

16 May 2007

*Dear Shareholder*

## Notice of 2007 Annual General Meeting

I am pleased to invite you to the 2007 Annual General Meeting (AGM) of National Grid plc.

The AGM will take place at **2pm** on **Monday 30 July 2007** at **The ICC, Broad Street, Birmingham B1 2EA**. Registration for the AGM will open at 12 noon.

Displays highlighting what we do will be in place before and after the meeting. It will also be possible to speak to the registrars and National Grid representatives. A light lunch will be provided between 12.30pm and 1.30pm.

The formal Notice of AGM is set out on pages 2 and 3 followed by detailed explanations of the resolutions proposed. You are also asked to pay particular attention to the notes about your rights as a shareholder on page 6.

As for the last two years, I will call a poll on all resolutions at the 2007 AGM. This allows all shareholders, whether present in person or by proxy, to vote on all resolutions in proportion with their holding in National Grid plc.

Also enclosed with this Notice, you will find the following documents:

- Proxy Card plus pre-paid envelope; and
- Annual Review 2006/07.

If you have any questions regarding your shareholding (eg dividends, share certificates) or you have received more than one copy of this Notice, please call Capita Registrars on 0870 242 2379 (or if calling from outside the United Kingdom +44 20 7098 1198).

Please bring your Admission Card with you if you intend to join me at the AGM. This will ensure you pass through registration as quickly as possible and also provides a useful summary of the AGM details including a map showing the location of the venue.

As in previous years, a shuttle bus will run between Birmingham New Street railway station and the venue. I understand free buses are operated between the major Birmingham railway stations, enabling you to pick up this service at Birmingham New Street railway station. Limited free car parking will be available at the venue from 11.30am onwards on a 'first come, first served' basis.

I look forward to seeing you at the AGM.

Yours sincerely



Sir John Parker  
Chairman, National Grid plc

**The 2007 Annual General Meeting of National Grid plc (the “Company”) will be held at 2pm on Monday 30 July 2007 at The ICC, Broad Street, Birmingham B1 2EA.**

The Annual General Meeting will consider the following business:

**Ordinary resolutions**

- 1 To receive the accounts for the year ended 31 March 2007, the Directors’ Report, the Directors’ Remuneration Report and the Auditor’s Report on the accounts.
- 2 To declare a final dividend of 17.8 pence per ordinary share (US\$1.7638 per American Depositary Share) for the year ended 31 March 2007.
- 3 To re-elect Edward Astle as a Director.
- 4 To re-elect Maria Richter as a Director.
- 5 To re-elect Mark Fairbairn as a Director.
- 6 To re-elect Linda Adamany as a Director.
- 7 To reappoint PricewaterhouseCoopers LLP as the Company’s auditor until the conclusion of the next general meeting at which accounts are laid before the Company.
- 8 To authorise the Directors to set the auditor’s remuneration.
- 9 To approve the Directors’ Remuneration Report for the year ended 31 March 2007.
- 10 To resolve that the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006, to send, convey or supply all types of notices, documents or information to shareholders by means of electronic equipment, including by making them available on a website.
- 11 That the Directors be generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985 (the “Act”), to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £101,714,000, provided that this authority shall (unless renewed, varied or revoked by the Company in general meeting) expire on 29 July 2012, save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke all earlier such authorities conferred on the Directors.
- 12 To approve the amended National Grid USA Incentive Thrift Plans I and II (copies of which are produced to the meeting and initialled by the Chairman for the purposes of identification).

**Special resolutions**

- 13 That the Directors be empowered, pursuant to section 95 of the Act, to allot equity securities, which shall include a sale of treasury shares, wholly for cash, as if section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:
  - a any such allotment in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders (excluding any holder of treasury shares) where the equity securities respectively attributable to the interests of all ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares represented by depositary receipts, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - b any such allotment, otherwise than pursuant to paragraph a above, of equity securities for cash up to an aggregate nominal value of £15,411,000.

This power shall (unless renewed, varied or revoked by the Company in general meeting) expire on 29 July 2012, provided that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke all earlier such authorities conferred on the Directors.

This power, in so far as it relates to the allotment of equity securities rather than the sale of treasury shares, is granted pursuant to resolution 11.

- 14 To authorise the Company generally and unconditionally, for the purpose of section 166 of the Act, to make market purchases (as defined in section 163(3) of the Act) of its ordinary shares of 11<sup>17</sup>/<sub>43</sub> pence each, provided that:
  - a the maximum number of ordinary shares that may be acquired is 270,485,000;
  - b the minimum price per share that may be paid for any such shares is 11<sup>17</sup>/<sub>43</sub> pence; and

**14 (continued)**

- c the maximum price per share that may be paid for any such shares is not more than the higher of:
  - (i) an amount equal to 105% of the average market value for an ordinary share, as derived from the London Stock Exchange Official List, for the five business days prior to the day on which the purchase is made; or
  - (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation.

This authority shall expire at the earlier of the close of the next Annual General Meeting or 15 months from the date of the passing of this resolution, except that the Company shall be entitled, at any time prior to the expiry of this authority, to make a contract of purchase which would or might be executed wholly or partly after such expiry and to purchase shares in accordance with such contract as if the authority conferred had not expired.

- 15** To authorise the Company generally and unconditionally, for the purpose of section 166 of the Act, to make market purchases (as defined in section 163(3) of the Act) of its B shares of 10 pence each, provided that:
- a the maximum number of B shares that may be acquired is 4,581,500;
  - b the minimum price per share that may be paid for any such shares is 10 pence; and
  - c the maximum price that may be paid for each B share is 65 pence (free of all dealing expenses and commissions).

This authority shall expire at the earlier of the close of the next Annual General Meeting or 15 months from the date of the passing of this resolution, except that the Company shall be entitled, at any time prior to the expiry of this authority, to make a contract of purchase which would or might be executed wholly or partly after such expiry and to purchase shares in accordance with such contract as if the authority conferred had not expired.

- 16** That the terms of the proposed contract between:
- (1) Deutsche Bank; and
  - (2) the Company,
- under which Deutsche Bank will be entitled to require the Company to purchase B shares from them (a draft of which is produced to the meeting and signed for the purposes of identification by the Chairman) be and are hereby approved and authorised for the purposes of section 165 of the Act and otherwise but so that such approval and authority shall expire 18 months from the date of the passing of this resolution.

- 17** That the Rules of the National Grid plc Performance Share Plan (the "Plan") (a copy of which is produced to the meeting and initialled by the Chairman for the purposes of identification) be amended to increase the limit over which an award under the Plan may be made to an eligible employee in any financial year, from 125% of that employee's base salary for that year to 250%.

The Directors believe that the proposals set out in resolutions 1 to 17 are in the best interests of shareholders as a whole and they unanimously recommend that you vote in favour of each of the resolutions.

On behalf of the Board

Helen Mahy  
Company Secretary and General Counsel

16 May 2007

National Grid plc  
Registered Office: 1-3 Strand, London WC2N 5EH  
Registered in England and Wales: No. 4031152

**Explanation of resolutions**

**Resolutions 1 to 12 are ordinary resolutions and will be passed if more than 50% of the votes cast (not counting votes withheld) are in favour.**

- 1** The Company is required to present its report and accounts to shareholders at its AGM. This provides an opportunity to discuss the performance of the Company during the year, its management and prospects for the future.

Copies of the full Annual Report and Accounts (as opposed to the Annual Review) will be available at the AGM. Alternatively, copies can be obtained from Capita Registrars (telephone 0870 242 2379) or found electronically on the Company's website at [www.nationalgrid.com](http://www.nationalgrid.com).

- 2** The Company requires shareholder consent to pay a final dividend. If approved, the final dividend of 17.8 pence per ordinary share (US\$1.7638 per American Depositary Share) will be paid on 22 August 2007 to shareholders on the register on 8 June 2007. Dividends are declared in both pence and US\$ to ensure that holders of both ordinary shares and American Depositary Shares are paid the declared dividend on the same day.

*Full biographical details for each of the Directors seeking re-election are included in both the Annual Report and Accounts and Annual Review.*

*The Company's articles of association require each Director to retire and seek re-election at least once every three years. As a consequence, the Board proposes the retirement and re-election of Edward Astle and Maria Richter.*

*When considering the re-election of Directors, the Nominations Committee, as required by best practice, reviews the effectiveness of each Director and the independence of the Non-executive Directors. The Nominations Committee resolved that in each case the Directors remained effective and that Maria Richter remained independent.*

**3** Edward Astle was last re-elected by shareholders in July 2004.

**4** Maria Richter was last re-elected by shareholders in July 2004.

*The Company's articles of association require that any Director appointed by the Board retire and seek re-election by shareholders at the first AGM following their appointment.*

**5** Mark Fairbairn was appointed to the Board with effect from 1 January 2007. Upon appointment, the Board considered that the skills and experience that Mark Fairbairn provided fulfilled the requirements that had been set out and complemented those of the rest of the Board. The Board also noted his willingness to commit to the role.

The Nominations Committee considered his re-election and recommended to the Board that this be proposed to shareholders.

**6** Linda Adamany was appointed to the Board with effect from 1 November 2006. Upon appointment, the Board considered that the skills and experience that Linda Adamany provided fulfilled the requirements that had been set out and complemented those of the rest of the Board. The Board also noted her willingness to commit to the role.

The Nominations Committee considered her re-election and her independence. It recommended to the Board that her re-election be proposed to shareholders and resolved that she was considered independent.

*The Audit Committee keeps under review the independence and objectivity of the external auditor and reviews fees paid to them, further information on which can be found in the Corporate Governance section in the Annual Report and Accounts. After considering relevant information, the Audit Committee recommended to the Board the reappointment of PricewaterhouseCoopers LLP. As a matter of best practice the reappointment of the auditor is considered as a separate resolution from the setting of the auditor's remuneration.*

**7** It is a requirement that the Company's auditor must be reappointed at each general meeting at which accounts are laid, in effect at each AGM. This resolution proposes the auditor's reappointment.

**8** This resolution proposes that the Directors be authorised to set the auditor's remuneration.

**9** In accordance with requirements introduced by the Directors' Remuneration Report Regulations 2002, an advisory resolution is to be proposed on the Directors' Remuneration Report. This means that, should shareholders vote against the Report, the Directors will still be paid but the Remuneration Committee will reconsider the policy that it follows.

**10** Under the new Companies Act there are updated rules for company communications with shareholders. Electronic communication is made easier and companies are no longer required to send paper copies of documents to shareholders. However, if a shareholder wishes to receive paper copies of documents they are still entitled to do so. Companies will be required to seek shareholder consent to receive communications electronically; if shareholders do not respond within 28 days requesting paper copies they will be deemed to accept communications electronically and will only be sent notification of where these documents can be found. Before companies can adopt the new rules, shareholders must either authorise an ordinary resolution for this purpose or the company must seek authority to amend its articles of association. We have chosen to seek shareholder approval of this via ordinary resolution.

**11** This resolution seeks shareholder authority to allow the Company to issue more ordinary shares. It complies with investor protection guidelines, which allow the issue of up to one third of the current issued ordinary share capital (as at 16 May 2007 the number of ordinary shares in issue was 2,704,850,553 and the resolution seeks authority to issue up to approximately 892,592,000 new ordinary shares, representing 33% of the current issued ordinary share capital). The Directors currently have no intention of issuing new shares other than in connection with the exercise of options under the Company's share schemes. The Company does not currently hold any shares as treasury shares. The Directors currently intend that this authority will be renewed at the next AGM.

**12** The National Grid USA Incentive Thrift Plans I and II are tax sponsored 401(k) plans (pension plans) for US based employees. KeySpan Corporation also has two tax sponsored 401(k) plans. The amendments proposed will enable the KeySpan Corporation 401(k) plans to continue operating following the announced acquisition.

**12 (continued)**

It is proposed that the National Grid USA Incentive Thrift Plans I and II continue to operate under their respective amended and restated terms. Upon completion of the announced acquisition of KeySpan Corporation, it is proposed that the KeySpan Corporation 401(k) plans merge into the respective National Grid USA Incentive Thrift Plans I and II. The design and operation of the KeySpan Corporation 401(k) plans will remain substantially unchanged immediately after the plan mergers. This will include an employer share discount provision for applicable KeySpan Corporation 401(k) plan participants, which will apply to investments in National Grid American Depositary Shares. The design and operation of our 401(k) plans will be reviewed once the plan mergers are completed.

National Grid American Depositary Shares will be available as an investment option under the amended plans, subject to any changes or limitations required by law or as necessary to reflect best practice under applicable standards. No awards that relate to National Grid American Depositary Shares will be made more than 10 years after approval by shareholders has been given.

**Resolutions 13 to 17 are special resolutions and will be passed if at least 75% of the votes cast (not counting votes withheld) are in favour.**

- 13** If the Company issues new shares for cash it must first offer them to existing shareholders in proportion to their current holdings (pre-emption rights). This resolution modifies these rights to deal with legal, regulatory or practical problems that may arise. This resolution also seeks shareholder authority to issue a limited number of ordinary shares for cash without offering them to existing shareholders first. The resolution complies with investor protection guidelines, which limit any issue to 5% of issued share capital in any one year and 7.5% in any rolling three year period. As at 16 May 2007, the number of ordinary shares in issue was 2,704,850,553 and the resolution seeks authority to issue up to approximately 135,239,000 new ordinary shares for cash, representing 5% of the current issued ordinary share capital. This limitation will also apply to treasury shares sold other than proportionally to existing shareholders. The Directors currently intend that this authority will be renewed at the next AGM.
- 14** In some circumstances, companies may find it advantageous to use surplus funds to purchase their own shares in the market. This can lead to increases in future earnings on those shares not purchased.

During the year the Company purchased and cancelled 22,388,381 ordinary shares (representing approximately 1% of the issued ordinary share capital as at 31 July 2006) under the authority granted at the 2006 AGM.

**14 (continued)**

This resolution complies with investor protection guidelines, which limit share purchases to 10% of the issued share capital (as at 16 May 2007 the current issued ordinary share capital was 2,704,850,553 and the resolution seeks authority to purchase 270,485,000 ordinary shares). The Directors confirm that they will only purchase shares where they believe the effect would be to increase earnings per share and would be in the best interests of shareholders.

Repurchased shares may be held as treasury shares by the Company. The Directors have no current intention to hold repurchased shares as treasury shares other than as required for employee share schemes.

As at the date of this notice, options were outstanding over 29,020,558 ordinary shares, representing approximately 1.07% of the current issued ordinary share capital. If the proposed market purchase authority were used in full, shares over which options were outstanding would represent approximately 1.19% of the adjusted ordinary share capital.

- 15** In the same way that the Directors are seeking a general authority to purchase ordinary shares, should the circumstances arise, this resolution seeks a general authority to repurchase B shares.
- 16** This resolution seeks authority to approve the terms of the proposed contract between Deutsche Bank and the Company under which Deutsche Bank will be entitled to require the Company to repurchase the B shares acquired by Deutsche Bank pursuant to the final repurchase offer at 65 pence per B share plus stamp duty (if any) payable by Deutsche Bank under the final repurchase offer. Such authority will expire 18 months from the date of the passing of this resolution.
- 17** Under the existing rules of the Plan, a conditional award to receive shares or an option to acquire shares may be granted to an eligible employee in any financial year provided the award does not exceed 125% of the employee's base salary for that year. Base salary excludes any benefits in kind and the limit is measured against the total market value of the shares subject to an award on the date of grant.

Following a thorough review of our remuneration policy in the light of the announced KeySpan acquisition and therefore the larger and more complex scope of many of our senior roles, and to ensure we are able to continue to attract and retain high calibre employees to deliver the highest possible performance for our shareholders, it is considered appropriate to increase the individual limit under the Plan. It is intended the maximum awards granted under the Plan will not exceed 200% of base salary, although in order to provide a degree of flexibility for the future and for any exceptional circumstances, we seek approval to increase the maximum award permissible to 250% of base salary.

## Notes

A shareholder of the Company who is entitled to attend and vote at the AGM but is unable or does not wish to attend is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy does not need to be a shareholder of the Company. Unless specified otherwise, the Chairman of the Company will act as proxy and vote on a poll as directed by the appointing shareholder. Shareholders will have been sent a personalised Proxy Card. If you do not have a Proxy Card and believe that you should, contact Capita Registrars on 0870 242 2379 (or if calling from outside the United Kingdom +44 20 7098 1198) or at:

Capita Registrars  
The Registry  
Proxy Department  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

To be valid, Proxy Cards or other Proxy Instructions must be sent using the enclosed pre-paid envelope or delivered by post or hand to:

The Proxy Processing Centre  
Telford Road  
Bicester OX26 4LD

no later than 2pm on Saturday 28 July 2007. Alternatively, you may deliver them by post or (during normal business hours only) by hand at:

Capita Registrars  
The Registry  
Proxy Department  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

no later than 2pm on Saturday 28 July 2007. The return of a completed Proxy Card or CREST Proxy Instruction will not prevent you from attending the AGM and voting in person if you wish to do so.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members included in the register of members as at 6pm on Saturday 28 July 2007 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM, shall be entitled to vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6pm on Saturday 28 July 2007 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM, shall be disregarded in determining the rights of any person to attend or vote at the AGM.

As at the date of this Notice there were 2,704,850,553 ordinary shares in issue, each with equal voting rights. Holders of ordinary shares are entitled to attend, speak and vote, either in person or by proxy, at general meetings of the Company. There were also 45,815,437 B shares in issue. For further details relating to the voting and participation rights of shareholders, please refer to the Company's articles of association, copies of which are available on our website at <http://www.nationalgrid.com/corporate/About+Us/CorporateGovernance/>.

**Please note that proxy votes can only be submitted via paper proxy cards returned to the address stated, electronically via [www.nationalgrid.com/shareholders](http://www.nationalgrid.com/shareholders) or via CREST. Proxy votes cannot be submitted via any other communication means stated in this Notice.**

## CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

Any message, regardless of whether it relates to the appointment of a proxy or to an amendment to an instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA10) by close of business on Friday 27 July 2007. After this time, any change to instructions to proxies appointed through CREST should be communicated to the agent by other means.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.