nationalgrid

5th September 2007

Changes to Miscellaneous Billing

SAP Accounting System

As part of our ongoing communications policy, I am writing to inform you that National Grid will shortly be upgrading its SAP (Miscellaneous) Billing and Accounting system. Gas Transportation (UK Link and Gemini) and Electricity Billing systems are unaffected.

The upgrade will change a number of areas which will affect customers. I would like to set out below the key changes and address some standard questions which you may have as a result.

Please find attached the presentation slides that summarise the changes.

The new version 6 of SAP is planned to be implemented on 1st October 2007. Implementation will be confirmed to yourselves early in October. Wherever possible we will be operating SAP without enhancements or modifications and therefore are changing processes and policies to align to standard SAP. The key changes are:

- New Account numbers will be issued and included on Customer Remittance Advices.

  Q - When will new Account Numbers be issued and will we have to change our systems?
  A - The new version of SAP will create new Account Numbers at the point when customer master details are migrated. Any letters, statements or remittance advices sent to you will contain the new number. Any reference that you hold in your current systems should be replaced with the new number. We will provide you with a letter as soon as data migration has occurred detailing your new Account Numbers which will also confirm that implementation has taken place.

  Q – Do you want us to quote invoice number or Account number?
  A – Both. As we have to input both account number and invoice number at the point of allocating funds, it would be really helpful to us if you could include both references on the remittance advices that you send to us.

- Credit Limits will be automatically checked before new orders are accepted and alternative payment methods will be requested where there is insufficient credit available.

  Q – Are you changing credit limits?
  A – No. Credit limits will be set in accordance with contractual provisions, and to reflect an acceptable risk level to National Grid. For most contracts, customers already have a predetermined credit limit. The new system enables National Grid to monitor a customer's exposure on a daily basis, and to advise customers in advance when these limits could be breached.

Q – What happens if we are immediately over our credit limit because National Grid was not previously taking into account all open orders and invoices? Will there be a soft landing?

A – Vickey King, our Risk & Securities Managers should be contacted (email .Box.Securities.Risk@uk.ngrid.com) if a credit limit review is required. The system functionality will be available from day one. National Grid has embarked upon an early communication programme with all large customer groups to clarify the impacts on customers

- Interest will be charged in accordance with either contractual terms, or if silent, the statutory Late Payments Act.

Q - Will National Grid be issuing interest charges against invoices paid prior to the new SAP system?

A - No, we will only be charging against unpaid invoices that are migrated to the new system.

Q - Will Late Payments charges be gradually rolled out to enable us to be satisfied that the correct charges are being levied?

A - There will be no gradual rollout as National Grid has never charged interest to customers for late payments on the majority of their contracts. SAP allows different interest rates to be applied to different contracts. We will be reviewing contract terms with a view to standardising late payment terms as contracts are renewed.

- Initially all invoices, credit notes, notices and correspondence will continue to be in paper form. The new version of SAP allows individual customers preference for documents to be e-mailed or auto-faxed to be set up. A pilot of using e-mail and faxes will be conducted before the facility is made generally available.

Q – Will we be able to get our invoices in an electronic format we can upload into our own systems?

A – No. The e-mail and fax formats will be in PDF format, and encrypted for transmitting purposes. We will be testing SAP ability to create electronic data files as part of a further functionality upgrade planned for summer 2008.

Q - How do Customers indicate interest for the trials?

A - If you are interested in taking part in a pilot to receive your emails by fax or post, please contact your Account Manager before 1st October 2007. Further details of the process will then be discussed with these customers.

Q – Will queries still need to be submitted to the usual email box accounts?

A – The new invoices will contain details of new box accounts to which queries will need to be submitted. The new box accounts will be linked to the type of product which National Grid has provided.

- SAP has web-based customer self service that will be developed for the summer 2008 upgrade. This is likely to cover enquiries, quotations, order acceptance and payments for high volume services such as Domestic Connections. The scope of activities is currently being finalised. Design work will begin in October.

Q – How will you ensure the web self-service is customer friendly?

A – We will be implementing the standard SAP functionality wherever possible but it is recognised that some customisation will be required to reflect gas industry processes and contracts. In addition, we will be gathering and using customer comments in order to make the system as efficient as possible for customers to use.

Q – Why can National Grid not use our web systems to extract our orders rather than us go into your system?
A – National Grid is obliged to offer certain services to the gas industry. Whilst we will be making every effort to create a web self service which provides benefits to its users, we cannot create processes that are only available to specific customers.

Q – Will the National Grid web access allow electronic data exchange?
A – The design and scoping of the web functionality will only begin in October.

If you have any further questions then please write to:

Michelle Simpson
Business Change Manager
National Grid
Lakeside House
Northampton
NN4 6DA
Email: michelle.simpson@uk.ngrid.com

The next communication will inform customers of their new Account number and confirm the implementation date

Yours faithfully,

Paul Holland
National Grid, Order to Cash, Shared Services Finance