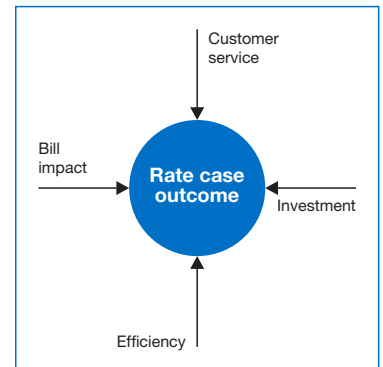
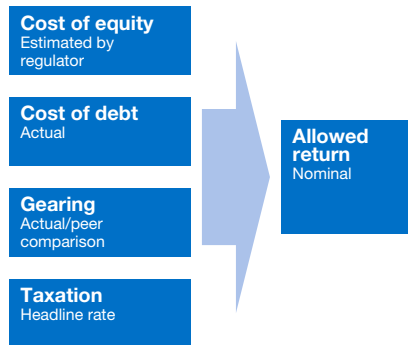
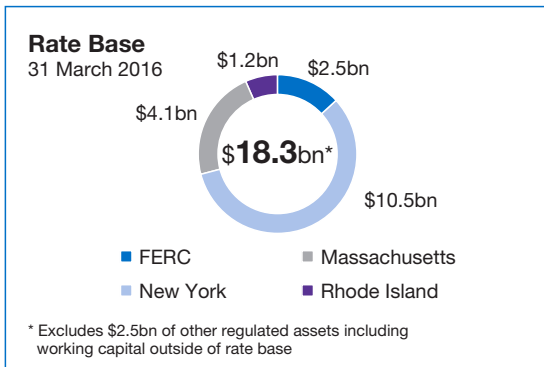


- ◆ National Grid has 13 regulated businesses with total regulatory assets of over \$20bn¹ in the northeast US
- ◆ Alongside gas and electricity transmission and distribution activities, we also have regulated energy supply and generation activities²
- ◆ Similar to UK price controls, transmission and distribution revenue allowances are set out by rate orders determined by regulators
- ◆ Value for these business derive from rate base and allowed returns, secured by effectively meeting customer needs and operating efficiently

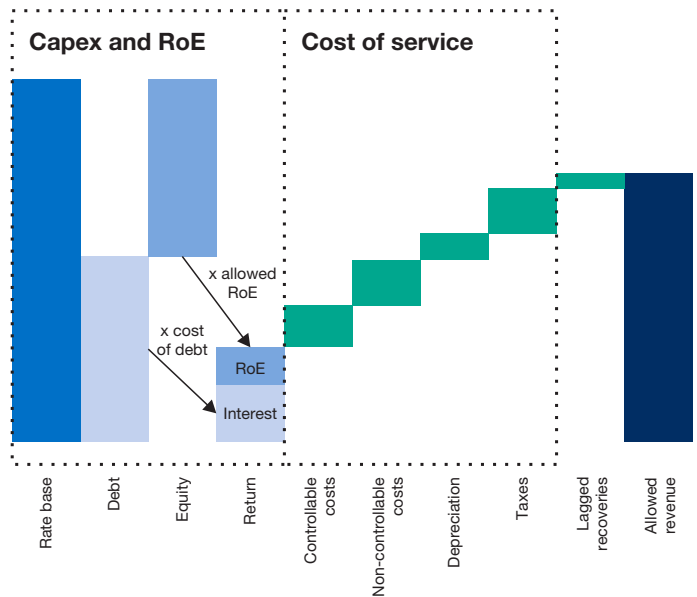


Regulatory process for a typical rate case



- ◆ Quasi-judicial forum
- ◆ Commenced by company, regulator, or third party
- ◆ Company and customer representatives
- ◆ Evidentiary hearings with witnesses under oath
- ◆ Ratemaking rules and practices differ between jurisdictions
- ◆ Outcome influenced by precedent
- ◆ Long-term rate plans typically result from settlements
- ◆ Can appeal to courts

US regulatory revenue building blocks



Regulatory jurisdiction... ...multiple US agencies

Federal	US rate base	Cost based method
FERC	14%	Projected

- ◆ Independent agency
- ◆ Focus on interstate commerce
- ◆ Regulate rates charged to other utilities

State	Percentage of total US rate base	Cost based method
New York PSC	57%	Projected
Massachusetts DPU	22%	Historic
Rhode Island PUC	7%	Projected

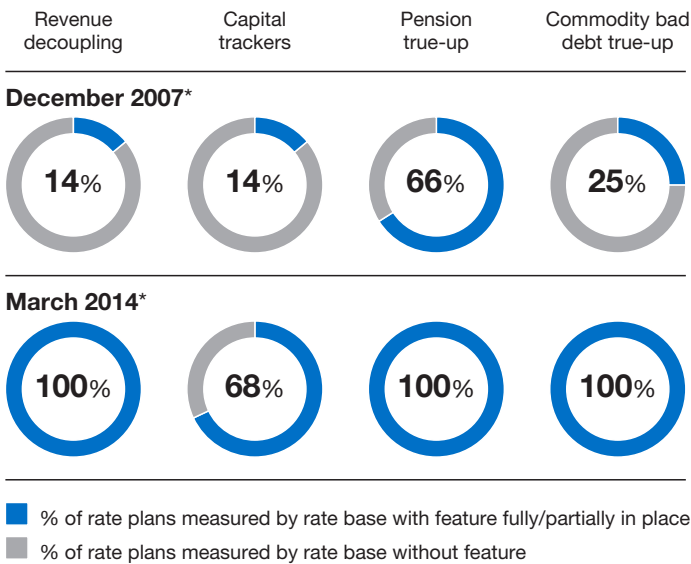
- ◆ Independent agencies
- ◆ Specific powers established by state laws
- ◆ Regulate rates to ultimate customers
- ◆ Approve issuance of securities

¹ Including \$2.0bn of other regulated assets outside of rate base

² All businesses pass through the cost of purchasing commodity and fuel on behalf of customers

Rate plan structural features

Trackers	Revenue decoupling
<ul style="list-style-type: none"> Ensure investment is remunerated on a timely basis Maintain alignment between revenues, controllable costs and rate base Reduce frequency of full rate filings 	<ul style="list-style-type: none"> Align incentives on energy efficiency Limit weather and regional economy exposure
True-ups, storm funds and deferrals	
<ul style="list-style-type: none"> Reduce/remove windfall gains and losses from specific categories of cost volatility outside of company control...e.g. pensions, bad debts, storms, environmental costs Ensure more timely recovery of costs Reduce frequency of full rate filings 	



* Percentage figure relates to proportion of rate base (at 31 March 2014) affected (excluding stranded costs)

Regulatory developments

We have made a number of changes to our organisational model, including a move to a jurisdictional focus under the supervision of regional presidents.

These changes, along with changes to our cost base, accounting systems and processes are designed to provide more responsive, and aligned regulatory engagement and intensify focus on customer service.

Important notice

This document 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 'aims', '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. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' section of National Grid's most recent Annual Report and Accounts for the 12 months ended 31 March 2015 as updated by National Grid's unaudited half-year financial information published on 10 November 2015. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Capita Registrars. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

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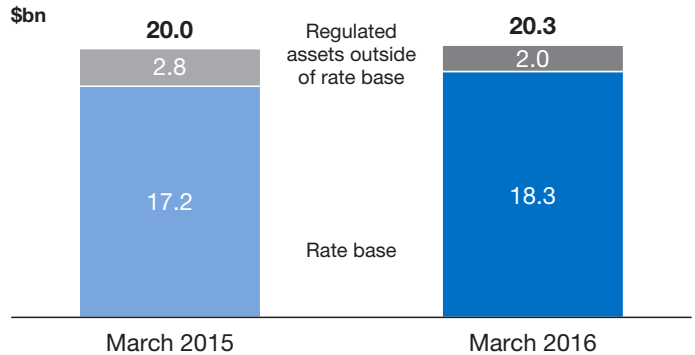
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Regulatory assets progression

March 2015 – March 2016



Regulatory assets outside of rate base

- Definition of rate base varies by jurisdiction, e.g. inclusion of working capital and deferred costs
- In addition to rate base assets, \$2.0bn of other regulatory assets outside of rate base
 - Working capital
 - Deferrals
 - Construction work in progress
 - Recoverable goodwill
- Approximately half of these assets (excluding working capital) earn a return whilst awaiting recovery

Rate case filings

Current and future rate case filings will be an important component of our long term performance in the US, allied with delivering further improvements in customer service and cost efficiency. By combining new filings with more efficient operational and capital investment processes we will be seeking to achieve and sustain appropriate returns from our combined US operations.

Recent rate plan approvals

Approval	Effective
KEDNY (Downstate New York) 2 year modification	1 January 2013
Narragansett Electric (Rhode Island)	1 February 2013
Narragansett Gas (Rhode Island)	1 February 2013
Niagara Mohawk Electric (Upstate New York)	1 April 2013
Niagara Mohawk Gas (Upstate New York)	1 April 2013
National Grid Generation (New York)	28 May 2013

[Separate fact sheets available](#)

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