 References to the Licence

The references in these Rules to the Licence are contained in these Rules for the purposes of interpretation and reference only and no provision in the Licence shall (whether in whole or in part) form any part of or otherwise be incorporated howsoever into these Rules.

## 2.4 References to notices

The references in these Rules to a **"Notice"** shall unless the context shall otherwise require be treated as including references to the Agenda of the meeting and to the materials to be considered at the meeting to which the notice relates.

## 2.5 Gender

In these Rules, words importing the masculine gender include the feminine and vice versa.

# 3 THE MODIFICATION PANEL

## 3.1 Establishment

The Modification Panel was established with effect from 1<sup>st</sup> March 1996.

## 3.2 Members

### 3.2.1 The Modification Panel shall be composed of:

- (a) the Panel Chairman, being a non-voting Member;
- (b) two (2) other Transco Representatives, being Voting Members;
- (c) if appointed (or, as the case may be, re-appointed), up to nine (9) Users' Representatives, being Voting Members;
- (d) if appointed, the Ofgem Representative, being a non-voting Member;
- (e) if appointed, the Terminal Operators' Representative, being a non-voting Member;
- (f) if appointed, the Consumers' Representative(s), up to two (2), being non-voting Members;
- (g) if appointed, the Suppliers' Representative, being non-voting; and
- (h) if appointed, the Independent Transporters' Representative, being non-voting.

It is expected that a Voting Member will, as appropriate, represent and inform the



## MODIFICATION RULES

Modification Panel of the views of that Member's appointor (or appointors) in relation to Modification Proposals and Review Proposals. It is expected that the Terminal Operators' Representative, Consumers' Representative(s), Suppliers' Representative and Independent Transporters' Representative will, as appropriate, inform the Modification Panel of the views of those persons which they represent.

### 3.3 Transco Representatives

Transco shall appoint (and as may be the case re-appoint) up to three (3) representatives to the Modification Panel.

### 3.4 User's Representatives

The Designated Person shall have the right to appoint (and as may be the case re-appoint) on behalf of Users up to nine (9) User's Representatives.

### 3.5 Secretary

Transco shall, from time to time, appoint an individual (being an individual other than a Member) as the Secretary (and may remove and replace any individual so appointed). Transco may, from time to time, appoint (and may revoke the appointment of) any individual (being an individual other than a Member) as deputy Secretary. The Secretary or, as the case may be, deputy Secretary (if any), will attend meetings of the Modification Panel, and any deputy Secretary may attend any meeting of the Modification Panel at which the Secretary is also in attendance.

### 3.6 Notice of changes

Transco will notify the Authority of any changes in the composition of the Modification Panel.

## 4 MEMBERSHIP OF THE MODIFICATION PANEL

### 4.1 Appointment

- 4.1.1 The Authority may, from time to time, by notice to the Secretary identify any individual to be appointed (and revoke that appointment) as the "**Ofgem Representative**".
- 4.1.2 The Terminal Operators may, from time to time, by notice to the Secretary signed by all the terminal operators, unanimously identify any individual to be appointed (and revoke that appointment) as the "**Terminal Operators' Representative**".
- 4.1.3 The Gas & Electricity Consumers' Council (energywatch) may, from time to time, by notice to the Secretary identify up to two (2) individuals to be appointed (and revoke those appointments) as "**Consumers' Representative(s)**".
- 4.1.4 The Designated Person may, from time to time, by notice to the Secretary, appoint (and revoke that appointment) an individual as the "**Suppliers Representative**".
- 4.1.5 The Association of Independent Gas Transporters may, from time to time by notice to the Secretary, appoint (and revoke that appointment) an individual as the "**Independent Transporters' Representative**".

### 4.2 Retirement



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- 4.2.1 Each Member who is a Users' Representative and each member who is a Transco Representative shall retire at the 1st of October next following the appointment (or, as the case may be, re-appointment) of that Member. Each retiring Member shall be eligible for re-appointment.
- 4.2.2 Any Member who is, pursuant to paragraph 4.2.1, to retire and who is not to be re-appointed (and consequently in respect of whom no notice shall have been received pursuant to paragraph 4.2.3 or paragraph 4.2.4) shall not be entitled to receive notice of any meeting of the Modification Panel which is to take place after the relevant 1st October.
- 4.2.3 In respect of each individual who is a Transco Representative, Transco shall, not later than 1st September in each Gas Year, notify the Secretary:
- (a) that such individual is to be re-appointed as a Transco Representative; or
  - (b)
    - (i) that such individual is not to be so re-appointed; and
    - (ii) of the identity of the individual to be appointed as a Transco Representative.
- 4.2.4 In respect of each individual who is a Users' Representative, the Designated Person may, not later than 1st September in each Gas Year, notify the Secretary (copying the notice to the Authority):
- (a) that such individual is to be re-appointed as a Users' Representative; or
  - (b)
    - (i) that such individual is not to be so re-appointed at the relevant meeting; and
    - (ii) of the identity of the individual to be appointed as a Users' Representative.
- 4.2.5 If notices shall be received in accordance with paragraph 4.2.4 in respect of less than nine (9) individuals to be appointed (or, as the case may be, re-appointed) as Users' Representatives all individuals identified in such notices shall, pursuant to paragraph 4.2.4 be appointed (or, as the case may be, re-appointed) and the individuals who are, pursuant to paragraph 4.2.1, to retire and in respect of whom no notice shall have been received pursuant to paragraph 4.2.4(a), shall retire.
- 4.2.6 If less than nine (9) individuals are appointed (or, as the case may be, re-appointed) as Users' Representatives the Designated Person may in respect of any Gas Year at any time during such Gas Year by notice to the Secretary identify any individual as a Users' Representative for filling any vacancy which arose by reason of paragraph 4.2.5.
- 4.2.7 If no notice is received by the Secretary in accordance with paragraph 4.2.3 or paragraph 4.2.4 then the Secretary shall be treated as having received notice pursuant to paragraph 4.2.3(a) or 4.2.4(a) in respect of each Transco Representative or Users' Representative.

### 4.3 Appointment and re-appointment

- 4.3.1 Where any notice is received pursuant to paragraphs 4.1.1, 4.1.2, 4.2.3, 4.2.4, the appointment or, as the case may be, the re-appointment to which such notice relates shall take effect at the relevant 1st October. Each individual who is to be appointed or, as the case may be, re-appointed as a Member at that meeting shall be entitled to receive notice of any meeting of the Modification Panel which is to take place after such 1st October.



## MODIFICATION RULES

- 4.3.2 Where any notice is received by the Secretary pursuant to paragraph 4.1.3, 4.1.4, 4.1.5, 4.2.6 or 4.4.2, the appointment to which such notice relates shall take effect in accordance with such notice.

### 4.4 Ceasing to be a Member

- 4.4.1 If any individual (being a voting Member) shall for whatever reason (other than retirement pursuant to paragraph 4.2.1) notify the Secretary that he wishes to cease to be a Member, he shall cease to be a Member in accordance with the notice (and the Secretary shall send a copy of such notice to the Designated Person and inform, in due course, any other relevant persons determined by the Secretary).

- 4.4.2 Where pursuant to paragraph 4.4.1 or otherwise a vacancy shall arise, in the case of:

- (a) a Transco Representative, Transco will, by notice to the Secretary, identify another individual to be appointed as a Transco Representative;
- (b) the Ofgem representative, the Authority may identify another individual to be appointed as the Ofgem representative;
- (c) the Terminal Operators' Representative, the terminal operators may identify another individual to be appointed as the Terminal Operators' Representative;
- (d) a Users' Representative, the Designated Person may notify the Secretary of the identity of a replacement to be appointed as a Users' Representative;
- (e) a Consumers' Representative, the Gas & Electricity Consumers' Council may, by notice to the Secretary, identify another individual to be appointed as the Consumers' Representative;
- (f) the Suppliers' Representative, the Designated Person may, by notice to the Secretary, identify another individual to be appointed as the Suppliers' Representative;
- (g) the Independent Transporters' Representative, the Association of Independent Gas Transporters may, by notice to the Secretary, identify another individual to be appointed as the Independent Transporters' Representative.

- 4.4.3 No notice under paragraph 4.4.2 may effect an appointment after 30th September in the Gas Year in which the notice is given or (where paragraph 4.4.1 applies) before the relevant retirement pursuant to the notice under that paragraph.

- 4.4.4 An individual shall cease to be a Users' Representative in accordance with any notice to that effect given by the Designated Person to the Secretary.

### 4.5 Alternates

- 4.5.1 Each Member may, from time to time, by notice to the Secretary appoint (or revoke the appointment of) an individual (including, but without limitation, another Member other than the Panel Chairman) to be such Member's alternate. The appointment (and revocation of the appointment) of any individual as an alternate shall be conditional upon and shall only be effective upon receipt of notice by the Secretary.

- 4.5.2 A Member who is, by reason of also being an alternate of a voting Member, entitled to exercise more than one (1) vote shall not be required to exercise all the votes which that Member is entitled to exercise, or to exercise all of the votes which that Member is entitled to exercise in the same way.



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- 4.5.3 In addition to notices sent to Members, each alternate for the time being shall be entitled to be sent notices.
- 4.5.4 An alternate may attend any meeting of the Modification Panel which is not also attended by the Member (in his capacity as a Member) who appointed him. If that alternate is the alternate of a voting Member, he may also vote and generally at any such meeting shall have and shall be able to exercise and discharge any and all of the functions, powers and duties of the Member who shall have appointed that alternate. Alternates of voting Members may sign written resolutions pursuant to paragraph 5.9, provided that if an alternate of a voting Member and the voting Member who appointed him shall sign a written resolution the signature of the voting Member shall be effective and the signature of the alternate shall be disregarded.
- 4.5.5 If a Member ceases, for whatever reason, to be a Member the appointment of any alternate of the Member shall determine; provided that if any Member retires but is reappointed at 1st October in any Gas Year, any appointment made by that Member pursuant to paragraph 4.5.1 which is, and continues to be, effective prior to the retirement of that Member shall continue to be effective after that Member's re-appointment as if that Member had not so retired.

## **5 MEETINGS OF THE MODIFICATION PANEL**

### **5.1 Purpose**

- 5.1.1 Meetings of the Modification Panel will provide a forum in which Modification Proposals and Review Proposals can be discussed pursuant to and in accordance with the Modification Procedures and review procedures. Those functions of the Modification Panel expressly provided in these Rules relating to the Modification Procedures and review procedures will be discharged in accordance with these Rules. Except as otherwise permitted for, Workstreams may be created or dissolved by Panel Majority. Other than as expressly provided in these Rules, the Modification Panel shall have no ability to determine any matter and no competence to discharge any function or to exercise any power.

### **5.2 Frequency of meetings**

- 5.2.1 Subject to paragraph 5.4.1, paragraph 5.4.2 and paragraph 9, the Secretary will convene meetings of the Modification Panel on notice not less frequently than once each month unless there is no matter as an Agenda item for the Modification Panel to discuss. In any event, a meeting of the Modification Panel will be convened once every three calendar months.

### **5.3 Notice convening meetings**

- 5.3.1 Subject to paragraph 5.4.1, paragraph 5.4.2 and paragraph 9, meetings of the Modification Panel will be convened on not less than ten (10) Business Days' notice.





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- 5.3.2 Every notice convening a meeting of the Modification Panel will specify the place, day and time of the meeting and enclose an Agenda. All relevant materials in respect of a meeting of the Modification Panel will be circulated not less than five (5) Business Days prior to the meeting to which they relate or, where in the opinion of the Secretary a shorter period would better facilitate the exercise by the Modification Panel of its powers, within such shorter period as the Secretary shall determine. Each Member shall (subject to paragraph 11.6.7) be entitled to receive each notice and the relevant materials. At the same time as any notice is despatched to Members a copy of such notice shall (subject to paragraph 11.6.7) be despatched to each User. There may be circumstances where materials to be despatched with a notice have, pursuant to these Rules, already been sent to Users. In any such circumstance the relevant materials may be, but do not have to be, sent with the notice.

### 5.4 Short Notice

- 5.4.1 The Modification Panel may at any meeting of the Modification Panel determine by panel majority that the next following meeting of the Modification Panel be convened on shorter notice than specified in paragraph 5.3.1 and where the Modification Panel shall so determine the Secretary shall convene a meeting of the Modification Panel in accordance with that determination.
- 5.4.2 Without prejudice to paragraph 5.4.1, if all voting Members shall agree in writing the Secretary will convene a meeting of the Modification Panel on shorter notice than specified in paragraph 5.3.1.
- 5.4.3 Any meeting of the Modification Panel convened pursuant to paragraph 5.4.1 or paragraph 5.4.2 shall, notwithstanding that such meeting is convened on shorter notice than that specified in paragraph 5.3.1, be duly convened.

### 5.5 Quorum

- 5.5.1 Members (only one of whom shall be a Transco Representative) present at a meeting of the Modification Panel who can exercise five (5) votes shall be a quorum.
- 5.5.2 If a quorum is not present at the time for the holding of a meeting (specified in the notice convening the meeting) or at any time during the hour following that time or shall at any time during the meeting cease to be present for more than fifteen (15) minutes, the meeting shall stand adjourned to the same place and at the time specified in the notice convening the meeting five (5) Business Days later and the Secretary shall notify each Member and (for information purposes only) each User that such is the case. If at such place and time the meeting so adjourned shall not be quorate in accordance with paragraph 5.5.1 the voting Members (if any) present shall be a quorum.
- 5.5.3 Any meeting of the Modification Panel at which a quorum is present shall be competent to discharge any and all of the functions within the competence of the Modification Panel.

### 5.6 Panel Chairman

Transco will nominate by notice to the Secretary one (1) of the individuals, from time to time, appointed (or, as the case may be, re-appointed) by Transco as the Panel Chairman. The other two (2) Transco Representatives shall each be a deputy chairman. The Panel Chairman or, in the absence of the Panel Chairman, either deputy chairman, shall preside at meetings of the Modification Panel. Each deputy chairman shall, when acting as Panel Chairman (and notwithstanding that he is so acting), be entitled to vote





in his capacity as a voting Member.

## 5.7 Location and form of meetings

- 5.7.1 Unless the Modification Panel shall in respect of any meeting of the Modification Panel otherwise determine by Panel Majority, meetings of the Modification Panel will take place in London.
- 5.7.2 Meetings of the Modification Panel may take place by means of telephone, conference telephone, video link or any other audio, audio-visual or interactive communication notwithstanding that the Members treated as being present (pursuant to paragraph 5.7.3) by any such means of communication may not all be meeting in the same place provided that each Member shall be able to communicate to each of the other Members and be heard by each of the other Members simultaneously.
- 5.7.3 Any Member who shall be able to participate in the manner envisaged by paragraph 5.7.2 in any meeting of the Modification Panel shall be treated as being present at such meeting and accordingly shall, if such Member is a voting Member, be entitled to vote and shall count towards a quorum.

## 5.8 Voting

Subject to paragraph 5.9, the discharge of all of the functions within the competence of the Modification Panel and expressed to require a determination of the Modification Panel shall be determined by a vote conducted on a show of hands or, if the meeting takes place pursuant to paragraph 5.7.2, on a show of hands or such other demonstration of affirmation or consent as may be appropriate. On any vote each voting Member present shall (subject to paragraphs 4.5.2 and 4.5.4) be entitled to exercise one (1) vote.

## 5.9 Written resolutions

A resolution in writing signed by voting Members, including any alternates appointed by such Members in accordance with paragraph 4.5, shall be valid and effective for the purposes of discharging any function requiring a determination of the Modification Panel as if such vote were conducted in accordance with paragraph 5.8 at a duly convened meeting of the Modification Panel provided that votes are received by the Secretary from such Members as would, if present, form a quorum in accordance with paragraph 5.5 not later than three (3) Business Days (or such shorter period as the Secretary may reasonably notify) following receipt by voting Members of such documents as are necessary for the purposes of such written resolution. Such determinations may consist of several documents in the same form each such document being signed by one (1) (or more) of the voting Members or alternates. The Secretary will, where reasonably practicable, notify Members in advance that such vote will take place and will send copies of any such written resolutions to all non-voting members, the Ofgem Representative, the Terminal Operators' Representative and all Users.

## 5.10 Observers and Invitees

- 5.10.1 Each User shall be entitled to appoint an individual to act as an observer at meetings of the Modification Panel (and any observer so appointed shall not be entitled to participate in the business of the meeting). In respect of an individual appointed by a User, the Modification Panel may, from time to time, determine by Panel Majority that such individual be excluded from all or part of a meeting of the Modification Panel.



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- 5.10.2 The Modification Panel may, from time to time, determine by Panel Majority to invite any individual to attend all or part of a meeting of the Modification Panel.
- 5.10.3 Transco may, at the written request of the Authority, invite any individual to a meeting or meetings of the Modification Panel as an observer. Where such an invitation is made, Transco will give as much notice as reasonably practicable to Members of the Modification Panel of the name of the individual invited, the organisation that the individual represents and the date of the relevant meeting(s). Where the Authority requests Transco to invite any individual, Transco will set out in writing to the Authority details of any objections that Transco may have to such attendance.
- 5.10.4 Any Invitee to a meeting of the Modification Panel pursuant to paragraph 5.10.3 shall be entitled to receive copies of any relevant minutes, Agendas, notices and Modification Proposals due to be discussed at that meeting (but shall not be entitled to participate in the business of the meeting).

### 5.11 Minutes

- 5.11.1 The Secretary shall ensure that determinations of the Modification Panel at meetings of the Modification Panel are minuted (and that such minutes record the manner in which each voting Member cast his vote in respect of each matter determined by the Modification Panel).
- 5.11.2 The Secretary shall ensure that all Members and each User shall within the ten (10) Business Days immediately following the date of the relevant meeting be sent:
- (a) a copy of any minute of that meeting made pursuant to paragraph 5.11.1;
  - (b) notification of any decision made pursuant to paragraph 7.5.
- 5.11.3 The Secretary will in respect of each meeting of the Modification Panel invite the individuals who attend that meeting to record their attendance.

### 5.12 Provision of information

- 5.12.1 The Modification Panel may, from time to time, determine by Panel Majority to provide (subject to paragraph 11.6.7) to any person a document derived from the application of (including, but without limitation, any minute made pursuant to paragraph 5.11.1) or considered in accordance with these Rules.
- 5.12.2 If the Modification Panel shall so determine the Secretary shall ensure that within a reasonable period of time the document which is the subject of such determination shall be sent to such person.

## 6 MODIFICATION PROPOSALS AND THIRD PARTY MODIFICATION PROPOSALS

### 6.1 Relevant persons

- 6.1.1 Without prejudice to paragraph 6.4, or paragraph 11.4 Transco may from time to time make a Modification Proposal.
- 6.1.2 Any User may from time to time make a Modification Proposal.
- 6.1.3 Any Third Party Participant may from time to time make a Third Party Modification Proposal.
- 6.1.4 If:

- (a) Transco shall in respect of any Modification Proposal consider that such Modification Proposal should be treated as an Urgent Modification Proposal; or
  - (b) in respect of a User Proposal the Proposer shall in accordance with paragraph 6.2.1(e) have identified the proposal as one which the Proposer considers should be treated as an Urgent Modification Proposal,
- that Modification Proposal shall be subject to paragraph 9.

## 6.2 Form of Modification Proposals

### 6.2.1 Each Modification Proposal shall:

- (a) be in writing;
- (b) set out in reasonable but not excessive detail the nature and purpose of the Modification Proposal;
- (c) the basis upon which the Proposer considers that it would better facilitate the achievement of the Relevant Objectives;
- (d) detail the sections and paragraphs of the Code which are to be amended or otherwise affected by the Modification Proposal;
- (e) if the Proposer considers that the Modification Proposal should be treated as an Urgent Modification Proposal identify the Modification Proposal as such;
- (f) where it is made by Transco pursuant to paragraph (8) of Condition 9, state that it is so made; and
- (g) state the name of the Proposer and the Proposer's representative

### 6.2.2 Each Third Party Modification Proposal shall:

- (a) be in writing;
- (b) clearly identify the data item(s) which it is proposed should be added or removed from those set out in Network Code [Annex VI](#);
- (c) state the basis upon which the Proposer considers that it would better facilitate the achievement of the Relevant Objectives;
- (d) state the name of the Proposer and the Proposer's representative.

Transco may, from time to time, stipulate the form which Modification Proposals and Third Party Modification Proposals should take.

### 6.2.3 Each Modification Proposal and Third Party Modification Proposal shall be given to the Secretary who shall ensure that the information required in 6.2.1 or 6.2.2. has been provided before accepting such Modification Proposal and give that Modification Proposal or Third Party Modification Proposal a unique reference designation.

### 6.2.4 Where a Modification Proposal or Third Party Modification Proposal does not comply with paragraph 6.2 the Secretary may reject such Modification Proposal.

## 6.3 Proposer's representative



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- 6.3.1 Subject to paragraph 9, each Proposer shall ensure the attendance of a representative of the Proposer at the meeting of the Modification Panel at which the Modification Proposal is to be discussed initially; at such meeting the Proposer's representative will give a presentation in respect of the Modification Proposal and endeavour to answer any questions which the Modification Panel may have in respect of the Modification Proposal or the presentation.
- 6.3.2 If a representative of the Proposer does not for whatever reason attend the meeting of the Modification Panel at which the relevant Modification Proposal or Third Party Modification Proposal is to be discussed initially the Modification Panel may determine by Panel Majority that, notwithstanding such non-attendance of the Proposer's representative, the Modification Panel shall proceed to discuss the Modification Proposal or Third Party Modification Proposal.
- 6.3.3 If the Modification Panel shall not make a determination pursuant to paragraph 6.3.2, the Modification Panel will not discuss further the Modification Proposal or Third Party Modification Proposal unless and until the Proposer's representative shall have attended a meeting of the Modification Panel pursuant to paragraph 6.3.1 or the Modification Panel shall determine by Panel Majority so to do.

## 6.4 Alternative proposals

- 6.4.1 In respect of any User Proposal which is an Urgent Modification Proposal, or which is pursuant to paragraph 7.2.2, to proceed to the Development Phase or to which paragraph 7.3 applies, Transco may, but shall not be required to, within the five (5) Business Days immediately following the date upon which such User Proposal is so to proceed, make a Modification Proposal in accordance with paragraph 6.2. Any Modification Proposal so made may (so as to be subject to paragraph 11.4) be, with any necessary Modifications, the same as the User Proposal. The Secretary shall within the five (5) Business Days immediately following receipt of each alternative Transco Proposal made pursuant to this paragraph 6.4 send a copy of that proposal to each User, each Member and each Non-Code Party (if any). The Transco Proposal and the User Proposal shall proceed through the Modification Procedures together.
- 6.4.2 In respect of any User Proposal which is withdrawn by the User pursuant to paragraph 6.5.1 Transco may either raise an alternative Modification Proposal (which proposal shall be raised in accordance with paragraph 6.2) or adopt the User Proposal as a Transco Proposal (in which case the adopted proposal shall continue through the Modification Procedures from the point at which it was withdrawn by the User) although Transco shall not, in any case, be bound to make any election under paragraphs 6.4.1 or 6.4.2.

## 6.5 Withdrawal of Modification Proposals

- 6.5.1 A Proposer may withdraw a Modification Proposal or Third Party Modification Proposal of that Proposer, at any time before a Modification Report is prepared in respect of such Proposal in accordance with these Rules, by notice to the Secretary. Subject to paragraph 6.4, and to paragraph 11.4, any Modification Proposal or Third Party Modification Proposal so withdrawn shall lapse.
- 6.5.2 The Secretary will, within a reasonable period of time following any withdrawal, notify each Member, each User, Third Party Participant and each Non-Code Party of such withdrawal.

## 7 MODIFICATION PROCEDURES - PRELIMINARY PHASE



## 7.1 Circulation of Modification Proposals

### 7.1.1 The Secretary shall:

- (a) by the later of:
  - (i) the end of the third Business Day following receipt of a User Proposal, a Transco Proposal or a Third Party Modification Proposal made pursuant to paragraphs 6.1.1, 6.1.2 or 6.1.3 (as the case may be); and
  - (ii) the end of the first Business Day following the date on which the Secretary receives notification of any decision of the Authority pursuant to paragraphs 9.1.2 or 9.1.3 as to whether the Modification Proposal should be treated as an Urgent Modification Proposal

send a copy of that proposal to each User, each Member each Third Party Participant and each Non-Code Party (if any);
- (b) subject to paragraph 7.1.2 and paragraph 9, put initial discussion of the Modification Proposal or Third Party Modification Proposal on the Agenda for the next following meeting of the Modification Panel which will (subject to paragraphs 5.4.1 and 5.4.2) be convened pursuant to paragraph 5.3.1; and
- (c) notify the Proposer of the meeting of the Modification Panel at which the Proposer's representative is to attend.

### 7.1.2 Where:

- (a) the Authority decides that a Modification Proposal should not be treated as an Urgent Modification Proposal; and
- (b) at the date on which the Secretary receives notification of such decision, that no meeting of the Modification Panel will, in accordance with paragraph 5.2, take place within 10 Business Days of such date

the Secretary will seek in writing, from Members in accordance with paragraph 5.9 a decision of the Modification Panel as to which of the procedures set out in paragraph 7.2.2 should apply to the Modification Proposal.

## 7.2 Discussion of Modification Proposals

### 7.2.1 Subject to paragraph 6.4 and paragraph 9, the Modification Panel will discuss each new Modification Proposal and Third Party Modification Proposal at a meeting of the Modification Panel.

### 7.2.2 Having:

- (a) discussed the Modification Proposal or Third Party Modification Proposal and, subject to paragraph 6.3.2,
- (b)
  - (i) heard the presentation of the Proposer's representative;
  - (ii) had an opportunity to ask the Proposer's representative questions in respect of the Modification Proposal or Third Party Modification Proposal and the presentation of the Proposer's representative, and
- (c) considered whether there are any persons from whom representations should, pursuant to paragraph 7.7, be invited,

the Modification Panel may, without prejudice to paragraph 7.2.3, determine:



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- (d) Unanimously that the Modification Proposal:
    - (i) should be subject to the review procedures; or
    - (ii) should proceed to the Development Phase (in which case the Modification Panel will discuss, and will (in accordance with paragraph 7.6) request Transco to finalise, the Terms of Reference to be applicable;
  - (e) by a Qualified Majority, that the Modification Proposal or Third Party Modification Proposal should be dealt with in accordance with paragraph 7.3;
  - (f) by Panel Majority:
    - (i) that the Modification Proposal or Third Party Modification Proposal should be referred to a Workstream in accordance with paragraph 7.4 for discussion and the Modification Panel may determine the Terms of Reference for such work (including terms as to the identity of any third parties to be consulted) and the date upon which it requires the Workstream to submit its report; or
    - (ii) that further discussion of the Modification Proposal or Third Party Modification Proposal should be deferred to a subsequent meeting of the Modification Panel.
- 7.2.3 Where the Modification Panel discuss a Modification Proposal together with a report prepared by a Workstream (following a previous decision of the Modification Panel or Transco to refer the Modification Proposal to the Workstream) or a Modification Proposal which has been discussed and considered by a Workstream but has not been previously discussed by the Modification Panel, the Modification Panel may:
- (a) make a determination in accordance with paragraph 7.2.2(d);
  - (b) determine by Qualified Majority that the Modification Proposal should be referred back to the Workstream for further discussion and consideration in accordance with paragraph 7.4; or
  - (c) determine by Panel Majority:
    - (i) that the Modification Proposal should be dealt with in accordance with paragraph 7.3;or
    - (ii) that discussion of the Modification Proposal should be deferred to a subsequent meeting of the Modification Panel.
- 7.2.4 Where the Modification Panel discusses a Third Party Modification Proposal together with a report prepared by a Workstream (following a previous decision of the Modification Panel or Transco to refer the Third Party Modification Proposal to the Workstream) the Modification Panel may:
- (a) determine by Qualified Majority that the Third Party Modification Proposal should be referred back to the Workstream for further discussion and consideration in accordance with paragraph 7.4; or
  - (b) determine by Panel Majority:
    - (i) that the Third Party Proposal should be dealt with in accordance with paragraph 7.3; or,
    - (ii) that discussion of the Third Party Modification Proposal should be



deferred to a subsequent meeting of the Modification Panel.

### 7.3 Circulation of Draft Modification Reports

If the Modification Panel shall determine, pursuant to paragraphs 7.2.2(e), 7.2.3(c)(i), or 7.2.4(b)(i) that a Modification Proposal or Third Party Modification Proposal shall be dealt with in accordance with this paragraph 7.3, Transco will within the fifteen (15) Business Days immediately following the date of the meeting at which the determination was made, prepare a Modification Report (in draft) in accordance with paragraph 8.9.3 or 8.10 (including the text of each Modification in respect of which implementation is being recommended) and circulate such draft report, inviting each User, each Third Party Participant and each Non-Code Party (if any) to make representations (in such format as Transco shall require) within the fifteen (15) Business Days immediately following the date of that invitation in respect of the report.

### 7.4 Modification Proposal discussed by Workstream

If the Modification Panel shall determine pursuant to paragraph 7.2.2(f) or 7.2.3(b) that a Modification Proposal or Third Party Modification Proposal should be discussed within a Workstream Transco will:

- (a) within the ten (10) Business Days following the date of the meeting and, where reasonably practicable, in sufficient time for consideration at the next following meeting of the relevant Workstream, finalise the Terms of Reference and refer the Modification Proposal or Third Party Modification Proposal to the relevant Workstream;
- (b) within the period set by the Modification Panel or, if the Modification Panel shall not have set a date, within six (6) months following the date of the meeting where the proposal was initially discussed, having considered the representations (if any) received and the discussions of the relevant Workstream:
  - (i) prepare a report on the issues discussed and conclusions (if any) reached by the Workstream;
  - (ii) request the Secretary to put discussion of the report on the Agenda for the next following meeting of the Modification Panel which will be convened pursuant to paragraph 5.3.1; and
  - (iii) invite a relevant representative of the Proposer, and such other persons who have contributed to the report as Transco shall determine, to attend the meeting of the Modification Panel at which the report is to be discussed.

### 7.5 Determination or decision

If the Modification Panel shall not, at the meeting, make a determination pursuant to paragraph 7.2.2(d), (e) or (f), paragraph 7.2.3(a), (b) or (c), or paragraph 7.2.4(a) or (b) Transco may refer the Modification Proposal or Third Party Modification Proposal to a new or relevant Workstream in accordance with paragraph 7.4 or determine that the Modification Proposal should proceed to the Development Phase subject to the existence of a relevant Development Work Group.

### 7.6 Development process



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If the Modification Panel shall determine pursuant to paragraph 7.2.2(d)(ii) that the Modification Proposal should proceed to the Development Phase Transco will:

- (a) within ten (10) Business Days of such determination finalise the Terms of Reference and constitute a Development Work Group in accordance with paragraph 8; and
- (b) notify each User of the composition of the Development Work Group and invite each User and Non-Code Party (if any) to make representations in respect of the Modification Proposal within fifteen (15) Business Days following the date of invitation.

### 7.7 Non-Code Parties

Transco will, in accordance with the Licence and for the purpose referred to in paragraph (5)(c) of Condition 9:

- (a) send copies of any Modification Proposal, Third Party Modification Proposal and any Modification Report prepared in respect of such Proposal to, and
- (b) invite representations in respect thereof from other persons.

## 8 MODIFICATION PROCEDURES - DEVELOPMENT PHASE

### 8.1 Composition of Development Work Groups

- 8.1.1 Each Development Work Group shall (subject to paragraph 8.1.2(a)) include not less than five (5) representatives of Users. In respect of each User Proposal, the Proposer shall be entitled to appoint one individual to the Development Work Group constituted in respect of that User Proposal.
- 8.1.2 The Modification Panel may at the meeting referred to at paragraph 7.2 determine or approve by Panel Majority:
  - (a) the composition of the Development Work Group; or
  - (b) that the Users or, as the case may be, Non-Code Parties be invited to make representations at a meeting of the Users, Non-Code Parties and Transco (and Transco shall cause a record of the representations made at such meeting to be made and will send a copy of that record to each User, and for information purposes only, each Member); or
  - (c) to invite any Non-Code Party to nominate a representative to act as a member of a Development Work Group or to attend a meeting of, the Development Work Group to express any view which such Non-Code Party may have in respect of the relevant Modification Proposal, but this shall not require Transco to engage or remunerate any person so invited or nominated.
- 8.1.3 Failing any determination by the Panel in respect of the work group Transco will proceed to finalise the composition and will constitute the work group within ten (10) Business Days of the meeting referred to in paragraph 7.2.

### 8.2 Proceedings of Development Work Groups





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- 8.2.1 Transco will ensure that the Authority is notified of all meetings of each Development Work Group. The Authority (or any representative of the Authority (including, but without limitation, the Ofgem Representative)) will be invited to all meetings of all Development Work Groups.
- 8.2.2 Each Development Work Group may, from time to time, and at any time in addition to the persons (if any) specified in the Terms of Reference of the Development Work Group, consult with any person for the purposes of the Development Work but this shall not require Transco to engage or remunerate any person so consulted.
- 8.2.3 Each Development Work Group will be chaired by a representative of Transco. Each such representative of Transco will co-ordinate the Development Work undertaken and the monthly reports and the Development Work Group Report to be prepared by the relevant Development Work Group and liaise with the Modification Panel in relation to any matter (including, but without limitation, any matter referred to in paragraph 8.3.1).
- 8.2.4 Where in respect of any matter any Development Work Group does not reach a consensus, the chairman of such Development Work Group will determine such matter with any contrary view to such determination being recorded in the Development Work Group Report. Any individual on the Development Work Group may in circumstances where consensus is not so reached and on the basis that such individual considers the relevant matter is material request the chairman of the Development Work Group to refer such matter to the Modification Panel. The chairman of the Development Work Group will (whether or not he refers the matter) notify the Modification Panel of each such request. If the chairman so refers the matter the Modification Panel may, as provided in paragraph 8.3.3, give guidance, clarification or instructions in respect thereof or it may not. If the Modification Panel shall not so give guidance, clarification or instructions the chairman of the Development Work Group will determine the matter so referred and any contrary view to such determination shall, if the relevant individual requires, be recorded in the Development Work Group Report. If the chairman does not so refer the matter, the Modification Panel may, pursuant to paragraph 8.3.3, nevertheless determine by Panel Majority to give guidance, clarification or instructions in respect of the matter.
- 8.2.5 The Development Work Group may decide to invite a legal adviser or legal advisers to attend meetings of the group, and Members of the group may nominate legal advisers for this purpose (but this shall not require Transco to engage or remunerate any person so invited).
- 8.2.6 The chairman of the Development Work Group shall be entitled, at his sole discretion, to:
  - (a) accept an alternate Development Work Group Member if the original Member is unable to attend any meeting of the Development Work Group; and/or
  - (b) exclude any person other than a Member from all or any part of the proceedings of the Development Work Group which exclusion shall be detailed in the following report submitted in accordance with paragraph 8.5.

### 8.3 Liaison with the Modification Panel

- 8.3.1 Each Development Work Group may, from time to time, and at any time,
  - (a) seek guidance or clarification from the Modification Panel in relation to any matter arising in connection with the Development Work;
  - (b) seek instructions from the Modification Panel as to whether the Development



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Work Group should continue or discontinue all or any of the Development Work;

- (c) propose to the Modification Panel that the Modification Panel should hear the views of any person whom the Development Work Group consults pursuant to the Terms of Reference of the Development Work Group or pursuant to paragraph 8.2.2;
  - (d) request an extension to the time (prescribed in the timetable referred to in paragraph 11.9.1(f) within which the Development Work is to be done or the Development Work Group Report prepared; and
  - (e) propose any change to the Terms of Reference of the Development Work Group to reflect any change arising by reason of the application of any of paragraph 8.3.1(a) to (d).
- 8.3.2 The Modification Panel may determine by Panel Majority to accede in respect of any request or proposal made pursuant to paragraphs 8.3.1(c) to (e) or otherwise to give instructions in respect thereof.
- 8.3.3 The Modification Panel may give the guidance, clarification or instructions sought pursuant to paragraphs 8.3.1(a) and (b) or otherwise give such other guidance, clarification or instructions as the Modification Panel may determine by Panel Majority.
- 8.3.4 Subject to paragraph 8.3.6, the Modification Panel may (whether pursuant to an instruction sought pursuant to paragraph 8.3.1 or otherwise) determine by Panel Majority to instruct any Development Work Group to cease all or any part of the Development Work. Any Development Work Group which is so instructed to cease all Development Work in respect of any Modification Proposal shall at the same time as it is so instructed be instructed to prepare the Development Work Group Report in respect of such Modification Proposal.
- 8.3.5 In general it is anticipated that Modification Proposals will proceed through the development phase in the time order in which those Modification Proposals proceed to the Development Phase. However, where a number of Modification Proposals are being considered within the Development Phase at the same time, the Modification Panel may, from time to time and subject to paragraph 8.3.6, determine (by Panel Majority) to re-order and/ or defer the consideration of all or any of such Modification Proposals.
- 8.3.6 If, pursuant to paragraph 6.4.1, two (2) Modification Proposals (relating (in whole or in part) to the same subject matter) are proceeding through the Development Phase together the Modification Panel may at any time during the Development Phase determine Unanimously that only one (1) of the Modification Proposals should proceed. On any such determination the Modification Proposal which is not to proceed shall lapse and accordingly the Development Work Group shall not prepare a Development Work Group Report in respect of that Modification Proposal.
- 8.3.7 No Modification Proposal shall, without the consent of the Authority, be in the Development Phase for more than twelve (12) months. If no consent is received from the Authority paragraph 8.6 will apply.

## 8.4 Consideration of representations

Each Development Work Group will consider all representations:

- (a) received (in accordance with paragraph 7.6(b) and not withdrawn in accordance with paragraph 11.3.2) by that Development Work Group from Users;
- (b) received by that Development Work Group from Non-Code Parties pursuant to



- (and in accordance with) any invitation made pursuant to paragraph 7.7(b); and
- (c) all other representations which Transco may request the Development Work Group to consider.

## 8.5 Monthly reports

- 8.5.1 Each Development Work Group shall each month report to the Modification Panel as to the progress of that Development Work Group.
- 8.5.2 The Modification Panel will, as appropriate, discuss reports received from Development Work Groups pursuant to paragraph 8.5.1.

## 8.6 Development Work Group Report

- 8.6.1 Subject to paragraph 8.3.4, each Development Work Group shall prepare a Development Work Group report in accordance with the Terms of Reference which, unless the Terms of Reference shall (pursuant to paragraph 11.9.1(b)(ii)) specify additional matters, will address the following matters:
  - (a) provide an analysis of whether and if so the extent to which the Modification would better facilitate the achievement of the relevant objectives;
  - (b) address the implications (if any) (to the extent only that the Development Work Group shall have been informed by Transco or becomes aware of during the course of the Development Work in the context of the application of the Modification procedures in relation to the Modification Proposal) of the implementation of the Modification Proposal for Transco, including the:
    - (i) implications for the operation of the System;
    - (ii)
      - (1) development and capital cost and operating cost implications (if any) for Transco of implementing the Modification Proposal; and
      - (2) whether it is appropriate for Transco to recover all or any of the costs and, if so, a proposal as to the most appropriate way for Transco to recover those costs; and
    - (iii) consequence (if any) of implementing the Modification Proposal on the level of contractual risk of Transco under the Code as modified by the Modification Proposal;
  - (c) address the development implications and other implications for computer Systems of Transco and related computer Systems of Users;
  - (d) address the implications (if any) (to the extent only that the Development Work Group shall have been informed (whether pursuant to representations received pursuant to paragraph 7.7(b) or otherwise) or becomes aware of during the course of the Development Work in the context of the application of the Modification procedures in relation to the Modification Proposal) of the implementation of the Modification Proposal for Users, including the:
    - (i) administrative and operational implications (if any) of the implementation of the Modification Proposal on Users;
    - (ii) development and capital cost and operating cost implications (if any) for Users of implementing the Modification Proposal; and



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- (iii) consequence (if any) of implementing the Modification Proposal on the level of the contractual risk of Users under the Code as modified by the Modification Proposal;
- (e) address the implications (if any) (to the extent only that the Development Work Group shall have been informed (whether pursuant to representations received pursuant to paragraph 7.7(b) or otherwise) or becomes aware of during the course of the Development Work in the context of the application of the Modification procedures in relation to the Modification Proposal) of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party) of implementing the Modification Proposal;
- (f) address the consequences of the legislative and regulatory obligations and contractual relationships of Transco:
  - (i) if (and to that extent only) the Development Work Group shall have been informed by Transco or becomes aware of during the course of the Development Work Group in respect thereof in the context of the application of the Modification procedures in relation to the Modification Proposal; and
  - (ii) if (and to that extent only) the Development Work Group shall have been informed (whether pursuant to representations pursuant to paragraph 7.7(b) or otherwise) or becomes aware of during the course of the Development Work in respect thereof in the context of the application of the Modification procedures in relation to the Modification Proposal, Users and any Non-Code Party, of the implementation of the Modification Proposal;
- (g) provide an analysis of any advantages and disadvantages of which (and to the extent only that) the Development Work Group shall have been informed (whether pursuant to representations received pursuant to paragraph 7.7(b) or otherwise) or becomes aware of during the course of the Development Work in the context of the application of the Modification procedures in relation to the Modification Proposal and not otherwise identified pursuant to paragraphs 8.6.1(a) -(f) as such of the implementation of the Modification Proposal;
- (h) provide a summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the Development Work Group Report) of those persons (if any) which the Development Work Group shall have consulted pursuant to the Terms of Reference or paragraph 8.2.2;
- (i) detail the representations which the Development Work Group shall have considered pursuant to paragraph 8.4; and
  - (i) comment, in the context of the report as a whole, on such representations;
- (j) detail any matter (not otherwise identified as such elsewhere in the report) which the Development Work Group considers will need to be addressed or otherwise dealt with so as to enable Transco to prepare the Modification report; and
- (k) as appropriate, comment upon:
  - (i) and make recommendations as to, the time scale for the implementation of the whole or any part of the Modification Proposal; and



- (ii) the text provided pursuant to paragraph 8.12.

8.6.2 If two (2) Modification Proposals shall have been considered together by the Development Work Group and no determination shall have been made pursuant to paragraph 8.3.6 the Development Work Group Report shall report on each Modification Proposal.

## 8.7 Circulation of Development Work Group Reports

Each Development Work Group Report will (subject to paragraphs 5.4.1 and 5.4.2) be sent to all Members as soon as reasonably practicable but in any event not less than five (5) Business Days prior to the meeting of the Modification Panel at which that report is to be discussed.

## 8.8 Discussion of Development Work Group Report

8.8.1 Having:

- (a) discussed the Development Work Group Report; and
- (b) allowed any Members of the relevant Development Work Group (in attendance at the meeting of the Modification Panel) to express any views on the substance of the Development Work Group Report or the conduct of the consideration of the Modification Proposal by the Development Work Group,  
the Modification Panel may (by Panel Majority) determine:
  - (i) to refer the Development Work Group Report back to the Development Work Group for revision or further work; or
  - (ii) to continue to consider or to consider further the Development Work Group Report at a subsequent meeting of the Modification Panel.

8.8.2 Unless the Modification Panel makes a determination pursuant to paragraph 8.8.1, Transco will prepare a Modification Report pursuant to paragraph 8.9.

## 8.9 Modification Report

8.9.1 Transco will, within the ten (10) Business Days immediately following the meeting of the Modification Panel at which the Development Work Group Report of the relevant Development Work Group, was discussed, or within such other period as the Modification Panel may determine:

- (a) prepare (in accordance with paragraph 8.9.3) a Modification Report (in draft);
- (b) send a copy of that Modification Report (in draft) to each User, each Member and each Non-Code Party (if any), inviting each User and each Non-Code Party (if any) to make (or withdraw earlier) representations within the ten (10) Business Days immediately following the date of the invitation.

8.9.2 Transco will within the fifteen Business Days immediately following the expiry of the period referred to in paragraph 8.9.1(b) or the period provided for representations under paragraph 7.3:

- (a)
  - (i) finalise the Modification Report; and
  - (ii) attach to that report all representations (if any) so received (and not so



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- withdrawn); and
  - (b) submit a copy of that report (and attachments (if any)) to the Authority, seeking consent to the making of the Modification; and
  - (c) send a copy of that report to each User, each Member, each Third Party Participant and each Non-Code Party (if any).
- 8.9.3 In addition to identifying which paragraph the Modification Report is made pursuant to, each Modification Report will, subject to paragraph 9.2 and to the extent relevant and that Transco has been made aware:
  - (a)
    - (i) set out the Modification Proposal (or Third Party Modification Proposal); and
    - (ii) the text provided pursuant to paragraph 8.11;
  - (b) set out the opinion (and the basis for that opinion) of Transco as to whether any Modification should be made;
  - (c) provide an analysis of whether and if so the extent to which the Modification would better facilitate the achievement of the Relevant Objectives;
  - (d) address the implications (if any) in the context of the application of the Modification procedures in relation to the Modification Proposal or Third Party Modification Proposal of the implementation of such Modification Proposal or Third Party Modification Proposal for Transco, including:
    - (i) the implications for the operation of System;
    - (ii) the development and capital cost and operating cost implications (if any) for Transco of implementing the Modification Proposal; (not applicable to Third Party Modification Proposals) and
      - (1) if there are any such cost implications, the extent to which it is appropriate for Transco to recover the costs, and (to such extent) a proposal for the most appropriate way for Transco to recover the costs; and
      - (2) where any such proposal is made (whether or not the impact of such a proposal is addressed by the text of the Modification), an analysis of the consequences (if any) such proposal would have (if implemented) on the price regulation to which Transco is subject; and
    - (iii) the consequence (if any) of implementing the Proposal on the level of contractual risk of Transco under the Code as modified by the Proposal;
  - (e) address the development implications and other implications for computer Systems of Transco and related computer Systems of Users; (not applicable to Third Party Modification Proposals)
  - (f) address the implications (if any) (to the extent only that Transco shall have been informed (whether pursuant to representations or otherwise) in the context of the application of the Modification procedures in relation to the Proposal) of the implementation of the Modification for Users, including:
    - (i) the administrative and operational implications (if any) of the implementation of the Proposal on Users;





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- (ii) the capital cost and operating cost implications (if any) for Users of implementing the Modification Proposal (not applicable to Third Party Modification Proposals); and
  - (iii) the consequence (if any) of implementing the Proposal on the level of the contractual risk of Users under the Code as modified by the Proposal;
- (g) address the implications (if any) (to the extent only that Transco shall have been informed (whether pursuant to representations or otherwise) in the context of the application of the Modification procedures in relation to the Proposal) for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not otherwise addressed, any Non-Code Party) of implementing the Proposal;
- (h) address the consequences of the legislative and regulatory obligations and contractual relationships of
  - (i) Transco; and
  - (ii) if (and to that extent only) Transco shall have been informed (whether pursuant to representations or otherwise) in respect thereof in the context of the application of the Modification procedures in relation to the Proposal, each User and each Non-Code Party (if any),
 of the implementation of the Proposal;
- (i) provide an analysis of any advantages or disadvantages if and to the extent only that Transco shall have been informed (whether pursuant to representations or otherwise in respect thereof in the context of the application of the Modification procedures in relation to the Proposal and (not otherwise identified as such pursuant to paragraphs 8.9.3(c) to (h)) of the implementation of the Proposal;
- (j) provide a summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report) of those persons (if any) which the Development Work Group consulted, pursuant to the Terms of Reference paragraph 8.1.2(b) or paragraph 8.2.2 (not applicable to Third Party Modification Proposals);
- (k)
  - (i) detail the representations which the Development Work Group considered pursuant to paragraph 8.4 (not applicable to Third Party Modification Proposals) and the representations (if any) received in accordance with paragraph 8.10.1; and
  - (ii) to the extent that such representations are not addressed or otherwise commented upon in the Modification Report) comment, in the context of the Modification Report as a whole, on such representations;
- (l) state whether and if so the extent to which the implementation of the Modification Proposal (not applicable to Third Party Modification Proposals) is requisite:
  - (i) to enable Transco to facilitate compliance with safety or other legislation; and
  - (ii) having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement; furnished by Transco



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under Standard Condition 4(1) of the Licence;

- (m) detail the programme for works (if any) required as a consequence of the implementation of the Modification Proposal (not applicable to Third Party Modification Proposals);
- (n) set out a proposed timetable to be followed in respect of the implementation of the Modification (including, but without limitation, the date upon which the Modification should become effective);
- (o) if it is the opinion of Transco that a Modification should be implemented:
  - (i) set out either:
    - (1) a request for consent of the Authority to the Modification; or
    - (2) a proposal that the Authority should direct that the Modification be implemented; and
  - (ii) comment upon, and make recommendations as to, the time scale for the implementation of the whole or any part of the Modification; and
- (p) address the implications (if any) of the Modification Proposal upon the existing Network Code Standards of Service (not applicable to Third Party Modification Proposals).
- (q) state whether or not any matter detailed in the Development Work Group Report (pursuant to paragraph 8.6.1(j)) has been addressed or otherwise dealt with (not applicable to Third Party Modification Proposals) and:
  - (i) if such matter has been so addressed or dealt with, the result; or
  - (ii) if such matter has not been so addressed or dealt with, an explanation as to why such matter has not been addressed or dealt with; and
- (r) have attached to it copies of all the representations received (and not withdrawn in accordance with paragraph 11.3.3) by Transco.

Where two (2) Modification Proposals have proceeded through the Modification Procedures together (and neither proposal has been withdrawn and all work has not been discontinued pursuant to paragraph 8.3.6 in respect of either proposal) the Modification Report will, in addition to the analysis referred to in paragraph 8.9.3(c), provide an analysis as to which of the Modification Proposals would in the opinion of Transco better facilitate the achievement of the relevant objectives. Where two (2) Modification Proposals were proceeding through the Modification Procedures together and the Modification Panel shall, pursuant to paragraph 8.3.6, have determined that only one (1) of the Modification Proposals should proceed the Modification Report will provide a commentary as to the circumstances in which the Modification Panel so determined (not applicable to Third Party Modification Proposals).

8.9.4 Each Modification Report will be addressed and furnished (as the notice required by paragraph (9) of Condition 9) to the Authority and none of the facts contained or opinions stated in any Modification Report should be relied upon by any other person.

8.9.5 In preparing any Modification Report Transco will do so on the basis set out in these Rules and Transco will not be required to have regard (other than as expressly provided in these Rules) to the consequences of any Modification on any person or persons.

## 8.10 Further Consultation





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8.10.1 If, in respect of a Modification Proposal which is the subject of a Modification Report previously submitted to the Authority by Transco in accordance with paragraph 8.9.2(b), or paragraph 9.2;

- (a) the Authority shall not have given notice of its decision in respect of that Modification Report within two (2) calendar months (in the case of Urgent Proposals), or four (4) calendar months (in the case of non-Urgent proposals) from the date upon which Transco finalised and submitted the relevant Modification Report, or,
- (b) the Authority, or any voting Panel Member, by notice to the Secretary express the reasonable opinion that the circumstances relating to that Modification have materially changed,

the Secretary shall place that Modification Proposal upon the Agenda for consideration at the next appropriate Modification Panel Meeting.

8.10.2 Having considered the circumstances relating to the Modification Proposal which is subject to paragraph 8.10.1 the Panel may determine by Panel Majority that:

- (a) the Secretary should request the Authority to give an indication of the likely date by which the decision shall be made; or
- (b) Transco should within five (5) days of the date of the meeting prepare and circulate a notice to Users and non Network Code parties outlining the change in circumstances or reasons for delay and inviting further Representations within ten (10) days of the date of the notice; or
- (c) Transco should place the Proposal on the Agenda for further consideration at a future meeting of the Modification Panel as determined by the Modification Panel.

If the Panel shall make a decision in accordance with 8.10.2(a) then the Secretary will within five (5) Business Days formally request a response from the Authority and place the Proposal on the Agenda for further consideration at the next succeeding Panel meeting. It being recognised at all times that the Authority is not obliged, as a result of a request pursuant to 8.10.2(a), to provide any response or indication.

If the Panel shall make a determination in accordance with 8.10.1(b) Transco will within five (5) Business Days of the date upon which the invitation for representations closed prepare a supplemental report (which report need not be in the form of a Modification Report) and submit that Report and copies of any representations received to the Authority and circulate a copy to Users and Non-Code Parties.

8.10.3 Any Report submitted to the Authority under paragraph 8.10.2 shall be supplemental to the Modification Report. Supplemental Reports may, but need not, express a Transco view and recommendation which confirms those expressed in the Modification Report to which it refers.

## 8.11 Text of Modification

Transco will prepare the text of each Modification in respect of which implementation is being recommended. Subject to paragraph 9 and 7.3, the text of each Modification prepared by Transco in draft will be considered by the relevant Development Work Group or Workstream to which such Modification Proposal has been referred in accordance with these Rules. If the text of a Modification is not considered by a Development Work Group prior to that Development Work Group's report being discussed by the Modification Panel pursuant to paragraph 8.8.1 the Development Work



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Group will, where requested by Transco, having considered the text of a Modification and prior to the preparation of the Modification Report pursuant to paragraph 8.9.1, prepare a supplemental report commenting as appropriate upon that text.

### 8.12 Modification

Transco will modify the Code in accordance with each consent given and each direction made by the Authority.

Transco will, as soon as reasonably practicable, notify each User, each Member, each Third Party Participant and each Non-Code Party (if any) of each Modification. Each such notice shall specify the text of the Modification and the date upon which the Modification will become effective and may provide (for the purposes of information only) an explanatory note (which note should not be relied upon) in respect of the Modification. Each Modification will become effective upon the date specified in the relevant notice. Having so notified each User, each Member, each Third Party Participant and each Non-Code Party (if any), Transco may, with the agreement of the Authority, notify all Users, Members, each Third Party Participant and Non-Code Parties (if any) of any amendment to the date specified in the earlier notice, and the date specified in any such notice shall be the date upon which the relevant Modification will become effective.

## 9 URGENT MODIFICATION PROPOSALS

### 9.1 Procedure

9.1.1 If Transco shall consider, pursuant to paragraph 6.1.3, that a Modification Proposal (not including a Third Party Modification Proposal) should be treated as an Urgent Modification Proposal, Transco will consult with the Authority. If in respect of a User Proposal the Proposer shall have identified pursuant to paragraph 6.1.3 and in accordance with paragraph 6.2.1(e) the Modification Proposal as one which it considers should be treated as an Urgent Modification Proposal, the Secretary will as soon as possible send a copy of the User Proposal to the Authority. Transco will recommend the procedure and timetable to be followed in respect of each Urgent Modification Proposal.

9.1.2 If the Authority shall consider it appropriate that the Modification Proposal referred to in paragraph 9.1.1 should be treated as an Urgent Modification Proposal:

- (a) the Secretary shall notify each User each Member and each Non-Code Party (if any);
- (b) Transco may to the extent that the Authority agrees, with the recommendation made in the procedure and timetable submitted by Transco, deviate from all or any of the Modification Rules (including, but without limitation, consulting with the Modification Panel and seeking representations from Users and any Non-Code Party) or follow any other procedure accepted by the Authority; and
- (c) Transco will prepare and submit to the Authority a Modification Report in a format and in accordance with a timetable accepted by the Authority.

9.1.3 If the Authority does not accept that the Modification Proposal should be treated as an Urgent Modification Proposal the Secretary shall notify the Proposer and paragraph 7 shall apply in respect of the Modification Proposal.

### 9.2 Modification report



Each Modification Report and attachments (if any) prepared pursuant to paragraph 9.1.2(c) will, in addition to reporting to the extent relevant upon the matters referred to in paragraph 8.9.3, detail:

- (a) the reasons why it is an Urgent Modification Proposal; and
- (b) the procedures that Transco has followed pursuant to paragraph 9.1.2(b) where these differ from the Modification Procedures.

Transco may submit its Modification Report (in whole or in part) orally and/or in writing. Transco shall in respect of any Modification Report (or any part thereof) submitted orally as soon as possible confirm that oral submission in writing. Transco shall as soon as reasonably practicable send a copy of each such report to each User, each Member and each Non-Code Party (if any).

### 9.3 Modification

- 9.3.1 Transco will modify the Code in accordance with each direction made and consent given by the Authority.
- 9.3.2 Transco shall as soon as possible notify each User, each Non-Code Party (if any) and each Member of the urgent Modification. Each such notice shall specify the text of the Modification and the date upon which the Modification is to become effective.

### 9.4 Report on Modification and review

Where an urgent Modification is implemented, Transco will at the next following meeting of the Modification Panel report to the Modification Panel in respect of the urgent Modification. The Modification Panel may determine by Panel Majority at that meeting that the subject matter of the urgent Modification so made shall be subject to the review procedures. If the Modification Panel shall so determine, Transco will make a Review Proposal in respect of the urgent Modification so made and refer such proposal to the relevant Workstream together with the Terms of Reference to be applicable.

## 10 REVIEW PROCEDURES

### 10.1 Purpose

The review procedures are designed to provide a means by which the Code may be reviewed and considered without being subject to the Modification Procedures.

### 10.2 Review proposals

#### 10.2.1 The Modification Panel may determine:

- (a) by Panel Majority that any matter; or
- (b) Unanimously at the meeting, that the Modification Proposal discussed at that meeting,

should be subject to review.

#### 10.2.2 If the Modification Panel shall make a determination:

- (a) pursuant to paragraph 10.2.1(a), Transco will make a Review Proposal in respect of such matter; or
- (b) pursuant to paragraph 10.2.1(b), the Proposer shall be treated as having made a



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Review Proposal pursuant to paragraph 10.2.3 or, as the case may be, paragraph 10.2.4.

- 10.2.3 Transco may, from time to time, make a Review Proposal or withdraw a Review Proposal made by Transco.
- 10.2.4 Any User may, from time to time, make a Review Proposal or withdraw a Review Modification Proposal or Third Party Modification Proposal made by that User and Transco may either raise an alternative Review Proposal (which proposal shall be raised in accordance with paragraph 10.2.2(a)) or where the User withdraws a Review Proposal adopt the Review Proposal (in which case the adopted Review Proposal shall continue through the review procedures from the point at which it was withdrawn by the User).

### 10.3 Form of proposal

- 10.3.1 Each Review Proposal shall:
- (a) be in writing; and
  - (b) set out in reasonable but not excessive detail the nature of the Review Proposal.
- 10.3.2 Transco may, from time to time, stipulate the form which a Review Proposal should take.
- 10.3.3 Transco will allocate to each Review Proposal a unique reference number.

### 10.4 Review procedures

- 10.4.1 Following the submission of a Review Proposal:
- (a) the Modification Panel may determine:
    - (i) Unanimously that such Review Proposal be subject to review by a Review Group in accordance with such Terms of Reference, procedures and such timetable as the Modification Panel shall determine
    - (ii) by Panel Majority that such Review Proposal be referred to a Workstream for consideration in accordance with such Terms of Reference, procedures and such timetable as the Modification Panel shall determine;
  - (b) subject to (a), Transco may refer the Review Proposal to a Workstream for consideration in accordance with such Terms of Reference, procedures and such timetable as Transco may determine;
  - (c) subject to (a) and (b), the Review Proposal will lapse and Transco shall notify the Proposer.
- 10.4.2 Following review by a Workstream or Review Group in accordance with paragraph 10.4.1(a) or (b), the Workstream or Review Group shall submit a report to the Modification Panel.
- 10.4.3 Following submission of a report under paragraph 10.4.2, the Modification Panel shall consider the report, and in the event that the Modification Panel do not by Panel Majority determine that a further review be undertaken by the Workstream or Review Group (as the case may be), Transco will circulate the report to all Users.
- 10.4.4 Where the report submitted in accordance with paragraph 10.4.2 contains a recommendation in the form of a Modification Proposal and the Modification Panel:
- (a) by Panel Majority support such recommendation, such Modification Proposal



shall be dealt with in accordance with paragraph 7.3; or

- (b) make no determination, the Workstream or Review Group may reconsider and resubmit the report (whether or not containing a new recommendation) for reconsideration by the Modification Panel and paragraph 10.4.3 shall apply.

## **11 GENERAL**

### **11.1 Notices**

- 11.1.1 Unless otherwise expressly provided, any document, notice or other communication to be given to or made by any person pursuant to or in accordance with these Rules shall be made in accordance with Section VII.

### **11.2 Non-receipt**

No accidental omission or neglect in sending any document or notice or other communication to, or (other than in the case of any document or notice or other communication submitted by Transco to the Authority) non-receipt of any document or notice or other communication by, any person shall be capable of invalidating any act or thing done pursuant to these Rules.

### **11.3 Representations**

- 11.3.1 All representations (and any withdrawal of the same) made by each User pursuant to these Rules shall be readily identifiable as representations (or, as the case may be, a withdrawal thereof), shall identify the unique reference designation on the Modification Proposal, Third Party Modification Proposal or, Review Proposal to which they relate and shall be sent to the Secretary at the address of Transco, for the time being, notified to Users for the purposes of paragraph 11.1.
- 11.3.2 Any User, Third Party Participant or Non-Code Party may at any time prior to the submission of the Modification Report by notice to the Secretary withdraw any representation made by it, whether made in writing or at a meeting of Users or Non-Code Parties.
- 11.3.3 Transco will send to the Authority copies of all representations, but Transco shall not be required to take account of representations received after the expiry of the period established in accordance with these Rules, or of any representations which in Transco's reasonable opinion are of no relevance to the subject matter to which they are intended to relate.
- 11.3.4 In submitting representations pursuant to any provision of these Rules, the person making such submission consents, subject to paragraph 11.6.7, to the publication and circulation of such representations by Transco for the purposes of these Rules.

### **11.4 Variation of Modification Proposal**

Transco will as it considers appropriate modify each Transco Proposal or User Proposal adopted by Transco (pursuant to paragraph 6.4) having regard to better facilitating the achievement of the Relevant Objectives and having had regard to any other matter (including, but without limitation, representations (if any) received (in accordance with these Rules) from Users, Non-Code Parties, Third Party Participants and otherwise and the report of the relevant Workstream or Development Work Group and discussions at meetings of the Modification Panel) as appropriate.



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### 11.5 Time periods

Notwithstanding any time periods specified in these Rules, in respect of any Modification Proposal, Third Party Modification Proposal or Review Proposal the Modification Panel may, from time to time, determine by Panel Majority to shorten or lengthen the time period within which any (or all) of the Modification Procedures or Review Group procedures or any other procedures is (or are) to be undertaken. If the Modification Panel shall so determine, Transco will, so far as consistent with these Rules and the Licence, do all acts and things which these Rules specify as acts and things to be done by Transco within such shorter or longer period of time so as to give effect to such determination.

### 11.6 Consequences of these Rules and Confidentiality

- 11.6.1 These Rules shall not give rise to or impose any duty, obligations or rights (whether in contract, tort, trust or otherwise) pursuant to, in relation to, in respect of or in connection with Code on any person that is treated as being, for the time being, a User and shall not give rise to any action or claim or liability (whether in contract, tort (including, but without limitation, negligence), for breach of trust or otherwise) against any such person pursuant to, in relation to, in respect of or in connection with the Code.
- 11.6.2 These Rules shall not give rise to or impose any duty, obligation (other than pursuant to the Licence) or right (whether in contract, tort, trust or otherwise) and consequently shall not give rise to any action or claim or liability pursuant to, in relation to, in respect of or in connection with these Rules.
- 11.6.3 Without prejudice to the generality of paragraph 11.6.2, no Member or individual in any Development Work Group or Review Group shall be liable (in whatever capacity) and no employer of any such person shall be vicariously liable for any act or thing done or omitted to be done pursuant to, in relation to, in respect of or in connection with these Rules.
- 11.6.4 Without prejudice to the generality of paragraph 11.6.2, no act or thing done or omitted to be done by Transco or any User (or any employee, director or agent of Transco or any User) pursuant to, in relation to, in respect of or in connection with these Rules shall give rise to any action or claim or liability by any User or Non-Code Party against Transco (or any such employee, director or agent of Transco) or by any other User, Non-Code Party or Transco against such User (or any such employee, director or agent of such User).
- 11.6.5 Nothing in or arising as a consequence of these Rules is intended in any way to limit or negate the ability for the time being of any User or Transco to seek to discuss any issue or matter with the Authority or to give rise to any consequence in respect of any contractual relationship (other than pursuant to a Modification) which may, from time to time, exist between any User and Transco.
- 11.6.6 Nothing in these Rules shall oblige or impose any duty (whether expressly or impliedly) on any User or Transco to provide or make available any information.
- 11.6.7 Any person who provides any information for the purposes of or pursuant to these Rules may require that such information may only be made available subject to such confidentiality undertakings as such person may require.

### 11.7 Disapplication of these Rules

In respect of any Modification Proposal, Third Party Modification Proposal or Review



Proposal, if Transco considers that it would be appropriate to disapply any of these Rules Transco will notify each Member and each User, each Third Party Participant and each Non-Code Party (if any) and in that notice specify which Rules it considers it would be appropriate to disapply and explaining why and invite Users, Third Party Participants and Non-Code Parties (if any) to make representations within ten (10) Business Days immediately following the date of such invitation in respect of the proposed disapplication. Transco will within the three (3) Business Days immediately following the expiry of such ten (10) Business Days send to each Member and the Authority copies of all representations (if any) so received. The Modification Panel shall, subject to paragraph 5.3.1, at the next following meeting of the Modification Panel consider the representations (if any) received (in accordance with this paragraph 11.7) from Users, Third Party Participants and Non-Code Parties (if any), and the Modification Panel may determine by Panel Majority that it is appropriate to disapply any of the Rules specified in the relevant notice. If the Modification Panel shall so determine the Rules specified in the relevant notice shall, if the Authority agrees, be disapplied.

## 11.8 View

- 11.8.1 At any stage prior to the date on which Transco finalises the Modification Report Transco may decide to seek a View from the Authority on any matter arising (under these Rules or otherwise) from a Modification Proposal.
- 11.8.2 If Transco decides to seek a View pursuant to paragraph 11.8.1, Transco will:
- (a) forward an application to the Authority setting out Transco's own views and reasons for seeking a View from the Authority;
  - (b) if Transco shall so determine, suspend (in whole or in part) the consideration of the Modification Proposal by any Development Work Group; and
  - (c) notify each User and each Non-Code Party (if any) of such decision to seek a View.
- 11.8.3 If, in respect of a View sought pursuant to this paragraph 11.8, the Authority expresses the View that the Modification Proposal should not proceed, the Modification Proposal shall lapse and Transco will within the five (5) Business Days immediately following receipt of the View prepare and circulate notification of such lapse.
- 11.8.4 If, in respect of a View sought pursuant to this paragraph 11.8, the Authority shall not express any View as to how the Modification Proposal should proceed or expresses the View that the Modification Proposal should proceed to the Development Phase, the Modification Proposal shall proceed to the Development Phase.
- 11.8.5 If the Authority expresses any other view, the Modification proposal shall proceed in accordance with such view.

## 11.9 Terms of reference

- 11.9.1 The Terms of Reference for each Development Work Group, Modification Proposal referred to a Workstream or Review Group will:
- (a) detail the composition of the Development Work Group or Review Group in accordance with paragraph 8.1;
  - (b) detail the Modification Proposal;
    - (i) detail the work to be undertaken by the Development Work Group,



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- Workstream or Review Group to enable the Development Work Group, Workstream or Review Group to prepare its report; and
    - (ii) specify any matters, in addition to those referred to in paragraph 8.6.1, which the Development Work Group, Workstream or Review Group should address in its report;
  - (c) detail other matters (if any) to be considered or reviewed by the Development Work Group, Workstream or Review Group;
  - (d) state whether the Development Work Group, Workstream or Review Group should consult with any other person for the purposes of its report, and if so, detail the extent to which and identify which person (or persons) it should consult with, but this shall not require Transco to engage or remunerate any person so consulted;
  - (e) set a timetable in accordance with which the work of the Development Work Group, Workstream or Review Group is to be done and its report prepared; and
  - (f) specify when the Development Work Group, Workstream or Review Group is to comment upon the text of the Modification, provided to the Group pursuant to paragraph 8.12.
- 11.9.2 Unless the Modification Panel shall otherwise determine by Panel Majority, the timetable referred to in paragraph 11.9.1(f) shall not exceed a period of six (6) months.
- 11.9.3 The Modification Panel may, from time to time, determine by Panel Majority:
- (a) to change the Terms of Reference of:
    - (i) any Development Work Group,
    - (ii) Modification proposal referred to a Workstream,
    - (iii) any Review Group;
  - (b) if the Terms of Reference of the relevant Development Work Group or Review Group so anticipate, that the Development Work Group, or Review Group should undertake new or further work or consider new matters (whether or not related to any earlier work undertaken by that Development Work Group, or Review Group), or,
  - (c) Modification Proposal or Third Party Modification to change the Workstream Chairmans' Guidelines.





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## Z TRANSCO LNG STORAGE FACILITIES

### 1 GENERAL

#### 1.1 Transco LNG Storage Facilities

- 1.1.1 Subject to the provisions of this Section Z, Users may use a Transco LNG Storage Facility by injecting gas into such facility, by having gas-in-storage within such facility and by withdrawing gas from such facility.

#### 1.2 Injection and withdrawal

- 1.2.1 Transco LNG Storage shall be deemed to be appointed by each User as User Agent for the purposes of:

- (a) submitting Entry Allocation Statements in respect of relevant Storage Connection Points under [Section E2.2.1](#);
- (b) submitting Exit Allocation Statements in respect of relevant Storage Connection Points under [Section E3.3.1](#).

- 1.2.2 Subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, the quantity of gas accounted for as injected or withdrawn on a Day to or from a Transco LNG Storage Facility by a User (other than Transco LNG Storage) will be the Storage Nominated Quantity under its Storage Nomination (and subject as aforesaid references to gas injected or withdrawn by a User are to gas so accounted for as injected or withdrawn).

- 1.2.3 Where Users make Input Nominations in respect of the Storage Connection Point of a Transco LNG Storage Facility for a Day for which other Users make Output Nominations in respect of the same Storage Connection Point:

- (a) the quantities injected and withdrawn by such Users shall be determined (in accordance with paragraph 1.2.2) on the basis of the Nominated Quantities; but only the net quantity will be offtaken from or (as the case may be) delivered to the System at the relevant Storage Connection Point;
- (b) Storage Injection Charges and Storage Withdrawal Charges (in accordance with paragraphs 5 and 6) will be payable in respect of the full quantities injected and withdrawn.

#### 1.3 Gas-in-storage

- 1.3.1 Subject to paragraph 1.3.4, a User's "**gas-in-storage**" on any Day in a Storage Year in respect of a Transco LNG Storage Facility is:

- (a) the sum of:
  - (i) the User's Opening Storage Balance in accordance with paragraph 1.3.5;



- (ii) the quantities of gas injected by the User on Days in that Storage Year up to but not including such Day; and
  - (iii) the quantities subject to Storage Gas Transfers made in favour of the User with effect from Days in that Storage Year up to and including such Day, less
- (b) the sum of:
  - (i) the quantities of gas withdrawn by the User on Days in that Storage Year up to but not including such Day, and
  - (ii) the quantities subject to Storage Gas Transfers made by the User with effect from Days in that Storage Year up to and including such Day, in respect of such Transco LNG Storage Facility.
- 1.3.2 A User who has gas-in-storage in a Transco LNG Storage Facility is entitled (subject to and in accordance with this Section Z) to have a quantity of gas, equal to the amount of its gas-in-storage, delivered to the System at the relevant Storage Connection Point by way of withdrawal, and (without prejudice to paragraph 4 or paragraph 10.4.1(d)) has no other entitlement in respect of gas-in-storage.
- 1.3.3 For the avoidance of doubt the amount of a User's gas-in-storage in respect of a Transco LNG Storage Facility shall not be reduced in respect of LNG boil-off.
- 1.3.4 Where the amount determined in respect of a User in accordance with paragraph 1.3.1 is negative, the User's gas-in-storage shall be zero and the provisions of paragraph 7 shall apply.
- 1.3.5 A User's "**Opening Storage Balance**" in respect of a Transco LNG Storage Facility for a Storage Year shall be the amount of the User's gas-in-storage (if any) at the end of the Preceding Storage Year plus the quantities (if any) injected and less the quantities (if any) withdrawn by the User on the last Day of the Preceding Storage Year.

## 1.4 Storage Nominations

- 1.4.1 Save where otherwise provided in this Section Z, Users will make Storage Nominations to Transco LNG Storage Facilities in respect of injections and withdrawals of gas from Transco LNG Facilities.
- 1.4.2 Each User authorises Transco LNG Storage to inject and withdraw gas to and from each Transco LNG Storage Facility pursuant to that User's Storage Nominations made in respect of such facility.
- 1.4.3 Not Used
- 1.4.4 Transco LNG Storage will only act on User's Storage Withdrawal Nominations where such are received (or deemed to be received) by Transco LNG Storage not later than 15:30 hours on the Preceding Day (the "**LNG Storage Withdrawal Nomination Time**"). Subject to the provisions of this Section Z, Transco LNG Storage will only act on a User's Storage Injection Nominations where such are received (or are deemed to be received) by Transco LNG Storage not later than the LNG Storage Injection Nomination Time. For the purposes of this paragraph 1.4.4, the "**LNG Storage**



**Injection Nomination Time**” is 15:30 hours on the Day fifteen (15) Days prior to the Gas Flow Day to which the Storage Injection Nomination relates.

## 1.5 Force Majeure

1.5.1 Where on any Day the injection and/or withdrawal of gas from any Transco LNG Storage Facility is affected by any occurrence of Force Majeure affecting Transco LNG Storage:

- (a) Transco LNG Storage may elect that paragraph 1.2.2 shall not apply in respect of such Transco LNG Storage Facility; and
- (b) where Transco LNG Storage so elects in respect of the Transco LNG Storage Facility so affected, the aggregate quantity injected on the Day will be apportioned between Users in the proportions in which they have Available Storage Injectability and the aggregate quantity withdrawn on the Day will be apportioned between Users in the proportions in which they have Available Storage Deliverability, but so that no User shall have apportioned a quantity exceeding the Nominated Quantities under its Storage Nomination.

1.5.2 In determining whether an event or circumstance affecting a particular Transco LNG Storage Facility (the **"first"** such facility) is Force Majeure:

- (a) subject to paragraph (b), the ability of Transco LNG Storage to take (in relation to other Transco LNG Storage Facilities) any step available to it shall be taken into account, except to the extent to which (in Transco LNG Storage's judgement) the event or circumstance may have resulted in the loss of stored gas from the first Transco LNG Storage Facility;
- (b) paragraph (a) shall not require Transco LNG Storage to take any step which would prejudice System security or result in an infringement of the requirements of [Section R4.6.1](#);
- (c) the fact that Transco LNG Storage may previously (for the purposes of enabling the performance of its obligations in relation to another Transco LNG Storage Facility) have taken in relation to the first Transco LNG Storage Facility any step under paragraph (a) above shall be taken into account.

## 1.6 Title and Risk to Gas

1.6.1 Transco LNG Storage shall have title to and risk in all gas contained in any Transco LNG Storage Facility.

1.6.2 Title and risk to gas injected by a User to or withdrawn by a User from a Transco LNG Storage Facility shall be treated as passing from the User to Transco LNG Storage or (as the case may be) from Transco LNG Storage to the User at the same point and at the same time at which title thereto passes from Transco to the User or (as the case may be) from the User to Transco.

## 1.7 Preceding Storage Year

In relation to any Storage Year the **"Preceding Storage Year"** is the Storage Year ending at the start of such Storage Year.



## 1.8 Application of this Section Z

Transco LNG Storage and its Users agree that where the application of this Section Z in respect of the Top-up Manager or of Transco when acting for Operating Margins Purposes is modified pursuant to [Sections K](#) or [P](#), the provisions of those Sections shall prevail over those of this Section Z.

## 1.9 Renomination effective times

1.9.1 The effective time of any Storage Renomination shall be the time specified as such in the Storage Renomination, provided that such time complies with the provisions of paragraph 1.9.2 and 1.9.3.

1.9.2 For the purposes of this Section Z, it shall be assumed that any change in the rate of injection of gas into or withdrawal of gas from any Transco LNG Storage Facility by a User will occur on the hour.

1.9.3 The effective time of any Storage Renomination shall:-

- (a) be not less than sixty (60) minutes after the time at which the Storage Renomination is submitted by the User to Transco LNG Storage; and
- (b) comply with the injection lead time (for Storage Renominations made in respect of Storage Injection Nominations) or the withdrawal lead time (for Storage Renominations made in respect of Storage Withdrawal Nominations) in respect of the relevant Transco LNG Storage Facility prevailing at the time at which the Storage Renomination is submitted by the User to Transco LNG Storage; and
- (c) comply with paragraph 1.9.2.

## 2 STORAGE CAPACITY

### 2.1 Storage Capacity

2.1.1 A User must hold capacity ("**Storage Capacity**") in a Transco LNG Storage Facility in order to use the facility.

2.1.2 Storage Capacity comprises Storage Space, Storage Injectability and/or Storage Deliverability.

2.1.3 For the purposes of this Section Z:

- (a) "**Storage Space**" is capacity (in kWh) which entitles the User to have gas-in-storage in a Transco LNG Storage Facility;
- (b) "**Storage Deliverability**" is capacity which entitles the User (provided that it has gas in store) to withdraw gas from a Transco LNG Storage Facility to the System;
- (c) "**Storage Injectability**" is capacity which entitles the User (provided that it has sufficient unfilled Available Storage Space) to inject gas into a Transco LNG Storage Facility from the System.





- 2.1.4 Storage Deliverability and Storage Injectability are expressed in kWh/Day.
- 2.1.5 The "**Total Storage Capacity**" in respect of a Transco LNG Storage Facility is:
- (a) Storage Space ("**Total Storage Space**") equivalent to the maximum quantity of gas that Transco LNG Storage determines can be withdrawn during the Storage Year from the facility when full of stored gas, after allowing for LNG boil-off; and/or
  - (b) Storage Deliverability ("**Total Storage Deliverability**") equivalent to the maximum quantity of gas that Transco LNG Storage determines can be withdrawn from the facility in a period of 24 hours; and/or
  - (c) Storage Injectability ("**Total Storage Injectability**") equivalent to the maximum quantity of gas that Transco LNG Storage determines can be injected into the facility in a period of 24 hours.
- 2.1.6 The "**Maximum Storage Capacity**" in respect of a Transco LNG Storage Facility at any time is:
- (a) Storage Space ("**Maximum Storage Space**") determined as the Total Storage Space less the amount of Storage Space at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8, and Tanker Filling Arrangements in accordance with paragraph 2.9 and Operating Margins Requirements; and/or
  - (b) Storage Deliverability ("**Maximum Storage Deliverability**") determined as the Total Storage Deliverability less the amount of Storage Deliverability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8 and Operating Margins Requirements; and/or
  - (c) Storage Injectability ("**Maximum Storage Injectability**") determined as the Total Storage Injectability less the amount of Storage Injectability at the time subject to Long Term Storage Arrangements in accordance with paragraph 2.8, Tanker Filling Arrangements in accordance with paragraph 2.9 and Operating Margins Requirements,
- as specified for a Storage Year in the Annual Storage Invitation (in accordance with paragraph 3.1).
- 2.1.7 Subject to paragraph 2.8.2, in paragraphs 4, 5, 6 and 7 of this Section Z a reference to a User (in relation to a Transco LNG Storage Facility) is to a User who holds Storage Capacity or has gas-in-storage in that facility.

## 2.2 Storage capacity registration

- 2.2.1 A User may apply for and (if its application is approved in accordance with paragraph 3.2.4) will be registered as holding Storage Capacity in accordance with paragraph 3.
- 2.2.2 For the purposes of this Section Z:
- (a) a User's "**Registered**" Storage Space or Storage Injectability or Storage Deliverability in relation to a Transco LNG Storage Facility is the Storage



Space or Storage Injectability or Storage Deliverability which the User is registered (in accordance with this Section Z) as holding in that facility on the Gas Flow Day;

- (b) the User's "**Available**" Storage Space or Storage Injectability or Storage Deliverability in relation to a Transco LNG Storage Facility is the Storage Space or Storage Injectability or Storage Deliverability which the User holds on the Gas Flow Day in that facility after taking account of any Storage Capacity Transfer, determined in accordance with paragraph 4.4.2.

- 2.2.3 Except in the case of a Long Term Storage Arrangement under paragraph 2.8, a User will be registered as holding Storage Capacity for the period commencing with the start of the Storage Year (or the date of registration in accordance with paragraph 3.7.2 if later) and expiring at the end of the Storage Year; and until the end of the Storage Year the User's Registered Storage Capacity shall not be reduced and (subject to paragraph 10.3) the registration shall not be terminated.

## 2.3 Storage Duration

- 2.3.1 For the purposes of the Code the "**Storage Duration**" of the Storage Capacity applied for or registered as held by a User in a Transco LNG Storage Facility is the number of Days obtained by dividing the Storage Space by the Storage Deliverability applied for or registered as held by the User in that facility.
- 2.3.2 Where a User applies under this Section Z for Storage Capacity, the Storage Duration applied for shall be 5 (but the Storage Duration which a User is registered as holding may differ in accordance with paragraph 2.9).

## 2.4 Unfilled Storage Space

For the purposes of the Code a User's "**unfilled**" Storage Space in a Transco LNG Storage Facility is the amount by which at any time the User's Available Storage Space exceeds its gas-in-storage in that facility, and "**filled**" and "**fill**" Storage Space are to be construed accordingly.

## 2.5 Uncommitted Storage Capacity

At any time the "**Uncommitted**" Storage Space or Storage Injectability or Storage Deliverability of a Transco LNG Storage Facility is the Maximum Storage Space or Maximum Storage Injectability or Maximum Storage Deliverability less the aggregate Storage Space or Storage Injectability or Storage Deliverability at such time registered as held by Users or Transco pursuant to applications, or subject to applications made but not yet approved, under paragraphs 3.1, 3.5 and 3.7 and [Sections K](#) and [P](#).

## 2.6 Storage Capacity Charges

- 2.6.1 A User shall pay Storage Capacity Charges in respect of its Registered Storage Capacity in Transco LNG Storage Facilities in accordance with the Annual Storage Invitation or (where applicable) paragraph 3.5.
- 2.6.2 For the purposes of this Section Z:



- (a) **"Storage Capacity Charge"** means a Storage Space Charge or a Storage Injectability Charge or a Storage Deliverability Charge;
  - (b) a **"Storage Deliverability Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Deliverability in a Transco LNG Storage Facility;
  - (c) a **"Storage Space Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Space in a Transco LNG Storage Facility;
  - (d) a **"Storage Injectability Charge"** is a charge in respect of, and determined by reference to the amount of, a User's Registered Storage Injectability in a Transco LNG Storage Facility.
- 2.6.3 The **"Applicable Storage Capacity Charge Rate"** means the total of the Applicable Storage Space Charge Rate and the Applicable Storage Injectability Charge Rate and the Applicable Storage Deliverability Charge Rate. The **"Applicable Storage Space Charge Rate"** or **"Applicable Storage Injectability Charge Rate"** or **"Applicable Storage Deliverability Charge Rate"** respectively is the annual rate of the Storage Space Charge or (as the case may be) Storage Injectability Charge or (as the case may be) Storage Deliverability Charge payable (in accordance with paragraph 2.6.1) in respect of:
- (a) Storage Space, in pence per kWh of Storage Space, for a Storage Year;
  - (b) Storage Deliverability, in pence per kWh/Day of Storage Deliverability, for a Storage Year;
  - (c) Storage Injectability, in pence per kWh/Day of Storage Injectability, for a Storage Year.
- 2.6.4 Storage Capacity Charges will be invoiced and are payable monthly in accordance with paragraph 8.

## 2.7 System Capacity

For the avoidance of doubt, the provisions of [Section B](#) and [Section R](#) as to System Capacity at the relevant Storage Connection Point apply (in respect of offtake and delivery of gas from and to the System) to a User who holds Storage Capacity, in addition to this Section Z.

## 2.8 Long Term Storage Arrangements

- 2.8.1 Transco LNG Storage may enter into arrangements (**"Long Term Storage Arrangements"**) with any User pursuant to which the User will or may hold Storage Capacity for a period of more than 12 months.
- 2.8.2 The terms of this Section Z will apply in respect of Long Term Storage Arrangements except to the extent excluded by or inconsistent with such arrangements; but (unless expressly provided otherwise) references in this Section Z to Users do not include Users in respect of the Storage Capacity held under Long Term Storage Arrangements.



- 2.8.3 Transco LNG Storage will not enter into a Long Term Storage Arrangement, having effect in any Storage Year, between the date of the Annual Storage Invitation for that year and the date on which Storage Capacity is allocated (in accordance with paragraph 3.1.6) pursuant to such invitation.

## 2.9 Tanker Filling Arrangements

- 2.9.1 Transco LNG Storage may enter into arrangements ("**Tanker Filling Arrangements**") pursuant to which Users may hold Storage Space and Storage Injectability and have gas-in-storage in a Transco LNG Storage Facility and may withdraw gas from such facility as LNG loaded onto road tankers.
- 2.9.2 Under a Tanker Filling Arrangement, the requirement as to Storage Duration of paragraph 2.3 will not apply in respect of the User's Storage Space but the User will pay charges (in accordance with the Annual Storage Invitation) for the entitlement to withdraw and/or withdrawing gas under such arrangement.

## 3 APPLICATION FOR STORAGE CAPACITY

### 3.1 Annual Storage Invitation

- 3.1.1 For each Storage Year Transco LNG Storage will, not later than 1st March in the Preceding Storage Year, invite (in accordance with paragraph 3.1.2) applications for Storage Capacity in each Transco LNG Storage Facility.
- 3.1.2 For each Transco LNG Storage Facility, Transco LNG Storage may invite (as to the whole of the Maximum Storage Capacity) applications for Storage Space and/or Storage Injectability and/or Storage Deliverability either:
- (a) on the basis of allocation under paragraph 3.4; or
  - (b) by way of a tender on the basis of price, for allocation under paragraph 3.5.
- 3.1.3 Transco LNG Storage's invitation (the "**Annual Storage Invitation**") under paragraph 3.1.1 will specify in respect of each Transco LNG Storage Facility:
- (a) the date ("**Transco LNG Invitation Close Date**") by which applications pursuant to such invitation must be made, which shall not be less than 30 Days after the date of the invitation;
  - (b) the Maximum Storage Space, Maximum Storage Injectability and Maximum Storage Deliverability as at the date of the Annual Storage Invitation;
  - (c) whether the invitation is made under paragraph 3.1.2(a) or 3.1.2(b);
  - (d) Not Used;
  - (e) where the invitation is made under paragraph 3.1.2(a), the Applicable Storage Space Charge Rate, the Applicable Storage Injectability Charge Rate and the Applicable Storage Deliverability Charge Rate;
  - (f) where the invitation is made under paragraph 3.1.2(b), the fixed Storage Duration in accordance with paragraph 3.5.4, the ratio of Storage Injectability

- to Storage Space for each Transco LNG Storage Facility, and a late-booking rate for the purposes of paragraph 3.7.7;
- (g) the charges for injection and withdrawal and periods to which such charges apply in accordance with paragraphs 5 and 6;
  - (h) in the case of each Transco LNG Storage Facility which is also a Constrained Storage Facility, the details specified by Transco under [R4.1.4](#) and the required percentages for the purposes of paragraph [R4.6.3](#);
  - (i) in the case of a relevant Transco LNG Storage Facility, charges for Tanker Filling Arrangements;
  - (j) for each of the months May to September inclusive, the amount of the charge (the “**Carry-over Charge**”) (in kWh/Day) that will apply to such of the User’s Permitted Uncovered Amount as is left in a Transco LNG Storage Facility; and
  - (k) such other matters as may be provided for in this Section Z or, not being inconsistent with any provision of this Section Z, as Transco LNG Storage may reasonably determine.
- 3.1.4 Users may apply (in accordance with paragraph 3.2) for Storage Capacity in each Transco LNG Storage Facility pursuant to the Annual Storage Invitation at any time up to, but (without prejudice to paragraph 3.7) not after, the Transco LNG Invitation Close Date.
- 3.1.5 A User must make a separate application in respect of each Transco LNG Storage Facility in which it applies for Storage Capacity (but such applications may be submitted in a single application form).
- 3.1.6 Each User whose application is approved in accordance with paragraph 3.2.4 will be registered as holding the Storage Capacity allocated (in accordance with paragraph 3.4 or 3.5) to it, and Transco LNG Storage will inform each User of its Registered Storage Capacity in respect of each Transco LNG Storage Facility not later than 28th April in the Preceding Storage Year.
- 3.1.7 For the purposes of paragraph 3.1.6, except where (in accordance with paragraph 3.4.2 or paragraph 3.5.5) the Storage Capacity applied for exceeds the Maximum Storage Capacity, each User whose application is approved will be considered to have been allocated the Storage Capacity it applied for.
- 3.1.8 Any terms included in the Annual Storage Invitation pursuant to paragraph 3.1.3(j) shall be deemed to have been accepted by each User who applies for Storage Capacity (whether under paragraph 3.1.4 or paragraph 3.7), and shall apply in addition to the provisions of this Section Z.

## 3.2 Storage application

- 3.2.1 An application for Storage Capacity shall specify:
- (a) the identity of the User;
  - (b) the Transco LNG Storage Facility;



- (c) the amount of Storage Space, the amount of Storage Injectability and the amount of Storage Deliverability, subject to the Storage Duration as defined in paragraph 2.3.2, and the relevant Annual Storage Invitation) for which the application is made;
- (d) where the Annual Storage Invitation was made under paragraph 3.1.2(b) and the application is made pursuant to that invitation, the annual rates of the charges which the User agrees to pay by way of Storage Capacity Charges in respect of the Storage Capacity allocated to it;
- (e) where the Annual Storage Invitation was made under paragraph 3.1.2(a) and the application is made pursuant to that invitation, whether the User wishes paragraph 3.4.6 to apply to it, any preference (as to the Transco LNG Storage Facilities in which it is allocated Storage Capacity) for the purposes of paragraph 3.4.5, any ranking for the purposes of paragraph 3.4.7, and any request for the purposes of paragraph 3.4.8; and
- (f) such other matters as the Annual Storage Invitation may (pursuant to paragraph 3.1.3(k) require.

3.2.2 Not Used.

3.2.3 Transco LNG Storage may reject an application for Storage Capacity:

- (a) where the requirements of paragraph 3.2.1 are not complied with; or
- (b) in accordance with paragraph 9.

3.2.4 Transco LNG Storage will approve or reject (under paragraph 3.2.3) applications for Storage Capacity made pursuant to the Annual Storage Invitation before allocating Storage Capacity in accordance with paragraph 3.4 or 3.5 (and references in those paragraphs to applications are to applications which have been so approved).

### 3.3 Capacity allocation - Operating Margins and Tanker Filling Arrangements

In any Storage Year, Transco and Users shall pay the prices set out in the Transco Licence for the supply of services under this Section Z for Operating Margins Purposes and for Tanker Filling Arrangements entered into prior to the Transco LNG Invitation Close Date for the Storage Year in question.

### 3.4 Capacity allocation: non-price invitation

- 3.4.1 This paragraph 3.4 applies where the Annual Storage Invitation in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(a).
- 3.4.2 If applications are made pursuant to the Annual Storage Invitation for Storage Capacity at a Transco LNG Storage Facility in aggregate greater than the relevant Maximum Storage Capacity Transco LNG Storage will allocate Storage Capacity between Users whose applications were not rejected in accordance with the further provisions of this paragraph 3.4.



3.4.3 Not Used.

3.4.4 Not Used.

3.4.5 Where:

(a) Transco LNG Storage receives and approves applications for Storage Capacity in a Transco LNG Storage Facility in aggregate greater than the Maximum Storage Capacity, and

(b) any User (an "**electing User**") so elected under paragraph 3.2.1(e),

then unless Transco LNG Storage is able (having regard to any preferences expressed under paragraph 3.2.1(e)) to agree an alternative allocation with all Users who applied for Storage Capacity in Transco LNG Storage Facilities, paragraph 3.4.6 shall apply.

3.4.6 In the circumstances in paragraph 3.4.5, subject to paragraphs 3.4.7 and 3.4.8

(a) Transco LNG Storage will determine for each Transco LNG Storage Facility (other than any for which the Annual Storage Invitation was made under paragraph 3.1.2(b)) the ratio between the aggregate Storage Capacity for which such applications were approved and the Maximum Storage Capacity, and will rank the Transco LNG Storage Facilities in order by such ratio (the facility for which Storage Capacity applied for exceeds Maximum Storage Capacity by the greatest proportion ranking first);

(b) the allocation under this paragraph 3.4 will be carried out in respect of each Transco LNG Storage Facility sequentially, in the order ranked under paragraph (a) starting with the first ranking;

(c) in carrying out such allocation in respect of each Transco LNG Storage Facility other than the first ranking, each electing User shall be treated as having applied for Storage Capacity in an amount determined by aggregating:

(i) the Storage Capacity (if any) specified in its application for such facility; and

(ii) Storage Capacity in an amount equal to the amount of Storage Capacity it applied for (or was treated under this paragraph as having applied for), but under the rules in this paragraph 3.4 was not allocated, in the prior-ranking Transco LNG Storage Facility.

3.4.7 For the purposes of paragraph 3.4.6, where a User stipulated under paragraph 3.2.1(e) a ranking of all or any of the Transco LNG Storage Facilities:

(a) that User will not participate in the allocation under paragraph 3.4.6(c) in respect of any Transco LNG Storage Facility:

(i) which the User did not include in its ranking,

(ii) which was ranked under paragraph 3.4.6(a) before the Transco LNG Storage Facility ranked first by the User;

(b) the User will participate in the allocation under paragraph 3.4.6(c):





- (i) as to the Transco LNG Storage Facility ranked first by the User; and
- (ii) thereafter, only as respects any Transco LNG Storage Facility which was ranked under paragraph 3.4.6(a) after the Transco LNG Storage Facility which the User ranked immediately before it.

3.4.8 A User who did not stipulate a ranking for the purposes of paragraph 3.4.7 may stipulate under paragraph 3.2.1(e) that, if the User is not allocated the entirety of the Storage Capacity applied for in a Transco LNG Storage Facility, the User is not to be allocated any Storage Capacity in such facility; and where any User(s) made such a stipulation, in the circumstances in paragraph 3.4.5 any such User will be allocated no such Storage Capacity unless the result of not allocating Storage Capacity to another such User is that paragraph 3.4.5 no longer applies.

### 3.5 Capacity allocation: price tender

3.5.1 This paragraph 3.5 applies where the Annual Storage Invitation in respect of a Transco LNG Storage Facility was made under paragraph 3.1.2(b), and references in this paragraph 3.5 to Storage Capacity are references to Storage Space, Storage Deliverability or both, as appropriate.

3.5.2 Each User (excluding Transco for Operating Margins Purposes and Users and/or Transco in respect of Tanker Filling Arrangements for the forthcoming Storage Year entered into prior to the Transco LNG Invitation Close Date) who applies for Storage Capacity shall tender a price or prices (in accordance with paragraph 3.2.1(d)), and agrees by making such application to pay by way of Storage Capacity Charges the prices so tendered in respect of the amounts of Storage Capacity allocated in accordance with this paragraph 3.5.

3.5.3 In this paragraph 3.5 "**price**" means the annual rate of the Storage Space Charge, the Storage Injectability Charge and/or Storage Deliverability Charge tendered by a User in its application in accordance with paragraph 3.2.1(d).

3.5.4 Transco LNG Storage will in the Annual Storage Invitation stipulate a fixed Storage Duration in respect of Storage Capacity to be applied for and Users will be required to tender a single composite price.

3.5.5 Transco LNG Storage will allocate Storage Capacity by:

- (a) ranking the applications in order of price; and
- (b) allocating to each application, in descending order of price starting with the highest priced, the amount of Storage Capacity applied for (or part thereof in the case of the lowest-priced application(s) to which Storage Capacity is allocated), until an amount of Storage Capacity equal to the Maximum Storage Capacity has been allocated,

and where the same price was tendered in two or more applications, ranking such applications equally and allocating Storage Capacity pro rata to the amounts applied for.

3.5.6 Following the determination of each User's allocation of Storage Capacity pursuant to this paragraph 3.5 in respect of each Storage Year, Transco LNG Storage will send to the Authority a statement setting out such allocations and showing how they were (in





accordance with this paragraph 3.5) calculated.

### 3.6 Gas left in storage

3.6.1 For the purposes of this paragraph 3.6, in respect of each Transco LNG Storage Facility, in respect of any Storage Year:

- (a) a **"Carry-over User"** is a User whose Opening Storage Balance exceeds its Available Storage Space on 1st May in the Storage Year;
- (b) a Carry-over User's **"uncovered gas-in-storage"** in a Transco LNG Storage Facility on any Day in the Transco LNG Injection Period is the lesser of:
  - (i) the amount by which its gas-in-storage exceeds whichever is the greater of:
    - (1) the User's Registered Storage Space (allocated pursuant to an application under the Annual Storage Invitation), and
    - (2) the User's Available Storage Space; and
  - (ii) the amount of the User's uncovered gas-in-storage determined in accordance with this paragraph 3.6.1 on any preceding Day in the Transco LNG Injection Period.

3.6.2 A Carry-over User may, on each Day in the Transco LNG Injection Period up to and including 30th September, have uncovered gas-in-storage not exceeding an amount (the **"Permitted Uncovered Amount"**) equal to the amount of Empty Storage Space allocated to it under paragraph 3.6.4(b), without the provisions of paragraph 6.4 applying.

3.6.3 Each Carry-over User shall secure that:

- (a) it does not have uncovered gas-in-storage on any Day in an amount exceeding the Permitted Uncovered Amount under paragraph 3.6.2; and
- (b) on 1st October it has no uncovered gas-in-storage;

and where the User does not secure such requirements paragraph 6.4 shall apply.

3.6.4 As at the Day (**"Confirmation Day"**) immediately following the LNG Storage Injection Nomination Time in respect of the Gas Flow Day in question, Transco LNG Storage will:

- (a) determine for each Transco LNG Storage Facility in respect of the Gas Flow Day in question (the **"relevant Day"**), on the basis of the accepted Storage Injection Nominations for the relevant Day, the amount (**"Empty Storage Space"**), if any, by which the Maximum Storage Space exceeds the aggregate of:
  - (i) the gas-in-storage of all Users (excluding uncovered gas in storage, but including gas-in-storage of Users holding Special Storage Capacity as at the Confirmation Day); and



- (ii) the Storage Nomination Quantities in accordance with the accepted Storage Injection Nominations of all Users for each Day from the Confirmation Day up to and including the relevant Day; and
  - (b) allocate (for the purposes of paragraph 3.6.2 only) the Empty Storage Space in respect of each relevant Day between Carry-over Users in proportion to their respective amounts of uncovered gas-in-storage as at the Confirmation Day.
- 3.6.5 Transco LNG Storage will notify to each Carry-over User, on the Confirmation Day, the amount of Empty Storage Space allocated to it in respect of the relevant Day.
- 3.6.6 Carry-over Charges will be invoiced and are payable monthly in accordance with paragraph 8.

### 3.7 Late booking

- 3.7.1 Subject to paragraph 3.7.2 a User may apply in accordance with paragraph 3.2 for Storage Capacity (or additional Storage Capacity) in any Transco LNG Storage Facility after the Transco LNG Invitation Close Date.
- 3.7.2 Subject to paragraph 3.7.3, Transco LNG Storage will approve or reject the application in accordance with paragraph 3.2.4; and (where the application is approved) the User will be registered as holding the Storage Capacity applied for with effect from the Day of such approval.
- 3.7.3 Transco LNG Storage will notify the User whether the application was approved or rejected within 3 Business Days after the application was made.
- 3.7.4 An application under paragraph 3.7.1 will not be approved if at the time of the application the Storage Space, the Storage Injectability or the Storage Deliverability applied for exceeds the Uncommitted Storage Capacity in the relevant Transco LNG Storage Facility.
- 3.7.5 If the Storage Capacity applied for exceeds the Uncommitted Storage Capacity:
- (a) Transco LNG Storage will (when notifying rejection of the application) so inform the User, specifying the Uncommitted Storage Capacity; and the User may then re-apply for Storage Capacity;
  - (b) if within 2 Business Days after Transco LNG Storage's notification the User so re-applies, such re-application shall be treated (for the purposes of determining the Uncommitted Storage Capacity) as made at the time that its rejected application was made.
- 3.7.6 So far as capable of applying, the terms of the Annual Storage Invitation shall apply in respect of Storage Capacity held pursuant to an application under this paragraph 3.7 (but such an application shall not be treated as made pursuant to the Annual Storage Invitation).
- 3.7.7 Where the Annual Storage Invitation was made under paragraph 3.1.2(b) the rates of the Storage Capacity Charges payable by a User who is registered as holding Storage Capacity under this paragraph 3.7 will (subject to paragraph 3.7.8) be the late-booking rate specified pursuant to paragraph 3.1.3(f) in the Annual Storage Invitation.



3.7.8 A User who is registered as holding Storage Capacity under this paragraph 3.7 will pay Storage Capacity Charges:

- (a) with effect from the Day of such registration, at the Applicable Storage Capacity Charge Rate and in accordance with paragraph 2.6.4;
- (b) in respect of the period from 1st May until the Day before the Day of registration, calculated as

$$(n * P * Q) / 365$$

where:

n is the number of Days from 1st May (inclusive) up to (but not including) the Day of registration;

P is the Applicable Storage Capacity Charge Rate;

and Q is the amount of such Storage Capacity.

3.7.9 The amount payable under paragraph 3.7.8(b) will accrue in the registration month and will be invoiced and payable (in accordance with paragraph 8) accordingly.

3.7.10 Where a User is registered as holding Storage Capacity under this paragraph 3.7 Transco LNG Storage will notify the Top-up Manager who may elect (in accordance with [Section P4.4](#)) to surrender Storage Capacity in an equivalent amount.

### 3.8 Special Storage Capacity

3.8.1 Subject to paragraph 3.8.2, in respect of any Storage Year, Transco LNG Storage may (but shall not be required to) enter into arrangements in respect of capacity ("**Special Storage Capacity**") in any Transco LNG Storage Facility, on terms and conditions (specified by Transco LNG Storage in such invitation) which are different from those of this Section Z.

3.8.2 Transco LNG Storage may not enter into arrangements in respect of Special Storage Capacity:

- (a) which would conflict in any material way with the rights under this Section Z of any User in respect of Storage Capacity held before such arrangement is entered into; or
- (b) for any period greater than one Storage Year; or
- (c) in respect of any Storage Year, until it has allocated Storage Capacity in respect of that year pursuant to applications made in accordance with paragraph 3.1.4 under the Annual Storage Invitation.

## 4 STORAGE TRANSFERS

## 4.1 Basis of transfer

4.1.1 A User (the "**Transferor Storage User**") may at any time:

- (a) transfer all or part of its Available Storage Space or its Available Storage Injectability or its Available Storage Deliverability in a Transco LNG Storage Facility to, or
- (b) make a Storage Gas Transfer in respect of a quantity of gas in relation to a Transco LNG Storage Facility in favour of

another User (the "**Transferee Storage User**"), subject to and in accordance with this paragraph 4.

4.1.2 The requirements as to Storage Duration in paragraph 2.3 apply in respect of applications for Storage Capacity, and not Available Storage Capacity; and accordingly a Storage Capacity Transfer may be made disregarding such requirements.

4.1.3 For the purposes of this Section Z:

- (a) a "**Storage Space Transfer**", a "**Storage Injectability Transfer**" and a "**Storage Deliverability Transfer**" are respectively a transfer of Storage Space, a transfer of Storage Injectability and a transfer of Storage Deliverability in accordance with paragraph 4.1.1(a) and a "**Storage Capacity Transfer**" is a Storage Space Transfer and/or a Storage Injectability Transfer and/or a Storage Deliverability Transfer;
- (b) a "**Storage Gas Transfer**" is an arrangement between two Users made for the purposes of paragraph 4.5;
- (c) a "**Storage Transfer**" is a Storage Capacity Transfer or a Storage Gas Transfer.

4.1.4 A Storage Injectability Transfer may be for any hour or consecutive hours (being full hours only) or Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Injectability Transfer) such capacity and a Storage Deliverability Transfer may be for any hour or consecutive hours (being full hours only) or Day or consecutive Days within the period for which the Transferor Storage User holds (by virtue of registration or any Storage Deliverability Transfer) such capacity; and a Storage Space Transfer shall be for the period from (and including) the date of such transfer until the end of the Storage Year.

4.1.5 In respect of a Storage Transfer or proposed Storage Transfer:

- (a) in the case of a Storage Capacity Transfer, the "**Transferred Storage Capacity**" is the Storage Capacity which is (or is to be) transferred;
- (b) in the case of a Storage Gas Transfer, the "**Transferred Gas-in-Storage**" is the quantity subject to such Storage Gas Transfer;
- (c) the "**Storage Transfer Period**" is in the case of a Storage Injectability Transfer or a Storage Deliverability Transfer the hour or hours (being full hours only) or the Day or Days, and in the case of a Storage Space Transfer the period, in accordance with paragraph 4.1.4, for which the transferred capacity is (or is to



be) transferred;

- (d) in the case of a Storage Gas Transfer the "**transfer date**" is the Day on and with effect from which the Storage Gas Transfer is to take effect;
- (e) the "**Transfer Storage Facility**" is the Transco LNG Storage Facility at which Storage Capacity is (or is to be) transferred or in respect of which a Storage Gas Transfer is (or is to be) made.

## 4.2 Storage Gas and Capacity Transfers

4.2.1 A User may not transfer Storage Space or make a Storage Gas Transfer where as a result:

- (a) either the Transferee Storage User or the Transferor Storage User would have gas-in-storage in excess of its Available Storage Space in the Transfer Storage Facility;

or

- (b) in the case of a Constrained Transco LNG Storage Facility, the requirement in [Section R4.6.1](#) would not be satisfied by either the Transferor Storage User or the Transferee Storage User.

4.2.2 The Transferred Gas-in-Storage under a Storage Gas Transfer shall not exceed the amount of the Transferor Storage User's gas-in-storage in the Transfer Storage Facility.

4.2.3 Transco LNG Storage may but shall not be required to reject a Storage Transfer in respect of which the requirements of paragraph 4.2.1 or 4.2.2 are not satisfied; and where Transco LNG Storage does not reject such a Storage Transfer the Storage Transfer will take effect and a Storage Overrun Charge and/or Storage Management Charge may be payable by either User in accordance with paragraphs 7.1 and 7.3.

## 4.3 Procedure

4.3.1 Where a User proposes to make a Storage Transfer, each of the Transferor Storage User and the Transferee Storage User must notify the proposed Storage Transfer to Transco LNG Storage specifying:

- (a) the identity of the Transferor Storage User and Transferee Storage User;
- (b) the Transfer Storage Facility;
- (c) whether the Storage Transfer is a Storage Space Transfer, a Storage Injectability Transfer, a Storage Deliverability Transfer or a Storage Gas Transfer, or a combination in accordance with paragraph 4.3.2;
- (d) the amount of the Transferred Storage Capacity, or (as the case may be) Transferred Gas-in-Storage; and
- (e) in the case of a Storage Capacity Transfer, the Storage Transfer Period, or in the case of a Storage Gas Transfer, the transfer date.



- 4.3.2 A combined notification may (and where required to satisfy the condition in paragraph 4.2.1 shall) be made in respect of a Storage Space Transfer and Storage Gas Transfer at one Transco LNG Storage Facility.
- 4.3.3 A proposed Storage Transfer or a proposed Storage Gas Transfer may not be notified later than 04:00 hours on the transfer date or (as the case may be) Day or first Day of the Storage Transfer Period. A proposed Storage Injectability Transfer or a proposed Storage Deliverability Transfer may not be notified later than one (1) hour prior to the commencement of the Storage Transfer Period.
- 4.3.4 Transco LNG Storage may reject a Storage Transfer:
- (a) in accordance with paragraph 4.2.3,
  - (b) where either the Transferor Storage User or the Transferee Storage User does not notify the Storage Transfer in accordance with paragraph 4.3.1 or 4.3.3; or
  - (c) in accordance with paragraph 9.
- 4.3.5 A Storage Transfer shall be effective if it is approved by Transco LNG Storage or is not rejected by Transco LNG Storage within 60 minutes after it was notified by the Transferor Storage User or (if later) the Transferee Storage User under paragraph 4.3.1.

#### 4.4 Effect of Storage Capacity Transfer

- 4.4.1 Except for the purposes of paragraph 4.3.3, and subject to paragraph 4.6, the Transferee Storage User will be treated during the Storage Transfer Period as holding the Transferred Storage Capacity.
- 4.4.2 A User's Available Storage Capacity in a Transco LNG Storage Facility on a Day will be determined as its Registered Storage Capacity, adjusted in respect of any Storage Capacity Transfer(s) (for which that facility is the Transfer Storage Facility and the Storage Transfer Period includes that Day) by adding the Transferred Storage Capacity where the User was the Transferee Storage User, and deducting the Transferred Storage Capacity where the User was the Transferor Storage User, subject to paragraph 4.6.
- 4.4.3 A User will remain liable for Storage Capacity Charges in respect of its Registered Storage Capacity irrespective of any Storage Capacity Transfer.

#### 4.5 Effect of Storage Gas Transfer

With effect from (and including) the transfer date, the Transferred Gas-in-Storage will be added to the Transferee Storage User's gas-in-storage and deducted from the Transferor Storage User's gas-in-storage in respect of the Transfer Storage Facility.

#### 4.6 Effect of Termination

- 4.6.1 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferor Storage User ceases, pursuant to paragraph 10, to be a User for the purposes of this Section Z:
- (a) Transco LNG Storage will so notify the Transferee Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after



giving Storage Termination Notice to the Transferor Storage User;

- (b) with effect from the Storage Discontinuance Date the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as holding the Transferred Storage Capacity;
- (c) the Transferee Storage User may elect to be registered in accordance with paragraph 4.6.2 as holding Storage Capacity (in addition to any such capacity held other than by virtue of the Storage Capacity Transfer) in the Transfer Storage Facility:
  - (i) in an amount not exceeding the Transferred Storage Capacity, and
  - (ii) for (in the case of a Storage Injectability Transfer or a Storage Deliverability Transfer) any hour or consecutive hours (being full hours only) or Day or consecutive Days within the Storage Transfer Period, or (in the case of a Storage Space Transfer) a period from any Day (before or after the date of such election, but not before the Storage Discontinuance Date) in the Storage Transfer Period until the end of the Storage Transfer Period.

4.6.2 Where under paragraph 4.6.1 the Transferee Storage User elects to be registered as holding Storage Capacity:

- (a) the Transferee Storage User shall notify Transco LNG Storage, as soon as reasonably practicable and in any event not more than 5 Business Days after Transco LNG Storage's notice under paragraph 4.6.1(a), of such election, specifying the Storage Capacity and period in accordance with paragraphs 4.6.1(c)(i) and (ii) ;
- (b) the Transferee Storage User will be registered as holding Storage Capacity in the amount and for the period elected (notwithstanding any other requirement of the Code as to the prior notice required for or the period of registration);
- (c) the Transferee Storage User will accordingly be liable for Storage Capacity Charges in respect of the elected Storage Capacity at the Transfer Storage Facility for the elected period;
- (d) where the Annual Storage Invitation was made under paragraph 3.1.2(b) the Storage Capacity Charges referred to in paragraph (c) will be at the weighted average of the rates of Storage Charges payable by all Users who were allocated Storage Capacity pursuant to such invitation.

4.6.3 Where during the Storage Transfer Period in respect of a Storage Capacity Transfer the Transferee Storage User ceases, pursuant to paragraph 10, to be a User for the purposes of Section Z:

- (a) Transco LNG Storage will so notify the Transferor Storage User as soon as reasonably practicable and in any event not more than 5 Business Days after giving a Storage Termination Notice to the Transferee Storage User;
- (b) with effect from the Storage Discontinuance Date, the Storage Capacity Transfer will lapse and the Transferee Storage User will cease to be treated as





holding the Transferred Storage Capacity which will revert to (and be treated as held by) the Transferor Storage User.

- 4.6.4 For the avoidance of doubt, the fact that a User shall cease to be a User for the purposes of Section Z under paragraph 10 shall not affect any Storage Gas Transfer made before the Storage Discontinuance Date.

## 5 INJECTION

### 5.1 Introduction

- 5.1.1 Subject to this paragraph 5, a User may inject gas into a Transco LNG Storage Facility on any Day (including a Day on which gas is being withdrawn from the facility) during the period (the “**Transco LNG Injection Period**”) in which Transco LNG Storage will accept injections of gas by such User into the relevant Transco LNG Storage Facility. The Transco LNG Injection Period for each User shall commence on 1st May in the Storage Year and shall end on the later of

- (a) 31st October in the Storage Year; or
- (b) the first Day in the Storage Year following 31st October:-
  - (i) where the User does not have a Storage Nomination Quantity pursuant to a Storage Injection Nomination equal to or greater than its Available Storage Injectability; or
  - (ii) where the User has no unfilled Storage Space; or
  - (iii) which Transco LNG Storage shall determine and notify to Users as the date with effect from which rights to inject gas to a Transco LNG Storage Facility, other than pursuant to paragraph 5.4, shall be terminated.

- 5.1.2 The User may (subject to the provisions of this Section Z) nominate to inject gas at a rate in excess of its available injection rate, but shall not inject a quantity in excess of its unfilled Available Storage Space.

- 5.1.3 Subject to paragraph 5.1.5, Users may not inject gas into a Transco LNG Storage Facility in an Injection Maintenance Period.

- 5.1.4 For the purposes of paragraph 5.1.3, in relation to a Transco LNG Storage Facility:

- (a) an “**Injection Maintenance Period**” is a continuous period of one (1) hour or more in the Transco LNG Injection Period on which the injection facilities of the Transco LNG Storage Facility are withdrawn from service for maintenance;
- (b) the duration of an Injection Maintenance Period shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event the aggregate total of Injection Maintenance Periods shall not exceed three hundred and sixty (360) hours in any Transco LNG Injection Period;
- (c) the Injection Maintenance Periods shall be specified in the Annual Storage Invitation, provided that Transco LNG Storage may revise (but without





prejudice to paragraph (b)) the periods which are Injection Maintenance Periods in any month by providing for additional maintenance and/or by varying the dates or periods of any maintenance already provided for, upon notifying relevant Users not less than 30 Days (or such lesser period as relevant Users may agree) before:

- (i) the date on which (following such revision) such maintenance is to commence, or
- (ii) where the effect of the revision is to defer maintenance, the date of commencement thereof as shown in the Annual Storage Invitation before such revision.

5.1.5 Users may inject gas into a Transco LNG Storage Facility during an Injection Maintenance Period to the extent that the Storage Nomination Quantities under the Storage Injection Nominations do not exceed the Nomination Quantities under Storage Withdrawal Nominations for the Injection Maintenance Period in respect of the same facility; and where required the Nomination Quantities under such Storage Injection Nominations will be reduced pro-rata, and Transco LNG Storage will inform relevant Users of the extent of such a pro-rata reduction as soon as practicable.

## 5.2 Nominations, Renominations and Flexibility Nominations

5.2.1 A User shall submit Storage Injection Nominations not later than the LNG Storage Injection Nomination Time. Where a User has not submitted a Storage Injection Nomination for the Gas Flow Day by the LNG Storage Injection Nomination Time, the User shall be deemed to have submitted a Storage Injection Nomination in respect of the Gas Flow Day with a Storage Nomination Quantity of zero.

5.2.2 Subject to the provisions of this Section Z, a User may make a Storage Renomination in respect of a Storage Injection Nomination.

5.2.3 Where a User makes a Storage Injection Nomination or a Storage Renomination of a Storage Injection Nomination (such a Storage Renomination or Storage Nomination a **“relevant Storage Injection Nomination”**) the implied injection rate shall not be less than zero.

5.2.4 Where a User makes a relevant Storage Injection Nomination in respect of which the implied injection rate is greater than the available injection rate, the User shall pay a Storage Overrun Charge in accordance with paragraph 7.1.

5.2.5 Where a User makes a relevant Storage Injection Nomination in respect of which the implied injection rate is less than zero, Transco LNG Storage may (but shall not be required to) reject the relevant Storage Injection Nomination.

5.2.6 For the purposes of this Section Z, in relation to a relevant Storage Injection Nomination:

- (a) the **“available injection rate”** is the rate (in kWh/hour) determined as the sum of:
  - (i) the Available Storage Injectability divided by 24; and



- (ii) where the User is a party to an arrangement for Special Storage Capacity, the lesser of:
      - (1) the maximum permissible Nomination Quantity thereunder divided by 24;
      - (2) following any reduction to the Nomination Quantity, the User's reduced Nomination Quantity divided by the period (in hours) from the time at which the revision takes effect until the end of the Gas Flow Day;
  - (b) the “**implied injection rate**” is the prevailing injection rate plus (in the case of an increase in Nomination Quantity or System Entry Sell) or minus (in the case of a decrease in Nomination Quantity or System Entry Buy) the incremental injection rate;
  - (c) the “**prevailing injection rate**” is:
    - (i) where no earlier such Renomination or Flexibility Nomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User's Storage Injection Nomination divided by 24 (or where the User had made no Storage Injection Nomination, zero);
    - (ii) in any other case, the implied injection rate, determined in accordance with this paragraph 5.2.6, prevailing immediately before the relevant Storage Injection Nomination;
  - (d) the “**incremental injection rate**” is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity or, as the case may be, the amount of the Flexibility Quantity under the relevant Storage Injection Nomination divided by the relevant period;
  - (e) the “**relevant period**” is the period in hours calculated from the time when the relevant Storage Injection Nomination becomes effective, and continues until either (i) the time when a further relevant Storage Injection Nomination becomes effective, or (ii) the end of the Gas Flow Day, whichever shall occur first and for the purposes of calculating the relevant period, a relevant Storage Injection Nomination shall become effective at the time the nomination is made or in respect of a Contract Renomination at the time the Physical Market Transaction giving rise to the requirement to make the Contract Renomination was made plus the injection lead time prevailing at such time or the Transaction Effective Time in relation to such Physical Market Transaction if longer.
- 5.2.7 In respect of any Transco LNG Storage Facility the “**injection lead time**”, as at any time after the LNG Storage Injection Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before Transco LNG Storage can give effect to an increase or (as the case may be) a decrease in the rate of injection of gas into the facility on the Gas Flow Day. The injection lead time in respect of any Transco LNG Storage Facility shall never be greater than 15 Days.
- 5.2.8 With effect from the LNG Storage Injection Nomination Time Transco LNG Storage will make available to Users the prevailing injection lead times (for an increase and for



a decrease) for the Gas Flow Day in respect of each Transco LNG Storage Facility.

- 5.2.9 A User's "**Requested Injection Quantity**" for a Gas Flow Day shall be the Storage Nomination Quantity specified for that Day in the User's prevailing Storage Injection Nomination or Storage Renomination, as the case may be.
- 5.2.10 Where for any Gas Flow Day, the aggregate of all Users' Requested Injection Quantities in respect of a Transco LNG Storage Facility exceeds the Total Storage Injectability of such Transco LNG Storage Facility, the Storage Nomination Quantities of all Users will be revised in accordance with paragraph 5.2.11.
- 5.2.11 For each User a revised Storage Nomination Quantity shall be determined such that each of the following conditions is satisfied:
- (a) the aggregate of the revised Storage Nomination Quantities of all Users is equal to the Total Storage Injectability of the relevant Transco LNG Storage Facility;
  - (b) no User has a revised Storage Nomination Quantity greater than its Requested Injection Quantity;
  - (c) each User whose Requested Injection Quantity is less than or equal to the User's Available Storage Injectability shall have a revised Storage Nomination Quantity equal to its Requested Injection Quantity; and
  - (d) the revised Storage Nomination Quantities of Users whose Requested Injection Quantity exceeds their respective Available Storage Injectability are in the same proportions as their respective Available Storage Injectability.

### 5.3 Quantity injected

- 5.3.1 In accordance with paragraph 1.2.2, but subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, Transco LNG Storage shall secure that the quantity of gas injected by the User will be the Storage Nominated Quantity under the User's Storage Injection Nomination.

### 5.4 Injection outside the Transco LNG Injection Period

- 5.4.1 Subject to paragraph 5.4.5, a User who holds unfilled Storage Space in a Transco LNG Storage Facility may make an injection (a "**late injection**") of gas into the facility on a Day after the end of the Transco LNG Injection Period (in the relevant Storage Year) in the circumstances in paragraph 5.4.3.
- 5.4.2 A User who wishes to make a late injection on a Day shall notify Transco LNG Storage not later than the LNG Storage Injection Nomination Time specifying the Transco LNG Storage Facility and the quantity of gas to be injected, which notification may not be withdrawn or amended.
- 5.4.3 The circumstances in which a late injection may take place are:
- (a) where other Users are withdrawing gas from the relevant Transco LNG Storage Facility in quantities in aggregate exceeding the late injection quantity, or
  - (b) where no User is withdrawing gas from the facility, the facility is not being held

ready to allow such withdrawals and the injection facilities are not in course of maintenance or other works and are otherwise capable of being put in operation for the Day and Transco has not notified Transco LNG Storage of any Transportation Constraint which Transco anticipates would arise if such injection were to take place.

- 5.4.4 Transco LNG Storage will make available details of the Transco LNG Storage Facilities in respect of which the circumstances under paragraph 5.4.3 are from time to time satisfied.
- 5.4.5 Transco LNG Storage may at any time (before or within the Gas Flow Day) by giving not less than 60 minutes notice to the User cancel or discontinue or reduce the rate of any late injection where or to the extent that the circumstances in paragraph 5.4.3 cease or have ceased to be satisfied.
- 5.4.6 The restrictions under this paragraph 5.4 applying to late injections do not apply to the Top-up Manager or Transco for Operating Margins Purposes.

## 5.5 Injection Charges

- 5.5.1 Users shall pay charges (“**Storage Injection Charges**”) in respect of quantities injected into each Transco LNG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were injected.
- 5.5.2 Storage Injection Charges will be invoiced and are payable monthly in accordance with paragraph 8.

## 5.6 Transco LNG Storage Interruption and Cancellation of Injection

- 5.6.1 Where a User has made a Storage Injection Nomination in respect of a Gas Flow Day for a Storage Nomination Quantity in excess of its available injection rate, Transco LNG Storage may by notice to the User, at any time not later than 1200 hours on the Preceding Day (or the start of the injection lead time for the Gas Flow Day, if later), interrupt that part of the User’s Storage Nomination Quantity that is in excess of the User’s available injection rate. In the event of such interruption, no compensation shall be due to the User and the User’s Storage Nomination Quantity pursuant to Storage Injection Nominations for such Day(s) will be deemed to be the User’s available injection rate multiplied by the number of full remaining hours in the Gas Flow Day.
- 5.6.2 Where it is planned or known before the Gas Flow Day that (by reason of failure, repair or maintenance of such facilities, whether or not resulting from Force Majeure) the injection facilities at a Transco LNG Storage Facility will not be in operation for any reason (other than as a result of interruption by Transco as set out in paragraph 5.8) in any period (not being an Injection Maintenance Period) in the Transco LNG Injection Period, or any period outside the Transco LNG Injection Period in respect of which a User has submitted a notice in accordance with paragraph 5.4:



- (a) Transco LNG Storage may notify Users that injection to that facility for such period is cancelled, by notice (“**cancellation notice**”) given not later than 12:00 hours on the Preceding Day, and specifying such period of cancellation; and
- (b) where a cancellation notice is given, the Users’ Storage Nomination Quantities pursuant to Storage Injection Nominations for such Day(s) in which the period falls will be deemed to be reduced to such quantities as may be notified by Transco LNG Storage (provided no User shall have a deemed Storage Nomination Quantity pursuant to this paragraph greater than the Storage Nomination Quantity contained in the User’s Storage Injection Nomination(s) for such Day(s)).

#### 5.6.3 Where:

- (a) in the circumstances in paragraph 5.6.2 Transco LNG Storage does not give a cancellation notice for a Day; or
- (b) the injection facilities at a Transco LNG Storage Facility become non-operational after 12:00 hours on the Preceding Day;

then, without prejudice to paragraph 1.5, the Storage Nomination Quantities of Users will not be affected and shall be deemed to be those in the prevailing Storage Injection Nominations.

- 5.6.4 For each Day where Transco LNG Storage submits a cancellation notice or cancellation notices pursuant to 5.6.2 for the relevant Transco LNG Storage Facility such that the aggregate period or periods of cancellation exceeds three hundred and sixty (360) hours in the Transco LNG Injection Period, then Transco LNG Storage will pay to each User holding Available Storage Injectability at the relevant Transco LNG Storage Facility for the Gas Flow Day in question an amount calculated as:-

$$(C / 183) * (U-F)$$

where:

- C is the Applicable Storage Injectability Charge Rate;
- U is the Storage Nomination Quantity under the User’s Storage Injection Nomination (but for the avoidance of doubt not exceeding the User’s Available Storage Injectability) for the Day; and
- F is the quantity of gas injected or deemed to be injected into the Transco LNG Storage Facility by the User during the Gas Flow Day in question.

## 5.7 Transco LNG Storage Injection Failure

### 5.7.1 Where for any Day:

- (a) a User makes in respect of a Transco LNG Storage Facility a Storage Injection Nomination which complies with the requirements of this Section Z, and



(b) Transco LNG Storage is in breach of paragraph 5.3,

Transco LNG Storage will pay to the User an amount calculated in accordance with paragraph 5.7.2.

5.7.2 The amount payable by Transco LNG Storage shall be determined as:

$$(C / 183) * (U-F)$$

where:

C is the Applicable Storage Injectability Charge Rate;

U is the Storage Nomination Quantity under the User's Storage Injection Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Injectability) for the Day; and

F is the quantity of gas injected or deemed to be injected into the Transco LNG Storage Facility by the User during the Gas Flow Day in question.

5.7.3 Upon any failure of the injection facilities of a Transco LNG Storage Facility:

(a) Transco LNG Storage will (promptly upon such failure occurring) inform each relevant User of such failure, and of the approximate quantities already injected by the User, and the estimated impact of such failure upon the quantities to be injected by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure);

(b) each such User may elect, by making a Renomination of its Storage Injection Nomination, to continue to inject such quantities as Transco LNG Storage have notified are available for injection by the User or to discontinue further injection on the Day.

5.7.4 Where Transco LNG Storage wilfully or recklessly fails to operate (where otherwise capable of operation) the injection facilities of a Transco LNG Storage Facility, the quantity of gas injected by a User into such facility shall, notwithstanding such failure, be equal to the Storage Nominated Quantity (and accordingly paragraph 5.7.1 shall not apply).

## 5.8 Transco Interruption of Injection

5.8.1 In respect of a Transco LNG Storage Facility, where Transco notified Transco LNG Storage that it requires the interruption of the offtake of gas at a Storage Connection Point pursuant to [Section R3.2](#), Transco LNG Storage may in respect of the Day in relation to which Transco so notified Transco LNG Storage cancel injection or reduce the quantities injected by Users to such facility for the purposes of avoiding or limiting a Transportation Constraint which Transco anticipates would otherwise arise.

5.8.2 Where Transco LNG Storage cancels injection or reduces injection quantities under paragraph 5.8.1, Transco LNG Storage will revise on behalf of Users their Storage Injection Nominations and notify such revised Storage Nomination Quantities as soon as reasonably practicable after the requirement for interruption was known.

- 5.8.3 Where in respect of a Transco LNG Storage Facility Transco LNG Storage is in receipt of a notice from Transco pursuant to [Section R3.2](#) in respect of the interruption of the offtake of gas at the Storage Connection Point, Transco LNG Storage will indemnify the User and hold it harmless against any charges payable by the User to Transco pursuant to [Section G6](#) in respect of the failure by the User to interrupt the offtake of gas at the relevant Storage Connection Point.

## 5.9 Emergencies

- 5.9.1 On any Day during a Gas Supply Emergency Transco LNG Storage may take steps to suspend injection of gas at a Transco LNG Storage Facility in order to comply with Transco's instructions pursuant to [Section Q3.3.3](#) notwithstanding the Users Nominations in respect of such Day, and where Transco LNG Storage takes such steps the aggregate quantity injected on such Day will be apportioned between Users in the same proportions as their respective Storage Nomination Quantities pursuant to Storage Injection Nominations on such Day.
- 5.9.2 Paragraph 6.7.2 shall apply in the event of a Network Gas Supply Emergency.
- 5.9.3 Following a Gas Supply Emergency Transco LNG Storage will cooperate with Users with a view to enabling Users to inject quantities into Transco LNG Storage Facilities (notwithstanding such injection may conflict with any requirements under this Section Z) to replace gas withdrawn from Transco LNG Storage Facilities during the Gas Supply Emergency.

## 5.10 Storage Injectability Refund

- 5.10.1 Where a User has satisfied the conditions set out in paragraph 5.10.2, the provisions of paragraph 5.10.3 shall apply.
- 5.10.2 The conditions referred to in paragraph 5.10.1 are that:-
- (a) the User has gas-in-storage less than its Registered Storage Space in a Transco LNG Storage Facility at the end of the Transco LNG Injection Period; and
  - (b) the sum of:-
    - (i) the user's opening balance; plus
    - (ii) the aggregate of the Storage Nomination Quantities of Storage Injection Nominations made by the User in respect of the relevant Transco LNG Storage Facility during the Transco LNG Injection Period; plus
    - (iii) the aggregate quantities of gas-in-storage transferred to the User as transferee during the Transco LNG Injection Period; less
    - (iv) the aggregate of the Storage Nomination Quantities of Storage Withdrawal Nominations made by the User in respect of the relevant Transco LNG Storage Facility during the Transco LNG Injection Period; less
    - (v) the aggregate quantities of gas-in-storage transferred by the User as transferor during the Transco LNG Injection Period;



is (other than as a result of any interruption pursuant to paragraph 5.6.1 or cancellation pursuant to paragraph 5.6.2) greater than or equal to the Registered Storage Space of the User.

5.10.3 Where this paragraph applies, the User shall be entitled (upon giving notice to Transco LNG Storage in accordance with paragraph 5.10.4) to return to Transco LNG Storage an amount of Storage Space equal to the amount of the User's Registered Storage Space which exceeds the User's gas-in-storage, as referred to in paragraph 5.10.2(a).

5.10.4 The notice referred to in paragraph 5.10.3 shall:-

- (a) be given with 5 Days of the end of the Transco LNG Injection Period for the User in question; and
- (b) specify the quantity of Storage Space to be returned.

5.10.5 The return referred to above shall take effect on the Day falling 10 Days after the end of the Transco LNG Injection Period for all Users. The User's Registered Storage Space shall be reduced by the amount of Storage Space returned to Transco LNG Storage pursuant to this paragraph 5.10. The Available Storage Space of any other User or Users to whom the returned Registered Storage Space had been transferred pursuant to this Section Z shall likewise be reduced accordingly.

5.10.6 Where a return takes effect pursuant to this paragraph 5.10, Transco LNG Storage shall pay to the User an amount equal to the Applicable Storage Space Charge Rate in respect of the quantity of Storage Space returned.

## 6 WITHDRAWALS

### 6.1 Entitlement to withdraw

6.1.1 Subject to paragraph 6.1.4, a User may withdraw gas from a Transco LNG Storage Facility on any Day (including a Day on which gas is being injected into the facility) during the Storage Year.

6.1.2 The User may not withdraw:

- (a) a quantity of gas on a Day which exceeds the User's gas-in-storage;
- (b) gas at a rate in excess of its available withdrawal rate.

6.1.3 For the purposes of enabling Users to make Storage Withdrawal Nominations Transco LNG Storage will provide to Users the calorific value from time to time of gas which may be withdrawn from each Transco LNG Storage Facility.

6.1.4 Subject to paragraph 6.1.6, Users may not withdraw gas from a Transco LNG Storage Facility on a Withdrawal Maintenance Day.

6.1.5 For the purposes of paragraph 6.1.4, in relation to a Transco LNG Storage Facility:

- (a) a "**Withdrawal Maintenance Day**" is a Day in the period from 1st May to 30th September in any Storage Year on which the withdrawal facilities of the Transco LNG Storage Facility are withdrawn from service for maintenance;





- (b) the number of Withdrawal Maintenance Days shall not exceed what is reasonably required for the purposes of the relevant maintenance, and in any event shall not exceed 28 Days in any Storage Year or 70 Days in any three consecutive Storage Years;
  - (c) the Withdrawal Maintenance Days shall be specified in the Annual Storage Invitation, provided that Transco LNG Storage may revise (but without prejudice to paragraph (b)) the Days which are Withdrawal Maintenance Days in any month by notice to relevant Users given not later than the Day before the LNG Storage Injection Nomination Time.
- 6.1.6 Users may withdraw gas from a Transco LNG Storage Facility on a Withdrawal Maintenance Day to the extent that the Storage Nomination Quantities under the Storage Withdrawal Nominations do not exceed the Nomination Quantities under Storage Injection Nominations for the Day in respect of the same facility; and where required the Nomination Quantities under such Storage Withdrawal Nominations will be reduced pro-rata, and Transco LNG Storage will inform relevant Users of the extent of such a pro-rata reduction as soon as practicable.

## 6.2 Renominations and Flexibility Nominations

- 6.2.1 Subject to the provisions of this Section Z and [Section R4](#), a User may make a Storage Renomination in respect of a Storage Withdrawal Nomination.
- 6.2.2 Where a User makes a Storage Renomination of a Storage Withdrawal Nomination (such a Storage Renomination or a Storage Nomination a "**relevant Storage Withdrawal Nomination**") the implied withdrawal rate shall not exceed the available withdrawal rate and shall not be less than zero.
- 6.2.3 Where a User makes a relevant Storage Withdrawal Nomination in respect of which the implied withdrawal rate is greater than the available withdrawal rate, the User shall pay:
- (a) a Storage Overrun Charge in accordance with paragraph 7.1; and
  - (b) any Storage Management Charge which may be payable in accordance with paragraph 7.3.
- 6.2.4 Where a User makes a relevant Storage Withdrawal Nomination in respect of which the implied withdrawal rate is less than zero, Transco LNG Storage may (but shall not be required to) reject the relevant Storage Withdrawal Nomination; and where Transco LNG Storage does not reject the relevant Storage Withdrawal Nomination the User shall pay a Storage Management Charge in accordance with paragraph 7.3.
- 6.2.5 For the purposes of this Section Z, in relation to a relevant Storage Withdrawal Nomination:
- (a) the "**available withdrawal rate**" is the rate (in kWh/hour) determined as the sum of:
    - (i) the Available Storage Deliverability divided by 24; and
    - (ii) where the User is a party to an arrangement for Special Storage Capacity, the lesser of:



- (1) the maximum permissible Nomination Quantity thereunder divided by 24;
    - (2) following any reduction to the Nomination Quantity, the Users reduced Nomination Quantity divided by the period (in hours) from the time which the revision takes effect until the end of the Gas Flow Day.
  - (b) the "**implied withdrawal rate**" is the prevailing withdrawal rate plus (in the case of an increase in Nomination Quantity or a System Entry Buy) or minus (in the case of a decrease in Nomination Quantity or a System Entry Sell) the incremental withdrawal rate;
  - (c) the "prevailing withdrawal rate" is:
    - (i) where no earlier such Renomination or Flexibility Nomination has been made, the rate (in kWh/hour) determined as the Nomination Quantity under the User's Storage Withdrawal Nomination divided by 24 (or where the User had made no Storage Withdrawal Nomination, zero);
    - (ii) in any other case, the implied withdrawal rate, determined in accordance with this paragraph 6.2.5, prevailing immediately before the relevant Storage Withdrawal Nomination;
  - (d) the "**incremental withdrawal rate**" is the rate (in kWh/hour) determined as the amount of the increase or decrease in Nomination Quantity or as the case may be the amount of the Flexibility Quantity under the relevant Storage Withdrawal Nomination divided by the relevant period;
  - (e) the "**relevant period**" is the period in hours calculated from the time when the relevant Storage Withdrawal Nomination becomes effective, and continues until either (i) the time when a further relevant Storage Withdrawal Nomination becomes effective, or (ii) the end of the Gas Flow Day, whichever shall occur first and for the purposes of calculating the relevant period, a relevant Storage Withdrawal Nomination shall become effective at the time the nomination is made or in respect of a Contract Renomination at the time the Physical Market Transaction giving rise to the requirement to make the Contract Renomination was made plus the withdrawal lead time prevailing at such time or the Transaction Effective Time in relation to such Physical Market Transaction if longer.
- 6.2.6 In respect of any Transco LNG Storage Facility the "**withdrawal lead time**", as at any time after the LNG Storage Withdrawal Nomination Time, is the period of notice required (by reference to the prevailing operational status of the facility at such time) before Transco LNG Storage can give effect to an increase or (as the case may be) a decrease in the rate of withdrawal of gas from the facility on the Gas Flow Day.
- 6.2.7 With effect from the LNG Storage Withdrawal Nomination Time Transco LNG Storage will make available to Users the prevailing withdrawal lead times (for an increase and for a decrease) for the Gas Flow Day in respect of each Transco LNG Storage Facility.
- 6.2.8 Where in respect of a Constrained Storage Day a User has made a Storage Withdrawal Nomination in respect of a Constrained Storage Facility which exceeds the Storage



Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)) the User may make a Storage Renomination such that the revised Storage Nomination Quantity is not less than the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)).

### 6.3 Quantity withdrawn

In accordance with paragraph 1.2.2, but subject to paragraph 1.5 and to any other provisions to the contrary in this Section Z, Transco LNG Storage shall secure that the quantity of gas withdrawn by the User will be the Storage Nominated Quantity under the User's Storage Withdrawal Nomination.

### 6.4 Mandatory Withdrawals

- 6.4.1 Subject to paragraphs 6.4.3 and 6.4.6, where on any Day a User becomes liable to pay a Storage Overrun Charge in accordance with paragraph 7.1.1, the User shall be deemed to have made a Storage Withdrawal Nomination (and accordingly shall withdraw gas), for each of the 5 consecutive Days (Days 1 to 5) following such Day, for a Storage Nomination Quantity determined as 1/n times the amount of the User's Excess Gas-in-Storage.
- 6.4.2 For the purposes of paragraph 6.4.1:
- (a) 'n' is 5 for Day 1, 4 for Day 2, 3 for Day 3, 2 for Day 4 and 1 for Day 5;
  - (b) the User's "**Excess Gas in Storage**" on any of Days 1 to 5 is the amount by which the User's gas-in-storage, less the Permitted Uncovered Amount (under paragraph 3.6.2), exceeds its Available Storage Space, on that Day.
- 6.4.3 If the User makes a Storage Withdrawal Nomination for any of Days 1 to 5 for a Storage Nomination Quantity greater than that required under paragraph 6.4.1, the User's Nomination shall prevail over the deemed Nomination under paragraph 6.4.1.
- 6.4.4 The User may not make a Storage Renomination pursuant to which the Storage Nomination Quantity for any of Days 1 to 5 would be less than that required under paragraph 6.4.1.
- 6.4.5 The Storage Withdrawal Nomination deemed made under paragraph 6.4.1 shall be given effect irrespective of the User's Available Storage Deliverability, and the User shall be liable for any Storage Overrun Charge and any Storage Management Charge which may be payable in consequence thereof (as well as for Storage Withdrawal Charges).
- 6.4.6 Where the Total Storage Deliverability is insufficient to give effect on any Day to the Storage Withdrawal Nomination pursuant to paragraph 6.4.1 as well as all other withdrawals from the relevant Transco LNG Storage Facility, the Storage Withdrawal Nomination shall be made only for such quantity for which the Total Storage Deliverability is so sufficient; and further Storage Withdrawal Nomination(s) shall be deemed to be made for the balance of the quantity required to be withdrawn by the User on the next Day(s) on which it is possible for a quantity to be withdrawn.

### 6.5 Withdrawal Charges



- 6.5.1 Users shall pay charges ("**Storage Withdrawal Charges**") in respect of quantities withdrawn from each Transco LNG Storage Facility at the rate (in pence per kWh) specified in the Annual Storage Invitation in respect of such facility for the month in which such quantities were withdrawn.
- 6.5.2 Storage Withdrawal Charges will be invoiced and are payable monthly in accordance with paragraph 8.

## 6.6 Transco LNG Storage Withdrawal Failure

- 6.6.1 Subject to paragraphs 1.5 and 6.6.4, where for any Day:
- (a) a User makes in respect of a Transco LNG Storage Facility a Storage Withdrawal Nomination which complies with the requirements of this Section Z, and
  - (b) Transco LNG Storage fails to ensure that the quantity of gas withdrawn by the User is equal to the Storage Nominated Quantity (and is accordingly in breach of paragraph 6.3),

Transco LNG Storage will pay to the User an amount calculated in accordance with paragraph 6.6.2.

- 6.6.2 The amount payable by Transco LNG Storage shall be determined as:

$$C * (N - A) / 5$$

where:

C is the Applicable Storage Deliverability Charge Rate;

N is the amount of the Nominated Quantity under the User's Storage Withdrawal Nomination (but for the avoidance of doubt not exceeding the User's Available Storage Deliverability) for the Day;

A is the quantity of gas which is withdrawn by the User on the Day.

- 6.6.3 Upon any failure of the withdrawal facilities of a Transco LNG Storage Facility:
- (a) Transco LNG Storage will (promptly upon such failure occurring) inform each relevant User of such failure, and of the approximate quantities already withdrawn by the User, and the estimated impact of such failure upon the quantities to be withdrawn by the User, on the Day of the failure (but no such notification shall prejudice the question whether such failure is Force Majeure);
  - (b) subject to [Section R4.2.5](#), each such User may elect, by making a Renomination of its Storage Withdrawal Renomination, to continue to withdraw such quantities as Transco LNG Storage has notified are available for withdrawal by the User or to discontinue further withdrawal on the Day.
- 6.6.4 Where Transco LNG Storage willfully or recklessly fails to operate (where otherwise capable of operation) the withdrawal facilities of a Transco LNG Storage Facility, the quantity of gas withdrawn by a User from such facility shall, notwithstanding such



failure, be equal to the Storage Nominated Quantity (and accordingly paragraph 6.6.1 shall not apply).

## 6.7 Emergencies

- 6.7.1 On any Day during a Gas Supply Emergency Transco LNG Storage may take steps to increase the flow rates at a Transco LNG Storage Facility in order to comply with Transco's instructions pursuant to [Section Q3.3.3](#) notwithstanding the Users Nominations in respect of such Day, and where Transco LNG Storage takes such steps the aggregate quantity withdrawn on such Day will be apportioned between Users in the proportions in which they have gas-in-storage on such Day.
- 6.7.2 In respect of each Day or part of a Day during a Network Gas Supply Emergency, the provisions of Section Z as to Storage Overrun Charges, Storage Management Charges and Injection Scheduling Charges will not apply, and the rules as to injection and withdrawal shall be modified or disapplied to the extent necessary to give effect to this paragraph 6.7.

## 6.8 Effect of Nomination

- 6.8.1 Each User holding Storage Space in a Constrained Storage Facility authorises the Storage Operator to deliver gas to the System at the Storage Connection Point pursuant to a Storage Constrained Renomination.
- 6.8.2 The Storage Constrained Nomination Quantity under a Storage Constrained Renomination will be independent of the relevant User's Available Storage Deliverability, and other than where the circumstances in paragraph 6.8.3 apply, Transco and not the User, will be liable (in accordance with paragraph 7, which shall apply *mutates mutandis* to Transco for the purposes of this paragraph) to pay (to Transco LNG Storage) any Storage Overrun Charges which may arise from a Storage Constrained Renomination.
- 6.8.3 Where the relevant User has made or makes a Storage Withdrawal Nomination for the Constrained Storage Facility in respect of which the Storage Nomination Quantity exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not (d)) the User will be liable (in accordance with paragraph 7) to pay any Storage Overrun Charges which may arise from the Storage Withdrawal Nomination.

## 6.9 Storage Constrained Nomination Quantity

- 6.9.1 On a Constrained Storage Day Storage Withdrawal Nominations will be made by Transco LNG Storage on behalf of Users ("**Storage Constrained Renomination**"); and the Storage Nomination Quantities will be determined in accordance with this paragraph 6.9.
- 6.9.2 Subject to paragraph 6.9.3, where on any Constrained Storage Day more than one User has gas-in-storage in a Constrained Storage Facility, the Storage Nomination Quantity ("**Storage Constrained Nomination Quantity**") for each User shall be determined so that each of the following conditions are satisfied:
- (a) the aggregate of the Storage Constrained Nomination Quantities under the Storage Constrained Renominations shall be equal to the Total Constrained Quantity;



- (b) for each User, the Storage Constrained Nomination Quantity shall not exceed the User's gas-in-storage for the Constrained Storage Day;
  - (c) subject to paragraph (d), for each User the Storage Constrained Nomination Quantity shall be in the proportions in which all Users have Available Storage Space in the Constrained Storage Facility on the Constrained Storage Day;
  - (d) subject to (a), where one or more Users have already made Storage Withdrawal Nominations or make a Storage Renomination under paragraph 6.2.8 for the Constrained Storage Facility in respect of which the Storage Nomination Quantity exceeds the Storage Constrained Nomination Quantity (in accordance with paragraph 6.9.2(c) but not this paragraph(d)) the Storage Constrained Nomination Quantity:
    - (i) for any User with such a prevailing Storage Withdrawal Nomination or Storage Renomination, shall be equal to the prevailing Storage Nomination Quantity; and
    - (ii) in respect of other Users shall be the remainder of the Total Constrained Quantity in the proportions in which all such other Users have Available Storage Space in the Constrained Storage Facility on the Constrained Storage Day.
- 6.9.3 Where the Total Constrained Quantity is less than the aggregate of the Storage Nomination Quantities under Storage Withdrawal Nominations already made by Users in respect of the relevant Constrained Storage Facilities for the Constrained Storage Day:
  - (a) Storage Constrained Nomination Quantities will be determined in accordance with paragraph 6.9.4;
  - (b) the Storage Constrained Renominations shall not take effect to revise the Storage Withdrawal Nominations made by Users and prevailing at the time the Storage Constrained Renomination is made (and accordingly the Storage Nomination Quantity under each such User's Storage Withdrawal Nomination shall prevail over the Storage Constrained Nomination Quantity); and
  - (c) no User may make a Storage Renomination in respect of the relevant Storage Connection Point such that the Storage Nomination Quantity (prevailing after such Storage Renomination) would be less than the Storage Constrained Nomination Quantity determined in accordance with paragraph 6.9.4.
- 6.9.4 Storage Constrained Nomination Quantities shall be determined in accordance with paragraph 6.9.2 but so that the following provisions shall apply in lieu of paragraphs 6.9.2(c) and (d) (which shall not apply):
  - (a) where the User has not already made a Storage Withdrawal Nomination the Storage Constrained Nomination Quantity shall be zero;
  - (b) where a User has already made a Storage Withdrawal Nomination, the Storage Constrained Nomination Quantity shall not be greater than the Storage Nomination Quantity prevailing at the time the Storage Constrained Renomination is made;





- (c) for each User for whom the Storage Constrained Nomination Quantity is less than the Storage Nomination Quantity prevailing under any Storage Withdrawal Nomination already made, the Storage Constrained Nomination Quantities shall be in the proportions in which all such User's have Available Storage Space on the Constrained Storage Day.

## 7 STORAGE OVERRUN, SCHEDULING AND MANAGEMENT CHARGES

### 7.1 Storage Overrun Charges

7.1.1 Where on any Day ("**storage overrun day**") as a result of a Storage Transfer and/or the submission of a Storage Nomination in respect of a Transco LNG Storage Facility:

- (a) the amount of a User's gas-in-storage, excluding uncovered gas-in-storage in the Permitted Uncovered Amount, exceeds the User's Available Storage Space, and/or
- (b) the quantity of gas withdrawn by a User exceeds the User's gas-in-storage, and/or
- (c) the Transferred Gas-in-Storage under a Storage Gas Transfer for which the User is Transferor Storage User exceeds the User's gas-in-storage, and/or
- (d) in respect of a Storage Withdrawal Nomination, the implied withdrawal rate exceeds the available withdrawal rate, and/or
- (e) in respect of a Storage Injection Nomination, the implied injection rate exceeds the available injection rate;

the User shall pay a charge ("**Storage Overrun Charge**") to Transco LNG Storage determined in accordance with paragraph 7.1.2.

7.1.2 The Storage Overrun Charge shall be calculated:

- (a) for the purposes of paragraph 7.1.1(a), in respect of the amount by which the User's gas-in-storage exceeds the User's Available Storage Space, at a rate of 110% of the Applicable Storage Space Charge Rate;
- (b) for the purposes of paragraphs 7.1.1(b) and (c), in respect of the overrun quantity (in accordance with paragraph 7.1.4), at a rate of 110% of the System Marginal Buy Price for the storage overrun day;
- (c) for the purposes of 7.1.1(d):
  - (i) where the overrun occurs during the Winter Period, at a rate equal to the greater of 150% of the System Marginal Buy Price for the storage overrun day in question or 0.5 pence per kWh;
  - (ii) where (i) does not apply, at a rate equal to the greater of 130% of the System Marginal Buy Price for the storage overrun day in question or 0.5 pence per KWh.



- (d) for the purposes of paragraph 7.1.1(e), at a rate equal to the Daily Injection Overrun Price.
- 7.1.3 Storage Overrun Charges will be invoiced and are payable monthly in accordance with paragraph 8.
- 7.1.4 In the cases in paragraphs 7.1.1(b) and (c):
  - (a) Transco LNG Storage will purchase gas to replace for the account of the User the overrun quantity which will be extinguished with effect from the storage overrun day (accordingly the User's gas-in-storage will not become negative);
  - (b) the "**overrun quantity**" is the quantity of gas determined as the amount by which (for the purposes of paragraph 7.1.1(b)) the quantity of gas withdrawn by the User on the Day, or (for the purposes of paragraph 7.1.1(c)) the Transferred Gas-in-Storage, exceeds the User's gas-in-storage on the Day.
- 7.1.5 Where the Annual Storage Invitation was made under paragraph 3.1.2(b), references in this paragraph 7.1 to the Applicable Storage Space Charge Rate and Applicable Storage Deliverability Charge Rate are to the late booking rates pursuant to paragraph 3.7.8.
- 7.1.6 Where pursuant to [Section R4.6.8](#) Transco LNG Storage makes an Output Nomination (as User) in respect of a Storage Connection Point (for injection into a Transco LNG Storage Facility);
  - (a) such injection quantity will be treated as injected by the relevant User into the Transco LNG Storage Facility (but will not be treated as being offtaken from the System by the User) on the Day in respect of which Transco LNG Storage makes such Output Nomination;
  - (b) the relevant User shall pay Transco LNG Storage an amount calculated as 110% of the System Marginal Buy Price for the relevant Day multiplied by the relevant quantity.
- 7.1.7 For the purposes of this Section Z:-
  - (a) "**Daily Injection Overrun Price**" shall mean the rate (in pence per kWh) applicable to the Gas Flow Day in question, as notified by Transco LNG Storage to Users not later than 12:00 on the later of:-
    - (i) the Day falling 15 Days prior to the Gas Flow Day in question, or
    - (ii) the first Day of the injection lead time in respect of the Gas Flow Day in question,provided that the such rate shall not be greater than the Monthly Injection Overrun Cap; and
  - (b) "**Monthly Injection Overrun Cap**" shall mean the rate (in pence per kWh) set by Transco LNG Storage no later than the thirteenth day of the month preceding the month in which the Gas Flow Day falls and shall mean the lesser of:-
    - (i) 0.1365 pence per kWh, or such lower amount as may be specified in the Annual Storage Invitation; and





- (ii) the rate calculated as follows:-

$$\frac{(\text{ASGP} - \text{ACP})}{2}$$

2

Where:

$$\text{ASGP is calculated as: } \frac{(\text{ASAP} + \text{EFPA})}{2}$$

2

Where:

ASAP is the average of the System Average Price for each Day from 1 May in the current Storage Year up to (but not including) the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage. For the avoidance of doubt, ASAP shall be zero for any injection overrun that occurs in the month of May in any Storage Year;

EFPA is the average of the NBP Bid prices published in the European Spot Gas Markets – The Heren Report (“Heren”) on the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage for each Day from the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage up to (and including) 31 October in the current Storage Year. For the avoidance of doubt, EFPA shall be zero for any injection overrun that occurs after 30 November in any Storage Year; and

ACP is the NBP Bid price, published in Heren on the Day on which the Monthly Injection Overrun Cap is set by Transco LNG Storage, for the month in which the injection overrun occurs;

Provided always that, where ACP is greater than ASGP, then the rate calculated as set out in this paragraph (ii) shall be deemed to be zero; and

Provided further that in the event that any index referred to above ceases (either temporarily or permanently) to be published or made available then this paragraph (ii) shall cease to apply.

## 7.2 Not Used.

## 7.3 Storage Management Charges

### 7.3.1 Where:

- (a) an event has occurred or circumstances arisen in respect of which any provision of this Section Z requires a User to pay a Storage Management Charge, and
- (b) in consequence of such event or circumstance Transco LNG Storage incurs any relevant loss (in accordance with paragraph 7.3.2) in doing anything with a view to:
  - (i) complying with its obligations to Users under this Section Z,



- (ii) ensuring the safe and proper operation of the LNG Facilities, or
- (iii) avoiding a greater relevant loss,

the User shall pay to Transco LNG Storage an amount equal to the amount of the relevant loss so incurred.

- 7.3.2 For the purposes of this paragraph 7.3, a "**relevant loss**" is any Balancing Charge or increase in a Balancing Charge payable by, or reduction in a Balancing Charge payable to, Transco LNG Storage.
- 7.3.3 Transco LNG Storage will (at the time the Storage Management Charge is invoiced under paragraph 7.3.5) certify the amount of any relevant loss and provide to the User reasonable details (excluding any information which is commercially sensitive in relation to Transco LNG Storage or any other User) of the circumstances in which the relevant loss was incurred in consequence of the event or circumstance referred to in paragraph 7.3.1(a) and the determination of the amount of the relevant loss.
- 7.3.4 Where a relevant loss is incurred in circumstances in which more than one User is liable to pay a Storage Management Charge, the amount payable by each User will be determined by Transco LNG Storage having regard (so far as practicable) to the extent to which each User contributed to the relevant loss, and otherwise on such basis as Transco LNG Storage shall determine to be reasonable.
- 7.3.5 The amount referred to in paragraph 7.3.1 shall be a "**Storage Management Charge**" and shall be invoiced and are payable monthly in accordance with paragraph 8.

## 8 INVOICING AND PAYMENT

### 8.1 Invoicing

- 8.1.1 The amounts payable by the User to Transco LNG Storage and by Transco LNG Storage to the User in accordance with this Section Z will be invoiced and are payable in accordance with this paragraph 8:
- (a) a "**Storage Invoice Period**" is a calendar month;
  - (b) a "**Storage Invoice**" is an invoice submitted by Transco LNG Storage to a User in accordance with this paragraph 8;
  - (c) a "**Storage Invoice Item**" is an item (in respect of all charges of a particular kind) shown as payable by Transco LNG Storage or by a User in an Storage Invoice (including where relevant a Storage Self Bill Amount) including interest payable in accordance with this paragraph 8;
  - (d) a "**Storage Invoice Amount**" is in relation to a Storage Invoice Item, the amount payable by the User or Transco LNG Storage under the relevant Storage Invoice .
- 8.1.2 Each Storage Invoice submitted by Transco LNG Storage will specify:
- (a) the identity of the User;



- (b) the Storage Invoice Period;
- (c) in respect of each Storage Invoice Item, the Storage Invoice Amount;
- (d) a unique reference number; and
- (e) the amount of Value Added Tax (if any) payable in respect of each Storage Invoice Item and the further details required under regulation 14 of the regulations referred to in paragraph 8.1.3

and shall be accompanied by all reasonably necessary supporting data and information.

- 8.1.3 A Storage Invoice may show as a Storage Invoice Amount an amount (a "**Storage Self Bill Amount**") payable by Transco LNG Storage to the User in respect of which Regulation 13(3) of the Value Added Tax Regulations 1995 is to apply.
- 8.1.4 A Storage Invoice may contain an adjustment by way of a credit ("**Storage Invoice Credit**") in respect of a Storage Invoice Amount in another Storage Invoice (and where a Storage Invoice contains a Storage Invoice Credit it will identify the amount of the Storage Invoice Credit and the Storage Invoice to which the Storage Invoice Credit relates).
- 8.1.5 The User may elect, by notice in writing to Transco LNG Storage to receive Storage Invoices by post or by such electronic means as the User and Transco LNG Storage agree will be available for the submission of Storage Invoices, and Transco LNG Storage will submit Storage Invoices by post or (as the case may be) by such electronic means.
- 8.1.6 Transco LNG Storage will submit a Storage Invoice in respect of each Storage Invoice Period by the Storage Invoice Submission Date (provided that no delay in submitting a Storage Invoice will prejudice the liability of the User or Transco LNG Storage for the amounts in relation thereto).
- 8.1.7 The date on which Transco LNG Storage shall submit a Storage Invoice ("**Storage Invoice Submission Date**") shall be the 7th Business Day of the month following the Storage Invoice Period.
- 8.1.8 Notwithstanding paragraph 8.1.6, Transco LNG Storage may at any time after submitting a Storage Termination Notice (in accordance with paragraph 10) submit a Storage Invoice in respect of a Storage Invoice Period or part of a Storage Invoice Period ending at or before the time at which Transco LNG Storage submits such Storage Invoice, and where Transco LNG Storage has submitted a Storage Termination Notice to the User, all amounts payable by the User to Transco LNG Storage or Transco LNG Storage to the User (whether the Storage Invoice in which such amounts are shown was submitted before or after the date of the Storage Termination Notice) shall be immediately payable notwithstanding paragraph 8.1.10.
- 8.1.9 All amounts expressed as payable under this Section Z are exclusive of any applicable Value Added Tax and Value Added Tax shall be paid by the paying party where payable in respect of any such amount.
- 8.1.10 The "**Storage Invoice Due Date**" in respect of a Storage Invoice is the day ending at 24:00 hours on whichever was the later of:



- (a) the 12th Day after the Storage Invoice was deemed to be received in accordance with [Section V11](#);
- (b) the 20th Day after the last Day of the Storage Invoice Period to which the Storage Invoice relates.

8.1.11 The account name, number, name, address and sort code of the bank in the United Kingdom to which payments by the User to Transco LNG Storage or by Transco LNG Storage to the User are to be made shall be those advised by the User and Transco LNG Storage pursuant to [Section S3.2](#) provided that the User and Transco LNG Storage shall advise the other of any changes in such details for the purposes of this Section Z not less than 30 Days before such change occurs.

## 8.2 Payment

8.2.1 Payments of amounts payable under this Section Z shall be in pounds sterling (and not in euro) in same day funds to the account of the payee at a bank in the United Kingdom notified to the payer under paragraph 8.1.11 and the payer shall instruct the bank remitting payment of any amount payable under this Agreement to quote the number (under paragraph 8.1.2(d)) of the relevant Storage Invoice when remitting such payment.

8.2.2 Without prejudice to paragraph 8.3.4, amounts payable pursuant to this Section Z shall be paid:

- (a) free and clear of any restriction, reservation or condition; and
- (b) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the paying party, whether by set-off, counterclaim or otherwise; and
- (c) where payment is to be made by the User and any deduction or withholding is required to be made by the law of any country other than the United Kingdom:
  - (i) such that the deduction or withholding does not exceed the minimum required;
  - (ii) and the User shall pay Transco LNG Storage such additional amounts as will ensure that the net amount received by Transco LNG Storage will be equal to the amount which Transco LNG Storage would have received had no such deduction or withholding been made;
  - (iii) and the User shall pay the amount deducted or withheld to the relevant authority in accordance with the relevant requirement of the law, and provide to Transco LNG Storage a receipt issued by such authority (or where such a receipt is not available) a certificate in respect of such payment.

8.2.3 Without prejudice to paragraph 8.3.8, where any amount payable under a Storage Invoice is not paid on or before the Storage Invoice Due Date, the paying party shall pay interest, before and after judgment, at the Applicable Interest Rate, on the unpaid amount from the Storage Invoice Due Date until the Day on which the payment is made (and nothing in this paragraph 8.2.3 shall be construed as permitting late payment of a



Storage Invoice Amount).

8.2.4 Interest payable under this paragraph 8 shall:

- (a) accrue on a daily basis and on the basis of a 365 day year; and
- (b) be compounded to the extent and by virtue of being invoiced (not more frequently than each calendar month) in a Storage Invoice.

8.2.5 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or the subject of repayment, under this Agreement, and shall be the base rate for the time being of Barclays Bank plc plus:

- (a) except as provided in (b), three (3) percentage points per annum;
- (b) for the purposes only of paragraphs 8.3.7 and 8.3.9, one (1) percentage point per annum.

### 8.3 Invoice Queries

8.3.1 For the purposes of this paragraph 8 a "**Storage Invoice Query**" is any question or dispute as to the proper calculation of any amount shown as payable by the User or Transco LNG Storage under a Storage Invoice or as to whether any such amount was or is properly payable and references to the amount of a Storage Invoice Query are to the amount by which the User considers the Storage Invoice Amount to be incorrect.

8.3.2 Transco LNG Storage and the User will endeavour to resolve Storage Invoice Queries by agreement (and any references in this paragraph 8 to the resolution of a Storage Invoice Query is a reference to the resolution thereof by agreement between Transco LNG Storage and the User or to the outcome of any proceedings commenced by Transco LNG Storage or the User in respect thereof).

8.3.3 Where the User wishes to raise a Storage Invoice Query in respect of any amount shown as payable by the User under a Storage Invoice, the User may by not later than the Day before the Storage Invoice Due Date notify Transco LNG Storage of the Storage Invoice Query; specifying:

- (a) the number of the Storage Invoice;
- (b) the Storage Invoice Item to which the Storage Invoice Query relates;
- (c) an explanation of the basis on which the Storage Invoice Query arises, and the amount of the Storage Invoice Amount which is subject to the Storage Invoice Query:
  - (i) identified by reference to the particular item of supporting data in respect of which the Storage Invoice Query arises;
  - (ii) where the basis of the Storage Invoice Query is that the value of any parameter by reference to which the Storage Invoice is determined is incorrectly stated in the supporting data, the amount (estimated as accurately as reasonably practicable) by which such value is incorrectly



stated;

- (d) the amount of the Storage Invoice Amount which is not subject to the Storage Invoice Query determined on the basis that only so much of the Storage Invoice Amount as identified in (c) is subject to the Storage Invoice Query.
- 8.3.4 Where the User raises a Storage Invoice Query in accordance with the requirements of paragraph 8.3.3 (but not otherwise) the amount subject to the Storage Invoice Query shall not be payable on the Storage Invoice Due Date, but without prejudice to paragraph 8.3.6.
- 8.3.5 Except as provided in paragraph 8.3.4, but without prejudice to paragraph 8.3.8 the whole amount shown as payable by the User shall be payable on the Storage Invoice Due Date.
- 8.3.6 Where pursuant to paragraph 8.3.4, any amount is not paid on the Storage Invoice Due Date by the User, the amount (if any) which is agreed or determined (following resolution of the Storage Invoice Query) to be payable by the User shall be payable upon such resolution, and interest from the Storage Invoice Due Date shall be payable in accordance with paragraph 8.2.3 (but subject to paragraph 8.3.7) on such amount.
- 8.3.7 For the purposes of paragraph 8.3.6, where it is agreed or determined that the question or dispute the subject of the Storage Invoice Query pursuant to paragraph 8.3.4 was a bona fide question or dispute, the Applicable Interest Rate shall be that under paragraph 8.2.5(b) until the expiry of two (2) Business Days following the resolution of the Storage Invoice Query.
- 8.3.8 Subject to paragraph 8.3.10, nothing in this paragraph 8 shall prevent the User raising a Storage Invoice Query other than pursuant to paragraph 8.3.3, including in respect of any amount after payment has been made of such amount, or from paying any such amount at the same time as notifying a Storage Invoice Query in respect thereof; provided that (without prejudice to the resolution of the Storage Invoice Query) no constructive trust or other implied term as to the receipt or application by the payee of the amount paid shall arise.
- 8.3.9 Where, upon resolution of a Storage Invoice Query or otherwise, it is agreed or determined that any amount or part of any amount paid should not have been paid, the payee shall repay the overpaid amount with interest at the Applicable Interest Rate from the date on which the payment was made to it or if later the Storage Invoice Due Date until the date of such repayment.
- 8.3.10 As soon as reasonably practicable after any Storage Invoice Query is resolved, and in any event by the end of the second following month, Transco LNG Storage will prepare and submit to the relevant User an appropriate Storage Invoice in respect of the amount (if any) agreed or determined to be payable or repayable by Transco LNG Storage or the relevant User.
- 8.3.11 In the absence of fraud, after the expiry of 18 months (or any other period agreed between Transco LNG Storage and the User) after the Storage Invoice Due Date in respect of a Storage Invoice:
  - (a) no adjustment may be made to a Storage Invoice Amount under that Storage Invoice, other than:



- (i) an adjustment of which Transco LNG Storage has given notice to the User; or
- (ii) an adjustment pursuant to a Storage Invoice Query raised by the User in accordance with this paragraph 8
- (iii) before the expiry of such period;
- (b) no Storage Invoice Query may be raised in respect of the Storage Invoice;
- (c) the Storage Invoice shall (subject to any adjustments already made and any permitted under (a)) be deemed final and conclusive as to the amounts payable thereunder.

## 9 STORAGE CREDIT LIMIT

### 9.1 Transco LNG Storage Credit Agreement

- 9.1.1 A User may not use a Transco LNG Storage Facility unless it is party to a credit agreement (a "**Transco LNG Storage Credit Agreement**") with Transco LNG Storage.
- 9.1.2 For the purposes of this Section Z, a Transco LNG Storage Credit Agreement shall set out the terms and conditions relating to the calculation of a User's Storage Indebtedness, the requirements as regards the provision by a User of security to Transco LNG Storage and the calculation and revision of a User's Storage Credit Limit and for the purposes of this paragraph 9 a User's "**Storage Indebtedness**" and "**Storage Credit Limit**" shall have the meaning given to such terms in the Transco LNG Storage Credit Agreement to which it and Transco LNG Storage are a party.

### 9.2 Storage Indebtedness

- 9.2.1 Where:
  - (a) the User's Storage Indebtedness exceeds 70% of its Storage Credit Limit and Transco LNG Storage has given notice to that effect to the User;
  - (b) at any time following such notice the User's Storage Indebtedness exceeds 85% of its Storage Credit Limit and Transco LNG Storage has given notice to that effect to the User (which may be given at the same time as that under paragraph (a))

paragraphs 9.2.2 and 9.2.3 shall apply.

- 9.2.2 Where and for so long as the Storage Indebtedness of a User exceeds 85% of the User's Storage Credit Limit, Transco LNG Storage shall be entitled to reject or refuse to accept any of the following from the User:
  - (a) an application for Storage Capacity under this Section Z; or
  - (b) a Storage Capacity Transfer under paragraph 4 in respect of which the User is Transferee Storage User.

- 9.2.3 Where and for so long as the Storage Indebtedness of a User exceeds 100% of the





User's Storage Credit Limit, Transco LNG Storage may serve on the User a Storage Termination Notice in accordance with paragraph 10.

- 9.2.4 Where Transco LNG Storage reasonably believes that following the submission of a Nomination the Storage Indebtedness of the User will exceed 100% of the User's Storage Credit Limit Transco LNG Storage shall be entitled to reject such Nomination.
- 9.2.5 Where a User is required pursuant to the Transco LNG Storage Credit Agreement to provide Transco LNG Storage with security (in accordance with applicable provisions of the Transco LNG Storage Credit Agreement) Transco LNG Storage shall be entitled to reject or refuse to accept a Nomination or Storage Transfer until such time as the User has made such security available to Transco LNG Storage in accordance with any applicable requirements of the Transco LNG Storage Credit Agreement.
- 9.2.6 It shall not be a condition to Transco LNG Storage giving a Storage Termination Notice that Transco LNG Storage shall have first made any call upon, or taken any steps to enforce and realise any security made available pursuant to the Transco LNG Storage Credit Agreement.

## 10 STORAGE TERMINATION

### 10.1 General

- 10.1.1 Without prejudice to the provisions of [Section V4](#), a User may cease to be a User for the purposes of this Section Z pursuant to paragraph 10.2 or 10.3; and for the purposes of this Section Z, a "**Discontinuing Storage User**" is a User who so ceases to be a User for the purposes of this Section Z and the "**Storage Discontinuance Date**" is the date with effect from which (in accordance with paragraph 10.2 or 10.3) a Discontinuing Storage User ceases to be a User for the purposes of this Section Z provided that such cessation shall be without prejudice to the User continuing to be a User for the purposes of the Code.
- 10.1.2 Upon a User's ceasing to be a User for the purposes of this Section Z in accordance with paragraph 10.1.1 subject to paragraph 10.3.5, this Section Z shall cease to bind the Discontinuing Storage User and (as respects the Discontinuing Storage User) Transco LNG Storage.
- 10.1.3 Transco LNG Storage will as soon as reasonably practicable after the Storage Discontinuance Date notify all other Users for the purposes of this Section Z of a User's ceasing to be a User for the purposes of this Section Z.

### 10.2 Voluntary discontinuance

- 10.2.1 A User may at any time by giving notice ("**Storage Discontinuance Notice**") to Transco LNG Storage apply to cease to be a User for the purposes of this Section Z.
- 10.2.2 A User may not cease to be a User for the purposes of this Section Z under this paragraph 10.2 until such time as:
- (a) all amounts payable or which may become payable by the User to Transco LNG Storage pursuant to any provision of this Section Z, have been paid in full; and
  - (b) the User has no gas-in-storage in a Transco LNG Storage Facility; and





- (c) any outstanding breach, being a breach capable of remedy and of which Transco LNG Storage has given notice to the User, by the User of any provision of this Section Z shall have been remedied.

10.2.3 Where a User has given notice under paragraph 10.2.1:

- (a) the User and Transco LNG Storage shall remain bound by the provisions of this Section Z until the requirements of paragraph 10.2.2 are satisfied;
- (b) the Storage Capacity which the User is registered as holding in Transco LNG Storage Facilities shall not be reduced or cancelled other than in accordance with the relevant provisions of this Section Z (and the User will remain liable for payment of Storage Capacity Charges in respect thereof but may elect to make prepayment thereof).

10.2.4 Where a User has given notice under paragraph 10.2.1, after the satisfaction of last of the requirements of paragraph 10.2.2 to be satisfied:

- (a) with effect from the 5th Business Day following such satisfaction, the User will cease to be a User for the purposes of Section Z;
- (b) without prejudice to paragraph 10.2.5, Transco LNG Storage will as soon as reasonably practicable (and where possible before such date) inform the User of the date on which it ceases to be a User for the purposes of this Section Z under paragraph (a).

10.2.5 Notwithstanding paragraph 10.2.4, Transco LNG Storage or (as the case may be) the Discontinuing Storage User shall remain liable, subject to and in accordance with this Section Z, to the other after the Storage Discontinuance Date:

- (a) for any amount which was or becomes payable under this Section Z in respect of any period before the Storage Discontinuance Date; and
- (b) in respect of any outstanding breach of any provision of this Section Z where such breach was not (for the purposes of paragraph 10.2.2(d)) capable of remedy or (notwithstanding that paragraph) was capable of remedy but was not remedied.

## 10.3 Termination

10.3.1 For the purposes of this paragraph there shall have occurred a "**User Storage Default**" in relation to a User (the "**Defaulting Storage User**") in any of the following events or circumstances:

- (a) where in relation to any amount (or amounts in aggregate) of not less than £10,000 which has become due for payment by the Defaulting Storage User under this Section Z (excluding for the avoidance of doubt amounts the subject of a Storage Invoice Query which by virtue of paragraph 8 have not become due for payment):
  - (i) the Defaulting Storage User has not paid the amount in full by the 5th Business Day after the due date for payment, and

- (ii) on or after the 5th Business Day after the due date for payment Transco LNG Storage has given notice to the Defaulting Storage User requiring payment of such amount, and
  - (iii) the Defaulting Storage User has not paid such amount in full by the 5th Business Day after the date of Transco LNG Storage's notice under paragraph (ii); or
- (b) where:
  - (i) the Defaulting Storage User is in material breach, other than such a breach as is referred to in paragraph 10.3.7, of any material provision (other than a payment obligation) of this Section Z; and
  - (ii) the breach is capable of remedy by the Defaulting Storage User; and
  - (iii) Transco LNG Storage has given notice (making reference to this paragraph 10.3) of such breach to the Defaulting Storage User; and
  - (iv) within 14 Days after Transco LNG Storage's notice under paragraph (iii), the Defaulting Storage User does not either:
    - (1) remedy the breach in all material respects, where the breach is capable of remedy within such period of 14 Days; or
    - (2) where the breach is not so capable of remedy, provide to Transco LNG Storage a programme (setting out the steps to be taken by the User and the timetable for taking such steps) for the remedy of the breach as soon as is reasonably practicable; and
  - (v) in the case in paragraph (iv)(2), the Defaulting Storage User does not:
    - (1) remedy the breach in all material respects with all reasonable diligence and so far as reasonably practicable in accordance with the programme provided under that paragraph or a revised programme pursuant to paragraph (2), and
    - (2) where notwithstanding the reasonable diligence of the User it is not reasonably practicable for the User to remedy the breach in accordance with that programme, provide to Transco LNG Storage a revised such programme; and
  - (vi) the breach remains unremedied in any material respect after the expiry of 7 Days after a further notice by Transco LNG Storage to the Defaulting Storage User to the effect that the Defaulting Storage User has not complied with paragraph (iv) or (v); or
- (c) where:
  - (i) the Defaulting Storage User is in material breach of this Section Z, other than such a breach as is referred to in paragraph 10.3.7, of any relevant provision (other than a payment obligation) of this Section Z; and



- (ii) the breach is not capable of remedy; and
  - (iii) Transco LNG Storage has given notice (making reference to this paragraph 10.3) of the breach to the Defaulting Storage User; and
  - (iv) at any time within the period of 12 months following Transco LNG Storage's notice under paragraph (iii), there occurs a further material breach by the Defaulting Storage User of the same provision of this Section Z; and
  - (v) Transco LNG Storage has given a notice of such further breach to the Defaulting Storage User and a period of 7 Days has expired following such notice; or
- (d) where:
- (i) the Defaulting Storage User is unable to pay its debts (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 10.3.2), or any voluntary arrangement is proposed in relation to it under Section 1 of that Act or it enters into any composition or scheme of arrangement (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
  - (ii) the Defaulting Storage User has a receiver (which expression shall include an administrative receiver within the meaning of Section 29 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed; or
  - (iii) the Defaulting Storage User has an administration order under Section 8 of the Insolvency Act 1986 made in relation to it; or
  - (iv) the Defaulting Storage User passes any resolution for winding-up (other than for the purpose of a bona fide solvent reconstruction or amalgamation); or
  - (v) the Defaulting Storage User becomes subject to an order by the High Court for winding-up.

10.3.2 For the purposes of paragraph 10.3.1(d)(i), Section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£10,000"; and the Defaulting Storage User shall not be deemed to be unable to pay its debts for the purposes of that paragraph if any such demand as is mentioned in the said Section is being contested in good faith by the Defaulting Storage User with recourse to all appropriate measures and procedures.

10.3.3 Upon the occurrence of a User Storage Default, and at any time after such occurrence at which the User Storage Default is continuing, Transco LNG Storage may give notice ("**Storage Termination Notice**") to the Defaulting Storage User to the effect that the User shall cease to be a User for the purposes of this Section Z with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice.

10.3.4 Where Transco LNG Storage gives a Storage Termination Notice to a Defaulting



Storage User, with effect from the date specified in the notice, the User will cease to be a User (for the purposes of this Section Z only) and paragraph 10.1.2 shall apply.

10.3.5 The giving of a Storage Termination Notice and the application of paragraph 10.3.4:

- (a) shall not affect the rights and obligations of Transco LNG Storage and the Defaulting Storage User under this Section Z (including rights and obligations in respect of the User Storage Default, and in respect of amounts including interest payable by either Party, and rights and obligations arising pursuant to any provision of this Section Z and in respect of the User's ceasing to be a User for the purposes of this Section Z) accrued up to the date referred to in paragraph 10.3.4, which shall continue to be enforceable notwithstanding that paragraph;
- (b) shall not relieve the User from liability to pay Storage Capacity Charges that would otherwise have been payable in respect of the period from the date referred to in paragraph 10.3.4 until the end of the Storage Year in which such date falls which such Storage Capacity Charges shall be payable immediately by the User.

10.3.6 Where Transco LNG Storage has given a Storage Termination Notice it shall be entitled to inform such persons as it thinks fit that it has done so.

10.3.7 For the purposes of paragraph 10.3.1(b)(i) and 10.3.1(c)(i) the following breaches are excluded:

- (a) a breach which results from a breach by Transco LNG Storage of this Section Z;
- (b) a breach other than a wilful breach of a provision of Section Z where this Section Z specifically provides some other remedy for such breach and such other remedy may reasonably be considered to be adequate in the circumstances.

10.3.8 For the purposes of paragraph 10.3.1(c)(i) a breach is a material breach of a relevant provision where and only where:

- (a) in the case of a material provision, the breach is wilful or reckless, or
- (b) in the case of any provision, as a result of the breach Transco LNG Storage or any other User is in material breach of any material provision of the Code or any Legal Requirement or incurs any material liability or expense.

## 10.4 Gas-in-storage on termination

10.4.1 Where Transco LNG Storage gives a Storage Termination Notice to a User who has gas-in-storage in any Transco LNG Storage Facility:

- (a) the User shall cease to have the entitlement conferred pursuant to paragraph 1.3.2 in respect of such gas-in-storage; and
- (b) Transco LNG Storage will, within a reasonable time after the Storage Discontinuance Date seek to make Storage Gas Transfer(s) (without any



accompanying Storage Capacity Transfer) in respect of an amount of gas-in-storage equal to the gas-in-storage of the Discontinuing Storage User by conducting a tender on a basis similar to that provided for in [Section K3.3.2](#) in respect of Residual Surplus Gas;

- (c) Transco LNG Storage shall be entitled to set-off against and deduct from the proceeds (if any) of the tender under paragraph (b) the amounts described in paragraph 10.4.2, in the priority therein stated;
- (d) Transco LNG Storage will pay the balance if any of such proceeds to the Discontinuing Storage User.

10.4.2 The amounts referred to in paragraph 10.4.1(c) are:

- (a) first expenses incurred by Transco LNG Storage in connection with the tender referred to in paragraph 10.4.1(b);
- (b) secondly, all amounts for which the User is liable to Transco LNG Storage pursuant to Section Z (whether or not having become due for payment), including accrued interest thereon.

## **11 TRANSCO LNG STORAGE ASSIGNMENT**

### **11.1 Transco LNG Storage Right to Assign**

11.1.1 Subject to paragraph 11.2, Transco LNG Storage may assign all or part of its rights and obligations in respect of a Transco LNG Storage Facility under this Section Z to a 33 1/3% Affiliate operating the relevant Transco LNG Storage Facility and having the necessary technical expertise and financial resources.

11.1.2 Except as provided in paragraph 11.1.1, Transco LNG Storage shall not assign or transfer and shall not purport to assign or transfer any of its rights or obligations under this Section Z.

### **11.2 Precondition**

11.2.1 Where Transco LNG Storage assigns its rights and obligations under this Section Z pursuant to paragraph 11.1.1:

- (a) it shall be a condition precedent to such assignment that such person shall enter into an agreement with each User who is a User for the purposes of this Section Z covenanting to be bound by the terms equivalent to those terms set out in this Section Z and such other terms of the Code as are necessary to give effect and meaning to the terms set out in this Section Z;
- (b) Transco LNG Storage shall be released from its obligations under this Section Z arising after such time as such assignment was effective, but shall remain liable for any obligations accruing up to such time.





## Defined Terms

## Paragraph

Annual Storage Invitation .....	3.1.3
Applicable Interest Rate .....	8.2.5
Applicable Storage Capacity Charge Rate .....	2.6.3
Applicable Storage Injectability Charge Rate .....	2.6.3
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available injection rate .....	5.2.6(a)
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