A New Energy / Environment Dynamic

Faster Freight Cleaner Air East Coast Conference
Jacob Javits Center, New York City

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July 9, 2008

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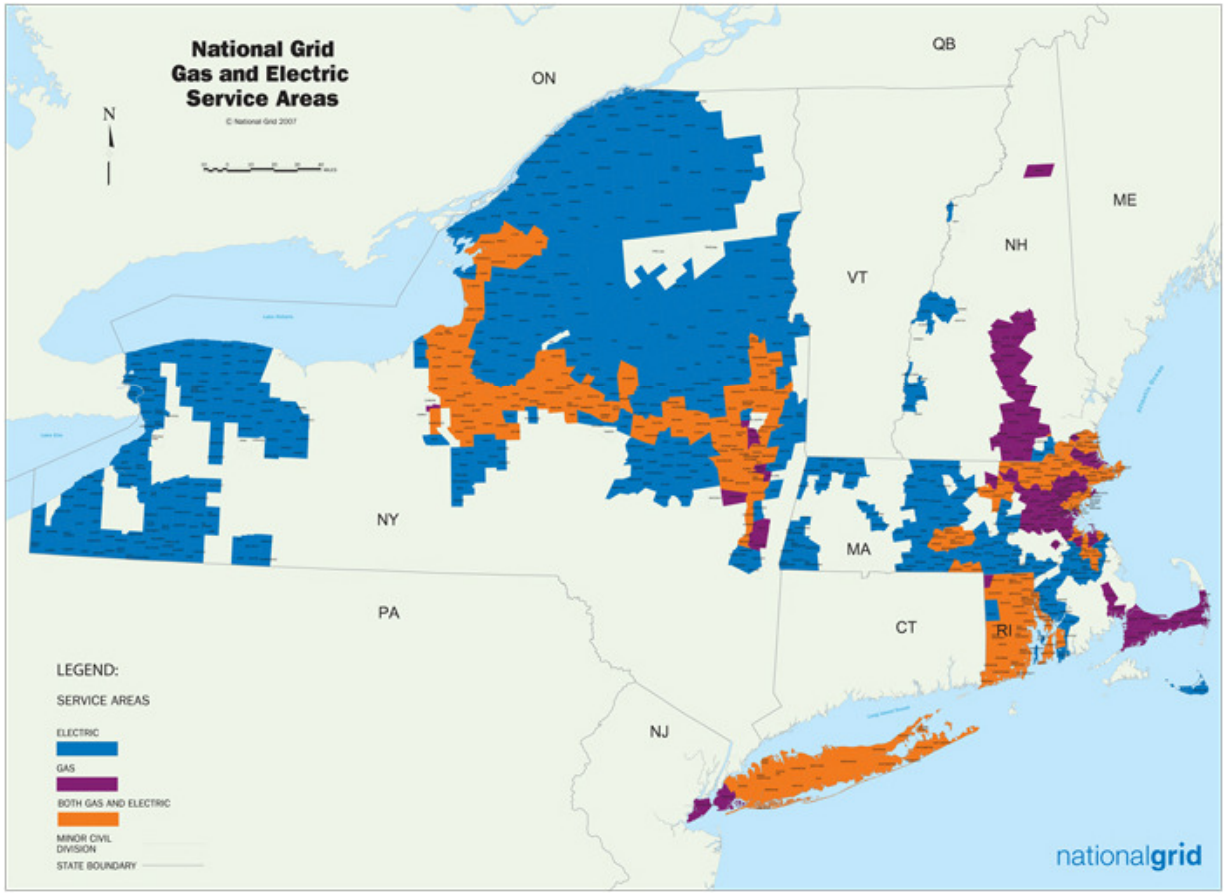
National Grid: An International Electricity and Gas Company

National Grid Electricity and Gas Service Areas - US



- Largest utility in UK; second largest in US*
  - 50% UK, 50% US
  - 50% Electricity, 50% Gas
  - 50% Transmission, 50% Distribution
  - 28,000 employees
  - Almost 18 million customers
- Northeast US
  - Distributes electricity to 3.3 million customers
  - Services 1.1 million customers of Long Island Power Authority (LIPA)
  - Provides natural gas to 3.4 million customers
  - Currently owns 6,650 MW of generation

•Based on customer numbers; includes the servicing of LIPA's 1.1 million customers

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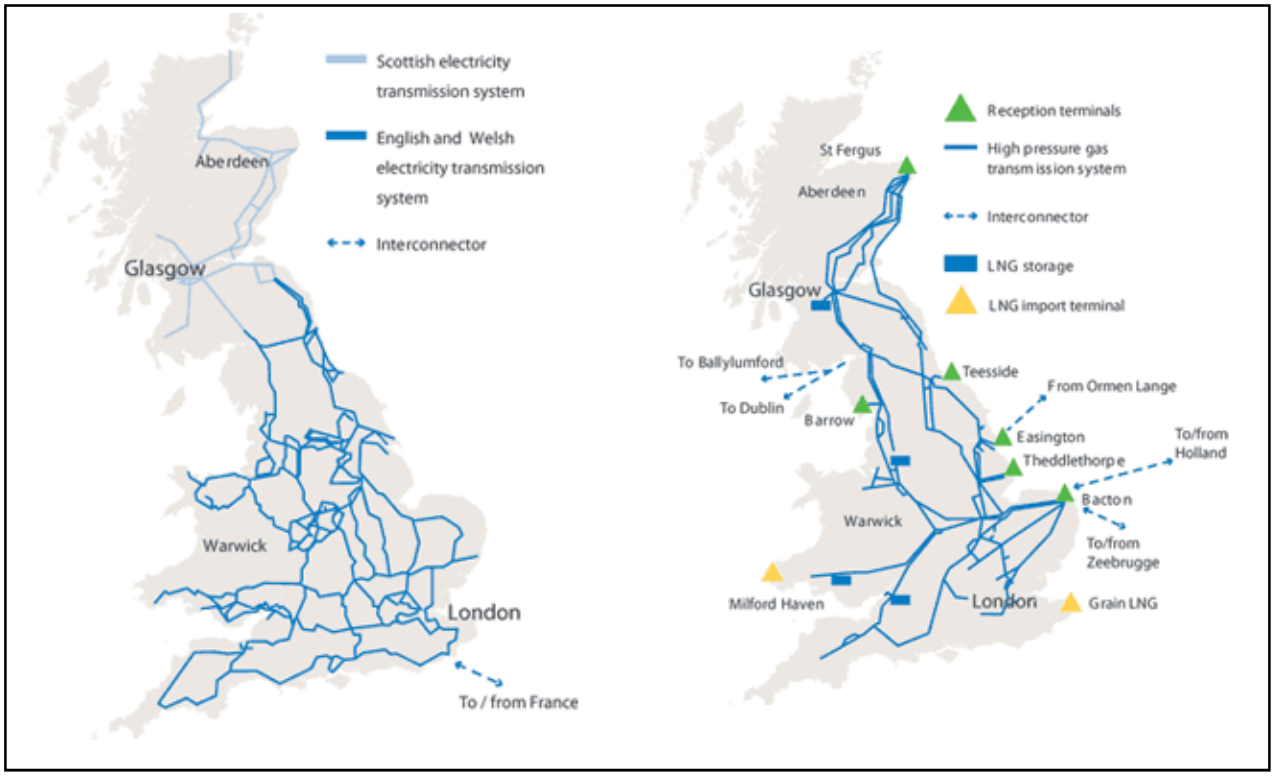
National Grid: An International Electricity and Gas Company (cont'd)

Gas Distribution - UK

Operates the UK gas distribution system; distributes gas on behalf of shippers and suppliers to 11 million consumers.

Transmission – Electricity and Gas - UK



Owns the high-voltage electricity transmission system in England and Wales and operates the system across Britain. Also owns and operates the high pressure gas transmission system in Britain.

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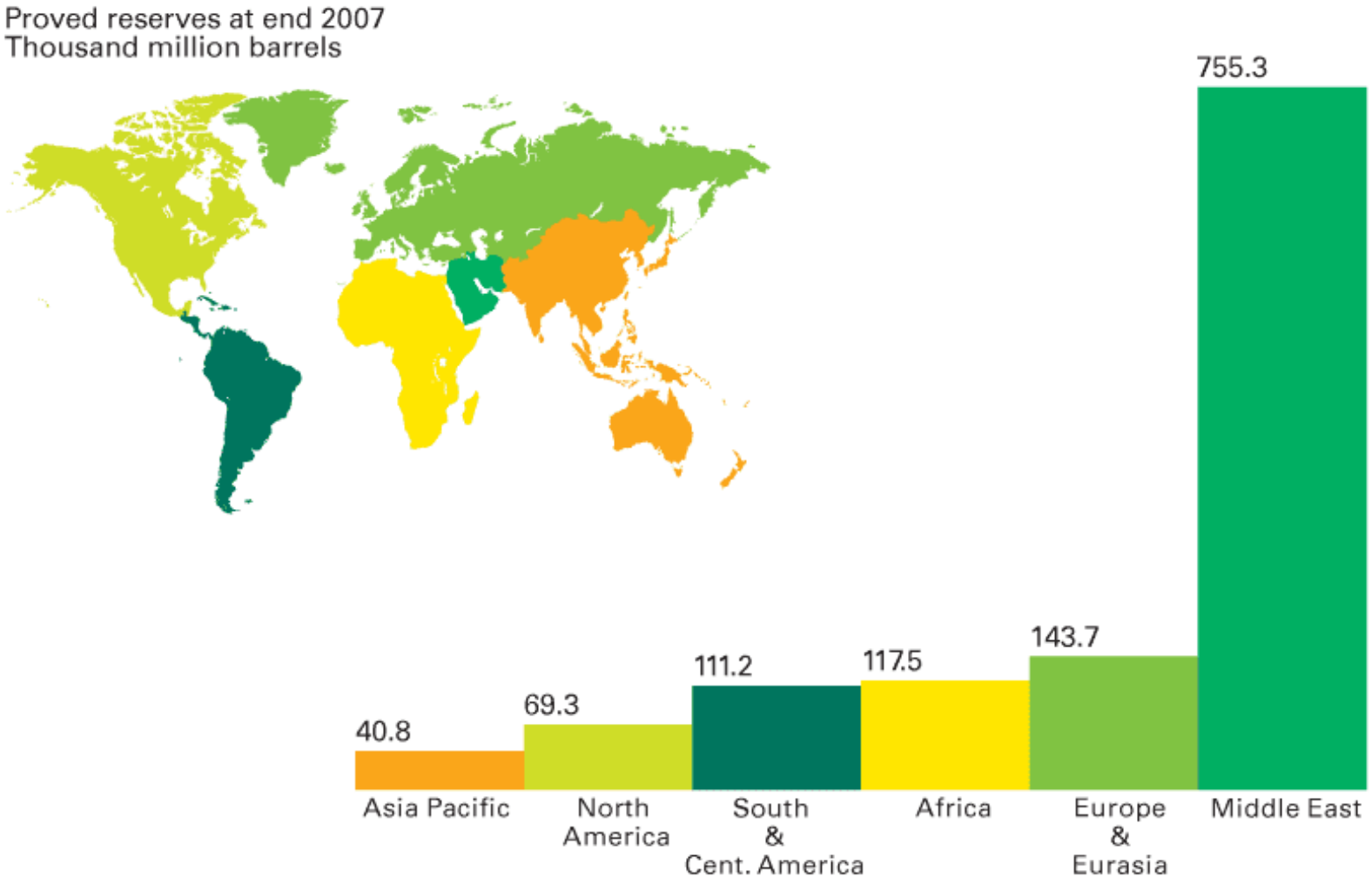
Proved oil reserves



Source: BP Statistical Review of World Energy, June 2008

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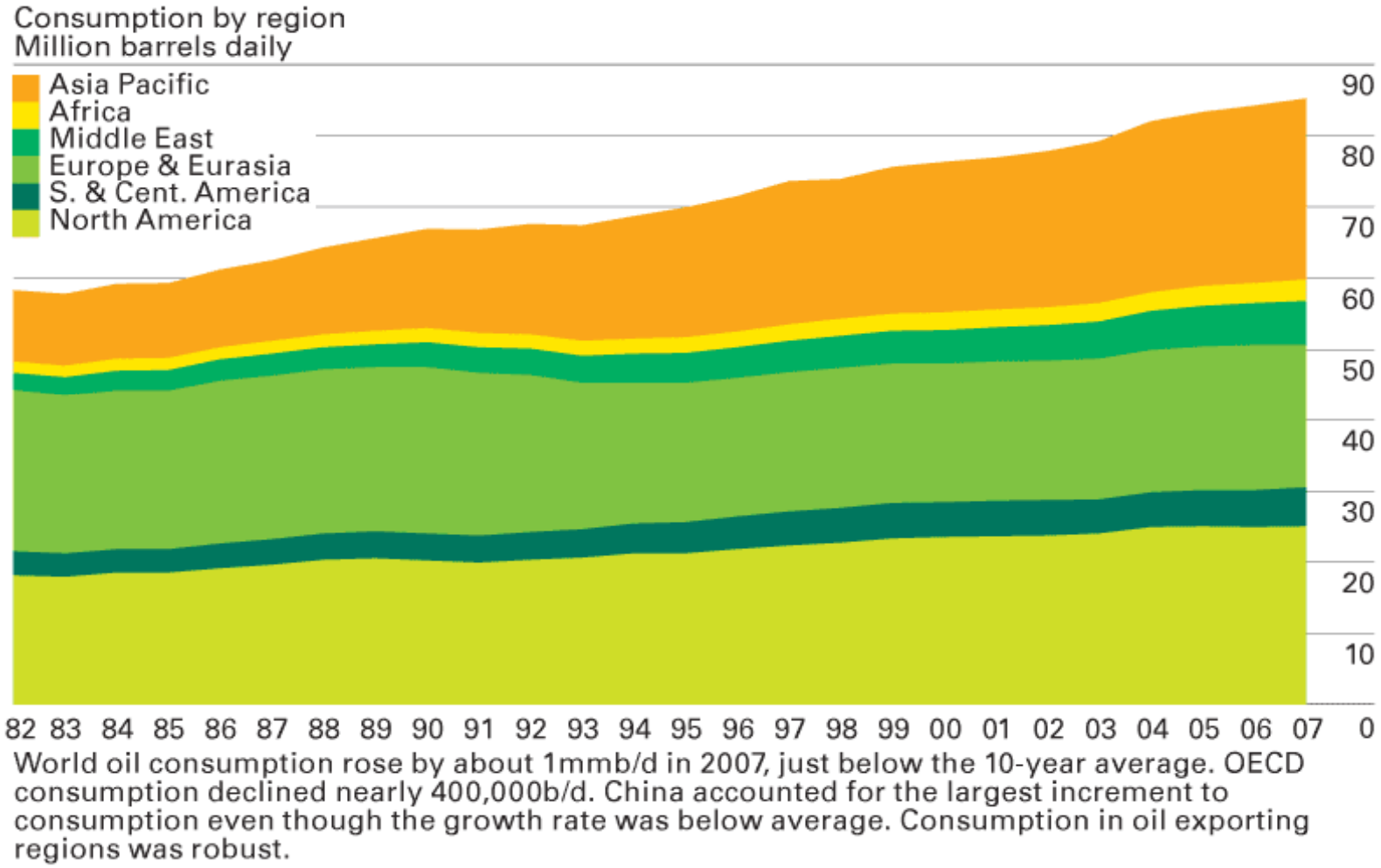
Oil consumption by area



World oil consumption rose by about 1mmb/d in 2007, just below the 10-year average. OECD consumption declined nearly 400,000b/d. China accounted for the largest increment to consumption even though the growth rate was below average. Consumption in oil exporting regions was robust.

Source: BP Statistical Review of World Energy, June 2008

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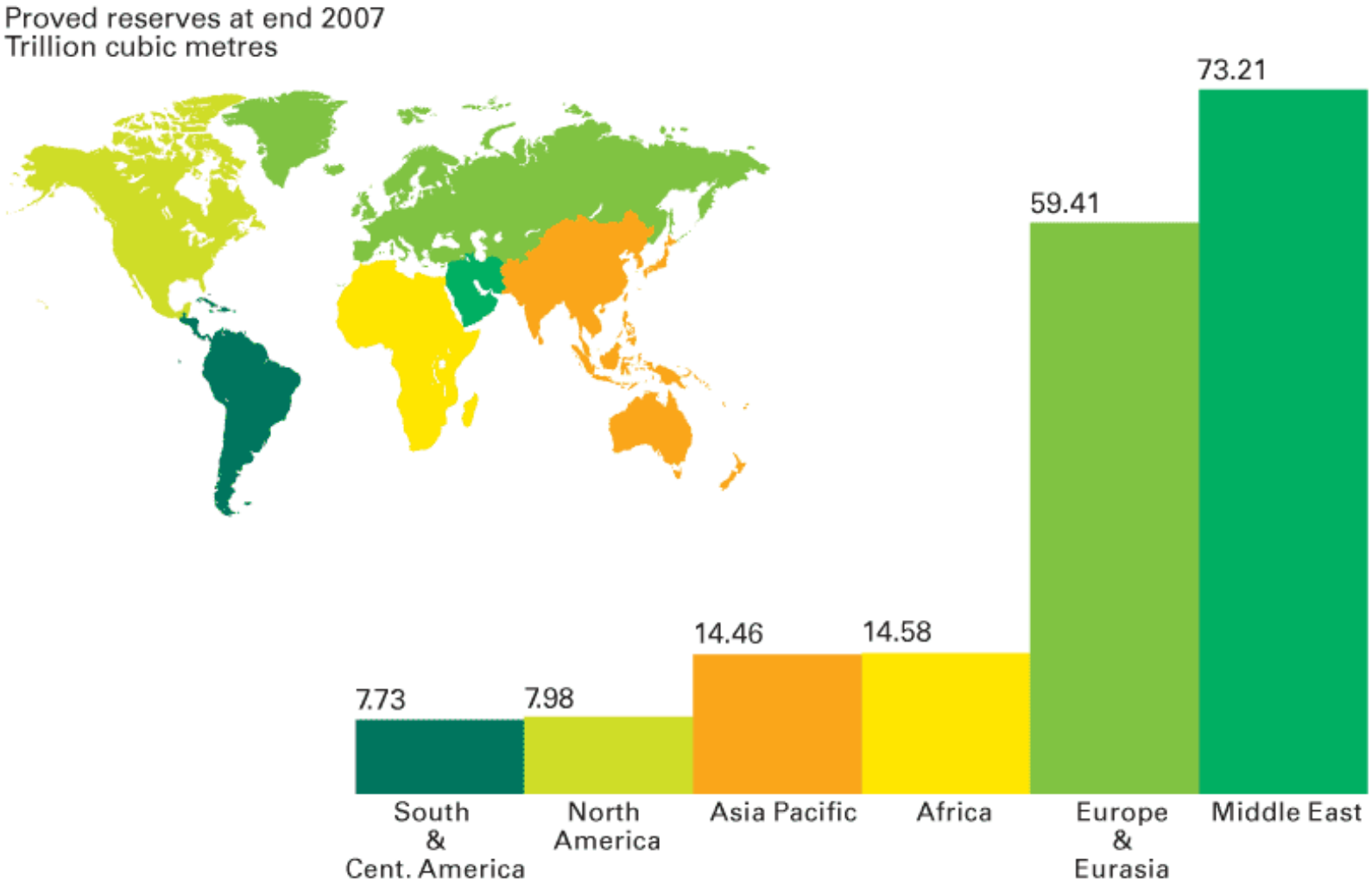
Proved natural gas reserves at end 2007



Source: BP Statistical Review of World Energy, June 2008

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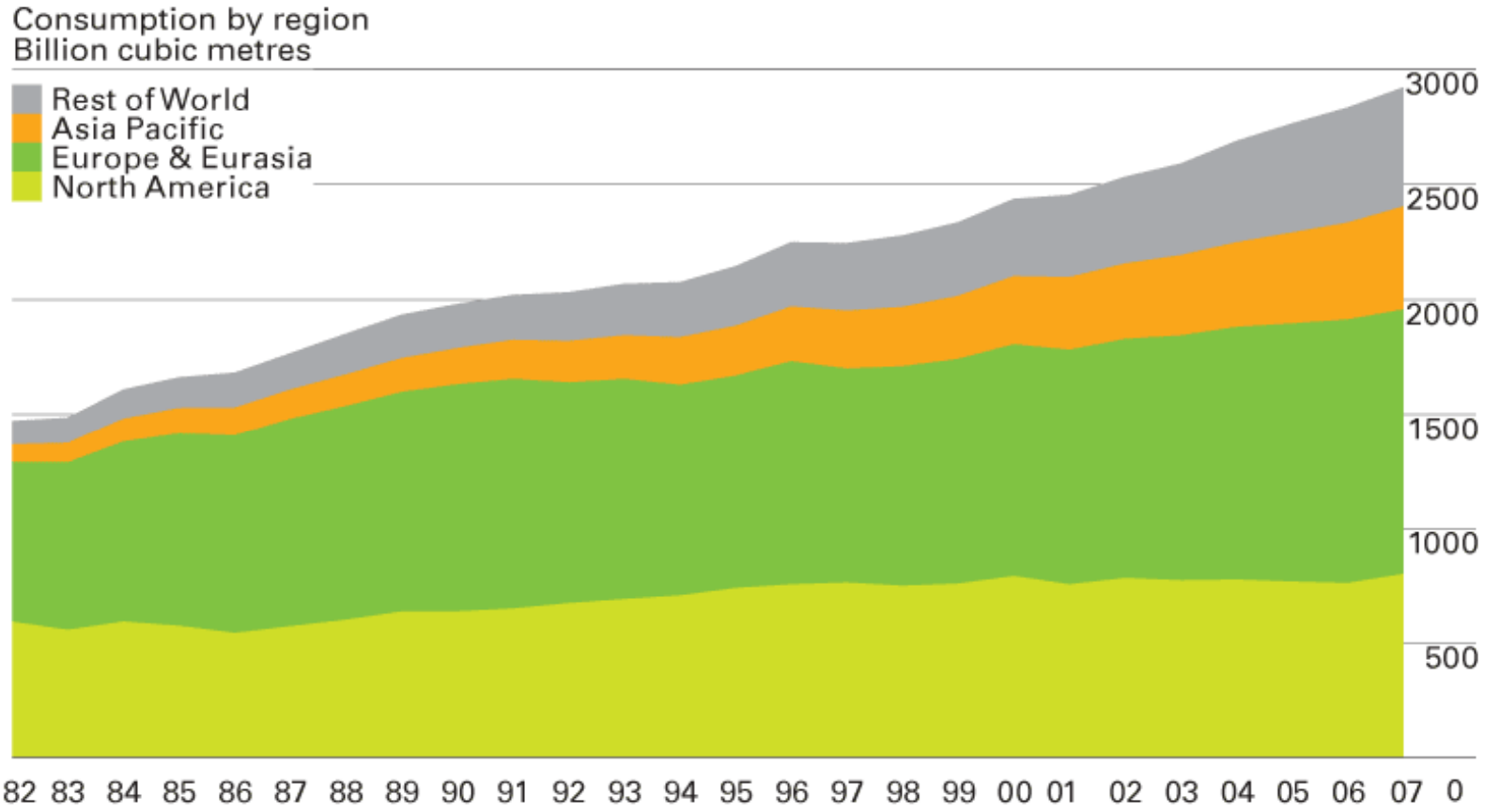
Natural gas consumption by area



World natural gas consumption rose by 3.1% in 2007, slightly above the 10-year average. The US accounted for the largest increment to growth, rising by 6.5%. In addition to North America, only Africa and Asia Pacific recorded above-average regional growth. Chinese consumption rose by 19.9%, while EU consumption fell by 1.6%.

Source: BP Statistical Review of World Energy, June 2008

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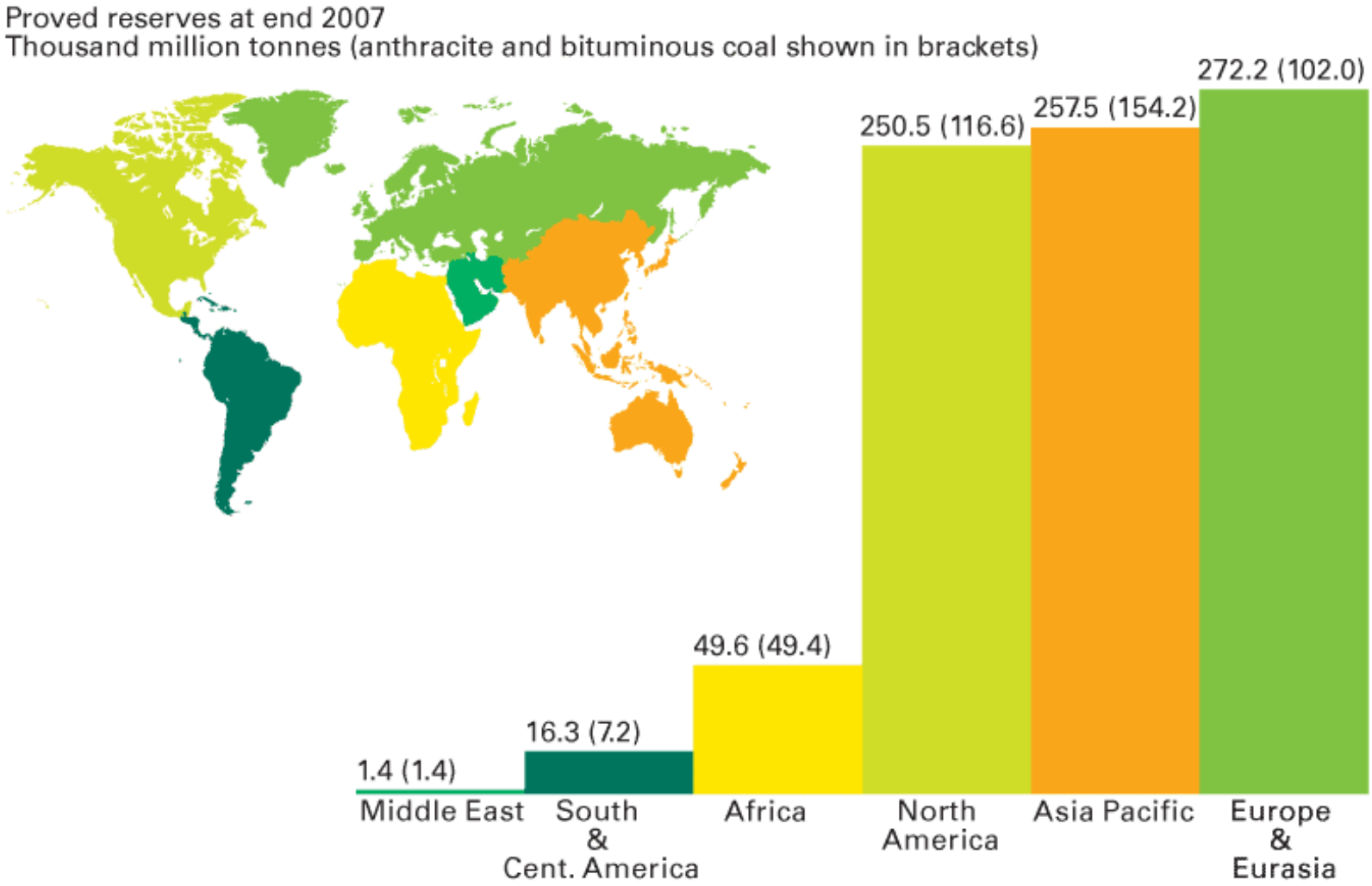
Proved coal reserves at end 2007



Source: BP Statistical Review of World Energy, June 2008

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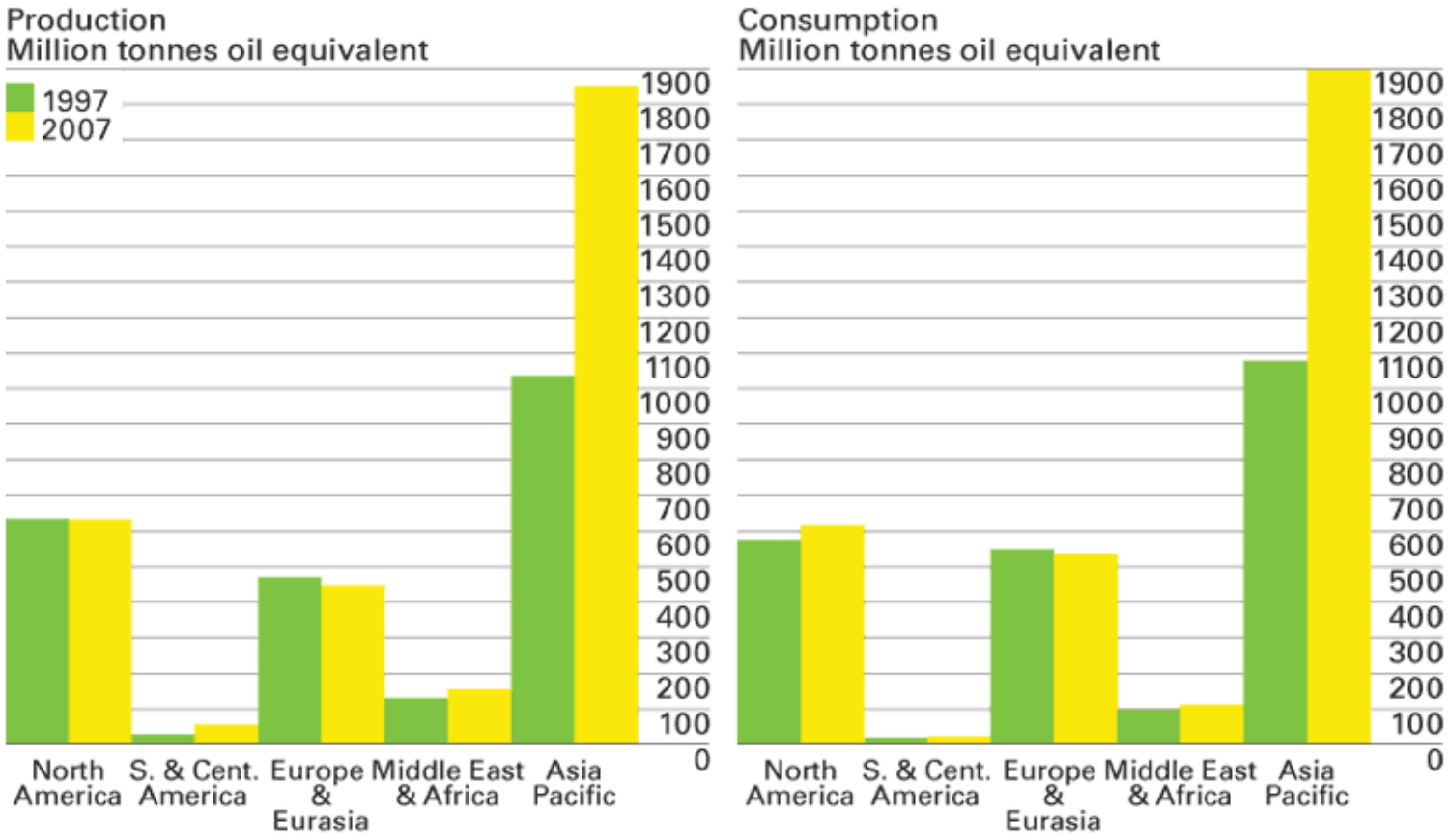
Coal production – Coal consumption



World coal consumption grew by 4.5%, well above the 10-year average. Coal was the world's fastest-growing fuel for the fifth consecutive year. Growth was above average in all regions except the Middle East. Chinese consumption growth accounted for more than two-thirds of global growth.

Source: BP Statistical Review of World Energy, June 2008

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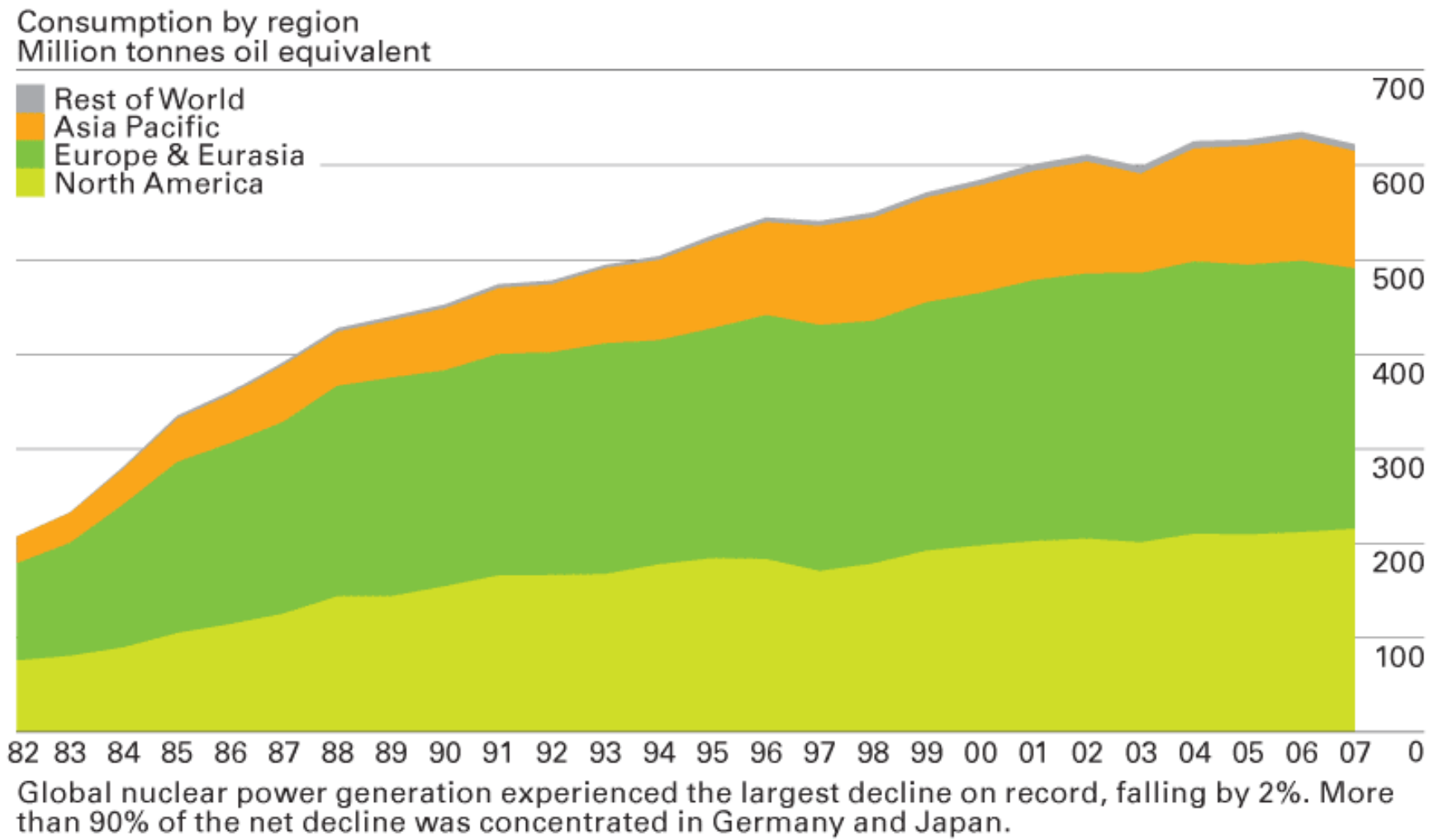
Nuclear energy consumption by area



Source: BP Statistical Review of World Energy, June 2008

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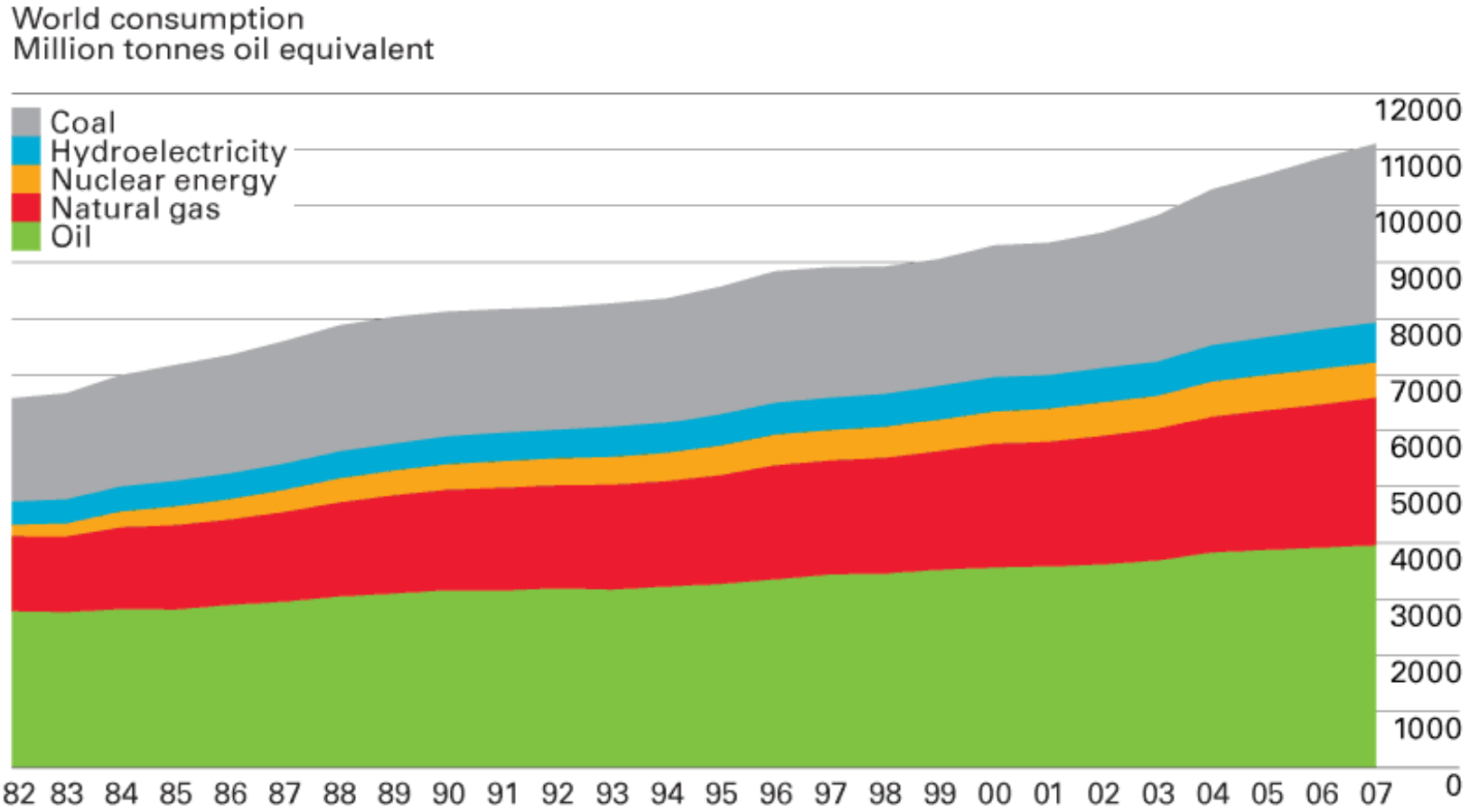
World primary energy consumption patterns



World primary energy consumption slowed in 2007, but growth of 2.4% was still above the 10-year average. Coal remained the fastest-growing fuel, but oil consumption grew slowly. Oil is still the world's leading fuel, but has lost global market share for six consecutive years, while coal has gained market share for six years.

Source: BP Statistical Review of World Energy, June 2008

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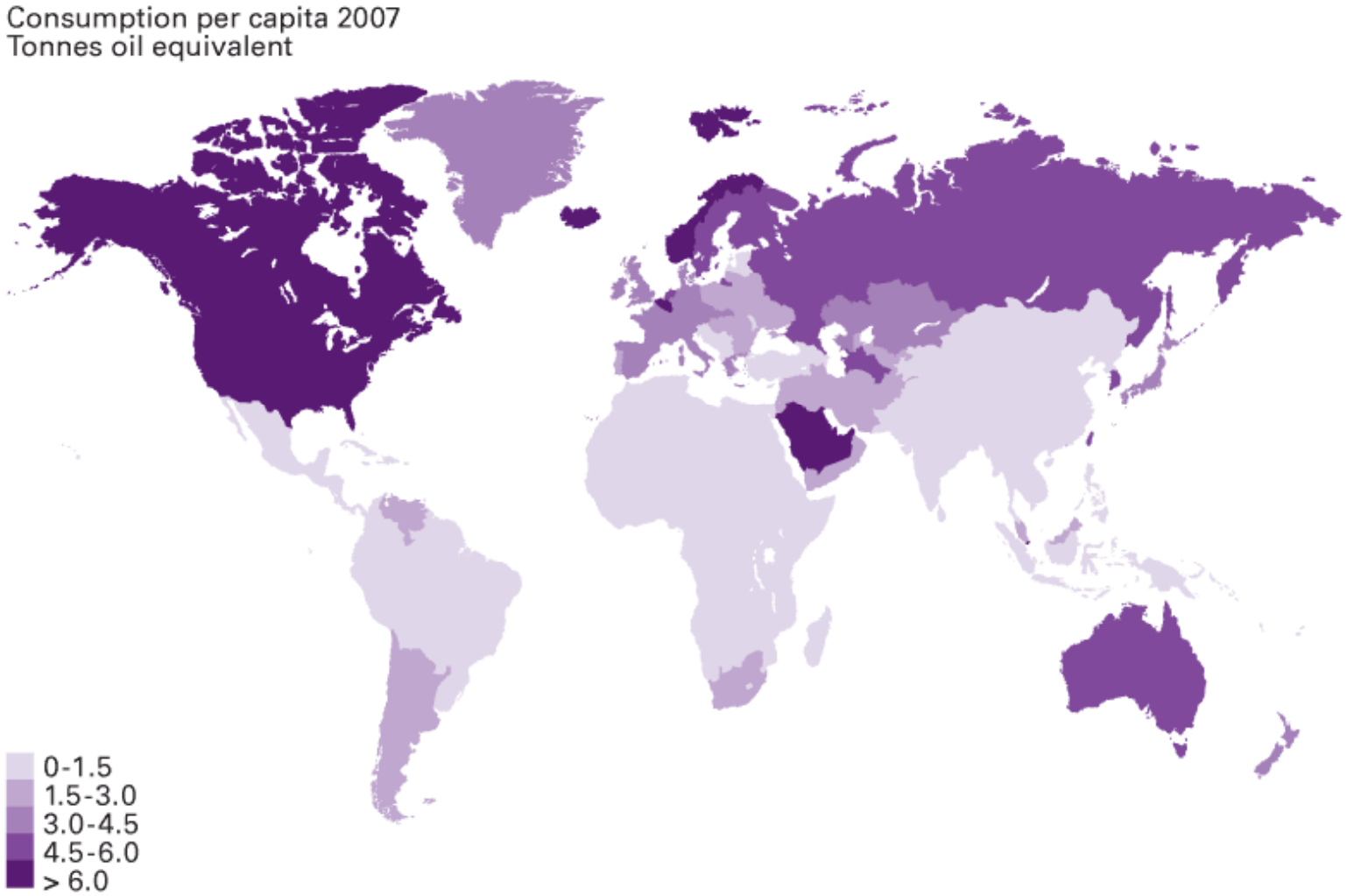
Primary energy consumption per capita



Source: BP Statistical Review of World Energy, June 2008

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The North American supply picture

Oil

- Alberta Oil Sands (equivalent to 173 billion barrels of recoverable oil using today's technology; estimated potential of 315 billion barrels)
  - Now shipping Alberta Crude to Texas
  - Consumes significant natural gas for processing
  - CO_2 emissions in the production process are significant
  - Significant water issues

Alberta's oil sands

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The North American supply picture

Natural Gas

- Alaska Pipeline
- Western Canadian Supply
- Domestic Intermountain West
- Barrett Shales
- Outer Continental Shelf
- Access, technology, cost, transmission infrastructure

Alaska Pipeline (TransCanada map)

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The North American demand picture

The power sector

- Coal
  - Climate Change, carbon capture sequestration, “Lieberman-Warner,” local opposition to new plants, capital costs, escalating fuel costs
- Natural Gas
  - Efficient technology, including combined cycle and cogeneration
  - Distributed generation, combined heat and power

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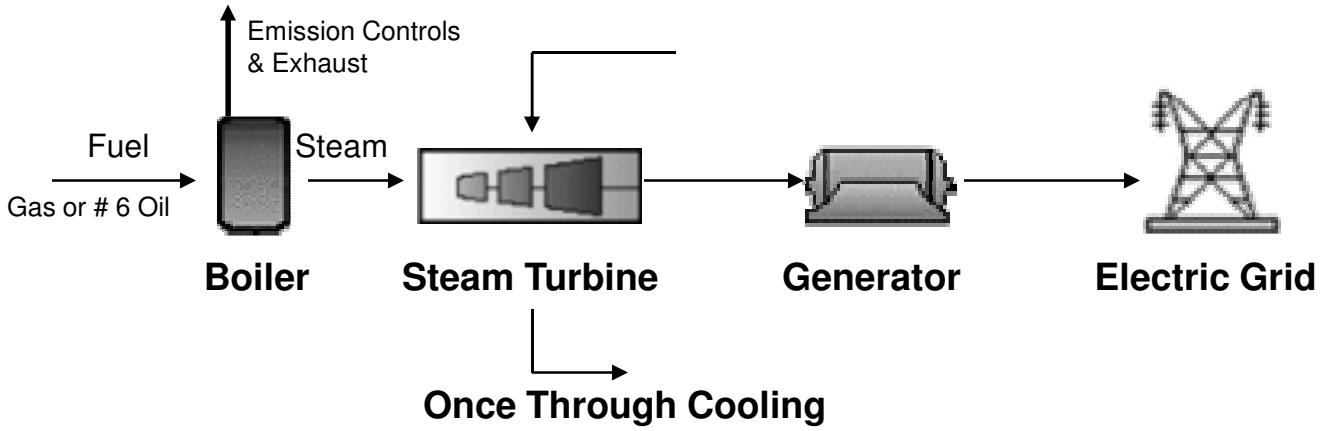
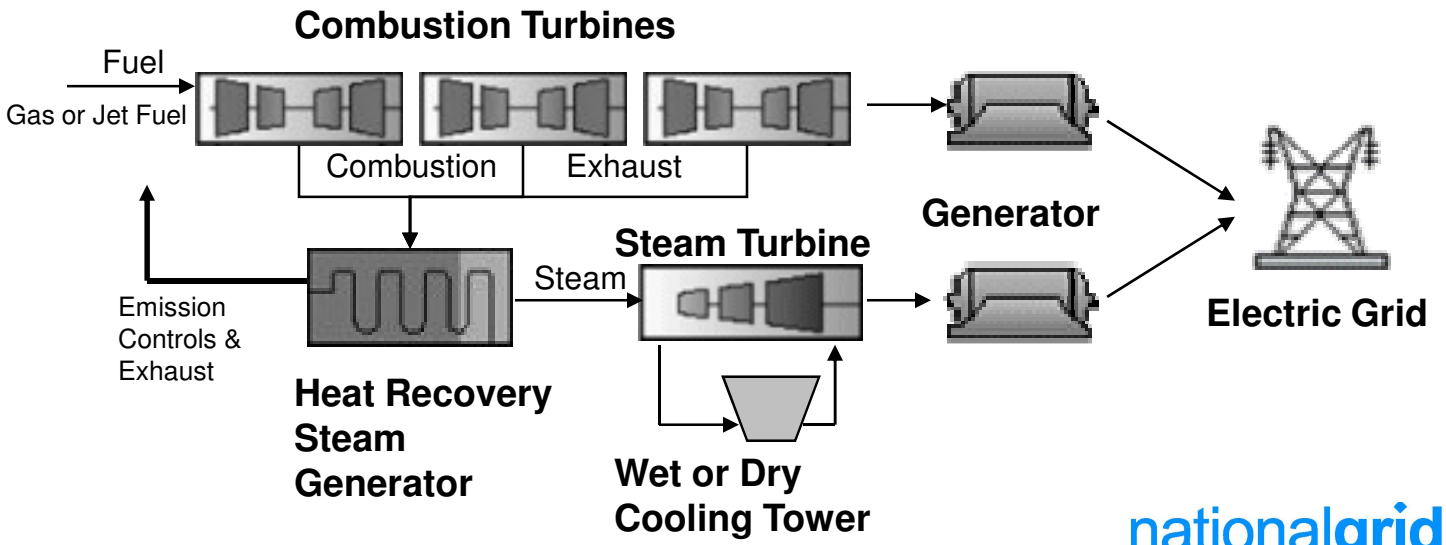
Combined cycle power vs. conventional power

Conventional Steam Electric Power Plant



Combined Cycle Power Plant



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The North American demand picture (cont'd)

The power sector

- Oil
  - Air quality and cost issues
- Nuclear
  - Renewal?
  - Capital cost, siting and waste storage
- Residential / Commercial
  - Oil-to-gas conversion
  - Hedging, lack of stockpiling, lack of storage facilities
  - Energy efficiency opportunities
  - New technologies such as Honda Freewatt

Honda Freewatt

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Opportunities

- Wind and solar
  - Midwest, Eastern Canada, Texas, California
  - Transmission challenge
  - Technology such as thermal solar
- Energy Efficiency
  - McKinsey study [US Greenhouse Gas Abatement]; demonstrated current technology can be cost negative
- Transportation
  - Hybrid technology, Project Better Place, Clean diesel, Natural gas vehicles

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Conclusions

- The market is working
- Technologies are being developed
- This adjustment was inevitable
- New industries and new jobs are responding to a cleaner, less carbon-intensive world
- Post-November, Congress and the White House will likely align with policies that support lower carbon and lower emissions

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