

Approved

Issue	Revision
9.0	Approved 28/05/13

nationalgrid

NTS Exit Capacity Release Methodology Statement

To be Applied from 1st June 2013

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	<p>Annual review</p> <p>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.</p> <p>Part B: covering the enduring exit period added.</p>
V4.2	20 February 2009	<p>Several revisions and clarifications following comments received to informal consultation in addition to those proposed for V4.1.</p> <p>User Commitment amended to include a “charge” assessment.</p>
V4.3	30 March 2009	<p>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.</p>
V5.0	30 May 2009	Approved – (Not opposed by the Authority).
V5.1	15 February 2010	<p>Annual review.</p> <p>Part A: updated for reduced time until transitional arrangements fall away. Initialisation rule added.</p> <p>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.</p>
V5.2	26 March 2010	<p>Amendments in response to consultation on V5.1.</p> <p>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.</p>
V6.0	26 May 2010	Approved by the Authority

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

		discretion”; Update to P _{ind} if Demo Information delayed (para 59); Assignment and Transfer: limiting dates removed (paras 61, 62, 123 and 124); Restriction on reduction requests with impending Transfers clarified (para 71); Process for accepting reduction requests with < 14 months notice detailed (para 80); Playing/earning of permits clarified (paras 109 to 111); Appendix B1 – Table updated.
V7.2	March 2012	No material changes from V7.1.
V8.0	May 2012	Approved by the Authority No changes from V7.2.
V8.1	August 2012	Update to reflect approval of UNC Modification 417
V8.2	September 2012	Minor amendments in response to consultation on V8.1. Paragraph 71 (a) renumbered to become paragraph 72.
V8.3	October 2012	Approved by the Authority Paragraph 72 amended to reference paragraph 71, and clarification added to paragraph 86 by adding a reference to paragraph 72
V8.4	February 2013	Annual Review (timing aligned to RIIO-T1 implementation). General updates; deletion of Part A; revision of capacity terminology and Licence references; enhanced role of PCAs. Changes for possible implementation of UNC Modification 439. New rule allowing time capacity held in Transitional Exit Period to be considered towards meeting User Commitment.
V8.5	March 2013	No further changes following consultation. Submitted for approval.
V9.0	May 2013	Approved by the Authority subject to two clarifications. Paragraphs 47, 49, 52 and footnotes updated following implementation of UNC Mod 376S. Definition of PCA added.

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NOT USED

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ABOUT THIS STATEMENT

1. This Statement (the NTS Exit Capacity Release methodology statement, the “ExCR”) 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 is no longer applicable as it covered capacity released for first use in the Transitional Exit Period. Part B covers capacity released for first use in the Enduring Exit Period which commenced 1st October 2012.
2. This Statement is one of a suite of documents that describe the release of NTS capacity by National Grid and the methodologies behind such release. The other documents are available on our Charging website at:
<http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation>

This Statement will be applied from 1 June 2013.

3. This Statement has been produced and published by National Grid to meet (in respect of Exit Capacity) the requirements of, and in accordance with, Special Condition 9B of the Licence. The Statement 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.
4. If you require further details about any of the information contained within this Statement or have comments on how it might be improved please contact our UK Transmission Gas Charging and Access Development team at
box.transmissioncapacityandcharging@nationalgrid.com or by post to:

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

GENERAL INTRODUCTION

5. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
6. 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 barg, 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.
7. 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.
8. 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 Statement can be found at the following web page
[“http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/LExCR/”](http://www.nationalgrid.com/uk/Gas/Charges/statements/transportation/LExCR/).
9. It is important that National Grid is made aware of potential developments where additional capacity may be required at an early stage. This is to ensure that any 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 “The Gas Transmission Connection Charging Methodology” in UNC TPD Section Y Part A2 as required by Standard Licence Condition 4B. For the avoidance of doubt, this Statement relates to the release of NTS Exit Capacity and the works and processes necessary to facilitate such release. A separate process (not covered by this Statement) is followed for the provision of a new (or amendment to an existing) physical connection. Further information about connection services is also available on the National Grid website¹. National Grid's Customer Services team provide connection services and can be contacted via e-mail to: transmissionconnections@nationalgrid.com. National Grid is currently working with the Industry to develop enhanced capacity release processes, implementation is anticipated in 2014. further information can be found at:
<http://www.nationalgrid.com/uk/Gas/Connections/CapacityandConnections/>
10. Typical lead times for the delivery of new pipeline infrastructure to create additional capacity in the NTS and the lead time for the construction of connected facilities are dependent on many variables including planning processes. It is important therefore that Users and developers (“Reservation Parties”) commit (as detailed in Part B Chapter 2) to the provision of

¹ <http://www.nationalgrid.com/uk/Gas/Connections/National+Transmission+System+-+Gas+Connections/>

additional capacity to avoid misalignment of projects. The potential for delay in commencement of work to deliver additional capacity in the NTS 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 Statement) before they have sufficient certainty that their project will progress.

11. To overcome this problem National Grid may enter into an agreement (a Planning and Consents Agreement², "PCA") in advance of a User application for capacity (or a Reservation Party request for an ARCA³). Under the PCA 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 PCA.

National Grid's Statutory and Licence Obligations

12. New and existing Users of the NTS are able to request to purchase NTS 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.
13. Overriding obligations applicable to this Statement are set out in the Gas Act and the Licence.
14. Specific obligations in respect of the release of NTS Exit Capacity and applicable to this Statement are set out in Special Condition 9B of the Licence.
15. Under Special Condition 9B, National Grid must prepare and submit to the Authority for approval capacity release methodology statements. This Statement sets out the methodology by which National Grid will determine how, and in what quantity, it will release:
- Obligated Exit Capacity, and
 - Incremental Exit Capacity.
16. Under Special Condition 5G, National Grid must provide the Authority with an Exit Capacity notice providing details of all proposed Incremental Obligated Exit Capacity. The notice will state the volume of Incremental Obligated Exit Capacity proposed to be treated as:
- Funded Incremental Obligated Exit Capacity; or
 - Non-incremental Obligated Exit Capacity.
- Unless directed to the contrary within 28 days of the date of submission of this notice, National Grid shall implement the proposals.

² References in this document to a PCA includes similar agreements in respect of the early stages of a construction project to deliver physical NTS infrastructure. A PCA will be available to UNC signatories and to Reservation Parties although there will be some differences to reflect the different status of the signatory.

³ In respect of PCAs agreed with Reservation Parties, the ARCA may be included as an appendix to the PCA. This will allow projects to proceed without a User in a similar manner to those with a User.

17. Under Special Condition 9B, National Grid must, at least once in each Formula Year, produce a “release obligation summary report” setting out the obligated level of **Exit Capacity** that National Grid is required to release (i.e. must offer for sale) at each NTS Exit Point..

Part A

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

The Transitional Exit Period ended on 30th September 2012. Part A no longer has any relevance and has been deleted.

Part B

NTS Exit Capacity Release Methodology Statement in respect of the Enduring Exit Period⁴

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⁴ Although there are no longer “Transitional” and “Enduring” Exit Periods, and the terms have been removed from the Licence, the terminology has been retained in parts of Part B to maintain continuity.

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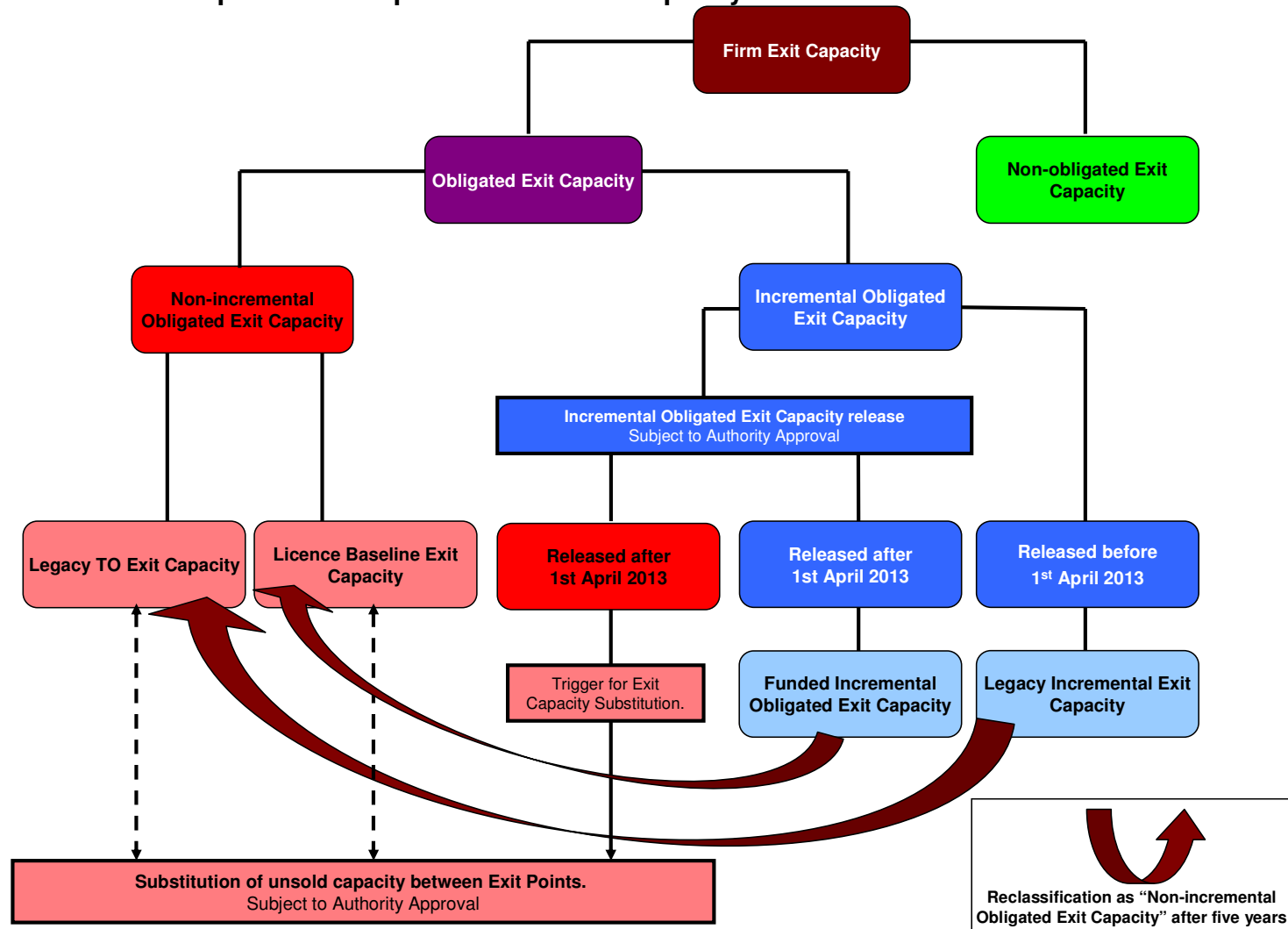
INTRODUCTION

1. Part B of this publication sets out the methodology that applies for the release of **Exit Capacity** in respect of the NTS pipeline network during the Enduring Exit Period which commenced on 1 October 2012.

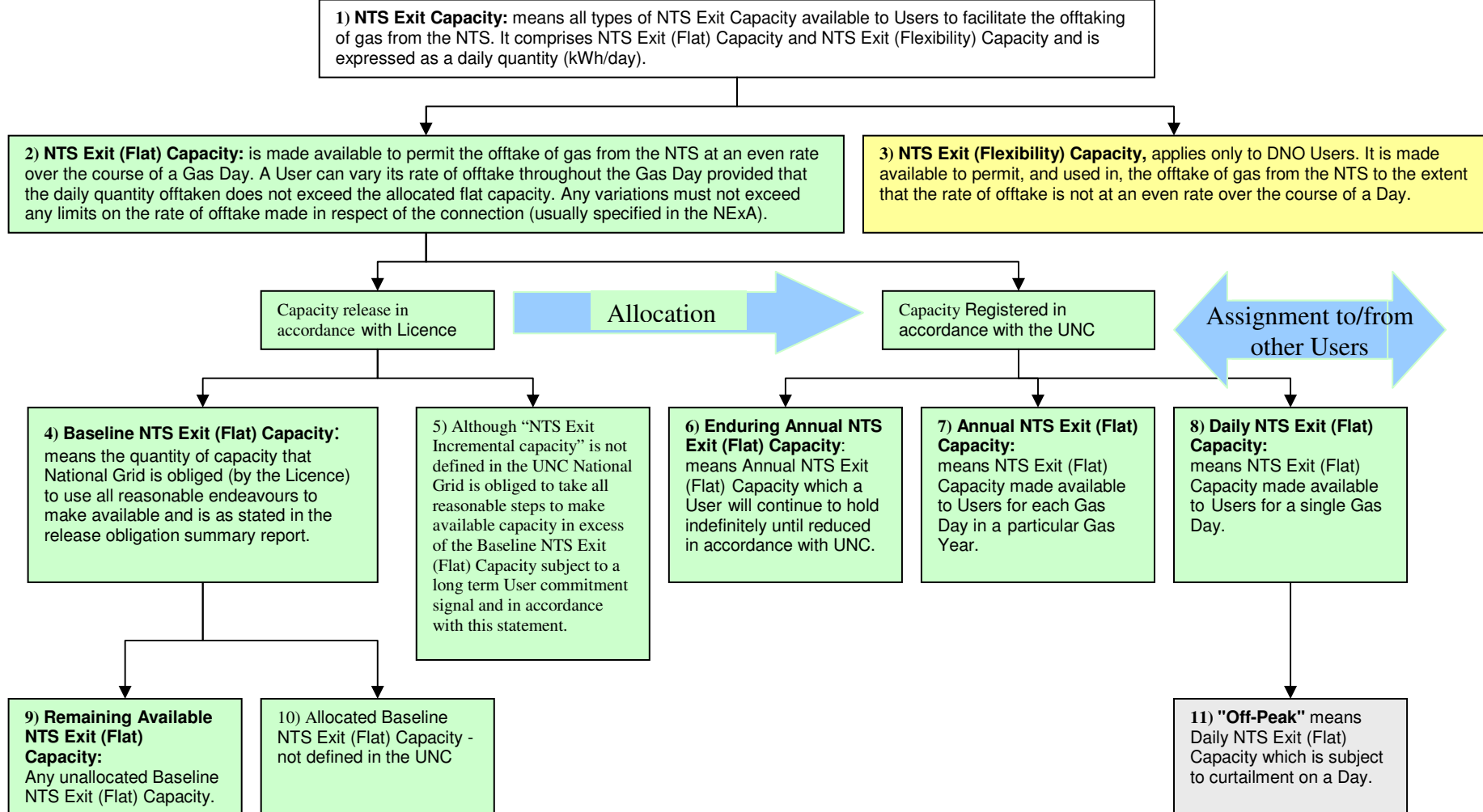
Capacity Terminology

2. Key terms used throughout this Statement are defined in Appendix B2 and in the diagrams below.
3. Throughout Part B of this Statement UNC defined capacity terms are given in **bold**. Licence defined terms are given in ***bold italics***.
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 Statement easier to read.
5. The actual definitions of these terms are contained within the Licence (Special Condition 1A) and UNC (TPD Section B) as appropriate 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



National Grid's Internal Planning Process

8. National Grid is required by Special Condition 7A 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 'Future Energy Scenarios' with a view to obtaining industry views on how the industry would like to see the NTS developed.
10. National Grid expects the allocation of **Enduring Annual NTS Exit (Flat) Capacity** resulting from long term application windows to be the primary driver for investment. Notwithstanding the requirement for notification of potential capacity requests detailed in paragraph 34 and the potential for commencing work under a PCA (paragraph 44) an unambiguous User Commitment (as signalled by an application for capacity by a User or reservation of capacity by a Reservation Party) is the trigger for the release of **Incremental Obligated Exit Capacity**. The process for the release of **Incremental Obligated Exit Capacity** may be preceded by the entering into of a Planning and Consents Agreement ("PCA": see paragraphs 43 to 46).
11. This Statement describes the process by which such releases of **Incremental Obligated Exit Capacity** would normally be triggered. It should be noted that the delivery of **Incremental Obligated Exit Capacity** can be satisfied by measures other than investment, e.g. exit capacity substitution (see paragraph 12). National Grid's planning relates to the activities of National Grid in the development of the NTS. However, statutory planning application processes and consents apply to circumstances where investment in new pipeline infrastructure is needed. References to "planning" should be read accordingly.
12. National Grid also has a Licence obligation (Special Condition 9A) to consider whether unsold **Non-Incremental Obligated Exit Capacity** can be substituted to other NTS Exit Points where there is demand for **Incremental Obligated Exit 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 is provided in the "Exit Capacity Substitution Methodology Statement" produced pursuant to Licence Special Condition 9A.
13. National Grid also has a Licence obligation (Special Condition 9A) to revise the level of **Licence Baseline Exit 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 is provided in the "Exit Capacity Revision Methodology Statement" produced pursuant to Licence Special Condition 9A. Please note that the "Exit Capacity Substitution" and "Exit Capacity Revision" methodology statements have been combined as one statement: the "ExCS".
14. For the avoidance of doubt, the release of **Exit Capacity** i.e. all exit capacity, will be in accordance with this NTS Exit Capacity Release Methodology Statement. 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.

15. National Grid will consider opportunities for exit capacity substitution, and will revise ***Licence Baseline Exit Capacities*** as a result of developments for NTS Entry Points, in accordance with the ExCS.

- To minimise the need for investment, before releasing ***Incremental Obligated Exit Capacity*** at an NTS Exit Point National Grid will consider opportunities to substitute unsold ***Non-Incremental Obligated Exit 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 ***Exit Capacity*** (as detailed above) 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

16. 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, economic and co-ordinated manner; and
 - Be consistent with the safe and efficient operation of National Grid's pipeline system and security of supply obligations.
17. This Statement applies to the release of all forms of **Exit Capacity**, as defined in the Licence, by National Grid and shall include:
 - **Licence Baseline Exit Capacity**;
 - **Legacy TO Exit Capacity**;
 - **Non-incremental Obligated Exit Capacity**;
 - **Incremental Obligated Exit Capacity** (including **Funded Incremental Obligated Exit Capacity** and **Legacy Incremental Exit Capacity**); and
 - **Off-peak Exit 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);
 - **Off-peak Daily NTS Exit (Flat) Capacity** (see Chapter 4); and
 - **NTS Exit (Flexibility) Capacity**, (see Chapter 5).
18. National Grid will release **Exit Capacity** having regard to paragraph 16 and the reasonable endeavours obligation in Special Condition 9B of the Licence. All references in this Statement to the release of **Exit Capacity** shall be construed accordingly.
19. This Statement focuses principally on the allocation of **Enduring Annual NTS Exit (Flat) Capacity** and the process to trigger the release of **Incremental Obligated Exit Capacity**. To satisfy the requirements of the Licence, the process for releasing other forms of capacity are also covered in this Statement. However, as these processes are covered in detail in the UNC, this Statement only provides a high level overview and Users should principally refer to the UNC for these arrangements. See relevant chapters for UNC references.
20. 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 87 to 94).
21. Under Special Condition 9B of the Licence, National Grid is obliged to produce, a "release obligation summary report" setting out the levels of **Obligated Exit Capacity** which is required to be released. This will be placed on National Grid's website at:
<http://marketinformation.natgrid.co.uk/Gas/ExitCapacityReports.aspx>

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 **Incremental Obligated Exit Capacity** in accordance with this Statement, UNC and the Licence where there is insufficient unallocated **Non-Incremental Obligated Exit Capacity** (and or previously released **Incremental Exit Capacity**) 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 applied 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.

Increases to Enduring NTS Exit (Flat) Capacity Allocation.

27. 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.
28. 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 9.

29. Users may obtain additional **Enduring Annual NTS Exit (Flat) Capacity** via the assignment process⁵ 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.
30. 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 103 to 105 provide further details on when a User Commitment will apply in respect of assigned capacity.
31. Non-Users ("Reservation Parties") may reserve **Enduring Annual NTS Exit (Flat) Capacity** for subsequent allocation to Users, subject to capacity release lead-times, by agreement of an ARCA (UNC TPD Section B3.3).
32. Except where paragraph 91 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 88 the User Commitment will apply to the increase plus any existing allocation.
33. 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.
34. Users and Reservation Parties must inform National Grid's Customer Services Team⁶ 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) 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 with, where relevant, Planning and Consents Agreements ("PCA") being entered into; and
 - the inclusion of the NTS Exit Point in the Licence.
- This is particularly relevant, but not exclusive, to new NTS Exit Points.

⁵ 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.

⁶ Contact can be made with the Customer Services team via e-mail to: transmissionconnections@nationalgrid.com.

35. 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 a **Licence Baseline Exit 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, and irrespective of whether or not a PCA has been agreed, National Grid may require a Revenue Driver (calculated in accordance with the methodology produced pursuant to Licence Special Condition 9C and referred to in paragraph 38) to be in the Licence for the NTS Exit Point by the appropriate date if it is to release **Incremental Obligated Exit Capacity** at that NTS Exit Point. This is necessary to inform investment decisions in response to the release of incremental capacity and to ensure adequate funding of necessary works (including contractual alternatives to physical works).
38. A methodology for the determination of Revenue Drivers is to be agreed between National Grid and the Authority. This will facilitate the determination of Revenue Drivers for the incremental quantity likely to be released. National Grid will determine a Revenue Driver, specific to the relevant NTS Exit Point⁷, for either a fixed incremental quantity or a range of incremental capacity which will span the quantities indicated (without commitment) by the potential applicant(s) in accordance with paragraph 34 (and as may be detailed in a PCA). 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. In the event that a methodology for the determination of Revenue Drivers is not agreed, National Grid will work with Ofgem to agree appropriate Revenue Drivers on a case by case basis as required.
40. The appropriate date for an NTS Exit Point and Revenue Driver to be included in the Licence, as required by paragraphs 36 and 37, is
- (a) 1st June in respect of the Annual Application Window; or
 - (b) the day before submission of an ad-hoc application; or
 - (c) the day before signature, in respect of an ARCA.
41. Notwithstanding any subsequent capacity reductions, if **Incremental Obligated Exit Capacity** is released and allocated at an NTS Exit Point such that the

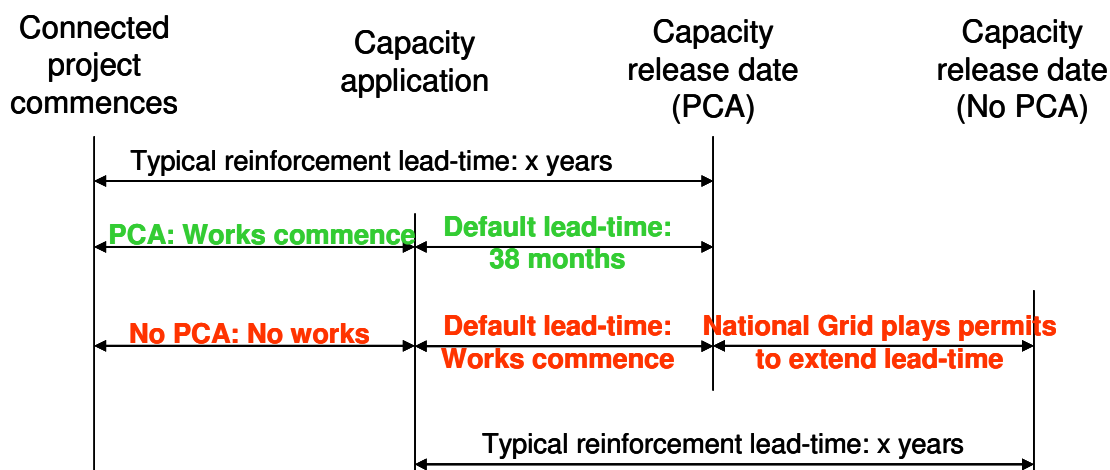
⁷ NTS Exit Points may be aggregated such that a single Revenue Driver would apply to the release of **Incremental Obligated Exit Capacity** at more than one NTS Exit Point.

aggregate of all Users' Registered **Exit Capacity** at that NTS Exit Point is above the prevailing **Obligated Exit Capacity** level then National Grid will have an on-going obligation to release capacity up to the higher level.

42. The Licence defines a default lead-time for the release of **Incremental Obligated Exit Capacity** of 36 months from the first day of the next gas year (see paragraphs 111 to 120). Considering planning regulations, such a lead-time is likely to be extremely challenging for National Grid to provide any new pipeline infrastructure to support the release of incremental capacity. Hence it is anticipated that a significant proportion of necessary planning, environmental, and design activities will be required to be completed before a capacity application is made that would require the release of **Incremental Obligated Exit Capacity** to the default timescale. If this is not possible, (e.g. a PCA has not previously been agreed and an economic and practical alternative to investment in new infrastructure is not available) it is highly likely that National Grid would seek to extend the lead-time for release of **Incremental Obligated Exit Capacity** in accordance with paragraph 114. Conversely, it may be possible, (e.g. where a PCA has previously been agreed) to release capacity with reduced lead-times.
43. To enable National Grid project timelines to better align to customers' projects (e.g. new power stations and storage facilities) National Grid shall (at the request of the User or Reservation Party) enter into a PCA⁸ in advance of potential applications for **Enduring NTS Exit (Flat) Capacity** where such applications are expected to require the release of **Incremental Obligated Exit Capacity**. It is National Grid's preference that a PCA is entered into as this would better enable additional pipeline infrastructure to be delivered to meet customers' requirements for additional Firm **NTS Exit (Flat) Capacity**. However, Users and Reservation Parties shall not be obliged to enter into a PCA and not doing so shall not:
- (a) exclude Users from placing requests for capacity in the Annual Application Window or alternatively via the Ad-hoc Application Process, and shall not exclude Reservation Parties from applying for an ARCA, with the objective of obtaining the release of additional Firm **NTS Exit (Flat) Capacity**. Any such requests shall be considered in the same manner as requests made pursuant to a PCA.
 - (b) Relieve National Grid's obligations, pursuant to the Licence, UNC and this Statement, to release **Incremental Obligated Exit Capacity**.

⁸ In the event of multiple potential incremental capacity requests National Grid may enter into a PCA with multiple parties.

Illustration of the Purpose and Benefits of the PCA



44. In accordance with the terms of a PCA, National Grid:

- (a) may 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 (which may include activities in addition to the Works) 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; and
- (b) shall inform, when the planning process is completed, the counter party, who will then, subject to planning consent and to further provisions of UNC and this Statement, be able to apply for (or reserve) capacity with a 36 month (or potentially shorter) lead-time; and
- (c) shall, subject to paragraph 45, be obliged to accept such applications provided that they are consistent with the quantities and dates detailed in the PCA, or obtained as a result of those Works.

45. In accordance with the terms of the PCA, the counter party:

- (a) shall provide the demonstration information (if any) to National Grid by the Demonstration Date(s). Failure to do so may result in postponement or termination of the PCA; and
- (b) shall pay for the works, as detailed in paragraph 46; and
- (c) may, if a User, or via a User if not a User, apply for **Enduring NTS Exit (Flat) Capacity**, to trigger the release of **Incremental Obligated Exit Capacity** for a quantity with an effective date consistent with the PCA.

46. In accordance with the terms of the PCA, 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) which must be within the relevant timeframe set out in the PCA; and
- demand for **Incremental Obligated Exit 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 Gas Transmission Connection Charging Methodology (UNC TPD Section Y Part A 2) as if the works were "Design Works", as defined in that statement.

Annual Application Window

47. Subject to paragraph 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 1st of any month from October of the Gas Year Y+4⁹, to 1st October Y+6 and, if allocated, the new capacity level will be evergreen until changed in accordance with paragraphs 73, 74, 81, or 29. 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 year (stepped increase) for any or all of Y+4, Y+5 and Y+6 (increases may apply from different months for each Gas Year, but only one increase per Gas Year). On making such applications, Users are committing to the User Commitment (assuming their applications are not rejected i.e. it is a valid application).
48. 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).

49. Users may (UNC TPD Section B3.2) apply for **Enduring Annual NTS Exit (Flat) Capacity** between 1st October and 30th June of Gas Year Y in respect of a new or existing NTS Exit Point¹⁰ 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 1GWh/day. This criterion shall apply to each individual User's applications.
50. 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).
51. Where an application is for a stepped increase in capacity (in accordance with UNC TPD Section B3.2), i.e. a number of increases at different dates, the criteria defined in paragraph 49 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.
52. In accordance with UNC TPD Section B3.2, 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+6.
53. All ad-hoc applications for **Enduring Annual NTS Exit (Flat) Capacity** shall be made on Gemini. This application will include, as a minimum;

⁹ Subject to variation of capacity release default lead time in accordance with paragraphs 111 - 120.

¹⁰ As defined in the Gas Transmission Connection Charging Methodology (UNC TPD Section Y 2) all new NTS connections must meet the minimum load criterion of 2 mtpa.

- 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.

54. 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 58 and 59 and the application satisfying the application criteria in UNC Section B and paragraphs 49 to 53, 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 be agreed between National Grid and the User in consideration of a request from the applicant to extend the 30 calendar day period) the offer will lapse.

55. 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.

56. National Grid will release **Incremental Obligated Exit Capacity** and **Non-incremental Obligated Exit 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.

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

58. 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 Window¹¹. 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 59);

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 acceptance period allowed in accordance with the UNC or the withdrawal of the

¹¹ Applications received after 1st February may impact on the data provided in the annual application window invitation letter, e.g. all **Remaining Available 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.

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 60 shall apply.

59. 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 60 shall apply.
60. 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 consider whether any capacity made available as a result of such lapses can be used in assessing other applications.
61. Where there is an ad-hoc application and National Grid is of the opinion that Works are required, if the demonstration information¹² is not received by the required date (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 62, notify the User of the revised Demonstration Date.
- Where the capacity 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.
62. In the event that the demonstration information is not received by the Demonstration 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

63. Users, but not non-Users, may (UNC TPD Section B6) apply for the assignment¹³ of **Enduring Annual NTS Exit (Flat) Capacity** at any time in respect of an NTS

¹² 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.

¹³ 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.

Exit Point. A User Commitment will apply in respect of assigned capacity in accordance with paragraphs 102 to 105.

64. 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.

65. 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.
66. To enable National Grid project timelines to better align to connecting projects (e.g. new power stations and storage facilities) National Grid shall (if requested by the Reservation Party) enter into a PCA in advance of signing an ARCA, where the **Enduring NTS Exit (Flat) Capacity** to be reserved by the ARCA will, upon a successful application from a nominated User, require the release of **Incremental Obligated Exit Capacity**. The rights, obligations, and terms of the PCA will, where possible, be consistent with those provided to Users under the ad-hoc application process. The PCA may be a precursor to entering into an ARCA.
67. 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 27 above and such holdings shall be evergreen until changed in accordance with paragraphs 73, 74, 81, or 29. 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.
68. Any capacity allocated to a Shipper User that was initially reserved via an ARCA shall be subject to a User Commitment (see paragraph 92).
69. 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 ARCA 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**.
70. The ARCA application process for non-Users will, where possible, be consistent with the ad-hoc application process for Users.

71. 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+6¹⁴.
72. 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.

Reductions to Enduring NTS Exit (Flat) Capacity Allocation

73. Users are able to reduce their Registered **Enduring Annual NTS Exit (Flat) Capacity** provided that:
- (a) they have satisfied the User Commitment at the relevant NTS Exit Point (see “User Commitment” below): and
 - (b) they provide at least 14 months notice of the effective date of the reduction except where paragraphs 74, 78(a) or 81 applies¹⁵: and
 - (c) 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 Capacity¹⁶. Consistent with B5.1.4, National Grid may reject a reduction request if the Available System Capacity, after considering the proposed reduction quantity, is less than the aggregate of any existing or pending capacity transfers.

74. In accordance with UNC TPD Section B3.2, the 14 month notice referred to in paragraph 73 will not apply if the User Commitment starts (i.e. the relevant capacity increase becomes effective) and is satisfied in the same Gas Year, and the requested reduction effective date is also in the same Gas Year¹⁷.
75. For the avoidance of doubt the 14 month reduction notice period is applicable to a User’s initial capacity allocation¹⁸.

¹⁴ 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).

¹⁵ From the date of implementation, if implemented, of UNC Modification 0439 - Notice for Enduring Annual Exit (Flat) Capacity Reduction Applications, paragraph 73(b) shall not apply.

¹⁶ 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.

¹⁷ From the date of implementation, if implemented, of UNC Modification 0439, paragraph 74 shall not apply.

¹⁸ From the date of implementation, if implemented, of UNC Modification 0439, paragraph 75 shall not apply.

76. Except where paragraph 80 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.

77. Except:

- in response to an ad-hoc invitation from National Grid in accordance with paragraph 81; or
- Consistent with paragraph 80, 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.

78. A¹⁹ 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 made in the Reduction Application Window 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 **Incremental Obligated Exit 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, or
- through exit capacity substitution²⁰ 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 avoid the need to release **Incremental Obligated Exit Capacity** to meet requests from other Users to increase their Registered **Enduring Annual NTS Exit (Flat) Capacity**, at the same NTS Exit Point.

78 B²¹ The effective date of a reduction must be 1st of the month and no earlier than 1st October in Year Y+1. For the avoidance of doubt, this criterion is applicable to all capacity, including a User's initial capacity allocation.

(a) A reduction request with an effective date before satisfaction of the User Commitment shall be accepted, at National Grid's sole discretion, provided that National Grid can use the released capacity to avoid the need to release **Incremental Obligated Exit Capacity** to meet requests from other Users to

¹⁹ From the date of implementation, if implemented, of UNC Modification 0439, paragraph 78A shall not apply.

²⁰ National Grid's currently approved ExCS (v2.0) does not permit substitution earlier than Y+4.

²¹ Until the date of implementation, if implemented, of UNC Modification 0439, paragraph 78B shall not apply.

increase their Registered **Enduring Annual NTS Exit (Flat) Capacity** at the same NTS Exit Point.

79. In respect of reduction requests made in the Reduction Application Window, 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.
80. 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;
 - 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.
81. 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 **Incremental Obligated Exit 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 Point²², 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.
82. Where National Grid issues an invitation pursuant to paragraph 81, 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.
83. Where reduction requests received in accordance with paragraphs 78 and 81 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
84. 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;

²² National Grid's current approved ExCS does not permit substitution earlier than Y+4.

- reduction requests in respect of capacity without a User Commitment shall be accepted before those with a User Commitment;
- then
- 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 ***Incremental Obligated Exit Capacity*** shall be accepted first, then
 - reduction requests with an effective date before the effective date of release of the relevant ***Incremental Obligated Exit Capacity*** shall be accepted²³, and of those, the 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 ***Incremental Obligated Exit Capacity*** shall be accepted last and at the sole discretion of National Grid and of those the request with the earliest effective start date shall be accepted first.
 - 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.

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

86. 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 manner²⁴. 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:

transmissionconnections@nationalgrid.com

See also General Introduction paragraph 9.

User Commitment

87. National Grid shall only release ***Incremental Obligated Exit Capacity*** if a User Commitment, as defined in paragraph 88, is received from a User or Reservation Party consistent with this Statement.

88. 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

²³ This criterion is not available for reduction requests made subject to paragraph 81.

²⁴ Where any necessary connection works are not undertaken by the effective date for the reduction, National Grid may curtail flows at the reduced rate.

- ii. any existing **Enduring Annual NTS Exit (Flat) Capacity** allocation that the User holds at that NTS Exit Point 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 96) 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 or up to the requested reduction effective date if earlier.

89. Where

- a User has been the registered User in respect of an NTS System Exit Point from a date in the Transitional Exit Period; and
- has been registered as holding a Firm Supply Offtake Quantity (SOQ) in the Transitional Exit Period and Enduring Annual NTS Exit (Flat) Capacity in the Enduring Exit Period; and
- the quantity of Firm SOQ and Enduring Annual NTS Exit (Flat) Capacity are equal; and
- capacity has been, or by the requested reduction effective date will have been, held by that User for a continuous period of at least four years without any increases or reductions

the User's User Commitment will be considered to have been satisfied by the completion of that continuous four year period.

Such a User will be able to request a reduction to its capacity holding, consistent with the further provisions of this Statement and UNC, with a requested reduction effective date no earlier than that four year period. However, they must contact National Grid's Capacity Auctions Team²⁵ at least 1 month before submitting the reduction request notifying National Grid of their intention to submit such a reduction request. This will allow appropriate checks to be made to validate the anticipated request. For the avoidance of doubt, the early satisfaction criterion described in paragraph 88(b) shall not apply.

This paragraph will also apply in respect of any assigned capacity.

90. 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**.

91. Notwithstanding paragraphs 32 and 88, the User Commitment will not apply in respect of allocations made:

- (a) as a result of initialisation which were effective from the introduction of the Enduring Exit Period (see paragraph 33(c)); and
- (b) any increase in a User's registered capacity at any NTS Exit Point of less than 100,000 kWh/day (see paragraph 33(d)); and
- (c) under certain circumstances, by way of Assignment, specified in paragraph 30.

92. Where a User is registered with capacity that was initially:

- (a) reserved by a Reservation Party via an ARCA; or

²⁵ Contact can be made with the Capacity Auctions team via e-mail to: capacityauctions@nationalgrid.com

- (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 capacity²⁶ (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 102 to 105).

In determining the new User's User Commitment Amount the indicative NTS Exit Capacity price " P_{ind} " (as defined in paragraph 96) 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.

93. 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
- (b) the quantity of capacity registered is less than that reserved,
- the Reservation Party shall be liable for the Daily User Commitment Amount as set out in paragraph 97. 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 aggregation of the Daily 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 93(a) applies the User Commitment Amount of any Shipper User shall be reduced by the amount paid by the Reservation Party.
- Where paragraph 93(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.

94. 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 98 and 99) 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

95. The Remaining 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.

²⁶ 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.

96. In respect of a User, the User Commitment Amount (“UCA”) shall be determined by:

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

and the Remaining User Commitment Amount shall be determined by:

$$\text{Remaining User Commitment Amount (£)} = \text{UCA} - \text{Charges}_{\text{actual}}$$

where

P_{ind} = the indicative NTS Exit Capacity price (see paragraphs 98 and 99) (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 92(c) the User Commitment shall commence or, in the case of stepped increases, recommence on the date that the last increase in the registered capacity becomes effective.

97. In respect of a Reservation Party, the ARCA 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 ARCA 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 93. 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 98 and 99) (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 ARCA User Commitment Amount shall be determined for each tranche of increase in capacity.

98. National Grid will provide an indicative NTS Exit Capacity price, P_{ind} , for each NTS Exit Point ahead of any capacity application or reservation²⁷. 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 34).
99. Where it is anticipated that **Incremental Obligated Exit Capacity** will be required to be released, P_{ind} will be determined, consistent with the prevailing Transmission Transportation Charging methodology, from the User's or Reservation Party's best assessment of their future capacity requirements, i.e. the anticipated future **Obligated Exit 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.
100. 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 total of all User Commitments may extend over more than four years from the initial stepped increase.
101. Except where paragraphs 78 or 81 apply 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.

User Commitment with Assignment

102. Consistent with paragraph 30 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.
103. 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

²⁷ 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.

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 96) paid (or to be paid) by the relevant User in respect of the NTS Exit Point equal or exceed the User Commitment Amount.

Where X = the greater of:

- i. 4 years minus the period (in months) for which the Assignor was registered²⁸ 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 96.

104. 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:

the Assignee will be subject to a User Commitment as determined in the above paragraph 103(c)ii.

105. 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 paragraphs 103(a) and 103(c)i respectively.

Overlapping Applications for Increases and Decreases

106. 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 88.

107. 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 88

²⁸ 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.

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.

108. 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 zero²⁹.

Bi-directional Connections

109. 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”)³⁰ which can be found on the National Grid website.

110. 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.

²⁹ Overrun charges 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.

³⁰ Consistent with the Licence, it is anticipated that the IECR will be replaced with the “Entry Capacity Release” methodology statement in the second half of 2013.

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

111. Subject to paragraph 12 of Part B, 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 works³¹ as it considers necessary to make such increases available.
112. Where the allocations referred to in paragraph 111 require the release of **Incremental Obligated Exit 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 month/year if specified in the application) for an accepted application in Gas Year Y.
113. Paragraph 112 above shall apply to successful applications placed in the Annual Application Window, or as a result of an ad-hoc application, or as a result of an ARCA application. Hence National Grid shall apply a default lead-time for the release of **Incremental Obligated Exit Capacity** of 36 months starting from the first day of the next gas year following the day on which the allocation is confirmed. This means that for capacity allocations effective 1st October Y+4 satisfactory applications must be received by 30th June Y (ad-hoc applications) or in the July Y annual application or satisfactory ARCA reservations must be agreed 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 although this is only likely to be possible where the application is made pursuant to a PCA or reinforcement is not required.
114. National Grid is allowed, in accordance with incentives in the Licence, a limited quantity of permits whereby it can extend the 36 month default lead time for the delivery of **Incremental Obligated Exit Capacity**. National Grid can also earn additional permits by reducing the lead time below the 36 month default. Except where agreed with the Authority, National Grid will not extend the capacity release lead time by more than 24 months.
115. 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 **Incremental Obligated Exit 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 no less than 90 days prior to:
- The Annual Application Window;
 - The submission of an ad-hoc offer;
 - The agreement of an ARCA.
116. Where, in accordance with paragraph 115 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)**

³¹ National Grid may consider contractual alternatives to physical works.

Capacity that can be allocated early shall assume that any unsold **Obligated Exit 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 **Obligated Exit Capacity** that is sold will only result in a requirement to release a smaller quantity of **Incremental Obligated Exit 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**.

117. It is important, therefore, that Users and Reservation Parties that are not party to a PCA contact the National Grid Customer Services Team³², at the earliest opportunity, so that project requirements and likely lead times can be identified. Notwithstanding the pre-application notification required under paragraph 34, 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 Licence³³), 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, however earlier engagement is encouraged to ensure timely delivery of Capacity.
118. 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 113. 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 initial capacity release date (i.e. the permits obtained (or played) will not be affected by the deferral of the actual release date).
119. Where National Grid identifies an opportunity to release **Incremental Obligated Exit 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.
120. Where Users apply for **Enduring Annual NTS Exit (Flat) Capacity** pursuant to paragraph 119 and the application is inconsistent with the information identified pursuant to paragraph 115, i.e. the **Incremental Obligated Exit 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 **Incremental Obligated Exit Capacity** can, consistent with National Grid's Licence obligations, be released from the requested date; and where such assessment determines that the **Incremental Obligated Exit 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

³² Contact can be made with the Customer Services team via e-mail to: transmissionconnections@nationalgrid.com.

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

³⁴ When implemented, UNC Modification Proposal 376 will allow applications from 1st of any month as identified in the notice issued pursuant to paragraph 115.

- to the extent that applications are not accepted, they will be considered as if the requested start date is 1st October Y+4.

CHAPTER 3: ANNUAL NTS EXIT (FLAT) CAPACITY

121. 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**.
122. 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 88.
123. National Grid will make available for sale as **Annual NTS Exit (Flat) Capacity** any **Obligated Exit 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**.
124. **Annual NTS Exit (Flat) Capacity** is not available via the ad-hoc or ARCA application processes.
125. National Grid may make available **Annual NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **Obligated Exit Capacity**. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **Non-obligated Exit Capacity**.
126. Where a User is allocated **Annual NTS Exit (Flat) Capacity** through the release of **Non-obligated Exit 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

127. 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.
128. 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

129. 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 88.
130. National Grid will make available for sale as Firm **Daily NTS Exit (Flat) Capacity** any **Obligated Exit 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**.
131. National Grid may make available Firm **Daily NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **Obligated Exit Capacity**. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **Non-obligated Exit Capacity**.

Off-peak Daily NTS Exit (Flat) Capacity

132. 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 Daily NTS Exit (Flat) 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 Exit (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 Exit (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 discretion, 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

Introduction

133. 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.
134. 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. 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.
135. Shipper Users will not be able to request nor be allocated **NTS Exit (Flexibility) Capacity**.
136. In accordance with UNC TPD Section J 7.3.2 National Grid has produced the Short Term Access to System Flexibility Allocation Methodology Statement that outlines the approach towards enabling short term access to system flexibility over and above Users' prevailing entitlements. This can be found on National Grid's website at <http://www.nationalgrid.com/uk/Gas/OperationalInfo/NTSExitZones/>.

Offtake Capacity Statement (OCS)

137. 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.
138. 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 48.

NTS Exit Zones and Linepack Zones

139. 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.
140. 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.

141. NTS Exit Zones / Areas are not the same as Linepack Zones.

142. 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	E18	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	E02	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	E02	1
Keld	GDN (NO)	North	E01	1
Little Burdon	GDN (NO)	North	E03	3

Melkinthorpe	GDN (NO)	North	E01	1
Saltwick Pressure Controlled	GDN (NO)	North	E02	1
Saltwick Volumetric Controlled	GDN (NO)	North	E02	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	E10	9
Peters Green	GDN (NT)	East	E08	8
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
Armadales	GDN (SC)	North	E02	1
Balgray	GDN (SC)	North	E00	0
Bathgate	GDN (SC)	North	E01	1
Broxburn	GDN (SC)	North	E02	1
Burnhervie	GDN (SC)	North	E00	2
Careston	GDN (SC)	North	E00	0
Drum	GDN (SC)	North	E00	0
Glenmavis	GDN (SC)	North	E01	0
Hume	GDN (SC)	North	E02	1
Kinknockie	GDN (SC)	North	E00	0
Langholm	GDN (SC)	North	E01	1
Lauderhill	GDN (SC)	Currently there is not an Offtake at "Lauderhill".		
Lockerbie	GDN (SC)	North	E01	1
Netherhowcleugh	GDN (SC)	North	E01	1
Pitcairngreen	GDN (SC)	North	E00	0
Soutra	GDN (SC)	North	E02	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	E16	7
Braishfield B	GDN (SO)	West	E16	7
Crawley Down	GDN (SO)	West	E07	7
Hardwick	GDN (SO)	East	E08	7
Ipsden	GDN (SO)	West	E16	7
Ipsden 2	GDN (SO)	West	E16	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	E17	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	E17	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
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	E17	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	E17	6
Dyffryn Clydach	GDN (WS)	West	E17	6
Gilwern	GDN (WS)	West	E17	6
Abson (Seabank Power Station phase I)	DC	West	E14	6
Bacton (Great Yarmouth)	DC	East	E08	8
Barking (Horndon)	DC	East	E09	9
Barrow (Black Start)	DC	North	E04	4
Billingham ICI (Terra Billingham)	DC	North	E03	3
Bishop Auckland (test facility)	DC	North	E03	3
Blackness (BP Grangemouth)	DC	North	E00	0
Blyborough (Brigg)	DC	Central	E11	3
Blyborough (Cottam)	DC	Central	E11	3
Brine Field (Teesside Power Station)	DC	North	E03	3
Burton Point (Connahs Quay)	DC	North	E04	4
Caldecott (Corby Power Station)	DC	Central	E05	5
Carrington (Partington) Power Station	DC	North	E04	4
Centrax Industrial	DC	West	E07	7
Cockenzie Power Station	DC	Currently there is not an Offtake at "Cockenzie".		
Coryton 2 (Thames Haven) Power Station	DC	East	E09	9
Deeside	DC	North	E04	4

Didcot	DC	East	E16	7
Drakelow Power Station	DC	Currently there is not an Offtake at "Drakelow".		
Eastoft (Keadby Blackstart)	DC	North	E03	3
Eastoft (Keadby)	DC	North	E03	3
Enron Billingham	DC	North	E03	3
Epping Green (Enfield Energy, aka Brimsdown)	DC	East	E10	10
Ferny Knoll (AM Paper) (Connection decommissioned)	DC	N/A	N/A	N/A
Goole (Guardian Glass)	DC	North	E03	3
Gowkhall (Longannet)	DC	North	E00	0
Grain Power Station	DC	East	E09	9
Harwarden (Shotton, aka Shotton Paper)	DC	North	E04	4
Hatfield Power Station	DC	Currently there is not an Offtake at "Hatfield PS".		
Hollingsgreen (Hays Chemicals)	DC	North	E04	4
Langage Power Station	DC	West	E07	7
Marchwood Power Station	DC	West	E16	7
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC	East	E09	9
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	East	E09	9
Pembroke Power Station	DC	West	E17	11
Peterborough (Peterborough Power Station)	DC	Central	E05	5
Phillips Petroleum, Teesside	DC	North	E03	3
Pickmere (Winnington Power, aka Brunner Mond)	DC	North	E04	4
Roosecote (Roosecote Power Station)	DC	North	E04	4
Rosehill (Saltend Power Station)	DC	North	E03	3
Ryehouse	DC	East	E10	10
Saddle Bow (Kings Lynn)	DC	East	E13	5
Saltend BPHP (BP Saltend HP)	DC	North	E03	3
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	North	E04	4
Seabank (Seabank Power Station phase II)	DC	West	E14	6
Sellafeld Power Station	DC	North	E04	4
Shellstar (aka Kemira, not Kemira CHP)	DC	North	E04	4
Shotwick (Bridgewater Paper)	DC	North	E04	4
Spalding 2 (South Holland) Power Station	DC	Central	E15	7
St Fergus (Peterhead)	DC	North	E00	0
St. Fergus (Shell Blackstart)	DC	North	E00	0
St. Neots (Little Barford)	DC	East	E10	10
Stallingborough	DC	Central	E11	3
Stanford Le Hope (Coryton)	DC	East	E09	9
Staythorpe	DC	Central	E05	5
Sutton Bridge Power Station	DC	Central	E15	7
Teesside (BASF, aka BASF Teesside)	DC	North	E03	3
Teesside Hydrogen	DC	North	E03	3
Terra Nitrogen (aka ICI, Terra Severnside) (Connection decommissioned)	DC	N/A	N/A	N/A
Thornton Curtis (Humber Refinery)	DC	Central	E11	3

aka Immingham)				
Thornton Curtis (Killingholme)	DC	Central	E11	3
Tilbury Power Station	DC	Currently there is not an Offtake at "Tilbury".		
Tonna (Baglan Bay)	DC	West	E17	6
Upper Neeston (Milford Haven Refinery)	DC	West	E17	11
West Burton Power Station	DC	Central	E11	3
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	North	E04	4
Weston Point (Rocksavage)	DC	North	E04	4
Willington Power Station	DC	Currently there is not an Offtake at "Willington".		
Wragg Marsh (Spalding)	DC	Central	E15	7
Wyre Power Station	DC	Currently there is not an Offtake at "Wyre".		
Zeneca (ICI Avecia, aka 'Zenica')	DC	North	E03	3
Avonmouth Max Refill	STORAGE SITE	West	E14	6
Bacton (Baird)	STORAGE SITE	Currently there is not an Offtake at "Bacton (Baird)".		
Barrow (Bains)	STORAGE SITE	North	E04	4
Barrow (Gateway)	STORAGE SITE	North	E04	4
Barton Stacey Max Refill (Humbley Grove)	STORAGE SITE	West	E16	7
Caythorpe	STORAGE SITE	North	E03	3
Deborah Storage (Bacton)	STORAGE SITE	Currently there is not an Offtake at "Deborah Storage (Bacton)".		
Dynevour 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
Hill Top Farm (Hole House Farm)	STORAGE SITE	North	E04	4
Holford	STORAGE SITE	North	E04	4
Hole House Max Refill	STORAGE SITE	North	E04	4
Hornsea Max Refill	STORAGE SITE	North	E03	3
Partington Max Refill (Connection decommissioned)	STORAGE SITE	North	E04	4
Rough Max Refill	STORAGE SITE	North	E03	3
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	Central	E15	7
Stublach (Cheshire)	STORAGE SITE	North	E04	4
Bacton (IUK)	INTERCONNECTOR	East	E18	5
Bacton (BBL)	INTERCONNECTOR	East	E18	5
Moffat (Irish Interconnector)	INTERCONNECTOR	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 ARCA 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.

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.

Formula Year means a period of 12 months commencing 1st April in each year.

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.

Planning and Consents Agreement (“PCA”) is a bilateral agreement between National Grid and a User or Reservation Party. It is designed to provide National Grid with the financial security to undertake certain works in advance of a User formally applying for **Enduring Annual NTS Exit (Flat) Capacity** (e.g. where that party has not reached financial closure) where allocation of that capacity would be expected to require the release of **Funded Incremental Obligated Exit Capacity**. Such works would normally be limited to planning activities prior to physical construction and

ordering of materials, such as network analysis, project optioneering, engineering design and wider stakeholder consultation. In the event that **Funded Incremental Obligated Exit Capacity** is released the works will be funded through Transportation Charges, otherwise it will be by payment from the relevant User/Reservation Party.

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.

Revenue Drivers enable National Grid's allowed revenue to increase where it has accepted additional capacity obligations. They fund the activities that National Grid is required to undertake to support the delivery of any **Funded Incremental Obligated Exit Capacity** (and **Legacy Incremental Exit Capacity**) required to satisfy demand for **Enduring Annual NTS Exit (Flat) Capacity**. Such activities may include planning and environmental assessments and submissions, materials and construction works, or contractual alternatives to investment. Funding is released upon non-veto, by the Authority, of National Grid's proposals to release **Funded Incremental Obligated Exit Capacity**.

Transitional Exit Period means the period from 1 October 2008 to 30 September 2012 being the period preceding the date from which exit capacity will be released in accordance with revised "enduring" arrangements.

NTS Capacity Terminology Defined in the Licence:

Exit Capacity is capacity in the NTS which a Relevant Shipper or DN operator is treated as utilising in offtaking gas from the NTS at an NTS Exit Point.

Firm Exit Capacity means Exit Capacity that provides users with a contractual right to flow from the NTS and has the meaning given to that term in the Network Code.

Funded Incremental Obligated Exit Capacity means **Incremental Obligated Exit Capacity** for which the obligation to offer such capacity for sale commenced on or after 1 April 2013, which has not been provided through Exit Capacity Substitution and for which the Licensee has not received an additional funding allowance through **Legacy Incremental Exit Capacity**, the **Funded Incremental Obligated Exit Capacity** will be added to **Licence Baseline Exit Capacity** five years after the contractual delivery date.

Incremental Exit Capacity means **Firm Exit Capacity** other than **Non-incremental Obligated Exit Capacity**.

Incremental Obligated Exit Capacity means the volume of **Firm Exit Capacity** which the Licensee is required to offer for sale at an NTS Exit Point following implementation of a proposal made by the Licensee in accordance with Part A of Special Condition 5G (Determination of **Incremental Obligated Exit Capacity** volumes and the appropriate revenue drivers to apply) that is above the **Non-incremental Obligated Exit Capacity** which is derived in accordance with the obligations set out in Special Condition 9B (Methodology to determine the release of Entry Capacity and Exit Capacity Obligations volumes).

Legacy Incremental Exit Capacity means **Incremental Obligated Exit Capacity** for which the obligation to offer such capacity for sale commenced before 1 April 2013, for which the Licensee receives a revenue entitlement in accordance with Appendix 2 of Special Condition 3A (Restriction of NTS System Operation Revenue).

Legacy TO Exit Capacity means the volume of **Exit Capacity** that the Licensee must offer for sale as set out in Table 10 of Special Condition 5G (Determination of **Incremental Obligated Exit Capacity** volumes and the appropriate revenue drivers to apply).

Licence Baseline Exit Capacity means the volume of **Exit Capacity** that the Licensee must offer for sale as of 1 April 2013 as set out in Table 8 of Special Condition 5G (Determination of **Incremental Obligated Exit Capacity** volumes and the appropriate revenue drivers to apply).

Non-incremental Obligated Exit Capacity is the sum of **Licence Baseline Exit Capacity** and **Legacy TO Exit Capacity** adjusted for Exit Capacity Substitution.

Non-obligated Exit Capacity means **Firm Exit Capacity** other than **Obligated Exit Capacity**.

Obligated Exit Capacity is the sum of **Non-incremental Obligated Exit Capacity**, **Funded Incremental Obligated Exit Capacity** and **Legacy Incremental Exit Capacity**.

Off-peak Exit Capacity shall have the meaning given to the term “Off-Peak Daily NTS Exit (Flat) Capacity” in the Network Code.

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 Statement³⁵;

Remaining Available 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 UNC TPD Section B 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 UNC TPD Section B 3.2;
- (ii) the User ceasing to hold the capacity in accordance with UNC TPD Section B 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 UNC TPD Section B 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.

³⁵ Upon implementation of UNC Modification 436, if implemented, the term "Exit Capacity Baseline Statement" will be replaced with "Exit Capacity release obligation summary report".