



Rules for Gas Distribution

(Version 2.0)

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Non-binding translation

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1. INTRODUCTION AND BASIS OF THE AGREEMENT

The Rules for Gas Distribution is a set of rules which together with the Gas Supplier Agreement governs the Gas Supplier's cooperation with the Distribution Company regarding the Gas Supplier's supply of natural gas and the Distribution Company's transport of natural gas through the Distribution System to the Consumers, including:

- a) communication between the Gas Supplier and the Distribution Company;
- b) Change of Supplier;
- c) invoicing of Consumers; and
- d) Consumers' access to and use of the Distribution System.

Moreover, the Rules for Gas Distribution govern how the natural gas consumption is made up and divided between Gas Suppliers and Shippers for settlement purposes.

The Rules for Gas Distribution have been prepared by the Distribution Companies in cooperation with the Transmission System Operator. The rules apply for all Distribution Areas.

The Rules for Gas Distribution should be seen in the context of the Transmission System Operator's Rules for Gas Transport, which contains additional conditions for the Gas Supplier to be allowed to supply natural gas in the Distribution Areas and for the Player Relationships between the Gas Suppliers and the Shippers in the Transmission System.

In order to be allowed to supply gas in a Distribution Area the Gas Supplier must comply with the following conditions:

- a) the Gas Supplier must have entered into a Gas Supplier Framework Agreement with the Transmission System Operator and must be registered as a Gas Supplier in the Register of Players;
- b) the Gas Supplier must have entered into a Gas Supplier Agreement with the relevant Distribution Company and must have registered in and received approval of a Player Relationship for the Consumer Portfolio in question from the Register of Players (the Consumer Portfolio must have "approved" status in the Register of Players); and
- c) the Gas Supplier's IT system must be tested and approved for EDI communication.

In addition to the Rules for Gas Distribution and the Rules for Gas Transport the following rules and guidelines are relevant for Gas Suppliers in the Danish natural gas market:

- a) guide to the register of players (describes how Gas Suppliers, Shippers and storage customers are registered in the Register of Players, and how the Register of Players is updated regularly);
- b) Business scenarios for EDI communication in the gas market, complete with appendices;
- c) Control Manuals;

- d) the Distribution Conditions of the respective Distribution Companies, which constitute the overall terms and conditions for Consumer access to the Distribution System, and which for some Consumers are supplemented by special conditions; and
- e) to the extent that the Gas Supplier requires or will require storage capacity, the respective storage companies' rules for gas storage (contain the conditions for access to the storage facilities and for the use of the additional services offered by the storage companies).

The above-mentioned rules and guidelines, or links to these, can be found on the Distribution Companies' websites.

2. DEFINITIONS

Unless otherwise evident from the context the following words must have the following meanings in the Rules for Gas Distribution when beginning with a capital letter. This applies regardless of whether the words are used in singular or plural, respectively, in the definite or indefinite forms, unless otherwise evident from the context.

Players are the relevant Shippers, storage customers and Gas Suppliers as well as the Transmission System Operator, Distribution Companies and storage companies.

Register of Players is a register in which all Players must be registered. The purpose of the Register of Players is to ensure uniform and specific registration of all Players and their mutual relationships. This register constitutes the basis for communication and distribution of consumption of natural gas between the Players. The Transmission System Operator is responsible for operation and development of the Register of Players in accordance with the Rules for Gas Transport.

Player Relationship is the commercial relationship between a Shipper and a Gas Supplier's Consumer Portfolio and means that in the Transmission System the Shipper is presumed to transport natural gas to the Consumer Portfolio in question and is allocated natural gas on the basis of the consumption in the Consumer Portfolio. The Player Relationship must be reported by both the Shipper and the Gas Supplier to the Transmission System Operator and must be registered in the Register of Players.

Market Share Quotient is defined in Appendix 1, item 2.

Other Communication is written communication in the form of letters, faxes or e-mails.

Business Day is any day from Monday to Friday, except holidays etc., included in the list of holidays which can be found on the Distribution Company's website.

BNG Metering Point is the point where the supply of bio natural gas for the Distribution System is measured.

Distribution Conditions are the general conditions of the Distribution Company for the Consumer's access to the Distribution System, which can be found on the Distribution Company's website. For some Consumers, the Distribution Conditions are supplemented by special terms and conditions.

Distribution System is the local or regional natural gas distribution network owned and operated by the Distribution Company.

Distribution Area is one of the following areas:

- a) HMN Vest, which is the area in central and northern Jutland in which HMN Naturgas I/S is authorised to carry out natural gas distribution;
- b) DONG Vest, which is the area west of the Great Belt in which DONG Gas Distribution A/S is authorised to carry out natural gas distribution;
- c) DONG Øst, which is the area east of the Great Belt in which DONG Gas Distribution A/S is authorised to carry out natural gas distribution;
- d) Fyn, which is the area in which Naturgas Fyn Distribution A/S is authorised to carry out natural gas distribution;
- e) HMN Øst, which is the area in Greater Copenhagen in which HMN Naturgas I/S is authorised to carry out natural gas distribution; or
- f) AKG, which is the area located in the municipality of Aalborg in which Aalborg Kommune, Gasforsyningen distributes natural gas.

Market Share Value of the Distribution Area is defined in Appendix 1, item 2C.

Distribution Company is any physical or legal person who is authorised to carry out the distribution of natural gas.

EDI-based Communication is communication which complies with the specifications laid down in Business scenarios for EDI communication in the gas market, complete with appendices.

Energy Charges are the taxes and other charges payable on natural gas according to the legislation in force from time to time, including Consolidation Act no. 312 of 1st April 2011 regarding charges on natural gas and city gas, and Consolidation Act no. 321 of 4th April 2011 regarding carbon dioxide charges on certain energy products as subsequently amended.

Relocation is the situation in which the Consumer vacates a specific Metering Site and/or a new Consumer moves to the same Metering Site.

Consumer is a customer who buys and uses natural gas for his/her own consumption. The term Consumer is used for customers, final customers as well as final consumers.

Consumer's Termination of Consumption is when a Consumer takes the initiative to discontinue being supplied with natural gas to a Metering Site.

Consumer Portfolio is all Metering Sites, with which a Gas Supplier supplies natural gas in one Distribution Area.

Consumer Register is the Distribution Company's register containing information about the Consumers and the Metering Sites in the Distribution System. The Consumer Register also lists, which Gas Suppliers supply these Metering Sites.

Consumption Site is one or more Metering Sites in a geographical area owned by one Consumer, as defined in item 5.3.

Distributed Residual Consumption is defined in Appendix 1, item 3.

Business scenarios for EDI communication in the gas market are the currently applicable conditions for EDI-based Communication between the Distribution Company and the Gas Supplier, between the Distribution Companies, and between the Distribution Company and the Transmission System Operator in connection with Changes of Supplier and consumer statements.

Public Supply Obligation Company is a Gas Supplier who in accordance with the Danish Natural Gas Supply Act is responsible for supplying gas to Consumers and potential Consumers in areas designated for natural gas supply in accordance with the Danish Heat Supply Act and to other Consumers who are or will be connected to the Distribution System.

Gas Day is the period commencing as from 6.00 hours on any day and ending at 6.00 hours on the following day. In connection with the transition to summer time in spring and winter time in autumn, the Gas Day consists of 23 hours and 25 hours, respectively.

Gas Supplier is any physical or legal person who supplies Consumers with natural gas.

Gas Supplier Agreement is an agreement between the Distribution Company and the Gas Supplier, by which the Gas Supplier agrees to the Rules for Gas Distribution and which together with Rules for Gas Distribution regulates the rights and obligations of the parties in the cooperation about the Gas Supplier's supply of natural gas to the Consumers in the Distribution Area of the specific Distribution Company and the Distribution Company's transport of the natural gas through the Distribution System to the Consumers.

Market Share Value of the Gas Supplier is defined in Appendix 1, item 2b.

Gas Metering System is the system used for measuring and recording an amount of natural gas/natural gas volumes.

Gas Month is the period commencing on the first Gas Day of a calendar month and ending at the start of the first Gas Day of the following calendar month.

Gas Year is the period commencing on the first Gas Day in a Gas Month one year and ending at the start of the first Gas Day of the same Gas Month the following year.

GLN (Global Location Number) (player number) is the number which each Player must have to ensure clear identification when communicating.

GSRN (Global Service Relation Number) is the number that each Metering Site (metering site number) and each Consumer Portfolio (consumer portfolio number) must have to ensure identification of the Metering Site or the Consumer Portfolio.

Non-Daily Read Metering Site is a Metering Site which is settled between the Players in accordance with the regulations for non-daily metered consumption. More details on when a Metering Site is a Non-Daily Metering Site can be found in item 5.4.

Adjusted Residual Consumption is defined in Appendix 1, item 4.2.

Control Manuals are the manuals prepared jointly by the Danish natural gas companies regarding installation, operation, control and removal of Gas Metering Systems and regarding validation of daily metered consumption. The Control Manuals are available on the Distribution Company's website or in hard copy on request.

Quality Demands are requirements for the quality and composition of the natural gas which appear from the current version of the Danish Gas Regulations (RGM no. 4009 of 16th October 1981).

Change of Supplier means that a Gas Supplier commences supplying a Metering Site and/or stops supplying a Metering Site.

M³ (normal cubic metres) is the amount of natural gas which at a temperature of 0°C and an absolute pressure level of 1.013 bar (excluding water vapours) takes up one cubic metre.

Metering Site is the actual point at which the gas meter is physically located and to which the natural gas is supplied to the Consumer from the Distribution System (place of supply).

Market Share Value of the Metering Site is defined in Appendix 1, item 2.a).

Monthly Read Metering Site is a Non-Daily Read Metering Site where the consumption is read once a month.

Monthly Consumption is the consumption for one Gas Month at a Non-Daily Read Metering Site determined on the basis of metering of the consumption at the end of the Gas Month or on the basis of the Distribution Company's calculation of the consumption for the specific Gas Month.

Net Settlement (registration of consumption) means that a Consumer is subject to registration in accordance with Consolidated Act no. 312 of 1st April 2011 regarding charges on natural gas and city gas as subsequently amended and means that the Consumer pays the Energy Charges on the natural gas to SKAT (the Danish tax authorities).

Transition Point is the point at which the transport of the natural gas through the Transmission System stops at the exit valve/outlet flange located after the specific transport-relevant measuring and regulator station in the Transmission System, and at which the ownership of the natural gas pipeline passes from the Transmission System Operator to the Distribution Company.

Periodised Consumption is defined in Appendix 1, item 4.1.

Gas Supplier Framework Agreement is an agreement between the Transmission System Operator on behalf of all Distribution Companies and the Transmission System Operator on the one side, and on the other side a Gas Supplier. The Gas Supplier Framework Agreement deals with the framework conditions of a physical or legal person operating as a Gas Supplier.

Rules for Gas Distribution is the current version of this document.

Rules for Gas Transport is the current version of the document Rules for Gas Transport, which governs the conditions for Shippers access to the Transmission System.

Residual Consumption is defined in Appendix 1, item 3.1.

Reconciliation is defined in Appendix 1, item 4.1.

Reconciliation Statement is defined in Appendix 1, item 4.1.

Appointed Date is one of the following dates in connection with Relocation:

- a) in case of the vacating Consumer's notification of Relocation, the date when the agreement with the Distribution Company expires as a result of the Consumer's termination of the agreement; the conditions which determine, when the agreement expires, are laid down in the Distribution Conditions;
- b) in case of the incoming Consumer's notification of relocation: the date when the agreement with the Distribution Company takes effect as a result of the Consumer's notice of commencement of residence; or
- c) in case of a notification of relocation by the incoming Consumer's Gas Supplier, the date when the Change of Supplier takes effect in accordance with item 7.2.3. The Appointed Date must be the date on which the incoming Consumer takes over the Metering Site.

Base Data is the following information about a Metering Site:

- a) GSRN (metering site number);
- b) Consumer's name;
- c) address;
- d) whether the Metering Site is read daily or non-daily;
- e) the date on which the Distribution Company has determined that the Consumer must read his/her consumption on the Gas Metering System (date of reading), if the Metering Site is not read daily;
- f) the date from which the Base Data are valid;
- g) whether the Metering Site can receive natural gas from the Distribution System (is connected) or not (is disconnected);
- h) current Gas Supplier;
- i) date of last Change of Supplier; and
- j) expected annual consumption.

Daily Read Gas Metering System is a Gas Metering System with integral remote reading equipment allowing remote reading and transfer of data about the daily consumption of a Metering Site to the Distribution Company.

Daily Read Metering Site is a Metering Site which is settled between the Players in accordance with the regulations for daily read metered consumption. More details about a Daily Read Metering Site can be found in item 5.4.

Transmission System Operator is Energinet.dk SOV (Energinet.dk Gastransmission) who is authorised to transmit natural gas.

Transmission System are other types of natural gas high pressure pipeline systems than the upstream pipeline system owned and/or operated by the Transmission System Operator, including the company's and affiliated companies' ancillary facilities which are necessary in order to provide access to transmission in Denmark.

Shipper is any physical or legal person registered in the Register of Players as a Shipper and who has access to transporting natural gas in the Transmission System in accordance with the Rules for Gas Transport.

Non-validated is when consumption data are preliminary and have not been finally validated by the Distribution Company.

Validated is when consumption data have been finally validated and adjusted, if necessary, by the Distribution Company in regard to settlement.

Annually Read Metering Site is a Non-Daily Read Metering Site where the Consumer reads the consumption once a year.

Annual Consumption is the consumption for one Gas Year at a Non-Daily Read Metering Site determined on the basis of reading of the consumption at the end of the Gas Year or on the basis of the Distribution Company's calculation of the consumption for the specific Gas Year.

3. PLAYERS' TASKS AND THEIR RELATIONSHIP

3.1 The Distribution Company

The Distribution Company owns and runs the Distribution System within the Company's Distribution Area(s) and is responsible for ensuring the transport of natural gas within this area. In this context, the Distribution Company handles the following tasks, among others:

- a) connection of Consumers to the Distribution System;
- b) installation and operation of Gas Metering Systems at the Metering Sites;
- c) recovery of metered consumption data;
- d) preparation of the basis for invoicing the Consumers for transport in the Distribution System and the Gas Supplier's supply of the natural gas and for invoicing between the Transmission System Operator, Shippers and their Gas Suppliers for transport in the Transmission System.
- e) handling of practical matters and administration in connection with a Change of Supplier;
- f) operation of the Consumer Register, including communication of Base Data to the Gas Supplier, and recording of Metering Sites, Consumption Sites and Consumer Portfolios;
- g) invoicing Consumers for transport of the natural gas through the Distribution System, Energy Charges and other services delivered by the Distribution Company;
- h) determination of the conditions for Consumers' use of the Distribution System, as laid down in Distribution Conditions, among others; and
- i) disconnection and reconnection of the supply to the Metering Sites.

As a general rule, the Distribution Company handles all contact to the Consumers as regards distribution issues. The Distribution Company does not handle, however, the contact with the Consumer in connection with:

- a) invoicing of Energy Charges when the Consumer is subject to Net Settlement (registration of consumption); and
- b) invoicing for the use of the Distribution System and Energy Charges when the Gas Supplier has decided to make use of joint invoicing of the Consumer as laid down in item 12.

3.2 The Gas Supplier

The Gas Supplier enters an agreement with the Consumer for the supply of natural gas. The Gas Supplier invoices the Consumer for:

- a) the volume of natural gas delivered;
- b) transport to the Distribution System of the natural gas delivered, including payment for emergency supply; and
- c) storage services.

The Gas Supplier may also choose to invoice the Consumers for their use of the Distribution System and Energy Charges (unless the Consumer is subject to Net Settlement (registration of consumption)) on behalf of the Distribution Company (joint invoicing).

The Gas Supplier is extensively responsible for initiating a Change of Supplier when entering an agreement with the Consumer.

3.3 The Consumer

The individual Consumer is entitled to have natural gas transported through the Distribution System.

The Consumer buys natural gas from the Gas Supplier for his/her own consumption.

The Consumer enters (if possibly assisted by the Gas Supplier) an agreement with the Distribution Company for connection to and use of the Distribution System. The basis of agreement can be found on the website of the Distribution Company.

4. COMMUNICATION

4.1 General information

Communication between the Gas Supplier and the Distribution Company must be in the form of EDI-based Communication to the extent this is stipulated in Business scenarios for EDI communication in the gas market or Other Communication.

If the Gas Supplier is a Public Supply Obligation Company, the Gas Supplier and the Distribution Company may agree to use other forms of communication. However, the Distribution Company may, at proper notice, direct the Public Supply Obligation Company to use EDI-based Communication.

4.2 EDI-based Communication

The requirements for EDI-based Communication in the Danish gas market appear from the currently applicable Business scenarios for EDI communication in the gas market, complete with appendices.

If the Gas Supplier is unable or unwilling to manage systems for EDI-based Communication, the Gas Supplier may ask a third party to undertake the EDI-based Communication on their behalf. Whether a third party or not manages the EDI-based Communication on behalf of the Gas Supplier, the Gas Supplier is responsible for compliance with the terms and conditions of the Rules for Gas Distribution.

Before the Gas Supplier (or a third party on behalf of the Gas Supplier) can use EDI-based Communication, the EDI-based system of the Gas Supplier (or a third party) must have been tested and approved in conformity with the relevant procedures laid down by the Transmission System Operator.

4.3 Other Communication

The Distribution Company and the Gas Supplier must use Other Communication when EDI-based Communication is not laid down in the Business scenarios for EDI communication in the gas market.

The Gas Supplier and the Distribution Company must use Other Communication in emergencies when EDI-based Communication is not technically possible. When the Gas Supplier and the Distribution Company use Other Communication in emergencies, they must follow the emergency rules laid down in the Business scenarios for EDI communication in the gas market.

5. METERING SITE AND METERING

5.1 Metering Site

The Distribution Company allocates a GSRN (metering site number) to each Metering Site when first establishing the Metering Site. The Gas Supplier and the Distribution Company must use the GSRN (metering site number) when exchanging information about a Metering Site. This also applies to Changes of Supplier.

5.2 Two Gas Suppliers for one Metering Site

There can be one Gas Supplier for one Metering Site. Irrespective of this, Consumers with Daily Read Metering Sites can choose to have two Gas Suppliers to the same Metering Site. If a Metering Site has two Gas Suppliers, this will have a range of consequences for the Gas Suppliers, i.e.:

- a) the consumption of natural gas is shared between the two Gas Suppliers according to pre-defined principles; and
- b) the Gas Supplier can only notify a Change of Supplier using Other Communication.

5.3 Consumption Site

The Consumption Site comprises all the Metering Sites located at a property with one land title number.

Irrespective of this, the Consumer may decide that all the Metering Sites at properties with several land title numbers, which constitute an instance of joint boundaries, be to constitute a single Consumption Site. The Distribution Company lays down the criteria for deciding when properties with more land title numbers can be regarded as having joint boundaries. These criteria must be published on the Distribution Company's website.

If one land title number contains several independent leases each with its own Metering Site, each lease and the corresponding Metering Site constitute one Consumption Site.

5.4 Daily Read and Non-Daily Read Metering Sites

A Non-Daily Read Metering Site is a Metering Site which is located at a Consumption Site with a total annual consumption of less than 300,000 M³.

A Daily Read Metering Site is a Metering Site which is located at a Consumption Site with a total annual consumption of more than 300,000 M³.

Under certain circumstances the Distribution Company and the Consumer may request (cf. items 5.5 and 5.6) that Non-Daily Read Metering Sites change to Daily Read Metering Sites despite of their location at a Consumption Site with a total annual consumption of less than 300,000 M³.

Either all Metering Sites at a Consumption Site are read daily or all Metering Sites at a Consumption Site are not read daily.

5.5 Changing from Daily Read Metering Site to Non-Daily Read Metering Site

In the following situations Daily Read Metering Sites must change to non-daily reading:

- a) if the annual consumption of a Consumption Site totals less than 300,000 M³ for a period of two successive Gas Years, the Daily Read Metering Sites at the Consumption Site must change to non-daily reading as soon as possible unless the Consumer and the Distribution Company agree otherwise. The Distribution Company may request that the Consumer bears all expenses involved in the Daily Read Gas Metering System, if the Consumer has agreed to daily reading with the Distribution Company.
- b) if the Distribution Company can make it probable that the annual consumption of a Consumption Site over the following years will be less than 300,000 M³ – despite an annual consumption of more than 300,000 M³ for a period of two successive Gas Years – the Distribution Company can request that the Daily Read Metering Sites at the Consumption Site change to non-daily reading at a minimum notice of two months, unless the Consumer and the Distribution Company agree otherwise. The Distribution Company may request that the Consumer bears all expenses involved the Daily Read Gas Metering System if with the Consumer has agreed to daily reading with the Distribution Company; or
- c) if the annual consumption of a Consumption Site drops permanently to less than 20,000 M³, the Daily Read Metering Sites must change to non-daily reading as soon as possible.

- d) Daily Read Metering Sites must change to non-daily reading as of the first day of a Gas Month.

5.6 Changing from Non-Daily Read Metering Site to Daily Read Metering Site

In the following situations Non-Daily Read Metering Sites must change to daily reading:

- a) if a Consumer can make it probable to the Distribution Company that the annual consumption of a Consumption Site will exceed 20,000 M³ the Consumer can request – despite an annual consumption of less than 300,000 M³ – that the Non-Daily Read Metering Sites at the Consumption Site change to daily reading. This is to take effect with a minimum notice of one month as from the first day of a Gas Month. Prior to this the Consumer and the Distribution Company must enter an agreement to the effect that the Metering Sites are to change to daily reading. The Distribution Company may request payment for this;
- b) if the Distribution Company can make it probable that the annual consumption of a Consumption Site will exceed 20,000 M³ the Distribution Company can request – despite an annual consumption of less than 300,000 M³ – that the Non-Daily Read Metering Sites change to daily reading. The Distribution Company is to bear the costs of the Daily Read Gas Metering System. This will take effect at a minimum notice of two months as from the first day of a Gas Month;
- c) if the annual consumption of a Consumption Site is 300,000 M³ or more for a period of two Gas Years, the Non-Daily Read Metering Sites at the Consumption Site must change to daily reading as soon as possible. The Distribution Company will bear the costs of the Daily Read Gas Metering System; or
- d) if the Distribution Company can make it probable that the annual consumption of a Consumption Site will exceed 300,000 M³ – despite an annual consumption of less than 300,000 M³ for a period of two Gas Years – the Distribution Company can request that the Non-Daily Read Metering Sites at the Consumption Site change to daily reading. This is to take effect with a minimum notice of two months and will only be effective as from the first day of a Gas Month. The Distribution Company bears the costs of the Daily Read Gas Metering System.

6. BASE DATA AND CONSUMER PORTFOLIOS

6.1 Base Data

The Distribution Company records Base Data in the Consumer Register and is responsible for updating the Base Data.

The Distribution Company sends the Base Data to the Gas Supplier which is to commence supplying a Metering Site. This Base Data does not include information about the current Gas Supplier of the Metering Site nor the time of the latest Change of Supplier.

Whenever the Base Data is updated, the Distribution Company sends the updated Base Data to the Gas Supplier of the Metering Site not later than one (1) Business Day after completing the update. In addition to this, the Gas Supplier is entitled to receive Base Data twice a year as a maximum about all of the Metering Sites which, at the time of submitting the request, the Gas Supplier supplies according to the Consumer Register.

If the Gas Supplier receives information which involves changes in Base Data, or finds that Base Data received from the Distribution Company appears to be incorrect, the Gas Supplier must notify the Distribution Company of this not later than five (5) Business Days after having received such information. If the parties disagree about Base Data, the Distribution Company's statement of the Base Data will be deemed to be correct.

A Gas Supplier which has a written authorisation issued by the Consumer may, e.g. when entering into a supply agreement with the Consumer or if the Consumer requests an offer, obtain information from the Distribution Company about the Consumer's consumption for a period of up to two (2) Gas Years prior to the time of making the request, and Base Data, except information about the Gas Supplier of the Metering Site and the time of the latest Change of Supplier.

6.2 Consumer Portfolios

The Gas Supplier has the following Consumer Portfolios in each Distribution Area:

- a) one Consumer Portfolio consisting of the Daily Read Metering Sites, and
- b) one Consumer Portfolio consisting of the Non-Daily Read Metering Sites.

The Transmission System Operator allocates a GSRN (consumer portfolio number) to the Gas Supplier's individual Consumer Portfolios in each Distribution Area when the Gas Supplier is entered in the Register of Players. The Gas Supplier must use the GSRN (consumer portfolio number) when communicating about a Consumer Portfolio, and the Transmission System Operator and the Distribution Company use the GSRN (consumer portfolio number) when making registrations of a Consumer Portfolio in the Register of Players or the Consumer Register.

Consumer Portfolios may have the following statuses in the Register of Players:

“allocated” – this is the status given to the Consumer Portfolio when allocated to the Gas Supplier by the Transmission System Operator, provided that there are no Player Relationships or Metering Sites connected to the Consumer Portfolio.

“approved” – this is the status given to the Consumer Portfolio when the following three requirements are met:

1. The Transmission System Operator has approved a Player Relationship for the Consumer Portfolio;
2. The Gas Supplier has entered a Gas Supplier Agreement with the Distribution Company, to the Distribution Area of which the Consumer Portfolio concerned belongs; and

3. The Gas Supplier's IT system has been approved for EDI-based Communication via tests at www.ediport.dk – the Transmission System Operator's player test portal.

“*active*” – this is the status given to the Consumer Portfolio once the Distribution Company has allocated one or more Metering Sites to the Consumer Portfolio as a consequence of a Change of Supplier and has notified the Transmission System Operator that the Consumer Portfolio is active.

The Distribution Company notifies the Transmission System Operator on a regular basis of active Consumer Portfolios in the Distribution Areas. Changes of the status from approved to active and from active to approved must take place by 13:30 hours on the Gas Day prior to commencement of the gas supply.

7. CHANGE OF SUPPLIER

7.1 General information

A Change of Supplier takes place when:

- a) a Consumer wants to be supplied with natural gas by a new Gas Supplier;
- b) a Gas Supplier no longer wants to supply a Consumer with natural gas;
- c) a Consumer no longer wants to buy natural gas;
- d) a new Metering Site is put into service;
- e) a Consumer moves to or from a Metering Site; and
- f) a Gas Supplier no longer fulfils the conditions of being a Gas Supplier.

A Change of Supplier is effected free of charge for the Consumer who changes his/her Gas Supplier and for the Gas Supplier which requests the Change of Supplier.

There must always be a Gas Supplier connected to an active Metering Site. The Distribution Company is entitled to close down a Metering Site to which no Gas Supplier is linked.

A Change of Supplier is effected for the individual Metering Site based on the GSRN of the Metering Site.

If no Gas Supplier is linked to a Metering Site by a certain date, and no Gas Supplier has given notice of a Change of Supplier of the Metering Site by that date, the Distribution Company must designate the Public Supply Obligation Company in the Distribution Area concerned as the Gas Supplier of the Metering Site concerned, unless the Public Supply Obligation Company opposes this.

To the extent that item 7 does not provide otherwise, the Distribution Company gives notice to the existing Gas Supplier about the consumption at the time of the Change of Supplier not later than on the sixth Business Day of the Gas Month after the Change of Supplier has taken effect for Daily

Read Metering Sites, and for Non-Daily Read Metering Sites not later than on the twentieth Business Day after the Change of Supplier has taken effect. The consumption for Non-Daily Read Metering Sites may be an estimate, if the Consumer has not reported his/her consumption data to the Distribution Company in time.

7.2 The Gas Supplier's commencement of the supply to a Metering Site

The Gas Supplier which is to commence the supply to a Metering Site must request the Distribution Company to carry out a Change of Supplier as soon as possible after entering into the supply agreement with the consumer. The request must be sent not later than on the tenth Business Day before the Gas Day when the Change of Supplier is to take effect.

A necessary prerequisite for the Gas Supplier's request for a Change of Supplier is that an agreement on supplying the Metering Site has been concluded by the Gas Supplier and the Consumer. The Gas Supplier must document the supply agreement concluded at the Distribution Company's request.

The Distribution Company rejects the Gas Supplier's request if:

- a) it has already approved a Change of Supplier for the same Metering Site with the same starting date;
- b) it is evident from the Consumer Register that the Gas Supplier is supplying the Metering Site already;
- c) the Metering Site does not exist;
- d) the Gas Supplier does not fulfil the conditions of being a Gas Supplier; or
- e) the request does not meet the deadline for requesting a Change of Supplier.

The Distribution Company must accept or reject the request not later than two (2) hours after having received the request for a Change of Supplier. If the Distribution Company accepts the request for a Change of Supplier, the Distribution Company must send the Base Data for the Metering Site to the Gas Supplier at the same time.

Not later than one (1) Business Day after the time of accepting the request for a Change of Supplier, the Distribution Company must notify the Consumer of the Change of Supplier, stating the name of the new Gas Supplier and the date on which the latter is to commence supplying the Metering Site. Consumers with Non-Daily Read Metering Sites are also requested to read their meters on the Gas Day from which the existing Gas Supplier is no longer to supply the Metering Site.

The new Gas Supplier may cancel a Change of Supplier accepted by the Distribution Company until the fourth Business Day before the Gas Day when the Change of Supplier is to take effect. The Distribution Company must accept the request for cancellation not later than two (2) hours after receiving such request for cancellation. If a request for a Change of Supplier is cancelled by the new Gas Supplier, the Distribution Company must notify the Consumer, stating that the Change of Supplier has been cancelled and that the existing Gas Supplier will continue to supply the Consumer.

The new Gas Supplier must ensure that the Consumer's right to cancel on-line sales is respected in connection with a Change of Supplier so that the Consumer's right to cancel on-line sales expires before the expiration of the Gas Supplier's cancellation period.

Not later than two (2) hours after the expiration of the cancellation period, the Distribution Company notifies the existing Gas Supplier of the date on which the existing Gas Supplier is to terminate the supply of the Metering Site.

If a request for a Change of Supplier is cancelled by the new Gas Supplier or rejected by the Distribution Company, the Metering Site will continue to be supplied by the existing Gas Supplier, unless the existing Gas Supplier has given notice of termination of supply, cf. item 7.3.

The Gas Supplier cannot present the Distribution Company with claims arising out of a Change of Supplier which has been carried out in compliance with the Rules for Gas Distribution, although such a Change of Supplier may violate the Gas Supplier's supply agreement with the Consumer. Any disputes between the Consumer and the Gas Supplier are of no relevance to the Distribution Company.

7.3 The Gas Supplier's termination of the supply to a Metering Site

7.3.1 General information

The Gas Supplier is entitled to terminate the supply of a Metering Site in the following situations:

- a) the supply agreement with the Consumer is terminated;
- b) the Consumer at the Metering Site is declared bankrupt or reorganisation proceedings against the Consumer are initiated, and the bankruptcy estate does not enter into the supply agreement, or the latter is not continued with the reorganiser's consent; or
- c) the Consumer at the Metering Site otherwise violates the supply agreement with the Gas Supplier.

7.3.2 Termination of supply as a consequence of discontinuation of the supply agreement

The Gas Supplier must notify the Distribution Company of the termination of the supply of a Metering Site if the Gas Supplier's supply agreement with the Consumer expires and the Gas Supplier has not been notified by the Distribution Company that:

- a) the Consumer has selected a new Gas Supplier in compliance with item 7.2;
- b) the Consumer has notified the Distribution Company of the Consumer's Termination of Consumption in compliance with item 7.4; or
- c) the Consumer vacates the Metering Site before the termination of supply in compliance with item 7.6.

The Gas Supplier must inform the Consumer in writing not later than on the twentieth Business Day before the Gas Day when the supply agreement is terminated:

- a) that the supply agreement is terminated and the date of termination;
- b) that on termination of the supply agreement the Public Supply Obligation Company will be allocated as the Consumer's Gas Supplier, unless the Consumer enters into an agreement with a new Gas Supplier; and
- c) the Consumer's deadline for entering into a supply agreement with a new Gas Supplier in the event that the Consumer does not wish to have the Public Supply Obligation Company allocated as his/her Gas Supplier when the supply agreement is terminated.

The Gas Supplier must submit a request for termination of supply for a Metering Site to the Distribution Company not later than on the ninth Business Day before the Gas Day on which the termination of supply is to take effect. The Distribution Company accepts or rejects the request within two (2) hours after having received the request.

If the supply of the Metering Site is not taken over by another Gas Supplier on or before the Gas Day when the termination of supply is to take effect, the Distribution Company notifies the Public Supply Obligation Company so that the latter can prepare to take over the Metering Site, including to reject the takeover. The Public Supply Obligation Company must be notified not later than one (1) Business Day after the Distribution Company's acceptance of the termination of supply.

If no new Gas Supplier is allocated to the Consumer, the Distribution Company is entitled to disconnect the supply of the Consumer's Metering Sites.

7.3.3 Termination of supply in the event of the Consumer's bankruptcy or reorganisation

A Gas Supplier may terminate the supply of a Metering Site if reorganisation proceedings are initiated against the Metering Site's Consumer and the gas supply is not continued with the reorganiser's consent, or if the Metering Site's Consumer is declared bankrupt and the bankruptcy estate does not enter into the supply agreement .

The Gas Supplier must submit a request for termination of supply not later than on the third Business Day before the Gas Day when the termination of supply is to take effect.

At the same time, the Gas Supplier must send documentation of bankruptcy or reorganisation proceedings. The Distribution Company accepts or rejects the request as soon as possible after having received the request.

The Gas Supplier must inform the Consumer of the termination of supply not later than on the Business Day on which the Gas Supplier requests the termination of supply.

The Distribution Company notifies the Public Supply Obligation Company not later than on the 1st Business Day after the Distribution Company's acceptance of the Gas Supplier's request for termina-

tion of supply, so that the Public Supply Obligation Company can prepare to take over the Metering Site, including to reject the takeover.

If no new Gas Supplier is allocated to the Consumer, the Distribution Company is entitled to disconnect the supply of the Consumer's Metering Sites.

In such cases communication takes place using Other Communication.

7.3.4 Termination of supply in case of other violation of the supply agreement

The Gas Supplier must submit a request to the Distribution Company for termination of supply not later than on the ninth Business Day before the Gas Day on which the termination of supply is to take effect.

The Distribution Company accepts or rejects the request within two (2) hours after having received the request.

The Distribution Company notifies the Public Supply Obligation Company not later than one (1) Business Day after the Distribution Company's acceptance of the termination of supply so that the Public Supply Obligation Company can prepare to take over the Metering Site, including to reject the takeover.

The Gas Supplier must inform the Consumer, in writing, of the termination of supply not later than the Business Day on which the Gas Supplier submits the request for the termination of supply. If no new Gas Supplier is allocated to the Consumer, the Distribution Company is entitled to disconnect the supply of the Consumer's Metering Sites.

The provisions on termination of supply in case of other violation of the supply agreement do not apply to the Public Supply Obligation Company as the latter is subject to the Danish Energy Regulatory Authority's regulations regarding reminder procedures and termination of supply. If the Public Supply Obligation Company uses EDI-based Communication, it must allow a request for termination of supply to have immediate effect.

7.3.5 Rejection of the Gas Supplier's termination of supply at a Metering Site

The Distribution Company can reject a request for termination of supply if the request has not been received within the deadlines specified in items 7.3.2–7.3.4, or if the Gas Supplier has not submitted the required documentation in connection with a request in accordance with item 7.3.3.

If the Distribution Company rejects a request for termination of supply, the Gas Supplier continues to supply the Metering Site.

7.4 The Consumer's Termination of Consumption

The Gas Supplier cannot present the Distribution Company with claims arising out of a Consumer's Termination of Consumption which has been realised in compliance with the Rules for Gas Distribution, although such termination of supply may have violated the Gas Supplier's supply agreement with the Consumer. Any disputes between the Consumer and the Gas Supplier are of no relevance to the Distribution Company.

As soon as possible after having received notice of the Consumer's Termination of Consumption the Distribution Company is to notify the existing Gas Supplier about the date of termination of supply is to take effect.

7.5 New Metering Site

When putting a new Metering Site into service, the Gas Supplier selected by the Consumer must request a Change of Supplier not later than on the tenth Business Day before the Gas Day when the Metering Site is to be put into service.

If the Consumer does not personally select a Gas Supplier or the Gas Supplier selected by the Consumer does not meet the deadline for requesting a Change of Supplier, the Distribution Company allocates the Public Supply Obligation Company to the Metering Site as its Gas Supplier.

7.6 Relocation

A Relocation of the Consumer always involves a Change of Supplier because the relationship between the Gas Supplier and the vacating Consumer terminates. The vacating Consumer is to settle his/her natural gas consumption until the Appointed Date with the existing Gas Supplier.

A request for Relocation is initiated by the vacating Consumer, the incoming Consumer or the incoming Consumer's Gas Supplier.

If a vacating or incoming Consumer gives notice of Relocation with retrospective effect, the Distribution Company cannot approve an Appointed Date of Relocation prior to a date approved by the Distribution Company for a Gas Supplier's takeover of the supply in connection with a Change of Supply.

The Distribution Company must cancel a Change of Supply approved by the Distribution Company where the date of the Gas Supplier's takeover of supply is after the Appointed Date of Relocation approved by the Distribution Company not later than one (1) Business Day after receiving the notice of Relocation.

7.6.1 Relocation initiated by the vacating Consumer

A vacating Consumer must give notice of termination of the agreement not later than on the fifth Business Day after the Appointed Date of Relocation.

If the vacating Consumer notifies the Distribution Company of an incoming Consumer, the Distribution Company registers the incoming Consumer as a new Consumer at the Metering Site as of the Appointed Date. The Public Supply Obligation Company in the Distribution Areas takes over the supply as of the Appointed Date, unless the Distribution Company receives a request for a Change of Supplier from the incoming Consumer's Gas Supplier, cf. item 7.6.3. The Distribution Company notifies the Public Supply Obligation Company if the latter is to take over the supply.

If the Distribution Company has no information about the incoming Consumer, the Distribution Company will interrupt the supply to the Metering Site at the Appointed Date, unless the Metering Site is linked to a lease, in which case the owner of the lease is recorded as the incoming Consumer as of the Appointed Date.

The vacating Consumer's Gas Supplier cannot present the Distribution Company with claims arising out of a Relocation which has been realised in compliance with the Rules for Gas Distribution, although such a relocation may have violated the supply agreement between the vacating Consumer's Gas Supplier and the Consumer. Any disputes between the Consumer and the vacating Consumer's Gas Supplier are of no relevance to the Distribution Company.

As soon as possible after having received the vacating Consumer's notice of termination the Distribution Company sends a notice to the vacating Consumer's Gas Supplier, notifying that the supply to the Metering Site is to terminate as of the Appointed Date.

The Distribution Company sends information about the consumption of a vacating Consumer's Non-Daily Read Metering Sites as of the Appointed Date to the vacating Consumer's Gas Supplier as soon as possible, but not later than 20 Business Days after the Appointed Date. If the relocation comprises Daily Read Metering Sites, the Distribution Company sends information about the consumption as of the Appointed Date in compliance with item 10.3.

7.6.2 Relocation initiated by the incoming Consumer

The incoming Consumer must notify the Distribution Company of the Relocation not later than on the fifth Business Day after the Appointed Date of Relocation. If the Distribution Company has not received notice of termination from the vacating Consumer, the Distribution Company will consider the incoming Consumer's notice of relocation as the vacating Consumer's notice of termination.

The Public Supply Obligation Company in the Distribution Areas takes over the supply as of the Appointed Date, unless the Distribution Company has received notice of a Change of Supplier from the incoming Consumer's Gas Supplier in compliance with the regulations for relocation initiated by the incoming Consumer's Gas Supplier, cf. item 7.6.3. The Distribution Company notifies the Public Supply Utility if the latter is to take over the supply.

The vacating Consumer's Gas Supplier cannot present the Distribution Company with claims arising out of a Relocation, which has been realised in compliance with the Rules for Gas Distribution, although such a Relocation may violate the supply agreement between the vacating Consumer's Gas

Supplier and the Consumer. Any disputes between the Consumer and the vacating Consumer's Gas Supplier are of no relevance to the Distribution Company.

If the vacating Consumer's Gas Supplier has not been notified in compliance with items 7.6.1 or 7.6.3, the Distribution Company notifies – as soon as possible after having received an incoming Consumer's notice of relocation – the vacating Consumer's Gas Supplier, that the supply to the Metering Site will terminate as on the Appointed Date.

The Distribution Company sends information about the consumption of a vacating Consumer's Non-Daily Read Metering Sites as of the Appointed Date to the vacating Consumer's Gas Supplier as soon as possible, however, not later than 20 Business Days after the Appointed Date. If the Relocation comprises Daily Read Metering Sites, the Distribution Company sends information about the consumption as of the Appointed Date in compliance with item 10.3.

7.6.3 Relocation initiated by the incoming Consumer's Gas Supplier

The Gas Supplier can initiate Relocation on behalf of an incoming Consumer not later than on the third Business Day before the Appointed Date of Relocation. In order to initiate Relocation on behalf of an incoming Consumer, the Gas Supplier must notify the Distribution Company of the incoming Consumer's name and contact address and the Appointed Date of the Relocation. With this notice the Gas Supplier also requests a Change of Supplier.

If the vacating Consumer's Gas Supplier has not been notified in compliance with items 7.6.1 or 7.6.2, the Distribution Company sends – as soon as possible after having received the request for a Change of Supplier – a notice to the vacating Consumer's Gas Supplier stating that the supply to the Metering Site will terminate as of the Appointed Date.

The Distribution Company sends information about the consumption of a vacating Consumer's Non-Daily Read Metering Sites as of the Appointed Date to the vacating Consumer's Gas Supplier as soon as possible, but not later than 20 Business Days after the Appointed Date. If the Relocation comprises Daily Read Metering Sites, the Distribution Company sends information about the consumption as of the Appointed Date in compliance with item 10.3.

7.7 Gas Supplier's failure to comply with the conditions for Gas Suppliers

If the Gas Supplier fails to comply with the conditions laid down for the Gas Suppliers of a Distribution Area, cf. item 1, the Gas Supplier is no longer entitled to supply the Metering Sites located in the Distribution Area. Consequently, the supply of the Metering Sites so far supplied by the Gas Supplier concerned must be taken over by another Gas Supplier. The Distribution Company is responsible for initiating this process.

The Distribution Company notifies the Consumers of the Metering Sites concerned that the existing Gas Supplier no longer complies with the conditions laid down for Gas Suppliers of the Distribution Areas, stating the date when the existing Gas Supplier terminates its supply. In addition to this the Distribution Company must encourage the Consumers to find another Gas Supplier and also issue a

notice to the effect that if this does not take place, the Public Supply Obligation Company will be allocated as the new Gas Supplier unless the Consumers or the Public Supply Obligation Company opposes this.

The Distribution Company also notifies the Public Supply Obligation Company in order to ensure that the Public Supply Obligation Company will have time to prepare to take over the supply of the Metering Sites concerned, if the Consumers at the Metering Sites do not select a new Gas Supplier on their own or reject the takeover.

If a new Gas Supplier is not allocated to the Consumer, the Distribution Company is entitled to interrupt the supply to the Consumer's Metering Sites.

8. METERING

8.1 The Distribution Company's tasks in relation to metering

The Distribution Company must undertake the following tasks in relation to metering:

- a) to establish, run and maintain the Gas Metering Systems, which measure the natural gas consumption of the individual Metering Site and the quantities of natural gas transferred between two Distribution Areas;
- b) to ensure acquisition, registration and validation of the metered consumption of each Metering Site;
- c) to allocate calorific values to each Metering Site;
- d) to calculate the consumption in the event of missing consumption data; and
- e) to refer the consumption metered without risk of misunderstandings to a Consumer and to the Gas Supplier of each Metering Site.

The Distribution Company must undertake tasks in relation to metering in compliance with the Control Manuals.

The Distribution Company must ensure that consumption values are read or calculated for a Metering Site in the following instances:

- a) fixed periodic reading, cf. items 8.2.1–8.2.3;
- b) at the date when a Change of Supplier takes effect;
- c) at the date when a Metering Site changes from daily reading to non-daily reading;
- d) at the date of interrupting the supply at or changing/scraping a gas supply plant; and
- e) at the date when the Metering Site changes from annual reading to monthly reading.

In the event of errors in a Gas Metering System or errors in the handling of consumption data, the Distribution Company must determine corrected consumption figures.

8.2 Fixed periodic reading

8.2.1 Daily read consumption

Immediately following the expiry of a Gas Day, the Distribution Company collects metering data for the daily consumption of the previous Gas Day for each Daily Read Metering Site.

8.2.2 Monthly read consumption

The Distribution Company collects information about the Monthly Consumption of a Monthly Read Metering Site, either by remote reading or by the Consumer reading the meter and reporting the reading to the Distribution Company, e.g. by the use of a metering card.

If the Distribution Company does not receive the Consumer's report of the reading in time, the Distribution Company will calculate the Monthly Consumption for the Metering Site concerned. The Distribution Company may calculate the Monthly Consumption for up to five successive Gas Months. Following this the Distribution Company must read the meter at the Metering Site.

8.2.3 Annually read consumption

The Distribution Company collects information about the Annual Consumption of an Annually Read Metering Site by the Consumer reading the meter and reporting the reading to the Distribution Company, e.g. by the use of a metering card.

If the Distribution Company does not receive the Consumer's report of the reading in time, the Distribution Company will calculate the Annual Consumption for the Metering Site concerned. The Distribution Company may calculate the Annual Consumption for up to two successive Gas Years. Following this the Distribution Company must read the meter at the Metering Site.

8.2.4 Handling of negative consumption

There cannot be a negative consumption on a Metering Site. If the Distribution Company registers a negative consumption figure as a result of a reading, and the meter reading concerned has been duly Validated, the Distribution Company must adjust previously registered readings, using their best estimate, so that there will be no metering periods with a negative consumption.

8.3 Demands on Gas Metering Systems

If the Distribution Company finds or has probable reason to suspect incorrect metering, the Distribution Company must take the following actions:

- a) for Daily Read Gas Metering Systems: to the extent necessary exchange components and notify the Gas Supplier and the Consumer of the well-founded suspicion not later than five (5) Business Days after the suspicion has arisen; and

- b) for Non-Daily Read Gas Metering Systems: to the extent necessary exchange components as soon as possible however (although if the Distribution Company has issued consumption data for a period including the presumed incorrect metering, this must take place not later than 25 Business Days after the Distribution Company first had a well-founded suspicion) and notify the Gas Supplier and the Consumer of the well-founded suspicion not later than five (5) Business Days after the suspicion has arisen.

If the Gas Supplier has probable cause to suspect incorrect metering, the Gas Supplier must contact the Distribution Company the very day the suspicion first arises. If a Consumer contacts the Gas Supplier suspecting incorrect metering, the Gas Supplier must notify the Distribution Company on the very same day.

The Gas Supplier or the Consumer may ask the Distribution Company to calibrate the Gas Metering System at any point in time. Following such request the Distribution Company must see to it that the calibration is carried out as soon as practically possible. If requested by a party — and it is technically possible — the erroneous metering of the Gas Metering System is determined by calibration by an accredited body. If calibration by an accredited body is not possible, the Distribution Company must use another neutral body for the calibration process. The Distribution Company will notify the Gas Supplier and the Consumer about the result of the calibration, which is binding on all parties. Upon request the Distribution Company will send a copy of the calibration report to the Gas Supplier and the Consumer.

If the calibration determines that the Gas Metering System is in agreement with the Control Manuals, the party who requested the calibration must pay the costs incurred with the calibration and replacement of the Gas Metering System. If the calibration determines that the Gas Metering System makes incorrect metering, the Distribution Company will pay the costs incurred with the calibration and replacement of the Gas Metering System.

8.4 Method for statement of consumption

The Distribution Company calculates and states the natural gas consumption in kWh_ø, which is the amount of heat expressed in kWh generated by combustion of natural gas at the upper calorific value. The upper calorific value is the amount of heat generated by combustion of a cubic metre of natural gas under constant pressure when the natural gas and air used for the combustion have a temperature of 25°C, the combustion products being brought to a temperature of 25°C, and the water produced by the combustion process is present in liquid form. The upper calorific value is stated as kWh_ø/M³ or MJ/M³_ø.

The basis of the Distribution Company and the Gas Supplier for settlement with the Consumers must be the consumption stated in kWh_ø.

The rate of SKAT (the Danish tax authorities) for energy charges are based on a M³ of natural gas with an energy content of 39.6 MJ/M³ = 11 kWh_n/M³ (one settlement cubic metre).

The Distribution Company and the Gas Supplier are obliged to use a fixed conversion factor, currently 12.157 kWh₀/M³, when converting from kWh₀ to settlement cubic metres (the fixed conversion factor is provided by applicable Danish legislation).

9. BASIS OF THE GAS SUPPLIER'S SETTLEMENT WITH THE CONSUMER

The Distribution Company sends consumption data (consumption validated for settlement) to the Gas Supplier to allow the Gas Supplier to invoice its Consumers. Consumption data must be communicated within the following deadlines:

- a) for Daily Read Metering Sites: Validated daily consumption of the previous Gas Month not later than at 16:00 hours on the sixth Business Day of the month;
- b) for Monthly Read Metering Sites: The monthly consumption of the previous Gas Month not later than on the tenth Business Day of the month, if the Distribution Company receives the Consumer's report about the meter reading in time. If the Consumer does not report in time, the Distribution Company will forward a calculated Monthly Consumption not later than on the twentieth Business Day of the month; and
- c) for Annually Read Metering Sites: The Annual Consumption on the twentieth Business Day after the day of the reading, if the Distribution Company receives the Consumer's report about the meter reading in time. The date of the reading is the day determined by Distribution Company for the Consumer to read his/her consumption at the Gas Metering System. If the Distribution Company does not receive the consumption reading in time from the Consumer, the Distribution Company will forward a calculated Annual Consumption to the Gas Supplier when the calculated Annual Consumption has been stated, but not later than 60 Business Days after the date of reading.

The Distribution Company is to send consumption data for the time of changing between daily read and non-daily read consumption not later than on the sixth Business Day of the Gas Month following the change for Daily Read Metering Sites and not later than on the twentieth Business Day following the change for Non-Daily Read Metering Sites. The consumption for Non-Daily Read

Metering Sites may be an estimate, if the Consumer has not reported his/her consumption data to the Distribution Company in time.

The Gas Supplier is to check the consumption data received from the Distribution Company to for any errors and forthwith to notify the Distribution Company when suspecting or verifying errors in consumption data.

Errors in consumption data of a Metering Site are set right by the Distribution Company when found. The Distribution Company notifies the Gas Supplier of the correct consumption as soon as possible.

10. BASIS OF THE SETTLEMENT OF DAILY READ CONSUMPTION BETWEEN PLAYERS

10.1 General information

The Distribution Company is to send consumption data to the Transmission System Operator and the Gas Suppliers, for instance for the purpose of settlement between the Transmission System Operator, Shippers and Gas Suppliers. Settlement between the Players of the daily read consumption is based directly on the daily consumption read for a Daily Read Metering Site.

The Gas Supplier is to check the consumption data received from the Distribution Company to find any errors and forthwith notify the Distribution Company when suspecting or verifying errors in consumption data.

10.2 Daily statement of consumption

Before 11:00 hours of a Gas Day, the Distribution Company must state the following:

- a) to the Gas Supplier: Non-validated Consumption for the preceding Gas Day for each of the Daily Read Metering Sites supplied by the Gas Supplier. If two Gas Suppliers are supplying the same Daily Read Metering Site, the Non-validated Consumption for the Gas Day must be distributed between the Gas Suppliers according to the distribution agreement between the Consumer and the Distribution Company; and
- b) to the Transmission System Operator: For each Gas Supplier, the total amount of Non-validated Consumption for the preceding Gas Day for the Daily Read Metering Sites supplied by the Gas Supplier.

10.3 Monthly statement of consumption

Before 16:00 hours on the sixth Business Day of each Gas Month, the Distribution Company must state the following:

- a) to the Gas Supplier: Validated Consumption for the preceding Gas Month for each of the Daily Read Metering Sites supplied by the Gas Supplier; and
- b) to the Transmission System Operator: The total amount of Validated Consumption for the preceding Gas Month for each of the Daily Read Metering Sites supplied by the Gas Supplier.

10.4 First and second correction statement

The Distribution Company notifies the Gas Supplier of the corrected consumption for a Daily Read Metering Site as soon as possible.

Based on the corrected consumption, if any, of each Daily Read Metering Site or errors in the handling of consumption data for Daily Read Metering Sites, the Distribution Company recalculates the daily read consumption for each Gas Supplier and sends the data to the Transmission System Operator (first correction statement) not later than at 16:00 hours on the tenth Business Day of the fourth Gas Month after the month of consumption.

Based on the corrected consumption, if any, of each Daily Read Metering Site or errors in the handling of consumption data for Daily Read Metering Sites after the first correction statement, the Distribution Company recalculates the daily read consumption for each Gas Supplier and sends the data to the Transmission System Operator (second correction statement) not later than at 16:00 hours on the tenth Business Day of the fifteenth Gas Month after the month of consumption.

11. BASIS OF SETTLEMENT OF NON-DAILY READ CONSUMPTION BETWEEN PLAYERS

11.1 General information

The Distribution Company must send data to the Transmission System Operator and the Gas Suppliers for use for settlement of non-daily read consumption between the Players. The Distribution Company must send the data described in items 11.2 – 11.4.

The process involved in acquiring and calculating the data concerned is specified in Appendix 1.

The Gas Supplier must check the data received from the Distribution Company for errors and forthwith notify the Distribution Company if suspecting or having knowledge of errors in the data submitted.

11.2 Market share value

11.2.1 The Market Share Value of the Metering Site

The Distribution Company updates the Market Share Value of the Metering Site as soon as new data about the consumption of the Non-Daily Read Metering Site is available. Updates must be carried out in the event of:

- a) meter reading:
 - for Annually Read Metering Sites in connection with the regular annual reading;
 - for Monthly Read Metering Sites once a year, for instance in connection with the annual statement of the distribution payment;
 - in connection with Relocation and Change of Supplier;
- b) connection/disconnection of Non-Daily Read Metering Sites;
- c) establishment/cancellation of Non-Daily Read Metering Sites; and
- d) change of the expected annual consumption (the Market Share of a Metering Site) upon request the Consumer.

Immediately after the update the Distribution Company sends the revised Market Share Value of the Metering Site to the Gas Supplier concerned.

11.2.2 The Market Share Value of the Gas Supplier

The Distribution Company regularly updates the Market Share Value of the Gas Supplier based on Changes of Supplier carried out and updated Market Share Values of the Metering Sites.

The Distribution Company sends the Gas Supplier concerned the Gas Supplier's Market Share Value as of the first Gas Day of the month not later than on the first Business Day after the end of the month.

11.2.3 The Market Share Value of the Distribution Area

The Distribution Company regularly updates the Market Share Values of the Distribution Area, including on the basis of the changed Market Share Values of Metering Sites.

The Distribution Company sends all Gas Suppliers, for their information, the Market Share Value of the Distribution Area as of the first Gas Day of the month not later than on the first Business Day after the end of a month.

11.3 Distributed Residual Consumption

11.3.1 Daily statement of consumption

Before 11:00 hours of a Gas Day, the Distribution Company must submit the following:

- a) to the Gas Supplier: The Non-validated Distributed Residual Consumption of the preceding Gas Day for the Gas Supplier concerned; and
- b) to the Transmission System Operator: the Non-validated Distributed Residual Consumption of the preceding Gas Day for each of the Gas Suppliers.

11.3.2 Monthly statement of consumption

Not later than at 16:00 hours on the sixth Business Day of each month, the Distribution Company must submit the following:

- a) to the Gas Supplier: The Distributed Residual (for settlement purposes Validated) Consumption of the preceding Gas Month, stated for each Gas Day of the Gas Month for the Gas Supplier concerned; and
- b) to the Transmission System Operator: The Distributed Residual (for settlement purposes Validated) Consumption of the preceding Gas Month, stated for each Gas Day of the Gas Month for each Gas Supplier.

11.3.3 First and second correction statement

The Distribution Company has acquired information on a regular basis about the corrected consumption of the Transmission System Operator's measuring and regulator stations and BNG Metering Points, of transmission of natural gas between Distribution Areas, of Daily Read Metering Sites and corrections for any data processing errors.

The Distribution Company recalculates the Distributed Residual Consumption not later than at 16:00 hours on the tenth Business Day of the fourth month after the month of consumption and submits the following (first correction statement):

- a) to the Gas Supplier: The Distributed Residual Consumption of the month of consumption stated for each Gas Day of the month of consumption for the Gas Supplier concerned; and
- b) to the Transmission System Operator: The Distributed Residual Consumption of the month of consumption stated for each Gas Day of the month of consumption for each Gas Supplier.

The Distribution Company recalculates the Residual Consumption not later than at 16:00 hours on the tenth Business Day of the fifteenth month after the month of consumption and submits the following (second correction statement):

- a) to the Gas Supplier: The Distributed Residual Consumption of the month of consumption stated for each Gas Day of the month of consumption for the Gas Supplier concerned; and
- b) to the Transmission System Operator: The Distributed Residual Consumption of the month of consumption stated for each Gas Day of the month of consumption for each Gas Supplier.

In the event of corrections of the calorific values validated for settlement stated by the Transmission System Operator, these will be calculated individually by the Transmission System Operator and handled in cooperation with the Distribution Company. This means that generally correction of the calorific values is not included in the first and second correction statements.

11.4 Reconciliation Report and Reconciliation

The Distribution Company must make the Reconciliation Report for the month of consumption not later than on the twelfth Business Day of the fifteenth month after the month of consumption and submit the following:

- a) to the Gas Supplier: The Distributed Residual Consumption stated for each Gas Day of the month of consumption as well as the Periodised Consumption and the Reconciliation Statement for the month of consumption for the Gas Supplier; and
- b) to the Transmission System Operator: The Periodised Consumption and the Reconciliation Statement of the month of consumption stated for each Gas Supplier.

If requested by the Gas Supplier, the Distribution Company must forward free of charge detailed documentation substantiating the Reconciliation Statement issued by the Distribution Company for the Gas Supplier concerned.

The Transmission System Operator carries out the actual Reconciliation vis-à-vis relevant Shippers in the Transmission System.

12. JOINT INVOICING

In conformity with Ministerial Order no. 691 of 1st July 2005 about joint invoicing of natural Gas Suppliers, the Distribution Company must make it possible for the Gas Supplier – on behalf of the Distribution Company – to invoice the Consumers supplied by the Gas Supplier in the Distribution Area for payment for their use of the Distribution System and Energy Charges (unless the Consumer is subject to Net Settlement (consumer registration)).

The Gas Supplier can only issue joint invoices when this has been specifically agreed between the Gas Supplier and the Distribution Company. The Distribution Company must publish the current conditions for joint invoicing at the Distribution Company's website.

A Distribution Company may offer - on non-discriminatory terms – on behalf of a Gas Supplier to invoice the Consumers supplied in the Distribution Area by the Gas Supplier concerned.

13. THE NATURAL GAS

13.1 Natural gas quality

13.1.1 Quality Demands at the Transition Point

The Gas Supplier must supply natural gas to the Consumer at the Transition Point in accordance with the Quality Demands.

Natural gas that does not meet the Quality Demands at the Metering Sites is regarded as failing to meet the Quality Demands at the Transition Point. This will not apply, however, if the Gas Supplier can prove otherwise or if the lack of compliance with the Quality Demands relate to temperature, cleanliness as regards dust or is due to the influence of the pressure conditions on the quality of the natural gas.

If the natural gas delivered to the Consumer at the Transition Point fails to comply with the Quality Demands and the supply cannot be attributed to one or more Gas Suppliers, all Gas Suppliers who supplied gas to the Transition Point concerned at the time in question will be regarded as having delivered natural gas that fails to meet the Quality Demands. A Gas Supplier is considered to have delivered an amount of natural gas at the Transition Point equal to the amount used, in conformity with item 9, as the basis in the Distribution Company's settlement for use of the Distribution System and the Energy Charges at the time concerned in relation to the Consumers supplied by the Gas Supplier in the Distribution System from the Transition Point at the time in question.

The Gas Supplier must notify the Distribution Company without undue delay if the Gas Supplier becomes aware that natural gas delivered or expected to be delivered to the Transition Point does not meet the Quality Demands.

13.1.2 Quality Demands at the Metering Sites

The Distribution Company lays down the requirements to the quality and composition of the natural gas at the Metering Sites in the Distribution Conditions.

13.2 Pressure in the Distribution System

The Gas Supplier and the Consumer can ask the Distribution Company to state, at which pressure the natural gas can be delivered in a specific area.

13.3 Liability, risk and right of disposal

The Shipper delivers the natural gas to the Gas Supplier at the Transition Point (the Shipper and the Gas Supplier may be one and the same person). The Gas Supplier subsequently delivers the natural gas to the Consumer at the same point to allow the Consumer to have the natural gas transported through the Distribution System by the Distribution Company.

The liability and risk plus the right of disposal of the natural gas pass from the Consumer to the Distribution Company at the Transition Point.

The liability and risk plus the right of disposal of the natural gas pass from the Distribution Company to the Consumer at the Transition Point (point of delivery) as laid down in the Distribution Conditions.

14. CONTROL CENTRE

The Distribution Company has a Control Centre manned around the clock which the Consumer or Gas Supplier can contact at any time regarding problems with the supply, such as:

- a) smell of gas;
- b) digging up of a gas pipe;
- c) supply failure; or
- d) disruptions in the supply for instance on account of fluctuating gas quality.

If the Consumer contacts the Gas Supplier regarding problems with the supply, the Gas Supplier must ask the Consumer to contact the Control Centre immediately.

The Distribution Conditions contain detailed provisions regarding disruptions in supply and about the Consumer's obligations in connection with disruptions in supply.

15. DISCONNECTION AND RECONNECTION OF THE SUPPLY

15.1 General information

The Rules for Gas Distribution and the Distribution Conditions specify the regulations and processes applicable to disconnection and reconnection of the supply. This item 15 states the regulations concerning data exchange between the Gas Supplier, the Consumer and the Distribution Company in this respect.

The Distribution Company must notify the Consumer of disconnections and reconnections of the natural gas supply.

15.2 Technical disconnections

If, on account of repair or maintenance activities, safety measures (including safety inspections of the Consumer's gas installations after the Metering Site) or changes of the Distribution System, the Distribution Company is forced to disconnect the supply to a Daily Read Metering Site for more than five hours, the Distribution Company must notify the Gas Supplier of the time and duration of the disconnection not later than five (5) Business Days before the disconnection if the disconnection is planned. If, for instance in the event of digging up a natural gas pipe, the disconnection has not been planned, the Gas Supplier must be notified as soon as possible.

The Gas Supplier need not be informed of technical disconnections of Non-Daily Read Metering Sites or of disconnections of Daily Read Meter Connections of less than five hours' duration.

15.2.1 Reduced capacity

If the Distribution Company declares a situation with temporarily reduced capacity for all or part of the Distribution System, the Distribution Company is entitled to instruct the Consumer on non-discriminatory terms to reduce or interrupt the use of Gas to the extent and for as long as there is a reduced capacity in the Distribution System. The Distribution Company informs the Gas Supplier of the situation as soon as possible.

15.2.2 Other forms of disconnection

In the event of disconnections other than technical disconnections or in the event of reduced capacity, the Distribution Company must notify the Gas Supplier of the Distribution Company's disconnection of the supply to a Metering Site (the connection status of the Metering Site changes to disconnected).

In connection with disconnection of the supply, the Distribution Company must read and calculate the consumption up until the time of disconnection and notify the Gas Supplier not later than five (5) Business Days after the time of disconnection.

15.3 Reconnection of the supply

If the supply has been disconnected or reduced as a result of a technical disconnection or reduced capacity, the Distribution Company reconnects the supply or grants permission to resume use of the natural gas once the Distribution Company estimates that it is safe to do so.

In the event of other forms of disconnection the Distribution Company reconnects the supply as soon as the conditions for this are met as laid down in the Distribution Conditions.

The Distribution Company notifies the Gas Supplier of the time of reconnection as soon as possible by notifying the Gas Supplier that the connection status of the Consumer has been changed to “connected”.

If a new Gas Supplier is to be linked to the Metering Site from the time of reconnection, the new Gas Supplier must request a Change of Supplier. Despite the notice periods for a Change of Supplier provided for in the Rules for Gas Distribution, the Distribution Company must reconnect the supply as soon as possible after ascertaining that a Gas Supplier has entered into a supply agreement with the Consumer and that this Gas Supplier complies with the conditions for operating as a Gas Supplier in the Distribution Area. The Distribution Company registers the Change of Supplier with effect from the time of reconnection.

APPENDIX 1. MARKET SHARE VALUE, RESIDUAL CONSUMPTION, RECINCILIATION STATEMENT AND RECONCILIATION

1. MAIN PRINCIPLES

It is the Distribution Company's responsibility to procure and forward the requisite basis to the Transmission System Operator and the Gas Supplier for use for settlement of the non-daily read consumption between the Players.

Since transport through the Transmission System is settled on a monthly basis based on the quantities transported hour by hour, it is necessary to allocate the non-daily read consumption onto the individual hours of a Gas Month. The majority of the non-daily read consumption is only read once a year. As a result of this the settlements between the Players of the non-daily read consumption cannot be based directly on metering and instead initially must be based on calculated values.

A preliminary basis for settlement of the non-daily read consumption is generally procured in the following manner:

- a) the Distribution Company allocates a Market Share Quotient to each Gas Supplier. The Market Share Quotient is updated on a regular basis, including on the basis of Changes of Supplier carried out, and is fixed for one Gas Day at a time. The Market Share Quotient expresses the share that the individual Gas Supplier has of the current consumption of Non-Daily Read Metering Sites of a Distribution Area;
- b) for each Gas Day, the Distribution Company calculates the total non-daily read consumption of the Distribution Area (the Residual Consumption) as the difference between the net quantity of natural gas supplied to the Distribution Area on the Gas Day and the total quantity of natural gas consumed at the Daily Read Metering Sites in the Distribution Area during the Gas Day;
- c) based on the assumption that the consumption of the individual Non-Daily Read Metering Site is distributed over time according to the same profiles as all of the Residual Consumption, the Distribution Company distributes the Residual Consumption of each Gas Day onto Gas Suppliers (the Distributed Residual Consumption) using the Gas Suppliers' Market Share Quotients. For Monthly Read Metering Sites, however, the consumption read in connection with the first and second correction statements are used; and
- d) the Transmission System Operator and the Gas Suppliers distribute between them the Distributed Residual Consumption of a Gas Day over the hours of the Gas Day using the hour distribution key specified by the Transmission System Operator.

The final settlement basis for the non-daily read consumption of a Gas Month is available when all consumption figures for the Gas Month concerned have been read (or calculated because of the

Consumer's failure to read the meter). Once the total consumption has been read (or calculated), the Distribution Company distributes (divides onto periods) the consumption onto the individual Gas Days. The Distribution Company states for each Gas Supplier the difference (balance) between the

preliminary settlement basis (the Distributed Residual Consumption of a Gas Month after the second correction statement) and the read/calculated settlement basis (the Periodised Consumption). The final settlement basis for the non-daily read consumption between the Players is termed the Reconciliation Statement.

The Distribution Company supplies the Transmission System Operator and the Gas Suppliers with prepared aggregate data for each Gas Supplier for the purpose of intra-Player settlement. A Gas Supplier can request detailed documentation of the aggregate data submitted by the Distribution Company.

Below is a more detailed description of the system of market share values, Residual Consumption, Reconciliation Statement and Reconciliation.

2. MARKET SHARE VALUE AND MARKET SHARE QUOTIENT

There are the following forms of share values:

- a) **The Market Share Value of the Metering Site**, which is the expected annual consumption of natural gas for one Non-Daily Read Metering Site as specified by the Distribution Company.
- b) **The Market Share Value of the Gas Supplier**, which is the sum of the Market Share Value of the Metering Site for the Non-Daily Read Metering Sites which the Gas Supplier supplies in a Distribution Area; and
- c) **The Market Share Value of the Distribution Area**, which is the sum of the Market Share Value of the Metering Site of all the Non-Daily Read Metering Sites in a Distribution Area.

The Distribution Company calculates the Market Share Value of the Metering Site as the registered consumption of natural gas during the preceding year of a Non-Daily Read Metering Site converted to the consumption of a normal degree day year. By *the registered consumption of natural gas during the preceding year* is meant:

- a) for an Annually Read Metering Site: the latest reading of the annual consumption read at the regular annual reading; and
- b) for a Monthly Read Metering Site: the consumption reading of natural gas for a period of one Gas Year (one annual settlement period) read monthly.

This means that the Market Share Value of the Metering Site is used as the basis for a full Gas Year at a time.

Under special circumstances the Distribution Company can use an estimated consumption as the Market Share Value of the Metering Site instead of using the consumption measured. This can take place when the consumption measured is not relevant (for instance for a newly established Metering Site or if a Metering Site has been disconnected for a period).

A Consumer can ask the Distribution Company to change the Market Share Value of the Metering Site if the consumption is expected to differ significantly from previous periods (for instance new owners of a Non-Daily Read Metering Site or following the implementation of energy saving measures).

The Market Share Value of the Metering Site must also be changed if a Non-Daily Read Metering Site changes status (active/not active). If the supply is disconnected without cancelling a Metering Site, the Distribution Company allocates a Market Share Value of the Metering Site of 0. When the Metering Site is reconnected, the Distribution Company allocates a Market Share Value of the Metering Site equivalent to the expected annual consumption of the Metering Site.

If the Distribution Company has a measured internal consumption and if the internal consumption is read at a Non-Daily Read Metering Site, this will be handled in the same way as the other Non-Daily Read Metering Sites in the Distribution Area.

The Market Share Quotient is the Market Share Value of the Gas Supplier divided by the Market Share Value of the Distribution Area.

The Market Share Quotient expresses the share that the individual Gas Supplier has of the current consumption of Non-Daily Read Metering Sites of a Distribution Area and constitutes a key for the distribution of the non-daily read consumption for each Gas Day in a Distribution Area (the Residual Consumption) between several Gas Suppliers. The Distribution Company revises the Market Share Quotient on a daily basis, including on the basis of Changes of Supplier carried out. Hence, for periods of one Gas Day, the Market Share Quotient constitutes the proportional distribution of the Residual Consumption.

When a Change of Supplier is carried out, the market share values of the Gas Suppliers affected (the Market Share Value of the Gas Supplier) and the Market Share Quotients change.

Figure 1 shows how the Market Share Value of the Metering Sites for a Gas Day is distributed according to the Gas Suppliers of a Distribution Area. The figure also shows the resulting Market Share Quotients for the Gas Suppliers.

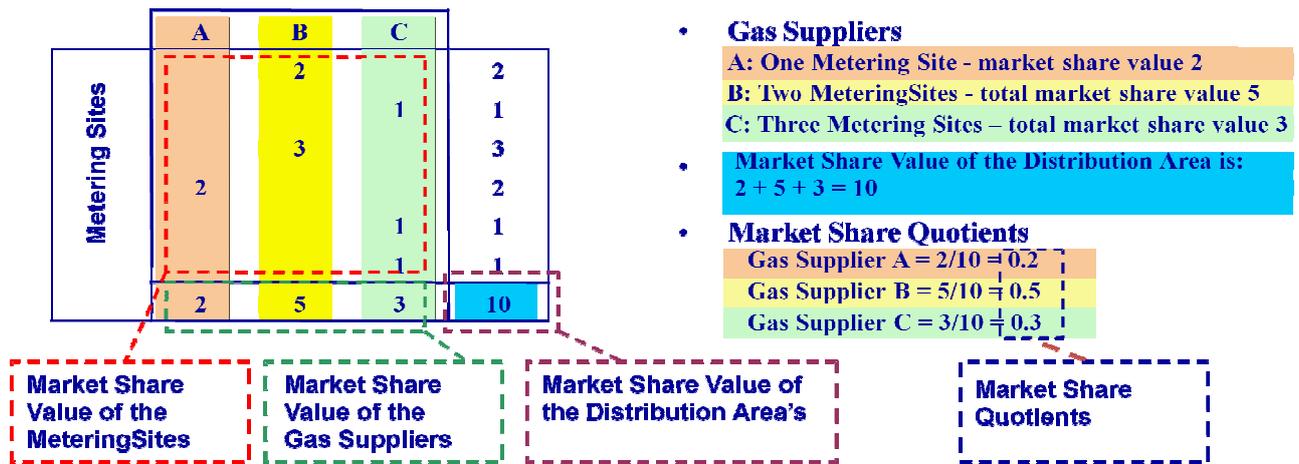


Figure 1: Example with six Metering Sites and three Gas Suppliers (A, B and C)

Figure 2 shows how the Market Share Values of the Gas Suppliers' (and Market Share Quotients) change as a consequence of a Change of Supplier.

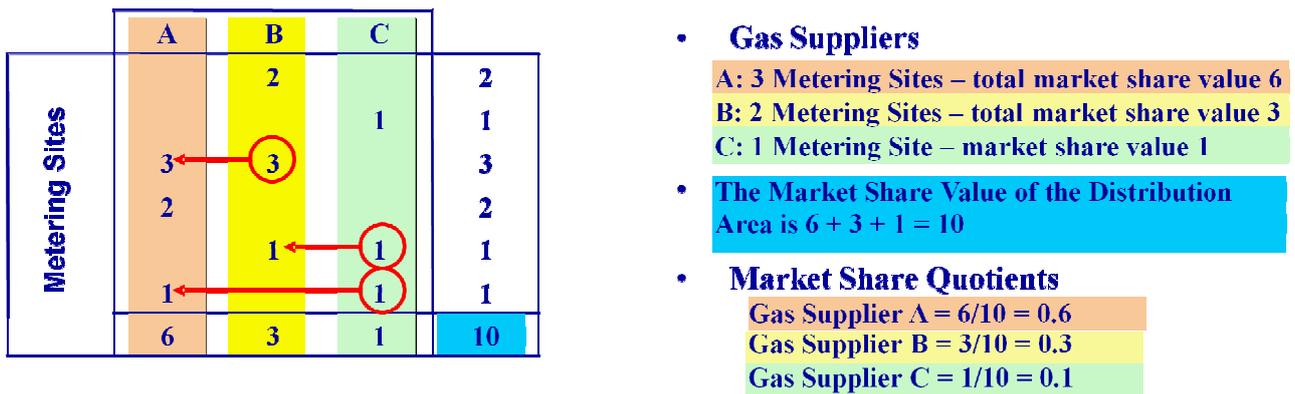


Figure 2: Example of a Change of Supplier for three Metering Sites

The examples assume that the Market Shares Values of the Metering Sites remain unchanged. As can be seen the Market Share Values of the Gas Suppliers change exclusively as a consequence of a Change of Supplier.

The Market Share Value of the Distribution Area only changes if the Market Share Value of the Metering Site changes, or if Metering Sites are established or cancelled in the Distribution Area. For this reason the Market Share Values of the Distribution Area are identical in the two examples.

3. RESIDUAL CONSUMPTION AND DISTRIBUTED RESIDUAL CONSUMPTION (THE PRELIMINARY SETTLEMENT BASIS)

3.1 General information

The **Residual Consumption** is the total consumption of natural gas for all Non-Daily Read Metering Sites in a Distribution Area calculated by the Distribution Company as the difference between

- a) the net quantity of natural gas transmitted to the Distribution Area; and
- b) the total quantity of natural gas consumed by the Daily Read Metering Sites in the Distribution Area.

The quantity of natural gas net transmitted to Distribution Area is stated by the Distribution Company as the sum of

- a) the quantity of natural gas transmitted to the Distribution Area by the Transmission System Operator (this statement is based on hourly metering from the meter and regulator stations in the Transition Points of a Distribution Area);
- b) the quantity of natural gas transmitted to the Distribution Area by the bio natural gas producer (this statement is based on hourly metering from BNG Metering Points); and
- c) the quantities of natural gas exchanged between the Distribution Area and other Distribution Areas.

The Distribution Company calculates the Residual Consumption for each Gas Day, so the Residual Consumption for one Gas Month comprises the Residual Consumption for each Gas Day of the Gas Month.

The Residual Consumption is distributed proportionally between Gas Suppliers in a Distribution Area using the Gas Suppliers' Market Share Quotients. Hence, the Distributed Residual Consumption equals the Residual Consumption times the Market Share Quotient.

The Distribution Company calculates each Gas Supplier's Distributed Residual Consumption for the purpose of intra-Player settlement (submitted to the Transmission System Operator and the Gas Suppliers).

The Gas Supplier and the Transmission System Operator are notified of the Distributed Residual Consumption every day, every month and after the first and second correction statements:

- a) daily before 11:00 hours of a Gas Day: the Distributed Residual Consumption of the preceding Gas Day based on Non-validated metering data;
- b) monthly not later than at 16:00 hours on the sixth Business Day of the month: for the purpose of settlement the Distributed Residual Consumption of the preceding Gas Month stated for each Gas Day of the Gas Month based on Validated metering data; and
- c) not later than at 16:00 hours on the tenth Business Day of the fourth Gas Month following the month of consumption (first correction statement): the recalculated Distributed Residual Consumption of the month of consumption stated for each Gas Day of the month of consumption; and
- d) not later than at 16:00 hours on the tenth Business Day of the fifteenth Gas Month following the month of consumption (second correction statement): the recalculated Distributed Resi-

dual Consumption of the month of consumption stated for each Gas Day of the month of consumption.

In order to be able to handle the Distributed Residual Consumption of the hourly divided regime in the Transmission System, the Distributed Residual Consumption stated of Gas Day must be distributed over the 24 hours of the Gas Day in accordance with a predefined hour distribution key laid down by the Transmission System Operator and published on the Transmission System Operator's website in the form of an Excel spreadsheet. Any changes in the hour distribution key will be effected by direct contact to all active Shippers by the Transmission System Operator at a notice of not less than one Gas Month.

With the hour distribution key all Players in the natural gas market have a predictable tool that can be used to handle the Distributed Residual Consumption of a Gas Day in relation to reservation and payment of capacity in the Transmission System as well as nomination, allocation and balancing of the hourly divided regime of the Transmission System.

The individual Gas Supplier and the Transmission System Operator make their own calculations of the hourly consumption.

3.2 Special information about the first and second correction statements

The Distribution Company recalculates the Distributed Residual Consumption of the Gas Day for each of the Gas Suppliers in connection with the first and second correction statements, because the consumption is corrected on a regular basis on the Transmission System Operator's measuring and regulator stations and BNG Metering Points, on transmission of natural gas between Distribution Areas, on Daily Read Metering Sites and as corrections for any data processing errors.

Unlike the Non-validated and Validated metering data, the periodised consumption readings for the Monthly Read Metering Sites are included in the first and second correction statements.

The consumption readings for the Monthly Read Metering Sites are periodised on the individual Gas Days of the Gas Month using Validated metering data.

In the first and second correction statements, the distributed consumption for the Annually Read Metering Sites is calculated using the Residual Consumption of the Annually Read Metering Sites and the Market Share Quotients of the Annually Read Metering Sites. The Residual Consumption for the Annually Read Metering Sites is the difference between the total Residual Consumption of the Distribution Area and the periodised consumption of all Monthly Read Metering Sites.

4. THE RECONCILIATION STATEMENT AND THE RECONCILIATION (THE FINAL BASIS OF SETTLEMENT)

4.1 General information

The regular settlements in the market of the non-daily read consumption are based on Validated statements of the Distributed Residual Consumption of one Gas Month and the first and second correction statements thereof. In terms of Annually Read Consumption, Residual Consumption constitutes only a calculated and preliminary statement of the consumption.

When a year of metering has passed, and the Annually Read Metering Sites have been read, it will be evident that some Metering Sites have consumed more than expected, others less.

If there has been a more than average increase in consumption at a Gas Supplier's Annually Read Metering Sites (the Market Share Value of the Gas Supplier has been too small), the Gas Supplier has added too small a share of the Residual Consumption (the Distributed Residual Consumption for the Gas Supplier has been too small), and the Gas Supplier has accumulated a negative energy balance.

If, conversely, there has been a more than average reduction of consumption at a Gas Supplier's Annually Read Metering Sites in the Distribution Area (the Market Share Value of the Gas Supplier has been too large), the Gas Supplier has added too large a share of the Residual Consumption (the Distributed Residual Consumption for the Gas Supplier has been too large), and the Gas Supplier has accumulated a positive energy balance.

The Reconciliation Statement is the statement for each Gas Supplier of each Distribution Area of such accumulated positive and negative energy balances that arise as the difference between the Distributed Residual Consumption of a Gas Month stated in the second correction statement and the Periodised Consumption of the same Gas Month. The Reconciliation Statement is made by the Distribution Company for the Gas Months one by one.

By **Periodised Consumption** is meant the Monthly Consumption and the Annual Consumption (where the Annual Consumption based on readings of the Metering Site has been divided onto the Gas Months in compliance with item 4.2) of the Non-Daily Read Metering Sites that a Gas Supplier has supplied for one Gas Month of one Distribution Area.

The Reconciliation is settlement of the monthly positive or negative energy balances that arise in connection with the Reconciliation Statement and made by the Transmission System Company based on data from the Distribution Company about the Reconciliation Statement.

A Reconciliation that has been effected is not corrected. If it is found after the Reconciliation has been effected that the settlement is erroneous, such errors will be settled bilaterally between the Gas Supplier and the Distribution Company. Procedures for this will be developed later.

4.2 Periodising the read consumption at a Metering Site

The read consumption of a Metering Site is periodised onto periods as follows:

- for Monthly Read Metering Sites the read consumption Gas Month by Gas Month; and
- for Annually Read Metering Sites the read annual consumption allocated onto Gas Months (periods) in the annual reading period with the Adjusted Residual Consumption as the periodisation key.

The **Adjusted Residual Consumption** is the difference between

- the total Residual Consumption validated for settlement in the Distribution Area of one Gas Month before the first and second correction statements; and
- the total Monthly Consumption of all Monthly Read Metering Sites in the Distribution Area for the same Gas Month.

Consequently, the Adjusted Residual Consumption is based on the consumption data valid for settlement, and hence the Adjusted Residual Consumption (and with this the periodisation key for the annually read consumption) does not change in connection with the first and second correction statements.

The Adjusted Residual Consumption is stated by the Distribution Company as a single figure for the full Gas Month. When it is necessary to allocate meter readings to periods outside the normal deadlines for the readings, the Adjusted Residual Consumption can be allocated over the individual Gas Days of the Gas Month using the Residual Consumption validated for settlement and stated for each Gas Day (before the first and second correction statement) as the periodisation key.

Since some of the Distribution Companies operate according to a consecutive meter reading procedure, that is that the Annually Read Metering Sites are read at various dates during the year, it is not possible to carry out the Reconciliation until the total consumption of a Gas Month has been read and periodised. As an example this means that the Reconciliation for the Gas Month of January 2004 cannot be carried out until all meter groups have been read annually and their consumption have been periodised. As a result of this the annual reading as of 1 January 2005 must have been completed before it is possible to settle the balance for the Gas Month of January 2004.

The periodic basis of an Annually Read Metering Site is illustrated in figure 3.

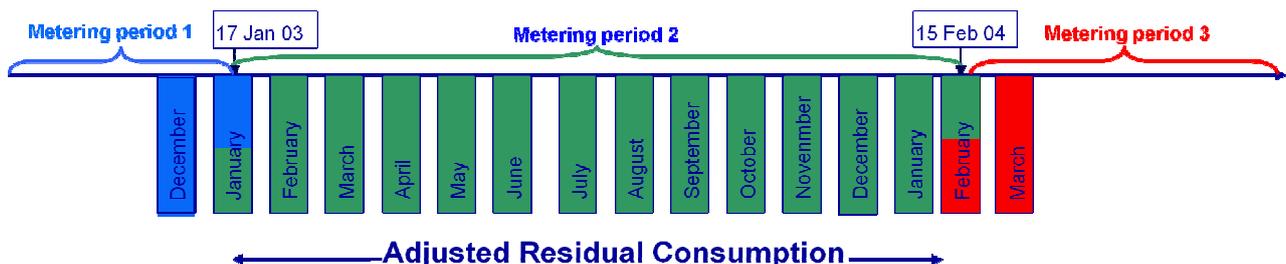


Figure 3: Periodised Consumption – periodic basis

Once the annual reading has been carried out, the stated consumption, corrected for calorific value and validated for settlement, of the Annually Read Metering Sites (the Annual Consumption) is periodised using the Adjusted Residual Consumption as the periodisation key.

In this example the Consumer makes readings highly out of match with the fixed deadline for the reading (which in this example is 1st February of each year). The deadlines of the two readings that determine the consumption for the second metering period are 17th January 2003 and 15th February 2004.

When calculating the periodised consumption of metering period 2, the calculation must allow for the readings that are out of match, and the periodisation shall be based on the following:

- a) the total Adjusted Residual Consumption during the period 17th January 2003 to 15th February 2004 is included in the periodisation key (makes up 100%);
- b) the relative Adjusted Residual Consumption is calculated for each Gas Month as the Adjusted Residual Consumption of the Gas Month in percentages of all Adjusted Residual Consumption for the period 17th January 2003 to 15th February 2004;
- c) the stated consumption, validated for settlement of the Metering Site for metering period 2 is then divided onto the individual part or parts of the Gas Months by multiplying with the relative Adjusted Residual Consumption of the Gas Month concerned.

If the Distribution Company states the consumption of Annually Read Metering Sites based on the reading dates that are out of match, each of the Annually Read Metering Sites will have individual periodisation keys.

In addition to the normal periodic readings, the meters will be read for instance in connection with Changes of Supplier (including Relocations). These readings will also form part of the periodisation. If, between two normal periodic readings, a meter has been read both in connection with a Change of Supplier and Relocation, three periodisation keys must be calculated for this period – one for each period between the meter readings.

4.3 Reconciliation and error handling

For a system with first and second correction settlements based on first and second correction statements between the normal settlements based on consumption data validated for settlement (the Residual Consumption of the Gas Month before first and second correction statements) and the Reconciliation, it is essential that any errors already settled are not corrected once again in the actual Reconciliation.

As a consequence of this the data basis of the Reconciliation is in part the Distributed Residual Consumption of a Gas Month following the second correction statement and in part the Periodised Consumption of the same Gas Month. Figure 4 shows an example of a Reconciliation Statement.

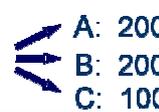
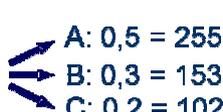
| Second correction settlement | Periodised Consumption | Reconciliation Statement |
|---|----------------------------|--------------------------|
| M/R: 1010 | - | - |
| DMS: 500 | - | - |
|  A: 200 B: 200 C: 100 | - | - |
| Residual: 510 | A: 249 B: 148 C: 108 | A: +6 B: +5 C: -6 |
|  A: 0,5 = 255 B: 0,3 = 153 C: 0,2 = 102 | | (System difference) - 5 |

Figure 4: Data basis for Reconciliation – Reconciliation Statement

The Distribution Company states for one Gas Month the Periodised Consumption and the Reconciliation Statement (the difference between the Distributed Residual Consumption of the Gas Month following the second correction statement and the Periodised Consumption of the same Gas Month) for each Gas Supplier.

For Gas Supplier A the Distributed Residual Consumption of the Gas Month in connection with the second correction statement has been stated at 255. For the same Gas Month, the Periodised Consumption has been stated at 249 for Gas Supplier A. The quantities to be reconciled for Gas Supplier A are the difference between the second correction statement and the Periodised Consumption. This difference has been stated at +6, which means that Gas Supplier A of the Gas Month concerned has bought six units more than it has supplied to the Consumers. Consequently, the value of these six units must be reimbursed to the Gas Supplier A in the actual Reconciliation. The Gas Supplier is paid by its Shipper. The Shipper is paid by the Transmission System Operator.

For Gas Supplier C, the Reconciliation Statement has been stated at -6, which means that Gas Supplier C has bought six units less than it has supplied to the Consumers. Consequently, the value of these six units must be collected from Gas Supplier C in the actual Reconciliation.

Over time, the introduction of two correction statements will lead to three different Residual Consumption figures for the same Gas Month:

- the Residual Consumption validated for settlement;
- the Residual Consumption of the first correction statement; and
- the Residual Consumption of the second correction statement.

The Adjusted Residual Consumption (which is used when periodising the consumption of Annually Read Metering Sites) is calculated as the difference between the Residual Consumption validated for settlement for one Gas Month and the monthly read consumption for the same Gas Month. This

means that the Adjusted Residual Consumption and hence the periodisation of the annually read consumption does not change in connection with the first and second correction statements.

4.4 System difference

In connection with the Reconciliation of each Gas Month some non-measurable differences arise. These differences are known as the system difference and are made up of the following elements:

- a) metering differences between the metering at the Transmission System Operator's measuring and regulator stations, metering at BNG Metering Points and metering at the Metering Sites. The metering differences lie within fixed tolerances of correct measurement.
- b) methodology-associated differences
 - differences when stating the loss of natural gas;
 - any differences associated with the allocation of calorific values; and
 - differences in the Reconciliation Report of a Gas Month.
- c) losses of natural gas and the unmeasured internal consumption of the Distribution Area. Comprises for instance loss of gas in the Distribution Systems (for instance as a result of pipes dug in two), filled up system (for instance when putting new/empty Distribution Systems into service) and unmeasured consumption (for instance for heating of natural gas in the Distribution System); and
- d) non-corrected metering errors (in the Transmission System Operator's metering and regulator stations and consumption metering) which do not include measuring differences outside of the fixed tolerances for correct metering.

The system difference is the only "consumption" that cannot be measured. In principle, the system difference can be both positive and negative and can only be stated in connection with the Reconciliation Statement. The way the system difference is stated, the sum of the Reconciliation Reports of all Gas Suppliers and the system difference is 0.

At the Distribution Company the system difference must be stated as a Non-Daily Read Metering Site with an associated Gas Supplier. As a result of this the system difference is included in the Gas Supplier's Consumer Portfolio and settled between the Distribution Company and the Gas Supplier.

The system difference is always given the figure 0 as the Market Share Value of the Metering Site when stating the Distributed Residual Consumption (Validated and Non-validated for settlement, first correction statement and second correction statement). Not until the Reconciliation Statement is the system difference stated allocated to the associated Gas Supplier.

The example in figure 4 states a system difference of -5.

If the system difference is negative, the Distribution Company and the Distribution Company's Gas Supplier have a deficit for the Gas Month concerned, and hence the Distribution Company/the Distribution Company's Gas Supplier must settle (pay) the system difference stated, in connection with the actual Reconciliation. In the example where the system difference is stated at -5, the system dif-

ference must be entered at the Non-Daily Read Metering Site established for the system difference at the value +5 so that the “consumption” is allocated to the Gas Supplier of the Metering Site.

Conversely, if the system difference is positive. In that case the Distribution Company/the Distribution Company’s Gas Supplier must be paid for the system difference stated.