

Paying for Investment: Perspectives of an energy infrastructure investor



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Today

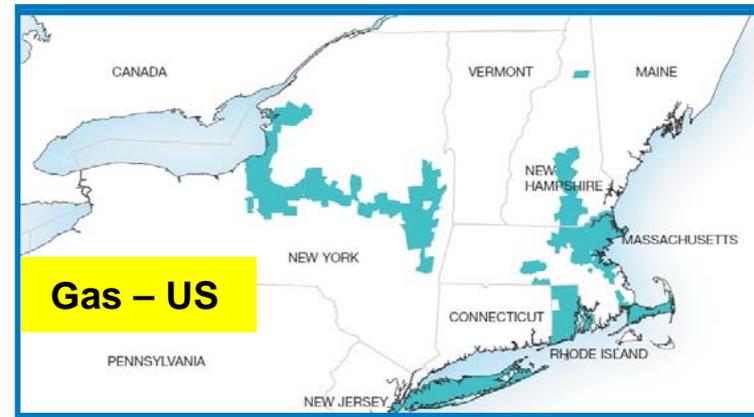
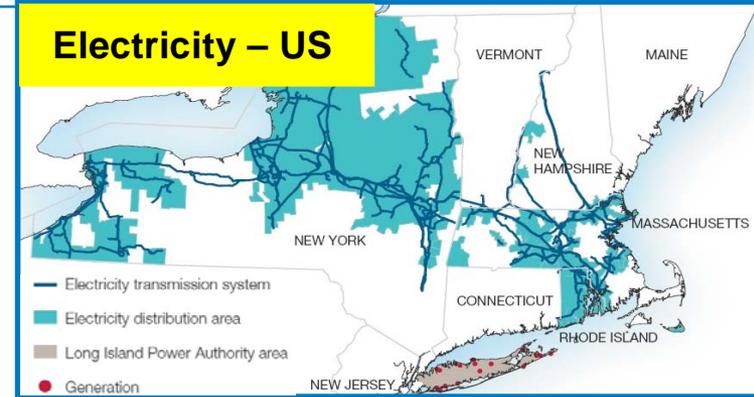
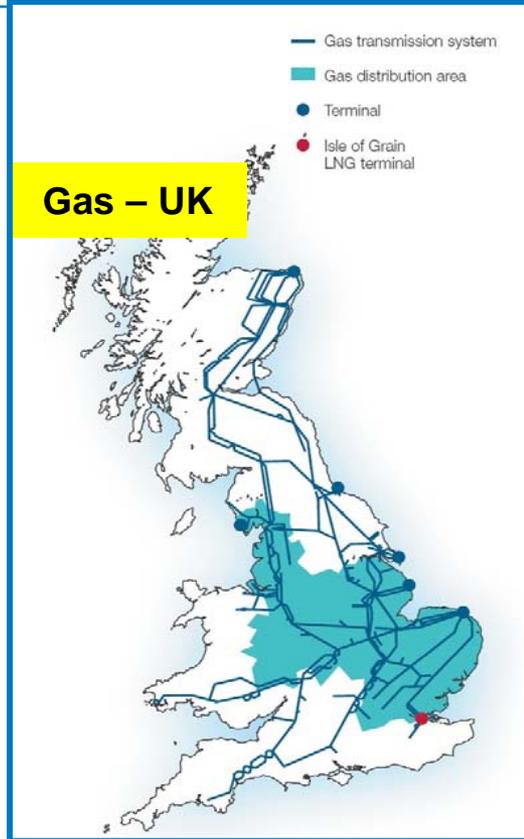
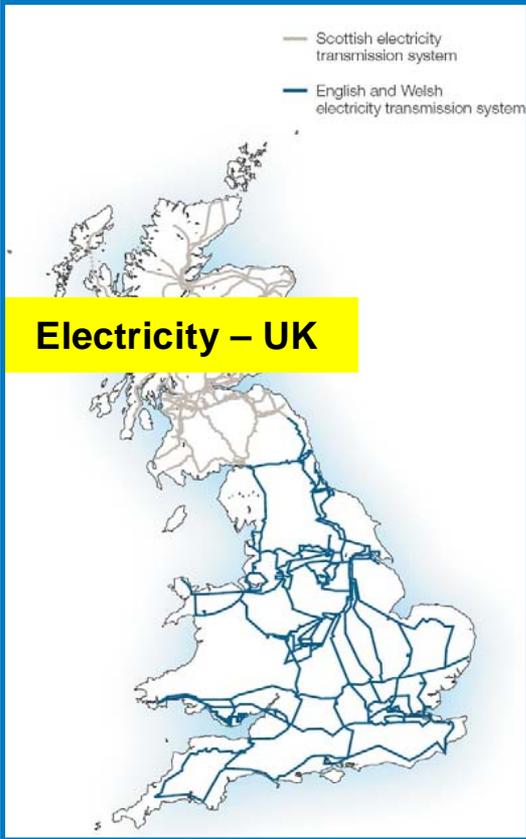
- Introduction
- The need to invest for society and the numbers involved
- How will we fund this investment?

1) Introduction

What are we?

a ***low risk*** business focused on generating shareholder value through both ***dividends*** and ***asset/equity*** growth by investing in ***essential assets*** under predominantly regulated market conditions to service ***long term sustainable consumer led demands***

National Grid



UK and US



Electricity and Gas



Transmission & Distribution



One of the world's largest **100% listed** utilities focused on **regulated transmission** and **distribution** activities in electricity and gas in the **United Kingdom** and the **United States**

UK **65%** / **35%** US

Investment to
2021 (regulated*) **~£35** bn

Debt

~£20 bn

Market Cap

~£25 bn

Note: All numbers indicative

* Includes Ofgem's Initial Proposals 'best view'

2) The need to invest for society
- and the numbers involved

The UK shopping list... to 2020?

Sector	Requirement	Cost (£ billion)
Energy	Replacement	42
	Networks	65
	Renewables	136
	Energy efficiency	21
Transport	Rail and high speed lines	69
	London transport	32
	Roads	9
	Air	10
Communications	Nationwide fibre	5
Water	Water and sewerage networks	37
	Flood and coastal defebces	8
TOTAL		434

**Energy =
£264bn =
60%**

The UK energy landscape is changing

Sustainability



Existing power station closures

~25%

of total capacity by 2020



Affordability



Gas from UK sources

~25%

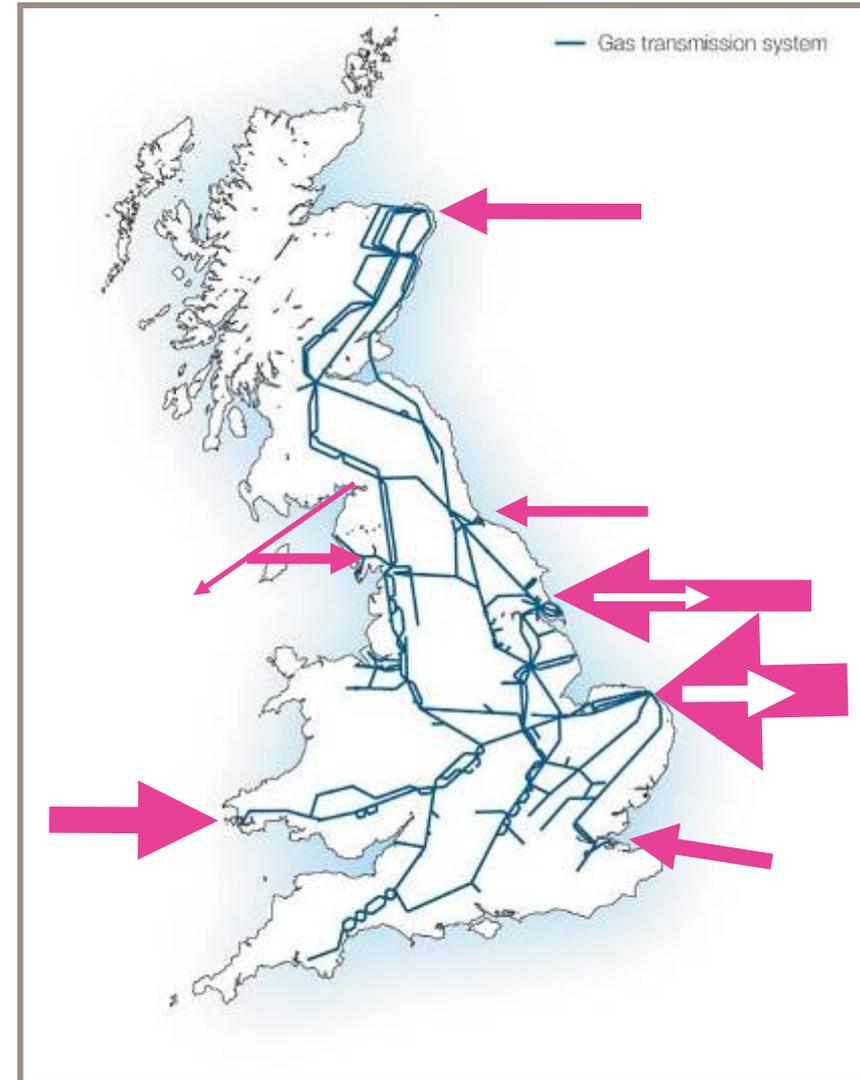
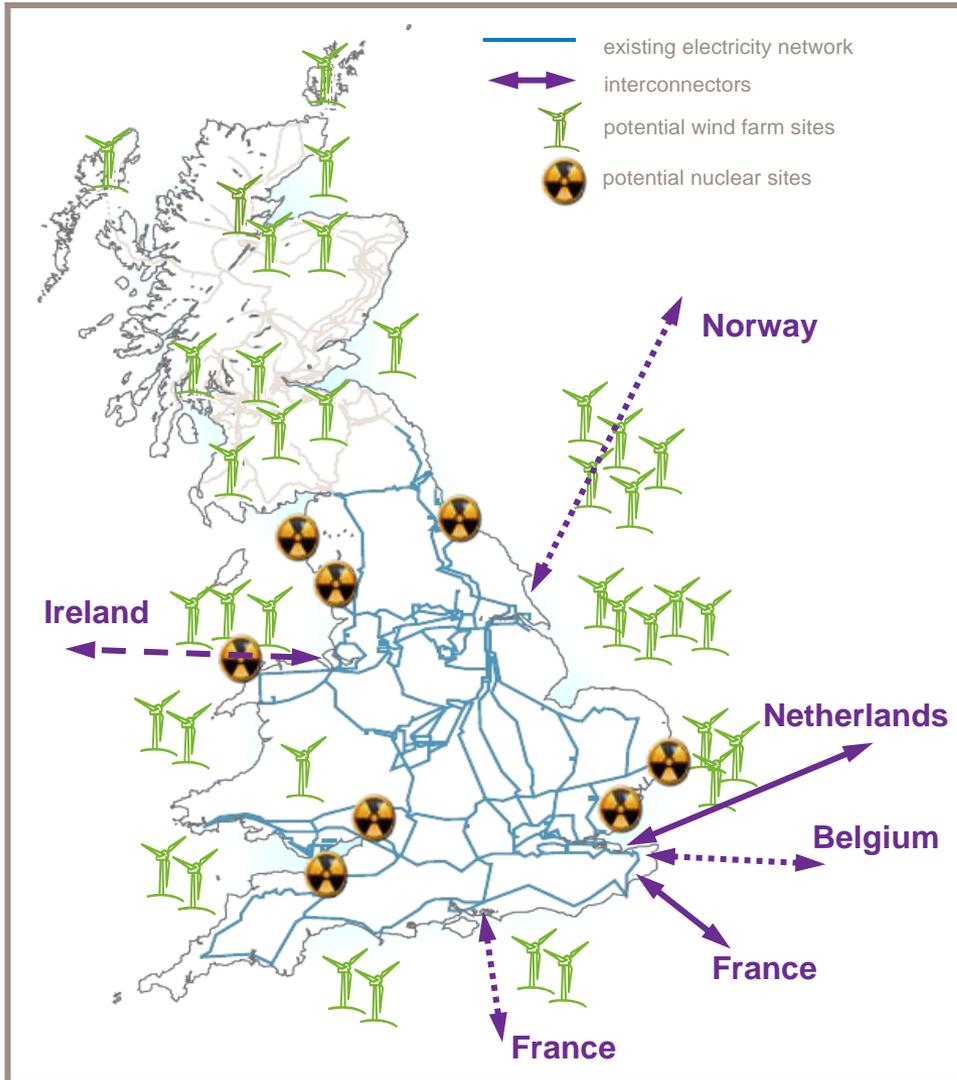
of total supplies by 2020



Security of supply



Energy sources have changed – network impact



The numbers – our core businesses

- UK regulated / core businesses (under ‘RIIO’)
 - Investment requirement ~£25bn (to 2021)
- US regulated / core businesses
 - Investment requirement ~£1bn to £1.2bn per annum (to 2021)

The numbers – related growth opportunities

- Just taking the UK, we have a large pipeline of other opportunities...

Offshore Tx

Tx for Irish wind

Grain LNG 4?

All this could = ~£5bn+??
(but how much will happen, and when?)

UK-Belgium IC

CCS

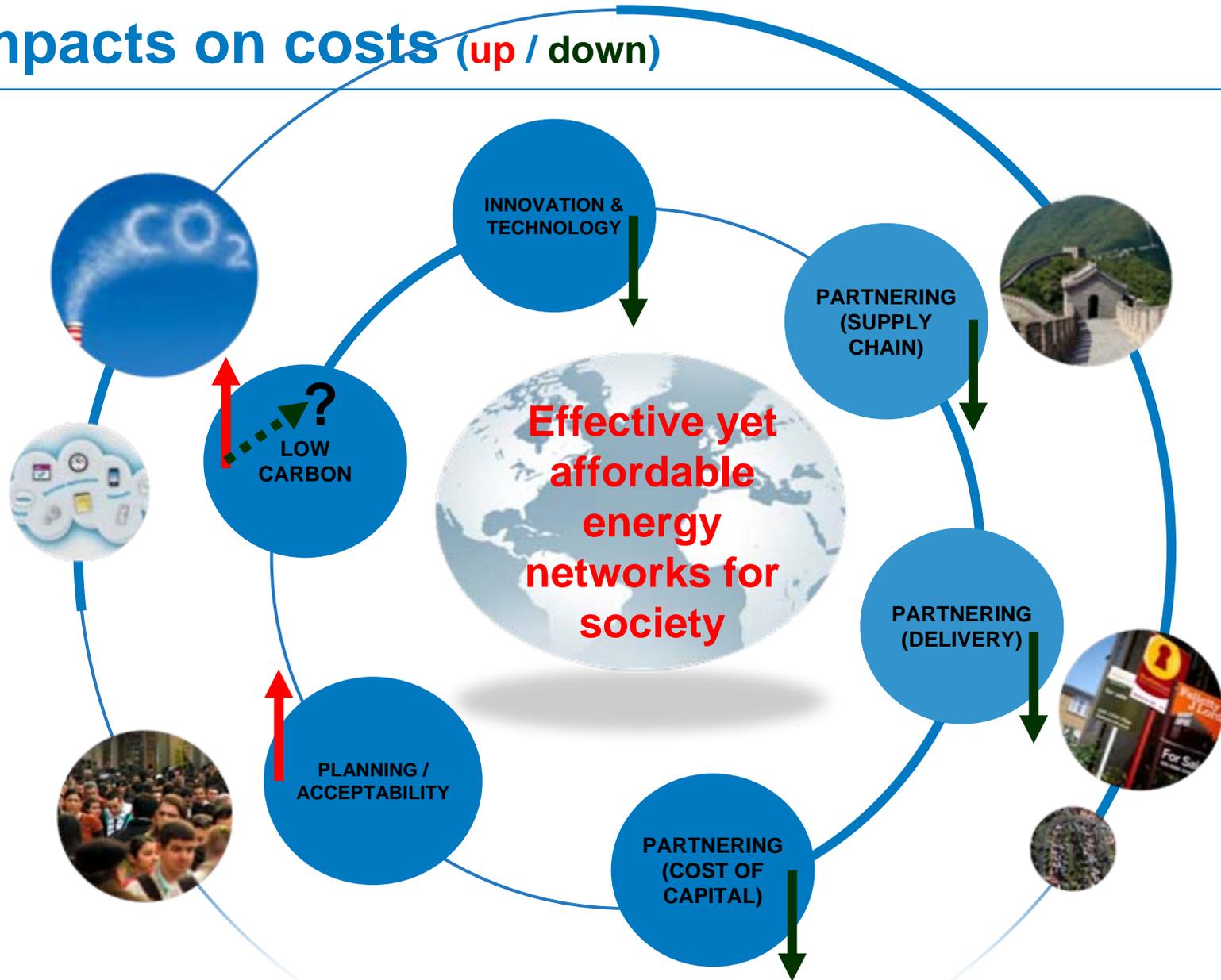
UK-Iceland IC

UK-Denmark IC

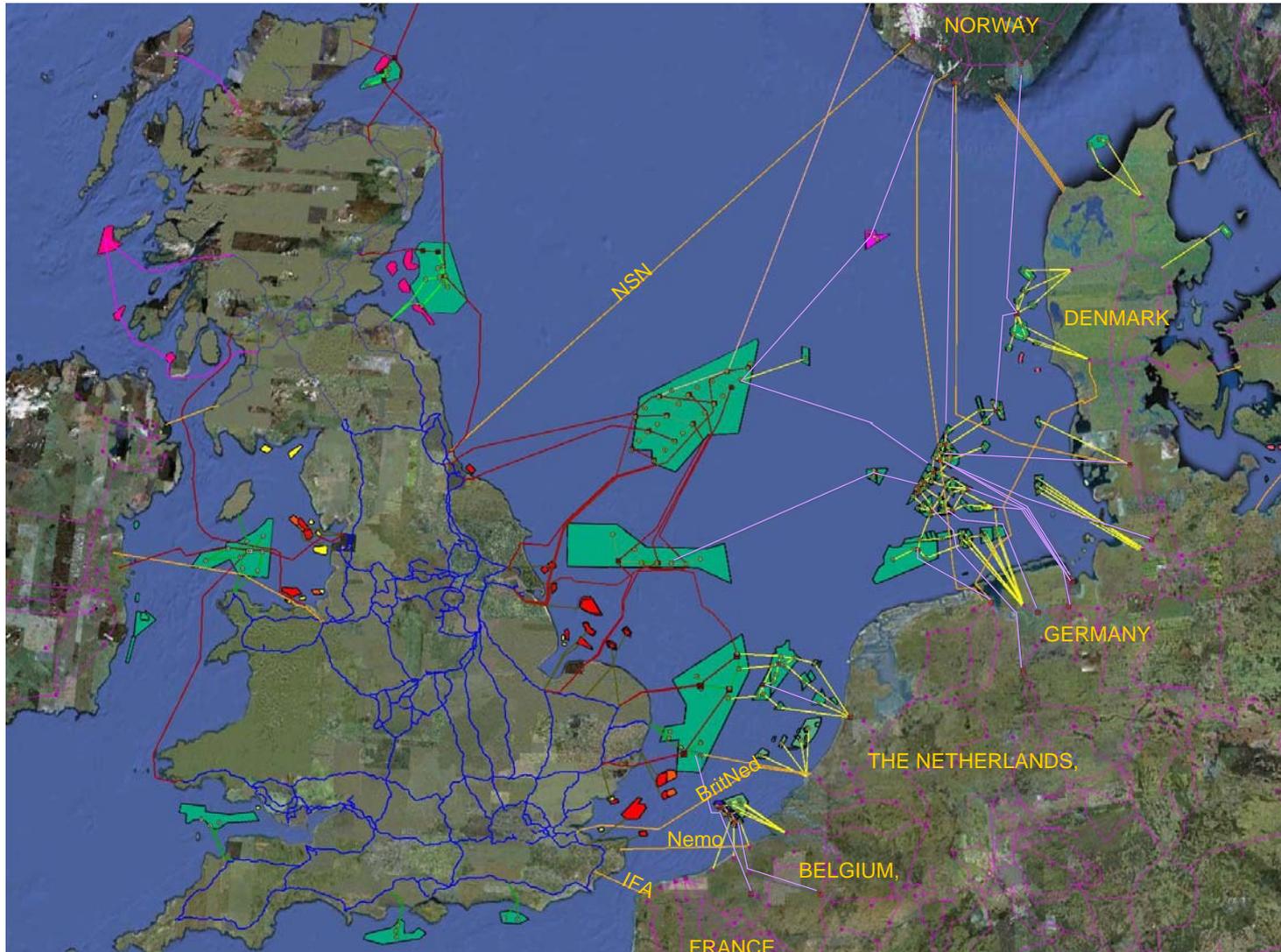
UK-Norway IC

UK-France 2 IC

Impacts on costs (up / down)



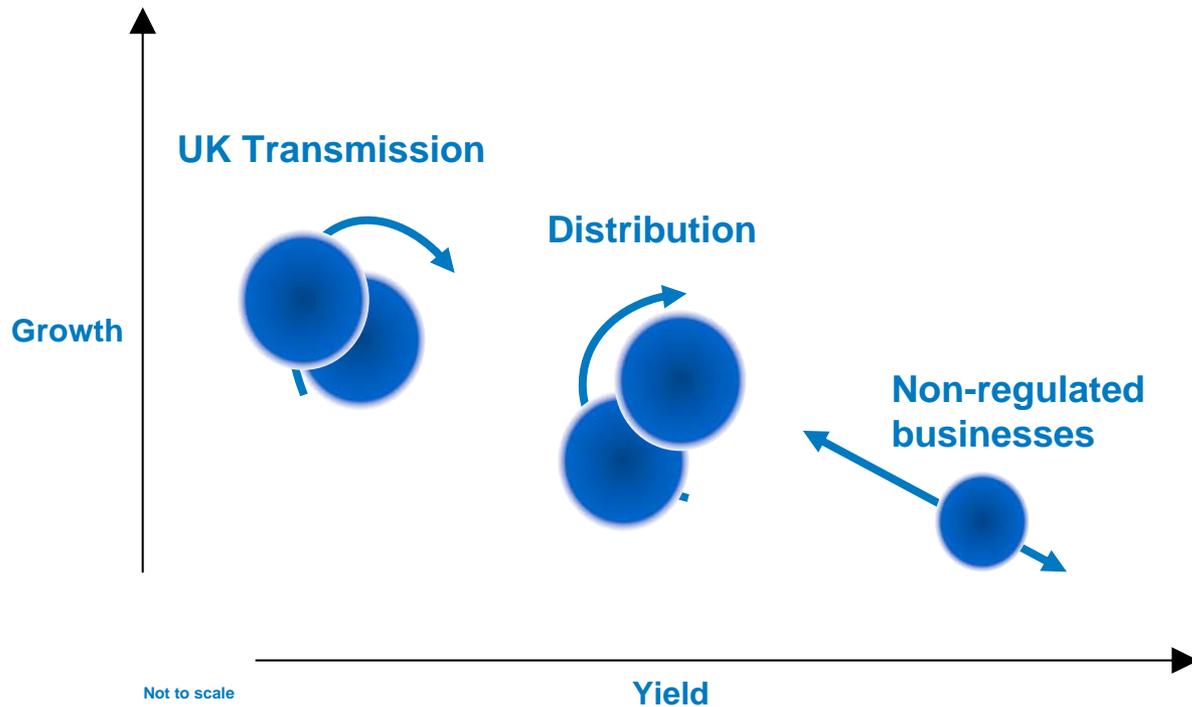
And further in to the future...



3) How will we fund this investment?

Spread and balance of our activities adds financial strength

Portfolio of distinct regulated businesses in the UK and the US and some unregulated businesses, primarily in the UK



Financing the future

- In general, a history of on-balance sheet funding, 100% ownership and operation
 - And this model will still be desirable for many of our core businesses

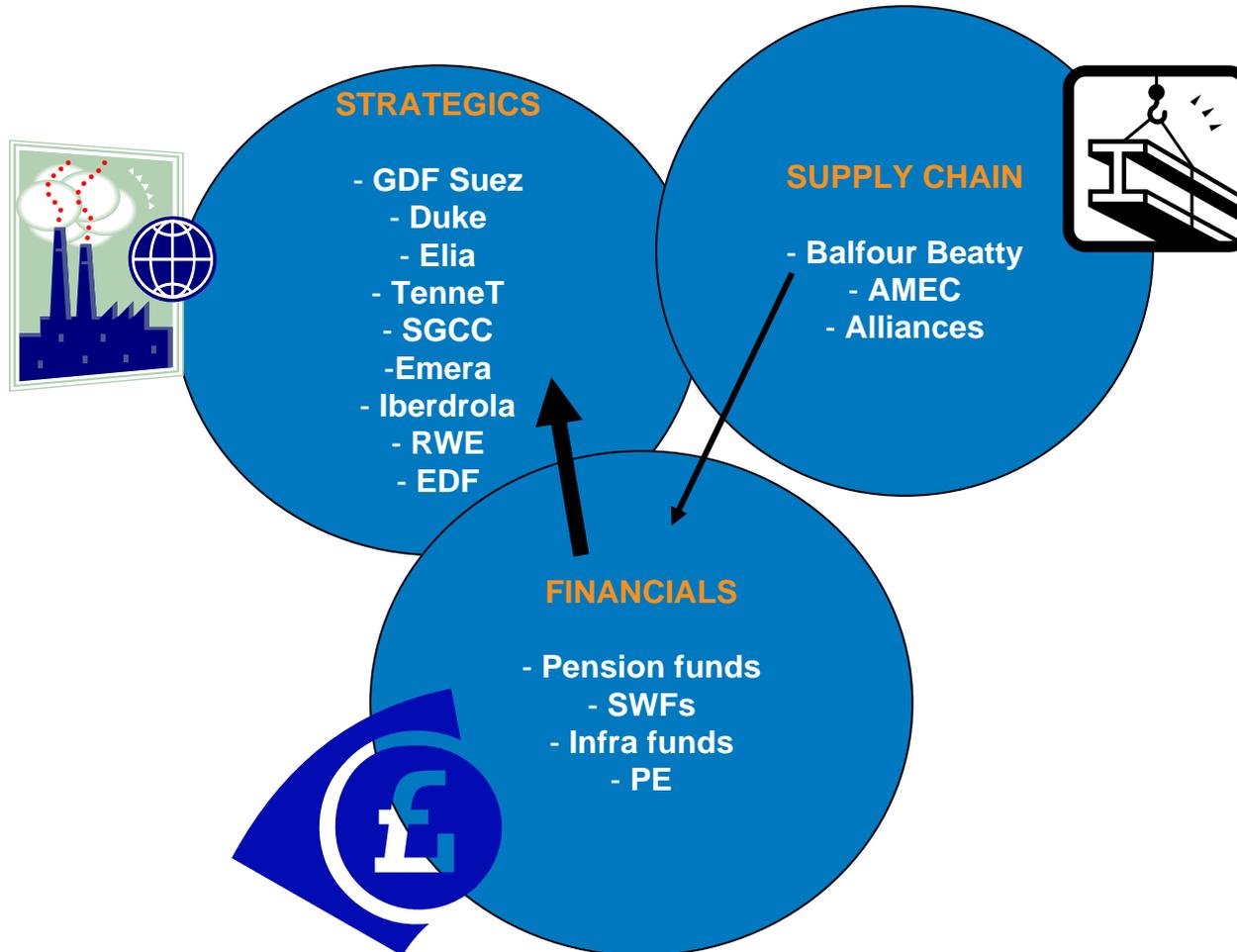
- Typical tools (for any corporate) include:
 - More debt  inc. 'hybrids'
 - More equity
 - Dividend policy
 - Disposals to raise cash

- And for us, balanced/effective regulatory outcomes

Financing the future – cont'd

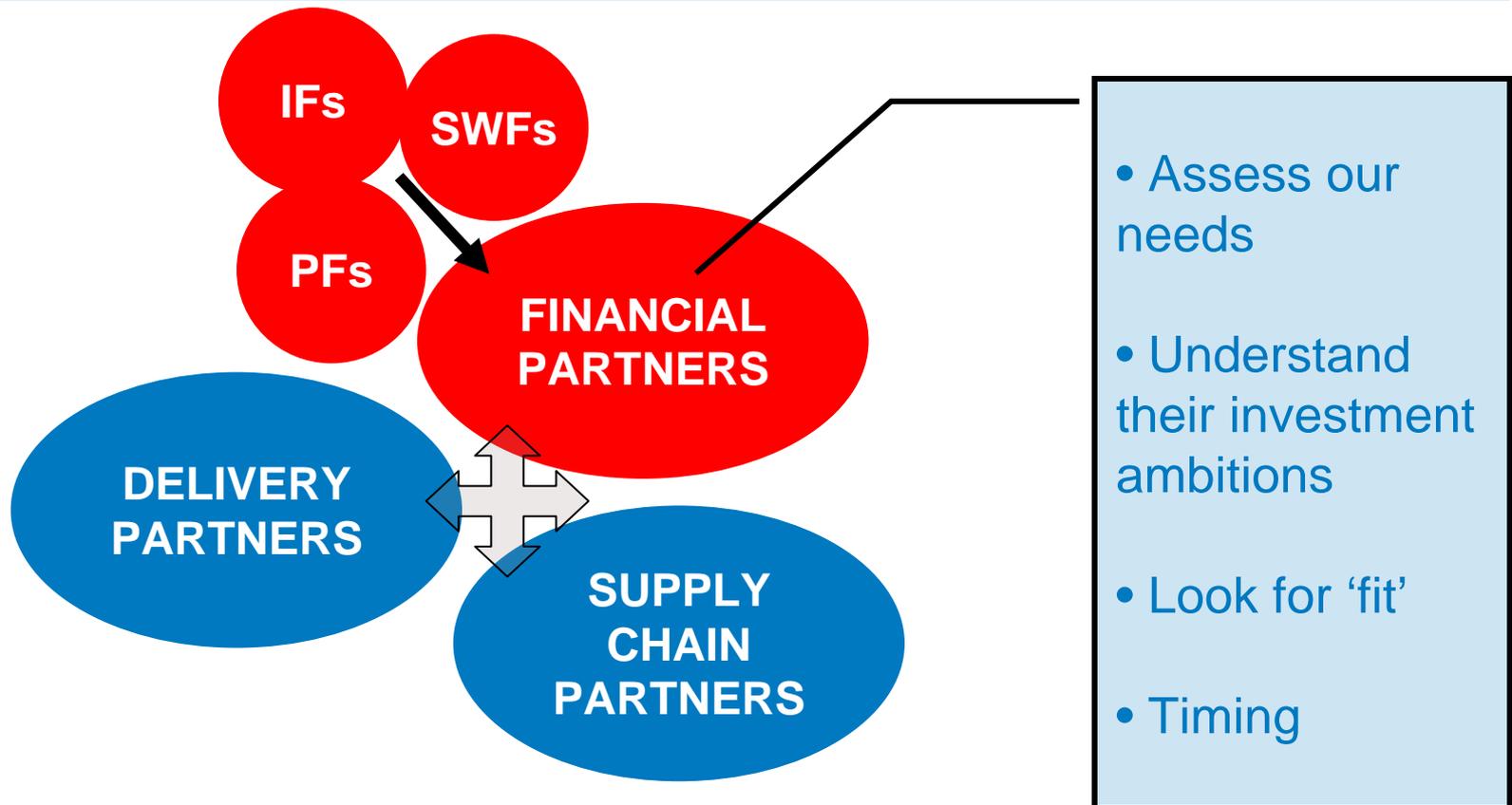
- Desire to add additional/new 'tools' to finance the future
 - Retail bond in 2011 - £260m
 - Canadian bond this month for C\$750m
 - Strategic partnering...

Strategic partnering is attracting interest from a range of players (illustrative)



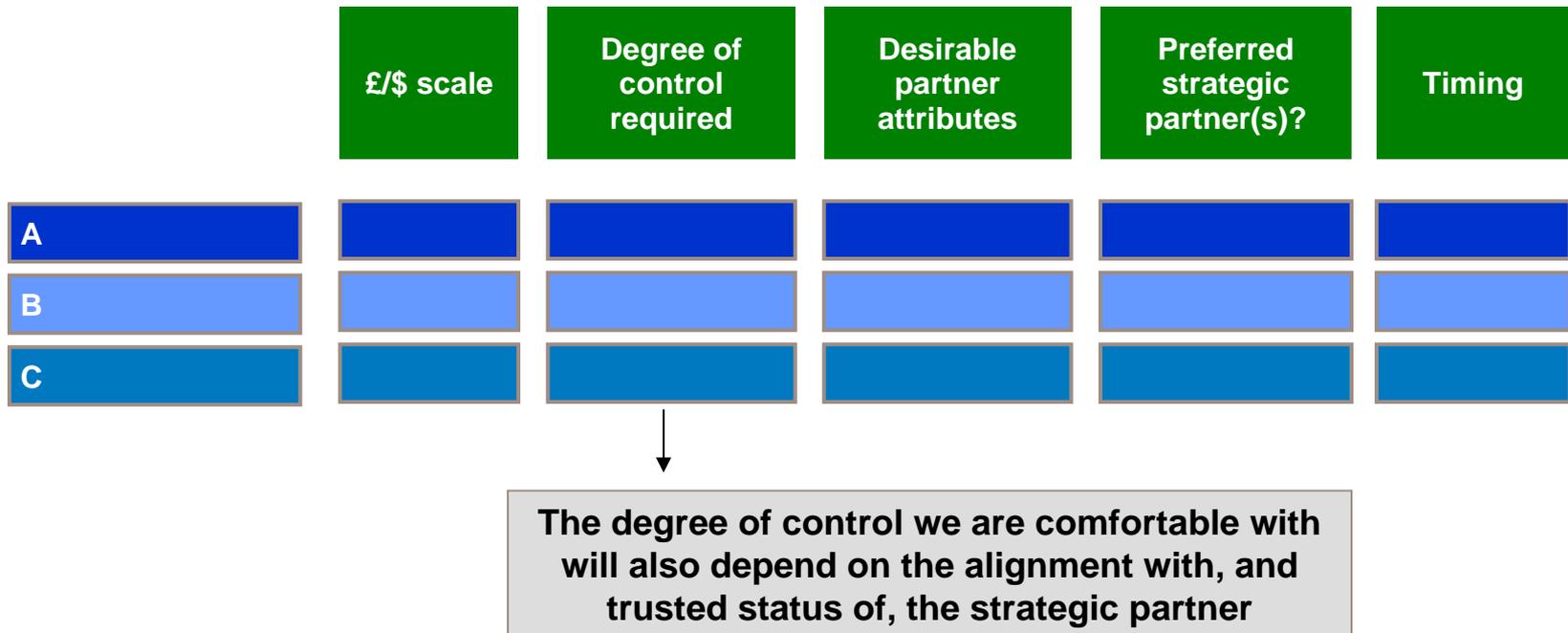
With some moving beyond their traditional roles →

Strategic Partnering



Future potential: Aligned, long term partners for select parts of the Group

Different partnering options need different approaches



What is important to us (and potential partners)?

- Stability (political, regulatory). GB 'reputation'.
- A realistic rate of return
 - Efficient / competitive
 - But recognising the risks
- This is a global market
 - For our shareholders
 - And also for financial partners

Priorities

- Secure positive regulatory outcomes
- Set clear financial strategy and dividend policy in 2013
- Drive growth and investment over next 8 years
 - Double size of business by 2021
- Manage portfolio to secure optimal shareholder value

Final thoughts

- We have an unprecedented programme of expenditure to help transition the UK to a low carbon future
- We have enhanced our financing ‘toolkit’ for the future – always seeking to avoid disturbing the attributes that investors and lenders like about us
- A company keen to partner - for the right opportunities
 - Not just for finance, also for expertise/insight we lack
- To partner successfully, we need to find commercial and cultural alignment – and work at it!



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