

2011/12

Connecting people to energy

National Grid plc

nationalgrid



Performance Summary

Chairman & Chief Executive's welcome

National Grid is an international electricity and gas company based in the UK and northeastern US. We play a vital role in connecting millions of people safely, reliably and efficiently to the energy they use.

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Highlights

£13,832m -4%

Revenue 2010/11: £14,343m

£3,495m -3%

Operating profit[†] 2010/11: £3,600m
+8% excluding the impact of timing and major storms

10.9%

Group return on equity*
2010/11: 10.8%

39.28p +8%

Ordinary dividends 2010/11: 36.37p

25.35p +8%

Final dividend 2010/11: 23.47p

15 August 2012

Final dividend payment date

[†] excludes the impact of exceptional items, remeasurements and stranded cost recoveries

* based on our revised definition. See the full Annual Report and Accounts 2011/12 for details

"I am privileged to have taken over the role of Chairman of National Grid and would like to thank Sir John Parker for all his guidance and support during my induction."

Sir Peter Gershon, Chairman



"We remain focused on our key priorities: operational excellence, innovation and efficiency, engaging with all our stakeholders and disciplined investment."

Steve Holliday, Chief Executive

This year we have delivered good financial performance across all our businesses.

Financials

Group operating profit[†] was £3,495 million, an increase of 8% for 2011/12, excluding the impact of timing differences and the cost of two major storms in the US. The Board is proposing a final dividend of 25.35p per share making a total of 39.28p per share for 2011/12.

A new one year dividend policy has been agreed under which we plan to increase the dividend by 4%. We expect to announce a longer-term dividend policy, for the period from April 2013, once the current regulatory review is complete and its implications are clear.

Safety

It is deeply regrettable that this year has seen three fatalities occur associated with our business. Safety has always been at the core of our business and continues to be a top priority. We remain committed to eradicating injuries and promoting safety across all our operations. During the last year, we concentrated on trends associated with high potential incidents and mitigating actions, as well as improving our incident review processes. We will increase our efforts in these areas.

Engaging externally

We continue to focus on how best to engage our stakeholders, whether customers, communities or the regulatory bodies. It is critical we understand societies' energy needs and how to efficiently deliver them. This year we moved to a new regional operating model to help improve relationships with all stakeholders.

In the UK, we have been working on engaging stakeholders to support development of the new regulatory framework RIIO (revenue = incentives + innovation + outputs) and improving customer satisfaction performance.

In the US, our new model has helped us to develop stronger relationships with communities and positioned us to be more responsive. We saw evidence of this during the severe weather experienced in August and October 2011, with a more visible presence deployed in local communities to act as a point of contact and provide information. Also, the deeper interaction with US regulators should increase our involvement in debates on development of the future energy landscape.

Our people

Our people are the foundation of what we do and are vital to our success as a business; this year saw them challenged as we pushed for efficiencies and strove for operational excellence. We will continue to develop all employees to help them reach their full potential. Our US employees demonstrated outstanding commitment during storm response.

Our focus

We continue to work to improve customer service and further increase customer satisfaction in all our businesses.

In the UK, we are striving to reach an acceptable RIIO outcome, ready for April 2013. At the same time, we are progressing with our investment programme and engaging further in European policy debates. In the US, we will build on the benefits of the new model and drive forward efficiency programmes to realise cost savings. Rate filings are critical to the long-term performance improvement and success of our US Regulated business. In April 2012, we submitted new rate filings for our upstate New York and Rhode Island gas and electricity businesses.

Outlook

We remain committed to achieving our objectives and growing value for shareholders. We will continue to reinforce our commitment towards safety – this will be a constant factor as we enhance our operations, investing in improvements to critical networks on both sides of the Atlantic.

Our job is to connect people safely and reliably to the energy they use. This and supporting the development of secure future sustainable energy sources will continue to drive us forward.

Sir Peter Gershon
Chairman

Steve Holliday
Chief Executive

Our business

UK Transmission

Description

We own and operate the electricity transmission network in England and Wales and the gas transmission network in Great Britain. We are also responsible for the operation of the electricity transmission networks in Scotland, which we do not own.

Highlights for 2011/12

- We delivered £1.4 billion of planned investment.
- Network reliability was 99.999999%, our best on record.
- In February 2012, in a joint venture partnership with ScottishPower, we awarded a £1 billion contract to build the first ever subsea electricity link between England and Scotland – the western high voltage direct current link.
- We submitted our RIIO business plans to Ofgem, receiving favourable feedback, and subsequently submitted revised plans.
- We opened an office in Brussels as we seek to become more engaged at a European level.

UK Gas Distribution

Description

We own and operate four of the eight regional gas distribution networks in Great Britain. We also manage the national gas emergency number for all gas distribution networks and for other gas transporters in Great Britain.

Highlights for 2011/12

- We delivered £645 million of capital investment, including £474 million replacement expenditure to deliver 1,979 kilometres of decommissioned mains.
- We achieved all our overall standards of service, including emergency services.
- We have significantly improved customer satisfaction, increasing scores by an average of 5.5% this year and closing the gap on the independent distribution networks.
- We submitted our RIIO business plans to Ofgem, receiving favourable feedback, and subsequently submitted revised plans.

US Regulated

Description

We own and operate electricity distribution networks, serving around 3.5 million electricity consumers. Our US gas distribution networks provide services to around 3.5 million consumers across northeastern US. We also maintain and operate the electricity transmission and distribution system on Long Island owned by the Long Island Power Authority (LIPA).

Highlights for 2011/12

- We completed a reorganisation and achieved the targeted \$200 million annualised cost savings.
- Achieved significant milestones on the New England East-West Solution, a multistate transmission project, working with regulators and other utilities.
- In April 2012, we filed new rate cases for our upstate New York and Rhode Island gas and electricity businesses.
- Successful continued development of the Cape Wind project.

Other activities

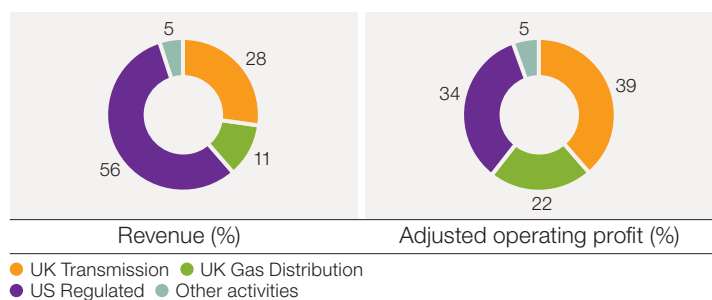
Description

Our other activities in the UK include National Grid Metering, National Grid Property, our LNG importation facility at the Isle of Grain, BritNed and Xoserve. In the US, they include LNG storage and road transportation and transmission pipelines.

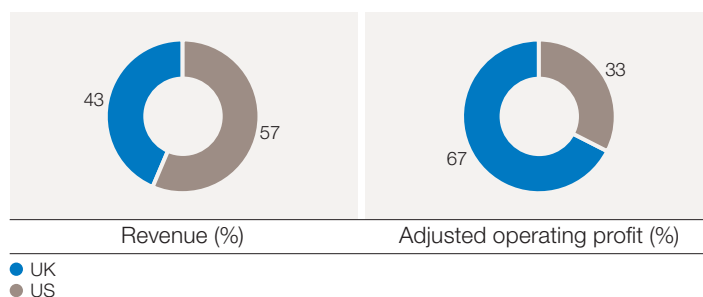
Highlights for 2011/12

- We sold OnStream, our UK non-regulated metering business, and Seneca-Upshur in the US.
- In September 2011, our first RPI linked retail bond launched, raising £282 million in capital and receiving awards from the Association of Corporate Treasurers for its innovation.
- We successfully completed, in conjunction with E.ON's Grain power station, the 4.5 kilometre heat pipe at our Grain LNG site.

Business analysis 2011/12



Geographical analysis 2011/12



Connecting people to energy throughout the day...

At National Grid we own and operate electricity transmission and gas transmission and distribution systems that connect people to energy. Through ongoing investment, maintenance and 24 hour operational support we ensure safe and reliable energy is supplied to millions of people who depend on it in their everyday lives.

Transforming customer service

In late 2011, we opened new UK Gas Distribution customer centres in Hinckley and Leicester. These centres combine cutting edge technology and specialist training to offer a fresh approach to customer service. New technology provides greater visibility of all the work we are doing

allowing employees to respond more effectively and resolve more enquiries on the first call. This means improved service, as well as increased customer satisfaction – we have already made good progress, with an average increase of 5.5% for the year. Our centres offer customers a single point of contact 24/7 to ensure we maintain a high level of service and meet our commitments.

They will also help to ensure we are ready for the introduction of incentives for customer service and satisfaction under the new regulatory framework.



Smart investments in Buffalo Niagara

We have entered an innovative new energy partnership with Buffalo Niagara medical campus that will help support economic development and growth in the Buffalo Niagara region of New York – 'energize BNMC'.

The partnership forms part of our community stakeholder strategy, ensuring local communities have sufficient energy as they grow, and also aims to promote the benefits of energy efficient living. The initial stages of the project are focused on meeting the increased energy demand for the area. In December 2011 the partnership commissioned 21 vehicle charging stations.

Moving forward, we will be developing a model energy home that will serve as a point of learning for local people on how to embrace new technologies and achieve energy efficient living in everyday life. It will showcase a number of innovative energy solutions and interactive

learning tools, as well as offering further information on other residential energy programmes.

The home, originally constructed in 1915, also serves as a perfect illustration of how the latest technologies can be integrated within historic properties.

21

*electric charging stations
commissioned in Buffalo
Niagara region during
December 2011*

New designs on the horizon

In 2011, the Royal Institute of British Architects ran a competition, supported by the Department of Energy and Climate Change and National Grid, to design a new generation of electricity pylon. The innovation displayed within entries was very high and the eventual winner was the 'T' Pylon, submitted by Danish company Bystrup.

Existing transmission pylons are approximately 50 metres high, while the innovative design of the T Pylon's electrical components allow it to be lower, typically in a range of 30-35 metres.

There is still a long way to go with development before it can be put into operation. However, we are working closely with Bystrup's team of architects, engineers and designers, and with the manufacturers of electrical components, to develop a family of pylons based upon Bystrup's concept. The development of these designs will be taken into account as we progress existing and open future consultations with local communities on new transmission routes.

Talent recruitment and development

Having skilled and qualified people in place is essential if our operations are to deliver future investment plans.

In the US, major renovation work was completed on the Millbury learning centre in Massachusetts, enabling closure of two regional centres and creating a state-of-the-art facility for all New England technical training. Last year alone, this centre helped deliver approximately 420,000 hours of professional and technical development and will form the focal point of our future training across the US.

In the UK, we continue to promote our graduate and new talent programmes. We received recognition from both the Times top 100 graduate employers and the Job Crowd Top 50 Companies for Graduates to Work For,

£3.2m

invested in our electricity transmission switchgear training facility

and had over 22,000 applications for our new talent programme aimed directly at growing our engineering capability. We also invested in talent development, spending £3.2 million on our new electricity transmission switchgear training facility which provides engineers with advanced training and specialist eLearning facilities. We are already planning to develop a similar gas transmission training facility.

Energy education centre

This year marked a major landmark with the opening of our new energy education centre in Willesden, which has been developed in parallel with the London power tunnels project. The tunnels are not due to be fully operational until 2018 but, once completed, they will have created ten new 400 kV circuits in London's transmission system and cost up to £0.9 billion.

The education centre gives local schools and visitors first hand experience of what the new cable tunnels will look like. But it is also designed to help visitors understand the future energy challenge: how can we balance affordability with sustainability and the role we will play in making sure we have energy security in the future.

New interactive tools, specially designed games and on site experts aim to inspire today's school children to choose science and engineering careers, helping to ensure we have the specialist skills needed to operate our energy systems into the future.



Responding to the elements

Across the US, we experienced a difficult year with extreme weather affecting our operations and pushing our response teams to their limits.

Tropical storm Irene severely affected 11 states along the eastern seaboard in August, leaving around six million people without power, including more than one million National Grid and LIPA customers. The scale of damage to our infrastructure was also significant. With the support of employees – most operating outside their normal working environments – and outside contractors, we worked tirelessly to restore power to communities. The October snow storm followed nine weeks later, affecting 92% of the communities we serve across Massachusetts. It caused heavy damage to our infrastructure, which needed to be replaced in an emergency situation. We live in the communities we operate within and the commitment to reconnecting supply was the driving focus for all employees during these events.

Our new organisational model helped us to be more in touch with our customers, understand their needs and prioritise operations. After action reviews with communities provided invaluable feedback, helping us see where things can be done better. Coupled with our lessons learnt, we are improving restoration processes to ensure we are well equipped for future events. We are also actively monitoring forecast weather data to minimise the impact of future storms and training office based employees to be fully effective when called upon to operate in the field.

6m

people were without power at one time

Roman remains discovered and preserved

The North West Gas Alliance, working on our gas mains replacement programme, unearthed a piece of history. While completing a routine job to replace the low pressure Victorian metallic gas mains in Chester, the team was fascinated to discover sections of an historic Roman road. Due to previous finds in the city, the team had already engaged a professional archaeologist to support their work. They uncovered a number of historic pieces including the road, known as King Street, pottery, fragments from fine tableware originating from France and parts of large olive oil storage vessels from Spain. The artefacts are being carbon dated by the archaeologist, who is still working with us on the project. Cheshire Council will then decide where they should be stored.

...and through the night

Our role in evolving to a low carbon economy

The UK Government and EU are committed to 20% of energy coming from renewable sources by 2020. This offers us a challenge – to balance customers' needs to receive a secure supply with the increasing use of greener but more intermittent power sources. We are already developing our networks to facilitate new generation and this year have made significant progress:

- Cleve Hill 400 kV substation has been commissioned, enabling London Array Limited to connect the world's largest wind farm – up to 275 turbines at full capacity;
- We completed, in conjunction with E.ON, the 4.5 kilometre heat pipe at our Grain LNG site. The pipe connects to E.ON's power station, recycling surplus heat, and has the potential to save up to 300,000 tonnes of CO₂ per annum; and

20%
*of energy needs
to come from renewable
sources by 2020*

- In a joint venture partnership with ScottishPower, we awarded a £1 billion contract to build the western high voltage direct current link. This first ever subsea link between England and Scotland will allow transfer of up to 6 GW of renewable energy.

To engage stakeholders, we published our *UK Future Energy Scenarios* report. It outlines scenarios on the future energy mix and, with their feedback, we will develop these to ensure we make the most efficient and effective investments in our networks.

Engaging in new media

Connecting with our customers is essential to understanding and meeting their needs. As we learn from past experiences, we continue to explore more innovative ways of staying in touch and have embraced social media channels, such as Twitter and Facebook. The ability to communicate instantly with our customers has already started to deliver benefits. During the severe storms across the US, we kept customers who use social media up-to-date with key information on when power would be restored and provided other regular communications. In the UK, we are also using these media channels to reach more customers directly, listen to their feedback and communicate in a way that is more convenient for them and consistent with their everyday lives.



The end of an era

Gas holders have played a key role in Great Britain's gas distribution system since the mid 19th century. Originally designed to store manufactured coal gas, they were later converted to provide local low pressure storage for natural gas; rising and falling in response to the daily supply cycle. However, natural increases in storage availability on the national transmission system, have significantly reduced the need for these legacy holders.

Over the years, these holders became an iconic feature on the landscape, with some of the original ones remaining operational for up to 150 years. Our fleet of holders has now been largely decommissioned, with the final ones planned to be removed from service in the coming years.

Throughout the programme, our priority has been to ensure these sites remain safe and we are considering the options for their future use.

City Year

Our City Year partnership is now well established, with support and sponsorship being provided across the US and through City Year London. The partnership gives us the opportunity to support and develop the communities in which we live to really make a difference to young people's lives.

Our employees have devoted significant amounts of time to City Year service, projects and events. In the UK, this included hosting all our sponsored representatives at our Warwick headquarters for an overview of the transmission system, offering career development advice and enhancing their knowledge of what we do.

In the US, we continued to broaden our partnership and now support more than 13,000 students across New England and New York. During the year, we hosted service days onsite at our Reservoir Woods and Metrotech offices, where employees volunteered time to undertake projects that

donated back to our City Year sponsored schools. All these activities help us engage more with our communities and make a positive contribution to the environments in which we operate.

13,000
*students now supported
through City Year US*

Engineering pipeline programme develops the engineers of tomorrow

We remain committed to enthusing and inspiring young people to work in engineering and attracting future engineers to our workforce. The engineering pipeline programme is a US based initiative that offers high school and college students the opportunity to engage with us and the wider engineering profession through a structured six year course. It includes a combination of classroom learning, site visits and paid work placements. All participants are required to maintain a high standard throughout their studies and remain involved in all the additional National Grid activities to ensure they have the option at the end to take up fast tracked employment.



For more information on the engineering pipeline programme visit our website

Overall, the programme has proved a great success and will help towards ensuring we have the additional engineers in place to meet our needs as we continue to invest in our infrastructures.

The only time is at night

When we needed to refurbish some of the overhead line conductors very close to one of the busy main M6 motorway junctions in Birmingham we hit an immediate problem – the Highways Agency would not permit lane closures during the day. We needed an innovative solution and immediately set about investigating how we could work outside of normal hours, so the work could be done safely.

Extensive trials helped establish how much artificial light we could generate and what level of light would be needed to ensure maximum safety for all our workers. Local residents of the area were involved in the discussions, as we engaged with any who might be affected by the operations. The team then used glow sticks connected to the conductor joints and night vision equipment to carry out the work during the night successfully.



Gas Distribution front office programme progress

The replacement of our IS applications has progressed well, with new solutions implemented for our maintenance, emergency planning and customer service operations. The final phase of the programme is on track for completion in summer 2012 when our repair and construction teams will start using the new technologies. Overall, the programme has reduced the number of core business systems from 40 to four which, for the first time, holds all our assets and work detail in one place and provides an end-to-end view across streamlined processes. This enables employees to deliver a better service to customers and the improved management information should allow us to increase operational efficiency. The improvements made as part of this programme have also been used to form the basis for our improved operational performance forecasts, submitted to support RIIO planning, which commit us to delivering further efficiencies.

Talking networks

The world of UK regulation is changing. We are in the final stages of agreeing with Ofgem the new eight year price control framework, RIIO, planned to come into force in April 2013 for our UK Transmission and UK Gas Distribution businesses. The challenge to balance our capital investment programme, which will be in excess of £31 billion over the period, with meeting stakeholder demands is critical to RIIO's success.

We engaged with a wide variety of stakeholders, using a range of approaches, to ensure we fully understand and appreciate their needs. Under the banner 'talking networks', we discussed our plans, listened to feedback and acted upon views. In total, we facilitated 26 workshops for UK Transmission and UK Gas Distribution customers and stakeholders, held numerous forums and focus groups, undertook indepth telephone interviews, produced three written consultations and surveyed opinions from

over 10,000 customers. This data and feedback has helped shape our RIIO business plans.

Our stakeholders agree that we must continue to deliver safe and reliable services and work towards environmental targets through connecting new renewable sources of energy. This view is consistent with our strategic objectives and a challenge we are ready to face.

£31bn

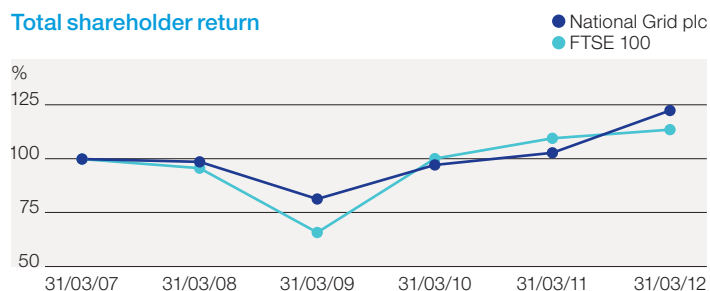
capital investment programme over the eight year price control period

Your shares

Performance graph

The graph below represents the comparative TSR performance of the Company from 31 March 2007 to 31 March 2012.

Total shareholder return

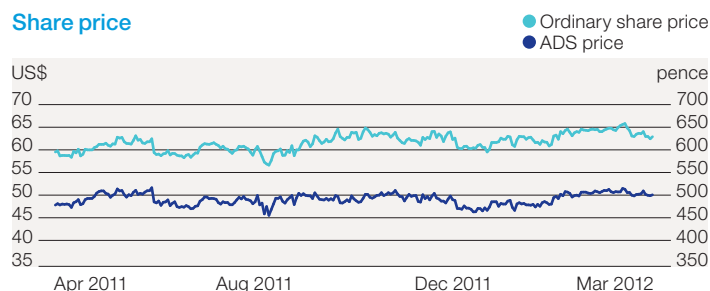


Source: Datastream

Share price

The following graph represents the movement of National Grid's share price during 2011/12.

Share price



Source: Datastream

Financial calendar

The following dates have been announced or are indicative

30 May 2012

Ordinary shares go ex-dividend

1 June 2012

Record date for 2011/12 final dividend

8 June 2012

Scrip reference price announced

18 July 2012

Scrip election date

30 July 2012

2012 AGM and interim management statement

15 August 2012

2011/12 final dividend paid to qualifying ordinary shareholders

15 November 2012

2012/13 half year results

28 November 2012

Ordinary shares go ex-dividend

30 November 2012

Record date for 2012/13 interim dividend

16 January 2013

2012/13 interim dividend paid to qualifying ordinary shareholders

January/February 2013

Interim management statement

May 2013

2012/13 full year results

Want more information?

The full Annual Report and Accounts 2011/12 (ARA), including the Remuneration Report, and Notice of Meeting for the 2012 AGM are available online at www.nationalgrid.com or copies can be requested from Capita Registrars.

The Notice of Meeting for the 2012 AGM sets out in full the resolutions for consideration by shareholders together with explanatory notes and further information on the Directors standing for election and re-election.

Need help?

Capita Registrars

For queries about [ordinary shares](#):



0871 402 3344

Calls cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday.

If calling from outside the UK:

+44 (0)20 7098 1198.

Textphone: 18001 0871 664 0532.



Visit the National Grid Share Portal

www.nationalgridshareholders.com

Email: nationalgrid@capitaregistrars.com



National Grid Share Register,
Capita Registrars, The Registry,
34 Beckenham Road,
Beckenham, Kent BR3 4TU

The Bank of New York Mellon

For queries about [American Depositary Shares](#):



1-800-466-7215

If calling from outside the US:

+1-201-680-6825.



www.bnymellon.com/shareowner

Email: shrrelations@bnymellon.com



The Bank of New York Mellon,
Shareholders Correspondence,
PO Box 358516, Pittsburgh,
PA 15252-8516

Shareholder networking

The shareholder networking programme normally takes place twice a year and includes visits to UK operational sites and presentations by senior managers and employees over two days. The costs of the programme (including shareholder travel to and from the event) are paid for by the Company. If you are a UK resident shareholder and would like to take part please apply online at www.nationalgrid.com/corporate/investor+relations/shareholderservices. You can also apply in person at the AGM. Only those successful in the selection ballot will be contacted, with priority given to those who have not recently attended.

Shareholder information

This Performance Summary is provided for information only, contains forward-looking statements, and is not intended to be a substitute for reading the full ARA. In particular, this Performance Summary does not constitute summary financial statements and does not contain sufficient information to allow for the same level of understanding of the results and state of affairs of the Company, including the principal risks and uncertainties facing National Grid, as would be provided by the full ARA.