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Welcome to your IR news update from National Grid.

It has been great to re-connect with so many of you since I joined the Group in October last year.

Ahead of the full-year results in May, we wanted to remind you of the key announcements we have made over the last few months (see links on this page), and highlight the events that are coming up.

I would also like to inform you of a few changes to the IR team. Tom Hull and Victoria Davies have left the Group and George Laskaris will be retiring at the end of May. I would like to thank them for their significant contribution and wish them well.

Finally, through this Newsletter, we want to introduce colleagues who are performing vital roles towards creating value for all stakeholders. Around 60% of our US rate base has recently filed for new rates, so we have selected Mike Calviou, Senior VP of US Regulation for this edition. I hope that you will find this of interest.

As always, please contact the IR team if there is anything we can assist you with.

Aarti Singhal
Director - Investor Relations

Key Announcements

October 2015 – March 2016

- RIIO baseline databook
- Commencement of share buyback programme
- KEDNY/KEDLI rate case filing
- US Seminar
- New auditor appointed
- H1 2015 report
- Mass Electric Rate Filing
- New Chief Executive

Financial Calendar

Mar
- 16 March - EIFFEL Conference London

Apr
- 1 April - Close period begins

May
- 19 May - Full Year results, London
- May & June - Full Year roadshows UK, Europe and US

Jun

Jul
- 25 July - Annual General Meeting

Aug

US Regulation – an interview with Mike Calviou

In his interview, Mike has shared insights on how the rate filing process is progressing for Mass Electric, KEDNY and KEDLI. He talks about opportunities he is exploring to evolve US Regulation to provide better innovation incentives for the benefit of customers and companies. Mike is also focused on enhancing our readiness for regular rate filings, working closely with the Jurisdictional Presidents. **CLICK HERE** to read the full interview with Mike.

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*Returning to US early 2017

Interview with Mike Calviou

Senior VP of US Regulation

nationalgrid

Mike Calviou was appointed to the role of Senior VP of US Regulation in August 2015 having spent over 10 years in leadership roles within National Grid's UK business where he played a key role in readying the Transmission business for RIIO.

National Grid has filed for new rates in both Massachusetts Electric and KEDNY and KEDLI in New York. How is the process going?

The team has been very busy with filing full rate cases for three of our US operating companies and a number of other smaller regulatory submissions.

We filed Massachusetts Electric Company (MECO) rate case in November 2015 and in February we completed the 'Discovery phase'. This is where we have to respond to questions ('Information Requests' or 'IRs') from regulators and other interveners (such as customer advocates). Throughout March and April there will be public hearings followed by formal hearings with the regulator in May. The new rates are planned to go into effect on 1 October 2016.

….and what about Downstate New York?

The KeySpan Energy Delivery NY and KeySpan Energy Delivery Long Island (KEDNY/KEDLI) rate cases were filed in January 2016 – so the Discovery phase has only just started. The new rates from this case are planned to go into effect from 1 January 2017.

Have we made any other regulatory filings or petitions?

Yes, we have also filed a capex petition for Niagara Mohawk Power Company (NMPC), which proposes to hold rates stable for up to two additional years and seeks to fund approximately $1.4bn of capital expenditures through existing regulatory liabilities owed by customers under the existing rate plan. This builds on similar successful filings that we did for KEDNY and KEDLI over the past 18 months.

So we're updating a large proportion of the US business?

That's right; together these filings represent around 60% of our US business currently under regulatory review.

What do you consider to be the key steps in a rate filing process?

I believe that the keys steps towards successful regulatory filings are a strong and compelling customer case for what we need to be funded, high quality data to base our submissions on, and great stakeholder engagement.

And what is National Grid doing to improve its processes?

The main improvements so far have focused on ensuring robust financial data (including externally validated 'data scrubs') and having a comprehensive stakeholder outreach plan.

Does this outreach include National Grid's customers?

Yes, both the MECO and KEDNY/KEDLI rate cases involve increases in the 'delivery' component of customers' bills, so we are very mindful of the customer impact of our request. We have done extensive outreach to explain the need for these increases – for example the length of time since we last filed, as well as the increasing investment requirements on our systems to provide a continued safe and reliable service to our customers.

What else can we improve?

Going forward we are building on the learnings from the MECO and KEDNY/KEDLI submissions – for example ensuring we have a strengthened cross business network of regulatory / rate case experts who can provide the business knowledge to provide compelling testimony and high quality responses to information requests.

Does the US regulatory model encourage innovation?

Traditionally, US regulation is focussed on recovering utilities' cost of service, but this does not always provide the right incentives for companies to act in the best interest of customers.

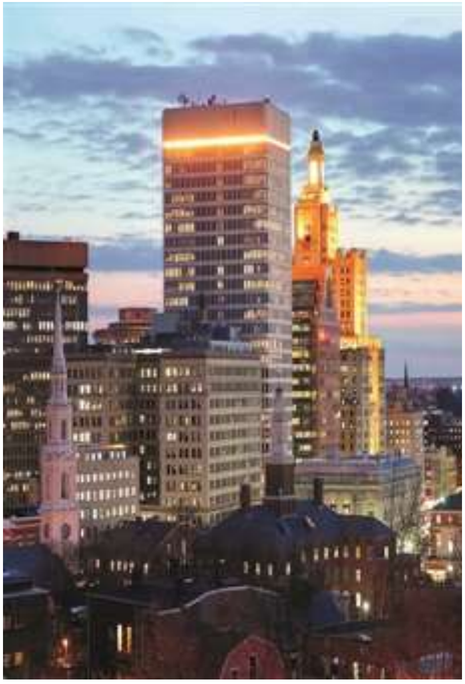
For example, there is a lot of interest from regulators and other stakeholders in us developing more 'non-wires alternatives' ('NWAs'). This could be through using demand response, Distributed Energy Resources ('DERs') or other kinds of innovative solutions and would avoid the need for some of the traditional asset intensive solutions such as new substation or new circuit.

Traditionally, US regulation does not incentivise companies to aggressively pursue these alternatives , as the utility gets a return on its capex investment, but does not recover the opex cost of the NWA (unless it was anticipated in a previous rate filing) which would therefore reduce its returns.

How do you think the model could evolve to ensure the optimal level of investment for the regions?

I believe there is a real opportunity to evolve US regulation to provide better incentives for companies like us to come up with innovative solutions that benefit our customers. We have already seen some encouraging steps in this direction – for example in NY and RI we use a 'forward looking test year' which allows us to forecast future costs rather than just focus on what we have spent in the past. The NY PSC has also shown an interest in considering more upside incentives under the Reforming the Energy Vision (REV) proceeding – and we have included some new incentives in our KEDNY/KEDLI filing.

We aim to make similar progress in other Jurisdictions – for example in Massachusetts, rate cases are still based on historic test years which limits the scope for development of appropriate incentives.



Are you suggesting a move towards the UK RIIO model?

Overall, I would like us to introduce more of the best features of the RIIO regime in the UK, such as forward looking allowances for both opex and capex with associated outputs, and the ability to outperform by delivering the outputs more efficiently or through more innovative solutions. This does not necessarily mean moving all the way to Totex regulation, but I do think it makes sense for us to have incentives to deliver our capital programs efficiently and create more value for customers.

What is your view on REV and similar initiatives by Regulators – what opportunities do they present for us?

In each of the states we operate in we have on-going proceedings (REV in NY, Grid Mod in MA, and SIRI in Rhode Island). These proceedings are focused on the changing energy landscape, in which we operate, with a particular focus on the increased role of DERs and the implications for our Distribution systems.

I think there are some really interesting opportunities for us – for example as I mentioned earlier the discussions can be a catalyst for reform of the regulatory framework to provide better incentives with more opportunities for us and ultimately better and more efficient delivery of service to our customers.

In the short to medium term it could prompt increased opportunities for us in areas such as Smart grids, Smart metering, Solar and Storage. The key thing that we are currently focused on is developing pilots of some of the new concepts so we can learn by doing and take small though meaningful steps towards a future with a more distributed energy system.

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. 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', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, announcements from and decisions by governmental bodies or regulators (including the timeliness of consents for construction projects); the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this announcement include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; inflation or deflation; the delayed timing of recoveries and payments in National Grid's regulated businesses and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, train or retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with the National Grid's employees or the breach of laws or regulations by its employees; and the failure to respond to market developments, including competition for onshore transmission, and grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including assumptions in connection with joint ventures. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 173 to 176 of National Grid's most recent Annual Report and Accounts. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement.