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Dear Customer

**Notification of changes to
National Grid Siteworks Terms for (below 7 barg) Infrastructure Works**

This letter is to inform you that National Grid has recently completed a review of its current Siteworks Terms (SWT) for (below 7 barg) Infrastructure Works. Following the review we have made changes to some of the terms and therefore, in accordance with Section G7.2.4 of the Network Code, National Grid gives formal notice of these changes. The changes will take effect for all work requests quoted by National Grid after 1st April 2007.

The main changes are as follows:

- **Quotation validity period** - A reduction in the validity period of a quotation from 90 calendar days (60 calendar days for domestic one-offs) to 45 calendar days.
- **Termination** - The timescale for substantial completion (gas on) of work will be reduced from 270 calendar days to 120 calendar days from the date of quotation. The timescale for final completion will be reduced from 1 calendar year to 6 months from the date of quotation. Customers will be able to extend works beyond these timescales on payment of a variation, to cover any increases in costs where they arise.

- **Stage Works Notice Period** – An alignment of the notice period (from the customer) for non main laying works with the notice period for mainlaying works (i.e. from 15 to 30 working days). This is applicable for works that occur in stages, such as new housing, where the customer is required to give advance notice for each stage of the works to National Grid Gas. This change ensures that the notification periods are consistent with normal lead times.
- **Annex 2 – Disconnections** – The Disconnections terms have been revised to maintain consistency with the Connections terms. The impact of this upon the Disconnections Annex includes removal of am/pm time slots for achieving Substantial and Final Completion and extension of the timescales for termination.
- **Guidance Notes** - The Guidance Notes do not form part of the SWT and were introduced in 2004 in an attempt to provide some procedural detail in support of the SWT. There is significant duplication between the Guidance Notes and the SWT and the procedural elements are out of date. The publication of National Grid's Connections Business Rules in 2005 effectively superseded key elements of the Guidance notes and as a result they will be discontinued.

The process at the effective date will be as follows:

- All Siteworks requests, for a Connection or Disconnection, quoted up to the close of business on the 30th March 2007 will be issued on the basis of the old Siteworks terms and the existing timescales will apply (i.e. 90 (60) calendar day quote validity period, Substantial Completion within 270 calendar days of the quote date and Final Completion within 1 year of the quote date etc.).
- All Siteworks requests, for a Connection or Disconnection, quoted on or after the 2nd April 2007 will be issued on the basis of the new terms and conditions and the revised timings will apply.

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

In addition, National Grid will be carrying out a complete review of the SWT during 2007; bringing them more into line with the Engineering and Construction Short Contract and all customers will be moved onto pre-payment terms in early 2008.

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 Dave Hopkinson (david.g.hopkinson@uk.ngrid.com) Contract Manager by email, or at the above address. Alternatively the revised Siteworks Terms can also be found on National Grid's website at www.nationalgrid.com/UK/Gas/Connections/Publications.

Yours faithfully

(by email)

David Hopkinson

Contract Manager

National Grid – UK Distribution

Questions & Answers

Why are you making the changes now?

The changes are necessary to ensure that National Grid fully recovers the costs of connections from customers in line with comments.

In addition, connections workload generally is decreasing due to both increased gas prices (more customers are switching to alternative sources of fuel) and connections market saturation, however, National Grid still has the same standards of service (and hence fixed costs base to cover), despite the reducing volume. Therefore the reduced timescales involved will minimise our overall risk.

What happens if we don't agree to the changes?

In many instances there is open competition in the connections market; therefore customers are welcome to use other providers.

Will there be an opportunity for a soft landing period?

There is no soft landing, however, all Siteworks requests quoted up to the close of business on the 30th March 2007 will be issued under the old Siteworks terms (i.e. version 3.0) and the existing timescales will apply (i.e. 90 (60) calendar day validity period, Substantial Completion within 270 calendar days of the quote date and Final Completion within 1 year of the quote date etc.)

All Siteworks requests quoted on or after the 2nd April 2007 will be issued on the basis of the new terms and conditions and the revised timings will apply.

Why are you reducing the timescales for the quote validity period and completion so significantly?

In providing fixed quotations for connections, National Grid Gas is exposed to any changes to its cost base between issuing the quotation and final completion. Under the current SWT, this period is 1 calendar year, the combined effect of the proposed changes reduce this risk down to 6 months. Following the changes to our charging methodology in July of this year, where our charges now reflect the costs we reasonably **expect** to incur, we believe that 6 months is a reasonable and manageable time frame on which to base our quotations.

Does this mean our work will be automatically terminated if we don't complete within the specified timescale?

No.

In the event that the work goes beyond either the 120 calendar day (from quote date) or the 6 month timescale National Grid will contact the customer to discuss if the work is still required. If the work does continue, National Grid will re-examine the quoted price and where appropriate will issue a variation for any additional costs. In the event that the additional costs are not agreed National Grid will suspend the works as specified in clause 7.5.

In the event that a delay to Substantial and/or Final Completion is due to National Grid, then we will not seek to recover additional costs.

Is this National Grid's exit strategy for Connections activities?

No.

National Grid has a Gas Act obligation to provide a gas connection.

Are Ofgem aware of the changes?

Ofgem have been informed of the changes.

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

Currently approx. 70% of all customers pay for their connections work upon acceptance (across all work types). During 2007 National Grid is moving onto a new SAP billing system and it is intended that the whole billing process will be streamlined; therefore we are taking the opportunity to apply a consistent approach to all customer groups for all job types. We recognise that this may require some changes within our customer's organisations and as a result we will be delaying the implementation until the final quarter of 2007/8.