



National Grid USA

(incorporated in the State of Delaware, United States of America)

National Grid North America Inc.

(incorporated in the State of Delaware, United States of America)

Euro 4,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme (the "**Programme**") described in this prospectus (the "**Prospectus**"), each of National Grid USA ("**NGUSA**") and National Grid North America Inc. ("**NGNA**") (each, an "**Issuer**" and together, the "**Issuers**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "**Instruments**") denominated in any currency agreed between the relevant Issuer, the Trustee and the relevant Dealer (as defined below). The aggregate nominal amount of Instruments outstanding will not at any time exceed Euro 4,000,000,000 (or its equivalent in other currencies). The Instruments may be issued in registered form only.

Application has been made to the Financial Conduct Authority (the "**U.K. Listing Authority**") under Part IV of the Financial Conduct and Markets Act 2000 (the "**FSMA**") for Instruments issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Instruments to be admitted to trading on either the London Stock Exchange's Regulated Market (the "**Market**") or the London Stock Exchange's Professional Securities Market (the "**PSM**"). References in this Prospectus to Instruments being "**listed**" (and all related references) shall mean that such Instruments have been admitted to trading on the Market or the PSM, as the case may be, and have been admitted to the Official List. The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. The PSM is not a regulated market for such purposes. In the case of Instruments issued under the Programme which are listed on the Official List and admitted to trading on the PSM (the "**PSM Instruments**"), references to the Final Terms contained in this Prospectus shall be construed as references to the pricing supplement substantially in the form set forth in this Prospectus (the "**Pricing Supplement**").

References in this Prospectus to PSM Instruments are to Instruments for which no prospectus is required to be published under the Prospectus Directive (as defined below). For the purposes of any PSM Instruments issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 2.1 of the Prospectus Directive and will constitute Listing Particulars (as defined below).

The Instruments have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**"). The Instruments may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Prospectus or any Final Terms, see "Plan of Distribution".

Each Series (as defined on page 3) of Instruments will be represented by registered certificates (each, a "**Certificate**" and, together, the "**Certificates**"). One Certificate will be issued in respect of each Instrumentholder's holding of Instruments of each Series. Instruments issued in global registered form will initially be represented by a temporary registered global certificate ("**Temporary Global Certificate**"). Beneficial interests in a Temporary Global Certificate will be exchangeable for a permanent registered global certificate ("**Permanent Global Certificate**" and, together with the Temporary Global Certificate, "**Global Certificate**" not earlier than 40 days after the issue date upon certification of non-U.S. beneficial ownership. If a Global Certificate is to be held under the New Safekeeping Structure (the "**NSS**") it will be delivered on or prior to the original issue date of the relevant Tranche (as defined on page 3) to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking *société anonyme* ("**Clearstream Luxembourg**") or such other clearing systems as may be agreed upon by the relevant Issuer, the Trustee and the relevant Dealer(s).

Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depository**").

The provisions governing the exchange of interests in any Global Certificate for definitive Instruments are described in "Summary of Provisions Relating to the Instruments while in Global Form".

The senior unsecured debt of each of NGUSA and NGNA has been rated 'Baa1' by Moody's Investors Service Ltd. ("**Moody's**") and 'BBB+' by Standard & Poor's Ratings Services LLC ("**S&P**"). Credit ratings included or referred to in this Prospectus have been issued by Moody's and S&P. Moody's is established in the European Union and is registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). S&P is not established in the European Union and has not applied for registration under the CRA Regulation. Tranches of Instruments (as defined in "Overview of the Programme") may be rated or unrated. Where a Tranche of Instruments is rated, such rating will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in Instruments issued under the Programme involves certain risks. For a discussion of such risks, see the section headed "Risk Factors" in this Prospectus.

Programme Arranger

HSBC

Programme Dealers

Deutsche Bank

HSBC

Lloyds Bank Corporate Markets

Société Générale Corporate &

Investment Banking

Goldman Sachs International

ING Commercial Banking

Morgan Stanley

UniCredit Bank

IMPORTANT NOTICES

This Prospectus comprises (i) a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area, (the “**Prospectus Directive**”) and relevant implementing measures in the United Kingdom and for the purpose of giving information with regard to each of (a) NGNA and each of its subsidiary undertakings, including NGUSA, (together the “**Group**”) and (b) NGUSA and each of its subsidiary undertakings (together, the “**NGUSA Group**”) which, according to the particular nature of each Issuer and the Instruments to be issued by it, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer and the rights attaching to such Instruments (together, the “**Base Prospectus**”) and (ii) listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Conduct Authority and Section 80(1) of the FSMA with regard to each of (a) the Group, and (b) with the NGUSA Group (together, the “**Listing Particulars**”). For the avoidance of doubt, the Pricing Supplement forms part of the Listing Particulars and does not form part of the Base Prospectus.

Each Issuer accepts responsibility for the information contained in the Base Prospectus, the Listing Particulars and the Final Terms. To the best of the knowledge of the Issuers (having taken all reasonable care to ensure that such is the case) such information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus has been prepared on the basis that any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of Instruments which are the subject of an offering contemplated in this Prospectus as completed by the final terms in relation to the offer of those Instruments may only do so in circumstances in which no obligation arises for either of the Issuers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither of the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Instruments in circumstances in which an obligation arises for either of the Issuers or any Dealer to publish or supplement a prospectus for such offer.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).

This Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Tranche (as defined herein) of Instruments, should be read and construed together with the Final Terms (as defined herein).

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the issue or sale of the Instruments and, if given or made, any such information or representation must not be relied upon as having been authorised by the Issuers or any of the Dealers or the Arranger (as defined in “Overview of the Programme”).

Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof, that there has been no change (or any event reasonably likely to involve a change) in the affairs of either of the Issuers since the date of this Prospectus or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change (or any event reasonably likely to involve any adverse change) in the financial position of either of the Issuers since the date of this Prospectus or the date upon which this

Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of Instruments which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Instruments).

The distribution of this Prospectus and the offering, distribution or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction.

Neither this Prospectus nor any Final Terms constitutes an offer of, or an invitation by or on behalf of the relevant Issuer or the Dealers to subscribe for, or purchase, any Instruments.

Save for the Issuers, no other party has separately verified the information contained in this Prospectus. None of the Dealers, the Arranger or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statement is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either of the Issuers, the Trustee, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Prospectus and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Trustee undertakes to review the financial condition or affairs of either of the Issuers during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Instruments, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Certain Instruments may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their

overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to local investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Instruments are legal investments for it, (ii) Instruments can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "**Euro**" are to the currency of those member states of the European Union which are participating in European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, to "**Japanese yen**" are to the lawful currency of Japan, to "**£**" and "**Sterling**" are to the lawful currency of the United Kingdom, to "**U.S. dollars**" and "**U.S.\$**" are to the lawful currency of the United States of America, to "**Canadian dollars**" are to the lawful currency of Canada, to "**Australian dollars**" are to the lawful currency of Australia, to "**New Zealand dollars**" are to the lawful currency of New Zealand, to "**Swedish krona**" are to the lawful currency of Sweden, to "**Danish krone**" are to the lawful currency of Denmark, to "**Hong Kong dollars**" are to the lawful currency of Hong Kong and to "**Swiss francs**" are to the lawful currency of Switzerland.

In connection with the issue of any Tranche (as defined in "Overview of the Programme - Method of Issue"), the Dealer or Dealers (if any) may over-allot Instruments or effect transactions with a view to supporting the market price of the Instruments at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are neither reported financial results nor other historical information. For the purposes of securities to be listed or trade in the United States of America, 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 the Issuers' financial condition, their 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 the future performance of either Issuer 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 which are beyond the ability of either Issuer to control or estimate precisely, such as changes in laws or regulations and decisions by governmental bodies or regulators; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches 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 Hurricane Sandy and other major storms as well as the results of climate change, or due to unauthorised access to or deliberate breaches of IT systems belonging to either Issuer, or otherwise; performance against regulatory targets and standards and against the Issuers' peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes, restructuring and internal transformation projects; and customers and counterparties failing to perform their obligations to either Issuer. Other factors that could cause actual results to differ materially from those described in this announcement include fluctuations in exchange rates, interest rates and commodity price indices; restrictions in the borrowing and debt arrangements of either or both of the Issuers, funding costs and access to financing; regulatory requirements that enable either or both of the Issuers to maintain financial resources in certain parts of their business and restrictions on some subsidiaries' transactions, such as paying dividends, lending or levying charges; inflation; the delayed timing of recoveries and payments in regulated businesses of either Issuer; the funding requirements of any pension schemes and other post-retirement benefit schemes that the Issuers may have; the loss of key personnel or the ability to attract, train or retain qualified personnel and any disputes arising with employees or the breach of laws or regulations by employees of either Issuer; and incorrect or unforeseen assumptions or conclusions (including financial and tax impacts and other unanticipated effects) relating to business development activity, including assumptions in connection with joint ventures.

The effects of these factors are difficult to predict. For further details regarding these and other assumptions, risks and uncertainties please read the section entitled 'Risk Factors'. In addition new factors emerge from time to time and the Issuers cannot assess the potential impact of any such factor on their 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 Issuers undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement. The content of any website references herein do not form part of this announcement.

TABLE OF CONTENTS

	Page
IMPORTANT NOTICES	ii
FORWARD-LOOKING STATEMENTS	v
DOCUMENTS INCORPORATED BY REFERENCE	1
SUPPLEMENTAL PROSPECTUS	2
SUPPLEMENTARY LISTING PARTICULARS	2
OVERVIEW OF THE PROGRAMME	3
RISK FACTORS	8
TERMS AND CONDITIONS OF THE INSTRUMENTS	20
SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM	41
USE OF PROCEEDS	44
DESCRIPTION OF NATIONAL GRID USA	45
DESCRIPTION OF NATIONAL GRID NORTH AMERICA INC.	63
TAXATION	64
PLAN OF DISTRIBUTION	68
FORM OF FINAL TERMS	71
FORM OF PRICING SUPPLEMENT	78
GENERAL INFORMATION	85

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the audited National Grid North America Inc. and Subsidiaries Consolidated Financial Statements for the years ended March 31, 2013 and March 31, 2012, together with the audit report thereon (National Grid Holdings Inc. was renamed as National Grid North America Inc. on 25 September 2012), (ii) the National Grid USA and Subsidiaries Consolidated Financial Statements for the years ended March 31, 2013 and March 31, 2012, , together with the audit report thereon, (iii) the terms and conditions set out on pages 23 to 44 of the prospectus dated 3 December 2007 relating to the Programme, (iv) the terms and conditions set out on pages 24 to 45 of the prospectus dated 18 December 2009 relating to the Programme, (v) the terms and conditions set out on pages 24 to 45 of the prospectus dated 20 December 2010,(vi) the terms and conditions set out on pages 25 to 48 of the prospectus dated 21 December 2011 and (v) the terms and conditions set out in pages 19 to 39 of the prospectus dated 20 December 2012 relating to the Programme, each of which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Those parts of each of NGNA's or NGUSA's annual reports, as the case may be, for the financial years ended 31 March 2013 and 31 March 2012 and those parts of the prospectus dated 3 December 2007, 18 December 2009, 20 December 2010, 21 December 2011 and 20 December 2012 which are not specifically incorporated by reference in this Prospectus are either not relevant for the investor or are covered elsewhere in the Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/prices-and-markets/markets/prices.htm.

SUPPLEMENTAL PROSPECTUS

In respect of any Instruments to be listed on the Market, if at any time either of the Issuers shall be required to prepare a supplemental prospectus pursuant to Section 87G of the FSMA (“**Supplemental Prospectus**”), such Issuer will prepare and make available to the public an appropriate amendment or supplement to this Prospectus or a further prospectus which shall constitute a Supplemental Prospectus as required by the U.K. Listing Authority and Section 87G of the FSMA.

SUPPLEMENTARY LISTING PARTICULARS

In respect of any PSM Instruments, if at any time either of the Issuers shall be required to prepare supplementary listing particulars pursuant to Section 81 of the FSMA, such Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or further listing particulars which, in respect of any subsequent issue of PSM Instruments, shall constitute supplementary listing particulars as required by the U.K. Listing Authority and Section 81 of the FSMA.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuers	National Grid USA National Grid North America Inc.
Description	Euro Medium Term Note Programme
Size	Up to Euro 4,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time.
Arranger	HSBC Bank plc
Dealers	Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc ING Bank N.V. Lloyds Bank plc Morgan Stanley & Co. International plc Société Générale UniCredit Bank AG
	<p>The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to the “Permanent Dealers” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.</p>
Trustee	The Law Debenture Trust Corporation p.l.c.
Issuing and Paying Agent	The Bank of New York Mellon
Other Paying Agent	KBL European Private Bankers S.A.
Method of Issue	<p>The Instruments will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a “Tranche”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document (the</p>

	<p>“Final Terms”) or, in the case of PSM Instruments, the Listing Particulars will be completed by the pricing supplement (the “Pricing Supplement”).</p>
Issue Price	<p>Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount.</p>
Form of Instruments	<p>The Instruments will be issued in registered form and represented by registered Certificates. One Certificate will be issued in respect of each Instrumentholder’s holding of Instruments of each Series. Certificates representing Instruments that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates” and will initially be represented by a Temporary Global Certificate. Beneficial interests in a Temporary Global Certificate will be exchangeable for a Permanent Global Certificate not earlier than 40 days after the issue date upon certification of non-U.S. beneficial ownership.</p>
Clearing Systems	<p>Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).</p>
Initial Delivery of Instruments	<p>On or before the issue date for each Tranche, if the relevant Global Certificate is to be held under the NSS, the Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Certificate is not to be held under the NSS, the Global Certificate representing the Instruments may be deposited with the Common Depository for Euroclear and Clearstream, Luxembourg. Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Instruments that are to be credited to one or more clearing systems on issue will be registered in the name of the relevant nominee or a common nominee for such clearing systems.</p>
Currencies	<p>Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in Euro, Japanese yen, Sterling, U.S. dollars, Canadian dollars, Australian dollars, New Zealand dollars, Swedish krona, Danish krone, Hong Kong dollars or Swiss francs or in other currencies if the relevant Issuer and the relevant Dealer(s) so agree.</p>
Maturities	<p>Subject to compliance with all relevant laws, regulations and directives the Instruments may have any maturity from one month to perpetuity.</p> <p>Any Instruments having a maturity of less than one year from their date of issue must (a) have a minimum redemption</p>

value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer.

Denominations

Instruments will be denominated in the Specified Denominations set out in Condition 5 at Part A of the relevant Final Terms, save that, unless otherwise permitted by then current laws and regulations, Instruments which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Instruments

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms and at maturity.

Floating Rate Instruments

Floating Rate Instruments will bear interest set separately for each Series as follows:

on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or

by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be selected by the relevant Issuer prior to issue and specified in the relevant Final Terms. Floating Rate Instruments may also have a maximum interest rate, a minimum interest rate, or both.

Zero Coupon Instruments

Zero Coupon Instruments may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Rates of Interest

The length of the interest periods for the Instruments and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Instruments to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption

The relevant Final Terms will specify the basis for calculating the redemption amounts payable, which may be by reference to a formula or as otherwise provided in the relevant Final Terms.

Unless permitted by then current laws and regulations, Instruments which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or

	its equivalent in other currencies).
Optional Redemption	<p>The Final Terms issued in respect of each issue of Instruments will state whether such Instruments may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Instrumentholders, and if so the terms applicable to such redemption.</p> <p>The Issuer may elect to redeem all, but not some only, of the Instruments of any Series at their Residual Holding Redemption Amount at any time if the Residual Holding Percentage or more of the aggregate nominal amount of such Instruments originally issued shall have been redeemed or purchased and cancelled.</p>
Status of Instruments	The Instruments will constitute unsubordinated and unsecured obligations of the relevant Issuer, all as described in “Terms and Conditions of the Instruments — Status”.
Negative Pledge	The Instruments will have the benefit of a negative pledge as described in “Terms and Conditions of the Instruments — Status and Negative Pledge”.
Cross Acceleration	The Instruments will have the benefit of a cross acceleration provision as described in “Terms and Conditions of the Instruments — Events of Default”.
Other Events of Default	The other events of default under the Instruments are as specified below under “Terms and Conditions of the Instruments — Events of Default”.
Early Redemption	Except as provided in “Optional Redemption” and “Redemption” above, Instruments will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Instruments — Redemption, Purchase and Options”.
Withholding Tax	All payments of principal and interest in respect of the Instruments will be made free and clear of withholding taxes of the United States of America or any political sub-division of the United States of America or any authority in or of the United States of America having power to tax, unless compelled by law. In that event, the relevant Issuer will, subject to certain exceptions, pay such additional amounts as will result in the payment to the Instrumentholders of the amounts which would otherwise have been received in respect of the Instruments had no withholding or deduction been made, all as described in “Terms and Conditions of the Instruments — Taxation”.
Governing Law	English
Listing	Each Series may be admitted to the Official List and admitted to trading on the Market or the PSM and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as

may be agreed between the relevant Issuer and the relevant Dealer(s).

Ratings

The senior unsecured debt of each of NGUSA and NGNA has been rated 'Baa1' by Moody's Investors Service Ltd. ("**Moody's**") and 'BBB+' by Standard & Poor's Ratings Services LLC ("**S&P**"). Credit ratings included or referred to in this Prospectus have been issued by Moody's and S&P. Moody's is established in the European Union and is registered under the CRA Regulation. S&P is not established in the European Union and has not applied for registration under the CRA Regulation.

Tranches of Instruments (as defined in "Overview of the Programme") may be rated or unrated. Where a Tranche of Instruments is rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Selling Restrictions

United States, United Kingdom, the Public Offer Selling Restriction under the Prospectus Directive and Japan. See "Plan of Distribution".

Category 3 selling restrictions will apply to the Instruments for the purposes of Regulation S under the Securities Act.

Terms and Conditions

The Terms and Conditions applicable to each Series will be as agreed between the relevant Issuer, the Trustee and the relevant Dealer(s) or other subscriber at or prior to the time of issuance of such Series and will be specified in the relevant Final Terms.

RISK FACTORS

The Issuers believe that the following factors may affect their ability to fulfil their obligations under Instruments issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with Instruments issued under the Programme are also described below.

The Issuers believe that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the Issuers may be unable to pay interest, principal or other amounts on or in connection with any Instruments for other reasons. If this occurs, prospective investors may lose the value of their entire investment or part of it. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Factors that may affect NGUSA's ability to fulfil its obligations under Instruments issued under the Programme

Risks relating to NGUSA and its businesses

Holding company status and changes in law or regulation in the geographies in which NGUSA operates could have an adverse effect on its results of operations.

NGUSA is a holding company with no business operations of its own and depends on the earnings and cash flow of, and dividends or distributions from, its subsidiaries. NGUSA conducts all of its businesses through its subsidiaries, many of which are public utilities that are subject to regulation by federal and state regulatory agencies and other authorities. Each of NGUSA's public utility subsidiaries are subject to various dividend restrictions contained in federal and state regulatory approvals, financing instruments and organisational documents which, under certain circumstances, may limit the ability of these subsidiaries to pay a dividend. NGUSA's utility subsidiary's legal authority to operate as a public utility in the state in which it operates, including the legal authority to pay dividends or make other distributions to NGUSA, is subject to regulation by the state public utility commissions of the states in which it operates. None of these subsidiaries are currently prohibited from paying a dividend.

Regulatory Risks

NGUSA is subject to extensive and complex laws, regulations and legislation and changes in law or regulation and decisions by governmental bodies or regulators could have a material adverse effect on NGUSA's business, financial position and results of operations.

NGUSA is subject to extensive regulations and legislation enforced by various regulatory agencies. These regulatory agencies include the Federal Energy Regulatory Commission ("FERC"), the federal Environmental Protection Agency (the "EPA") and the various federal, state local agencies including the various state public utility commissions. Changes in federal law, state or local law, decisions by governmental bodies or regulatory policy regulators in the states and jurisdictions in which NGUSA operates could adversely affect NGUSA's business, financial position and results of operations. Regulations affect almost every aspect of NGUSA's business and limit its ability to independently make and implement management decisions regarding business combinations, disposing of operating assets, setting rates charged to customers, issuing debt and engaging in transactions between NGUSA and its subsidiaries and affiliates. Moreover, regulatory decisions and legislation also affect matters unique to NGUSA's businesses, including for example whether franchises to operate are granted or renewed,

decoupling of energy usage and revenue, timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, and other decisions relating to the impact of general economic conditions on NGUSA, its markets and customers, implications of climate change and remuneration for stranded assets. Regulations and legislation are subject to ongoing changes and policy initiatives, and NGUSA cannot predict the future course of regulations or legislation and their respective ultimate effect. Such changes could materially impact NGUSA's businesses, financial position and results of operations.

A significant portion of NGUSA's revenues and its opportunity to recover costs in its utility businesses is directly dependent on rates established by federal or state regulatory authorities, and any change in these rates and regulatory structure could significantly impact NGUSA's financial results. Increases in utility costs, not otherwise offset by increases in revenues or reductions in other expenses, could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses in rates. Regulatory decisions concerning the level of permitted revenues for NGUSA's businesses and proposed business development activities could have an adverse impact on its results of operations, cash flows, the financial condition of its businesses and the ability to develop those businesses in the future.

NGUSA launched its US foundation programme (see "Recent Developments") during November and December 2012 and has experienced operational difficulties and other system conversion challenges that significantly exceeded its expectations with consequential impacts including but not limited to payroll processing errors and delays that resulted in reputational damage and harm and delays in the production of US financial reporting. NGUSA's regulated utility business are subject to various federal and state regulatory rate plans that require a set of compliance obligations to maintain the regulatory approvals under its rate plan including those relating to the periodic and timely provision of financial information. Breaching such regulatory obligations could result in substantial fines and penalties and in some cases loss of regulatory approvals under its rate plans. The impact of any of these events could adversely impact the financial position, results of operations, or cash flows of NGUSA.

Breaches of, or changes in, environmental, climate change or health and safety laws or regulations could expose NGUSA to increased costs, claims for financial compensation and adverse regulatory consequences, as well as adversely affecting NGUSA's business, financial position, results of operations and damaging the reputation of NGUSA.

NGUSA's activities are potentially dangerous, such as the operation and maintenance of electricity generation facilities and electricity lines and the transmission and distribution of gas and as such are subject to numerous environmental, health and safety regulations that affect many aspects of its operation. In addition, electricity and gas utilities also typically use and generate in their operations hazardous and potentially hazardous products and by products and NGUSA is subject to laws and regulations relating to pollution, the protection of the environment and the use and disposal of hazardous wastes and materials. In addition, certain activities of electricity and gas utilities may not currently be subject to environmental, health or safety regulations but could become subject to regulation in the future, or to more extensive regulation, such as, for example, the effects of electric and magnetic fields and greenhouse gas emissions. Compliance with current and future regulations, including regulation in relation to climate change, can require significant capital and operating expenditures, including expenditures for new equipment, inspection and clean-up costs and damages arising out of contaminated properties. NGUSA commits significant expenditure toward complying with these laws and regulations and meeting NGUSA's obligations under existing laws and regulations and in some cases negotiated settlements. If additional requirements are imposed on NGUSA's ability to recover such costs and expenses under relevant regulatory framework changes, this could have a material adverse impact on NGUSA's businesses, reputation, results of operation and financial position.

NGUSA may not be able to obtain or maintain all required environmental regulatory approvals for its facilities. As a result, some facilities may be required to shut down or alter their operations. If NGUSA's

conduct and activities fail to comply with any applicable environmental requirements, NGUSA may be subject to penalties and fines or other sanctions. In addition, NGUSA could suffer damage to its reputation.

Environmental regulations also impose obligations to remediate contaminated properties (for example manufactured gas plant (“MGP”) sites) or to require payment for the cost of such remediation, often from parties that did not actually cause the contamination, including current and prior owners and operators of property. NGUSA generally is responsible for on-site liabilities, and in some cases off-site liabilities, associated with the environmental condition of its current and former assets, regardless of when the liabilities arose and when they are discovered. In connection with acquisitions, NGUSA may obtain or require indemnification against some environmental liabilities. If NGUSA incurs a material liability, or the other party to a transaction fails to meet its indemnification obligations, NGUSA could suffer material losses. In addition, future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities that may be material. While some of NGUSA’s businesses have regulatory rate plans or similar type cost recovery mechanisms, generally allowing for recovery of the costs of investigation and remediation of contaminated sites (i.e. site investigation and remediation (“SIR”) programmes), the current cost recovery mechanisms may change in the future. If the cost recovery mechanisms change in the future, or if additional environmental matters arise in the future at NGUSA’s currently or historically owned facilities, at sites NGUSA may acquire in the future or at third-party waste disposal sites, costs associated with investigating and remedying these sites could have a material adverse effect on NGUSA’s results of operations, cash flows and financial condition.

Operational Risk

Network failure or the inability to carry out critical non-network operations may have significant adverse impacts on both NGUSA’s financial position and its reputation.

NGUSA may suffer a major network failure or interruption, or may not be able to carry out non-network operations. Operational performance could be materially adversely affected by a failure to maintain the health of the system or network, inadequate forecasting of demand, inadequate record keeping or failure of information systems and supporting technology. This could cause NGUSA to fail to meet agreed standards of service, incentive and reliability targets, or be in breach of regulatory requirements or contractual obligations, and even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming NGUSA’s reputation. The operation of complex electricity transmission, natural gas transportation and electricity and gas distribution systems and generation facilities involve many operating uncertainties and events beyond NGUSA’s control such as the impact of weather (including as a result of climate change) unlawful or intentional acts of third parties or force majeure. Weather conditions, including prolonged periods of adverse weather or “adverse weather conditions”, can affect financial performance and severe weather that causes outages or damages infrastructure will adversely affect operational and, potentially, business performance. Catastrophic force majeure type events such as severe storms (as seen recently with Hurricane Irene in August 2011 and Superstorm Sandy in October 2012), fires, earthquakes, or intentional acts such as wars, insurrections, strikes, lockouts, terrorist attacks, sabotage or vandalism may also physically damage NGUSA’s assets. The occurrence of any one of these events could cause a breakdown or failure of transmission and distribution lines or other equipment or processes, unscheduled facility outages, interruption or unavailability of critical equipment, materials and supplies and reduced levels of capacity or efficiency which otherwise may significantly affect corporate activities and as a consequence have an adverse impact on NGUSA’s results of operations, financial condition and its reputation. In addition, NGUSA’s insurance may not adequately provide coverage for certain hazards, such as unexpected outages at critical facilities, damage to pipelines, equipment, properties and people. The occurrence of any of these risks or other operational risks could cause NGUSA to fail to meet the various

standards of service requirements expected of utilities as established by the various state public utility commissions and/or significantly reduce or eliminate NGUSA's revenues or significantly increase its expenses due to the cost of repairing damage to NGUSA's operating facilities which could be substantial. The occurrence or risk of occurrence of future terrorist attacks or related acts of war or violence may lead to increased political, economic and financial market instability and volatility in prices which could materially adversely affect NGUSA in ways it cannot predict at this time. A lower level of economic activity for these or other reasons could result in a decline in energy consumption, which could adversely affect NGUSA's net revenues.

In addition, NGUSA could be subject to regulatory penalties if it fails to meet certain service quality standards resulting from, for example, an interruption of service. Any reduction of revenues or increase in expenses resulting from the risks described above could adversely affect NGUSA's business, results of operations and reputation.

NGUSA results of operations depend on a number of factors relating to business and operational performance including performance against regulatory targets, recovery of incurred expenditure and the delivery of anticipated cost and efficiency savings from business development activity.

Earnings maintenance and growth from NGUSA's businesses will be affected by NGUSA's ability to meet or exceed efficiency and integration targets and service quality standards set by or agreed with NGUSA's regulators under the various regulatory rate plans affecting the types of business in which NGUSA operates. Levels of earnings also depend on meeting service quality standards set by U.S. regulators. In addition, from time to time, NGUSA publishes cost and efficiency savings targets for its businesses. To meet these cost and efficiency savings targets and standards, NGUSA must continue to improve operational performance, service reliability and customer service. If NGUSA does not meet these targets and standards and/or does not complete implementation of reorganisation as envisaged, NGUSA's business may be adversely affected and its performance, results of operations and its reputation may be harmed. NGUSA completed reorganising its US operations from a global business model to regional model in September 2011, because customers and regulators were looking for something more closely aligned to their local needs and achieving greater efficiencies and cost savings. If NGUSA's regional model does not create greater customer alignment, efficiencies and cost savings, or NGUSA does not meet these targets and standards, or if it does not implement the transformation projects it is carrying out as envisaged (including the US foundation programme, see "Recent Developments"), or NGUSA is not able to effectively manage its operating model to deliver success under its existing rate plans, NGUSA may not achieve the expected benefits, our business may be materially adversely affected and our performance, results of operations and reputation may be materially harmed and/or we may be in breach of regulatory or contractual obligations. If the regional model does not create greater customer alignment, efficiencies and cost savings, NGUSA's business may be adversely affected and its performance, results of operations and its reputation may be harmed.

Business development activities, including acquisitions and disposals, entail a number of risks including that they may be based upon incorrect assumptions or conclusions, inability to integrate acquired businesses effectively with existing operations, failure to realise planned levels of synergy and efficiency savings from acquisitions, unanticipated operational, financial and tax impacts (including unanticipated costs) and other unanticipated effects. NGUSA may be liable for the past acts and errors and omissions of companies or businesses acquired which may be unforeseen or greater than anticipated at the time of the acquisition. Under NGUSA's state regulatory rate plans earnings, maintenance and growth from NGUSA's regulated gas and electricity businesses will be affected by its ability to realise and deliver expected integration and operational efficiency synergies from completed acquisitions as set by or agreed with its state and federal regulators. Many of these risks and uncertainties are similar to those that are faced by NGUSA's pre-existing businesses; however, there are some that are not. The occurrence of any such event could affect NGUSA's ability to realise synergies required under its

regulatory rate plans which could have a material adverse impact on NGUSA's results of operations or financial condition under its regulatory rate plans.

NGUSA's results of operations could be affected by inflation

NGUSA's income under its businesses' rate plans in the various states in which it operates are not typically linked to inflation. In periods of inflation in the United States, NGUSA's operating costs may increase by more than its revenues. Such increased costs may materially adversely affect NGUSA's results of operations. In addition, even where increased costs are recoverable under NGUSA's various regulatory rate plans of its various businesses that provide for various tracking and true-up mechanisms for cost recovery, there may be a delay (i.e. regulatory lag) in NGUSA's ability to recover its increased costs.

NGUSA's risk mitigation techniques such as hedging and current regulatory arrangements may not adequately provide protection.

To the extent NGUSA has unhedged positions or its hedging strategies do not work as planned, fluctuating commodity prices could cause NGUSA's sales and net income to be volatile and could potentially impact NGUSA's business. To mitigate NGUSA's financial exposure related to commodity price fluctuations, NGUSA routinely enters into various contracts to hedge a portion of purchase and sale commitments, weather fluctuations, electricity sales, gas supply and other commodities. In addition, NGUSA's current regulatory arrangements provide the ability to pass through virtually all of the increased costs related to commodity prices to consumers. However, if NGUSA's regulators were to restrict this ability, it could have an adverse effect on NGUSA's operating results. Moreover, NGUSA does not always cover the entire exposure of its assets or its positions to market price volatility and the coverage will vary over time.

NGUSA's reputation and long-term financial condition may be harmed if consumers of energy suffer a disruption to their supply even if this disruption is outside NGUSA's control.

NGUSA's energy delivery businesses are responsible for arranging for the transportation and distribution of available electricity and gas to its customers. The development of additional gas reserves requires significant capital expenditure by others for exploring, drilling and installing production, gathering, storage, transportation and other facilities that permit gas to be produced and delivered to NGUSA's distribution systems. Low prices for gas, regulatory restrictions, or the lack of available capital for these projects could adversely affect the development of additional gas reserves and may also result in potential write-downs of NGUSA's investment in gas properties. Additional gas reserves may not be developed in sufficient amounts to fill the capacities of NGUSA's distribution systems, thus limiting NGUSA's prospects for long-term growth. Such supply issues could hinder NGUSA's ability to successfully contract for gas and electricity supplies required to meet the needs of its customers. Significant downward revisions in NGUSA's estimated proved gas reserves may further impact the long-term financial health of NGUSA. In addition, NGUSA consults with and provides information to regulators, governments and industry participants about future demand and the availability of supply. However, where there is insufficient supply, NGUSA's role is to manage the relevant distribution and transportation network safely, which in extreme circumstances may require NGUSA to disconnect customers which may damage NGUSA's reputation.

NGUSA's financial position may be adversely affected by a number of factors including restrictions in borrowing and debt arrangements, changes to credit ratings, effective tax rates and volatility in the global credit markets and successful implementation and delivery of the US foundation programme.

NGUSA is subject to certain covenants and restrictions in relation to its debt securities and its bank lending facilities and those of its subsidiaries. NGUSA is also subject to restrictions on financing that have been imposed by state and federal regulators. These restrictions may hinder it in servicing the

financial requirements of its current businesses or the financing of newly acquired or developing businesses. For the portion of NGUSA's debt or the debt of its subsidiaries, that is rated by credit rating agencies, it can provide no assurances that the ratings or outlook on such debt securities will not be reduced or otherwise be negatively changed. Changes to these ratings or outlook may affect both NGUSA's and its subsidiaries' borrowing capacity and the cost of those borrowings. The effective rate of tax NGUSA pays may be influenced by a number of factors including changes in law and accounting standards, the results of which could increase that rate.

NGUSA's businesses are partly financed through debt and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from NGUSA's assets. Accordingly, NGUSA's businesses may rely on access to short-term commercial paper and money markets as a source of short-term financing and longer-term bank and capital markets as a source of long-term financing. The global financial markets are currently experiencing extreme volatility. A shortage of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes are putting pressure and, in certain cases, placing downward pressure on share prices and credit availability for companies. If NGUSA's businesses are not able to access capital at competitive rates, or if there are increases in prevailing interest rates on NGUSA's borrowings, their ability to finance their operations and implement NGUSA's strategy will be adversely affected. Future funding requirements of NGUSA's pension plans could adversely affect the results of operations of NGUSA.

NGUSA participates in a number of pension plans that together cover substantially all of NGUSA's subsidiaries' employees. The principal plans are defined benefit plans where the programme assets are held independently of NGUSA's own financial resources. Estimates of the amount and timing of future funding for these plans are based on various actuarial assumptions and other factors including, among other things, the actual and projected market performance of the plan assets, future long-term bond yields, average life expectancies and relevant legal requirements. The impact of these assumptions and other factors may require NGUSA to make additional contributions to these pension plans which, to the extent they are not recoverable (under applicable state rate plans, for example) could adversely affect the results of operations of NGUSA.

NGUSA launched its US foundation programme (see "Recent Developments") during November and December 2012 that relates to the development and implementation of its new US enterprise resources planning system which is a key enabler for delivering its strategic objectives by creating an integrated platform that allows process and system standardisation across its businesses. NGUSA has experienced operational difficulties and other system conversion challenges that significantly exceeded its expectations with consequential impacts including but not limited to payroll processing errors and delays that resulted in reputational damage and harm and delays in the production of US financial reporting.

In addition, during the process of its preparation and issuance of the financial statements of NGNA and its subsidiaries, including NGUSA, as of and for the year ended 31 March 2013, NGNA determined the existence of a material weakness in internal controls over financial reporting relating to the closing processes used to ensure the completeness and accuracy of these statements. Management has commenced a programme to address the issues raised and strengthen its internal control over financial reporting.

NGUSA's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing US entity and financial covenants such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict NGUSA's ability to draw upon its facilities or access the capital markets. The impact of any of these events could adversely impact the results of operation of NGUSA.

New or revised accounting standards, rules and interpretations.

The implementation of new accounting standards or changes in accounting standards or Generally Accepted Accounting Principles which may require adjustments to financial statements, could have significant adverse effects on NGUSA's reported financial results.

NGUSA's operating results may fluctuate on a seasonal and quarterly basis.

NGUSA's public utility subsidiaries are seasonal businesses and are subject to weather conditions and related market issues. In particular, NGUSA receives most of its gas distribution revenues in the third and fourth quarters of its fiscal year, when demand for gas increases due to colder weather conditions. As a result, NGUSA is subject to seasonal variations in working capital because it purchases gas supplies for storage in the first and second quarters and must finance these purchases. Accordingly, NGUSA's results of operations for its gas distribution business fluctuate substantially on a seasonal basis. In addition, portions of NGUSA's 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 degree days, for example, could have a substantial effect. As a result, fluctuations in weather and competitive supply between years may have a significant effect on NGUSA's results of operations for these businesses; both gas and electric.

Customers and counterparties to NGUSA's transactions may fail to perform their obligations, which could harm the Issuer's results of operations and loss of substantial revenue if discontinued.

NGUSA's subsidiary operations are exposed to the risk that customers and counterparties to NGUSA's transactions that owe money, commodities or supplies to NGUSA will not perform their obligations. For example, NGUSA's downstate New York subsidiaries derive a substantial portion of revenues in the electric services segment from one customer, the Long Island Power Authority ("LIPA") pursuant to a series of agreements with LIPA that will require NGUSA's subsidiary to manage LIPA's transmission and distribution system until 31 December 2013 and supply a significant portion of LIPA's customers' electricity needs until April 2025. Should the counterparties to arrangements with NGUSA fail to perform, NGUSA might be forced to enter into alternative hedging arrangements or honour its underlying commitment at then-current market prices that may exceed NGUSA's contractual prices. In such event, NGUSA might incur additional losses to the extent of amounts, if any, already paid to counterparties. This risk is most significant where NGUSA's energy delivery businesses have concentrations of receivables from gas and electric utilities and their affiliates, as well as industrial customers, energy marketers, customers and other purchasers that are unable to pay as a result of increasing commodity costs throughout the northeast of the United States.

Prolonged disruptions of our business operations due to work stoppages or strikes could adversely affect NGUSA's business.

Most of NGUSA's operations workforces are covered by various collective bargaining agreements, which affect its labour costs. NGUSA believes that it has satisfactory relations with the various unions. However, NGUSA cannot assure that it will reach a new agreement with the union on satisfactory terms when the collective bargaining agreement expires. Nor can NGUSA assure you that it would reach a new agreement without work stoppages, strikes or similar industrial actions. If industrial actions substantially obstructed our operations for an extended period, NGUSA's business and results of operations would suffer material harm. Disruptions of the business operations, strikes or similar measures at customer's or supplier's sites could also have a material adverse impact on NGUSA's business and results of operations.

Factors that may affect NGNA's ability to fulfil its obligations under Instruments issued under the Programme

NGNA as a vehicle for acquisition financing is dependent upon receipt of funds from subsidiaries to fulfil its obligations under the Instruments

NGNA's only business is to act as a vehicle for acquisition financing for its ultimate parent company National Grid plc, in the US through intercompany lending arrangements. NGNA's debt, primarily in the form of intercompany loans from National Grid plc and other UK affiliates, are paid back in a variety of ways including through dividend payments from NGUSA, intercompany facilities with its US subsidiaries, and external borrowings. As discussed herein, NGNA, as a holding company, does not conduct any business other than through its US subsidiaries and is dependent on dividends or distributions from its US subsidiaries to provide the funds necessary to meet its debt and contractual obligations. The US subsidiaries' legal authority to pay dividends or make other distributions to NGUSA is subject to regulation by the various state regulatory authorities in the US. None of these subsidiaries are currently prohibited from paying a dividend.

NGNA is therefore dependent upon receipt of funds from its subsidiaries in order to fulfil its obligations under the Instruments. The obligations of NGNA under the Instruments are therefore structurally subordinated to any liabilities of NGNA's subsidiaries.

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

NGNA is subject to certain covenants and restrictions in relation to its debt securities and its bank lending facilities and those of its subsidiaries. NGNA is also subject to restrictions on financing that have been imposed by state and federal regulators. These restrictions may hinder it in servicing the financial requirements of its current businesses or the financing of newly acquired or developing businesses. For the portion of NGNA's debt or the debt of its subsidiaries, that is rated by credit rating agencies, it can provide no assurances that the ratings or outlook on such debt securities will not be reduced or otherwise be negatively changed. Changes to these ratings or outlook may affect both NGNA's and its subsidiaries' borrowing capacity and the cost of those borrowings. The effective rate of tax NGNA pays may be influenced by a number of factors including changes in law and accounting standards, the results of which could increase that rate.

NGNA's businesses are partly financed through debt and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from NGNA's assets. Accordingly, NGNA's businesses may rely on access to short-term commercial paper and money markets as a source of short-term financing and longer-term bank and capital markets as a source of long-term financing. The global financial markets are currently experiencing extreme volatility. A shortage of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes are putting pressure and, in certain cases, placing downward pressure on share prices and credit availability for companies. If NGNA's businesses are not able to access capital at competitive rates, their ability to finance their operations and implement NGNA's strategy will be adversely affected.

NGUSA launched a programme during November and December 2012 that relates to the development and implementation of its new US enterprise resources planning system which is a key enabler for delivering its strategic objectives by creating an integrated platform that allows process and system standardisation across its businesses. NGUSA has experienced operational difficulties and other system conversion challenges that significantly exceeded its expectations with consequential impacts including but not limited to payroll processing errors and delays that resulted in reputational damage and harm and delays in the production of US financial reporting.

In addition, during the process of its preparation and issuance of the financial statements of NGNA and its subsidiaries, including NGUSA, as of and for the year ended 31 March 2013, NGNA determined the existence of a material weakness in internal controls over financial reporting relating to the closing processes used to ensure the completeness and accuracy of these statements. Management has commenced a programme to address the issues raised and strengthen its internal control over financial reporting.

NGUSA's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing US entity and financial covenants such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of our debt and may restrict NGUSA's ability to draw upon its facilities or access the capital markets. The impact of any of these events could adversely impact the results of operations of NGUSA and therefore of NGNA.

Factors which are material for the purpose of assessing the market risks associated with Instruments issued under the Programme

Risks related to the structure of a particular issue of Instruments

A range of Instruments may be issued under the Programme. Certain of these Instruments may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Instruments subject to optional redemption by the relevant Issuer

An optional redemption feature is likely to limit the market value of Instruments. During any period when the relevant Issuer may elect to redeem Instruments, the market value of those Instruments generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Such Issuer may be expected to redeem Instruments when its cost of borrowing is lower than the interest rate on the Instruments. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Instruments

Fixed/Floating Rate Instruments may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Instruments since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If such Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Instruments may be less favourable than the prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If such Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Instruments.

Instruments issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Instruments generally

Set out below is a brief description of material risks relating to the Instruments generally:

Modification, waiver and substitution

The Terms and Conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders, agree to (a) any modification of any of the provisions of the Trust Deed (as defined herein) that is of a formal, minor or technical nature or is made to correct a manifest error, (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders or (c) the substitution of another company as principal debtor under any Instruments in place of the relevant Issuer, in the circumstances described in Condition 10.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Instruments, there is no assurance that this would not adversely affect investors in the Instruments. It is possible that prior to the maturity of the Instruments the United Kingdom may become a participating Member State and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Instruments denominated in Sterling may become payable in Euro (ii) the law may allow or require such Instruments to be re-denominated into Euro and additional measures to be taken in respect of such Instruments; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Instruments or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Instruments.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each European Union Member State is required to provide to the tax authorities of another European Union Member State details of payments of interest or other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident or certain limited types of entities established in that other European Union Member State. However, for a transitional period, Luxembourg and Austria will instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest (or similar income) may request that no tax be withheld). The ending of this transitional period is dependent upon the conclusion of certain other agreements relating to the information exchange with certain other countries. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and territories have adopted similar measures to the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. If a payment to an individual in respect of an Instrument were to be made or collected through a European Union Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be

withheld from that payment pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Instrument as a result of the imposition of such withholding tax. However, the relevant Issuer is required, to the extent it is able to do so, to maintain a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000.

Payments made on or with respect to Instruments may be subject to U.S. FATCA withholding tax

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 and the Treasury Regulations issued thereunder (“**FATCA**”) impose a withholding tax of 30 per cent. on certain U.S. source payments, such as interest on the Instruments, and gross proceeds from the sale of certain assets that give rise to U.S. source payments, such as the Instruments. The withholding tax may be imposed on payments on the Instruments to any recipient (including an intermediary) that has not (a) entered into an information-reporting agreement with the IRS, or (b) otherwise established an exemption from FATCA withholding, which may require the provision of certain information requested by us or any relevant intermediary. FATCA withholding should not be required with respect to payments on the Instruments made on or before 30 June 2014. Neither a holder nor a beneficial owner of Instruments will be entitled to any additional amounts in the event such withholding tax is imposed.

Change of law

The Terms and Conditions of the Instruments are based on English law in effect as at the date of issue of the relevant Instruments. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Instruments and any such change could materially adversely impact the value of any investments affected by it.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Instruments that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Instruments.

The Clearing Systems

The Global Certificates may be held by or on behalf of Euroclear Bank and Clearstream, Luxembourg and consequently investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer.

Instruments may be represented by one or more Global Certificates. Such Global Certificates may be deposited with the Common Depository for Euroclear and Clearstream, Luxembourg, or, in the case of an instrument held under the NSS, to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global

Certificates. While the Instruments are represented by one or more Global Certificates, investors will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Instruments are represented by one or more Global Certificates, the relevant Issuer will discharge its payment obligations under such Instruments by making payments to the Common Depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in Instruments represented by a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Instruments. Such Issuer has no responsibility or liability for the records relating to, or payments made in respect of Global Certificates.

Holders of Instruments represented by a Global Certificate will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Instruments in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Instruments, (ii) the Investor's Currency equivalent value of the principal payable on the Instruments and (iii) the Investor's Currency equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer to make payments in respect of the Instruments. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Instruments involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Instrument this will adversely affect the value of Fixed Rate Instruments.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to a relevant Issuer or an issue of Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such a rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement, action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to credit rating agencies and ratings will be disclosed in the relevant Final Terms.

TERMS AND CONDITIONS OF THE INSTRUMENTS

*The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on the Certificates relating to the Instruments. All capitalised terms which are not defined in these terms and conditions will have the meanings given to them in the Trust Deed or Part A of the relevant Final Terms. Those definitions will be endorsed on the Certificates. References in these terms and conditions to “**Instruments**” (as defined below) are to the Instruments of one Series only of the relevant Issuer (as defined below), not to all Instruments that may be issued under the Programme. In the case of PSM Instruments issued under the Programme, references to the Final Terms in these Conditions shall be construed as references to the Pricing Supplement.*

National Grid USA (“**NGUSA**”) and National Grid North America Inc. (“**NGNA**”) have established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to Euro 4,000,000,000 in aggregate principal amount of debt instruments (the “**Instruments**”). References in these conditions to the “**Issuer**” shall be to NGUSA or NGNA. The Instruments are constituted by an amended and restated Trust Deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated 20 December 2013 between each of the Issuers and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Instrumentholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed which includes the form of the Certificates. An amended and restated Agency Agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 20 December 2012 has been entered into in relation to the Instruments between the Issuers, the Trustee, The Bank of New York Mellon as initial issuing and paying agent, The Bank of New York Mellon (Luxembourg) S.A. as the registrar and the other agent(s) named in it. The issuing and paying agent, the paying agent(s), the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection by prior appointment during usual business hours at the registered office of the Trustee (as at 20 December 2013 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

1 Form, Denomination and Title

The Instruments are issued in registered form in the Specified Denomination(s) specified in the relevant Final Terms and are serially numbered. Instruments of one Specified Denomination are not exchangeable for Instruments of another Specified Denomination.

This Instrument is a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument, or a combination of any of the preceding kinds of Instruments, depending upon the Interest and Redemption Basis specified in the relevant Final Terms.

Instruments are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 17(a), each Certificate shall represent the entire holding of Instruments by the same holder. Certificates will initially be represented by a Temporary Global Certificate. Beneficial interests in a Temporary Global Certificate will be exchangeable for a Permanent Global Certificate not earlier than 40 days after the issue date upon certification of non-U.S. beneficial ownership.

Title to the Instruments shall pass by registration in the register (the “**Register**”) that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Paying Agents shall be entitled to treat the holder (as defined below) of any Instrument as the absolute owner of that

Instrument, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and shall not be required to obtain any proof of ownership as to the identity of the holder.

In these Conditions, “**Instrumentholder**” and “**holder**” means the person in whose name an Instrument is registered and capitalised terms have the meanings given to them herein, the absence of any such meaning indicating that such term is not applicable to the Instruments.

2 Status and Negative Pledge

2.1 Status

The Instruments constitute direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Instruments shall, subject to such exceptions as are from time to time applicable under the laws of England, rank equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Issuer.

2.2 Negative Pledge

So long as any Instrument remains outstanding (as defined in the Trust Deed) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer’s obligations under the Instruments and the Trust Deed (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Instrumentholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Instrumentholders.

For the purposes of these Conditions, “**Relevant Indebtedness**” means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are intended, with the agreement of the Issuer, to be quoted, listed or ordinarily dealt in on any stock exchange.

3 Interest

3.1 Interest on Fixed Rate Instruments

Each Fixed Rate Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, payable in arrear on each Interest Payment Date. The amount of Interest payable shall be determined in accordance with Condition 3.4.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount, or, if applicable, the Broken Amount so specified and in the case of a Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

3.2 Interest on Floating Rate Instruments

3.2.1 Interest Payment Dates

Each Floating Rate Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to

the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of Interest payable shall be determined in accordance with Condition 3.4. Such Interest Payment Date(s) is/are either specified in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown on this Instrument as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

3.2.2 Business Day Convention

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (a) the Floating Rate Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (b) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (c) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in that event such date shall be brought forward to the immediately preceding Business Day or (d) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

3.2.3 Rate of Interest for Floating Rate Instruments

The Rate of Interest in respect of Floating Rate Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified on this Instrument.

- (a) ISDA Determination for Floating Rate Instruments: Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (a), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate which would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (a), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

- (b) Screen Rate Determination for Floating Rate Instruments:
- (i) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of

Interest for each Interest Accrual Period will, subject as provided below, be either:

- (x) the offered quotation; or
- (y) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (ii) if the Relevant Screen Page is not available or if, sub-paragraph (i)(x) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (i)(y) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (iii) if paragraph (ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in

the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (c) Linear Interpolation: Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

3.3 Zero Coupon Instruments

Where an Instrument, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Instrument. As from the Maturity Date, the Rate of Interest for any overdue principal of such an Instrument shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 4.4.1(b)).

3.4 Accrual of Interest

Interest shall cease to accrue on each Instrument on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 6).

3.5 Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 3.2.3(b) above, by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency which is available as legal tender in the country of such currency.

3.6 Calculations

The amount of interest payable per Calculation Amount in respect of any Instrument for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount as specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Instrument for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

3.7 Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts

The Calculation Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, or any Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Instrumentholders, any other Calculation Agent appointed in respect of the Instruments that is to make a further calculation upon receipt of such information and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases,

the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3.2.3(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Instruments become due and payable under Condition 8, the accrued interest and the Rate of Interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

3.8 Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the preceding provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

3.9 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

- (a) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (b) in the case of Euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**); and/or
- (c) in the case of a currency and/or one or more Business Centres as specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency or, if no currency is indicated, generally in each of the Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Instrument for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the **"Calculation Period"**):

- (a) if **"Actual/Actual"** or **"Actual/Actual-ISDA"** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if **"Actual/365 (Fixed)"** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

- (c) if “**Actual/360**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

- (e) if “**30E/360**” or “**Eurobond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

- (f) if “**30E/360 (ISDA)**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30; and

(g) if “**Actual/Actual-ICMA**” is specified in the relevant Final Terms:

(i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Determination Period and (y) the number of Determination Periods in any year; and

(ii) if the Calculation Period is longer than one Determination Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (a) the actual number of days in such Determination Period and (b) the number of Determination Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (a) the actual number of days in such Determination Period and (b) the number of Determination Periods in any year,

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

“**Euro-zone**” means the region comprising of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each

successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (a) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Instruments, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (b) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the relevant Final Terms.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (a) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (b) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (c) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

“ISDA Definitions” means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.

“Rate of Interest” means the rate of interest payable from time to time in respect of this Instrument and that is either specified on, or calculated in accordance with the provisions of, the relevant Final Terms.

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of the relevant Final Terms.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent.

“Reference Rate” means the rate specified as such in the relevant Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

“Specified Currency” means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Instruments are denominated.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor to it.

3.10 Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Instrument is outstanding. Where more than one Calculation Agent is appointed in respect of the Instruments, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) which is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as specified in this paragraph.

4 Redemption, Purchase and Options

4.1 Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, this Instrument will be redeemed at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) on the Maturity Date specified in the relevant Final Terms.

4.2 Redemption for Taxation Reasons

If, on the occasion of the next payment in respect of the Instruments the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that it would be unable to make such payment without having to pay additional amounts as described in Condition 6, and such requirement to pay such additional amounts arises by reason of a change in the laws of the United States of America or any political sub-division of the United States of America or any authority in or of the United States of America having power to tax or in the interpretation or application of the laws of the United States of America or any political sub-division of the United States of America or any authority in or of the United States of America having power to tax or in any applicable double taxation treaty or convention, which change becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments, and such requirement cannot be avoided by the Issuer taking reasonable measures (such measures not involving any material additional payments by, or expense for, the Issuer), the Issuer may, at its option, at any time, having given not less than 30 nor more than 45 days' notice to the Instrumentholders in accordance with Condition 13, redeem all, but not some only, of the Instruments at their Early Redemption Amount together with interest accrued to the date of redemption provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or make

such withholding or deduction, as the case may be, were a payment in respect of the Instruments then due. Prior to the publication of any notice of redemption pursuant to this Condition 4.2, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the requirement referred to above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in which event it shall be conclusive and binding on Instrumentholders

4.3 Purchases

The Issuer and any of its Subsidiaries may at any time purchase Instruments in the open market or otherwise at any price.

“**Subsidiary**” means any corporation a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Issuer.

4.4 Early Redemption

4.4.1 Zero Coupon Instruments

- (a) The Early Redemption Amount payable in respect of any Zero Coupon Instrument upon redemption of such Instrument pursuant to Condition 4.2 or upon it becoming due and payable as provided in Condition 8 shall be the Amortised Face Amount (calculated as provided below) of such Instrument.
- (b) Subject to the provisions of sub-paragraph (c) below, the Amortised Face Amount of any such Instrument shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Instruments if they were discounted back to their issue price on the Issue Date) compounded annually.
- (c) If the Early Redemption Amount payable in respect of any such Instrument upon its redemption pursuant to Condition 4.2 or, if applicable, Condition 4.5 or upon it becoming due and payable as provided in Condition 8, is not paid when due, the Early Redemption Amount due and payable in respect of such Instrument shall be the Amortised Face Amount of such Instrument as defined in sub-paragraph (b) above, except that such sub-paragraph shall have effect as though the reference in that sub-paragraph to the date on which the Instrument becomes due and payable was replaced by a reference to the Relevant Date as defined in Condition 6. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date together with any interest that may accrue in accordance with Condition 3.2.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the relevant Final Terms.

4.4.2 Other Instruments

The Early Redemption Amount payable in respect of any Instrument (other than Instruments described in Condition 4.4.1), upon redemption of such Instrument pursuant to this Condition 4.4 or upon it becoming due and payable as provided in Condition 8, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

4.5 Redemption at the Option of the Issuer and Exercise of Issuer's Options

- 4.5.1 If (i) Residual Holding Call Option is specified in the relevant Final Terms, and (ii) if at any time the Residual Holding Percentage or more of the aggregate nominal amount of Instruments originally issued shall have been redeemed or purchased and cancelled, the Issuer shall have the option to redeem such outstanding Instruments in whole, but not in part, at their Residual Holding Redemption Amount. Unless otherwise specified in the relevant Final Terms, the Residual Holding Redemption Amount will be calculated by the Calculation Agent by discounting the outstanding nominal amount of the Instruments and the remaining interest payments (if applicable) to the Maturity Date by a rate per annum (expressed as a percentage to the nearest one hundred thousandth of a percentage point (with halves being rounded up)) equal to the Benchmark Yield, being the yield on the Benchmark Security at the close of business on the third Business Day prior to the date fixed for such redemption, plus the Benchmark Spread. Where the specified calculation is to be made for a period of less than one year, it shall be calculated using the Benchmark Day Count Fraction. The Issuer will give not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders and the Trustee of any such redemption pursuant to this Condition 4.5.1.
- 4.5.2 If Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Instruments shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of the Issuer's option, the notice to Instrumentholders shall also specify the nominal amount of Instruments drawn and the holder(s) of such Instruments, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.

4.6 Redemption at the Option of Instrumentholders

If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of any Instrumentholder, upon such Instrumentholder giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Instrument on the Optional Redemption Date(s) (as specified in the relevant Final Terms) at its Optional Redemption Amount (as specified in the Final Terms) together with interest accrued to the date fixed for redemption.

To exercise such option (which must be exercised on an Option Exercise Date) the holder must deposit the Certificate representing the Instrument(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Instrumentholders' Option Period (as specified in the Final Terms). No Instrument so

deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

4.7 Cancellation

All Instruments redeemed pursuant to any of the foregoing provisions will be cancelled forthwith. All Instruments purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer be held by or may be surrendered for cancellation, but may not be resold and when held by the Issuer or any of its Subsidiaries shall not entitle the holder to vote at any meeting of Instrumentholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Instrumentholders or for the purposes of Condition 10. Instruments may be surrendered for cancellation by surrendering the Certificate representing such Instruments to the Registrar and, in each case, if so surrendered, shall, together with all Instruments redeemed by the Issuer, be cancelled forthwith.

5 Payments

5.1 Payments in respect of Instruments

Payments of principal in respect of Instruments shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

Interest on Instruments shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Instrument shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Instrument at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

5.2 Payments subject to Fiscal Laws etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 6. No commission or expenses shall be charged to the Instrumentholders in respect of such payments.

5.3 Appointment of Agents

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (a) an Issuing and Paying Agent, (b) a Paying Agent having its specified office in a major European city, (c) a Calculation Agent where the Conditions so require one, (d) so long as the Instruments are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent having a specified office in such place as may be required by the rules and regulations of any other relevant stock exchange or other relevant authority, (e) to the extent that the Issuer is able to do so and not provided for by the foregoing provisions of this Condition 5.3, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing, or

introduced in order to conform to any such Directive and (f) a Registrar and a Transfer Agent. As used in these Conditions, the terms “**Issuing and Paying Agent**”, “**Calculation Agent**”, “**Registrar**”, “**Transfer Agent**” and “**Paying Agent**” include any additional or replacement Issuing and Paying Agent, Calculation Agent, Registrar, Transfer Agent or Paying Agent appointed under this Condition.

Notice of any such change or any change of any specified office shall promptly be given to the Instrumentholders in accordance with Condition 13.

5.4 Non-business days

If any date for payment in respect of any Instrument is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as “Financial Centres” in the relevant Final Terms and:

- 5.4.1 (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- 5.4.2 (in the case of a payment in Euro) which is a TARGET Business Day.

6 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Instruments will be made without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United States of America or any political subdivision of the United States of America or any authority in or of the United States of America having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer will pay such additional amounts of principal and interest as will result in the payment to the Instrumentholders of the amounts which would otherwise have been receivable in respect of the Instruments had no withholding or deduction been made, except that no such additional amounts shall be payable in respect of any Instrument (or the Certificate representing it) presented for payment:

- (a) by or on behalf of, a person who is liable to such taxes or duties in respect of such Instrument (or the Certificate representing such Instrument) by reason of his having some connection with the United States of America other than the mere holding of such Instrument (or the Certificate representing such Instrument); or
- (b) by or on behalf of a person who would not be liable or subject to such deduction or withholding by making a declaration of non-residence or other claim for exemption to a tax authority; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting the same (or in respect of which the Certificate representing it is presented) for payment on such 30th day; or
- (d) by a holder which is or was a controlled foreign corporation, personal holding company or passive foreign investment company with respect to the United States or a corporation that accumulates earnings to avoid United States federal income tax; or
- (e) if such tax is an estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment, or governance charge; or

- (f) by or on behalf of a holder which is or has been a “10 per cent. shareholder” of the obligor of the Instruments as defined in Section 871(h)(3) of the United States Internal Revenue Code of 1986 (the “Code”) or any successor provisions; or
- (g) by or on behalf of a holder who would have been able to avoid such withholding or deduction by satisfying any statutory or procedural requirements (including, without limitation, the provision of information on a United States Internal Revenue Service Form W-8 or Form W-9 (or a successor form)) including any requirements imposed by Sections 1471 to 1474 (inclusive) of the Code, any United States Treasury Regulations or other guidance thereunder, any successor, substitute or similar legislation or law, or any law implementing an intergovernmental approach thereto; or
- (h) in the case of any combination of items (a) to (g) above.

As used in these Conditions, “**Relevant Date**” in respect of any Instrument means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Instrumentholders in accordance with Condition 13 that, upon further presentation of the Instrument being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (a) “**principal**” shall be deemed to include any premium payable in respect of the Instruments, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 4 or any amendment or supplement to it, (b) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 or any amendment or supplement to it and (c) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

7 Prescription

Claims against the Issuer for payment in respect of the Instruments shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

8 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer at its registered office that the Instruments are, and they shall accordingly immediately become due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment:

(a) Non-Payment

there is default for more than 30 days in the payment of any principal or interest due in respect of the Instruments; or

(b) Breach of Other Obligations

there is default in the performance or observance by the Issuer of any other obligation or provision under the Trust Deed or the Instruments (other than any obligation for the payment of any principal or interest in respect of the Instruments) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 90 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) Cross-Acceleration

if (i) any other present or future Relevant Indebtedness of the Issuer or a Principal Subsidiary becomes due and payable prior to its stated maturity by reason of any actual event of default or (ii) any amount in respect of such Relevant Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the Relevant Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$100,000,000 for the period up to and including 31 March 2017 and, thereafter, U.S.\$200,000,000 or

(d) Winding-up

a resolution is passed, or a final order of a court in the United States of America is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer be wound up or dissolved; or

(e) Enforcement Proceedings

attachment is made of the whole or substantially the whole of the assets or undertakings of the Issuer and such attachment is not released or cancelled within 90 days or an encumbrancer takes possession or an administrative or other receiver or similar officer is appointed of the whole or substantially the whole of the assets or undertaking of the Issuer or an administration or similar order is made in relation to the Issuer and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or

(f) Insolvency

the Issuer ceases to carry on all or substantially all of its business or is unable to pay its debts; or

(g) Bankruptcy

the Issuer is adjudged bankrupt or insolvent by a court of competent jurisdiction in the United States of America,

provided that in the case of paragraph (b) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Instrumentholders.

For the purposes of this Condition 8, "**Principal Subsidiary**" means KeySpan Corporation, KeySpan Energy Delivery New York, KeySpan Energy Delivery Long Island, Niagara Mohawk Power Corporation, Massachusetts Electric Company, the Narragansett Electric Company and New England Power Company, and includes any successor entity thereto or any member of the group of companies comprising NGUSA or NGNA and each of their subsidiaries (the "**Group**") to which all or substantially all of the assets of a Principal Subsidiary are transferred. In the event that all or substantially all of the assets of a Principal Subsidiary are transferred to a member of the Group as described above, the transferor of such assets shall cease to be deemed to be a Principal Subsidiary for the purposes of this Condition.

9 Enforcement

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Instruments or under the Trust Deed, but shall not be bound to do so unless:

- (a) it has been so directed by an Extraordinary Resolution or in writing by the holders of at least one-quarter of the principal amount of the Instruments outstanding; and
- (b) it has been indemnified to its satisfaction.

No Instrumentholder shall be entitled to institute proceedings directly against the Issuer unless the Trustee, having become bound to proceed as specified above, fails to do so within a reasonable time and such failure is continuing.

10 Meetings of Instrumentholders, Modifications and Substitution

10.1 Meetings of Instrumentholders

The Trust Deed contains provisions for convening meetings of Instrumentholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. An Extraordinary Resolution duly passed at any such meeting shall be binding on Instrumentholders (whether or not they were present at the meeting at which such resolution was passed) except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Instruments or any date for payment of interest on the Instruments, (b) to reduce or cancel the nominal amount of or any premium payable on redemption of the Instruments, (c) to reduce the rate or rates of interest in respect of the Instruments or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Instruments, (d) if a Minimum and/or a Maximum Rate of Interest is shown on the face of the Instrument, to reduce any such Minimum and/or Maximum Rate of Interest, (e) to vary any method of calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (f) to take any steps that as specified in this Instrument may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, and (g) to modify the provisions concerning the quorum required at any meeting of Instrumentholders or the majority required to pass the Extraordinary Resolution will only be binding if passed at a meeting of the Instrumentholders (or at any adjournment of that meeting) at which a special quorum (as defined in the Trust Deed) is present. A resolution in writing signed by the holders of not less than 95 per cent. in nominal amount of the Instruments will be binding on all Instrumentholders. The Issuer may convene a meeting of the holders of any or all Instruments issued pursuant to the Agency Agreement and not forming a single series with the Instruments to which meeting the provisions referred to above apply as if all such Instruments formed part of the same series, provided that the proposals to be considered at such meeting affect the rights of the holders of the Instruments of each series attending the meeting in identical respects (save insofar as the Conditions applicable to each such series are not identical).

10.2 Modification of the Trust Deed

The Trustee may agree, without the consent of the Instrumentholders to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders. Any such modification, authorisation or waiver shall be binding on the Instrumentholders and, if the Trustee so requires, such modification shall be notified to the Instrumentholders as soon as practicable.

10.3 Substitution

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Instrumentholders, to the substitution of any other company in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed and the Instruments. In the case of such a substitution the Trustee may agree, without the consent of the Instrumentholders, to a change of the law governing the Instruments and/or the Trust Deed

provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Instrumentholders.

10.4 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Instrumentholders as a class and shall not have regard to the consequences of such exercise for individual Instrumentholders and the Trustee shall not be entitled to require, nor shall any Instrumentholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Instrumentholders.

11 Replacement of Certificates

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, listing authority and stock exchange regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Instrumentholders, in each case on payment by the claimant of the fees and costs incurred in connection with that replacement and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Further Issues

The Issuer may from time to time without the consent of the Instrumentholders create and issue further instruments having the same terms and conditions as the Instruments and so that such further issue shall be consolidated and form a single series with such Instruments.

References in these Conditions to the Instruments include (unless the context requires otherwise) any other instruments issued pursuant to this Condition and forming a single series with the Instruments. Any such further instruments forming a single series with Instruments constituted by the Trust Deed or any deed supplemental to it shall, and any other instruments may (with the consent of the Trustee), be constituted by the Trust Deed.

The Trust Deed contains provisions for convening a single meeting of the Instrumentholders and the holders of instruments of other series if the Trustee so decides.

13 Notices

Notices to the Instrumentholders shall be mailed to them at their respective addresses shown in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

14 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including but not limited to provisions relieving it from any obligation to (a) appoint an independent financial adviser and (b) take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any

other securities issued by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Instruments under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

16.1 Governing Law

The Instruments and any non-contractual obligations arising out of or in connection with the Instruments are governed by, and shall be construed in accordance with, English law.

16.2 Jurisdiction

The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”), arising from or connected with the Instruments. The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary. Nothing in this Condition 16 prevents the Trustee or any Instrumentholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Instrumentholders may take concurrent Proceedings in any number of jurisdictions.

16.3 Process Agent

The Issuer has irrevocably appointed National Grid plc at its registered office for the time being, currently at 1-3 Strand, London WC2N 5EH as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

17 Transfers of Instruments

(a) Transfers of Instruments

One or more Instruments may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Instruments to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Instruments represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Instruments and entries on the Register will be made subject to the detailed regulations concerning transfers of Instruments scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Instrumentholder upon request.

(b) Exercise of Options or Partial Redemption

In the case of an exercise of an Issuer’s or Instrumentholders’ option in respect of, or a partial redemption of, a holding of Instruments represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the

holding not redeemed. In the case of a partial exercise of an option resulting in Instruments of the same holding having different terms, separate Certificates shall be issued in respect of those Instruments of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Instruments to a person who is already a holder of Instruments, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 17(a) or (b) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 17(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Transfers Free of Charge

Transfers of Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) Closed Periods

No Instrumentholder may require the transfer of an Instrument to be registered (i) during the period of 15 days ending on the due date for redemption of that Instrument, (ii) during the period of 15 days prior to any date on which Instruments may be called for redemption by the Issuer at its option pursuant to Condition 4.5, (iii) after any such Instrument has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

1 Initial Issue of Instruments

If the Global Certificates are to be held under the NSS, the Global Certificates will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. On each issue of Instruments, the relevant Issuer shall confirm to the Issuing and Paying Agent and to the clearing systems whether or not the Global Certificate the Global Certificate(s) are to be held under the NSS and whether or not the Global Certificate(s) are intended to be held in a manner which would allow recognition as eligible collateral for Eurosystem monetary policy and intra-day credit operations and if the relevant Global Certificate is to be deposited with one of the ICSDs as Common Safekeeper and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper. Depositing the Global Certificates with the Common Safekeeper does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to the Common Depositary.

Upon the registration of the Instruments in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary or Common Safekeeper (as the case may be), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Instruments equal to the nominal amount of those Instruments for which it has subscribed and paid. Instruments which are initially deposited with the Common Depositary or Common Safekeeper (as the case may be) may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Instruments that are initially deposited with another clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of an Instrument represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the underlying Instruments, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the underlying Instruments , in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Certificates

Each Temporary Global Certificate will be exchangeable for interests in a Permanent Global Certificate, free of charge to the holder, on or after the day falling after the expiry of the 40 days

after the relevant issue date, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

3.2 Global Certificates

The following will apply in respect of transfers of Instruments held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Instruments within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Instruments may be withdrawn from the relevant clearing system.

Transfers of the holding of Instruments represented by any Global Certificate pursuant to Condition 17(a) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3(i) above, the holder has given the Registrar not less than 30 days' notice at its specified office of the holder's intention to effect such transfer.

4 Amendment to Conditions

Each Global Certificate will contain provisions that apply to the Instruments which they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

If the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Instruments recorded in the records of the relevant clearing system and represented by the Global Certificate will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

All payments in respect of Instruments represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (i.e. the "**Record Date**"), where Clearing System Business Day means Monday to Friday (inclusive) except 25 December and 1 January.

4.2 Meetings

The holder of Instruments represented by a Global Certificate shall (unless such Global Certificate represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments for which it may be exchanged in accordance with its terms.

4.3 Issuer's Option

In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of accountholders with a clearing system or Approved

Intermediary in respect of the Instruments will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.4 Instrumentholders' Options

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a Global Certificate may be exercised by the holder of the Global Certificate giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent. Where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Instruments recorded in those records will be reduced accordingly.

4.5 Trustee's Powers

In considering the interests of Instrumentholders while any Instruments represented by a Global Certificate are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Instruments and may consider such interests as if such accountholders were the holders of the Instruments represented by such Global Certificate.

4.6 Events of Default

Each Global Certificate provides that the Trustee, at its discretion, may, and if so requested by holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall cause such Global Certificate to become due and repayable in the circumstances described in Condition 8 by stating in the notice to the relevant Issuer the principal amount of such Instruments represented by the Global Certificate which is or are becoming due and repayable. If principal in respect of any Instrument is not paid when due, only the Trustee may enforce the rights of the Instrumentholders against such Issuer under the terms of the Trust Deed unless the Trustee, having become bound to proceed, fails to do so within a reasonable time and such failure is continuing.

4.7 Notices

So long as any Instruments are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Certificate.

USE OF PROCEEDS

The net proceeds of the issue of each Series of Instruments will be used by the relevant Issuer for its general corporate purposes.

DESCRIPTION OF NATIONAL GRID USA

Overview and Organisational Structure

National Grid USA (“**NGUSA**”) is an indirect wholly-owned U.S. subsidiary of National Grid plc, a London-based international network utility with principal activities in the regulated electric and gas industries in both the UK and the northeastern region of the United States. NGUSA is a U.S. public utility holding company of various U.S. energy delivery subsidiaries that own and operate regulated energy delivery networks comprising the transmission and distribution of electricity and transportation and distribution of natural gas and sale of both to residential and commercial customers located in portions of New York and New England. NGUSA, through its subsidiaries and their predecessors, has been serving various portions of New York and New England since the mid-1800s. In addition, NGUSA also owns and operates electric generating facilities and has interests in electricity interconnectors in the United States.

NGUSA’s assets primarily consist of shares of the U.S. public utility companies acquired, over time, pursuant to several merger and acquisition transactions. NGUSA, as a holding company, does not conduct any business other than through its U.S. subsidiaries and is dependent on dividends or distributions from its U.S. subsidiaries.

National Grid USA was incorporated in the State of Delaware on 10 December 1998 under the General Corporation Laws of the State of Delaware with file number 2977161. The address of NGUSA is 40 Sylvan Road, Waltham, MA 02451 and its telephone number is +1-781-907-1000.

As used in this section of the Prospectus, unless the context requires otherwise, references to “NGUSA” shall mean National Grid USA and its principal public utility subsidiaries as appropriate in the context of the disclosure.

Principal Activities and Markets

US Regulated Business

NGUSA’s regulated businesses are:

- Electricity transmission;
- Gas distribution;
- Electricity distribution; and
- Electricity generation.

US Non-regulated Business

- LNG storage;
- LNG road transportation; and
- Equity investment – Electric Transmission and natural gas pipelines.

NGUSA’s principal public utility subsidiaries are as follows:

- The Brooklyn Union Gas Company (“**Brooklyn Union**”) doing business as National Grid NY formerly known as KEDNY - New York;
- KeySpan Gas East Corporation (“**Gas East**”) (formerly known as KEDLI) - New York;
- Colonial Gas Company (“**Colonial Gas**”) – New England;

- Boston Gas Company (“**Boston Gas**”) – New England and;
- Niagara Mohawk Power Corporation (“**NMPC**”) – New York;
- New England Power Company (“**NEP**”) – New England;
- Massachusetts Electric Company (“**MECO**”) – Massachusetts;
- The Narragansett Electric Company (“**Narragansett**”) – Rhode Island
- Nantucket Electric Company (“**NEC**”) – Massachusetts
- New England Electric Transmission Corporation (“**NEET**”) – Massachusetts and New Hampshire;
- New England Hydro-Transmission Corporation (“**N.H. Hydro**”) – New Hampshire; and
- New England Hydro-Transmission Electric Company, Inc. (“**Mass. Hydro**”) – Massachusetts.

As at 1 November 2010, Boston Gas and Essex Gas were consolidated into Boston Gas as the sole surviving entity

In order for NGUSA to meet its current and expected business requirements and operational needs it (i) owns in fee or leases office buildings that comprise its principal U.S. business for its businesses located in upstate and downstate New York and New England, and (ii) owns property in fee or holds necessary property rights to operate its energy delivery networks pursuant to franchise agreements, municipal grants and/or consents, easements, or long-term leases and licenses. As at 31 March 2013, NGUSA’s primary operating offices consist of office space owned in upstate New York Office located in Syracuse, New York and leased office space located in Brooklyn, New York and Waltham, Massachusetts totalling 53,000 square metres (570,000 sq ft) with remaining lease terms of 12 to 17 years.

Strategy and Company Objectives

NGUSA completed the reorganisation and restructuring of its US operations in September 2011 transforming its lines of business model to a regional model to create a closer alignment of its business operations with the local needs of its customers and acknowledging its regulatory jurisdictions. NGUSA recognised the need to balance local needs with its objectives of achieving greater efficiency and where possible, pursue opportunities to obtain costs savings through centralising activities, where possible. The regional model as implemented by NGUSA. included the appointment of regional ‘presidents’ in New York, Massachusetts, New Hampshire and Rhode Island alongside presidents responsible for its electric delivery business on Long Island, and a separate president responsible for its federally regulated business. Each president is accountable for delivering safe efficient, reliable and cost effective services to customers and regulators in their respective local jurisdictions.

NGUSA strategy includes the following:

- aligning its end-to-end processes to customer needs and working to strengthen its relationship with the communities NGUSA serves;
- improving its financial performance through new rate filings and actions to increase the efficiency of NGUSA’s operations;
- increasing safety and reliability; and
- re-engaging its people and taking action to improve its employee engagement index.

In order to deliver the strategy above, NGUSA implemented a three year US strategy named “Elevate 2015”, that focuses on safety and reliability, customer responsiveness, stewardship and cost competitiveness, with performance measures that are tracked and reported monthly, with the aim of

ensuring that operational excellence is a hallmark of NGUSA's processes and culture. As part of a corporate wide initiative, NGUSA developed and implemented a programme referred to as the US foundations programme during November and December 2012. To modernise its integrated information system networks to enable improvements, greater operational efficiencies and cost savings involved the development and implementation of a new US enterprise resource planning system. This integrated multiple information systems and improved control processes has the objective of delivering a single financial system, a single cost allocation methodology and enhanced jurisdictional and functional reporting.

Business Activities and Description

Overview

Energy Delivery in the north eastern United States

In the north eastern United States, electricity supply is transported either directly from generators or independent suppliers into local electricity distribution networks or via electricity transmission networks similar to the ones owned and operated by NGUSA, while natural gas is obtained from importation terminals, natural gas producers or independent suppliers transported on natural gas transmission pipelines and then transported through local natural gas distribution networks referred to as local distribution companies ("**LDC**") such as those owned and operated by NGUSA. There are more than 25 companies and organisations that own or operate energy delivery infrastructure in the north eastern United States, including NGUSA, Consolidated Edison, NSTAR, Iberdrola and Northeast Utilities.

Over the last several years, the utility industry has undergone significant change as market forces moved towards replacing or supplementing rate regulation through the introduction of competition regarding the supply of electricity and natural gas commodity to public utility customers. In most states in the north eastern United States, including those states where NGUSA owns and operates energy delivery networks, customers are able to purchase their energy commodities either from the local public utilities (i.e. providers of last resort (POLR)) or through independent energy suppliers or marketers participating in regulatory sanctioned state "customer retail choice" or "retail unbundling" type programs. NGUSA has taken a leadership position by advocating a well managed energy delivery system as the key to enabling robust, competitive electricity markets that offer customers choice, savings and other benefits and supports regulatory approved retail choice initiatives/unbundling programmes. However, while a number of larger commercial customers have chosen to receive their energy commodity needs from independent energy suppliers, the majority of residential and small commercial customers still purchase their energy commodity from NGUSA as the designated POLR under the applicable state public service laws regulating public utilities. If a customer opts to purchase energy commodities from an independent energy supplier, those suppliers are then responsible for sourcing that energy commodity from electricity generators or from natural gas extractors or importer as appropriate, as well as arranging for energy to be delivered through physical energy delivery networks such as those owned and operated by a regulated public utility (for example, NGUSA) in the service territory.

In light of the renewed interest in public policy debate about restructuring the electricity industry in the U.S., state regulators continue to strongly support current recovery of power supply costs. NGUSA continues to collaborate with regulators, policy makers, and customers to advance the development of the competitive electricity marketplace. In the U.S., there is a desire to tackle the issues around climate change and security of supply. The development of smart grid technologies is expected to enable more efficient use of the transmission and distribution grid, lower line losses, greater use of renewables and to provide information to utilities and their customers that will lead to greater investment in transmission, energy efficiency and reduced peak load demands.

Principal Operations

NGUSA owns, operates and maintains regulated electricity and gas infrastructure (i.e. energy delivery networks) located in the north eastern U.S. serving around 3.4 million electricity and 3.5 million gas customers. NGUSA's infrastructure consists of electricity transmission, electric distribution, and natural gas distribution facilities located in New York, Massachusetts, Rhode Island, Vermont and New Hampshire. NGUSA's operation of its energy delivery networks within its assigned service territory within each state is authorised, operated and governed by a mixture of statutory authority, legislative charters, tariff provisions and municipal grants and agreements (for example, franchise agreements) all of which allow NGUSA to locate and operate its businesses within and across public ways including right-of-way corridors for its distribution network within privately owned land acquired in fee or by grants of perpetual easements and transmission and sub-transmission substation networks principally located on properties that are owned in fee.

As described above, the supply of electricity and gas is competitive in that consumers can choose their energy supplier. NGUSA's energy delivery networks, however, are generally considered natural monopolies in their designated local service territories as, for the majority of customers, there are no alternative methods of receiving electricity and natural gas. As such, NGUSA's utility operations are subject to various state and federal regulatory agencies charged with the responsibility to oversee NGUSA's utility service to ensure that its utility customers are charged just and reasonable rates for utility services provided.

NGUSA does not own any electricity distribution networks located in downstate New York (i.e., New York City or Long Island) but it is currently responsible for maintaining and operating the electricity transmission and distribution system on Long Island, that is owned by LIPA under an existing Management Services Agreement ("MSA") expiring on 31 December 2013. Preparation for the handover of activities associated with the MSA with LIPA on Long Island to Public Service Electric & Gas (PSEG) of New Jersey (PSE&G), appointed by LIPA as successor to NGUSA, continues and NGUSA expects to complete what is a significant transition of all major operating activities on schedule at the end of December 2013.

Electricity Transmission

- NMPC - Bundled electricity transmission and distribution services and operations in upstate New York; and
- NEP - New England principally through NEP.

Electricity transmission and distribution networks, including the ones NGUSA owns and operates, are members of regional transmission organisations or independent system operators (i.e., "RTO" or "ISO") that have the responsibility for balancing electricity supply and demand to maintain reliability of the transmission network. NGUSA is a member of the New England and New York ISOs which are responsible for (i) operating organised wholesale markets for energy, operating reserves and capacity, (ii) maintaining the operating reliability of the New England and New York transmission networks, (iii) co-ordinating the activities of the transmission owners, and (iv) managing transparent transmission expansion planning processes.

NGUSA purchases electricity through the New York ISO and New England ISO day-ahead and spot markets for transmission and distribution to those customers that are purchasing energy commodity from NGUSA. NGUSA also supplements its ISO purchases with electricity purchased under various bilateral power purchase contracts directly with generators.

As of 31 March 2013, NGUSA owns and operates an electricity transmission network of approximately 14,000 kilometres (8,700 miles) that spans upstate New York, Massachusetts, Rhode Island, New

Hampshire and Vermont located within rights-of-way corridors that traverse both public and private property consisting. In addition, it owns and operates 224 kilometres (139 miles) of transmission interconnector between New England and Canada.

Electricity Distribution

- NMPC - Upstate New York;
- MECO - New England; and
- Narragansett and NEC – New England and Rhode Island.

NGUSA's electricity distribution networks owned and operated in upstate New York through NMPC, Massachusetts through MECO and NEC and Rhode Island through Narragansett, provide energy delivery services to customers that include domestic homes and small and large commercial and industrial enterprises. As at 31 March 2013, NGUSA's electricity distribution networks, serve approximately 3.4 million electricity consumers in New England and upstate New York.

Natural Gas Distribution

- NMPC – LDC for the central and eastern portion of upstate New York;
- Brooklyn Union and Gas East – LDC for downstate New York and Long Island;
- Narragansett – LDC for Rhode Island; and
- Boston Gas and Colonial Gas – LDC for Massachusetts.

LDCs owned and operated by NGUSA are each responsible for balancing natural gas supply with demand within their respective distribution areas. They purchase natural gas under long and short-term firm contracts, as well as on the spot market for its customers from domestic and Canadian supply basin gas producers and gas transporters and then transport this natural gas under long term contracts with interstate pipeline companies on the independent FERC regulated interstate pipeline system and then into state regulated utilities' natural gas distribution networks owned and operated by the LDCs for delivery to customers. The local natural gas distribution companies receive natural gas from the interstate pipeline system at various city gate stations owned and operated by NGUSA's LDCs. The interstate pipeline system and local natural gas distribution networks are also used to deliver natural gas on behalf of customers who have purchased natural gas from independent suppliers or direct from natural gas producers. In addition, the LDCs manage gas assets such as natural gas transportation and storage capacity to ensure that commodity supply is adequate for delivery to customers. The LDCs also may elect to supplement gas from the interstate pipeline system with LNG and propane facilities in a number of locations where it is cost effective to do so.

The majority of natural gas supplied to customers in the United States is still sold by NGUSA's LDCs (i.e. as a POLR) which is also responsible for transportation and delivery of natural gas to customers located within the LDCs service distribution territory.

Long Island Power Authority (“LIPA”) - Distribution and Generation

In December 2011, LIPA, a corporate municipal instrumentality and a political subdivision of the State of New York, announced that NGUSA had not been selected to continue to manage and operate LIPA's electricity delivery system beyond the term of the current MSA which expires on 31 December 2013. Handover of the current LIPA MSA to Public Service Electric and Gas continues and NGUSA's involvement in the contract is scheduled to end by 31 December 2013. Transition of certain administrative and general support functions will be governed by a transition support arrangement that is

currently under review and consideration by LIPA, NGUSA and the new system operator, Public Service Electric & Gas of New Jersey.

NGUSA owns 57 electricity generation units on Long Island that together currently provide 3.7 GW of power to LIPA under the PSA. The amount of power under contract to LIPA was reduced from 4.1 GW to 3.7 GW when two power plants were removed from service as of 1 June 2012. The generation plants consist of oil and gas fired steam turbine, gas turbine and diesel driven generating units. Any available power not needed to meet LIPA's load servicing requirements is made available for sale in the open market.

NGUSA has been supplying electricity to communities and businesses across Long Island since 1998 under the Power Supply Agreement (the "PSA") which was set to expire in May 2013. On 2 October 2012, NGUSA announced that it had reached an agreement with LIPA to modify and extend the existing PSA for at least another 12 years subject to LIPA's option to terminate the agreement as early as April 2025 with two years advance notice. The terms of that agreement were filed with FERC and were approved in an Order dated 23 May 2013. As approved, the amended and rested PSA agreement provides for a return on equity of 9.75 per cent., a 50 per cent. equity portion in the assumed capital structure, and would give NGUSA and LIPA new options for updating and modernising the power plants through retiring, or "repowering," existing facilities while reducing energy costs and improving environmental performance

US Non-regulated Businesses

LNG Facilities

NGUSA operates three liquefied natural gas ("LNG") storage facilities in Dorchester, Salem, and Lynn, Massachusetts. These facilities provide NGUSA's gas operation with a local store of gas which can be vaporised into NGUSA's natural gas distribution system to supplement pipeline gas in periods of high demand. NGUSA owns the Dorchester facility and the real property at the Salem and Lynn facilities. The Salem and Lynn facilities are operated under a long-term lease arrangement that is due to expire in 2014. In addition, NGUSA owns propane air facilities at various locations throughout its service territory.

Interconnection Facilities

NEET, in which the NGUSA holds 100 per cent. of the common stock, owns and operates the first phase of the Hydro-Quebec and New England interconnection (the "Interconnection"), consisting of six miles of high-voltage direct current transmission line and related facilities in New Hampshire. N.H. Hydro, in which NGUSA holds 54 per cent. of the common stock, owns and operates 121 miles of high-voltage direct current transmission line in New Hampshire for the second phase of the Interconnection, extending to the Massachusetts border. Mass. Hydro, in which NGUSA holds 54 per cent. of the common stock, owns and operates an alternating current/direct current terminal and related facilities for the second phase of the Interconnection and 12 miles of high-voltage direct current transmission line in Massachusetts. These facilities are made available to customers under the New England ISO's Open Access Transmission Tariff, and are subject to New England ISO operational control.

Investments

NGUSA invests and participates in the development of natural gas pipelines and currently has a 26.25 per cent. interest in the Millennium Pipeline Company LLC and a 20.4 per cent. interest in the Iroquois Gas Transmission System and owns a minority interest in three regional nuclear generating companies Yankee Atomic Electric Company, Connecticut Yankee Atomic Power Company and Maine Yankee Atomic Power Company whose facilities have been permanently retired and physical decommissioning of the units is complete.

US Divestiture

The business divestiture activities described below are part of NGUSA's ongoing programme to focus the business primarily on its core regulated gas and electricity transmission business and electric and gas transportation and delivery operations and related activities. Where an individual business is not expected to exhibit the range of characteristics within a reasonable timeframe, or where value offered for a business is higher than the value placed on it, then the sale of a business will be considered.

Regulatory Environment

Overview

In the US, NGUSA's public utilities' retail transactions are regulated by state utility commissions, which include the New York Public Service Commission ("**NYPSC**") for NMPC, Brooklyn Gas, and Gas East, the Massachusetts Department of Public Utilities ("**MADPU**") for MECO and NEC and the Rhode Island Public Utilities Commission ("**RIPUC**") for Narragansett. Prior to their divestiture, both the Granite State and Energy North businesses were regulated by the New Hampshire Public Utilities Commission. Utility commissions serve as economic regulators in approving cost recovery and authorised rates of return. The state commissions establish the retail rates to recover the cost of transmission and distribution services, and focus on services and costs within their respective jurisdictions. The FERC regulates the wholesale utility transactions of public utilities, such as interstate transmission and electricity generation, and provides for the cost recovery of these services.

Utility commissions are also charged with serving the public interest by ensuring utilities provide safe and reliable service at just and reasonable prices. They establish service standards and approve mergers and acquisitions of public utilities. FERC also regulates public utility holding companies and centralised service companies, including those of NGUSA.

As discussed earlier, except for residential and small commercial consumers in Rhode Island, NGUSA's customers in all the other states in which NGUSA operates have deregulated the commodity or supply component of electricity and gas utility services. Customers in deregulated states have the option to purchase electricity or gas services from competitive or independent suppliers. (See "Business Activities and Description – Overview").

The Rate Case

Utilities in the U.S. submit a formal rate filing requesting a revenue adjustment in a proceeding known as a rate case. The rate case process is conducted in a litigated setting in the states in which NGUSA operates, and it can take six to 13 months for the state commission to render a final decision. In all states, the utility is required to prove that its requested rate change is prudent and reasonable. At FERC there is no defined process for adjudicating a rate case. FERC allows rates to be put in place before a final decision is reached, however, a refund may be required if the outcome is unfavourable. The utility may request a rate plan that can span multiple years. Even in such cases where a multi-year plan has been approved, once the plan expires, rates typically remain in effect until a request is made to change them.

During the rate case process, consumer advocates and other intervening parties scrutinise and often file opposing positions to the utility's rate request. The rate case decision reflects a weighing of the facts in light of the regulator's policy objectives. During a rate case, the utility, consumer advocates and intervening parties may agree on the resolution of aspects of a case and file a negotiated settlement with a commission for approval.

Gas and electricity rates are established from a revenue requirement or cost of service, representing the utility's total cost of providing distribution or delivery service to its customers. It includes operating expenses, depreciation, taxes and a fair and reasonable return on certain components of the utility's regulated asset base, typically referred to as its rate base. The rate of return applied to the rate base is the utility's weighted average cost of capital, representing its cost of debt and an allowed return on equity

("RoE") intended to provide the utility with an opportunity to attract capital from investors and maintain its financial integrity. The total cost of service is apportioned among different customer classes and categories of service to establish the rates, through a process called rate design, for these classes of customers. The final costs of service and rate design are ultimately approved in the rate case decision.

The revenue requirement is derived from a comprehensive study of the utility's total costs during a recent 12 month period of operations, referred to as a test year. Each commission has its own rules and standards for adjustments to the test year which are intended to arrive at the total costs expected in the first year new rates will be in effect, or the rate year, and may include forecasted capital investments in determining rate year rate base. Often, known and measurable adjustments are made to test year data to reflect normal operating conditions. In Massachusetts, only limited adjustments to this test year are allowed, which are required to be both known and measurable. New York and Rhode Island allow more comprehensive adjustments to the test year.

NGUSA's Rate Plans

After the sale of the New Hampshire businesses, NGUSA has four sets of electricity and seven sets of gas rates covering its electricity distribution operations in upstate New York, Massachusetts, Rhode Island, and its gas distribution networks in upstate New York, Brooklyn and Long Island (New York), Massachusetts and Rhode Island. Distribution and transmission electricity services in upstate New York continue to be subject to a bundled or combined rate that is billed to end use customers. In New England, retail transmission rates reflect the recovery from NGUSA's end use customers of wholesale transmission charges assessed to NGUSA's electricity distribution companies. Wholesale rates for NGUSA electricity transmission network in New England and New York for its Long Island generation business are subject to FERC approval.

NGUSA's rate plans are designed to produce a specific allowed RoE, by reference to an allowed operating expense level and rate base. Some rate plans include earned savings mechanisms that allow NGUSA to retain a proportion of the savings it achieves through improving efficiency, with the balance benefiting customers. NGUSA measures the performance of its regulated businesses by comparing achieved RoE to allowed RoE with a target that the achieved should be equal to or above the allowed. There are a number of factors that may prevent NGUSA from achieving the target RoE including but not limited to the following:

- Regulatory Lag - in the years following the rate year, costs may increase due to inflation or other factors. If the cost increases cannot be offset by productivity gains, the total cost to deliver will be higher as a proportion of revenue and therefore achieved RoE will be lowered.
- Cost disallowances - a cost disallowance is a decision by the regulator that a certain expense should not be recovered in rates from customers. The regulator may do this for a variety of reasons. NGUSA can respond to some disallowances by choosing not to incur those costs, others may be unavoidable. As a result, unless offsetting cost reductions can be found, the achieved RoE will be lowered.
- Market Conditions - if a utility files a new rate case, the new allowed RoE may be below the current allowed RoE as financial market conditions may have changed. As such, a utility that appears to be underperforming the allowed RoE and files a new rate case may not succeed in increasing revenues.

Under most rate plans, to the extent that NGUSA earns a RoE in excess of the allowed return, the excess earnings are shared with customers by a specified ratio. Performance under certain rate plans is subject to service performance type targets (e.g. service quality standards including among other things reliability levels, customer satisfaction levels and safety etc.) that vary among NGUSA's various rate

plans. Many of these service standards have penalties associated with them if certain specified minimum standards are not met. Features of NGUSA's rate plans

NGUSA is responsible for billing its customers for their use of electricity and gas services. Customer bills typically comprise a commodity charge, covering the cost of the electricity or gas delivered, and charges covering NGUSA's transportation and delivery service. Depending on the state, delivery rates are either based upon actual sales volumes and costs incurred in an historical test year, or on estimates of sales volumes and costs, and in both cases may differ from actual amounts. A substantial proportion of NGUSA's businesses costs, in particular electricity and gas purchases for supply to customers, are pass-through costs, meaning they are fully recoverable from its customers. NGUSA's charges to customers are designed to recover these costs with no profit. Rates are adjusted from time to time to ensure any over- or under-recovery of these costs is returned to, or recovered from, its customers. There can be timing differences between costs being incurred and rates being adjusted.

Revenue for NGUSA's wholesale transmission business in New England and New York is collected from wholesale transmission customers, who are typically other utilities and include NGUSA's own New England electricity distribution businesses. With the exception of upstate New York, which continues to combine retail transmission and distribution rates to end use customers, these wholesale transmission costs are incurred by distribution utilities on behalf of their customers and are fully recovered as a pass-through from end use customers as approved by each state commission.

NGUSA derives revenue in its electric services segment on Long Island from the compensation it receives in accordance with the express terms of the MSA for managing LIPA's transmission and distribution system. In addition, NGUSA's Long Island generation plants sell capacity to LIPA under the PSA which is approved by FERC and provides a similar economic effect to cost of service rate regulation.

Regulatory filings

The objectives of NGUSA's rate case filings are to ensure that the NGUSA's businesses have the right cost of service with the ability to earn a fair and reasonable rate of return, while providing safe and reliable service to its customers. In order to achieve these objectives and to reduce regulatory lag, NGUSA has been requesting structural changes, such as revenue decoupling mechanisms, capital trackers, commodity related bad debt true ups, and pension and OPEB true ups, separately from base rates. These terms are explained below.

The charts below show a summary of NGUSA's current rate plans and the progress that businesses have made on these regulatory principles (excluding New Hampshire). NGUSA continues to work towards implementing these regulatory principles across its U.S. business.

Summary of Rate Plans as at 31 March 2013

Rate plan		2010	2011	2012	2013	2014	2015	Rate base (31 Mar 2013)	Equity to debt ratio	Allowed return on equity	Achieved return on equity (31 Dec 2012)	Revenue decoupling†	Capital tracker‡	Commodity related bad debt true ups	Pension/ OPEB true up§
New York Public Service Commission	Niagara Mohawk ⁽ⁱ⁾ (upstate, electricity)							\$3,971m	48 : 52	9.30%	8.7%	✓	X	P	✓
	Niagara Mohawk (upstate, gas)							\$923m	48 : 52	9.30%	5.3%	✓	X	P	✓
	KEDNY (downstate) ⁽ⁱⁱ⁾							\$2,132m	48 : 52	9.40%	11.0%	P	P	P	✓
	KEDLI (downstate) ^(iv)							\$1,902m	45 : 55	9.80%	7.2%	P	P	P	✓
Massachusetts Department of Public Utilities	Massachusetts Electric/ Nantucket Electric							\$1,747m	50 : 50	10.35%	8.3%	✓	P	✓	✓
	Boston Gas Essex Gas							\$1,119m	50 : 50	9.75%	11.6%	✓	P	✓	✓
	Colonial Gas							\$254m	50 : 50	9.75%	14.6%	✓	P	✓	✓
Rhode Island Public Utilities Commission	Narragansett Electric							\$552m	49 : 51	9.50%	6.4%	✓	✓	P	✓
	Narragansett Gas							\$411m	49 : 51	9.50%	5.1%	✓	✓	P	✓
Federal Energy Regulatory Commission	Narragansett							\$527m	50 : 50	11.14%	11.6%	N/A	✓	N/A	✓
	Canadian Interconnector							\$37m	40 : 60	13.00%	13.0%	N/A	✓	N/A	✓
	New England Power							\$1,006m	65 : 35	11.14%	11.6%	N/A	✓	N/A	✓
	Long Island Generation ⁽ⁱⁱⁱ⁾							\$464m	50 : 50	9.75%	13.6%	N/A	✓	N/A	✓

- (i) Both transmission and distribution, excluding stranded costs.
(ii) KeySpan Energy Delivery New York (The Brooklyn Union Gas Company).
(iii) KEDNY and Long Island Generation equity to debt ratio and allowed ROE reflect proposed agreements detailed on page 174.
(iv) KeySpan Energy Delivery Long Island (KeySpan Gas East Corporation).

- Rate filing made
 New rates effective
 Rate plan ends
 Rates continue indefinitely
 Feature in place
 Feature not in current rate plan
 Feature partially in place

†Revenue decoupling

A mechanism that removes the link between a utility's revenue and sales volume so that the utility is indifferent to changes in usage. Revenues are reconciled to a revenue target, with differences billed or credited to customers. Allows the utility to support energy efficiency.

‡Capital tracker

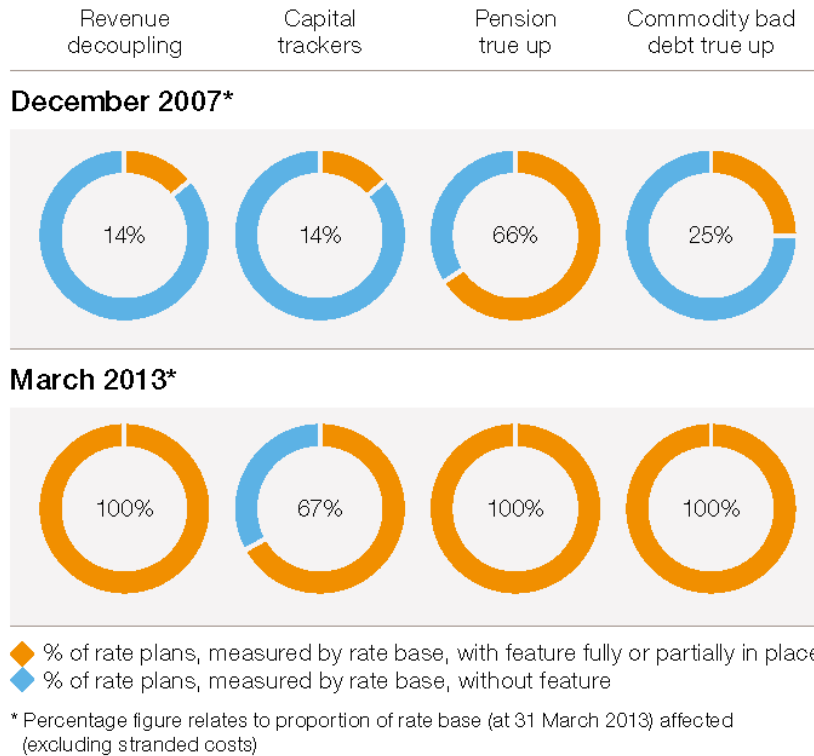
A mechanism that allows for the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.

§Commodity related bad debt true up

A mechanism that allows a utility to reconcile commodity related bad debt to either actual commodity related bad debt or to a specified commodity related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.

¶Pension/OPEB true up

A mechanism that reconciles the actual non capitalised costs of pension and OPEB and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case.



Although many of NGUSA's rate plans feature revenue decoupling, in some cases decoupling applies only to some classes of customer. As a result, the proportion of revenues which are decoupled is 92 per cent. for NGUSA's electricity businesses and 64 per cent. for its gas businesses for fiscal year 2012/13. Transmission and generation revenue is effectively decoupled.

Upstate New York 2012 Rate Filing

On 27 April 2012, NGUSA filed a rate plan filing for its upstate New York electricity and gas businesses. On 31 October 2012, NGUSA filed a term sheet reflecting the provisions of a proposed three year settlement agreement in respect of new rates. The NYPSC issued the final written order on 15 March 2013.

The new rate plan provides an increase in electricity delivery revenue of U.S.\$43.4 million, U.S.\$51.4 million, and U.S.\$28.3 million for rate years one to three respectively. For the gas operations, the rate plan provides a decrease in delivery revenue of U.S.\$3.3 million in rate year one and an increase of U.S.\$5.9 million and U.S.\$6.3 million in rate years two and three respectively. The revenue requirements for Niagara Mohawk's electricity and gas businesses are based on a ROE of 9.3 per cent., which includes a stay out premium for the three year term, and a capital structure that includes a 48 per cent. common equity component. The final agreement also includes annual reconciliation mechanisms for certain non-controllable costs. New rates became effective on 1 April 2013.

Downstate New York rate plan extension

In November 2012, Brooklyn Union and the staff of the NYPSC entered into confidential discussions around the potential for extending and updating aspects of the five year rate agreement which ended on 31 December 2012.

NGUSA and the Department of Public Service Staff filed a term sheet with the NYPSC on 15 January 2013 and a Joint Proposal formalising the settlement was filed on 22 February 2013. At an open session meeting conducted on 13 June 2013, the NYPSC approved a two year rate settlement for NGUSA's

Brooklyn Union gas utility business. The new rate plan, as approved, reflects the Joint Proposal settlement filed with the Commission in February, which extends and modifies elements of the original Brooklyn Union five year rate plan. The rate plan would apply from the end of the previous five year rate plan set to expire on 31 December 2012. The plan includes a 9.4 per cent. RoE in each of the two years 2013 and 2014, with a 48 per cent. equity structure, which is financially equivalent to the terms of the original five year rate plan (9.8 per cent. RoE and 45 per cent. equity structure). Under the plan, 80 per cent. of any earnings over 9.4 per cent. will be allocated to fund recovery of prior environmental deferrals with the remaining 20 per cent. being retained by Brooklyn Union. The plan also includes an increase in capital expenditure allowances to approximately U.S.\$320 million in 2013 and U.S.\$294 million in 2014 as compared with the original rate plan capital allowances of U.S.\$155.4 million per year. The plan proposes updates to various customer service and other performance metrics. Under rate plan there is no material impact expected on the delivery rates for customers or Brooklyn Union's revenues over the period of the approved rate plan.

Rhode Island 2012 rate filing and appeal of ruling in 2009 rate filing

On 27 April 2012, NGUSA filed a new rate plan for Narragansett, its Rhode Island electricity and gas businesses, to take effect from 1 February 2013. At an open meeting on 20 December 2012, RIPUC approved the rate case settlement.

The new rate plans include a 9.5 per cent. allowed RoE, a 49 per cent. equity portion in the assumed capital structure, pension trackers and increased operating cost allowances compared with the current rate plans. The new rate plans provide for a revenue increase of U.S.\$20.9 million for electricity operations and U.S.\$10.9 million for gas operations. RIPUC also provided for an annual property tax recovery mechanism included in Narragansett's annual capital programme that more closely aligns rate recovery and costs related to property tax expenses. A written order was issued by RIPUC on 31 January 2013 and new rates when into effect as of 1 February 2013.

Recent Developments

US foundation programme

NGUSA has continued work on its US foundation programme throughout 2013. The programme relates to the development and implementation of a new US enterprise resource planning system, which went live during November and December 2012. The successful delivery of this programme is seen as a key enabler for delivering NGUSA's strategic objectives in the US, by creating an integrated platform that allows process and system standardisation across NGUSA's activities. The new system replaced two legacy and a number of ancillary systems and will support business processes for finance, human resources, supply chain and certain elements of NGUSA's operational systems such as fleet and inventory management.

As with many system implementations of this magnitude and complexity, NGUSA expected some degree of difficulty in the months following the programme going live, however in practice NGUSA experienced operational difficulties that significantly exceeded its expectations. The most substantial of the issues encountered related to NGUSA's payroll processing, where it experienced a number of errors in employee pay and delays in providing employees with their statutory tax statements. NGUSA implemented an extensive stabilisation programme to identify and resolve or mitigate these payroll issues and by 31 December 2012 they were substantively resolved. These and other system conversion difficulties and their consequential impacts have delayed production of financial reporting for NGUSA and its subsidiaries. As a result, NGUSA have sought extensions of time relating to the filing of certain financial reports and other related regulatory filings from its US regulators from some finance providers and other parties requiring financial statements from some of NGUSA's operating subsidiary companies.

In response, NGUSA has implemented an extensive stabilisation programme to identify, monitor and track issues and will diligently continue in its efforts resolve such difficulties and issues as they arise with external assistance and support, where needed.

Material Weakness – Internal controls

During the process of its preparation and issuance of the financial statements of NGNA and its subsidiaries, including NGUSA, as of and for the year ended 31 March 2013, NGNA determined the existence of a material weakness in internal controls over financial reporting relating to the closing processes used to ensure the completeness and accuracy of these statements. Management has commenced a programme to address the issues raised and strengthen its internal control over financial reporting.

FERC 204 Short Term Borrowing Application Denial

Previously NGUSA has, on behalf of certain of its subsidiaries and affiliates that qualify as public utilities under the Federal Power Act (“FPA”), filed with FERC routine applications pursuant to Section 204 of the FPA to renew authorizations for these subsidiaries and affiliates to issue short-term debt in aggregate principal amounts not to exceed certain specified limits outstanding at any one time during an authorization period. A FERC order was issued in November 2011 granting NGUSA’s request through 30 November 2013. Due to on-going delays in the publication of required FERC financial statements as the result, in part, of USFP implementation impacts (referred to above), NGUSA was unable to make a fully compliant application for the customary two-year renewal of the FERC borrowing authorization under FPA Section 204. Accordingly, instead NGUSA filed with FERC a request that FERC extend the expiration date of the current borrowing authorization until 1 April 2014. On 29 November 2013, FERC issued an order denying NGUSA’s extension request. NGUSA implemented a contingency plan aimed at ensuring that each impacted public utility subsidiary would have sufficient cash resources pending a new short term borrowing authorization being secured. The contingency plan included the receipt of open account advances and/or capital contributions as authorized under the existing FERC borrowing authorization prior to its expiration on 30 November 2013. In the interim, NGUSA is proceeding with the work required to produce and publish the FERC financial statements necessary to file compliant applications at FERC requesting renewal of the short term borrowing authorizations. NGUSA intends to begin filing such short term borrowing renewal applications as soon as practicable in 2014.

New York State Site Investigation and Remediation Costs Proceeding

In February 2011, NYPSC instituted a New York State proceeding to review its site investigation and environmental remediation (SIR) expenditure policies. The proceeding directed New York State’s utilities to assist in developing the future scope of utility SIR programmes including cost containment, cost allocation and methods for minimising the impact on customers of SIR cost recovery. A Recommended Decision from the NYPSC administrative law judge (ALJ) was issued on 3 November 2011. In November 2012 the NYPSC issued an Order in this proceeding declining to adopt a generic policy requiring sharing or reallocation of SIR costs between utility customers and shareholders. However, the NYPSC retains the right to make this determination on a case by case basis and reserves the right to address such matters in customary utility rate making proceedings.

NGUSA Regulatory Audits

In February 2011, the NYPSC selected Overland Consulting, Inc., a management consulting firm, to perform a management audit of National Grid’s New York utilities’ affiliate cost allocations, policies and procedures. In January 2013, the NYPSC published Overland Consulting Inc.’s final report. The report included certain financial and non-financial findings and recommendations. Many of the non-financial recommendations have already been implemented and National Grid has presented a plan to the NYPSC to address the outstanding items. The NYPSC opened a separate proceeding relating to the financial findings to determine what, if any, ratemaking adjustments are appropriate. The Company does

not believe that the outcome of this matter will have a material impact on its financial position, results of operations, or cash flows.

In February 2013, the NYPSC initiated a comprehensive management and operational audit of NGUSA's New York gas businesses, including NMPC Brooklyn Union and Gas East, pursuant to the Public Service Law requirement that major electric and gas utilities undergo an audit every five years. On June 13, 2013, the NYPSC selected NorthStar Consulting Group to conduct the audit, which commenced in July 2013. The audit is currently ongoing and is expected to be concluded and a final report issued on or after April 2014. At this time NGUSA cannot predict the outcome of this management and operational audit.

On August 15, 2013, the NYPSC initiated a focused operations audit of the investor owned New York utilities, including NMPC, Gas East and Brooklyn Union. The purpose of the audit is to review the accuracy of electric interruption, gas safety, and customer service data reported to the NY PSC. An auditor is scheduled to be selected by the NYPSC in November 2013 with the audit commencing in December. At the present time, NGUSA cannot predict the outcome of this operations audit.

Massachusetts Storm Response Review

In January 2011, the MADPU opened an investigation into MECO and NEC's preparation and response to a December 2010 winter storm. The MADPU has the authority to issue fines not to exceed approximately U.S.\$0.3 million for each violation for each day that the violation persists. On 22 September 2011, the MADPU approved a settlement between MECO and the Attorney General that included a U.S.\$1.2 million refund to customers. The MADPU also investigated MECO and NEC's response to Tropical Storm Irene and the snow storm on 29 October 2011 in a consolidated proceeding. The maximum fine may not exceed U.S.\$20 million for any related series of violations for each storm. On 26 July 2012, the Attorney General recommended that the MADPU levy fines of approximately U.S.\$16 million against MECO related to its response to these two storm events. The docket associated with MECO's storm response is ongoing at the MADPU.

On December 11, 2012, the DPU issued an order in which it assessed the MECO a penalty of U.S.\$18.7 million associated with the MECO's performance in responding to these two weather events, consisting of U.S.\$8.1 million for Tropical Storm Irene and U.S.\$10.6 million for the October 2011 winter storm. MECO has appealed this ruling, however credited customers during March 2013 subject to recoupment of the amount of penalty, if any, vacated by the court pursuant to the MECO's appeal. In addition, in its order, the MADPU ordered a management audit of the MECO's emergency planning, outage management, and restoration. MECO cannot predict the outcome of the appeal or of the management audit at this time.

LIPA MSA and PSA Announcements

On 15 December 2011, LIPA's Board of Trustees announced that it has selected Public Service Electric and Gas Company ("**PSE&G**") as the new service provider to manage and operate LIPA's Long Island Transmission and Distribution ("**LI T&D**") system. PSE&G was selected over the Issuer which is currently managing and operating LI T&D system pursuant to the current Management Services Agreement (the "**MSA**"), which expires on 31 December 2013. The new agreement, known as the Operations Service Agreement ("**OSA**"), has received all requisite approvals from the New York State Comptroller and Attorney General, as well as a favourable ruling from the IRS on the impact on LIPA's tax exempt status. The 2011/12 operating profit contribution from the LIPA MSA, under International Financial Reporting Standards, represents less than one per cent. of the Issuer's operating profit and is not material to National Grid plc.

As previously noted, NGUSA also provides 3.7GW of power to LIPA under the PSA which was scheduled to expire in May of 2013. On 2 October 2012, and LIPA agreed to amend and restate their existing PSA for 15 years expiring on 30 April 2028 subject to LIPA's option to terminate the agreement

as early as 30 April 2025 upon two years' advance notice. The amended and restated PSA was filed on 22 March 2013 with the FERC which FERC approved in an order dated 23 May 2013.

The amended and restated PSA contains a pricing formula similar to the PSA, at rates approved by FERC. The amended and restated PSA resulted in a rate decrease of U.S.\$27.4 million annually compared with the 1998 PSA. The new agreement sets an RoE of 9.75 per cent. and a capital structure with an equity component of 50 per cent. The amended and restated PSA continues certain annual rate adjustments, such as pension and other postretirement benefit expenses, property tax true up, adjustments for new plant in service, and certain inflationary increases. The amended and restated PSA allows both parties a RoE reopener in contract years four to six and NGUSA a one time rate reopener after contract year six.

The amended and restated PSA also gives NGUSA and LIPA new options for updating and modernising the power plants through retiring, or repowering, existing facilities while reducing energy costs and improving environmental performance

Effects of 'Superstorm' Sandy

In late October 2012 'Superstorm' Sandy ("**Sandy**") hit the north eastern United States affecting power supply to Brooklyn Union and Gas East customers. Expenses associated with gas and electric customer restoration following Sandy are currently being evaluated and may impact operating profit for the year ending 31 March 2013. NGUSA intends to pursue recovery of all costs and expenses related to Sandy that are allowed under the existing rate plans, regulatory regimes and contractual arrangements with third parties.

Clean Line Energy Partners LLC Investment

In January 2013, NGUSA completed a U.S.\$40 million investment through a subsidiary into Clean Line Energy Partners LLC ("**Clean Line**"), an emerging leader in the development of long distance, high voltage direct current ("**HVDC**") transmission projects to move renewable energy to market. With this investment, NGUSA expects to support Clean Line to help advance several large-scale projects designed to connect the high quality wind energy resources in the U.S. to communities and cities that have a strong demand for low-cost, clean power. The investment in Clean Line is sourced from general corporate funds and is not subject to US regulatory remuneration. Under the terms of the transaction, NGUSA will have the ability to acquire a significant ownership stake in Clean Line's HVDC projects. The closing of the transaction is subject to regulatory approvals.

Federal and State Regulatory Policy Developments

In the US, many of the developments at a federal level have been through federal agency regulations and Presidential executive orders. NGUSA has supported some additional requirements, such as those of the Environmental Protection Agency (EPA) to implement new air and water quality regulations. NGUSA is also working with EPA to ensure that its Long Island power generation fleet complies with any new regulations and to remediate contaminated sites where NGUSA hold legacy liability

Congress is pursuing comprehensive legislation to address climate and energy policy, including global greenhouse gas emissions. While NGUSA cannot predict the outcome of U.S. Congressional deliberations, NGUSA is actively supporting these climate and energy policy initiatives which have been made policy priorities by NGUSA and National Grid plc. NGUSA will be closely monitoring energy policy developments should there be any definitive legislative developments or policy statements forthcoming from the current administration and/or the U.S. Congress

At a state level, energy policy continues to evolve in the northeastern US. This is driven by interest in promoting energy efficiency, maintaining reliability and deploying renewable technologies that help meet environmental and energy diversity goals.

NGUSA received approval of its U.S.\$43.6 million smart grid pilot programme in August 2012. The pilot will be conducted in the US city of Worcester, Massachusetts. It will test customer acceptance of new technology, ranging from new meters to devices on NGUSA's grid, to in-home devices that should help customers to save energy. Plans are under way to open a new sustainability hub that will provide customers with an opportunity to see new technology and find out more about environmental issues. In May 2012 NGUSA announced that it will participate in the Green Button initiative, a programme inspired by the White House's challenge to the energy industry. It is a joint effort among several utilities, technology companies and the federal government to help consumers save energy and money by providing access to standardised, routine, easy to understand data relating to their energy usage. NGUSA plans to offer Green Button to the 15,000 customers who will be included in the smart grid pilot in Worcester.

All of the states in which NGUSA operates have standards that meet or exceed EPA's regulations. In particular, the nine northeastern states that participate in the Regional Greenhouse Gas Initiative agreed to reduce power plant emissions and increase funding for energy efficiency and clean energy.

Environmental Regulation

The ongoing operations and historical activities of NGUSA's public utility subsidiaries are subject to various federal, state and local environmental laws and regulations. NGUSA's subsidiaries' businesses generate some hazardous and potentially hazardous waste and by-products. Under federal and state laws, potential liability for the historical contamination of property may be imposed on responsible parties jointly and severally, without fault, even if the activities were lawful when they occurred.

The federal Environmental Protection Agency ("EPA"), various state environmental protection agencies like the New York State Department of Environmental Conservation, the Massachusetts Department of Environmental Protection, as well as private entities have alleged that certain of NGUSA's subsidiaries are a potentially responsible party under state or federal law for a number of sites at which hazardous waste is alleged to have been released. NGUSA's public utility subsidiaries are generally responsible for on-site liabilities, and in some cases off-site liabilities, associated with the environmental condition of their current and former assets, regardless of when the liabilities arose and whether they were known or unknown. The most significant liabilities relate to former MGP facilities. As required by the EPA, or an applicable state environmental protection agency, those MGP sites and certain other properties are currently being investigated and remediated, as necessary. Some of NGUSA's utility subsidiaries have rate plans generally allowing for recovery of the costs of investigation and remediation of MGP sites.

NGUSA believes that the ongoing operations of the subsidiaries, and their approach to addressing conditions at historical sites, are in substantial compliance with all applicable environmental laws and that the obligations imposed on it because of the environmental laws will not have a material impact on its results of operations or financial position because environmental expenditures prudently incurred by NGUSA and its subsidiaries are generally recoverable from its customers through a rate recovery mechanism.

Litigation

Through the ordinary course of our operations, NGUSA and its subsidiaries are party to various litigation, claims and investigations. NGUSA does not expect the ultimate resolution of any of these proceedings to have a material adverse effect on our results of operations, cash flows or financial position.

Recent trends, uncertainties and demands

Save as disclosed under “Risk Factors – Factors that may affect NGUSA’s ability to fulfil its obligations under Instruments issued under the Programme”, “Regulatory Environment” and “Recent Developments”, NGUSA is not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its prospects for the current financial year.

Board of Directors

The Directors of NGUSA and their principal activities outside National Grid USA, are as follows:

Name	Title	Principal activities outside National Grid USA and the National Grid Group⁽¹⁾	Business Address
Tom King	Chairman, Director and President	Chairman of The Alliance to Save Energy; Board member of the Edison Electric Institute; and The Business Council of New York State, Inc.; co-chair of the National Utilities Diversity Council; and Trustee for the New England Aquarium	40 Sylvan Road Waltham, MA 02451, United States
John Donleavy	Chief Operating Officer and Executive Vice President	Board Member of the Snelling Centre; Advisory Board Member of Arcadian Networks; Leadership Council of Lafayette College; President of Lafayette Power Consulting, LLC	40 Sylvan Road Waltham, MA 02451, United States
Ronald T. Gerwatowski	Director and Sr. Vice President	None	40 Sylvan Road Waltham, MA 02451, United States
Lee Eckert	Director and Executive Vice President and Chief Financial Officer	None	40 Sylvan Road Waltham, MA 02451, United States
Colin Owyang	Director, Sr. Vice President General Counsel, Secretary and FERC Chief Compliance Officer	Board Member of New England Legal Foundation Boston Lawyers Group Boston Bar Association	40 Sylvan Road Waltham, MA 02451, United States
James Madej	Director and Sr. Vice President		One MetroTech Center, Brooklyn NY 11201
Marie Jordan	Director	None	40 Sylvan Road Waltham, MA 02451, United States
Roger Young	Director and Executive Vice President	None	40 Sylvan Road Waltham, MA 02451, United States

Note:

(1) The "National Grid Group" means National Grid plc and each of its subsidiary undertakings.

There are no potential conflicts of interest between the duties to National Grid USA of each of the Directors listed above and his or her private interests or other duties.

DESCRIPTION OF NATIONAL GRID NORTH AMERICA INC.

Overview and Organisational Structure

National Grid North America Inc. (“**NGNA**”) is an indirect, wholly-owned subsidiary of National Grid plc and the top holding company in National Grid plc’s corporate structure in the U.S. NGNA acts as a treasury, finance and holding company for National Grid plc in the U.S. While NGNA operates as a vehicle for acquisition financing for National Grid plc in the U.S. through intercompany lending arrangements, NGNA, National Grid USA and its subsidiaries have also regularly borrowed from related and unrelated third party lenders in the normal course of business in order to fund operations and settle obligations that become due on the basis of their individual published ratings from nationally recognised rating agencies in the United States.

NGNA owns all of the outstanding common stock of National Grid USA, a Delaware corporation and public utility holding company, headquartered in Waltham, Massachusetts, that primarily owns and operates, through various regulated subsidiaries, electric and natural gas transmission and distribution businesses in the north eastern United States. For additional information about National Grid USA, see “Description of National Grid USA.” Since its formation, NGNA has borrowed from National Grid plc and other UK affiliates to fund various acquisitions in the U.S. including, the acquisition of (i) Niagara Mohawk Power Corporation in 2002, (ii) the gas operations of Narragansett Electric Company in 2006, and (iii) KeySpan Corporation (“**KeySpan**”) in 2007. NGNA has also assumed intercompany debt obligations in connection with the acquisition of New England Electric System and Eastern Utilities Associates. NGNA has refinanced these debts with National Grid plc on several occasions.

NGNA was incorporated under the name “National Grid Holdings Inc.” in the State of Delaware on 16 May 2001 under the General Corporation Laws of the State of Delaware with file number 3392761. On 25 September 2012, National Grid Holdings Inc. changed its name to National Grid North America Inc. by filing an amended certificate of incorporation in the State of Delaware under the General Corporations Laws of the State of Delaware with the file number noted above. The address of NGNA is 40 Sylvan Road, Waltham, MA 02451 and its telephone number is +1-781-907-1000. The address of NGNA’s registered office in the State of Delaware is Corporation Service Company, 2711 Centerville Rd. Ste. 400, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

The Directors of NGNA and their principal activities outside of NGNA are as follows:

Name	Principal Occupation	Principal Activities outside NGNA
Colin Owyang	Director, Executive Vice President and Secretary	Executive Vice President of Regulation and U.S. General Counsel, and Director of National Grid USA and its various subsidiaries.

The sole Director does not have any potential conflicts of interest between his duties to National Grid North America Inc. and his or her private interests or other duties.

TAXATION

United States Taxation

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230 (“**CIRCULAR 230**”), HOLDERS OF INSTRUMENTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF INSTRUMENTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF INSTRUMENTS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986 (THE “**CODE**”); (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF INSTRUMENTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

This summary addresses only Instruments that will be treated as debt for U.S. federal tax purposes and does not address Instruments with special features such as a maturity of 30 years or more.

Under current U.S. federal income and estate tax law, and subject to the discussion of backup withholding and information reporting and FATCA withholding in the following sections:

- (a) Payments of principal, original issue discount (“**OID**”), and interest by the relevant Issuer or any paying agent to any holder of an Instrument who is a United States Alien (as defined below) will not be subject to U.S. federal withholding tax, provided that, in the case of amounts treated as interest or OID with respect to Instruments with a maturity of more than 183 days, (i) the amount of the payment is not determined by reference to any receipts, sales or other cash flow, income or profits, change in value of any property of, or dividend or similar payment made by, the Issuer or a person related to the Issuer (a “**Contingent Payment**”), (ii) the holder does not actually or constructively own 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote, (iii) the holder is not for U.S. federal income tax purposes a controlled foreign corporation related to the Issuer through stock ownership, (iv) the holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code and (v) the beneficial owner provides a United States Internal Revenue Service (“**IRS**”) Form W-8 to the Issuer or its designated agent.
- (b) A United States Alien holder of an Instrument will not be subject to U.S. federal income tax on any gain or income realised upon the sale, exchange, retirement or other disposition of an Instrument, provided that (i) the conditions set forth in (a) above are satisfied and (ii) neither the holder, nor a partner, fiduciary, settler or beneficiary of the holder if the holder is a partnership or an estate or trust, or a person holding a power over an estate or trust administered by a fiduciary holder, is considered as:
 - (i) being or having been present or engaged in a trade or business in the United States or having or having had a permanent establishment therein; or
 - (ii) having a current or former relationship with the United States, including a relationship as a citizen or resident thereof.
- (c) An Instrument held by an individual who is a United States Alien at the time of death will not be subject to U.S. federal estate tax as a result of the individual’s death if (i) at the time of the

individual's death payments with respect to the Instrument would not have been effectively connected with a U.S. trade or business of the individual, and (ii) with respect to Instruments with a maturity of more than 183 days, (A) the holder does not own, actually or constructively, 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote, and (B) the Instrument does not provide for any Contingent Payments.

For purposes of this discussion, "**United States Alien**" means any corporation, partnership, individual or fiduciary estate or trust that, for U.S. federal income tax purposes, is (i) a foreign corporation, (ii) a foreign partnership all of whose partners are United States Aliens, (iii) a non-resident alien individual or (iv) a foreign estate or trust all of whose beneficiaries are United States Aliens.

Backup Withholding and Information Reporting

Unless the relevant Issuer or the paying agent has actual knowledge or reason to know that the holder or beneficial owner, as the case may be, is a United States person (as defined in the Code), payments of principal, OID, and interest on Instruments made to a United States Alien will not be subject to backup withholding, provided the United States Alien provides the payor with a valid IRS Form W-8, but interest and OID paid on Instruments with a maturity of more than 183 days will be reported to the IRS as required under applicable regulations. Any amounts withheld under the backup withholding rules may be allowed as a credit against the holder's U.S. federal income tax liability, and may entitle the holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Holders should consult their tax advisers regarding the application of information reporting and backup withholding to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining an exemption, if available.

FATCA Withholding

Sections 1471 through 1474 of the Code and the Treasury Regulations issued thereunder ("**FATCA**") impose a withholding tax of 30 per cent. on certain U.S. source payments, such as interest on the Instruments, and payments of gross proceeds from the sale or disposition of certain assets that produce U.S. source payments, such as the Instruments. The withholding tax may be imposed on payments on the Instruments to any recipient (including an intermediary) that has not (a) entered into an information reporting agreement with the IRS, or (b) otherwise established an exemption from FATCA withholding, including providing certain information requested by the relevant Issuer or any relevant intermediary. Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) 1 July 2014 in respect of certain U.S. source payments, and (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce U.S. source interest, and then, for "obligations" that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified on or after 1 July 2014.

If an amount were to be deducted or withheld from interest, principal or other payments on the Instruments as a result of FATCA, none of the Issuers, any paying agent or any other person would, pursuant to the Terms and Conditions of the Instruments be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

The application of FATCA to Instruments issued or materially modified on or after 1 July 2014 (or whenever issued, in the case of Instruments treated as equity for U.S. federal tax purposes) may be addressed in a supplement to this Prospectus, if applicable.

Each intermediary and holder or beneficial owner of Instruments may be required to provide satisfactory documentation to establish whether it is compliant with the FATCA rules or to establish the proper rate of FATCA withholding that applies on payments to it. Certain intermediaries and holders may be deemed to

be compliant with the FATCA reporting requirements, exempt from such requirements, or be subject to an alternate reporting regime under an intergovernmental agreement.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUERS, THE INSTRUMENTS AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF INSTRUMENTS SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

THE SUMMARY OF U.S. FEDERAL INCOME AND ESTATE TAX SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING INSTRUMENTS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

EU Savings Directive

Under the EU Savings Directive, each European Union Member State is required to provide to the tax authorities of another European Union Member State details of payments of interest or other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries and territories to the exchange of information relating to such payments. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and territories have adopted similar measures to the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

The proposed financial transactions tax (“FTT”)

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Instruments (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 would be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which

remains unclear. Additional EU Member States may decide to participate. Prospective holders of Instruments are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

Summary of Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 20 December 2013 (as amended or supplemented from time to time), between the Issuer, the Permanent Dealers and the Arranger (the “**Dealer Agreement**”), the Instruments will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to issue Instruments directly on its own behalf to dealers which are not the Permanent Dealers. The Instruments may also be issued by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Instruments to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments.

Selling Restrictions

United States

The Instruments have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Instruments of any identifiable Tranche, (a) as part of its distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined and certified to the Issuer and the Issuing and Paying Agent by such Dealer, or in the case of Instruments issued on a syndicated basis by each of such Dealers with respect to Instruments of such Tranche purchased by or through it, in which case the Issuer shall request the Issuing and Paying Agent to notify each such Dealer when all such Dealers have so certified, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche, an offer or sale of Instruments within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Instruments referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Instruments to the public**” in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Instruments which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the relevant Issuer and the Dealers following a change in a relevant law, regulation or directive.

No action has been or will be taken in any country or jurisdiction by the Issuers or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Instruments or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither the Issuers nor any other Dealer shall have responsibility for such material.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Instruments to be admitted to the Official List and traded on the London Stock Exchange's Regulated Market will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.

Final Terms dated [●]

**[NATIONAL GRID USA/
NATIONAL GRID NORTH AMERICA INC.]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]
under the Euro 4,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 20 December 2013 [and the supplemental Prospectus dated [●]] which [together] constitute[s] (i) a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus[es] [and the supplemental Prospectus] [is][are] available for viewing at the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange/news/market-news/market-news-home.html>.

The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated 20 December 2013. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated 20 December 2013 [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated 20 December 2013 [and the supplemental Prospectuses dated [●] and [●]]. The Prospectus[es] [and the supplemental Prospectus] [is][are] available for viewing at the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange/news/market-news/market-news-home.html>.

- | | | |
|----|-----------------------------------|-----|
| 1. | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| 2. | Specified Currency or Currencies: | [●] |
| 3. | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |

	[(ii)] Tranche:	[•]
4.	Issue Price:	[•] per cent of the Aggregate Nominal Amount [plus accrued interest from [•]]
5.	(i) Specified Denominations	[•]
	(ii) Calculation Amount:	[•]
6.	[(i)] Issue Date:	[•]
	[(ii)] Interest Commencement Date:	[[•]/Issue Date/Not Applicable]]
7.	Maturity Date:	[•] [Interest Payment Date falling in or nearest to [•]]
8.	Interest Basis:	[[•] per cent. Fixed Rate] [[LIBOR][EURIBOR]] +/- [•] per cent. Floating Rate] [Zero Coupon]
9.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
10.	Change of Interest or Redemption/Payment Basis:	[[•]/[Not Applicable]]
11.	Put/Call Options:	[Investor Put] [Issuer Call]
12.	Date [Board] approval for issuance of Instruments obtained:	[[•] [and [•], respectively]]
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
13.	Fixed Rate Instrument Provisions	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year
	(iii) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v) Day Count Fraction (Condition 3.9):	[30/360 / Actual/Actual ([ICMA]/ISDA)]
	(vi) Determination Dates (Condition 3.9):	[•] in each year
14.	Floating Rate Instrument Provisions	[Applicable/Not Applicable]
	(i) Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[•]
	(iii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]

- (iv) First Interest Payment Date: [●]
 - (v) Business Centre(s) (Condition 3.9): [●]
 - (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
 - (vii) Interest Period Date(s): [Not Applicable/[●]]
 - (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
 - (ix) Screen Rate Determination (Condition 3.2.3(b)):
 - Reference Rate: [LIBOR/ EURIBOR]
 - Interest Determination Date(s): [Second London business day prior to the start of each Interest Accrual Period]
[First day of each Interest Accrual Period]
[Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]
[[●] business day[s] prior to the start of each Interest Accrual Period]
 - Relevant Screen Page: [●]
 - Reference Banks (if Primary Source is “Reference Banks”): [●]
 - Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation]
 - (x) ISDA Determination (Condition 3.2.3(a)):
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
 - (xi) Margin(s): [+/-][●] per cent. per annum
 - (xii) Minimum Rate of Interest: [●] per cent. per annum
 - (xiii) Maximum Rate of Interest: [●] per cent. per annum
 - (xiv) Day Count Fraction (Condition 3.9): [[Actual/Actual] [Actual/Actual-ISDA] [Actual/365(Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360(ISDA)] [Actual/Actual- ICMA]]
15. **Zero Coupon Instrument Provisions** [Applicable/Not Applicable]
- (i) Amortisation Yield (Condition 4.4): [●] per cent. per annum
 - (ii) Day Count Fraction (Condition 3.9): [[Actual/Actual] [Actual/Actual-ISDA] [Actual/365(Fixed)] [Actual/360] [30/360] [360/360]]

[Bond Basis] [30E/360] [Eurobond Basis]
[30E/360(ISDA)] [Actual/Actual- ICMA]]

PROVISIONS RELATING TO REDEMPTION

16. **Residual Holding Call Option** [Applicable/Not Applicable]
- (i) Residual Holding Percentage: [●] per cent.
 - (ii) Party responsible for calculating the [●]
Residual Holding Redemption Amount
(if not the Calculation Agent):
 - (iii) Benchmark Security: [●]
 - (iv) Benchmark Spread: [●] per cent. per annum
 - (v) Benchmark Day Count Fraction: [[Actual/Actual] [Actual/Actual-ISDA]
[Actual/365(Fixed)] [Actual/360] [30/360] [360/360]
[Bond Basis] [30E/360] [Eurobond Basis]
[30E/360(ISDA)] [Actual/Actual- ICMA]]
17. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of [●] per Calculation Amount
each Instrument and method, if any, of
calculation of such amount(s):
 - (iii) If redeemable in part:
 - (iv) Minimum nominal amount to be [●] per Calculation Amount
redeemed:
 - (v) Maximum nominal amount to be [●] per Calculation Amount
redeemed:
 - (vi) Option Exercise Date(s): [●]
 - (vii) Notice period: Minimum Period [15] [●] days
Maximum Period: [30] [●] days
18. **Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of [●] per Calculation Amount
each Instrument and method, if any, of
calculation of such amount(s):
 - (iii) Option Exercise Date(s): [●]
 - (iv) Notice period: Minimum Period [15] [●] days
Maximum Period: [30] [●] days
19. **Final Redemption Amount of each Instrument:** [●] per Calculation Amount
20. **Early Redemption Amount**
- (i) Early Redemption Amount(s) of each [●] per Calculation Amount
Instrument payable on redemption for

taxation reasons (Condition 4.2) or on
Event of Default (Condition 8):

- (ii) Redemption for taxation reasons [Yes/No]
permitted on days other than Interest
Payment Dates (Condition 4.2)

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

- 21. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 5.3): [Not Applicable/[•]]
- 22. New Safekeeping Structure: [Yes/No]

THIRD PARTY INFORMATION

[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [National Grid USA/ National Grid North America Inc.]:

By:

Duly authorised

PART B – OTHER INFORMATION

1 Listing and trading

- (i) Listing: London
- (ii) Admission to trading: [Application has been made for the Instruments to be admitted to trading on the London Stock Exchange plc's [Regulated Market] with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 Ratings

Ratings: [The Instruments to be issued [have been] [are expected to be] rated:
[S & P: [●]]
[Moody's: [●]]]

[The Instruments have not been specifically rated.]

3 Interests of natural and legal Persons involved in the Issue

So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.

4 [Fixed Rate Instruments only – YIELD

Indication of yield: [●] per cent. per annum. This is calculated on the Issue Date, and is not an indication of future yield.

5 OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/[●]]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

Name(s) of [relevant: [●]

Dealer/Managers]:

The aggregate principal amount of [Not Applicable/Euro [●]]
the Instruments issued has been
translated into Euro at the rate of
[●], producing a sum of (for
Instruments not denominated in
Euro):

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of PSM Instruments will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.

Pricing Supplement dated [●]

**[NATIONAL GRID USA/
NATIONAL GRID NORTH AMERICA INC.]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]
under the Euro 4,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 20 December 2013 [and the supplemental Prospectus dated [●]] which [together] constitute[s] listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Conduct Authority (the “**Listing Rules**”). This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of this Pricing Supplement and the Prospectus [as so supplemented]. The Prospectus[es] [and the supplemental Prospectus] [is][are] available for viewing at the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange/news/market-news/market-news-home.html>.

The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated 20 December 2013. This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules of the Financial Conduct Authority (the “**Listing Rules**”) and must be read in conjunction with the Prospectus dated 20 December 2013 [and the supplemental Prospectus dated [●]], which [together] constitute[s] listing particulars for the purposes the Listing Rules. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated 20 December 2013 [and the supplemental Prospectuses dated [●] and [●]]. The Prospectus[es] [and the supplemental Prospectus] [is][are] available for viewing at the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange/news/market-news/market-news-home.html>.

- | | | |
|----|-----------------------------------|--|
| 1. | (i) Series Number: | [●] |
| | (ii) Tranche Number: | [●] |
| 2. | Specified Currency or Currencies: | [●] |
| 3. | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 4. | Issue Price: | [●] per cent of the Aggregate Nominal Amount [plus |

- accrued interest from [●]]
5. (i) Specified Denominations: [●]
(ii) Calculation Amount: [●]
6. [(i)] Issue Date: [●]
[(ii)] Interest Commencement Date: [[●]/Issue Date/Not Applicable]]
7. Maturity Date: [●] [Interest Payment Date falling in or nearest to [●]]
8. Interest Basis: [[●] per cent. Fixed Rate]
[[LIBOR][EURIBOR]] +/- [●] per cent. Floating Rate]
[Zero Coupon]
9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
10. Change of Interest or Redemption/Payment Basis: [[●]/[Not Applicable]]
11. Put/Call Options: [Investor Put]
[Issuer Call]
12. Date [Board] approval for issuance of Instruments obtained: [[●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction (Condition 3.9): [30/360 / Actual/Actual ([ICMA]/ISDA)]
- (vi) Determination Dates (Condition 3.9): [●] in each year
14. **Floating Rate Instrument Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
- (iv) First Interest Payment Date: [●]
- (v) Business Centre(s) (Condition 3.9): [●]

- (vi) Manner in which the Rate(s) of Interest [Screen Rate is/are to be determined: Determination/ISDA Determination]
- (vii) Interest Period Date(s): [Not Applicable/[●]]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (ix) Screen Rate Determination (Condition 3.2.3(b)):
- Reference Rate: [LIBOR/ EURIBOR]
 - Interest Determination Date(s): [Second London business day prior to the start of each Interest Accrual Period]
[First day of each Interest Accrual Period]
[Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]
[[●] business day[s] prior to the start of each Interest Accrual Period]
 - Relevant Screen Page: [●]
 - Reference Banks (if Primary Source is “Reference Banks”): [●]
 - Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation]
- (x) ISDA Determination (Condition 3.2.3(a)):
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction (Condition 3.9): [[Actual/Actual] [Actual/Actual-ISDA] [Actual/365(Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360(ISDA)] [Actual/Actual- ICMA]]

15. Zero Coupon Instrument Provisions

[Applicable/Not Applicable]

- (i) Amortisation Yield (Condition 4.4): [●] per cent. per annum
- (ii) Day Count Fraction (Condition 3.9): [[Actual/Actual] [Actual/Actual-ISDA] [Actual/365(Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360(ISDA)] [Actual/Actual- ICMA]]

PROVISIONS RELATING TO REDEMPTION

16. **Residual Holding Call Option** [Applicable/Not Applicable]
- (i) Residual Holding Percentage: [●] per cent.
 - (ii) Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent): [●]
 - (iii) Benchmark Security: [●]
 - (iv) Benchmark Spread: [●] per cent. per annum
 - (v) Benchmark Day Count Fraction: [[Actual/Actual] [Actual/Actual-ISDA] [Actual/365(Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360(ISDA)] [Actual/Actual- ICMA]]
17. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Instrument and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) If redeemable in part:
 - (iv) Minimum nominal amount to be redeemed: [●] per Calculation Amount
 - (v) Maximum nominal amount to be redeemed: [●] per Calculation Amount
 - (vi) Option Exercise Date(s): [●]
 - (vii) Notice period: Minimum Period [15] [●] days
Maximum Period: [30] [●] days
18. **Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) of each Instrument and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) Option Exercise Date(s): [●]
 - (iv) Notice period: Minimum Period [15] [●] days
Maximum Period: [30] [●] days
19. **Final Redemption Amount of each Instrument:** [●] per Calculation Amount
20. **Early Redemption Amount**
- (i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 4.2) or on Event of Default (Condition 8): [●] per Calculation Amount

- (ii) Redemption for taxation reasons [Yes/No] permitted on days other than Interest Payment Dates (Condition 4.2)

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

- 21. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 5.3): [Not Applicable/[•]]

THIRD PARTY INFORMATION

[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [National Grid USA/ National Grid North America Inc.]:

By:

Duly authorised

PART B – OTHER INFORMATION

1 Listing and trading

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made for the Instruments to be admitted to trading on the London Stock Exchange plc's Professional Securities Market with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

2 Ratings

Ratings: [The Instruments to be issued [have been] [are expected to be] rated:
[S & P: [●]]
[Moody's: [●]]]

[The Instruments have not been specifically rated.]

3 Interests of natural and legal Persons involved in the Issue

So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.

4 [Fixed Rate Instruments only – YIELD

Indication of yield: [●]per cent. per annum. This is calculated on the Issue Date, and is not an indication of future yield.

5 OPERATIONAL INFORMATION

ISIN Code: [●]
Common Code: [●]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/[●]]
Delivery: Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any): [●]
Name(s) of [relevant Dealer/Managers]: [●]

The aggregate principal amount of [Not Applicable/Euro [●]]
the Instruments issued has been
translated into Euro at the rate of
[●], producing a sum of (for
Instruments not denominated in
Euro):

GENERAL INFORMATION

- 1 The admission of the Programme to listing on the Official List of the U.K. Listing Authority and to trading on the Market and the PSM is expected to take effect on or about 20 December 2013. The listing of the Instruments on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to listing on the Official List of the U.K. Listing Authority and admitted to trading on the Market or the PSM will be so admitted to listing and trading upon submission to the U.K. Listing Authority and the London Stock Exchange (in accordance with their rules and procedures) of the relevant Final Terms and any other information required by the U.K. Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Instruments. Prior to official listing, dealings will be permitted by the Market or the PSM, as the case may be, in accordance with their respective rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
- 2 NGUSA has obtained all necessary consents, approvals and authorisations in the United States of America in connection with the issue and performance of the Instruments.
- 3 NGNA has obtained all necessary consents, approvals and authorisations in the United States of America in connection with the issue and performance of the Instruments.
- 4 The establishment of the Programme was authorised by a resolution of the Executive Committee of the Board of Directors of NGUSA passed on 14 November 2007. The update of the Programme was authorised by a written consent in lieu of a special meeting of the Board of Directors of NGUSA passed on 20 November 2008.
- 5 The inclusion of NGNA as an Issuer under the Programme was authorised by written consent in lieu of a special meeting of the Board of Directors of NGNA passed on 10 December 2012.
- 6 The Instruments have been accepted for clearance through the Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system(s) as shall have accepted the relevant Instruments for clearance together with any further appropriate information.
- 7 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NGUSA is aware) existing during the 12 months preceding the date of this Prospectus which may have, or have in such period had, significant effects on the financial position or profitability of NGUSA or of the NGUSA Group.
- 8 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NGNA is aware) existing during the 12 months preceding the date of this Prospectus which may have, or have in such period had, significant effects on the financial position or profitability of NGNA or of the Group.
- 9 There has been no significant change in the financial or trading position of NGUSA or the NGUSA Group since 31 March 2013 and no material adverse change in the prospects of NGUSA since 31 March 2013.
- 10 There has been no significant change in the financial or trading position of NGNA or the Group since 31 March 2013 and no material adverse change in the prospects of NGNA since 31 March 2013.
- 11 The consolidated financial statements of NGUSA as of 31 March 2013 and 31 March 2012 for each of the years then ended, as incorporated by reference into this prospectus, have been audited by PricewaterhouseCoopers LLP, independent accountants and member firm of the Institute of Chartered Accountants in England and Wales ("ICAEW"), as stated in their report incorporated herein.

- 12** The consolidated financial statements of National Grid Holdings Inc. (National Grid Holdings Inc. was renamed as National Grid North America Inc. on 25 September 2012) as of 31 March 2013 and 31 March 2012 for each of the years then ended, as incorporated by reference into this prospectus, have been audited by PricewaterhouseCoopers LLP, independent accountants and member firm of ICAEW, as stated in their report incorporated herein.
- 13** The Issuers do not intend to provide any post-issuance information in relation to any issues of Instruments.
- 14** For so long as the Programme remains in effect or any Instruments are outstanding, copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the registered office of each of the Issuers and the specified office in London of the Issuing and Paying Agent:
- (a) a copy of this Prospectus together with any supplement to this Prospectus;
 - (b) the constitutional documents of each of the Issuers; and
 - (c) the audited consolidated financial statements of each of the Issuers for the financial years ended 31 March 2013 and 31 March 2012, respectively.

In addition, this Prospectus is and, in the case of Instruments to be admitted to the Official List and admitted to trading on the Market or the PSM, the relevant Final Terms will be, available on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

REGISTERED OFFICE OF THE ISSUERS

National Grid USA
40 Sylvan Road
Waltham
MA 02451
United States of America

National Grid North America Inc.
40 Sylvan Road
Waltham
MA 02451
United States of America

THE ARRANGER

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

DEALERS

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE
United Kingdom

Société Générale
29, boulevard Haussmann
75009 Paris
France

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam ZO
The Netherlands

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

LEGAL ADVISERS

To the Issuers as to English and United States law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Dealers as to English and United States law

Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom

THE TRUSTEE

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX
United Kingdom

ISSUING AND PAYING AGENT

The Bank of New York Mellon
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

PAYING AGENT

KBL European Private Bankers S.A.
43 Boulevard Royal
L-2955 Luxembourg
Luxembourg

INDEPENDENT ACCOUNTANTS TO THE ISSUER

PricewaterhouseCoopers LLP
300 Madison Avenue
New York
NY 10017
United States of America