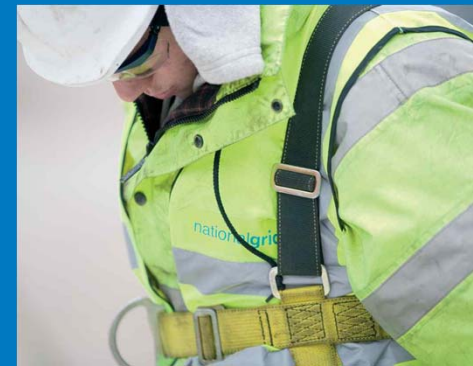


The Cost of Carbon - National Grid Creating a Climate for Change



2010 Advanced Energy Conference, New York, New York Nov. 8 & 9
Alexander ("Sandy") Taft, Director US Climate Change Policy

A 50:50 Company

UK



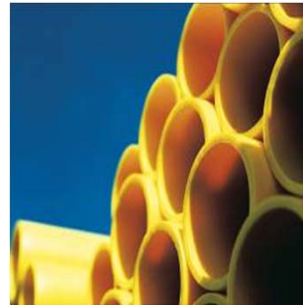
US



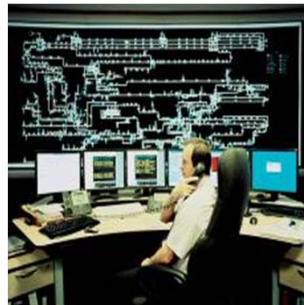
Transmission



Distribution



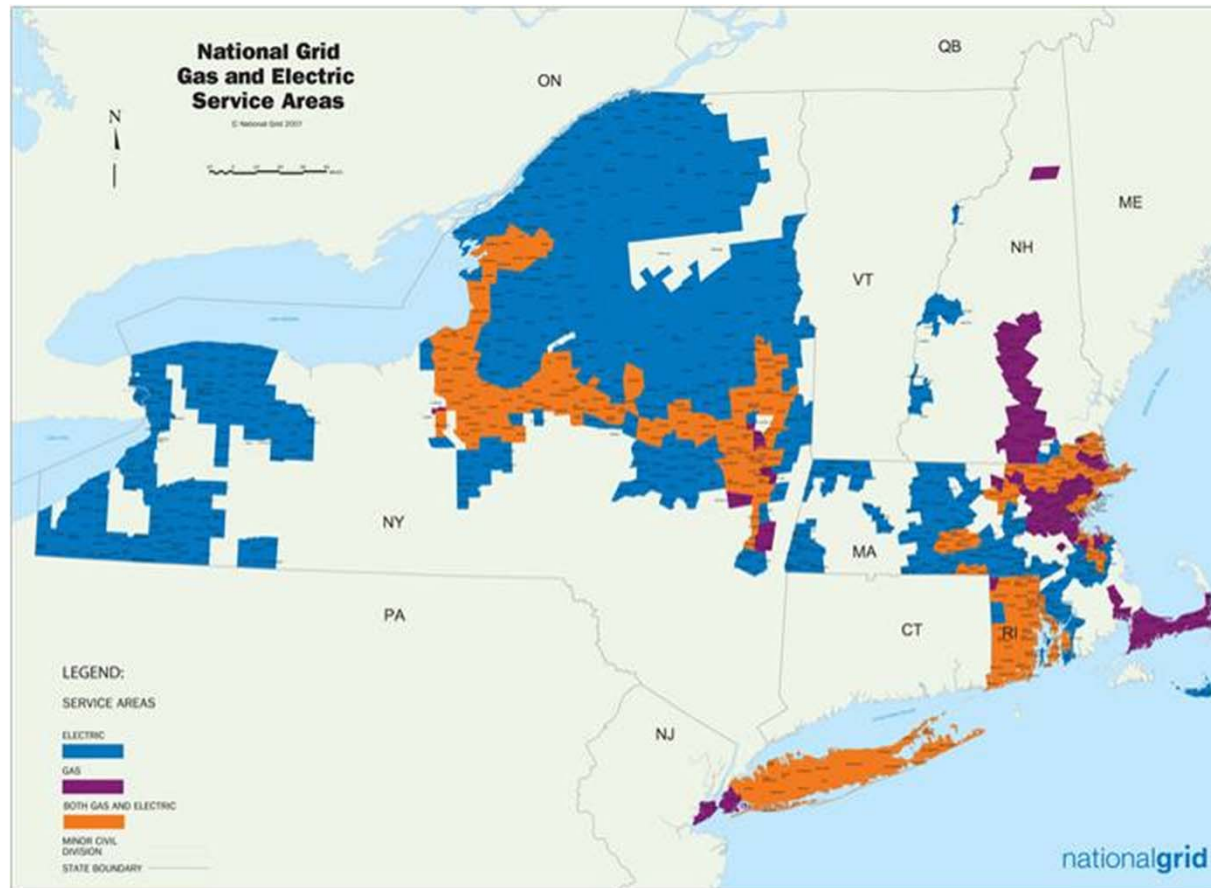
Electricity



Gas



Electricity and Gas Service Areas - US



- ◆ Northeast US
 - ◆ Distributes electricity to 3.3 million customers
 - ◆ Services 1.1 million customers of Long Island Power Authority (LIPA)
 - ◆ Provides natural gas to 3.5 million customers
 - ◆ Currently owns over 4,000MW of generation
- ◆ Largest utility in UK; second largest in US*
 - ◆ 50% UK, 50% US
 - ◆ 50% Electricity, 50% Gas
 - ◆ 50% Transmission, 50% Distribution
 - ◆ Almost 18 million customers
 - ◆ 27,000-plus employees

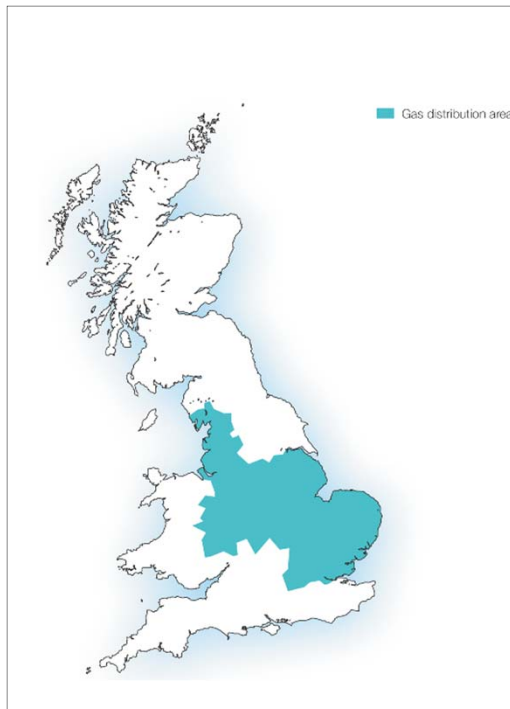
•Based on customer numbers; includes the servicing of LIPA's 1.1 million customers

National Grid:

An international electricity and gas company

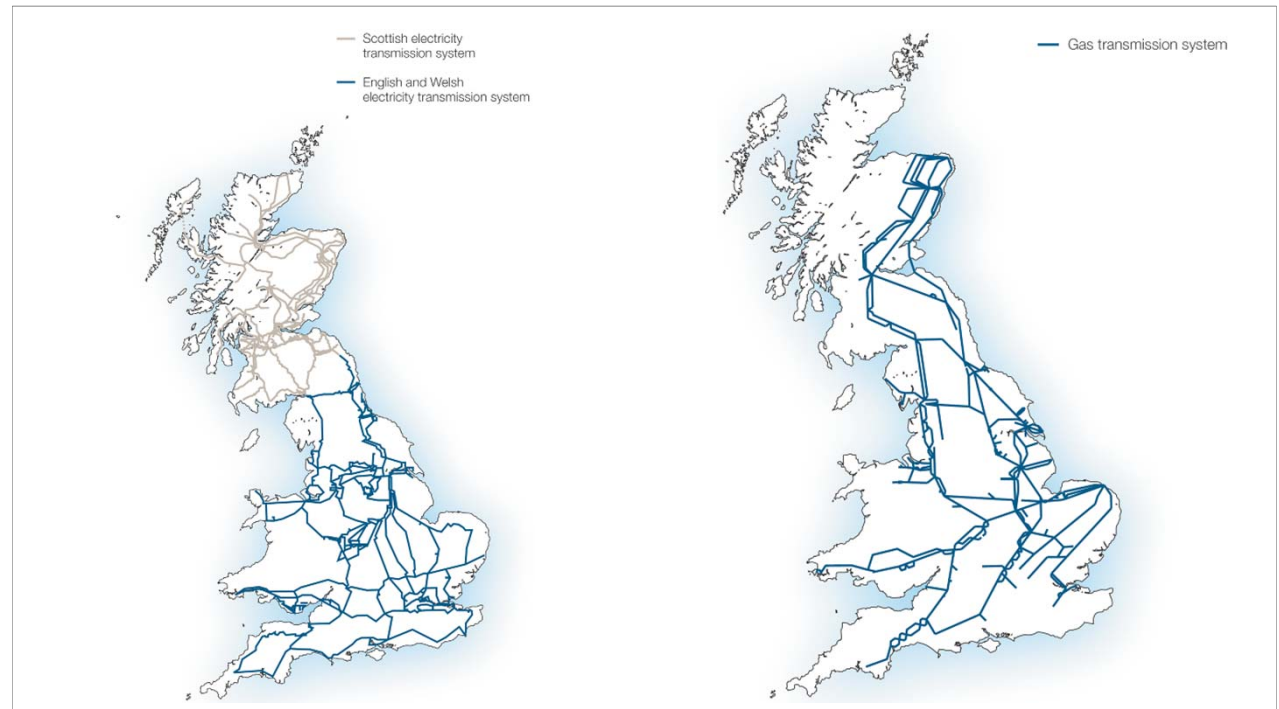
nationalgrid
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Gas Distribution - UK



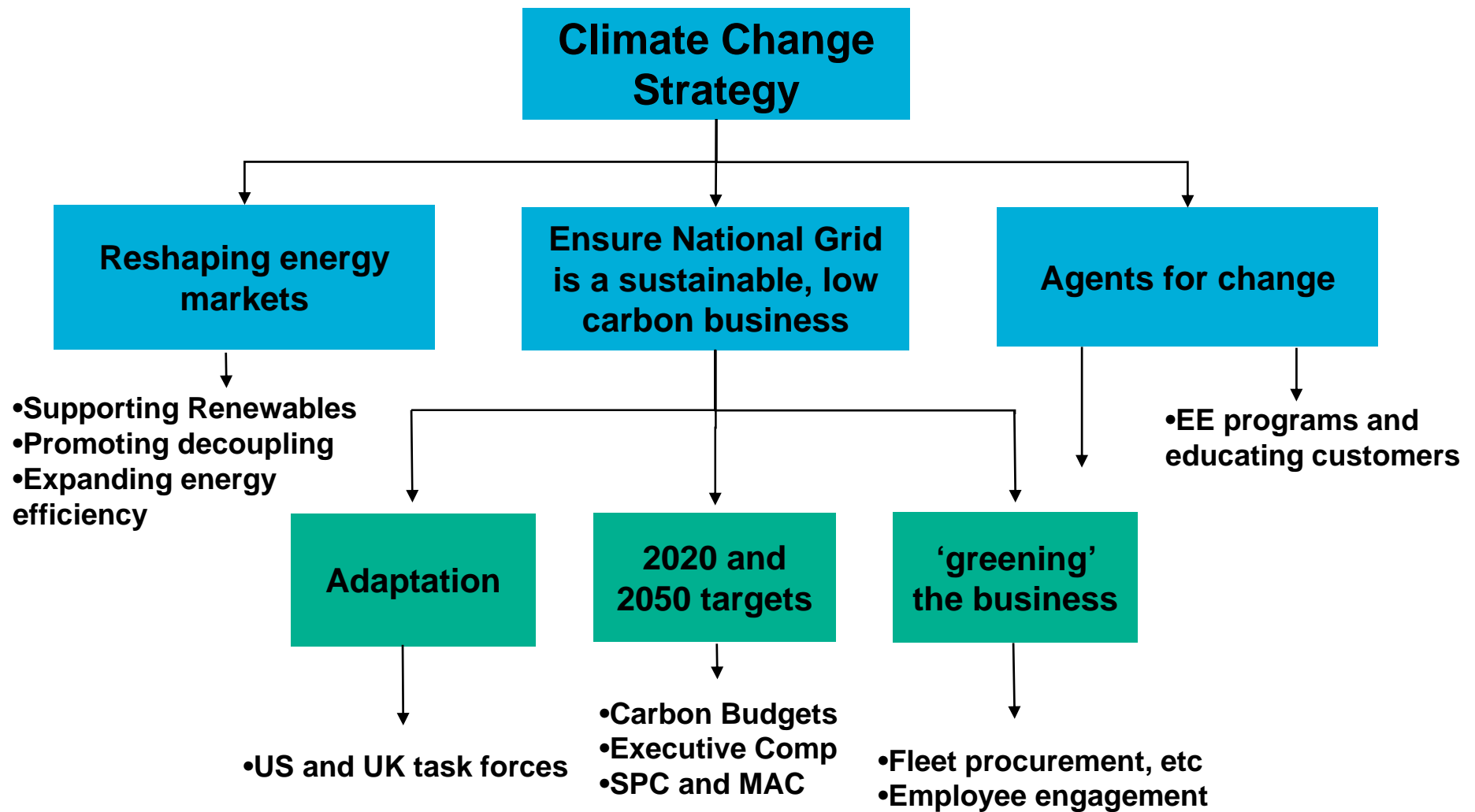
Operates the UK gas distribution system; distributes gas on behalf of shippers and suppliers to 11 million consumers.

Transmission – Electricity and Gas - UK



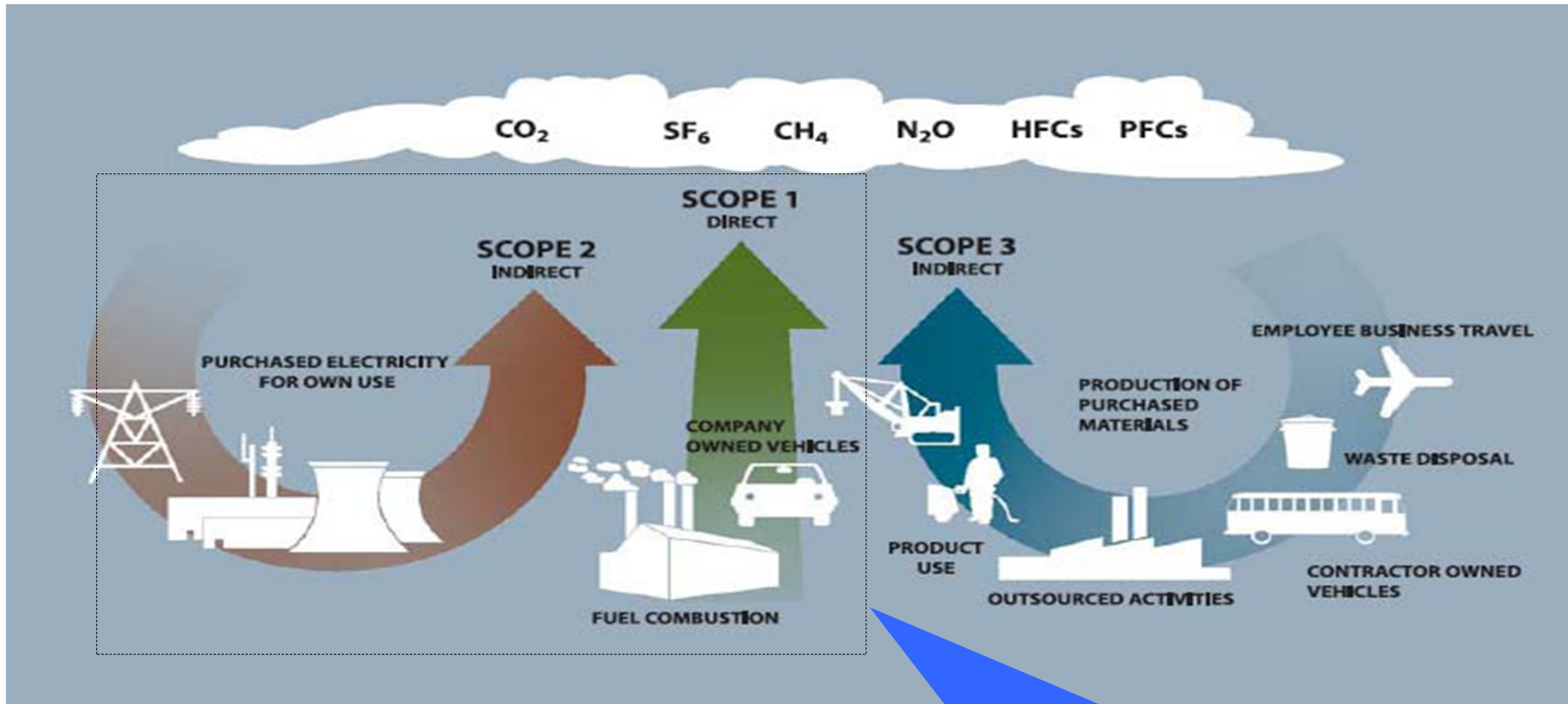
Owens the high-voltage electricity transmission system in England and Wales and operates the system across Britain. Also owns and operates the high pressure gas transmission system in Britain.

Elements of the Climate Change Strategy



GHG emissions are classified into 6 types & 3 scopes

Categories of Emissions – WRI/WBCSD GHG Corporate Standard



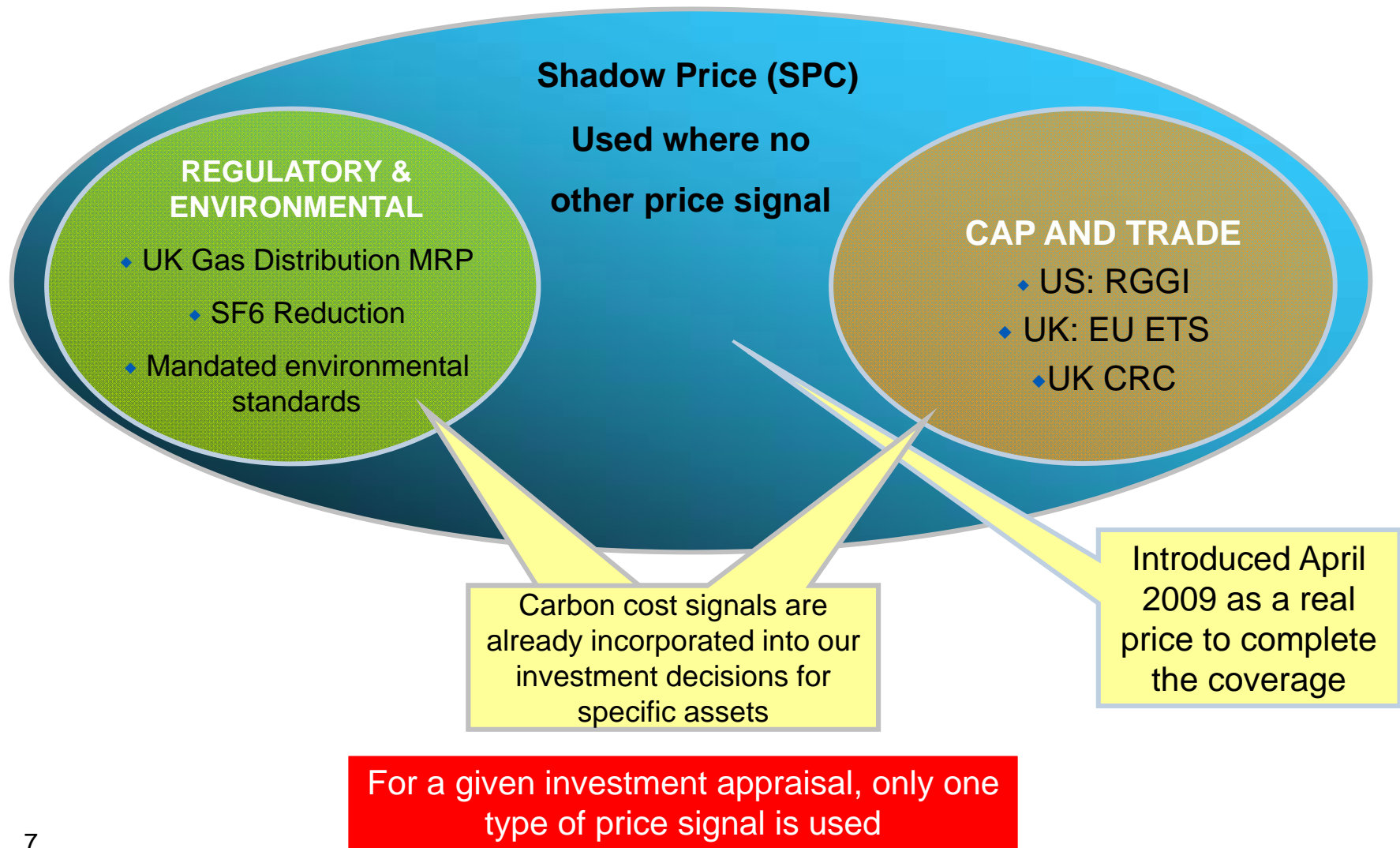
Scope 1 – All Direct GHG emissions

Scope 2 – Indirect GHG emissions

Scope 3 – All other indirect emissions not in Scope 2 (transmission and distribution losses, transport related)

Only S1 & S2 emissions are considered initially

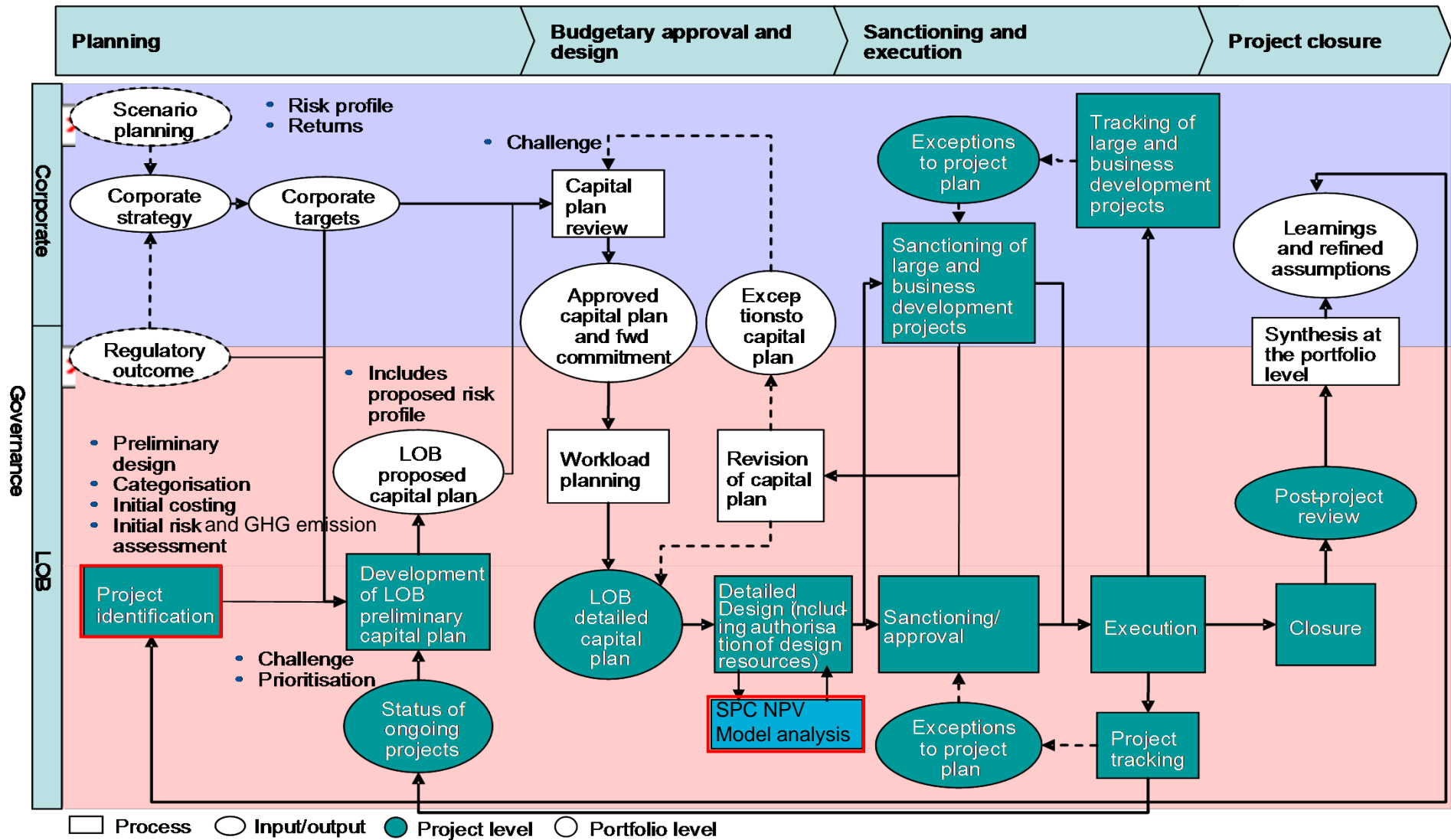
Current National Grid Investment Guidelines – Market price and Shadow Price



SPC will be considered at two stages in our existing investment management process

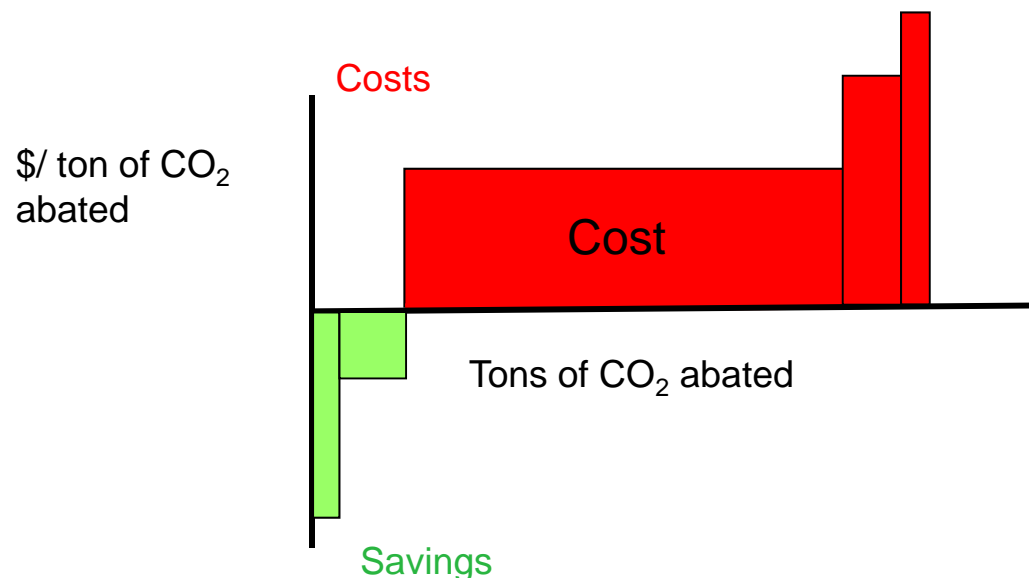
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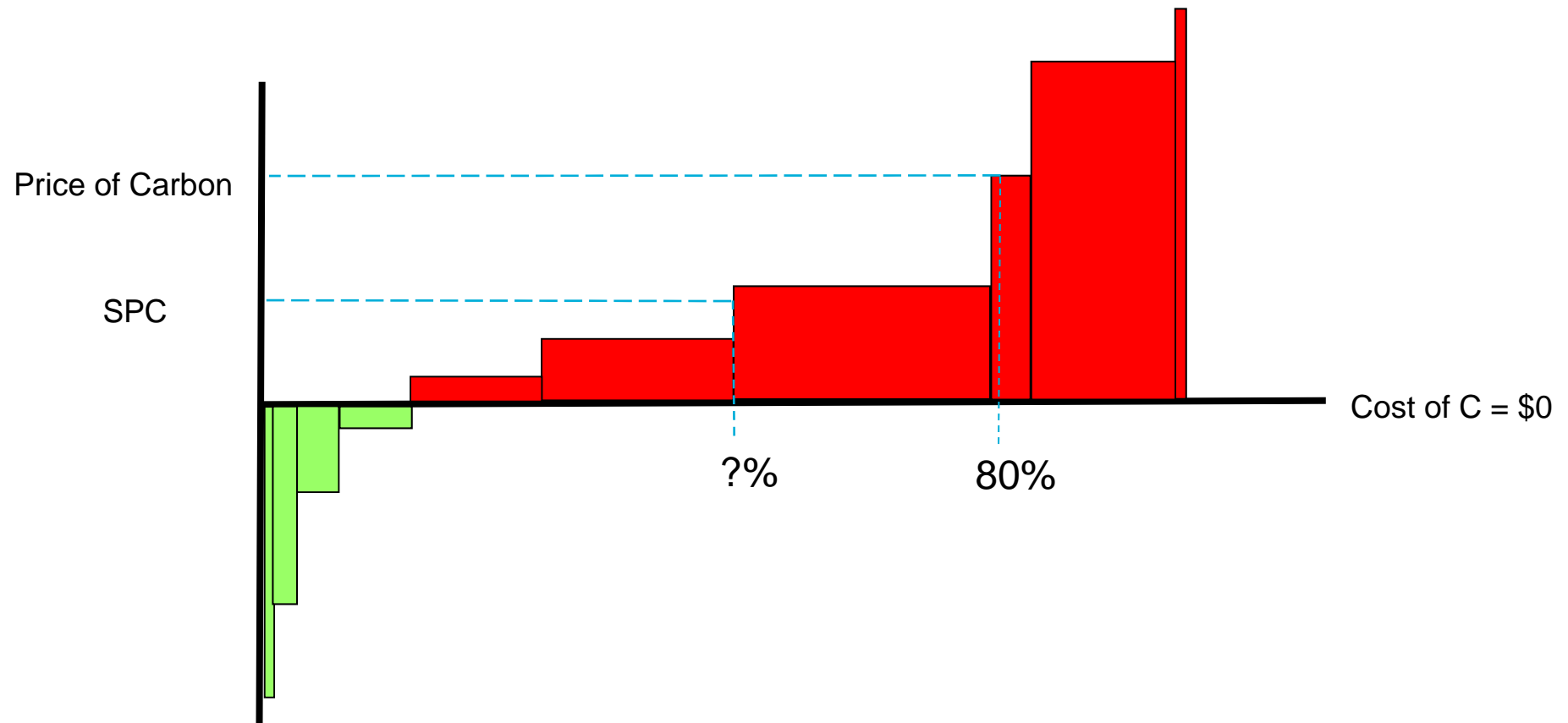


What is a MAC curve?

- Illustrates all currently known abatement options
- Illustrates the abatement potential of each option (width of box)
- Illustrates the lifecycle cost of each option (area of box)
- The Cost of Carbon is determined by dividing the cost by the abatement potential (height of box)

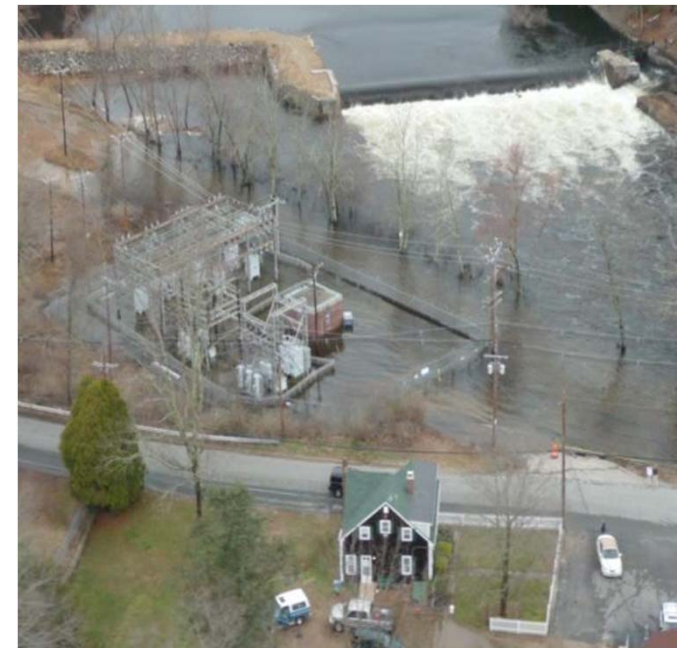


Why are MAC Curves Useful?



Progress to Date

- Completed full inventory of Carbon Emissions
 - Created Carbon budgets for each LOB
 - Connected Executive compensation
 - On target for 2020 goal
- Challenges
 - Multiple price signals
 - RGGI, EU ETS
- Long term goal – success requires
 - Advancement of new technology
 - Conversion of price signals



Creating a Climate for Change



Begins with you!

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