

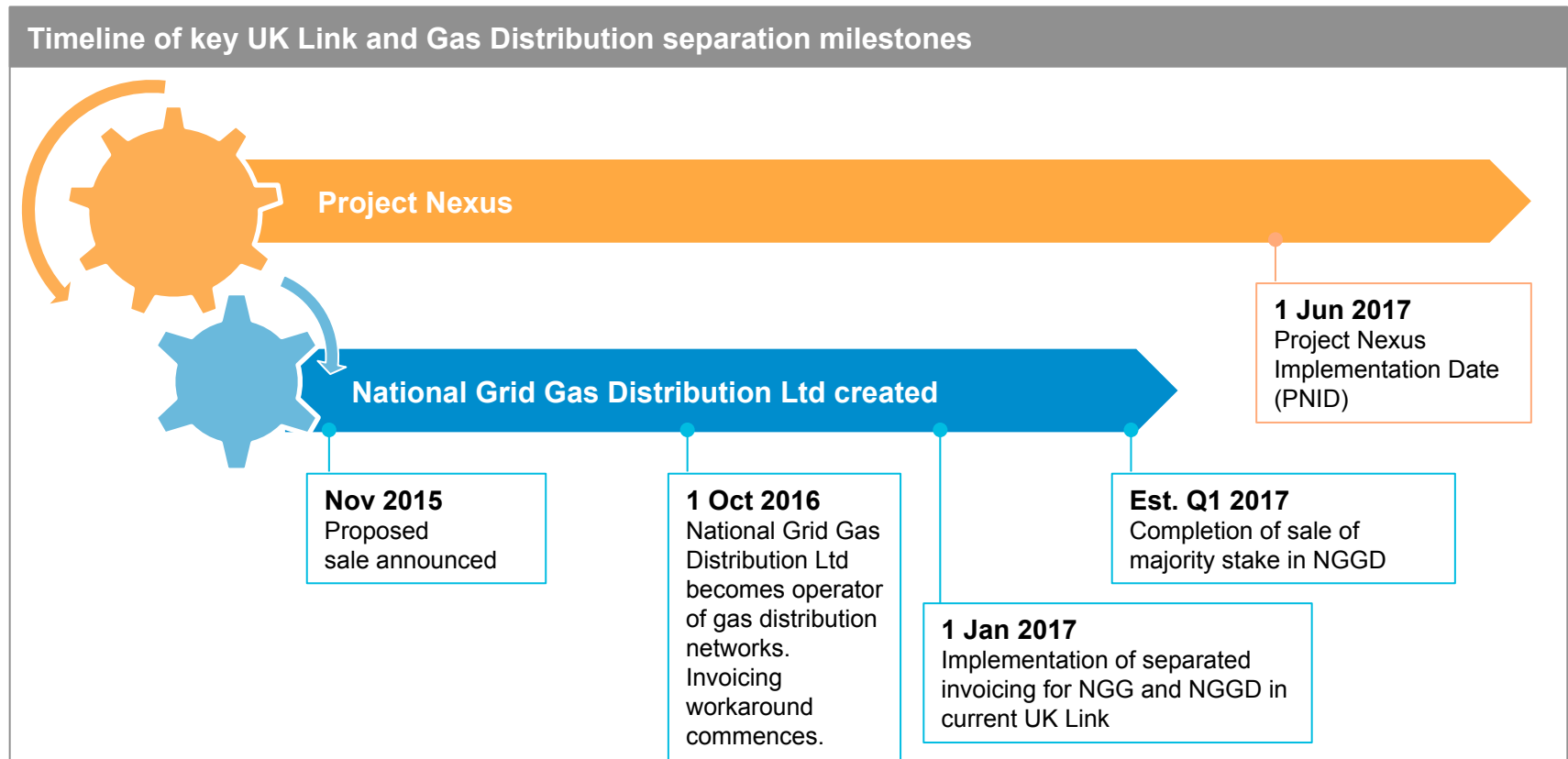
**National Grid Gas plc &
National Grid Gas Distribution Limited**

Post-Nexus transitional invoicing: Shipper briefing

24th November 2016

Background

- New UK Link was specified prior to the announcement of the National Grid Gas Distribution sale in November 2015.
- Since 1st October 2016, National Grid have implemented the currently-active invoicing workaround (under mod 0592s), which lapses on 1st January 2017, leading to fully UNC-compliant invoicing.



New UK Link: invoicing limitations

Context

- A consequence of being a separate commercial enterprise is that NGGD is required to invoice for its' own services.
- New UK Link was configured prior to the announcement of the National Grid Gas Distribution sale in November 2015, and is now subject to a 'change freeze'.

Conclusions from New UK Link analysis

- Following analysis of New UK Link, Xoserve have advised that they are unable to develop and implement UNC-compliant transportation invoicing arrangements at PNID, without presenting unacceptable risk to the Project Nexus programme.
- We have been advised that the Xoserve Board recently agreed that the immediate priority for Xoserve is a successful go-live of Project Nexus on 1st June 2017.
- Incorporating the separated invoicing changes into New UK Link by PNID is judged to increase risk to this objective.
- National Grid respects this decision, and whilst being expectant that the requirements would be in place at PNID, accepts that this will be delivered in a subsequent release of the system.

What next?

- Xoserve have identified a transitional invoicing arrangement for a subset of invoices, which will last from PNID until separate invoicing can be fully systemised.
- The transitional arrangement is the subject of this briefing and National Grid wishes to engage with the industry to test its' viability.

Post-Nexus invoicing approaches previously considered

1

Fully systemised separated invoicing:

- Amend Nexus code to facilitate separated invoicing from PNID (1st June 2017) onwards, on an enduring basis.
- Provides continuity of fully separated invoicing via current UKL system which commences January 2017.

Rationale for discounting this approach:

- Presents unacceptable risk of slippage to the Project Nexus programme.

2

Revert to single-company invoicing:

- Issue all invoices from New UK Link under TGT code.
- Facilitated via a UNC modification similar to mod 0592s.

Rationale for discounting this approach:

- Single-company invoicing under Mod 0592s was workable whilst NGGD is part of the National Grid Group. This will not be the case after completion of the sale of the majority stake.

3

Transmission Re-billing:

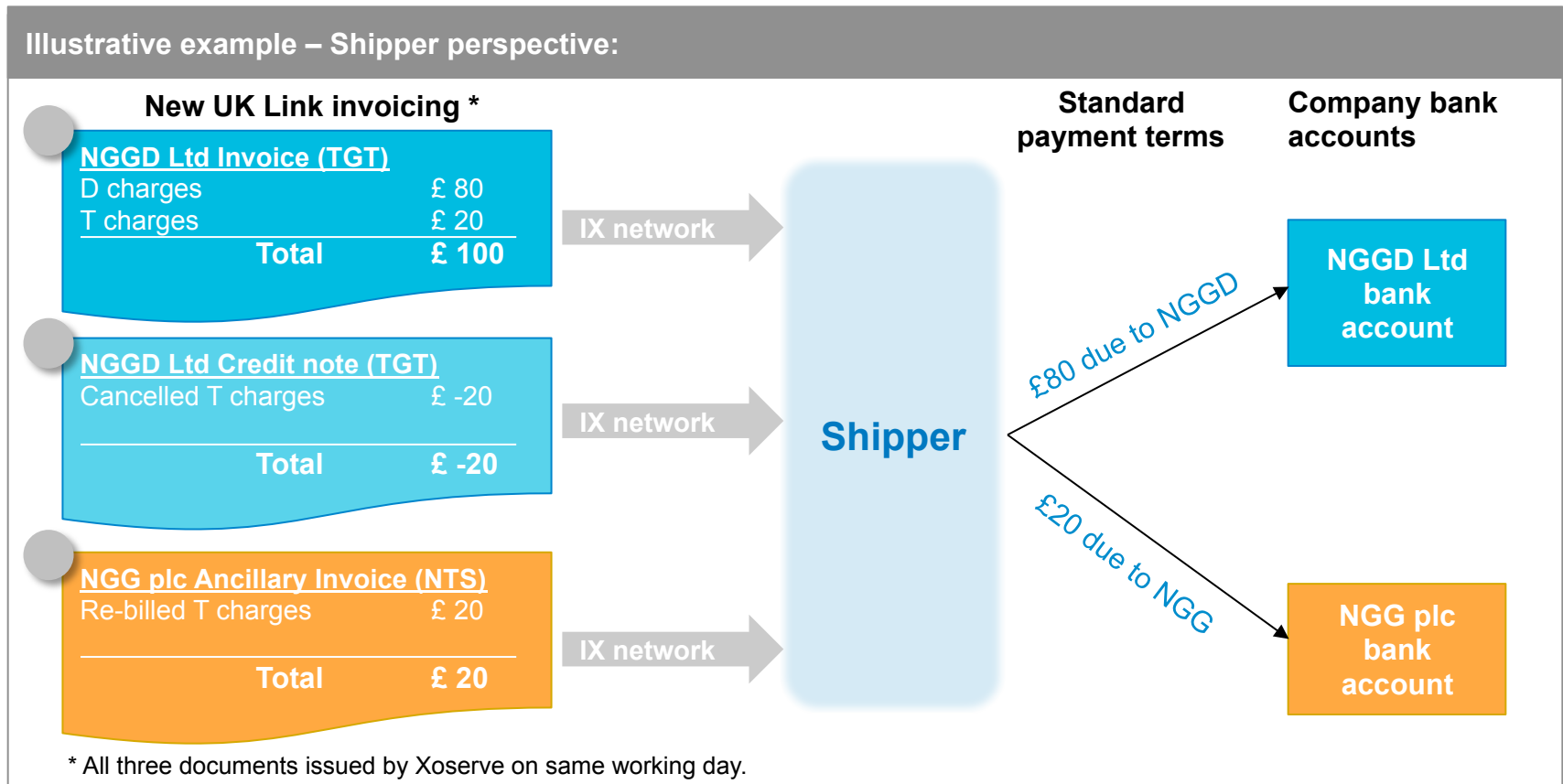
- Impacts 6 invoices per month (per initial assessment).
- Shippers receive NGGD credit notes against NGGD invoices which contain a Transmission charge. Then receive a NGG re-bill Ancillary invoice for the Transmission charge, all on same day.
- Facilitated via a new UNC modification.

For discussion: best available option:

- Avoids impacting Project Nexus and enables the industry to continue receiving charges after PNID.
- The principal invoices impacted are Commodity, Amendments and Ancillary (formerly 'Reconciliation' and 'Ad Hoc' respectively)

What is the Transmission Re-billing approach?

- A proportion of Distribution and Transmission transportation charges are issued to Shippers on an NGGD invoice (against short code TGT)
- The T charges are cancelled by an NGGD credit note. The Shipper nets off the credit note against the invoice and pays the net Distribution charge to NGGD when it falls due
- An NGG invoice (against short code NTS) is issued which the Shipper pays to NGG when it falls due



What is impacted/ not impacted by Transmission Re-billing?

NGG/NGGD invoices NOT impacted by transitional invoicing arrangements

NOT impacted if meet the following criteria:

- ✓ All invoices generated from Gemini system (only NTS),
OR
- ✓ Generated from New UK Link and DOES NOT contain a Transmission charge type

List of invoice types¹:

1. Gemini invoices (NTS Entry Commodity, NTS Capacity, Optional Tariff, Energy Balancing)
2. LDZ Capacity (Exit/CSEPS/Unique Sites) ²
3. DN Interrupt
4. Failure to supply gas
5. Incentive sharing
6. Interest
7. Liability
8. Primes & Subs
9. Transporter Site Visit
10. User Pays

NGG/NGGD invoices impacted by transitional invoicing arrangements

ARE impacted if meet the following criteria:

- ✓ Generated from New UK Link,
AND
- ✓ Invoice contains a Transmission charge type

List of invoice types¹:

1. Commodity (LDZ/NTS Exit/CSEPS/Unique Sites)
2. Amendments (Transportation/Energy)
3. Ancillary
4. Metering
5. Compression
6. Own Used Gas

¹ Source: Xoserve. Invoice impacts based on initial assessment and subject to change following further analysis. Invoice types based on New UK Link draft comprehensive invoice and charge type master list

² A small number of Shippers have shared supply points and their LDZ Capacity invoice will be partially credited

What does this mean for you?

- **Preserves the Project Nexus implementation plan:** Transmission Re-billing does not impact the delivery of Project Nexus and does not require further system testing with Shippers
- **Same-day processing:** Xoserve will issue the original combined TGT invoice, associated credit note and re-billed NTS invoice to Shippers on the same day
- **Credit notes and re-invoice:** approximately 12 additional documents per month will be sent to Shippers (depending on which invoices you receive)
- **Reconciliation of credit notes to invoices:** Each TGT credit note will reference the TGT invoice to which it relates.
- **Invoice validation:** expected to be able to be performed by Shippers exactly as is the case today.
- **Supporting information:** Xoserve will provide this to Shippers for all transportation charges which are invoiced, as is the case today. However with one difference under Transmission Re-billing:

LDZ supporting information:

- No change: Shippers should refer to the TGT supporting information.

NTS ancillary invoice supporting information:

- Provided on the TGT supporting information file – this will be clearly identifiable as NTS-type charges.
- New UK Link is unable to provide the NTS supporting information along with the NTS ancillary invoice.

Next steps

- We will propose a UNC modification at the December Mod Panel
- We will consult the TWG on 1st December
- We will listen to your feedback and respond to any clarifying questions