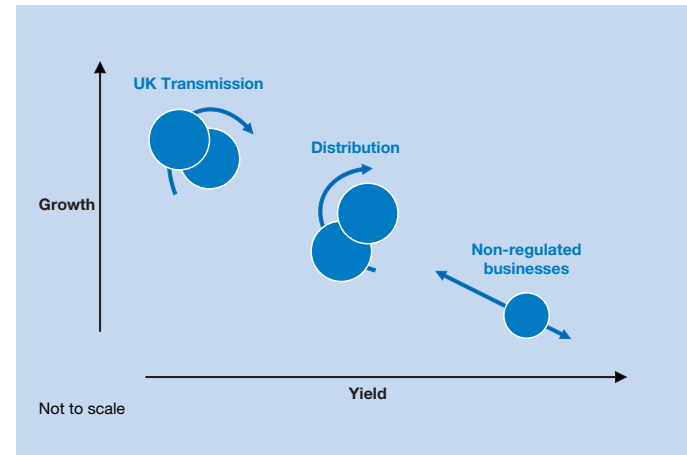


## Developing the business

National Grid is a portfolio of distinct regulated businesses in the UK and the US and some unregulated businesses, primarily in the UK. This includes a mixture of cash generative developed assets with minimal investment requirements (such as our existing interconnectors and National Grid Metering business), businesses with low to medium levels of growth and positive cash generation (such as our US and UK distribution businesses) and businesses with high levels of investment and growth (such as our UK electricity transmission business and potential new unregulated investments).

### Portfolio evolution



### Progress toward our strategic goals 2011/12

- Deliver new operating model**
  - Completed the transition to the new operating model
  - On track towards the \$200m saving run rate by March 2012
- Deliver core investment programme**
  - Forecast to deliver £3.2 - 3.3bn investment in 2011/12
  - Investing in our people and processes
- Deliver cost reductions**
  - Controllable costs down in real terms, further progress expected
  - Gas Distribution front office roll out in progress

### Performance and returns

**Focus on operating performance**

- Managing our cost base
- Maximising incentives
- Generating strong cash flows
- Delivering on commitments

**Outperforming 82%**

- UK Transmission
- UK Distribution
- KEDNY
- KEDLI
- New England Power
- Canadian Interconnector
- Narragansett Electric Transmission
- Narragansett Electric Distribution
- Long Island Generation

**Underperforming 11%**

- NMPC Electric
- NMPC Gas
- Narragansett Electric Distribution
- Narragansett Gas

**On track 7%**

- Massachusetts Gas\*
- Massachusetts Electric

\*On a pro-forma basis

**Generating returns**

- Managing portfolio and investments
- Setting appropriately high hurdle rates
- Agreeing suitable rate plans
- Maintaining an efficient balance sheet

	Regulators		Equity investors	
	Operating return measures		Shareholder value	
	Allowed	Achieved	RoCE	Group ROE
<b>United Kingdom</b>	Electricity Transmission 5.05%	Electricity Transmission 6.4%	8.5%	14.1%
	Gas Transmission 5.05%	Gas Transmission 7.2%		
	Gas Distribution 4.94%	Gas Distribution 5.5%		
<b>United States</b>	Total US 9.9%	Total US 8.3%	7.1%	

**Important notice**  
This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'anticipates', 'expects', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the 'Risk factors' and 'Operating and Financial Review' sections thereof. Copies of the most recent Annual Report and Accounts are available online at [www.nationalgrid.com](http://www.nationalgrid.com) or from Capita Registrars. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

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# National Grid Today

February 2012

**nationalgrid**

- One of the world's largest public owned utilities focused on transmission and distribution activities in electricity and gas in both the United Kingdom and the United States
- March 2011 regulated asset base of £30bn generating operating profit of £3.6bn with a strong dividend
- Strong growth opportunities in well regulated utility markets, particularly in the UK
- 2012/13 dividend policy of 4% nominal growth
- Multi-year dividend policy announcement expected in 2013

## Our investment proposition

A low risk business focused on generating shareholder value through both dividends and asset/equity growth by investing in essential assets under predominantly regulated market conditions to service long-term sustainable consumer led demands

### Low risk

Balance of activities	Regulated income growth	Macro-economic protection	Commodity and volume protection
<ul style="list-style-type: none"> <li>UK and US</li> <li>Electricity and gas</li> <li>Transmission and distribution</li> <li>Local expertise and global functions</li> </ul>	<ul style="list-style-type: none"> <li>RPI linked UK revenues</li> <li>Asset growth leading to increased revenues</li> <li>Updated rate cases</li> </ul>	<ul style="list-style-type: none"> <li>Bad debt trackers and credit protection</li> <li>UK inflation linked revenues and assets</li> <li>Price control "re-openers"</li> </ul>	<ul style="list-style-type: none"> <li>Revenue decoupling</li> <li>Energy commodity pass through</li> </ul>

### Investing in essential assets

National Grid will invest over £45bn in regulated networks over the next decade primarily in core UK transmission infrastructure	UK RAV 31 March 2011 £20.8bn	US Rate Base 31 March 2011 \$14.3bn*	Net Debt 31 March 2011 £18.7bn												
<p>"Range of possible outcomes when modelling Group level uncertainties"</p>	<p><b>Forecast RAV growth 2013-21<sup>1</sup></b></p> <table border="1"> <thead> <tr> <th></th> <th>2013</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>UK Electricity Transmission</td> <td>£10.4bn</td> <td>£23.9bn</td> </tr> <tr> <td>UK Gas Transmission</td> <td>£5.6bn</td> <td>£11.5bn</td> </tr> <tr> <td>UK Gas Distribution</td> <td>£8.4bn</td> <td>£12.7bn</td> </tr> </tbody> </table> <p><small><sup>1</sup> Including assumed 3% RPI inflation</small></p>		2013	2021	UK Electricity Transmission	£10.4bn	£23.9bn	UK Gas Transmission	£5.6bn	£11.5bn	UK Gas Distribution	£8.4bn	£12.7bn	<ul style="list-style-type: none"> <li>Around £1.2bn annual capex spend</li> <li>US capex remains broadly in line with levels expected by our different regulators</li> </ul>	<ul style="list-style-type: none"> <li>Capacity to fund whilst remaining within current rating metric guidelines until at least 2015</li> <li>Low single A credit ratings for UK operating companies</li> <li>Majority of US OpCos rated low single A</li> <li>NG plc rated BBB+</li> </ul>
	2013	2021													
UK Electricity Transmission	£10.4bn	£23.9bn													
UK Gas Transmission	£5.6bn	£11.5bn													
UK Gas Distribution	£8.4bn	£12.7bn													

### Sustainable consumer-led demands

**Low carbon economy and long term growth in demand**

**Replacing ageing assets**

**Security of supply = system resilience**

## UK key facts and figures

**Electricity transmission owner (England and Wales)**

- Over 7,000km of high voltage overhead line
- Over 700km of underground cable
- 338 substations located at 242 sites

**GB gas system operator**

- 24 hour balancing of supply and demand

**Gas distribution**

- 132,000km of gas distribution pipeline used to transport gas from the national transmission system to around 10.8 million consumers on behalf of 26 active gas shippers

**French interconnector**

- Own and operate the UK assets, and a portion of the subsea cables, that comprise the electricity interconnector between England and France

**LNG storage**

- Own and operate three liquefied natural gas (LNG) storage facilities

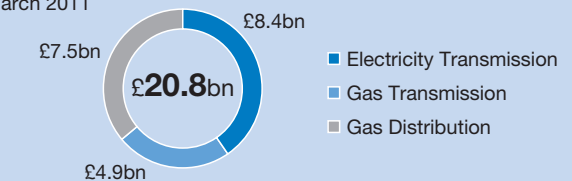
**Regulation**

- Ofgem currently provide the UK regulatory frameworks for our gas and electricity businesses

**GB gas transmission owner**

- Over 7,500km of high pressure pipe
- 23 compressor stations connecting to 8 distribution networks and to third party independent systems for onward transportation of gas to end consumers

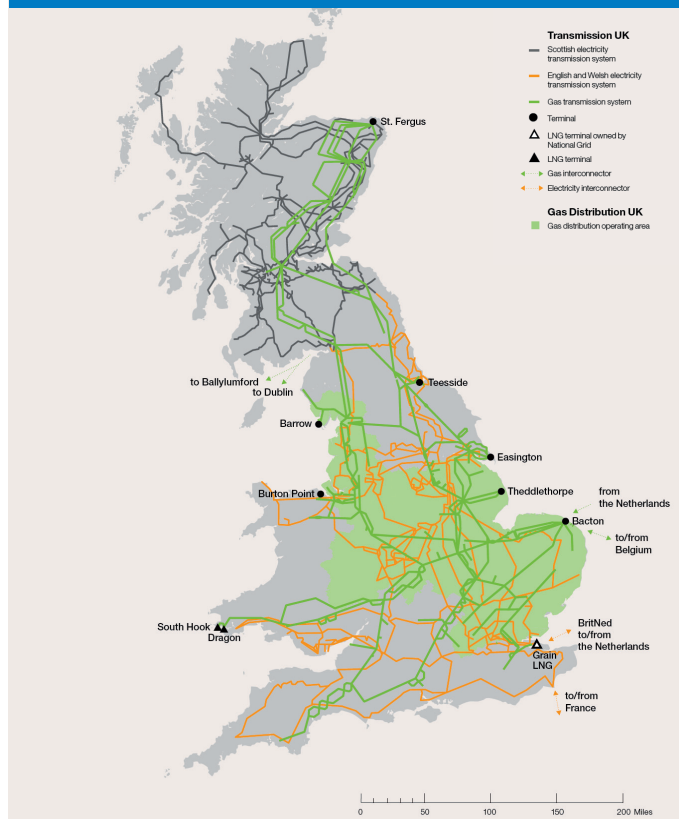
**RAV**  
31 March 2011



£20.8bn

- Electricity Transmission
- Gas Transmission
- Gas Distribution

## UK profile

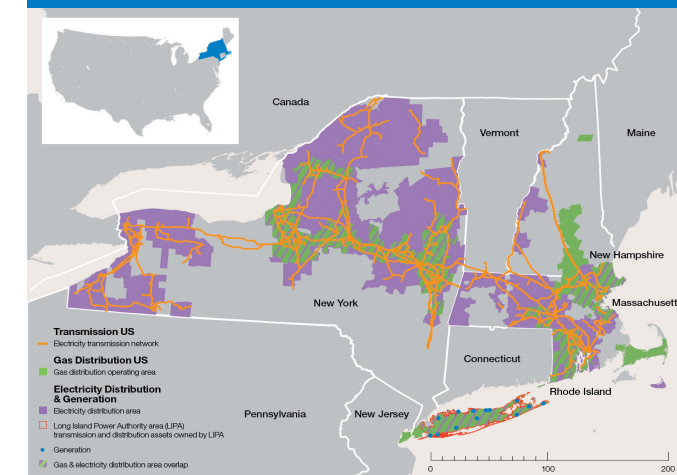


National Grid is an international electricity and gas company based in the UK and northeastern US. We play a vital role in connecting millions of people to the energy they use, safely, reliably and efficiently.

In the UK we own the electricity transmission system in England and Wales, and operate the system in Great Britain. We also own and operate the gas transmission system in Great Britain as well as four of the eight gas distribution networks.

In the US our electricity and gas distribution business provide services to customers in New York, Massachusetts and Rhode Island. We also own and operate an electricity transmission network spanning upstate New York, Massachusetts, Rhode Island, New Hampshire and Vermont.

## US profile



## US key facts and figures

**Electricity transmission owner**

- Own and operate electricity transmission networks in upstate New York, Massachusetts, Rhode Island and Vermont with voltages ranging from 69kV to 345kV
- Largest electricity transmission service provider in New England and New York by reference to the length of these high voltage transmission lines

**Canadian interconnector**

- Own and operate a 224km direct current transmission line rated at 450kV that is a key section of an interconnector between New England and Canada

**Electricity distribution**

- Own and operate electricity distribution networks in upstate New York, Massachusetts and Rhode Island
- Approximately 3.4 million electricity consumers in New England and upstate New York
- Maintain and operate the electricity transmission and distribution system on Long Island owned by the Long Island Power Authority (LIPA) (Contract expires December 2013)

**Electricity generation**

- 57 electricity generation units on Long Island that together provide 4.1GW of power under contract to LIPA
- Our plants consist of oil and gas fired steam turbine, gas turbine and diesel driven generating units ranging from 2MW to 385MW

**Gas distribution owner**

- Over 3 million consumers across upstate New York, New York City, Long Island, Massachusetts and Rhode Island
- Approximately 58,000km of gas distribution pipeline in an area 26,400km<sup>2</sup>
- 42,000 new gas heating customers added in 2010/11

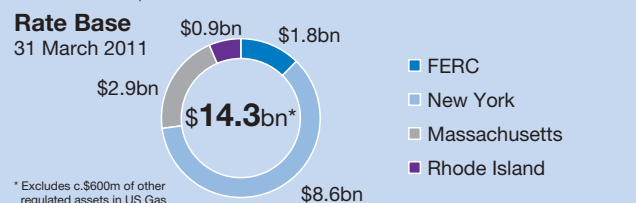
**Gas storage**

- During cold weather we have 19 facilities which supplement gas from the interstate pipeline system with LNG and propane

**Regulation**

- We currently have 1 federal and 3 state regulators who provide frameworks for our 12 US businesses

**Rate Base**  
31 March 2011



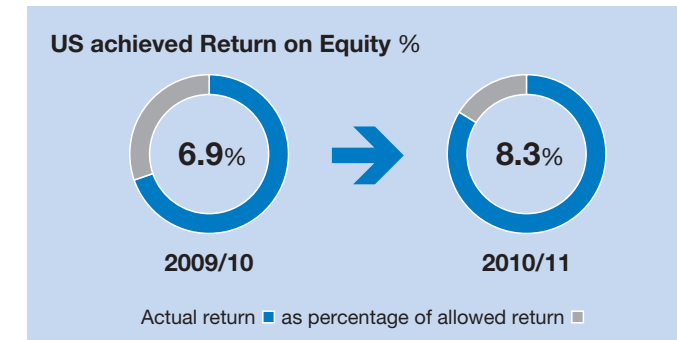
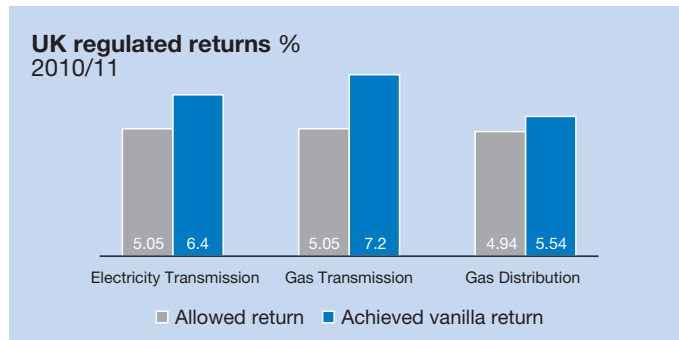
\$14.3bn\*

- FERC
- New York
- Massachusetts
- Rhode Island

\* Excludes c.\$600m of other regulated assets in US Gas Distribution businesses

## UK regulation

	Timetable	
<b>RIIO</b> (Return = Innovation + Incentives + Outputs)	Mar 2012	Ofgem initial assessment of UK Gas Distribution business plans
	Mar 2012	UK Transmission business plan resubmitted
	July 2012	Ofgem publishes initial proposals
	Nov/Dec 2012	Ofgem publishes final proposals
	8 years (2013-2021)	
		Review of asset depreciation
<b>Rollover</b> of TPCR4	Dec 2011	Final proposals agreed
	Apr 2012	One year price control begins



## US regulation

In the coming year we expect to file new gas and electric rate cases for Niagara Mohawk in New York and Narragansett in Rhode Island.

In December 2011 \$240m of deferred cost recoveries were approved for the Niagara Mohawk electric business in New York. These will be recovered over 15 months from January 2012. Within this amount was \$211m relating to the July 2011 \$236m filing.

In December 2011 it was also announced that the contract to operate LIPA's electricity network will not continue after December 2013. The LIPA contract currently represents less than 1% of group operating profit and has no associated rate base.

## UK efficiency: Preparing for RIIO

- Gas Distribution**
- Investing in systems and process transformation to move the business towards the efficiency frontier
- UK Transmission**
- Continued discipline around controllable costs
  - Recruitment and training of engineers for increased investment workload

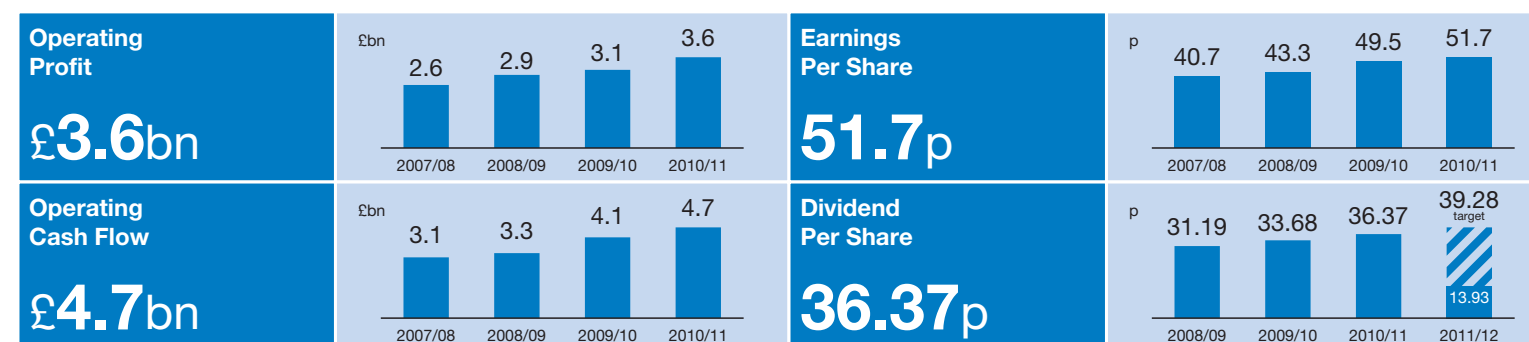
## Non-regulated businesses

- We also own several non-regulated businesses providing services closely linked with our regulated businesses including Grain LNG, metering, interconnectors and property. In 2010/11 their total contribution to Group operating profit was 3%.
- Grain LNG – terminal capacity now up to 20% of UK demand
  - BritNed – joint venture with TenneT, to build and operate a 1,000MW 260km subsea electricity link between the UK and the Netherlands
  - We have a range of future opportunities including offshore transmission, further interconnectors and carbon capture and storage

## Essential qualities for success

Asset management expertise	Systems operation expertise	Regulatory engagement	Financial planning and execution
<ul style="list-style-type: none"> <li>Maximise the use of our existing asset base</li> <li>Maintain reliability and security (99.9999%)</li> <li>Plan and deliver the future system</li> </ul>	<ul style="list-style-type: none"> <li>Balance the ever more complex supply and demand mix</li> <li>Deliver incentive income</li> </ul>	<ul style="list-style-type: none"> <li>Set the right rate plans for customers and investors</li> <li>Agree appropriate incentive schemes</li> </ul>	<ul style="list-style-type: none"> <li>Maintain an efficient balance sheet</li> <li>Drive cost savings and efficiency</li> <li>Fund our growth</li> </ul>

## Delivering value through growth and shareholder returns



## US efficiency: Reduce cost of service, focus on the customer

- New US organisational model: \$200m p.a. cost reductions**
- Significant contribution to improving returns
  - Increased jurisdictional focus for management
- Implementing common systems platform**
- Cost savings and rate case filing benefits

## Decoupling

- 100% of our rate plans (by asset value) feature decoupling and have a bad debt commodity tracker or no exposure to bad debts. Almost all of our plans now have capex trackers.