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SLIDE 1 (title slide)

Good afternoon.

Thank you for joining us. I am Roger Urwin, Chief Executive of National Grid Transco, and with me today is Steve Lucas, our Group Finance Director. When we last spoke at EEI it was in the rather different climate of Palm Springs and coincided with the creation of National Grid Transco. My remarks today are going to focus on how NGT creates significant value for customers and investors.

I will, of course, leave plenty of time at the end of my presentation for us to answer your questions.

SLIDE 2 (cautionary statement)

SLIDE 3 (What's NGT about?)

Our story is a simple one. National Grid Transco offers investors the defensive characteristics of a regulated utility company while creating new shareholder value through growth opportunities. Over time, we have progressively and deliberately transformed the shape of the Group to realise these new opportunities, and today National Grid Transco is the world's largest company dedicated to the delivery of energy – both gas and electricity. Our focus is on operating large networks and we do this with virtually no exposure to trading or commodity risk.

We have several core skills. These are the foundations for shareholder value. Firstly, we pride ourselves in managing regulatory relationships on a productive, professional basis leading to the successful negotiation of innovative, performance-based regulatory agreements, both here and in the US. Secondly, our management teams in each business produce best-in-class operating cost efficiency and customer service. This generates superior returns with strong cashflows, secure earnings and enables us to set our long-term dividend policy targeting 5 per cent real increases each year through 2006.

SLIDE 4 (Progressive transformation of the Group)

The various parts of National Grid Transco reflect the significant evolution of the UK and US gas and electricity industries over the last 10 years or so. Our UK electricity transmission business had until 1990 been part of the government-owned vertically integrated generation and transmission company. Until 2000, our UK gas transmission and distribution businesses had been part of British Gas, itself coming out of government ownership in the mid-1980's. And our US energy delivery business was created out of the combination of NEES, EUA and Niagara Mohawk, each of which until the 1990's had been investor-owned vertically integrated utilities in their own right.

Today, we have transformed into a uniquely successful organisation with a broad balance between electricity and gas interests involving both transmission and distribution and comprising substantial activities on both sides of the Atlantic.

Slide 5 (Innovative regulatory settlements)

Roughly two-thirds of our business is here in the UK operating within a stable regulatory framework offering incentives for outperformance against cost targets through our RPI-x formulae. And we will outperform. In addition, we have separate incentives to reduce system congestion for electricity, and balancing market costs for both gas and electricity. Last year, our UK electricity transmission operation contributed the maximum profit allowed under its incentive scheme, and our performance this year is looking to be doing well again. Transco, in only the first year of its new price control, is also performing well, and we expect it to deliver incentive contributions.

In the US, our objective is simple, to set best-in-class standards of performance for our 3.2 million electric customers and half a million gas customers within the framework of our long-term rate plans that are the most innovative in the industry. In Massachusetts and Rhode Island we have 20-year regulatory agreements. And in New York, our ground-breaking 10-year rate settlement gave customers immediate savings and long-term price stability while giving us the opportunity to earn premium returns for shareholders. While customers get low rates, investors get significant upside from the improvements in efficiency and service that we are delivering while avoiding any exposure at all to commodity and trading risks.

SLIDE 6 (Delivering value)

All of our businesses have achieved major cost efficiencies and we are targeting new savings.
In the US, our team has already created substantial value for shareholders. Through last March we had reduced controllable costs by nearly 20% in our New England operation. And following the completion of the Niagara Mohawk acquisition, we announced targets for further outperformance cutting over $200 million or another 20% of the combined New England / New York cost base by March 2005.

Most of these further savings will come from the integration of Niagara Mohawk where we are well ahead of our aggressive plan. Our first-year target of delivering a savings run rate of $95 million was achieved 3 months early.

In the UK, our record speaks for itself. There have been outstanding improvements in operating performance with Transco's gas transmission and distribution network. Transco has already achieved considerable reductions in real operating costs, 16 per cent in the last five years alone. And we will meet our first year plan targets, continuing the downward trend in controllable operating costs in the UK gas business.

Costs for the UK electricity transmission network have been halved with charges to users down 40 per cent. System downtime has also been cut with availability pushed to record levels. Now we are targeting a further 30 per cent reduction in controllable costs over the period of our price control through 2006, outperforming our regulatory targets by over 10 per cent. This year should see us two-thirds of the way there.

SLIDE 7 (National Grid / Lattice merger…)

So National Grid Transco comprises businesses with a record of outstanding performance and achievement. Each one is an international leader in energy delivery. But we are not a utility conglomerate. We integrate our businesses to the greatest extent possible creating more cost savings opportunities.

Almost a year ago when we announced our merger with Lattice we promised £100 million of synergy savings. We are confident we will exceed that.

The areas where the savings will primarily come from fall into 3 basic categories. First, we've already brought together a single new Corporate Centre which was up and running on Day One of the merger in October. Next, we are pushing ahead with an initiative that Lattice started prior to the merger. This is the creation of a single UK business service support organisation which will manage a whole range of back office functions including procurement, fleet management, property, and IT – where we can benefit from scale, centralisation and consistency of process and systems. And third, we are bringing our two large transmission businesses together. The management is already in place and much work has gone into bringing the very similar operations together in a way that maintains the integrity of the 2 networks while driving out new savings for us.

We will progressively exploit a potential fourth area for savings in the creation of a single debt book with the synergies and best practices that can be realised with a single large Treasury operation.

SLIDE 8 (Broadened skill base…)

Now none of what I have described happens without good management. Our teamwork philosophy ensures that we have the best people in the group working on our most challenging opportunities. That teamwork ensures that excellence in one part of the group is quickly and effectively transferred across the group maximising value from each of our businesses. We are sharing our skills and resources across the Atlantic, across gas and electric operations, and between the field operations and the corporate centre.

By way of example, we are seeing increasing amounts of sharing between our electric and gas distribution businesses which have much more in common than the distribution and transmission of the same product. Distribution expertise is all about managing large workforces and ensuring efficient field force operations while Transmission expertise is highly technical and requires a very different set of skills. We have both.

Our success in helping to create our modestly named GridAmerica is in large part due to the combination of our US team and some of our best UK transmission people working together to seek to create large regional networks and to help shape the evolving federal regulation.

SLIDE 9 (Current market issues)

Before closing I thought it would make sense to touch on a few of the issues that the market is currently concerned with. It's no surprise that in the current environment pension schemes around the world are suffering. Using the proposed FRS 17 valuation methodology exaggerates these difficulties and our schemes show deficits. The valuation that really matters, though, is the one driving the funding requirement which is derived from periodic actuarial reviews. We expect that those reviews, to be completed later this year for the Lattice scheme and a year later for the National Grid scheme, will show deficits that are much lower than FRS 17 figures. In addition, as a regulated utility, our regulatory environments both here and in the US allow for pension costs to be included in rates. In reality our exposure is principally a likely some additional funding requirement for the Lattice scheme for the 2 to 3 years until our next price control in early 2007. Provided that any shortfall is made good over a number of years, as we would expect, this will be a limited exposure.

In the US, each jurisdiction treats pension costs slightly differently. In New York where we have our largest US scheme, costs are fully passed on to customers over time under the rate plan. In New England, increased costs offset any over-earning so there is a small exposure there.

A second frequently asked question, is that of our US strategy and our intentions to embark on another acquisition. We have a very solid foundation in the US now, and we have not disguised our desire to continue to grow. We will only do this though, when we feel we have identified the right deal, for the right price, and under all the right circumstances. We are not compelled to do anything, certainly not in the short-term, and deal or no deal we will not be deflected from focusing our efforts on delivering value out of our existing operations there.

Third is the range of methodologies that analysts adopt to value NGT. In our view, our UK businesses lend themselves to RAB based valuation with premia for outperformance against incentives. In contrast, RAB is less relevant for our US operations. These, we believe should be approached with more traditional assessments of cashflows and outperformance. Although our businesses are relatively simple, we do have some complexities within our regulatory agreements which can distort standard metrics and ratios. Probably the largest factor concerns replacement expenditure, or repex, on the UK gas network which is fully expensed in our accounts, but treated as 50 per cent capitalised in our tariff. This serves to suppress earnings in comparison with other utilities and therefore distorts a simple PE ratio which would appear high in relative terms.

Finally, we are regularly asked about the review process of our UK gas distribution networks. We are working with our regulator to establish separate price controls for each of the eight regional networks. Once achieved, this will give us greater flexibility to maximise shareholder value, for example through corporate restructuring or capital re-deployment. The goal is to have these separate regulatory schemes agreed and implemented by April 2004.

Slide 10 (Clear focused strategy)

So let me conclude. We are committed to maximising value from our existing businesses, reducing costs further while maintaining high service levels. We will continue to drive each of our businesses to meet aggressive efficiency targets and deliver merger synergies.

We will continue to exploit the breadth of the Group, our management, and our portfolio. In doing so, we will continually review the allocation of our capital always with a view toward providing premium shareholder returns. Our current share buy back programme is a clear example of this approach.

Our confidence in all we do is underlined by our dividend policy aiming to increase dividends by 5 per cent in real terms for each of the next 3 years and management's target of maintaining top quartile performance for total return in our sector.

Thank you for your interest and attention. At this time, Steve and I will be happy to take your questions.