

Tony Nixon
Contract Manager
Distribution Customer Support

National Grid
National Grid House
Gallows Hill
Warwick Technology Park
Warwick
CV34 6DA

Direct tel: +44 (0)1926 656345

11 June 2008

Dear Customer

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

You may recall that in April this year we wrote to inform you that we had received feedback from a few Shippers expressing concerns in the timescale for implementing prepayment for new connections, service alterations and service disconnections associated with National Grid Siteworks Terms for (below 7barg) Infrastructure Works.

As a result of this feedback we agreed to delay prepayment for Shippers until 4 August 2008.

This letter is to inform you of the intended process at the effective date.

Work submitted to National Grid via Fulcrum Gas Services (Non standard charge domestic, I&C, Infrastructure) :

- All Siteworks requests, for a new connection, service alteration or service disconnection, **accepted** up to the close of business on the 1 August 2008 will be issued under the current credit arrangements and payment will be as outlined in the respective quotation payment chart.

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- All Siteworks requests, for a new connection, service alteration or service disconnection, **accepted** on or after the 4 August 2008 will be issued on the basis of the new payment terms and payment shall accompany the acceptance.

Work submitted to National Grid via Northampton (Standard charge domestic)

- All Siteworks requests, for a new connection, service alteration or service disconnection, **quoted** on or after the 4 August 2008 will be issued on the basis of the new payment terms and payment shall accompany the acceptance.

Payment will be accepted by credit card, cheque, or BACS as previously outlined in our letter dated 6 February 2008.

Please find attached a series of Q&As that outline how the revised arrangements will operate and should you have any queries, 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

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Questions & Answers

Questions & answers for pre payment

Quote Validity

If there are quotation delays what protection does the shipper have in terms of acceptance before quotation expires?

We do not intentionally delay provision of quotations and in the majority of cases they are provided within the timescales specified in the Statutory Instrument. To further enhance the provision of quotations, Fulcrum now email the vast majority of quotations to Shippers on the day that they are produced. (N.B Jobs with large plans are still posted due to printing constraints within customer organisations).

If our acceptance is received just post quotation validity will the monies paid be returned or will the project be accepted?

In relation to the 45 calendar day validity period, when this was introduced it was agreed that if a job was accepted late, as long as there had not been any price increases, we would honour the acceptance and continue to plan the job in the normal way.

Proforma Invoices

Please can NG confirm whether all jobs quoted after GO LIVE date will need to be processed in the new way, or is it all jobs accepted after the go live date? If the latter, we require Fulcrum Connections to be providing the proforma invoice within their quotations for at least 45 days prior to implementation.

We recognise that for some Shippers, domestic jobs represent a higher volume of work, therefore, at GO LIVE we will expect payment upon acceptance for all Domestic jobs **quoted** by Northampton.

Requests submitted to Fulcrum (i.e all non standard domestic, I&C and housing) will require payment upon acceptance for all **accepted** jobs from 4th August and Fulcrum will provide a proforma invoice from mid June as required. Fulcrum will include a flier letter during this interim period to remind customers about the revised arrangements from 4th August.

Payment and VAT Invoice

Where would the Tax Point invoice be sent once the work has been completed?

The Down payment invoice and Final Invoices will be sent to the current invoice Address (we do not have the facility to send them to multiple sites)

Will the Tax Point invoice make reference to the Down payment invoice?

The Pro forma invoice will be based upon the Quotation Reference Number and will be shown on the Pro forma invoice, Down payment invoice and the Final Invoice.

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What are NG's performance SLA's from our payment to formal acceptance and by what method?

Acceptance for cheques and credit cards is still within D+1 of receipt and the job will automatically pass through to planning.

How quick will shippers receive the VAT invoice after payment has been received by NG?

The timescale for provision of the Down payment VAT invoice will depend upon the method of payment.

For cheques and credit cards the resulting Down payment invoice is usually issued (via Royal Mail) within 2 – 3 working days of receipt of payment in National Grid (excluding posting time). Please remember to provide a cheque remittance with your request (including National Grid Job No. and work address).

For BACS the Down payment invoices are usually issued within 2-3 working days of receipt of payment by National Grid (this excludes the time it takes for monies to be processed through the banking system, approximately 3 days). Please bear in mind that it will be important that you send in a remittance notice (to include National Grid Job No. and work address) at the time you submit the BACS payment otherwise it will be difficult to match the details and lead to delays in the planning process.

There is the facility to email the Down payment invoices directly to a specified email account if you wish. Please contact us if you do want invoices emailed as we will need to carry out some UAT beforehand.

What controls and measures will be in place to ensure the Down payment invoices are sent?

Daily and monthly reconciliation reports are run to ensure that all Down payment invoices have been raised.

Refunds

How will refunds be processed? (i.e. Will the monies be returned in the same manner as payment was received?)

What invoices / credit invoices will be issued for refunded work?

What if a customer cancelled a project after acceptance, how will monies be refunded?

Refunds are normally sent as cheques to the invoice address supplied by the customer (we do not have the facility to send them to multiple sites) and the method by which it will be processed will depend upon whether or not a final invoice has been produced.

To demonstrate the various scenarios of when a refund or variation may occur and what you would expect to see as a consequence, please refer to the Appendix.

Multiple refunds raised on any one day are bulked together and issued as one

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National Grid Electricity Transmission plc
Registered Office: 1-3 Strand, London WC2N

Registered in England and Wales, No 2366977

National Grid Gas plc
Registered Office: 1-3 Strand, London WC2N

Registered in England and Wales, No 2006000

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cheque with additional details provided on the associated remittance document.

What timescales exist for refunds back in to our account, should we cancel before works commence?

Refunds are normally processed 5 working days from when the refund is entered on the Fulcrum or Domestic Connections system.

Urgent work

If we have some 'Urgent' Site Works Jobs would you be prepared to commence the site works on receipt of an e-mail confirmation stating that payment for the work is being processed and giving details of the Purchase Order number and Vendor Number?

We would be willing to accommodate this as long as it did not become a regular occurrence and we will monitor the situation to ensure that they are the exception rather than the rule. In these instances you would need to use the existing escalation process to agree the details with our process managers within Fulcrum and Domestic Connections and then send written confirmation as you have described. We would need to confirm the exact details to ensure that we could identify the correct payment and job. Should we find that it is becoming unmanageable we will raise the issue with you through our existing interface meetings.

Acceptance, Planning and Completion Notification

How will customers be aware that National Grid are progressing the siteworks acceptance?

National Grid has a contractual obligation to provide an acknowledgement within D+1 of receipt of a valid acceptance.

For Cheque and credit card payments as these are submitted at the time of the acceptance the acknowledgement will be sent within D+1 and sent to planning as per the current process.

For BACS payment the acceptance will be sent within D+1 once the payment has been processed through the banking system (approximately 3 days). The job would then be passed to planning as per the current process.

Planning letters would be issued within the D+20 standard once the valid acceptance has been processed as per the current process.

What notification do we receive regarding completion and what SLA / compensation for late delivery of such documentation?

Within the SWTs for below 7barg there is a contractual obligation for National Grid to provide Substantial and Final Completion notification. There have been no changes to this current arrangement.

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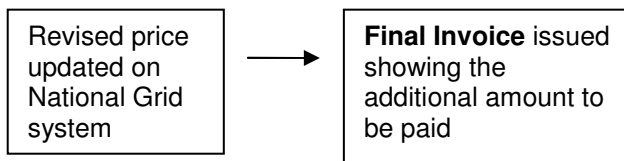
Appendix

VARIATION PAYMENTS

ADDITIONAL PAYMENT REQUIRED

Scenario 1: Increase in Job value following acceptance,

(assumes that Down payment invoice has been issued for the original amount but the Final invoice has not yet been issued).



Scenario 2: Increase in Job value following completion

(assumes that Down payment invoice has been issued for the original amount and the Final invoice has also been issued).

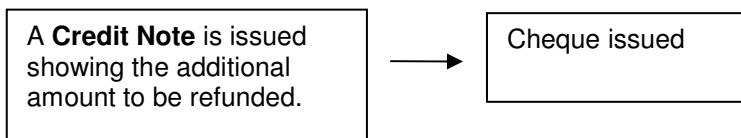
A **Debit Memo** is issued showing the additional amount to be paid. This makes reference to the Final Invoice.

* N.B: Additional amounts due under the Siteworks Terms for below 7 barg are subject to 30 day payment terms.

REFUND REQUIRED

Scenario 3: Decrease in Job value following acceptance,

(assumes that Down payment invoice has been issued for the original amount but the Final invoice has not been issued).



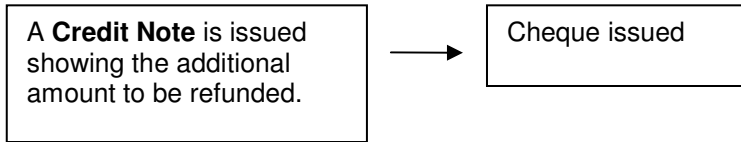
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Scenario 4: Decrease in Job value following completion

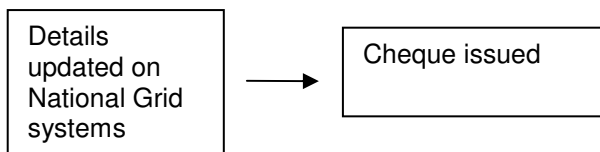
(assumes that Down payment invoice has been issued for the original amount and the Final invoice has also been issued).



* N.B: Where there are multiple refunds in any one day these are bulked and placed on one cheque. The cheque remittance makes reference to the credit note number.

Scenario 5: JOB CANCELLED FOLLOWING ACCEPTANCE

(assumes that Down payment invoice has been issued for the original amount but the Final invoice has not been issued).



* N.B: Where there are multiple refunds (for whatever reason) in any one day these are bulked and placed on one cheque.