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PRESENTATION

John Parker - *National Grid - Chairman*

A very good morning, ladies and gentlemen, and welcome to National Grid's interim results. Before we start, may I request you to turn off mobile phones and any other devices that might disturb us. Well with me today is Steve Holliday who, of course, becomes our Chief Executive Officer on January 1, and Steve Lucas, our Finance Director.

As you know Roger Urwin is retiring at the end of this year, and Roger has had an outstanding track record, having led National Grid through transformational change over his five years as Group Chief Executive. He has delivered sustained earnings growth and an increase in the dividend of over 60%, and leaves our business in very good shape.

In October we also announced two new Board appointments. Mark Fairbairn, currently Chief Operating Officer of U.K. gas distribution, will be appointed to the Board in January as an Executive Director. And he joins us in the audience today, along with Edward Astle and Nick Winser. So you all know Mark.

Mark Fairbairn - *National Grid - Executive Director*

Morning everyone.

John Parker - *National Grid - Chairman*

Good. Linda Adamany joins us at the beginning of the month as a non-Executive Director. She has over 25 years experience in the energy sector, mainly at BP, and she's an accountant, and I'm pleased to welcome her to the Board. Mike Jesanis will be stepping down from the Board at the end of the year. Mike's been an important part of the establishment of our highly successful U.S. business, and all of them -- all of us wish him well in the future.

Finally, I'd like to introduce David Rees.

David Rees - *National Grid - IR Director*

Good morning.

John Parker - *National Grid - Chairman*

David is our new Director of Investor Relations, who's taking over from Alexander Lewis. Alex is moving to become our Group Head of Corporate Finance. So on to today's announcement.

This has been another very successful half year for National Grid. We've again delivered a good operating and financial performance. Our underlying earnings are 12% higher than in the same period last year, and we have committed -- we have continued to invest for growth. We continue to have confidence in National Grid's ability to deliver good results and sustained growth, and this is reflected in our dividend. In line with our policy, we are today announcing an interim dividend of GBP0.109 per share, an increase of 7% on last year.

In a moment Steve Holliday will present to you on the future vision for the Company, following the recent strategic review that's been conducted by the Board. But first Steve Lucas will take us through the financial results, and touch on one or two of the operational highlights. Steve?

Steve Lucas - *National Grid - Finance Director*

Thank you John, and good morning. As you know, National Grid is now reporting under IFRS and I will start with a few technical details. This presentation is based on continuing business performance, so it excludes exceptional items and non-cash mark-to-market re-measurements. If you recall, these re-measurements relate to certain commodity contracts and financial instruments. They are held for economic hedging purposes, but did not achieve hedge accounting under IAS 39. All through I will express operating profit at constant exchange rates, and all the numbers I quote are in pounds sterling unless otherwise stated. As I'll be making forward looking statements in today's presentation, I refer you to the cautionary statement included at the front of the presentation.

First, the financial headlines. Once again good results. We've increased our operating profit to GBP1.125b, up GBP37m. I'll take you through the detail in a moment. Profit before tax was up 12%, earnings are up 12%, with earnings per share up 21%. We've increased the interim dividend today by 7%. Let's now look at the results in more detail.

Operating profit, excluding U.S. stranded costs, was up 10%. This was driven by a strong performance from U.K. transmission and U.S. distribution. I'll now take you through the detail by business. You'll noticed that we've changed the format, but you will find our usual step diagrams in the appendix.

U.K. electricity and gas transmission had a good performance. Operating profit was GBP427m, up GBP30m on last year. The electricity transmission mini review recognized our increased investment requirements, and delivered a 9% increase in revenue. This generated a GBP47m increase in profit.

Market demand for French interconnector remains strong. This delivered a GBP12m increase in profit this period. These favorable items were partially offset by an under-recovery of gas transmission formula income, resulting in a decrease of GBP20m. There were also higher workload related operating costs of GBP11m, principally driven by our increasing asset replacement program.

Now before I move on. As you are all aware, we are currently in discussion with Ofgem on a new five year price control for our transmission business. And in September we received their updated proposals. Since the initial proposals in June some progress has been made, but we need to make further progress if the outcome is to be acceptable.

In U.S. transmission, operating profit was broadly flat period-on-period at GBP67m. Last month FERC issued an order approving higher allowed returns on equity, for our electricity transmission network in New England, which is effective from November 1 this year. This will be reflected in our future financial performance.

Now on to U.K. gas distribution. Operating profit in this segment was GBP71m, a decrease of GBP23m. Formula income increased following the price rises in October 2005, but this benefit was more than offset by lower volumes which were down 10%. This was due to two factors, warmer weather and reduced gas usage due to high energy prices. Altogether, this resulted in a net decrease of GBP2m.

Non-controllable operating costs were GBP20m higher. This includes a GBP12m under-recovery of costs, following an increase in business rates in April this year. However, this is a timing variance only and, indeed, this cost is already being recovered as part of the 9% price increase introduced in October this year. Most of the remainder was due to pension and shrinkage costs. Let's move on.

U.S. electricity and gas distribution has had a good result. Operating profit was GBP251m, up GBP82m on last year. This year we started to make recoveries from the New York deferral account, and we will recovery $150m during this financial and $150m next year. This recovery boosted profit by GBP37m in the first half. The recovery of certain pass through costs, mainly commodity costs, has led to a significant benefit this period of GBP56m. This is due to an under-recovery of GBP25m last time, and over-recovery of GBP31m this time. These are only timing issues and we expect this latter item to largely unwind by the end of this year.

These favorable items were slightly offset by the impact of other factors totaling GBP11m, including increased reliability and maintenance spending, and lower delivery volumes due to high energy prices and the cooler summer.

Now while we're on the subject of weather, I would like to briefly touch on the severe snowstorm in western New York last month. And while I'll do this I'll show you a few pictures. This storm was the worst in National Grid's history, and resulted in a power outage to over 250,000 homes and businesses. To restore power to our customers, more than 2,000 National Grid workers from New York, Massachusetts, New Hampshire and Rhode Island were joined by a further 2,000 workers from other utilities and outside contractors, from 16 states and three Canadian provinces. After seven days the vast majority of customers had their power restored, and all customers were restored in 10 days. This was a tremendous effort and a tribute to the commitment and the professionalism of all our people.

This achievement has been widely recognized by politicians, regulators and, as you can see here, our customers. Now this cost us around $70m which will hit our second half results. However, barring a small deduction of $2m, we expect these costs will be recovered through the deferral account in future periods. Moving on.

The operating profit in our stranded cost segment was GBP202m this year, down GBP47m. Most of this drop was due to an expected decrease in the ongoing recovery of, and return on, the stranded assets base. In addition, you'll recall the benefit of

GBP21m we received from the USGen settlement last year. The contract settlements, which largely relate to legacy power purchase arrangements and are mainly driven by gas prices, were broadly flat. These payments will be largely complete by the end of '07/'08.

Now to our wireless business. Wireless infrastructure operating profit was GBP42m, a 17% increase. This reflects a strong performance in our broadcast business, following the commencement of two new channel contracts in the second half of last year. There was also continued growth in tenancies in our mobile infrastructure business.

Now on to our other activities. Operating profit from our other activities was GBP65m, down GBP10m. Metering was up GBP2m in this period, with growth in OnStream, our competitive metering business. More than offsetting a slight decline in regulated metering revenue. Our LNG imports terminal at the Isle of Grain made a GBP5m contribution, up GBP4m. Basslink, our Australian interconnector which started operating in April this year, also made a GBP5m contribution. Property was slightly up and delivered GBP32m of operating profit. These favorable items were offset by higher net insurance charges of GBP7m and, in addition, our connections business was down GBP9m. That covers the breakdown of operating profit.

As usual we've converted last year's operating profit at this year's exchange rate. This brings last year's operating profit down by GBP3m. You'll find further detail on this in the appendix.

Now to interest, tax, earnings and dividend. Net finance costs were GBP255m, a GBP62m decrease from last year at actual rates. This was mainly due to the impact of favorable short-term cash investments and an increased pension credit. These items were partially offset by a slightly higher effective interest rate of 5.5% for the period. Our effective tax rate was 32% for the half year. The resulting tax charge for the period was GBP279m, a GBP33m increase at actual rates reflecting, of course, higher profits. Earnings per share were GBP0.217, a 21% increase on last year. In line with our policy, the interim dividend per share is GBP0.109, a 7% increase. The interim dividend paid to our ADR holders will be $1.279 per ADR.

Now on to capital investment, the principle driver of our organic growth, which Steve will talk about in more detail in a moment. Capital investment in our existing businesses was GBP1.1b, up 30%. The biggest driver was U.K. transmission investment, up 63% to GBP534m. This includes GBP144m on the Milford Haven project, GBP78m to support the new gas transmission entry capacity at Easington, and GBP115m on electricity asset replacement. U.K. gas distribution investment was GBP218m. Of this, replacement expenditure was GBP159m, up GBP20m. Other activities included GBP45m on phase two of our Isle of Grain LNG terminal. And looking ahead, we expect to invest a total of about GBP2.5b this year.

I'll now move on to cash flow and net debt. Opening net debt was GBP10.9b. Operating cash flow was GBP1.4b after exceptional spending of GBP36m. Cash interest was GBP291m, and tax paid was GBP198m. Cash CapEx was GBP1.4b, which includes the acquisition of Rhode Island gas. Dividends account for GBP433m. This led to a GBP937m increase in net debt. There were non-cash movements of GBP137m. These included IFRS fair value and dollar exchange impacts. All-in-all, this led to a closing net debt figure for the period of GBP11.7b.

So in summary, a good first half. We've had very strong growth in EPS, up 21%, and we've increased the interim dividend by 7%. Importantly for the future, investment in existing businesses is up 30%.

And with that, I'll now hand you on to Steve.

Steve Holliday - *National Grid - CEO Designate*

Thank you Steve. Since my appointment as Roger's successor, I've had about nine months to think about our business, and develop plans for the future of National Grid. Plans that will create enhanced value for our shareholders. There are four key priority areas on which I plan to allocate much of my time. The first of those is strategy and enhanced growth. The second is about how we drive our performance to the next level, and I'm going to spend the rest of this presentation talking about those two areas.

But there are two other areas that will be crucial to our success. One of those is senior management, the top 100 in our business. Making sure we have the right people in those jobs, and that they're working in the right way. And that we continue to develop international leaders, who can deliver the business performance that we're going to require in the future.

And finally, we can and we will enhance the relationships and the quality of communications that we have with governments, regulators, our customers, and indeed all our stakeholders both here in the U.K. and in the U.S. So let me summarize where the National Grid is today, our thinking on strategy and how that has led to the announcements that we've made this morning.

Roger's handing over the National Grid in great shape, and I'm fortunate to be taking over at a time in this industry which is incredibly exciting. Our past five years have been characterized by a lot of development and considerable progress. That's resulted in National Grid becoming a world scale utility with a quality set of assets. 95% of our revenues are regulated. The remaining 5% are covered by long-term contracts. These together secure operating cash flows in excess of GBP3b per year.

We've got a track record that's the envy of many. Recognized skills in asset management, operations and regulation. For KeySpan in rough numbers will be 50% in the U.K., 50% in the U.S. There'll be 54% electricity and 42% gas. And we're entering a period of strong organic growth in the businesses that we own today. GBP12b of investment in our assets over the next five year period, and that excludes KeySpan. That's going to provide a strong platform from which we can grow and create value.

The utility space is an exciting place to be, at an anticipated $10 trillion of global investment over the next 20 years. Some 60% of that is going to be in the electricity and gas distribution and transmission parts of the industry, our space. In addition to the need for major new construction, there will be the obvious opportunities created through further consolidation and as other businesses refine their own portfolio of assets.

But importantly for National Grid, 20% of that $10 trillion is in the United States, the largest chunk, more than China and a third more than is expected in Europe. But in the U.S. structural reform will move at differing paces. There will continue to be a variety of regulatory approaches and, of course, competition for quality assets with low risk characteristics will be strong.

Now back in January I said there was not going to be a major change of strategy. We've carried out a very thorough review, and today's announcement is not a major change of strategy but it is an evolution. And it is a definite change in the pace of execution, as we look to take our business to the next level. Our strategy is very clearly guided by four key factors.

I've just told you about the overall outlook for the markets in which we operate, and the future opportunities set that therefore exists for us. But we've also looked very hard at our competitive position. Our competitive position relative to utilities, and not surprisingly our competitive position compared to the new class of owners, the infrastructure funds. While they may have a cost of capital advantage, importantly what they don't have is a greater willingness and flexibility to run the business in an integrated way. And that is a key advantage for us that I'll come back to.

We've spent time listening to our shareholders, their needs and understanding their investment priorities. And we've spent time yet again reaffirming our understanding of how and where we have created clear shareholder value in the past, and importantly, where the opportunity is to create future value.

Our value drivers are very clear. Regulatory skills and regulatory relationships are key for our business. A major part of value creation is predetermined by having the right regulatory arrangements. Hence, not surprisingly, the huge focus we've had on the transmission and gas distribution reviews here in the U.K.. And the importance in the U.S. of our rate filings associated with the KeySpan acquisition.

Operating efficiently and maximizing the synergies between our businesses has to continue to be a core skill. There's a huge opportunity to create value, by ensuring that we exploit all economies of scale. And from the rigorous application of standardization and best practice. And lastly and very obviously, financing our business in the most efficient way will continue to be a key driver of value.

So what does that all mean for the future of our business? Well, that future is about being even more focused. It's about running our business in a more integrated way. It is about increasing the discipline and rigor in the way in which we operate and the way in which we finance this business. And by doing all three of those things, unlocking significant amounts of future value for shareholders.

So what do we mean by more focused? We have a clear business model and we will be focused on our principal growth markets. We will focus on gas and electricity businesses but we will be more flexible, and by that I mean we're not going to move into retail. But we will own generation where it's already part of a network business, and where that generation can be characterized as low risk. Either by being regulated or with long-term contracts without the commodity price exposure.

It's absolutely clear that there's more than enough opportunity for us to grow this business in those markets where we already have a major presence, in the priority markets of the U.K. and the U.S.. We own and operate asset-intensive businesses and our preference will continue to be to own those businesses 100%. And we would not, as a routine, operate businesses for others.

Let me look at the U.K. As you know the U.K. is facing significant changes to its energy infrastructure requirements, with the decline of North Sea gas production, the government's renewable energy policy and the need for considerable asset replacement. These changes are driving our organic investment. And our projections are U.K. regulated gas and electricity businesses will grow their asset base by over 40% over the next five years.

There are additional opportunities for us. There's a potential third phase to the LNG input terminal at the Isle of Grain. There are potential electric inter-connectors between the U.K. and Norway and between the U.K. and mainland Europe. And we're also looking at ways of expanding our metering business so that added gas into electricity, and in particular exploring the role that we can play in the introduction of smart metering into the U.K. for organic investment, potential expansion for in gas and electricity businesses here in the U.K.

Let's turn to the U.S. The most immediate opportunity is the integration of KeySpan, where we've identified $200m of annual savings. KeySpan also provides us with a number of organic opportunities, in particular, the opportunity to invest to add up to an additional 1.5m customers on to our gas network. Furthermore, there are other opportunities, Interstate gas pipelines, new build electricity transmission, and the consolidation opportunities that remain in this hugely fragmented both gas and electricity sectors there.

The consequence of this focus and the opportunities that we have today in our U.K. and U.S. businesses, we've decided to take the steps to realize the value that we've created in both our Wireless business here in the U.K. and our Basslink project in Australia. Over the past two years, we've created substantial value by gluing together our old Gridcom business and the Crown Castle business in the U.K. This business is now positioned for double-digit growth.

But it's not gas, and it's not electricity. And it's clear that the core gas and electricity businesses growing in the manner that they are, the Wireless business would always be a relatively small part of National Grid. Therefore we have decided to demerge it for our shareholders so that they have the opportunity to benefit from that growth and its independent future.

Basslink is another success story. But again, it's small in the context of National Grid. And we have not identified any valuable opportunities that would allow us to build a sensible business around it. Therefore, it makes sense as part of our focus to sell it.

Let me turn now to this advantage we have with our willingness and flexibility to run our business in a very different way. We know there's further value in our business that we can deliver. So we will fully integrate our operations and clearly demonstrate the benefits that are open to us because we have similar businesses here in the U.K. and the U.S.

Part of this value opportunity is by exploiting scale. We've already moved to a single, global IS organization. We're now embarking on implementing a common set of processes for the provision of all our back-office shared services and fully exploiting the opportunities that exist across our larger business in the supply chain. But much more value will come from the change in the way in which we operate.

We are moving geographic boundaries, applying a single set of methodologies across all our operations. For example, in the way we manage our assets, the management of our field forces. Not only will this deliver value, but it will deliver enhancement that our customers will see. And it will improve the framework to enable rapid integration of any future acquisitions.

The challenge for us is to achieve all that and yet ensure for our customers and the stakeholders that we have a very local face. We must meet this challenge. We have to exploit the competitive advantage that we have because of the size and scale and shape of our business, but it has to go hand in hand with maintaining those critical local relationships.

Part of the steps to achieving this is to reorganize ourselves around global lines of business. Global transmission, global gas distribution, electricity distribution and generation, all of our business development activities and all of our non-regulated businesses will be grouped together. And shared services, as I've said, on both sides of the Atlantic will be driven in a common framework.

But this increase in discipline is not just about our operations. It also means moving to another level of rigor in the management of our balance sheets. It's just essential that we do not leave any value on the table. The financing challenge is very easy to frame. We need to ensure we have the capital available to grow to maintain the obvious investor confidence that flows in the demonstration of discipline in managing our balance sheet.

Following the acquisition of KeySpan for cash, our balance sheet efficiency will be significantly improved. And in future to maintain that efficiency, surplus cash over our near-term investment needs will be returned to shareholders. On our dividend, you are already aware of our commitment to a 7% annual increase from March 2008. Looking ahead, our policy will continue to be based on our view of sustainable profit from our business.

Around $2b of our future U.S. cash flows relate to recoveries from past standard assets. These cash flows cease in 2011. And they are not part of our long-term profitability. Therefore, we will separate this cash and, as it arises, return it to shareholders via a share repurchase program.

In conclusion, National Grid is in great shape. But there is more to achieve. And looking ahead, we will focus our efforts on the U.K. and U.S. gas and electricity markets. We will become more integrated. We will become more rigorous in how we run our business. And we will be more disciplined. And that will enable us to deliver further value from our business and in a way in which shareholders can very clearly see.

On that note, let me hand you back to John and we'll take your questions.

John Parker - *National Grid - Chairman*

Thank you very much indeed, Steve. That was a very clear exposition of our strategy. May I now take questions? Yes, sir. At the front.

QUESTIONS AND ANSWERS

Iain Turner - *Deutsche Bank - Analyst*

It's Iain Turner from Deutsche Bank. There's obviously a very hot market for infrastructure assets at the moment. I would have thought you'd have lots of people beating a path to your door for the wireless infrastructure. So why have you decided to demerge it rather than simply sell it straight out?

Steve Holliday - *National Grid - CEO Designate*

We decided that demerger is the best route because of the growth that's in this business. We actually think that's the best way of returning this business to our shareholders so they can share in the way we have set this business up and take part in that growth going forward.

John Parker - *National Grid - Chairman*

Next question?

Philip Green - *Merrill Lynch - Analyst*

Philip Green, Merrill Lynch. Can I just swing onto KeySpan? It's all gone a bit quiet. And maybe we've been busy too much on generation kind of issues for the last few months. So just trying to figure out where you've got to here on the regulatory clearance process. Can you give us a summary of the political change impact, particularly at the PFC level?

And also, in that context, what recent rate deal precedents might be telling you about the balance of power between the staff and the commissioners, just really a pen sketch of where we are in KSC and also the clearance for completion and what your new time horizon is for that.

Steve Holliday - *National Grid - CEO Designate*

We have had five of the seven required approvals. The two previously outstanding are New Hampshire and New York. New Hampshire we expect to get early in the new year. We don't expect any problems there. Discussions are well advanced. We made our filing into New York back in the summer. That was followed up by a filing by KeySpan for a rate increase on a standalone basis. That was a request from the PFC that they file a standalone plan as well which, in many ways, is helpful because it demonstrates the benefits of this transaction for consumers. $0.5b of benefit for consumers we expect from it. And that's very helpful in the context of other things that are going on in the U.S.

We're in the middle of the discussions now with the PFC. There's a timetable that's laid out. I expect that to take us through to the summer of 2007 when we'll close the transaction. I don't draw any great conclusions from any of the recent precedents in some of these [consumer deals]. We know, and the PFC know that we need to find a place here where consumers get benefits and shareholders get benefit. And there's $0.5b of benefit for consumers here on offer which makes us very, very attractive to them.

So we should -- political changes in the U.S. will not impact this. They have possibly impacted the schedule. It was very clear there was going to be a new governor in New York. It was pretty clear it is likely to be Elliot Spitzer, someone who we know relatively well. So there was a couple of months where, in some ways, you imagine the staff were waiting for the new governor. And there will be a new chairman of the PFC as well. So we're now forecasting somewhere in 2007 for closure.

Edmund Reid - *Cazenove - Analyst*

Edmund Reid from Cazenove. I had two questions. Firstly on the balance sheet. When you talk about an efficient balance sheet, what kind of metrics are you using?

And then secondly on integration. What will be the cost to achieve the integration and would you expect there to be any kind of ongoing cost savings from that integration?

Steve Lucas - *National Grid - Finance Director*

Yes. A couple of points here, that we are not changing our rating commitment which still stands as it has done for a number of years now, targeting at U.K. operating company, gas and electricity A-range rating. That currently sits at mid -- largely at mid single A. But, indeed, you'll all be aware that when we announced KeySpan deal, the rating agencies said that was likely to result in a one-notch downgrade. So it's still within that A range.

The key metric really, and the one that I think makes most sense is whether we can pay our interest bill. We have cash interest cover. It doesn't really make sense at the half year. But the last time we struck this number we were at the full year at about four times [SFO] over the interest bill. That clearly does allow flexibility.

It clearly needs to anticipate KeySpan which, obviously, we've announced that deal is for cash. That will bring that ratio down a bit. That's the way these things work. And then we will basically work with rating agencies, staying within our rating commitment, to see if there is flexibility there. But we know where that belongs. And we made it very clear that that belongs with our shareholders.

Steve Holliday - *National Grid - CEO Designate*

[inaudible] for the second half, yes. I don't have a figure. It's not a huge figure for the implementation costs of this. But the figure that you should have in your mind is that after KeySpan, we will have a controllable operating cost base in the excess of GBP1.5b a year. This gives you a flavor for the magnitude of what we're talking about here.

Richard Alderman - *Merrill Lynch - Analyst*

Richard Alderman, Merrill Lynch. One or two questions, if I may, about the wireless business you're demerging. Could you just refresh our memories as to the level of invested capital to date and your anticipation for this year? Some guidance on the deprecation charge this year. And are you planning to place any debt in the business when you demerge it? It was just an operating update.

Steve Holliday - *National Grid - CEO Designate*

We are -- just first of all, we are just announcing today the demerger of that business. So the process kicks off as of today. The invested capital is around GBP1.2b actually. I don't have the other figures. Steve, do you have the others?

Steve Lucas - *National Grid - Finance Director*

Yes, you can see in the numbers today that that business, in aggregate, and that does include a small element of the U.S., reported GBP42m, GBP33m of depreciation. Actually, the EBITDA that relates to the U.K. wireless business, which is the subject of this announcement, is about GBP70m. And reasonable guidance for the full-year number would be doubling that. So you can start with that [140ish] number as a starting figure for the EBITDA.

Obviously on the debt figure, that is absolutely to be decided. That's not something we're going to tell you anything about today.

John Parker - *National Grid - Chairman*

Next question?

Andrew Wright - *UBS - Analyst*

Andrew Wright, UBS. Did you consider as a part of your strategic review the option of splitting the U.S. and the U.K., demerging them? And do the changes you're making in terms of integration of the businesses, does that make that option more difficult practically in the future, either for you or some future owner?

And also in terms of the returning of the cash from the stranded assets, would you consider the option of securitization and crystallizing the value upfront?

John Parker - *National Grid - Chairman*

[inaudible] do you know something I don't know?

Steve Holliday - *National Grid - CEO Designate*

I feel very cheated. So the answer to those questions is yes, yes and yes, actually. We actually considered everything, not surprisingly. And we did go back, as I said, we went back to how we really created value, what value was still there to have in the future, how we can grow our business in a manner which meets our own ambitions for growth. And we are totally convinced of the business being in the U.K. and the U.S. and the value that can be created through that model. And we think that is more than we would create actually through separating those two businesses. That was very much at the heart of all of this review.

We obviously looked at a number of things to do with the stranded cost. They clearly have, to some people, been a confusion. They continue to be there. And they disappear. They are not part of our profitability. They are absolutely not. And I think we are convinced it's the right thing to do to separate those things out, create the transparency and give them back to shareholders as and when they arise.

Steve Lucas - *National Grid - Finance Director*

And on the securitization question, it's actually been around for a very long time, pretty much since the moment we announced the acquisition of Niagara Mohawk, whether we could turn that very confusing lump of value into something that people could feel and touch. There are regulatory issues concerning that that would actually make it very difficult. But we think what we've done now with separating that out, returning those costs as they arise is the best way we can deal with that issue.

Jonathan Mirrlees-Black - *Exane BNP Paribas - Analyst*

Jonathan Mirrlees-Black from Exane BNP Paribas. A couple of questions, if I may. First of all, the transmission and distribution fees. I know it's obviously a very crucial time given the forthcoming announcements. But perhaps you can give an indication of how far you think you are away from Ofgem and what the key issues are and what your attitude might be to the Competition Commission review, if that were necessary.

And secondly, metering. You've clearly stated today that you see metering as an important part of your future strategy. And I was wondering if you could give a flavor of a bit more on the opportunities. Obviously smart meters, there's some difficulties in the regulatory regime at the moment which need to really be resolved in order to encourage that. A bit of an indication on that would be helpful. Thank you.

Steve Holliday - *National Grid - CEO Designate*

Sure. I wish I had a crystal ball to answer your first question. And I wish I looked at the crystal ball and had a big smile on my face as well, even better.

We were very categoric in September, the proposals for the transmission price we got in September were unacceptable. They were unacceptable in a number of particular areas, the amount of CapEx that was being allowed, the OpEx and, in fact, the incentive schemes that were being proposed. All, in isolation, were unacceptable. It was on the rate of return. What is really important is what, ultimately, we believe this business will return to our shareholders. And that was unacceptable.

We have had, as you can imagine, huge number of conversations since September with Ofgem. And I hope that we would therefore have been able to move this on. I absolutely hope that we are going to be in a position on December 4, when Ofgem come out with their final proposal, in a position that we can accept their proposal and get on with all the very, very important investments that we need to make in this business in the U.K.

That's at the heart of some of the things I was referring to. It's at the heart of investing in our infrastructure that is just so essential. But we'll wait and see until December 4.

Metering. There are opportunities in metering, as I've said. And we've looked very hard at electricity and smart metering. And we're not just looking at it in the U.K. either. And the U.K. has a very unique industry structure, as you know, where the meters are broken out. Everywhere else in the world they're seen as part of the network, particularly in our business in the U.S.

So one of the opportunities and issues for us with consideration of energy is the U.K. is further ahead of the U.S. right now. Other opportunities as we begin to advance from the technology in the U.K. will not only create a business for us here that is growing, in our mind, but also to lead us to opportunities to move some of that across into the U.S.

And particularly with the change of policy in the U.S. and the change in our part of the country, in particular, with the Democrats who are very powerful there now, it's very clear that climate change is going to go higher up the agenda there. And there's an opportunity for us to be part of helping some of the moves that are almost inevitably going to take place in that part of the U.S. So it's not just a U.K. story. It is right now. But I do see opportunities on a trans-Atlantic basis.

John Parker - *National Grid - Chairman*

Okay. Well, if we're all done, thank you all very much indeed for attending and we look forward to seeing you again.
