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Dear Customer

Notification of introduction of prepayment for new connections, service alterations and service disconnections associated with National Grid Siteworks Terms for (below 7 barg) Infrastructure Works

You may recall that in January last year we wrote to you to outline the changes being made to National Grid's Siteworks Terms (SWTs) for (below 7 barg) Infrastructure Works. Included in these changes was our intention to introduce prepayment terms for all new connections, service alterations and service disconnections.

This letter is to inform you that from 6 May 2008 National Grid will be requesting prepayment for all new connections, service alterations and service disconnections quoted under the SWTs for (below 7 barg) Infrastructure Works. In order to facilitate the change the SWTs require minor amendment to clarify the definition of a valid acceptance and in accordance with Section G7.2.4 of the Network Code, National Grid gives formal notice of this change.

The changes will take effect for all acceptances received by National Grid on or after 6 May 2008.

The process at the effective date will be as follows:

- All Siteworks requests, for a new connection, service alteration or service disconnection, accepted up to the close of business on the 2 May 2008 will be issued under the current credit arrangements and payment will be as outlined in the respective quotation payment chart.
- All Siteworks requests, for a new connection, service alteration or service disconnection, accepted on or after the 6 May 2008 will be issued on the basis of the new payment terms and payment shall accompany the acceptance.
(N.B The 5 May is a Bank Holiday)

Payment will be accepted by credit card, cheque, or BACS and details of how to pay by these methods are included in the following questions and answers (Q&As).

National Grid recognises that these changes will have some impact upon our customers and as a result there are a series of Q&As attached that will help to clarify why these steps have been taken.

Should you have any queries, or require a paper copy of the new Siteworks terms please contact Nicky Kirk (nicky.kirk@uk.ngrid.com) Contract Account Advisor or Tony Nixon (tony.nixon@uk.ngrid.com) Contract Manager by email, or at the above address.

Yours faithfully

Tony Nixon

Contract Manager
Distribution Customer Support

Questions & Answers

Why are you moving to payment upon acceptance for all job types?

Currently approximately 70% of all customers pay for their connections work upon acceptance (across all work types) therefore application of prepayment to all customer groups ensures that National Grid has a consistent approach.

The changes are necessary to ensure that National Grid fully recovers the costs of connections from customers. The current charging processes mean that, where National Grid funds the work in progress, this effectively increases the cost of service delivery across all connections activities. As a result there is a risk of under recovery on those activities where we are unable to charge any profit element.

Why are you making the changes now?

Customers were notified in December 2006 of National Grid's intention to move to prepayment during the last quarter of 2007/08. These changes are being made in accordance with that notification.

In addition, National Grid is currently moving onto a new SAP billing system and it is intended that the whole billing process will be streamlined. National Grid are therefore taking the opportunity to apply this consistent approach to all customer groups for all job types. We recognise that this could require some changes within our customers' organisations, which is why we have delayed implementation until 6 May 2008.

What happens if we do not wish to pay for works on acceptance?

Within the connections market, the majority of customers pay prior to commencement of works. This allows payments to flow through to National Grid who perform the activities (via our contractor) and subsequently encourages cash flow movement.

There is open competition in the connections market; therefore customers have the option to request works from other providers who may be willing to offer alternative commercial terms.

Will there be an opportunity for a soft landing period?

There is no soft landing, however, all siteworks acceptances received on or before Friday 2 May 2008 will be subject to current 30 day credit terms.

Will you provide a proforma invoice?

There are no plans at this stage to provide a proforma invoice and, under current HMRC regulations, there is no obligation to issue a VAT invoice until payment has been received. The quotation contains a quotation reference number, address details, work requested, job value (excl. VAT) and a VAT element, which should be sufficient for customers to raise payment.

N.B. Where disconnection quotations exclude VAT (Shipper quotations) a 17.5% VAT rate applies.

How can I pay?

You can pay either by credit card, cheque or BACS as is current practice.

- **Credit card payments** - please complete the form enclosed with the quotation (including VAT at the specified rate) and return with the signed acceptance to the address outlined in the correspondence.

- **Cheque payments** – please make cheques payable to National Grid Gas plc (including VAT at the specified rate) and mark your address and Quotation Reference No. on the back of the cheque and return with the signed acceptance to the address outlined in the correspondence.
- **BACS payments** - the remittance advice must be provided beforehand, (this will help us to allocate payment swiftly and reduce any delays in accepting and planning your jobs). You can send your remittance notice by:

Email box_TMBSHQ_Banking@uk.ngrid.com
Postal National Grid, PO Box 590, 9 The Lakes, Northampton, NN4 7XE
Fax 01604 815068

If you do not currently use a BACS payment process but would like to in the future please send your request to the email account above and all relevant banking details will be forwarded to you.

How will I know you have received my payment?

Once we have received your payment we will send you a downpayment invoice which will give a description of the work, job reference no, and a breakdown of the value of the work and VAT element.

N.B The job will not be accepted until payment has been received and the Siteworks Terms (below 7 barg) Infrastructure works will be amended to clarify the definition of a valid acceptance.

If I pay by BACS will my job continue to be planned?

Although you will have provided the remittance advice, we will not proceed with the acceptance until payment for the jobs in question have been physically received under the BACS mechanism. The reason for this is that on occasions BACS payments and remittance advice notes do not always match, which causes difficulties in allocation of funds.

Why does the contract allow 30 day payment terms?

The contractual payment terms give us the flexibility to give a different service as the need arises e.g if additional works are discovered on site, we would continue to do the work and then invoice the customer any additional amounts on thirty day payment terms.

How will variations and refunds be processed?

Our intention is to process these on a job by job basis as they arise. For refunds this will mean that we will remove the current credit allocation facility. For variations involving extra payment by the customer, these will be invoiced separately upon completion and will be subject to thirty day payment terms.

Are Ofgem aware of the changes?

Ofgem have been informed of the changes.

PAYMENT PROCESS

