

30 September 2004

**National Grid Transco close period trading update
for the six months ended 30 September 2004**

Continued strong performance

National Grid Transco plc (the "Group") is today issuing its trading update prior to entering its close period and the announcement of its interim results on Thursday 18 November 2004.

In line with our expectations, Group operating performance has been strong. However, as anticipated, operating profit will be impacted by the planned year-on-year increase in expenditure on the replacement of UK gas mains, most of which has taken place in the first half, and period-on-period weakness in the US dollar. Hence overall Group operating profit (excluding exceptional items and goodwill amortisation) will be marginally lower than the same period last year.

Group profit before tax (excluding exceptional items and goodwill amortisation) is expected to be slightly ahead of the same period last year, reflecting the beneficial impact on the Group's interest charge of continued debt management and the weaker dollar.

The effective tax rate on profit before tax (excluding exceptional items and goodwill amortisation) is anticipated to be similar to last year's rate.

On 31 August, the Group completed the £1.1bn acquisition of the UK operations of Crown Castle International, Inc.. Net debt will be higher than at the year-end, mainly reflecting the cost of this acquisition, the normal first half seasonal cash outflow and some strengthening of the US dollar since 31 March 2004.

Also on 31 August, the Group announced the sale of four UK gas distribution networks. The sale process is expected to complete in April 2005.

Note

In our full year results, we indicated that we would implement FRS20 (accounting for share based payments) and provided information on the expected financial impact. We have now implemented FRS20. To align with our presentation of the full year results for 2003/04, we have also reclassified losses on disposal of fixed assets in the prior half year from exceptional items and included them within the depreciation charge. The net effect of these changes is shown in the table below. All comparisons in this statement are against the restated figures for the prior period.

<i>Six months to 30 September 2003</i>	Operating profit (before exceptional items and goodwill amortisation) (£m)	Earnings (before exceptional items and goodwill amortisation) (£m)
As previously reported	815	299
FRS20	(12)	(12)
Losses on disposal reclassified to depreciation	(20)	(20)
Restated	783	267

Cautionary statement

This announcement 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. Because these forward-looking statements are subject to assumptions, risks and uncertainties, actual future results may differ materially from those expressed in or implied by such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid Transco's ability to control or estimate precisely, such as delays in obtaining or adverse conditions contained in regulatory approvals, competition and industry restructuring, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in energy market prices, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, the availability of new acquisition opportunities or the timing and success of future acquisition opportunities. Other factors that could cause actual results to differ materially from those described in this announcement include the ability to continue to integrate the US and UK businesses acquired by or merged with the Group, the failure for any reason to achieve reductions in costs or to achieve operational efficiencies, unseasonable weather impacting on demand for electricity and gas, the behaviour of UK electricity market participants on system balancing, the timing of amendments in prices to shippers in the UK gas market, the performance of National Grid Transco's pension schemes and the regulatory treatment of pension costs, the impact of the proposed disposal by National Grid Transco of 4 of its UK gas distribution network(s) and any adverse consequences arising from outages on or otherwise effecting energy networks owned and/or operated by National Grid Transco.

For a more detailed description of these assumptions, risks and uncertainties, together with any other risk factors, please see National Grid Transco's filings with the United States Securities and Exchange Commission (and in particular the "Risk Factors" and "Operating and Financial Review" sections filed with its most recent annual report on Form 20F). Recipients are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement. National Grid Transco does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement.

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