National Grid Transco

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Edison Electric Institute
San Diego, 26 October 2004

Cautionary statement

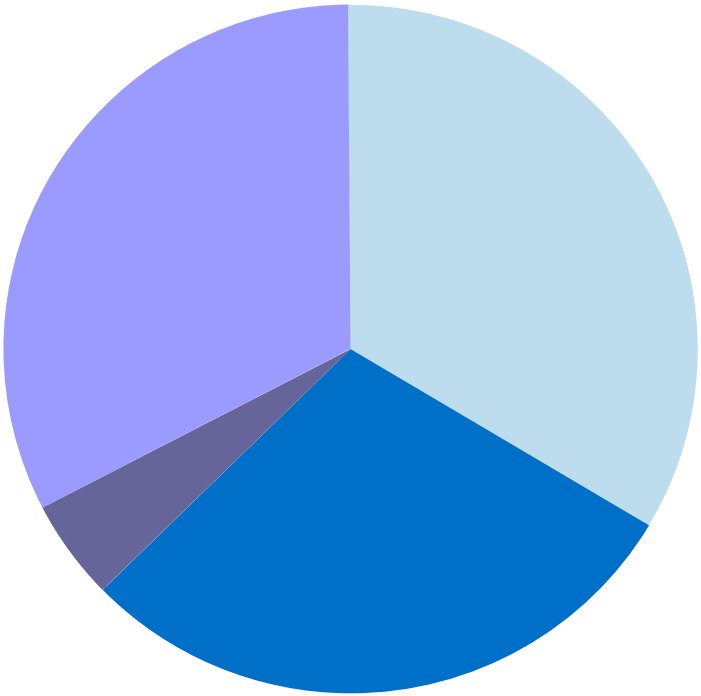
This material contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, 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 material include the ability to continue to integrate the US and UK businesses acquired by or merged with National Grid Transco, 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 networks 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 20-F). Recipients are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of publication of this material. 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 publication of this material.

National Grid Transco – a distinctive utility group

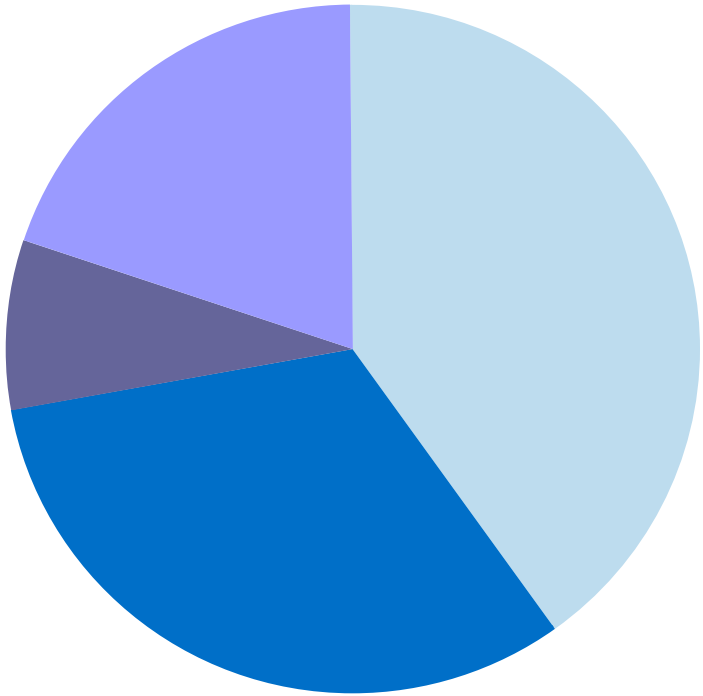
- Asset based network provider
  - Focused on ownership and operation of large complex networks
  - Creating value through long-term, performance-based regulatory arrangements
  - Delivering premium returns through aggressive cost control
- High quality, low risk, cash generative earnings
- Aiming to deliver EPS growth to support upper quartile Total Shareholder Return
- Progressive dividend policy
  - 15% increase in 2004, 20% increase in 2005, 7% annual increase targeted through to 2008

Changing shape of Group

2003/4*



Proforma after gas network sales and Crown Castle UK acquisition*



UK electricity & gas transmission

UK gas distribution

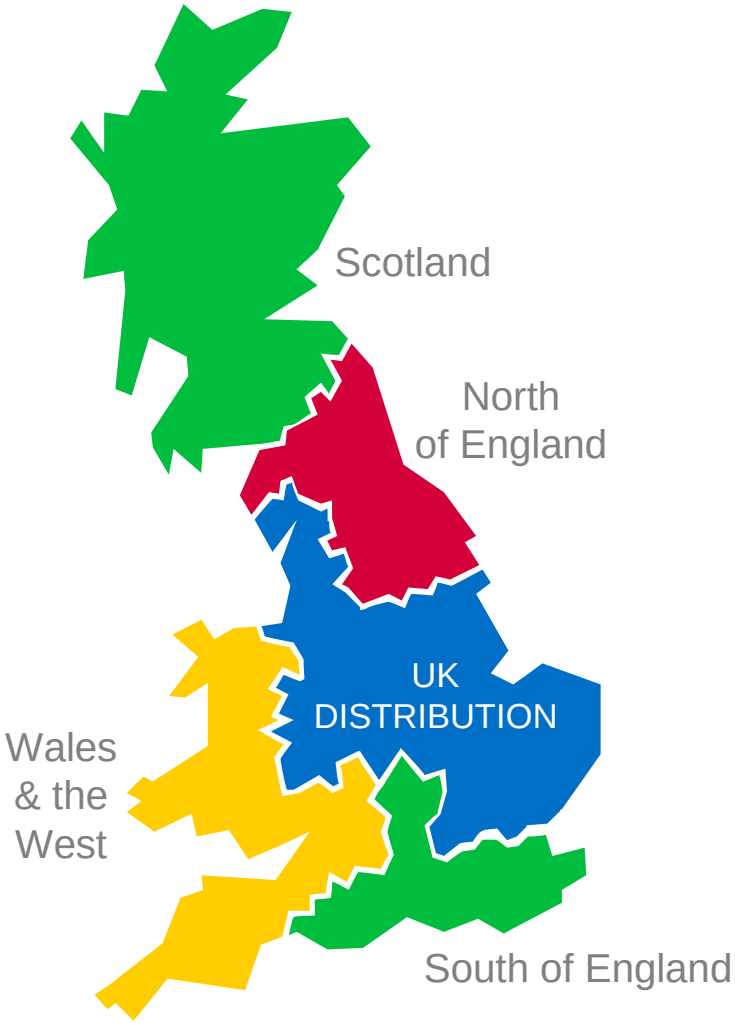
US electricity & gas

Other activities

** Based on operating profit*

Delivering value:
The new shape of UK gas distribution

- Proposed sale of four networks
  - Cash proceeds ~$10.4bn* (£5.8bn)
  - Liabilities transferred ~$0.2bn* (£0.1bn)
- Premium to Ofgem 2004 rate base 20.2%
- Premium to NGT 2005 rate base 13.6%
- No capital gains tax expected
- Conditional on regulatory approvals – target to complete in Q2 2005



* Assumes $/£ 1.8

Delivering value:
UK gas network sales - returns to shareholders

- ~$3.6bn* (£2bn) one–off return of capital subject to completion
  - 65 p/share
  - 14% of current market capitalization
- Share consolidation – earnings per share enhancement
- Financial flexibility retained
- Enhanced dividend policy
  - Recommended increase of 20% for current year – 23.7p / share
  - Reconfirmation of 7% growth target to March 2008

* Assumes $/£ 1.8

UK distribution retained businesses

- Retained rate base at April 2004: ~$9.7bn* (£5.4bn)
- Premium returns – >7% for 2003/04 (pre-tax, real)
  - Above regulatory target return – 6.25%
- Stable regulation until 2008
- Effective consolidation of support staff and offices
- Future value delivery – on track to deliver 35% cost savings by 2007
  - Management team appointed
  - Location strategy agreed and offices identified for closure
  - Productivity improvements from operational pilots exceeding plans
  - Contractors shortlisted for Construction Alliances

* Assumes $/£ 1.8

Delivering value:
Towers for mobile and broadcast

- Acquisition of Crown Castle UK completed 31 August 2004
  - ~$2bn (£1.1bn)* cash consideration
- Business plan that delivers returns in excess of risk-adjusted WACC
- Cashflow and earnings enhancing
- Principal independent mobile towers owner and operator – ~11% market share (other independents ~7%)
- Integration proceeding rapidly
  - Senior management team appointed
  - One HQ and two regional offices to close
  - Projected savings of ~$32m (£18m)* p.a.

* Assumes $/£ 1.8

Transmission:
UK electricity & gas transmission

- Rate base at April 2004: ~$13.5bn* (£7.5bn)
- Premium returns – 8% for 2003/04 (pre-tax, real)
  - Above regulatory target return – 6.25%
- Stable regulation until 2007
- High level of operating performance
  - System reliability remains very high
  - System Operator incentive schemes within regulatory contract
- Growth opportunities
  - Infrastructure for renewable generation
  - Infrastructure to facilitate gas imports

* Assumes $/£ 1.8

Transmission:
US electricity transmission

Northeast transmission assets

- Member of New England RTO
- Filing for enhanced returns

GridAmerica – operations in the Mid West

- Operational since 1 October 2003
- Managing member of the first multi-system ITC
- Focus on the efficient operation of the transmission assets of
  - First Energy Corporation (ATSI)
  - Northern Indiana Public Service Company (NIPSCO)
  - Ameren Service Company

US electricity and gas distribution

- Long term rate plans which link interests of investors and consumers
  - 20–year performance based rate plan in Massachusetts (until 2019)
  - 20–year performance based rate plan in Rhode Island (until 2019) – second phase confirmed in 2004
  - 10–year incentive based rate settlement in New York (until 2011)
- Improved operating performance in H1 2004/05
- On track to deliver 20% reduction in controllable costs by March 2005 from 2002 levels
- New labor contract in New England (2003)
- New labor contract recommended in New York (current)

Trading update for the six months ended 30 September 2004

- Continued strong performance – especially in the US
- Underlying profit before tax ahead of the same period last year
- Effective tax rate similar to last year
- Net debt movement (in £) since 31 March 2004 impacted by:
  - Crown Castle UK acquisition
  - Seasonal cash outflow during first half
  - Strengthening of the US$
- Interim results 18 November 2004

Summary

- Focus remains on being the world's premier network utility delivering superior shareholder returns
- Delivering value through:
  - Disciplined approach to M&A growth opportunities
  - Management of regulation and investment in organic growth
  - Continued focus on cost efficiencies within a stable regulatory environment
- Strong balance sheet
- Premium returns
  - Aiming to deliver EPS growth to support progressive dividend policy
  - Dividend increase of 20% in current year – targeted 7% p.a. increase to 2008
- Successful conclusion to gas distribution network sales process
  - Crystallizes substantial shareholder value