

31 March 2005

National Grid Transco announces £355 million expansion of Isle of Grain LNG importation terminal

National Grid Transco plc (NGT) today announces a new £355 million investment to triple the capacity of its Isle of Grain Liquefied Natural Gas (LNG) importation terminal in Kent, owned and operated by its subsidiary, Grain LNG Limited.

This second phase of development will increase the facility's capacity to import and process LNG from 3.3 million tonnes per year to 9.8 million tonnes per year, representing around 12 per cent of the UK's annual gas demand, and is expected to commence operations in late 2008.

The additional investment in Grain LNG is underpinned by 20 year contracts signed with Centrica, Gaz de France (GdF) and Sonatrach for the additional capacity. It also includes a lump-sum turnkey contract with CB&I John Brown to construct three new LNG storage tanks and associated works required for this expansion. This follows on from the first phase of development at Grain, where 3.3 million tonnes capacity of LNG per year was acquired in 2003 by BP/Sonatrach under a 20 year agreement.

Commenting, Edward Astle, Group Director of NGT's Non-Regulated businesses, said:

"As Britain moves progressively from being an exporter to a significant importer of natural gas, it is vital that the infrastructure is in place to meet the nation's gas requirements. NGT has been a leader in enabling the import of liquefied natural gas. This expansion of our Isle of Grain facility will bring our total investment in liquefied natural gas infrastructure to some £500 million. It will triple Grain's capacity and help ensure liquefied natural gas can play its full part in meeting Britain's future energy needs, as well as diversifying the source of gas supplies for the country."

The Isle of Grain facility has been associated with LNG storage capacity since the early 1980s. In 2003 NGT announced an investment of £130 million in the first phase of converting the site into a LNG importation facility, to enable LNG tankers to berth, unload and store LNG, prior to its regasification and nomination of gas for delivery into the UK's National Transmission System. It will come on stream this spring, representing around 4 per cent of the UK's annual gas demand.

Cautionary statement

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. Because these forward-looking statements are subject to assumptions, risks and uncertainties, actual future results may differ materially from those expressed in or implied by such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid Transco's ability to control or estimate precisely, such as delays in obtaining or adverse conditions contained in regulatory approvals, competition and industry restructuring, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in energy market prices, changes in historical weather patterns, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, the impact of changes to accounting standards, technological developments, the failure to retain key management, the availability of new acquisition opportunities or the timing and success of future acquisition opportunities. Other factors that could cause actual results to differ materially from those described in this announcement include the ability to continue to integrate the US and UK businesses acquired by or merged with the Group, the failure for any reason to achieve reductions in costs or to achieve operational efficiencies, unseasonable weather impacting on demand for electricity and gas, the behaviour of UK electricity market participants on system balancing, the timing of amendments in prices to shippers in the UK gas market, the performance of National Grid Transco's pension schemes and the regulatory treatment of pension costs, the impact of the proposed disposal by National Grid Transco of four of its UK gas distribution networks and any adverse consequences arising from outages on or otherwise affecting energy networks owned and/or operated by National Grid Transco.

For a more detailed description of these assumptions, risks and uncertainties, together with any other risk factors, please see National Grid Transco's filings with the United States Securities and Exchange Commission (and in particular the "Risk Factors" and "Operating and Financial Review" sections filed with its most recent annual report on Form 20F). Recipients are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement. National Grid Transco does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement.

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Photographs of the Isle of Grain facility are available at www.newscast.co.uk

Notes to Editors

1. Britain's Gas Import Demand

Britain's annual gas demand is projected to increase by at least 15 per cent over the next ten years. As production from North Sea gas fields declines, dependence on gas imports is forecast to approach 46 per cent by 2010.

Government and industry forecasts recognise the need to secure long-term gas imports. LNG imports will also add to the diversity of gas supply and enable gas to be released into the system quickly to meet demand requirements.

LNG is natural gas liquefied by refrigeration to a temperature of -160°C . This process reduces its volume to 1/600th of that at normal temperature, enabling bulk and economic transportation by tanker.

2. Isle of Grain Terminal

The Isle of Grain LNG site was established in the early 1980s as an LNG storage facility, holding approximately 200,000 cubic metres.

In 2003, planning permission was granted by Medway Council to convert the site into an LNG importation terminal. This resulted in the construction of a deep-water jetty on the River Medway estuary, to enable purpose built LNG ships, with LNG capacities of up to 205,000 cubic metres to dock. It also required the installation of new boil-off gas compressors, high efficiency vaporisers and a 4.5km cryogenic pipeline to transport LNG from the ships to the tanks, as well as converting the four existing LNG storage tanks for importation from LNG ships.

The first contract for use of Grain LNG's phase one capacity was signed in October 2003 with BP/Sonatrach, for the import of up to 3.3 million tonnes of LNG per annum over 20 years.

Planning permission was granted by Medway Council for the phase two development in September 2004. It will require the construction of three additional total containment storage tanks of 190,000 cubic metres capacity each, bringing the total storage capacity of the terminal to approximately 770,000 cubic metres, as well as associated vaporisation equipment and tie-ins to the existing LNG unloading and gas export systems.

3. Grain LNG Capacity

Phase one development of the Grain LNG facility equates to an additional 12 million cubic metres of gas entering the National Transmission System every day, or around 4.4 billion cubic metres per annum, representing around 4 per cent of the UK's current annual gas demand.

Phase two development equates to an additional 23.5 million cubic metres of gas entering the National Transmission System every day, or around 8.6 billion cubic metres per annum.

Phase one and phase two developments together equate to an additional 35.5 million cubic metres of gas entering the National Transmission System every day, or around 13 billion cubic metres per annum, representing around 12 per cent of the UK's current annual gas demand.