Corporate Governance

Governance framework

We are committed to the highest standards of corporate governance and to operating our businesses in a sustainable and responsible manner. Our corporate governance practices are based on the Combined Code on Corporate Governance as revised in 2006 (the 'Code'), and consideration is given to current and developing best practice including matters contained in the various investor guidelines.

The Board considers that it complied in full with the Code during the year except temporarily in respect of the requirement for at least half of the Board, excluding the Chairman, to consist of independent Non-executive Directors.

Following the appointments of Tom King and Bob Catell to the Board as Executive Directors, and the resignation of Paul Joskow as an independent Non-executive Director, during the year the Board consisted of the Chairman, seven Executive Directors and six independent Non-executive Directors. Following the announcement made in March 2008 regarding Edward Astle's departure, with effect from 30 April 2008, the Board consisted of the Chairman, six Executive Directors and six Non-executive Directors, in compliance with the Code. An additional independent Non-executive Director, Philip Aiken, joined the Company in May 2008.

The Board's role includes approval of the overall business strategy of National Grid; approval of the business plan and budget; approval of the financial policy; oversight of Policy and Procedure statements, Codes of Conduct, Delegations of Authority, Framework for Responsible Business and Standards of Ethical Business Conduct for all employees. The framework and standards described above, together with other documentation relating to National Grid's governance, are available on our website at www.nationalgrid.com.

The Board of National Grid during the year was composed as set out in the following table. Biographical details for all the Directors can be found on pages 12 and 13, together with details of Board Committee memberships. Attendance at Board meetings was as indicated from a total of 12 meetings:

Name	Attendance*
Chairman	
Sir John Parker	12 of 12
Chief Executive	
Steve Holliday	12 of 12
Executive Directors	
Bob Catell (from 25 September 2007) (Deputy Chairman)	7 of 7
Steve Lucas	11 of 12
Nick Winser	12 of 12
Tom King (from 13 August 2007)	7 of 7
Mark Fairbairn	12 of 12
Edward Astle	12 of 12
Non-executive Directors	
Ken Harvey (Senior Independent Director)	12 of 12
Linda Adamany	12 of 12
John Allan	10 of 12
Stephen Pettit	12 of 12
Maria Richter	12 of 12
George Rose	9 of 12
Paul Joskow (to 31 July 2007)	5 of 6

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

Board members are required to attend Board and Committee meetings regularly. If they are unable to do so, the Chairman is informed and the reasons recorded. Instances of non attendance during the year were regarded as reasonable in each case due to the individual circumstances concerned. Non attendance at meetings is considered in the one-to-one director performance evaluation conducted by the Chairman.

In order to ensure that the Directors are kept informed, they are sent papers for meetings of the Board and those Committees of which they are a member. In the event that a Director is unable to attend a meeting, they are able to relay their views and comments via the relevant Committee chairman or the Chairman of the Board.

In accordance with the Articles of Association, Directors are submitted for re-election by shareholders at the first Annual General Meeting (AGM) following their initial appointment and then at subsequent AGMs at least once every three years. Further details regarding those Directors due for re-election at the 2008 AGM can be found in the Notice of 2008 AGM.

The service contracts (Executive Directors) and letters of appointment (Non-executive Directors) of Board members are available to National Grid's shareholders and may also be inspected at the AGM prior to the meeting. Further details regarding the Directors' service contracts and letters of appointment can be found in the Directors' Remuneration Report on pages 100 to 110.

Non-executive Director independence

It is important that the Non-executive Directors bring experience, probity and independent challenge to the Board. Accordingly, the independence of the Non-executive Directors is considered at least annually as part of the performance evaluation conducted by the Nominations Committee. This assessment also considers the character, judgement and commitment of each Non-executive Director as well as their performance on the Board and relevant Committees. The Board takes into account service on the boards of either Lattice Group plc or National Grid Group plc prior to their merger in considering length of service as a Director of National Grid. Following such evaluation, each of the Non-executive Directors has been determined by the Board to be independent.

Roles of the Chairman, Chief Executive and Senior Independent Director

The Chairman and the Chief Executive have separate roles and responsibilities which have been approved by the Board. The Chairman's main responsibility is the leadership and management of the Board and its governance. His contractual commitment to National Grid is two days per week but in practice this is often exceeded. The Board is satisfied that the Chairman, and other Non-executive Directors if required, would be available as needed. The number and perceived responsibility of other directorships are considered as part of the performance evaluation.

The Chief Executive retains responsibility for the leadership and day-to-day management of the Company and the execution of its strategy as approved by the Board.

The Senior Independent Director is Ken Harvey. His responsibilities include leading the Non-executive Directors' annual consideration of the Chairman's performance. He is also available to shareholders in the event they feel it inappropriate to communicate via the Chairman, the Chief Executive or the Finance Director. No such requests were received from shareholders during the year.

Director development

The Chairman, with the support of the Company Secretary & General Counsel, is responsible for the induction of new directors and ensuring that the existing Directors continually update their skills, knowledge and familiarity with National Grid and their roles as directors.

Upon appointment to the Board, new Non-executive Directors receive a tailored induction programme including the provision of recent Board materials and presentations, one-to-one meetings with senior management and Executive Directors, and a directors' information pack to provide background reference information on the Company's businesses and operations including issues relating to corporate social responsibility.

Particular attention is given to current issues, emerging developments and director effectiveness. This includes, for Non-executive Directors:

- informing Directors at each Board meeting of the latest training courses which may be of interest to them;
- attendance at key site visits; and
- management presentations.

For Executive Directors, development programmes include:

- internal and external mentoring;
- attendance at external courses and business schools; and
- experience of other boardrooms through non-executive appointments.

With the agreement of the Board, and as part of their personal development, the Chief Executive, Steve Holliday, is a Non-executive Director of Marks and Spencer Group plc and Steve Lucas, Finance Director, is a Non-executive Director of Compass Group plc. Upon appointment, Bob Catell, Executive Director and Deputy Chairman, was a Non-executive Director of Keyera Energy Management Ltd, Sovereign Bancorp, Inc., Advisory Board and JP Morgan Chase Inc., Metropolitan Advisory Board. The fees for these positions are retained by the Director. Details are on page 104. The Company Secretary & General Counsel is a Non-executive Director of Aga Rangemaster Group plc and the fee is retained by her.

The services of the Company Secretary & General Counsel's department are available to the Directors and advice may also be sought from independent professional advisors at the Company's expense. During the year no independent professional advice was requested by the Directors other than that already provided to Committees by external advisors such as the consultants to the Remuneration Committee.

Performance evaluation

In each financial year since 2003/04, the Board has undertaken a formal evaluation of its performance and that of its Committees and individual Directors in order to review past performance and to develop future performance.

The Chairman led the overall process of evaluation which was, as in previous years, in the form of a confidential survey completed by all Directors in relation to the Board and any Committee of which they were a member, plus one-to-one meetings between the Chairman and each Director. Additionally, certain regular attendees at specific Committee meetings were asked to complete surveys in relation to the relevant Committee.

The Board considered the merit of using an external body to manage the performance evaluation process. It concluded that the current approach remained appropriate for the Company. This is reviewed annually.

The Company Secretary & General Counsel collated the evaluation results and these were considered. Overall the results for the evaluation carried out in 2007/08 were positive and indicated that the Board and Committees were effective and that no major changes were required. The Chairman's performance was reviewed and his leadership and performance were considered to have been of a high standard.

Areas highlighted by the Board and Committees for consideration following the latest review included:

- a review of the rolling business agenda to include a greater emphasis on strategic external factors such as climate change;
- increasing the number of informal meetings of Board members; and
- consideration of the interaction between Committees.

In accordance with established practice, the Board and Committees review these matters in a formal response and action plan and will adopt new processes and procedures as appropriate.

Following the 2006/07 evaluation process, a number of actions were implemented during the year including:

- informing Directors at each Board meeting of the latest training courses which may be of interest to them;
- providing a programme of shareholder communications in a 'Shareholder Issues' update to the Board;
- devoting additional time to long term succession plans;
- in depth operational review sessions were held during the year where more time was assigned for certain key areas;
- producing more detailed guidance for Board and Committee papers and presentations to ensure information presented is clear and relevant; and
- new sub-committees of the Executive Committee were established to consider Social Policy and Global Retirement Plans respectively.

The Board and its Committees

The Board reserves a number of matters for its sole consideration where these matters impact the strategic direction and effective oversight of the Company and its businesses. Examples include:

- corporate governance;
- strategy, finance and approval of the budget and business plan;
- Director/employee issues such as Director succession planning (with input and recommendations from the Nominations Committee); and
- stock exchange and listing requirements such as dividend approval/recommendation and approval of results announcements and the Annual Report and Accounts.

In addition to the matters reserved to the Board, a full description of which is available on our website at www.nationalgrid.com, certain items are considered at every scheduled Board meeting including:

- safety, health and the environment;
- the financial status of the Company;
- operational headlines from the Company's businesses together with a detailed update from one of the lines of business on a rotating basis;
- updates on business development and strategy implementation;
- updates on external matters affecting the Company; and
- reports from the Company Secretary & General Counsel including an update on the administration and governance of the Company and its businesses.

The Chairman and Non-executive Directors meet formally at least once a year without any management present and formally at least once a year with the Chief Executive. These meetings provide an opportunity for the Non-executive Directors to consider issues relating to the overall governance and management of the Company. In addition, there are ad hoc meetings as required.

The Board has delegated authority to its Committees to carry out certain tasks as defined in the Committees' terms of reference, which are available on our website at www.nationalgrid.com. These comprise the Audit, Executive, Finance, Nominations, Remuneration and Risk & Responsibility Committees. By delegating authority for the consideration of policy and oversight of specific items to these Committees, the Board ensures these items are given appropriate attention in terms of both time and priority.

The Board is kept appraised by the Committee chairmen through the provision of a summary of the issues discussed and decisions taken by the Committee. Draft minutes of Committee meetings are circulated to other Directors once available.

The following sections explain the areas that each Committee has responsibility for and the items that they covered during the year.

Audit Committee

A key function of the Audit Committee is to review the effectiveness of the Company's financial reporting and internal control policies and the procedures for the identification, assessment and reporting of risks.

As a consequence of the oversight role of the Committee and in order to maintain independence from management, the members of the Committee, including its chairman, are all independent Non-executive Directors. The Committee does however consider that both management and the external auditors should attend meetings where possible in order to provide the members of the Committee with the information that they require and to answer questions on areas that are within the Committee's remit.

Accordingly, others invited to attend meetings include the Chairman, the Chief Executive, the Finance Director, the Head of Internal Audit, the Financial Controller, the Company Secretary & General Counsel and the external auditor. Additionally, the Executive Directors, the Director of Tax and Treasury and the Risk & Compliance Manager are invited to attend Audit Committee meetings as necessary to provide updates and background information.

In order that the Committee is kept informed of developments, meetings are held at least four times a year. Membership and attendance at meetings was as follows during 2007/08 from a total of 6 meetings:

Name	Attendance*
George Rose (chairman)	6 of 6
Linda Adamany	6 of 6
John Allan	4 of 6
Maria Richter	6 of 6

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

In order that the Committee can fulfil its obligations, and as a consequence of the technical nature of some of the financial and accounting issues that come before it, the Committee regards it as important that all of its members have an understanding of financial matters and experience of dealing with financial issues at a senior executive level. In addition, the Board has determined that George Rose, Finance Director of BAE Systems plc, has recent and relevant financial experience and deems him to be a suitably qualified financial expert as required by the Audit Committee's terms of reference.

During the year, the Committee considered the following items:

Auditors
- non-audit fees and consultancy spend undertaken by the external auditor, with the auditor not present;
- the independence and objectivity of the external auditor;
- an evaluation of the external audit process;
- reviewing audit related matters following the KeySpan acquisition; and
- monitoring and reviewing the effectiveness of internal audit activities.

Financial
- reviewing the effectiveness of the Company's financial reporting, internal controls and compliance with Sarbanes-Oxley Act requirements;
- monitoring risk and compliance management procedures across the Company and reviewing specific risks;
- receiving reports from the Business Separation Compliance Officer, as required under National Grid Gas plc's gas transporter licences;
- receiving reports from the Director of Tax and Treasury;
- reviewing the Company's results statements and Annual Report and Accounts before publication and making appropriate recommendations to the Board following review;
- reviewing the content of Interim Management Statements;
- receiving reports on business conduct issues; and
- reviewing accounting policies.

Governance
- reviewing the Committee's own performance and constitution following the annual performance evaluation; and
- reviewing the Committee's forward business schedule.

The Committee works closely with both the internal and external auditors. It receives and reviews the internal audit plan and ensures that the internal audit function has sufficient resources to carry out its work. The appointment and removal of the Head of Internal Audit is subject to the approval of the Committee.

Subject to annual shareholder approval at the AGM, the Committee is solely and directly responsible for and approves the appointment, reappointment, fees and oversight of the external auditor. Meetings are held at least annually with the external auditor without management present.

In order to ensure objectivity and independence of the external auditor, all non-audit work carried out by the external auditor is subject to Audit Committee pre-approval. Details of the fees paid to the external auditor for both audit and non-audit work carried out during the year can be found in note 3e to the accounts on page 130.

A review is carried out annually of the service provided by the external auditor, and subject to the outcome of this review, the Company may put the audit out to tender. Following the latest review, the service was considered satisfactory.

Executive Committee

Within the authorities delegated to the Committee by the Board, the key tasks of the Committee are to oversee the financial, operational and safety performance of the Company. The Committee is tasked with implementing the strategy approved by the Board. The Committee comprises the Chief Executive, who is its chairman, the Executive Directors and the Company Secretary & General Counsel.

Executive Committee membership and attendance at meetings was as follows during 2007/08 from a total of 12 meetings:

Name	Attendance*
Steve Holliday (chairman)	12 of 12
Bob Catell (from 25 September 2007)	6 of 6
Edward Astle	11 of 12
Mark Fairbairn	12 of 12
Steve Lucas	10 of 12
Tom King (from 13 August 2007)	8 of 8
Nick Winser	11 of 12
Helen Mahy, Company Secretary & General Counsel	12 of 12

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

In addition, the Global Director of Human Resources and Global Head of IS are regular attendees of meetings. Senior management personnel are invited to attend meetings of the Executive Committee as necessary to keep it fully appraised of the Company's businesses. Attendance of key management personnel at Executive Committee and other Board and Committee meetings is monitored by the Executive Committee as part of the Board's succession planning and development programmes.

In accordance with its remit, the Executive Committee is responsible for the day-to-day management of the Company and its businesses. During the year, items that the Committee considered included:
- the financial, operational and safety performance of the Company and its businesses;
- strategic business development and implementation including the integration of the KeySpan businesses acquired during the year and the retention of the UK property business;
- approving capital and operational expenditure under the specific authorities delegated to it by the Board;
- reviewing governance issues;
- global human resource leadership; and
- global IS strategic issues.

At each meeting there are in depth review sessions on key business areas for the Company.

Finance Committee

The Finance Committee is responsible for setting policy and granting authority for short-term and long-term financing decisions and for recommending for consideration by the Board the treasury, tax, pensions and insurance management policies of the Company. The Finance Committee is made up of two Non-executive Directors, one of whom is chairman of the Committee, and the Chief Executive and Finance Director.

Finance Committee membership and attendance at meetings was as follows during 2007/08 from a total of 4 meetings:

Name	Attendance*
Maria Richter (chairman from 31 July 2007)	4 of 4
Steve Holliday	4 of 4
Steve Lucas	4 of 4
Stephen Pettit	4 of 4
Paul Joskow (chairman to 31 July 2007)	2 of 2

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

The Director of Tax and Treasury is invited to attend Committee meetings on a regular basis.

Items that the Committee considered during the year included:

- long-term funding requirements;
- setting and reviewing treasury management guidelines and policy in light of market conditions;
- funding the acquisition of KeySpan;
- the progress of the ordinary share buyback programme;
- taxation issues for the Company;
- treasury performance updates;
- the repurchase and cancellation of the 'B' shares;
- insurance updates;
- effects on the Company of the 'credit crunch' in the banking sector;
- pensions updates; and
- granting authority for parent and subsidiary companies to enter into guarantees and indemnities under the Committee's delegated authority.

Nominations Committee

The Nominations Committee is responsible for regularly reviewing the structure, size and composition of the Board and for identifying and nominating individuals to be Directors and senior management. Such appointments and changes to the Board require Board approval following recommendations from the Committee. External recruitment consultants are used and this procedure was followed for the appointment of Philip Aiken as a Non-executive Director in May 2008.

In order to ensure objectivity and independence, the chairman and members are all Non-executive Directors.

Nominations Committee membership and attendance at meetings was as follows during 2007/08 from a total of 9 meetings:

Name	Attendance*
Sir John Parker (chairman)	9 of 9
Ken Harvey	9 of 9
Maria Richter (from 31 July 2007)	6 of 6
George Rose	7 of 9
Paul Joskow (to 31 July 2007)	3 of 3

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

The Chief Executive is invited to attend Nominations Committee meetings on a regular basis. Advice is sought from the Global Director of Human Resources and external advice is sought when appropriate.

During the year the Committee:

- reviewed the size of the Board, its structure and composition;
- reviewed and recommended changes to the composition of Board Committees;
- recommended individuals for appointment to the Board, including the appointments of Tom King and Philip Aiken;
- considered succession planning for Board members; and
- reviewed development and succession plans for senior management, as developed by the Chief Executive and the Global Director of Human Resources.

Remuneration Committee

The Remuneration Committee is responsible for developing Company policy regarding executive remuneration and for determining the remuneration of the Executive Directors and executives below Board level who report directly to the Chief Executive. It also monitors the remuneration of other senior employees of the Company and provides direction over the Company's share plans. All members of the Committee are Non-executive Directors.

The Remuneration Committee determines remuneration policy and practices with the aim of attracting, motivating and retaining high calibre Executive Directors and other senior employees to deliver value for shareholders and high levels of customer service, safety and reliability in an efficient and responsible manner. The Remuneration Committee sets remuneration policies and practices in line with best practice in the markets in which the Company operates.

Further details of the policy on remuneration and details of individual remuneration are available in the Directors' Remuneration Report on pages 100 to 110.

Remuneration Committee membership and attendance at meetings was as follows during 2007/08 from a total of 7 meetings:

Name	Attendance*
John Allan (chairman)	6 of 7
Ken Harvey	7 of 7
Stephen Pettit	7 of 7
George Rose	7 of 7

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

The Global Director of Human Resources and Global Head of Compensation & Benefits provide advice on remuneration policies and practices and are usually invited to attend meetings, along with the Chairman and the Chief Executive.

No Director or other attendee is present during any discussion regarding his or her own remuneration.

Risk & Responsibility Committee

The Risk & Responsibility Committee is tasked with proactively reviewing the strategies, policies, management, initiatives, targets and performance of the Company within the responsible business framework. Accordingly, it reviews matters such as public and process safety, the environment, occupational health, inclusion and diversity, security and human rights, and business ethics and conduct.

Risk & Responsibility Committee membership and attendance at meetings was as follows during 2007/08 from a total of 4 meetings:

Name	Attendance*
Stephen Pettit (chairman)	4 of 4
Linda Adamany	4 of 4
Ken Harvey	4 of 4
Bob Catell (from 25 September 2007)	2 of 2
Maria Richter (to 1 September 2007)	1 of 1

*Attendance is expressed as number of meetings attended out of number possible or applicable for the individual Director

The Chief Executive, the Company Secretary & General Counsel, the Director of UK Safety, Health and Environment and Corporate Security and the US Senior VP Safety, Health and Environment are invited to attend Risk & Responsibility Committee meetings. Executive Directors and others, including business representatives, are invited to attend as necessary.

During the year, the Committee:

- considered the current and projected environmental impact of the Company, including climate change;
- considered specific identified future risks and plans for minimising such risks;
- reviewed safety, health and environment audit plans and the outcome of such audits;
- reviewed serious incident reports;
- reviewed reports on business conduct issues;
- reviewed progress in embedding a process safety culture; and
- considered reports and updates from external advisors.

The Committee members made site visits during the year to:

- a key London substation; and
- the London 2012 Olympics site powerlines undergrounding project.

Disclosure Committee

National Grid has established disclosure committees that are tasked with various duties relating to the material disclosures made by the Company and relevant subsidiaries. The National Grid Disclosure Committee is chaired by the Finance Director and its members are the Company Secretary & General Counsel, the Group Director of Tax and Treasury, the Financial Controller, the Director of Investor Relations, the Head of Internal Audit and the Corporate Counsel and Head of Company Secretariat and such other members and/or attendees as the Committee from time to time considers appropriate.

The Committee's role is to assist the Chief Executive and the Finance Director in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company. Accordingly, the Committee reviewed during the year the process and controls over external disclosures and reviewed key documents before release including the Annual Report and Accounts, Interim Management Statements and other material stock exchange announcements and presentations to analysts.

Shareholders

The Board has responsibility for ensuring effective communication takes place with shareholders and it considers carefully all major announcements to the market. The Board also believes it important to consider the views and opinions of shareholders including on such matters as strategy and governance.

Relations with shareholders are managed mainly by the Chief Executive, the Finance Director and the Director of Investor Relations. Meetings are held regularly throughout the year with institutional investors, fund managers and analysts to discuss the public disclosures and announcements made by the Company.

The Chairman also writes to major shareholders following the announcement of the Company's interim and preliminary results to offer them the opportunity to meet him, the Senior Independent Director or any of the Non-executive Directors. This specifically enables major shareholders to take up with these individuals any issue they feel unable to raise with the Chief Executive and Finance Director. Major shareholders are also invited to meet newly appointed Directors.

In order that all Board members are made aware of and understand the views of shareholders about the Company, the Board receives feedback on shareholders' views from the Company's brokers, supported by the Director of Investor Relations. Notes from a number of analysts in the energy sector are also circulated regularly to Directors.

Change of control provisions

As at 31 March 2008, the Company had borrowing facilities with a number of its banks in the amounts of US$3.0 billion (undrawn) and £0.8 billion (drawn) which, on a change of control of the Company following a takeover bid, may alter or terminate.

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

Corporate governance practices: differences from New York Stock Exchange (NYSE) listing standards

The corporate governance practices of the Company are primarily based on UK requirements but substantially conform to those required of US companies listed on the NYSE. The principal differences between the Company's governance practices pursuant to the Combined Code and UK best practice and the Section 303A Corporate Governance Rules of the NYSE are:

- different tests of independence for Board members are applied under the Combined Code and Section 303A;
- there is no requirement for a separate corporate governance committee in the UK; all Directors on the Board discuss and decide upon governance issues and the Nominations Committee makes recommendations to the Board with regard to certain of the responsibilities of a corporate governance committee;

- while the Company reports compliance with the Combined Code in each Annual Report and Accounts, there is no requirement to adopt and disclose separate corporate governance guidelines; and
- while the Audit Committee, having a membership of four independent Non-executive Directors, exceeds the minimum membership requirements under Section 303A of three independent Non-executive Directors, it should be noted that the quorum for a meeting of the Audit Committee, of two independent Non-executive Directors, is less than the minimum membership requirements under Section 303A.

Internal control

In order to understand the risks and potential control issues facing the Company, the following sections as well as page 16 in the Operating and Financial Review should be considered. The Board considers that a sound system of internal control contributes to safeguarding the Company's assets and reputation, and, as a result, shareholder investments. Effective operational and financial controls, including the maintenance of qualitative financial records, are an important element of internal control. The Board further considers that internal controls help manage, but not eliminate, risk and that these controls can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board is responsible for the Company's system of internal control and monitoring its effectiveness. It has in place an established system of internal control to be observed throughout the Company and its businesses, which it believes satisfies this responsibility.

The system of internal control depends on thorough and systematic processes for the identification and assessment of business-critical risks, including the impact of material non-compliance with legal, regulatory and internal governance requirements, and their management and monitoring over time. This system generates reports from both line managers and certain independent assurance providers such as Internal Audit and Risk & Compliance.

The Board's Committees receive reports on the Company's system of internal control as appropriate in relation to their specific areas of responsibility. The Board's Committees' reports to the Board include updates in this regard.

The Board formally reviews the effectiveness of the Company's system of internal control on an annual basis to ensure it remains robust and to identify any control weaknesses. The latest review covered the financial year to 31 March 2008 and included the period to the approval of this Annual Report and Accounts.

This review includes:

- the receipt of a Letter of Assurance from the Chief Executive, which consolidates key matters of interest raised through the year-end assurance process;
- assurance from its Committees as appropriate, with particular reference to the reports received from the Audit and Risk & Responsibility Committees on the reviews undertaken by them at their respective Committee meetings; and
- assurances in relation to the Company's Sarbanes-Oxley certifications, required as a result of its NYSE listing.

Internal control – information assurance

The Board considers that it is imperative to have accurate and reliable information within the Company. This is supported by a risk-based, holistic approach that deals with information assurance as a business critical function. This approach ensures accurate and reliable information is available to those who need it in a timely fashion, thus enabling informed decisions that support and further Company objectives.

We manage a broad range of risks in relation to information assurance. Key elements in managing these risks are education, training and awareness. These initiatives emphasise the importance of information security, the quality of data collection and the affirmation process that supports our business transactions, evidencing our decisions and actions. The Company continues to work collaboratively with a variety of organisations and professional bodies to develop and implement best practice.

Internal control over financial reporting – Sarbanes-Oxley

National Grid has carried out an assessment of its internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, the requirements of which the Company is subject to as a result of its listing on the NYSE. The management of the Company, which is responsible under the Act for establishing and maintaining an adequate system of internal control over financial reporting, evaluated the effectiveness of that system using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Based on that evaluation, the management of the Company expects to conclude in its Annual Report on Form 20-F filing with the US Securities and Exchange Commission that the system of internal control over financial reporting was effective as at 31 March 2008.

Because KeySpan was acquired by National Grid during the financial year ended 31 March 2008, it was not required to be included in management's assessment of internal control over financial reporting for the year ended 31 March 2008 and, therefore, management have excluded it from its assessment. KeySpan is a wholly-owned subsidiary whose total assets and total revenue represented approximately 25% and 23%, respectively, of the related consolidated financial statement amounts for the year ended 31 March 2008.

Risk management

Understanding and managing risks is integral to the way we run our business. We continue to have a well established enterprise-wide risk management process that ensures risks are consistently assessed, recorded and reported in a visible, structured and continuous manner, the outputs of which are primarily used as a management tool. A secondary and natural output from this process is information that provides assurance to management at all levels and thus helps safeguard our assets and reputation. It has been designed to manage rather than eliminate material risks to the achievement of our strategic and business objectives while also recognising that any such process can provide only reasonable, and not absolute, assurance against material misstatement or loss. This process complies with the Turnbull working party guidance (revised October 2005) and, in addition, contributes toward our compliance with our obligations under the Sarbanes-Oxley Act as well as other internal assurance activities.

Risk management in National Grid has become embedded over time and our experience of this has enabled us to identify a number of key success criteria linked to both the risk management framework and process that, if in place, will help ensure the process continues to remain embedded. Understanding this in the context of a Company that has changed considerably in size and geographic coverage since 2000 has been invaluable in helping to integrate different risk management processes seamlessly and effectively. For example, with regard to KeySpan we had already started to align process expectations prior to completion of the acquisition and because of this foresight are now making positive strides towards process consistency across our US and UK lines of business.

Within existing businesses, the risk management process continues to be based on both bottom-up and top-down assessments of operational, financial and other business or project risks. From the bottom up, business units and Corporate Centre functions prepare and maintain risk registers that capture their key risks and the actions being taken to manage them. The key element in the top-down assessment of our enterprise-wide risk profile is the involvement of the Executive Directors and other senior management at critical stages in the review process. Their review, challenge, and debate of the outputs of the bottom-up assessment against their top-down perceptions produce an overall evaluation of the risks that are faced by National Grid. Graphics that set out the Company's risk profile and any significant changes to this between reporting periods have been designed to aid debate by the Executive, Risk & Responsibility and Audit Committees twice a year. The Audit Committee also reviews the risk management process at least once a year and reports on this to the Board.

During the year, we have benefited from this process through continued coordination with the Internal Audit function, Sarbanes-Oxley teams, and the Insurance team. The external benchmarking exercise has continued with a deliberate focus on energy utilities in similar lines of business to measure the effectiveness of our own approach and exchange ideas on best practice. We have completed the restructuring of risk and compliance services to deliver the support required by our global lines of business and to ensure approaches are consistent across the US and UK and continue to provide value to business operations, including major projects.

Our risk management process has identified the risk factors set out opposite.

Compliance management

Our enterprise-wide compliance management process is established and continues to raise visibility over key obligations. The process provides assurance to the Executive Directors and senior management on the effectiveness of control frameworks to manage key internal and external obligations, and also highlights instances of significant non-compliance with those obligations. External obligations are driven primarily by key legal and regulatory requirements whereas internal obligations focus more on compliance with National Grid's own corporate policies and procedures. A network of compliance coordinators and champions exists within the businesses and Corporate Centre functions to enable the top-down/bottom-up alignment of Executive Directors' obligations to be established and reported.

Furthermore, experts for each key obligation interface with relevant business contacts to ensure the quality of information reported upwards is validated. The compliance management process is consistent with, and complementary to, our risk management process and essentially provides, among other things, a more detailed breakdown of the risk of non-compliance with laws, regulations or standards of service as well as corporate policies and procedures.

Twice a year the Executive, Risk & Responsibility and Audit Committees receive a report setting out the key obligations across National Grid and any significant non-compliance with those obligations, together with compliance opinions and action plans to improve controls where necessary. As with the risk management process, the Audit Committee also reviews the compliance management process at least once a year and reports on this to the Board. The compliance management process also contributes toward the entity level testing that is performed under the Sarbanes-Oxley Act, as well as some of our other internal assurance activities. Opportunities to benchmark our process with other similar organisations remain limited but positive internal feedback indicates it remains fit for purpose for National Grid and reflects best practice.

Risk factors

Our risk management process has identified the following risk factors that could have a material adverse effect on our business, financial condition, results of operations and reputation, as well as the value and liquidity of our securities. Not all of these factors are within our control. In addition, other factors besides those listed below may have an adverse effect on National Grid. Any investment decision regarding our securities and any forward-looking statements made by us should be considered in the light of these risk factors and the cautionary statement set out on page 192.

Changes in law or regulation could have an adverse effect on our results of operations.

Many of our businesses are utilities or networks that are subject to regulation by governments and other authorities. Consequently, changes in law or regulation in the countries or states in which we operate could adversely affect us. Regulatory decisions concerning, for example, whether licences or approvals to operate are granted or are renewed, whether there has been any breach of the terms of a licence or approval, recovery of incurred expenditure, the level of permitted revenues and dividend distributions for our businesses and proposed business development activities could have an adverse impact on our results of operations, cash flows, the financial condition of our businesses and the ability to develop those businesses in the future. For further information, see the Operating and Financial Review and, in particular, the 'External market and regulatory environment' and 'Current and future development' sections and the business description sections for each of our lines of business.

Breaches of, or changes in, environmental or health and safety laws or regulations could expose us to claims for financial compensation and adverse regulatory consequences, as well as damaging our reputation.

Aspects of our activities are potentially dangerous, such as the operation and maintenance of electricity generation facilities and electricity lines and the transmission and distribution of gas. Electricity and gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of our operations that are not currently regarded or proved to have adverse effects but could become so; for example, the effects of electric and magnetic fields. We are subject to laws and regulations relating to pollution, the protection of the environment, and how we use and dispose of hazardous substances and waste materials. These expose us to costs and liabilities relating to our operations and our properties whether current, including those inherited from predecessor bodies, or formerly owned by us. We are also subject to laws and regulations governing health and safety matters protecting the public and our employees. We commit significant expenditure toward complying with these laws and regulations and to meeting our obligations under negotiated settlements. If additional requirements are imposed or our ability to recover these costs changes, this could have a material impact on our businesses and our results of operations and financial position. Any breach of these obligations, or even incidents that do not amount to a breach, could adversely affect our results of operations and our reputation.

For further information about environmental and health and safety matters relating to our businesses, see the 'Our Responsibility' section of our website at www.nationalgrid.com.

Network failure, the inability to carry out critical non-network operations and damage to infrastructure may have significant adverse impacts on both our financial position and reputation.

We may suffer a major network failure or may not be able to carry out critical non-network operations. Operational performance could be adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand or inadequate record keeping. This could cause us to fail to meet agreed standards of service or be in breach of a licence or approval, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming our reputation. In addition to these risks, we may be affected by other potential events that are largely outside our control such as the impact of weather or unlawful acts of third parties. Weather conditions can affect financial performance and severe weather that causes outages or damages infrastructure will adversely affect operational and potentially business performance and our reputation. Terrorist attack, sabotage or other intentional acts may also damage our assets or otherwise significantly affect corporate activities and as a consequence have an adverse impact on the results of operations.

Our results of operations depend on a number of factors relating to business performance including performance against regulatory targets and the delivery of anticipated cost and efficiency savings.

Earnings maintenance and growth from our regulated gas and electricity businesses will be affected by our ability to meet or exceed efficiency and integration targets and service quality standards set by, or agreed with, our regulators. In addition, from time to time, we publish cost and efficiency savings targets for our businesses. We have also substantially completed reorganising our operations along lines of business. To meet these targets and standards, we must continue to improve operational performance, service reliability and customer service. If we do not meet these targets and standards, or we do not complete implementation of this reorganisation as envisaged, we may not achieve the expected benefits, our business may be adversely affected and our performance, results of operations and our reputation may be harmed.

Business development activity, including acquisitions and disposals, may be based on incorrect assumptions or conclusions; significant liabilities may be overlooked or there may be other unanticipated or unintended effects.

Business development activities, including acquisitions and disposals, may be based on incorrect assumptions or conclusions; significant liabilities may be overlooked or there may be other unanticipated or unintended effects. There is no certainty that planned levels of synergy and efficiency savings from acquisitions, such as our acquisition of KeySpan, will be achieved. This could impact our ability to enter into other transactions.

For further details concerning the acquisition of KeySpan and other transactions that we have undertaken over the period, see the 'Performance against our objectives' section of the Operating and Financial Review on page 26.

Changes to the regulatory treatment of commodity costs may have an adverse effect on the results of operations.

Changes in commodity prices could potentially impact our energy delivery businesses. Current regulatory arrangements in the UK and the US provide the ability to pass through virtually all of the increased costs related to commodity prices to consumers. However, if regulators in the UK or the US were to restrict this ability, it could have an adverse effect on our operating results.

Our reputation may be harmed if consumers of energy suffer a disruption to their supply.

Our energy delivery businesses are responsible for transporting available electricity and gas. We consult with, and provide information to, regulators, governments and industry participants about future demand and the availability of supply. However, where there is insufficient supply, our role is to manage the relevant network safely which, in extreme circumstances, may require us to disconnect consumers, which may damage our reputation.

Fluctuations in exchange rates, interest rates and commodity price indices, in particular in the US dollar, could have a significant impact on our results of operations because we have substantial business interests in the US and because of the significant proportion of our borrowings, derivative financial instruments and commodity contracts that may potentially be affected by such fluctuations.

We have significant operations in the US and we are therefore subject to the risks normally associated with non-domestic operations, including the need to translate US assets and liabilities, and income and expenses, into sterling, our primary reporting currency. In addition, our results of operations may be affected because a significant proportion of our borrowings, derivative financial instruments and commodity contracts are affected by changes in exchange rates, interest rates and commodity price indices, in particular the US dollar to sterling exchange rate.

For further information see the 'Performance against our objectives' section of the Operating and Financial Review.

Our financial position may be adversely affected by a number of factors including restrictions in borrowing and debt arrangements, changes to credit ratings, adverse changes in the global credit markets and effective tax rates.

We are subject to certain covenants and restrictions in relation to our listed debt securities and our bank lending facilities. We are also subject to restrictions on financing that have been imposed by regulators. These restrictions may hinder us in servicing the financial requirements of our current businesses or the financing of newly acquired or developing businesses. Some of our debt is rated by credit rating agencies and changes to these ratings may affect both our borrowing capacity and the cost of those borrowings. Our borrowing capacity and cost of borrowing could also be affected by adverse changes in the global credit markets. The effective rate of tax we pay may be influenced by a number of factors including changes in law and accounting standards, the results of which could increase that rate.

Future funding requirements of our pension schemes could adversely affect our results of operations.

We participate in a number of pension schemes that together cover substantially all our employees. In both the UK and the US, the principal schemes are defined benefit schemes where the scheme assets are held independently of our own financial resources. Estimates of the amount and timing of future funding for these schemes are based on various actuarial assumptions and other factors including, among other things, the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal requirements. The impact of these assumptions and other factors may require us to make additional contributions to these pension schemes which, to the extent they are not recoverable under our price controls or state rate plans, could adversely affect our results of operations.

New or revised accounting standards, rules and interpretations could have an adverse effect on our reported financial results.

The accounting treatment under International Financial Reporting Standards (IFRS), as adopted by the European Union, of replacement expenditure, regulatory assets, pension and post-retirement benefits, derivative financial instruments and commodity contracts significantly affect the way we report our financial position and results of operations. As a body of practice develops for IFRS, the application and interpretation of accounting principles to our circumstances, and to those areas in particular, could result in changes in the financial results and financial position that we report. In addition, new standards, rules or interpretations may be issued that could also have significant effects.

Customers and counterparties to our transactions may fail to perform their obligations, or arrangements we have may be terminated, which could harm our results of operations.

Our operations are exposed to the risk that customers and counterparties to our transactions that owe us money or commodities will not perform their obligations, which could cause us to incur additional costs. This risk is most significant where our subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers and may also arise where customers are unable to pay us as a result of increasing commodity prices.

A substantial portion of our KeySpan businesses' revenues are derived from a series of agreements with the Long Island Power Authority (LIPA) pursuant to which we manage LIPA's transmission and distribution system and supply the majority of LIPA's customers' electricity needs. These operating agreements provide LIPA with the right to terminate the agreements for poor performance or upon the occurrence of certain other limited events of default.

Our operating results may fluctuate on a seasonal and quarterly basis.

Our electricity and gas businesses are seasonal businesses and are subject to weather conditions. In particular, revenues from our gas distribution networks in the US are weighted towards the end of our financial year, when demand for gas increases due to colder weather conditions. As a result, we are subject to seasonal variations in working capital because we purchase gas supplies for storage in the first and second quarters of our financial year and must finance these purchases. Accordingly, our results of operations for this business fluctuate substantially on a seasonal basis. In addition, portions of our electricity businesses are seasonal and subject to weather and related market conditions. Sales of electricity to customers are influenced by temperature changes. Significant changes in heating or cooling requirements, for example, could have a substantial effect. As a result, fluctuations in weather and competitive supply between years may have a significant effect on our results of operations for both gas and electricity businesses.

Directors' Report

for the year ended 31 March 2008

In accordance with the requirements of the Companies Acts and UK Listing Authority's Listing, Disclosure and Transparency Rules, the following sections describe the matters that are required for inclusion in the Directors' Report and were approved by the Board. Further details of matters required to be included in the Directors' Report are incorporated by reference into this report, as detailed.

Directors

The biographies of the persons serving as Directors as at the date of this report are set out on pages 12 and 13. The names of all persons serving as Directors during the financial year are included on page 110, detailed in the table setting out Directors' beneficial interests. The Directors' interests in shares and in options to receive shares, and any changes that have occurred since 31 March 2008, are set out in the Directors' Remuneration Report on pages 100 to 110.

Directors' and Officers' liability insurance cover is arranged and qualifying third party indemnities are in place for each Director.

Code of ethics

In response to US requirements, the Board has adopted a Code of Ethics for senior financial professionals. This code is available on our website at www.nationalgrid.com (where any amendments or waivers will also be posted). There were no amendments to, or waivers of, our Code of Ethics during the year.

Principal activities and business review

A full description of the Company's principal activities, business and principal risks and uncertainties is contained in the Operating and Financial Review (OFR), on pages 14 to 87, and the Corporate Governance section, on pages 88 to 97, which are incorporated by reference into this report.

Dividends

The Directors are recommending a final dividend of 21.3 pence per ordinary share ($2.0497 per American Depositary Share) be paid on 20 August 2008 to shareholders on the Register at 6 June 2008. Further details in respect of dividend payments can be found on page 190.

Political donations and expenditure

National Grid made no political donations in the UK or European Union during the year (including donations as defined for the purposes of the Political Parties, Elections and Referendums Act 2000). National Grid USA and certain subsidiaries made political donations in the US of $70,000 (£34,804) during the year. Additionally, National Grid USA's political action committees gave $56,656 (£28,170) to political and campaign committees in the US in 2007/08. The foregoing amounts do not include KeySpan and its subsidiaries. KeySpan has given $37,015 (£18,604) to political and campaign committees since acquisition in August 2007.

Charitable donations

During 2007/08 some £9.2 million (2006/07: £9 million) was invested in support of community initiatives and relationships. The London Benchmarking Group model was used to assess this overall community investment. Direct donations to charitable organisations amounted to £600,000 (2006/07: £2.9 million). In addition to our charitable donations, financial support was provided for our Affordable Warmth Programme, education programme, university research and our 'Young Offenders Into Work Programme'.

Financial instruments

Details on the use of financial instruments and financial risk management are included on pages 75 to 78 in the OFR.

Post-balance sheet events

There have been no material post-balance sheet events.

Change of control provisions

The significant agreements that are affected upon a change of control of the Company on page 93 of the Corporate Governance section are incorporated by reference into this report. No compensation would be paid for loss of office of Directors on a change of control of the Company. A minimal number of employees have legacy change of control provisions in their existing contracts of employment in line with their notice periods. New contracts of employment do not contain change of control provisions.

Future developments

Details of future developments are contained in the OFR.

Research and development

Expenditure on research and development during the year was £13.5 million (2006/07: £6 million).

Share capital

At the Company's 2007 Annual General Meeting (AGM) shareholder authority was given to purchase up to 10% of the Company's ordinary shares. The Directors intend to seek shareholder approval to renew this authority at this year's AGM.

The Company's interim results statement for the six months to 30 September 2006 included the announcement of a share repurchase programme to return around $1.9 billion (£1 billion) to shareholders. The ordinary share repurchase programme commenced on 20 November 2006 and in May 2007 it was extended to return £1.8 billion of the proceeds of the sale of our wireless businesses. As at the date of this report, 213,642,418 ordinary shares (representing approximately 8.5% of our issued share capital) had been repurchased for an aggregate consideration of £1,605 million. Of the shares repurchased 4,272,474 have been transferred to employees under the employee share plans and 82,552,229 were held in treasury.

Shares purchased on behalf of the Company by the Employee Share Trusts (see note 36 to the consolidated financial statements on page 169 of the accounts) are used for employee share incentive plans.

In accordance with the terms of the return of cash to shareholders, approved by shareholders in July 2005, on 28 September 2007 holders of B shares at that date received new ordinary shares by the conversion of 41,988,387 B shares into 3,705,193 new ordinary shares and subsequent issue and allotment. Fractions of holdings were disregarded and accordingly 202,514 B shares were deferred and cancelled.

Following the conversion of the B shares and cancellation of the fractions, the share capital of the Company now consists of ordinary shares of $11\frac{17}{43}$ pence nominal value each and American Depositary Shares only. The ordinary and American Depositary Shares allow holders to receive dividends and vote at general meetings of the Company. Shares held in treasury are not entitled to vote or receive dividends. There are no restrictions on the transfer or sale of ordinary shares.

Some of the Company's employee share plans include restrictions on transfer of shares while the shares are subject to the plan.

Where, under an employee share plan operated by the Company, participants are the beneficial owners of the shares but not the registered owner, the voting rights may be exercised by the registered owner at the direction of the participant.

Employees

National Grid continues to demonstrate how highly it values its employees. Communication is a key theme both at a corporate and business level. The Company wide publication National Grid World provides employees with an overview of performance and updates on relevant acquisitions, alongside material setting out the strategy and operating model for National Grid. This publication is only one example of the multiple communication channels, including the use of various business specific intranets, which the Company has established and continues to develop to ensure the timely cascade of critical information to employees.

Feedback has been provided by employees in confidence via a Company wide employee engagement survey conducted in 2008. Over 86% of employees took part in the process. Action plans will be developed by each of the businesses to address their key priorities for improvement.

National Grid's core values are respect, ownership, integrity and working together. National Grid's inclusion and diversity vision is to develop and operate its business in a way that results in a more inclusive and diverse culture. This supports the attraction and retention of the best people, improves effectiveness, delivers superior performance and enhances the success of the Company. Employees are provided with the opportunity to develop to their full potential regardless of race, gender, nationality, age, disability, sexual orientation, gender identity, religion and background. For example, black and minority ethnic groups now make up 12.3% of the workforce.

Policy and practice on payment of creditors

It is National Grid's policy to include in contracts, or other agreements, terms of payment with suppliers. Once agreed, National Grid aims to abide by these payment terms.

The average creditor payment period at 31 March 2008 for National Grid's principal operations in the UK was 18 days (19 days at 31 March 2007).

Audit information

Having made the requisite enquiries, so far as the Directors in office at the date of the signing of this report are aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Articles of Association

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors and the conduct of the Board and general meetings. Copies are available upon request and are displayed on the National Grid website at www.nationalgrid.com. In accordance with the Articles of Association, Directors can be appointed or removed by the Board or shareholders in general meeting. Amendments to the Articles of Association have to be approved by at least 75% of those voting in person or by proxy at a general meeting of the Company. Subject to company law and the Articles of Association, the Directors may exercise all the powers of the Company, and may delegate authorities to Committees and day-to-day management and decision making to individual Executive Directors. Details of the main Board Committees can be found on pages 90 to 93. A special resolution will be put to the 2008 Annual General Meeting to adopt new Articles of Association.

Material interests in shares

As at the date of this report, National Grid had been notified of the following holdings in voting rights of 3% or more in the issued share capital of the Company:

	% of voting rights
Legal and General Investment Management Ltd	5.69
Fidelity International Limited	3.06

No further notifications have been received.

Annual General Meeting

National Grid's 2008 AGM will be held on Monday 28 July 2008 at The International Convention Centre in Birmingham. Details are set out in the Notice of AGM.

On behalf of the Board

Helen Mahy
Company Secretary & General Counsel
14 May 2008

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

Directors' Remuneration Report

We are pleased to present the Directors' Remuneration Report for 2007/08. Our policy of relating pay to the performance of the Company continues to be a strong principle underlying the Remuneration Committee's consideration of executive remuneration. We aim to ensure the Company continues to attract, motivate and retain high calibre individuals to deliver the highest possible performance for our shareholders.

The acquisition of KeySpan completed during this performance year, resulting in larger and more complex roles for many of our senior employees. Last year, we consulted with our major shareholders and reported we had increased the maximum annual bonus opportunity for Executive Directors to 150% of salary for the year 2007/08 onwards. While doing so, we amended performance targets to be more stretching and adjusted the framework so that, for Executive Directors, only 40% of the bonus (60% of salary) is payable for target performance (previously 50% of the bonus was payable for target performance).

Following the 2007 Annual General Meeting, where our shareholders supported our proposal to increase the maximum permissible award under our long term incentive plan (the Performance Share Plan) to 250% of salary, we introduced a more challenging Earnings per Share (EPS) upper target for the 2007 award. However, as disclosed last year, we plan to continue with the maximum awards to Executive Directors being on the basis of 200% of salary.

We have made no other changes to our arrangements and firmly believe the changes detailed above provide an appropriate and balanced opportunity for executives. Our incentive plans remain aligned with the Company's strategic objectives and our shareholders' interests generally, while continuing to motivate and engage the team leading the Company to achieve stretching targets.

Overall, we believe salary levels and the mix between fixed and variable compensation continues to be appropriate, however, we shall continue to review the remuneration package on a regular basis to ensure it remains so.

During the year, we have welcomed both Bob Catell and Tom King to the Board. Bob, who joins us from KeySpan, brings a wealth of experience in the US energy industry to his Executive Director role as Chairman of National Grid USA and will play a key role, through a fixed two year contract, in our integration activities. Following the completion of the acquisition, Bob's maximum potential bonus and long term incentive arrangements were significantly reduced from those applicable at KeySpan. To effect this contractual change and on the basis we did not want historical KeySpan entitlements outstanding, the Remuneration Committee decided to buy out Bob's KeySpan contractual severance arrangements and place him on a National Grid contract. This now aligns his arrangements with our other Executive Directors and remuneration policy. Details of these payments follow later in the report.

Tom, who has joined us from Pacific Gas and Electric Company, has 20 years' experience in the US energy industry and has a strong track record in reliability improvement and customer service. As part of a contractual commitment made on his recruitment, Tom received a Special Retention Award in November 2007, details of which can be found later in this report.

John Allan
Chairman of the Remuneration Committee

Remuneration Committee

The Remuneration Committee members are John Allan, Ken Harvey, Stephen Pettit and George Rose. Each of these Non-executive Directors is regarded by the Board as independent and served throughout the year.

The Global Human Resources Director and Global Head of Compensation & Benefits provide advice on remuneration policies and practices and are usually invited to attend meetings, along with the Chairman and the Chief Executive.

No Director or other attendee is present during any discussion regarding his or her own remuneration.

The Remuneration Committee is responsible for developing Company policy regarding executive remuneration and for determining the remuneration of the Executive Directors and executives below Board level who report directly to the Chief Executive. It also monitors the remuneration of other senior employees of the Company and provides direction over the Company's share plans.

The Board has accepted all the recommendations made by the Remuneration Committee during the year.

The Remuneration Committee has authority to obtain the advice of external independent remuneration consultants. It is solely responsible for their appointment, retention and termination; and for approval of the basis of their fees and other terms.

In the year to 31 March 2008, the following advisors provided services to the Remuneration Committee:

- Deloitte & Touche LLP, independent remuneration advisors. They also provide taxation and financial advice to the Company;
- Alithos Limited, provision of Total Shareholder Return calculations for the Performance Share Plan and Executive Share Option Plan;
- Linklaters LLP, advice relating to Directors' service contracts as well as providing other legal advice to the Company; and
- Mercer Human Resource Consulting Limited, advice relating to pension taxation legislation. They also provide general advice with respect to human resource issues across the Company.

Remuneration policy

The Remuneration Committee determines remuneration policy and practices with the aim of attracting, motivating and retaining high calibre Executive Directors and other senior employees to deliver value for shareholders and high levels of customer service, safety and reliability in an efficient and responsible manner. The Remuneration Committee sets remuneration policies and practices in line with best practice in the markets in which the Company operates. Remuneration policies continue to be framed around the following key principles:

- total rewards should be set at levels that are competitive in the relevant market. For UK-based Executive Directors, the primary focus is placed on companies ranked (in terms of market capitalisation) 11-40 in the FTSE 100. This peer group is therefore weighted towards companies smaller than National Grid and positioning the package slightly below median against this group is considered to be appropriate for a large, international but predominately regulated business. For US-based Executive Directors, the primary focus is placed on US utility companies;
- a significant proportion of the Executive Directors' total reward should be performance based. Performance based incentives will be earned through the achievement of demanding targets for short-term business and individual performance as well as long-term shareholder value creation, consistent with our Framework for Responsible Business which can be found at: www.nationalgrid.com/corporate/About+Us/Corporate Governance/Other;
- for higher levels of performance, rewards should be substantial but not excessive; and
- incentive plans, performance measures and targets should be stretching and aligned as closely as possible with shareholders' interests.

It is currently intended to continue this policy in subsequent years.

Executive Directors' remuneration

Remuneration packages for Executive Directors consist of the following elements:

- salary;
- annual bonus including the Deferred Share Plan;
- long-term incentive, the Performance Share Plan;
- all-employee share plans;
- pension contributions; and
- non-cash benefits.

Salary

Salaries are reviewed annually and targeted broadly at the median position against the relevant market. In determining the relevant market, the Remuneration Committee takes account of the regulated nature of the majority of the Company's operating activities along with the size, complexity and international scope of the business. For UK-based and US-based Executive Directors, UK and US markets are used respectively. In setting individual salary levels, the Remuneration Committee takes into account business performance, the individual's performance and experience in the role; and salary practices prevailing for other employees in the Company.

Annual bonus including the Deferred Share Plan (DSP)

Annual bonuses are based on the achievement of a combination of demanding Company, individual and, where applicable, divisional targets. The principal measures of Company performance are adjusted earnings per share (EPS), see page 40 for further details; and cash flow. The main divisional measures are operating profit and safety targets. Financial targets (including safety targets where applicable) represent 70% of the bonus. Individual targets, representing 30% of the bonus, are set in relation to key operating and strategic objectives. The Remuneration Committee sets targets at the start of the year and reviews performance against those targets at year end. The Remuneration Committee may use its discretion to reduce payments to take account of significant safety or service standard incidents; or to increase them in the event of exceptional value creation. The Remuneration Committee has discretion to consider environmental, social and governance issues when determining payments to Executive Directors.

Performance against Company and divisional financial targets for this year is shown in the table below:

	Level of performance achieved in 2007/08 as determined by the Remuneration Committee	
Financial measures	Company targets	Divisional targets
Adjusted EPS	Stretch	
Cash flow	Stretch	
Operating profit		Below threshold (i), between target and stretch (ii) and at stretch (iii)

(i) Electricity Distribution & Generation.
(ii) Transmission.
(iii) Gas Distribution and non-regulated businesses.

In 2007/08, the maximum annual bonus opportunity for Executive Directors was 150% of base salary, with 40% of the bonus (60% of salary) being paid for target performance. One half of any bonus earned is automatically deferred into National Grid shares (ADSs for US-based Executive Directors) through the DSP. The shares are held in trust for three years before release. During this time, they are not owned by the Executive Directors and, therefore, no dividends are paid. The Remuneration Committee may, at the time of release of the shares, use its discretion to pay a cash amount equivalent to the value of the dividends that would have accumulated on the deferred shares. For the 2007/08 bonus and onwards, the deferred shares may be forfeited if the Executive Director ceases employment during the three year holding period as a 'bad leaver', for example, resignation. The newly introduced forfeiture provision will serve as a strong retention tool.

The Remuneration Committee believes that requiring Executive Directors to invest a substantial amount of their bonus in National Grid shares increases the proportion of rewards linked to both short-term performance and longer-term total shareholder returns. This practice also ensures that Executive Directors share a significant level of personal risk with the Company's shareholders. Bonuses for UK-based Executive Directors are not pensionable, but in line with current US market practice, US-based Executive Directors' bonuses are pensionable.

Long-term incentive – Performance Share Plan (PSP)

Executive Directors and approximately 350 other senior employees who have significant influence over the Company's ability to meet its strategic objectives, may receive an award which will vest subject to the achievement of performance conditions set by the Remuneration Committee at the date of grant. The value of shares (ADSs for US-based Executive Directors and relevant employees) constituting an award (as a percentage of salary) varies by grade and seniority subject to a maximum, for Executive Directors, of 200% of salary. The provisions in the PSP rules allow awards up to a maximum value of 250% of salary, in order to provide a degree of flexibility for the future.

The grant of PSP awards may only be made within 42 days from the announcement of either the annual financial results or interim financial results. Therefore, as shareholder approval to increase the maximum award in the rules could only be sought at the time of last year's Annual General Meeting in July, the 2007 award was granted in two parts to Executive Directors; the June award was based on the then current maximum of 125% of salary and a second award for 75% of salary was granted after the announcement of our interim financial results. Should the performance criteria be met, the 2007 award will therefore be released to Executive Directors in two parts; in June 2011 and November 2011.

Shares awarded vest after three years, conditional upon the satisfaction of the relevant performance criteria. Vested shares must then be held for a further period (the retention period) after which they are released to the participant on the fourth anniversary of the date of grant. During the retention period, the Remuneration Committee has discretion to pay an amount, equivalent in cash or shares, to the dividend which would have been paid on the vested shares.

Under the terms of the PSP, the Remuneration Committee may allow shares to vest early to departing participants, including Executive Directors, to the extent the performance condition has been met, in which event the number of shares that vest will be pro-rated to reflect the proportion of the performance period that has elapsed at the date of departure.

Awards made in June 2003 and June 2004 were based on the Company's Total Shareholder Return (TSR) performance over a three year period relative to TSR performance of UK and international utilities. Both of these awards have lapsed as the performance criterion was not met.

Awards from 2005 onwards vest based on the Company's TSR performance when compared to the FTSE 100 at the date of grant (50% of the award) and the annualised growth of the Company's EPS (50% of the award). This approach will continue going forward.

These measures are used because the Remuneration Committee continues to believe they offer a balance between meeting the needs of shareholders (by measuring TSR performance against other large UK companies) and providing a measure of performance (EPS growth) over which the Executive Directors have direct influence. The Remuneration Committee considers the PSP performance conditions to be stretching.

In calculating TSR it is assumed that all dividends are reinvested. No shares will be released under the TSR part of the award if the Company's TSR over the three year performance period, when ranked against that of the FTSE 100 comparator group, falls below the median. For TSR at the median, 30% of those shares will be released, 100% will be released where National Grid's TSR performance on an annualised compound basis is 7.5% above that of the median company in the FTSE 100 (upper target).

The EPS measure is calculated by reference to National Grid's real EPS growth, see page 40 for further details. Where annualised growth in adjusted EPS (on a continuing basis and excluding exceptional items, remeasurements and stranded costs) over the three year performance period exceeds the average annual increase in RPI (the general index of retail prices for all items) over the same period by 3% (threshold performance), 30% of the shares under the EPS part of the award will be released. 100% of the shares will be released where EPS growth exceeds RPI growth by 8% (upper target). For awards made prior to 2007, the upper target for EPS was 6%. The Remuneration Committee considers the adjusted upper target to be more challenging to achieve.

For performance (under each measure) between threshold and the upper target, the number of shares released is pro-rated on a straight-line basis.

If the Remuneration Committee considers, in its absolute discretion, the underlying financial performance of the Company does not justify the vesting of awards, even if either or both the TSR condition and the EPS condition are satisfied in whole or in part, it can declare that some or all of the award lapses.

No re-testing of performance is permitted for any of the PSP awards that do not vest after the three year performance period and any such awards lapse.

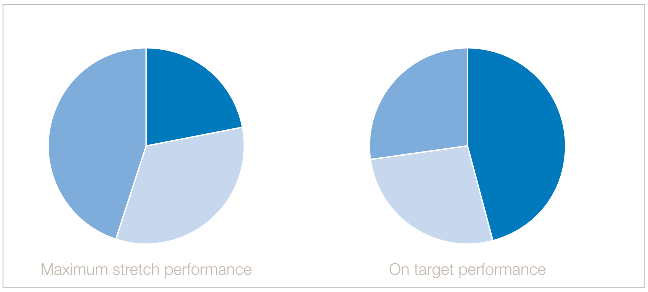
Special Retention Award (SRA)

As part of a contractual commitment made at the time of Tom King's recruitment, Tom received a Special Retention Award in November 2007. This one-off award of National Grid ADSs will vest in equal tranches, over three years, on the anniversary of the award (commencing November 2008 through to November 2010) subject to his continued employment. There are no performance conditions attached to the award.

Executive Directors' remuneration package

Illustrated below is the current remuneration package for Executive Directors (excluding pensions, all-employee share plans and non-cash benefits) for both 'maximum stretch' performance and assuming 'on target' performance based on 40% (60% of salary) for the annual bonus plan; and TSR and EPS performance such that 30% (60% of salary) of PSP awards are released to participants at the end of the performance period and subsequent retention period.

Executive Directors' remuneration package
2007/08 UK & US



Maximum stretch performance		On target performance	
Annual base pay	22%	Annual base pay	46%
Annual bonus	33%	Annual bonus	27%
PSP award	45%	PSP award	27%

Note: Excludes Tom King's Special Retention Award.

All-employee share plans

- Sharesave: Employees resident in the UK, including UK-based Executive Directors, are eligible to participate in HM Revenue & Customs approved all-employee Sharesave schemes. Under these schemes, participants may contribute between £5 and £250 in total each month, for a fixed period of three years, five years or both. Contributions are taken from net salary. At the end of the savings period, these contributions can be used to purchase ordinary shares in National Grid at a discount capped at 20% of the market price set at the launch of the scheme.

- Share Incentive Plan (SIP): Employees resident in the UK, including UK-based Executive Directors, are eligible to participate in the SIP. Contributions up to £125 are deducted from participants' gross salary and used to purchase ordinary shares in National Grid each month. The shares are placed in trust and if they are left in trust for at least five years, they can be removed free of UK income tax and National Insurance Contributions.
- US Incentive Thrift Plans: Employees of National Grid's US companies (including US-based Executive Directors) are eligible to participate in the Thrift Plans, tax-advantaged savings plans (commonly referred to as 401(k) plans). These are defined contribution pension plans that give participants the opportunity to invest a maximum of 50% of salary (pre-tax) and/or up to 15% of salary (post-tax) up to applicable Federal salary limits (US$225,000 for calendar year 2007 and US$230,000 for 2008). The Company matches 100% of the first 2% and 75% of the next 4% of salary contributed, resulting in a maximum matching contribution of 5% of salary up to the Federal salary cap. For employees in legacy KeySpan plans, the Company matches 50% of employees' contributions up to a maximum Company contribution of 3%. Employees may invest their own and Company contributions in National Grid shares or various mutual fund options.

Pensions

Current UK-based Executive Directors are provided with final salary pension benefits. The pension provisions for the UK-based Executive Directors are designed to provide a pension of one thirtieth of final salary at age 60 for each year of service subject to a maximum of two thirds of final salary, including any pension rights earned in previous employment. Within the pension schemes, the pensionable salary is normally the base salary in the twelve months prior to leaving the Company. Life assurance provision of four times pensionable salary and a spouse's pension equal to two thirds of the Executive Director's pension are provided on death.

UK-based Executive Directors have elected to participate in the unfunded scheme in respect of any benefits in excess of the Lifetime Allowance or their Personal Lifetime Allowance. An appropriate provision in respect of the unfunded scheme has been made in the Company's balance sheet. These Executive Directors are able to cease accrual in the pension schemes and take a 30% cash allowance in lieu of pension if they so wish. These choices are in line with those offered to current senior employees in the Company, except the cash allowance varies depending upon organisational grade.

US-based Executive Directors participate in a qualified pension plan and an executive supplemental retirement plan provided by National Grid's US companies. These plans are non-contributory defined benefit arrangements. The qualified plan is directly funded, while the supplemental plan is indirectly funded through a 'rabbi trust'. Benefits are calculated using a formula based on years of service and highest average compensation over five or three consecutive years. In line with many US plans, the calculation of benefits under the arrangements takes into account salary, bonuses and incentive share awards (the DSP) but not share options or the PSP awards. The normal retirement age under the qualified pension plan is 65. The executive supplemental plan provides unreduced pension benefits from age 55. On the death of the Executive Director, the plans also provide for a spouse's pension of at least 50% of that accrued by the Executive Director. Benefits under these arrangements do not increase once in payment.

Non-cash benefits

The Company provides competitive benefits to Executive Directors, such as a fully expensed car or a cash alternative in lieu of car and fuel, use of a driver when required, private medical insurance and life assurance. Business expenses incurred are reimbursed in such a way as to give rise to no benefit to the Executive Director.

Flexible benefits plan

Additional benefits may be purchased under the flexible benefits plan (the Plan), in which UK-based Executive Directors, along with most other UK employees, have been given the opportunity to participate. The Plan operates by way of salary sacrifice, that is, the participants' salaries are reduced by the monetary value used to purchase benefits under the Plan. Many of the benefits are linked to purchasing additional healthcare and insurance products for employees and their families. A number of the Executive Directors participate in this Plan and details of the impact on their salaries are shown in table 1A on page 105.

Similar plans are offered to US-based employees. However, they are not salary sacrifice plans and therefore do not affect salary values. Both Tom King and Bob Catell participate in such plans.

Share ownership guidelines

Executive Directors are required to build up and retain a shareholding representing at least 100% of annual salary. This will be achieved by retaining at least 50% of the after-tax gain on any options exercised or shares received through the long-term incentive or all-employee share plans and will include any shares held beneficially.

Share dilution through the operation of share-based incentive plans

Where shares may be issued or treasury shares reissued to satisfy incentives, the aggregate dilution resulting from executive incentives will not exceed 5% in any ten year period. Dilution resulting from all incentives, including all-employee incentives, will not exceed 10% in any ten year period. The Remuneration Committee reviews dilution against these limits regularly and under these limits, the Company currently has headroom of 3.8% and 5.65% respectively.

Executive Directors' service contracts

Service contracts for all Executive Directors provide for one year's notice by either party. Bob Catell has a fixed term, two year contract with one year's notice by either party until the first anniversary and during the second year of employment his notice period reduces so that employment ends on 24 August 2009.

Entitlement to payment of 12 months' remuneration on early termination for Executive Directors is not automatic and is determined by the Remuneration Committee exercising its sole discretion, taking into account the circumstances of the termination. In determining any other such payments, the Remuneration Committee gives due regard to the comments and recommendations in the UK Listing Authority's Listing Rules, the Combined Code on Corporate Governance, as revised in 2006; and other requirements of legislation, regulation and good governance.

The Remuneration Committee operates a policy of mitigation of losses in the event of an Executive Director's employment being terminated by the Company. If this occurs, the departing Executive Director would normally be expected to mitigate any losses incurred as a result of the termination.

	Date of contract	Notice period
Executive Directors		
Steve Holliday	1 April 2006	12 months
Bob Catell (i)	26 October 2007	12 months
Steve Lucas	13 June 2002	12 months
Nick Winser	28 April 2003	12 months
Mark Fairbairn	23 January 2007	12 months
Tom King (ii)	11 July 2007	12 months
Edward Astle (iii)	27 July 2007	12 months

(i) Bob Catell was appointed to the Board on 25 September 2007. His fixed-term contract ends on 24 August 2009 therefore termination after August 2008 will result in a reducing notice period.
(ii) Tom King was appointed to the Board on 13 August 2007.
(iii) Edward Astle left the Board on 30 April 2008.

External appointments and retention of fees

With the approval of the Board in each case, Executive Directors may normally accept an external appointment as a non-executive director of another company and retain any fees received for this appointment. The table below details the Executive Directors who served as non-executive directors in other companies during the year ended 31 March 2008.

	Company	Retained fees (£)
Executive Directors		
Steve Holliday	Marks and Spencer Group plc	67,000
Bob Catell (i)	Keyera Energy Management Ltd (a), Sovereign Bancorp Inc Advisory Board (b) and JP Morgan Chase Inc Metropolitan Advisory Board (c)	39,800
Steve Lucas	Compass Group PLC	75,000

(i) Bob Catell's paid external appointments were those taken up prior to joining the Board on 25 September 2007. The retained fees are the amounts for the period 25 September 2007 to 31 March 2008 and comprise the following: (a) £18,900, (b) £19,400 and (c) £1,500. The exchange rate used for (a) is Canadian$2.06:£1 and US$2.01:£1 for (b) and (c).

Non-executive Directors' remuneration

Non-executive Directors' fees are determined by the Executive Directors subject to the limits applied by National Grid's articles of association. Non-executive Directors' remuneration comprises an annual fee (£45,000) and a fee for each Board meeting attended (£1,500) with a higher fee for meetings held outside the Non-executive Director's country of residence (£4,000). An additional fee of £12,500 is payable for chairmanship of a Board Committee and for holding the position of Senior Independent Director. The Audit Committee chairman receives a chairmanship fee of £15,000 to recognise the additional responsibilities commensurate with this role. The Chairman is covered by the Company's personal accident and private medical insurance schemes and the Company provides him with life assurance cover, a car (with driver when appropriate) and fuel expenses. Non-executive Directors do not participate in either the annual bonus plan or in any long-term incentive plan, nor do they receive any pension benefits from the Company.

Non-executive Directors' letters of appointment

The Chairman's letter of appointment provides for a period of six months' notice by either party to give the Company reasonable security with regard to his service. The terms of engagement of Non-executive Directors other than the Chairman are also set out in letters of appointment. For all Non-executive Directors, their initial appointment and any subsequent reappointment is subject to election by shareholders. The letters of appointment do not contain provision for termination payments.

	Date of letter of appointment (i)	End of period of appointment
Non-executive Directors		
Sir John Parker	12 January 2004	2009 AGM
Ken Harvey	4 November 2004	2009 AGM
Linda Adamany	20 October 2006	2010 AGM
John Allan	27 April 2005	2008 AGM
Stephen Pettit	22 November 2004	2009 AGM
Maria Richter	25 June 2007	2010 AGM
George Rose	5 June 2003	2009 AGM
Paul Joskow (ii)	3 November 2005	N/A

(i) Date of original appointment or most recent Non-executive role.
(ii) Paul Joskow left the Board on 31 July 2007.

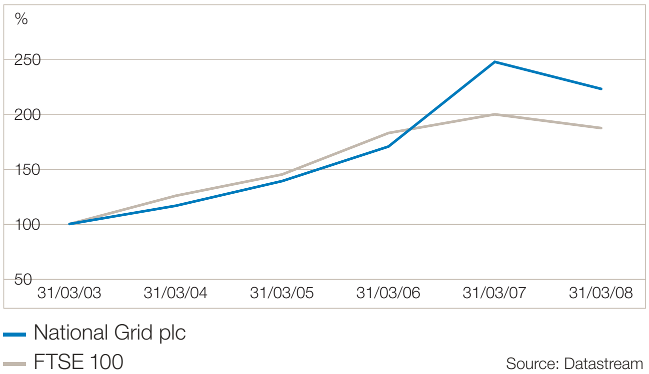
Performance graph

The graph below represents the comparative TSR performance of the Company from 31 March 2003 to 31 March 2008.

This graph represents the Company's performance against the performance of the FTSE 100 index, which is considered suitable for this purpose as it is a broad equity market index of which National Grid is a constituent. This graph has been produced in accordance with the requirements of Schedule 7A to the Companies Act 1985.

In drawing this graph it has been assumed that all dividends have been reinvested. The TSR level shown at 31 March each year is the average of the closing daily TSR levels for the 30 day period up to and including that date.

National Grid plc
TSR v FTSE 100



Source: Datastream

Remuneration outcomes during the year ended 31 March 2008

Sections 1, 2, 3, 4 and 6 comprise the 'auditable' part of the Directors' Remuneration Report, being the information required by Part 3 of Schedule 7A to the Companies Act 1985.

1. Directors' emoluments

The following tables set out an analysis of the pre-tax emoluments for the years ended 31 March 2008 and 2007, including bonuses but excluding pensions, for individual Directors who held office in National Grid during the year ended 31 March 2008.

Table 1A	Year ended 31 March 2008						Year ended 31 March 2007
	Salary £000s	Annual bonus £000s	Benefits in kind[i] (cash) £000s	Benefits in kind[i] (non-cash) £000s	Other emoluments £000s	Total £000s	Total £000s
Executive Directors							
Steve Holliday (ii)	850	1,190	6	16	–	2,062	1,292
Bob Catell (iii) (iv)	314	490	–	14	–	818	–
Steve Lucas (v)	498	659	–	26	–	1,183	928
Nick Winser	445	502	–	16	–	963	806
Mark Fairbairn (ii) (v)	420	567	–	23	–	1,010	189
Tom King (iv) (vi)	316	328	264	100	141	1,149	–
Edward Astle (v)	440	607	12	11	–	1,070	847
Total	**3,283**	**4,343**	**282**	**206**	**141**	**8,255**	**4,062**

(i) Benefits in kind comprise benefits such as private medical insurance, life assurance, either a fully expensed car or cash in lieu of a car and the use of a driver when required.
(ii) With effect from October 2007, Steve Holliday's salary was increased to £875,000 per annum and Mark Fairbairn's salary was increased to £440,000 per annum.
(iii) Bob Catell's maximum potential bonus and long term incentive arrangements were significantly reduced from those applicable at KeySpan. Due to this contractual change, a buy out of Bob's contractual severance arrangements was paid equating to £6,277,547 (including excise tax of £2,022,290). Bob now has a National Grid contract which aligns his arrangements to our other Executive Directors.
(iv) For US-based Executive Directors, the exchange rate averaged over the year 1 April 2007 to 31 March 2008 to convert US dollars to UK pounds sterling is US$2.01:£1.
(v) These Executive Directors participate in the UK flexible benefits plan which operates by way of salary sacrifice, therefore, their salaries are reduced by the benefits they have purchased. The value of these benefits is included in the Benefits in kind (non-cash) figure. The values are: Steve Lucas £5,532, Mark Fairbairn £293.88 and Edward Astle £53.88.
(vi) On appointment to the Board, Tom King received a sign-on payment of £141,169 which is shown in the Other emoluments figure above. He also received a relocation cash payment of £260,147 which is included in the Benefits in kind (cash) figure and relocation expenses of £96,045 included in the Benefits in kind (non-cash) figure.

Additional note: Mike Jesanis, who left National Grid on 31 December 2006, received £323,200 reflecting the remaining months (April 2007 to June 2007 inclusive) of a consultancy arrangement which was agreed as part of his termination package. The exchange rate used for this value was US$2.01:£1.

Table 1B	Year ended 31 March 2008			Year ended 31 March 2007
	Fees £000s	Other emoluments £000s	Total £000s	Total £000s
Non-executive Directors				
Sir John Parker (i)	500	59	559	553
Ken Harvey	79	–	79	68
Linda Adamany	77	–	77	25
John Allan	71	–	71	62
Stephen Pettit	79	–	79	68
Maria Richter	92	–	92	71
George Rose	82	–	82	71
Paul Joskow (ii)	33	–	33	80
Total	**1,013**	**59**	**1,072**	**998**

(i) Sir John Parker's other emoluments comprise a fully expensed car, private medical insurance and life assurance.
(ii) Paul Joskow left the Board on 31 July 2007.

2. Directors' pensions

The table below gives details of the Executive Directors' pension benefits in accordance with both Schedule 7A of the Companies Act 1985 and the UK Listing Authority's Listing Rules.

Table 2	Personal contributions made to the scheme during the year £000s	Additional benefit earned during year ended 31 March 2008 pension £000s	Accrued entitlement as at 31 March 2008 pension £000s	Transfer value of accrued benefits as at 31 March (i) 2008 £000s	Transfer value of accrued benefits as at 31 March (i) 2007 £000s	Increase in transfer value less Director's contributions £000s	Additional benefit earned in the year ended 31 March 2008 (excluding inflation) pension £000s	Transfer value of increase in accrued benefit in the year ended 31 March 2008 (excluding inflation & Director contributions) £000s
Steve Holliday (ii)	17	75	232	4,730	2,745	1,967	69	1,374
Bob Catell (iii)	–	147	1,087	12,774	11,807	967	147	1,730
Steve Lucas	30	26	225	3,680	3,535	115	19	286
Nick Winser (iv)	27	18	170	3,237	2,406	805	12	187
Mark Fairbairn (v)	25	44	160	3,340	2,014	1,300	40	783
Tom King (vi)	–	55	55	207	–	207	55	207
Edward Astle	17	18	97	1,997	1,416	562	15	301

(i) The transfer values shown at 31 March 2007 and 31 March 2008 respectively represent the value of each Executive Director's accrued benefits based on total service compared to the relevant date. The transfer values for the UK Executive Directors have been calculated in accordance with guidance note 'GN11' as adopted and amended by the Board of Actuarial Standards. The transfer values for the US-based Executive Directors have been calculated using discount rates based on high yield US corporate bonds and associated yields at the relevant dates.

(ii) The above information takes into account a lump sum benefit related to a previous transfer in. This means that as well as the pension quoted above, there is an accrued lump sum entitlement of £100,000 as at 31 March 2008. The increase to the accumulated lump sum including inflation was £23,000 and excluding inflation was £20,000 in the year to 31 March 2008. The transfer value information above includes the value of the lump sum.

(iii) Bob Catell joined the Board on 25 September 2007. In accordance with the buy out of Bob Catell's contractual severance arrangements, a payment of £4,769,306 (£3,232,670 net of excise tax) was made on 10 January 2008. This amount reflected the present value of the change in Bob's SERP benefit and is additional to the benefits shown in the table. The exchange rate as at 10 January 2008 used to convert the figures from US dollars to pounds sterling was US$1.96:£1. Through participation in the Thrift Plan in the US, the Company also made contributions worth £3,355 to a defined contribution pension arrangement. The exchange rate as at 31 March 2008 was US$1.98: £1 and as at 31 March 2007 was US$1.97:£1.

(iv) The above information allows for the accrual of a pension benefit of two thirds at age 60 taking into account standard benefits earned prior to 1 September 1998. This means that, as well as the pension above, there is an accrued lump sum entitlement of £250,000 as at 31 March 2008. The increase to the accumulated lump sum including inflation was £14,000 and excluding inflation was £5,000 in the year to 31 March 2008. The transfer value information above includes the value of the lump sum.

(v) The above information takes into account a lump sum benefit relating to a previous transfer-in. This means that, as well as the pension above, there is an accrued lump sum entitlement of £255,000 as at 31 March 2008. The increase to the accumulated lump sum including inflation was £58,000 and excluding inflation was £50,000 in the year to 31 March 2008. The transfer value information above includes the value of the lump sum.

(vi) Tom King joined the Board on 13 August 2007. The above information takes into account a service credit of 9 years and 1 month. The exchange rate as at 31 March 2008 was US$1.98: £1 and as at 31 March 2007 was US$1.97:£1.

3. Directors' interests in share options

The table below gives details of the Executive Directors' holdings of share options awarded under the Executive Share Option Plan (ESOP), the Share Matching Plan (Share Match) and Sharesave schemes.

Table 3	Options held at 1 April 2007	Options exercised or lapsed during the year	Market price at end of exercise (pence)	Options granted during the year	Options held at 31 March 2008	Exercise price per share (pence)	Normal exercise period
Steve Holliday							
ESOP	67,497	–	–	–	67,497	481.5	June 2005 to June 2012
Share Match	10,350	–	–	–	10,350	100 in total	June 2005 to June 2012
	14,083	–	–	–	14,083	100 in total	June 2006 to June 2013
	18,713	–	–	–	18,713	nil	May 2007 to May 2014
	9,983	–	–	–	9,983	nil	June 2008 to June 2015
Sharesave	4,692	–	–	–	4,692	350	Mar 2008 to Aug 2008
	–	–	–	2,564	2,564	655	Apr 2013 to Sep 2013
Total	**125,318**	**–**		**2,564**	**127,882**		
Steve Lucas							
ESOP	54,404	–	–	–	54,404	434.25	Dec 2005 to Dec 2012
Share Match	16,909	16,909(i)	742	–	–	nil	May 2007 to May 2014
	14,778	–	–	–	14,778	nil	June 2008 to June 2015
Sharesave	1,693	–	–	–	1,693	558	Apr 2010 to Sep 2010
Total	**87,784**	**16,909**		**–**	**70,875**		
Nick Winser							
ESOP	19,755	–	–	–	19,755	531.5	June 2003 to June 2010
Share Match	14,059	14,059(ii)	751	–	–	nil	May 2007 to May 2014
	11,581	–	–	–	11,581	nil	June 2008 to June 2015
Total	**45,395**	**14,059**		**–**	**31,336**		
Mark Fairbairn							
ESOP	8,649	8,649(iii)	700.18	–	–	375.75	June 2001 to June 2008
	2,180	–	–	–	2,180	435.75	July 2002 to July 2009
	33,489	–	–	–	33,489	531.5	June 2003 to June 2010
	31,152	–	–	–	31,152	481.5	June 2005 to June 2012
Share Match	4,897	4,897(iii)	743.5	–	–	nil	May 2007 to May 2014
	2,134	–	–	–	2,134	nil	June 2008 to June 2015
Sharesave	833	833	739	–	–	397	Sep 2007 to Feb 2008
	862	–	–	–	862	383	Apr 2010 to Sep 2010
	1,760	–	–	–	1,760	558	Apr 2012 to Sep 2012
	–	–	–	512	512	655	Apr 2013 to Sep 2013
Total	**85,956**	**14,379**		**512**	**72,089**		
Edward Astle							
ESOP	67,497	–	–	–	67,497	481.5	June 2005 to June 2012
	131,086	131,086(iv)	–	–	–	400.5	June 2006 to June 2013
Share Match	6,553	–	–	–	6,553	100 in total	June 2005 to June 2012
	13,812	–	–	–	13,812	100 in total	June 2006 to June 2013
	15,716	–	–	–	15,716	nil	May 2007 to May 2014
	14,637	–	–	–	14,637	nil	June 2008 to June 2015
Total	**249,301**	**131,086**		**–**	**118,215**		

(i) Steve Lucas exercised a Share Match award over 16,909 shares. The market price at the date of exercise was 742p. He also received £13,634.91 in respect of a cash payment in lieu of dividends.
(ii) Nick Winser exercised a Share Match award over 14,059 shares. The market price at the date of exercise was 751p. He also received £12,031.79 in respect of a cash payment in lieu of dividends.
(iii) Mark Fairbairn exercised an Executive Share Option over 8,649 shares. The market price at the date of exercise was 700.18p. He also exercised a Share Match award over 4,897 shares, the market price at the date of exercise for which was 743.5p. He received £4,379.13 in respect of a cash payment in lieu of dividends for the Share Match award.
(iv) The performance condition for the Executive Share Option granted in 2003 to Edward Astle over 131,086 shares was not satisfied at the end of the first three years of the performance period. It has subsequently been re-tested on 31 March 2007 and 31 March 2008; and the performance condition has not been satisfied. As a result the option has lapsed in full.

3. Directors' interests in share options continued

Executive Share Option Plan (ESOP)

No further awards will be made under this plan but there are outstanding options granted in previous years. Such options will normally be exercisable between the third and tenth anniversary of the date of grant, subject to a performance condition. The performance condition attached to the outstanding ESOP options is set out below. If the performance condition is not satisfied after the first three years, it will be re-tested as indicated.

Options worth up to 100% of an optionholder's base salary will become exercisable in full if TSR, measured over the period of three years beginning with the financial year in which the option is granted, is at least median compared with a comparator group of companies. Grants in excess of 100% of salary vest on a sliding scale, becoming fully exercisable if the Company's TSR is in the top quartile.

Grants made in 2000

The performance condition attached to options granted in June 2000 is tested annually throughout the lifetime of the option. These options remain unvested.

The comparator group for the 2000 award is unaudited and this information follows below. The Remuneration Committee at that time believed the group to be an appropriate mix of energy distribution sector companies, including UK and international utilities.

Allegheny Energy, Inc.	Energy East Corporation	NSTAR	Scottish Power plc
BG Group plc	FPL Group, Inc.	Powergen plc	The Southern Company, Inc.
British Energy plc	GPU, Inc.	Progress Energy, Inc.	TXU, Corp
Central & South West Corporation	Innogy Holdings plc	Public Service Enterprise Group, Inc.	United Utilities plc
Consolidated Edison, Inc.	International Power plc	Scottish & Southern Energy plc	Xcel Energy, Inc.
Duke Energy Corporation	Niagara Mohawk Holdings, Inc.		

Grants made in 2003

In June 2003, Edward Astle received a grant of Executive Share Options on the basis of 1.5 times base salary at that time, as a one-off award, to fulfil an existing contractual commitment made on his recruitment. He was the only participant to receive such an award in 2003. The first test of the performance criterion was undertaken in March 2006. The performance criterion was not met and was, therefore, re-tested in March 2007 and March 2008 where the performance criterion was not met again. The award has now lapsed.

4. Directors' interests in the PSP, DSP and SRA

The table overleaf gives details of the Executive Directors' holdings of conditional shares awarded under the PSP whereby Executive Directors receive a conditional award of shares, up to a current maximum of 200% of salary, which is subject to performance criteria over a three year performance period (see pages 101 and 102 for further details). Shares are then released on the fourth anniversary of the date of grant, following a retention period. The table includes conditional share awards under the DSP, where Executive Directors receive an award of shares representing one half of any bonus earned in the year. The deferred shares are held in trust for three years before release. As part of a contractual commitment made at the time of Tom King's recruitment, Tom received a SRA. The one-off award of National Grid ADSs will vest in equal tranches, over three years, on the anniversary of the award (commencing November 2008 through to November 2010) subject to continued employment. There are no performance conditions attached to the award.

4. Directors' interests in the PSP, DSP and SRA continued

Table 4	Type of award	PSP, DSP and SRA conditional awards at 1 April 2007	Awards lapsed during year	Awards vested in year	Awards granted during year	Market price at award (pence except#)	Date of award	Conditional awards at 31 March 2008	Release date
Steve Holliday	PSP	117,681	117,681(i)	–	–	424.875	June 2004	–	–
	PSP	100,801	–	–	–	527.03	June 2005	100,801	June 2009
	PSP	126,788	–	–	–	591.5382	June 2006	126,788	June 2010
	PSP	–	–	–	139,217	740.75	June 2007	139,217	June 2011
	PSP	–	–	–	77,247(ii)	800.9919	Nov 2007	77,247	Nov 2011
	DSP	36,389	–	–	–	583.96	June 2006	36,389	June 2009
	DSP	–	–	–	42,435	726.87	June 2007	42,435	June 2010
Total		**381,659**	**117,681**	**–**	**258,899**			**522,877**	
Bob Catell	PSP	–	–	–	ADSs 17,084(iii)	$83.3121#	Nov 2007	ADSs 17,084	Nov 2011
Total ADSs		**–**	**–**	**–**	**ADSs 17,084**			**ADSs 17,084**	
Steve Lucas	PSP	116,210	116,210(i)	–	–	424.875	June 2004	–	–
	PSP	99,615	–	–	–	527.03	June 2005	99,615	June 2009
	PSP	101,430	–	–	–	591.5382	June 2006	101,430	June 2010
	PSP	–	–	–	84,930	740.75	June 2007	84,930	June 2011
	PSP	–	–	–	47,125(ii)	800.9919	Nov 2007	47,125	Nov 2011
	DSP	34,882	–	–	–	583.96	June 2006	34,882	June 2009
	DSP	–	–	–	29,276	726.87	June 2007	29,276	June 2010
Total		**352,137**	**116,210**	**–**	**161,331**			**397,258**	
Nick Winser	PSP	98,558	98,558(i)	–	–	424.875	June 2004	–	–
	PSP	91,314	–	–	–	527.03	June 2005	91,314	June 2009
	PSP	88,751	–	–	–	591.5382	June 2006	88,751	June 2010
	PSP	–	–	–	75,008	740.75	June 2007	75,008	June 2011
	PSP	–	–	–	41,620(ii)	800.9919	Nov 2007	41,620	Nov 2011
	DSP	31,316	–	–	–	583.96	June 2006	31,316	June 2009
	DSP	–	–	–	25,596	726.87	June 2007	25,596	June 2010
Total		**309,939**	**98,558**	**–**	**142,224**			**353,605**	
Mark Fairbairn	PSP	47,072	47,072(i)	–	–	424.875	June 2004	–	–
	PSP	40,225	–	–	–	527.03	June 2005	40,225	June 2009
	PSP	40,572	–	–	–	591.5382	June 2006	40,572	June 2010
	PSP	–	–	–	67,499	740.75	June 2007	67,499	June 2011
	PSP	–	–	–	37,453(ii)	800.9919	Nov 2007	37,453	Nov 2011
	DSP	10,800	–	–	–	583.96	June 2006	10,800	June 2009
	DSP	–	–	–	13,867	726.87	June 2007	13,867	June 2010
Total		**138,669**	**47,072**	**–**	**118,819**			**210,416**	
Tom King	PSP	–	–	–	ADSs 24,006(iii)	$83.3121#	Nov 2007	ADSs 24,006	Nov 2011
	SRA	–	–	–	ADSs 35,487(iv)	$84.5360#	Nov 2007	ADSs 35,487	Nov 2008 to Nov 2010
Total ADSs		**–**	**–**	**–**	**ADSs 59,493**			**ADSs 59,493**	
Edward Astle	PSP	110,326	110,326(i)	–	–	424.875	June 2004	–	–
	PSP	94,872	–	–	–	527.03	June 2005	94,872	June 2009
	PSP	88,751	–	–	–	591.5382	June 2006	88,751	June 2010
	PSP	–	–	–	74,249	740.75	June 2007	74,249	June 2011
	PSP	–	–	–	41,198(ii)	800.9919	Nov 2007	41,198	Nov 2011
	DSP	28,769	–	–	–	583.96	June 2006	28,769	June 2009
	DSP	–	–	–	27,927	726.87	June 2007	27,927	June 2010
Total		**322,718**	**110,326**	**–**	**143,374**			**355,766**	

(i) The performance condition was not satisfied at the end of the three year performance period for PSP awards granted in 2004. As a result, the awards have lapsed in full.
(ii) Due to shareholder approval being required to increase the maximum PSP award to Executive Directors, from 125% to 200% of salary, which could only be sought at the 2007 AGM, a top up PSP award was made in November 2007.
(iii) Bob Catell and Tom King were appointed after the main June 2007 PSP award, therefore, they received full awards in November 2007. Awards were made over ADSs. Each ADS represents five ordinary shares.
(iv) Tom King received a Special Retention Award as part of a contractual commitment made at the time of his recruitment. The award was made over ADSs. Each ADS represents five ordinary shares. The award vests in equal parts over 3 years.

5. Directors' beneficial interests

The Directors' beneficial interests (which include those of their families) in National Grid ordinary shares of 11 17⁄43 pence each are shown below.

Table 5	Ordinary shares at 31 March 2008 or, if earlier, on retirement†(i)	Ordinary shares at 1 April 2007 or, if later, on appointment*	Options/awards over ordinary shares at 31 March 2008	Options/awards over ordinary shares at 1 April 2007 or, if later, on appointment*
Sir John Parker	77,115	63,994	–	–
Steve Holliday (ii) (iii)	28,488	28,293	650,759	506,977
Bob Catell	15,000	–*	85,420	–*
Steve Lucas (ii) (iv)	79,438	69,412	468,133	439,921
Nick Winser (ii)	69,937	60,624	384,941	355,334
Mark Fairbairn (ii) (iii)	28,584	20,838	282,505	224,625
Tom King	–	–*	297,465	–*
Edward Astle (ii)	28,428	28,428	473,981	572,019
Ken Harvey	3,740	3,399	–	–
Linda Adamany	2,000	–	–	–
John Allan	2,000	2,000	–	–
Stephen Pettit	2,632	2,632	–	–
Maria Richter	3,255	1,755	–	–
George Rose	4,852	4,409	–	–
Paul Joskow	4,385†	4,385	–	–

(i) There has been no other change in the beneficial interests of the Directors in ordinary shares between 1 April 2008 and 14 May 2008, except in respect of routine monthly purchases under the SIP (see note (iii) below).
(ii) Each of the Executive Directors, with the exception of Bob Catell and Tom King, was for Companies Act purposes deemed to be a potential beneficiary under the National Grid plc 1996 Employee Benefit Trust and the National Grid Employee Share Trust and thereby to have an interest in 25,836 and 155,768 ordinary shares respectively, as at 31 March 2008.
(iii) Beneficial interest includes shares purchased under the monthly operation of the SIP in the year to 31 March 2008. In April and May 2008 a further 35 shares were purchased on behalf of Steve Holliday and Mark Fairbairn respectively.
(iv) Steve Lucas was for Companies Act purposes deemed to be a potential beneficiary in 8,880 ordinary shares held by Lattice Group Trustees Limited as trustee of the Lattice Group Employee Share Ownership Trust as at 31 March 2008.

6. National Grid share price range

The closing price of a National Grid ordinary share on 31 March 2008 was 691.5p. The range during the year was 863p (high) and 686p (low). Please note the Register of Directors' Interests contains full details of shareholdings and options/awards held by Directors as at 31 March 2008.

On behalf of the Board

Helen Mahy
Company Secretary & General Counsel
14 May 2008