

Introduction of standard charges for new UIP/IGT self connections to National Grid's gas distribution network – UIP/IGT Briefing Note 19.

1.0 Introduction

From 1 November 2008 National Grid will be introducing new standard charges for all self connections to its gas distribution network. The charge will apply to new connections undertaken by authorised UIP or IGTs in accordance with the applicable general conditions of contract and the UIP/IGT connection, service disconnection and service alteration agreement. They will be levied against our contractual customer and will reflect the gas transporter costs associated with the processing of self connection requests.

This briefing note provides details of how National Grid intends to implement these changes within the existing UIP and IGT self connection processes.

2.0 Background

Since the introduction of self connections¹ in 2002 and changes in 2004 to the service National Grid offers its IGT customers requesting new CSEP connections², the way in which our customers complete the physical connection to our gas distribution network has changed significantly. Prior to 2002 all final connections were completed by National Grid and we were able to recover our overheads for the administration aspect through the physical connection charges. As the competitive market has evolved, the number of UIP/IGT connections has increased to several thousand jobs each year, with National Grid now only completing the physical connection for approximately 5% of these connections. As National Grid is not completing the physical connection, there needs to be a mechanism for the recovery of these costs from the requesting connection customer.

With the trend in self connections and growth in the competitive market set to continue National Grid believe that the introduction of a cost reflective standard charge is the appropriate way to ensure that these costs are recovered from the relevant customer group.

3.0 Standard connection charges

The self connection charge will be applied to each UIP and IGT request on receipt of a valid acceptance. Separate charges will apply to UIP (asset for adoption by National Grid) and IGT (CSEP) connections, as set out in our charging document.

This charge is based on analysis of the end-to-end gas transporter administration activities undertaken by our Network Strategy, Network Integrity and NGS Hub teams and is the cost we reasonably expect to incur undertaking the following activities;

- input and processing of request
- design authorisation
- clearance to proceed

¹ Final Connections to National Grid's Below 7 barg Network - UIP/GT Briefing Note 1

² Revision to National Grid's connection process for Gas Transporter networks - UIP/GT Briefing Note 7

- completion and records update
- Overheads and uplifts

Note: The charge for UIP connections is marginally higher to account for the additional design and records update work associated with the adoption of the full project infrastructure.

4.0 Scope

The new self connection charges will apply to;

- All IGT CSEP connection requests.
- All UIP connection requests greater than 32mm

The UIP charge is currently not applicable to service alterations, service disconnections or connections of a pipe size less than or equal to 32mm.

5.0 High level payment process

- At the start of each calendar month ('reporting month') National Grid will run a report to identify all UIP/IGT self connection jobs (where a charge is applicable) where an acceptance was received during the previous calendar month ('charge period').
- The contractual customer will receive a copy of the report, via covering email by the 5th working day of each reporting month, detailing all acceptances for them during the previous charge period.
- The report will be presented in XL format and will include the following minimum information for each acceptance;
 - Contractual customer name - UIP or IGT (and nominated agent)
 - Unique AQS job reference
 - Customer job reference, where known.
 - Project address
- The contractual customer will then have a further 15 working days to provide a response to the email – the response should include any jobs that they wish to dispute and their confirmation of acceptance of the remaining jobs within the report.
- National Grid will validate any disputes raised - where the dispute is valid, the job will be placed in the dispute process and excluded from the invoice charge, until resolved.
- An invoice will then be raised for the charge period, based on the jobs agreed within the report.
- Payment terms are in accordance with the applicable general conditions of contract.

6.0 Revised UIP/IGT acceptance forms

As part of the implementation of the charges we will be issuing new 'Fast Track' self quotation acceptance forms, FM153a for IGTs and FM138a for UIPs. Customers will be required to input the charge applicable to their request on section A 'Complete the self connection' of the revised forms.

7.0 Implementation

The self connection standard charges will apply from 1 November 2008. All acceptances received from UIP/IGT customers for self connections where the initial request was received post 31 October 2008 will be subject to the standard charge.