nationalgrid

Notice of National Grid plc 2009 Annual General Meeting

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13 May 2009

The 2009 Annual General Meeting of National Grid plc (the 'Company') will be held at 2pm on Monday 27 July 2009 at The ICC, Broad Street, Birmingham B1 2EA.

The Annual General Meeting will consider the following business:

Ordinary resolutions

1 To receive the Company's accounts for the year ended 31 March 2009, the Directors' Reports and the Auditors' Report on the accounts.

2 To declare a final dividend of 23.0 pence per ordinary share (US$1.7437 per American Depositary Share) for the year ended 31 March 2009.

3 To re-elect Sir John Parker as a Director.

4 To re-elect Steve Holliday as a Director.

5 To re-elect Ken Harvey as a Director.

6 To re-elect Steve Lucas as a Director.

7 To re-elect Stephen Pettit as a Director.

8 To re-elect Nick Winser as a Director.

9 To re-elect George Rose as a Director.

10 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.

11 To authorise the Directors to set the auditors' remuneration.

12 To approve the Directors' Remuneration Report for the year ended 31 March 2009.

13 To authorise the Directors generally and unconditionally, in accordance with the Articles of Association and section 80 of the Companies Act 1985 (the '1985 Act'), to allot relevant securities:

(i) up to an aggregate nominal amount of £92,404,802; and

(ii) comprising equity securities (as defined in section 94 of the 1985 Act) up to a further nominal amount of £92,404,802 in connection with an offer by way of a rights issue;

such authorities to expire at the end of the next Annual General Meeting or on 27 October 2010 whichever is earlier but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require relevant securities to be allotted after the authority ends.

14 To authorise the Directors, in accordance with the Articles of Association, to offer the holders of ordinary shares of the Company, to the extent and in the manner determined by the Directors, the right to elect to receive new ordinary shares (credited as fully paid) instead of cash, in respect of all or part of any dividend which can be declared or paid in the period prior to the conclusion of the Annual General Meeting to be held in 2014.

15 Subject to the passing of Resolution 14, to authorise the Directors, in accordance with the Articles of Association, to capitalise the appropriate nominal amounts of new shares of the Company allotted under the Scrip Dividend Scheme out of the sums standing to the credit of any reserve or account of the Company.

Special resolutions

16 To authorise the Directors, in accordance with the Articles of Association and Section 95 of the 1985 Act, to allot equity securities wholly for cash, including a sale of treasury shares, as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to:

(i) any such allotment in connection with a rights issue; and

(ii) any such allotment, otherwise than pursuant to a rights issue, of equity securities up to an aggregate nominal value of £13,860,720;

and shall expire at the next Annual General Meeting or on 27 October 2010 whichever is earlier, but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends and the Directors may allot equity securities under any such offer or agreement as if the power had not ended.

17 To authorise the Company generally and unconditionally, for the purpose of section 166 of the 1985 Act, to make market purchases of its ordinary shares provided that:

(i) the maximum number of ordinary shares that may be acquired is 243,269,786 being 10% of the Company's issued share capital as at 12 May 2009;

(ii) the minimum price per share that may be paid for any such shares is $11\frac{17}{43}$ pence; and

(iii) 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; and

such authority shall expire at the earlier of the close of the next Annual General Meeting or 27 October 2010 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.

18 To authorise the Directors, in accordance with the Articles of Association, to call a general meeting of the Company, other than an Annual General Meeting, on 14 clear days' notice.

19 To adopt new Articles of Association (produced to the meeting and marked 'A' and initialled by the Chairman for purposes of identification) with effect from the passing of this resolution, in substitution for, and to the exclusion of, the existing Articles of Association.

20 With effect from 1 October 2009:

(i) to amend the Articles of Association existing at that date by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(ii) to adopt new Articles of Association (produced to the meeting and marked 'B' and initialled by the Chairman for purposes of identification) in substitution for, and to the exclusion of, the Articles of Association existing at that date.

The Directors believe that the proposals set out in Resolutions 1 to 20 are in the best interests of shareholders as a whole and they unanimously recommend that shareholders vote in favour of each of the resolutions as they intend to do in respect of their own holdings.

On behalf of the Board

Helen Mahy
Company Secretary & General Counsel

13 May 2009

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

Explanation of resolutions

Resolutions 1 to 15 are ordinary resolutions and will be passed if more than 50% of the votes cast (not counting votes withheld) are in favour.

Annual Report and Accounts

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 its prospects for the future. Copies of the full Annual Report and Accounts for the year ended 31 March 2009, the Annual Review and Performance Summary will be available at the AGM. These documents are also available on the Company's website at www.nationalgrid.com. Paper copies can be obtained from Capita Registrars (telephone 0871 664 500 – calls cost 10p per minute plus network extras).

Final dividend

2 The Company requires shareholder consent to pay a final dividend. The dividend cannot exceed the amount recommended by the Directors. If approved, the final dividend of 23.0 pence per ordinary share (US$1.7437 per American Depositary Share) will be paid on 19 August 2009 to shareholders on the register at the close of business on 5 June 2009. The dividend is to be paid in respect of each ordinary share other than those shares in respect of which a valid election has been made, subject to the passing of Resolution 14, to receive new ordinary shares instead of the final dividend. Dividends are declared in both pence and US$ to ensure that holders of both ordinary shares and ADSs are paid the declared dividend on the same day. Please also refer to the notes for Resolutions 14 and 15 in relation to the proposed Scrip Dividend Scheme.

Re-election of Directors

Full biographical details for each of the Directors seeking re-election are included in the Annual Report and the Annual Review. Director remuneration details are provided in the Directors' Remuneration Report in the Annual Report which is summarised in the Annual Review.

The Company's Articles of Association require that any Director appointed to the Board retires and seeks re-election by shareholders at least once every three years. When considering the re-election of Directors, the Nominations Committee reviews the effectiveness of each Director and the independence of the Non-executive Directors. The Nominations Committee resolved that the Directors remained effective and that each of the Non-executive Directors remained independent.

3 Sir John Parker, Chairman, became Chairman following the merger of Lattice Group plc with National Grid Group plc in 2002 and his career has encompassed the engineering, shipbuilding and defence industries. He is Deputy Chairman of DP World, joint Chairman of Mondi plc, a Non-executive Director of Carnival Corporation and European Aeronautic Defence and Space Company (EADS) and Chancellor of the University of Southampton.

4 Steve Holliday, Chief Executive, was appointed Chief Executive in 2007 having joined the Company in 2001. He was previously responsible for the gas and electricity transmission businesses. He was formerly a Director of British Borneo Oil and Gas and held senior positions with Exxon.

5 Ken Harvey, Non-executive Director and Senior Independent Director, joined the Board following the merger with Lattice Group in 2002. He is Chairman of Pennon Group plc and former Chairman and Chief Executive of Norweb plc.

6 Steve Lucas, Finance Director, was appointed Finance Director in 2002 and is additionally responsible for Global Shared Services. He had been Executive Director, Finance at Lattice Group and previously held senior positions with British Gas and Shell.

7 Stephen Pettit, Non-executive Director, was appointed to the Board following the merger with Lattice Group. He is Chairman of ROK plc and a Non-executive Director of Halma plc having formerly been an Executive Director at Cable & Wireless and Chief Executive of Petrochemicals at British Petroleum.

8 Nick Winser, Executive Director, was appointed to the Board in 2003 as Director responsible for Transmission having previously been Chief Operating Officer for the US transmission business of National Grid Transco and Director of Engineering.

9 George Rose, Non-executive Director, was appointed to the Board following the merger with Lattice Group. He is Finance Director of BAE Systems plc, a Non-executive Director of SAAB AB and a member of the Industrial Development Advisory Board.

Auditors' reappointment and remuneration

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 the Corporate Governance section of the Annual Report. The Audit Committee recommended to the Board the reappointment of PricewaterhouseCoopers LLP. The reappointment of the auditors is considered as a separate resolution from the setting of the auditors' remuneration.

10 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.

11 This resolution proposes that the Directors be authorised to set the auditors' remuneration.

Explanation of resolutions continued

Remuneration Report

12 In accordance with requirements under the Directors' Remuneration Report Regulations, 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 remuneration policy going forward.

Directors' authority to allot shares (section 80 authority)

13 The purpose of Resolution 13 is to renew the Directors' power to allot shares. The authority in paragraph (i) will allow the Directors to allot new shares and other relevant securities up to a nominal value of £92,404,802, which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 12 May 2009. The authority in paragraph (ii) will allow the Directors to allot new shares and other relevant securities only in connection with a fully pre-emptive rights issue up to a further nominal value of £92,404,802 which is equivalent to approximately 33% of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 12 May 2009. This is in line with revised investor guidelines. It is envisaged that, should such additional authority under paragraph (ii) be utilised, all the Directors would put themselves forward for re-election at the next AGM. As at 12 May 2009, the number of ordinary shares in issue was 2,581,974,851 and the Company held 149,276,986 treasury shares, representing 6.14% of the issued share capital excluding treasury shares.

The Directors currently have no intention of issuing new shares except in relation to the proposed Scrip Dividend Scheme and in connection with the exercise of options and awards under the Company's employee share schemes. The Directors consider it desirable to have the maximum flexibility permitted by investor guidelines to respond to market developments. No issue of shares will be made which would effectively alter control of the Company without the sanction of shareholders in general meeting. The authority will be subject to renewal annually.

Scrip dividend

14 The Directors are proposing that the Company introduce an optional Scrip Dividend Scheme to commence with the proposed 2008/09 final dividend payable in August 2009. The Scrip Dividend Scheme is subject to shareholder approval. Such a Scheme will give shareholders the right to elect to receive new ordinary shares in the capital of the Company (credited as fully paid) instead of future cash dividends. Shareholders who elect to take new shares in the Company under the Scheme will increase their holdings without incurring stamp duty or dealing costs, in contrast to the acquisition of further shares through the Company's dividend re-investment plan which has been offered in recent years. It is envisaged that the Company will indefinitely suspend the DRIP if the Scrip Dividend Scheme is approved.

The number of shares that shareholders will be entitled to receive under the Scheme will be determined by their holdings and the reference share price. The reference share price will be calculated based on the average closing middle market quotations for the Company's shares as derived from the London Stock Exchange Daily Official List for five dealing days commencing on the ex-dividend date for each dividend. Details of how the Scrip Dividend Scheme will operate in respect of the proposed 2008/09 final dividend and future dividends and the Terms and Conditions of the Scheme can be found at Appendix 1.

15 In accordance with the Articles of Association, approval is sought to capitalise sums standing to the credit of the reserves of the Company, including the share premium account. This would enable the Directors to apply such sums in paying up in full the nominal amounts of new shares allotted to shareholders pursuant to elections under the Scrip Dividend Scheme.

Resolutions 16 to 20 are special resolutions and will be passed if at least 75% of the votes cast (not counting votes withheld) are in favour.

16 Disapplication of pre-emption rights

If the Company issues new shares, or sells treasury shares, for cash (other than in connection with an employee share scheme), it must first offer them to existing shareholders in proportion to their existing holdings (known as pre-emption rights). This resolution seeks shareholder approval to issue a limited number of ordinary shares for cash without offering them to existing shareholders first. In accordance with investor guidelines, which limit such issue to 5% of the issued share capital in any one year and 7.5% over a rolling 3 year period, the resolution seeks approval for the issue (other than in connection with a pre-emptive offer or rights issue) of up to 121,634,893 new ordinary shares for cash, representing 5% of the issued share capital as at 12 May 2009. This limit also applies to shares issued from treasury. A renewal of this authority will be proposed at each subsequent AGM.

The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles not to allot shares on a non pre-emptive basis (other than pursuant to a rights issue or pre-emptive offer) in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling 3 year period without prior consultation with shareholders.

17 Share repurchase

In some circumstances, companies may find it advantageous to purchase their own shares in the market. This can lead to increases in future earnings on those shares not purchased. Under the authority provided at the 2008 AGM, the Company purchased 34,914,497 ordinary shares (representing approximately 1.35% of the issued ordinary share capital as at 31 March 2008).

This resolution complies with investor guidelines, which limit share purchases to 10% of the issued share capital per annum. 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 generally.

Repurchased shares may be held as treasury shares by the Company. As at 12 May 2009, options were outstanding over 26,838,974 ordinary shares, representing approximately 1.1% of the issued ordinary share capital as at 12 May 2009. If the proposed market purchase authority were used in full, shares over which options were outstanding would represent approximately 1.2% of the adjusted ordinary share capital.

18 General Meetings

The Articles of Association allow the Directors to call general meetings of the Company, other than Annual General Meetings, on 14 clear days' notice. Following changes arising from the proposed implementation of the Shareholder Rights Directive in August 2009, authority to call such meetings on such notice will require annual shareholder approval. Accordingly, to retain flexibility, the Directors are seeking authority to continue to be able to call general meetings on 14 days' notice. The approval will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed.

Adoption of new Articles of Association

Following changes in English law as a result of the Companies Act 2006, new Articles of Association were adopted by the Company at the 2008 AGM. As the implementation of the Companies Act 2006 has been in stages, it is proposed to update the Current Articles by adopting new ones with effect from the 2009 AGM and then, following the implementation of the remaining parts of the Companies Act 2006 on 1 October 2009, to adopt new Articles of Association to take effect from this date. The two-stage process is proposed to bring the Articles as up to date as possible under the law rather than wait until the 2010 AGM.

19 Resolution 19 is proposed to adopt the Pre-October Articles with immediate effect to amend the Company's borrowing powers and to bring the Articles in line with the provisions of the Companies Act 2006 that are currently in force. Certain clarifying changes are also proposed. The principal changes introduced in the Pre-October Articles are summarised in Part A of Appendix 2.

20 Resolution 20 is proposed to further update the Company's Articles to take account of certain provisions of the Companies Act 2006 which will come into force on 1 October 2009. The New Articles will only become effective on 1 October 2009. The principal changes introduced in the New Articles are summarised in Part B of Appendix 2.

Other amendments which are of a minor, technical or clarifying nature (including those which merely reflect changes made by the Companies Act 2006 or conform the language of the New Articles with that used in the model articles for public companies set out in the Companies (Model Articles) Regulations 2008) have not been noted in Appendix 2.

The (i) Pre-October Articles showing all the changes to the Current Articles and (ii) New Articles showing all the changes to be made to the Pre-October Articles (as at 1 October 2009) are available for inspection, as noted on page 6 of this document.

Notes

A shareholder of the Company who is entitled to attend, speak and vote at the AGM but is unable or does not wish to attend is entitled to appoint a proxy or proxies to attend, speak 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 0871 664 500 (calls cost 10p per minute plus network extras) (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, Proxy Cards or other Proxy Instructions must be sent using the enclosed pre-paid envelope or delivered by post or (during normal business hours) by hand to:
Capita Registrars
The Registry
Proxy Department
34 Beckenham Road
Beckenham
Kent BR3 4TU

no later than 2pm on Saturday 25 July 2009. You can complete the proxy form online at www.nationalgrid.com/shareholders. 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 25 July 2009 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 25 July 2009 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.

As at 12 May 2009 (being the last business day before publication of this Notice), there were 2,581,974,851 ordinary shares in issue, each carrying one vote each, and 149,276,986 shares in treasury. Shares held in treasury do not have voting rights. Therefore, the total voting rights exercisable as at 12 May 2009 are 2,432,697,865. Holders of ordinary shares are entitled to attend, speak and vote, either in person or by proxy, at general meetings of the Company. For further details relating to the voting and participation rights of shareholders, please refer to the Company's Articles of Association, copies of which are available on our website at http://www.nationalgrid.com/corporate/About+Us/CorporateGovernance/.

Explanation of resolutions continued

Please note that proxy votes can only be submitted via paper Proxy Cards returned to the address stated on such Proxy Cards, electronically via www.nationalgrid.com/shareholders or via CREST. Proxy votes cannot be submitted via any other communication means stated in this Notice.

Nominated persons

If this notice is sent to you as a person nominated to receive copies of company communications, the proxy rights described above do not apply to you. The rights described in these paragraphs only apply to shareholders. You may have a right under an agreement with the registered member to be appointed (or have someone else appointed) as a proxy for the AGM, and you are advised to contact them.

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 24 July 2009. 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.

Inspection of documents

Copies of the following documents will be available for inspection at the registered office of the Company at 1-3 Strand, London WC2N 5EH during normal business hours until the time of the AGM and at the ICC, Broad Street, Birmingham from 15 minutes before the AGM until it ends:

(i) copies of the Directors' service contracts or letters of appointment;

(ii) a copy of the Memorandum of Association and the Current Articles of Association;

(iii) a copy of the Pre-October Articles proposed to be adopted with effect from the conclusion of the AGM, marked up to show the changes to be made to the Current Articles under Resolution 19; and

(iv) a copy of the New Articles proposed to be adopted with effect from 1 October 2009, marked up to show the changes to be made to the Pre-October Articles (which will be the articles in effect at that time) under Resolution 20.

Website

Copies of the Notice of Annual General Meeting and Annual Reports and Reviews are available on the National Grid website at www.nationalgrid.com. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or section 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Corporate representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

Appendix 1
Scrip Dividend Scheme – Terms and Conditions

1. The Scrip Dividend Scheme

The optional Scrip Dividend Scheme enables shareholders to receive new fully paid ordinary shares in National Grid plc instead of cash dividends. This makes it possible for shareholders to increase their shareholdings in National Grid without incurring dealing costs or stamp duty. Please see paragraph 17 below for taxation information.

2. Joining the Scheme

All UK shareholders can if they so wish join the Scheme by completing a Scrip Dividend Mandate Form (which may be amended from time to time) and sending it to the Company's Registrar, Capita Registrars. No acknowledgment of receipt of Mandate Forms will be issued. For details regarding overseas shareholders please see paragraph 12 below. Further copies of the Mandate Form may be obtained from the Company's Registrar whose contact details are set out overleaf. All elections will be subject to fulfilment of the conditions specified in the Mandate Form. The right to elect to receive new shares is non-transferable.

A Mandate Form must be received by the Company's Registrar at least 20 business days (excluding weekends and bank holidays) before the dividend payment date (such date is referred to as the scrip election date) in order to be eligible to receive shares instead of cash for that dividend and subsequent dividends. Completed Mandate Forms must be received by the Company's Registrar before 5pm on the scrip election date of 22 July 2009 to apply to the 2008/09 final dividend to be paid on 19 August 2009. Forms received after that time will apply to subsequent dividends only and the 2008/09 dividend will be paid in cash. A Mandate, once completed and returned to the Company's Registrar, will remain in force for all future dividends until such Mandate is cancelled by the shareholder in writing.

Shareholders who hold their shares in CREST can only elect to receive dividends in the form of new ordinary shares by use of the CREST Dividend Election Input Message. By doing so, such CREST shareholders confirm their election to participate in the Scheme and their acceptance of these Terms and Conditions, as amended from time to time. No paper form of election will be accepted. The Dividend Election Input Message must contain the number of shares on which the election is being made. If the number of elected shares is blank or zero then it will be rejected. If the number of elected shares is greater than the shares held at the relevant record date then the election will be applied to the holding as at the relevant record date. It is our understanding that once an election is made using the CREST Dividend Election Input Message system it cannot be amended. Therefore, if a CREST shareholder wished to change their election, the previous election would have to be cancelled. CREST shareholders must elect for each dividend to receive new shares in respect of such dividend.

3. Number of new shares

The number of new shares that shareholders will receive for each dividend will depend on the amount of the cash dividend, any residual cash balance brought forward from the last scrip dividend, the number of shares held, and the reference share price to be used in calculating shareholders' entitlements. The reference share price will be the average of the middle market quotations for the Company's ordinary shares on the London Stock Exchange Daily Official List for the five dealing days commencing on (and including) the date on which the ordinary shares are first quoted ex-dividend.

The formula used for calculating the maximum number of shares to be received for each dividend will be as follows:

$$\frac{\text{(number of ordinary shares held at the dividend record date} \times \text{cash dividend per share) + any residual cash balance}}{\text{reference share price}}$$

For example:
i) If a shareholder held 1,000 shares and the dividend was 21.3 pence per share and the average share price for the five dealing days after the ex-dividend date was 710 pence then such shareholder would receive 30 additional shares under the Scrip Dividend Scheme.

ii) If a shareholder held 500 shares and the dividend was 23 pence per share and the average share price for the five dealing days after the ex-dividend date was 610 pence then such shareholder would receive 18 additional shares under the Scrip Dividend Scheme.

The ex-dividend date for the 2008/09 final dividend is 3 June 2009. The reference share price in respect of the 2008/09 final dividend, announced on 10 June 2009, is available on the Company's website at www.nationalgrid.com. The record date, ex-dividend date and reference share price in respect of any future scrip dividends will also be announced and made available on the Company's website.

Once shareholders' new shares have been issued, a statement will be sent to such shareholders, along with a new share certificate, showing the number of new ordinary shares allotted, the reference share price, and the total cash equivalent of the new ordinary shares for tax purposes. If on any occasion the cash dividend entitlement, together with any cash balance brought forward, is insufficient to acquire at least one new share, shareholders will receive a statement explaining that no shares have been issued and showing how much cash has been carried forward to the next dividend.

4. Fractions and cash balances

No fraction of a new ordinary share will be allotted and calculation of entitlement to new shares will always be rounded down to the nearest whole new share. Any residual cash balance will be carried forward to be included in the calculation for the next dividend. No interest will be paid on this cash balance.

5. Future dividends

Once a shareholder has completed and returned a valid Mandate, this will apply for all successive dividends unless and until it is revoked in writing by the shareholder. Shareholders holding their shares in CREST must elect for each dividend. The Mandate is always subject to the Directors' decision to offer a scrip dividend. The Directors may decide not to offer a scrip alternative in respect of any future dividend. Please see paragraphs 14 and 15 below for further details.

All new ordinary shares issued under the Scheme will automatically increase shareholders' shareholdings on which the next entitlement to a scrip dividend will be calculated (unless an election has been made on part of a shareholding only in respect of nominee shareholdings). Where shareholders hold fewer than the minimum number of ordinary shares required for exercise of the scrip dividend, funds representing shareholders' fractional entitlements will be accumulated for their benefit. These funds will be added to the cash amount of the next dividend (in respect

Appendix 1 continued

of which a scrip dividend alternative is offered) and applied in calculating shareholders' entitlement under that offer.

Accumulated fractional entitlements will be paid to shareholders in cash as soon as reasonably practicable in the event of cancellation of Mandates by such shareholders or disposals of such shareholders' entire shareholdings, or in the event of cancellation or termination of the Scheme. In the event of death, insolvency or mental incapacity of a shareholder, any cash balance for that shareholder will be paid to his/her estate or trustee as applicable. Where a shareholder cancels their Mandate or sells their shares, amounts less than £3 standing to their benefit in such account will, unless instructed otherwise in writing in advance by the shareholder, be paid to a charity of the Company's choice.

6. The DRIP scheme

Upon shareholder approval of the Scrip Dividend Scheme, the Company's current Dividend Re-investment Plan will be suspended indefinitely. Shareholders participating in the DRIP will need to complete a Scrip Dividend Mandate Form if they wish to move to the Scrip Dividend Scheme. Please note that if as a CREST nominee you have previously submitted an evergreen CREST Dividend Election Input message for the DRIP, you will need to delete this before submitting your CREST dividend election input message in respect of the Scrip dividend. If a Mandate for a shareholder (whether or not a DRIP participant) is not received by the Company's Registrar by the close of business on the first scrip election date of 22 July 2009, being the latest date for receipt of a scrip Mandate, such shareholder will receive a cash dividend in respect of the 2008/09 final dividend. Future dividends will also continue to be paid in cash unless a valid Mandate is received by the Company's Registrar. Any residual amounts standing to the credit of a shareholder who is a participant in the DRIP at the time of introduction of the Scrip Dividend Scheme will be paid to such shareholder in cash (by cheque) on or as soon as practicable after the payment date of the first scrip dividend.

7. Listing and ranking of the new shares

Application will be made to the London Stock Exchange and the UK Listing Authority for admission of the new shares to trading and to the official list of the UKLA. The new shares will be credited as fully paid and will rank equally in all respects with the existing ordinary shares (including the same voting rights) except for participation in the relevant final dividend. In the unlikely event that the new shares are not admitted to listing, or if any other condition is not fulfilled, the Company will pay the dividend in cash in the usual way as soon as reasonably practicable.

8. Share certificates and dealings

Subject to the new shares being admitted to the official list of the UKLA and to trading on the London Stock Exchange, new share certificates for participants in the Scrip Dividend Scheme will be posted to non-CREST shareholders at their risk, on or about the same date as the dividend warrants are posted to those shareholders who are not participating in the Scheme (see the National Grid website for current dates). CREST members will have their CREST accounts credited directly with the new shares on or as soon as is practicable after the same day that the cash dividend is paid. Dealings in the new ordinary shares are expected to begin on the dividend payment date.

9. Multiple holdings

If for any reason a shareholder's shares are registered in more than one holding, then unless such multiple shareholdings are consolidated before the scrip election date, they will be treated as separate. As a result, separate Mandates will need to be completed for each such holding if shareholders wish to receive new shares under the Scheme in respect of each holding.

10. Shareholdings in joint names

In respect of shareholdings held in joint names, to be effective, all joint shareholders must sign the Scrip Dividend Mandate Form.

11. Partial elections

Mandate Forms will only be accepted in relation to the whole shareholding. The Directors may, at their discretion, allow a shareholder to elect in respect of a lesser number of shares where they are acting on behalf of more than one beneficial holder, that is, through a nominee shareholding held in CREST. The Dividend Election Input Message submitted to CREST must contain the number of shares for which the election is being made. Such mandate must be renewed for each dividend. A cash dividend will be paid on any remaining shares not included in the Dividend Election Input Message.

12. Overseas shareholders

Shareholders who are resident outside the UK may treat this document as an invitation to receive new ordinary shares unless such an invitation could not lawfully be made to such shareholders without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person resident outside the UK wishing to elect to receive new ordinary shares under the Scheme to be satisfied that such an election can validly be made without any further obligation on the part of the Company, and to be satisfied as to full observance of the laws of the relevant territory, including obtaining any governmental, regulatory or other consents which may be required and observing any other formalities in such territories and any resale restrictions which may apply to the new shares. Unless this condition is satisfied, such shareholders may not participate in the Scheme or sign a Mandate Form.

13. Recent sale or purchase of ordinary shares

If shareholders have sold some of their ordinary shares before a record date, the scrip dividend will apply in respect of the remainder of such shareholders' shares. If shareholders have bought any additional ordinary shares after a record date, the additional shares will not be eligible for the next dividend, but will be eligible for future dividends, without the need to complete a further Mandate in respect of the additional shares.

14. Cancellation of Mandates

Shareholders may cancel their Scrip Dividend Mandates at any time. Notice of cancellation must be given in writing to the Company's Registrar, Capita Registrars, at least 20 business days (excluding weekends and bank holidays) before the relevant dividend payment date. CREST shareholders can only cancel their mandates through the CREST system. A notice of cancellation will take effect on its receipt and processed by the Registrar in respect of all dividends payable after the date of receipt of such notice. If a notice of cancellation is received within 20 business days of a dividend payment date, the shareholder will receive additional shares under the Scheme for the next dividend and the cancellation will take effect for subsequent dividends. A shareholder's Mandate will be deemed to be cancelled if such shareholder sells or otherwise transfers their ordinary shares to another person but only with effect from the registration of the relevant transfer. If you hold your shares in certificated form and you sell or transfer your entire shareholding before the last date for the receipt of scrip elections for a particular dividend, you will be withdrawn from the Scrip Dividend Scheme for that dividend.

A shareholder's Mandate will also terminate immediately on receipt of notice of such shareholder's death. However, if a joint shareholder dies, the Mandate will continue in favour of the surviving joint shareholder(s) (unless and until cancelled by the surviving joint shareholder(s)). Any residual amounts over £3 standing to the credit of a shareholder will be paid to such shareholder in cash (by cheque) on or as soon as practicable after the cancellation. Where such residual amount is under £3, such sums will, unless the shareholder instruct otherwise in writing in advance, be paid to a charity of the Company's choice.

15. Changes to or cancellation of the Scheme

At any time the Directors, at their discretion and without notice to shareholders individually, may modify, suspend, terminate or cancel the Scheme. In the case of any modification, existing Mandates (unless otherwise specified by the Directors) will be deemed to remain valid under the modified arrangements unless and until the Company's Registrar receives a cancellation in writing from such shareholders pursuant to paragraph 14 above. If the Scheme is terminated or cancelled by the Directors, all Mandates then in force will be deemed to have been cancelled as at the date of such termination or cancellation.

The operation of the Scrip Dividend Scheme is always subject to the Directors' decision to make an offer of new shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to revoke the offer generally at any time prior to the allotment of new ordinary shares under the Scheme. If the Directors revoke an offer (or otherwise suspend, terminate or cancel the Scheme), shareholders will receive their dividend in cash on or as soon as reasonably practicable after the dividend payment date.

16. Governing law

The Scheme (including the Mandate Form and any related circular) is subject to the Company's Articles of Association and these terms and conditions, as amended from time to time, and is governed by, and its terms and conditions are to be construed in accordance with, English law.

17. Taxation

The tax consequences of electing to receive new ordinary shares in place of a cash dividend will depend on shareholders' individual circumstances. If shareholders are not sure how they will be affected from a tax perspective, they should consult their solicitor, accountant or other professional adviser before taking any action.

The Company understands that (as at 30 April 2009), under United Kingdom legislation and HM Revenue & Customs practice (which are subject to change, possibly with retrospective effect), the taxation consequences for shareholders electing to receive new ordinary shares instead of a cash dividend will, broadly, be as follows. This summary relates only to the position of shareholders resident only in the United Kingdom for taxation purposes who hold their shares beneficially as an investment, otherwise than under a personal equity plan or an individual savings account and who have not (and are not deemed to have) acquired their shares by reason of any office or employment. The precise taxation consequences for a particular shareholder will depend on that shareholder's individual circumstances. Shareholders who may be subject to taxation in a jurisdiction other than the United Kingdom or who may be unsure as to their taxation position should seek their own professional advice. This summary of the taxation treatment is not exhaustive. The Company will use its reasonable endeavours to keep this summary up to date on its website (www.nationalgrid.com). However, if shareholders are in any doubt as to their tax position, they should consult their solicitor, accountant or other professional adviser before taking any action.

17.1 UK resident individual shareholders

Income Tax

Very broadly, a UK resident individual shareholder who receives new ordinary shares pursuant to the Scheme will have the same liability to income tax as he would have had had he received a cash dividend of an amount equal to the 'cash equivalent of the new ordinary shares'. The cash equivalent of the new ordinary shares will be the amount of the cash dividend which the shareholder would have received had they not elected to take new shares, unless the market value of the new shares on the first day of dealings on the London Stock Exchange differs substantially from the cash dividend foregone (i.e. differs by 15% or more of such market value) in which case the market value will be treated as the cash equivalent of the new ordinary shares for taxation purposes.

Where individual shareholders elect to receive new ordinary shares in place of a cash dividend, they will be treated as having received gross income of an amount which, when reduced by income tax at the rate of 10%, is equal to the 'cash equivalent of the new ordinary shares'. Income tax at the rate of 10% is treated as having been paid on this gross income.

Generally, individuals who currently pay income tax at the basic rate, will have no further liability to income tax in respect of the new shares received. Individuals who are subject to income tax at the rate of 40% will be liable to pay income tax at the dividend upper rate of 32.5% on the gross income which they are treated as having received. The 10% income tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 22.5% of the amount of the gross income treated as having been received (which is equal to 25% of the cash equivalent of the new ordinary shares). Subject to what is said above in relation to the determination of the cash equivalent of the new ordinary shares, this treatment is similar to that for cash dividends. No tax repayment claim may be made on either a cash dividend or in respect of new shares taken by non taxpaying individuals.

The Government has announced proposals to introduce, with effect from 6 April 2010, a new tax rate of 50% for taxable non-savings and savings income above £150,000 per annum. Dividends (whether paid to shareholders as cash or as new ordinary shares under the Scheme) which would otherwise be taxable at the new 50% rate would, however, be subject to income tax at a new rate of 42.5%.

Capital Gains Tax

For capital gains tax purposes, if an election to receive new shares instead of a cash dividend is made, then the 'cash equivalent of the new ordinary shares' (as described above) will be treated as being the base cost of the new shares.

17.2 UK resident trustees

Income Tax

Where trustees of discretionary trusts, who are liable to income tax on dividend income at the dividend trust rate (currently 32.5%), elect to receive new shares, they will be liable to additional income tax. For the purposes of charging this additional income tax, the trustees will be treated as having received gross income which, when reduced by income tax at the rate of 10%, is the same as the cash equivalent (as defined above) and as having paid income tax of 10% on the amount of this gross income. The 10% income

Appendix 1 continued

tax deemed to have been paid can be set off against part of that liability, thereby reducing the liability to 22.5% of the amount of the gross income treated as having been received (which is equal to 25% of the cash equivalent amount).

Where trustees of an interest in possession trust (where the beneficiary with an interest in possession is entitled to the trust income) elect to receive new shares and treat such shares as income, the trustees will be treated as having paid income tax of 10% on the gross income (as described above) that they have received and will have no further income tax liability. The tax position of a beneficiary entitled to the trust income who is a UK tax resident individual will be as set out in the paragraph headed 'UK resident individual shareholders' above.

Where such trustees elect to receive new shares and treat such shares as capital, the trustees will not have any further income tax to pay. The beneficiary will not be entitled to the shares (and will have no income tax to pay).

If the new shares are held in a bare trust or in the name of a nominee, the trustee or nominee will be disregarded for the purposes of income tax and the tax position of the beneficiary entitled to the shares will be as set out in the paragraph headed 'UK resident individual shareholders'.

The Government has announced proposals to introduce, with effect from 6 April 2010, a new dividend trust rate of 42.5%.

Capital Gains Tax

Where trustees of discretionary trusts, where no beneficiary is entitled to the trust income, elect to receive new shares, such shares will constitute a new holding of shares in the Company acquired for the cash equivalent in the manner described in the paragraph headed 'UK resident individual shareholders' above.

Where trustees of an interest in possession trust (where the beneficiary with an interest in possession is entitled to the trust income) elect to receive new shares and treat such shares as income, a beneficiary entitled to the trust income who is a UK tax resident individual, is treated for capital gains tax purposes as having acquired the new shares for the cash equivalent, in the manner described in the paragraph headed 'UK resident individual shareholders' above.

Where trustees of an interest in possession trust (where the beneficiary with an interest in possession is entitled to the trust income) elect to receive new shares and treat such shares as capital, the shares will be added to the trustees' existing holding of shares in the Company and treated as though they had been acquired when the existing holding was acquired. However, the trustees will not be considered to have made any payment for the new shares, so there will be no increase in base cost.

If the new shares are held in a bare trust or in the name of a nominee, the trustee or nominee will be disregarded and the beneficiary will be treated as having acquired the new shares for the cash equivalent.

17.3 UK resident companies

A corporate shareholder is not generally liable to corporation tax on cash dividends and will not be charged corporation tax on new shares received under the Scheme instead of a cash dividend. For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been given for the new shares. These new shares will be added to the corporate shareholder's existing holding of shares in the Company and treated as having been acquired when the existing holding was acquired.

17.4 UK pension funds

Where pension funds elect to receive new ordinary shares under the Scheme, no tax credit will attach to the new shares and no tax repayment claim can be made in respect of them; nor could such a claim be made in respect of the cash dividend.

17.5 Stamp duty/stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the receipt of new shares under the Scheme provided they are not issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts.

Contacts

For general enquiries about the Scheme please contact Capita Registrars at Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA, by telephone on 0871 664 0500 or by email at nationalgrid@capitaregistrars.com.

Glossary

CREST the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK and Ireland Limited is the operator

Current Articles the exisiting Articles of Association of the Company

National Grid or **Company**, National Grid plc

Directors the directors of National Grid plc

London Stock Exchange the London Stock Exchange plc

Mandate Form a mandate in a form provided by the Company from a shareholder to the Directors to allot new shares under the terms of the Scheme in lieu of a cash dividend to which they may become entitled from time to time

New Articles the Articles of Association of the Company proposed to apply as from 1 October 2009

new shares new ordinary shares issued under the Scheme

ordinary shares ordinary shares of $11^{17}/_{43}$ pence each in the capital of the Company

Pre-October Articles the Articles of Association of the Company proposed to apply as from the date of the 2009 AGM up to but excluding 1 October 2009

Scrip Dividend Mandate or **Mandate** the instructions of a shareholder as set out in a valid Mandate Form

Scrip Dividend Scheme or **Scheme** the National Grid plc Scrip Dividend Scheme as comprised under and subject to the terms and conditions contained in this document as amended from time to time

shareholder a holder of ordinary shares in the capital of the Company

Appendix 2
Explanatory notes of principal changes to the Company's Articles of Association

Part A

Summary of principal changes in the Pre-October Articles (proposed to take immediate effect as from the date of the AGM)

1. Satellite meeting places

New provisions are proposed to allow the Company to hold general meetings in more than one place. This will facilitate the organisation and administration of meetings by enabling the Company to make arrangements that will be more convenient to shareholders and will bring the Articles in line with market practice.

2. Borrowing limits

It is proposed to amend the Company's borrowing limits, which include those of its subsidiary and associated companies, by increasing the current limit from £30bn to £35bn, so that the Company may have greater flexibility to respond to market developments and to reflect the increased sterling value of the Company's US borrowings due to the strengthening of the dollar against the pound. As at 31 March 2009 the Company's net borrowings in accordance with the Articles stood at £22.67bn.

3. General

Generally changes which are of a minor, technical or clarifying nature are to be made including to reflect changes made by the Companies Act 2006 and to take the opportunity to use clearer language in the Articles. We are pleased that the Company has retained the Plain English Campaign's crystal mark for the Pre-October Articles and the New Articles.

Part B

Summary of principal changes in the New Articles (proposed to take effect as from 1 October 2009)

1. Memorandum of Association

The Articles of Association will be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, will be treated as provisions of the Company's Articles of Association from 1 October 2009.

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities that the Company is authorised to undertake. This is drafted to give a wide scope. The Companies Act 2006 will significantly reduce the constitutional significance of the Memorandum by providing that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in a company. Under the Companies Act 2006 the objects clause, and all other provisions which are currently contained in the Memorandum, will be deemed to be contained in the Articles but the Company is allowed to remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 20(i) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, it is proposed that the New Articles should contain an express statement preserving the limited liability of the shareholders.

2. Authorised share capital and unissued shares

As from 1 October 2009 the Companies Act 2006 will abolish the requirement for a company to have an authorised share capital. The proposed changes in the New Articles reflect this. Resolution 20 also removes all provisions of the Company's Memorandum relating to authorised share capital, which are deemed to form part of the Articles from 1 October. The Directors will still be limited as to the number of shares they can allot at any time because the Companies Act 2006 still requires them to have allotment authority, save in respect of employee share schemes.

Appendix 2 continued

3. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital
Under the law currently in force a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. From 1 October 2009, under the Companies Act 2006 the Company will only require shareholder authority to do any of these actions and it will no longer be necessary for the Articles to contain such enabling provisions. Accordingly, it is proposed that the relevant enabling provisions in relation to the power to increase capital and consolidate and sub-divide shares be removed from the Articles. However, for the sake of clarity, the Directors consider it helpful to retain the provisions on buying back shares and reducing share capital so these will remain in the New Articles.

4. Redeemable shares
At present if a company wishes to issue redeemable shares, it must include in its articles the terms and conditions and manner of redemption. From 1 October 2009 the Companies Act 2006 will enable the Directors to determine such matters instead, provided they are so authorised to do so by the Articles. The New Articles contain such an authorisation. The Company currently has no plans to issue redeemable shares.

5. Closure of share register
As of 1 October 2009 companies will no longer be able to close their registers of members for up to 30 days each year. The Company proposes to delete this provision in the Articles to reflect the fact that under the Companies Act 2006 this will no longer be permitted after that date.

6. Provision for employees on cessation of business
The Companies Act 2006 provides that the powers of the Directors to make provision from 1 October 2009 for a person employed or formerly employed by the Company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary, may only be exercised by the Directors if they are so authorised by the Company's Articles or by the Company in general meeting. The New Articles provide that the Directors may exercise this power.

7. General
Generally the opportunity has been taken to adopt clear language in the New Articles and in some areas to conform the language of the New Articles with that used in the Companies (Model Articles) Regulations 2008 to come into force on 1 October 2009.

For queries about ORDINARY SHARES contact:

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