

Energy in the 21st Century: Seeking Environmental Solutions

**Engaging the Customer:
A Key Priority in any Successful Energy Partnership**

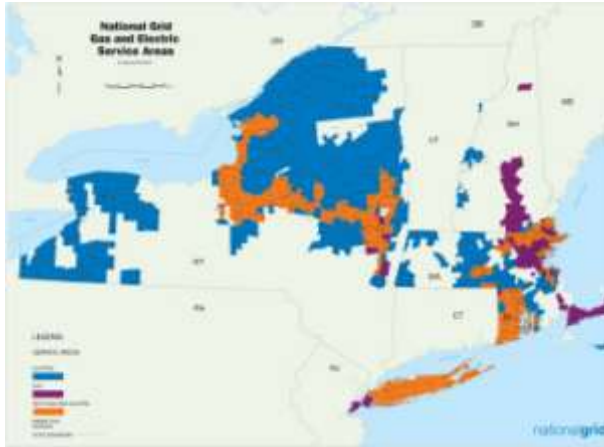
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Cazenovia College
April 11, 2008

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National Grid: An International Electricity and Gas Company

National Grid Electricity and Gas Service Areas - US



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

- ◆ 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



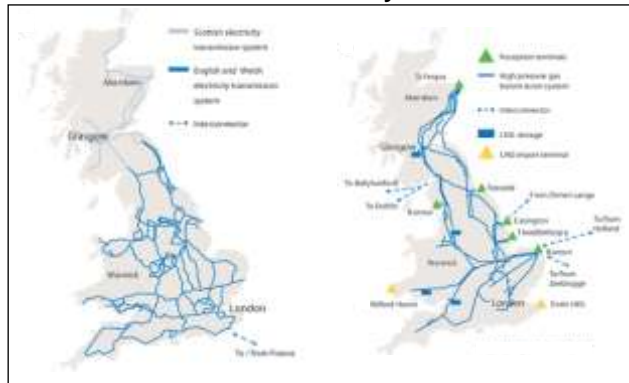
National Grid: An International Electricity and Gas Company (cont'd)

Gas Distribution - UK



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

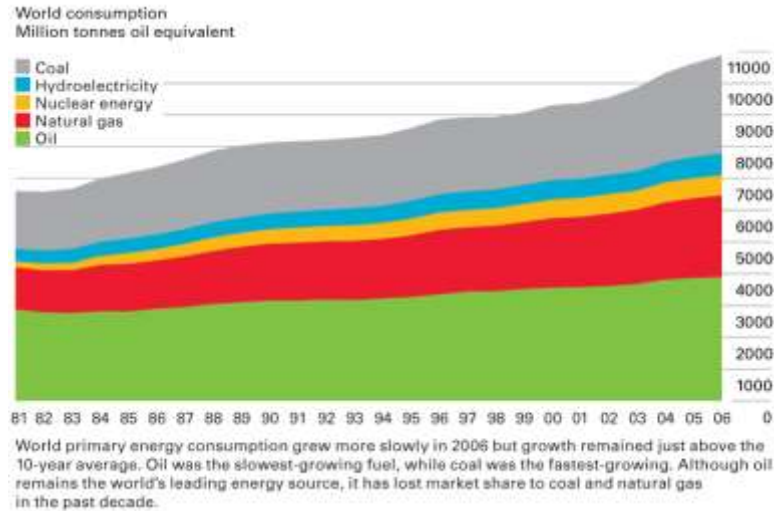
Transmission – Electricity and Gas - UK



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.



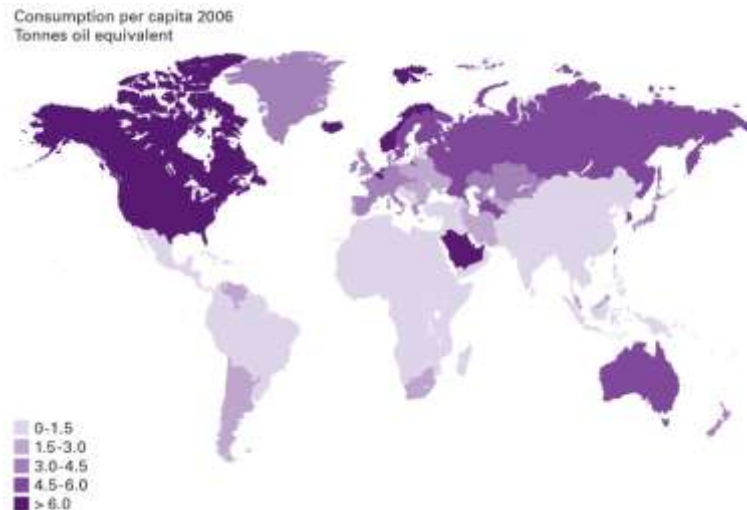
Demand: Fossil Fuels Still King



Source: BP Statistical Review of World Energy 2007

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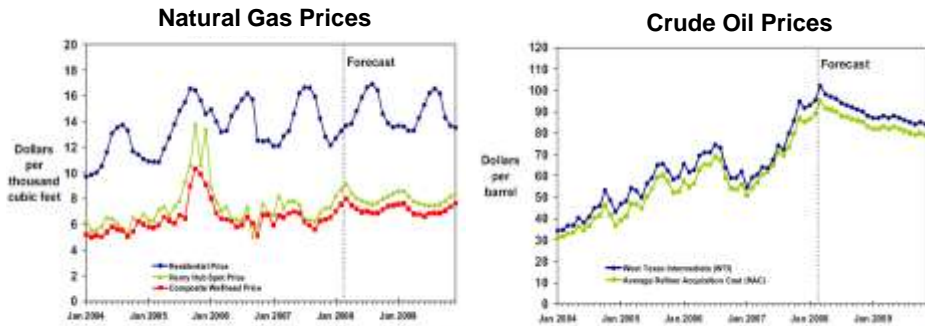
Worldwide Energy Consumption



Source: BP Statistical Review of World Energy 2007

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Energy Prices

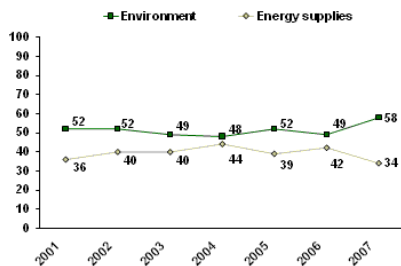


Source: EIA, Short Term Energy Outlook, March 2008



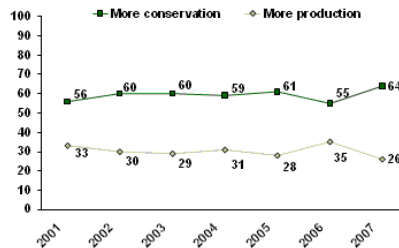
Public Favors Environment Protection Over Energy Production

Which Should Be Given Higher Priority?



- Americans have always sided with the environment on this question, but the 24-point difference in favor of the environment is the highest to date, up considerably from the slim 49% to 42% margin found in 2006.

Better Approach to Solving Nation's Energy Problems?



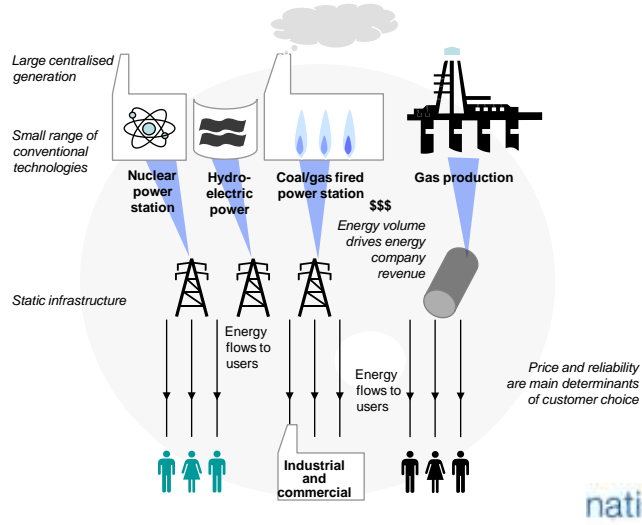
- Americans say conservation is the better approach to solving the nation's energy problems than in placing a greater emphasis on energy production. The 38-point gap in favor of conservation is also the largest found in the seven years of Gallup's Environment Poll.

Source: Gallup Poll, March 11-14, 2007



The Energy World is Changing ...

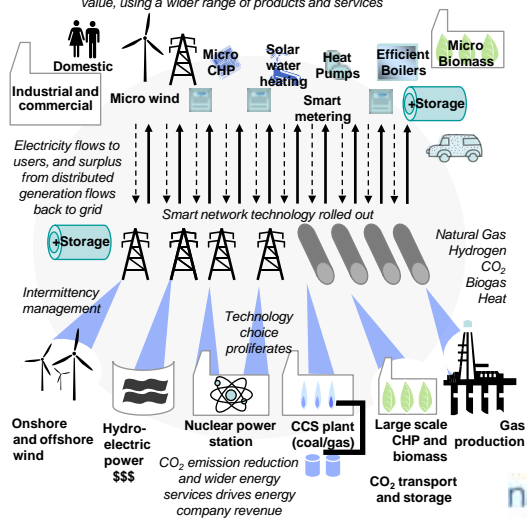
Traditional Energy Market - Supply Driven



... As the Customer Becomes More Active

Today's Evolving Market - Customer Driven

Customers focus on economic and environmental value, using a wider range of products and services



What We Need To Do

- ◆ Invest in existing infrastructure
 - ◆ Gas distribution, electricity transmission, electricity distribution
- ◆ Invest in existing and new technologies
 - ◆ Smart grids, smart meters, renewables, distributed generation
- ◆ Encourage energy efficiency
 - ◆ Bring award winning programs to all service areas
 - ◆ Decouple rates (true-up mechanism – utility becomes indifferent to throughput)
- ◆ Foster partnerships



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Leadership



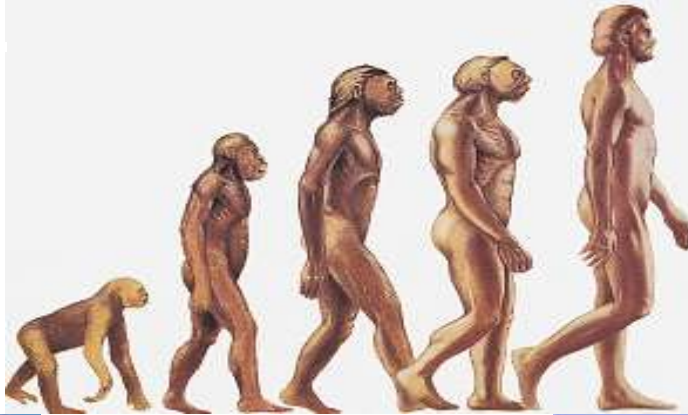
“The Oracle”



“The Governor”

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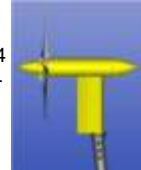
Power Plant Evolution ...



Big Allis – Unit 30
In Operation: 1965
CO₂-1,445 lb/MWhr
NO_x-782 tons
Data year - 2006



Ravenswood 40
In Operation: 2004
CO₂-851 lb/MWhr
NO_x-44.8 tons
Data Year 2006



**Free-flow
Hydropower**
Coming Soon
0 emissions

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Successful Partnership: Ravenswood Power Station



250-MW, state-of-the-art combined cycle plant – operational 2004

- ◆ Acquired by KeySpan in June 1999 from Con Ed for \$597M
- ◆ Supplies about 25% of New York City's electric generating capacity
- ◆ Built new, 250-MW state-of-the-art, natural gas combined-cycle plant – operational in 2004
- ◆ Partnership with community, state and city government, environmental community

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Successful Partnership: National Grid Acquisition of KeySpan



Financial Benefits to New York Customers

- ◆ \$500m in operational savings over 10 years
- ◆ \$150m in energy supply savings
- ◆ \$100m additional investment in power plant upgrades

Commitment to Reliable Service

- ◆ In year 3 of 5-year, \$1.4 billion capital spend in upstate NY
- ◆ Retain service quality standards currently in place on Long Island
- ◆ Fund further storm proofing of LIPA T&D network
- ◆ Building a skilled work force

Benefits for Environment

- ◆ \$100m for power plant upgrades with no cost to customers
- ◆ Expect significant reduction in NOx emissions
- ◆ MGP remediation - Leveraging National Grid's international expertise
- ◆ Energy Efficiency - Bring National Grid's award-winning programs to NY and LI

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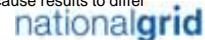
We Must Engage the Customer



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