

Annual General Meeting/Extraordinary General Meeting

The International Convention Centre, Broad Street, Birmingham

Monday, 25 July 2005

Good afternoon ladies and gentlemen, I am Sir John Parker, Chairman of National Grid Transco plc and I would like to welcome you to today's meetings.

I do hope you enjoyed the short video presentation, focusing on just a few of our dedicated workforce. These are our Experts in Networks, dedicated to using their expertise to making National Grid Transco the world's premier network utility. I will say more about our progress shortly.

Firstly, I should remind you that we will hold two meetings today; National Grid Transco's 2005 Annual General Meeting, followed by an Extraordinary General Meeting. The AGM, with 12 resolutions, contains mostly the normal business that those who have been to AGMs before will be used to. The EGM, with 5 resolutions, mainly seeks approvals in respect of our return of cash to shareholders.

I will explain more about the formalities of the meetings later, but you may find it helpful to know the order of business for today. Firstly, I would like to introduce you to the Board. Then I will cover some of our highlights from the past year. We then begin the formal meetings and there will be an opportunity for you to ask questions. Once we have completed the questions, we will then vote on each of the resolutions in turn.

I would like to ask that, should you leave the meeting room at any time, you not leave any unattended bags or belongings. Please also ensure that you have turned off any mobile phones.

Now I would like to introduce you to the Board of National Grid Transco, who are all here today.

At the end of the platform on my right, that is your left, is Mike Jesanis, Group Director responsible for US Distribution.

Next to Mike is Paul Joskow, a Non-executive Director and chairman of the Finance Committee. Paul is also a member of the Nominations Committee. Again not having been appointed during the last two years Paul is one of the Directors subject to reappointment at the AGM.

Next is Edward Astle, Group Director responsible for Unregulated Businesses.

Next to Edward is Stephen Pettit, a Non-executive Director. Stephen is chairman of the Risk & Responsibility Committee and a member of the Finance and Remuneration Committees.

Next to Stephen is Steve Holliday, Group Director responsible for UK Gas Distribution and Business Services. Steve is another of the Directors subject to reappointment at the AGM.

Next to Steve is John Grant, a Non-executive Director. John is chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. John is also subject to reappointment at today's AGM.

Next to John, and on my immediate right, is Roger Urwin, Group Chief Executive. Not having been appointed during the last two years Roger is one of the Directors subject to reappointment at the AGM.

At the other end of the platform, on my left, your right is John Allan, our new Non-executive Director who was appointed to the Board in May and I am delighted to welcome him formally. John is a member of the Audit and Remuneration Committees. As a new member of the Board, John will be subject to reappointment during the AGM.

Next is Maria Richter, a Non-executive Director and member of the Audit, Finance and Risk & Responsibility Committees.

Next to Maria is Nick Winser, Group Director responsible for UK and US Transmission operations.

Next to Nick is George Rose, a Non-executive Director. George is chairman of the Audit Committee and a member of the Nominations and Remuneration Committees.

Next to George is Steve Lucas, Group Finance Director.

Next is Ken Harvey, a Non-executive Director, who I am pleased to say became our Senior Independent Director during the year upon the retirement of James Ross. Ken is a member of the Nominations, Remuneration and Risk & Responsibility Committees.

Finally on my immediate left is Helen Mahy, our Group Company Secretary and General Counsel.

I would now like to take this opportunity to report on our progress this year. As you will have read in the Annual Report, we have had another very successful year.

Our goal is to be the world's premier network utility and to do this we are aiming for world class performance in all we do, with utmost attention to safety, reliability and efficiency.

At the heart of our success are our employees, the Experts in Networks, whose skill and dedication makes sure that each and every day, energy is delivered safely and reliably.

Our results show that our financial performance has been very good. Earnings per share is up 6% on last year and underlying operating profit rose by 3% to just over £2.2 billion.

Subject to your approval today, we are recommending a final dividend of 15.2 pence per ordinary share, bringing the total dividend for the year to 23.7 pence per ordinary share. This is an almost 40% increase in the last two years. As a result of the Group's financial strength and future prospects, we are also retaining our 7% per annum dividend growth target for the three years to March 2008.

This set of financial results demonstrates the success of the Group's strategy.

We have made pleasing operational progress:

Our safety record has improved on our already very high standards as we move towards our target of zero injuries across the Group. We involve not only our employees but also those contractors who work alongside us.

I am therefore pleased to report that in the last financial year, the number of injuries resulting in lost time at work across the Group has reduced by 29%.

It is of paramount importance to us that we continue to operate safely and that we safeguard the public in all that we do. We manage Britain's national gas emergency service telephone number. We do this for all gas transporters and are continuing to do so since the sales of the four networks to which I will refer later.

I am also pleased to report that we have maintained our world-leading standards of reliability in the delivery of energy across our operations. In electricity transmission, for example, our reliability is the highest for 6 years and has been bettered only once in the last decade. During 2004/05, we delivered 99.99998% of the electricity demanded in the UK.

We continue to invest significantly in all our networks across the Group. Investment in our businesses, including acquisitions, reached £3 billion in 2004/05 and our organic and strategic investments are set to deliver further significant medium-term growth for shareholders.

Across the Group, we invested £1.9 billion on capital programmes and replacing our assets. These investment programmes concentrate on enhancing our networks to increase their efficiency and ensure the highest standards of operational reliability.

Over the next few years, we anticipate increasing investment substantially in renewing parts of our UK electricity network. The bulk of these assets was installed during the 1960s and 1970s and will be due for renewal over the next few years. In the US, we are also planning to increase investment in reliability programmes and asset renewal.

It is clear that the UK is rapidly becoming a net importer of gas to meet our energy needs. New sources of supply for import are now being planned across the UK, resulting in the need for us to expand our gas transmission networks. We expect to invest in excess of £750 million over the next five years in new high pressure gas pipeline projects across the UK. In addition, we are investing up to £500 million in an import facility for liquefied natural gas at the Isle of Grain which received the first shipment of gas on 4 July into the first phase of the terminal.

During the year we completed the £1.1 billion purchase of the UK operations of Crown Castle International Corp. We have combined this business with our existing Gridcom UK business and are now the UK's leading independent provider of towers and masts on which mobile phone operators site their dishes. We are also one of two providers of broadcast transmission towers in the UK, providing services to the BBC and BSkyB amongst others. We are already working closely with the broadcast industry on the planning of the analogue to digital switchover and we are well positioned to invest in the equipment for the new digital television and radio networks that will be needed to replace the existing analogue television services by 2012.

Our core network skills put us in a strong position to take advantage of the growing demand in this key area, which we refer to as wireless infrastructure.

Delivering long-term value demands that we manage our business responsibly. And I am proud to report that we continue to have an excellent reputation as a responsible business and have continued to gain external recognition for our performance. More details about our performance in this regard can be found on our website or in the Operating Responsibly booklet available today at this meeting.

We were pleased to be ranked 2nd in the prestigious Business in the Community's third Corporate Responsibility Index and were first placed utility for the second year running. We also improved our placing in the Dow Jones Sustainability World and European Stoxx indices and retained our listing in FTSE4Good. In April, we became a constituent of the FTSE ISS Corporate Governance Index – newly created to track the performance of companies achieving a high standard of corporate governance. We were also recently placed 2nd in Business in the Community's 2005 Company of the Year Awards.

A major strategic step during the past year was the sales of four of our UK Gas Distribution businesses which have substantially changed the structure of the gas market in Great Britain. Following completion of these sales on the 1st of June, we still own and operate the largest Gas Distribution network in the country, delivering gas to around 11 million gas users. With a new, unified structure we will be able to place increased emphasis on safety and efficiency, and on the sharing of best practice.

This restructuring was designed to bring benefits to shareholders and customers alike. It has been a very complex process involving considerable

work by many people in our Company and during the process we have been at great pains to ensure that good standards of service have continued.

As you know, the four UK Gas Distribution networks were sold for £5.8 billion and we propose to return £2 billion of the proceeds to you, our shareholders. You may recall that a Circular was enclosed with your Annual Report this year. This outlines our proposal in detail.

We are seeking your approval and will take a vote on it at our EGM later this afternoon, but I thought it might be helpful to remind you what this involves. We are proposing to return the cash to you by means of a B share scheme together with a share consolidation. Subject to your approval, the return of cash is expected to take effect in late August and is equivalent to 65 pence per share.

A B share scheme provides shareholders with the flexibility to receive the return of cash as capital or income. These alternatives have different UK tax consequences.

If you have any detailed questions about the Circular or how the scheme affects you, please speak with one of our employees at the information desk outside or call the special shareholder helpline – our employees or registrars will be happy to give you the number.

Another item on which we are seeking your approval today is the change of our Company name from National Grid Transco plc to National Grid plc.

Our current name cannot be used in the US and so the Company cannot unite in the way we would wish. We believe now is the time to unite under a single name which provides the flexibility to support our strategy for growth.

The 'national grid' name is already established both in the UK and the US and has a strong association with particular parts of the Group. We want to build on this heritage and ensure that the renaming is a positive and progressive development for all parts of the Group. We hope you will agree that this name change will underpin the development of a unifying identity for the whole Group – one company, one name, one identity.

We very much welcome opportunities such as this to meet you, our shareholders. We are therefore delighted to continue our innovative 'Shareholder Networking' programme allowing shareholders to meet staff and visit operational sites. These visits allow us to explain National Grid Transco's business to you in person. Details of how you might take part in a visit are included in your Annual Report and you can obtain more information at our help desk.

Finally, I cannot end today without mentioning our employees – as I said earlier, our Experts in Networks. None of the achievements I have outlined today would have been possible without their commitment, dedication and professionalism.

Their readiness to help others is demonstrated time and again. Just this month, teams from our US operations rushed to Alabama to help restore power following devastation caused by Hurricane Dennis – echoing the assistance provided last summer when Florida was battered by hurricanes, which was described in our Annual Report.

I must also pay tribute to their overwhelming generosity. For example, after the devastating Asian tsunami in December 2004, thousands of employees on both sides of the Atlantic contributed to the appeal, with donations exceeding £200,000. In response, we set up a 'double matching' scheme so that for every pound or dollar donated by employees the company donated £2 or \$2. In the end, the total donated to the appeal was more than £680,000.

On your behalf, I would like to thank them for their commitment over the last year. I feel confident that their contribution will help us build on past achievements to the benefit of you, our shareholders, and the millions of customers served by our networks.

Thank you.