Energy Security for American Families

New America Foundation
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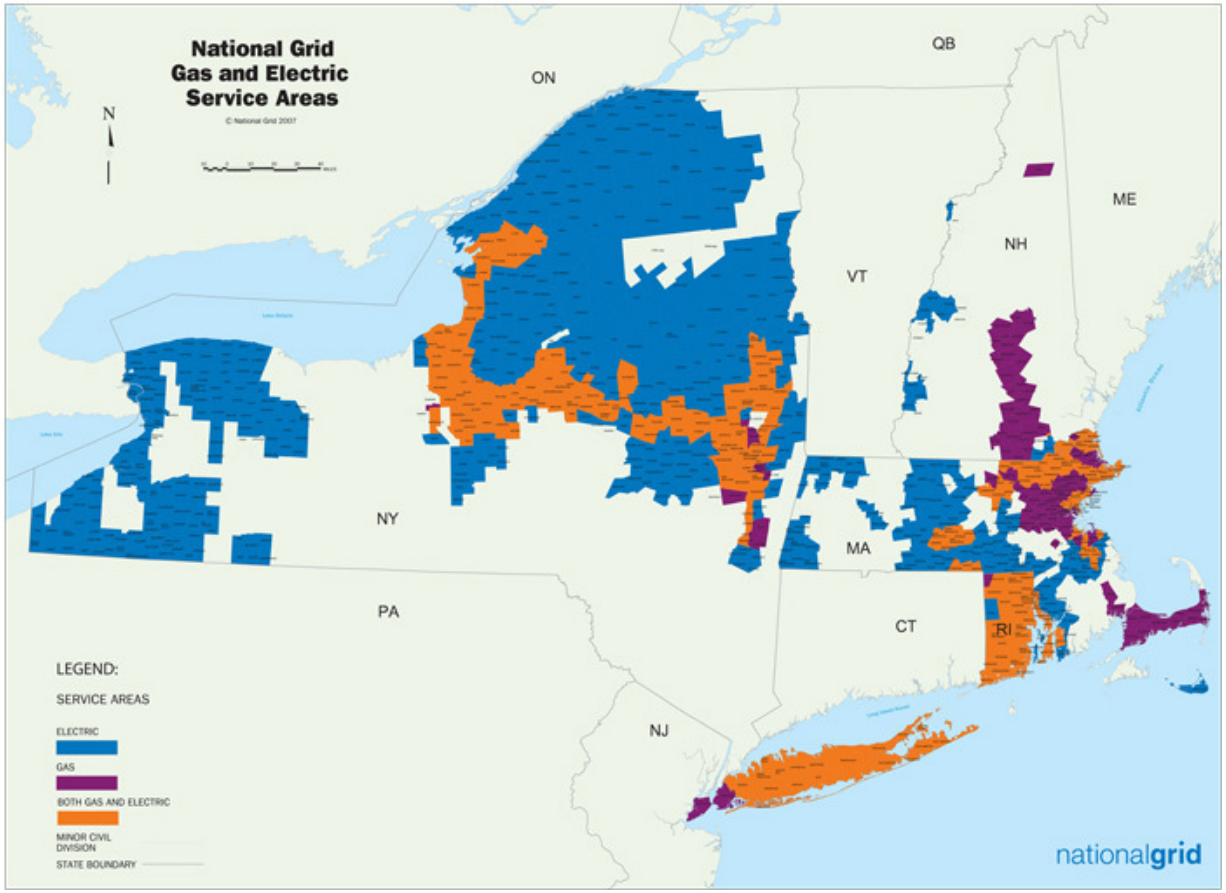
National Grid: an international electricity and gas company

National Grid Electricity and Gas Service Areas - US



- Largest utility in UK; second largest in US*
  - 50% UK, 50% US
  - 50% Electricity, 50% Gas
  - 50% Transmission, 50% Distribution
  - 27,000-plus 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 4,000-plus MW of generation

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

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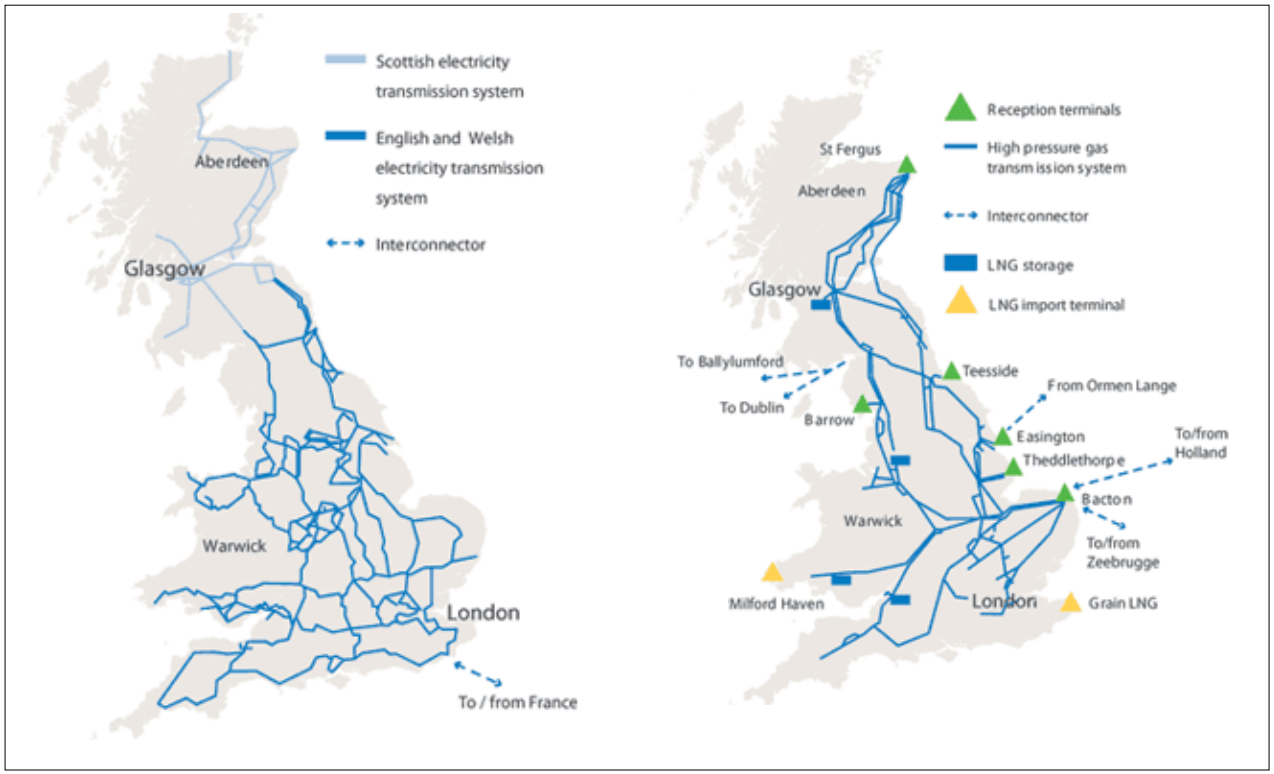
National Grid: an international electricity and gas company (cont'd)

Gas Distribution - UK

Transmission – Electricity and Gas - UK



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

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.

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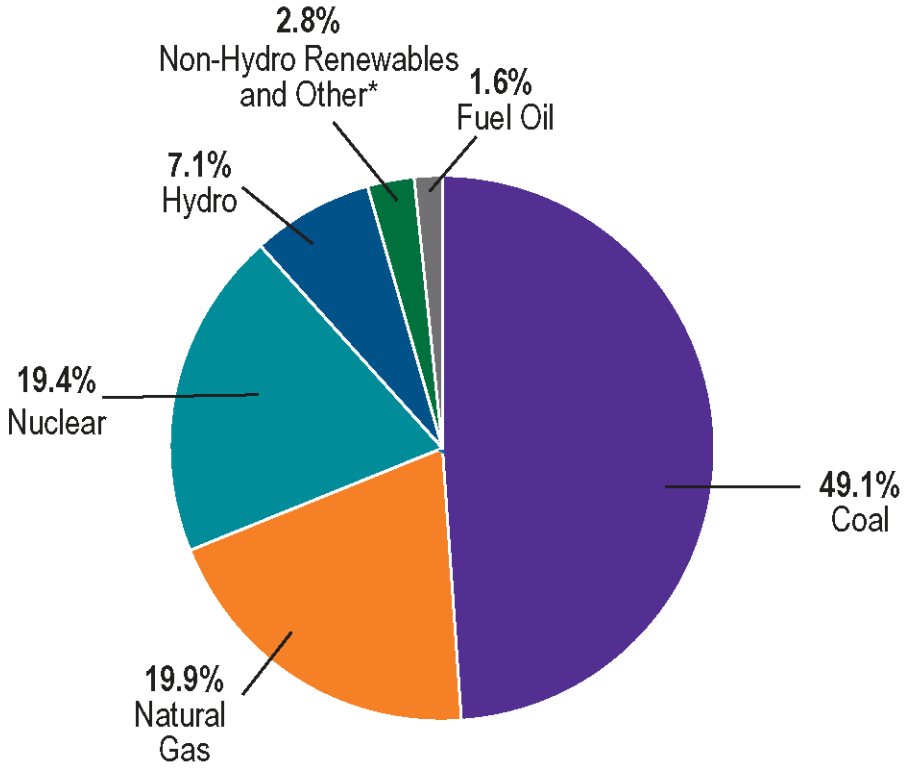
Electric companies use a diverse mix of fuels to generate electricity

National Fuel Mix



*"Non-Hydro Renewables and Other" includes generation from solar, wind, geothermal, biomass (agricultural waste, municipal solid waste, landfill gas recovery, wood, pitch), hydrogen, batteries, chemicals, non-wood waste, purchased steam, sulfur and miscellaneous technologies. Sum of components do not add to 100% due to independent rounding.

Source: U.S. Department of Energy, Energy Information Administration, Power Plant Report (EIA-920), Combined Heat and Power Plant Report (EIA-920), Electric Power Monthly, and Electric Power Annual 2007.

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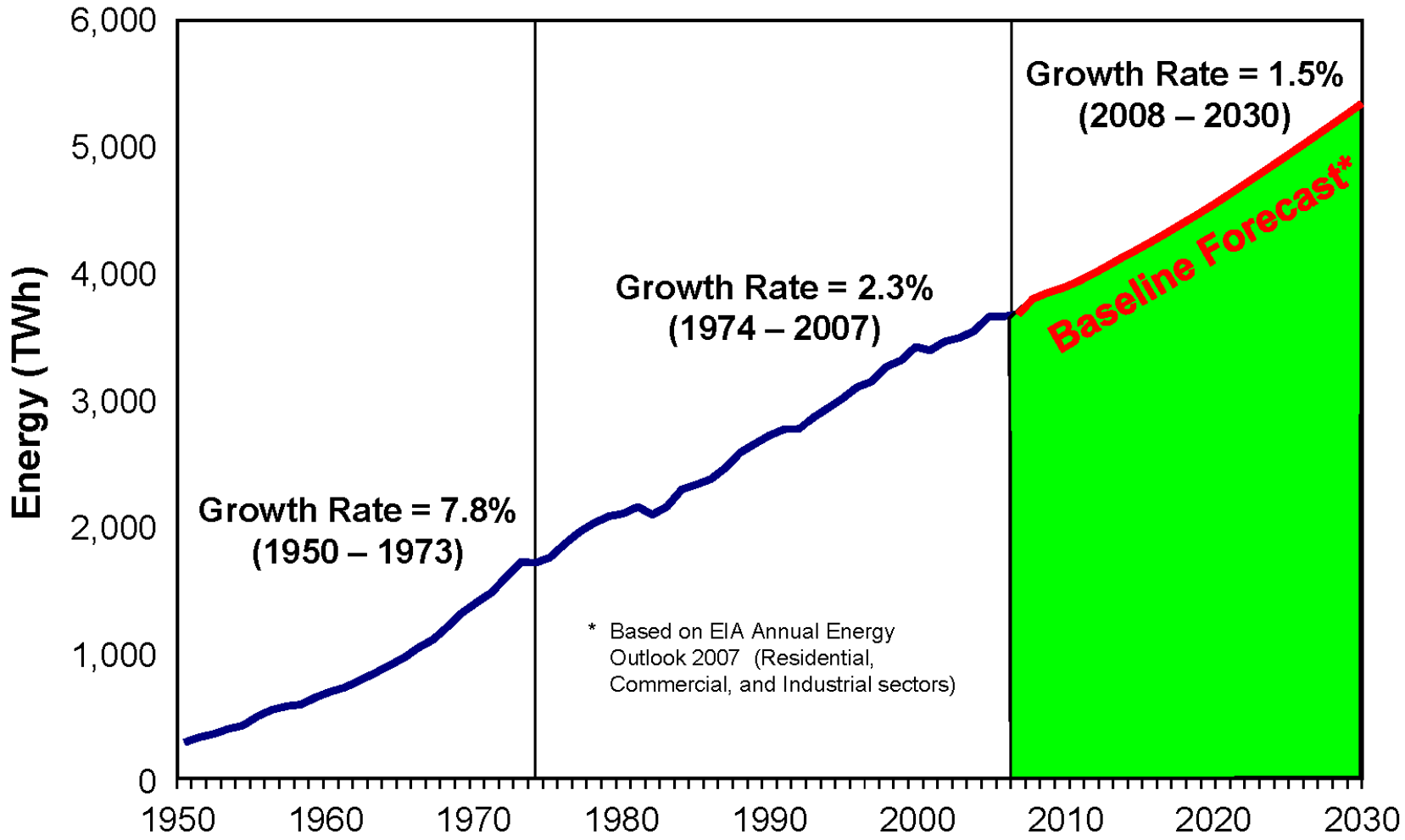
Electricity consumption: historical trend and baseline growth forecast



Objective: utilize the green area as efficiently as possible

Source: 2008 Electric Power Research Institute, Inc.

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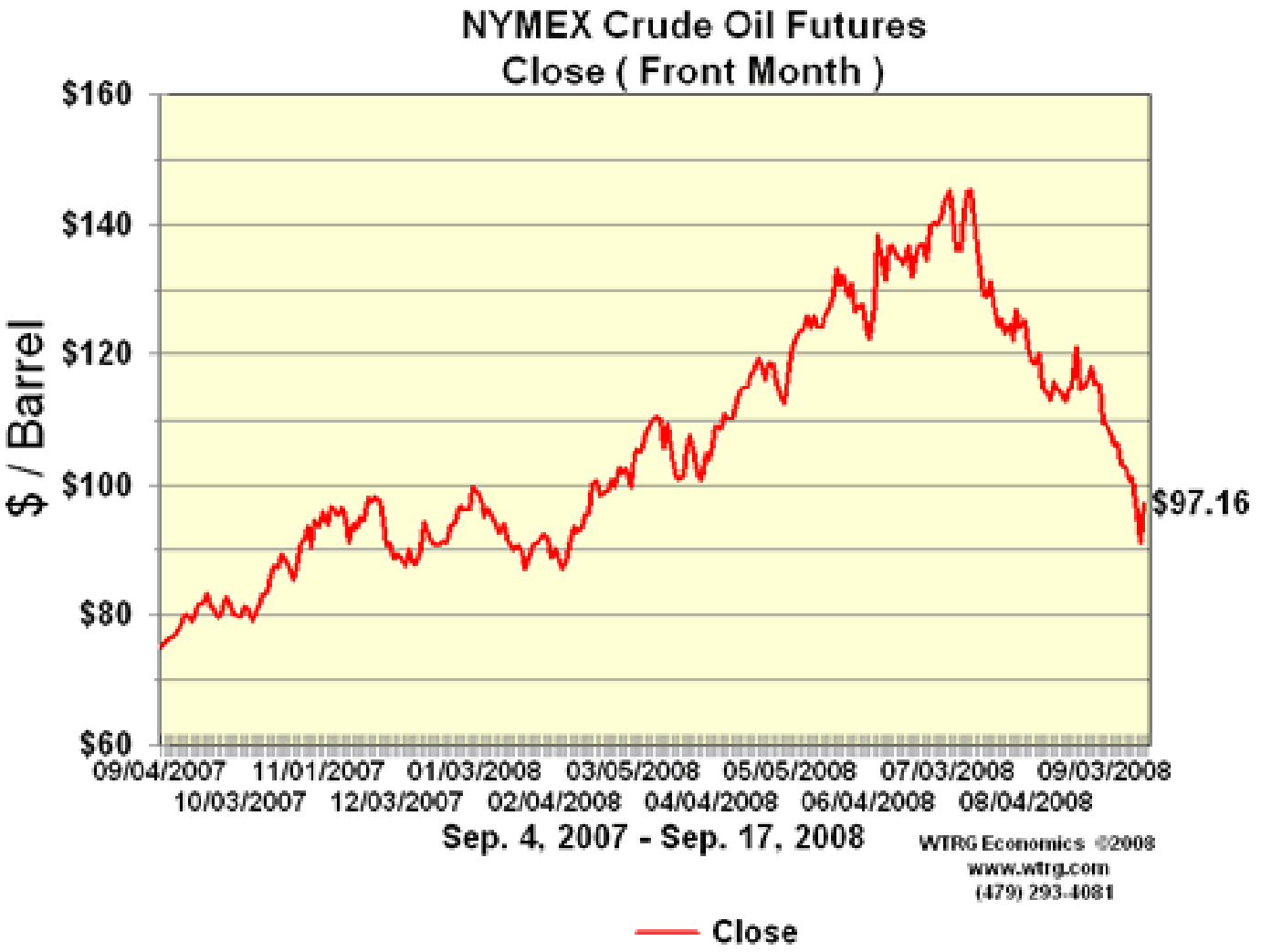
Crude oil prices



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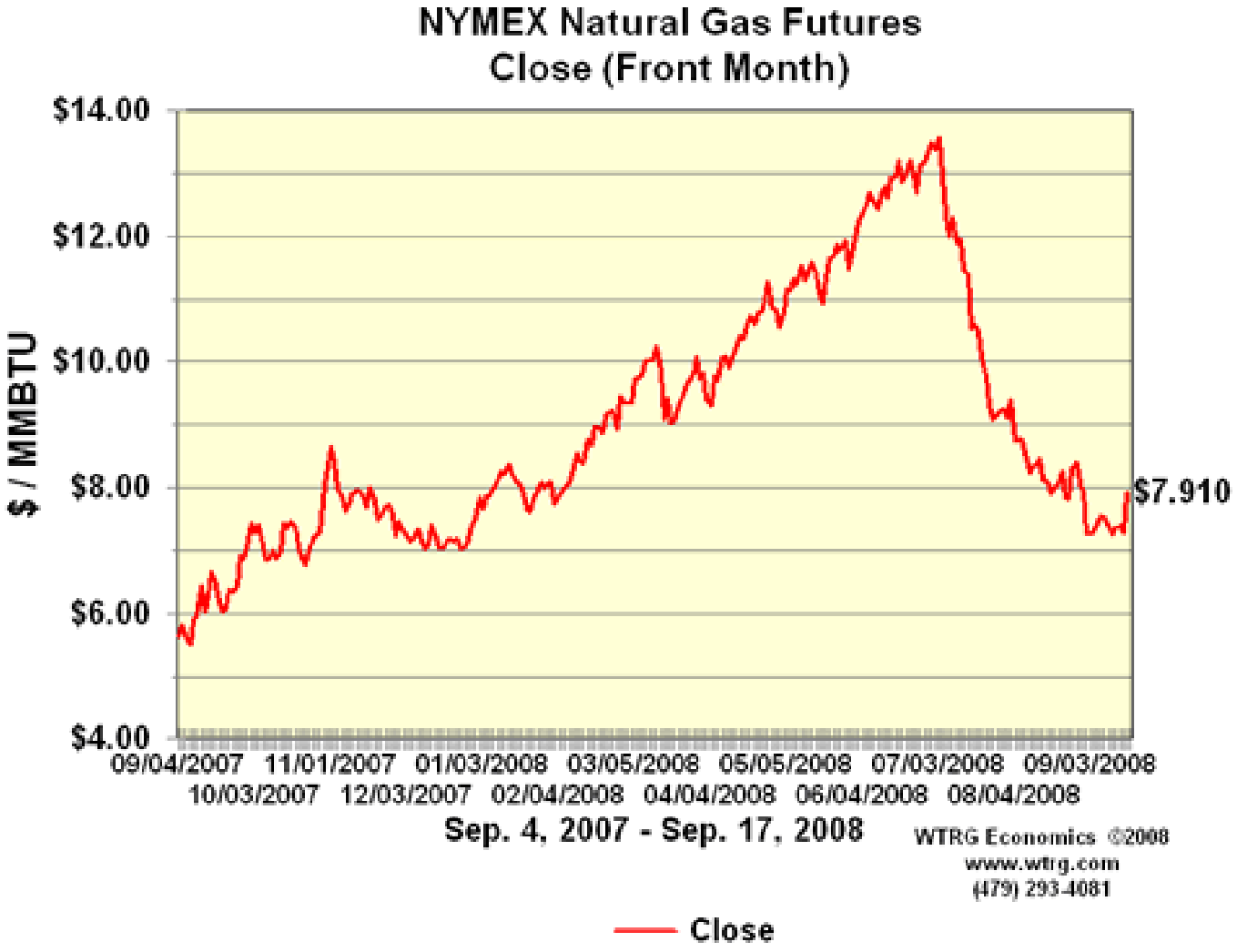
Natural gas prices



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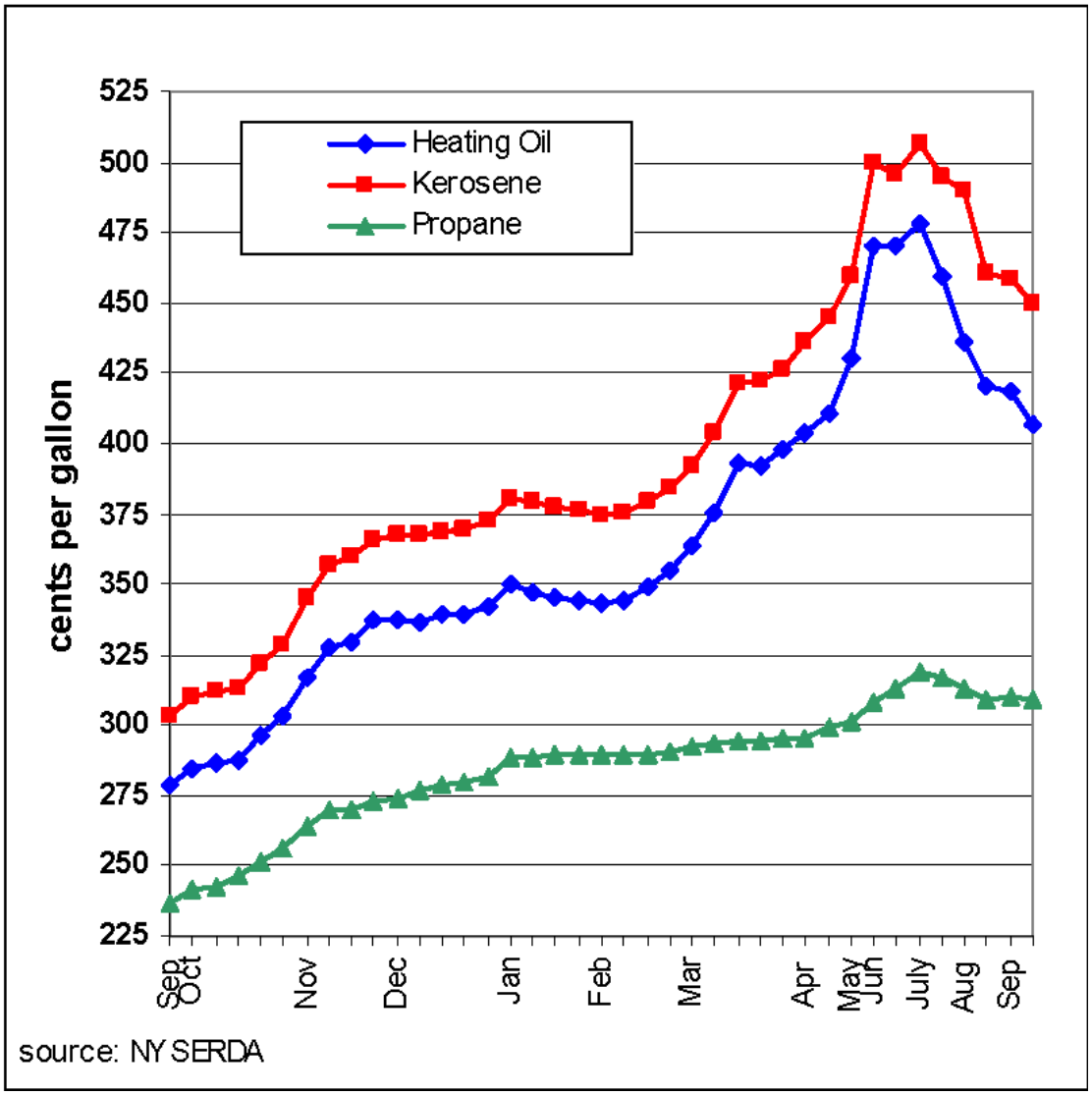
NYS heating fuel prices, 2007-08 one year trend



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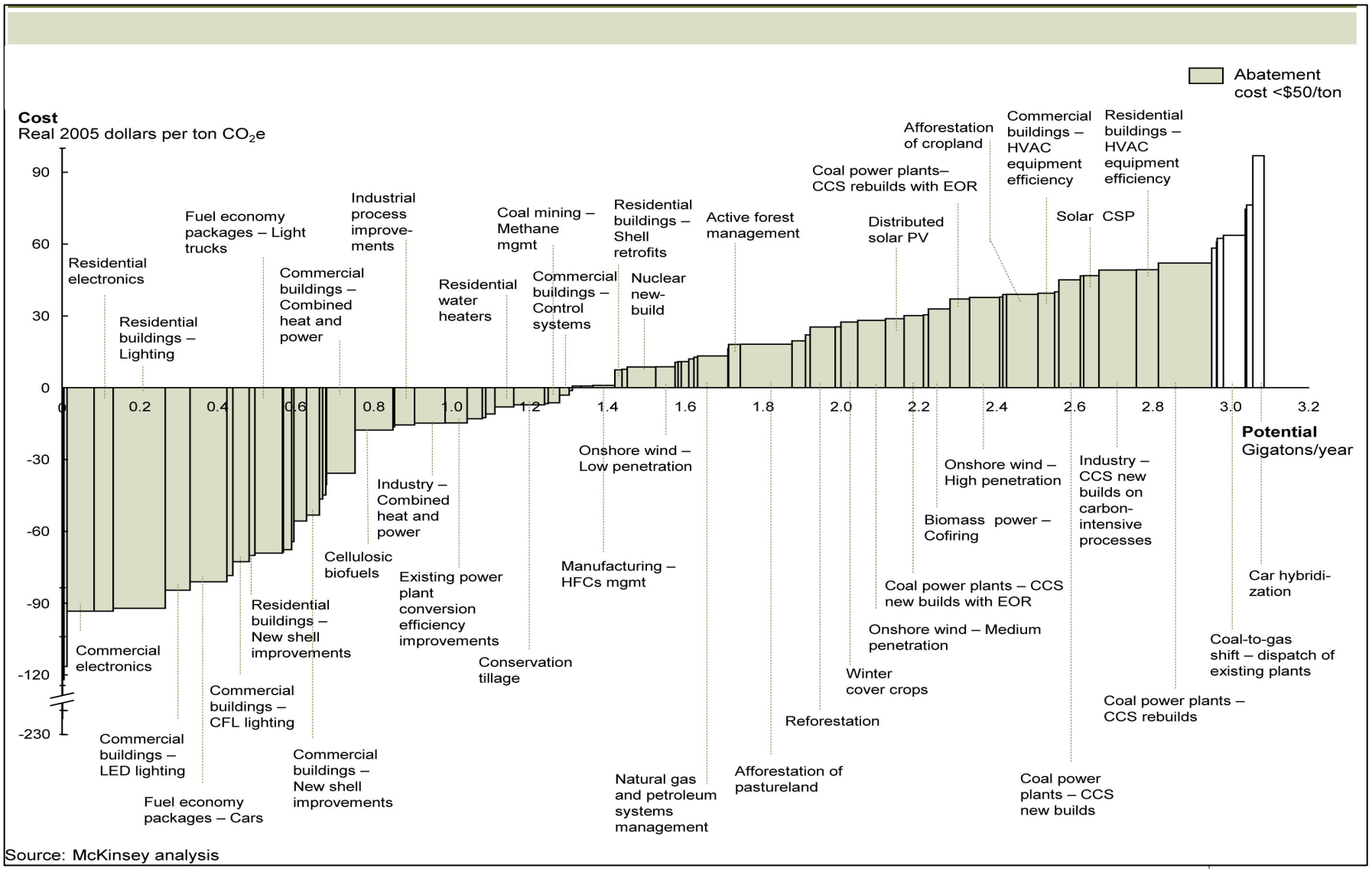
GHG reduction opportunities widely distributed – 2030 mid-range case



Source: McKinsey analysis

National Grid: a long-standing commitment to energy efficiency

- More than $1.5 billion invested in New England over the past 20 years with no interruptions
- Proven resource based on extensive evaluation savings customers $250 million annually
- Most cost-effective resource available

  3.4 cents/kwh for efficiency

  vs.

  12 cents per kwh for generation
- A key tool for addressing climate change
- Current budget $130 million per year (electric and gas)
- Expecting to double programs over next 3-5 years

In 2007, National Grid delivered energy efficiency to:

- 41,000 gas participants, saving 4.6 Million therms and reducing 27,000 Tons of CO2
- 1.8 Million electric participants, saving 387,000 MWh and reducing 218,000 Tons of CO2

Total CO2 reductions are equivalent to 48,068 cars not driven for one year

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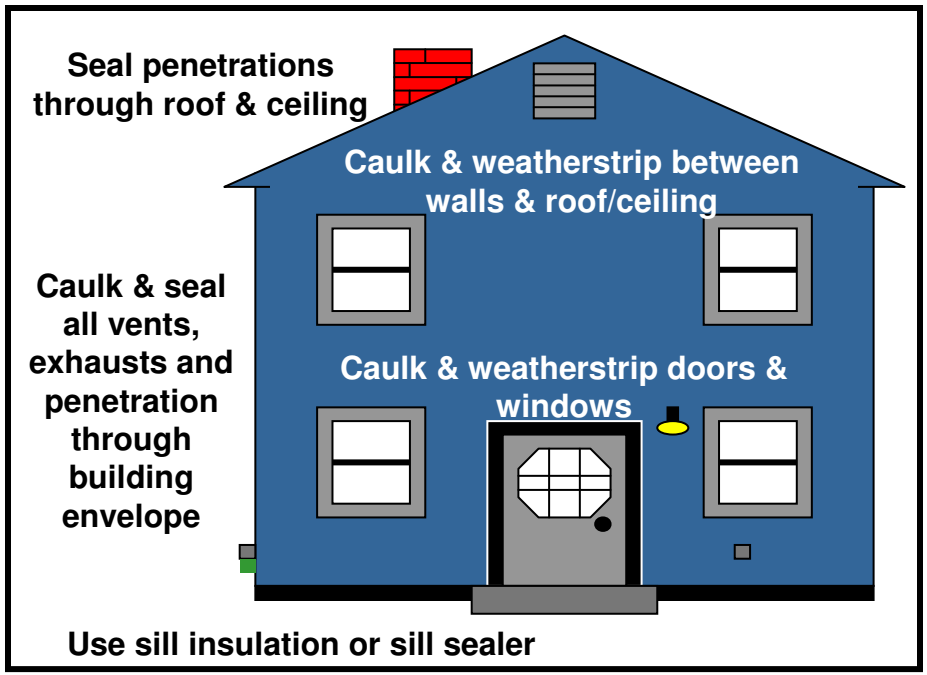
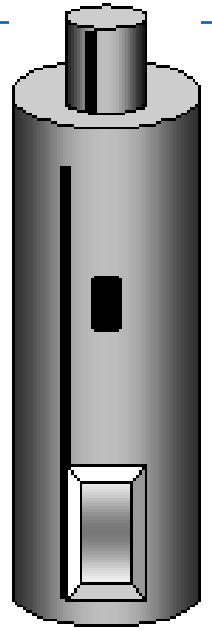
National Grid gas programs – offered on Long Island and in New York City, and MA, NH, RI

Program List
Residential Programs
Low Income (NY, LI, MA, NH) / EnergyWise – RI
Weatherization
High Efficiency Heating / Water Heating
Energy Audit / Home Performance
Energy Star Products
Energy Star Homes
Online Home Analyzer
Building Practices / Demonstration

High-Efficiency furnaces and boilers can save 25 to 40% on annual fuel bills in addition to reducing air pollution.

Weatherize homes





Water Heater

CHANGE FOR THE BETTER WITH ENERGY STAR

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Low-income weatherization program

- Designed to increase energy efficiency through consumer education and installation of weatherization measures including:
  - Energy audits
  - Attic insulation/wall insulation
  - Air sealing
  - Heating system repair/replacement
  - Safety inspection
- An Energy audit is conducted and measures installed (up to $4,500) at no cost to income eligible customers.

Target Market: *Discounted Residential Heating Rate customers & others under 200% of poverty level.*

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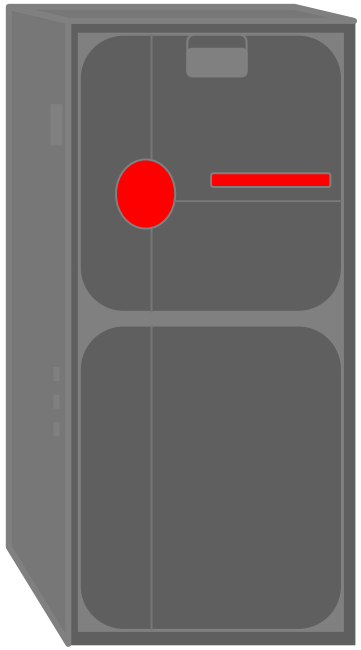
Residential high-efficiency heating equipment

- $100 rebate on Furnaces (forced hot air) 90%+ AFUE* Rating.
- $400 rebate on Furnaces (forced hot air) 92%+ AFUE* Rating and ECM motor.
- $200 rebate on Steam Boilers (steam with electronic ignition) 82%+ AFUE* Rating
- $500 rebate on Hydronic Boilers (forced hot water) 85%+ AFUE* Rating.
- $800 rebate on Hydronic Boilers (forced hot water) 90%+ AFUE* Rating.

High-Efficiency furnaces and boilers can save 25 to 40% on annual fuel bills in addition to reducing air pollution.



**Annual Fuel Utilization Efficiency*

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Problem: utilities do not have an incentive to promote conservation under current rate design

- Traditional utility ratemaking requires that rates be designed to capture fixed costs through volumetric sales
- A utility can fully recover these costs only if its customers consume a certain level of energy
- With conservation, actual usage declines below the level inherent in the rates approved by the regulator
- Basing the utility's rates on a benchmark level creates a financial disincentive for it to promote energy efficiency
- When customers use less energy, the utility's revenues drop and financial performance suffers
- Utility must be able to recover cost of programs and lost revenue due to conservation

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Revenue decoupling goals

- Resolve the conflict of lower utility revenues resulting from the aggressive promotion of conservation
- Implement concurrently with Energy Efficiency Programs
- Lower *total* customer bills through the avoidance of commodity costs

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National Grid fuel fund contributions

National Grid has a strong tradition of providing various emergency assistance programs to help families and individuals with energy emergencies. These programs provide one-time grants for fuel, plus an additional amount for fuel-related electricity. These heating grants may be used to pay for any fuel source, such as, oil, gas, electric, propane etc.

National Grid support in 2007-2008:

- Provides grants to all service areas, NYC, LI, MA, NH, RI, Upstate NY
- $856,229 from both corporate and foundation

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The reality: everything is on the table

- Major investments in building systems, high-efficiency heating equipment
- Clean coal research
- New nuclear
- New solar, new wind, *and lots of it*
- Offshore wind
- New transmission lines to move renewables and new cleaner fossil plants
- Careful and controlled offshore drilling in some locations
- New drilling in the Shale formations on land
- A massive and expensive gas pipeline from Alaska
- A new regulatory approach to get new efficiency technology moving faster
- Investments in Smart Meters connecting to a Smart Grid

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What are our options?

If you can afford to do so:

- Windows
- Insulation
- High-efficiency appliances and thermostat
- Utility incentives

Safety

- Space heating with stove *is not* an option
- Dangers of portable heaters
- CO detectors

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What are our options? (Cont'd)

Drilling

- No impact in the immediate future
- Most fields are natural gas, *not* oil

Federal government must get serious about renewables

- 70% of world oil is controlled by governments with *their* interests in mind
- 60-65% of US oil demand is imported
- Alberta oil from the oil sands is shipping to South Texas
- We need a comprehensive national energy policy

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What are our options? (Cont'd)

Demand destruction immediate

- Oil price down
- MTA highway toll revenue down
- MTA transit revenue up
- Good for the environment & good for energy independence

Cheap energy is likely gone forever

- Governments need to work with energy providers and utilities [decoupling]
- The need to inform the public

The cold fact: we need to learn how to live differently

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