

Issue	Revision
7.0 <u>7.1</u>	Approved <u>Cons</u> <u>ultation Draft</u> 27/05/11 <u>24/02/12</u>

NTS Exit Capacity Release Methodology Statement in respect of the Transitional and Enduring Exit Periods

To be Applied from 1st June ~~2011~~¹2012

¹~~Or the date of approval by the Authority if earlier than 1st June 2011.~~

DOCUMENT HISTORY

V1.0	May 2005	Interim IExCR published at hive-down
V1.1	25 th Aug 2005	For industry consultation to include requirements for transitional arrangements
V1.2	25 th Nov 2005	For industry re-consultation to include requirements for transitional arrangements
V1.3	4th January 2006	Final proposals – vetoed by Ofgem
V1.4	18th January 2006	Revised Final Proposals
V1.5	July 2006	Annual submission to Ofgem
V1.6	April 2007	For industry consultation, extend transitional period to 2011. amend Initial Volume Allocations
V1.7	June 2007	Industry comments included. Clarification added to Flex rules and IVAs.
V2.0	August 2007	V1.7 approved by Ofgem.
V2.1	January 2008	For industry consultation. Transitional period extended to 2012. Initial Volume Allocations removed. Scope expanded to include release of non-incremental (existing) capacity. Clarification of tools for release of incremental capacity in the constrained period.
V2.2	March 2008	Changes following industry consultation. Definition of Existing System Exit Capacity added Definition of Incremental Capacity clarified Clarification to ARCA processes in paragraphs 34 and 40. Reference to buy-back of Offtake Capacity removed Figure 1 modified for consistency.
V3.0	20 May 2008	V2.2 approved by the Authority
V3.1	July 2008	Revised rules to extend availability of ARCAs. Deletion of references to the “Interim” period which will have ceased by the proposed effective date.
V3.1	22 August 2008	No changes. Submitted to the Authority for approval.
V4.0	19 September 2008	Reference to UNC in paragraph 23 revised to include TPD B3.2. V3.1 approved by the Authority subject to the above change.
V4.1	January 2009	Annual review Part A: covering the Transitional Exit Period: ARCA commitment amended

		to be consistent with Enduring Exit Period. Clarity added in respect of the use of contracts to support offtake of gas. Part B: covering the enduring exit period added.
V4.2	20 February 2009	Several revisions and clarifications following comments received to informal consultation in addition to those proposed for V4.1. User Commitment amended to include a “charge” assessment.
V4.3	30 March 2009	A few revisions in response to formal consultation on V4.2, most significant of which is the non-application of the 4 year User Commitment on transitional increases occurring before 1 May 2009 that are applied for in the July 2009 window and which do not require a revenue driver.
V5.0	30 May 2009	Approved – (Not opposed by the Authority).
V5.1	15 February 2010	Annual review. Part A: updated for reduced time until transitional arrangements fall away. Initialisation rule added. Part B: Initialisation rules simplified; terminology updated following Licence changes to remove flow flexibility. Consequential changes to Chapter 5 – Exit Flexibility Capacity; sections on capacity assignment and transfer added to clarify User Commitment and negative allocations; Relevant Design Costs defined; correction to error in calculation of Daily User Commitment Amount; other changes intended to improve clarity and to add detail.
V5.2	26 March 2010	Amendments in response to consultation on V5.1. Revision to acknowledge implementation of UNC mod 276 (partial assignment); review and revision of some capacity terms; revised proposed definition of Relevant Design Costs; plus minor clarifications.
V6.0	26 May 2010	Approved by the Authority
V6.1	February 2011	Annual Review General Introduction & Part B: Use of PWAs to improve project alignment stressed. Part A:

		<p>Table 1 amended / section 3.2 deleted. Requests for capacity beyond lead-times no longer possible;</p> <p>Part B:</p> <p>Updated to include exit capacity substitution;</p> <p>The temporary rule (para. 34c) allowing matched increases to be excluded from User Commitment if there is a matching decrease has been deleted;</p> <p>Rules for DNOs to re-submit flat capacity applications deleted: duplicates UNC;</p> <p>Capacity Assignment and Transfer sections simplified to remove duplication of UNC;</p> <p>ARCA applications: capacity release dates clarified;</p> <p>Process for considering reduction applications with less than 14 months notice added (paras. 75-79);</p> <p>Indicative prices: clarification added;</p> <p>Permits: clarification added (paras. 111 & 115) on the approach to be taken;</p> <p>Section on non-October start dates deleted. Now covered by UNC;</p> <p>Potential for release of “non-ob” Annual Capacity added.</p>
V6.2	March 2011	<p>Minor amendments in response to consultation on V6.1. Paragraph 75(a) – capacity reductions accepted to avoid the need to release NTS obligated incremental exit flat capacity.</p> <p>Appendix B1 – table updated.</p>
V7.0	May 2011	<p>Approved by the Authority subject to the following changes to Part B.</p> <p>Paragraph 14: Updated following approval of the exit capacity substitution and revision methodology statement</p> <p>Paragraphs 61 and 122: Revised date for assignment taking effect following approval of UNC mod 0347V.</p> <p>Paragraph 71: Additional clarification provided.</p>
V7.1	February 2012	<p>Annual Review</p> <p>General Introduction & Part B:</p> <p>Updated reference to Gas Transmission Connection Charging methodology: now in UNC;</p> <p>Reference to NTS exit capacity baseline statement updated.</p> <p>Part A:</p> <p>Table 1 amended / section 3.1 deleted. Allocation of incremental capacity no longer feasible;</p> <p>Paragraphs 21 to 25 deleted: ARCAs no longer available.</p> <p>Part B:</p> <p>Changes for introduction of exit capacity substitution:</p> <p>Reduction of initialised quantities for start of enduring period no longer possible (paras 27 and 72);</p> <p>Changes for UNC Modifications 0376 and 0381;</p> <p>Deletion of some references to National Grid “sole discretion”;</p> <p>Update to P_{ind} if Demo Information delayed (para 59);</p> <p>Assignment and Transfer: limiting dates removed (paras 61, 62, 123 and 124);</p> <p>Restriction on reduction requests with impending Transfers clarified (para 71);</p>

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Enduring Exit Periods

~~27~~²⁴~~th~~ ~~May 2011~~February 2012

		<u>Process for accepting reduction requests with < 14 months notice detailed (para 80):</u> <u>Playing/earning of permits clarified (paras 109 to 111):</u> <u>Appendix B1 – Table updated.</u>

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ABOUT THIS DOCUMENT

1. This document describes the methodology that National Grid Gas plc ("National Grid") in its role as holder of the Gas Transporter Licence in respect of the NTS (the "Licence") employs for the release of all exit capacity, i.e. incremental and existing system exit capacity. Part A covers capacity released for first use in the Transitional Exit Period and Part B covers capacity released for first use in the Enduring Exit Period. It is important that readers refer to the appropriate Part of the Statement. The guiding principle is the earliest date for which capacity is requested; if capacity is required before 1st October 2012 Part A applies, otherwise Part B.
2. In the event that National Grid is:
 - (a). unable to meet a request to release capacity in the Transitional Exit Period but capacity can be released in the Enduring Exit Period the User / Developer will need to follow-up any rejection in respect of the pre-1st October 2012 request with an application in accordance with Part B.
 - (b). able to meet a request to release capacity in the Transitional Exit Period and that capacity is also required in the Enduring Exit Period the User / Developer will, except where Part A paragraph 14 applies, need to follow-up any acceptance in respect of the pre-1st October 2012 request with an application in accordance with Part B.
3. This document is one of a suite of documents that describe the release of NTS capacity by National Grid and the methodologies behind them. The other documents are available on our Charging website at:
<http://www.nationalgrid.com/uk/Gas/Charges/statements/>

This Statement will be applied from 1 June ~~2014~~⁺2012.
4. This methodology statement has been produced and published by National Grid to meet the requirements, of and in accordance with, Special Condition C18 of the Licence. The document is approved by the Gas and Electricity Markets Authority (the Authority). National Grid believes the content is consistent with its duties under the Gas Act and the Licence.
5. If you require further details about any of the information contained within this document or have comments on how this document might be improved please contact our UK Transmission Gas Access and Charging team at **box.transmissioncapacityandcharging@uk.ngrid.com** or by post to:

National Grid
Gas Charging and Access Development Manager
Transmission Commercial
National Grid House
Warwick Technology Park
Gallows Hill
Warwick CV34 6DA

⁺ ~~Or the date of approval by the Authority if earlier than 1st June 2011.~~

GENERAL INTRODUCTION

6. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
7. The NTS plays an important role in facilitating the competitive gas market and helping to provide the UK with a secure gas supply. It is a network of pipelines, presently operated at pressures of up to 94 bar, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. Exit points are predominantly connections to Distribution Networks (DNs), but also include storage sites and direct connections to power stations, large industrial consumers and other systems, such as interconnectors to other countries.
8. These operations are carried out to meet the needs of the companies that supply gas to domestic, commercial and industrial consumers and to power stations and interconnectors. In ~~2009/10 1,020~~2010 1,162 TWh of gas was transported to these consumers.
9. Details of National Grid and its activities can be found on the company's internet site at **www.nationalgrid.com**.
An electronic version of this publication can be found at the following web page "**<http://www.nationalgrid.com/uk/Gas/Charges/statements/>**".
10. It is important that National Grid is made aware of potential developments where new or incremental capacity may be required at an early stage. This is so that any additional work that may be required, such as the construction of a new physical connection, or the upsizing of an existing connection, can be progressed in parallel to the capacity request. National Grid will, subject to legal and regulatory obligations, respect the confidentiality of any information provided to it in respect of new or increased connection requirements. All work relating to the connection is charged for separately as specified in ~~National Grid's document: the "Statement and Methodology for"~~The Gas Transmission Connection Charging "Methodology" in UNC TPD Section Y Part A 2 as required by Licence Condition 4B. ~~This document and further~~Further information about connection services is also available on the National Grid website. National Grid's Customer Services team provide connection services and can be contacted via e-mail to:
box.transmission.newgasconnections.nts@uk.ngrid.com.
11. Typical lead times for the delivery of new pipeline infrastructure to create additional capacity in the NTS is usually much greater than the lead time for the construction of connected facilities. This misalignment of construction projects could lead to either:
 - capacity in the NTS not being available until some years after it is required by the connecting party; or
 - the connecting party being required to commit to buying capacity (in accordance with the provisions of UNC and this methodology statement) before they have sufficient certainty that their project will progress.

² ~~Previously titled "National Grid NTS Statement of Principles and Methods to be Used to Determine Charges for National Transmission System Connection Services".~~

12. To overcome this problem National Grid may enter into an agreement (a Preliminary Works Agreement¹, “PWA”) in advance of a User application for capacity (or a Reservation Party request for an ARCA). Under this agreement National Grid will undertake such works as is necessary to provide incremental capacity. The counter party will pay for the works which shall be refunded if and when they are allocated capacity (or an ARCA is agreed) in the quantity stated in the PWA.

National Grid’s Statutory and Licence Obligations

13. New and existing Users of the NTS are able to request to purchase exit capacity products for any NTS Exit Point specified in the Licence. Such capacity requests will be considered against the provisions of National Grid’s statutory and licence obligations and in accordance with its published methodologies.
14. Overriding obligations applicable to this Statement are set out in the Gas Act and the Licence.
15. Specific obligations in respect of the release of NTS exit capacity and applicable to this Statement are set out in Special Condition C18 and C8E of the Licence.
16. Under Special Condition C18, National Grid must prepare and submit to the Authority for approval an NTS Exit Capacity Release Methodology Statement (the “ExCR”) setting out the methodology by which National Grid will determine how it will release NTS Exit Capacity.
17. Under Special Condition C8E paragraph 4e, in respect of the Enduring Exit Period, National Grid must provide the Authority with a written statement of all proposed NTS obligated incremental exit flat capacity. Unless directed to the contrary within 28 days of the date of submission of this statement, National Grid shall assume that the proposals have been accepted.
18. Under Special Condition C8E paragraph 4a, National Grid must prepare and submit for approval by the Authority a written statement (the “NTS exit capacity baseline statement”) setting out the level of **NTS baseline exit flat capacity** which is to be offered for sale. Notwithstanding any revision to Table 2 of Annex A to Special Condition C8E of the Licence (NTS baseline exit flat capacity), changes to the values stated in the NTS exit capacity baseline statement can only occur as a result of exit capacity substitution and/or exit capacity revision (as defined in Special Condition C8E paragraph 3c) and hence the statement only has relevance to the Enduring Exit Period (see Part B paragraph 21). As ~~the exit capacity substitution and exit capacity revision obligations have been deferred to~~ was applied in 2011, the values specified in the NTS exit capacity baseline statement will ~~be the same as, for NTS Exit Points affected by substitution, vary from~~ the values specified in the table referred to above, ~~as may be amended~~ unless the Licence is updated from time to time by the Authority.

¹ References in this document to a PWA includes similar agreements in respect of the early stages of a construction project to deliver physical NTS infrastructure; including, but not limited to, Planning Consent Agreements, “PCA”s.

Part A

NTS Exit Capacity Release Methodology Statement in respect of the Transitional Exit Period

nationalgrid

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INTRODUCTION

1. Part A of this publication sets out the methodology that applies for the release of NTS Exit Capacity in respect of the NTS pipeline network during the Transitional Exit Period concluding on 30th September 2012. The methodology for the release of NTS Exit Capacity after this date can be found in Part B.
2. Key terms used throughout Part A of this document are defined in Appendix A1 (found at the end of Part A).

CHAPTER 1: PRINCIPLES

3. This Statement applies to the release of all forms of NTS Exit Capacity (as defined in Standard Special Condition A3 of the Licence) by National Grid and shall include NTS Exit Capacity (at NTS System Exit Points, as defined in the Uniform Network Code ("UNC")), and NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes, as defined in the Transitional Document of the UNC).
4. The Statement shall apply to the release of all NTS Exit Capacity (i.e. existing and incremental capacity) for first use during the Transitional Exit Period. There will only be four months between the implementation of this Statement and the end of the Transitional Period. Hence it is unlikely that significant quantities of capacity will be requested for release under Part A. Notwithstanding its limited usefulness, Part A has been retained for completeness.
5. For the avoidance of doubt, for the Transitional Exit Period, existing NTS Exit Capacity does not necessarily equate to the NTS baseline capacity specified in the Licence and incremental capacity is not necessarily capacity in excess of the baseline. Relevant values for the NTS baseline capacity are as specified in Annex A table 1 of Special Condition C8E of the Licence³².
6. Each NTS Exit Point must be included in the Licence by the appropriate date before capacity can be offered for release.
7. The appropriate date for Licence changes to be effective is the day before receipt by National Grid of a User request for release of additional capacity; or the day before signature of an ARCA.
8. This Statement applies to the release of Firm Capacity.
9. Interruptible Capacity is not available at NTS/LDZ Offtakes. It will only be released at NTS System Exit Points where it can be released without adversely affecting the safe and economic operation of the system and without the need for any system reinforcement. Such available Interruptible Capacity will be released on a first come first served basis in accordance with processes detailed in the UNC.
10. For the Transitional Exit Period, National Grid, when determining whether to allocate Existing System Exit Capacity, will use the methodology described in this Statement under Chapter 2.

³² The baseline values applicable to the Transitional Exit Period as specified in the Licence shall be adjusted to account for any subsequently released incremental capacity and/or any applications under the OCS process detailed in UNC TD Part 11C paragraphs 9 and 10. (Note: UNC modification proposal 195AV moved the OCS processes from UNC TPD Section B6).

11. For the Transitional Exit Period, National Grid, when determining whether to allocate Incremental Exit Capacity, will use the methodology described in this Statement under Chapter 3.
12. A high level summary of the procedures for allocation of NTS Exit Capacity in relation to the different timeframes is provided in Table 1 below. Reference should be made to the appropriate paragraphs for further detail.

Table 1 – High Level Summary of Processes for Allocation of NTS Exit Capacity				
	Timing of capacity availability	Pre 1/10/2012 i.e. within investment lead-times	From 1/10/2012	
		Transitional Exit Period	Enduring Exit Period	
Existing System Exit Capacity				
Exit Capacity (Shipper)		First come, first served* Book no more than 6 months** in advance (paragraphs 17- 25 <u>20</u>). Where capacity is required more than 6 months in advance an ARCA may*** be requested.	Not applicable to Part A of this Statement	
NTS Offtake (Flat) Capacity		OCS process <u>Not released</u> (paragraph 27)		
NTS Offtake (Flexibility) Capacity		OCS process <u>Not released</u> (paragraph 27)		
Incremental Exit Capacity				
Exit Capacity (Shipper)	Action other than specific reinforcement needed	First come, first served*. Book no more than 6 months in advance. Where capacity is required more than 6 months in advance an ARCA may*** be requested. <u>It is no longer feasible to release Incremental Exit Capacity within the Transitional Exit Period.</u>		
		Paragraphs 29-32		
	With specific reinforcement	Partial (an ARCA may be offered) or no release. <u>As above</u>		
NTS Offtake (Flat) Capacity	Reinforcement not needed	OCS process (paragraph 28)* <u>As above</u>		
	With specific reinforcement	OCS process* (paragraph 28) <u>As above</u>		
NTS Offtake (Flexibility) Capacity	Reinforcement not needed	OCS process (paragraph 28)* <u>As above</u>		
	With specific reinforcement	Capacity not released****.		
<p>* Subject to National Grid being satisfied that it could meet such demands by reference to its wider Licence obligations as outlined in paragraph 15.</p> <p>** Under Supply Point registration process defined in UNC Section G the maximum period between Supply Point Nomination and the Supply Point Registration Date specified in the Supply Point Confirmation is 2 Business Days plus 6 months plus 30 Business Days. In this document "6 months" should be read as 6 months plus 32 Business Days.</p> <p>*** Subject to the 20m therms/annum threshold (see paragraphs 20 and 33)</p> <p>**** The outcome of current RIIO-T1 discussions between National Grid, Ofgem and the wider industry, may oblige, and/or incentivise, National Grid to release additional NTS Offtake (Flexibility) Capacity where this would require investment or would result in an increase in operating costs. In the event that such changes are implemented National Grid will release additional NTS Offtake (Flexibility) Capacity consistent with the revised regulatory framework</p>				

~~pending an update to this methodology statement.~~

13. Until 30 September 2012, new and existing Shipper Users will continue to purchase Firm and Interruptible NTS Exit Capacity at administered prices⁴³, and any capacity requests will be considered against the provisions of National Grid's statutory licence obligations.
14. Where, as a result of an ARCA, or in respect of new NTS Exit Points, additional capacity is registered to Users during the Transitional Exit Period this additional capacity will, unless subject to a reduction request, be registered to the same Users at the start of the Enduring Exit Period (it will be "initialised") in accordance with UNC TD Part IIC section 8 (see Part B paragraph 26). Continuity of capacity registration into the Enduring Exit Period for any other additional capacity registered to Users during the Transitional Exit Period, will require a separate application in accordance with Part B.
15. Overriding obligations on National Grid set out in the Gas Act and the Licence are that its activities must be:
- Conducted on a non-discriminatory basis;
 - Conducted in an efficient, economical and co-ordinated manner; and
 - Be consistent with the safe and efficient operation of National Grid's pipe-line system and security of supply obligations.

⁴³ Administered prices will continue to apply for annual capacity products in the Enduring Exit Period from 1st October 2012.

CHAPTER 2: PROCEDURE FOR ALLOCATING EXISTING SYSTEM EXIT CAPACITY IN THE TRANSITIONAL EXIT PERIOD

16. In respect of NTS/LDZ Offtakes and NTS System Exit Points National Grid shall, upon request from a Distribution Network Operator (DNO) or Shipper, as appropriate, release any unallocated Existing System Exit Capacity.
17. Existing System Exit Capacity shall be determined by network analysis:
- undertaken at the time of any valid request received by National Grid for NTS Exit Capacity; and
 - using existing NTS infrastructure and current and/or committed commercial and statutory obligations, and includes all existing firm commitments recorded in previous OCSs and any quantities that Users are registered as holding pursuant to UNC including, where relevant, those in the Enduring Exit Period.
18. In respect of NTS System Exit Points, such requests for NTS Exit Capacity shall be in accordance with UNC TD Part IIC Paragraph 9. In all cases any allocation of NTS Exit Capacity shall be subject to there being any unallocated capacity available at that exit point.
19. Release of unallocated Existing System Exit Capacity at NTS System Exit Points will be on a first come first served basis.
20. ~~Notwithstanding paragraph 18, where a Shipper User requires capacity to first be released beyond the maximum timescale envisaged by UNC TD Part IIC Paragraph 9 (i.e. more than 6 months) and the NTS Exit Capacity request is for more than 20 mtpa⁵ then the Shipper User may request that National Grid offers~~National Grid will not offer an Advanced Reservation of Capacity Agreement “ARCA”. ~~The Shipper User shall not be obliged to request, nor sign, an ARCA. in respect of capacity to be released in the Transitional Exit Period.~~
21. ~~For these longer lead time projects NTS Exit Capacity can also be requested by a Developer. The Developer may also request an ARCA. However, NTS Exit Capacity in respect of an NTS System Exit Point can only be registered by a Shipper User.~~Paragraph not Used
22. ~~For the avoidance of doubt, paragraph 19 shall apply in respect of capacity proposed to be reserved via an ARCA, i.e. until the ARCA is signed by both parties any unallocated Existing System Exit Capacity may be allocated to another party through UNC TD Part IIC Paragraph 9 processes or reserved through another ARCA.~~Paragraph not Used.
23. ~~ARCAs may only be requested where the Shipper User or Developer is able to provide adequate evidence to demonstrate to National Grid's satisfaction that the requested capacity is genuinely required and is likely to be used from the date requested. Such evidence could vary from project to project, but may include, for example, planning applications and “section 36” consents.~~Paragraph not Used.
24. ~~If an ARCA is requested and signed by the Shipper User / Developer, then National Grid will release the full amount of requested unallocated Existing System Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a “User Commitment” which will be~~

⁵ -million therms p.a.

~~related to the quantity of capacity reserved and the relevant NTS exit capacity price at the date of signature of the ARCA. Full details of the User Commitment will be specified in the ARCA. To ensure consistency with the Enduring Exit Period (in particular, the future commitment principles) the User Commitment in respect of any new ARCA will be based on four years of exit capacity charges.~~[Paragraph not Used.](#)

25. ~~If an ARCA is requested by the Shipper User / Developer and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of an ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986 (as amended). Following determination National Grid will release NTS Exit Capacity in accordance with the outcome of the determination.~~[Paragraph not Used.](#)
26. Where there is insufficient unallocated Existing System Exit Capacity at an NTS System Exit Point to satisfy a request for additional capacity then the available capacity may be allocated to partially satisfy the Shipper's request. ~~An ARCA may also be requested in respect of the capacity that is available even if this does not fully satisfy the Shipper's / Developer's request. The Shipper may withdraw or amend their capacity request prior to capacity being allocated.~~
27. In respect of NTS/LDZ Offtakes such requests (including decrease requests) for NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity, shall be ~~in accordance with UNC TD Part IIC Paragraphs 9 and 10.~~[rejected.](#)

CHAPTER 3: PROCEDURE FOR ALLOCATING INCREMENTAL EXIT CAPACITY IN THE TRANSITIONAL EXIT PERIOD

3.1. Requests for Incremental Exit Capacity within investment lead-times

28. ~~This section 3.1 is no longer applicable. The following steps will be applied to requests for release of:~~ release of Incremental Exit Capacity within investment lead-times and within the Transitional Exit Period is no longer feasible.

- ~~• NTS Exit Capacity (from Shipper Users and Developers)~~
- ~~• NTS Offtake (Flat) Capacity (from DNO Users)~~
- ~~• NTS Offtake (Flexibility) Capacity (from DNO Users)~~

~~in the Transitional Exit Period for utilisation within investment lead-times i.e.~~

~~DNO User requests for Incremental Exit Capacity⁶ for:~~

- ~~• 2011/2012 received during the 2011 OGS Application Window received in accordance with the Uniform Network Code, and;~~

~~Shipper User requests for capacity allocations received:~~

- ~~• in accordance with the capacity registration processes and timescales within the Uniform Network Code;~~

~~Shipper User / Developer requests for capacity allocations for the Transitional Exit Period received:~~

- ~~• beyond the capacity registration timescales within the Uniform Network Code.~~

~~29. National Grid would determine whether to allocate all or part of the requested Incremental Exit Capacity by Shipper or DNO Users or Developers within investment lead-times only if a safe operating System can be maintained and if economic analysis of the costs and benefits, taking into account current and/or committed commercial and statutory obligations, demonstrates that it is efficient and economical to do so.~~

~~30. If an application for a quantity of Incremental Exit Capacity is received which could be expected to impair safe operation of the System and/or will increase infrastructure or operational costs, then National Grid will seek to identify the costs of maintaining a safe operating System and for economically operating the NTS so as to identify mitigating actions (if any) that could be undertaken to remove such costs and impairment.~~

~~31. Mitigating actions that may be explored include;~~

- ~~• buy back of NTS Exit Capacity from Shipper Users;~~
- ~~• forwards and options from Shipper Users;~~
- ~~• use of storage options;~~
- ~~• any other appropriate contracting solutions, including, but not limited to, arrangements with Shippers at a NTS Entry point.~~

~~Any of the above tools will be used in accordance with the National Grid Procurement Guidelines and System Management Principles Statement.~~

~~32. If safe operation of the System is not impaired and,~~

- ~~• no incremental costs⁷ are identified; or~~

⁶ This is not the same as capacity in excess of the baseline quantity (see paragraph 5)

- ~~• appropriate funding is available to National Grid, in accordance with incentives detailed in the Licence, then National Grid will allocate the requested Incremental Exit Capacity~~

~~33. Where National Grid identifies that Incremental Exit Capacity can be released; and the Shipper User / Developer requires capacity to first be released beyond the maximum timescale envisaged by UNC TD Part IIC Paragraph 9 and the request is for more than 20 mtpa then the Shipper User / Developer may request that National Grid offers an ARCA. The Shipper User / Developer shall not be obliged to request, nor sign, an ARCA.~~

~~34. ARCAs may only be requested where the Shipper User or Developer is able to provide adequate evidence to demonstrate to National Grid's satisfaction that the requested capacity is genuinely required and is likely to be used from the date requested. Such evidence could vary from project to project, but may include, for example, planning applications and "section 36" consents.~~

~~35. If an ARCA is requested and signed by the Shipper User / Developer, then National Grid will release the full amount of requested Incremental Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a "User Commitment" which will be related to the quantity of capacity reserved and relevant NTS Exit Capacity price at the date of signature of the ARCA. Full details of the User Commitment will be specified in the ARCA. To ensure consistency with the Enduring Exit Period (in particular, the future commitment principles) the User Commitment in respect of any new ARCA will be based on four years of exit capacity charges.~~

~~36. If an ARCA is requested by the Shipper User / Developer and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of an ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986 (as amended). Following determination National Grid will release NTS Exit Capacity in accordance with the outcome of the determination.~~

~~37. The flow chart in Figure 1 of Appendix A2 summarises the overall process.~~

⁷ ~~Incremental costs include, but are not limited to, increase operating costs, CV shrinkage and constraint management costs.~~

3.2: Requests for Incremental Exit Capacity beyond investment lead-times

[29](#). ~~38~~—This section 3.2 is no longer applicable. The release of Incremental Exit Capacity beyond investment lead-times will occur in the Enduring Exit Period, i.e. Part B of this Statement applies.

APPENDIX A1: DEFINITIONS

ARCA means **Advanced Reservation of Capacity Agreement** and, for the purposes of this Part A, is an agreement between National Grid and either, a User or a Developer (e.g. in respect of a new NTS System Exit Point). It obliges National Grid to accept the capacity booking for the quantity agreed at the date agreed. It also obliges the counter party to apply for (or arrange a Shipper to apply for) the capacity or to make a payment to National Grid in respect of lost transportation revenue. An ARCA is deemed to constitute the “user commitment” for the purposes of Special Condition C8E paragraph 1 of the Licence. Under the ARCA capacity is reserved such that it can be registered under UNC processes and timescales at a later date. In the case of an ARCA signed by a Developer, the Developer must arrange for a Shipper User to register the reserved capacity.

Developer means a party other than a Shipper or a Distribution Network Operator who is developing a project that will require the offtake of gas from the NTS at a new or existing NTS System Exit Point.

Enduring Exit Period means the period from 1 October 2012, being the date from which exit capacity will be released in accordance with revised “enduring” arrangements. In Part B a Developer is referred to as a “Reservation Party” to be consistent with UNC.

Existing System Exit Capacity means the capacity determined in accordance with paragraph 14 and is a measure of the capability of the NTS. It includes currently allocated and unallocated capacity. Unallocated capacity is not specific to any individual exit point.

Firm Capacity is capacity which is not subject to interruption in accordance with UNC TD Part IIC Paragraph 9.

Incremental Exit Capacity means capacity (requested) to be made available in excess of the Existing System Exit Capacity.

Interruptible Capacity is capacity which is subject to interruption in accordance with UNC TD Part IIC Paragraph 9. Interruptible capacity is not available at NTS/LDZ Offtakes and shall be available at NTS System Exit Points in accordance with UNC.

NTS baseline capacity means the NTS baseline exit flat capacity and the NTS baseline exit shipper capacity. In the absence of a full User commitment model for the transitional exit period National Grid does not have an obligation to offer NTS baseline capacity levels for sale.

NTS baseline exit flat capacity – means the level of capacity (defined in units of GWh/day, but applied at a constant hourly rate) at each NTS/LDZ Offtake as specified in table 1 of Annex A of Special Condition C8E of the Licence.

NTS baseline exit shipper capacity means the level of capacity (defined in units of GWh/day, but applied at a constant hourly rate) at each NTS System Exit Point as specified in table 1 of Annex A of Special Condition C8E of the Licence.

NTS Exit Capacity – as defined in Standard Special Condition A3 of the Licence means NTS Exit Capacity (at NTS System Exit Points as defined in the UNC TPD section A3), and/or NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes as defined in the UNC TPD section B1). For the purpose of this document NTS Exit Capacity means Firm Capacity.

NTS Exit Point means NTS System Exit Point and/or NTS/LDZ Offtake.

NTS/LDZ Offtakes are connections from the NTS to a Distribution Network operated by a Distribution Network Operator (a “DNO”).

NTS System Exit Points are NTS Supply Points and/or NTS Connected System Exit Points.

OCS means the **Offtake Capacity Statement** as defined in UNC TD Part IIC Paragraph 10.

Specific Reinforcement is that investment that would not be required if the Incremental Exit Capacity was not to be supplied.

Transitional Exit Period means the period from 1 October 2008 to 30 September 2012.

~~APPENDIX A2: PROCESS FLOW CHART~~

Part B

NTS Exit Capacity Release Methodology Statement in respect of the Enduring Exit Period

nationalgrid

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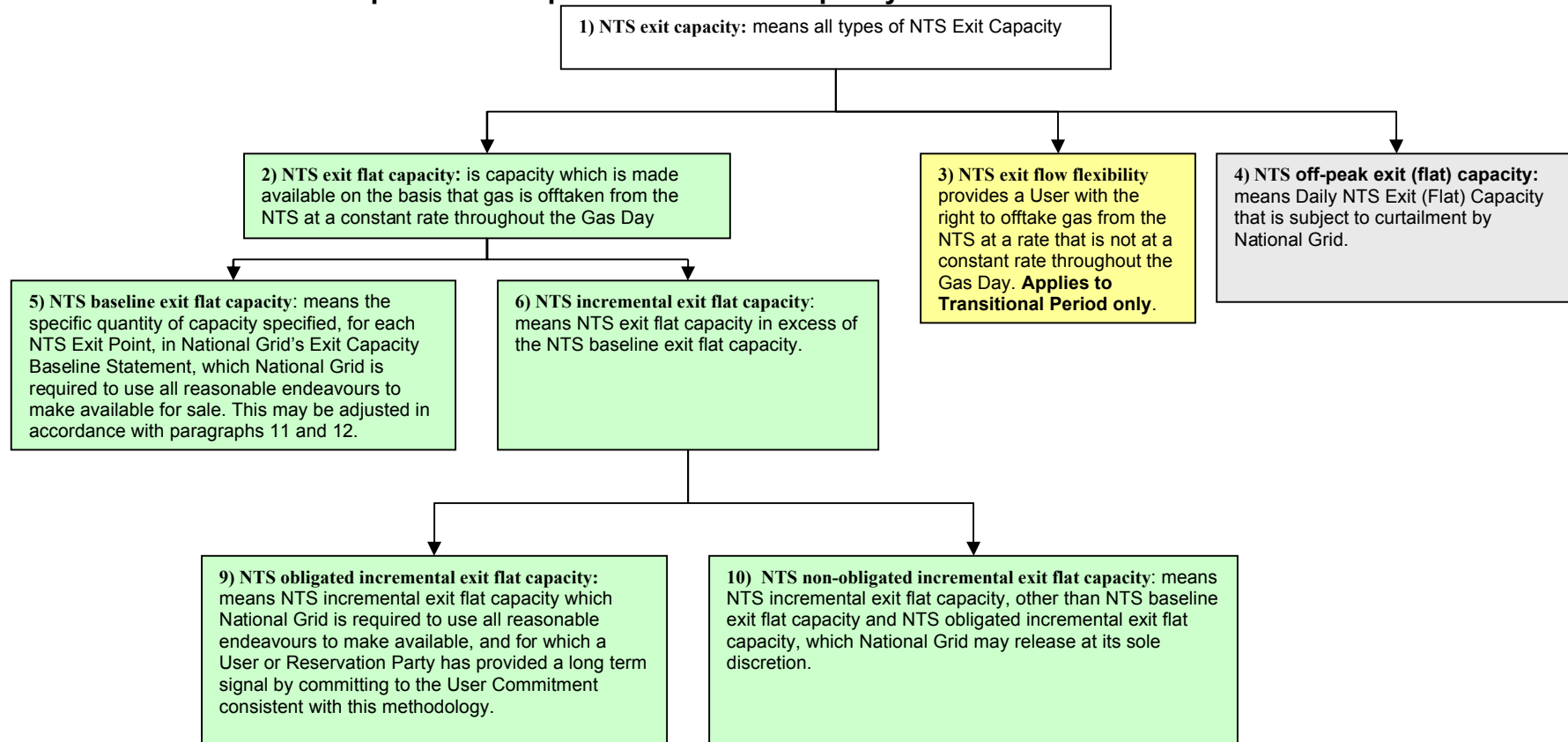
INTRODUCTION

1. Part B of this publication sets out the methodology that applies for the release of **NTS Exit Capacity** in respect of the NTS pipeline network during the Enduring Exit Period commencing 1 October 2012. The methodology for the release of NTS Exit Capacity prior to this can be found in Part A.
2. Key terms used throughout this document are defined in Appendix B2 and in the section “Capacity Terminology” below.
3. Throughout Part B of this Statement defined capacity terms are given in **bold**.

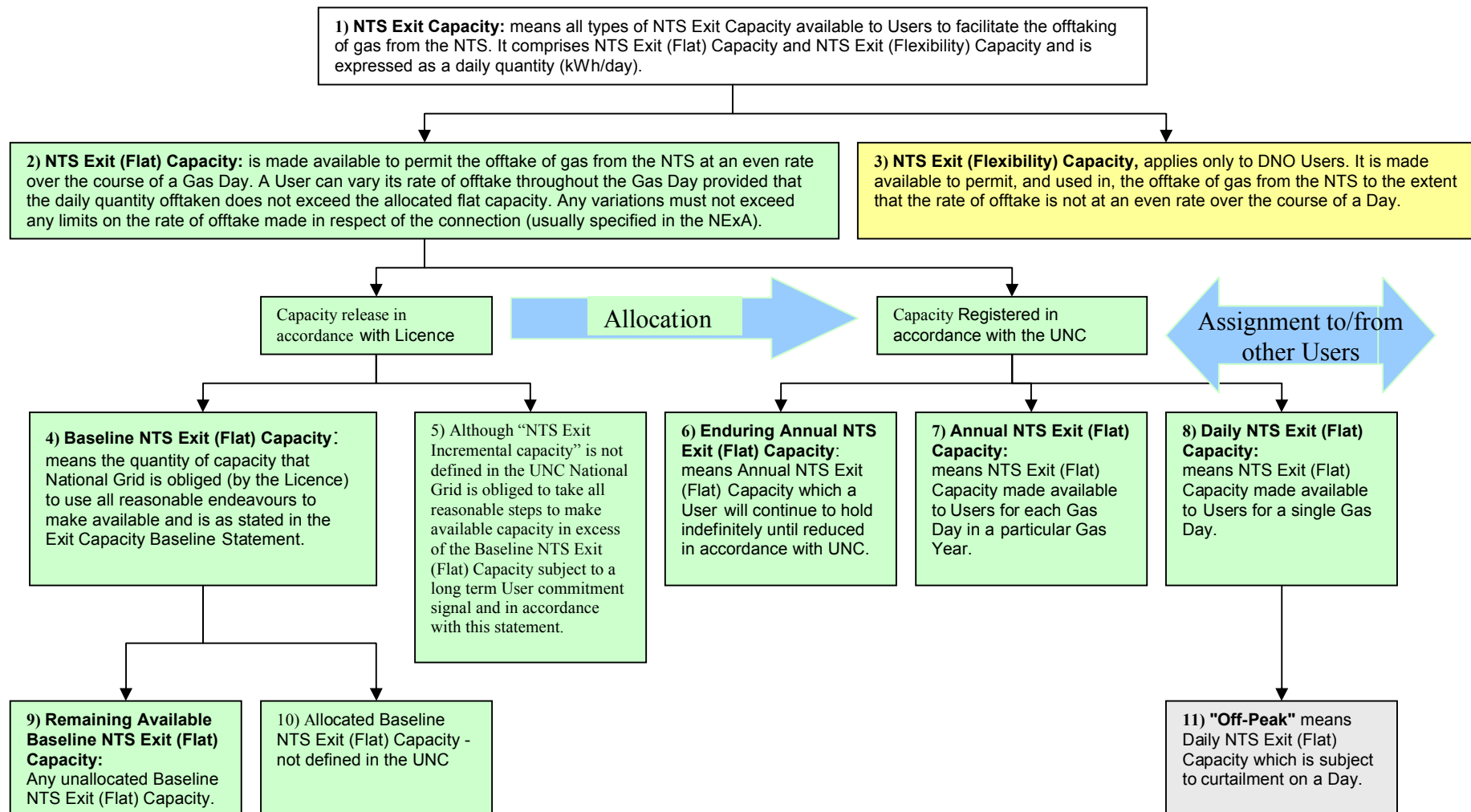
Capacity Terminology

4. As the terms used in the UNC do not directly relate to those used in the Licence the key terms and their relationship to each other are reproduced in the diagrams below together with a simplified explanation. These explanations are provided solely to make this document easier to read.
5. The actual definitions of these terms are contained within the Licence (Special Condition C8A and A3) and/or UNC (TPD Section B) and are reproduced in Appendix B2. Where any conflict arises between the Licence, UNC and this Statement the Licence shall prevail over the UNC and this Statement, and the UNC shall prevail over this Statement.
6. Where not separately defined, terms used in this Statement shall have the same meaning as the Licence or the UNC as appropriate.
7. This Statement uses terms from both sources; when referring to the release of capacity for sale Licence terms are used; when referring to User applications and the allocation of capacity UNC terminology prevails.

Simplified Description of NTS Exit Capacity Terms Defined in the Licence



Simplified Description of NTS Exit Capacity Terms Defined in the UNC



Planning Process

8. National Grid is required by Special Condition C2 of the Licence, “Long Term Development Statement”, to prepare an annual statement, with respect to each of the succeeding 10 years that will forecast;
 - The use likely to be made of the pipe-line system; and
 - The likely developments of that system.
 9. National Grid believes it is important to seek wide views on the process for determining how it invests in its network as well as on the underlying assumptions that underpin such investment. An enhanced consultation process is operated under the banner of ‘Transporting Britain’s Energy’ with a view to obtaining industry views on how the industry would like to see the NTS developed.
 10. National Grid expects the results of long term **Enduring Annual NTS Exit (Flat) Capacity** applications to be the primary driver for investment. Notwithstanding the requirement for notification of potential capacity requests detailed in paragraphs 35 and ~~112~~¹¹³ and the potential for commencing work under a PWA (paragraph 42) an unambiguous User Commitment (as signalled by an application for capacity by a User or Reservation Party) is the start of the process for triggering the release of **NTS obligated incremental exit flat capacity**.
 11. National Grid also has a Licence obligation (Special Condition C8E paragraph 3c) to consider whether unsold **NTS baseline exit flat capacity** can be substituted to other NTS Exit Points where there is demand for **NTS obligated incremental exit flat capacity**, thereby, potentially reducing the requirement for investment in the NTS. The process by which such substitutions may be considered and the methodology that would be applied ~~will be~~^{is} provided in the “Exit Capacity Substitution Methodology Statement”.
 12. National Grid also has a Licence obligation (Special Condition C8E paragraph 3c) to revise the level of **NTS baseline exit flat capacity** if investment in respect of NTS Entry Points has a consequential impact on NTS exit capability. The process by which such revisions may be considered and the methodology that would be applied ~~will be~~^{is} provided in the “Exit Capacity Revision Methodology Statement”⁸⁴.
 13. For the avoidance of doubt, the release of **NTS Exit Capacity** i.e. all exit capacity, will be in accordance with this Exit Capacity Release Methodology Statement (the “ExCR”). However, where any conflict arises between the Licence, UNC and this Statement, the Licence shall prevail over the UNC and this Statement, and the UNC shall prevail over this Statement.
 14. ~~On 4th April 2011, Ofgem gave notice of the Authority’s approval of National Grid’s proposed Exit Capacity Substitution and Revision Methodology statement (ExCS). Accordingly,~~ National Grid will consider opportunities for exit capacity substitution, and will revise baseline exit capacities as a result of developments for NTS Entry Points, ~~from 1st July 2011 when~~^{in accordance with} the ExCS ~~becomes effective~~.
- To minimise the need for investment, before releasing **NTS obligated incremental exit flat capacity** at an NTS Exit Point National Grid will

⁸⁴ The Exit Capacity Substitution and Exit Capacity Revision methodology statements have been combined as one statement: the “ExCS”.

consider opportunities to substitute **NTS baseline exit flat capacity** from another NTS Exit Point. In addition, substitution will only be considered if the existing capability of the NTS (when taking all existing commitments into account) is insufficient to satisfy requests for additional capacity,

- National Grid will substitute **NTS baseline exit flat capacity** between NTS Exit Points with a release date consistent with the ExCS,
- Where Substitutable Capacity (as defined in the ExCS) has been identified as suitable for substitution to another (recipient) NTS Exit Point to satisfy the requirement for additional capacity at that (recipient) NTS Exit Point, the Substitutable Capacity will not be available for release at the original (donor) NTS Exit Point until, and unless, it has been identified as not being required for substitution (see the ExCS).

CHAPTER 1: PRINCIPLES

Scope

15. Overriding obligations on National Grid set out in the Gas Act and the Licence are that its activities must be:
- Conducted on a non-discriminatory basis;
 - Conducted in an efficient, economical and co-ordinated manner; and
 - Be consistent with the safe and efficient operation of National Grid's pipeline system and security of supply obligations.
16. This Statement applies to the release of all forms of **NTS Exit Capacity**, as defined in the Licence, by National Grid for use during the Enduring Exit Period and shall include:
- **NTS baseline exit flat capacity;**
 - **NTS obligated incremental exit flat capacity;**
 - **NTS non-obligated incremental exit flat capacity;** and
 - **NTS off-peak exit (flat) capacity**
- and applies to the allocation of all classes of **NTS Exit Capacity** as defined in the UNC (TPD Section B):
- **Enduring Annual NTS Exit (Flat) Capacity**, (see Chapter 2);
 - **Annual NTS Exit (Flat) Capacity**, (see Chapter 3);
 - **Daily NTS Exit (Flat) Capacity**, (see Chapter 4);
 - **Offpeak Daily NTS Exit (Flat) Capacity** (see Chapter 4); and
 - **NTS Exit (Flexibility) Capacity**, (see Chapter 5).
17. National Grid will release **NTS Exit Capacity** having regard to paragraph 15 and the reasonable endeavours obligation in Special Condition C8E paragraph 3(b) of the Licence. All references in this Statement to the release of **NTS Exit Capacity** shall be construed accordingly.
18. This Statement focuses principally on the allocation of **Enduring Annual NTS Exit (Flat) Capacity** and the process to trigger the release of **NTS obligated incremental exit flat capacity**. To satisfy the requirements of the Licence, the process for releasing other forms of capacity are also covered in this document. However, as these processes are covered in detail in the UNC, this document only provides a high level overview and Users should principally refer to the UNC for these arrangements. See relevant chapters for UNC references.
19. Any increase in a User's allocation, or reservation for a Reservation Party, of **Enduring Annual NTS Exit (Flat) Capacity** will be subject to a User Commitment (see paragraphs ~~83~~84 to ~~89~~90).
20. The level of **NTS baseline exit flat capacity**, effective from 1st October 2012, is as stated in the Licence (annex A table 2 of Special Condition C8E).
21. Under Special Condition C8E paragraph 4(a) of the Licence, National Grid is obliged to ~~submit to the Authority for approval, and~~ publish, an "NTS exit capacity baseline statement" setting out the level of **NTS baseline exit flat capacity** which is to be offered for sale. This can be found on National Grid's website at:

NTS Exit Capacity Release Methodology Statement in respect of the Enduring Exit Period
~~27th May 2011~~ February 2012

<http://www.nationalgrid.com/uk/Gas/Data/excap/marketinformation.natgrid.co.uk/Gas/ExitCapacityReports.aspx>⁵

⁵ [To access the statement “Supplement Information” and “Baseline Capacity Statement” should be selected from the drop-down menus. Year 2011 to 2011 should be selected followed by “Submit Query”.](#)

CHAPTER 2: PROCEDURE FOR ALLOCATING ENDURING ANNUAL NTS EXIT (FLAT) CAPACITY.

General

22. Users can apply for an increase in, or reduction to, their **Enduring Annual NTS Exit (Flat) Capacity** allocation as detailed in the following sections.
23. In accordance with UNC (TPD Section B3) any **Enduring Annual NTS Exit (Flat) Capacity** that is allocated to Users shall be evergreen, i.e. Users' allocations will continue indefinitely subject to the application of the provisions of UNC.
24. In response to valid applications for increases in **Enduring Annual NTS Exit (Flat) Capacity** National Grid will release **NTS obligated incremental exit flat capacity** in accordance with this Statement, UNC and the Licence where there is insufficient unallocated **NTS baseline exit flat capacity**⁹⁶ to satisfy the application.
25. Where, in accordance with this Statement and UNC (TPD Section B3), there has been a reduction in the quantity of **Enduring Annual NTS Exit (Flat) Capacity** allocated to Users this quantity will, where consistent with this Statement, be made available to Users seeking to increase their allocation.

Initialisation

26. The UNC (Transition Document Part IIC section 8) outlines the method that was used to determine each User's initial Registered **Enduring Annual NTS Exit (Flat) Capacity** at each NTS Exit Point which will apply from the start of the Enduring Exit Period. The same section details the rules in respect of initialisation of any further capacity registered to Users on or before the last day of the Transitional Exit Period.
27. Users may not reduce their initial allocations of **Enduring Annual NTS Exit (Flat) Capacity** at the NTS Exit Point in the Reduction Application Window of ~~2011 and 2012~~ with an effective date of 1st October 2012 ~~provided that they have not been allocated Enduring Annual NTS Exit (Flat) Capacity at the same NTS Exit Point in addition to the initialised quantity. All other reductions must be except~~ in accordance with paragraphs ~~71 to 82.~~75.

Increases to Enduring NTS Exit (Flat) Capacity Allocation.

28. Users may apply for additional **Enduring Annual NTS Exit (Flat) Capacity** via either of two processes which are detailed in the UNC (TPD Section B3.2). These processes allow application:
- Within the Annual Application Window – held in July of each year; and
 - Outside of the Annual Application Window (referred to in this Statement as “ad-hoc applications”) – permitted at any time from 1st October to 30th June in each Gas Year.

⁹⁶ The availability of unallocated NTS baseline exit flat capacity may be reduced as a result of exit capacity substitution (see paragraph 11).

29. Any application for additional **Enduring Annual NTS Exit (Flat) Capacity** may require connection works irrespective of whether Works (as defined in UNC TPD Section B3.3) are required. It is important, therefore, that Users inform National Grid of their intentions as early as possible to ensure that any necessary connection works can be identified and undertaken in a timely manner. See also General Introduction paragraph 10.
30. Users may obtain additional **Enduring Annual NTS Exit (Flat) Capacity** via the assignment process⁴⁹⁷ which is detailed in UNC (TPD Section B6). The Assignor's Registered **NTS Exit (Flat) Capacity** will be reduced by a quantity equal to the quantity by which the Assignee's Registered **NTS Exit (Flat) Capacity** is increased at the same NTS Exit Point.
31. Where
- the capacity to be assigned is not subject to a User Commitment with the Assignor; and
 - the Assignee does not hold capacity at the relevant NTS Exit Point that is subject to a User Commitment;
- a User Commitment will not apply in respect of the assigned capacity. Paragraphs ~~98~~⁹⁹~~100~~¹⁰¹ provide further details on when a User Commitment will apply in respect of assigned capacity.
32. Non-Users ("Reservation Parties") may reserve **Enduring Annual NTS Exit (Flat) Capacity** for subsequent allocation to Users ~~for use~~, subject to capacity release lead-times, ~~from 1st October 2012~~ by agreement of an ARCA (UNC TPD Section B3.3).
33. Except where paragraph ~~86~~⁸⁷ applies all increases in Users' allocations of **Enduring Annual NTS Exit (Flat) Capacity** will be subject to a User Commitment (see "User Commitment" below). As specified in paragraph ~~84~~⁸⁵ the User Commitment will apply to the increase plus any existing allocation.
34. For the avoidance of doubt, except where specifically excluded within this Statement, the User Commitment applies to:
- (a). any increases from initial allocations of **Enduring Annual NTS Exit (Flat) Capacity**;
 - (b). increases back to the initial level after an earlier reduction. In such cases the User Commitment will apply for the full new allocation level (i.e. existing plus increase);
- and does not apply to
- (c). initial allocations of **Enduring Annual NTS Exit (Flat) Capacity** made pursuant to paragraph 26; and
 - (d). any increase in a User's registered capacity at any NTS Exit Point, notwithstanding the minimum eligible amount (UNC TPD Section B3), of less than 100,000 kWh/day.
35. Users and Reservation Parties must inform National Grid Capacity Team⁴⁴⁸ ahead of any application for additional **Enduring NTS Exit (Flat) Capacity** where, if accepted, the increase will take the aggregate capacity allocated to all Users at the relevant NTS Exit Point above the level of **Baseline NTS Exit (Flat)**

⁴⁹⁷ UNC currently facilitates the assignment of all of the registered **NTS Exit (Flat) Capacity** of a User. Upon implementation, UNC modification proposal 276 will allow assignment of part of a User's registered capacity. [An implementation date remains to be determined.](#)

⁴⁴⁸ Contact can be made with the Capacity team via e-mail to: box.nts.exitcapacity@uk.ngrid.com.

Capacity. This is necessary so that appropriate pre-application processes can be completed, in particular, agreement of appropriate Licence revenue drivers with the Authority, identification of investment lead-times, and the inclusion of the NTS Exit Point in the Licence. This is particularly relevant, but not exclusive, to new NTS Exit Points. Experience has shown that, where required, Licence changes have taken in excess of seven months⁴²⁹ to complete from National Grid's formal approach to Ofgem to initiate the necessary Licence changes; complex requests may take longer. Any information provided to National Grid in advance of a formal application will not be binding on the applicant. The User or Reservation Party will not be obliged to submit an application in respect of a proposed NTS Exit Point nor to submit an application for a specific quantity. Subject to any requirement for industry consultation and industry notifications under UNC or the Licence; any information provided to National Grid will be treated in confidence. However, the information may be used in subsequent revenue driver discussions and should not be misleading, but should be the User's or Reservation Party's best assessment of their future requirements. Where requirements change National Grid will endeavour to agree, where necessary, revised revenue drivers, lead-times etc to satisfy the User's or Reservation Party's application.

36. Each NTS Exit Point must be included in the Licence by the appropriate date before capacity can be offered for release. If a new NTS Exit Point is not included in the Licence the NTS Exit Point:
- will not have an **NTS baseline exit flat capacity**. Consistent with UNC TPD Section B3.1.6; without a baseline value National Grid will not be required to make capacity available at that NTS Exit Point;
 - will not be included in the NTS charging model and indicative prices cannot be produced.
37. Subject to National Grid's sole discretion, National Grid will require an appropriate revenue driver in the Licence for the NTS Exit Point before releasing **NTS obligated incremental exit flat capacity** at that NTS Exit Point. This is necessary to inform investment decisions in response to the release of incremental capacity.
38. It is anticipated that a methodology for the determination of revenue drivers will be agreed between National Grid and the Authority. This will facilitate the determination of revenue drivers for the incremental quantity released. In the absence of an agreed methodology, National Grid will seek to agree with the Authority a revenue driver, specific to the relevant NTS Exit Point⁴³¹⁰, for either a fixed incremental quantity or a range of incremental capacity which will span the quantities indicated (without commitment) by the potential applicant in accordance with paragraph 35. Whether a fixed quantity or range based revenue driver is requested will depend upon the information available to National Grid at the time the revenue driver is requested.
39. The appropriate date for Licence changes to be effective is 1st June in respect of the Annual Application Window; or the day before receipt by National Grid in respect of an ad-hoc application; or the day before signature, in respect of an ARCA.

⁴²⁹ National Grid and Ofgem are working to reduce this period.

⁴³¹⁰ Subject to the agreement of Ofgem, NTS Exit Points may be aggregated such that a single revenue driver would apply to the release of **NTS obligated incremental exit flat capacity** at one or more NTS Exit Points. NTS Exit Points are likely to be aggregated where the same, or similar, infrastructure projects would be required to facilitate the release of incremental capacity at each point.

40. Notwithstanding any subsequent capacity reductions, if **NTS incremental obligated exit flat capacity** is released and allocated at an NTS Exit Point such that the aggregate of all Users' Registered **NTS Exit Capacity** at that NTS Exit Point is above the **NTS baseline exit flat capacity** level then National Grid will have an on-going obligation to release capacity up to the higher level.
41. The Licence defines a default lead-time of 38 months for the release of **NTS obligated incremental exit flat capacity** (see paragraphs ~~106~~¹⁰⁷ to ~~115~~¹¹⁶). Considering planning regulations, such a lead-time is likely to be extremely challenging for National Grid to provide any new pipeline infrastructure to support release of incremental capacity.
42. To enable National Grid project timelines to better align to connecting projects (e.g. new power stations and storage facilities) National Grid, ~~at its sole discretion,~~ may enter into a preliminary works agreement ("PWA")⁴⁴¹¹. This agreement will require National Grid to commence the Works (as defined in UNC Section B3.3) in advance of any application for (or reservation of) **Enduring Annual NTS Exit (Flat) Capacity**. The extent of the Works undertaken will be determined on a project by project basis such that when the applicant makes a formal application in accordance with UNC National Grid will be able to release capacity at an earlier date than would otherwise be the case.
43. In accordance with the terms of the PWA, the User or Reservation Party shall be liable for all relevant costs incurred which shall be refunded only following:
- allocation of the required capacity (or signature of an ARCA); and
 - demand for **NTS obligated incremental exit flat capacity** is confirmed; and
 - satisfaction of any demonstration information criteria (as defined in UNC TPD Section B3.3).

These works will be charged in accordance with the ~~Statement and Methodology for~~ Gas Transmission Connection Charging ~~Methodology~~ (UNC TPD Section Y Part A 2) as if the works were "~~connection design works~~^{Design Works}", as defined in that statement.

Annual Application Window

44. In accordance with UNC (TPD Section B3.2), Users may apply for additional **Enduring Annual NTS Exit (Flat) Capacity** at each NTS Exit Point at the Annual Application Window (each business day in July) in Gas Year Y for use from the ~~start (i.e. 1st October)~~¹² of the Gas Year Y+~~4~~⁴¹³, Y+5 or Y+6 and the new capacity level will be evergreen until changed in accordance with paragraphs 71, 77, or 30. The User's application may be for additional capacity in a constant quantity commencing Y+4, Y+5 or Y+6, or it may increase year on year¹⁴ (stepped increase) for any or all of Y+4, Y+5 and Y+6. On making such applications, Users are committing to the User Commitment (assuming their applications are not rejected i.e. it is a valid application).

⁴⁴¹¹ In the event of multiple potential incremental capacity requests National Grid may enter into a PWA with multiple parties.

¹² [When implemented, UNC Modification Proposal 376 "Increased Choice when Applying for NTS Exit Capacity" will allow applications from 1st of any month in the period Oct Y+4 to Oct Y+6.](#)

⁴⁵¹³ Subject to variation of capacity release default lead time in accordance with paragraphs ~~106~~¹⁰⁷-~~115~~¹¹⁶.

¹⁴ [When UNC Modification Proposal 376 is implemented, increases may apply from different months for each Gas Year, but only one increase per Gas Year.](#)

45. In accordance with the UNC TPD Section B3.2.8 only, DNO Users may submit a revised application for **Enduring Annual NTS Exit (Flat) Capacity** after the Annual Application Window.

Applications Outside the Annual Application Window (Ad-hoc Applications).

46. Users may (UNC TPD Section B3.2) apply for **Enduring Annual NTS Exit (Flat) Capacity** between 1st October and 30th June in respect of a new NTS Exit Point⁴⁶¹⁵.
47. Users may (UNC TPD Section B3.2) apply for an increase in **Enduring Annual NTS Exit (Flat) Capacity** between 1st October and 30th June in respect of an existing NTS Exit Point provided the application;
- if approved, would result in Users holding in excess of 125% of the **Baseline NTS Exit (Flat) Capacity** for the year for which the application is made; or
 - is for an amount that exceeds 10GWh/day¹⁶. This criterion shall apply to each individual User's applications.
48. For clarity, where the 125% rule applies, all Users' applications in aggregate must result in the Registered **Enduring Annual NTS Exit (Flat) Capacity** of all Users at the relevant NTS Exit Point exceeding, in aggregate, 125% of the prevailing **Baseline NTS Exit (Flat) Capacity** (i.e. the value at the time of the application).
49. Where an application is for a stepped increase in capacity (in accordance with UNC TPD Section B 3.2), i.e. a number of increases at different dates, the criteria defined in paragraph 47 shall apply to the aggregate capacity increase and not to each tranche although the minimum eligible amount will apply to each tranche for each User.
50. In accordance with UNC TPD Section B 3.2, the requested date for capacity release (or each date in respect of an application for a stepped increase) must be 1st of the month and must not be earlier than:
- 1st of the month M+7 where month M is the month in which the application is made;
- nor later than:
- 1st October in Gas Year Y+~~4~~¹⁷.
51. All ad-hoc applications for **Enduring Annual NTS Exit (Flat) Capacity** shall be made on Gemini⁴⁷¹⁸. This application will include, as a minimum;

⁴⁶¹⁵ As defined in ~~National Grid's Statement and Methodology for the~~ Gas Transmission Connection Charging [Methodology \(UNC TPD Section Y 2\)](#) all new NTS connections must meet the minimum load criterion of 2 mtpa.

¹⁶ [When implemented, UNC Modification 376 will amend this value to 1GWh/day](#)

¹⁷ [When implemented, UNC Modification 376 will amend this to Y+6.](#)

⁴⁷ ~~A pro-forma process will provide a contingency in the event of systems failure. The pro-forma will be available from~~ ¹⁸ [Originally these applications were processed off-line, but have now been incorporated into Gemini. Any queries should be directed to National Grid's Capacity team, at \[box.nts.exitcapacity@uk.ngrid.com\]\(mailto:box.nts.exitcapacity@uk.ngrid.com\), or from National Grid's website at: <http://www.nationalgrid.com/uk/Gas/Data/excap/>.](#)

- The NTS Exit Point;
- The quantity of **Enduring Annual NTS Exit (Flat) Capacity** required in excess of that (if any) already allocated;
- The earliest date from which capacity is requested to be allocated; and
- Any quantity and date information relating to stepped increases in capacity allocations.

52. National Grid will consider ad-hoc applications on a first come first served basis (together with ARCA applications (see section “Applications from non-Users – ARCA Applications”) from Reservation Parties) and will, subject to paragraphs 36 and 37, with requirements determined by network analysis undertaken at the time of receipt by National Grid of any valid request, use reasonable endeavours to provide the quantities of **Enduring Annual Exit (Flat) Capacity** at the dates requested in the application. National Grid will, subject to paragraphs 56 and 57 and the application satisfying the application criteria in UNC Section B and paragraphs 46 to 51, offer the quantity(ies) and date(s) of capacity release within:

- 15 Business Days of receipt of the application; or
- where National Grid is of the opinion that Works are required to make the requested capacity available, within 90 calendar days of receipt; or
- later, if agreed with the User.

Unless accepted within 30 calendar days of the date of the offer (or such longer period as may, ~~at the sole discretion of~~ be agreed between National Grid, ~~be agreed and the User~~ in consideration of a request from the applicant to extend the 30 calendar day period) the offer will lapse.

53. National Grid will only consider one ad-hoc application from each User in respect of any NTS Exit Point at a time. Unless and until an application has been withdrawn, or an offer placed in respect of an application has been accepted, or lapsed, National Grid shall reject any further applications from the same User in respect of the same NTS Exit Point.

54. National Grid will release **NTS obligated incremental exit flat capacity** and **NTS baseline exit flat capacity** with an effective date earlier than 1st October in Gas Year Y+4 only where this can be achieved without compromising safe and efficient operation of the System and is consistent with statutory and Licence obligations.

55. Ad-hoc applications submitted earlier than 1st April will be considered independently of applications made in the Annual Application Window.

56. Ad-hoc applications may be submitted on, or later than, 1st April. However, applications submitted between 1st April and 30th June create the potential for an overlap with the Annual Application Window⁴⁸¹⁹. Dependant upon the specifics of the application; including, but not limited to,

- a. The date of the application;
- b. The location of the NTS Exit Point;
- c. The magnitude of the capacity increase; and
- d. Any current interactive applications (see paragraph 57);

National Grid will seek to agree with the User a variation to the 90 calendar day offer period (National Grid may reduce the period) and/or 30 calendar day

⁴⁸¹⁹ Applications received after 1st February may impact on the data provided in the annual application window invitation letter, e.g. all **Remaining Available Baseline NTS Exit (Flat) Capacity** at an NTS Exit Point may be subject to an ad-hoc application. The invitation letter will assume that this capacity will not be available in the Annual Application Window. If the ad-hoc application subsequently lapses the assumption, and hence the data provided in the invitation letter, would have been incorrect.

acceptance period allowed in accordance with the UNC or the withdrawal of the ad-hoc application so that analysis of the request can be undertaken together with other requests received via the Annual Application Window. Where agreement cannot be reached paragraph 58 shall apply.

57. In the event that an interactive application, (i.e. an application in respect of an NTS Exit Point located on the same part of the System as an existing ad-hoc or ARCA offer) is raised National Grid will provide an offer in respect of the interactive application only after the relevant existing offer has been accepted or lapsed. National Grid will seek to vary the 90 calendar day offer period and/or 30 calendar day acceptance period of both applications to best meet User expectations. Where agreement cannot be reached paragraph 58 shall apply.
58. In the event that National Grid and the User(s) making the ad-hoc application cannot agree to revised offer / acceptance periods, the July annual application invitation letter and any offers made by National Grid in response to subsequent ad-hoc applications shall be constructed on the basis that all outstanding offers will be accepted. Where any such offers lapse National Grid will, ~~at its sole discretion~~, consider whether any capacity made available as a result of such lapses can be used in assessing other applications.
59. Where there is an ad-hoc application and National Grid is of the opinion that Works are required, if the demonstration information⁴⁹²⁰ is not received by the Demonstration Date then National Grid:
- may cease activities in relation to the Works;
 - may defer the start of associated construction works and the capacity release date by up to 12 months. Where this results in the capacity release date being in a later Gas Year, the indicative NTS Exit Capacity price, P_{ind} , used to determine the User Commitment Amount, shall be recalculated; and
 - will, subject to paragraph 60, notify the User of the revised Demonstration Date.
- Where the release date is deferred the registration of **Enduring Annual Exit (Flat) Capacity** and the User Commitment shall apply from the revised date of capacity release.
60. In the event that the demonstration information is not received by the required date on three occurrences in total, unless agreed otherwise with the applicant
- the allocation of the registered capacity resulting from the application shall be removed;
 - the User will be liable to National Grid for Relevant Design Costs; and
 - National Grid will cease activities in relation to the Works.

Capacity Assignment and Transfer

61. ~~From 1st June 2011~~ Users, but not non-Users, may (UNC TPD Section B6) apply for the assignment²⁰²¹ of **Enduring Annual NTS Exit (Flat) Capacity** at any time

⁴⁹²⁰ Demonstration information will be agreed between National Grid and the counterparty on a project specific basis. National Grid has published a guidance note on the scope and content of demonstration information which can be found at <http://www.nationalgrid.com/uk/Gas/OperationalInfo/endureexitcap/>. National Grid will notify the applicant of the required date (the Demonstration Date) for the provision of the demonstration information.

²⁰²¹ UNC currently facilitates the assignment of all of the Registered NTS Exit (Flat) Capacity of a User. Upon implementation, UNC modification proposal 276 will allow assignment of part of a User's registered capacity.

in respect of an NTS Exit Point. A User Commitment will apply in respect of assigned capacity in accordance with paragraphs ~~97~~⁹⁸ to ~~100~~¹⁰¹.

62. ~~From 1st August 2011, in~~in accordance with UNC TPD Section B5 a User ("Transferor User") may transfer capacity to another User ("Transferee User"). The Transferred System Capacity shall remain registered to the Transferor User. Hence any User Commitment shall be unaffected by the Transfer.

Applications from non-Users – ARCA Applications.

63. A non-User ("Reservation Party") will be able, subject to an Advanced Reservation of Capacity Agreement "ARCA", to reserve **Enduring Annual NTS Exit (Flat) Capacity** in respect of a new or existing NTS System Exit Point. Two types of ARCA will be available; for requests where National Grid is of the opinion that Works are, or are not, required.
64. In agreeing an ARCA the Reservation Party is committed to nominating one or more Shipper Users to be registered as holding part or all of the reserved capacity for the NTS System Exit Point. After nomination of such a User (assuming the nominations are not rejected in accordance with the terms of the ARCA and/or UNC) and acceptance by that User, the User will be registered as holding such amounts of **Enduring Annual NTS Exit (Flat) Capacity** as if they had initially registered the capacity in accordance with paragraph 28 above and such holdings shall be evergreen until changed in accordance with paragraphs 71, 77, or 30. Any such notice from the Reservation Party shall be submitted to National Grid at least five business days before the allocation becomes effective, which shall be 1st of the month.
65. Any capacity allocated to a Shipper User that was initially reserved via an ARCA shall be subject to a User Commitment (see paragraph ~~87~~⁸⁸).
66. To the extent that a Shipper User has not been nominated for, and registered as holding, some, or all, of the reserved capacity, the Reservation Party shall be liable for the User Commitment Amount in respect of this capacity. Capacity reserved through an ARCA will remain reserved, even if not registered to a Shipper User, for the duration of the ARCA. Hence, any such capacity will be available to all Users only as **Daily NTS Exit (Flat) Capacity** until the earlier of
- Four years after the capacity release date specified in the ARCA for the final phase of capacity release as may be amended in accordance with the terms of the ARCA; and
 - termination of the ARCA
- when it will be made available to all Shipper Users as **Annual NTS Exit (Flat) Capacity** including "Enduring" or **Daily NTS Exit (Flat) Capacity**.
67. The ARCA application process for non-Users will, where possible, be consistent with the ad-hoc application process for Users.
68. The requested date for capacity release (or each date in respect of an application for a stepped increase) must be 1st of the month and must not be earlier than:
- 1st of the month M+7 where month M is the month in which the application is made;
- nor later than:
- 1st October in Gas Year Y+~~6~~²⁴6²².

²⁴~~22~~ This criterion provides Reservation Parties with access to long-term capacity over the same duration as Users (via ad-hoc applications and the annual application window).

69. National Grid will consider ARCA applications from Reservation Parties on a first come first served basis together with ad-hoc applications from Users and will, subject to paragraphs 36 and 37, with requirements determined by network analysis undertaken at the time of receipt by National Grid of any valid request, use reasonable endeavours to provide the quantities of **Enduring Annual Exit (Flat) Capacity** at the dates requested in the application. National Grid will use reasonable endeavours to offer an ARCA specifying the quantity(ies) and date(s) of capacity reservation within 90 calendar days of receipt by National Grid of the application. Where the application overlaps with the annual application window, i.e. is received after 1st April, this may not always be possible. The offer of an ARCA will be valid for a maximum of 30 calendar days.

Deemed Applications for Increases to Enduring NTS Exit (Flat) Capacity Allocations

70. ~~In accordance with the UNC (TPD Section B3.2), where a User incurs an~~The deemed application process for an increase in Enduring Annual NTS Exit (Flat) Capacity will not operate following implementation of UNC Modification 0381
~~“Removal of the NTS Exit (Flat) Capacity Overrun charge they will be deemed to be applying for an increase in Enduring Annual NTS Exit (Flat) Capacity equal to the highest overrun quantity (recorded between 1st April year Y-1 and 31st March year Y). As overruns, and hence deemed applications, cannot occur until October 2012, at the earliest, this Statement does not, in this version, address how deemed applications will be progressed. Any rules regarding deemed applications will be clarified prior to the commencement of the Enduring Exit Period.”~~“deemed application” process”

Reductions to Enduring NTS Exit (Flat) Capacity Allocation

71. Users are able to reduce their Registered **Enduring Annual NTS Exit (Flat) Capacity** provided that:
- they have satisfied the User Commitment at the relevant NTS Exit Point (see “User Commitment” below);
 - they provide at least 14 months notice of the effective date of the reduction except where paragraphs 75(a) or 77 applies; and
 - the requested reduction, if accepted, would not result in the User’s registered capacity at the NTS Exit Point being negative at any time after the reduction.

In accordance with UNC Section B5.1.4 National Grid may reject a capacity transfer request where the quantity of capacity proposed to be transferred exceeds the transferor’s Available System Capacity, ~~i.e. if the effect of the transfer would be for the transferor’s capacity entitlement to be less than zero, i.e. a negative entitlement~~²²²³. Consistent with B5.1.4, National Grid may reject a reduction request if the ~~effect~~Available System Capacity, after considering the proposed reduction quantity, is less than the aggregate of any existing or pending capacity transfers ~~results in a negative entitlement~~.

²²²³ Note: A User’s Registered capacity cannot be negative. Under a capacity transfer the registration remains with the Transferor, but their entitlement to use the capacity transfers to the Transferee.

72. For the avoidance of doubt the 14 month reduction notice period is applicable to a User's initial capacity allocation; i.e. if a User wants to reduce its allocation resulting from initialisation, effective from the start of the Enduring Exit Period (1st October 2012), it ~~can do~~ must have done so in the Reduction Application Window of ~~2011, 2011 or earlier~~, but ~~not cannot~~, except in accordance with paragraph 75(a), in the Reduction Application Window of 2012.
73. Except where paragraph 76 applies, where Works are required and the demonstration information requirements have not been satisfied, any reduction request will be rejected irrespective of how much advance notice is given of the proposed effective date for the reduction.
74. Except:
- in response to an ad-hoc invitation from National Grid in accordance with paragraph 77; or
 - Consistent with paragraph 76, where such an application can be made at any time;
- Users will only be able to apply for reductions in their Registered **Enduring Annual NTS Exit (Flat) Capacity** by submitting a notice of reduction requesting a reduction amount and reduction date during the Reduction Application Window (1st to 15th July each year). A separate notice will be required for each NTS Exit Point, limited to one per NTS Exit Point per User for a particular reduction date.
75. The effective date of a reduction must be 1st of the month and no earlier than 1st October in Year Y+1.
- (a). A reduction request with an effective date before 1st October Y+2 (i.e. with less than 14 months notice) shall be accepted, at National Grid's sole discretion, provided that National Grid can use the released capacity to avoid the need to release **NTS obligated incremental exit flat capacity** to meet requests from other Users to increase their Registered **Enduring Annual NTS Exit (Flat) Capacity**:
- at the same NTS Exit Point irrespective of whether there is an outstanding User Commitment.
 - through exit capacity substitution^{~~23~~²⁴} to a different NTS Exit Point, provided that this is permitted in accordance with the ExCS and there is no outstanding User Commitment.
- (b). A reduction request with an effective date on or after 1st October Y+2 (i.e. with at least 14 months notice) shall be accepted:
- at any NTS Exit Point where the User Commitment has been satisfied; or
 - at an NTS Exit Point where the User Commitment has not been satisfied.
 - This will be subject to National Grid's sole discretion, provided that National Grid can use the released capacity to meet requests from other Users to increase their Registered **Enduring Annual NTS Exit (Flat) Capacity**, at the same NTS Exit Point.
76. Where a User has accepted an offer in response to an ad-hoc application and Works have been identified the User may apply for a reduction in its capacity allocation to the pre-application level (potentially zero) and a User Commitment will not apply provided that;
- the effective date for the reduction is the same as the increase;

^{~~23~~²⁴} National Grid's ~~proposed~~ currently approved ExCS (v1.0) does not permit substitution earlier than Y+4.

- the reduction request is made before satisfaction of the demonstration information criteria; and
 - the User pays all Relevant Design Costs up to the date of acceptance of the reduction request.
77. Users will also be able to reduce their Registered **Enduring Annual NTS Exit (Flat) Capacity** at relevant NTS Exit Points in response to ad-hoc invitations from National Grid. Such invitations may be, and will only be, issued after receipt of ad-hoc applications from Users to increase their Registered **Enduring Annual NTS Exit (Flat) Capacity** (or ARCA applications from Reservation Parties) where this would otherwise require the release of **NTS obligated incremental exit flat capacity**. Such invitations may be issued to Users with registered capacity:
- (a). at the same NTS Exit Point, or
 - (b). at any other NTS Exit Point^{~~23~~ ²⁴}, provided that exit capacity substitution can be applied, in accordance with the ExCS, at the requested capacity increase/decrease date, and there is not an outstanding User Commitment.
78. Where National Grid issues an invitation pursuant to paragraph 77, such invitation may be issued to all Users, in respect of all NTS Exit Points. The invitation will not specify a location or quantity. This is to retain the confidentiality of the capacity increase application. However, the invitation will specify the date from when the reduction must apply. The invitation will be made a minimum of 5 Business Days before the window for responses opens. The window shall remain open for a single day.
79. Where reduction requests received in accordance with paragraphs 75 and 77 are, in aggregate, for a quantity greater than is required to satisfy the increase applications, the following criteria shall be used to identify which reduction request(s) shall be accepted.
- Reduction requests at the same NTS Exit Point shall be selected first:
then
 - Reduction requests at other NTS Exit Points shall be selected according to the same criteria as is used to select donor NTS Exit Points in the ExCS.
80. • Where two or more reduction requests are received for the same NTS Exit Point for a quantity greater than that required;
- Consideration shall be given to User Commitment status:
 - reduction requests in respect of capacity without a User Commitment shall be accepted before those with a User Commitment; ~~and~~
 - The reduction request effective date will be considered:
 - reduction requests with an effective date the same as the effective date of release of the relevant **NTS obligated incremental exit flat capacity** shall be accepted first, then
 - reduction requests with an effective date before the effective date of release of the relevant **NTS obligated incremental exit flat capacity** shall be accepted²⁵. Request with the latest effective date shall be accepted first, then
 - reduction requests with an effective date after the effective date of release of the relevant **NTS obligated incremental exit flat**

²⁵ This criterion is not available for reduction request made subject to paragraph 77.

capacity shall be accepted last and at the sole discretion of National Grid.

- ~~where~~ Where necessary, reduction requests (or, where relevant, a single request) shall be pro-rated. Pro-ration shall be consistent with UNC Section B Annex B-1.

81. ~~80.~~ Where a User reduces its registered capacity pursuant to paragraph 77 any User Commitment at that NTS Exit Point relating to the reduced capacity will be satisfied to the extent that it applies to the reduced capacity.

82. ~~81.~~ National Grid will determine in September of each Gas Year whether any reduction applications made in respect of any future Gas Year may be accepted by National Grid and, if so, inform each User which of its reduction applications have been accepted and which have been rejected no later than 30th September in the Gas Year of the determination. If a request is rejected in the Gas Year in which it is made and if the User continues to want a reduction in its **Enduring NTS Exit (Flat) Capacity** allocation then it will need to submit a revised reduction application, potentially with a later effective date, during the next Reduction Application Window or in response to an appropriate ad-hoc invitation from National Grid.

83. ~~82.~~ Reduction applications are unlikely to require connection works. However, if there is an intention that flows are to be reduced below the measurement ranges specified in the Network Exit Agreement “NExA” then metering works may be required. It is important, therefore, that Users inform National Grid of their intentions as early as possible to ensure that any necessary metering and/or connection works can be identified and undertaken in a timely manner²⁴²⁶. This work is undertaken apart from the capacity application processes by National Grid’s Customer Services team who can be contacted via e-mail to: box.transmission.newgasconnections.nts@uk.ngrid.com. See also General Introduction paragraph 10.

User Commitment

84. ~~83.~~ Consistent with the Licence, National Grid shall only release **NTS obligated incremental exit flat capacity** if a “long term signal” is received, from a User or Reservation Party, consistent with this methodology statement. The User Commitment, as defined in paragraph ~~84.~~85. shall constitute the long term signal required under the Licence.

85. ~~84.~~ Specific to each User at each NTS Exit Point the principles of the User Commitment are that:

- a. where a User has requested additional **Enduring Annual NTS Exit (Flat) Capacity**, the User must meet the associated User Commitment before reductions may be effective; and
- b. the User Commitment is that the User will remain the registered User in respect of:
 - i. any additional **Enduring Annual NTS Exit (Flat) Capacity** that is allocated to that User; plus
 - ii. any existing **Enduring Annual NTS Exit (Flat) Capacity** allocation that the User holds at that NTS Exit Point

²⁴²⁶ Where any necessary connection works are not undertaken by the effective date for the reduction, National Grid may curtail flows at the reduced rate.

for 4 years from the date the increased capacity allocation becomes effective; except that;

the User Commitment will be satisfied early where actual Charges (as defined in paragraph ~~94~~⁹²) paid (or to be paid) by the relevant User in respect of the NTS Exit Point equal or exceed the User Commitment Amount. The assessment of actual charges paid (or to be paid) will be made following the reduction request and will include actual charges paid (or to be paid) up to the end of September Y+1 for a reduction request in year Y; and

- c. a User needs to provide at least 14 months notice of a reduction in **Enduring Annual NTS Exit (Flat) Capacity** at which point any associated User Commitment must have been, or will be, satisfied.

~~86. 85.~~ Where stepped increases in capacity have been requested, in the same or in multiple applications, the User Commitment shall be deemed satisfied no later than the fourth anniversary of the last increase in **Enduring Annual NTS Exit (Flat) Capacity**.

~~87. 86.~~ Notwithstanding paragraph ~~84~~⁸⁵, the User Commitment will not apply in respect of allocations made:

- a. as a result of initialisation which are effective from the introduction of the Enduring Exit Period (see paragraph 34(c); and
- b. under certain circumstances, by way of Assignment, specified in paragraph 31.

Hence if a User applied to reduce its Registered **Enduring Annual NTS Exit (Flat) Capacity** in July 2012, then this could be effective from October 2013 at the earliest.

~~88. 87.~~ Where a User is registered with capacity that was initially:

- (a). reserved by a Reservation Party via an ARCA; or
- (b). registered to another User and has been assigned to the User now registered with the capacity;

the User Commitment will transfer to that new User. The new User's User Commitment shall be to remain the registered User of the additional capacity allocated plus any existing capacity registered to that User at that NTS Exit Point for a period starting on the later of either;

- (c). the date of registration of capacity reserved in accordance with the ARCA, and ending on the fourth anniversary of the capacity release date specified in the ARCA for the relevant tranche of capacity^{~~25~~²⁷} (as may be adjusted in accordance with the ARCA), or
- (d). the date of the last increase in **Enduring Annual NTS Exit (Flat) Capacity** registered to the assigning User and ending four years after that increase (see paragraphs ~~97~~⁹⁸ to ~~100~~¹⁰¹).

In determining the new User's User Commitment Amount the indicative NTS Exit Capacity price "P_{ind}" (as defined in paragraph ~~94~~⁹²) will be as specified in the ARCA or as applied to the Assignor User. However, where the new User acquires a separate and later registration of capacity the User Commitment will be extended and an updated "P_{ind}" will apply.

~~89. 88.~~ In the event that Users do not register all of the capacity reserved under an ARCA; i.e.

- (a). the effective date of capacity registration is later than the capacity release date specified in the ARCA; and/or

^{~~25~~²⁷} Where an ARCA reserves capacity in steps the "relevant tranche of capacity" will be the most recently released tranche, otherwise the relevant tranche will be the only tranche.

(b). the quantity of capacity registered is less than that reserved, the Reservation Party shall be liable for the User Commitment Amount as set out in paragraph ~~92~~⁹³. This liability will be evaluated, and invoiced, on each anniversary of the start of the User Commitment period which shall commence on the capacity release date specified in the ARCA or such later capacity release date as may be determined in accordance with the ARCA. Where the annual User Commitment Amount is negative this will be credited to the following year. At the discretion of National Grid any positive amount may be carried over to the following year.

Where paragraph ~~88~~⁸⁹(a) applies the User Commitment Amount of any Shipper User shall be reduced by the amount paid by the Reservation Party.

Where paragraph ~~88~~⁸⁹(b) applies the User Commitment Amount of any Shipper User shall relate to the registered (plus existing, if any) quantity and shall not be reduced in respect of any amount paid by the Reservation Party.

~~90~~⁸⁹. Where a User has an application to increase its registered capacity accepted and the User has, or will have, an existing User Commitment at the same NTS Exit Point at the time the increase becomes effective, the User Commitment will:

- be determined using the most recently generated indicative price (see paragraphs ~~93~~⁹⁴ and ~~94~~⁹⁵) for an accepted capacity increase; and
- commence on the latest User Commitment start date determined for all relevant increases individually.

This will apply irrespective of how capacity was obtained, i.e. assignment, ad-hoc, ARCA etc.

User Commitment Amount

~~91~~⁹⁰. The User Commitment Amount will become payable by a User if a User does not satisfy the User Commitment or by a Reservation Party if capacity reserved via an ARCA is not fully allocated to Users.

~~92~~⁹¹. In respect of a User, the User Commitment Amount shall be determined by:

$$\text{User Commitment Amount (£)} = P_{\text{ind}} / 100 \times Q \times (365 \times 4 + 1) - \text{Charges}_{\text{actual}}$$

where

P_{ind} = the indicative NTS Exit Capacity price (see paragraphs ~~93~~⁹⁴ and ~~94~~⁹⁵) (p/kWh/Day) for the relevant capacity at the NTS Exit Point. This price may differ from the actual price determined at a later date and used to calculate actual transportation charges.

Q = total amount (existing plus total incremental) of **Enduring Annual NTS Exit (Flat) Capacity** allocated to the User (kWh/Day) over the commitment period,

$\text{Charges}_{\text{actual}}$ means Exit Capacity Charges (£) paid solely in respect of **Enduring Annual NTS Exit (Flat) Capacity**, from the date of the last increase in capacity registration, by the relevant User in respect of the NTS Exit Point and shall exclude all other charges paid in respect of the NTS Exit Point including overrun charges and NTS Exit Commodity Charges.

NB: $365 \times 4 + 1$ equates to four years, including 1 day for a leap year.

Subject to paragraph ~~87~~⁸⁸(c) the User Commitment shall commence on the date that the last increase in the registered capacity becomes effective.

~~93~~⁹². In respect of a Reservation Party, the User Commitment Amount shall be paid annually from the first anniversary of the capacity release date specified in the

ARCA to four years after the last increase. The User Commitment Amount shall be determined annually as the sum of the Daily User Commitment Amount calculated for each day for the relevant year minus any amount carried over from the previous year in accordance with paragraph ~~88~~⁸⁹. The Daily User Commitment Amount shall be:

$$\text{Daily User Commitment Amount (£)} = P_{\text{ind}} / 100 \times Q_{\text{res}} - \text{Charges}_{\text{actual}}$$

where

P_{ind} = the indicative NTS Exit Capacity price (see paragraphs ~~93~~⁹⁴ and ~~94~~⁹⁵) (p/kWh/Day) for the relevant capacity at the NTS Exit Point. This price may differ from the actual price determined at a later date and used to calculate actual transportation charges.

Q_{res} = total amount of capacity reserved under the ARCA for the relevant Day. $\text{Charges}_{\text{actual}}$ means Exit Capacity Charges (£) paid, solely in respect of **Enduring Annual NTS Exit (Flat) Capacity**, by the nominated Shipper(s) in respect of the reserved capacity at the NTS Exit Point and shall exclude all other charges paid in respect of the NTS Exit Point including overrun charges and NTS Exit Commodity Charges and any NTS Exit Capacity Charges paid in respect of existing registered capacity at that NTS Exit Point.

The Daily User Commitment Amount shall be determined for each tranche of increase in capacity.

~~94.~~ ^{93.} National Grid will provide an indicative NTS Exit Capacity price, P_{ind} , for each NTS Exit Point ahead of any capacity application or reservation^{~~26~~²⁸}. P_{ind} will be determined for the Year in which the increase is to become effective; normally this will be year Y+4 for an application in Year Y, however this may be for a later year, particularly in the case of stepped increases. Hence, it is important, particularly for ARCA applications and/or those relating to new NTS Exit Points, that National Grid is contacted ahead of any application (see paragraph 35).

~~95.~~ ^{94.} Where it is anticipated that **NTS obligated incremental exit flat capacity** will be required to be released, P_{ind} will be determined from the User's or Reservation Party's best assessment of their future capacity requirements, i.e. the anticipated future **NTS baseline exit flat capacity** plus **NTS obligated incremental exit flat capacity**, at the NTS Exit Point. Information provided by the User or Reservation Party should not be misleading, but should be as accurate as is reasonably practical based on information available to the User or Reservation Party at the time of submission.

~~96.~~ ^{95.} If a User has been allocated, or an ARCA is used to reserve, capacity with stepped increases the User Commitment Amount will be determined at each stepped increase i.e. the User Commitment may extend over more than four years from the initial stepped increase.

~~97.~~ ^{96.} Except where paragraph 77 applies or where capacity is assigned to another User, the User Commitment Amount shall be payable immediately a User ceases to be the registered User of the relevant capacity, or, for a Reservation Party, in accordance with the terms of the ARCA.

^{~~26~~²⁸} P_{ind} will be the indicative price published by National Grid two months in advance of the Annual Application Window. In respect of an offer in response to an ad-hoc application or an ARCA, P_{ind} will be recalculated using the latest available relevant information. For the avoidance of doubt, where a P_{ind} has been provided, it shall not be revised following implementation of a revised charging methodology.

User Commitment with Assignment

~~98. 97.~~ Consistent with paragraph 31 a User Commitment will not apply in respect of assigned capacity only where:

- the capacity to be assigned is not subject to a User Commitment with the Assignor; and
- the Assignee does not hold capacity, at the relevant NTS Exit Point, that is subject to a User Commitment.

~~99. 98.~~ Where capacity to be assigned is:

- subject to a User Commitment with the Assignor; and
- the Assignee holds capacity at the relevant NTS Exit Point which is subject to a User Commitment:

the Assignor's User Commitment will pass to the Assignee; and

(a). The Assignor will retain a User Commitment in respect of any unassigned capacity.

- The Assignor's User Commitment Amount shall be recalculated, using the original P_{ind} , to take account of the assigned quantity for the remainder of the User Commitment period;

(b). Any charges paid by the Assignor in respect of the assigned capacity before the effective date of assignment will be considered against the User Commitment obligations of the Assignee to the extent that the charges paid exceed the User Commitment Amount pro-rated for the duration that the Assignor had a User Commitment for the relevant capacity; and

(c). The Assignee's User Commitment shall be to remain the registered User in respect of:

- any **Enduring Annual NTS Exit (Flat) Capacity** that is assigned to that User; plus
- any existing **Enduring Annual NTS Exit (Flat) Capacity** allocation that the User holds at that NTS Exit Point

for "X" months from the date the assigned capacity allocation becomes effective, except that the User Commitment will be satisfied early where actual Charges (as defined in paragraph ~~94~~⁹²) paid (or to be paid) by the relevant User in respect of the NTS Exit Point equal or exceed the User Commitment Amount; and to provide at least 14 months notice of a reduction in **Enduring Annual NTS Exit (Flat) Capacity** at which point any associated User Commitment must have been, or will be, satisfied.

Where X = the greater of:

- i. 4 years minus the period (in months) for which the Assignor was registered~~27~~²⁹ as holding the capacity that triggered the pre-assignment User Commitment; and
- ii. 4 years minus the period (in months) for which the Assignee has been registered as holding existing capacity that triggered the pre-assignment User Commitment.

The Assignee's User Commitment Amount shall be calculated using P_{ind} determined in accordance with paragraph ~~89. 90.~~

~~100. 99.~~ Where capacity to be assigned is:

- not subject to a User Commitment with the Assignor; and
- the Assignee holds capacity at the relevant NTS Exit Point which is subject to a User Commitment:

~~27~~²⁹ Where the assigned capacity has a future release date, e.g. stepped increase, then X shall be 48 months and shall apply from the date of release of the final increase in capacity.

the Assignee will be subject to a User Commitment as determined in the above paragraph ~~98~~99(c)ii.

101. ~~100.~~ Where capacity to be assigned is:

- subject to a User Commitment with the Assignor; and
- the Assignee does not hold capacity at the relevant NTS Exit Point which is subject to a User Commitment

both the Assignor and the Assignee will be subject to User Commitments as determined in the above ~~paragraph 98~~paragraphs 99(a) and ~~98~~99(c)i respectively.

Overlapping Applications for Increases and Decreases

102. ~~101.~~ A User can, in theory, make successive applications for increases and decreases in its **Enduring Annual NTS Exit (Flat) Capacity** allocation at the same location, either within a single or within consecutive application windows. Registered capacity can also be increased or decreased through ARCA nominations, ad-hoc applications and assignments. In considering such applications National Grid will apply the same principles of User Commitment for increases and reductions as set out above in paragraph ~~84~~85.

103. ~~102.~~ Where overlapping increase and reduction requests are made the acceptance or rejection of such applications will be determined in accordance with the following rules. Whilst these rules explain the process for acceptance or rejection of some overlapping increases and decreases other scenarios may arise for which additional rules will be applied. However, the principles detailed in paragraph ~~84~~85 will be the over-riding determinant of when/whether an increase or decrease can take effect. Such rules include (in all cases adequate notification is assumed):

- Multiple requests received in the same application window will be processed in sequence of 1st effective year, 2nd effective year, 3rd effective year etc.
- If an increase and decrease is requested for the same effective year, process the decrease first, then the increase
- Increases are processed as “increase by”. This means the requested increase quantity will be added to allocations for each gas year from the requested effective year onwards
- Decreases are processed as “decrease to”. This means the requested reduction will reduce capacity to this level until any previously agreed (by whatever means) higher level from an increase, or lower level from a decrease becomes effective. A “decrease to” request will be rejected where a negative value is requested or the specified value is greater than the prevailing value (for the effective date of the reduction).
- Negative capacity entitlements may be accepted. This may occur, for example where a User has sold capacity to another User by way of a transfer with a future date and a decrease request is subsequently submitted with an effective date prior to the transfer.

104. ~~103.~~ Overlapping applications for increases, decreases and assignments, and their timing in relation to capacity transfers may result in Users capacity entitlement at specific NTS Exit Points being negative, but not their registered capacity. In the event that this occurs, i.e. negative entitlement, the relevant User may be liable for overrun charges even when their daily flow allocation is zero~~28~~30.

~~28~~30 Overrun charges ~~may~~will not apply if the aggregate quantity offtaken by all Users on a given Day does not exceed the aggregate capacity holdings at that NTS Exit Point.

As a result the User may be deemed to have applied for an increase in their capacity allocation.

Bi-directional Connections

~~105.~~ ~~404.~~ When Users at, bi-directional connections, e.g. storage sites, signal their requirement for NTS Entry Capacity in the appropriate entry capacity auctions National Grid will use such signals to inform its investment plans to ensure that any investment needed is economic and efficiently incurred. This will be in accordance with National Grid's "Incremental Entry Capacity Release" methodology statement (the "IECR") which can be found on the National Grid website.

~~106.~~ ~~405.~~ Irrespective of whether a User signal is considered sufficient to trigger release of incremental NTS Entry Capacity a separate signal, the User Commitment, will be necessary, in accordance with this methodology statement, in respect of **Enduring Annual NTS Exit (Flat) Capacity**. This is because:

- the reinforcement projects required to provide entry capacity to a site may not be the same as those required to provide exit capacity and the lead-times may be different;
- where the same reinforcement projects are required to release entry and exit capacity Users may benefit from "firm" exit capacity on the back of entry investment. However, this may be able to be utilised at other NTS Exit Points. It is appropriate therefore, that Users make a commitment to secure this capacity. However, the extent that entry capacity creates exit capacity will be detailed in the ExCS.

Hence the methodology, including the User Commitment and capacity release lead-times, detailed in this ExCR methodology statement, will be applied in the same manner to all NTS Exit Points irrespective of the activities of the downstream connected party.

Capacity Release Lead Times

~~107.~~ ~~406.~~ Subject to paragraph 11, following allocations pursuant to applications in the Annual Application Window, or offers accepted in respect of ad-hoc process by Users, and/or offers accepted via the ARCA process by a Reservation Party, for increases in **Enduring Annual NTS Exit (Flat) Capacity**, National Grid will undertake such works^{~~29~~³¹} as it considers necessary to make such increases available.

~~108.~~ ~~407.~~ Where the applications referred to in paragraph ~~406~~~~107~~ require the release of **NTS obligated incremental exit flat capacity** National Grid shall allocate the **Enduring Annual NTS Exit (Flat) Capacity** effective from 1st October of Gas Year Y+4 (or, where relevant, a later year if specified in the application) for an accepted application in Gas Year Y.

~~109.~~ ~~408.~~ Paragraph ~~407~~~~108~~ above shall apply to successful applications placed in the Annual Application Window, or as an ad-hoc application, or as an ARCA application. Hence National Grid shall apply a default lead-time for the release of **NTS obligated incremental exit flat capacity** of 38 months starting from the first day of the month following the end of the relevant ~~or next~~[\(in respect of an application made in an Annual Application Window\) or next \(in respect of an ad-hoc or ARCA application\)](#) Annual Application Window. This means that for

^{~~29~~³¹} National Grid may consider contractual alternatives to physical works.

capacity allocations effective 1st October Y+4 satisfactory ad-hoc applications must be received by 30th June Y or satisfactory ARCA applications must be received by 31st July Y. However National Grid shall use reasonable endeavours to meet an earlier delivery date where requested in an ad-hoc or ARCA application.

~~110.~~ ~~109.~~ National Grid is allowed, in accordance with incentives in the Licence, a limited quantity of permits whereby it can extend ~~or reduce~~ the 38 month default lead time for the delivery of **NTS obligated incremental exit flat capacity**. National Grid can also earn additional permits by reducing the lead time below the 38 month default.

~~111.~~ ~~110.~~ Where National Grid can reasonably foresee that it is necessary to extend, or there is an opportunity to shorten, the lead time from the default value it will identify the relevant NTS Exit Point(s), the quantity of **NTS Exit (Flat) Capacity** and the duration, beyond or before the default value, that National Grid considers is necessary or appropriate. This will normally (i.e. where National Grid has prior notice of a potential application) take place prior to:

- The Annual Application Window;
- The submission of an ad-hoc ~~application~~^{offer};
- The ~~submission~~^{agreement} of an ARCA ~~request~~.

~~112.~~ ~~111.~~ Where, in accordance with paragraph ~~110~~¹¹¹ and in respect of the Annual Application Window, National Grid identifies an opportunity to shorten the lead time from the default value, the determination of the quantity of **NTS Exit (Flat) Capacity** that can be released early shall assume that any unsold **NTS baseline exit flat capacity** will be sold, in the Annual Application Window, as **Annual NTS Exit (Flat) Capacity**. This will ensure that any variation in the actual quantity of unsold **NTS baseline exit flat capacity** that is sold will only result in a requirement to release a smaller quantity of **NTS obligated incremental exit flat capacity**. Hence the permit quantity obtained will only be equal to, or less than, the quantity initially identified.

Consistent with this approach, all applications for **Annual NTS Exit (Flat) Capacity** shall be processed before **Enduring Annual NTS Exit (Flat) Capacity**.

~~113.~~ ~~112.~~ It is important, therefore, that Users and Reservation Parties contact National Grid Capacity Team^{~~30~~³²}, at the earliest opportunity, so that project requirements and likely lead times can be identified. Notwithstanding the pre-application notification required under paragraph 35 the initial contact with National Grid, solely for the purposes of establishing lead-times for the release of capacity (i.e. an existing NTS Exit Point with a Licence revenue driver already agreed and stated in the Licence^{~~34~~³³}), should be at least two months before the Annual Application Window invitation letter (i.e. by 1st April) or ad-hoc application or ARCA application as appropriate.

~~114.~~ ~~113.~~ A permit will only be considered obtained (or played) when, and to the extent that, a User applies for and is allocated capacity or a Reservation Party agrees an ARCA, at the relevant NTS Exit Point and this is earlier (or later) than the default lead time specified in paragraph ~~108~~¹⁰⁹. Where a capacity release date is deferred because National Grid has not received the demonstration information by the Demonstration Date, permits will be measured against the

³⁰~~32~~ At box.nts.exitcapacity@uk.ngrid.com.

³⁴~~33~~ Currently only a minority of existing NTS Exit Points have a revenue driver agreed.

initial capacity release date (i.e. the permits obtained (or played) will not be affected by the deferral of the actual release date).

115. ~~114.~~ Where National Grid identifies an opportunity to release capacity earlier than the default period, Users will be able to apply for **Enduring Annual NTS Exit (Flat) Capacity** in the Annual Application Window with a start date of 1st October Y+3 (and/or Y+2)³⁴.

116. ~~115.~~ Where Users apply for **Enduring Annual NTS Exit (Flat) Capacity** pursuant to paragraph ~~114~~115 and the application is inconsistent with the information identified pursuant to paragraph ~~110~~111, i.e. the **NTS obligated incremental exit flat capacity** required to be released to satisfy, in aggregate, all applications in respect of the same NTS Exit Point, is not equal to the identified quantity, then National Grid will assess whether the actual required **NTS obligated incremental exit flat capacity** can, consistent with National Grid's Licence obligations, be released from the requested date; and where such assessment determines that the **NTS obligated incremental exit flat capacity**:

- can be released as requested, the application(s) will be accepted;
- cannot be released as requested, the application(s) will;
 - be accepted up to the maximum quantity, not in excess of that applied for, that can reasonably be released at the requested start date. Applications will be pro-rated if necessary; and
 - to the extent that applications are not accepted, they will be considered as if the requested start date is 1st October Y+4.

³⁴ When implemented, UNC Modification Proposal 376 will allow applications from 1st of any month as identified in the notice issued pursuant to paragraph 111.

CHAPTER 3: ANNUAL NTS EXIT (FLAT) CAPACITY

117. ~~116.~~ For the purposes of this chapter **Annual NTS Exit (Flat) Capacity** means **Annual NTS Exit (Flat) Capacity** which is not **Enduring Annual NTS Exit (Flat) Capacity**.

118. ~~117.~~ Users can obtain **Annual NTS Exit (Flat) Capacity** in Gas Year Y:

- for Gas Years Y+1, Y+2 and Y+3 during the Annual Application Window (in July of each year) as described in the UNC (TPD Section B3.4). The requested date for capacity allocations to be effective must be 1st October; and
- for Gas Years Y, Y+1, Y+2 and Y+3 via the assignment process which is detailed in UNC (TPD Section B6). There is no restriction on the date for capacity assignments to be effective, i.e. does not need to be 1st of the month; and
- for any period of any Gas Year via a capacity transfer as detailed in UNC (TPD Section B5).

Such capacity would not be evergreen and would not attract a User Commitment as defined in paragraph ~~84.~~85.

119. ~~118.~~ National Grid will make available for sale as **Annual NTS Exit (Flat) Capacity** any **NTS baseline exit flat capacity** and any **NTS obligated incremental exit flat capacity** at any NTS Exit Point that has not previously been allocated as **Enduring Annual NTS Exit (Flat) Capacity** or as **Annual NTS Exit (Flat) Capacity**.

120. ~~119.~~ **Annual NTS Exit (Flat) Capacity** is not available via the ad-hoc or ARCA application processes.

121. ~~120. At its sole discretion~~ National Grid may make available **Annual NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **NTS baseline exit flat capacity** plus the quantity, if any, of **NTS obligated incremental exit flat capacity** released at that NTS Exit Point. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **NTS non-obligated incremental exit flat capacity**.

122. ~~121.~~ Where a User is allocated **Annual NTS Exit (Flat) Capacity** through the release of **NTS non-obligated incremental exit flat capacity** and such allocation immediately precedes an allocation of **Enduring Annual NTS Exit (Flat) Capacity**, the User Commitment will not apply to the **Annual NTS Exit (Flat) Capacity**. Any charges paid in respect of the **Annual NTS Exit (Flat) Capacity**, and the duration that the capacity is held, will not be considered towards satisfaction of the User Commitment.

Capacity Assignment and Transfer

123. ~~122. From 1st June 2011~~ Users, but not non-Users, may (UNC TPD Section B6) apply for the assignment of **Annual NTS Exit (Flat) Capacity** at any time in respect of an NTS Exit Point.

124. ~~123. From 1st August 2011, in~~ accordance with UNC TPD Section B5 a User ("Transferor User") may transfer capacity to another User ("Transferee User"). Where the Transferred System Capacity is **Annual NTS Exit (Flat) Capacity** a User Commitment shall not apply.

CHAPTER 4: DAILY NTS EXIT (FLAT) CAPACITY

Firm Daily NTS Exit (Flat) Capacity

125. ~~124.~~ Users can apply for Firm **Daily NTS Exit (Flat) Capacity** for the Day-ahead and within Day through a series of pay as bid auctions as described in the UNC (TPD Section B3.5). Such capacity would not be evergreen and would not attract a User Commitment as defined in paragraph ~~84.~~85.

126. ~~125.~~ National Grid will make available for sale as Firm **Daily NTS Exit (Flat) Capacity** any **NTS baseline exit flat capacity** and any **NTS obligated incremental exit flat capacity** at any NTS Exit Point that has not previously been allocated as **Enduring Annual NTS Exit (Flat) Capacity** or **Annual NTS Exit (Flat) Capacity**.

127. ~~126. At its sole discretion~~ National Grid may make available Firm **Daily NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **NTS baseline exit flat capacity** plus the quantity, if any, of **NTS obligated incremental exit flat capacity** released at that NTS Exit Point. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **NTS non-obligated incremental exit flat capacity**.

Off-peak Daily NTS Exit (Flat) Capacity

128. ~~127.~~ In respect of any NTS Exit Point recorded in the Licence National Grid will release **Off-peak Daily NTS Exit (Flat) Capacity**. This will be in accordance with the processes detailed in the UNC (TPD Section B3.6). The quantity of off-peak capacity released on any Gas Day at each NTS Exit Point will consist of three elements:

- Use it or Lose it: determined as the 30 day average (over D-37 to D-7) of total User allocations of Firm NTS (Flat) Capacity, (including Daily, Annual and Enduring Annual capacity) minus total User quantities actually used.
- Off-peak quantity: determined as 24 times the maximum permissible offtake rate minus the total User allocations of Firm NTS (Flat) Capacity. This quantity will only be made available where forecast demand is less than 80% of the 1 in 20 peak demand.
- Discretionary: any additional quantities that National Grid may, in its ~~sole discretion, believes can be released~~make available for release. This will only be undertaken where, and to the extent that, it can be released without adversely affecting the safe and economic operation of the System or supplies to firm NTS Exit (Flat) Capacity holders.

Each element is detailed further within UNC.

CHAPTER 5: PROCEDURE FOR ALLOCATING NTS EXIT (FLEXIBILITY) CAPACITY IN THE ENDURING PERIOD

Introduction

129. ~~128.~~ Flexibility (i.e. the right to vary from a consistent flat rate of offtake of gas) will be made available to:

- DNO Users who will be able to obtain **NTS Exit (Flexibility) Capacity** via the annual OCS process; and
- Shipper Users via daily Offtake Profile Notices.
- DNO Users may request additional flexibility via daily Offtake Profile Notices.

130. ~~129.~~ National Grid will not release additional flexibility (via the OCS process or by acceptance of an OPN) where this would require investment or would, in the opinion of National Grid, result in an increase in operating costs^{~~32~~³⁵}. Hence any request for additional **NTS Exit (Flexibility) Capacity** will be rejected where it:

- requires System Reinforcement;
- leads to an increase in costs; or
- could reasonably be considered to lead to a conflict with the safe operation of the network.

131. ~~130.~~ Flexibility, including **NTS Exit (Flexibility) Capacity** will be accessed by Users in the Enduring Exit Period in the same way as in the Transitional Period. Hence DNO User allocations from 1st October 2012 will be consistent with pre-1st October 2012 allocations. These can continue to be amended in accordance with paragraph ~~131.~~132. Shipper Users will not be able to request nor be allocated **NTS Exit (Flexibility) Capacity**.

Offtake Capacity Statement (OCS)

132. ~~131.~~ In respect of NTS/LDZ Offtakes National Grid will receive and process increase and decrease requests from DNO Users for **NTS Exit (Flexibility) Capacity** in accordance with UNC TPD Section B3.7.

133. ~~132.~~ In the event that National Grid rejects, or accepts in part only, a DNO User's request for **NTS Exit (Flexibility) Capacity** and this does not adequately satisfy the Gas Transporter Licence requirements of the DNO User then the DNO User may submit a revised application for **Enduring Annual NTS Exit (Flat) Capacity** as referred to in paragraph 45.

NTS Exit Zones and Linepack Zones

134. ~~133.~~ Linepack Zones are used for operational purposes by the Gas National Control Room to manage the safe and efficient operation of the network whilst ensuring that contractual obligations are met.

^{~~32~~³⁵} The outcome of current RIIO-T1 discussions between National Grid, Ofgem and the wider industry, may oblige, and/or incentivise, National Grid to release additional NTS Exit (Flexibility) Capacity where this would require investment or would result in an increase in operating costs. In the event that such changes are implemented National Grid will release additional NTS Exit (Flexibility) Capacity consistent with the revised regulatory framework pending an update to this methodology statement.

[135.](#) ~~134.~~ An NTS Exit Zone is defined as a section of the NTS that encompasses a number of NTS Exit Points. The boundaries of these NTS Exit Zones are defined by distinct pressure boundaries relating to the geographical location of the compressors, regulators and multi-junctions connected to the NTS.

[136.](#) ~~135.~~ NTS Exit Zones / Areas are not the same as Linepack Zones.

[137.](#) ~~136.~~ NTS Exit Zones / Areas and Linepack Zones are detailed in Appendix B1.

APPENDIX B1: EXIT ZONE DETAILS

The table below shows, for each NTS Exit Point identified in the Licence, the NTS Exit Area, NTS Exit Zone and Linepack Zone that National Grid has allocated that NTS Exit Point to. The zones / areas are subject to on-going review due to developments in the NTS and the way in which it is modelled and operated.

Offtake Point (Licence Name)	Type of Offtake	NTS Exit Area	NTS Exit Zone	Linepack Zone
Bacton	GDN (EA)	East	E08	8
Brisley	GDN (EA)	East	E13	5
Cambridge	GDN (EA)	Currently there is not an Offtake at "Cambridge".		
Great Wilbraham	GDN (EA)	East	E08	8
Matching Green	GDN (EA)	East	E10	10
Peterborough Eye/Tee	GDN (EA)	Central	E05	5
Roudham Heath	GDN (EA)	East	E08	8
Royston	GDN (EA)	East	E08	8
West Winch	GDN (EA)	East	E13	5
Whitwell	GDN (EA)	East	E08	8
Yelverton	GDN (EA)	East	E09	9
Alrewas	GDN (EM)	Central	E12	4
Blaby	GDN (EM)	Central	E05	5
Blyborough	GDN (EM)	Central	E11	3
Caldecott	GDN (EM)	Central	E05	5
Drointon	GDN (EM)	Central	E12	4
Gosberton	GDN (EM)	Central	E15	7
Kirkstead	GDN (EM)	Central	E15	7
Market Harborough	GDN (EM)	Central	E05	5
Silk Willoughby	GDN (EM)	Central	E05	5
Sutton Bridge	GDN (EM)	Central	E15	7
Thornton Curtis (DN)	GDN (EM)	North	E11	3
Tur Langton	GDN (EM)	Central	E05	5
Walesby	GDN (EM)	Central	E11	3
Asselby	GDN (NE)	North	E03	3
Baldersby	GDN (NE)	North	E03	3
Burley Bank	GDN (NE)	North	E03	3
Ganstead	GDN (NE)	North	E03	3
Pannal	GDN (NE)	North	E03	3
Paull	GDN (NE)	North	E03	3
Pickering	GDN (NE)	North	E03	3
Rawcliffe	GDN (NE)	North	E03	3
Towton	GDN (NE)	North	E03	3
Bishop Auckland	GDN (NO)	North	E03	3
Coldstream	GDN (NO)	North	E01	1
Corbridge	GDN (NO)	North	E02	2
Cowpen Bewley	GDN (NO)	North	E03	3
Elton	GDN (NO)	North	E03	3
Guyzance	GDN (NO)	North	E02	2
Humbleton	GDN (NO)	North	E01	1
Keld	GDN (NO)	North	E01	1
Little Burdon	GDN (NO)	North	E03	3
Melkinton	GDN (NO)	North	E01	1
Saltwick Pressure Controlled	GDN (NO)	North	E01	1
Saltwick Volumetric Controlled	GDN (NO)	North	E01	1
Thrintoft	GDN (NO)	North	E03	3
Towlaw	GDN (NO)	North	E01	1
Wetheral	GDN (NO)	North	E01	1
Horndon	GDN (NT)	East	E09	9
Luxborough Lane	GDN (NT)	East	E09	9
Peters Green	GDN (NT)	East	E08	8

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Peters Green South Mimms	GDN (NT)	East	E08	8
Winkfield	GDN (NT)	East	E16	7
Audley	GDN (NW)	Central	E12	4
Blackrod	GDN (NW)	North	E04	4
Ecclestone	GDN (NW)	North	E04	4
Holmes Chapel	GDN (NW)	North	E04	4
Lupton	GDN (NW)	North	E04	4
Malpas	GDN (NW)	Central	E12	4
Mickle Trafford	GDN (NW)	North	E04	4
Partington	GDN (NW)	North	E04	4
Samlesbury	GDN (NW)	North	E04	4
Warburton	GDN (NW)	North	E04	4
Weston Point	GDN (NW)	North	E04	4
Aberdeen	GDN (SC)	North	E00	0
Armadale	GDN (SC)	North	E01	1
Balgray	GDN (SC)	North	E00	0
Bathgate	GDN (SC)	North	E01	1
Broxburn	GDN (SC)	North	E01	1
<u>Burnhervie</u>	<u>GDN (SC)</u>	<u>North</u>	<u>E02</u>	<u>2</u>
Careston	GDN (SC)	North	E00	0
Drum	GDN (SC)	North	E00	0
Glenmavis	GDN (SC)	North	E00	0
Hume	GDN (SC)	North	E01	1
Kinknockie	GDN (SC)	North	E00	0
Langholm	GDN (SC)	North	E01	1
Lauderhill	GDN (SC)	North	E01	1
Lockerbie	GDN (SC)	North	E01	1
Mosside	GDN (SC)	North	E00	0
Netherhowcleugh	GDN (SC)	North	E01	1
Pitcairngreen	GDN (SC)	North	E00	0
Soutra	GDN (SC)	North	E01	1
St Fergus	GDN (SC)	North	E00	0
Stranraer	GDN (SC)	North	E01	1
Farningham	GDN (SE)	East	E09	9
Farningham B	GDN (SE)	East	E09	9
Shorne	GDN (SE)	East	E09	9
Tatsfield	GDN (SE)	East	E09	9
Winkfield	GDN (SE)	East	E16	7
Braishfield A	GDN (SO)	West	E07	7
Braishfield B	GDN (SO)	West	E07	7
Crawley Down	GDN (SO)	West	E07	7
Hardwick	GDN (SO)	East	E16	7
Ipsden	GDN (SO)	West	E07	7
Ipsden 2	GDN (SO)	West	E07	7
Mappowder	GDN (SO)	West	E07	7
Winkfield	GDN (SO)	East	E16	7
Aylesbeare	GDN (SW)	West	E07	7
Cirencester	GDN (SW)	West	E14	6
Coffinswell	GDN (SW)	West	E07	7
Easton Grey	GDN (SW)	West	E14	6
Evesham	GDN (SW)	Central	E06	6
Fiddington	GDN (SW)	West	E14	6
Ilchester	GDN (SW)	West	E07	7
Kenn	GDN (SW)	West	E07	7
Littleton Drew	GDN (SW)	West	E14	6
Lyneham (Choakford)	GDN (SW)	West	E07	7
Pucklechurch	GDN (SW)	West	E14	6
Ross	GDN (SW)	West	E14	6
Seabank (DN)	GDN (SW)	West	E14	6
Alrewas	GDN (WM)	Central	E12	4
Aspley	GDN (WM)	Central	E12	4
Audley	GDN (WM)	Central	E12	4

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Austrey	GDN (WM)	Central	E12	4
Leamington	GDN (WM)	Central	E06	6
Lower Quinton	GDN (WM)	Central	E06	6
Milwich	GDN (WM)	Central	E12	4
Ross	GDN (WM)	West	E14	6
Rugby	GDN (WM)	Central	E06	6
Shustoke	GDN (WM)	Central	E12	4
Stratford-upon-Avon	GDN (WM)	Central	E06	6
Maelor	GDN (WN)	Central	E12	4
Dowlais	GDN (WS)	West	E14	6
Dyffryn Clydach	GDN (WS)	West	E14	6
Gilwern	GDN (WS)	West	E14	6
Abermedd Power Station	DC	West	E14	6
Abson (Seabank Power Station phase I)	DC - FIRM	West	E14	6
Bacton (Great Yarmouth)	DC - FIRM	East	E08	8
Barking (Horndon)	DC - INTERRUPTIBLE	East	E09	9
Barrow (Black Start)	DC	North	E04	4
Billingham ICI (Terra Billingham)	DC – FIRM	North	E03	3
Bishop Auckland (test facility)	DC	North	E03	3
Blackness (BP Grangemouth)	DC – FIRM	North	E00	0
Blyborough (Brigg)	DC - INTERRUPTIBLE	Central	E11	3
Blyborough (Cottam)	DC - INTERRUPTIBLE	Central	E11	3
Brine Field (Teesside Power Station)	DC	North	E03	3
Burton Point (Connahs Quay)	DC - INTERRUPTIBLE	North	E04	4
Caldecott (Corby Power Station)	DC – FIRM	Central	E05	5
Carrington (Partington) Power Station	DC	North	E04	4
Centrax Industrial	DC	West	E07	7
<u>Cockenzie Power Station</u>	<u>DC</u>	<u>North</u>	<u>E02</u>	<u>2</u>
Coryton 2 (Thames Haven) Power Station	DC	East	E09	9
Deeside	DC – FIRM	North	E04	4
Didcot	DC – FIRM	East	E16	7
Drakelow Power Station	DC	Central	E05	5
Eastoft (Keadby Blackstart)	DC - INTERRUPTIBLE	North	E03	3
Eastoft (Keadby)	DC – FIRM	North	E03	3
Enron Billingham	DC - INTERRUPTIBLE	North	E03	3
Epping Green (Enfield Energy, aka Brimsdown)	DC – FIRM	East	E10	10
Ferny Knoll (AM Paper) (Connection decommissioned)	DC – FIRM	N/A	N/A	N/A
Goole (Guardian Glass)	DC – FIRM	North	E03	3
Gowkhall (Longannet)	DC – FIRM	North	E00	0
Grain Power Station	DC	East	E09	9
Harwarden (Shotton, aka Shotton Paper)	DC – FIRM	North	E04	4
<u>Hatfield Power Station</u>	<u>DC</u>	<u>North</u>	<u>E03</u>	<u>3</u>
Hollingsgreen (Hays Chemicals)	DC - INTERRUPTIBLE	North	E04	4
Langage Power Station	DC	West	E07	7
Marchwood Power Station	DC	West	E07	7
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC - INTERRUPTIBLE	East	E09	9
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC – FIRM	East	E09	9
Pembroke Power Station	DC	West	E17	11
Peterborough (Peterborough Power Station)	DC - INTERRUPTIBLE	Central	E05	5
Phillips Petroleum, Teesside	DC	North	E03	3
Pickmere (Winnington Power, aka	DC – FIRM	North	E04	4

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Brunner Mond)				
Rosecote (Rosecote Power Station)	DC - INTERRUPTIBLE	North	E04	4
Rosehill (Saltend Power Station)	DC – FIRM	North	E03	3
Ryehouse	DC – FIRM	East	E10	10
Saddle Bow (Kings Lynn)	DC – FIRM	East	E13	5
Saltend BPHP (BP Saltend HP)	DC – FIRM	North	E03	3
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC – FIRM	North	E04	4
Seabank (Seabank Power Station phase II)	DC – FIRM	West	E14	6
Sellafield Power Station	DC - INTERRUPTIBLE	North	E04	4
Shellstar (aka Kemira, not Kemira CHP)	DC	North	E04	4
Shotwick (Bridgewater Paper)	DC – FIRM	North	E04	4
Spalding 2 (South Holland) Power Station	DC	Central	E15	7
St Fergus (Peterhead)	DC – FIRM	North	E00	0
St. Fergus (Shell Blackstart)	DC	North	E00	0
St. Neots (Little Barford)	DC – FIRM	East	E10	10
Stallingborough	DC – FIRM	Central	E11	3
Stanford Le Hope (Coryton)	DC – FIRM	East	E09	9
Staythorpe	DC – FIRM	Central	E05	5
Sutton Bridge Power Station	DC – FIRM	Central	E15	7
Teesside (BASF, aka BASF Teesside)	DC – FIRM	North	E03	3
Teesside Hydrogen	DC – FIRM	North	E03	3
Terra Nitrogen (aka ICI, Terra Severnside) (Connection decommissioned)	DC – FIRM	N/A	N/A	N/A
Thornton Curtis (Humber Refinery aka Immingham)	DC – FIRM	Central	E11	3
Thornton Curtis (Killingholme)	DC	Central	E11	3
<u>Tilbury Power Station</u>	<u>DC</u>	<u>East</u>	<u>E09</u>	<u>9</u>
Tonna (Baglan Bay)	DC – FIRM	West	E14	6
Upper Neeston (Milford Haven Refinery)	DC	West	E17	11
West Burton Power Station	DC	Central	E11	3
Weston Point (Castner Kelner, aka ICI Runcom)	DC – FIRM	North	E04	4
Weston Point (Rocksavage)	DC – FIRM	North	E04	4
<u>Willington Power Station</u>	<u>DC</u>	<u>Central</u>	<u>E12</u>	<u>4</u>
Wragg Marsh (Spalding)	DC – FIRM	Central	E15	7
Wyre Power Station	DC	North	E04	4
Zeneca (ICI Avecia, aka 'Zenica')	DC – FIRM	North	E03	3
Avonmouth Max Refill	STORAGE SITE	West	E14	6
Bacton (Baird)	STORAGE SITE	East	E08	8
Barrow (Bains)	STORAGE SITE	North	E04	4
Barrow (Gateway)	STORAGE SITE	North	E04	4
Barton Stacey Max Refill (Humbley Grove)	STORAGE SITE	West	E07	7
Caythorpe	STORAGE SITE	North	E03	3
<u>Deborah Storage (Bacton)</u>	<u>STORAGE SITE</u>	<u>East</u>	<u>E13</u>	<u>5</u>
Dynevor Max Refill (Connection decommissioned)	STORAGE SITE	West	E14	6
Garton Max Refill (Aldbrough)	STORAGE SITE	North	E03	3
Glenmavis Max Refill	STORAGE SITE	North	E00	0
Hatfield Moor Max Refill	STORAGE SITE	North	E03	3
<u>Hill Top Farm (Hole House Farm)</u>	<u>STORAGE SITE</u>	<u>North</u>	<u>E04</u>	<u>4</u>
Holford	STORAGE SITE	North	E04	4
Hole House Max Refill	STORAGE SITE	North	E04	4
Hornsea Max Refill	STORAGE SITE	North	E03	3

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Partington Max Refill <u>(Connection decommissioned)</u>	STORAGE SITE	North	E04	4
Rough Max Refill	STORAGE SITE	North	E03	3
<u>Saltfleetby Storage (Theddlethorpe)</u>	<u>STORAGE SITE</u>	<u>Central</u>	<u>E15</u>	<u>7</u>
Stublach (Cheshire)	STORAGE SITE	North	E04	4
Bacton (IUK)	INTERCONNECTOR	East	E13	5
Bacton (BBL)	INTERCONNECTOR	East	E13	5
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	North	E01	1

APPENDIX B2: DEFINITIONS

ARCA means **Advanced Reservation of Capacity Agreement** and, for the purpose of this Part B, is an agreement between National Grid and a Developer (e.g. in respect of a new NTS System Exit Point – defined as a Reservation Party in UNC). It obliges National Grid to accept, from a User, a capacity application for the quantity agreed at the date agreed. It also obliges the Developer to arrange for a Shipper to apply for the capacity or to make a payment to National Grid of the User Commitment Amount. An ARCA is deemed to constitute the “user commitment” for the purposes of Special Condition C8E paragraph 1 of the Licence. Under the ARCA capacity is reserved such that it can be registered under UNC processes and timescales at a later date. References to ARCAs in the section “Initialisation” are to ARCAs with capacity release dates in the Transitional Exit Period. For these ARCAs the definition in Part A applies.

Assignment (see UNC TPD B6) means the assignment of a User’s Registered NTS Exit (Flat) Capacity in respect of an NTS Exit Point to another User such that the Assignee becomes the registered holder of the assigned capacity.

capacity entitlement means the quantity of capacity that a User is entitled to use. This may differ from a User’s registered capacity as a result of, for example, capacity transfers.

The **Connection Charging Point**, in respect of an NTS Exit Point is the closest economically feasible point on the NTS, which is deemed to have sufficient capacity to supply the new load disregarding existing loads. The Connection Charging Point creates the financial distinction between connection costs that are fully chargeable to the person concerned (i.e. downstream) and upstream reinforcement costs which may be funded by National Grid NTS subject to any contractual requirements.

Enduring Exit Period means the period from 1 October 2012, being the date from which exit capacity will be released in accordance with revised “enduring” arrangements.

Flexibility, in respect of the offtake of gas at an NTS Exit Point, means the variation, from a consistent (hour by hour) flat rate, of the rate of offtake of gas at that NTS Exit Point.

NTS Exit Point means NTS System Exit Point and/or NTS/LDZ Offtake.

NTS/LDZ Offtakes are connections from the NTS to a Distribution Network operated by a Distribution Network Operator (a “DNO”).

NTS System Exit Points are NTS Supply Points and/or NTS Connected System Exit Points.

OCS means the **Offtake Capacity Statement** as defined in UNC TPD section B3.7.

registered capacity is as defined in UNC TPD Section B.

Relevant Design Costs means all costs and expenses incurred in performing design works in respect of required Works including, but not limited to, feasibility studies, environmental assessments, conceptual and detailed design studies, consents and permissions, planning submissions and the cost of project procurement activities.

reserved capacity means capacity that is reserved in accordance with an ARCA with the intent that it shall later be registered with a User.

Reservation Party means a party other than a Shipper or a Distribution Network Operator who is developing a project that will require the offtake of gas from the NTS at a new or existing NTS System Exit Point.

Transitional Exit Period means the period from 1 October 2008 to 30 September 2012.

NTS Capacity Terminology Defined in the Licence:

NTS exit capacity shall have the meaning given to the terms “NTS Exit Capacity” and “NTS Offtake Capacity” in the network code.

NTS exit flat capacity shall have the meaning given to the term “NTS Exit (Flat) Capacity” in the network code for the enduring exit period.

NTS baseline exit flat capacity means the relevant values for NTS baseline exit flat capacity which, in respect of the enduring exit period, specified in table 2 of Annex A of Special Condition C8E (NTS gas exit incentives, costs and revenues) or as may be set out within the NTS exit capacity baseline statement established pursuant to paragraph 4(a) of Special Condition C8E (NTS gas exit incentives, costs and revenues).

NTS incremental exit flat capacity means that NTS exit flat capacity in excess of the NTS baseline exit flat capacity.

NTS obligated incremental exit flat capacity means NTS incremental exit flat capacity registered or capable of being registered from 1 October 2012 onwards for which a long term signal has, at any time, been received consistent with the methodology published pursuant to paragraph 1 of Special Condition C18 (Licensee’s methodology for determining the release of exit capacity volumes).

NTS non-obligated incremental exit flat capacity means NTS exit flat capacity other than NTS baseline exit flat capacity and NTS obligated incremental exit flat capacity.

NTS off-peak exit (flat) capacity shall have the meaning given to the term “Off-Peak Daily NTS Exit (Flat) Capacity” in the network code.

NTS exit flow flexibility shall have the meaning given to “NTS Offtake (Flexibility) Capacity” in the network code.

As NTS Offtake (Flexibility) Capacity is only relevant to the Transitional Exit Period NTS exit flow flexibility has no relevance to the Enduring Exit Period. However, UNC does contain a term relating to flexibility capacity that is relevant to the Enduring Exit Period (see below).

NTS baseline exit flow flexibility is not defined in respect of exit capacity obligations and incentives.

NTS Capacity Terminology Defined in the UNC:

References to paragraphs in these definitions are to UNC TPD Section B.

NTS Exit Capacity at an NTS Exit Point is capacity in the NTS which a User is treated as utilising in offtaking gas from the NTS and (in the case of an NTS Supply Point Component and NTS Connected System Exit Point the Total System) at that NTS System Exit Point;

NTS Exit (Flat) Capacity is capacity which a User is treated as utilising in offtaking gas from the NTS at a rate which (for a given Daily Quantity) is even over the course of a Day;

Baseline NTS Exit (Flat) Capacity is the amount of NTS Exit (Flat) Capacity which National Grid NTS is required to make available to Users in relation to each Day in that Gas Year (or part thereof) pursuant to National Grid NTS's Transporter's Licence as set out in National Grid NTS's Exit Capacity Baseline Statement;

Remaining Available Baseline NTS Exit (Flat) Capacity; at any time in relation to that Gas Year or (as the case may be) a Day in that Gas Year is the amount (if any) by which the Baseline NTS Exit (Flat) Capacity for that Gas Year exceeds the aggregate amount of NTS Exit (Flat) Capacity registered, at that time, as held by Users in relation to that Gas Year or Day;

Enduring Annual NTS Exit (Flat) Capacity is Annual NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User with effect from the Day for which it is allocated pursuant to paragraph 3.2, on the basis that the User will continue to hold such amount of capacity subject only to:

- (i) a reduction in accordance with paragraph 3.2;
- (ii) the User ceasing to hold the capacity in accordance with 3.3.7(a);
- (iii) any System Capacity Assignment;

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

Daily NTS Exit (Flat) Capacity is NTS Exit (Flat) Capacity which may be applied for and registered as held (in a given amount) by a User for a particular Day only;

"Off-Peak" is Daily NTS Exit (Flat) Capacity where it is subject to curtailment in accordance with paragraph 3.10, and otherwise is **"Firm"**; and except where expressly stated to be Off-peak, references to Daily NTS Exit (Flat) Capacity are to Firm Daily NTS Exit (Flat) Capacity.

NTS Exit (Flexibility) Capacity is capacity which a DNO User is treated as utilising, in offtaking gas from the NTS to the extent that (for a given Daily Quantity) the rate of offtake or flow is not even over the course of a Day.

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