

Submission to Authority

Issue	Revision
11.2	Submission to Authority

nationalgrid

Exit Capacity Release Methodology Statement

Effective from 31st July

DOCUMENT HISTORY

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

		V3.1 approved by the Authority subject to the above change.
V4.1	January 2009	Annual review Part A: covering the Transitional Exit Period: ARCA commitment amended to be consistent with Enduring Exit Period. Clarity added in respect of the use of contracts to support offtake of gas. Part B: covering the enduring exit period added.
V4.2	20 February 2009	Several revisions and clarifications following comments received to informal consultation in addition to those proposed for V4.1. User Commitment amended to include a “charge” assessment.
V4.3	30 March 2009	A few revisions in response to formal consultation on V4.2, most significant of which is the non-application of the 4 year User Commitment on transitional increases occurring before 1 May 2009 that are applied for in the July 2009 window and which do not require a revenue driver.
V5.0	30 May 2009	Approved – (Not opposed by the Authority).
V5.1	15 February 2010	Annual review. Part A: updated for reduced time until transitional arrangements fall away. Initialisation rule added. Part B: Initialisation rules simplified; terminology updated following Licence changes to remove flow flexibility. Consequential changes to Chapter 5 – Exit Flexibility Capacity; sections on capacity assignment and transfer added to clarify User Commitment and negative allocations; Relevant Design Costs defined; correction to error in calculation of Daily User Commitment Amount; other changes intended to improve clarity and to add detail.
V5.2	26 March 2010	Amendments in response to consultation on V5.1. Revision to acknowledge implementation of UNC mod 276 (partial assignment); review and revision of some capacity terms; revised proposed definition of Relevant Design Costs; plus minor clarifications.

V6.0	26 May 2010	Approved by the Authority
V6.1	February 2011	<p>Annual Review</p> <p>General Introduction & Part B: Use of PWAs to improve project alignment stressed.</p> <p>Part A: Table 1 amended / section 3.2 deleted. Requests for capacity beyond lead-times no longer possible;</p> <p>Part B: Updated to include exit capacity substitution; The temporary rule (para. 34c) allowing matched increases to be excluded from User Commitment if there is a matching decrease has been deleted; Rules for DNOs to re-submit flat capacity applications deleted: duplicates UNC; Capacity Assignment and Transfer sections simplified to remove duplication of UNC; ARCA applications: capacity release dates clarified; Process for considering reduction applications with less than 14 months notice added (paras. 75-79); Indicative prices: clarification added; Permits: clarification added (paras. 111 & 115) on the approach to be taken; Section on non-October start dates deleted. Now covered by UNC; Potential for release of "non-ob" Annual Capacity added.</p>
V6.2	March 2011	<p>Minor amendments in response to consultation on V6.1. Paragraph 75(a) – capacity reductions accepted to avoid the need to release NTS obligated incremental exit flat capacity. Appendix B1 – table updated.</p>
V7.0	May 2011	<p>Approved by the Authority subject to the following changes to Part B.</p> <p>Paragraph 14: Updated following approval of the exit capacity substitution and revision methodology statement Paragraphs 61 and 122: Revised date for assignment taking effect following approval of UNC mod 0347V. Paragraph 71: Additional clarification provided.</p>
V7.1	February 2012	<p>Annual Review</p> <p>General Introduction & Part B: Updated reference to Gas Transmission Connection Charging methodology: now in UNC; Reference to NTS exit capacity baseline statement updated.</p> <p>Part A: Table 1 amended / section 3.1 deleted. Allocation of incremental capacity no longer feasible; Paragraphs 21 to 25 deleted: ARCAs no longer available.</p> <p>Part B: Changes for introduction of exit capacity substitution; Reduction of initialised quantities for start of enduring</p>

		<p>period no longer possible (paras 27 and 72); Changes for UNC Modifications 0376 and 0381; Deletion of some references to National Grid “sole discretion”; Update to P_{ind} if Demo Information delayed (para 59); Assignment and Transfer: limiting dates removed (paras 61, 62, 123 and 124); Restriction on reduction requests with impending Transfers clarified (para 71); Process for accepting reduction requests with < 14 months notice detailed (para 80); Playing/earning of permits clarified (paras 109 to 111); Appendix B1 – Table updated.</p>
V7.2	March 2012	No material changes from V7.1.
V8.0	May 2012	Approved by the Authority No changes from V7.2.
V8.1	August 2012	Update to reflect approval of UNC Modification 417
V8.2	September 2012	Minor amendments in response to consultation on V8.1. Paragraph 71 (a) renumbered to become paragraph 72.
V8.3	October 2012	Approved by the Authority Paragraph 72 amended to reference paragraph 71, and clarification added to paragraph 86 by adding a reference to paragraph 72
V8.4	February 2013	Annual Review (timing aligned to RIIO-T1 implementation). General updates; deletion of Part A; revision of capacity terminology and Licence references; enhanced role of PCAs. Changes for possible implementation of UNC Modification 439. New rule allowing time capacity held in Transitional Exit Period to be considered towards meeting User Commitment.
V8.5	March 2013	No further changes following consultation. Submitted for approval.
V9.0	May 2013	Approved by the Authority subject to two clarifications. Paragraphs 47, 49, 52 and footnotes updated following implementation of UNC Mod 376S. Definition of PCA added.
V9.1	September 2013	Annual Review (informal consultation) Updated to align to Modifications: 0452: Introduction of the Planning and Advanced Reservation Capacity Agreement (PARCA) and the revised Licence arrangement. 0446: Introduction of Interconnection Points and new processes and transparency requirements to facilitate compliance with the EU Congestion Management Procedures and 0454: Introduction of a Long Term Non Firm Capacity Product Removal of Part A: Not Used. Renumbering of paragraphs in Part B and revised contents page. Simplification by removal of some duplicating and/or unnecessary paragraphs.

V9.2	December 2014	Annual Review (formal consultation) Updates following informal consultation. Further review to align to Modification 0465V: 'Introduction of the Planning and Advanced Reservation Capacity Agreement (PARCA), Weighted Average PARCA Security' and the revised Licence arrangement.
V9.3	January 2015	Minor changes following industry consultation to improve clarity. Submitted for Approval
V10.0	February 2015	Authority Approval subject to a number of minor clarifications.
V10.1	December 2014	Informal consultation Updated to align to Modification 0500: EU Capacity Regulations - Capacity Allocation Mechanisms with Congestion Management Procedures and the draft revised licence arrangement
V10.2	July 2015	Annual Review (formal consultation) Updates following informal consultation. Minor updates based on recommendations from 2015 Examination.
V10.3	August 2015	No further changes following consultation. Submitted for Approval
V11.0	October 2015	Authority Approval subject to a number of minor clarifications.
V11.1	April 2017	Industry consultation: Update to align to UNC Modifications: 0598S: Amendments to Capacity Allocations Mechanisms to comply with EU Capacity Regulations and; 0597: Rules for the release of incremental capacity at Interconnection Points.
V11.2	May 2017	Submitted for Approval

CONTENTS

ABOUT THIS STATEMENT	8
GENERAL INTRODUCTION	9
BACKGROUND	9
NATIONAL GRID'S LICENCE OBLIGATIONS	11
CAPACITY TERMINOLOGY	13
NATIONAL GRID'S INTERNAL PLANNING PROCESS	17
CHAPTER 1: PRINCIPLES	19
PURPOSE OF THE STATEMENT	19
SCOPE	19
PART A: EXIT CAPACITY RELEASE	21
CHAPTER 2: PROCEDURE FOR ALLOCATING ENDURING ANNUAL NTS EXIT (FLAT) CAPACITY. 21	
GENERAL	21
INCREASES TO ENDURING ANNUAL NTS EXIT (FLAT) CAPACITY ALLOCATION.	21
PLANNING AND ADVANCED RESERVATION OF CAPACITY AGREEMENTS	23
REDUCTIONS TO ENDURING ANNUAL NTS EXIT (FLAT) CAPACITY ALLOCATION	32
USER COMMITMENT	34
OVERLAPPING APPLICATIONS FOR INCREASES AND DECREASES	39
BI-DIRECTIONAL CONNECTIONS	40
CAPACITY RELEASE LEAD TIMES	41
CHAPTER 3: ANNUAL NTS EXIT (FLAT) CAPACITY	42
CHAPTER 4: DAILY NTS EXIT (FLAT) CAPACITY	44
FIRM DAILY NTS EXIT (FLAT) CAPACITY	44
OFF-PEAK DAILY NTS EXIT (FLAT) CAPACITY	44
CHAPTER 5: PROCEDURE FOR ALLOCATING NTS EXIT (FLEXIBILITY) CAPACITY	46
INTRODUCTION	46
OFFTAKE CAPACITY STATEMENT (OCS)	46
NTS EXIT ZONES AND LINEPACK ZONES	46
PART B: INTERCONNECTION POINT CAPACITY	48
CHAPTER 6: CONTEXT	48
CHAPTER 7: AUCTION PROCESSES FOR THE RELEASE OF INTERCONNECTION POINT CAPACITY.	49
CHAPTER 8: INCREMENTAL CAPACITY RELEASE AT INTERCONNECTION POINTS	55
CHAPTER 9: CONGESTION MANAGEMENT PROCEDURES	63
CHAPTER 10: NON-OBLIGATED EXIT CAPACITY RELEASE AT INTERCONNECTION POINTS	64
CHAPTER 11: INTERCONNECTION POINT CAPACITY PRICING METHODOLOGY	65
APPENDIX 1: EXIT ZONE DETAILS	66
APPENDIX 2: PARCA SUPPORTING INFORMATION	71
APPENDIX 3: DEFINITIONS	72

ABOUT THIS STATEMENT

1. This Exit Capacity Release Methodology Statement (the “Statement”)¹ describes the methodology that National Grid Gas plc (“National Grid”) in its role as holder of the Gas Transporter Licence in respect of the NTS² (the “Licence”) employs for the release of all Exit Capacity, i.e. incremental and existing system Exit Capacity. It defines under what circumstances National Grid will accept applications for **NTS Exit Capacity** received from Users through processes described in the Uniform Network Code (“UNC”), and thereby the level of financial commitment required from Users to justify the release of the quantity of **Obligated Exit Capacity**.
2. This Statement is one of a suite of documents that describe the release of NTS capacity by National Grid and the methodologies behind such release. The other documents are available on our website at:
<http://www2.nationalgrid.com/uk/industry-information/gas-capacity-methodologies/>

This Statement will be applied from 31st July 2017.
3. This Statement has been produced and published by National Grid to meet (in respect of Exit Capacity) the requirements of, and in accordance with, Special Condition 9B of the Licence. The Statement is approved by the Gas and Electricity Markets Authority (the Authority). National Grid believes the content is consistent with its duties under the Gas Act and the Licence.
4. If you require further details about any of the information contained within this Statement or have comments on how it might be improved please contact our Gas Charging and Capacity Development team at
box.transmissioncapacityandcharging@nationalgrid.com or by post to:

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

¹ This Statement is often abbreviated to ExCR.

² The gas National Transmission System

GENERAL INTRODUCTION

Background

5. National Grid is the owner and the operator of the gas National Transmission System (NTS) in Great Britain.
6. The NTS plays an important role in facilitating the competitive gas market and helping to provide the UK with a secure gas supply. It is a network of pipelines, presently operated at pressures of up to 94 barg, which transports gas safely and efficiently from coastal terminals and storage facilities to exit points from the system. Exit points are predominantly connections to Distribution Networks (DNs), but also include storage sites and direct connections to power stations, large industrial consumers and other systems, such as interconnectors to other countries.
7. These operations are carried out to meet the needs of the companies that supply gas to domestic, commercial and industrial consumers and to power stations and interconnectors.
8. Details of National Grid and its activities can be found on the company's internet site at **www2.nationalgrid.com**. An electronic version of this Statement can be found at the following web page
"<http://www2.nationalgrid.com/UK/Industry-information/Gas-capacity-methodologies/Exit-Capacity-Release-Methodology-Statement/>".
9. It is important that National Grid is made aware of potential developments where additional capacity³ may be required at an early stage. This is to ensure that any work that may be required, such as the construction of a new physical connection, or the upsizing of an existing connection, can be progressed in parallel to the capacity request. National Grid will, subject to legal and regulatory obligations, respect the confidentiality of any information provided to it in respect of new or increased connection requirements. All work relating to the connection is charged for separately as specified in "The Gas Transmission Connection Charging Methodology" in UNC TPD Section Y Part A2 as required by Standard Licence Condition 4B. For the avoidance of doubt, this Statement relates to the release of **Exit Capacity** and the works and processes necessary to facilitate such release. A separate process (not covered by this Statement) is followed for the provision of a new (or amendment to an existing) physical connection. Further information about connection services is also available on the National Grid website⁴. National Grid's Gas Contract Portfolio Team provide connection services and can be contacted via e-mail to: **.box.ukt.customerlifecycle@nationalgrid.com**.
10. Typical lead times for the delivery of new pipeline infrastructure to create additional capacity in the NTS and the lead time for the construction of connected facilities are dependent on many variables including planning processes. It is important therefore that Users and developers ("Reservation Parties") are able to commit early to the provision of additional capacity to avoid misalignment of projects. Delay in commencement of work to deliver additional capacity in the NTS could lead to that capacity not being available to the time frames originally required by the connecting party.

³ This paragraph may also apply in the case of potential capacity reductions, e.g. if there is an intention that flows are to be reduced below the measurement ranges specified in the Network Exit Agreement, metering works may be required.

⁴ <http://www2.nationalgrid.com/UK/Services/Gas-transmission-connections/>

11. In order to facilitate the timely delivery of **Enduring Annual NTS Exit (Flat) Capacity**⁵ a User (or Reservation Party) can apply for a Planning and Advanced Reservation of Capacity Agreement, ("PARCA") between the User (or Reservation Party) and National Grid. The PARCA allows the reservation of capacity ahead of the User (or Nominated Users⁶) being allocated and registered as holding that capacity and hence before they are User Committed to the capacity itself⁷.

A generic PARCA can be found on National Grid's website at:

<http://www2.nationalgrid.com/UK/Services/Gas-transmission-connections/Capacity-and-connections/Processes/Parca/>

12. In order to facilitate the timely delivery of Interconnection Point Capacity a User (or Reservation Party) can apply for a Interconnection Point Planning and Advanced Reservation of Capacity Agreement, ("IP PARCA") between the User (or Reservation Party) and National Grid. The IP PARCA allows the reservation of capacity ahead of the User (or Nominated Users) being allocated and registered as holding that capacity and hence before they are User Committed to the capacity itself.
13. Subject to the terms of the PARCA or IP PARCA, National Grid will:
- a) reserve capacity on behalf of the User (or Reservation Party) and subsequently allocate that **Reserved Exit Capacity** to, and on behalf of the User (or Nominated User). Subject to any necessary planning approval being granted, it is only through the PARCA or IP PARCA that timely delivery of **Incremental Obligated Exit Capacity** or Incremental Interconnection Point Capacity, is possible, it is the delivery of any Works that drives the lead times to deliver additional capacity, until capacity is allocated.
 - b) undertake such Works as is necessary to provide **Incremental Obligated Exit Capacity** or Incremental Interconnection Point Capacity and will reserve such existing **Obligated Exit Capacity** as is necessary to satisfy the capacity request.
14. Capacity will be allocated to the User or Nominated User in the quantity requested and, if available, including a level of capacity tolerance, by the date determined subject to the terms of the PARCA or IP PARCA⁸.
15. When applying for a PARCA the counterparty⁹ will be required to pay an application fee (the "Phase 1 PARCA Fee") which shall cover the initial Works to be undertaken (i.e. the "Phase 1 PARCA Works"). For the IP PARCA a fee is payable (a Demand Indication Application Fee (DIA Fee)) and will be payable by each party submitting a demand indication. The DIA Fee will be returned if the application passes the Economic Test. Should they wish to progress the PARCA beyond Phase 1, or in the case of an IP PARCA to progress to the binding phase, the counterparty will be required to provide security for the subsequent reservation of capacity¹⁰. Pursuant to the PARCA or IP PARCA, in the event that the PARCA or IP PARCA is terminated prior to allocation of the reserved

⁵ Please note that applications for Enduring Annual NTS Exit (Flat) Capacity at Interconnection Points will not be deemed valid.

⁶ A Reservation Party will be required to nominate a User, or Users (a "Nominated User"), to be allocated the capacity that is made available through a PARCA. The Nominated User may not be known at the time the PARCA is entered into.

⁷ PARCA applicants will be subject to specific security requirements under the terms of the PARCA to demonstrate a commitment to the **Reserved Exit Capacity**.

⁸ In the absence of a PARCA or IP PARCA, capacity in excess of the level of unsold **Obligated Exit Capacity** or Incremental Interconnection Point Capacity at the relevant location by any specific date may be made available through other application processes and National Grid will assess its ability to meet such requests in accordance with the further provisions of UNC and this Statement.

⁹ i.e. the User or Reservation Party.

¹⁰ Reservation of capacity may or may not require National Grid to carry out any Works.

Enduring Annual NTS Exit (Flat) Capacity or Interconnection Point Capacity at the relevant location, in the quantity, and by the date, determined through the PARCA or IP PARCA, the PARCA or IP PARCA Applicant may be liable to pay a Termination Amount.

Transitional arrangements for Enduring Annual NTS Exit (Flat) Capacity at Interconnection Points

16. Where a User is registered as holding Enduring Annual NTS Exit (Flat) Capacity at an Interconnection Point NTS Exit Point (Exit IP), this holding shall be reduced to zero on 1st October 2020 or, if later, the date that User's User Commitment is satisfied.
17. Users with NTS Exit (Flat) Capacity holdings at Exit IPs may still request a capacity reduction (pursuant to paragraphs 114 and 117) and participate in the capacity transfer process (pursuant to paragraph 56) and the assignment process¹¹ (pursuant to paragraph 55) during this transitional period.
18. The last application window for increases to Enduring Annual NTS Exit (Flat) Capacity which included Exit IPs was the Annual Application Window in July 2015. For the avoidance of doubt Users were not able to make applications for Enduring Annual NTS Exit (Flat) Capacity at Exit IPs in the "Ad-hoc Application Window" which opened on 1st October 2015. NTS Exit (Flat) Capacity that may have become available subject to a capacity reduction would only have been made available for release in the IP capacity auctions.

National Grid's Licence Obligations

19. New and existing Users of the NTS are able to request to purchase **NTS Exit Capacity** products for any NTS Exit Point specified in the Licence. Such capacity requests will be considered against the provisions of National Grid's statutory and Licence obligations and in accordance with its published methodologies.
20. Overriding obligations applicable to this Statement are set out in the Gas Act and the Licence and are that National Grid's activities must be:
 - Conducted on a non-discriminatory basis;
 - Conducted in an efficient, economic and co-ordinated manner; and
 - Be consistent with the safe and efficient operation of National Grid's pipe-line system and security of supply obligations.
21. Specific obligations in respect of the release of **Exit Capacity** and applicable to this Statement are set out in Special Condition 9B of the Licence.
22. Under Special Condition 9B of the Licence, National Grid must prepare and submit to the Authority for approval capacity release methodology statements. This Statement sets out the methodology by which National Grid will determine how, and in what quantity, it will release:
 - **Obligated Exit Capacity**¹², and
 - **Incremental Exit Capacity**.

¹¹ For the avoidance of doubt Users will not be able to assign **Interconnection Point Capacity** registered via IP Capacity Auctions

¹² Please note that following the implementation of UNC Modification 0519 there will be a small, notional increase in the level of Obligated Exit Capacity at Interconnection Points due to the application of EU reference conditions (representing a notional increase to the obligated level by 0.1%).

23. **Incremental Exit Capacity** released following a User application, is that quantity in excess of the prevailing level of **Obligated Exit Capacity**. **Incremental Exit Capacity** may consist of:
- New **Incremental Obligated Exit Capacity** triggered by capacity applications; and/or
 - **Non-obligated Exit Capacity**.
24. Under Special Condition 5G of the Licence, National Grid must publish information that provides details of the proposed reservation of **Incremental Obligated Exit Capacity**. This will state the quantity of **Incremental Obligated Exit Capacity** proposed to be treated as:
- **Funded Incremental Obligated Exit Capacity**; or
 - **Non-incremental Obligated Exit Capacity** provided by Exit Capacity Substitution in accordance with Special Condition 9A.
25. Under Special Condition 5G of the Licence, National Grid must provide the Authority with an Exit Capacity notice¹³ providing details of all proposed **Incremental Obligated Exit Capacity**. The notice will state the volume of **Incremental Obligated Exit Capacity** proposed to be treated as:
- **Funded Incremental Obligated Exit Capacity**; or
 - **Non-incremental Obligated Exit Capacity** provided by Exit Capacity Substitution in accordance with Special Condition 9A.
- Unless directed to the contrary within 28 days of the date of submission of this notice, National Grid shall implement the proposals as set out within the Exit Capacity notice. In the event that the Authority vetoes such proposals for the release of **Incremental Obligated Exit Capacity** National Grid may not, pursuant to the PARCA, allocate **Enduring Annual NTS Exit (Flat) Capacity** to the User.
26. Pursuant to a PARCA¹⁴, National Grid will reserve capacity from an NTS Exit Point (a donor NTS Exit Point) for subsequent substitution to another NTS Exit Point (a recipient NTS Exit Point). Such reservation will be undertaken prior to the allocation of that **Reserved Exit Capacity** at the recipient NTS Exit Point. Any decision by National Grid to reserve capacity pending substitution (substitution shall be confirmed ahead of allocation of capacity at the recipient NTS Exit Point) shall be published pursuant to paragraph 24. In the event that:
- the **Reserved Exit Capacity** is subsequently required to be substituted to the recipient NTS Exit Point and allocated to a User, National Grid will notify the Authority of the proposed substitution in the Exit Capacity notice referred to in paragraph 25.
 - the Authority vetoes such substitution proposals (and any feasible alternatives) for capacity substitution notified pursuant to paragraph 25, National Grid will not substitute capacity from the donor NTS Exit Point to the recipient NTS Exit Point. Any resulting allocation of capacity at the NTS Exit Point specified in the PARCA will be pursuant to the terms of the PARCA. This may mean that capacity is allocated in a smaller quantity than requested; is allocated with a longer lead time; or may not be allocated at all. Any resulting allocations will be determined following discussion of the options between National Grid and the counterparty pursuant to the terms of the PARCA.
27. Under Special Condition 9B of the Licence, National Grid must, at least once in each Formula Year, produce a “exit capacity release obligation summary report” setting out the

¹³ Further details regarding the Exit Capacity Notice can be found in the Exit Capacity Substitution Methodology Statement.

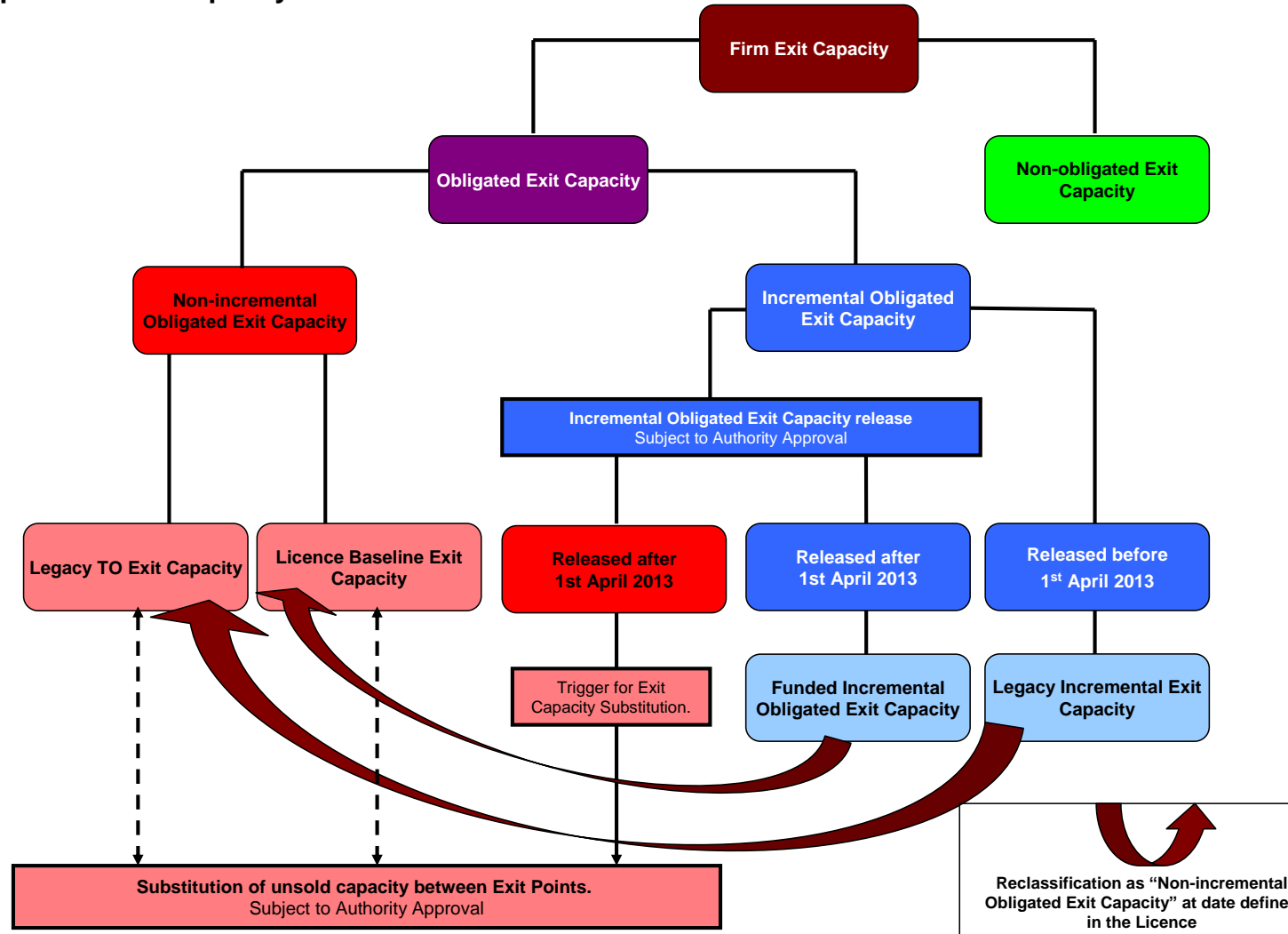
¹⁴ This includes an IP PARCA in accordance with the process set out in Part B Chapter 8

level of **Obligated Exit Capacity** that National Grid is required to release (i.e. must offer for sale) at each NTS Exit Point. This will be placed on National Grid's website at: <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/capacity/entry-capacity-auction/>.

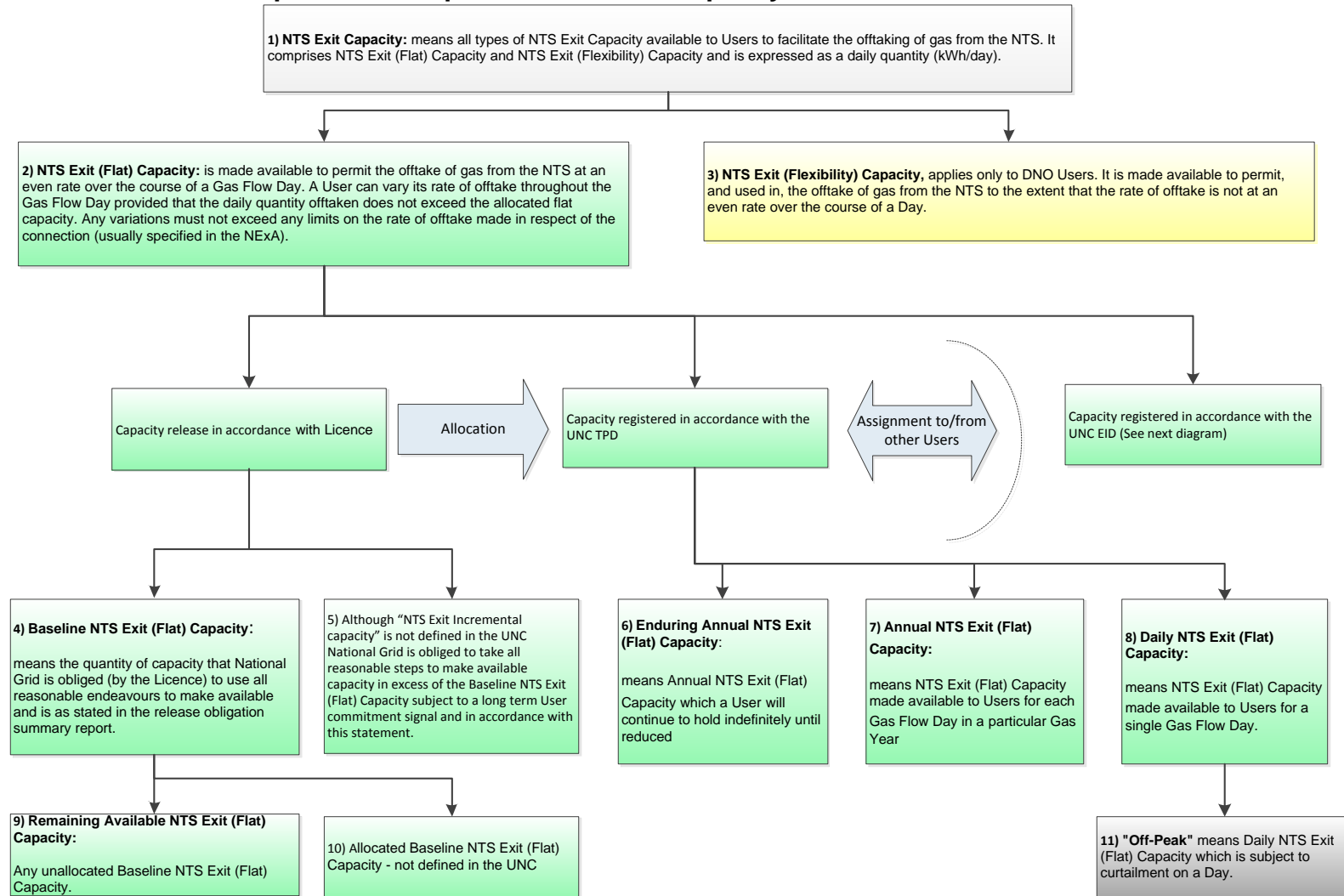
Capacity Terminology

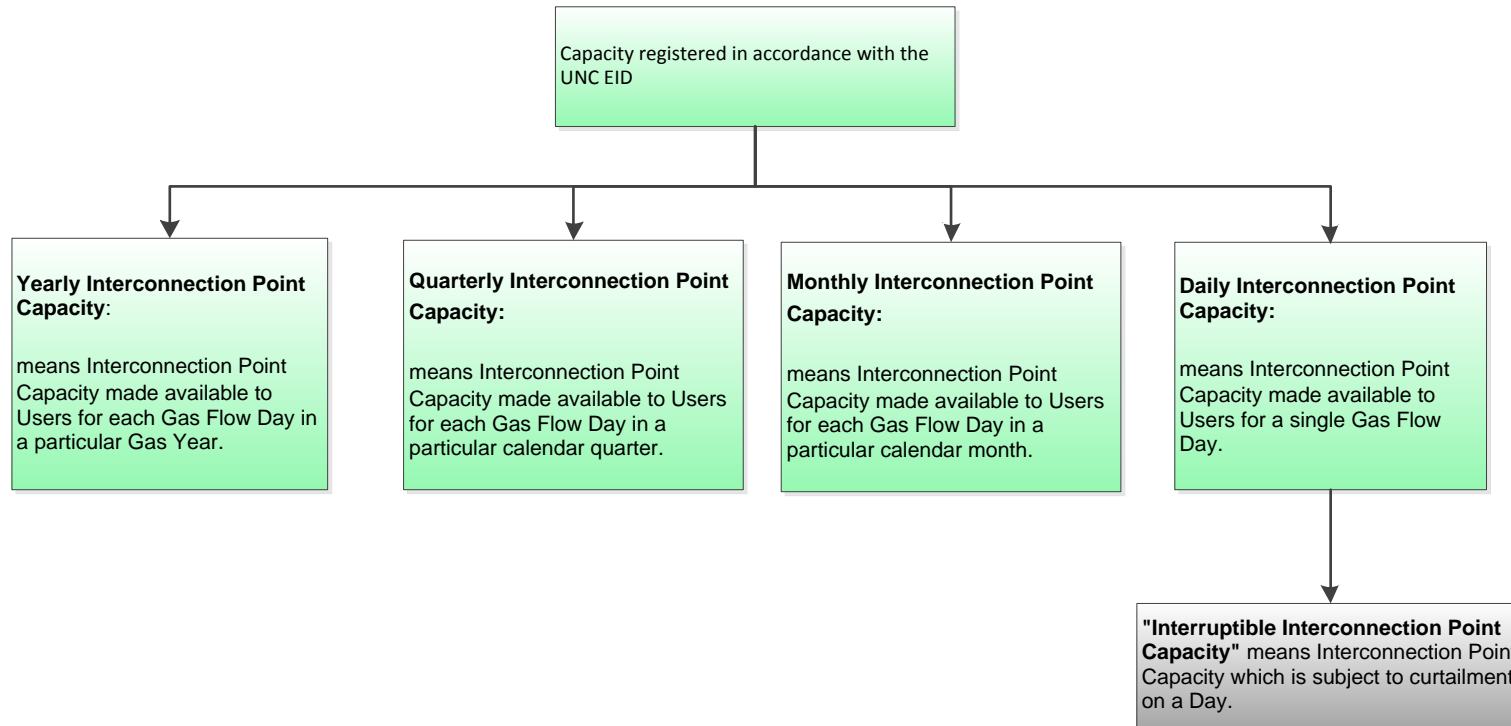
28. Key terms used throughout this Statement are defined in Appendix 2 and in the diagrams below. UNC defined capacity terms are given in **bold**: Licence defined capacity terms are given in **bold italics**.
29. As the terms used in the UNC do not directly relate to those used in the Licence the key terms and their relationship to each other are reproduced in the diagrams below together with a simplified explanation. These explanations are provided solely to make this Statement easier to read.
30. The actual definitions of these terms are contained within the Licence (Special Condition 1A) and UNC (TPD Section B and EID Section B) as appropriate and are reproduced in Appendix 2. 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.
31. Where not separately defined, terms used in this Statement shall have the same meaning as the Licence or the UNC as appropriate.
32. 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 Exit Capacity Terms Defined in the Licence



Simplified Description of NTS Exit Capacity Terms Defined in the UNC





National Grid's Internal Planning Process

33. National Grid is required by Special Condition 7A of the Licence, "Long Term Development Statement", to prepare an annual statement, with respect to each of the succeeding 10 years that will forecast;
- The use likely to be made of the pipe-line system; and
 - The likely developments of that system.
34. National Grid believes it is important to seek wide views on the process for determining how it invests in its network as well as on the underlying assumptions that underpin such investment. An enhanced consultation process is operated under the banner of 'Future Energy Scenarios' with a view to obtaining industry views on how the industry would like to see the NTS developed.
35. The trigger for any allowed revenue associated to ***Incremental Obligated Exit Capacity*** is via an allocation of ***Enduring Annual NTS Exit (Flat) Capacity*** in accordance with the terms of a PARCA.
36. In addition to releasing ***Obligated Exit Capacity***, National Grid may, at its sole discretion, release for sale additional ***Exit Capacity*** for which it has no obligation to do so. For the purpose of the Licence any capacity released in accordance with this paragraph will be classified as ***Non-obligated Exit Capacity***.
37. This Statement describes the process by which such releases of ***Incremental Obligated Exit Capacity*** would normally be triggered. It should be noted that the release of ***Funded Incremental Obligated Exit Capacity***, and hence the potential need to undertake investment in the NTS, can be fully or partially avoided, e.g. through exit capacity substitution (see paragraph 38). National Grid's planning relates to the activities of National Grid in the development of the NTS. However, statutory planning application processes and consents apply to circumstances where investment in new pipeline infrastructure is needed. References to "planning" should be read accordingly.
38. National Grid also has a Licence obligation (Special Condition 9A) to consider whether unsold ***Non-incremental Obligated Exit Capacity*** can be substituted to other NTS Exit Points where there is demand for ***Incremental Obligated Exit Capacity***, thereby, potentially reducing the requirement for investment in the NTS. The process by which such substitutions may be considered and the methodology that would be applied is provided in the "Exit Capacity Substitution Methodology Statement" (the "ExCS") produced pursuant to Licence Special Condition 9A.
39. National Grid also has a Licence obligation (Special Condition 9A) to revise the level of ***Licence Baseline Exit Capacity*** if investment in respect of NTS Entry Points has a consequential impact on NTS exit capability. The process by which such revisions may be considered and the methodology that would be applied is provided in the "Exit Capacity Revision Methodology Statement" produced pursuant to Licence Special Condition 9A. The "Exit Capacity Substitution" and "Exit Capacity Revision" methodology statements have been combined as one statement: the "ExCS".
40. For the avoidance of doubt, the release of ***Exit Capacity*** i.e. all exit capacity, will be in accordance with this Statement. However, where any conflict arises

between the Licence, UNC and this Statement, the Licence shall prevail over the UNC and this Statement, and the UNC shall prevail over this Statement.

41. National Grid will consider opportunities for exit capacity substitution, and will revise **Licence Baseline Exit Capacities** as a result of developments at NTS Entry Points, in accordance with the ExCS. As a result, demand for capacity at an NTS Exit Point in excess of the prevailing level of **Obligated Exit Capacity** may be met through **Non-incremental Obligated Exit Capacity**, rather than **Funded Incremental Obligated Exit Capacity**, facilitated by a reduction in the **Licence Baseline Exit Capacity** (and/or **Legacy TO Exit Capacity**) at another NTS Exit Point.

- To minimise the need for investment, before releasing **Incremental Obligated Exit Capacity** at an NTS Exit Point National Grid will consider opportunities to substitute unsold **Non-Incremental Obligated Exit Capacity** from another NTS Exit Point. In addition, substitution will only be considered if the existing capability of the NTS (when taking all existing commitments into account) is insufficient to satisfy requests for additional capacity at an NTS Exit Point,
- National Grid will substitute **Exit Capacity** (as detailed above) between NTS Exit Points with a release date consistent with the ExCS,
- Where Substitutable Capacity (as defined in the ExCS) has been identified as suitable for substitution to another recipient NTS Exit Point to satisfy the requirement for additional capacity at that recipient NTS Exit Point, the Substitutable Capacity will not be available for release at the original donor NTS Exit Point¹⁵ until, and unless, it has been identified as not being required for substitution (see the ExCS). The identification of Substitutable Capacity will follow an application for **Enduring Annual NTS Exit (Flat) Capacity** through either:
 - a) the Annual Application Window;
 - b) the Ad-hoc Application Process; or
 - c) a PARCA being entered into with National Grid and completion of the Phase 1 PARCA Works,

where, in the absence of substitution, this would require the release of **Incremental Obligated Exit Capacity**. Any proposals for capacity substitution, (whether pursuant to a User application and subsequent allocation or pursuant to a PARCA and subsequent reservation) and hence any limitation on capacity being made available at the donor NTS Exit Point, will be subject to non-veto by the Authority (see paragraph 25).

42. Where, pursuant to a PARCA, National Grid identifies that the allocation of **Enduring Annual NTS Exit (Flat) Capacity** can be satisfied, in part or whole, from unsold **Non-incremental Obligated Exit Capacity** at the same NTS Exit Point, then that **Non-incremental Obligated Exit Capacity** will be reserved and will not be available for release (from the registration date determined through the PARCA) unless it is subsequently determined as not being required and hence is no longer reserved.

¹⁵ Prior to Substitutable Capacity being substituted to a recipient NTS Exit Point it will be available on a non enduring basis at the donor NTS Exit Point, i.e. it will be available at the donor NTS Exit Point in the short/medium term.

CHAPTER 1: PRINCIPLES

Purpose of the Statement

43. This Statement has been produced to meet the requirements of Special Condition 9B of the Licence. This condition requires the preparation of capacity release methodology statements setting out how (in respect of **Exit Capacity**) National Grid will determine:
- The release of **Obligated Exit Capacity** (see paragraph 22) to relevant Users; and
 - The quantity of **Incremental Exit Capacity** (see paragraph 23) to be made available for sale to relevant Users.
 - National Grid believes the content is consistent with its duties under the Gas Act and the Licence.

Scope

44. This Statement applies to the release of all forms of **Exit Capacity**, as defined in the Licence, by National Grid and shall include:
- **Licence Baseline Exit Capacity**;
 - **Legacy TO Exit Capacity**;
 - **Non-incremental Obligated Exit Capacity**;
 - **Incremental Obligated Exit Capacity** (including **Funded Incremental Obligated Exit Capacity** and **Legacy Incremental Exit Capacity**);
 - **Non-obligated Exit Capacity**, and
 - **Off-peak Exit Capacity**
- and applies to the allocation of all classes of **NTS Exit Capacity** as defined in the UNC (TPD Section B and EID Section B and E):
- **Enduring Annual NTS Exit (Flat) Capacity**, (see Chapter 2);
 - **Annual NTS Exit (Flat) Capacity**, (see Chapter 3);
 - **Daily NTS Exit (Flat) Capacity**, (see Chapter 4);
 - **Off-peak Daily NTS Exit (Flat) Capacity** (see Chapter 4);
 - **NTS Exit (Flexibility) Capacity**, (see Chapter 5);
 - **Firm Interconnection Point Capacity** (see Chapter 7 and 8); and
 - **Interruptible Interconnection Point Capacity** (see Chapter 7).
45. National Grid will release **Exit Capacity** having regard to paragraph 20 and the reasonable endeavours obligation in Special Condition 9B of the Licence. All references in this Statement to the release of **Exit Capacity** shall be construed accordingly.
46. Part A of this Statement focuses principally on the allocation of **Enduring Annual NTS Exit (Flat) Capacity** and the process to trigger the release of **Incremental Obligated Exit Capacity**. To satisfy the requirements of the Licence, the process for releasing other forms of capacity are also covered in this Statement. However, as these processes are covered in detail in the UNC, this Statement only provides a high level overview and Users should principally refer to the UNC for these arrangements. See relevant chapters for UNC references.

IP's
Only

47. Part B¹⁶ of this Statement sets out how, and in what quantities, National Grid will offer for sale **Interconnection Point Capacity**¹⁷ to Users at Exit IPs. It will also cover Congestion Management Procedures which impact the quantity of Interconnection Point Capacity made available and the methodology for setting the prices required for each step quantity.
48. To simplify this Statement, elements of the processes to allocate **Enduring Annual NTS Exit (Flat) Capacity** and **Interconnection Point Capacity** that are fully detailed in UNC are only covered at a high level in this Statement. See the relevant chapters for UNC references.

¹⁶ This section will apply to **Interconnection Point Capacity** for the capacity period November 2015 onwards only.

¹⁷ References to **Interconnection Point Capacity** in this statement comprises **NTS Exit (Flat) Capacity** at Exit IPs which can be Firm or Interruptible and Bundled or Unbundled.

PART A: EXIT CAPACITY RELEASE

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

General

49. Users can apply for an increase in, or reduction to, their **Enduring Annual NTS Exit (Flat) Capacity** allocation as detailed in the following sections¹⁸.
50. In accordance with UNC (TPD Section B3) any **Enduring Annual NTS Exit (Flat) Capacity** that is allocated to Users shall be evergreen¹⁹, i.e. Users' allocations will continue indefinitely subject to the application of the provisions of UNC. Users can reduce their allocation of **Enduring Annual NTS Exit (Flat) Capacity** pursuant to UNC (TPD Section B3) and the provisions of this Statement (see paragraphs 114 to 125).
51. In response to valid applications for increases in **Enduring Annual NTS Exit (Flat) Capacity** National Grid will release **Incremental Obligated Exit Capacity** in accordance with this Statement, UNC and the Licence where there is insufficient unallocated **Non-incremental Obligated Exit Capacity** (and/or previously released **Incremental Exit Capacity**) to satisfy the application.
52. Any application for additional **Enduring Annual NTS Exit (Flat) Capacity** may require connection works irrespective of whether Works (as defined in UNC TPD Section B3.3) are required. It is important, therefore, that Users inform National Grid of their intentions as early as possible to ensure that any necessary connection works can be identified and undertaken in a timely manner. See also General Introduction paragraph 9.
53. The price for each unit of **Enduring Annual NTS Exit (Flat) Capacity** is published in National Grid's Statement of Gas Transmission Transportation Charges during the Gas Year prior the Gas Year for which the capacity is held.

*Increases to Enduring Annual NTS Exit (Flat) Capacity Allocation.*²⁰

54. Users may apply for additional **Enduring Annual NTS Exit (Flat) Capacity** via any of three processes which are detailed in the UNC (TPD Section B). These processes allow application:
 - At any time, by successfully applying for a PARCA. This is the only way that **Enduring Annual NTS Exit (Flat) Capacity** will be available to Users, where the allocation of that capacity would result in the

¹⁸ Please note that applications for additional Enduring Annual NTS Exit (Flat) Capacity will not be deemed valid at Exit IPs.

¹⁹ For the avoidance of doubt, this does not apply to Exit IPs where any Enduring Annual NTS Exit (Flat) Capacity registered to a User will reduce to zero at the later of 1st October 2020 or the date of User Commitment satisfaction for the relevant User.

²⁰ This section does not apply at Interconnection Points.

release of **Funded Incremental Obligated Exit Capacity**. National Grid will not release **Funded Incremental Obligated Exit Capacity** by any other process; and

- Within the Annual Application Window – held in July of each year. A Revenue Driver is not required for capacity to be released through this process; 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. A Revenue Driver is not required for capacity to be released through this process
55. Users may obtain additional **Enduring Annual NTS Exit (Flat) Capacity** via the assignment process²¹ which is detailed in UNC (TPD Section B6). The Assignor’s Registered **NTS Exit (Flat) Capacity** will be reduced to zero at the relevant NTS Exit Point. The Assignee’s Registered **NTS Exit (Flat) Capacity** will be increased, by the Assignor’s reduction quantity, at the same NTS Exit Point²². For clarity, Capacity that is reserved and not yet registered pursuant to a PARCA cannot be assigned, however novation of the PARCA contract is possible.
56. Users may obtain additional **NTS Exit (Flat) Capacity** via the capacity transfer process which is detailed in UNC (TPD Section B5). The Transferred System Capacity shall remain registered to the initial User (“Transferor User”)²³.
57. In accordance with UNC TPD Section B, **Reserved Exit Capacity** does not constitute part of a **User’s Available Firm NTS Exit Capacity** until it has been registered to that User, pursuant to a PARCA.
58. Non-Users (Reservation Parties) may reserve **Enduring Annual NTS Exit (Flat) Capacity** for subsequent allocation to a User(s) (a Nominated User(s)) via the PARCA process which is detailed in the UNC (TPD Section B1.14). This process allows reservation at any time, by entering into a PARCA. This is the only way that **Enduring Annual NTS Exit (Flat) Capacity** will be available for allocation to a Nominated User.
59. National Grid will release **Incremental Obligated Exit Capacity** and **Non-incremental Obligated Exit Capacity** only where this can be achieved without compromising safe and efficient operation of the System and is consistent with statutory and Licence obligations.
60. Except where stated to the contrary within this Statement all increases in Users’ (including Nominated Users’) allocations of **Enduring Annual NTS Exit (Flat) Capacity** will be subject to a User Commitment (see “User Commitment” below); except:
- a) allocations of **Enduring Annual NTS Exit (Flat) Capacity** made pursuant to Initialisation; and

²¹ UNC currently facilitates the assignment of all of the registered **NTS Exit (Flat) Capacity** of a User. Upon implementation, UNC modification proposal 276 will allow assignment of part of a User’s registered capacity. An implementation date remains to be determined.

²² For the avoidance of doubt, where Enduring Annual NTS Exit (Flat) Capacity has been assigned at an Exit IP it is still subject to an end date whereby the registered capacity will be reduced to zero on the later of 1st October 2020 or the date User Commitment is satisfied.

²³ Please note that where NTS Exit (Flat) Capacity has been transferred at an Exit IP with an effective end date that is beyond the date where registered Enduring Annual NTS Exit (Flat) Capacity is reduced to zero it may result in a negative entitlement.

- b) any increase in a User's registered capacity at any NTS Exit Point, notwithstanding the minimum eligible amount (UNC TPD Section B3), of less than 100,000 kWh/day.

As specified in paragraph 127 the User Commitment will apply to the increase plus any existing allocation.

61. Paragraphs 142 to 144 provide details on when a User Commitment will apply in respect of assigned capacity and how that User Commitment is determined.
62. Notwithstanding any subsequent capacity reductions, if **Incremental Obligated Exit Capacity** is released and allocated at an NTS Exit Point such that the aggregate of all Users' Registered **Exit Capacity** at that NTS Exit Point, excluding any **Non-obligated Exit Capacity**, is above the prevailing **Obligated Exit Capacity** level then National Grid will have an on-going obligation to release capacity up to the higher level.
63. Each NTS Exit Point must be included in the Licence by the appropriate date before capacity can be offered for release, or allocated under a PARCA.
64. The appropriate date for an NTS Exit Point to be included in the Licence, as required by paragraph 63 is
 - a) 1st June in respect of the Annual Application Window; or
 - b) the day before submission of an ad-hoc application; or
 - c) In respect of a PARCA, the date a revenue driver is required to be included in the Licence in accordance with the Generic Revenue Driver Methodology Statement;
 - d) in respect of a PARCA, where c) does not apply, the day before any **Reserved Exit Capacity** is due to be allocated; or
 - e) in respect of a new Interconnection Point, 2 months prior to the relevant Annual Yearly Auction process.

This process may take several months so it is important that potential customers contact National Grid as early as possible.

65. Any relevant information provided to National Grid in advance of a formal application or bid (or in advance of a PARCA Application) will not be binding on the applicant. 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.

Planning and Advanced Reservation of Capacity Agreements²⁴

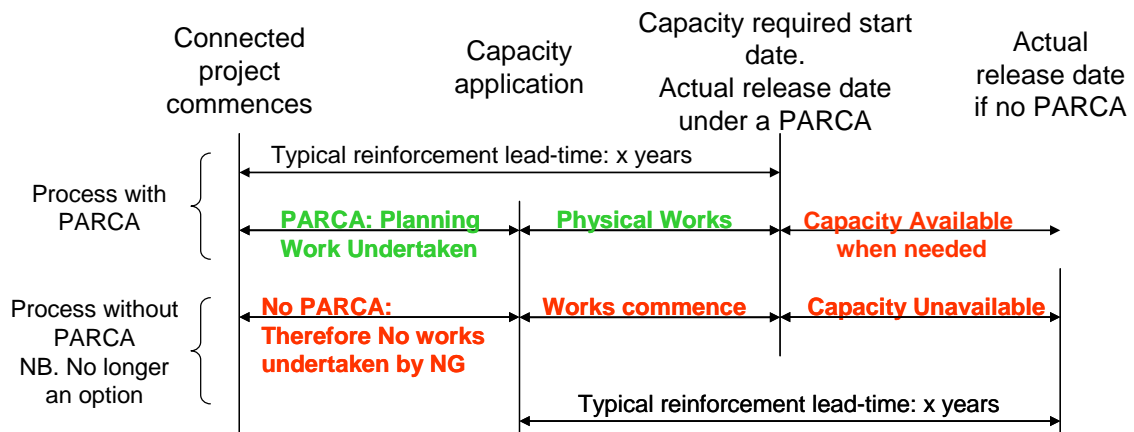
66. To enable National Grid project timelines to better align to customers' projects (e.g. new power stations and storage facilities) National Grid shall (at the request of the User (or Reservation Party) enter into a PARCA in advance of potential allocation of **Enduring Annual NTS Exit (Flat) Capacity** (See diagram below)
67. The Licence defines a default lead-time for the release of **Funded Incremental Obligated Exit Capacity** of 24 months from the first day of the next month (see paragraphs 151 to 154) following allocation. By entering into a PARCA, National Grid and the customer can undertake a significant

²⁴ This section does not apply at Interconnection Points. Incremental Interconnection Point capacity release is dealt with in chapter 8

proportion of the necessary investment works, e.g. planning, environmental and design activities, before the User (or Nominated User) is required to commit to being allocated the **Reserved Exit Capacity**. This will minimise the risk of:

- a User being required to make a significant commitment before their project is ready;
- physical capacity, to make **Funded Incremental Obligated Exit Capacity** available, being delivered after it is required by the User²⁵; and
- National Grid undertaking unnecessary Works.

Illustration of the Purpose and Benefits of the PARCA



68. A PARCA can also be used by Users and Reservation Parties to reserve **Enduring Annual NTS Exit (Flat) Capacity** where such applications are not expected to require the release of **Funded Incremental Obligated Exit Capacity**, i.e. where the capacity request can be satisfied:
- a) From any **Remaining Available NTS Exit (Flat) Capacity**; and/or
 - b) By exit capacity substitution; and/or
 - c) From the use of existing infrastructure.
69. A PARCA is the only way that a Reservation Party can access **Enduring Annual NTS Exit (Flat) Capacity** for subsequent allocation to a Nominated User.
70. Users are not obliged to enter into a PARCA and this does not exclude Users from applying for capacity in the Annual Application Window or via the Ad-hoc Application Process with the objective of obtaining additional **Enduring Annual NTS Exit (Flat) Capacity**. However, any such applications may be rejected (see paragraphs 87 and 95).
71. By entering into a PARCA Users and Reservation Parties are guaranteed, subject to the terms and conditions of the PARCA, the release of **Enduring Annual NTS Exit (Flat) Capacity**. Prior to agreeing a PARCA, the User or Reservation Party is required to:
- a) provide National Grid’s Gas Contract Portfolio Team²⁶ with a PARCA Application, which will include information on, for example, location, required quantity of capacity, first gas date; and

²⁵ Alternative capacity products may be available for use between capacity being required and the physical delivery date.

- b) Commit to paying a non-refundable Phase 1 PARCA Fee²⁷.

72. Upon a PARCA Application being deemed competent, National Grid will commence the initial works under the PARCA Application (the "Phase 1 PARCA Works")²⁸. In accordance with the terms of the PARCA, a direct payment will not be required for subsequent phases of work. However, a termination fee may be payable, in the event of termination, for the reservation of capacity under Phase 2 of the PARCA.
73. In accordance with UNC TPD Section B, a competent PARCA Application for **NTS Exit Capacity** may trigger the opening of a PARCA Exit window. The PARCA Exit Window is a period of time where any competent PARCA Applications for **NTS Exit Capacity** received are guaranteed to be considered together with and alongside the original PARCA Application in determining how and when the **NTS Exit Capacity** requested will be reserved.
74. The information provided in the PARCA Application is necessary so that Phase 1 PARCA Works processes can be completed, in particular,
- identification of likely PARCA timescales and/or any opportunities for substitution of capacity from other NTS Exit Points; and
 - the inclusion of the NTS Exit Point in the Licence.
75. The information provided in the PARCA application may be used in a number of external processes, including Revenue Driver discussions with the Authority and shall inform planning applications so should not be misleading, but should be the User's or Reservation Party's best assessment of their future requirements. Where requirements change National Grid will endeavour to accommodate such changes in accordance with the terms of the PARCA.
76. National Grid will require a Revenue Driver (calculated in accordance with the methodology produced pursuant to Licence Special Condition 9C) to be agreed between National Grid and the Authority and published for the NTS Exit Point before progressing beyond the Phase 2 PARCA Works if it is to release **Incremental Obligated Exit Capacity** at that NTS Exit Point. This is necessary to ensure adequate funding of any works that may result from a PARCA.
77. A methodology for the determination of Generic Revenue Drivers has been consulted upon with the industry and approved by the Authority. This will facilitate the determination of Revenue Drivers, where required, for the incremental quantity likely to be released. National Grid will determine a Revenue Driver, specific to the relevant NTS Exit Point²⁹, for either a fixed incremental quantity or a range of incremental capacity (as will be detailed in the PARCA). Whether a fixed quantity or range based Revenue Driver is requested will depend upon the information available to National Grid at the time the Revenue Driver is requested.

²⁶ Contact can be made with the Gas Contract Portfolio Team via e-mail to: box.ukt.customerlifecycle@nationalgrid.com.

²⁷ This will be reconciled such that only actual costs incurred are paid.

²⁸ UNC TPD Section B1.16.4 includes provisions that provide an option for the initialisation of the Phase 1 PARCA works to be delayed by National Grid until the outcomes / impacts of the annual application process are known. This allows any interactions of the PARCA and Application processes to be assessed and considered on a case by case basis.

²⁹ NTS Exit Points may be aggregated such that a single Revenue Driver would apply to the release of **Incremental Obligated Exit Capacity** at more than one NTS Exit Point.

78. After calculating the Revenue Driver, National Grid will identify if there is a material change in residual capacity constraint risk, arising from the proposed investment/contract solution, and hence may propose changes to the Constraint Management target as per Special Condition 3B Part J of the Licence.
79. Subject to, and in accordance with, the terms of the UNC and the PARCA Application, National Grid will:
- a) Undertake such network analysis as is necessary to identify how the capacity request can be satisfied; e.g.
 - 1) From any **Remaining Available NTS Exit (Flat) Capacity**;
 - 2) From the use of existing infrastructure;
 - 3) By exit capacity substitution;
 - 4) Through investment and/or contractual alternatives;
 - 5) A combination of the above.
 - b) Determine the date that the requested capacity will be registered from, which may or may not be the date originally requested by the applicant.
80. Subject to, and in accordance with, the terms of a PARCA and paragraph 25, National Grid will:
- a) Reserve, on behalf of the User (or Reservation Party) the requested capacity from the determined date(s) and at the NTS Exit Point identified in the PARCA. Such date(s) may be amended pursuant to the PARCA.
 - b) Reserve any **Remaining Available NTS Exit (Flat) Capacity** from suitable NTS Exit Points for subsequent substitution to the NTS Exit Point identified in the PARCA. Any such capacity shall be identified in accordance with the ExCS.
 - c) Publish relevant information relating to any capacity reservation, allocation, and/or substitution in accordance with UNC and pursuant to the PARCA. This is to facilitate transparency and aid User decision making.
 - d) Undertake such Works as are necessary to deliver **Incremental Obligated Exit Capacity** to facilitate the allocation of the requested **Enduring Annual NTS Exit (Flat) Capacity**.
 - e) Allocate, on behalf of the User (or Nominated User) the **Reserved Exit Capacity** from the date(s) identified in the PARCA. Such date(s) may be amended pursuant to the PARCA.
 - f) Substitute previously reserved capacity from suitable NTS Exit Points to the NTS Exit Point identified in the PARCA. Any such capacity shall be identified in accordance with the ExCS and the substitution will be subject to non-veto by the Authority.
81. Subject to, and in accordance with, the terms of the UNC, the counterparty:
- a) shall pay the Phase 1 PARCA Fee; and
 - b) may, at the completion of the Phase 1 PARCA Works, sign a PARCA under which capacity will be reserved.
82. Subject to, and in accordance with the terms of the PARCA, the counterparty:
- a) shall provide security in respect of capacity reservation ; and
 - b) shall provide such information, (the demonstration information) to National Grid by the Demonstration Date(s). National Grid may not proceed with the next phase of works under the PARCA until receipt of the demonstration information. Any delay in providing the

demonstration information may result in the capacity release date being deferred or in termination of the PARCA; and

- c) may, in the event of termination of the PARCA be invoiced for the PARCA Termination Amount pursuant to the PARCA.

This will be calculated in accordance with the Gas Transmission Connection Charging Methodology (UNC TPD Section Y Part A 2).

- d) may, upon completion of the Phase 2 PARCA Works, request that capacity is allocated (if a Reservation Party this must be via a Nominated User).
- e) may, at any time, terminate the PARCA subject to payment of any outstanding amounts under the PARCA.

Where the PARCA is terminated, and National Grid determine that any **Reserved Exit Capacity** cannot be used for another PARCA currently in progression, any unsold **Reserved Exit Capacity** shall be made available to the market as unsold capacity through existing processes.

- 83. Subject to, and in accordance with the terms of the PARCA, the counterparty, where the counterparty is a Reservation Party:

- a) shall nominate one or more Users to be allocated and registered as holding the entire quantity of **Reserved Exit Capacity**, at the location, and from the date(s) determined and reserved pursuant to the PARCA. The nomination must be received from the Reservation Party by the date determined pursuant to the PARCA and the notice of nomination shall be consistent with the terms of the PARCA.

After nomination of such User(s) (assuming the nominations are not rejected in accordance with the terms of the PARCA and/or UNC) and acceptance by the Nominated User(s), and at a time determined in accordance with the PARCA, the Nominated User(s) will be Registered as holding such amounts of **Enduring Annual NTS Exit (Flat) Capacity** as if they had initially applied for the capacity in accordance with paragraph 54 above.

Annual Application Window³⁰

- 84. Subject to paragraph 87, and in accordance with UNC (TPD Section B3.2), Users may apply for additional **Enduring Annual NTS Exit (Flat) Capacity** at each NTS Exit Point in the Annual Application Window (each business day in July) in Gas Year Y for use from the 1st of any month from October of the Gas Year Y+4, to 1st September Y+6. The User's application may be for additional capacity in a constant quantity commencing Y+4, Y+5 or Y+6, or it may increase year on year (stepped increase) for any or all of Y+4, Y+5 and Y+6 (increases may apply from different months for each Gas Year, but only one increase per Gas Year). On making such applications, Users are committing to the User Commitment.
- 85. In accordance with the UNC TPD Section B3.2.8 only, DNO Users may submit a revised application for **Enduring Annual NTS Exit (Flat) Capacity** after the Annual Application Window.
- 86. All Annual Application Window applications for **Enduring Annual NTS Exit (Flat) Capacity** shall be made on Gemini.
- 87. Where Users' applications for additional **Enduring Annual NTS Exit (Flat) Capacity** at any NTS Exit Point exceed, in aggregate, the **Remaining**

³⁰ This section does not apply at Interconnection Points.

Available NTS Exit (Flat) Capacity such applications shall be rejected except that applications shall be accepted to the extent that they can be satisfied:

- a) Through any **Remaining Available NTS Exit (Flat) Capacity**;
- b) By exit capacity substitution, in accordance with paragraph 25; or
- c) From the release of **Non-obligated Exit Capacity** in accordance with paragraph 90.

88. Where necessary, requests (or, where relevant, a single request) for **Enduring Annual NTS Exit (Flat) Capacity** shall be pro-rated. Pro-ration shall be consistent with UNC Section B Annex B-1.
89. A Revenue Driver will not be needed in respect of **Enduring Annual NTS Exit (Flat) Capacity** made available through the Annual Application Window.
90. National Grid may make available **Enduring Annual NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **Obligated Exit Capacity**. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **Non-obligated Exit Capacity**. Consistent with paragraph 62, release of **Non-obligated Exit Capacity** will not create an on-going obligation to make that capacity available in the event that there is a reduction at some point in the future.

Applications Outside the Annual Application Window (Ad-hoc Applications).³¹

91. Subject to paragraph 95, a User may (UNC TPD Section B3.2) apply for **Enduring Annual NTS Exit (Flat) Capacity** between 1st October and 30th June of Gas Year Y in respect of a new or existing NTS Exit Point³² provided the application:
 - if approved, would result in Users holding in excess of 125% of the **Baseline NTS Exit (Flat) Capacity** for the year for which the application is made; or
 - is for an amount that exceeds 1GWh/day. This criterion shall apply to each individual User's applications.
92. For clarity, where the 125% rule applies, all Users' applications, when considered in aggregate must result in the Registered **Enduring Annual NTS Exit (Flat) Capacity** of all Users at the relevant NTS Exit Point exceeding, in aggregate, 125% of the prevailing **Baseline NTS Exit (Flat) Capacity** (i.e. the value at the time of the application).
93. Where an application is for a stepped increase in capacity (in accordance with UNC TPD Section B3.2), i.e. a number of increases at different dates, the criteria defined in paragraph 91 shall apply to the aggregate capacity increase and not to each tranche although the minimum eligible amount will apply to each tranche for each User.
94. In accordance with UNC TPD Section B3.2, the requested date for capacity release (or each date in respect of an application for a stepped increase) must be 1st of the month and must not be earlier than:

³¹ This section does not apply at Interconnection Points.

³² As defined in the Gas Transmission Connection Charging Methodology (UNC TPD Section Y 2) all new NTS connections must meet the minimum load criterion of 2 mtpa.

- 1st of the month M+7 where month M is the month in which the application is made;
- nor later than:
- 1st October in Gas Year Y+6.
95. Where Users' applications for additional **Enduring Annual NTS Exit (Flat) Capacity** at any NTS Exit Point exceed, in aggregate, the **Remaining Available NTS Exit (Flat) Capacity** such applications shall be rejected except that applications shall be accepted to the extent that they can be satisfied:
- a) Through any **Remaining Available NTS Exit (Flat) Capacity**;
 - b) By exit capacity substitution, in accordance with paragraph 25;
 - c) Through the undertaking of Works³³ where, in the sole opinion of National Grid, such Works can be undertaken without the need for a Revenue Driver and the additional capacity can be made available from the date requested by the User;
 - d) From any existing, unused system capability. This will be determined through network analysis undertaken by National Grid; or
 - e) From the release of **Non-obligated Exit Capacity** in accordance with paragraph 97.
96. There will be no need to determine a Revenue Driver in respect of **Enduring Annual NTS Exit (Flat) Capacity** made available through the Ad-hoc Application process.
97. National Grid may make available **Enduring Annual NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **Obligated Exit Capacity**. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **Non-obligated Exit Capacity**. Consistent with paragraph 62, release of **Non-obligated Exit Capacity** will not create an on-going obligation to make that capacity available in the event that there is a reduction at some point in the future.
98. All ad-hoc applications for **Enduring Annual NTS Exit (Flat) Capacity** shall be made on Gemini.
99. National Grid will consider ad-hoc applications on a first come first served basis. Subject to paragraph 63, with requirements determined by network analysis undertaken at the time of receipt by National Grid of any valid request, National Grid will use reasonable endeavours to provide the quantities of **Enduring Annual NTS Exit (Flat) Capacity** at the dates requested in the application. National Grid will, subject to paragraph 103 and the application satisfying the application criteria in UNC Section B and paragraphs 91 to 94 and paragraph 98, offer the quantity(ies) and date(s) of capacity release within:
- 15 Business Days of receipt of the application if the application can be satisfied solely through **Remaining Available NTS Exit (Flat) Capacity**; or
 - within 90 calendar days of receipt of the application if the application cannot be solely satisfied by **Remaining Available NTS Exit (Flat) Capacity**; or
 - later, if agreed with the User.
- Unless accepted within 30 calendar days of the date of the offer (or such longer period as may be agreed between National Grid and the User in consideration

³³ Including contractual alternatives to Works.

of a request from the applicant to extend the 30 calendar day period) the offer will lapse.

100. National Grid will only consider one ad-hoc application from each User in respect of any NTS Exit Point at a time. Unless and until an application has been withdrawn, or an offer placed in respect of an application has been accepted, or lapsed, National Grid shall reject any further applications from the same User in respect of the same NTS Exit Point.
101. Ad-hoc applications submitted earlier than 1st April will be considered independently of applications made in the Annual Application Window.
102. Ad-hoc applications may be submitted on, or later than, 1st April. However, applications submitted between 1st April and 30th June create the potential for an overlap with the Annual Application Window³⁴. Dependent upon the specifics of the application 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 104 shall apply.
103. In the event that an interactive ad-hoc application, (e.g. an application in respect of an NTS Exit Point located on the same part of the NTS as an existing ad-hoc offer or PARCA Application) is raised National Grid will provide an offer in respect of the interactive ad-hoc application only after the relevant:
 - existing ad-hoc offer has been accepted or lapsed; or
 - capacity has been reserved under the relevant PARCA, or the PARCA has been terminated.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 104 shall apply.
104. In the event that National Grid and the User(s) making the ad-hoc application cannot agree to revised offer / acceptance periods, the July annual application invitation letter and any offers made by National Grid in response to subsequent ad-hoc applications shall be constructed on the basis that all outstanding offers will be accepted and that any substitution proposals will not be vetoed by the Authority. Where any such offers lapse, or substitution proposals are vetoed, National Grid will consider whether any capacity made available as a result of such lapses or vetoes can be used in assessing other applications.

³⁴ Applications received after 1st February may impact on the data provided in the annual application window invitation letter, e.g. all **Remaining Available NTS Exit (Flat) Capacity** at an NTS Exit Point may be subject to an ad-hoc application. The invitation letter will assume that this capacity will not be available in the Annual Application Window. If the ad-hoc application subsequently lapses the assumption, and hence the data provided in the invitation letter, would have been incorrect.

105. Where there is an ad-hoc application and National Grid is of the opinion that Works are required, if the demonstration information³⁵ is not received by the required date (the “Demonstration Date”) then National Grid:
- may cease activities in relation to the Works;
 - may defer the start of associated works and the capacity release date by up to 12 months. Where this results in the capacity release date being in a later Gas Year, the indicative NTS Exit Capacity price, Pind, used to determine the User Commitment Amount, shall be recalculated; and
 - will, subject to paragraph 106, notify the User of the revised Demonstration Date.

Where the capacity release date is deferred the registration of **Enduring Annual Exit (Flat) Capacity** and the User Commitment shall apply from the revised date of capacity release.

106. In the event that the demonstration information is not received by the Demonstration Date on three occurrences in total, unless agreed otherwise with the applicant
- the allocation of the registered capacity resulting from the application shall be removed;
 - the User will be liable to National Grid for Relevant Design Costs; and
 - National Grid will cease activities in relation to the Works.

Applications from Reservation Parties.³⁶

107. A non-User (“Reservation Party”) will only be able to reserve **Enduring Annual NTS Exit (Flat) Capacity** via the PARCA process.
108. Advanced Reservation of Capacity Agreements “ARCAs” are no longer available to any party. Existing ARCAs, if any, will remain effective in accordance with the terms of the ARCA.
109. Notwithstanding paragraph 112, a Reservation Party shall not be liable for a User Commitment in respect of capacity reserved or allocated pursuant to a PARCA. Where a PARCA has been entered into with a Reservation Party, any capacity allocated to a Nominated User(s) that was initially reserved or otherwise made available through that PARCA shall be subject to a User Commitment with the Nominated User(s).
110. A Nominated User will not be registered as holding any **Reserved Exit Capacity** until all the capacity reserved is designated by the Reservation Party to one or more Nominated Users.
111. The PARCA process for Reservation Parties will be, subject to the nomination process, consistent with the UNC PARCA process for Users.
112. A Reservation Party shall:
- consistent with paragraph 82 provide security; and

³⁵ Demonstration information will be agreed between National Grid and the counterparty on a project specific basis. National Grid has published a guidance note on the scope and content of demonstration information which can be found at <http://www.nationalgrid.com/uk/Gas/OperationalInfo/endureexitcap/>. National Grid will notify the applicant of the required date (the Demonstration Date) for the provision of the demonstration information.

³⁶ This section does not apply at Interconnection Points.

- consistent with paragraph 71b), pay the Phase 1 PARCA Fee.
113. National Grid may not undertake any construction activities to reinforce the NTS until all the capacity reserved is allocated to one or more Nominated Users.

Reductions to Enduring Annual NTS Exit (Flat) Capacity Allocation³⁷

114. Users are able to reduce their Registered **Enduring Annual NTS Exit (Flat) Capacity** provided that:
- a) they have satisfied the User Commitment at the relevant NTS Exit Point (see “User Commitment” below): and
 - b) the requested reduction, if accepted, would not result in the User’s registered capacity at the NTS Exit Point being negative at any time after the reduction.
115. In accordance with UNC Section B5.1.4 National Grid may reject a capacity transfer request where the quantity of capacity proposed to be transferred exceeds the transferor’s Available System Capacity³⁸. Consistent with B5.1.4, National Grid may reject a reduction request if the Available System Capacity, after considering the proposed reduction quantity, is less than the aggregate of any existing or pending capacity transfers.
116. Apart from where paragraph 120 applies, where Works are required pursuant to an ad-hoc application and the demonstration information requirements have not been satisfied, any reduction request will be rejected irrespective of how much advance notice is given of the proposed effective date for the reduction.
117. Except:
- in response to an ad-hoc invitation from National Grid in accordance with paragraph 121; or
 - Consistent with paragraph 120, where such a reduction application can be made at any time;
- Users will only be able to apply for reductions in their Registered **Enduring Annual NTS Exit (Flat) Capacity** by submitting a notice of reduction requesting a reduction amount and reduction date during the Reduction Application Window³⁹ (1st to 15th July each year). A separate notice will be required for each NTS Exit Point, limited to one per NTS Exit Point per User for a particular reduction date.
118. The effective date of a reduction must be 1st of the month and no earlier than 1st October in Year Y+1⁴⁰. For the avoidance of doubt, this criterion is applicable to all **Enduring Annual NTS Exit (Flat) Capacity**, including a User’s initial capacity allocated pursuant to Initialisation.

³⁷ This section applies at Interconnection Points during the transitional period only (see paragraphs 16 to 18).

³⁸ Note: A User’s Registered capacity cannot be negative. Under a capacity transfer the registration remains with the Transferor, but their entitlement to use the capacity transfers to the Transferee.

³⁹ Note: the last Reduction Application Window in which Users at Exit IPs can participate will be the July 2019 window.

⁴⁰ The latest possible Effective date for a reduction at an Exit IP is 1st September 2020.

- A reduction request with an effective date before satisfaction of the User Commitment shall be accepted, at National Grid's sole discretion, provided that National Grid can use the released capacity to avoid the need to release **Incremental Obligated Exit Capacity** to meet requests from other Users (or, where appropriate, Reservation Parties) to increase their Registered (or, where pursuant to a PARCA, reserved) **Enduring Annual NTS Exit (Flat) Capacity** at the same NTS Exit Point.
119. In respect of reduction requests made in the July Reduction Application Window, National Grid will determine in September of each Gas Year whether any reduction applications made in respect of any future Gas Year may be accepted by National Grid and, if so, inform each User which of its reduction applications have been accepted and which have been rejected no later than 30th September in the Gas Year of the determination.
120. Where a User has accepted an offer in response to an ad-hoc application and Works have been identified the User may apply for a reduction in its capacity allocation to the pre-application level (potentially zero) and a User Commitment will not apply provided that;
- the effective date for the reduction is the same as the increase;
 - the reduction request is made before satisfaction of the demonstration information criteria; and
 - the User pays all Relevant Design Costs up to the date of acceptance of the reduction request.
121. Users will also be able to reduce their Registered **Enduring Annual NTS Exit (Flat) Capacity** at NTS Exit Points in response to ad-hoc invitations from National Grid. Such invitations may be issued after:
- a) receipt of ad-hoc applications from Users to increase their Registered **Enduring Annual NTS Exit (Flat) Capacity**; or
 - b) where a PARCA Application has been deemed competent where this would otherwise require the release of **Incremental Obligated Exit Capacity**.
- Such invitations may be issued to Users with registered capacity:
- a) at the same NTS Exit Point, or
 - b) at any other NTS Exit Point, provided that exit capacity substitution can be applied, in accordance with the ExCS, at the requested capacity increase/decrease date, and there is not an outstanding User Commitment.

Reduction requests made outside of the July Window shall be assessed and notification of acceptance or rejection shall be made as soon as practicable.

122. Where National Grid issues an invitation pursuant to paragraph 121, such an invitation may specify a location or quantity. The invitation will specify the date from which National Grid would like the reduction to apply from, to align with the effective date of the release of the relevant **Incremental Obligated Exit Capacity**. The invitation will be made a minimum of 5 Business Days before the window for responses opens. The window shall remain open for a single day.

123. Where reduction requests received in accordance with paragraph 121 are, in aggregate, for a quantity greater than is required, the following criteria shall be used to identify which reduction request(s) shall be accepted.

 - Reduction requests at the same NTS Exit Point shall be selected first; then

- Reduction requests at other NTS Exit Points shall be selected according to the same criteria as is used to select donor NTS Exit Points in the ExCS.

124. Where two or more reduction requests are received in accordance with paragraph 121 for the same NTS Exit Point for a quantity greater than that required;

- Consideration shall be given to User Commitment status;
 - reduction requests in respect of capacity without a User Commitment shall be accepted before those with a User Commitment;

then

- The reduction request effective date will be considered;
 - reduction requests with an effective date the same as the effective date of release of the relevant Incremental Obligated Exit Capacity shall be accepted first, then
 - reduction requests with an effective date before the effective date of release of the relevant Incremental Obligated Exit Capacity shall be accepted⁴¹, and of those, the request with the latest effective date shall be accepted first, then
 - reduction requests with an effective date after the effective date of release of the relevant Incremental Obligated Exit Capacity shall be accepted last and at the sole discretion of National Grid and of those the request with the earliest effective start date shall be accepted first.
- Where necessary, reduction requests (or, where relevant, a single request) shall be pro-rated. Pro-ration shall be consistent with UNC Section B Annex B-1.

125. Where a User reduces its registered capacity pursuant to paragraph 121;

- any User Commitment will remain in place until the effective date of the reduction at that NTS Exit Point
- Such a reduction shall remain allocated where the PARCA is terminated.

User Commitment⁴²

126. National Grid shall only release **Incremental Obligated Exit Capacity** if a User Commitment, as defined in paragraph 127, is received from a User consistent with this Statement.

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

- a) where a User has been allocated and registered as holding 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

⁴¹ This criterion is not available for reduction requests made subject to paragraph 121.

⁴² This section applies at Interconnection Points during the transitional period only (see paragraphs 16 to 18).

- ii. any existing **Enduring Annual NTS Exit (Flat) Capacity** allocation that the User holds at that NTS Exit Point

for 4 years from the date the increased capacity allocation becomes effective; except that the User Commitment will be satisfied early where actual Charges (as defined in paragraph 135) paid (or to be paid) by the relevant User in respect of the NTS Exit Point equal or exceed the User Commitment Amount. The assessment of actual charges paid (or to be paid) will be made following the reduction request and will include actual charges paid (or to be paid) up to the end of September Y+1 for a reduction request in year Y or up to the requested reduction effective date if earlier.

128. Where

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

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

129. Pursuant to paragraph 128, such a User will be able to request a reduction to its capacity holding, consistent with the further provisions of this Statement and UNC, with a requested reduction effective date no earlier than that four year period. However, they must contact National Grid's Capacity Auctions Team⁴³ at least 1 month before submitting the reduction request notifying National Grid of their intention to submit such a reduction request. This will allow appropriate checks to be made to validate the anticipated request. For the avoidance of doubt, the early satisfaction criterion described in paragraph 127b) shall not apply.

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

130. Where stepped increases in capacity have been requested, in the same or in multiple applications (including via a PARCA), the User Commitment shall be applied to all increases independently, i.e. the User Commitment shall be recalculated commencing at each increase in capacity registration.

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

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

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

- c) the date of registration of capacity reserved in accordance with the ARCA, and ending on the fourth anniversary of the capacity release

⁴³ Contact can be made with the Capacity Auctions team via e-mail to: capacityauctions@nationalgrid.com

date specified in the ARCA for the relevant tranche of capacity⁴⁴ (as may be adjusted in accordance with the ARCA), or

- d) the date of the last increase in **Enduring Annual NTS Exit (Flat) Capacity** registered to the assigning User and ending four years after that increase (see paragraphs 141 to 144).

In determining the new User's User Commitment Amount the indicative NTS Exit Capacity price "P_{ind}" (as defined in paragraph 135) will be as specified in the ARCA or as applied to the Assignor User. However, where the new User acquires a separate and later registration of capacity the User Commitment will be extended and an updated "P_{ind}" will apply.

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

- a) the effective date of capacity registration is later than the capacity release date specified in the ARCA; and/or
 b) the quantity of capacity registered is less than that reserved,

the Reservation Party shall be liable for the Daily User Commitment Amount as set out in paragraph 136. This liability will be evaluated, and invoiced, on each anniversary of the start of the User Commitment period which shall commence on the capacity release date specified in the ARCA or such later capacity release date as may be determined in accordance with the ARCA. Where the annual aggregation of the Daily User Commitment Amount is negative this will be credited to the following year. At the discretion of National Grid any positive amount may be carried over to the following year.

Where paragraph 132a) applies the User Commitment Amount of any Shipper User shall be reduced by the amount paid by the Reservation Party. Where paragraph 132b) 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.

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

- be determined using the most recently generated indicative price (see paragraph 137) for an accepted capacity increase; and
- commence on the latest User Commitment start date determined for all relevant increases individually.

This will apply irrespective of how capacity was obtained, i.e. pursuant to a PARCA (including as a Nominated User), by assignment, ad-hoc application, an application in the Annual Application Window, ARCA etc.

User Commitment Amount⁴⁵

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

135. In respect of a User, the User Commitment Amount ("UCA") shall be determined by:

$$\text{User Commitment Amount (£)} = P_{\text{ind}} / 100 \times Q \times 1461$$

⁴⁴ Where an ARCA reserves capacity in steps the "relevant tranche of capacity" will be the most recently released tranche, otherwise the relevant tranche will be the only tranche.

⁴⁵ This section applies at Interconnection Points during the transitional period only (see paragraphs 16 to 18).

and the Remaining User Commitment Amount shall be determined by:

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

where

P_{ind} = the indicative NTS Exit Capacity price (see paragraphs 137 and 138) (p/kWh/Day) for the relevant capacity at the NTS Exit Point. This price will be determined from the prevailing Transmission Transportation Charging methodology and 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** registered to the User (kWh/Day) over the commitment period,

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

NB: 1461 equates to four years, including 1 day for a leap year.

136. This paragraph shall only apply as a transitional arrangement for ARCAs that have been agreed prior to the implementation of Modification 0465V. In respect of a Reservation Party, the ARCA User Commitment Amount shall be paid annually from the first anniversary of the capacity release date specified in the ARCA to four years after the last increase. The ARCA User Commitment Amount shall be determined annually as the sum of the Daily User Commitment Amount calculated for each day for the relevant year minus any amount carried over from the previous year in accordance with paragraph 132. The Daily User Commitment Amount shall be:

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

where

P_{ind} = the indicative NTS Exit Capacity price (see paragraph 137) (p/kWh/Day) for the relevant capacity at the NTS Exit Point. This price may differ from the actual price determined at a later date and used to calculate actual transportation charges.

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

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

137. National Grid will provide an indicative NTS Exit Capacity price, P_{ind} , for each NTS Exit Point⁴⁶ ahead of any capacity application (or reservation pursuant to a PARCA). P_{ind} will be determined for the Year in which the increase is to become effective.
138. For the determination of the User Commitment, P_{ind} will be the indicative price published by National Grid two months in advance of the Annual Application Window. P_{ind} will be published for each year up to Y+6. For the avoidance of doubt, where a P_{ind} has been provided and the User Commitment determined, it shall not be revised following implementation of a revised charging methodology.
139. In the case of a PARCA Application, to inform the PARCA Applicant of the indicative User Commitment, National Grid will utilise the indicative price that is applicable for the year in which the capacity is required. Where the increase is to be after Y+6, the Y+6 value will apply. In accordance with paragraph 138, the actual User Commitment will be determined at the time that the allocation is made (i.e. not at the time that capacity is reserved), hence it will use P_{ind} calculated at the time of allocation.
140. Any Remaining User Commitment Amount (see paragraph 135) shall be payable immediately a User ceases to be the registered User of the relevant capacity, or, for a Reservation Party, in accordance with the terms of an ARCA.

User Commitment with Assignment⁴⁷

141. A User Commitment will not apply in respect of assigned capacity only where:
- the capacity to be assigned is not subject to a User Commitment with the Assignor; and
 - the Assignee does not hold capacity, at the relevant NTS Exit Point, that is subject to a User Commitment.
142. Where capacity to be assigned is:
- subject to a User Commitment with the Assignor; and
 - the Assignee holds capacity at the relevant NTS Exit Point which is subject to a User Commitment:
- the Assignor's User Commitment will pass to the Assignee; and
- a) The Assignor will retain a User Commitment in respect of any unassigned capacity.
 - The Assignor's User Commitment Amount shall be recalculated, using the original P_{ind} , to take account of the assigned quantity for the remainder of the User Commitment period;
 - b) Any charges paid by the Assignor in respect of the assigned capacity before the effective date of assignment will be considered against the User Commitment obligations of the Assignee to the extent that the charges paid exceed the User Commitment Amount pro-rated for the duration that the Assignor had a User Commitment for the relevant capacity; and
 - c) The Assignee's User Commitment shall be to remain the registered User in respect of:

⁴⁶ For the avoidance of doubt this does not apply at Exit IPs.

⁴⁷ This section applies at Interconnection Points during the transitional period only (see paragraphs 16 to 18).

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

for “X” months from the date the assigned capacity allocation becomes effective, except that the User Commitment will be satisfied early where actual Charges (as defined in paragraph 135) paid (or to be paid) by the relevant User in respect of the NTS Exit Point equal or exceed the User Commitment Amount.

Where X = the greater of:

- i. 4 years minus the period (in months) for which the Assignor was registered⁴⁸ as holding the capacity that triggered the pre-assignment User Commitment; and
- ii. 4 years minus the period (in months) for which the Assignee has been registered as holding existing capacity that triggered the pre-assignment User Commitment.

The Assignee’s User Commitment Amount shall be calculated using P_{ind} determined in accordance with paragraph 135.

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

the Assignee will be subject to a User Commitment as determined in the above paragraph 142c)ii.

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

both the Assignor and the Assignee will be subject to User Commitments as determined in the above paragraphs 142a) and 142c)i respectively.

Overlapping Applications for Increases and Decreases⁴⁹

145. 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 and/or processes. In considering such applications National Grid will apply the same principles of User Commitment for increases and reductions as set out above in paragraph 127.

146. 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 127 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):

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

⁴⁹ This section does not apply at Interconnection Points.

- Multiple requests received in the same application window will be processed in sequence of 1st effective year, 2nd effective year, 3rd effective year etc.
 - If an increase and decrease is requested for the same effective year, process the decrease first, then the increase
 - Increases are processed as “increase by”. This means the requested increase quantity will be added to allocations for each Gas Year from the requested effective year onwards
 - Decreases are processed as “decrease to”. This means the requested reduction will reduce capacity to this level until any previously agreed (by whatever means) higher level from an increase, or lower level from a decrease becomes effective. A “decrease to” request will be rejected where a negative value is requested or the specified value is greater than the prevailing value (for the effective date of the reduction).
 - Negative capacity entitlements may be accepted. This may occur, for example where a User has sold capacity to another User by way of a transfer with a future date and a decrease request is subsequently submitted with an effective date prior to the transfer.
147. Overlapping applications for increases, decreases and assignments, and their timing in relation to capacity transfers may result in Users capacity entitlement at specific NTS Exit Points being negative, but not their registered capacity. In the event that this occurs, i.e. negative entitlement, the relevant User may be liable for overrun charges even when their daily flow allocation is zero⁵⁰.

Bi-directional Connections

148. 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 “Entry Capacity Release” methodology statement (the “ECR”) which can be found on the National Grid website.
149. 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 Statement, in respect of **Enduring Annual NTS Exit (Flat) Capacity**. This is because:
- the reinforcement projects required to provide entry capacity to a site may not be the same as those required to provide exit capacity and the lead-times may be different;
 - where the same reinforcement projects are required to release entry and exit capacity Users may benefit from “firm” exit capacity on the back of entry investment. However, this may be able to be utilised at other NTS Exit Points. It is appropriate therefore, that Users make a commitment to secure this capacity. However, the extent that entry capacity creates exit capacity will be detailed in the ExCS.
150. Hence the methodology, including the User Commitment and capacity release lead-times, detailed in this Statement, will be applied in the same manner to

⁵⁰ Overrun charges will not apply if the aggregate quantity offtaken by all Users on a given Day does not exceed the aggregate capacity holdings at that NTS Exit Point.

all NTS Exit Points irrespective of the activities of the downstream connected party.

Capacity Release Lead Times⁵¹

151. Subject to paragraph 38, following reservations and allocations pursuant to a PARCA for increases in **Enduring Annual NTS Exit (Flat) Capacity**, National Grid will undertake such Works as it considers necessary to make such increases available.
152. Except where paragraph 95c) applies, an application for an increase in **Enduring Annual NTS Exit (Flat) Capacity** which requires the release of **Funded Incremental Obligated Exit Capacity** will only be progressed pursuant to a PARCA. Where a PARCA has been entered into National Grid shall, on the allocation date specified in the PARCA, allocate the **Enduring Annual NTS Exit (Flat) Capacity** effective from the registration date specified in the PARCA.
153. Where paragraph 152 applies subject to the terms of the PARCA, the allocation shall be confirmed with an effective date no earlier than 24 months from the first day of the next month following allocation, once all of the following have been satisfied:
- National Grid has received formal notification of the granting of all necessary planning consents; and
 - All relevant Users have notified National Grid, pursuant to the PARCA, that they wish to progress with the allocation; and
 - All Demonstration Information has been provided to National Grid.
- Hence National Grid shall apply a default lead-time for the release of **Funded Incremental Obligated Exit Capacity** of 24 months commencing from the first day of the next month following allocation⁵². However National Grid shall use reasonable endeavours to meet an earlier delivery date where requested. For the avoidance of doubt, applications can be for 1st of any month.
154. Consistent with paragraph 152, National Grid will reject any applications for increases in **Enduring Annual NTS Exit (Flat) Capacity** made in the Annual Application Window or via the Ad-hoc Application Process where this requires the release of **Funded Incremental Obligated Exit Capacity**. Therefore, without a PARCA, **Enduring Annual NTS Exit (Flat) Capacity** will only be made available through the Application Window or the Ad-hoc Application Process in accordance with paragraphs 84 and 94.

⁵¹ This section does not apply at Interconnection Points.

⁵² The capacity release lead time for **Incremental Obligated Exit Capacity** demand which is to be satisfied via Exit Capacity Substitution will be detailed in the ExCS Methodology Statement.

CHAPTER 3: ANNUAL NTS EXIT (FLAT) CAPACITY⁵³

155. For the purposes of this chapter **Annual NTS Exit (Flat) Capacity** means **Annual NTS Exit (Flat) Capacity** which is not **Enduring Annual NTS Exit (Flat) Capacity**.
156. Users can obtain **Annual NTS Exit (Flat) Capacity** in Gas Year Y:
- for Gas Years Y+1, Y+2 and Y+3 during the Annual Application Window (in July of each year) as described in the UNC (TPD Section B3.4). The requested date for capacity allocations to be effective must be 1st October; and
 - for Gas Years Y, Y+1, Y+2 and Y+3 via the assignment process which is detailed in UNC (TPD Section B6). There is no restriction on the date for capacity assignments to be effective, i.e. does not need to be 1st of the month; and
 - for any period of any Gas Year via a capacity transfer as detailed in UNC (TPD Section B5).
- Such capacity would not be evergreen and would not attract a User Commitment as defined in paragraph 127.
157. Subject to paragraph 158, National Grid will make available for sale as **Annual NTS Exit (Flat) Capacity** any **Obligated Exit Capacity** at any NTS Exit Point that has not previously been allocated as **Enduring Annual NTS Exit (Flat) Capacity** or as **Annual NTS Exit (Flat) Capacity**. The available quantity will be as stated in the exit capacity release obligation summary report (subject to any pending updates) produced pursuant to Special Condition 9B of the Licence and can be found on National Grid's website.
158. **Obligated Exit Capacity** that has been reserved, pursuant to a PARCA, will be made available for sale as **Annual NTS Exit (Flat) Capacity**:
- for any period in the event that the PARCA is terminated prior to the allocation of the **Reserved Exit Capacity**. The capacity must be available for the entire release period, i.e. for the 12 months from 1st October to 30th September.
 - for any period prior to the proposed registration date (in the PARCA) where it is available for the entire release period, i.e. for the 12 months from 1st October to 30th September. For the avoidance of doubt this includes capacity at the original (donor) NTS Exit Point, where capacity is reserved pending substitution to another NTS Exit Point. Where the proposed effective date is deferred, capacity may be made available for an additional period.
159. **Annual NTS Exit (Flat) Capacity** is not available via the ad-hoc or PARCA Application processes.
160. National Grid may make available **Annual NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **Obligated Exit Capacity**. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **Non-obligated Exit Capacity**. Release of **Non-obligated Exit Capacity** will not create an on-going obligation to make that level of capacity available in future application windows.

⁵³ This chapter is not applicable at Interconnection Points.

161. Where a User is allocated **Annual NTS Exit (Flat) Capacity** through the release of ***Non-obligated Exit Capacity*** and such allocation immediately precedes an allocation of **Enduring Annual NTS Exit (Flat) Capacity**, the User Commitment will not apply to the **Annual NTS Exit (Flat) Capacity**. Any charges paid in respect of the **Annual NTS Exit (Flat) Capacity**, and the duration that the capacity is held, will not be considered towards satisfaction of the User Commitment.
162. The price for each unit of **Annual NTS Exit (Flat) Capacity** is published in National Grid's Statement of Gas Transmission Transportation Charges during the Gas Year prior the Gas Year for which the capacity is held.
163. Where necessary, requests (or, where relevant, a single request) for **Annual NTS Exit (Flat) Capacity** shall be pro-rated. Pro-ration shall be consistent with UNC Section B Annex B-1 4.3.

CHAPTER 4: DAILY NTS EXIT (FLAT) CAPACITY⁵⁴

Firm Daily NTS Exit (Flat) Capacity

164. 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 127.
165. National Grid will make available for sale as Firm **Daily NTS Exit (Flat) Capacity** any **Obligated Exit Capacity** at any NTS Exit Point that has not previously been allocated as **Enduring Annual NTS Exit (Flat) Capacity** or **Annual NTS Exit (Flat) Capacity**. Subject to any pending updates in respect of other application mechanisms and/or PARCAs, the available quantity will be as stated in the exit capacity Obligation summary report produced pursuant to Special Condition 9B of the Licence and can be found on National Grid's website.
166. National Grid may make available Firm **Daily NTS Exit (Flat) Capacity** at NTS Exit Points in excess of the **Obligated Exit Capacity**. This will be in accordance with incentives and obligations in the Licence. Any capacity so released will be **Non-obligated Exit Capacity**.
167. The reserve price for the Firm **Daily NTS Exit (Flat) Capacity** auction is equal to the applicable price for **Enduring Annual NTS Exit (Flat) Capacity** or **Annual NTS Exit (Flat) Capacity** for that Gas Year, as published in National Grid's Statement of Gas Transmission Transportation Charges.

Off-peak Daily NTS Exit (Flat) Capacity

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

⁵⁴ This chapter is not valid at Interconnection Points

169. The reserve price for **Off-peak Daily NTS Exit (Flat) Capacity** is zero, in accordance with UNC TPD Section Y.

CHAPTER 5: PROCEDURE FOR ALLOCATING NTS EXIT (FLEXIBILITY) CAPACITY⁵⁵

Introduction

170. 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
 - as part of a PARCA Application for **Enduring Annual NTS Exit (Flat) Capacity**.
 - Shipper Users via daily Offtake Profile Notices.
 - DNO Users may request additional flexibility via daily Offtake Profile Notices.
171. National Grid will not release additional flexibility (via the OCS process or by acceptance of an OPN) where this would require investment or would, in the opinion of National Grid, result in an increase in operating costs. Hence any request for additional **NTS Exit (Flexibility) Capacity** will be rejected where it:
- requires reinforcement of the NTS;
 - leads to an increase in costs; or
 - could reasonably be considered to lead to a conflict with the safe operation of the network.
172. Shipper Users will not be able to request nor be allocated **NTS Exit (Flexibility) Capacity**.
173. In accordance with UNC TPD Section J 7.3.2 National Grid has produced the Short Term Access to System Flexibility Allocation Methodology statement that outlines the approach towards enabling short term access to system flexibility over and above Users' prevailing entitlements. This can be found on National Grid's website at <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/capacity/constraint-management/>.

Offtake Capacity Statement (OCS)

174. 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.
175. 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 85.

NTS Exit Zones and Linepack Zones

⁵⁵ This chapter is not valid at Interconnection Points

176. 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.
177. An NTS Exit Zone is defined as a section of the NTS that encompasses a number of NTS Exit Points. The boundaries of these NTS Exit Zones are defined by distinct pressure boundaries relating to the geographical location of the compressors, regulators and multi-junctions connected to the NTS.
178. NTS Exit Zones / Areas are not the same as Linepack Zones.
179. NTS Exit Zones / Areas and Linepack Zones are detailed in Appendix 1.

PART B: INTERCONNECTION POINT CAPACITY

IP's
Only

CHAPTER 6: CONTEXT

180. **Interconnection Point Capacity** is **NTS Exit Capacity** made available to Shipper Users at an Interconnection Point NTS Exit Point (Exit IP) through a series of capacity auctions. This Part B identifies the processes by which the prevailing level of **Obligated Exit Capacity**, the **Technical Interconnection Point Capacity**, will be made available to Shipper Users via Interconnection Point capacity auctions (IP auctions) and via Interconnection Point Planning and Advanced reservation of capacity Agreements (IP PARCAs). These processes are detailed in UNC EID Section B and E. Reference should be made to UNC for further information.
181. The prevailing level of **Technical Interconnection Point Capacity**, in respect of any auction excludes any **Non-obligated Exit Capacity** (see Chapter 10 paragraph 243) released in previous auctions.
182. Dependent upon the specific auction, **Exit Capacity** may be made available as **Firm Interconnection Point Capacity** or **Interruptible Interconnection Point Capacity**.
183. The **Technical Interconnection Point Capacity** level will be published for each Exit IP at least once per year in the “exit capacity release obligation summary report”. This report is published pursuant to Part D of Special Condition 9B of the Licence (see also paragraph 27) which can be found on National Grid’s website at <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/capacity/entry-capacity-auction/>
184. The quantity of **Technical Interconnection Point Capacity** to be made available at each Exit IP in each IP auction will be published by the Capacity Platform Operator⁵⁶. Chapter 7 of this Statement details how these quantities are determined.

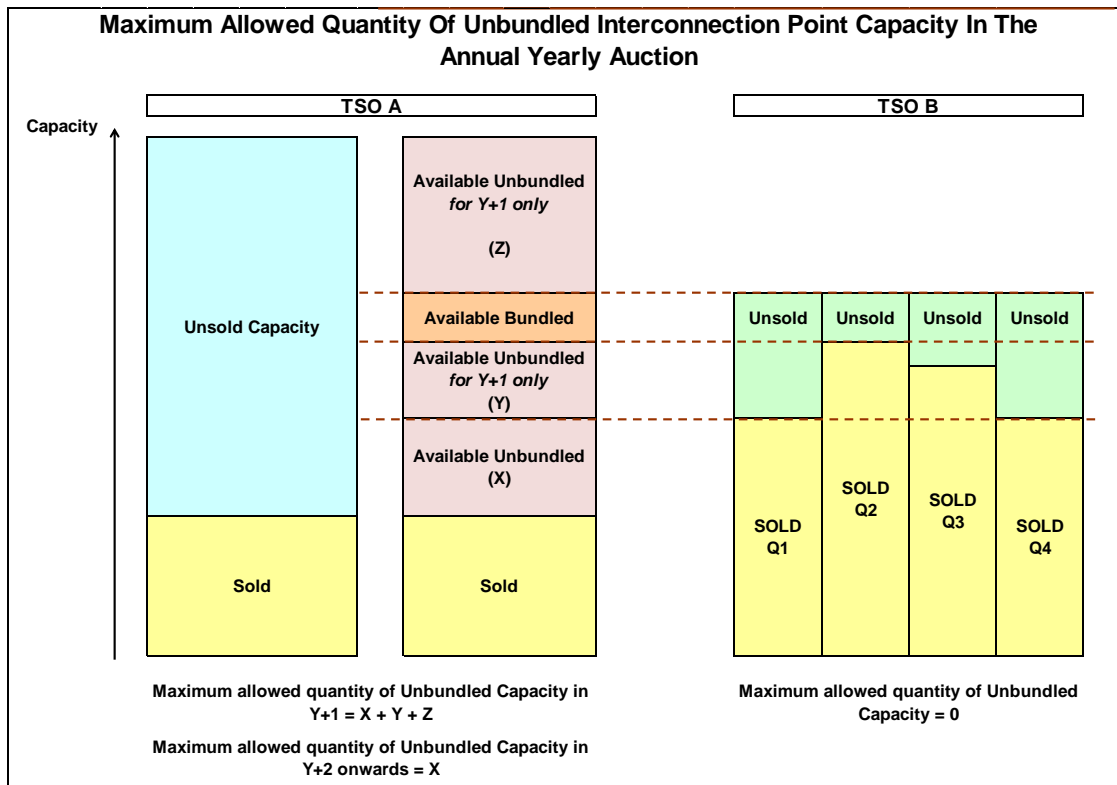
⁵⁶ At the implementation date of the regulation on Capacity Allocation Mechanisms, PRISMA European Capacity Platform GmbH is designated as Capacity Platform Operator in relation to all Interconnection Points.

CHAPTER 7: AUCTION PROCESSES FOR THE RELEASE OF INTERCONNECTION POINT CAPACITY.

185. **Interconnection Point Capacity** at an Exit IP will be made available in a variety of yearly, quarterly, monthly and daily auctions which are detailed in UNC EID Section B. National Grid will release capacity consistent with the processes and obligations defined in UNC.
186. These IP auctions make available daily capacity (i.e. a daily right to offtake gas from the NTS at an Exit IP on a particular Gas Flow Day) in yearly, quarterly, monthly and single daily strips. In respect of day-ahead auctions only, capacity may be available as either **Firm Interconnection Point Capacity** and/or as **Interruptible Interconnection Point Capacity**.
187. Each IP auction has a reserve price. The Reserve Price calculation is intended to:
- ensure that the total income that National Grid expects to receive through the auctions is reasonably consistent with the income it is allowed to receive in accordance with the Licence. Any variation from the allowed revenue is corrected through commodity charges (based on actual flows).
 - ensure that prices are cost reflective. Exit IPs that are further away from demand centres tend to have higher reserve prices.
 - ensure that at Exit IPs where there is limited competition for capacity that a cost reflective price is paid for that capacity.
188. **Firm Interconnection Point Capacity** may be made available as either:
- (a) **Bundled Interconnection Point Capacity**, consisting of **NTS Exit Capacity** allocated in combination with an adjacent Transmission System Operator's (TSO's) interconnection point entry capacity for an equal quantity and duration; or
 - (b) **Unbundled Interconnection Point Capacity**, consisting of **NTS Exit Capacity** only.
189. In any auction of **Firm Interconnection Point Capacity**, the quantity of capacity that shall be designated as Bundled shall be the lesser of:
- (a) the total quantity of **Firm Interconnection Point Capacity** which is available for allocation in that auction (subject to paragraphs 196 to 201 and Chapter 10 paragraph 243); and
 - (b) the total quantity of entry capacity at an adjacent TSO's interconnection point that is available for allocation in that auction or, where there are two adjacent TSO's in the interconnected system, the sum of the entry capacities available for allocation in that auction for both adjacent TSO's.
190. Where there is available **Firm Interconnection Point Capacity** in excess of the bundled quantity it will be made available as **Unbundled Interconnection Point Capacity** subject to the maximum allowed quantity. The maximum allowed quantity of **Unbundled Interconnection Point Capacity** that will be made available at an Exit IP in the Annual Yearly Auction (held in Gas Year Y) will be:
- For Gas Year Y+1:

- All Unsold Technical Interconnection Point Capacity that is available throughout the Gas Year and has not been designated as bundled
- For Gas Year Y+2 onwards, either:
 - the amount by which the smallest quantity of interconnected system entry capacity allocated to Users at any adjacent transporter Interconnection Point⁵⁷ within the relevant Gas Year exceeds the greatest amount of **Interconnection Point Capacity** sold at the relevant Exit IP for the Gas Year; or
 - 0, if the quantity of **Interconnection Point Capacity** sold at the adjacent Interconnection Point for the Gas Year is less than or equal to the quantity sold at the relevant Exit IP.

This is illustrated in the diagram below:



191. There are six standard IP Auctions, held in accordance with the ENTSOG Auction Calendar⁵⁸, through which Shipper Users can obtain **Interconnection Point Capacity**⁵⁹. These are:

- The Annual Yearly Auction for **Yearly Interconnection Point Capacity** is held on an **Annual** basis. In the Annual Yearly Interconnection Point Capacity Auction (currently held in July) National Grid sells **Firm Interconnection Point Capacity** for Gas Years Y+1 to Y+15 (i.e. an auction held in July 2018 will be for capacity release over the period October 2018 to September 2033). Capacity made available in these auctions will be sold as **Yearly**

⁵⁷ For the avoidance of doubt where there are two adjacent Transporter IPs, the sum of the unbundled interconnected system entry capacity allocated to Users at both adjacent Interconnection Points will be considered.

⁵⁸ Published on an annual basis by ENTSOG for each Auction Year.

⁵⁹ Each of the IP Auctions for **Firm Interconnection Point Capacity** shall comprise of separate auctions for Bundled and Unbundled capacity. The Bundled and Unbundled auctions will run in parallel.

Interconnection Point Capacity, i.e. it will be registered to the Shipper User for each Day in a particular Gas Year.

- The Annual Quarterly Auctions for **Quarterly Interconnection Point Capacity**. In these annual capacity auctions held in August, November, February and May, National Grid sells **Firm Interconnection Point Capacity** for each remaining quarter of Gas Year Y+1 (e.g. an auction held in August 2017 will be for capacity release commencing October 2017 to December 2017, January 2018 to March 2018, April 2018 to June 2018 and July 2018 to September 2018). Capacity made available in these auctions will be sold as **Quarterly Interconnection Point Capacity** (i.e. it will be registered to the Shipper User for each Day in a particular calendar quarter).
 - The Rolling Monthly Auction for **Monthly Interconnection Point Capacity**. In this capacity auction held every month National Grid sells **Firm Interconnection Point Capacity** for every day in the following month. Capacity made available in these auctions will be sold as **Monthly Interconnection Point Capacity** (i.e. it will be registered to the Shipper User for each Day in the relevant calendar month).
 - Rolling Day-Ahead Auctions for **Daily Firm Interconnection Point Capacity**. In these short term capacity auctions Shipper Users can bid for **Firm Interconnection Point Capacity** on Gas Flow Day D-1 (e.g. capacity can be bid for on 1st of the month for use on the 2nd). Capacity will be allocated on D-1. It will be sold as **Daily Firm Interconnection Point Capacity** (i.e. it will be registered to the Shipper User for the relevant Day only). This auction allows Daily firm capacity to be bought in advance of the Day of use.
 - Within-Day Auctions for **Daily Firm Interconnection Point Capacity**. In these short term capacity auctions Shipper Users can bid for **Firm Interconnection Point Capacity** on an hourly basis from D-1 to within Gas Flow Day D. Subject to availability, capacity will be allocated hourly from 1:30am on Day D-1. It will be sold as **Daily Firm Interconnection Point Capacity** (i.e. it will be registered to the Shipper User for the relevant Day only). This auction allows capacity to be bought on the Day of use.
 - Interruptible Rolling Day-Ahead Auctions for **Daily Interruptible Interconnection Point Capacity**. In these short term capacity auctions Shipper Users can bid for **Daily Interruptible Interconnection Point Capacity** on Gas Flow Day D-1 (e.g. capacity can be bid for on 1st of the month for use on the 2nd). Capacity will be allocated on D-1. It will be sold as **Daily Interruptible Interconnection Point** (i.e. it will be registered to the Shipper User for the relevant Day only and may be subject to curtailment pursuant to UNC TPD Section B3.10 and EID Section B10.6.2). **Daily Interruptible Interconnection Point Capacity** cannot be bought “on-the-Day”. For the avoidance of doubt, **Interruptible Interconnection Point Capacity** will only be offered as Unbundled Capacity.
192. In addition, Shipper Users may also obtain **Interconnection Point Capacity** by secondary trades, otherwise known as a System Capacity Transfers (details can be found in EID Section B9 and UNC TPD Section B5). For the avoidance of doubt, where a Shipper User holds **Bundled Interconnection Point Capacity** this should only be transferred to another Shipper User as **Bundled Interconnection Point Capacity**.

Long Term Summary Report

193. Subject to paragraph 195 and 196, the maximum quantity of capacity to be made available in any auction process will be the **Obligated Exit Capacity**. The **Obligated Exit Capacity** is stated for each NTS Exit Point (including IP NTS Exit Points), for each month (on a forward looking basis) in the obligation summary report. The obligation summary report is provided within the Long-Term Summary report which will be placed on National Grid's website at: <http://www2.nationalgrid.com/uk/industry-information/gas-transmission-system-operations/capacity/entry-capacity-auction/>
194. National Grid is obliged to make available the unsold quantity in each auction as determined below in paragraphs 196 to 201. For the purposes of these calculations the **Unsold Technical Interconnection Point Capacity** shall be considered to be the **Technical Interconnection Point Capacity** minus all previously sold **Firm NTS Exit Capacity** (but excluding any previously sold **Non-obligated Exit Capacity**). Please note that where the **Unsold Technical Interconnection Point Capacity** is not constant across the relevant period for an auction, the highest quantity that is available for the entire period will be made available.
195. In addition to the quantities determined below, National Grid may make available additional quantities of capacity, including **Non-obligated Exit Capacity** (see Part B Chapter 10).

Annual Yearly Auction

196. In order to ensure some capacity is available for later auctions some **Technical Interconnection Point Capacity** will be withheld from the Annual Yearly Auctions:
- For auctions of **Yearly Interconnection Point Capacity** for gas years Y+1 to Y+5, 10%, of the **Technical Interconnection Point Capacity** is with-held.
 - For auctions of **Yearly Interconnection Point Capacity** for gas years Y+6 to Y+15, 20%, of the **Technical Interconnection Point Capacity** is with-held.
 - In the event that the quantity of **Unsold Technical Interconnection Point Capacity** is less than that proposed to be with-held for the relevant Gas Year, all **Unsold Technical Interconnection Point Capacity** will be with-held.
197. For each Exit IP for each Gas Year between Y+1 and Y+5 the quantity of **Yearly Interconnection Point Capacity** that National Grid is obliged to make available for sale is:
- Unsold Technical Interconnection Point Capacity**; minus
 - Minimum $[0.1 * \text{Technical Interconnection Point Capacity, Unsold Technical Interconnection Point Capacity}]$; minus
 - All **Reserved**⁶⁰ **Exit Capacity**; plus
 - Aggregate Surrender Quantity for the capacity period (see paragraphs 238 to 239; plus
 - Aggregate Withdrawal Quantity for the capacity period (see 240 to 242).

⁶⁰For the avoidance of doubt this will include capacity has been identified in the project proposal as being available for reservation under an IP PARCA in accordance with UNC EID E Section 7

198. For each Exit IP for each Gas Year between Y+6 and Y+15 the quantity of **Yearly Interconnection Point Capacity** that National Grid is obliged to make available for sale is:

- Unsold **Technical Interconnection Point Capacity**; minus
- Minimum [0.2* **Technical Interconnection Point Capacity, Unsold Technical Interconnection Point Capacity**]; minus
- All **Reserved Exit Capacity**; plus
- Aggregate Surrender Quantity for the capacity period; plus
- Aggregate Withdrawal Quantity for the capacity period.

Annual Quarterly Auctions

199. For each Exit IP for each quarter the quantity of **Quarterly Interconnection Point Capacity** that National Grid is obliged to make available for sale is:

- **Unsold Technical Interconnection Point Capacity**; plus
- Aggregate Surrender Quantity for the capacity period; plus
- Aggregate Withdrawal Quantity for the capacity period.

Rolling Monthly Auction

200. For each Exit IP for the relevant month the quantity of **Monthly Interconnection Point Capacity** that National Grid is obliged to make available for sale is:

- **Unsold Technical Interconnection Point Capacity**; plus
- Aggregate Surrender Quantity for the capacity period; plus
- Aggregate Withdrawal Quantity for the capacity period.

Rolling Day-Ahead and Within-Day Auctions

201. For each Exit IP, for the relevant Gas Flow Day, the quantity of **Daily Interconnection Point Capacity** that National Grid is obliged to make available for sale is:

- **Unsold Technical Interconnection Point Capacity**

Please note that where **Interconnection Point Capacity** is sold in any auction in kWh/h, the available capacity offered shall be the value available for that Gas Flow Day divided by 24⁶¹.

Interruptible Rolling Day-Ahead Auctions

202. For each Exit IP for the relevant Gas Flow Day the quantity of **Daily Interruptible Interconnection Point Capacity** that National Grid is obliged to make available for sale will be determined as:

- the Use It or Lose It quantity; which is:
 - The average amount by which the **Firm Interconnection Point Capacity** held by Shipper Users exceeds the energy allocated to those Shipper Users for each day over a 30 day period up to (and including) the day falling seven days before the relevant Gas Flow Day; plus

⁶¹ For the avoidance of doubt, when a clock change occurs the value for **Daily Interconnection Point Capacity** shall be the value available for that Gas Flow Day divided by 23 or 25 as appropriate.

- Off-peak quantity: determined as 24 times the maximum permissible offtake rate minus the total User allocations of **Firm Interconnection Point Capacity**. This quantity will only be made available where forecast demand is less than 80% of the 1 in 20 peak demand;
- an additional quantity (if any) determined at the sole discretion of National Grid.

CHAPTER 8: INCREMENTAL CAPACITY RELEASE AT INTERCONNECTION POINTS

203. A User, or a Reservation Party, may apply for **Firm Interconnection Point Capacity** above the prevailing level of **Technical Interconnection Point Capacity**, at an EXIT IP, by entering into an IP PARCA. Provision of a demand indication pursuant to paragraph 207, is the method by which the User or Reservation Party can participate in the IP PARCA process. National Grid will not release **Funded Incremental Obligated Exit Capacity**, at an EXIT IP, by any other process.

204. The Licence defines a default lead-time for the release of **Funded Incremental Obligated Exit Capacity** at an EXIT IP, of 24 months from the first day of the next month following allocation of that capacity⁶². By entering into an IP PARCA, National Grid and the customer can undertake a significant proportion of the necessary Works, e.g. planning, environmental and design activities, before the User (or Nominated User) is required to commit to being allocated the reserved **Interconnection Point Capacity**. This will minimise the risk of:

- (a) a User being required to make a significant commitment before their project is ready;
- (b) physical capacity, to make **Funded Incremental Obligated Exit Capacity** available, being delivered after it is required by the User⁶³; and
- (c) National Grid undertaking unnecessary Works.

205. Each EXIT IP must be included in the Licence by the appropriate date before **Interconnection Point Capacity** can be reserved or allocated pursuant to an IP PARCA.

206. The appropriate date for an EXIT IP to be included in the Licence as required by paragraph 205 is

- (a) In respect of an IP PARCA, the date a revenue driver is required to be included in the Licence in accordance with the Generic Revenue Driver Methodology Statement; or
- (b) in respect of an IP PARCA, where (a) does not apply, the day before any **Reserved Exit Capacity** is due to be allocated .

This process may take several months so it is important that potential customers contact National Grid as early as possible.

Incremental Demand Assessment

⁶² Please note that lead-times for capacity release where demand for **Funded Incremental Obligated Exit Capacity** at an IP ASEP is to be satisfied via substitution of **Non-Incremental Obligated Exit Capacity** from another ASEP are detailed in the ExCS.

⁶³ Alternative capacity products may be available for use between capacity being required and the physical delivery date.

207. In accordance with UNC EID Section E2, in each odd-numbered year, National Grid will open a demand indication window for a period of eight weeks starting from the date that the Annual Yearly Auction opens. Any User or Reservation Party may submit a non-binding demand indication during this demand indication window. Alternatively an adhoc demand indication may be submitted at any other time these will be progressed subject to paragraph 214.
208. Entering into an IP PARCA is the only way that any interested party can access funded Incremental **Interconnection Point Capacity** at an EXIT IP and it cannot be obtained via any of the auction processes.
209. Any relevant information provided to National Grid in advance of the provision of a demand indication will not be binding.
210. Notwithstanding any confidentiality obligations which National Grid might otherwise have it may share information provided on demand indications with other relevant TSOs.
211. National Grid will confirm receipt of a demand indication within 2 business days and shall respond, within 16 weeks of the start of the Annual Yearly Auction or within 8 weeks for ad-hoc demand indications.
212. A demand indication shall be considered competent if it includes the information detailed in EID section E2.1.4 and the Demand Indication Application Fee (DIA Fee) has been paid.
213. The DIA Fee is equivalent to the PARCA Application Fee (also known as the Phase 1 PARCA Fee) which is calculated in accordance with the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y Part A 2). The DIA Fee will:
- (a) be repaid in full if an incremental project is not initiated following publication of the demand assessment report or if the economic test (described in paragraphs 232 to 234) is positive.
 - (b) be retained if the result of the economic test is negative (including circumstances where parties do not submit a signed IP PARCA and security deposit that could be considered in the economic test or if the applicant withdraws prior to publication of the joint notice referred to in paragraph 220). Where it is retained it will be reconciled against actual costs incurred by National Grid between the publication of the demand assessment report and the publication of the joint notice (see paragraph 220).
214. For demand indications received outside of the demand indication window (ad-hoc demand indications) National Grid shall:
- (a) Where possible incorporate the demand into an existing incremental project at the relevant EXIT IP; or
 - (b) Provided that it is of the opinion that the economic test can be completed prior to the start of the next biennial demand

- assessment; open an 8 week (unless otherwise stated) ad-hoc demand indication window, within 5 days, subject to agreement from other relevant TSO(s); and
- (c) Inform the applicant when its demand can be considered with justification.

Demand Assessment Report

215. National Grid will publish a demand assessment report, within 16 weeks of the start of the Annual Yearly Auction or for an ad-hoc demand indication within 8 weeks of the closure of the ad-hoc demand indication window. The report, which will follow the standard template as provided by ENTSOG or any other format which National Grid may publish from time to time, will conclude whether any incremental capacity project will progress to the design phase.

Design Phase & Authority Approval.

216. National Grid will conduct a public consultation on its proposals to deliver incremental capacity by no later than 12 weeks from publication of the demand assessment report. The consultation will be open for at least 1 month but no longer than 2 months. This consultation will be conducted jointly with the relevant Adjacent TSO(s) where appropriate.
217. The consultation shall cover the elements detailed in EID E 3.1.4 and shall include the general rules and conditions, included within the IP PARCA contract, to allow reservation of capacity and subsequent allocation to a User.
218. No later than 3 months, or the earliest time acceptable to the relevant TSO(s), following the end of the consultation process National Grid will submit a project proposal to the Authority for approval. It will include the responses to the consultation, which have not been marked as confidential. Where relevant this will be coordinated with the relevant TSO(s) and other relevant national regulatory authority.
219. The project proposal will state the proposed allocation mechanism which, subject to Authority approval, will be via the IP PARCA process and include the information detailed in EID E 4.1.4. including but not limited to:
- (a) the parameters to be used in the economic test;
 - (b) offer levels of capacity, reflecting the range of expected demand;
 - (c) project timescales;
 - (d) IP PARCA contract including, if applicable, the quantity of funded incremental capacity which may be withheld⁶⁴

⁶⁴ The Incremental Capacity Element of EU Regulation establishing a Network Code on Capacity Allocation Mechanisms (CAM) requires that an amount at least equal to 10% of the incremental technical capacity at the concerned interconnection point shall be set aside and offered at a later date. Where such capacity is to be withheld it will form part of the project proposal and will be included within the IP PARCA.

220. Following a decision on the incremental capacity project by the Authority, and no later than 2 months before the offer of incremental capacity in the Annual Yearly Auction, National Grid shall prepare and publish a notice of such decision. Where relevant this will be coordinated with the relevant TSO(s) (a joint notice in accordance with EID E 4.2) and other relevant national regulatory authority. Where the incremental capacity project has been approved the notice shall contain the following information:

- (a) the information contained in the project proposal;
- (b) the contract(s) relating to the capacity offered;
- (c) the actual costs incurred by National Grid in completing the design work

and whether there is any corresponding adjustment in the DIA Fee; and

- (d) whether there is a need for reinforcement works.

Reservation and Allocation of Capacity.

221. Subject to the Alternative Allocation mechanism which is part of the project proposal and within the timescales⁶⁵ set out the counterparty may sign an IP PARCA contract under which capacity will be reserved.

222. Subject to, and in accordance with, the terms of the UNC and the IP PARCA, National Grid will:

- (a) Review such network analysis (initially undertaken in the design phase) to confirm how the capacity request can be satisfied; e.g.
 - i. From any **Unsold Technical Interconnection Point Capacity**;
 - ii. From the use of existing infrastructure;
 - iii. By exit capacity substitution;
 - iv. Through investment and/or contractual alternatives;
 - v. A combination of the above.
- (b) Determine the date that the requested capacity will be registered from, which may or may not be the date originally requested by the applicant.

223. Subject to, and in accordance with, the terms of an IP PARCA, National Grid will:

- (a) Reserve, on behalf of the User (or Reservation Party) the requested capacity from the determined date(s) and at the EXIT IP identified in the IP PARCA. Such date(s) may be amended pursuant to the IP PARCA.
- (b) Reserve any **Unsold Technical Interconnection Point Capacity** from suitable donor ASEPs for subsequent substitution to the EXIT IP identified in the IP PARCA. Any such capacity shall be identified in accordance with the ExCS.
- (c) Publish relevant information relating to any capacity reservation, allocation, and/or substitution in accordance with UNC and pursuant to the IP PARCA. This is to facilitate transparency and aid User decision making.

⁶⁵ This shall be 20 business days but may be varied to align with other national regulatory authorities.

- (d) Undertake such Works as are necessary to deliver **Incremental Obligated Exit Capacity** to facilitate the allocation of the requested **Interconnection Point Capacity**.
- (e) Allocate, on behalf of the User (or Nominated User) the **Reserved Exit Capacity** from the date(s) identified in the IP PARCA. Such date(s) may be amended pursuant to the IP PARCA.
- (f) Substitute previously reserved capacity from suitable ASEPs to the EXIT IP identified in the IP PARCA. Any such capacity shall be identified in accordance with the ExCS and the substitution will be subject to non-veto by the Authority.

224. Subject to, and in accordance with, the terms of the IP PARCA, the counterparty:

- (a) shall provide security in respect of capacity reservation; and
- (b) shall provide such information, (the demonstration information) to National Grid by the Demonstration Date(s). National Grid may not proceed with work under the IP PARCA until receipt of the demonstration information. Any delay in providing the demonstration information may result in the capacity release date being deferred or in termination of the IP PARCA; and
- (c) may, in the event of termination of the IP PARCA, be invoiced for the IP PARCA Termination Amount pursuant to the IP PARCA.
 - i. This will be calculated in accordance with the PARCA Termination Amount set out in the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y).
- (d) may, upon reaching the allocation date, request that capacity is allocated (if a Reservation Party this must be via a Nominated User).
- (e) may, at any time, terminate the IP PARCA subject to the terms of the IP PARCA and the payment of any outstanding amounts under the IP PARCA.

Where the IP PARCA is terminated and National Grid determine that any **Reserved Exit Capacity** cannot be used for another PARCA or IP PARCA currently in progression, any unsold **Technical Interconnection Point Capacity** shall be made available to the market as Unsold **Interconnection Point Capacity** through existing processes.

225. Subject to, and in accordance with the terms of the IP PARCA, the counterparty, where the counterparty is a Reservation Party:

- (a) shall nominate one or more Users to be allocated and registered as holding the entire quantity of **Interconnection Point Capacity**, at the location, and from the date(s) determined and reserved pursuant to the IP PARCA. The nomination must be received from the Reservation Party by the date determined pursuant to the IP PARCA and the notice of nomination shall be consistent with the terms of the IP PARCA.
- (b) After nomination of such User(s) (assuming the nominations are not rejected in accordance with the terms of the IP PARCA

and/or UNC) and acceptance by the Nominated User(s), and at a time determined in accordance with the IP PARCA, the Nominated User(s) will be Registered as holding such amounts of **Interconnection Point Capacity** as if they had initially applied for the capacity in accordance with paragraph 203.

226. In accordance with UNC TPD Section B, **Reserved Exit Capacity** does not constitute part of a **User's Available Firm NTS Exit Capacity at an EXIT IP** until it has been registered to that User, pursuant to an IP PARCA.
227. National Grid will require a Revenue Driver (calculated in accordance with the methodology produced pursuant to Licence Special Condition 9C and referred to in paragraph 77) to be agreed between National Grid and the Authority and published for the EXIT IP, before progressing to the allocation stage, if it is to release **Incremental Obligated Exit Capacity** at that EXIT IP. This is necessary to ensure adequate funding of any works that may result from an IP PARCA.
228. A methodology for the determination of Generic Revenue Drivers has been consulted upon with the industry and approved by the Authority. This will facilitate the determination of Revenue Drivers, where required, for the incremental quantity likely to be released. National Grid will determine a revenue driver, specific to the relevant EXIT IP, for either a fixed incremental quantity or a range of incremental capacity (as will be detailed in the IP PARCA). Whether a fixed quantity or range based Revenue Driver is requested will depend upon the information available to National Grid at the time the Revenue Driver is requested.
229. After calculating the Revenue Driver, National Grid will identify if there is a material change in residual capacity constraint risk, arising from the proposed investment/contract solution, and hence may propose changes to the Constraint Management target as per Special Condition 3B Part J of the Licence.

Impact on other long term processes

230. In relation to the scenarios envisaged in UNC EID E 7 and in accordance with the rules set out there, where capacity has been identified in the project proposal as being available for reservation it will be prioritised for such reservation and will not be released into any other long term process.

Economic Test

231. The methodology, for proposing that Incremental **Interconnection Point Capacity** should be released, will compare

the net present value⁶⁶ of proposed capacity commitments against the estimated increase in allowed revenue from the project (calculated in accordance with the Generic Revenue Driver Methodology Statement).

232. National Grid will, for the years in question, determine the following parameters:

- (a) The net present value of the capacity commitments, calculated as the quantity of proposed incremental **Interconnection Point Capacity** x estimated reserve price (subject to paragraph 234);
- (b) the net present value of the estimated increase in allowed revenue, calculated in line with the Generic Revenue Driver Methodology Statement⁶⁷. This value will be provided as an estimate in the project proposal.

The years in question will be any four years where the aggregate volume of capacity quantity requested exceeds the **Unsold Technical Interconnection Point Capacity** (minus that reserved pursuant to any PARCAs or IP PARCAs).

233. The economic test is considered to have been passed if:

$$\frac{R}{AR} \geq f$$

where:

R = the estimated present value of the allocation quantity, calculated in accordance with paragraphs 232 (a) and 234;

AR = the estimated increase in allowed revenue, described in paragraph 232(b)

f = the f-factor; this shall be set to 0.5, unless otherwise directed by the Authority.

The economic test is considered to have failed where $\frac{R}{AR} < f$, in this case a Mandatory Minimum Premium shall be calculated pursuant to paragraph 234. Please note that if the estimated increase in allowed revenue is zero the test will be considered to have passed.

234. The Mandatory Minimum Premium is an additional quantity that may be added to the applicable payable price, calculated to be the minimum value required to allow the Economic Test to be passed in the case where the allocation of all offered incremental capacity at the estimated reference price would not generate sufficient

⁶⁶ A pre-tax real annual discount factor of 5.05% plus inflation (inflation will be taken from Ofgem's Price Control Financial Model, which is updated annually, hence not referenced here).

⁶⁷ Subject to Authority approval.

revenues for a positive economic test outcome. An estimate of the mandatory minimum premium will be provided as part of the project proposal. Where a Mandatory Minimum Premium is applied it shall be applied to all capacity allocated via the Alternative Allocation mechanism and shall not be applied to any subsequent capacity release, additionally where it is to be applied the present value of the capacity commitments shall be calculated as the sum of:

- i. The quantity of proposed incremental **Interconnection Point Capacity** x (estimated reserve price + Mandatory minimum Premium);
- ii. The quantity of unsold **Technical Interconnection Point Capacity** x Mandatory Minimum Premium.

235. In the event that the Economic Test is not passed and capacity (excluding **Non-obligated Exit Capacity**) is not reserved, the IP PARCA will be terminated.

Timing of Release of Incremental Interconnection Point Capacity

236. Following a positive Economic test and a proposal for the release and allocation of Incremental **Interconnection Point Capacity** not being vetoed by the Authority, National Grid has obligations to make that capacity available from a point in the future. In order to deliver against these obligations, National Grid may undertake such system reinforcements as it considers necessary.

237. In the event that National Grid's proposals are vetoed by the Authority, National Grid will not release Incremental **Interconnection Point Capacity** and may remove any associated **Interconnection Point Capacity** reserved allocated to Users, but may, at its sole discretion, release **Non-Obligated Exit Capacity** in accordance with chapter 13.

CHAPTER 9: CONGESTION MANAGEMENT PROCEDURES

Surrender of Capacity

238. A Shipper User may offer to surrender **Firm Interconnection Point Capacity** which may be utilised in an IP auction at the same Exit IP to meet a request for capacity from another Shipper User. Such offers will only be accepted subject to the Shipper User having sufficient Available Firm Interconnection Point Capacity after taking account of any existing Surrender or withdrawal offers that can be re-allocated and pursuant to UNC EID Section B7.2 and will only be utilised if the surrendered capacity is subsequently allocated to a Shipper User in the relevant Annual Yearly, Annual Quarterly or Rolling Monthly auction.
239. When allocating **Yearly Interconnection Point Capacity, Quarterly Interconnection Point Capacity** or **Monthly Interconnection Point Capacity** following an Annual Yearly, Annual Quarterly or Rolling Monthly auction, surrendered capacity will only be used to meet demand for additional capacity above the prevailing **Technical Interconnection Point Capacity** level. Capacity will be allocated in the following sequence:
- Unsold **Technical Interconnection Point Capacity**
 - Surrendered **Interconnection Point Capacity**
 - Withdrawn **Interconnection Point Capacity**
 - **Non-obligated Exit Capacity**

Withdrawal of Capacity

240. Where a written direction has been received from the Authority, National Grid NTS will submit a withdrawal offer on behalf of the relevant Shipper User for the duration specified. The withdrawal offer quantity will be subject to the Shipper User having sufficient Available Firm Interconnection Point Capacity after taking account of any existing Surrender or withdrawal offers that can be re-allocated.
241. Withdrawal Offers will be entered into the next available Annual Yearly, Annual Quarterly or Rolling Monthly auction and will be used to satisfy demand for **Yearly Interconnection Point Capacity, Quarterly Interconnection Point Capacity** or **Monthly Interconnection Point Capacity** once Unsold **Technical Interconnection Point Capacity** and available Surrendered **Interconnection Point Capacity** have been allocated (in accordance with paragraph 239).
242. If some or all of the offered withdrawal quantity remains unsold following the auction, the remaining quantity shall be entered into the next relevant yearly, quarterly or monthly auction(s) (subject to paragraph 240).

CHAPTER 10: NON-OBLIGATED EXIT CAPACITY RELEASE AT INTERCONNECTION POINTS

243. In any of the processes identified in paragraph 191 or through the IP PARCA process National Grid may, at its sole discretion, release additional quantities of **Firm Interconnection Point Capacity** in excess of the prevailing **Obligated Exit Capacity**. Such capacity is referred to as **Non-obligated Exit Capacity**.
244. **Non-obligated Exit Capacity** may be released in advance of the exit capacity Interconnection Point auctions and/or through the IP PARCA process. National Grid will assess the risks and rewards associated with releasing the quantity of **Firm Interconnection Point Capacity** requested in order to determine the quantity to be released and allocated to Shipper Users.

CHAPTER 11: INTERCONNECTION POINT CAPACITY PRICING METHODOLOGY

245. The objective of the Interconnection Point Exit Capacity pricing methodology is to produce the reserve price, large price steps and small price steps.
246. The reserve prices for Exit IPs are produced in the NTS Transportation Model in accordance with the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y 1A). The large and small price steps will be calculated in accordance with UNC EID Section B.
247. The NTS Transportation Model is used to calculate Long Run Marginal Costs (LRMCs) and comprises:
- **The Transport Model** that calculates the LRMCs of transporting gas from each entry point to a “reference node” and from the “reference node” to each relevant offtake point.
 - **The Tariff Model** calculates a required Revenue Adjustment Factor to recover the Target Exit Revenue.

These models are described in more detail within the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y 1A).

248. Prices for each Gas Year are calculated using the relevant year’s 1-in-20 peak supply and demand data and network model (e.g. if setting exit capacity prices for Gas Year 2018/19, the 2018/19 supply/demand forecast and the network model are used).
249. The Reserve price, large price steps and small price steps for each Exit IP are determined in accordance with the Gas Transmission Transportation Charging Methodology (UNC TPD Section Y 1A and UNC EID Section B).

APPENDIX 1: EXIT ZONE DETAILS

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

Offtake Point (Licence Name)	Type of Offtake	NTS Exit Area	NTS Exit Zone	Linepack Zone
Bacton	GDN (EA)	East	E18	8
Brisley	GDN (EA)	East	E13	5
Cambridge	GDN (EA)	Currently there is not an Offtake at "Cambridge".		
Great Wilbraham	GDN (EA)	East	E08	8
Matching Green	GDN (EA)	East	E10	10
Peterborough Eye/Tee	GDN (EA)	Central	E05	5
Roudham Heath	GDN (EA)	East	E08	8
Royston	GDN (EA)	East	E08	8
West Winch	GDN (EA)	East	E13	5
Whitwell	GDN (EA)	East	E08	8
Yelverton	GDN (EA)	East	E09	9
Alrewas	GDN (EM)	Central	E12	4
Blaby	GDN (EM)	Central	E05	5
Blyborough	GDN (EM)	Central	E11	3
Caldecott	GDN (EM)	Central	E05	5
Drointon	GDN (EM)	Central	E12	4
Gosberton	GDN (EM)	Central	E15	7
Kirkstead	GDN (EM)	Central	E15	7
Market Harborough	GDN (EM)	Central	E05	5
Silk Willoughby	GDN (EM)	Central	E05	5
Sutton Bridge	GDN (EM)	Central	E15	7
Thornton Curtis (DN)	GDN (EM)	North	E11	3
Tur Langton	GDN (EM)	Central	E05	5
Walesby	GDN (EM)	Central	E11	3
Asselby	GDN (NE)	North	E03	3
Baldersby	GDN (NE)	North	E03	3
Burley Bank	GDN (NE)	North	E03	3
Ganstead	GDN (NE)	North	E03	3
Pannal	GDN (NE)	North	E03	3
Paull	GDN (NE)	North	E03	3
Pickering	GDN (NE)	North	E03	3
Rawcliffe	GDN (NE)	North	E03	3
Towton	GDN (NE)	North	E03	3
Bishop Auckland	GDN (NO)	North	E03	3
Coldstream	GDN (NO)	North	E02	1
Corbridge	GDN (NO)	North	E02	2
Cowpen Bewley	GDN (NO)	North	E03	3
Elton	GDN (NO)	North	E03	3
Guyzance	GDN (NO)	North	E02	2
Humbleton	GDN (NO)	North	E02	1
Keld	GDN (NO)	North	E01	1
Little Burdon	GDN (NO)	North	E03	3

Melkithorpe	GDN (NO)	North	E01	1
Saltwick Pressure Controlled	GDN (NO)	North	E02	1
Saltwick Volumetric Controlled	GDN (NO)	North	E02	1
Thrintoft	GDN (NO)	North	E03	3
Towlaw	GDN (NO)	North	E01	1
Wetheral	GDN (NO)	North	E01	1
Horndon	GDN (NT)	East	E09	9
Luxborough Lane	GDN (NT)	East	E10	9
Peters Green	GDN (NT)	East	E08	8
Peters Green South Mimms	GDN (NT)	East	E08	8
Winkfield	GDN (NT)	East	E16	7
Audley	GDN (NW)	Central	E12	4
Blackrod	GDN (NW)	North	E04	4
Ecclestone	GDN (NW)	North	E04	4
Holmes Chapel	GDN (NW)	North	E04	4
Lupton	GDN (NW)	North	E04	4
Malpas	GDN (NW)	Central	E12	4
Mickle Trafford	GDN (NW)	North	E04	4
Partington	GDN (NW)	North	E04	4
Samlesbury	GDN (NW)	North	E04	4
Warburton	GDN (NW)	North	E04	4
Weston Point	GDN (NW)	North	E04	4
Aberdeen	GDN (SC)	North	E00	0
Armadale	GDN (SC)	North	E02	1
Balgray	GDN (SC)	North	E00	0
Bathgate	GDN (SC)	North	E01	1
Broxburn	GDN (SC)	North	E02	1
Burnhervie	GDN (SC)	North	E00	0
Careston	GDN (SC)	North	E00	0
Drum	GDN (SC)	North	E00	0
Glenmavis	GDN (SC)	North	E01	0
Hume	GDN (SC)	North	E02	1
Kinknockie	GDN (SC)	North	E00	0
Langholm	GDN (SC)	North	E01	1
Lauderhill	GDN (SC)	Currently there is not an Offtake at "Lauderhill".		
Lockerbie	GDN (SC)	North	E01	1
Netherhowcleugh	GDN (SC)	North	E01	1
Pitcairngreen	GDN (SC)	North	E00	0
Soutra	GDN (SC)	North	E02	1
St Fergus	GDN (SC)	North	E00	0
Stranraer	GDN (SC)	North	E01	1
Farningham	GDN (SE)	East	E09	9
Farningham B	GDN (SE)	East	E09	9
Shorne	GDN (SE)	East	E09	9
Tatsfield	GDN (SE)	East	E09	9
Winkfield	GDN (SE)	East	E16	7
Braishfield A	GDN (SO)	West	E16	7
Braishfield B	GDN (SO)	West	E16	7
Crawley Down	GDN (SO)	West	E07	7
Hardwick	GDN (SO)	East	E08	7
Ipsden	GDN (SO)	West	E16	7

Ipsden 2	GDN (SO)	West	E16	7
Mappowder	GDN (SO)	West	E07	7
Winkfield	GDN (SO)	East	E16	7
Aylesbeare	GDN (SW)	West	E07	7
Cirencester	GDN (SW)	West	E14	6
Coffinswell	GDN (SW)	West	E07	7
Easton Grey	GDN (SW)	West	E14	6
Evesham	GDN (SW)	Central	E06	6
Fiddington	GDN (SW)	West	E17	6
Ilchester	GDN (SW)	West	E07	7
Kenn	GDN (SW)	West	E07	7
Littleton Drew	GDN (SW)	West	E14	6
Lyneham (Choakford)	GDN (SW)	West	E07	7
Pucklechurch	GDN (SW)	West	E14	6
Ross	GDN (SW)	West	E17	6
Seabank (DN)	GDN (SW)	West	E14	6
Alrewas	GDN (WM)	Central	E12	4
Aspley	GDN (WM)	Central	E12	4
Audley	GDN (WM)	Central	E12	4
Austrey	GDN (WM)	Central	E12	4
Leamington	GDN (WM)	Central	E06	6
Lower Quinton	GDN (WM)	Central	E06	6
Milwich	GDN (WM)	Central	E12	4
Ross	GDN (WM)	West	E17	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	E17	6
Dyffryn Clydach	GDN (WS)	West	E17	6
Gilwern	GDN (WS)	West	E17	6
Abson (Seabank Power Station phase I)	DC	West	E14	6
Air Products (Teesside)	DC	North	E03	3
Apache (Sage Black Start)	DC	Currently there is not an Offtake at "Apache (Sage Black Start)".		
Bacton (Great Yarmouth)	DC	East	E08	8
Barking (Horndon)	DC	East	E09	9
Barrow (Black Start)	DC	North	E04	4
Billingham ICI (Terra Billingham)	DC	North	E03	3
Bishop Auckland (test facility)	DC	North	E03	3
Blackness (BP Grangemouth)	DC	North	E00	0
Blyborough (Brigg)	DC	Central	E11	3
Blyborough (Cottam)	DC	Central	E11	3
Brine Field (Teesside Power Station)	DC	North	E03	3
Burton Point (Connahs Quay)	DC	North	E04	4
Caldecott (Corby Power Station)	DC	Central	E05	5
Carrington (Partington) Power Station	DC	North	E04	4
Centrax Industrial	DC	West	E07	7

Cockenzie Power Station	DC	Currently there is not an Offtake at "Cockenzie".		
Coryton 2 (Thames Haven) Power Station	DC	East	E09	9
Deeside	DC	North	E04	4
Didcot	DC	East	E16	7
Drakelow Power Station	DC	Currently there is not an Offtake at "Drakelow".		
Eastoft (Keadby Blackstart)	DC	North	E03	3
Eastoft (Keadby)	DC	North	E03	3
Enron Billingham	DC	North	E03	3
Epping Green (Enfield Energy, aka Brimsdown)	DC	East	E10	10
Ferny Knoll (AM Paper) (Connection decommissioned)	DC	N/A	N/A	N/A
Fordoun CNG Station	DC	Currently there is not an Offtake at "Fordoun CNG Station".		
Goole (Guardian Glass)	DC	North	E03	3
Gowkhall (Longannet)	DC	North	E00	0
Grain Power Station	DC	East	E09	9
Harwarden (Shotton, aka Shotton Paper)	DC	North	E04	4
Hatfield Power Station	DC	Currently there is not an Offtake at "Hatfield PS".		
Hollingsgreen (Hays Chemicals)	DC	North	E04	4
Glasgoforest	DC	Currently there is not an Offtake at "Glasgoforest".		
Kinneil CHP	DC	North	E00	0
Langage Power Station	DC	West	E07	7
Marchwood Power Station	DC	West	E16	7
Medway (aka Isle of Grain Power Station, NOT Grain Power)	DC	East	E09	9
Middle Stoke (Damhead Creek, aka Kingsnorth Power Station)	DC	East	E09	9
Palm Paper	DC	East	E13	5
Pembroke Power Station	DC	West	E17	11
Peterborough (Peterborough Power Station)	DC	Central	E05	5
Phillips Petroleum, Teesside	DC	North	E03	3
Pickmere (Winnington Power, aka Brunner Mond)	DC	North	E04	4
Roosecote (Roosecote Power Station)	DC	North	E04	4
Rosehill (Saltend Power Station)	DC	North	E03	3
Ryehouse	DC	East	E10	10
Saddle Bow (Kings Lynn)	DC	East	E13	5
Saltend BPHP (BP Saltend HP)	DC	North	E03	3
Sandy Lane (Blackburn CHP, aka Sappi Paper Mill)	DC	North	E04	4
Seabank (Seabank Power Station phase II)	DC	West	E14	6
Seal Sands TGPP	DC	Currently there is not an Offtake at "Seal Sands TGPP".		
Sellafield Power Station	DC	North	E04	4
Shellstar (aka Kemira, not Kemira CHP)	DC	North	E04	4
Shotwick (Bridgewater Paper)	DC	North	E04	4
Spalding 2 (South Holland) Power Station	DC	Central	E15	7
St Fergus (Peterhead)	DC	North	E00	0
St. Fergus (Shell Blackstart)	DC	North	E00	0

St. Neots (Little Barford)	DC	East	E10	10
Stallingborough	DC	Central	E11	3
Stanford Le Hope (Coryton)	DC	East	E09	9
Staythorpe	DC	Central	E05	5
Sutton Bridge Power Station	DC	Central	E15	7
Teesside (BASF, aka BASF Teesside)	DC	North	E03	3
Teesside Hydrogen	DC	North	E03	3
Terra Nitrogen (aka ICI, Terra Severnside) (Connection decommissioned)	DC	N/A	N/A	N/A
Thornton Curtis (Humber Refinery aka Immingham)	DC	Central	E11	3
Thornton Curtis (Killingholme)	DC	Central	E11	3
Tilbury Power Station	DC	Currently there is not an Offtake at "Tilbury".		
Tonna (Baglan Bay)	DC	West	E17	6
Trafford Power	DC	Currently there is not an Offtake at "Trafford Power".		
Upper Neeston (Milford Haven Refinery)	DC	West	E17	11
West Burton Power Station	DC	Central	E11	3
Weston Point (Castner Kelner, aka ICI Runcorn)	DC	North	E04	4
Weston Point (Rocksavage)	DC	North	E04	4
Willington Power Station	DC	Currently there is not an Offtake at "Willington".		
Wragg Marsh (Spalding)	DC	Central	E15	7
Wyre Power Station	DC	Currently there is not an Offtake at "Wyre".		
Zeneca (ICI Avecia, aka 'Zenica')	DC	North	E03	3
Avonmouth Max Refill	STORAGE SITE	West	E14	6
Bacton (Baird)	STORAGE SITE	East	E18	5
Barrow (Bains)	STORAGE SITE	North	E04	4
Barrow (Gateway)	STORAGE SITE	North	E04	4
Barton Stacey Max Refill (Humbly Grove)	STORAGE SITE	West	E16	7
Caythorpe	STORAGE SITE	North	E03	3
Deborah Storage (Bacton)	STORAGE SITE	East	E13	5
Dynevor Max Refill (Connection decommissioned)	STORAGE SITE	West	E14	6
Garton Max Refill (Aldbrough)	STORAGE SITE	North	E03	3
Glenmavis Max Refill	STORAGE SITE	North	E00	0
Hatfield Moor Max Refill	STORAGE SITE	North	E03	3
Hill Top Farm (Hole House Farm)	STORAGE SITE	North	E04	4
Holford	STORAGE SITE	North	E04	4
Hole House Max Refill	STORAGE SITE	North	E04	4
Hornsea Max Refill	STORAGE SITE	North	E03	3
Partington Max Refill (Connection decommissioned)	STORAGE SITE	North	E04	4
Rough Max Refill	STORAGE SITE	North	E03	3
Saltfleetby Storage (Theddlethorpe)	STORAGE SITE	Currently there is not an Offtake at "Saltfleetby Storage (Theddlethorpe)".		
Stublach (Cheshire)	STORAGE SITE	North	E04	4
Bacton (IUK)	INTERCONNECTOR	East	E18	5
Bacton (BBL)	INTERCONNECTOR	East	E18	5
Moffat (Irish Interconnector)	INTERCONNECTOR	North	E01	1

APPENDIX 2: PARCA SUPPORTING INFORMATION

PARCA Phases Overview:

PARCA Phase	Activities	Approximate Timescales	Activities and Outputs
0	Pre-PARCA Signature discussions		<p>Bi-lateral discussions between National Grid and a customer before a PARCA has been agreed.</p> <p><i>This is not technically a PARCA Phase however it has been included for completeness</i></p>
1	<p>PARCA Application Window & ad-hoc QSEC Auction (if required)</p> <p>Network Capability Assessment & Investment Options Identified</p>	Up to 6 months	<p>The PARCA Application Window would be opened and National Grid would undertake an Ad-hoc QSEC Auction if a PARCA Application requesting NTS Entry Capacity has been accepted.</p> <p>We would undertake network analysis to determine how the requested level of capacity could be provided to the PARCA Applicant / applicants given our existing capacity obligations and forecast future supply and demand patterns.</p> <p>We would make best use of existing system capability and / or NTS Capacity substitution, before considering investing in increased system capability. If network investment is required, we would determine the different available investment options.</p> <p>The outputs of the PARCA Phase 1 process would be issued to the PARCA Applicant in order that they can confirm whether they wish to proceed to PARCA Phase 2.</p>
2	Capacity Reserved & Planning Submission Activities undertaken	Up to 60 months	<p>Upon confirmation from the PARCA Applicant that they wish to proceed to PARCA Phase 2, the level of NTS Capacity identified in the PARCA Phase 1 outputs would be reserved at the appropriate NTS Exit and/or Entry Points for the PARCA Applicant.</p> <p>National Grid would undertake the appropriate works, if required, and will progress investment design works and an appropriate planning application. PARCA Phase 2 would apply up to receipt of planning approval.</p> <p>If no planning works are required to provide the NTS Capacity to the PARCA Applicant, it will be reserved until their respective capacity allocation date as identified in the PARCA Phase 1 outputs.</p>
3	Capacity Allocation & Construction Activities	Up to 24 months	<p>Following the completion of PARCA Phase 2 activities and upon confirmation from the PARCA Applicant, the reserved NTS Capacity will be allocated and construction activities (if required) would begin.</p> <p>If a contractual or commercial solution can be agreed as an alternative to construction then it would also be finalised and agreed during PARCA Phase 3.</p> <p>Upon allocation of any reserved NTS Capacity, UNC User Commitment applies.</p>

PARCA Scenarios:

National Grid has produced a set of slides which describe examples of interacting projects which were presented at Transmission Workgroup. Please select the following link to access these slides:

<http://www2.nationalgrid.com/WorkArea/DownloadAsset.aspx?id=12195>

APPENDIX 3: DEFINITIONS

ARCA means **Advanced Reservation of Capacity Agreement** and 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 User to apply for the capacity or to make a payment to National Grid of the ARCA User Commitment Amount. An ARCA is deemed to constitute the “user commitment” for the purposes of Special Condition C8E paragraph 1 of the Licence. Under the ARCA capacity is reserved such that it can be registered under UNC processes and timescales at a later date.

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

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

DIA Fee (Demand Indication Application Fee) equivalent to the PARCA Application Fee (also known as the Phase 1 PARCA Fee) detailed in UNC EID E 6.

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

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

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

Incremental Capacity Signal means, in respect of Exit Capacity, an application for Enduring Annual NTS Exit (Flat) Capacity which if allocated or reserved would take the Enduring Annual NTS Exit (Flat) Capacity registered or reserved to all Users in aggregate above the Baseline NTS Exit (Flat) Capacity.

Initialisation means the process outlined in UNC (Transition Document Part IIC section 8) that was used to determine each User’s initial Registered Enduring Annual NTS Exit (Flat) Capacity at each NTS Exit Point which applied from 1st October 2012.

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.

PARCA means **Planning and Advanced Reservation of Capacity Agreement** and is a bilateral agreement which allows non-code parties (Reservation Parties) or Users (Reservation Users) to reserve Quarterly NTS Entry Capacity and / or Enduring Annual NTS Exit (Flat) Capacity ahead of its registration to the User or, as the case maybe, a Nominated User (nominated by the Reservation Party).

The **PARCA Applicant** is a person who has entered into a PARCA with National Grid NTS and can be either a non-code party (Reservation Party) or a User (Reservation User).

The **PARCA Application** is an application form, published by National Grid NTS which must be completed and submitted to National Grid NTS by the PARCA Applicant in order to request that National Grid NTS enters into a PARCA.

Phase 1 PARCA Fee means the sum to be paid by the User or Reservation Party to ensure funding of the Phase 1 PARCA Works. National Grid will not commence the Phase 1 PARCA Works until the fee is paid.

Phase 1 PARCA Works are those works deemed necessary by National Grid NTS to process the PARCA Application and to produce and issue the Phase 1 PARCA Works Report.

Phase 1 PARCA Works Report means the report to be submitted by National Grid to the User or Reservation Party following completion of the Phase 1 PARCA Works.

Phase 2 PARCA Works has the meaning given to the same term in the generic PARCA.

registered capacity is as defined in UNC TPD Section B.

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

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

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

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

Works means works, in relation to reinforcement of the NTS, in order to make available Enduring Annual NTS Exit (Flat) Capacity that requires the release of Incremental Obligated Exit Capacity. It includes (a) the provision of new or modified

pipeline infrastructure to provide increased capability within the NTS, and/or (b) contractual alternatives to infrastructure that provide a more economic and efficient means of matching the capability of the NTS to User requirements. Consequently, Works will normally incur costs, which will require funding via provision of a Revenue Driver.

NTS Capacity Terminology Defined in the Licence:

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

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

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

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

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

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

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

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

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

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

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

Off-peak Exit Capacity shall have the meaning given to the term "Off-Peak Daily NTS Exit (Flat) Capacity" in UNC or at an NTS Exit Point of type Interconnector, the term **Interruptible Interconnection Point Capacity** in the UNC.

NTS Capacity Terminology Defined in the UNC:

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

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;

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 release obligation summary report;

Bundled Interconnection Point Capacity is Firm Interconnection Point Capacity that is made available in an Auction together with Equivalent Interconnected System Entry Capacity (with respect to an Exit IP).

Daily Firm Interconnection Point Capacity is Firm Interconnection Point Capacity which may be bid for and registered as held (in a given amount) by a User for a single Gas Flow Day.

Daily Interruptible Interconnection Point Capacity is Interruptible Interconnection Point Capacity which may be bid for and registered as held (in a given amount) by a User for a single Gas Flow Day.

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;

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

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

Firm Interconnection Point Capacity is Interconnection Point Capacity that is not subject to curtailment.

Interconnection Point Capacity means System Capacity at an Interconnection Point, comprising NTS Exit (Flat) Capacity (in relation to an Exit IP).

Interruptible Interconnection Point Capacity is Interconnection Point Capacity which is liable to be curtailed in accordance with UNC TPD Section B3.10 and EID Section B10.6.

Monthly Interconnection Point Capacity is Interconnection Point Capacity which may be bid for and registered as held (in a given amount) by a User for each Day in a calendar month.

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

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

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

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

Quarterly Interconnection Point Capacity is Interconnection Point Capacity which may be bid for and registered as held (in a given amount) by a User for each Day in a calendar quarter.

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

Reserved Exit Capacity means capacity that is reserved in accordance with a PARCA (and specified in the Phase 1 PARCA Works Report) or IP PARCA (and specified in the project proposal) with the intent that it shall later be allocated to and registered with a User.

Technical Interconnection Point Capacity is the amount of Firm Interconnection Point Capacity which National Grid NTS is required to make available to Users pursuant to the Licence as NTS Exit (Flat) Capacity, as set out in the Exit Capacity release obligation summary report.

Unbundled Interconnection Point Capacity is Firm or Interruptible Interconnection Point Capacity that is made available in an Auction separately from capacity rights provided by any Adjacent Transporter.

Unsold Technical Interconnection Point Capacity is Technical Interconnection Point Capacity which is not allocated to and held by Users.

Yearly Interconnection Point Capacity is Interconnection Point Capacity which may be bid for and registered as held (in a given amount) by a User for each Day in a Gas Year.