

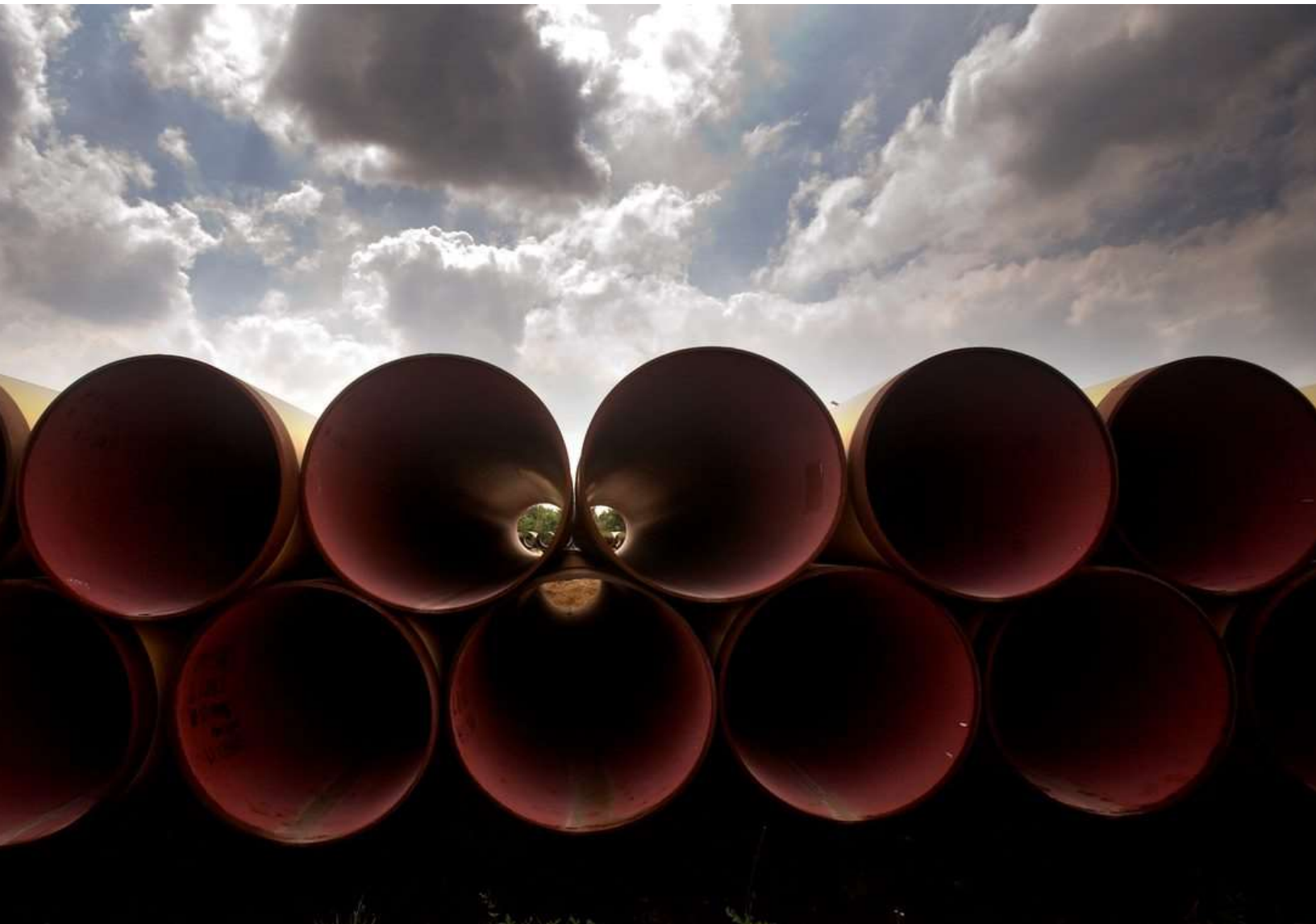


national gas

National Gas Transmission

Capacity Guidelines

June 2022



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Welcome

Welcome to our Gas Transmission Capacity Guidelines document. Here we provide information relating to our gas network and more specifically gas capacity arrangements to support you in purchasing Entry and Exit GB capacity.

We hope that you find this document useful. Please feel free to contact us if you need any further information or if you have any feedback on this document.

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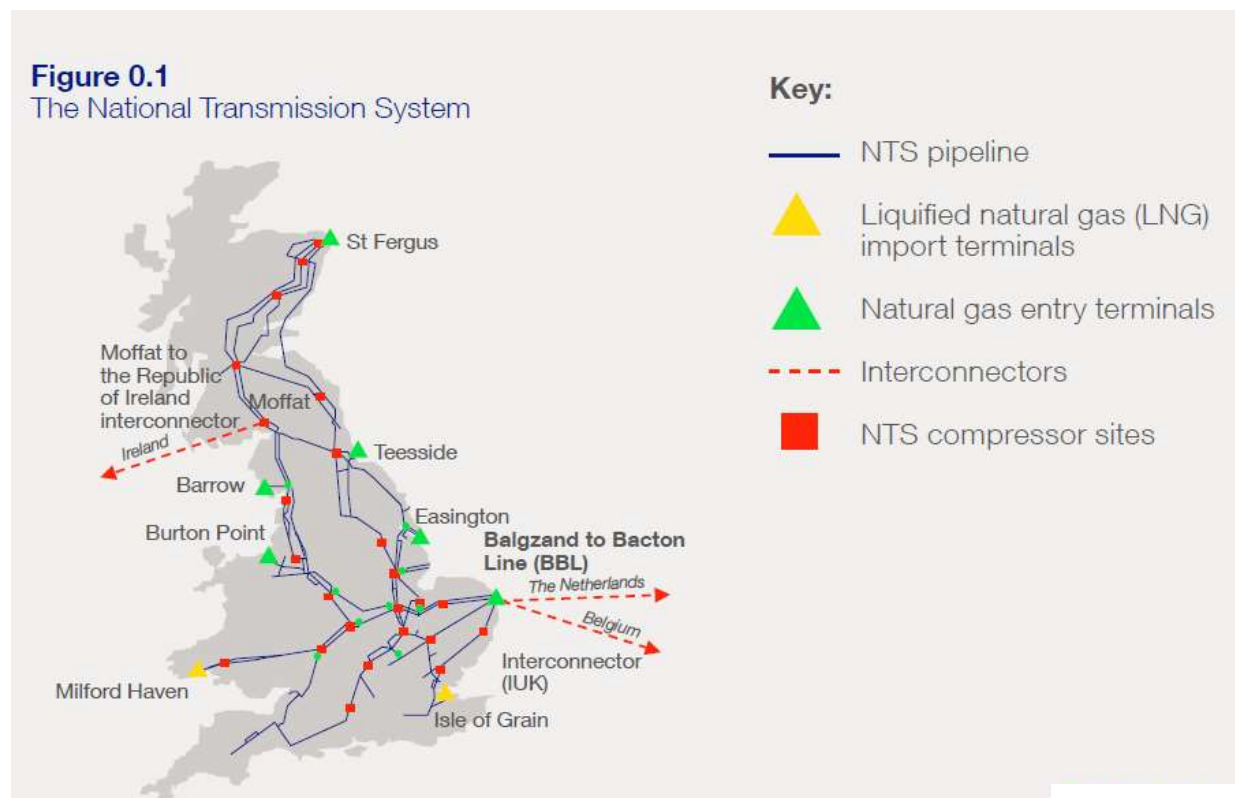
Introduction

What do we do?

National Gas is the owner and operator of the gas NTS in Great Britain. Our primary responsibility is to transport gas from supply points to exit offtake points safely, efficiently and reliably. We manage the day-to-day operation of the network. This includes balancing supply and demand, maintaining system pressures and ensuring gas quality standards are met. We are also responsible for identifying the long-term needs of the network. We must make sure our assets on the NTS are fit for purpose and safe to operate. We develop and deliver effective maintenance plans and asset replacement schedules to keep the gas flowing.

Our network

The NTS plays a vital role in the secure transportation of gas and the facilitation of a competitive gas market. Our network includes approximately 7,660 km of pipelines, presently operated at pressures of up to 94 bar. Our network transports gas from entry terminals and storage facilities to exit offtake points from the network. At exit offtake points, gas is transferred to four distribution networks (DNs) for onward transportation to domestic and industrial customers, or to directly connected customers including storage sites, power stations, large industrial consumers and interconnectors.



Our regulatory structure

The main government and regulatory bodies for the British gas industry are:

- **Health and Safety Executive (HSE):** Britain’s national regulator for workplace health and safety. It prevents work-related death, injury and ill health.
- **Department for Energy and Industrial Strategy (BEIS):** a government ministry responsible for government policy (formally DECC, Department of Energy and Climate Change).
- **Office of the Gas and Electricity Markets (Ofgem):** an independent energy regulator responsible for National Gas price controls. It is the primary decision-making body on industry codes. Ofgem protects energy consumers by promoting competition in the industry. It also regulates monopoly energy companies, such as National Gas.

There are five types of gas industry licence granted by Ofgem under the Gas Act 1986, which is the legal framework for gas companies;

Licence Type	Description
Supplier	Allows for supply to domestic and non-domestic premises, or to non-domestic premises only.
Transporter	Allows the licensee to transport gas through pipes to premises in the area specified in the licence, and another pipeline system operated by another gas transporter.
Shipper	Allows the licensee to arrange with a gas transporter for gas to be introduced into, transported, or taken out of the transporter’s pipeline system.
Interconnector	Allows the licensee to operate a gas interconnector. This is defined as: <ul style="list-style-type: none">• Co-ordinating and directing the conveyance of gas into or through a gas interconnector• Making such an interconnector available to convey gas
Smart Meter Communication	Allows the licensee to provide a smart meter communication service for domestic suppliers. This sends relevant information to and from smart meters through which gas is supplied to domestic premises.

Table 1: Licence Types

Under the Gas Act, no company can hold a Gas Transporters licence and a gas Supplier or Shipper licence at the same time.

Unlicensed Entities

Trader User means an entity bound by the Shippers Framework Agreement (a signatory to the Uniform Network Code) for the submission of trade nominations, but not for the purpose of arranging for gas to be introduced into, conveying by means of, or taken out of the NTS.

Further information on licence conditions is available on Ofgem’s website via this [link](#).

Our regulatory framework

The RIIO (Revenue = Incentives + Innovation + Outputs) regulatory framework was implemented by Ofgem in 2013/14. For RIIO-1 (2013–2021), Ofgem set an output and incentives framework to deliver against and agreed a revenue allowance in return for delivery outcomes.

Ofgem published their Final Determinations for the RIIO-2 period (2021-2026), which is available on their website via this [link](#).

Uniform Network Code

The Uniform Network Code (UNC) forms the basis of the commercial contract arrangements between Gas Transporters and Shippers and a few other clearly defined parties. It defines the commercial rights and responsibilities of all Providers and Users of the gas transportation system. It also gives all parties equal access to available transportation services.

The UNC is subdivided into four main sections:

- General
- Transportation Principal Document (TPD)
- Offtake Arrangements Document (OAD)
- European Interconnection Document (EID)

The TPD sets out transportation arrangements between transporters and 'Users'. In the UNC, a User may be a Shipper, a Distribution Network Operator (DNO) or a Trader. The OAD explains the services between the Gas Transporters, connecting and operating their respective pipeline networks. The EID sets out the rules applying to the gas Interconnection Points (IPs) between EU member countries where the rules are different from those in the TPD.

The full version of the UNC is available to access on Ofgem's website via this [link](#).

Capacity

Introduction

Users can obtain commercial rights to flow gas onto (or take gas off of) the NTS by buying NTS pipeline 'capacity'. Entry capacity delivers gas and NTS exit capacity offtakes gas. A User needs to hold one unit of capacity in order to flow one unit of energy onto (or off of) the system. This is known as the 'ticket to ride' principle.

Capacity for NTS entry points and exit points is sold in units of kWh/day. For Interconnection Points, capacity can be sold in kWh/day or kWh/hour. Within the Licence, we have obligations to make available for sale certain quantities of capacity at each and every system point. Any capacity released over and above our current Licence obligation is called Incremental capacity, which is a type of Non-Obligated capacity.

Incremental capacity can be provided for through various means, such as;

- Capacity substitution (moving unsold capacity from one system point to another)
- Other commercial mechanisms, for example specific types of contracts
- 'Funded' incremental capacity, i.e. we incur a cost to deliver the capacity for which we need to apply to Ofgem for funding through a 'Revenue Driver'
- Or, any combination of the above.

Users do not need to acquire capacity to flow gas onto (or take gas off of) the system. However, if a User does not have capacity rights to cover the gas they have flowed, they may be charged additional fees. These fees are referred to as capacity overrun charges. The charge is set at a multiple of the bid or application prices that have already been accepted for acquiring capacity to encourage Users to acquire sufficient capacity for their intended flows.

Acquiring Capacity

Capacity can be acquired at an entry or exit point on the NTS only if the point is included in the Gas Transporters Licence. The User requesting the capacity must be a Shipper (or a Distribution Network for Exit), be a UNC signatory and have a Shipper Licence.

The User can apply for NTS Entry and Exit Capacity by using the Gemini and PRISMA systems for non-IP and IPs respectively. More information about these auction and application processes is available later in this document.

Applicants who are not Shippers or Transporters can reserve NTS Entry and Exit Capacity by exception through the Planning and Reservation of Capacity (PARCA) process. Please refer to the 'New and Expanding Connections' section for more information.

NTS Entry Capacity

NTS Entry Capacity is made available to the market at Aggregated System Entry Points (ASEPs). At these points Users can book either 'Firm' or 'Interruptible' Entry Capacity.

Firm and Interruptible Entry Capacity

Firm Entry Capacity is financially and contractually guaranteed to be available, whereas Interruptible Entry Capacity can be withdrawn (interrupted) by us if the system cannot provide it on the Gas Day.

Although Firm Capacity is guaranteed, events like plant or equipment failure may mean we cannot always honor our commitment. If we cannot meet Firm Capacity commitments, which is referred to as a system 'constraint', we will ask to buy the capacity back. As Firm capacity is contractually guaranteed via the UNC, we will pay the User a market-driven price. Interruptible Capacity will always be reduced (scaled back) before we buy back Firm Capacity.

The volume of Firm Entry Capacity available at the ASEP / Interconnection Point (IP) is made up of:

- **Baseline NTS Entry Capacity (obligated):** The minimum amount of capacity that we must make available at this point. This includes any capacity substituted (moved) from other entry points.
- **Incremental NTS Entry Capacity (obligated):** Firm Capacity made available above the baseline amount. This helps us decide where to invest the system's capacity. This increase in capacity is permanent.
- **Incremental NTS Entry Capacity (non-obligated):** At our discretion, we can release temporary extra Firm Capacity.

Interruptible Entry Capacity is designed to prevent hoarding, which is where a party acquires capacity but does not use it. It is made available via a daily auction. Hoarding is deemed to be anti-competitive as it prevents other Users from entering the market.

The volume of Interruptible Entry Capacity available at the ASEP / IP is made up of:

- **Use It Or Lose It (UIOLI):** This is based on a rolling quantity of unused Firm Capacity over the preceding 30 days.
- **Discretionary:** This is offered to the market as additional Interruptible Entry Capacity and is released at our discretion.

NTS Exit Capacity

NTS Exit Capacity is made available to the market at NTS Exit points; Users can either book Firm or Off-peak Exit Capacity.

Firm and Off-Peak Exit Capacity

Firm Exit Capacity is financially and contractually guaranteed to be available, whereas Off-peak Exit Capacity can be withdrawn (interrupted) if the system cannot provide it on the Gas Day. Similar to the Entry products, if we cannot meet Firm Capacity commitments, we will buy the capacity back at a market-driven price.

The volume of Firm Exit Capacity at each offtake point consists of the following amounts:

- **Baseline NTS Exit Capacity (obligated):** The minimum amount of capacity that we must make available at this exit point.
- **Incremental NTS Exit Capacity (obligated):** Firm Capacity made available over the baseline amount. This helps us decide if and where to invest in the system. This increase in capacity is permanent and needs to be held for four years.
- **Incremental NTS Exit Capacity (non-obligated):** At our discretion, we can release temporary extra Firm Capacity at an offtake point above obligated levels.

The volume of Off-peak Exit Capacity available at the ASEP / IP is made up of:

- **Use It Or Lose It (UIOLI):** A methodology determines the quantity of Interruptible Capacity to release. This is based on the volume of unused Firm Exit capacity and is calculated on a rolling 30-day basis.
- **Un-utilised Maximum NTS Exit Point Offtake Rate (MNEPOR):** The NTS demand forecast is published on the day before the Gas Day (D-1) at 13:30. Where this demand forecast is less than 80 per cent of the annual peak 1-in-20 demand forecast, any remaining capacity up to the MNEPOR level is released as Off-peak Capacity.
- **Discretionary:** At our discretion, we can offer additional Off-peak Capacity to the market.

Post-Auction Allocation

Capacity allocations can be viewed on the Gemini and Gemini Exit systems shortly after the allocation window for the respective auction – different products have different Bid Window and Allocation Window times. These can all be found on the Capacity webpages via this link [National Gas Capacity](#). Select Entry or Exit Capacity and view details relevant to the long or short-term auction and specific product in the Auctions section.

NTS Entry Capacity Auctions

NTS Entry Capacity is sold through various open electronic auctions. The basic capacity product is the same in every auction; the right to flow one unit of capacity (Kilowatt hour, kWh) on a particular Gas Day (D). Units sold are in kWh/d.

Table 2 shows when capacity is made available throughout the year at non-Interconnection Points (non-IPs). ‘Y’ refers to the current Gas Year.

Refer to the section ‘Capacity Processes at Interconnection Points (IPs)’ for information concerning the IPs.

Capacity being sold at	Y-2 to Y-16	Y to Y-1	M-1	D-9	D-1	D
Firm	Quarterly (QSEC)	Monthly (AMSEC)	Monthly (RMTNTSEC)	Weekly (WSEC)	Day Ahead (DADSEC)	Daily (WDDSEC)
Interruptible					Day Ahead (DISEC)	

Table 2: NTS Entry Capacity Auctions

Quarterly System Entry Capacity (QSEC)

QSEC auctions take place annually in March and can be open for up to 10 working days. Successful bidders are notified in May. An ad hoc auction can be triggered at any time by a PARCA.

Firm NTS Entry Capacity is made available in calendar quarterly strips from October Y+2 through to September Y+16, where Y is the current Gas Year (a Gas Year begins on 1 October and ends on 30 September). The capacity bid is for a volume that is applicable for every day in the calendar quarter. This means that a bid for 100,000kWh/d will buy 100,000kWh of capacity for every day in that calendar quarter.

Historically, the QSEC auction also allowed Users to bid for additional capacity above the baseline. Known as incremental NTS entry capacity, this allowed Users to signal that they would like us to make more capacity available than what was provided as an obligated volume. This was based on the User’s original bid where a quantity of capacity was matched against individual descending price steps. The release of Incremental NTS Entry Capacity can now be guaranteed only through the PARCA process. Please refer to the ‘New and Expanding Connections’ section for more information.

The [Entry Capacity Release \(ECR\) Methodology Statement](#) provides information on the price steps for release of Incremental Capacity. It also details how to calculate what the Long Run Marginal Costs (LRMCs) would be for various amounts of capacity, over and above the obligated baseline amount.

Annual Monthly System Entry Capacity (AMSEC)

AMSEC auctions take place annually in February. Firm NTS Entry capacity is made available in monthly calendar strips from April Y+1 through to September Y+2. The AMSEC auction is a ‘pay as bid’ auction and is subject to a minimum reserve price. The auction is open for four days from 08:00 to 17:00.

Each AMSEC auction window is open for four days in two bidding rounds separated by two business days, as detailed in the UNC. The processing and allocation are completed after 17:00 on each day and information on the outcome of the auction is then published.

Rolling Monthly NTS Entry Capacity Auctions (RMTnTSEC – Rolling Monthly Trade and Transfer of System Entry Capacity)

RMTnTSEC auctions are held monthly at the Month Ahead stage. Any unsold quantities of Firm NTS Entry Capacity from the AMSEC auctions are made available as a monthly strip for M+1 (where M = current month). The RMTnTSEC auction is a ‘pay as bid’ auction and is subject to a minimum reserve price.

Users can surrender any of their excess NTS Entry Capacity in this auction as part of the rolling monthly trade initiation surrender (RMTISSEC) stage. However, it will only be allocated if there is demand from a User for NTS Entry Capacity at the relevant ASEP.

The lowest-priced capacity is allocated first. Where the surrendered capacity has a minimum surrender price that is below the reserve price, it will be allocated ahead of the unsold baseline obligated capacity; this is the ‘trade’ part of the auction.

If there is not enough unsold obligated NTS Entry Capacity at an ASEP to meet demand, it may be possible to transfer unsold and surrendered NTS Entry Capacity from a nearby ASEP. This is like Capacity Substitution, which is the process of assigning unsold Non-Incremental Capacity to meet the requirement for Incremental Capacity elsewhere. However, in this case, the transfer is not enduring because it applies only to the relevant month (hence the ‘transfer’ part of the auction name). It is a very complex process. If you would like more information, please refer to the [Entry Capacity Trade and Transfer \(ECTT\) methodology statement](#) available on our website.

Weekly System Entry Capacity (WSEC)

Any unsold obligated quantities from previously held Rolling Monthly auctions are made available in the WSEC auction.

Unsold obligated NTS Entry Capacity is made available as a weekly product. The capacity period will run from Monday-Sunday. The auction bid window will be open on D-10 (D being the Monday) and allocation will be on D-9. Shippers will be able to Bid on D-10 either via the Gemini system or via APIs. Bids are pay as bid and can be modified or withdrawn and new bids can be added up to the allocation times (to be considered in that auction).

We send invitation letters to Users for long-term auctions (Month Ahead or longer), but we do not do this for short-term auctions Weekly, Day Ahead or Within Day, which are run at standard times every day/week.

Day Ahead Daily System Entry Capacity (DADSEC)

Any unsold obligated quantities from previously held long-term NTS Entry Capacity auctions are made available in the DADSEC auction.

Unsold obligated NTS Entry Capacity is made available as a daily product, allocated at the Day Ahead stage at 14:00, 17:00 and 01:00. Users can enter bids up to seven days before they need the capacity. Bids can be modified or withdrawn and new bids can be added up to the allocation times (to be considered in that auction).

DADSEC is a 'pay as bid' auction where further non-obligated capacity can also be made available at the discretion of the NTS. We send invitation letters to Users for long-term auctions (Month Ahead or longer), but we do not do this for short-term auctions Day Ahead or Within Day), which are run at standard times every day.

Within Day Daily System Entry Capacity (WDDSEC)

All unsold obligated quantities can be made available at different times of the day in the WDDSEC auction. NTS Entry Capacity is still sold in quantities of kWh/d, although the available capacity rate increases by $1/x$ (where x is the number of hours remaining in the day from the bid 'effective from' time) rather than $1/24$).

Bids are allocated hourly and are subject to minimum reserve prices for Within Day allocations. The last allocation takes place at 03:00. Bids may be evergreen or reducing. An evergreen bid remains fixed throughout the day. A reducing bid reduces by $1/x$ with each hour that passes where it remains unallocated (where x is the number of hours remaining in the Gas Day at the time the bid was placed). We send invitation letters to Users for long-term auctions (Month Ahead or longer) but we do not do this for short-term auctions (Day Ahead or Within Day), which are run at standard times every day.

Daily Interruptible System Entry Capacity (DISEC)

Interruptible NTS Entry Capacity is available in the DISEC auction. NTS Entry Capacity is available daily for each ASEP and bids are allocated at the Day Ahead stage by 14:00. Users can enter bids up to seven days in advance of the Gas Day which the User wants to hold the capacity for. Bids can be modified or withdrawn, and new bids can be added up to 13:00. Capacity purchased in this auction is subject to a minimum reserve price. We send invitation letters to Users for long-term auctions (Month Ahead or longer) but we do not do this for short-term auctions (Day Ahead or Within Day), which are run at standard times every day.

Discretionary Release of System Entry Capacity

Users may request and/or we may invite applications for non-obligated NTS Entry Capacity. We have sole discretion when it comes to decisions regarding DRSEC, which is available for up to a year. The MSEC reserve price will be applied, and the User will have to sign up to the terms and conditions of the auction before taking part in it.

Constraint, Scaleback and Restoration (applicable to ASEPs and IPs)

There may be occasions where the physical capability to accept gas tendered for delivery at an ASEP is less than the capacity entitlements held by Users. If Users flow above the ASEP capability level, this could result in a transportation constraint on the network. If this is the case, we will need to act to avoid putting too much pressure on the constrained parts of the network.

Transportation constraints are due to factors including maintenance, compressor reliability and supply/demand scenarios.

We are required to operate the system in accordance with the System Management Principles Statement (SMPS). Our first step will be to optimise the operation of the system in order to avoid constraints. We are incentivised to find the most economical way of resolving system constraints and have a range of options we can use for this purpose, including:

- Scaling back Interruptible NTS Entry Capacity.
- Buying back Firm NTS Entry Capacity.
- Buying or selling gas at specific geographical locations using the 'locational' gas market.

Scaling back Interruptible Entry Capacity means that all (or a proportion of) the Interruptible Entry Capacity rights are reduced or removed from Users. Scaleback actions will always take place before Firm Capacity buybacks or other gas market-based actions.

Before we can buy back a User's Firm NTS Entry Capacity entitlements, the User must offer to surrender it. We can accept buyback offers, and in some cases, we may also have prearranged agreements such as forward contracts or options.

Locational energy actions are intended to reduce a User's flow at an entry point without affecting their Entry Capacity rights. If none of the above actions alleviate the constraint, we may issue a Transportation Flow Advice (TFA) to the relevant ASEP parties to prevent the network from over-pressurising. TFAs may be used specifically to resolve pressure and gas quality issues by reducing flows for a short period of time which can then be made up throughout the rest of the Gas Day.

If changing NTS conditions have resolved the forecast entry constraint following the scaling back of Interruptible capacity, we may decide to partially or fully restore the Interruptible Capacity.

Constraint Management Incentive

We have a suite of System Operator (SO) incentives that encourage us to drive improvements in performance for the benefits of consumers. One of these incentive schemes is the Constraint Management incentive. The purpose of the incentive is to challenge us to maximise the release of capacity and minimise the cost of constraints against a set financial target.

We are currently obligated to release Entry and Exit Capacity at around double peak demand. Flows of gas at these levels cannot be physically accommodated concurrently, meaning there is an inherent risk of constraints that must be managed. As well as this inherent risk, we also manage the risk associated to asset reliability, maintenance and changing flow patterns (both within day and between days). To manage the risk, we use rules, tools (physical and commercial) and asset options. Both actual constraints themselves and the management to avoid or deal with constraints incur costs for the customers and can impact energy prices both within day and in the longer term.

We receive a share of revenues and costs through the Constraint Management incentive scheme, and in short, we are incentivised to maximise the sales of capacity, whilst being exposed to the costs of taking commercial actions, such as capacity buybacks, if more capacity is sold than can be physically managed on a day.

NTS Exit Capacity Auctions

NTS Exit Capacity is sold through various open electronic auctions through a combination of application windows and auction points.

Table 3 shows when Exit Capacity is made available throughout the year at non-IPs. ‘Y’ refers to the current Gas Year.

Refer to the section ‘Capacity Processes at Interconnection Points (IPs)’ for information concerning the IPs.

Capacity being sold at	Y+4 to Y+6	Y+1 to Y+3		D-1	D
Firm	Enduring (EAFLEC)	Annual (AFLEC)		Daily (DADNEX)	Daily (WDDNEX)
Off-peak				Daily (DONEX)	

Table 3: NTS Exit Capacity Auctions

Application Windows

The application windows apply to NTS Exit (Flat) Capacity and are open between 1 July and 31 July each year. There are three different types of window.

Enduring Annual Flat Exit Capacity Application (increase – EAFLEC)

This window is for Users to request capacity with a start date between Y+4 to Y+6 as the point at which the capacity is booked. Once purchased, this capacity is ‘enduring’, which means you have it forever or until you tell us otherwise. Please note that this is subject to User commitment rules, which say that if a User requests an EAFLEC increase they must agree to hold the capacity for a set period of time.

This enduring capacity can then be increased or decreased in a later application window. Please note that this is also subject to User commitment rules, which state that if the User commitment value has not been met, the capacity cannot be reduced.

Application period: Between 08:00 to 17:00 on business days from 1 to 31 July

Allocation: If your application is successful it will be allocated on or before 30 September

Decrease (also known as the reduction window – EAFLEC)

This allows Users to decrease their enduring capacity holdings from 1 October Y+1 after the July window or the first of any subsequent calendar month (subject to the User commitment rules). You can request further decreases and increases in subsequent application windows.

Application period: Between 08:00 to 17:00 on business days from 1 to 15 July

Allocation: If your application is successful it will be allocated on or before 30 September

Annual Flat Exit Capacity Application (AFLEC)

This is for Firm Capacity within the period Y+1 to Y+3. Firm Capacity cannot be increased on an enduring basis or decreased in this application window; however, you can get additional capacity in subsequent windows. If you request capacity in this window for Y+2, in the following year's application window any unsold capacity will show as Y+1. Any further capacity you request for that year will be in addition to the original Y+2 capacity.

Application period: Between 08:00 to 17:00 on business days from 1 to 31 July

Allocation: If your application is successful it will be allocated within 10 business days of the application closing.

Ad Hoc Application Windows

As well as applying through the standard windows, Users can submit ad hoc applications to request an increase in the Enduring Annual NTS Exit (Flat) Capacity and ask us to initiate a reduction window.

Ad Hoc Increase Enduring Flat Exit Capacity Application (AIEFLEC)

Under this ad hoc application process you can apply for EAFLEC to be made available at any time between 1 October and 30 June. The request must be made at least six months before the requested date and we are obligated to provide the capacity for the date requested. If we cannot meet the requested date, we will provide the capacity at the earliest possible date, or no later than 1 October Y+4.

Ad Hoc Decrease Enduring Flat Exit Capacity Application (ADEFLEC)

At any time, we may ask if Users want to reduce their enduring annual NTS Exit (Flat) Capacity. We do this in case we can satisfy an incremental signal using existing capacity rather than by releasing incremental capacity, which is more efficient and economical.

Daily Firm NTS Exit Capacity Auctions

Users can use two types of daily auction to bid for and buy Firm Exit Capacity:

Day Ahead Daily NTS Exit Capacity (DADNEX)

Users can submit requests for unsold obligated Firm Exit Capacity in the DADNEX auction from D-7 06:00. This means Users can submit bids up to seven days before the Gas Day that they want to hold the capacity for. Requests can be made until D-1 05:00 and will be allocated at D-1 16:00 to 16:05.

Within Day Daily NTS Exit Capacity (WDDNEX)

Any remaining unsold capacity after the allocation of the DADNEX auction will rollover and be made available in the WDDNEX auction. You can submit requests for the WDDNEX auction in the Gemini system from D-1 06:00 until 05:00 on the Gas Day. Hourly allocations will take place on the Gas Day until 03:00. These requests can be modified or withdrawn, and new requests can be added up to the allocation times.

Charges

The daily firm auctions are both 'blind', which means they are pay-as-bid auctions with no discount on the annual reserve price (in other words, the reserve price is the same as for the long-term capacity

application processes). The reserve prices for all NTS exit points are published in the Gas Transmission Charging Statement, which you will find in the [charging](#) section of our website.

Auction bids for daily Firm Exit Capacity will be allocated based on price (highest first) until all unsold capacity has been allocated. Where there are bids for more capacity than is available, we can make more capacity available to allocate those bids. We do this after assessing the network's capability and any risk.

Daily Off-Peak NTS Exit Capacity Auction

In addition to Firm NTS Exit (Flat) capacity Users may also bid for and purchase daily Off-peak Exit Capacity. Off-peak Capacity is not a firm product and is sold via the DONEX auction. The quantity of Off-peak NTS Exit (Flat) Capacity release comprises:

- Combined unused Firm NTS Exit (Flat) Capacity over the preceding 30 days maximum NTS exit point offtake rate (MNEPOR) value multiplied by 24, minus any Firm Capacity held by Users.
- Any discretionary amount we decide to release.

This depends on the prevailing forecast total system demand for the Gas Day being less than 80 per cent of the 1-in-20 peak day demand.

Daily Off-Peak NTS Exit Capacity (DONEX)

Users can submit requests for the DONEX from D-7 06:00 of the Gas Day that the User wishes to hold the capacity for, until D-1 05:00. Bids will be allocated between D-1 15:00 – 16:00.

The daily Off-peak Capacity auction is a blind, pay-as-bid auction subject to minimum reserve prices. Auction bids for DONEX capacity will be allocated based on price (highest first) until all unsold capacity has been allocated. Where bids exceed the available unsold quantity, we will allocate these at our discretion.

Constraints – Scale Back and Restoration

When dealing with a forecast NTS exit constraint, we may scale back Off-peak Exit Capacity at exit points in NTS areas that are impacted by the NTS exit constraint. We will initiate this by notifying all capacity holders that an Off-peak Curtailment Factor (OCF) has been applied, including the OCF value.

The OCF can take any value between 0 and 1 where:

- $OCF = 1$ – no scale-back (i.e. 100 per cent of Off-peak NTS Exit (Flat) Capacity available)
- $OCF = 0$ – total scale-back (i.e. 0 per cent of Off-peak NTS Exit (Flat) Capacity available)

Where an NTS exit constraint has been forecast, an OCF can be applied at any time, both before and throughout the Gas Day following the allocation of any Off-peak Capacity at D-1 15:00. We will issue an Active Notification System (ANS) message to all NTS Users indicating a revised OCF at applicable NTS exit points, giving at least four hours' notice before the constraint is effective.

To avoid any potential overrun charges, NTS exit Users and Distribution Network Operators (DNOs) are encouraged to revise any nominations (and therefore flows) accordingly if there is any change in their net scaled Off-peak Exit Capacity entitlements for the Gas Day and NTS exit point that the constraint action was initiated for.

After the Off-peak Capacity scaleback, if a change in pipeline network conditions resolves the NTS exit constraint, previously scaled back Off-peak Capacity may be partially or fully restored. In this situation, we will issue another ANS message detailing the OCF change.

Offtake Flow Reductions

If there is a forecast NTS exit constraint, we may ask offtake Users and DNOs to reduce demand for a set period of time. We will do this by requesting offers for an Offtake Flow Reduction (OFR) at the affected NTS exit points in the NTS exit zones.

We will start by issuing an ANS message. This will notify Users and DNOs that we need NTS exit Users in specific NTS exit zone(s) to reduce offtake flows for a period of time within a Gas Day. If they want to, exit Users and DNOs in the affected NTS exit zones can make us an offer to reduce their flows. We will then assess OFR offers and allocate them in relation to the NTS exit constraint risk that is being managed. We will accept offers in line with the System Management Principles Statement (SMPS). Before accepting any offer(s), we will assess all the offers based on cost and the geographic location of the NTS exit point.

Once an OFR offer has been accepted and allocated, the accepted party must send a revised Offtake Profile Notification that reflects the quantity we have accepted. This must be sent at least 30 minutes before the start of the reduction period.

Capacity Processes at Interconnection Points (IPs)

Introduction

EU code on Capacity Allocation Mechanisms (CAM) came into effect on 1 November 2015. Capacity processes used at EU Interconnection Points (IPs) are standardised for Entry and Exit Capacity. We offer capacity for IPs on the PRISMA joint capacity booking platform (see further detail in the PRISMA section below). The frequency and timings of capacity auctions are outlined in the ENTSOG auction calendar, which is updated annually. Capacity allocations made on PRISMA are reflected on Gemini. IP capacity cannot be booked directly on Gemini but instead must be booked through PRISMA.

Relevant Interconnection Points for Great Britain

The relevant Entry and Exit points where EU CAM rules are applied are listed in Table 4 below. The locations specified are referred to as 'Network Points' on the PRISMA joint capacity booking platform. At each Network Point, capacity is offered as either bundled (with the adjacent Transmission System Operator (TSO)) or unbundled (offered solely at the Entry or Exit point), this is explained in detail in the section below.

Entry / Exit	Location	Notes	Name on PRISMA	Adjacent TSO(s)	Capacity Units
Entry	Bacton IP	Created following Bacton ASEP split	BactonUKEn	BBL, IUK	kWh/h
Entry	Moffat	Virtual entry point	MoffatUKEn	GNI, PTL	kWh/d
Exit	Bacton IP		BactonExitIP	BBL, IUK	kWh/h
Exit	Moffat	-	MoffatUKEx	GNI, PTL	kWh/d

Table 4: Entry and Exit points where EU CAM rules apply

Units

Capacity Units must match between NGG and the adjacent TSO. Table 4 (above) shows the units applied at each IP Location. At Bacton IP, capacity is offered in kWh/h, therefore for Within Day auctions capacity is offered hour by hour throughout the Gas Day in 24 equal amounts. Any unsold volumes do not "rollover" to subsequent hour bars, which means that as the Gas Day progresses, less capacity is available for Users. Capacity sold in kWh/h on PRISMA is converted back to kWh/d when displayed as allocations on Gemini.

Reference conditions

The following common reference conditions apply at each IP:

- Moffat – reference conditions are 15/15
- Bacton IPs – reference conditions are 0/25

Reference conditions relate to the placing of nominations; Gemini includes functionality to make the relevant energy temperature conversions. To avoid incurring overrun charges, Users should ensure that sufficient capacity (whether bundled or unbundled) is booked to cover nominations at IPs.

PRISMA

PRISMA is the joint capacity booking platform for the majority of European Transmission System Operators (TSOs), this includes NGG as the GB Gas TSO. In order to participate in IP auctions and/or to trade IP capacity, Users must first be registered with PRISMA and accede to their General Terms and Conditions.

Users wishing to participate in IP auctions for GB Network Points must also register to use the Gemini platform and in doing so will accede to the terms outlined in the UNC for the transportation of gas in GB.

The process for registering as User on Gemini is managed by Xoserve; this step needs to be completed first in order to obtain an EIC (Energy Identification Code).

Refer to Appendix 1 for useful PRISMA links.

Bundled and Unbundled Capacity

Bundling refers to the automated PRISMA process of matching Firm Capacity offered by adjacent TSOs to enable a User to apply for and be allocated capacity [at both ends of an Interconnector] in a single transaction. Firm Capacity that is not matched between adjacent TSOs is offered as 'unbundled' at either a sole Entry or Exit Network Point.

Interruptible Capacity can only be offered as 'unbundled' at a sole Entry or Exit Network Point.

PRISMA will ensure that the maximum amount of capacity is bundled based on the amount of available capacity notified separately by the adjacent TSO(s). Notification of available Firm capacity is undertaken automatically via interface file exchanges between TSO(s) and PRISMA.

Unbundled capacity is made available in accordance with the auction calendar and the following rules:

- Where there is an existing unbundled transport contract at the other side of the IP, capacity may be offered on an unbundled basis not exceeding the amount and duration of the existing transport contract at the other side.
- If the point above does not apply, extra capacity may be offered for a maximum of one year on a rolling basis.

Harmonisation

CAM code requires TSOs to maximise offering Firm Capacity for bundling with their adjacent TSOs. Each year, adjacent TSOs agree the amount of Firm Capacity that they are making available for bundling through the annual 'harmonisation' process. The amount of Firm Capacity that is offered by a TSO is known as the 'Technical Capacity' for the relevant Entry or Exit Network Point(s).

Technical Capacity

The values that we use for Technical Capacity as part of the annual harmonisation process are derived from our Licence (see Appendix 1: Sources of Additional Information). These are Licence Baseline Entry Capacity and Licence Baseline Exit Capacity.

Table 5 below outlines the amount of Technical Capacity (Firm baseline capacity) for GB IPs as at February 2021. The amount of Firm Capacity offered for bundling with adjacent TSOs at the point of harmonisation will be reduced by any long-term capacity sold and therefore this table should not be

used solely to determine the amount of capacity available at National Gas' Network Points. For current capacity offerings for all IP auctions please visit the PRISMA platform.

Firm Capacity is offered in a cadence of auctions; IP Annual, IP Quarterly, IP Rolling Monthly, IP Day Ahead and IP Within Day; the amount of Firm Capacity offered decreases as capacity is sold in each preceding auction (beginning with the IP Annual auction).

Entry / Exit	Location/ Network Point	Name on PRISMA	Adjacent TSO(s)	Technical Capacity (Baseline)	Capacity Units
Entry	Bacton IP	BactonUKEn	BBL, IUK	1297.8	GWh/d
Entry	Moffat	MoffatUKEn	GNI, PTL	0	GWh/d
Exit	Bacton IP	BactonExitIP	IUK, BBL	623.58	GWh/d
Exit	Moffat	MoffatUKEx	GNI, PTL	433.4	GWh/d

Table 5: Technical Capacity for GB IPs

Capacity Conversion (Voluntary Bundling)

Where a User holds unbundled capacity on both sides of an IP, they can request to bundle this capacity. This is known as the Capacity Conversion process. A request to voluntarily bundle capacity must be submitted within three working days following closure of any IP long-term auction (IP Annual, IP Quarterly or IP Rolling Monthly). Users who wish to undertake voluntary bundling of unbundled capacity should contact the NTS Capacity Team via email.

Release of Additional IP Capacity

We may release additional Firm Capacity above the Technical Capacity offered at an IP. As the Technical Capacity offered is linked to our Licence obligations (Licence Baseline Entry and Licence Baseline Exit Capacity), this additional capacity release would be considered 'non-obligated' and is therefore released on a discretionary basis. Any additional Firm Capacity would be offered on PRISMA as 'Firm'; there is no distinction between 'obligated' and 'non-obligated' for the purposes of PRISMA auctions.

Releasing additional Interruptible Capacity is also considered on a discretionary basis.

CAM Capacity Auctions

Capacity at IPs is sold through auctions that take place simultaneously across Europe in accordance with a harmonised auction calendar published by ENTSOG.

All auctions of primary capacity for IPs take place on PRISMA where auction information (available capacity, prices, bundling info and so on) is also published.

Some interconnectors will physically flow in only one direction. However, commercial flows are possible in the reverse direction, provided that the 'reverse' nominations do not exceed the 'forward' nominations.

Auction Products and Calendar

A summary of PRISMA auctions, timing and frequency can be seen in the table below. The timing and frequency of IP auctions are defined by ENTSOG. The ENTSOG auction calendar is available via this [link](#).

Frequency	Product	Capacity type	No. of products per auction	Algorithm	When / from
Annual	Year	Firm	15	Ascending clock	First Monday in July
Quarterly	Quarter	Firm	4 in Aug 3 in Nov 2 in Feb 1 in May	Ascending clock	First Monday of Aug, Nov, Feb and May
Monthly	Month	Firm	1	Ascending clock	Second Monday of each month
Daily	Day ahead	Firm and Interruptible	1	Uniform price	D-1 15:30 (Firm) D-1 16:30pm (Interruptible)
Hourly	Within day	Firm	1 (balance daily)	Uniform price	From 6pm D-1

Table 6: PRISMA auctions timing and frequency

Ascending Clock Auctions

The Ascending Clock Auction is the auction mechanism for yearly, quarterly and monthly products. The capacity product is published on PRISMA with a reserve price corresponding to the sum of each TSO’s reserve price on each side of the IP.

The price of each bidding round is determined by the price of the previous round, increased by a series of large or small price steps. The price steps are defined at the IP and are set so that an accurate market price can be determined within a reasonable timeframe.

For every round, Users may bid for the given price. A User who is not bidding in one round is excluded from the following rounds.

Clearing Price Determination

At the end of each round, the bids are evaluated according to the available capacity:

- if demand is higher than the available capacity, a new bidding round is opened with an increased price
- if demand is equal to the available capacity, the auction ends
- if demand is lower than the available capacity and it is the first round, the auction ends (if it follows a round where a large price step has been taken but no small price step, a new bidding round is opened with a small price-step increase and these continue until the bids are fully allocated).

Post Auction Allocation

The bids placed in the last bidding round are allocated to the corresponding successful Users. The price for all Users taking part in the auction is the same, namely the clearing price corresponding to the price

of the final bidding round. Allocation data is transferred from PRISMA to Gemini upon completion of each auction via an automated file transfer.

Uniform Price Auctions

The Uniform Price Auction is the auction mechanism for Day Ahead and Within Day products.

There is a single bidding round in which Users bid a price as well as a quantity (up to 10 bids from the same User are treated independently). The total volume of bids from the same User must be less than or equal to the capacity offered in the auction. The bids can be modified or withdrawn up to the close of the relevant bid window. Once the bidding round has closed, no more changes can be made.

New and Expanding Connections

It should be noted that new connections, or expansions of existing connections, can only be applied for via the 'Application to Offer' (A2O) process, which does not form part of this document.

More information regarding this process can be found on our [website](#).

When considering a new connection or the expansion of an existing connection, there are three requirements to complete before gas can flow into, or out of, the NTS:

1. The physical connection to the NTS which must have gained 'operational acceptance'. This includes, but is not limited to, pressure systems safety, meter validation and telemetry sign-off.
2. An operational agreement (NEA, NExA or SCA) detailing the operational terms and conditions for the connection facilities signed by us and the site operation (and in some cases, the Shipper).
3. Before gas starts flowing, Users should check that they have enough NTS Entry or Exit Capacity (using the relevant capacity mechanisms) and the contractual rights to use that capacity.

You can complete a connection to the NTS without previously obtaining capacity but if you take this approach there is a risk that capacity will not be available when you need it.

It is recommended that if you want to make a new connection (or expand an existing connection) you contact us as soon as possible.

We recommend that you contact us at the outset of you developing your connection project. This is because of the potential for major reinforcement works being required and capacity delivered timescales of up to seven years to comply with the Planning Act.

Planning and Advanced Reservation of Capacity Agreement (PARCA)

A PARCA is a bi-lateral commercial contract that allows an applicant to reserve NTS Entry and/or Exit Capacity ahead of when the capacity will be needed. The PARCA arrangements were developed with the industry to facilitate the timely delivery of NTS capacity where a Development Consent Order is required. The PARCA arrangements are supported by the industry and were approved by Ofgem in 2015.

A PARCA is the only means through which NTS capacity, to be provided for through the release of funded incremental capacity, can be applied for and, as such, it serves as an important investment signal that allows us to plan network development economically and efficiently.

As part of the process we will make an offer to the PARCA applicant to reserve the capacity for them underpinned by a PARCA contract. When the PARCA contract is signed by the applicant and us, the applicant becomes a 'PARCA Reservation Party' and the capacity is reserved for that party.

The PARCA provides for the nomination of a Shipper or DNO User to be registered as holding capacity, at the appropriate time, subject to the terms of the PARCA and the UNC. PARCAs can be terminated at any time subject to terms of the PARCA.

Conditional Discount for Avoiding Inefficient Bypass of the NTS (previously known as the Shorthaul Tariff)

Managing inefficient bypass within the charging framework is a means to offer a charging arrangement specifically for directly connected NTS Users located at, or near, Entry Points where construction of a pipeline to bypass the NTS may be a commercially viable option.

In June 2020, National Gas raised UNC 0728 that proposed a new charging product for managing inefficient bypass of the NTS. On 27 April 2021 Ofgem issued a [decision to implement](#) UNC Modification 0728B on 01 October 2021.

This modification introduced a new term 'Conditional NTS Capacity Charge Discounts', which were previously known as **Shorthaul Tariffs**. The modification introduced new eligibility conditions for the product. The Ofgem document provides full details of the modification; the key points are below.

Eligibility

- Shippers must nominate an Eligible Route: Entry Point / Exit Point
- Eligible Entry Points are Beach Terminal, Biomethane Plant, Interconnection Point, LNG Importation Terminal and Onshore Field
- Eligible Exit Points are DC ('Direct Connect') and Interconnector.
- The maximum eligible route distance permitted between the nominated Entry and Exit Points is 28km

Regulation

- The Initial Entry Eligible Quantity is defined as the minimum of four values: Firm Capacity at Entry, Firm Capacity at Exit, Flow at Entry, Flow at Exit; then less any Existing contracts
- The Initial Exit Eligible Quantity is defined as the minimum of four values: Firm Capacity at Entry, Firm Capacity at Exit, Flow at Entry, Flow at Exit
- The discount will be applied to the Transmission Services Capacity Entry and Exit Reserve Price only
- The maximum discount is 90% and reduces as the distance increases, with a collar of 10%
- Interruptible Capacity is not eligible for a discount, only Firm capacity
- For Entry, Capacity acquired via secondary transfers and Existing Contracts under the revised Methodology, whilst ineligible for a discount on the Entry Reserve prices, these can be used to calculate a discount to Exit Reserve Prices.
- For Exit, Capacity acquired via secondary transfers, whilst ineligible for a discount on the Exit Reserve prices, these can be used to calculate a discount to Entry Reserve Prices
- Capacity sold via secondary transfers will also adjust the amount available for discount.
- The nominated route is enduring
- A new route may be nominated provided it is eligible, but Shippers cannot renominate previous routes within the same Gas Year

[Transportation Principal Document](#) Section B, section "9. Conditional NTS Capacity Charge Discount" also provides details of what these charges are.

If you have any further queries, please contact the Charging Team at box.NTSGasCharges@nationalgrid.com

Appendix 1: Sources of Additional Information

Area	Description	Link
ENTSOG auction calendar	Schedule for auctions on the ENTSOG website.	https://www.entsog.eu/capacity-allocation-mechanisms-nc#cam-nc-early-implementation-documents-and-auction-calendar
Gas Capacity Methodology Statements	National Transmission System (NTS) capacity provides the right to flow gas into and offtake gas from the NTS.	https://www.nationalgrid.com/uk/gas-transmission/capacity/capacity-methodology-statements
Gemini	Gemini is one of an integrated suite of systems developed and operated by Xoserve. It is used to manage UK gas transportation systems in accordance with network codes. Shippers, Transporters and other network users access Gemini in order to monitor and manage the commercial balance of the gas transmission system on a daily basis and to obtain the capacity rights needed to flow gas into and out of the NTS.	http://www.xoserve.com/index.php/our-systems/gemini/
NTS Gas Transporter Licence	National Gas' Licence requirements, as detailed by Ofgem.	https://www.ofgem.gov.uk/licences-industry-codes-and-standards/licences/licence-conditions
New Connections to the Gas NTS	Information for Customers who would like to connect (or are in the process of connecting) to the Gas NTS.	https://www.nationalgrid.com/uk/gas-transmission/connections/applying-connection
NTS Transportation Charging Statements	Information on our Charging Statements	https://www.nationalgrid.com/uk/gas-transmission/charging/transmission-system-charges
Office of Gas and Electricity Markets (Ofgem)	Ofgem regulates the companies that run the gas and electricity markets.	https://www.ofgem.gov.uk/

Planning and Advanced Reservation of Capacity Agreement (PARCA).	Developer and / or NTS Users can reserve firm NTS Capacity through the PARCA process	https://www.nationalgrid.com/uk/gas-transmission/connections/reserving-capacity-parca-and-cam
PRISMA	European gas capacity trading platform	https://platform.prisma-capacity.eu/#/start
PRISMA Registration	Register to become a User of the PRISMA platform	https://platform.prisma-capacity.eu/#/register
RIIO	This is our price control; RIIO-1 April 1 2013 to 31 March 2021. RIIO-2 April 1 2021 to 31 March 2026.	https://investors.nationalgrid.com/riio-2
The Gas Act 1986	The Gas Act 1986 underpins all contracts and licence obligations in the UK gas industry (apart from EU legislation).	http://www.legislation.gov.uk/ukpga/1986/44
Uniform Network Code (UNC)	This is the legal and contractual framework for the supply and transportation of gas in the UK.	http://www.gasgovernance.co.uk/UNC
Xoserve	Xoserve delivers transportation transactional services on behalf of all the major gas network transportation companies in Great Britain. It provides one consistent service point for the gas Shipper companies.	http://www.xoserve.com/
Xoserve new customer	Xoserve new customer registration service	https://www.xoserve.com/services/user-administration-services/#

Appendix 2: Glossary

Term	Definition
Aggregate System Entry Point (ASEP)	Point comprising of one or more system entry points at which gas Shippers can buy Entry Capacity.
Distribution Network (DN)	A gas transportation system that delivers gas to industrial, commercial and domestic consumers in a defined geographical boundary. There are currently eight DNs, each consisting of one or more Local Distribution Zones (LDZs). DNs typically operate at lower pressures than the NTS.
Distribution Network Operator (DNO)	DNOs own and operate the Distribution Networks that are supplied by the NTS.
Gas Day	A period of 24 consecutive hours starting at 05:00 on a given calendar day.
Gas Transporter (GT)	Formerly Public Gas Transporters (PGTs), GTs, such as National Gas, are licensed by the Gas and Electricity Markets Authority (GEMA) to transport gas to consumers.
Interconnector	A pipeline transporting gas to another country. The Irish Interconnector transports gas across the Irish Sea to both the Republic of Ireland and Northern Ireland. The Belgian Interconnector transports gas between Bacton and Zeebrugge. The Belgian Interconnector is capable of flowing gas in either direction. The Dutch Interconnector (BBL) transports gas between Balgzand in the Netherlands and Bacton. It is currently capable of flowing only from the Netherlands to the UK.
Interconnection Point (IP)	The point or points at which an Interconnector is connected to the NTS. It comprises either an NTS system entry point and/or an NTS connected system exit point
Local Distribution Zone (LDZ)	A geographic area supplied by one or more NTS offtakes. The LDZs take gas from the high-pressure transmission system for onward distribution at lower pressures.
National Balancing Point (NBP)	An imaginary point on the UK gas supply system through which all gas passes in accounting and balancing terms.
National Transmission System (NTS)	A high-pressure gas transportation system consisting of compressor stations, pipelines, multi-junction sites and offtakes. NTS pipelines transport gas from terminals to NTS offtakes.

Natural gas	Gas consisting of methane and ethane. Occurs naturally in the earth's crust.
NTS offtakes	Sites that directly offtake gas from the NTS, such as large industrial sites and distribution network offtakes.
RIIO-1	RIIO-1 relates to the Ofgem price control period from 1 April 2013 to 31 March 2021.
RIIO-2	RIIO-2 relates to the Ofgem price control period from 1 April 2021 to 31 March 2026.
Shipper	A Shipper is a company that transports gas through our network to gas customers.
Storage facility	Storage sites can be used to meet variations in gas demand, whether within day or seasonal. These sites will often buy gas over the summer while the price is low, and then sell it over the winter while the price and demand are high.
System Operator (SO)	We are the System Operator of the National Transmission System (NTS) and have responsibility to transport gas from NTS supply points to NTS offtakes, subject to operational obligations in relation to safety and system resilience, environmental aspects, and supporting efficient market operation.
Transmission System Operator (TSO)	Operator of a Gas Transmission network under licence issued by the Gas and Electricity Market Authority (GEMA) and regulated by Ofgem.
Uniform Network Code (UNC)	The Uniform Network Code (UNC) forms the basis of the commercial rights and responsibilities of all providers and users of the NTS. It also gives all parties equal access to available transportation services.