

The 'Agency' Proposition

xoserve Shareholder Agreement

April 2004

National Grid Transco

Agency Context

- Delivery of obligations between UNC gas transporters and Shippers
- GTs exercise control of Agency through sub contract and board structure
- Definition of GTs obligations remain in the Network Code

Efficient Industry Solution

- xoserve structure mirrors current arrangements:
 - preserves a single point of contact for shippers
 - minimise changes to shippers' systems and processes
 - maintains uniformity of service
 - avoids duplication of interfaces, data storage, and processing
 - delivers consistent processes across all DNs, optimising efficiency and cost for the industry
- Significant economies of scale
- Joint ownership safeguards purchasers interests
 - Contract for xoserve services
 - Proportionate shareholding and control of xoserve

xoserve Shareholder Agreement

The Share holder agreement covers the following areas:

- Purpose of and Parties to the Agreement
- Shareholding
- Initial Financing
- Directors
- Directors Meetings
- Shareholder Meetings

Purpose of and Parties to the Agreement

Purpose:

- Governs relationship between shareholder

Parties to the agreement:

- 'xoserve' Limited
- UNC Gas Transporters

Effective date

- When the UNC comes into force

Shareholding

- shareholding based on use of xoserve services
- NTS shareholding based on transaction model use of service
- DN shareholding based on relative number of supply points
- Shareholding to be fixed until amended by unanimous shareholder vote
- Supply point information updated annually for billing purposes

Initial Financing

- Initially funded by NGT
- Post Sale funding from:
 - Initial share subscription
 - Commercial loan agreement with NGT
 - Revenue for services provided

Directors

- Maximum of nine (one per Network)
- Nominated by Network
- Owners of more than one DN may appoint fewer Directors than entitlement but still retain voting rights commensurate with entitlement

Directors Meetings

- Held every quarter
- Majority voting except as specified
- Shareholder Agreement will set out where “Special Majority” required
 - Two Directors from different organisations with > 50% votes
- CEO to be appointed by Board majority
- Chairman
 - Right to appoint rotates between Networks annually
 - No casting vote

Shareholder Meetings

- Quorum – two shareholders from different organisations with
> 50% shares

- Shareholder Agreement sets out matters for approval
 - Special Majority
 - Unanimous