

17 May 2006

Dear Shareholder

Notice of Annual General Meeting 2006

I am pleased to invite you to the Annual General Meeting (AGM) of National Grid plc (the Company) for 2006.

The AGM will take place on **Monday 31 July 2006** at **The ICC, Broad Street, Birmingham B1 2EA** and will start at **2pm**.

A light lunch will be provided before the meeting. This will be served between 12.30pm and 1.30pm. Registration for the AGM will open at midday.

The formal notice of AGM is set out on pages 2 and 3, followed on pages 4 and 5 by an explanation of each of the resolutions proposed. Notes about your rights as a shareholder and information on how to complete your Proxy Card complete this document.

As Chairman of the meeting I will call a poll on all resolutions at the 2006 AGM. This is in line with best practice and allows all shareholders, present in person or by proxy, to vote on all resolutions.

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

If you intend to come to the AGM please bring your Admission Card with you. This sets out the time and date of the AGM and will ensure that you pass through registration as quickly as possible. A map showing the location of the AGM is on the reverse of your Admission Card.

A free shuttle bus service will run between Birmingham New Street railway station and the venue. Limited free car parking will be available at the venue from 11.30am on a 'first come, first served' basis.

I hope to see you at our meeting.

Yours sincerely



Sir John Parker
Chairman, National Grid plc

The 2006 Annual General Meeting of National Grid plc will be held at 2pm on Monday 31 July 2006 at The ICC, Broad Street, Birmingham B1 2EA.

The Annual General Meeting will consider the following business:

Ordinary resolutions

- 1 To receive the accounts for the year ended 31 March 2006, the Directors' Report, the Directors' Remuneration Report and the Auditors' Report on the accounts.
- 2 To declare a final dividend of 15.9 pence per ordinary share (US\$1.5115 per American Depositary Share) for the year ended 31 March 2006.
- 3 To re-elect Sir John Parker as a Director.
- 4 To re-elect Steve Lucas as a Director.
- 5 To re-elect Nick Winser as a Director.
- 6 To re-elect Ken Harvey as a Director.
- 7 To re-elect Stephen Pettit as a Director.
- 8 To re-elect George Rose as a Director.
- 9 To re-elect Steve Holliday as a Director.
- 10a To reappoint PricewaterhouseCoopers LLP as the Company's auditors until the conclusion of the next general meeting at which accounts are laid before the Company.
- 10b To authorise the Directors to set the auditors' remuneration.
- 11 To approve the Directors' Remuneration Report for the year ended 31 March 2006.
- 12 That the Directors be generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985 (the Act), to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal value of £103,241,860, provided that this authority shall (unless renewed, varied or revoked by the Company in general meeting) expire on 30 July 2011, save that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke all earlier such authorities conferred on the Directors.

Special resolutions

- 13 That the Directors be empowered pursuant to section 95 of the Act to allot equity securities (as defined in sections 94(2) and 94(5) of the Act) which shall include a sale of treasury shares, wholly for cash, as if section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:
 - a any such allotment in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders (excluding any holder of treasury shares) where the equity securities respectively attributable to the interests of all ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares represented by depositary receipts, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
 - b any such allotment, otherwise than pursuant to paragraph a above, of equity securities for cash up to an aggregate nominal value of £15,497,674.

This power shall (unless renewed, varied or revoked by the Company in general meeting) expire on 30 July 2011, provided that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired and provided further that this authority shall be in substitution for and supersede and revoke all earlier such authorities conferred on the Directors.

This power, in so far as it relates to the allotment of equity securities rather than the sale of treasury shares, is granted pursuant to resolution 12.

- 14** To authorise the Company generally and unconditionally, for the purpose of section 166 of the Act, to make market purchases (as defined in section 163(3) of the Act) of its ordinary shares of 11¹⁷/₄₃ pence each, provided that:
- a** the maximum number of ordinary shares that may be acquired is 272,000,000;
 - b** the minimum price per share that may be paid for any such shares is 11¹⁷/₄₃ pence; and
 - c** the maximum price per share that may be paid for any such shares is not more than the higher of: (i) an amount equal to 105% of the average market value for an ordinary share, as derived from the London Stock Exchange Official List, for the five business days prior to the day on which the purchase is made; or (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation.

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

- 15** To authorise the Company generally and unconditionally, for the purpose of section 166 of the Act, to make market purchases (as defined in section 163(3) of the Act) of its B shares of 10 pence each, provided that:
- a** the maximum number of B shares that may be acquired is 8,500,000;
 - b** the minimum price per share that may be paid for any such shares is 10 pence; and
 - c** the maximum price that may be paid for each B share is 65 pence (free of all dealing expenses and commissions).

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

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

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

On behalf of the Board

Helen Mahy
Group Company Secretary and General Counsel

17 May 2006

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

Explanation of resolutions

Resolutions 1 to 12 are ordinary resolutions and will be passed if more than 50% of the votes cast are in favour.

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

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

- 2** The Company requires shareholder consent to pay a final dividend. If approved, the final dividend of 15.9 pence per ordinary share (US\$1.5115 per American Depositary Share) will be paid on 23 August 2006 to shareholders on the register on 9 June 2006. Dividends are declared in both pence and US\$ to ensure that holders of both ordinary shares and American Depositary Shares are paid the same declared dividend on the same day.

Full biographical details for each of the Directors seeking reappointment are included in both the Annual Report and Accounts and Annual Review.

The Company's articles of association require each Director to retire and seek reappointment at least once every three years. As a consequence, the Board proposes the retirement and re-election of Sir John Parker, Steve Lucas, Nick Winser, Ken Harvey, Stephen Pettit and George Rose.

When considering the re-election of Directors, the Nominations Committee, as required by best practice, reviewed the effectiveness of each Director and the independence of the Non-executive Directors. The Nominations Committee resolved that in each case the Directors remained effective and that each of Ken Harvey, Stephen Pettit and George Rose remained independent.

- 3** Sir John Parker was last re-elected by shareholders in July 2003.
- 4** Steve Lucas was last re-elected by shareholders in July 2003.
- 5** Nick Winser was last re-elected by shareholders in July 2003.
- 6** Ken Harvey was last re-elected by shareholders in July 2003.
- 7** Stephen Pettit was last re-elected by shareholders in July 2003.
- 8** George Rose was last re-elected by shareholders in July 2003.

To comply with best practice, Steve Holliday is proposed for re-election following his change in position on the Board.

- 9** Steve Holliday was last re-elected by shareholders in July 2005. He would therefore not normally be subject to re-election again until 2008 at the earliest. However, because of his appointment by the Board as Deputy Group Chief Executive and as successor to the Group Chief Executive, it was considered appropriate that he be subject to shareholder re-election.

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

- 10a** It is a requirement that the Company's auditors must be reappointed at each general meeting at which accounts are laid, in effect at each AGM. This resolution proposes the auditors' reappointment.

- 10b** This resolution proposes that the Directors be authorised to set the auditors' remuneration.

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

- 12** This resolution seeks shareholder authority to allow the Company to issue more ordinary shares. It complies with investor protection guidelines, which allow the issue of up to one third of the current issued ordinary share capital (as at 17 May 2006 the current issued ordinary share capital was 2,720,349,947 and the resolution seeks authority to issue up to 906,000,000 new ordinary shares, representing 33% of the current issued ordinary share capital). The Directors currently have no intention of issuing new shares, other than in connection with the exercise of options under the Company's share schemes. The Company does not currently hold any shares as treasury shares. The Directors currently intend that this authority will be renewed at the next AGM.

Resolutions 13 to 17 are special resolutions and will be passed if at least 75% of the votes cast are in favour.

13 If the Company issues new shares for cash it must first offer them to existing shareholders in proportion to their current holdings (pre-emption rights). This resolution modifies these rights to deal with legal, regulatory or practical problems that may arise. This resolution also seeks shareholder authority to issue a limited number of ordinary shares for cash without offering them to existing shareholders first. The resolution complies with investor protection guidelines, which limit any issue to 5% of issued share capital (as at 17 May 2006 the current issued ordinary share capital was 2,720,349,947 and the resolution seeks authority to issue up to 136,000,000 new ordinary shares for cash, representing 5% of the current issued ordinary share capital). This limitation will also apply to treasury shares sold other than proportionally to existing shareholders. The Directors currently intend that this authority will be renewed at the next AGM.

14 In some circumstances companies may find it advantageous to use surplus funds to purchase their own shares in the market. This can lead to increases in future earnings on those shares not purchased.

This resolution complies with investor protection guidelines which limit share purchases to 10% of the issued share capital (as at 17 May 2006 the current issued ordinary share capital was 2,720,349,947 and the resolution seeks authority to purchase 272,000,000 ordinary shares). The Directors confirm that they will only purchase shares where they believe the effect would be to increase earnings per share and would be in the best interests of shareholders.

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

As at the date of this notice, options were outstanding over 24,369,288 ordinary shares, representing approximately 0.896% of the current issued ordinary share capital. If the proposed market purchase authority were used in full, shares over which options were outstanding would represent approximately 0.995% of the adjusted ordinary share capital.

15 In the same way that the Directors are seeking a general authority to purchase ordinary shares, should the circumstances arise, this resolution seeks a general authority to repurchase B shares.

16 This resolution seeks authority to approve the terms of the proposed contract between Deutsche Bank and the Company under which Deutsche Bank will be entitled to require the Company to repurchase the B shares acquired by Deutsche Bank pursuant to the second repurchase offer at 65 pence per B share plus stamp duty (if any) payable by Deutsche Bank under the second repurchase offer. Such authority will expire 18 months from the date of the passing of this resolution.

17 The Company's articles of association include restrictions in respect of the overall limit of Group borrowings. In line with many other companies' articles of association, the Company quantifies this limit as four times adjusted capital and reserves.

Currently, the articles of association explicitly state that the adjusted capital and reserves are measured under UK GAAP. This will create a problem as from this year the Company's accounts will be prepared under IFRS; the articles of association would therefore continue to refer to the 2004/05 accounts.

The Directors are proposing to introduce a fixed Group borrowing limit, of £30 billion, as this would both simplify any calculations and aid transparency in measuring compliance. This change is in line with those being made by other companies. Setting the limit at an appropriate level allows flexibility but retains an absolute limit.

Notes

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

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

To be valid any Proxy Cards or other Proxy Instructions must be received by post or (during normal business hours only) by hand at:

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

no later than 2pm on Saturday 29 July 2006. The return of a completed Proxy Card or CREST Proxy Instruction will not prevent you from attending the AGM and voting in person if you wish to do so.

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members included in the register of members as at 6pm on Saturday 29 July 2006 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM, shall be entitled to vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6pm on Saturday 29 July 2006 or, in the event that this AGM is adjourned, in the register of members 48 hours before the time of any adjourned AGM, shall be disregarded in determining the rights of any person to attend or vote at the AGM. A copy of the proposed amendment to the articles of association will be available for inspection:

- from the date of the publication of this notice, at the registered office of the Company (1-3 Strand, London WC2N 5EH); and
- at the AGM venue for 30 minutes prior to, and during, the AGM.

Completing your Proxy Card

- Unless you choose someone else, the Chairman will act as your proxy. If acting as your proxy, the Chairman must vote as you direct and cannot change the votes you mark on your Proxy Card.
- To choose someone other than the Chairman as your proxy, cross out the words 'the Chairman of the Meeting' on the Proxy Card and write their name in the space provided. Please note: if you choose someone other than the Chairman as your proxy, you are responsible for ensuring that they attend the meeting and know how you wish to vote. If your proxy does not attend, your votes will not be cast.

- Place an X in the box showing how you wish to vote for each resolution. If you do not mark a resolution your proxy can decide how to vote.
- Sign and date the Proxy Card in the spaces provided. Where shares are held in joint names only one shareholder needs to sign.
- Once completed, return the Proxy Card, which is prepaid in the UK. To be valid, Proxy Cards must be received 48 hours before the start of the meeting.
- If you wish to use an envelope, Proxy Cards should be sent to: Capita Registrars, The Registry, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Postage will be payable.
- If you return a Proxy Card, this does not stop you from attending and voting at the meeting yourself.
- You can submit your proxy electronically, rather than by returning your Proxy Card, at www.nationalgrid.com/shareholders.
- Shareholders should note that while the number of abstentions will be counted and reported with other votes, only votes for and against will be counted when deciding the outcome of polls.

CREST

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

Any message, regardless of whether it relates to the appointment of a proxy or to an amendment to an instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA10) by close of business on Friday 28 July 2006. After this time any change to instructions to proxies appointed through CREST should be communicated to the agent by other means.

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