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## **National Grid plc Conclusion of independent review of US cost allocation**

National Grid plc has received the conclusions of a comprehensive and independent five-month review of its accounting systems and practices across its US operations.

The review has concluded that deliberate misallocation of expenses had not occurred. However, it did identify that the continued use of multiple systems inherited from past acquisitions by National Grid's US business had resulted in significant complexity in both systems and processes. The report acknowledges that National Grid is already taking a number of actions to address these issues

This independent review was commissioned by National Grid following the identification in September 2010 of the misallocation of company expenses in its US businesses and was conducted by Liberty Consulting Group ("Liberty").

National Grid has reviewed Liberty's full report in detail. Key initiatives and actions are already underway to address the majority of the specific issues raised. The recently announced re-organisation of the US business will address key issues around its processes and accountability. In addition, the business is investing in a major systems transformation across its US operations to address the issues of multiple ageing legacy infrastructure dating back before the acquisition of KeySpan in 2007. Key controls around the allocation process are also being reviewed to increase consistency and effectiveness.

National Grid will be sharing the conclusions of Liberty's audit with a number of its jurisdictional regulators over the coming days. Following engagement and consultation with the regulators, further work will ensure all appropriate actions are being undertaken to ensure these regrettable issues do not recur.

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