Block 1 Outputs – 4 Allocation Methods

Appendix 1 - Proposed GTAC amendments

*Allocation Agreement* means, for any Delivery Point at which neither the DRR nor an OBA applies, an agreement between the Shipper or Shippers using that Delivery Point, the relevant Interconnected Party and First Gas, which complies with the requirements of Schedule Four;

*Approved NQ* means, in respect of a Delivery Point, the amount of a Shipper’s NQ approved by First Gas in the most recent nominations cycle;

*Daily Delivery Quantity* or *DDQ* means the quantity of Gas that a Shipper takes at a Delivery Point on a Day, determined in accordance with section 6;

*Daily Nominated Quantity* or *DNC* means the transmission capacity First Gas makes available under a TSA at a Delivery Point pursuant to Approved NQ;

*Dedicated Delivery Point* means a Delivery Point that is not subject to the DRR;

*Metered Quantity* means the total amount of Gas that flowed through a Delivery Point on a Day or in an Hour as appropriate, as reflected, subject to *section 6.1*, in a DDR and HDR respectively;

*Nominated Quantity* or *NQ* means, in respect of a Day and:

1. a Receipt Point, a Shipper’s notification in OATIS to the Interconnected Party of the quantity of Gas it wishes to be injected into the Transmission System for it or, where the Shipper is the Interconnected Party, the quantity of Gas entered in OATIS that it intends to inject; and
2. a Delivery Point:
3. the amount of DNC; and/or
4. the transmission capacity corresponding to an AHP,

that a Shipper requests First Gas to make available to it;

*GIC Agreement* means an agreement between First Gas and GIC setting out the timings, particulars, and obligations for each Day to give effect to *section 6.12(a)* of the Code which shall, for the avoidance of doubt, require the same after the fact notwithstanding whether *section 6.12(b)* of the Code applies on a particular Day;

*GIC Business Rules* means rules that have had appropriate consultation (including for all amendments) that govern the inputs and outputs relating to the mechanics of the GIC Agreement;

# energy allocations

## Issue with intra-Month Metered Quantity or DDR

* 1. Where a DDR is unavailable by the time DDRs are normally required to be published on OATIS or where the Metered Quantity at a Receipt Point or Dedicated Delivery Point bears little resemblance to the prior Day’s DDR, First Gas shall first liaise with the relevant Shipper or Interconnected Party then estimate and publish a DDR with regard to that information.

## Receipt Quantities under an Operational Balancing Arrangement

* 1. An Interconnected Party that has an ICA at a Receipt Point may elect whether OBA applies at that Receipt Point. Where an OBA applies at a Receipt Point, a Shipper’s Receipt Quantity will be its Approved NQ.

## Receipt Quantities under a Gas Transfer Agreement

* 1. Subject to *section 6.7*, for all Receipt Points where an OBA does not apply, a Shipper’s Receipt Quantity will be calculated by the Gas Transfer Agent in accordance with the relevant GTA.
  2. Under any GTA the aggregate of Receipt Quantities allocated to all Shippers using that Receipt Point must, subject to section 6.1, equal the Metered Quantity of Gas on that Day, provided that the GTA will set out the rules the Gas Transfer Agent will use to determine each Shipper’s allocation.
  3. Each Shipper and First Gas shall ensure that every GTA includes a commitment by the Gas Transfer Agent to notify First Gas via OATIS of each Shipper’s Receipt Quantities within the times published by First Gas on OATIS. First Gas must give Shippers at least 10 Business Days’ notice of any change to those times.
  4. First Gas will be the Gas Transfer Agent for all relevant Receipt Points where an OBA does not apply unless all Shippers agree in writing to appoint a replacement and First Gas considers that the replacement will properly fulfil the Gas Transfer Agent’s role. Any replacement Gas Transfer Agent appointed in accordance with this *section 6.6* will retain that role unless all Shippers and First Gas appoint another replacement in accordance with this *section 6.6*. Any Shipper using a Receipt Point must agree to the Gas Transfer Agent at that Receipt Point.

## Secondary Trading of Gas

* 1. Subject to *section 6.9*, any Shipper, OBA Party or First Gas may buy or sell Gas in the Receipt Zone via a GTA, Gas Market or using any relevant trading functionality provided on OATIS, for any reason, including to manage their respective Running Mismatches.
  2. No Gas transfer or trade, whether completed via a GTA, Gas Market or OATIS will be unwound, or the quantities of Gas transferred or traded changed, due to a Wash-up or any other reason. For the avoidance of doubt, this *section 6.8* does not apply to changes to cash-out quantities pursuant to *section 8.8 and 8.9* that may be changed pursuant to the Wash-up Agreement.
  3. It is the responsibility of the buyer and seller in respect of any Gas trade to ensure that First Gas is notified of that trade (whether via a GTA, Gas Market or OATIS) before Running Mismatches for that Day are calculated.

## Delivery Quantities under an Operational Balancing Arrangement

* 1. An Interconnected Party that has an ICA at a Delivery Point may elect whether OBA applies at a Delivery Point. Where an OBA applies at a Delivery Point, a Shipper’s Daily Delivery Quantity will be its Approved NQ.

## Delivery Quantities under the Downstream Reconciliation Rules

* 1. Subject to *section 6.12*, at each Delivery Point where the DRR apply, each Shipper’s Daily Delivery Quantity will be determined by the Allocation Agent under the DRR which shall include a “special allocation” (at that term is defined in the DRR), where approved by the GIC in accordance with the DRR, that shall replace the “initial allocation” (as that term is defined in the DRR).
  2. First Gas and each Shipper agree that at each Delivery Point where the DRR apply:
     1. each Shipper’s pro-forma Daily Delivery Quantity (which are the final intra-Month daily delivery quantities for each Day) shall be determined in accordance with the GIC Agreement and provided to First Gas and the relevant Shipper each Day in arrears by the GIC or its agent in accordance with the GIC Agreement;
     2. where the pro-forma Daily Delivery Quantities referred to in *section 6.12(a)* are not provided at all or in a timely enough fashion, each Shipper’s pro-forma Daily Delivery Quantity for the previous Day shall, subject to *section 6.1*, be determined by First Gas as soon as practicable thereafter prior to the second to last Intra-Day Cycle on that Day as the quantity of Gas equal to:

Metered Quantity × Approved NQ ÷ Approved NQTOTAL

where Approved NQTOTAL is equal to the Approved NQ for all Shippers at that Delivery Point; and

* + 1. for the avoidance of doubt, any provisional pro-forma Daily Delivery Quantity that may be provided to First Gas and the relevant Shipper each Day in arrears by the GIC or its agent in accordance with the GIC Agreement or otherwise are for information purposes only and shall not be deemed to be the final pro-forma Daily Delivery Quantity or prevent *section 6.12(b)* applying;
    2. the parties shall use reasonable endeavours to comply with the GIC Business Rules that relate to the GIC Agreement; and
    3. First Gas shall use reasonable endeavours to use the outputs of the GIC Business Rules for the purposes of *section 6.12(a)* and any other Code outputs that stem from *section 6.12(a)*.

## Delivery Quantities at a Dedicated Delivery Point

* 1. At each Dedicated Delivery Point (except where an OBA applies) there shall be an Allocation Agreement, irrespective of the number of Shippers using it.
  2. Where a Dedicated Delivery Point is used by:
     1. only one Shipper, First Gas (or, if agreed by First Gas and the relevant Interconnected Party, that Interconnected Party) will be the Allocation Agent and that Shipper’s Daily Delivery Quantity and Hourly Delivery Quantity will, subject to *section 6.1,* be the respective Metered Quantity; and
     2. more than one Shipper, each Shipper’s Daily Delivery Quantity and Hourly Delivery Quantity will, subject to *section 6.1*, be the respective quantities determined by the Allocation Agent appointed under the Allocation Agreement.
  3. At any Delivery Point where an Allocation Agreement applies, each Shipper using that Delivery Point shall ensure that:
     1. it remains a party to an Allocation Agreement which sets out the allocation methodology acceptable to the Interconnected Party and relevant Shippers;
     2. it ceases to be a party to an Allocation Agreement when it no longer has a contract for Gas supply downstream of the Dedicated Delivery Point;
     3. subject to *section 6.19*, it allows a new Shipper to become a party to the Allocation Agreement, without frustrating or delaying that process, where that new Shipper has a contract for Gas supply downstream of the Dedicated Delivery Point; and
     4. the Allocation Agreement requires the Allocation Agent to notify First Gas via OATIS of each Shipper’s Daily Delivery Quantity and Hourly Delivery Quantity within the times published by First Gas on OATIS.

## Delivery Quantities under Supplementary and Interruptible Agreements

* 1. If First Gas enters into a Supplementary Agreement or Interruptible Agreement in respect of an End-user supplied via a Distribution Network, it will advise the Allocation Agent under the DRR of that agreement and its commencement and termination date.
  2. Daily Delivery Quantities under any Supplementary Agreement, Existing Supplementary Agreement or Interruptible Agreement shall be the quantities determined by or notified to First Gas pursuant to *sections 6.11 through 6.14*.

## Finality of Allocation Results and Energy Quantities

* 1. First Gas shall be entitled to rely on the Allocation Result, and the determination of any Receipt Quantity or Daily Delivery Quantity, and, subject to *section 5.9, 6.1* and any Wash-ups, shall not be obliged to check or correct any of these apart from those that have been calculated or influenced by it.

## End-user Right to Multiple Shippers

* 1. Each Shipper acknowledges and agrees that an End-user at any Dedicated Delivery Point has the right, subject to the terms of any existing Gas supply agreement it may have, to buy Gas from more than one Shipper and to determine when, and how much Gas it buys from each Shipper.

## Title to Gas and Risk

* 1. First Gas and each Shipper and Interconnected Party warrant that it shall have good title to all Gas that:
     1. it injects, or which is injected on its behalf, at a Receipt Point;
     2. it takes, or is deemed to take, at a Delivery Point; and/or
     3. it sells or transfers to another Shipper or Interconnected Party or First Gas in accordance with this Code,

free of any lien, charge, encumbrance or adverse claim (as to title or otherwise) and, where it acts as an agent for another person in respect of any of the activities referred to in this *section 6.21*, that person warrants the same.

# schedule four: requirements of allocation agreements

1. **Definitions**

In this Schedule Four:

*Inputs* means the data required to perform the calculations required by the allocation rule or rules (“Allocation Rules”) specified by the Allocation Agreement; and

*Outputs* means DDRs and HDRs corresponding to each Shipper’s Daily and Hourly Delivery Quantities (respectively).

1. **General Requirements**
   1. An Allocation Agreement must:
      1. be in writing, executed by First Gas, the relevant Interconnected Party and all Shippers (including where there may be only one Shipper at a particular point in time) at the relevant Dedicated Delivery Point;
      2. provide for the appointment of the Allocation Agent at the relevant Dedicated Delivery Point, who shall be:
         1. where there is only one Shipper, First Gas (or, if agreed by First Gas and the relevant Interconnected Party, that Interconnected Party); or
         2. where there are two or more Shippers, one of those Shippers or First Gas, as agreed by those Shippers, First Gas and the relevant Interconnected Party; or
         3. in the absence of such agreement, a person appointed by the relevant Interconnected Party and approved by First Gas,

provided that such person must be qualified and equipped to undertake that role;

* + 1. define the Inputs required by the Allocation Agent and who is to provide them;
    2. set out unambiguous Allocation Rules for determining the Outputs at the relevant Dedicated Delivery Point (and such Allocation Rules must not be circular in nature);
    3. ensure that the Allocation Agent provides the Outputs to Shippers and First Gas in accordance with the times published by First Gas on OATIS which shall be sufficient to use as inputs into other daily processes; and
    4. ensure that the Allocation Agent provides corrections to the Outputs in (e) above when there are any changes to any of the Inputs.
  1. An Allocation Agreement shall ensure that aggregate Outputs on any Day or in any Hour equal (respectively) the Metered Quantity for that Day or Hour (such that all the Metered Quantity is allocated).

1. **Specific Requirements**
   1. An Allocation Agreement must:

* + 1. specify:
       1. which Allocation Rule(s) are available under the Allocation Agreement, which are to be selected from those set out on OATIS (or, if not listed on OATIS, may be agreed by the parties to the Allocation Agreement provided they are not circular in nature and do not adversely affect any other user of the Transmission System or First Gas);
       2. which Allocation Rule is to apply with effect from the commencement date of the Allocation Agreement;
       3. that the Allocation Rule applied by the Allocation Agent from time to time is to be determined by the relevant Interconnected Party giving notice to the Allocation Agent;
       4. that the Interconnected Party will provide not less than ten Business Days’ notice to all parties to the Allocation Agreement and First Gas if the applicable Allocation Rule is to be changed (including where due to a change in the Shippers using the relevant Dedicated Delivery Point); and
       5. that different Allocation Rules will not apply in respect of the same Day without good reason;
    2. where the Allocation Rules involve the use of Shippers’ nominated delivery quantities, enable the Outputs to be determined irrespective of whether the total of Shippers’ nominated delivery quantities equal the Metered Quantity for (as the case may be) any Day or any Hour;
    3. set out default rules to be applied by the Allocation Agent where:
       1. the Inputs are not provided or received in full and within the required times or if they contain any deficiency;
       2. the Inputs cannot be calculated for any reason other than a Force Majeure Event;
       3. the Outputs cannot be calculated for any reason other than a Force Majeure Event;
       4. there is a dispute between any parties to the Allocation Agreement as to the Inputs, Outputs or the interpretation of the Allocation Agreement or Allocation Rules, which ensure that:

A the Outputs shall be determined in accordance with the timing referred to in *section 6.14(b)* of the Code; and

B First Gas (as the owner and operator of the Transmission System) is not required to be involved in the dispute unless it is party to the Allocation Agreement; and

* + 1. set out “Fall-Back Allocation Rules” which the Allocation Agent shall apply if a default rule referred to in *paragraph 3.1(b)* fails, to determine each Shipper’s Outputs.