

Issue	Revision
4.2	Consultation draft 20/02/09

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

**To be Applied from 1<sup>st</sup> April 2009**

**nationalgrid**

## DOCUMENT HISTORY

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

		subject to the above change.
V4.1	January 2009	Annual review Part A: covering the Transitional Exit Period: ARCA commitment amended to be consistent with Enduring Exit Period. Clarity added in respect of the use of contracts to support offtake of gas. Part B: covering the enduring exit period added.
V4.2	20 February 2009	Several revisions and clarifications following comments received to informal consultation in addition to those proposed for V4.1. User Commitment amended to include a "charge" assessment.

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## ABOUT THIS DOCUMENT

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

This Statement will be applied from 1 April 2009<sup>1</sup>.

4. This methodology statement has been produced and published by National Grid to meet the requirements, of and in accordance with, Special Condition C18 of the Licence. Part A relates to the Transitional Exit Period and Part B to the Enduring Exit Period. The document is approved by the Gas and Electricity Markets Authority (the Authority). National Grid believes the content is consistent with its duties under the Gas Act and the Licence.
5. If you require further details about any of the information contained within this document or have comments on how this document might be improved please contact our UK Transmission Gas Access and Charging team at **[box.transmissioncapacityandcharging@uk.ngrid.com](mailto:box.transmissioncapacityandcharging@uk.ngrid.com)** or by post to:

National Grid  
Transmission Commercial  
National Grid House  
Warwick Technology Park  
Gallows Hill  
Warwick CV34 6DA

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<sup>1</sup> Or the date of approval by the Authority if later than 1<sup>st</sup> April 2009.

## GENERAL INTRODUCTION

6. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
7. The NTS plays an important role in facilitating the competitive gas market and helping to provide the UK with a secure gas supply. It is a network of pipelines, presently operated at pressures of up to 94 bar, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. Exit points are predominantly connections to Distribution Networks (DNs), but also include storage sites and direct connections to power stations, large industrial consumers and other systems, such as interconnectors to other countries.
8. These operations are carried out to meet the needs of the companies that supply gas to domestic, commercial and industrial consumers and to power stations and interconnectors. In 2007/08 1,050 TWh of gas was transported to these consumers.
9. Details of National Grid and its activities can be found on the company's internet site at **[www.nationalgrid.com](http://www.nationalgrid.com)**.  
An electronic version of this publication can be found at the following web page "**<http://www.nationalgrid.com/uk/Gas/Charges/statements/>**".
10. It is important that National Grid is made aware of potential developments where new or incremental capacity may be required at an early stage. This is so that any additional work that may be required, such as the construction of a new physical connection, or the upsizing of an existing connection, can be progressed in parallel to the capacity request. National Grid will, subject to legal and regulatory obligations, respect the confidentiality of any information provided to it in respect of new or increased connection requirements. All work relating to the connection is charged for separately as specified in National Grid's document: the "Statement and Methodology for Gas Transmission Connection Charging"<sup>2</sup> as required by Licence Condition 4B. This document and further information about connection services is also available on the National Grid website. National Grid's Customer Services team provide connection services and can be contacted via e-mail to: **[transmission.newgasconnections.nts@uk.ngrid.com](mailto:transmission.newgasconnections.nts@uk.ngrid.com)**.

### *National Grid's Statutory and Licence Obligations*

11. New and existing Users of the NTS are able to request to purchase exit capacity products for any NTS Exit Point. Such capacity requests will be considered against the provisions of National Grid's statutory and licence obligations and in accordance with its published methodologies.
12. Overriding obligations applicable to this Statement are set out in the Gas Act and the Licence.

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

13. Specific obligations in respect of the release of NTS exit capacity and applicable to this Statement are set out in Special Condition C18 and C8E of the Licence.
14. Under Special Condition C18, National Grid must prepare and submit to the Authority for approval an NTS Exit Capacity Release Methodology Statement (the "ExCR") setting out the methodology by which National Grid will determine how it will release NTS Exit Capacity.
15. Under Special Condition C8E paragraph 4e, in respect of the Enduring Exit Period, National Grid must provide the Authority with a written statement of all proposed NTS obligated incremental exit flat capacity and NTS obligated incremental exit flow flexibility. Unless directed to the contrary within 28 days of the date of submission of this statement, National Grid shall assume that the proposals have been accepted.

## **Part A**

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

**nationalgrid**



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## INTRODUCTION

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

## CHAPTER 1: PRINCIPLES

3. This Statement applies to the release of all forms of NTS Exit Capacity (as defined in Standard Special Condition A3 of the Licence) by National Grid and shall include NTS Exit Capacity (at NTS System Exit Points, as defined in the Uniform Network Code ("UNC")), and NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity (at NTS/LDZ Offtakes, as defined in the Transitional Document of the UNC).
4. The Statement shall apply to the release of all NTS Exit Capacity (i.e. existing and incremental capacity) for first use during the Transitional Exit Period.
5. For the avoidance of doubt, for the Transitional Exit Period, existing NTS Exit Capacity does not necessarily equate to the NTS baseline capacity specified in the Licence. Relevant values for the NTS baseline capacity are as specified in Annex A table 1 of Special Condition C8E of the Licence<sup>3</sup>.
6. This Statement applies to the release of Firm Capacity. Interruptible Capacity is not available at NTS/LDZ Offtakes. It will only be released at NTS System Exit Points where it can be released without adversely affecting the safe and economic operation of the system and without the need for any system reinforcement. Such available Interruptible Capacity will be released on a first come first served basis in accordance with processes detailed in the UNC.
7. For the Transitional Exit Period, National Grid, when determining whether to allocate Existing System Exit Capacity, will use the methodology described in this Statement under Chapter 2.
8. For the Transitional Exit Period, National Grid, when determining whether to allocate Incremental Exit Capacity, will use the methodology described in this Statement under Chapter 3.
9. A high level summary of the procedures for allocation of NTS Exit Capacity in relation to the different timeframes is provided in Table 1 below. Reference should be made to the appropriate paragraphs for further detail.

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<sup>3</sup> The baseline values applicable to the Transitional Exit Period as specified in the Licence shall be adjusted to account for any subsequently released incremental capacity and/or any applications under the OCS process detailed in UNC TD Part 11C paragraphs 9 and 10 (UNC modification proposal 195AV moved the OCS processes from UNC TPD Section B6).

<b>Table 1 – High Level Summary of Processes for Allocation of NTS Exit Capacity</b>					
	Timing of capacity availability	Within investment lead-times	Outside investment lead-times	From 1/10/2012	
		<b>Transitional Exit Period</b>		<b>Enduring Exit Period</b>	
<b>Existing System Exit Capacity</b>					
Exit Capacity (Shipper)		First come, first served*. Book no more than 6 months** in advance (paragraph 15-23). Where capacity is required more than 6 months in advance an ARCA may*** be requested.		Not applicable to this Statement	
NTS Offtake (Flat) Capacity		OCS process (paragraph 24)			
NTS Offtake (Flexibility) Capacity		OCS process (paragraph 24)			
<b>Incremental Exit Capacity</b>					
Exit Capacity (Shipper)	Action other than specific reinforcement needed	First come, first served*. Book no more than 6 months in advance. Where capacity is required more than 6 months in advance an ARCA may*** be requested.			
		Paragraphs 27-30	Paragraph 42		
	With specific reinforcement	Partial (an ARCA may be offered) or no release	Subject to ARCA (paragraph 40)		
NTS Offtake (Flat) Capacity	Reinforcement not needed	OCS process*			
	With specific reinforcement	OCS process*	Subject to ARCA (paragraph 40)		
NTS Offtake (Flexibility) Capacity	Reinforcement not needed	OCS process*			
	With specific reinforcement	Capacity not released (paragraph 41)			
<p>* Subject to National Grid being satisfied that it could meet such demands by reference to its wider Licence obligations as outlined in paragraph 11.  ** Under Supply Point registration process defined in UNC Section G the maximum period between Supply Point Nomination and the Supply Point Registration Date specified in the Supply Point Confirmation is 2 Business Days plus 6 months plus 30 Business Days. In this document "6 months" should be read as 6 months plus 32 Business Days.  *** Subject to the 20m therms/annum threshold (see paragraphs 17/30/43)</p>					

10. Until 30 September 2012, new and existing Shipper Users will continue to purchase Firm and Interruptible NTS Exit Capacity at administered prices<sup>4</sup>, and any capacity requests will be considered against the provisions of National Grid's statutory licence obligations.
11. Overriding obligations on National Grid set out in the Gas Act and the Standard Conditions, Standard Special Conditions and Special Conditions of the Licence are that its activities must be:
  - Conducted on a non-discriminatory basis;
  - Conducted in an efficient, economical and co-ordinated manner; and
  - Be consistent with the safe and efficient operation of National Grid's pipeline system and security of supply obligations.

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<sup>4</sup> Administered prices will continue to apply for annual capacity products in the Enduring Exit Period from 1<sup>st</sup> October 2012.

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

12. In respect of NTS/LDZ Offtakes and NTS System Exit Points National Grid shall, upon request from a Distribution Network Operator (DNO) or Shipper, as appropriate, release any unallocated Existing System Exit Capacity.
13. Existing System Exit Capacity shall be determined by network analysis undertaken at the time of any valid request received by National Grid for NTS Exit Capacity.
14. Existing System Exit Capacity shall be determined by network analysis using existing NTS infrastructure and current and/or committed commercial and statutory obligations, but includes all existing firm commitments recorded in previous OCSs and any quantities that Shipper Users are registered as holding pursuant to UNC.
15. In respect of NTS System Exit Points, such requests for NTS Exit Capacity shall be in accordance with UNC TD Part IIC Paragraph 9. In all cases any allocation of NTS Exit Capacity shall be subject to there being any unallocated capacity available at that exit point.
16. Release of unallocated Existing System Exit Capacity at NTS System Exit Points will be on a first come first served basis.
17. Notwithstanding paragraph 15, where a Shipper User requires capacity to first be released beyond the maximum timescale envisaged by UNC TD Part IIC Paragraph 9 (i.e. more than 6 months) and the NTS Exit Capacity request is for more than 20 mtpa<sup>5</sup> then the Shipper User may request that National Grid offers an Advanced Reservation of Capacity Agreement "ARCA". The Shipper User shall not be obliged to request, nor sign, an ARCA.
18. For these longer lead-time projects NTS Exit Capacity can also be requested by a Developer. The Developer may also request an ARCA. However, NTS Exit Capacity in respect of an NTS System Exit Point can only be registered by a Shipper User.
19. For the avoidance of doubt, paragraph 16 shall apply in respect of capacity proposed to be reserved via an ARCA, i.e. until the ARCA is signed by both parties any unallocated Existing System Exit Capacity may be allocated to another party through UNC TD Part IIC Paragraph 9 processes or reserved through another ARCA.
20. ARCAs may only be requested where the Shipper User or Developer is able to provide adequate evidence to demonstrate to National Grid's satisfaction that the requested capacity is genuinely required and is likely to be used from the date requested. Such evidence could vary from project to project, but may include, for example, planning applications and "section 36" consents.

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<sup>5</sup> million therms p.a.

21. If an ARCA is requested and signed by the Shipper User / Developer, then National Grid will release the full amount of requested unallocated Existing System Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a "User Commitment" which will be related to the quantity of capacity reserved and the relevant NTS exit capacity price at the date of signature of the ARCA. Full details of the User Commitment will be specified in the ARCA. To ensure consistency with the Enduring Exit Period (in particular, the future commitment principles) the User Commitment in respect of any ARCA requested after 23<sup>rd</sup> February 2009 will be based on four years of exit capacity charges.
22. If an ARCA is requested by the Shipper User / Developer and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of an ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986. Following determination National Grid will release NTS Exit Capacity in accordance with the outcome of the determination.
23. Where there is insufficient unallocated Existing System Exit Capacity at an NTS System Exit Point to satisfy a request for additional capacity then the available capacity may be allocated to partially satisfy the Shipper's request. An ARCA may also be requested in respect of the capacity that is available even if this does not fully satisfy the Shipper's / Developer's request. The Shipper may withdraw or amend their capacity request prior to capacity being allocated.
24. In respect of NTS/LDZ Offtakes such requests (including decrease requests) for NTS Offtake (Flat) Capacity and NTS Offtake (Flexibility) Capacity, shall be in accordance with UNC TD Part IIC Paragraphs 9 and 10.

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

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

25. The following steps will be applied to requests for release of:

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

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

DNO User requests for Incremental Exit Capacity for:

- 2009/2010, 2010/2011 and 2011/2012 received during the 2009 OCS Application Window
  - 2010/2011 and 2011/2012 received during the 2010 OCS Application Window.
  - 2011/2012 received during the 2011 OCS Application Window
- received in accordance with the Uniform Network Code, and;

Shipper User requests for capacity allocations received:

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

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

- Beyond the capacity registration timescales within the Uniform Network Code.

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

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

28. Mitigating actions that may be explored include;

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

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

29. If:
- a. safe operation of the System is not impaired and no incremental costs are identified; or
  - b. where paragraph 29 a) does not apply, mitigating actions have been identified,
- then National Grid will allocate the requested Incremental Exit Capacity
30. Where National Grid identifies that Incremental Exit Capacity can be released; and the Shipper User / Developer requires capacity to first be released beyond the maximum timescale envisaged by UNC TD Part IIC Paragraph 9 and the request is for more than 20 mtpa then the Shipper User / Developer may request that National Grid offers an ARCA. The Shipper User / Developer shall not be obliged to request, nor sign, an ARCA.
31. ARCAs may only be requested where the Shipper User or Developer is able to provide adequate evidence to demonstrate to National Grid's satisfaction that the requested capacity is genuinely required and is likely to be used from the date requested. Such evidence could vary from project to project, but may include, for example, planning applications and "section 36" consents.
32. If an ARCA is requested and signed by the Shipper User / Developer, then National Grid will release the full amount of requested Incremental Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a "User Commitment" which will be related to the quantity of capacity reserved and relevant NTS exit capacity price at the date of signature of the ARCA. Full details of the User Commitment will be specified in the ARCA. To ensure consistency with the Enduring Exit Period (in particular, the future commitment principles) the User Commitment in respect of any ARCA requested after 23<sup>rd</sup> February 2009 will be based on four years of exit capacity charges.
33. If an ARCA is requested by the Shipper User / Developer and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of an ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986. Following determination National Grid will release NTS Exit Capacity in accordance with the outcome of the determination.
34. The flow chart in Figure 1 of Appendix A2 summarises the overall process.



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

35. This section 3.2 applies to the release of Incremental Exit Capacity beyond investment lead-times. For any application received from July 2009 capacity will normally be released in the Enduring Exit Period, i.e. Part B of this Statement applies.
36. Notwithstanding the lead times identified in this section National Grid will consider the release of capacity in advance of these timescales where National Grid deems this to be practicable. Hence this section applies solely to:
- Situations where National Grid deems early release of capacity is practicable; and
  - Applications received and accepted prior to July 2009;
- where, in both scenarios, capacity is to be released within the Transitional Exit Period.
37. The following steps will be applied to requests for release of :
- NTS Exit Capacity (from Shipper Users and Developers) in the Transitional Exit Period for utilisation beyond investment lead-times.
38. This section applies to any:
- Shipper User / Developer requests for incremental NTS Exit Capacity release that:
    - meet the criteria for requirement of an ARCA. This “reservation” of capacity would have to be undertaken such that there is sufficient time from execution of the agreement to the required utilisation of capacity for National Grid to undertake the required system investments, i.e. signature normally at least 38 months before capacity is due to be released (i.e. by June 2009 for first gas in September 2012);
    - do not meet the criteria for requirement of an ARCA.
  - DNO User requests, in accordance with UNC, for incremental NTS Offtake Capacity where National Grid deems it practicable to release capacity prior to 1<sup>st</sup> October 2012.
39. At any NTS System Exit Point, if Incremental Exit Capacity is requested by a User, then National Grid would first assess whether Specific Reinforcement of the NTS upstream of the Connection Charging Point<sup>6</sup> would be required i.e. whether there is any NTS investment that would not be required if the incremental capacity was not to be supplied.
40. If such investment is required, then National Grid would require:
- a Shipper User / Developer to enter into an ARCA for incremental NTS Exit Capacity requests greater than 20 mtpa; or
  - a DNO User to enter into an ARCA for incremental NTS Offtake (Flat) Capacity requests greater than 20 mtpa.
41. Any incremental NTS Offtake (Flexibility) Capacity request will be rejected where it requires Specific Reinforcement, leads to an increase in costs, or could reasonably be considered to lead to a conflict with the safe operation of the network.

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<sup>6</sup> As defined in National Grid’s Statement and Methodology for Gas Transmission Connection Charging.

42. If Specific Reinforcement is not required for a development, but the Incremental Exit Capacity request is for more than 20 mtpa, then an ARCA would not be required by National Grid. In this situation, in respect of NTS Exit Capacity, a Shipper User / Developer would have the option to either:
- a. book capacity in accordance with UNC TD Part IIC Paragraph 9. In the intervening period it is feasible that any available capacity is booked by other Shipper Users for other consumers. Hence when the original Shipper User then requests capacity it may be that only Interruptible Capacity is available; or
  - b. request, upon provision of adequate evidence to demonstrate that the requested capacity is genuinely required and is likely to be used from the date requested, an ARCA. Such evidence could vary from project to project, but may include, for example, planning applications and "section 36" consents.
43. If the Incremental Exit Capacity request is for less than 20 mtpa, regardless of whether Specific Reinforcement is required, then an ARCA would not be required by National Grid and would not be available as an option. In this situation, in respect of NTS Exit Capacity, a Shipper User / Developer would only be able to obtain capacity through UNC processes in TD Part IIC Paragraph 9.
44. If an ARCA is required by National Grid (in accordance with paragraph 40), or is requested by a Shipper User / Developer (in accordance with paragraph 42 b), and is signed by the relevant party, then National Grid will release the full amount of requested Incremental Exit Capacity at the agreed release date. The ARCA will commit the Shipper User / Developer to make a payment to National Grid, a "User Commitment" which will be related to the quantity of capacity reserved and relevant exit capacity charges paid over a defined period. Full details of the User Commitment will be specified in the ARCA. To ensure consistency with the Enduring Exit Period (in particular, the future commitment principles) the User Commitment in respect of any ARCA requested after 23<sup>rd</sup> February 2009 will be based on four years of exit capacity charges.
45. If an ARCA is required by National Grid (in accordance with paragraph 40) and agreement cannot be reached on the terms and conditions of the ARCA, or if an ARCA is requested by a Shipper User / Developer (in accordance with paragraph 42 b) and National Grid refuses to offer an ARCA or agreement cannot be reached on the terms and conditions of the ARCA, then either party will be entitled to refer any dispute in respect of the ARCA to the Authority for determination under the Gas Act 1986. Following determination National Grid will release the full amount of requested Incremental Exit Capacity in accordance with the outcome of the determination.
46. In the event that the ARCA is not signed, whether or not it has been referred to the Authority, then National Grid would accept in part only the request up to the level at which capacity is available without the Specific Reinforcement. This would be in accordance with paragraph 42 a.
47. The flow chart in Figure 2 of Appendix A2 summarises the overall process.

## APPENDIX A1: DEFINITIONS

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

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

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

**Existing System Exit Capacity** means the capacity determined in accordance with paragraphs 13 and 14 and is a measure of the capability of the NTS. It includes currently allocated and unallocated capacity. Unallocated capacity is not specific to any individual exit point.

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

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

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

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

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

**NTS baseline exit flow flexibility** – means the level of variance from the hourly flat capacity rate (in GWh/day) which in aggregate across all NTS Exit Points shall be 238 GWh/day.

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

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

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

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

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

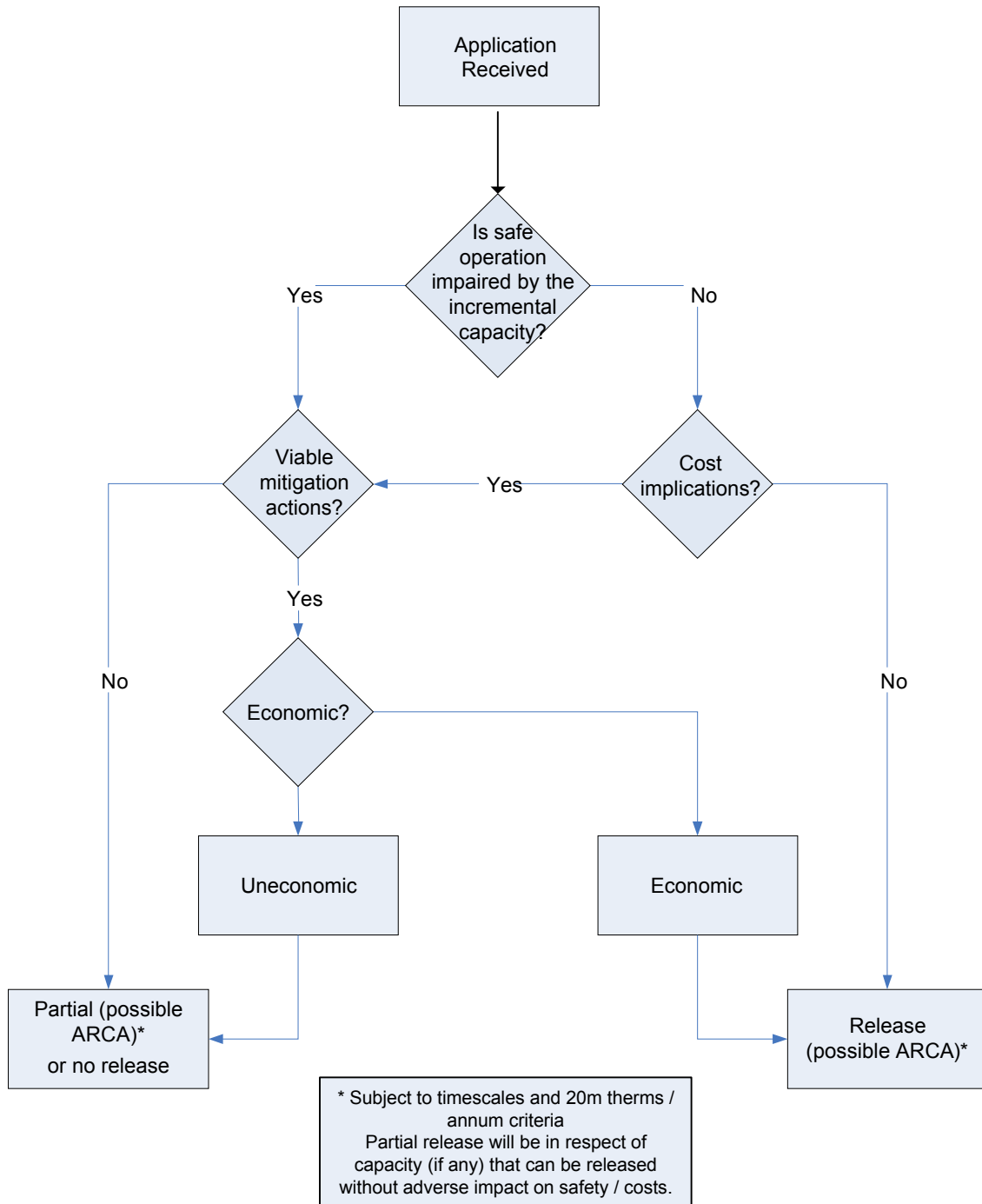
**OCS** means the **Offtake Capacity Statement** as defined in UNC TD Part IIC Paragraph 10.

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

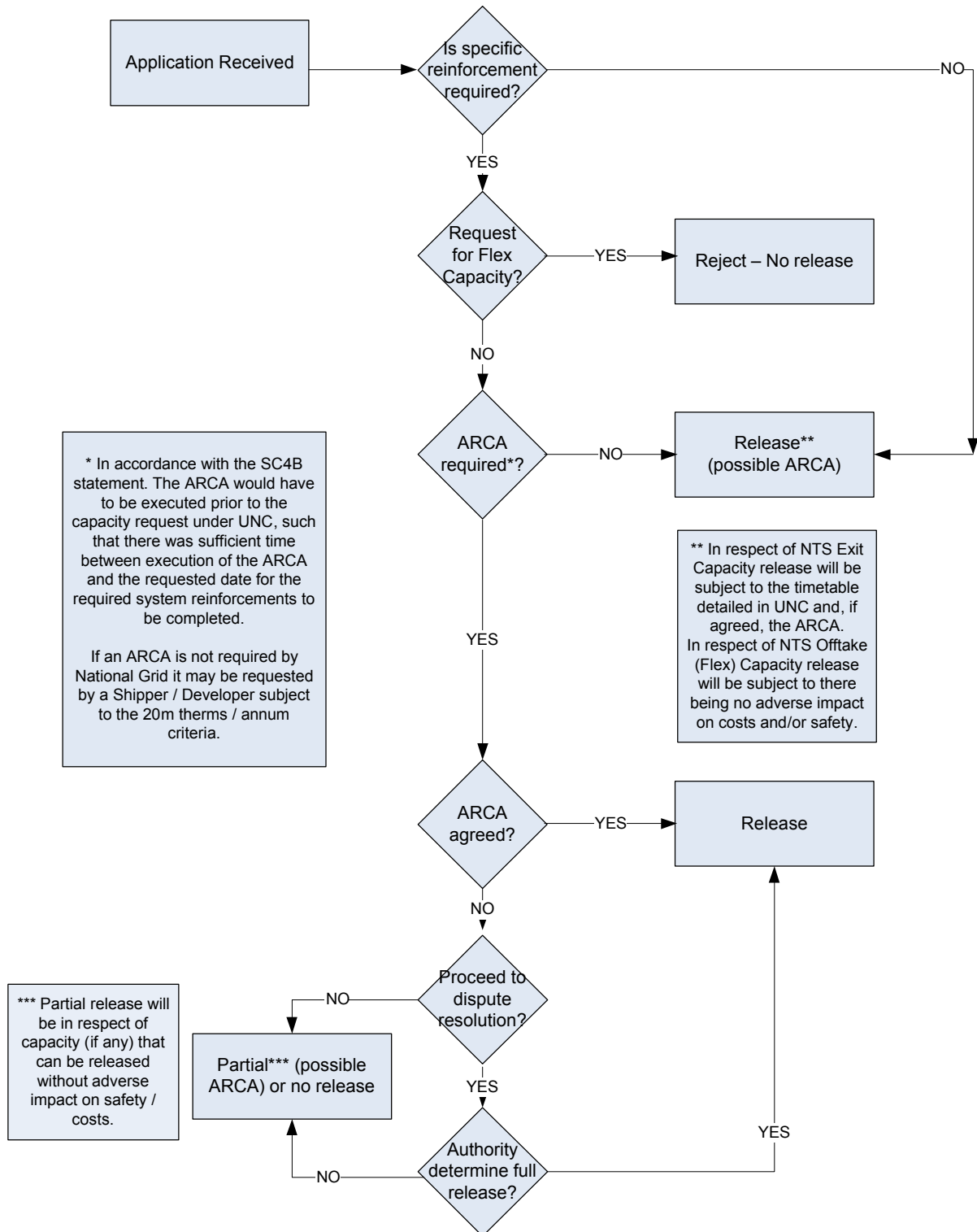
**Transitional Exit Period** means the period from 1 October 2008 to 30 September 2012.

**APPENDIX A2: PROCESS FLOW CHARTS**

**Figure 1: Summary Process Flow Chart  
 Transitional Period  
 Request for Incremental Capacity received within  
 investment lead times**



**Figure 2: Summary Process Flow Chart  
 Transitional Period  
 Request for Incremental Capacity received beyond  
 Investment lead-times.**



## **Part B**

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

national**grid**

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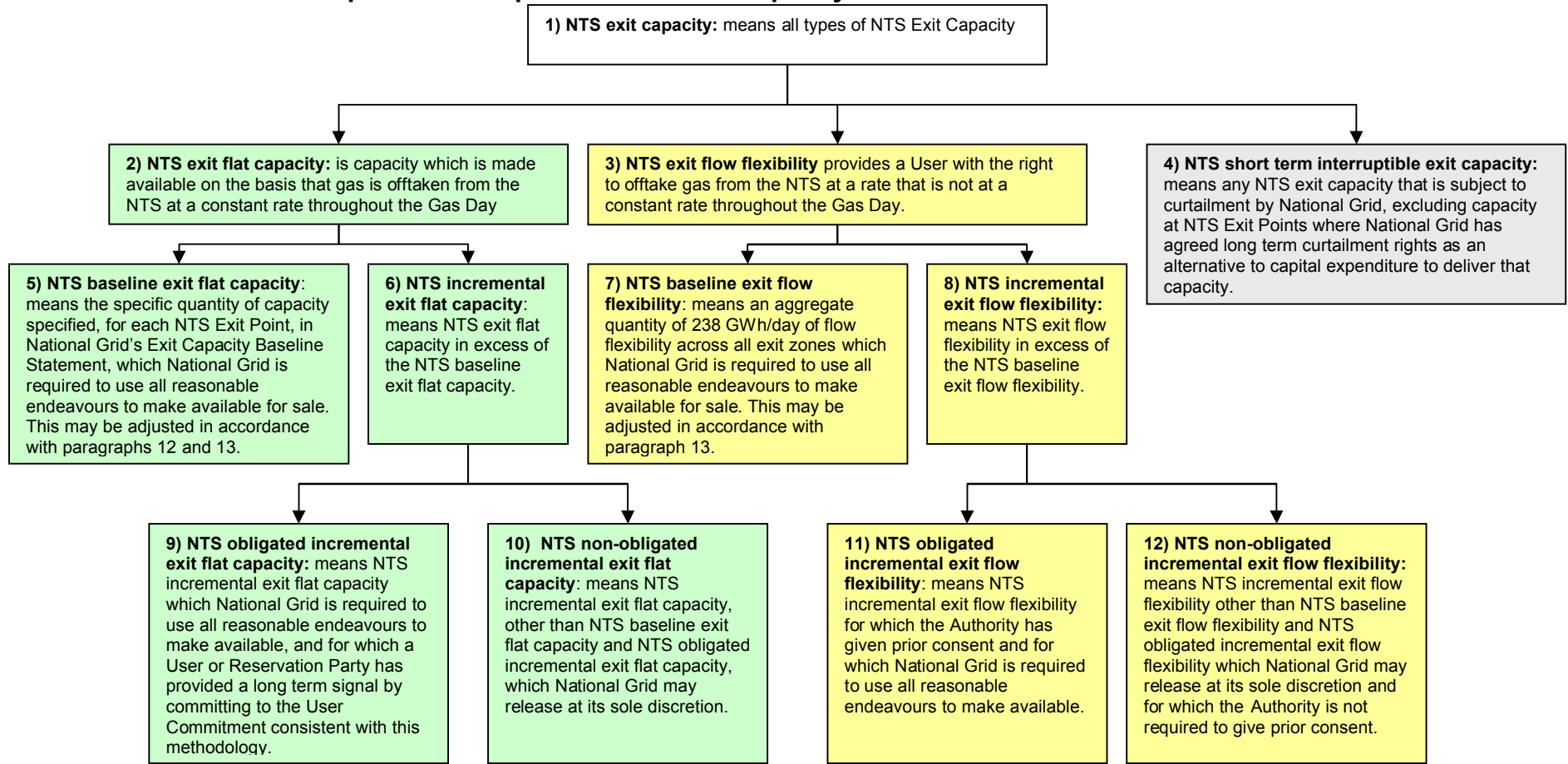
## INTRODUCTION

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

### *Capacity Terminology*

4. This document contains terminology relating to **NTS Exit Capacity** released in accordance with rules defined within the Licence and the Uniform Network Code (“UNC”). **Readers should be aware that changes to the Licence are being considered in order to better align the Licence with UNC terminology. This document has been drafted based on the Licence applicable at 1<sup>st</sup> January 2009. Should any changes be made to the Licence this document will be up-dated.**
5. As the terms used in the UNC do not directly relate to those used in the Licence the key terms and their relationship to each other are reproduced in the diagrams below together with a simplified explanation. These explanations are provided solely to make this document easier to read.
6. The actual definitions of these terms are contained within the Licence (Special Condition C8A and A3) and/or UNC (TPD Section B) and are reproduced in Appendix B2. Where any conflict arises between the Licence, UNC and this Statement the Licence shall prevail over the UNC and this Statement, and the UNC shall prevail over this Statement.
7. Where not separately defined, terms used in this Statement shall have the same meaning as the Licence or the UNC as appropriate.
8. 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.

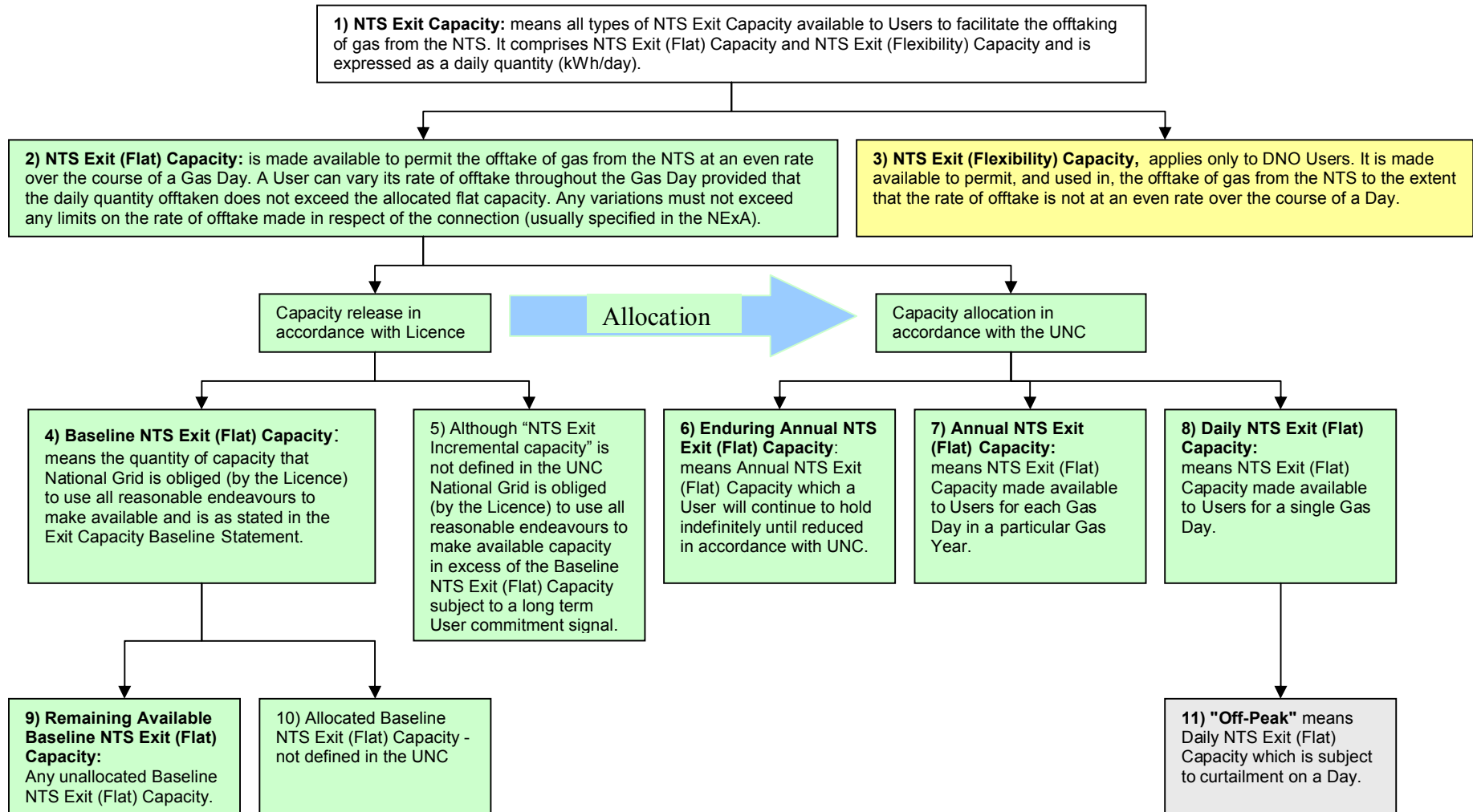
### Simplified Description of NTS Exit Capacity Terms Defined in the Licence



**NTS incremental exit capacity** means NTS incremental exit flat capacity and NTS incremental exit flow flexibility;

**NTS non-obligated exit capacity** means NTS non-obligated incremental exit flat capacity, NTS non-obligated incremental exit flow flexibility and NTS short term interruptible exit capacity.

**Simplified Description of NTS Exit Capacity Terms Defined in the UNC**



## Planning Process

9. National Grid is required by Special Condition C2 of the Licence, “Long Term Development Statement”, to prepare an annual statement, with respect to each of the succeeding 10 years that will forecast;
  - The use likely to be made of the pipe-line system; and
  - The likely developments of that system.
10. National Grid believes it is important to seek wide views on the process for determining how it invests in its network as well as on the underlying assumptions that underpin such investment. An enhanced consultation process is operated under the banner of ‘Transporting Britain’s Energy’ with a view to obtaining industry views on how the industry would like to see the NTS developed.
11. National Grid expects the results of long term **NTS Exit Capacity** applications to be the primary driver for investment. Notwithstanding the requirement for notification of potential capacity requests detailed in paragraphs 34 and 88 an unambiguous User Commitment is the start of the process for triggering the release of **NTS obligated incremental exit flat capacity**.
12. National Grid also has a Licence obligation (Special Condition C8E paragraph 3c) to consider whether unsold **NTS baseline exit flat capacity** can be substituted to other NTS Exit Points where there is demand for **NTS obligated incremental exit flat capacity**, thereby, potentially reducing the requirement for investment in the NTS. The process by which such substitutions may be considered and the methodology that would be applied will be provided in the “Exit Capacity Substitution Methodology Statement” (the “ExCS”).
13. National Grid also has a Licence obligation (Special Condition C8E paragraph 3c) to revise the level of **NTS baseline exit flat capacity** and **NTS baseline exit flow flexibility** if investment in respect of NTS Entry Points has a consequential impact on NTS exit capability. The process by which such revisions may be considered and the methodology that would be applied will be provided in the “Exit Capacity Revision Methodology Statement” (the “ExRM”).
14. For the avoidance of doubt, the release of **NTS Exit Capacity** i.e. all exit capacity, will be in accordance with this Exit Capacity Release Methodology Statement (the “ExCR”).
15. National Grid expects that the Authority will defer the exit capacity substitution and baseline revision obligations, referred to in paragraphs 12 and 13 above. National Grid will not consider opportunities for exit capacity substitution, nor revise baseline exit capacities as a result of developments for NTS Entry Points until these obligations become effective.

## CHAPTER 1: PRINCIPLES

### Scope

16. Overriding obligations on National Grid set out in the Gas Act and the Standard Conditions, Standard Special Conditions and Special Conditions of the Licence are that its activities must be:
- Conducted on a non-discriminatory basis;
  - Conducted in an efficient, economical and co-ordinated manner; and
  - Be consistent with the safe and efficient operation of National Grid's pipeline system and security of supply obligations.
17. This Statement applies to the release of all forms of **NTS Exit Capacity**, as defined in the Licence, by National Grid for use during the Enduring Exit Period and shall include:
- **NTS baseline exit flat capacity;**
  - **NTS baseline exit flow flexibility;**
  - **NTS obligated incremental exit flat capacity;**
  - **NTS non-obligated incremental exit flat capacity;**
  - **NTS obligated incremental exit flow flexibility;**
  - **NTS non-obligated incremental exit flow flexibility;** and
  - **NTS short term interruptible 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);
  - **Offpeak Daily NTS Exit (Flat) Capacity** (see Chapter 4); and
  - **NTS Exit (Flexibility) Capacity**, (see Chapter 5).
18. National Grid will release **NTS Exit Capacity** having regard to paragraph 16 and the reasonable endeavours obligation in Special Condition C8E paragraph 3(b). All references in this Statement to the release of **NTS 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 **NTS obligated incremental exit flat capacity**. To satisfy the requirements of the Licence, the process for releasing other forms of capacity are also covered in this document. However, as these processes are covered in detail in the UNC, this document only provides a high level overview and Users should principally refer to the UNC for these arrangements. See relevant Chapters for UNC references.
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.

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

### General

21. Users can apply for an increase in, or reduction to, their **Enduring Annual NTS Exit (Flat) Capacity** allocation as detailed in the following sections.
22. 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.
23. In response to valid applications for increases in **Enduring Annual NTS Exit (Flat) Capacity** National Grid may be required to release **NTS obligated incremental exit flat capacity** in accordance with this Statement and the Licence.
24. 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

25. The level of **NTS baseline exit flat capacity**, effective from 1<sup>st</sup> October 2012, will be as stated in the Licence (annex A table 2 of Special Condition C8E).
26. Under Special Condition C8E paragraph 4(a) of the Licence, National Grid is obliged to submit to the Authority for approval, and publish, an "exit capacity baseline statement" setting out the level of **NTS baseline exit flat capacity** which is to be offered for sale. For April 2009, effective 1<sup>st</sup> October 2012 the values stated in the exit capacity baseline statement will be equal to the initial baseline values stated in the Licence.
27. The UNC (Transition Document Part IIC) outlines the method used to determine each User's initial allocation of **Enduring Annual NTS Exit (Flat) Capacity** at each NTS Exit Point which will apply from the start of the Enduring Exit Period. It limits aggregate **NTS Exit (Flat) Capacity** at each NTS Exit Point to the initial level of **NTS baseline exit flat capacity** (as stated in the Licence) based on maximum booking of firm capacity and the maximum interruptible flow in the Gas Year 2007/8. In the event that a User's initial allocation is less than their allocation in the Transitional Exit Period the User can only increase their allocation to the Transitional level in accordance with this Chapter 2 of the ExCR and the User Commitment will apply in respect of the total allocation.
28. When determining the initial allocation National Grid will take:
  - For NTS Supply Points and NTS Connected System Exit Points:
    - the maximum firm capacity utilised: the highest value of capacity booking for any Gas Day in Gas Year 2007/8: and

- the maximum interruptible capacity utilised: the highest value of an interruptible gas allocation for any Gas Day in Gas Year 2007/8; and
  - where an ARCA has been agreed with a capacity release date within the Transitional Exit Period, the value specified in the ARCA<sup>7</sup>.
  - the registered capacity allocation (of NTS Exit Capacity as determined in accordance with a Firm Capacity Application made in accordance with UNC TD Part IIC) at 30<sup>th</sup> September 2012 at new NTS Exit Points that are not subject to an ARCA.
- For DN Offtakes:
    - the capacity stated in the 2008 Offtake Capacity Statement (OCS) for Gas Year 2011/12; and
    - where an ARCA has been agreed with a capacity release date within the Transitional Exit Period, the value specified in the ARCA
    - the registered allocation at 30<sup>th</sup> September 2012 at new NTS Exit Points that are not subject to an ARCA.

The firm, interruptible and OCS values may be scaled back, according to calculations in the Transition Document of UNC, to ensure that the **NTS baseline exit flat capacity** is not exceeded.

29. Users may reduce their initial allocations of **Enduring Annual NTS Exit (Flat) Capacity** in the Reduction Application Windows of 2009, 2010 and/or 2011 and with an effective date of 1<sup>st</sup> October 2012.

### ***Increases to Enduring NTS Exit (Flat) Capacity Allocation.***

30. 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.
31. Non-Users may reserve **Enduring Annual NTS Exit (Flat) Capacity** for subsequent allocation to Users for use, subject to capacity release lead-times, from 1<sup>st</sup> October 2012 by agreement of an ARCA (UNC TPD Section 3.3).
32. 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 67 the User Commitment will apply to the increase plus any existing allocation.

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<sup>7</sup> Where an ARCA has been agreed with a capacity release date in the Transitional Exit Period and this date has been put back, in accordance with the terms of the ARCA, to a date in the Enduring Exit Period, any capacity reserved under the ARCA and allocated will not be subject to a User Commitment under the Enduring Exit Period. Any such capacity allocations shall be subject to any user commitment detailed in the ARCA.

33. For the avoidance of doubt, the User Commitment:
- applies to any increases from initial allocations of **Enduring Annual NTS Exit (Flat) Capacity**, including increases back to the initial level after an earlier reduction, and in such cases will be subject to a User Commitment for the full new allocation level (i.e. existing plus increase); and
  - does not apply to initial allocations of **Enduring Annual NTS Exit (Flat) Capacity**.
34. In respect of the two User application processes, the User (or in the case of an ARCA application, the non-User) must inform National Grid Capacity Team<sup>8</sup> 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, and the inclusion of the NTS Exit Point in the Licence. This is particularly relevant, but not exclusive, to new NTS Exit Points. It is anticipated that, where required, Licence changes could take up to six months to complete from National Grid's formal approach to Ofgem to initiate the necessary Licence changes. Any information provided to National Grid in advance of a formal application will not be binding on the applicant. The User or non-User 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.
35. Each NTS Exit Point must be included in the Licence by the appropriate date before capacity can be offered for release. If a new NTS Exit Point is not included in the Licence the NTS Exit Point:
- will not have an **NTS baseline exit flat capacity**. Consistent with UNC TPD Section B3.1.6; without a baseline value National Grid will not be required to make capacity available at that NTS Exit Point;
  - will not be included in the NTS charging model and indicative prices cannot be produced.
36. Subject to National Grid's sole discretion, National Grid will require a revenue driver in the Licence for the NTS Exit Point before releasing **NTS obligated incremental exit flat capacity** at that NTS Exit Point. This is necessary to inform investment decisions in response to the release of incremental capacity. It is anticipated that revenue drivers will be agreed between National Grid and the Authority for a range of incremental capacity which will span the quantities indicated (without commitment) by the potential applicant in accordance with paragraph 34.
37. The appropriate date for Licence changes to be effective is 1<sup>st</sup> June in respect of the Annual Application Window; or the day before receipt by National Grid in respect of an ad-hoc application; or the day before signature of an ARCA.

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<sup>8</sup> Contact can be made with the Capacity team via e-mail to: [capacityauctions@uk.ngrid.com](mailto:capacityauctions@uk.ngrid.com).



38. In the event that an applicant wishes to obtain **Enduring NTS Exit (Flat) Capacity** effective from a specific date and is unable to commit to an application in accordance with processes detailed in this Statement and the UNC, National Grid, at its sole discretion, may enter into a preliminary works agreement. This agreement will require National Grid to undertake works in respect of system reinforcement works upstream of the Connection Charging Point (i.e. excluding connection works – see General Introduction paragraph 10) so that when the applicant is able to make a formal application in accordance with UNC National Grid will be able to consider offering an earlier capacity release date than would otherwise be the case. The applicant shall be liable for all relevant costs incurred which shall be refunded only following:
- allocation of the required capacity (or signature of an ARCA); and
  - demand for **NTS obligated incremental exit flat capacity** is confirmed; and
  - satisfaction of any demonstration information criteria (as defined in UNC TPD Section B3.3).

These works will be charged in accordance with the Statement and Methodology for Gas Transmission Connection Charging as if the works were “connection design works”, as defined in that statement.

### Annual Application Window

39. In accordance with UNC (TPD Section B3.2), Users may apply for additional **Enduring Annual NTS Exit (Flat) Capacity** at each NTS Exit Point at the Annual Application Window (each business day in July) in Gas Year Y for use from the start (i.e. 1<sup>st</sup> October) of the Gas Year Y+4<sup>9</sup>, Y+5 or Y+6 and the new capacity level will be evergreen until changed in accordance with paragraph 61. 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. On making such applications, Users are committing to pay the User Commitment (assuming their applications are not rejected i.e. it is a valid application).
40. In accordance with the UNC (TPD Section B3.2), DNO Users may submit a revised application for **Enduring Annual NTS Exit (Flat) Capacity** after the Annual Application Window. Such a revision will be permitted only to the extent that it is in response to, and consistent with, National Grid rejecting or only partially accepting applications for **NTS Exit (Flexibility) Capacity** or Assured Offtake Pressures in respect of Gas Year Y+4, Y+5 or Y+6. Any revision must be submitted on any of the first five business days after 15<sup>th</sup> September.

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

41. Users may (UNC TPD Section B3.2) apply for **Enduring Annual NTS Exit (Flat) Capacity** between 1<sup>st</sup> October and 30<sup>th</sup> June in respect of a new NTS Exit Point<sup>10</sup>.

<sup>9</sup> Subject to variation of capacity release default lead time in accordance with paragraphs 83-90.

<sup>10</sup> As defined in National Grid’s Statement and Methodology for Gas Transmission Connection Charging all new NTS connections must meet the minimum load criterion of 2 mtpa.

42. User may (UNC TPD Section B3.2) apply for an increase in **Enduring Annual NTS Exit (Flat) Capacity** between 1<sup>st</sup> October and 30<sup>th</sup> June in respect of an existing NTS Exit Point provided the application;
- if approved, would result in Users holding in excess of 125% of the **Baseline NTS Exit (Flat) Capacity** for the year for which the application is made; or
  - is for an amount that exceeds 10GWh/day.
- These criteria shall apply to each individual User's applications.
43. Where an application is for a stepped increase in capacity (in accordance with UNC TPD Section B 3.2), i.e. a number of increases at different dates, the minimum capacity increase criteria shall apply to the aggregate capacity increase and not to each tranche.
44. The requested date for capacity release (or each date in respect of an application for a stepped increase) must be 1<sup>st</sup> of the month and must not be earlier than:
- 1<sup>st</sup> of the month M+7 where month M is the month in which the application is made;
- nor later than:
- 1<sup>st</sup> October in Gas Year Y+4.
45. All ad-hoc applications for **Enduring Annual NTS Exit (Flat) Capacity** shall be made by way of a pro-forma available from National Grid's Capacity team.<sup>11</sup> This application will include, as a minimum;
- The NTS Exit Point;
  - The quantity of **Enduring 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.
46. 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 non-Users (defined in UNC TPD Section B3.3. as a "Reservation Party" but more commonly known as a Developer)) and will, 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 50 and 51, offer the quantity(ies) and date(s) of capacity release within:
- 15 Business Days of receipt of the application; or
  - where National Grid is of the opinion that works are required to make the requested capacity available, within 90 calendar days of receipt; or
  - later, if agreed with the User/Reservation Party.
- Unless accepted within 30 calendar days of the date of the offer (or such longer period as may, at the sole discretion of National Grid, be agreed in consideration of a request from the applicant to extend the 30 calendar day period) the offer will lapse.
47. 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

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<sup>11</sup> At [capacityauctions@uk.ngrid.com](mailto:capacityauctions@uk.ngrid.com).

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.

48. National Grid will release **NTS obligated incremental exit flat capacity** and **NTS baseline exit flat capacity** with an effective date earlier than 1<sup>st</sup> 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.
49. Ad-hoc applications submitted earlier than 1<sup>st</sup> April will be considered independently of applications made in the Annual Application Window.
50. Ad-hoc applications may be submitted on, or later than, 1<sup>st</sup> April. However, applications submitted between 1<sup>st</sup> April and 30<sup>th</sup> June create the potential for an overlap with the Annual Application Window<sup>12</sup>. Dependant upon the specifics of the application; including, but not limited to,
  - The date of the application;
  - The location of the NTS Exit Point;
  - The magnitude of the capacity increase; and
  - Any current interactive applications (see paragraph 51);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 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 52 shall apply.
51. 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 of 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 52 shall apply.
52. 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 on the basis that all outstanding offers will be accepted. Where any such offers lapse National Grid will, at its sole discretion, consider whether any capacity made available as a result of such lapses can be used in assessing other applications.
53. Where there is an ad-hoc application and National Grid is of the opinion that Works (as defined in UNC TPD Section B3.3) are required, if the

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<sup>12</sup> Applications received after 1<sup>st</sup> February may impact on the exactness of the data provided in the annual application window invitation letter, e.g. all Remaining Available Baseline NTS Exit (Flat) Capacity at an NTS Exit Point may be subject to an ad-hoc application. The invitation letter will assume that this capacity will not be available in the Annual Application Window. If the ad-hoc application subsequently lapses the assumption, and hence the data provided in the invitation letter, would have been incorrect.

demonstration information<sup>13</sup> is not received by the required date then National Grid may defer the start of associated construction works and the capacity Release Date by up to 12 months. Where the Release Date is deferred the User Commitment shall apply from the revised date of capacity release. In the event that the demonstration information is not received by the required date on three occurrences in total, unless agreed otherwise with the applicant, the allocation of the registered capacity resulting from the application shall be removed and the User will be liable to National Grid for relevant design costs for the associated construction works.

### Applications from non-Users – ARCA Applications.

54. 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.
55. 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 and acceptance by that User, the User will be entitled, in accordance with UNC (TPD Section B3.3), to be registered (assuming their applications are not rejected i.e. it is a valid application) as holding such amounts of **Enduring Annual NTS Exit (Flat) Capacity** as if they had initially registered the capacity in accordance with paragraph 30 above and such holdings shall be evergreen until changed in accordance with paragraph 61. Any such notice from the Reservation Party shall be submitted to National Grid at least 5<sup>th</sup> of the month.
56. Any capacity allocated to a Shipper User that was initially reserved via an ARCA shall be subject to a User Commitment (see paragraph 70).
57. To the extent that a Shipper has not applied for and registered some, or all, of the reserved capacity, the Reservation Party shall be liable for the User Commitment Amount in respect of this capacity. Any such capacity will be available:
  - as **Daily NTS Exit (Flat) Capacity** during the User Commitment period of the ARCA; and
  - as **Annual NTS Exit (Flat) Capacity** including “Enduring” or **Daily NTS Exit (Flat) Capacity** from four years after the initial capacity release date specified in the ARCA.
58. The ARCA application process for non-Users will, where possible, be consistent with the ad-hoc application process for Users.
59. 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, with requirements determined by network analysis undertaken at the time of receipt by National Grid of any valid request, use reasonable endeavours

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<sup>13</sup> Demonstration information will be agreed between National Grid and the counterparty on a project specific basis. National Grid will publish a guidance note on the scope and content of demonstration information. National Grid will notify the applicant of the required date (the Demonstration Date) for the provision of the demonstration information.

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 1<sup>st</sup> April, this may not always be possible. The offer of an ARCA will be valid for a maximum of 30 calendar days.

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

60. In accordance with the UNC (TPD Section B3.2), where a User incurs an NTS Exit (Flat) Capacity Overrun charge they will be deemed to be applying for an increase in **Enduring Annual NTS Exit (Flat) Capacity** equal to the highest overrun quantity (recorded between 1<sup>st</sup> April and 31<sup>st</sup> March). As overruns, and hence deemed applications, cannot occur until October 2012, at the earliest, this Statement does not, in this version, address how deemed applications will be progressed. Any rules regarding deemed applications will be clarified prior to the commencement of the Enduring Exit Period.

### **Reductions to Enduring NTS Exit (Flat) Capacity Allocation**

61. Users are able to reduce their **Enduring Annual NTS Exit (Flat) Capacity** holdings provided that:
- they have satisfied the User Commitment at the relevant NTS Exit Point (see “User Commitment” below):
  - they provide at least 14 months notice of the effective date of the reduction unless paragraph 65 applies: and
  - the requested reduction, if accepted, would not result in the User’s allocation at the NTS Exit Point being negative at any time after the reduction, e.g. the effect of any capacity transfers must not result in a negative allocation.
62. For the avoidance of doubt the 14 month reduction notice period is applicable to a User’s initial capacity allocation; i.e. if a User wants to reduce its allocation resulting from initialisation, effective from the start of the Enduring Exit Period (1<sup>st</sup> October 2012), it can do so in the Reduction Application Windows of 2009, 2010 or 2011, but not, except in accordance with paragraph 64 in the Reduction Application Window of 2012.
63. Except in response to an ad-hoc invitation from National Grid in accordance with paragraph 65 Users will only be able to apply for reductions in their **Enduring Annual NTS Exit (Flat) Capacity** holdings by submitting a notice of reduction requesting a reduction amount and reduction date during the Reduction Application Window (1<sup>st</sup> to 15<sup>th</sup> 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.
64. The effective date of a reduction must be 1<sup>st</sup> of the month and no earlier than 1<sup>st</sup> October in Year Y+1. A reduction request with an effective date before 1<sup>st</sup> 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 meet requests from other Users for **Enduring Annual NTS Exit (Flat) Capacity** at any NTS Exit Point. Subject to the satisfaction of

the User Commitment any reduction requests with effective dates no earlier than 1<sup>st</sup> October Y+2 will be accepted.

65. Users will also be able to reduce their **Enduring Annual NTS Exit (Flat) Capacity** holdings 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, at the same NTS Exit Point, to increase their **Enduring Annual NTS Exit (Flat) Capacity** allocations, where this would otherwise require the release of **NTS obligated incremental exit flat capacity**.
66. 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 30<sup>th</sup> September in the Gas Year of the determination. If a request is rejected in the Gas Year in which it is made and if the User continues to want a reduction in its **Enduring NTS Exit (Flat) Capacity** allocation then it will need to submit a revised reduction application, potentially with a later effective date, during the next Reduction Application Window or in response to an appropriate ad-hoc invitation from National Grid.

### **User Commitment**

67. Specific to each User at each NTS Exit Point the principles of the User Commitment are that:
- a. where a User has requested additional **Enduring Annual NTS Exit (Flat) Capacity**, the User must meet the associated User Commitment before reductions may be effective; and
  - b. the User Commitment is that the User will remain the registered User in respect of:
    - i. any additional **Enduring Annual NTS Exit (Flat) Capacity** that is allocated to that User; plus
    - ii. any existing **Enduring Annual NTS Exit (Flat) Capacity** allocation that the User holds at that NTS Exit Pointfor 4 years from the date the increased capacity allocation becomes effective; except that;  
the User Commitment will be satisfied where actual Charges (as defined in paragraph 74) paid (or to be paid) by the relevant Shipper in respect of the NTS Exit Point equal or exceed the User Commitment Amount. The assessment of actual charges paid (or to be paid) will be made following the reduction request and will include actual charges paid (or to be paid) up to the end of September Y+1 for a reduction request in year Y; and
  - c. a User needs to provide at least 14 months notice of a reduction in **Enduring Annual NTS Exit (Flat) Capacity** at which point any associated User Commitment must have been, or will be, satisfied.
68. 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**.
69. Subject to paragraph 67bii, the User Commitment will not apply in respect of allocations made as a result of initialisation which are effective from the

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

70. Where a User is registered with capacity that was initially:
- reserved by a Reservation Party via an ARCA; or
  - registered to another User and has been assigned to the other User;
- 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;
- 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 (as may be adjusted in accordance with the ARCA), or
  - 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.

Where the new User acquires a separate and later registration of capacity the User Commitment will be extended.

71. 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 User Commitment Amount as set out in paragraphs 75. 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 paragraph 71a applies the User Commitment Amount of any Shipper User shall be reduced by the amount paid by the Reservation Party. Where paragraph 71b 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.

72. In the event that a User ceases to be the registered User in respect of allocated capacity without satisfying the User Commitment it shall be liable for the User Commitment Amount.

### User Commitment Amount

73. The User Commitment Amount will become payable if a User does not satisfy the User Commitment or if capacity reserved via an ARCA is not fully allocated to Users.

74. In respect of a User, the User Commitment Amount shall be determined by:

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

where

$P_{\text{ind}}$  = the indicative NTS Exit Capacity price (see paragraph 76) determined at the time of application (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,

Charges<sub>actual</sub> 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 Shipper 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.

The User Commitment shall commence on the date that the last increase in capacity allocation becomes effective.

75. In respect of a Reservation Party, the User Commitment Amount shall be paid annually from the first anniversary of the capacity release date specified in the ARCA to four years after the last increase. The annual User Commitment Amount shall be determined as the sum of the Daily User Commitment Amount calculated for each day for the relevant year which shall be:

$$\text{Daily User Commitment Amount} = P_{\text{ind}} \times Q_{\text{res}} - \text{Charges}_{\text{actual}}$$

where

$P_{\text{ind}}$  = the indicative NTS Exit Capacity price (see paragraph 76) determined at the time of signature of the ARCA.

$Q_{\text{res}}$  = total amount of capacity reserved under the ARCA minus any reserved capacity allocated as **Enduring Annual NTS Exit (Flat) Capacity** to nominated Users (kWh/Day) for the relevant Day.

Charges<sub>actual</sub> means Exit Capacity Charges paid, solely in respect of **Enduring Annual NTS Exit (Flat) Capacity**, by the nominated Shipper(s) in respect of the reserved capacity at the NTS Exit Point and shall exclude all other charges paid in respect of the NTS Exit Point including overrun charges and NTS Exit Commodity Charges and any NTS Exit Capacity Charges paid in respect of existing registered capacity at that NTS Exit Point.

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

76. National Grid will provide an indicative price,  $P_{\text{ind}}$ , at each NTS Exit Point ahead of any capacity application.  $P_{\text{ind}}$  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).
77. If a User has been allocated, or an ARCA is used to reserve capacity with stepped increases the User Commitment Amount will be determined using the final quantity of capacity released, i.e. the User Commitment may extend over more than four years from the initial stepped increase.
78. Except 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 in accordance with the terms of the ARCA.



## Interactive Applications for Increases and Decreases

79. 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. In considering such applications National Grid will apply the same principles of User Commitment for increases and reductions as set out above in paragraph 67.
80. 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 67 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 1<sup>st</sup> effective year, 2<sup>nd</sup> effective year, 3<sup>rd</sup> 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 (in an earlier year) higher level from an increase request, or lower level from a decrease request becomes effective

## Bi-directional Connections

81. When Users at, bi-directional connections, e.g. storage sites, signal their requirement for NTS Entry Capacity in the appropriate entry capacity auctions National Grid will use such signals to inform its investment plans to ensure that any investment needed is economic and efficiently incurred. This will be in accordance with National Grid’s “Incremental Entry Capacity Release” methodology statement (the “IECR”) which can be found on the National Grid website.
82. 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.
- 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**

83. Subject to paragraph 12, following acceptance of applications in the Annual Application Window, or offers made in respect of ad-hoc process by Users, and/or offers made via the ARCA process by a Reservation Party, for increases in **Enduring Annual NTS Exit (Flat) Capacity**, National Grid will undertake such works as it considers necessary to make such increases available.
84. Where the application referred to in paragraph 83 requires the release of **NTS obligated incremental 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 year if specified in the application) for an accepted application in Gas Year Y.
85. Paragraph 84 above shall apply to successful applications placed in the Annual Application Window, or as an ad-hoc application, or as an ARCA application. Hence National Grid shall apply a default lead-time for the release of **NTS obligated incremental exit capacity** of 38 months starting from the first day of the month following the end of the relevant or next Annual Application Window.
86. National Grid is allowed, in accordance with incentives in the Licence, a limited quantity of permits whereby it can extend or reduce the 38 month default lead time for the delivery of **NTS obligated incremental exit flat capacity**.
87. Where National Grid can reasonably foresee that it is necessary to extend, or there is an opportunity to shorten, the lead time from the default value it will identify the relevant NTS Exit Point(s), the quantity of **NTS Exit (Flat) Capacity** and the duration, beyond or before the default value, that National Grid considers is necessary or appropriate. This will normally (i.e. where National Grid has prior notice of a potential application) take place prior to:
- The Annual Application Window;
  - The submission of an ad-hoc application;
  - The submission of an ARCA request.
88. It is important, therefore, that Users and Reservation Parties contact National Grid Customer Services<sup>14</sup>, 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 Customer Services, solely for the purposes of establishing lead-times for the release of capacity (i.e. an existing NTS Exit Point not requiring a Licence revenue driver), should be at least two months before the Annual Application Window invitation letter (i.e. by 1<sup>st</sup> April) or submission as appropriate.

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<sup>14</sup> At [transmission.newgasconnections.nts@uk.ngrid.com](mailto:transmission.newgasconnections.nts@uk.ngrid.com).

89. A permit will only be considered obtained 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.
90. Where National Grid identifies an opportunity to release capacity earlier than the default period, Users will be able to apply for Enduring Annual NTS Exit (Flat) Capacity in the Annual Application Window with a start date of 1<sup>st</sup> October Y+3 (and/or Y+2).

### ***Non-October Start Dates***

91. In accordance with this Statement Users can request an increase (via an Ad Hoc or ARCA application) or reduction to their **Enduring Annual NTS Exit (Flat) Capacity** allocation with the change applying from the 1<sup>st</sup> of a month other than October.
92. In accordance with paragraph 64 a User may apply for a reduction in its **Enduring Annual NTS Exit (Flat) Capacity** allocation effective from 1<sup>st</sup> of any month. Any reduction in a User's allocation will release capacity that can be made available to other Users. However, a non-October effective date will create a quantity of unsold capacity that is not available for a full year (i.e. not available October to September) and so cannot be made available as **Annual NTS Exit (Flat) Capacity** in the Annual Application Window.
93. In these cases National Grid will only make the unsold part-year capacity available through the ad-hoc / ARCA processes (as **Enduring Annual NTS Exit (Flat) Capacity** with a non-October start date) or as **Daily NTS Exit (Flat) Capacity**.

## CHAPTER 3: ANNUAL NTS EXIT (FLAT) CAPACITY

94. Users can apply for **Annual NTS Exit (Flat) Capacity** which is not **Enduring 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). Such capacity would not be evergreen and would not attract a User Commitment as defined in paragraph 67.
95. National Grid will make available for sale as **Annual NTS Exit (Flat) Capacity** any **NTS baseline exit flat capacity** and any **NTS obligated incremental exit flat capacity** at any NTS Exit Point that has not previously been allocated as **Enduring Annual NTS Exit (Flat) Capacity** or as **Annual NTS Exit (Flat) Capacity** subject to paragraph 93.

## CHAPTER 4: DAILY NTS EXIT (FLAT) CAPACITY

### *Firm Daily NTS Exit (Flat) Capacity*

96. 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 67.
97. National Grid will make available for sale as Firm **Daily NTS Exit (Flat) Capacity** any **NTS baseline exit flat capacity** and any **NTS obligated incremental exit flat capacity** at any NTS Exit Point that has not previously been allocated as **Enduring Annual NTS Exit (Flat) Capacity** or **Annual NTS Exit (Flat) Capacity**.
98. At its sole discretion National Grid may make available Firm **Daily NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **NTS baseline exit flat capacity** plus the quantity, if any, of **NTS obligated incremental exit flat capacity** released at that NTS Exit Point. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **NTS non-obligated incremental exit flat capacity**.

### *Offpeak Daily NTS Exit (Flat) Capacity*

99. In respect of any NTS Exit Point recorded in the Licence National Grid will release **Off-peak Daily NTS Exit (Flat) Capacity**. This will be in accordance with the processes detailed in the UNC (TPD Section B3.6). The quantity of off-peak capacity released on any Gas Day at each NTS Exit Point will consist of three elements:
- Use it or Lose it: determined as the 30 day average (over D-37 to D-7) of total User allocations of Firm NTS (Flat) Capacity, (including Daily, Annual and Enduring Annual capacity) minus total User quantities actually used.
  - Off-peak quantity: determined as 24 times the maximum permissible offtake rate minus the total User allocations of Firm NTS (Flat) Capacity. This quantity will only be made available where forecast demand is less than 80% of the 1 in 20 peak demand.
  - Discretionary: any additional quantities that National Grid, in its sole discretion, believes can be released. This will only be undertaken where, and to the extent that, it can be released without adversely affecting the safe and economic operation of the System or supplies to firm NTS Exit (Flat) Capacity holders.
- Each element is detailed further within UNC.

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

### *Introduction*

100. 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.
101. National Grid will not release **NTS incremental exit flow flexibility** 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;
  - could reasonably be considered to lead to a conflict with the safe operation of the network; or
  - would lead to the aggregate allocation of **NTS Exit (Flexibility) Capacity** to all Users at all NTS Exit Points exceeding the NTS baseline exit flow flexibility.
102. Flexibility, including **NTS Exit (Flexibility) Capacity** will be accessed by Users in the Enduring Exit Period in the same way as in the Transitional Period. Hence DNO User allocations from 1<sup>st</sup> October 2012 will be consistent with pre-1<sup>st</sup> October 2012 allocations. These can continue to be amended in accordance with paragraph 103. Shipper Users will not be able to request nor be allocated **NTS Exit (Flexibility) Capacity**.

### *Offtake Capacity Statement (OCS)*

103. 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.
104. 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 40.

### *Release of NTS Incremental Exit Flow Flexibility*

105. Notwithstanding paragraph 101, National Grid will consider the release of **NTS Exit (Flexibility) Capacity** in excess of the **NTS baseline exit flow flexibility** in accordance with incentives and obligations in the Licence. Such release of capacity will be **NTS non-obligated incremental exit flow flexibility** under the Licence.

### ***Exit and Linepack Zones***

106. When allocating **NTS Exit (Flexibility) Capacity** to individual NTS Exit Points such that the **NTS baseline exit flow flexibility** is not exceeded National Grid will assess the capability of the network in Exit Zones and Exit Areas. These Exit Zones are distinct sections of the NTS with Exit Areas being a sub-set of Exit Zones that have the greatest level of interaction.
107. 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.
108. An Exit Zone is defined as a geographical area (within an LDZ) that consists of a group of supply points that, on a peak day, receive gas from the same NTS offtake.
109. Exit Zones / Areas are not the same as Linepack Zones.
110. 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 Exit Area, 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	Exit Area	Exit Zone	Linepack Zone
Bacton	GDN (EA)	East	E08	8
Brisley	GDN (EA)	East	E13	5
Cambridge	GDN (EA)	Currently there is not an Offtake at "Cambridge".		
Great Wilbraham	GDN (EA)	East	E08	8
Matching Green	GDN (EA)	East	E10	10
Peterborough Eye/Tee	GDN (EA)	Central	E05	5
Roudham Heath	GDN (EA)	East	E08	8
Royston	GDN (EA)	East	E08	8
Whitwell	GDN (EA)	East	E08	8
West Winch	GDN (EA)	East	E13	5
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
Thornton Curtis (DN)	GDN (EM)	North	E03	3
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
Tur Langton	GDN (EM)	Central	E05	5
Walesby	GDN (EM)	Central	E11	3
Asselby	GDN (NE)	North	E03	3
Baldersby	GDN (NE)	North	E03	3
Burley Bank	GDN (NE)	North	E03	3
Ganstead	GDN (NE)	North	E03	3
Pannal	GDN (NE)	North	E03	3
Paull	GDN (NE)	North	E03	3
Pickering	GDN (NE)	North	E03	3
Rawcliffe	GDN (NE)	North	E03	3
Towton	GDN (NE)	North	E03	3
Bishop Auckland	GDN (NO)	North	E03	3
Coldstream	GDN (NO)	North	E01	1
Corbridge	GDN (NO)	North	E02	2
Cowpen Bewley	GDN (NO)	North	E03	3
Elton	GDN (NO)	North	E03	3
Guyzance	GDN (NO)	North	E02	2
Humbleton	GDN (NO)	North	E01	1
Keld	GDN (NO)	North	E01	1
Little Burdon	GDN (NO)	North	E03	3



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Melkintorpe	GDN (NO)	North	E01	1
Saltwick Pressure Controlled	GDN (NO)	North	E01	1
Saltwick Volumetric Controlled	GDN (NO)	North	E01	1
Thrintoft	GDN (NO)	North	E03	3
Towlaw	GDN (NO)	North	E01	1
Wetheral	GDN (NO)	North	E01	1
Horndon	GDN (NT)	East	E09	9
Luxborough Lane	GDN (NT)	East	E09	9
Peters Green	GDN (NT)	East	E08	8
Peters Green South Mimms	GDN (NT)	East	E08	8
Winkfield	GDN (NT)	East	E16	7
Audley	GDN (NW)	Central	E12	4
Blackrod	GDN (NW)	North	E04	4
Ecclestone	GDN (NW)	North	E04	4
Holmes Chapel	GDN (NW)	North	E04	4
Lupton	GDN (NW)	North	E04	4
Malpas	GDN (NW)	Central	E12	4
Mickle Trafford	GDN (NW)	North	E04	4
Partington	GDN (NW)	North	E04	4
Samlesbury	GDN (NW)	North	E04	4
Warburton	GDN (NW)	North	E04	4
Weston Point	GDN (NW)	North	E04	4
Aberdeen	GDN (SC)	North	E00	0
Armadale	GDN (SC)	North	E01	1
Balgray	GDN (SC)	North	E00	0
Bathgate	GDN (SC)	North	E01	1
Broxburn	GDN (SC)	North	E01	1
Careston	GDN (SC)	North	E00	0
Drum	GDN (SC)	North	E00	0
St Fergus	GDN (SC)	North	E00	0
Glenmavis	GDN (SC)	North	E00	0
Hume	GDN (SC)	North	E01	1
Kinknockie	GDN (SC)	North	E00	0
Langholm	GDN (SC)	North	E01	1
Lauderhill	GDN (SC)	North	E01	1
Lockerbie	GDN (SC)	North	E01	1
Netherhowcleugh	GDN (SC)	North	E01	1
Pitcairngreen	GDN (SC)	North	E00	0
Soutra	GDN (SC)	North	E01	1
Stranraer	GDN (SC)	North	E01	1
Mosside	GDN (SC)	North	E00	0
Farningham	GDN (SE)	East	E09	9
Shorne	GDN (SE)	East	E09	9
Tatsfield	GDN (SE)	East	E09	9
Winkfield	GDN (SE)	East	E16	7
Braishfield A	GDN (SO)	West	E07	7
Braishfield B	GDN (SO)	West	E07	7
Hardwick	GDN (SO)	East	E16	7
Ipsden	GDN (SO)	West	E07	7
Ipsden 2	GDN (SO)	West	E07	7
Mappowder	GDN (SO)	West	E07	7

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Winkfield	GDN (SO)	East	E16	7
Aylesbeare	GDN (SW)	West	E07	7
Cirencester	GDN (SW)	West	E14	6
Coffinswell	GDN (SW)	West	E07	7
Easton Grey	GDN (SW)	West	E14	6
Evesham	GDN (SW)	Central	E06	6
Fiddington	GDN (SW)	West	E14	6
Ilchester	GDN (SW)	West	E07	7
Kenn	GDN (SW)	West	E07	7
Littleton Drew	GDN (SW)	West	E14	6
Lyneham	GDN (SW)	West	E07	7
Pucklechurch	GDN (SW)	West	E14	6
Ross	GDN (SW)	West	E14	6
Seabank (DN)	GDN (SW)	West	E14	6
Alrewas	GDN (WM)	Central	E12	4
Aspley	GDN (WM)	Central	E12	4
Audley	GDN (WM)	Central	E12	4
Austrey	GDN (WM)	Central	E12	4
Leamington	GDN (WM)	Central	E06	6
Lower Quinton	GDN (WM)	Central	E06	6
Milwich	GDN (WM)	Central	E12	4
Ross	GDN (WM)	West	E14	6
Rugby	GDN (WM)	Central	E06	6
Shustoke	GDN (WM)	Central	E12	4
Stratford-upon-Avon	GDN (WM)	Central	E06	6
Maelor	GDN (WN)	Central	E12	4
Dowlais	GDN (WS)	West	E14	6
Dyffryn Clydach	GDN (WS)	West	E14	6
Gilwern	GDN (WS)	West	E14	6
Abson (Seabank Power Station phase I)	DC - FIRM	West	E14	6
Bacton (Great Yarmouth)	DC - FIRM	East	E08	8
Barking (Horndon)	DC - INTERRUPTIBLE	East	E09	9
Billingham ICI (Terra Billingham)	DC - FIRM	North	E03	3
Blackness (BP Grangemouth)	DC - FIRM	North	E00	0
Blyborough (Brigg)	DC - INTERRUPTIBLE	Central	E11	3
Blyborough (Cottam)	DC - INTERRUPTIBLE	Central	E11	3
Burton Point (Connahs Quay)	DC - INTERRUPTIBLE	North	E04	4
Caldecott (Corby Power Station)	DC - FIRM	Central	E05	5
Deeside	DC - FIRM	North	E07	4
Didcot A	DC - INTERRUPTIBLE	East	E04	7
Didcot B	DC - FIRM	East	E16	7
Eastoft (Keadby Blackstart)	DC - INTERRUPTIBLE	North	E03	3
Eastoft (Keadby)	DC - FIRM	North	E03	3
Enron Billingham	DC - INTERRUPTIBLE	North	E03	3
Epping Green (Enfield Energy, aka Brimsdown)	DC - FIRM	East	E10	10
Ferny Knoll (AM Paper)	DC - FIRM	N/A	N/A	N/A
Goole (Guardian Glass)	DC - FIRM	North	E03	3
Gowkhall (Longannet)	DC - FIRM	North	E00	0
Harwarden (Shotton, aka Shotton	DC - FIRM	North	E04	4

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Paper)				
Hollingsgreen (Hays Chemicals)	DC - INTERRUPTIBLE	North	E04	4
Marchwood Power Station	DC - FIRM	West	E07	7
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC - INTERRUPTIBLE	East	E09	9
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC - FIRM	East	E09	9
Moffat (Irish Interconnector)	INTERCONNECTOR - FIRM, EXIT ONLY	North	E01	1
Peterborough (Peterborough Power Station)	DC - INTERRUPTIBLE	Central	E05	5
Phillips Petroleum, Teesside	DC	North	E03	3
Pickmere (Winnington Power, aka Brunner Mond)	DC - FIRM	North	E04	4
Roosecote (Roosecote Power Station)	DC - INTERRUPTIBLE	North	E04	4
Rosehill (Saltend Power Station)	DC - FIRM	North	E03	3
Ryehouse	DC - FIRM	East	E10	10
Saddle Bow (Kings Lynn)	DC - FIRM	East	E13	5
Saltend BPHP (BP Saltend HP)	DC - FIRM	North	E03	3
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC - FIRM	North	E04	4
Seabank (Seabank Power Station phase II)	DC - FIRM	West	E14	6
Sellafield Power Station	DC - INTERRUPTIBLE	North	E04	4
Shellstar (aka Kemira, not Kemira CHP)	DC - FIRM	North	E04	4
	DC - INTERRUPTIBLE	North	E04	4
Shotwick (Bridgewater Paper)	DC - FIRM	North	E04	4
St. Fergus (Peterhead)	DC - FIRM	North	E00	0
St. Neots (Little Barford)	DC - FIRM	East	E10	10
Stallingborough 1	DC - FIRM	Central	E11	3
Stallingborough 2	DC - FIRM	Central	E11	3
Stanford Le Hope (Coryton)	DC - FIRM	East	E09	9
Staythorpe PH1	DC - FIRM	Central	E05	5
Staythorpe PH2	DC - FIRM	Central	E05	5
Sutton Bridge	DC - FIRM	Central	E15	7
Teesside (BASF, aka BASF Teesside)	DC - FIRM	North	E03	3
Teesside Hydrogen	DC - FIRM	North	E03	3
Terra Nitrogen (aka ICI/Terra Severnside)	DC - FIRM	N/A	N/A	N/A
Thornton Curtis (Humber Refinery aka Immingham)	DC - FIRM	Central	E11	3
Thornton Curtis (Killingholme B)	DC - INTERRUPTIBLE	Central	E11	3
Thornton Curtis (Killingholme A)	DC - FIRM	Central	E11	3
Tonna (Baglan Bay)	DC - FIRM	West	E14	6
Weston Point (Castner Kelner, aka ICI Runcorn)	DC - FIRM	North	E04	4
Weston Point (Rocksavage)	DC - FIRM	North	E04	4
Wragg Marsh (Spalding)	DC - FIRM	Central	E15	7
Zeneca (ICI Avecia, aka 'Zenica')	DC - FIRM	North	E03	3
Hatfield Moor Max Refill	STORAGE SITE	North	E03	3
Hole House Max Refill	STORAGE SITE	North	E04	4
Partington Max Refill	STORAGE SITE	North	E04	4
Glenmavis Max Refill	STORAGE SITE	North	E00	0

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Barton Stacey Max Refill	STORAGE SITE	West	E07	7
Avonmouth Max Refill	STORAGE SITE	West	E14	6
Dynevor Max Refill	STORAGE SITE	West	E14	6
Garton Max Refill	STORAGE SITE	North	E03	3
Hornsea Max Refill	STORAGE SITE	North	E03	3
Rough Max Refill	STORAGE SITE	North	E03	3
Bacton (IUK)	INTERCONNECTOR	East	E13	5
Bacton (BBL)	INTERCONNECTOR	East	E13	5

## APPENDIX B2: DEFINITIONS

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

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.

**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.

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

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

### **NTS Capacity Terminology Defined in the Licence:**

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

**NTS exit flat capacity** shall have the meaning given to the term “NTS Offtake (Flat Capacity)” in the network code.

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

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

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

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

**NTS short term interruptible exit capacity** means NTS exit capacity subject to NTS exit capacity curtailment rights, but shall exclude NTS exit capacity for which the licensee has secured NTS exit capacity curtailment rights through long term contracts entered into with DN operators or gas shippers in order to reduce capital expenditure incurred in relation to the delivery of such NTS exit capacity.

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

**NTS baseline exit flow flexibility** means the NTS baseline exit flow flexibility, in respect of the enduring exit period and each zone, as may be determined by the licensee such that the total across all zones in Great Britain shall be 238 GWh per day, unless the Authority otherwise directs in writing. In the enduring exit period, the values of NTS exit flow flexibility shall be as set out in the NTS exit capacity baseline statement established pursuant to paragraph 4(a) of Special Condition C8E (NTS gas exit incentives, costs and revenues).

**NTS incremental exit flow flexibility** means that NTS exit flow flexibility in excess of NTS baseline exit flow flexibility.

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

**NTS non-obligated incremental exit flow flexibility** means NTS exit flow flexibility other than NTS baseline exit flow flexibility and NTS obligated incremental exit flow flexibility.

### **NTS Capacity Terminology Defined in the UNC:**

**"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 or/and NTS Connected System Exit Point the Total System) at that NTS System Exit Point;

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

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

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

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

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

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

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

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

**NTS Exit (Flexibility) Capacity**,; which 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.