

# National Grid

2010 corporate overview



# About us

National Grid is an international electricity and gas company based in the UK and northeastern US. We play a vital role in delivering gas and electricity to millions of people in a safe, reliable and efficient manner.

## Our vision

We, at National Grid, will be the foremost international electricity and gas company, delivering unparalleled safety, reliability and efficiency, vital to the wellbeing of our customers and communities.

We are committed to being an innovative leader in energy management and to safeguarding our global environment for future generations.

## Our strategy

We will build on our core US and UK, electricity and gas, regulated business base and financial discipline to deliver sustainable growth and superior financial performance.

The execution of our strategy has a different focus in the US than in the UK, as the geographic areas we operate in present different challenges.

In the US, we will focus on filing rate plans and achieving appropriate outcomes, while also addressing our cost base. We will grow through core business customer growth, asset replacement and network reinforcement.

In the UK, we will grow through replacing and expanding our core networks and investing in other organic growth opportunities relating to climate change and security of supply.

## Our company objectives

We have eight company objectives that are the building blocks of our strategy and are fundamental to our business.

- Driving improvements in our safety, customer and operational performance
- Delivering strong, sustainable regulatory and long-term contracts with good returns
- Modernising and extending our transmission and distribution networks
- Expanding our capabilities and identifying new financeable opportunities to grow
- Becoming more efficient through transforming our operating model and increasingly aligning our processes
- Building trust, transparency and an inclusive and engaged workforce
- Developing our talent, leadership skills and capabilities
- Positively shaping the energy and climate change agenda with our external stakeholders in both regions.

## Our regulatory efforts

In the US, our focus continues to be on filing new rate plans, which we have done in 65% of our businesses. In each, we seek to establish new rates to recover the cost of running our businesses, to achieve real-time cost recovery of future investment, and to secure and earn acceptable returns.

In the UK, Ofgem has concluded its RPI-X@20 regulatory reform project and established a new

framework – RIIO (Revenue = Incentives + Innovation + Outputs). The next transmission price control review will be implemented from April 2013.

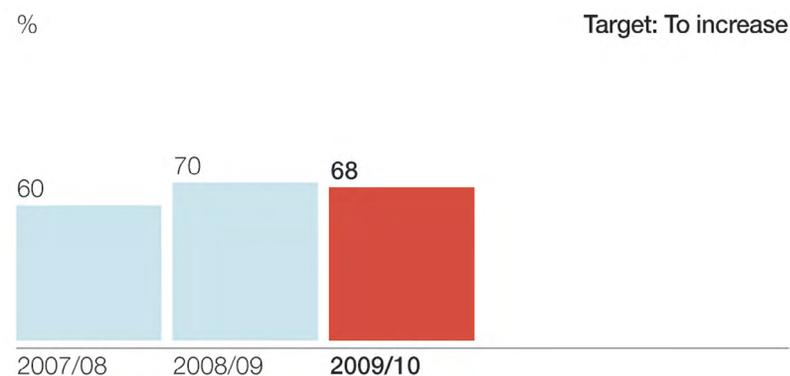
## Who we are

We have approximately 28,000 employees across our operations. About 63% work in the US, while the remaining 37% work in the UK. Approximately 77% are male and 23% female. The proportion of ethnic minority employees is 13.5%.

Employee engagement is important to us. Our employees tell us what they think and feel through an annual employee-wide survey.

Over 97% of employees – an increase from the previous year – took part in the latest survey, which gave the company an opportunity to measure engagement (see below).

## Employee engagement index



# Financial information highlights – 2009/10

## Revenue

**£13,988m / \$22,101m**

## Operating profit

**£3,293m / \$5,203m**

## Ordinary dividends

**38.49p / 60.81 cents**

## Earnings per share

**56.1p / 88.64 cents**

## Capital expenditure

**£3,252m / \$5,138m**

## Return on equity

**11.3% (three-year average)**

## Cash generated from operations

**£4,372m / \$6,908m**

Financial year: 1 April to 31 March

London Stock Exchange: NG.

New York Stock Exchange: NGG

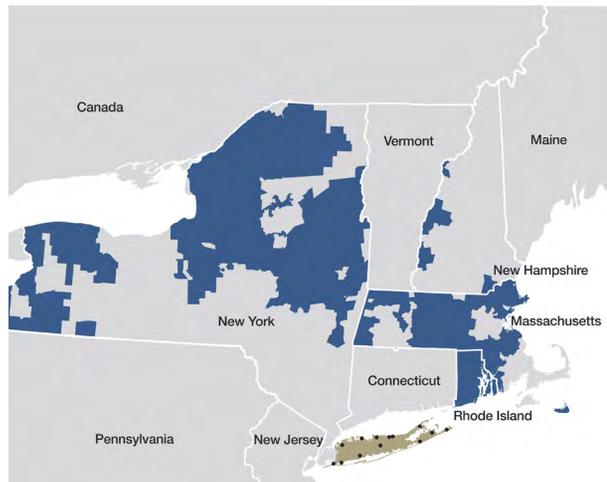
UK shareholder enquiries  
Capita Registrars: 0871 664 0500  
From outside the UK: +44 20 7098 1198

US shareholder enquiries  
The Bank of New York Mellon: 1-800-466-7215  
From outside the US: +1-212-815-3700

All US dollar equivalents use an exchange rate of:  
£1 = \$1.58 (average exchange rate for the  
2009/10 financial year); dollar amounts are rounded.

# Electricity Distribution & Generation US

We supply electricity to approximately 3.4 million customers in the northeastern US through our distribution systems. We also own generation plants with a capacity of over 4,000 megawatts and manage the electricity network on Long Island under an agreement with the Long Island Power Authority (LIPA).



■ Electricity Distribution & Generation – operating area

## ELECTRICITY DISTRIBUTION & GENERATION FACTS

- Over 116,800 kilometres / 72,576 miles of circuit
- 62 TWh of electricity delivered
- 666 substations
- 57 generation units at 13 locations across Long Island
- LIPA network serving 1.1 million customers over 24,100 kilometres / 14,975 miles of circuit and 177 substations, delivering 22 TWh of electricity
- £372m / \$588m capital investment
- 8,344 employees

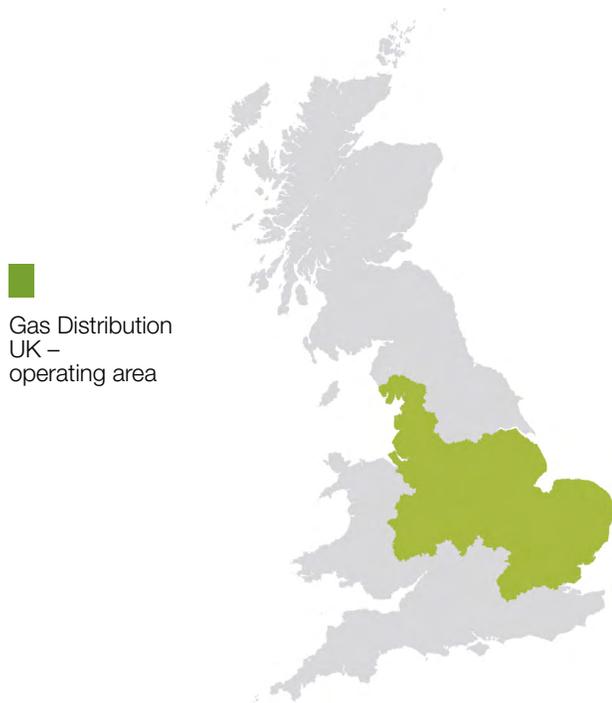


## OPERATIONAL HIGHLIGHTS – ELECTRICITY DISTRIBUTION & GENERATION

- Achieved PAS 55 certification for Long Island transmission, distribution and generation.
- Achieved all regulatory targets.
- Filed annual five-year investment plan with New York Public Service Commission, totalling \$2.86 bn / £1.81bn.

# Gas Distribution

Our gas distribution business operates in both the US and UK. In the UK, we own and operate Britain's largest distribution business, comprising four of the eight regional gas distribution networks. We deliver gas to almost 11 million homes and businesses.



## GAS DISTRIBUTION FACTS

- Around 190,000 kilometres / 118,060 miles of gas pipe
- Delivery of 299 and 201 TWh of gas to around 11 and 3.5 million consumers in the UK and US, respectively
- £1,079m / \$1,705m capital investment
- 9,828 employees

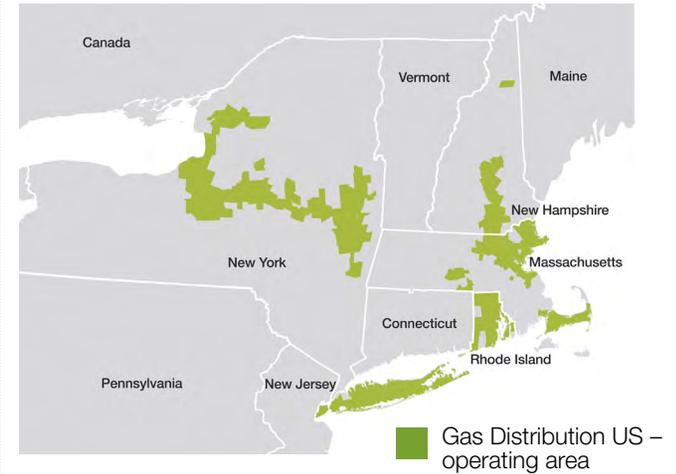
## OPERATIONAL HIGHLIGHTS – GAS DISTRIBUTION

### UK

- Retained our PAS 55 certification in recognition of optimal management of our UK infrastructure assets.
- Exceeded Health and Safety Executive mains replacement target for the fourth consecutive year.

### US

- More than 44,000 new gas heating customers.
- Met all regulatory standards of service regarding service quality indices and performance measures.

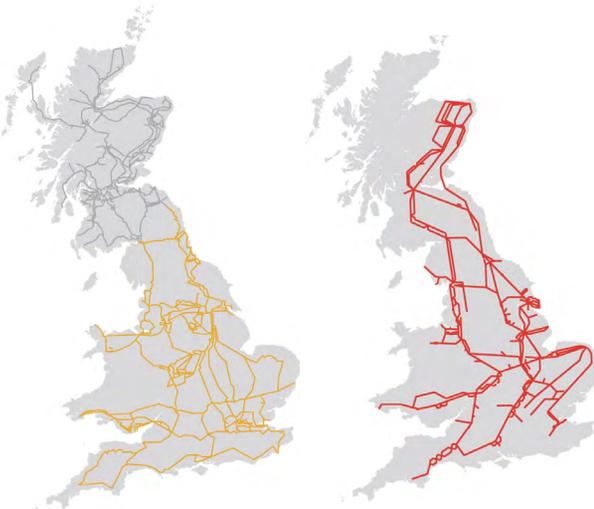


In the US (displayed above), we are the largest distributor of natural gas in the northeast, serving approximately 3.5 million customers in Massachusetts, New Hampshire, Rhode Island and New York (upstate, New York City and Long Island).



# Transmission

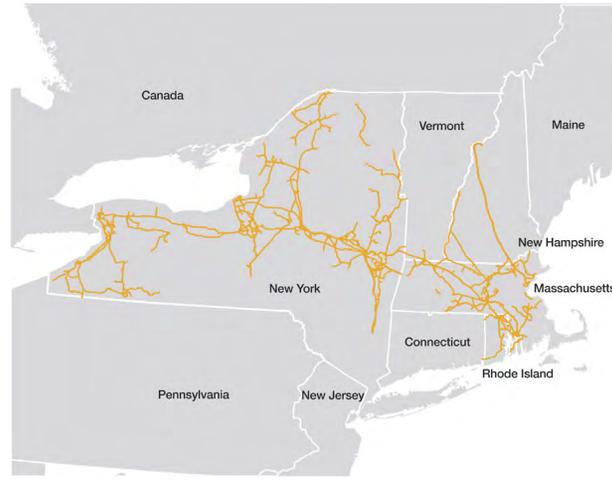
In the UK, we provide the transmission of electricity and gas as owner and operator of the high voltage electricity transmission network in England and Wales; the gas national transmission system in Great Britain; electricity interconnector with France; and storage facilities for LNG. We also operate, but do not own, the electricity transmission networks in Scotland.



Transmission UK – electricity (left) and gas systems



## Transmission US – electricity networks



In the US, we provide the transmission of electricity in the northeastern US as owner and operator of high voltage electricity transmission networks in upstate New York, Massachusetts, Rhode Island, New Hampshire and Vermont.

### TRANSMISSION FACTS

- 99.9999% UK transmission electrical system reliability in 2009/10
- Almost 99% US electricity system availability
- Over 27,800 kilometres / 17,274 miles of electrical overhead line
- Over 850 kilometres / 528 miles of electrical underground cable
- Over 850 substations
- 100% UK gas transmission system reliability in 2009/10
- Over 7,600 kilometres / 4,722 miles of high-pressure gas pipeline
- 1,436 TWh of UK energy transmitted
- £1,494m / \$2,361m capital investment
- 3,953 employees



## OPERATIONAL HIGHLIGHTS – TRANSMISSION

### UK electricity

- Currently upgrading transmission capacity connecting Scotland and England.
- Identification of substantial programme of further investment that will also help support UK government in meeting its climate change targets.

### UK gas

- Started construction of Easington to Paul 26 kilometre / 16 mile pipeline to facilitate gas supplies on the east coast.
- Started construction of Wormington to Sapperton 44 kilometre / 27 mile pipeline to meet gas demand in south west.

### US electricity

- Significant expenditure on asset replacement to increase system reliability.
- New England East-West Solution (NEEWS) project under way to enhance the transmission system in three states.

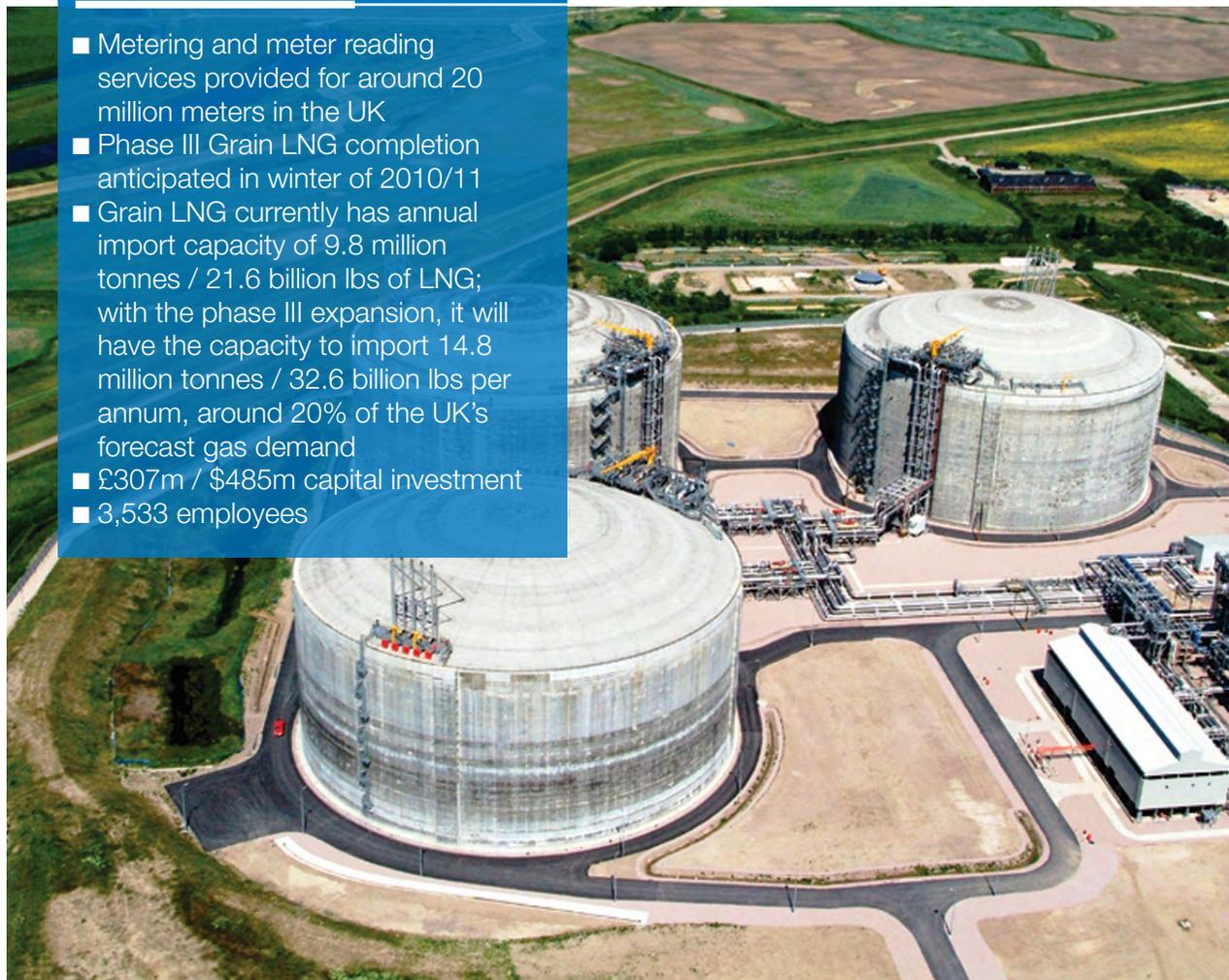
# Non-regulated businesses

Our non-regulated businesses are located mainly in the UK. They either operate in markets related to those of our principal businesses or provide support to our own businesses. They include:

- **National Grid Metering and OnStream** – provide installation and maintenance services to energy suppliers in the regulated and unregulated markets.
- **Grain LNG** – the first new LNG importation terminal built in the UK for some 30 years, with construction divided into phases I and II (both fully operational) and III (under construction).
- **UK Property** – responsible for managing our occupied territories in the UK, and for the management, clean-up and disposal of surplus sites, most of which are former gasworks.
- **BritNed** – a joint venture between National Grid and TenneT, the Dutch transmission system operator, to build and operate a 1,000 megawatt, 260 kilometre / 162 mile subsea electricity link between the Netherlands and the UK.
- **xoserve** – manages the commercial interfaces between the major gas transporters operating in Britain and their customers, the gas shipper companies. Other services include the administration of the 22 million gas supply points in Britain, including generating all gas transportation invoices and enabling gas consumers to switch suppliers.
- **US non-regulated businesses** – includes LNG storage, LNG road transportation, unregulated transmission pipelines and West Virginia gas fields.

## NON-REGULATED BUSINESSES FACTS

- Metering and meter reading services provided for around 20 million meters in the UK
- Phase III Grain LNG completion anticipated in winter of 2010/11
- Grain LNG currently has annual import capacity of 9.8 million tonnes / 21.6 billion lbs of LNG; with the phase III expansion, it will have the capacity to import 14.8 million tonnes / 32.6 billion lbs per annum, around 20% of the UK's forecast gas demand
- £307m / \$485m capital investment
- 3,533 employees

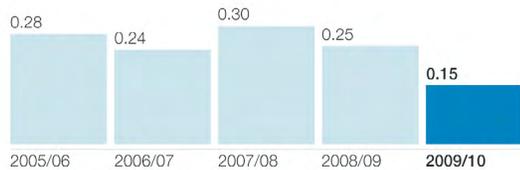


## Employee safety highlights

### Employee lost time injury frequency rate

Per 100,000 hours worked

Target: Zero



Safety is critical both to business performance and to defining the culture of our company.

2009/10 saw a 40% reduction in the lost time injury frequency rate to 0.15, compared with 0.25 in 2008/09.

Our employee lost time injury frequency rate, expressed as lost time injuries per 100,000 hours worked, is a key measure that can be compared with other companies. The number of lost time injuries was 86 in 2009/10, compared with 140 and 157 in each of the two previous years.

The principal causes of lost time injuries are road traffic collisions, musculoskeletal injuries, and slips, trips and falls. We have implemented targeted programmes during the year to change behaviours in these areas and drive performance improvements.

In our 2010 employee survey, 74% of respondents felt confident that safety concerns or issues raised would be addressed and 76% of respondents considered that National Grid never compromises safety in order to meet other goals.

## Customer highlights

We aim to treat customers with respect, to communicate clearly with them, and to make their interactions with us as straightforward as possible. We aim at all times to provide a safe, reliable and efficient service to our customers.

We have a very wide range of customers, including: 19 million industrial, commercial and domestic consumers (delivering gas to some 11 million homes and businesses in the UK, 3.5 million gas customers in the US, 3.4 million electricity customers in the US and serving 1.1 million electricity customers on behalf of LIPA); electricity generators and gas shippers; new developers from nuclear to wind, wave and tidal power; gas storage operators; and local distribution companies.

In the US in 2009, we implemented a new customer organisation model during the final quarter of the year, designed to increase our ability to deliver our customer objectives.

The new organisation has been designed to be market driven and focused on delivering integrated energy solutions to our customers across all lines of business.

We also sought feedback from our UK Transmission customers to understand what it was like to do business with us. In many cases, they told us we perform well and are knowledgeable about the industry. Using the data we gathered, a programme for 2010 has been developed to drive change and improvements in our customer focus.

In UK Gas Distribution, we have a programme to improve customer service levels. This includes increased staff training, reviewing our processes to make them more customer focused and a review of all our communications with customers.



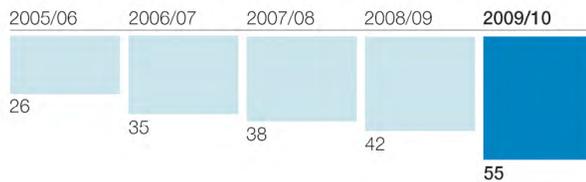
# Environmental commitment

We aim to take the lead on the energy and climate change issues facing society. We will not simply react to the initiatives of other relevant bodies. Instead, we will be proactive in leading the agenda to make sure we help safeguard the environment.

## Greenhouse gas emissions

% reduction against 1990 baseline

Target: 45% reduction by 2020  
and 80% reduction by 2050



Although we have exceeded our 45% by 2020 reduction target, we have decided to retain this target in the short term. This decision is based on the uncertainty concerning the extent to which our emissions will rise as the UK and US come out of recession, together with the likely increase in emissions from our Isle of Grain LNG importation terminal following the commissioning of a LNG new storage tank in 2010/11.

- We are committed to reducing our greenhouse gas (GHG) emissions by 80% by the year 2050 and achieving an interim target of 45% by 2020 (against our 1990 baseline).
- We have carbon budgets in place that set a maximum level of GHG emissions per business per financial year.
- For the eighth consecutive year, we have been named a 'platinum' company, scoring over 95% in the UK Business in the Community (BiTC) Corporate Responsibility Index.
- We believe increased energy efficiency and the deployment of smart technologies are the



best ways to help our customers control their energy costs while addressing the effects of climate change.

- In the US, we are seeking regulatory agreements that decouple revenue from customer energy usage. This will help us to better enable energy efficiency for our customers without reducing our revenue.



## Board of directors

**Sir John Parker**, Chairman

**Steve Holliday**, Chief Executive

**Steve Lucas**, Finance Director (to retire end of December 2010)

**Andrew Bonfield**, Finance Director (as of 1 November 2010)

**Nick Winser**, Executive Director

**Mark Fairbairn**, Executive Director

**Tom King**, Executive Director

**Ken Harvey**, Non-executive Director and Senior Independent Director

**Linda Adamany**, Non-executive Director

**Philip Aiken**, Non-executive Director

**John Allan**, Non-executive Director

**Stephen Pettit**, Non-executive Director

**Maria Richter**, Non-executive Director

**George Rose**, Non-executive Director

**Helen Mahy**, Company Secretary & General Counsel

## Corporate headquarters

### National Grid plc

1-3 Strand, London WC2N 5EH, United Kingdom

Registered in England and Wales No. 403115

### US Headquarters

National Grid

Reservoir Woods

40 Sylvan Road

Waltham, MA

02451-1120

[www.nationalgrid.com](http://www.nationalgrid.com)

### UK Headquarters

National Grid House

Warwick Technology Park

Warwick

CV34 6DA

United Kingdom

Information accurate as of 31 March 2010; all financial information reflects 2009/2010 financial year.

On the cover and this page: National Grid serves some 19 million consumers in the UK and US. One of the cities we serve – Boston, Massachusetts.

Version 2: October 2010