

NEW YORK TEACH-IN



Cautionary statement

This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union, announcements from and decisions by governmental bodies or regulators, including the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this presentation include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in National Grid's regulated businesses and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, train or retain employees with the necessary competencies, including leadership and business capabilities, and any significant disputes arising with National Grid's employees or the breach of laws or regulations by its employees; the failure to respond to market developments, including competition for onshore transmission, the threats and opportunities presented by emerging technology, development activities relating to changes in the energy mix and the integration of distributed energy resources, and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including assumptions in connection with the Company's sale of a majority stake in its gas distribution business and with joint ventures. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 180 to 183 of National Grid plc's most recent Annual Report and Accounts. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this presentation.

Agenda

08:30	INTRODUCTION	JOHN PETTIGREW
	US INTRODUCTION	DEAN SEEVERS
	NEW YORK OVERVIEW	KEN DALY
	REGULATION	MIKE CALVIOU
	Q&A	
09:45	BREAK	
10:00	OPERATIONS	MARCY REED
	FINANCE	PEGGY SMYTH
10:35	Q&A	
11:00	CLOSE	



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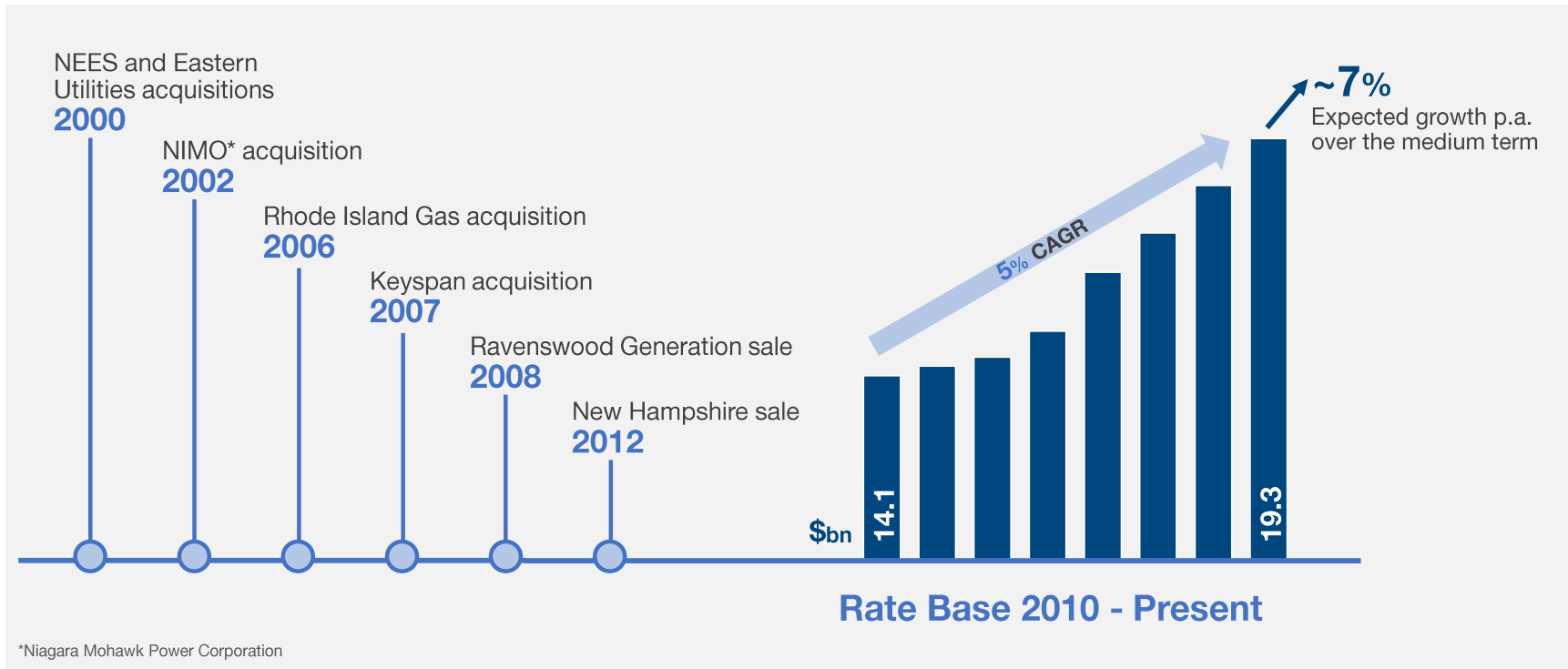
INTRODUCTION

JOHN PETTIGREW

CHIEF EXECUTIVE



US track record of growth and a strong outlook

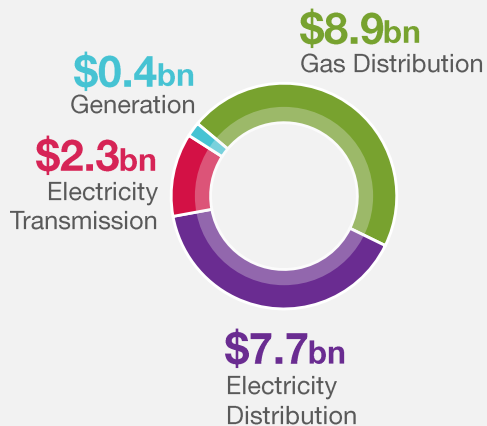


National Grid is a major US utility

\$19.3bn

US RATE BASE

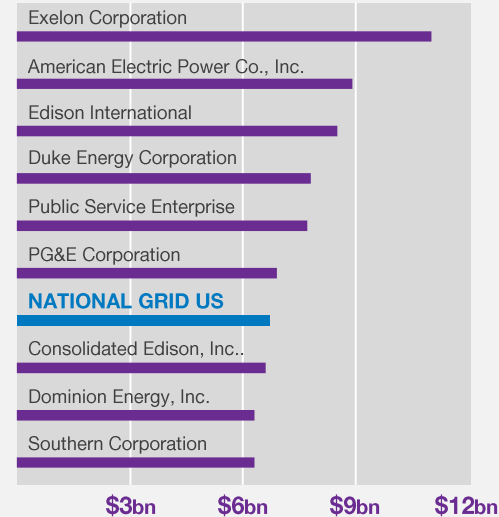
As at March 2017



A top investor

In the US

T&D (Gas and Elec) CAPEX TOP 10*

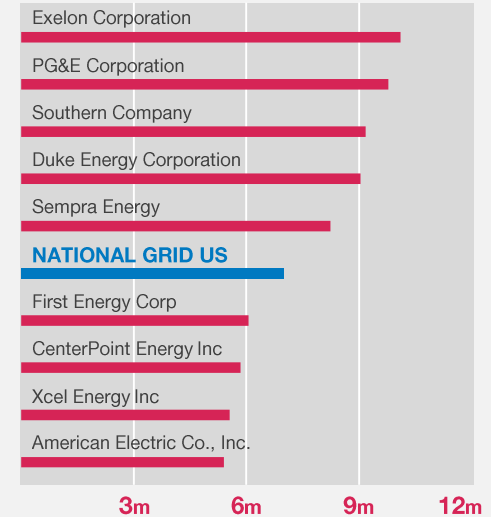


*For the period 2014 - 2016

Source: <http://www.snl.com>

~7million
Customers

CUSTOMERS TOP 10*

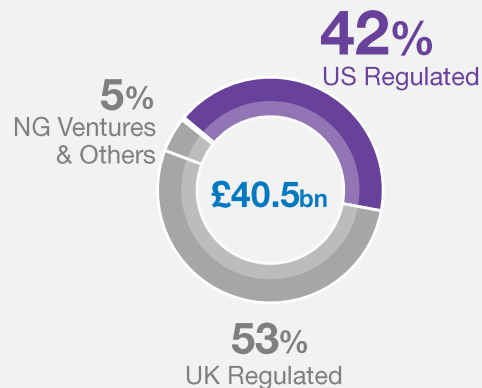


*As at July 2017

The US is an important part of our portfolio

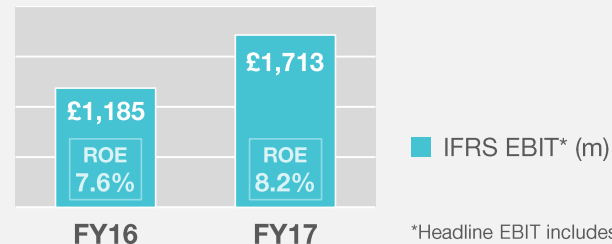
TOTAL ASSETS

As at March 2017



- Represents 42% of our asset portfolio
- Underscores our value proposition
 - attractive combination of asset growth and dividends
- While
 - delivering world-class operational and safety performance
 - maintaining a strong balance sheet
 - at the forefront of industry developments

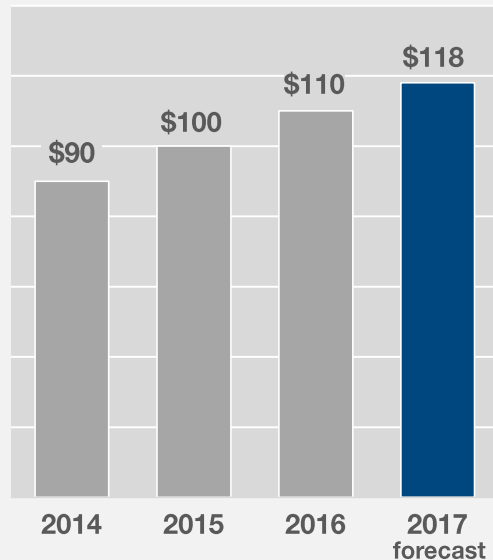
US RECENT FINANCIAL PERFORMANCE



*Headline EBIT includes the favorable impact of timing and FX

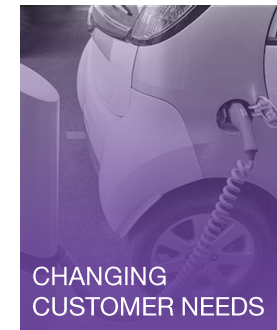
Significant need for investment in US infrastructure

UTILITY INDUSTRY CAPEX
Power and Gas (\$bn)



> \$300billion
expected to be invested
in 'networks' by 2021

Industry trends driving investment



Source: RRA and SNL Energy, S&P Global Market Intelligence

Note: Data is based on a 53-company gas and electric utility universe and includes power and gas T&D, generation and other

Summary

- National Grid has a long history in the US and is now a major US utility
- We are on the path to deliver improving returns
- The US is core to our investment proposition
 - diversifies regulatory exposure
 - offers major growth opportunity
- We have a diverse, leadership team with depth and breadth of experience



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US INTRODUCTION

DEAN SEEVERS

EXECUTIVE DIRECTOR, US



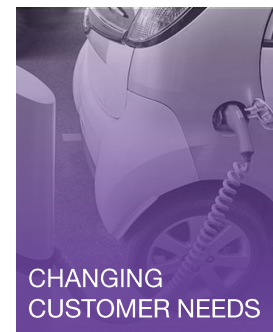
Progress since November 2015

- 7% growth per year
 - increased capital investment by \$500m to \$2.9bn in FY17
- Restarted rate filing program
 - rate cases filed for 70% of rate base
- Increasing operating profit
- Improving returns



Our priorities are clear

- Deliver world-class network reliability and safety performance
- Achieve returns as close as possible to the allowed
 - expect to deliver 90% for FY18
- Disciplined investment in core networks
 - timely recovery of capex
- Propose new solutions for customers aligned to industry evolution

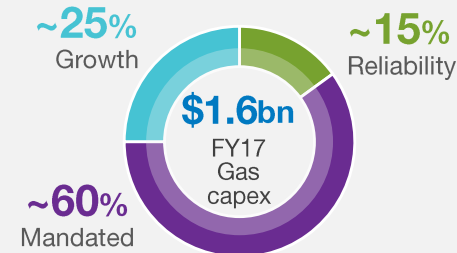


Industry trends driving investment: Aging infrastructure

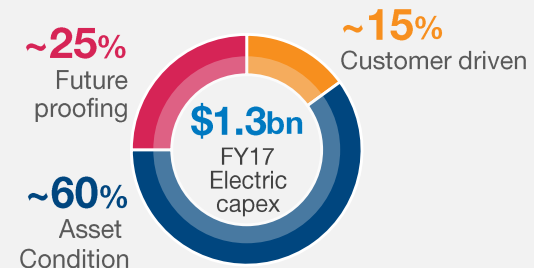
nationalgrid

- Pressing need for investment to replace and upgrade networks
 - drove the majority of our \$2.9bn of capex in 2016/17
- Up to 20 years remaining in our pipe replacement programs
- Electric investments for network resiliency, storm hardening and grid modernization

GAS INVESTMENT DRIVERS



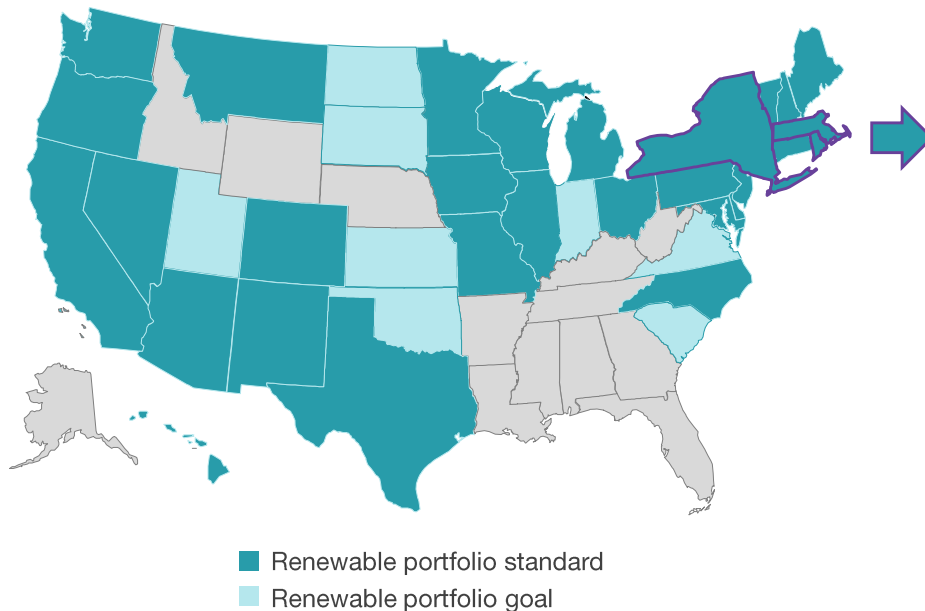
ELECTRIC INVESTMENT DRIVERS



Industry trends driving investment:

Environmental policy

nationalgrid



National Grid jurisdictions have aggressive CO₂ reduction targets

STATE	MIDTERM	2050
Massachusetts	-25% by 2020 (1990 baseline)	-80% (1990 baseline)
Rhode Island	-45% by 2035 (1990 baseline)	-80% (1990 baseline)
New York	-40% by 2030 (1990 baseline)	-80% (1990 baseline)

- States committed to improving environmental performance
- Our operations are in progressive jurisdictions
- Robust renewable portfolio standards and support for electric vehicles (EVs)

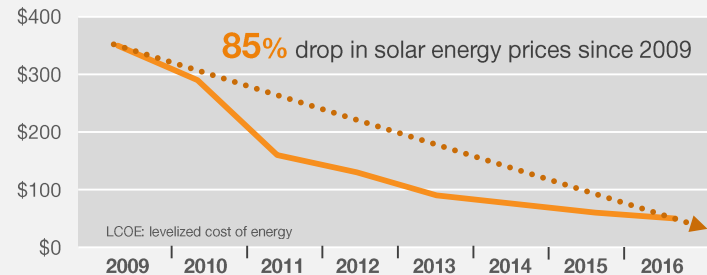
Source: DSIREusa.org - DSIRE is operated by the N.C. Clean Energy Technology Center at N.C. State University and is funded by the U.S. Department of Energy
<https://www.zevstates.us/state-initiatives/>
<https://cleantechnica.com/2014/10/22/us-energy-efficiency-ranks-released-howd-your-state-do/>

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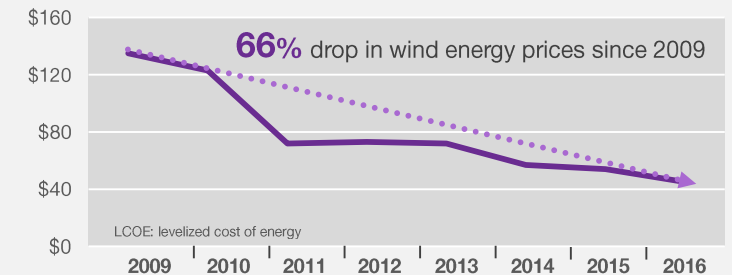
Industry trends driving investment: Falling costs for renewables

nationalgrid

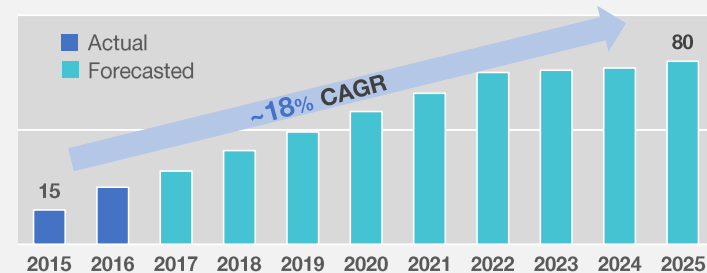
SOLAR COST DECLINES SINCE 2009 (LCOE \$/MWh)



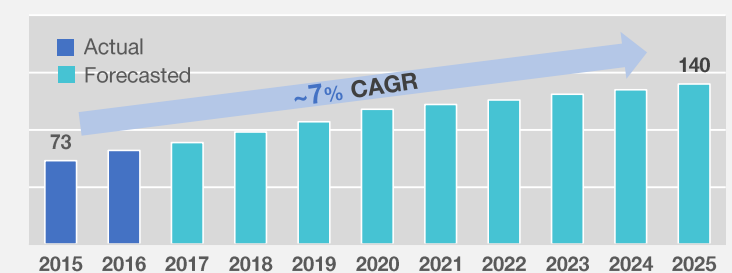
WIND COST DECLINES SINCE 2009 (LCOE \$/MWh)



UTILITY SCALE – PV (Cumulative Capacity) (GW)



WIND (Cumulative Capacity) (GW)



Source: Bloomberg New Energy Finance
<https://www.lazard.com/perspective/levelized-cost-of-energy-analysis-100/>

Industry trends driving investment:

Changing customer needs

nationalgrid

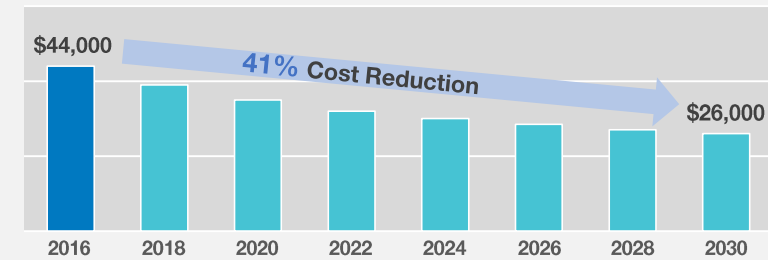
- 7m accounts representing 20m people
- Customers are looking for a seamless, personalized experience
- Digitization has driven increased customer interaction

Clean transportation is a key focus area for the regulated business

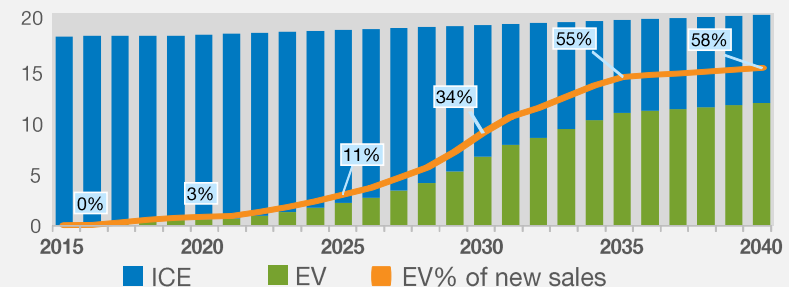
- Customers are looking for better charging infrastructure and believe utilities should lead
- Proposals underway in MA and NY
- Potential to build 2,500 charging points over three years

EV COSTS EXPECTED TO DECLINE

Average price per car



OUTLOOK FOR CARS SOLD IN THE US (millions)



Source: Bloomberg New Energy Finance

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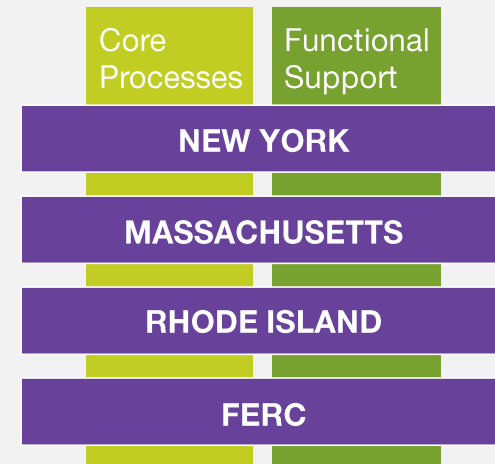
Organization evolved to support higher growth

Strengthening the organization for delivery

Value creation for stakeholders

- Performance management
 - cadence process provides a robust framework
 - maximize efficiency and synergy benefits across jurisdictions
 - regular rate filing process established
- Evolved operations function
 - focus on end-to-end processes
 - implementing UK-style complex capital delivery

Organization designed for local accountability to local customers



A highly experienced and committed team



KEN DALY

PRESIDENT AND COO,
NEW YORK

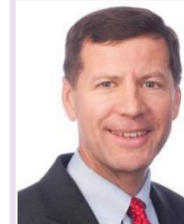
29 years experience
at National Grid



CORDI O'HARA

PRESIDENT AND COO,
MASSACHUSETTS

19 years experience
in the energy industry



TIM HORAN

PRESIDENT AND COO,
RHODE ISLAND

29 years experience
at National Grid



RUDY WYNTER

PRESIDENT AND COO,
FERC

29 years experience
at National Grid



PEGGY SMYTH

US CHIEF FINANCIAL OFFICER

32 years experience
across multiple industries



MIKE CALVIOU

SVP REGULATION AND PRICING

25 years experience
at National Grid



MARCY REED

EVP BUSINESS OPERATIONS,
ENGINEERING & PROCESS

29 years experience
at National Grid



JOHN BRUCKNER

EVP, NETWORK OPERATIONS,
CAPITAL DELIVERY AND SAFETY

32 years experience
at National Grid



CHARLES DICKERSON

PRESIDENT AND COO,
BUSINESS SERVICES

28 years experience
in the utility industry

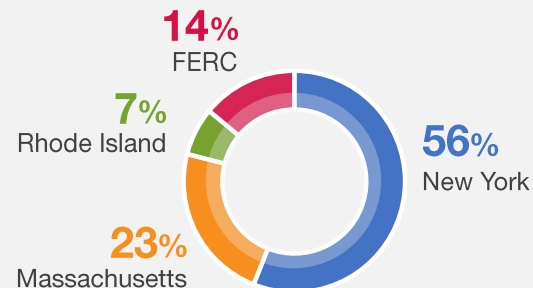
New York is core to our US strategy and growth

15 years operating
experience in
New York

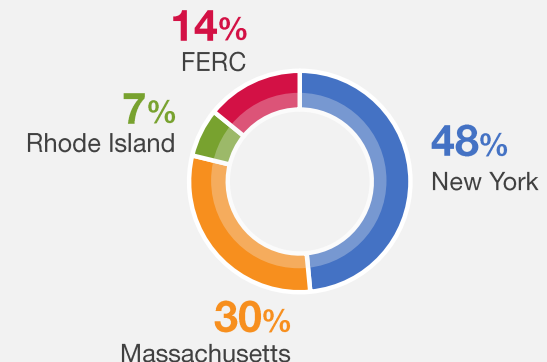
Committed for
the long-term

More than 50% of US rate base: around 50% of capital investment

2016/17 RATE BASE



2016/17 CAPEX SPLIT



Summary

- Significant opportunity to capitalise on industry trends and create value for customers and shareholders
 - ~\$3bn in annual investment included in our base case
- Good progress on performance improvements
- Organisational changes to deliver on current priorities and future growth
- A strong team focused on delivering for all stakeholders



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NEW YORK OVERVIEW

KEN DALY, CFA

NEW YORK PRESIDENT AND
CHIEF OPERATING OFFICER





KEN DALY, CFA

**NEW YORK PRESIDENT
AND CHIEF OPERATING
OFFICER**

Background

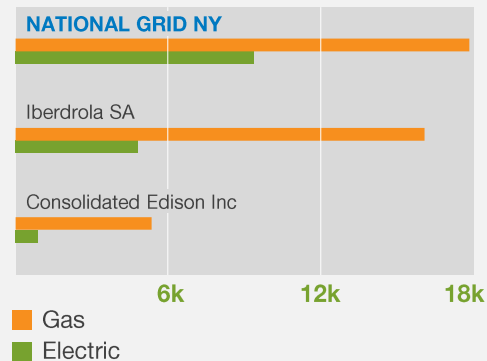
Ken has been with National Grid for over 29 years and has served in his current role for 6 years with responsibility for the NY Jurisdiction's operations, financial performance and regulatory relationships.

Prior to his current role, Ken served as the Global Financial Controller of National Grid plc based in London and has also held other positions in Finance, Human Resources and Customer Relations. He is a Board member of a number of New York energy, business, academic and non-profit organizations. He achieved his CFA designation and is a Graduate of St. Francis College. Ken holds a MBA in Finance from St. John's University and a MS in Human Resource Management from New York University. Ken has also completed the Harvard University Advanced Management program.

National Grid has a major presence in NY State

Largest share of gas & electric infrastructure

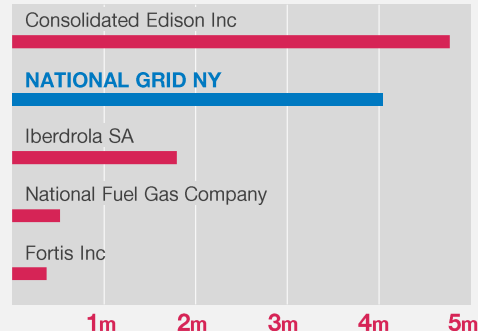
Electric Transmission Lines & Gas main (miles) Top 3



Source: companies own website

~4.1 million Customers

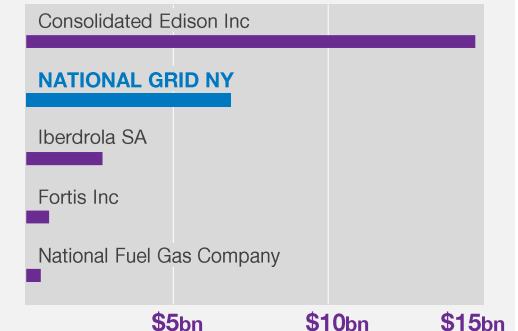
Customers Top 5



Source: companies own website

A top infrastructure investor

Capex Top 5*

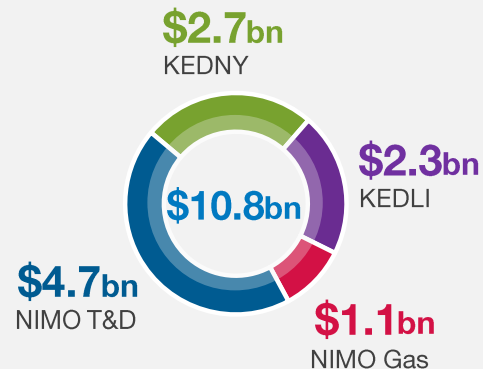


*For the period 2011-2016

Source: www.snl.com

Overview

NY RATE BASE As at March 2017

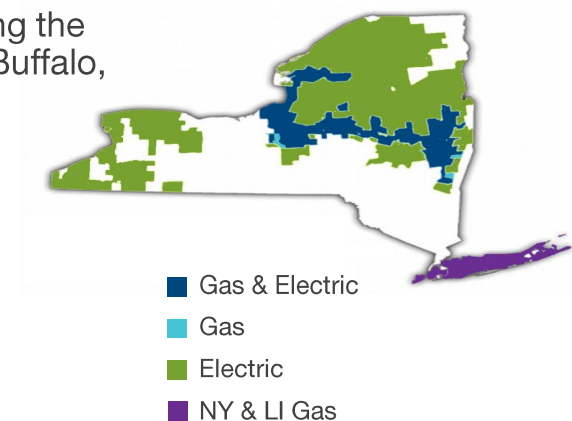


UPSTATE NEW YORK 25,555 square miles

- >1.6 million electric customers and >0.6 million gas customers
- Diverse service territory including the cities of Albany, Syracuse and Buffalo, as well as vast rural areas

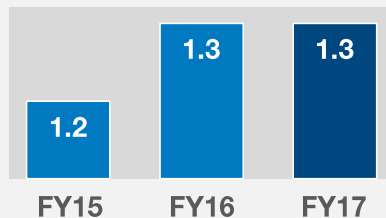
DOWNSTATE NEW YORK 1,389 square miles

- >1.8million gas customers
- Dense service territory
- Diverse economy
- Low penetration of gas on Long Island

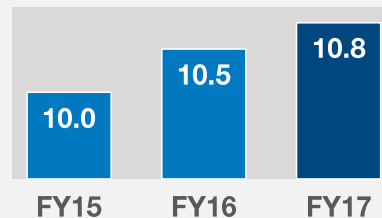


NY has been delivering improving financial performance

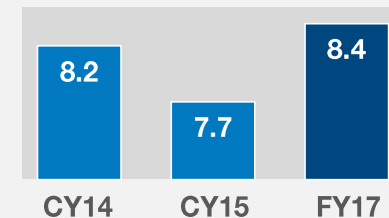
CAPITAL INVESTMENT (\$bn)



RATE BASE (\$bn)



RETURN ON EQUITY (%)



Capital petitions and rate extensions

- \$1.3bn NIMO capital petition covers period April 2016 to March 2018 at 9% RoE
 - \$0.9bn KEDNY investment plan from January 2015 to December 2016
 - \$0.4bn KEDLI gas investment plan covers period January 2015 to December 2016
 - \$0.6bn KEDNY rate plan extension from January 2013 to December 2014
- \$3.2bn**

Rate filing progress

- New rates for KEDNY and KEDLI commenced January 2017
- New rates for NIMO expected April 2018

NY strategic priorities

- Deliver excellent customer service and expand important customer programs
- Deliver world-class network reliability and safety performance
- Invest efficiently and responsibly in upgrading networks with timely capex recovery
- Deliver our regulatory strategy
- Advance New York energy policy and decarbonize and modernize the network



Expanding important customer programs

14k+

SOLAR

New customer connections since 2013

50k+

GAS

New customer connections since 2013

- Expanding Energy Affordability Programs with more than \$100m forecast to be fully funded in rates
- Connecting customer-owned DERs to our system, facilitating an 800% increase in customer-owned solar over the last 6 years
- Advancing Energy Efficiency with more than \$80m spent each year and a further \$16m requested in the NIMO filing
- Providing more than \$100m in Economic Development funded in rates since 2011, helping to create or retain more than 40,000 jobs
- Smart Gas Growth, connects new gas customers

Connecting customers to our networks

Smart Gas Growth through the Neighborhood Expansion Program in East Hills, Nassau County

- Enabling 1,000 residents to convert to natural gas
- Equivalent of taking 15,000 cars off the road
- \$1 million in energy savings

Successfully expanded into Suffolk County

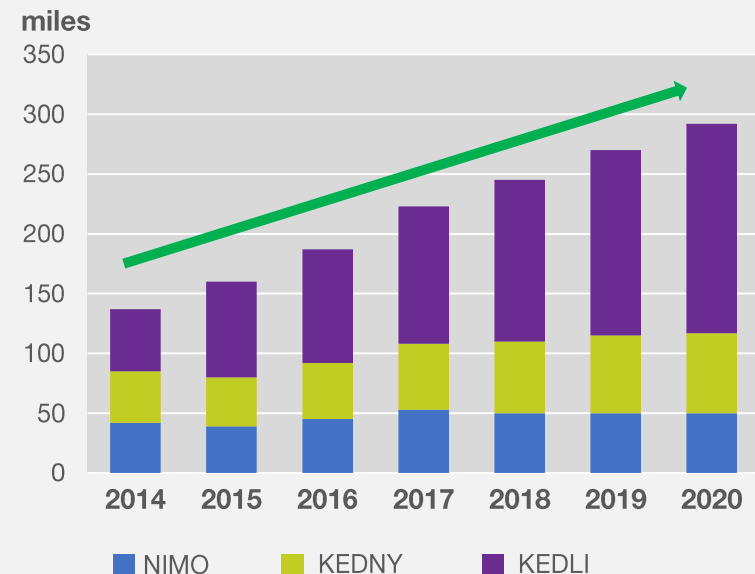
- Installing 33,000 feet of gas main
- Create local jobs and support economic development
- \$1,000 rebate program for new customers
- \$7,500 rebate program for low income customers



World-class network reliability and safety performance

- Achieved **all** 12 Customer Satisfaction targets in 2016
- Achieved **all** 30 Gas and Electric Reliability targets in 2016
- Received Emergency Recovery Award for restoring 180,000 customers in Western New York
- Replacing aging assets and reducing methane emissions

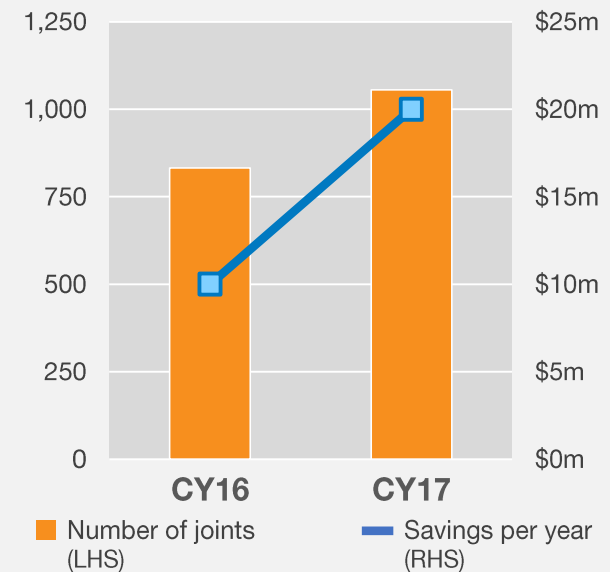
Leak prone pipe (LPP) replacement is expected to double between 2014 and 2020



Investing efficiently in upgrading our networks



CISBOT technology has helped to reduce the cost of joint repairs by \$30m over two years



Regulatory environment

Working collaboratively to achieve common objectives

Government

- Federal and New York State legislators

Local Communities

- Support energy needs of local communities



National Grid

New York Public Service Commission

- Consists of up to five commissioners appointed by the Governor; currently John Rhodes (Chair), Gregg Sayre, Diane Burman and James Alesi
- Supported by a staff arm, the Department of Public Service (DPS)

Delivering our regulatory strategy

KEDNY/KEDLI rate agreements

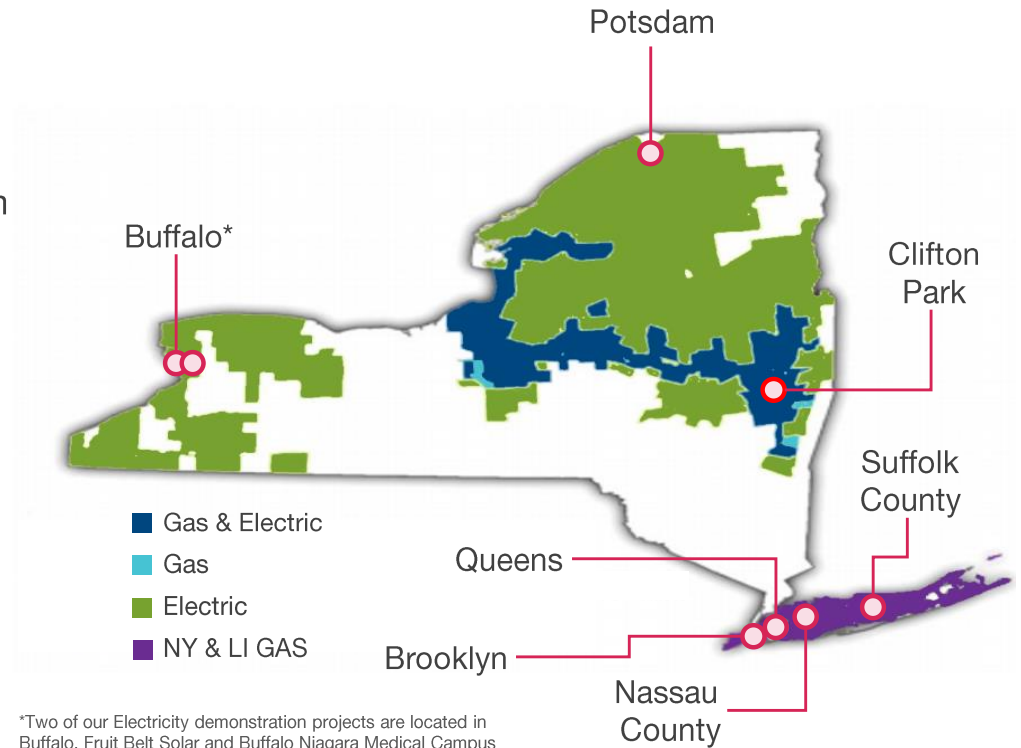
- Covers CY2017 to CY2019
 - results in incremental revenue of over \$500m by year three of the rate plans
 - phases in rate increases to mitigate customer bill impacts
 - IFRS revenue increase will reflect this phase-in
- 9.0% allowed RoE, 48% equity and \$3bn capital program
- Maintained tracker and true-ups for property taxes, commodity-related bad debt and pensions/OPEBs*
 - new trackers mitigate against increase in spend for public works projects and environmental site remediation

* OPEB: Other post employment benefits



Advancing New York energy policy

- 8 Reforming the Energy Vision (REV) demonstration projects in New York State
- Designed to test the feasibility and customer adaptability to the grid modernization program
- Further funding for projects that support grid modernization included in KEDNY/KEDLI rate plans and requested in the NIMO rate filing
- Supports future larger scale investment



NY summary

- A major presence in New York State
- Good progress on safety, reliability and customer service
- Strong regulatory framework and investment plan
- Improving financial performance underpinned by our rate filing strategy and tight cost management
- Strong growth pipeline driven by customer need



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REGULATORY

MIKE CALVIOU

SVP REGULATION AND PRICING





MIKE CALVIOU

**SVP REGULATION
AND PRICING**

Background

Mike has been with National Grid for 27 years and oversees the regulatory and pricing functions across all National Grid's U.S. jurisdictions and operating companies.

In past roles Mike led all of the customer and commercial activities as well as the strategic design for Great Britain's (GB) electricity and gas transmission networks, and Chaired SO Exec Committee.

He has also held positions in various capacities in the U.S. and UK, including senior leadership positions in Asset Management, Customer Support, and Strategy.

University of Cambridge graduate, with a degree in theoretical physics.

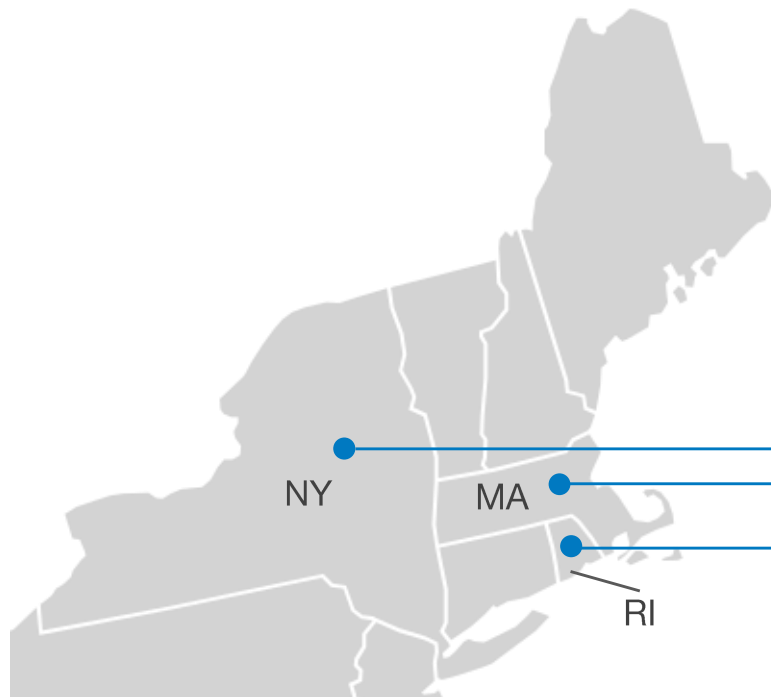
Regulatory objectives

- Fund our capital investment program
- Respond to State level grid modernization and decarbonization objectives and transition to the utility of the future
- Meet our customer needs
- Create opportunities to achieve out performance



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US regulatory overview



- Forward looking test years on 70% of rate base
- Supporting investment to modernize and decarbonize the network
- Trackers in place for:
 - capital investment
 - property taxes
 - commodity component of bad debt costs
 - environmental costs
 - pensions and OPEBs
- Rate cases filed on a regular basis, with a longer term transition to Performance Based Regulation

Working effectively within the NY framework

- Strong, innovative Public Service Staff and Commission that are open to a collaborative approach
- Frequent discussions create shared priorities and potentially resolve emerging issues
- Proactive stakeholder engagement to drive outcomes beneficial to customers
- New regulatory framework emerging
 - some movement to outcome-based incentives with upside potential
 - KEDNY/KEDLI joint proposal includes up to 40bps of incentivization

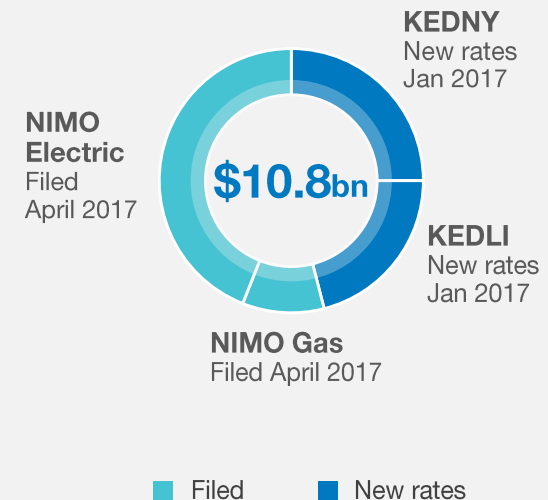


Significant rate case progress made in NY

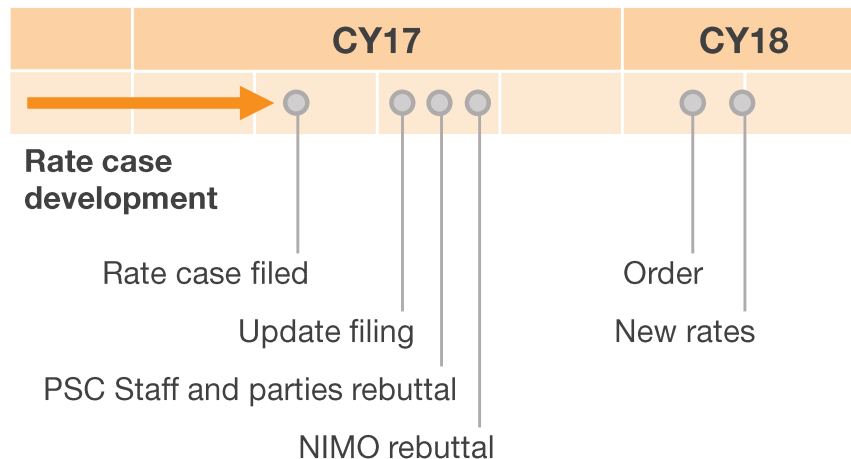
- Total NY rate base will have been refiled in just over two years
- KEDNY and KEDLI filing represents \$3bn of investment and a 9.0% allowed return on equity
- NIMO rate filing made in April 2017

NEW YORK RATE BASE

As at March 2017



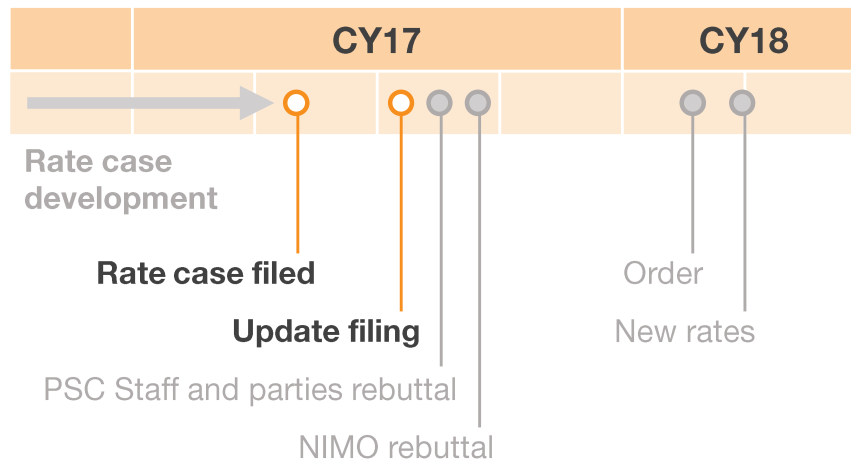
NIMO rate case development



A rate case follows an eleven month quasi-judicial process that has opportunity for public and other stakeholder input and potential settlement

- Define rate case strategy and prioritization of issues
 - includes funding for REV related investments and new upside incentives
- Audit historic test year data and define forecast assumptions
- Develop Testimony and Exhibits in support of case
- Stakeholder outreach
- Initial filing made in April 2017

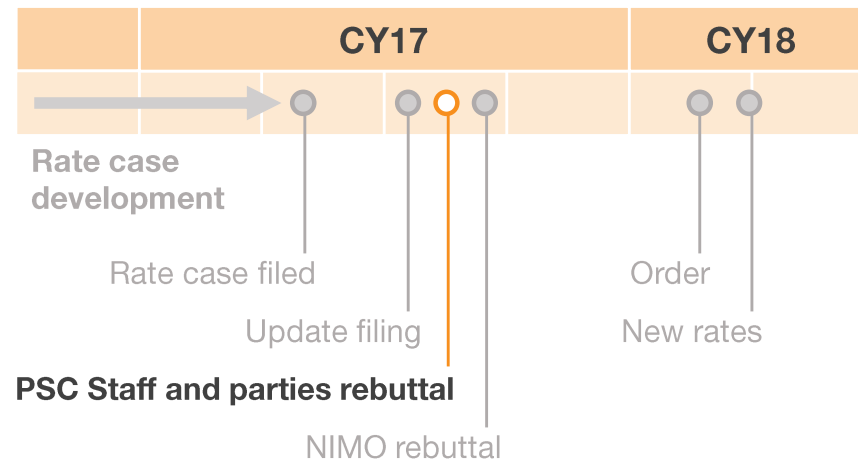
NIMO rate case filing



- Updated filing seeks \$331m incremental revenue (\$261m Electric, \$70m Gas)
- Planned capital investment of over \$800m
- Seeks 9.79% ROE and 48% equity
- Three years of data provided to facilitate a multi-year settlement
- Optionality provided through a number of different operational and capital expenditure projects

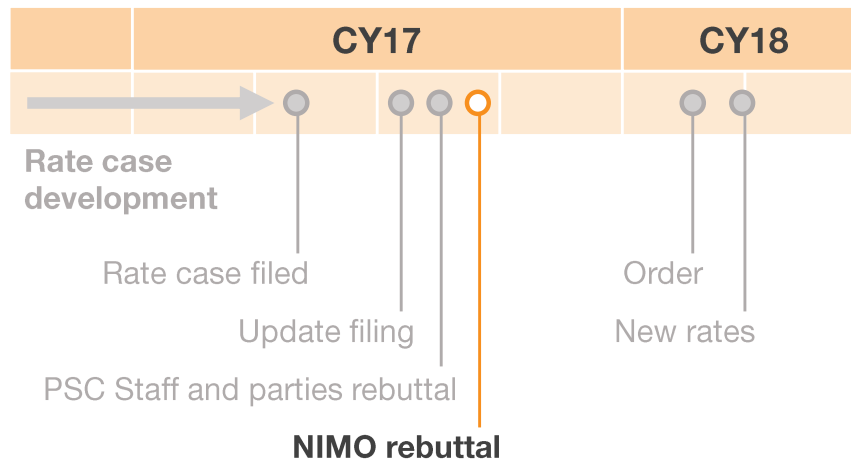
A comprehensive discovery process is initiated when the rate case is filed. To date we have received and responded to over 1,800 questions

NIMO rate case: PSC Staff and parties rebuttal



- PSC Staff and Parties opening position
- Revenue increase of \$118m for Electric (45% of ask) and \$35m for Gas (50% of ask), excluding energy efficiency
- RoE of 8.25% based on formulaic approach, on 48% equity
- Key areas of challenge include systems spend and grid modernization initiatives
- Potential to reach a multi-year settlement remains

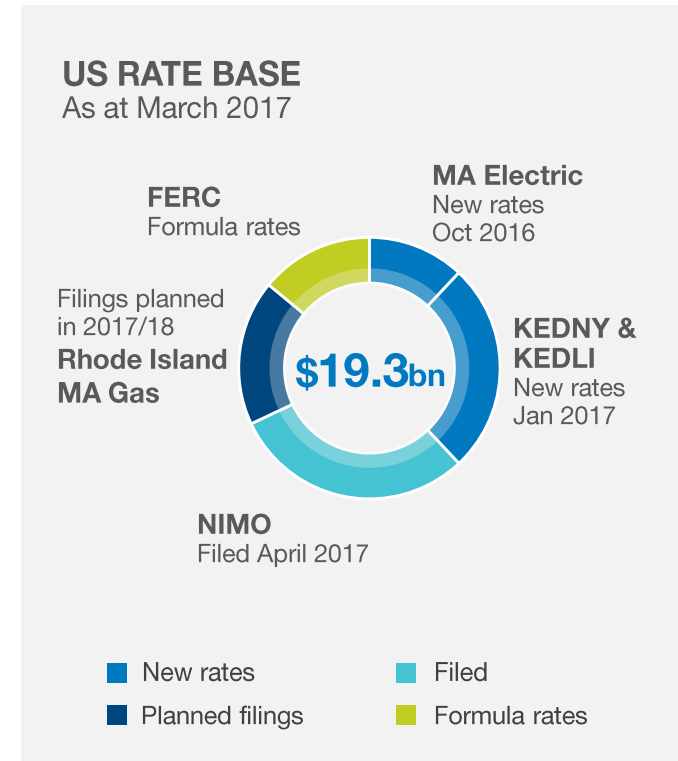
NIMO rebuttal the next step in the process



- Typical NY Rate Cases see improvement in final outcome from PSC Staff's position
- National Grid will file its rebuttal testimony September 15
- We will rebut Staff's position in full with only minor exceptions
- Areas we will focus on include:
 - ROE
 - adjustments to our IT systems spend

Regulatory summary

- New York is an attractive place to operate
 - forward looking rate plans
 - trackers to mitigate risk
 - growth opportunities
- Important year with NIMO outcome and further filings in RI and MA, as part of ongoing process
- Continue to advance regulatory frameworks
 - increased opportunities for out-performance



Q&A



KEN DALY

NEW YORK PRESIDENT AND
CHIEF OPERATING OFFICER

&



MIKE CALVIOU

SVP REGULATION AND
PRICING

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OPERATIONS

MARCY REED

EVP, BUSINESS OPERATIONS,
ENGINEERING AND PROCESS





MARCY REED

EVP, BUSINESS
OPERATIONS,
ENGINEERING AND
PROCESS

Background

- 29 years at National Grid
- Most recently MA Jurisdictional President
- Held positions in finance, merger integration, corporate affairs and spent three years in London as the head of Investor Relations for National Grid
- Board member of Blue Cross Blue Shield Massachusetts, Northeastern University, the Massachusetts Business Roundtable, the Greater Boston Chamber of Commerce, The Partnership, and the New England Council
- Global executive sponsor for National Grid's Women in Networks employee resource group
- Graduate of Dartmouth College and holds a master's degree from Northeastern University

Oversees

- Gas engineering, electric engineering, process and customer groups

Evolving to a process-centric model

- Preparing for the higher level of activity
- Holistic approach to control costs, improve safety and add value for customers
- Processes begin and end with the customer
- Standardization across our business to ensure best practices are followed

Core process and functions support jurisdictions

	Core Processes	Functional Support
NY		
MA		
RI		
FERC		

Gas aware to repair

- Increase customer engagement
- Improve customer service
- Improve safety
- Do the job right the first time

- Proactive outreach to customers on gas leak safety and awareness
- Efficient response to odor calls, dispatching of crews, investigation and classification
- Thorough leak repair and record updates
- Flexible customer scheduling for follow-up checks



Building a more robust gas platform

Gas business enablement

- Adapting the operating model to better execute the significant gas capital plan over the long-term
- Three key focus areas
 - managing our assets
 - delivering our work
 - serving our customers
- Objectives are to reduce risk, improve performance and create a scalable, flexible platform



NEW YORK TEACH-IN September 2017 59

Bringing complex capital delivery to the US business

- Establishing the complex capital delivery organization based on UK successes
- Applies to more than \$1bn annual spend across the US
- Progress made refining our structure, accountabilities, and responsibilities
- Objective is to deliver our capital plan more efficiently, reducing cost and risk



Improving reliability and enabling future growth

Metropolitan Reliability Infrastructure (MRI)

\$250m

potential investment on five year project to meet growing long-term system demands in Brooklyn

- Installing 7.2 miles of 30-inch gas main
- New 350/15 PSIG regulator station
- Increase operational reliability

Northwest Nassau Gas Transmission Reliability Project

\$280m

potential investment for six year gas reliability project on Long Island

- Installing 11 miles of 24-inch gas main
- Two 350 PSIG to 233 PSIG regulator stations to facilitate down rating
- Increase operational reliability

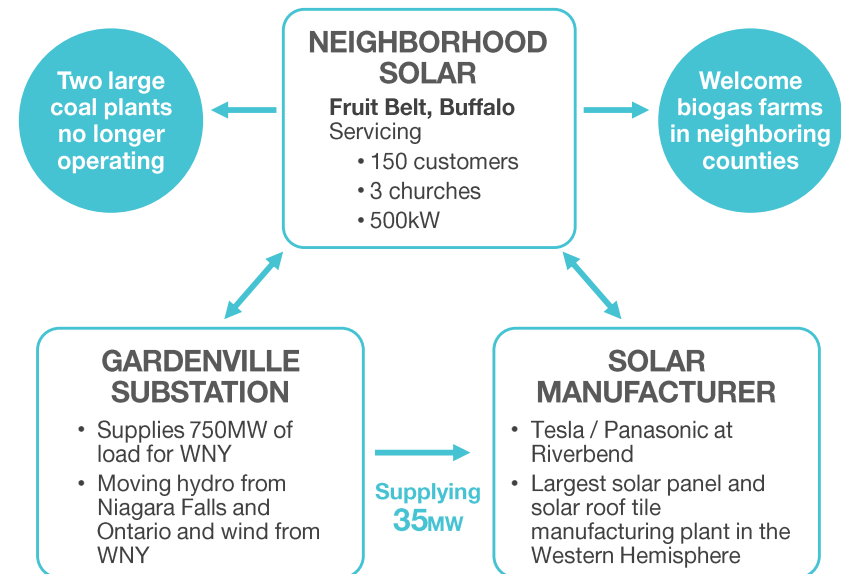
Revitalizing Western New York

Gardenville Substation Rebuild Project

\$110m

potential investment on a four year project to add capacity to the Buffalo area

- 115kV substation rebuild
- Provides additional capacity to bring renewables to the area
- Services major customers including Tesla
- Increases operational reliability



Summary

nationalgrid



Focus on a process driven model to drive efficiencies



Building a more robust gas platform



Developing a dedicated complex capital delivery function in the US

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FINANCE

PEGGY SMYTH

US CHIEF FINANCIAL OFFICER





PEGGY SMYTH
US CHIEF
FINANCIAL OFFICER

Background

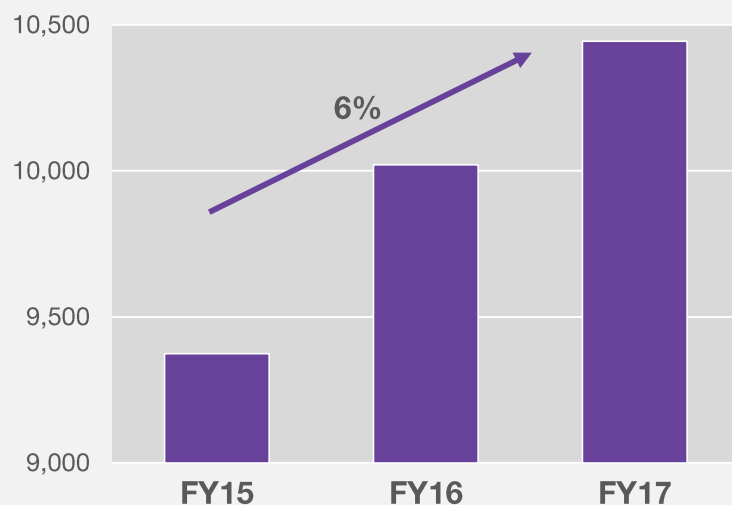
- 3 years as National Grid's US CFO
- Previously held senior finance positions at Consolidated Edison, United Technologies and 3M as well as serving as a Senior Managing Partner at Deloitte and Arthur Andersen
- Board member of British-American Business, Etsy, Inc. and two subsidiaries of Mutual of America
- Member of the Organization for International Investment, CFO Committee, Edison Electric Institute Finance Committee, WSJ CFO Network, a trustee for Concern Worldwide (U.S.) Inc. and a member of the Executive Committee of the President's Council for Fordham University
- Graduate of Fordham University and holds a master's degree from NYU Stern School of Business as well as Honorary Degree of Doctor of Commercial Science by St. Thomas Aquinas College

Oversees

- US Finance organization including dedicated jurisdictional finance teams

Good progress in NY since 2015

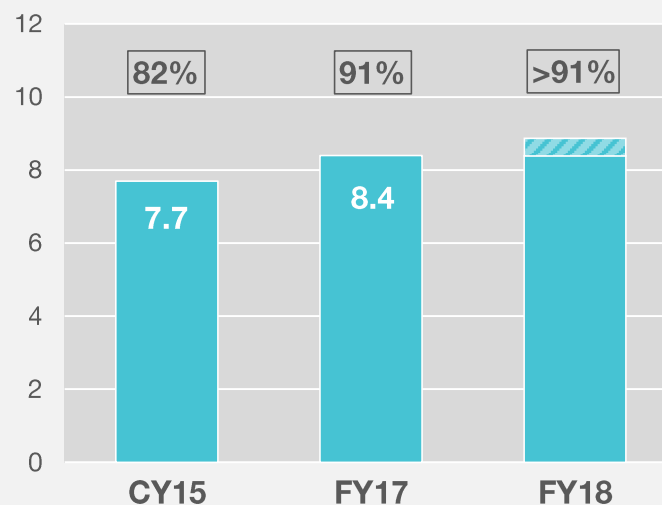
NY RATE BASE GROWTH (\$m)



Good rate base growth

* Year end rate base, excluding working capital

NY ACHIEVED RETURNS vs ALLOWED (%)



Achieved returns improving



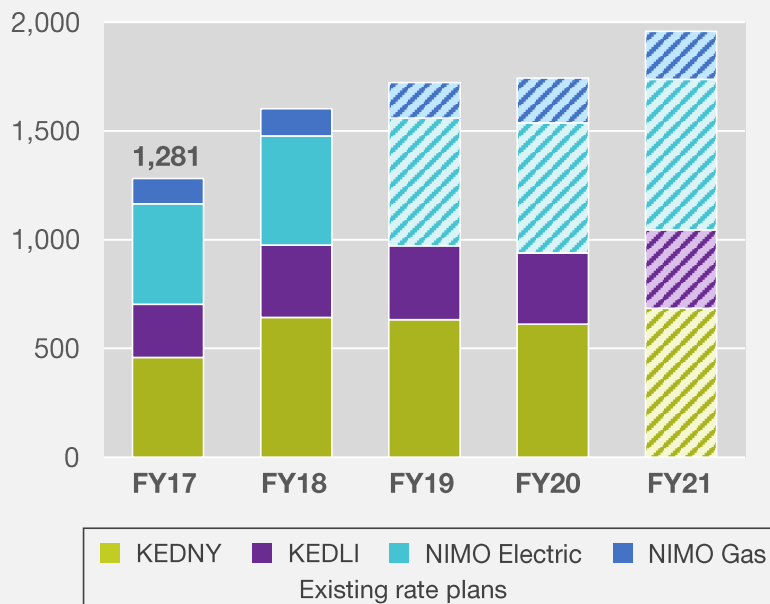
US and UK returns not directly comparable

- Headline returns differ - US to UK
 - US regulation provides faster recovery through a full cash return upfront
 - higher equity ratio provides a return on a larger portion of assets
- Expect NY to be supportive of the US business' targeting 90% of allowed returns in FY18

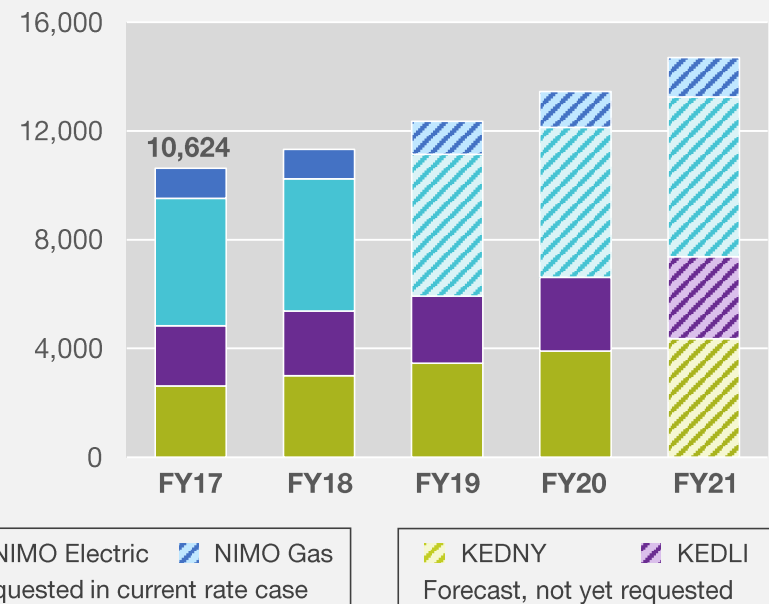


NY has a clear path for >7% growth

INCREASING CAPITAL INVESTMENT (\$m)



AVERAGE RATE BASE (\$m)



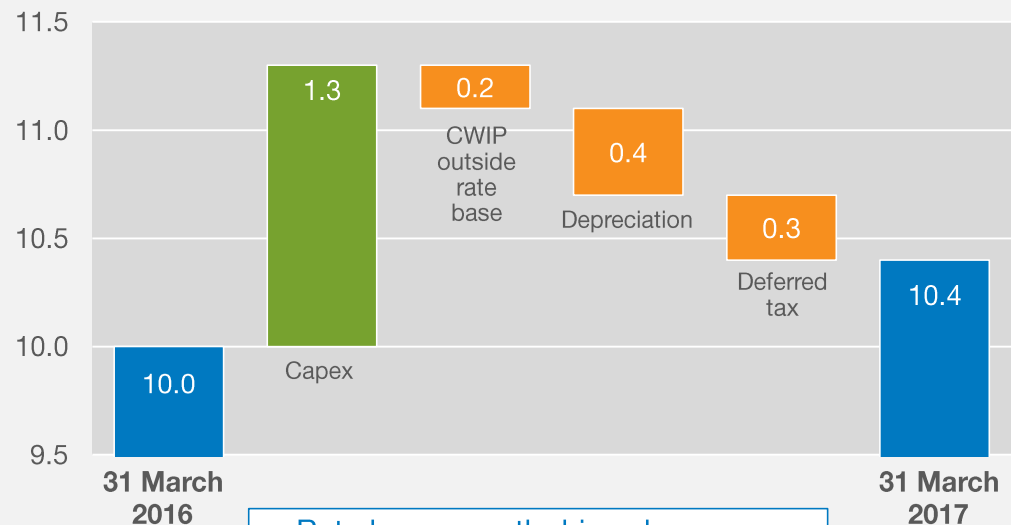
How investment flows into rate base

Assets earn immediate returns

From start of construction we earn a non cash return (AFUDC). This return is added to the asset's book cost.

Once placed into service, we begin to earn a cash return on the plant.

NY RATE BASE GROWTH* (\$bn)



Rate base growth driven by capex, offset by depreciation and deferred tax

* Year end rate base, excluding working capital

Funding our growth

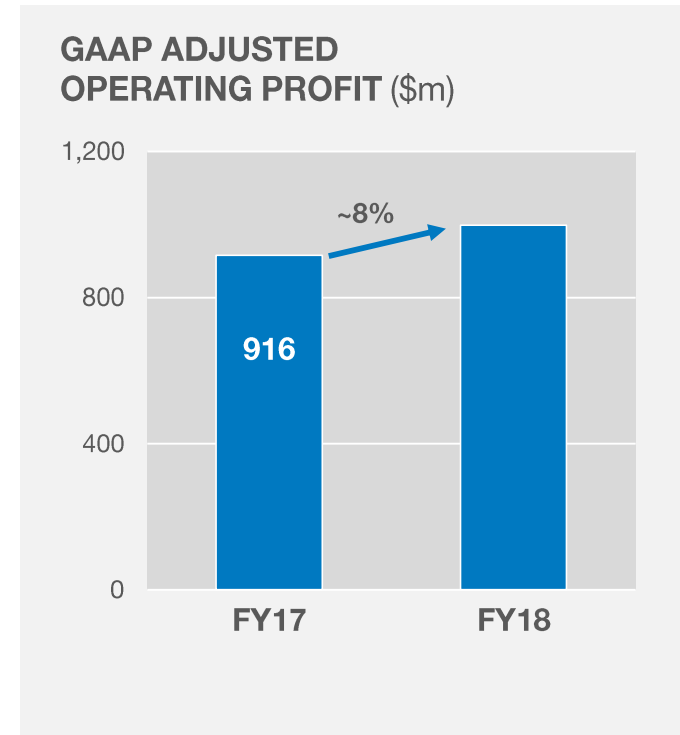
- Aim to keep the capital structures in line with regulatory assumption at 50:50, to optimize regulatory outcome for each company
- Operating companies have A range credit ratings
- Regulator closely involved in funding the operating companies
- \$1.7bn raised in the last year in KEDNY and KEDLI at 3.5%
- Operating companies issue in USD only
- Plan to raise \$1-\$1.5bn in next year in US operating companies



NY expected to deliver increased operating profit

Consistent operating profit growth expected

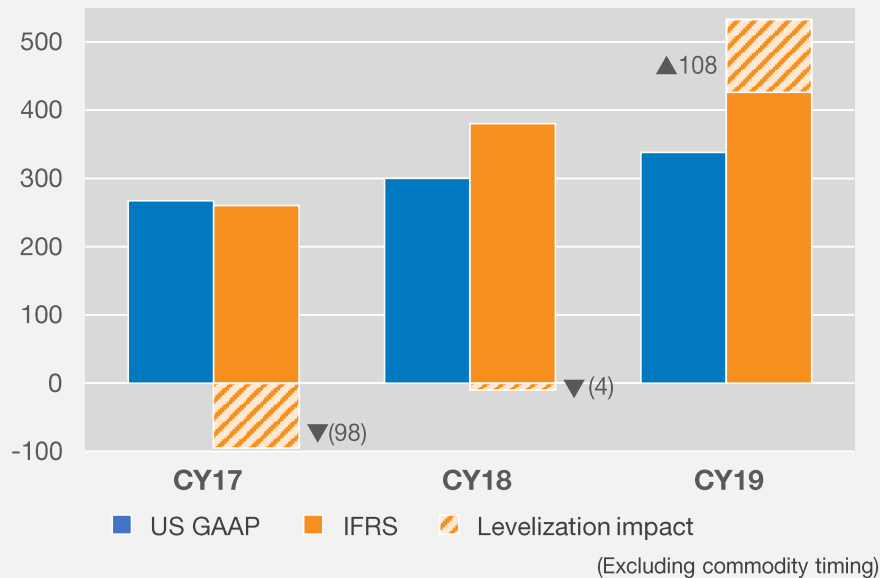
- Growth driven by
 - return on increased rate base
 - recovery of operating expenses through new rate plans
- Actual performance depends on the ability to work with rate plans
- Opportunities for incentive performance can offset cost pressures



GAAP to IFRS differences can be volatile

KEDNY OPERATING PROFIT TRACE

Based on forecasts contained in the joint proposal

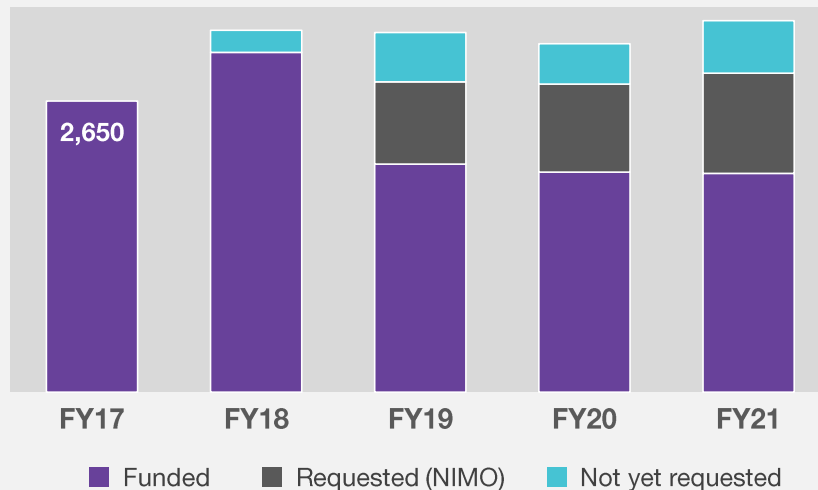


Key variances due to:

- Levelization Can vary widely as defined in the rate agreement
- Commodity timing Can vary widely due to weather
- Pensions
- SIR / Environmental Differences remain relatively constant
- Cost of removal

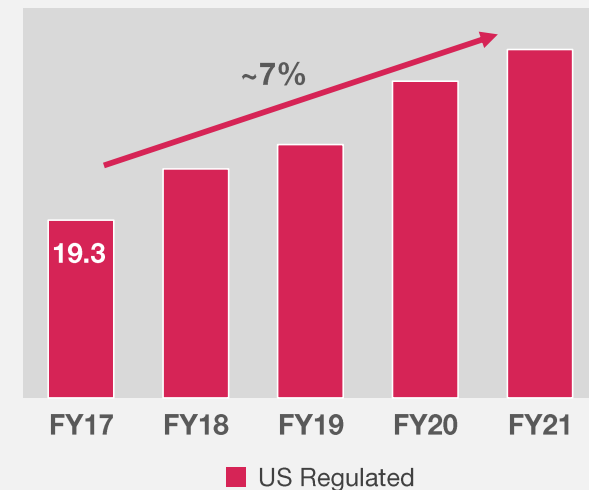
NY supports overall US growth

EXPECTED GAAP CAPITAL INVESTMENT (\$m)



US capital investment over \$3bn per year over 80% in existing and requested rates

EXPECTED RATE BASE GROWTH (\$bn)



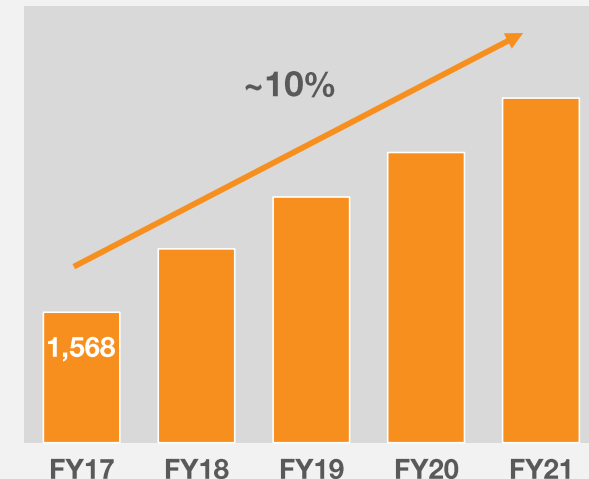
US year end rate base expected to continue to grow at around 7%

And increasing US profitability

Solid operating profit growth

- Growth driven by
 - asset growth
 - NY and MA filings
- Actual performance depends on the ability to work with rate plans
- Opportunities for incentive performance can offset cost pressures
- Implies US GAAP \$150m annual operating profit increase
- Medium term operating profit growth rate will be more aligned to rate base growth

GAAP OPERATING PROFIT (\$m)



Summary



We have delivered on our previous commitments



The NY regulatory regime is one of the most forward looking in the US



Our New York business is a big part of the US portfolio, and growing strongly

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national**grid**



SUMMARY

JOHN PETTIGREW

CHIEF EXECUTIVE

NEW YORK
TEACH-IN



New York positioned for strong growth

- All four New York businesses have recently filed for new rates
 - KEDNY and KEDLI contributing to performance
 - NIMO filing process is on track
- We are positioned at the forefront of industry developments with access to large customer base
- Favorable investment trends and regular rate filings underpin 7% rate base growth expectation
 - driving growth in US earnings and improvement in returns
- A strong, diverse team driving the US business forward





**JOHN
PETTIGREW**

CHIEF EXECUTIVE



**DEAN
SEEVERS**

EXECUTIVE
DIRECTOR, US



**MARCY
REED**

EVP, BUSINESS
OPERATIONS,
ENGINEERING AND
PROCESS



**PEGGY
SMYTH**

US CHIEF FINANCIAL
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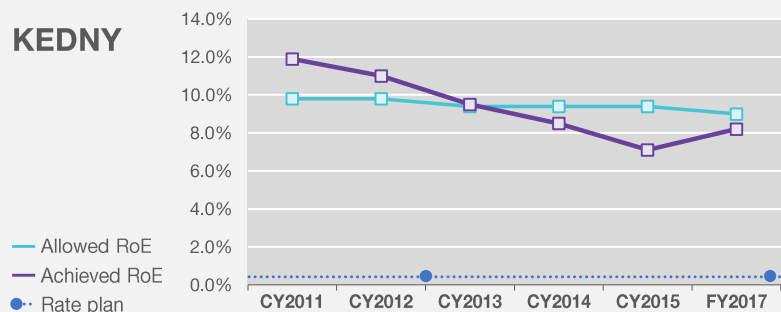
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APPENDIX

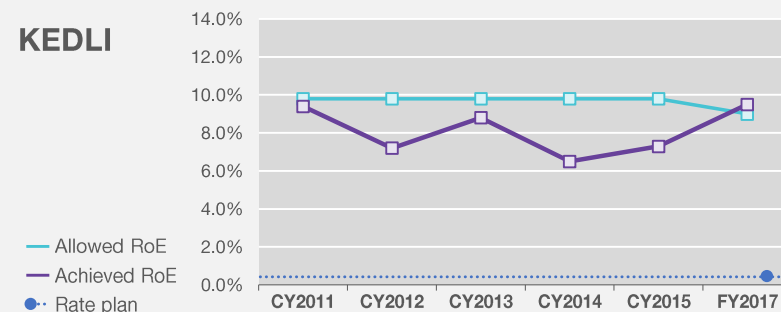


Return on equity

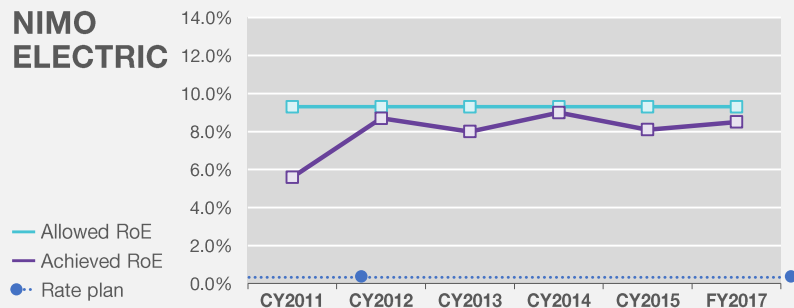
KEDNY



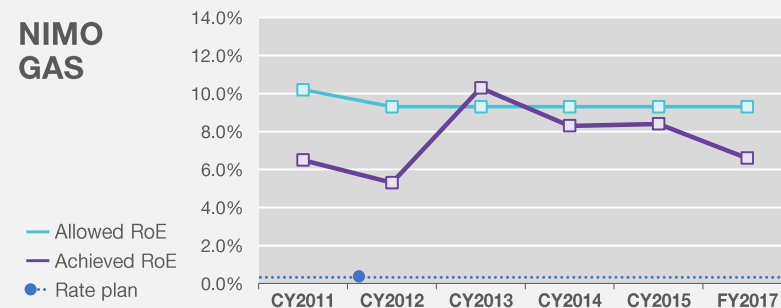
KEDLI



NIMO ELECTRIC

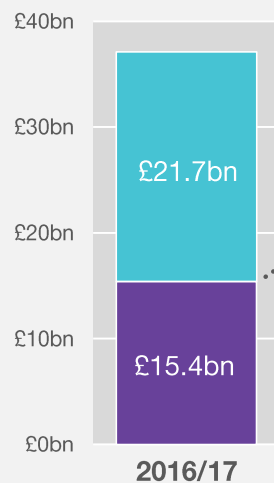


NIMO GAS

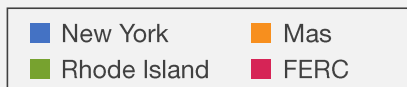
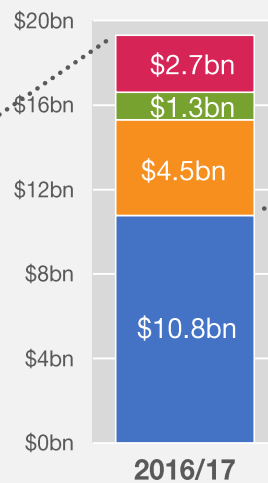


Rate base

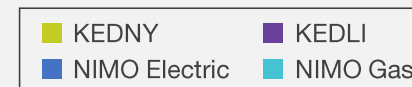
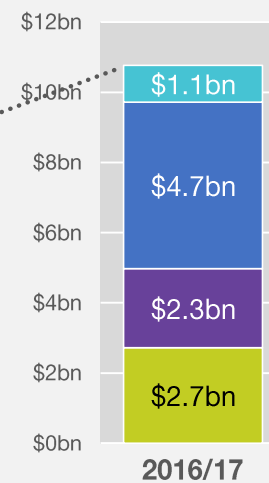
GROUP RATE BASE



US RATE BASE

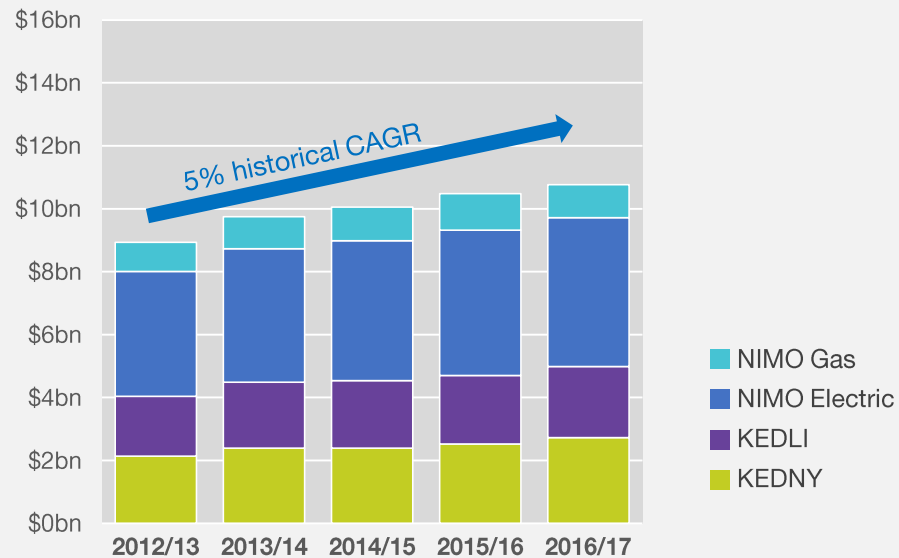


NEW YORK RATE BASE

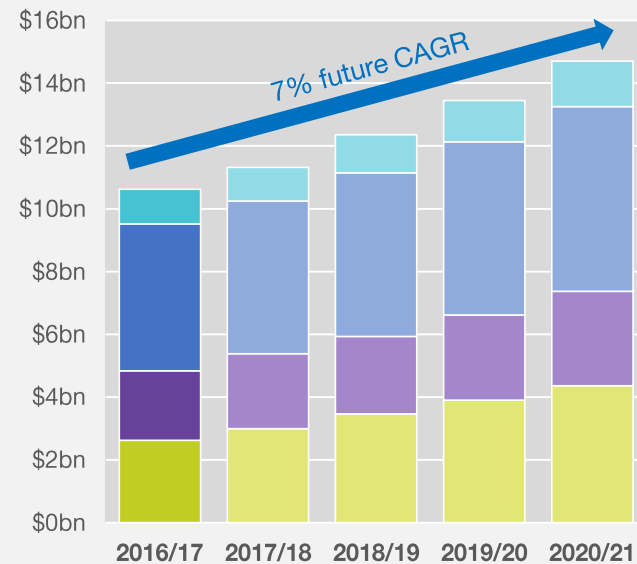


New York rate base growth

HISTORICAL YEAR END RATE BASE



FORWARD LOOKING AVERAGE RATE BASE

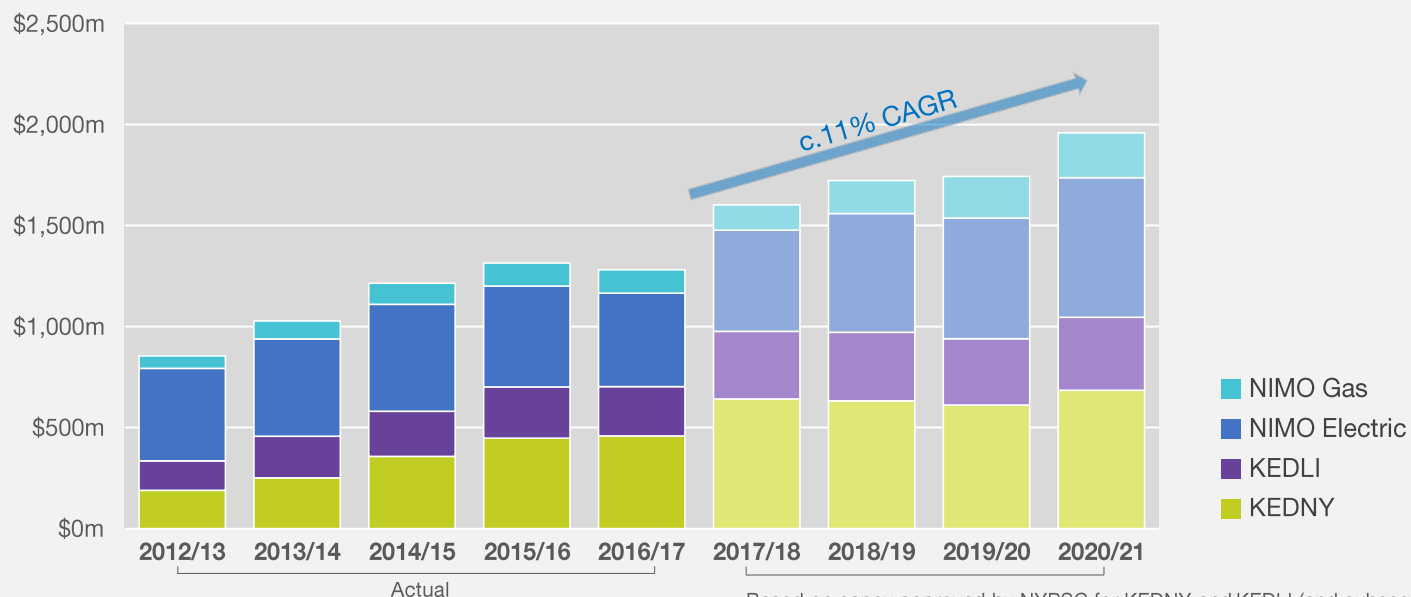


Based on capex approved by NYPSC for KEDNY and KEDLI (and subsequent forecasts), and requested in rate cases for NIMO Electric and NIMO Gas

US GAAP capital expenditure

CAPITAL EXPENDITURE

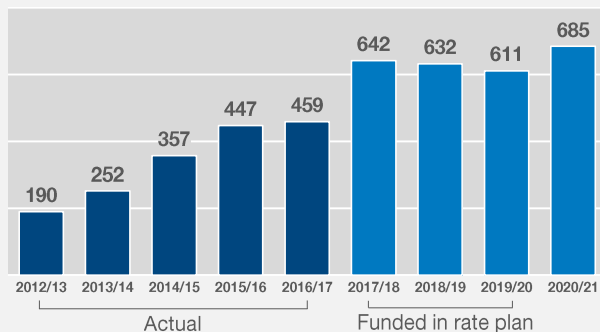
Excluding cost of removal



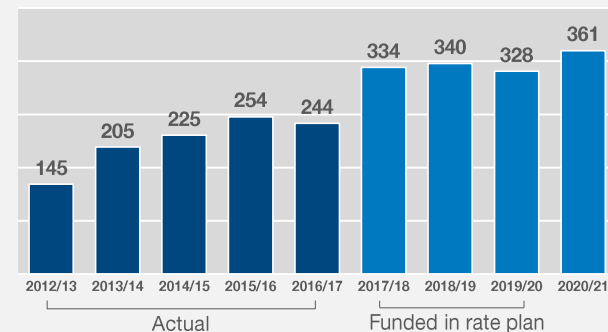
Based on capex approved by NYPSC for KEDNY and KEDLI (and subsequent forecasts), and requested in rate cases for NIMO Electric and NIMO Gas

US GAAP capital expenditure - detail

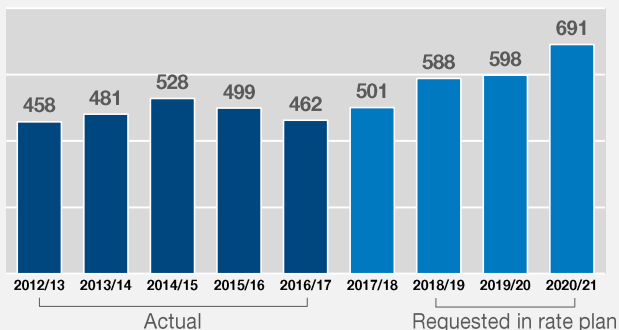
KEDNY



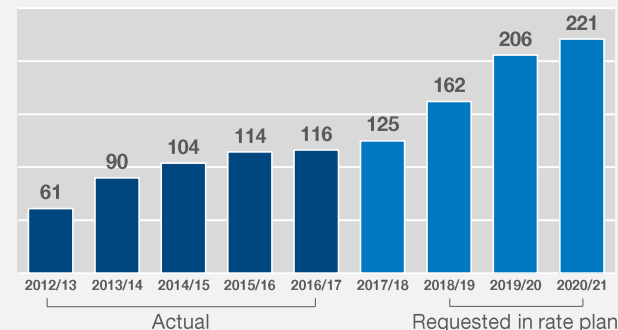
KEDLI



NIMO ELECTRIC



NIMO GAS



Data table: Return on equity

HISTORICAL ACHIEVED RETURNS ON EQUITY

\$m	KEDNY		KEDLI		NIMO Electric		NIMO Gas	
	Allowed	Achieved	Allowed	Achieved	Allowed	Achieved	Allowed	Achieved
CY2011	9.80%	11.90%	9.80%	9.40%	9.30%	5.60%	10.20%	6.50%
CY2012	9.80%	11.00%	9.80%	7.20%	9.30%	8.70%	9.30%	5.30%
CY2013	9.40%	9.50%	9.80%	8.80%	9.30%	8.00%	9.30%	10.30%
CY2014	9.40%	8.50%	9.80%	6.50%	9.30%	9.00%	9.30%	8.30%
CY2015	9.40%	7.10%	9.80%	7.30%	9.30%	8.10%	9.30%	8.40%
FY2017	9.00%	8.20%	9.00%	9.50%	9.30%	8.50%	9.30%	6.60%

Data table: Rate base

HISTORICAL RATE BASE

Year end figures

\$m	KEDNY	KEDLI	NIMO Electric	NIMO Gas	TOTAL NEW YORK	
2012/13	2,132	1,902	3,971	923	8,928	Actual
2013/14	2,390	2,094	4,248	1,013	9,745	
2014/15	2,387	2,146	4,453	1,060	10,046	
2015/16	2,525	2,176	4,621	1,160	10,482	
2016/17	2,722	2,256	4,737	1,052	10,767	

Data table: Capital expenditure

HISTORICAL US GAAP CAPITAL EXPENDITURE

Excluding cost of removal

\$m	KEDNY	KEDLI	NIMO Electric	NIMO Gas	TOTAL NEW YORK	
2012/13	190	145	458	61	854	Actual
2013/14	252	205	481	90	1,028	
2014/15	373	225	528	102	1,228	
2015/16	447	254	499	114	1,315	
2016/17	459	244	462	116	1,281	

FORWARD LOOKING US GAAP CAPITAL EXPENDITURE

Excluding cost of removal

\$m	KEDNY	KEDLI	NIMO Electric	NIMO Gas	TOTAL NEW YORK	
2017/18	642	334	501	125	1,602	Based on capex approved by NYPSC for KEDNY and KEDLI (and subsequent forecasts), and requested in rate cases for NIMO Electric and NIMO Gas
2018/19	632	340	588	162	1,722	
2019/20	611	328	598	206	1,743	
2020/21	685	361	691	221	1,958	