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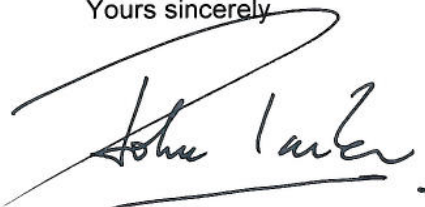
*Dear Chris,*

**Financial Reporting Council  
Review of the Impact of the Combined Code  
April 2007**

In overview, National Grid plc (a UK domiciled FTSE100 company) considers that the Combined Code continues to operate adequately and that additional changes are not currently required.

A full response to each of the questions set out in the Review follows.

Yours sincerely



Sir John Parker  
Chairman  
National Grid plc

**1. Does the Code support better board performance over time?**

National Grid plc considers the application of the Code to have supported the performance of its Board over time by maintaining an appropriate focus on corporate governance. In particular, the annual review of board performance, as required under the Code, focuses attention on board performance and encourages regular review of a company's internal governance structure.

The challenge of balancing the time and attention given to corporate governance over that given to addressing the board's responsibilities towards the development of strategy remain, but this can be met effectively through the leadership of the chairman. The chairman is also key in managing the relationship between the non-executive and executive directors and in ensuring each fulfils their role to the benefit of the company.

**2. Is the "comply or explain" approach working effectively?**

National Grid plc has not operated with a significant non-compliance in its application of the Combined Code's principles and so has not experienced the "comply or explain" approach under these circumstances. In this context it therefore considers that:

- the "comply or explain" approach allows each company to apply the principles of the Code in the way most appropriate to its circumstances;
- this approach encourages dialogue between companies and investors on corporate governance, particularly in establishing the applicability of the principles of the Code to individual companies; and
- the approach can therefore generally be considered to be working effectively;
- it does, however, depend upon the experience and ability of the shareholder(s) in interpreting the "explanation".

**3. What impact has the Code had on smaller companies?**

As a FTSE100 company, National Grid plc is not in a position to comment on the implementation of the Code by smaller companies or on the impact of this implementation.

**4. Do disclosures on the Combined Code in annual reports provide useful information to shareholders at proportionate cost to companies? If not, in what respects and how do you believe they should be modified?**

National Grid plc includes in its annual report a detailed statement on corporate governance with the aim of conveying the Company's corporate governance practices, including its application of the Combined Code's principles. The inclusion of such a statement in the annual report is a useful means of communicating details of the Company's application of the Code to all shareholders. However, such statements are most useful when they are used to explain a company's individual approach, rather than simply providing bland statements as part of a 'box ticking' approach.