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NATIONAL GRID GROUP PLC
Form 6-K
December 14, 2001

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SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Date: 14th December 2001

NATIONAL GRID GROUP plc

(Registrant's Name)

15 Marylebone Road
London
NW1 5JD

(Registrant's Address)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

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undersigned, thereunto duly authorised.

NATIONAL GRID GROUP plc

By: /s/ David Forward

Name: David C Forward

Title: Assistant Secretary

Date: 14th December 2001

NATIONAL GRID GROUP PLC
EXHIBIT INDEX

Exhibit No. -----	Description -----	Page ----
99(a)	Circular regarding Scheme of Arrangement	Filed herewith
99(b)	Listing Particulars	Filed herewith
99(c)	Summary Listing Particulars	Filed herewith

Exhibit 99(a)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART II OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985. If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your National Grid Shares or National Grid ADSs, you should send this document, together with the accompanying documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected for transmission to the purchaser or transferee. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

N M Rothschild & Sons Limited, which is regulated in the UK by the Financial

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Services Authority, is acting exclusively as financial adviser to National Grid and as financial adviser and sponsor to New National Grid and for no one else in connection with the Scheme, the Acquisition and the proposed listing of the New National Grid Shares on the Official List and their admission to trading on the London Stock Exchange's market for listed securities and will not be responsible to anyone other than National Grid and New National Grid for providing the protections afforded to customers of N M Rothschild & Sons Limited or for providing advice in relation to the Scheme, the Acquisition, the proposed listing or admission to trading.

[LOGO] NATIONAL GRID

Scheme of Arrangement
to establish

New National Grid plc

as the holding company of

National Grid Group plc

under section 425 of the Companies Act 1985

Your attention is drawn to the letter from the Chairman of National Grid set out on pages 9 to 11 of this document which recommends you to vote in favour of the proposals at the Court Meeting and the Scheme EGM referred to below.

Notices convening the Court Meeting and the Scheme EGM of National Grid to be held in the Butterworth Hall, Warwick Arts Centre, Coventry CV4 7AL on 7 January 2002 commencing, respectively, at 11.00 a.m., and 11.15 a.m. (or, if later, immediately following the conclusion or adjournment of the Court Meeting) are set out on pages 53 to 62 of this document. The doors to the Court Meeting will be open from 9.30 a.m. and you are advised to time your journey to enable you to arrive in good time for the start of the Meeting. A map showing the location of Warwick Arts Centre is printed on the reverse of the enclosed attendance card. Free car parking will be available as shown on the map. Free shuttle buses will run between Warwick Arts Centre and the parking area and between Warwick Arts Centre and Coventry railway station.

Whether or not you intend to be present at the meetings, please complete and return the Forms of Proxy accompanying this document as soon as possible and in any event so as to arrive no later than 11.00 a.m. for the Court Meeting and 11.15 a.m. for the Scheme EGM on 5 January 2002 (although the Form of Proxy for the Court Meeting (Card A) may be handed to the Chairman before the start of the Meeting). Alternatively, you may appoint a proxy using the internet by logging on to the website at www.sharevote.co.uk. If you have registered for a Shareview portfolio, you may also appoint a proxy by logging on to the website at www.shareview.co.uk and clicking on "Company Meetings". Full details of the procedures are given on the websites. Further details on the action you should take are set out in section 16 of Part II of this document. A holder of National Grid ADSs should complete the voting instruction card in relation to the voting rights attached to the National Grid Shares represented by their National Grid ADSs and return the card to The Bank of New York, Proxy Department, New York, NY 10203-0399, USA as soon as possible and in any event by 5.00 p.m. (New York time) on 3 January 2002.

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If you hold your National Grid ADSs through a bank, broker or other financial institution, you should consult with that institution to determine the deadline by which your voting instructions must be returned.

Listing Particulars dated 10 December 2001 relating to New National Grid have been prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000. A copy of the Listing Particulars has been delivered to the Registrar of Companies in England and Wales for registration as required by section 83 of that Act. The Listing Particulars are available as set out in section 15 of Part II of this document.

New National Grid and National Grid have been advised that the New National Grid Shares to be issued pursuant to the Scheme will be exempt from the registration requirements of the US Securities Act of 1933, as amended, by virtue of section 3(a)(10) thereof and, as a consequence, the New National Grid Shares to be issued pursuant to the Scheme have not been registered under that Act. The New National Grid Shares to be issued pursuant to the Acquisition and represented by the New National Grid ADSs have been registered under the US Securities Act of 1933, as amended.

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OUTLINE EXPECTED TIMETABLE

All times in this document are London times unless otherwise stated

3 January 2002	5.00 p.m. (New York time): Latest time for receipt by the Depositary of voting instruction cards in respect of the National Grid ADSs(1)
5 January 2002	11.00 a.m.: Latest requested time for receipt of Forms of Proxy for the Court Meeting (Card A) (2) 11.15 a.m.: Latest time for receipt of Forms of Proxy for the Scheme EGM (Card B)
7 January 2002	11.00 a.m.: Court Meeting 11.15 a.m.: Scheme EGM(3)
Early 2002	Court Hearing of the Petition to sanction the Scheme(4)
Early 2002	Scheme Record Date, which will be the last day of dealings in National Grid Shares and National Grid ADSs, and which will be the business day before the Scheme Effective Date(4)
Early 2002	Scheme Effective Date:(4) 8.00 a.m.: Dealings in New National Grid Shares issued pursuant to the Scheme commence on the London Stock Exchange 8.00a.m.: Crediting of New National Grid Shares to CREST accounts 9.30 a.m. (New York time): Dealings in New National Grid ADSs arising from the Scheme commence on the NYSE
Early 2002	Despatch of New National Grid Share

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certificates within ten business days after the Scheme Effective Date(4)

Notes:

- (1) If you hold your National Grid ADSs through a bank, broker or other financial institution, you should consult with that institution to determine the deadline by which your voting instructions must be returned.
- (2) Forms of Proxy for the Court Meeting (Card A) not returned by this time may be handed to the Chairman of the Court Meeting before the start of the meeting.
- (3) To commence at the time specified or, if later, immediately following the conclusion or adjournment of the Court Meeting.
- (4) The actual dates for these events in 2002 will be set by reference to the date on which the SEC approves the Acquisition and upon agreement with the Court. Following receipt of the SEC approval of the Acquisition, the dates will be notified to National Grid Shareholders by announcement to the Regulatory News Service of the London Stock Exchange. The Acquisition must complete after, but within a reasonable time of, the Scheme becoming effective in order to obtain the desired tax treatment for Niagara Mohawk Shareholders.

FORWARD-LOOKING STATEMENTS

This document contains certain statements that are neither reported financial results nor other historic information. These statements are forward-looking statements within the meaning of section 27A of the US Securities Act of 1933, as amended, and section 21E of the US Securities Exchange Act of 1934, as amended. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks and uncertainties, many of which are outside of the control of National Grid and New National Grid, that could cause actual results to differ materially from those expressed in or implied by such statements. For a more detailed description of these assumptions, risks and uncertainties, please see National Grid's filings with the SEC (and in particular the "Risk Factors" and "Operating and Financial Review" sections in its most recent annual report on Form 20-F). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. National Grid has no intention and undertakes no obligation to update or revise any forward-looking statements in light of new information, future events or circumstances after the date of this document, except as required by the Listing Rules.

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DEFINITIONS

The following definitions apply throughout this document (except in Part III which contains separate definitions) unless the context requires otherwise:

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"Acquisition"	the acquisition of Niagara Mohawk by the National Grid Group pursuant to the Merger Agreement
"Act"	the Companies Act 1985, as amended
"Admission"	the admission of the New National Grid Shares to (i) the Official List; and (ii) trading on the London Stock Exchange's market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"Admission and Disclosure Standards"	the requirements contained in the publication "Admission and Disclosure Standards" containing, inter alia, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's market for listed securities
"ADR"	an American depository receipt
"ADS"	an American depository share
"Board" or "Directors"	the board of directors of National Grid or, following the Scheme becoming effective, of New National Grid (as the context requires) listed in section 6.1 of Part IV of this document
"business day"	any day other than a Saturday or Sunday on which banks are generally open for business in England and Wales
"Capitalisation Shares"	the new ordinary shares of 11 13/17 pence each in the capital of National Grid created pursuant to sub-clause 2.2.1 of the Scheme
"certificated" or "in certificated form"	where a share or other security is not in uncertificated form
"Closing Price"	the closing middle market quotation of a National Grid Share as derived from the Daily Official List
"Combined Group"	the National Grid Group as enlarged by the Niagara Mohawk Group following the Acquisition
"Company" or "National Grid"	National Grid Group plc

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"Companies"	National Grid and National Grid Company
"Completion"	the closing of the Acquisition following satisfaction or waiver of the conditions attaching to the Acquisition and the delivery of certificates of merger for filing with the Department of State of the State of New York and the Secretary of State of the State of Delaware in accordance with the Merger Agreement
"Court"	the High Court of Justice of England and Wales
"Court Hearing"	the hearing of the Petition by the Court
"Court Meeting"	the meeting of National Grid Shareholders convened by direction of the Court pursuant to section 425 of the Act for 11.00 a.m. on 7 January 2002, to consider and, if thought fit, approve the Scheme, including any adjournment thereof, notice of which is contained in Part V of this document
"Court Order"	the Order of the Court sanctioning the Scheme under section 425 of the Act and confirming the reduction of the share capital of National Grid provided for by clause 2 of the Scheme under section 137 of the Act
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"CREST"	a relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as from time to time amended
"Daily Official List"	the Daily Official List of the London Stock Exchange
"Depositary"	The Bank of New York, 101 Barclay Street, New York, NY 10286, USA
"Electronic Communications Order"	the Companies Act 1985 (Electronic Communications) Order 2000

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"Exchange Rate"	the (L):\$ Bank of England official closing exchange rate published daily on Reuters at 4.00 p.m.
"Exchangeable Bonds"	the (L)460 million 4.25 per cent. unsecured exchangeable bonds due 2008 issued by National Grid Company and exchangeable into National Grid Shares (or, following the Scheme becoming effective, New National Grid Shares)
"Exchangeable Bonds Trust Deed"	a supplemental trust deed dated 10 December 2001 between National Grid Company, New National Grid, National Grid and The Law Debenture Trust Corporation p.l.c. (the "Trustee") relating to the substitution of New National Grid for National Grid as the issuer of shares under the exchange right in relation to the Exchangeable Bonds
"Financing Documents"	<p>(a) a credit agreement dated 22 November 2001 between New National Grid (as borrower and guarantor), National Grid (as borrower and guarantor), NGG Finance plc (as borrower), various arrangers, HSBC Investment Bank plc as facility agent, HSBC Bank (USA) Inc. as swingline agent and various banks and financial institutions as lenders for various facilities totalling \$2.3 billion; and</p> <p>(b) a letter agreement dated 20 November 2001 between New National Grid, National Grid Company, National Grid and the European Investment Bank ("EIB"), setting out the terms under which a guarantee to be given by New National Grid in respect of the obligations of National Grid Company under a finance contract for (L)200 million between EIB and National Grid Company will become effective</p>
"Forms of Proxy"	the forms of proxy for use at the Court Meeting (Card A) and the Scheme EGM (Card B) which

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	accompany this document (and "Form of Proxy" shall mean either of them)
"Group" or "National Grid Group"	National Grid (or, following the Scheme becoming effective, New National Grid) and its subsidiary undertakings (and "member of the Group" and "member of the National Grid Group" shall be construed accordingly)
"Listing Particulars"	the listing particulars dated 10 December 2001 relating to New National Grid prepared in accordance with the Listing Rules
"Listing Rules"	the listing rules of the UK Listing Authority, made under section 74 of the Financial Services and Markets Act 2000
"London Stock Exchange"	London Stock Exchange plc
"Merger Agreement"	the agreement and plan of merger and scheme of arrangement, dated as of 4 September 2000 and amended as of 1 December 2000 entered
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	into between National Grid, New National Grid, Grid Delaware, Inc., a wholly-owned subsidiary of New National Grid, and Niagara Mohawk
"National Grid" or "Company"	National Grid Group plc
"National Grid ADRs"	ADRs of National Grid, evidencing National Grid ADSs
"National Grid ADSs"	ADSs of National Grid, each of which represents five National Grid Shares
"National Grid Articles"	the Articles of Association of National Grid as from time to time amended
"National Grid Company"	The National Grid Company plc, a wholly-owned subsidiary of National Grid, which, inter alia, owns and operates the high voltage electricity transmission system in England and Wales
"National Grid Group" or "Group"	National Grid (or, following the Scheme becoming effective, New National Grid) and its subsidiary undertakings (and "member of

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	National Grid Group" and "member of the Group" shall be construed accordingly)
"National Grid Share Schemes"	the existing employee share schemes and incentive plans operated by National Grid comprising the Executive Share Option Scheme (1990), Executive Share Option Plan 2000, Savings Related Share Option Scheme (1990), 1999 Savings Related Share Option Scheme, Share Matching Scheme (1996), Profit Sharing Scheme (1990), 1999 US Employee Stock Purchase Plan, Incentive Compensation Plan, National Grid USA Incentive Thrift Plans and Deferred Compensation Plan
"National Grid Shareholders"	holders of National Grid Shares
"National Grid Shares" or "Shares"	ordinary shares of 11 13/17 pence each in the capital of National Grid
"National Grid Special Share"	the special rights non-voting redeemable preference share of (L)1 in the capital of National Grid held by the Special Shareholder
"National Grid USA"	National Grid USA, a wholly-owned subsidiary of National Grid and the US holding company which owns National Grid's US electricity operations
"New B Share"	the new B share of (L)1 in the capital of National Grid created pursuant to sub-clause 2.2.1 of the Scheme
"New National Grid"	New National Grid plc, which following implementation of the Scheme, will be the new holding company of National Grid
"New National Grid ADRs"	ADRs of New National Grid, evidencing New National Grid ADSs
"New National Grid ADSs"	ADSs of New National Grid, each of which will represent five New National Grid Shares
"New National Grid Articles"	the Articles of Association of New National Grid
"New National Grid Shareholders"	holders of New National Grid Shares
"New National Grid Share Plans"	the proposed new employee share

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plans summarised in section 10 of Part IV of this document and comprising the National Grid Executive Share Option Plan 2002, National Grid Employee Share Ownership Plan 2002 and the associated UK Trust, National Grid Savings Related Share Option Plan 2002, National Grid Employee Stock Purchase Plan 2002, National Grid Share Matching Plan 2002, National Grid USA Incentive Thrift Plans I and II, National Grid

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	Employee Trust 2002 and National Grid Qualifying Employee Share Ownership Trust (No. 2) 2002
"New National Grid Shares"	ordinary shares of 10 pence each in the capital of New National Grid
"New National Grid Special Share"	the special rights non-voting redeemable preference share of (L)1 in the capital of New National Grid to be issued to the Special Shareholder pursuant to the Scheme
"Niagara Mohawk"	Niagara Mohawk Holdings, Inc.
"Niagara Mohawk Group"	Niagara Mohawk and its subsidiary undertakings (and "member of the Niagara Mohawk Group" shall be construed accordingly)
"Niagara Mohawk Shareholders"	holders of Niagara Mohawk Shares
"Niagara Mohawk Shares"	shares of Niagara Mohawk common stock
"NYSE"	New York Stock Exchange, Inc.
"Official List"	the Official List of the UK Listing Authority
"Petition"	the petition to the Court to sanction the Scheme
"Proposed Directors"	William E. Davis and Dr Bonnie G. Hill
"Registrar of Companies"	the Registrar of Companies in Cardiff
"Remuneration Committee"	a committee of the Board comprised exclusively of Non-executive Directors responsible for reviewing the remuneration

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	arrangements of Executive Directors and senior executives of the Group
"Rothschild"	N M Rothschild & Sons Limited
"Scheme" or "Scheme of Arrangement"	the scheme of arrangement under section 425 of the Act set out in Part III of this document, in its original form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court
"Scheme ADSs"	all National Grid ADSs in issue at 4.00 p.m. (New York time) on the Scheme Record Date
"Scheme Circular"	this document dated 10 December 2001
"Scheme Effective Date"	the date and time at which an office copy of the Court Order is registered by the Registrar of Companies and the Scheme becomes effective, expected to be in early 2002
"Scheme EGM"	the extraordinary general meeting of National Grid Shareholders to be held at 11.15 a.m. (or, if later, immediately following the conclusion or adjournment of the Court Meeting) on 7 January 2002, including any adjournment thereof, notice of which is contained in Part V of this document
"Scheme Record Date"	the business day immediately preceding the Scheme Effective Date
"Scheme Shareholder"	a holder of Scheme Shares
"Scheme Shares"	(a) all National Grid Shares in issue at the date of the Scheme being 10 December 2001; (b) all (if any) additional National Grid Shares in issue 48 hours prior to the Court Meeting; and (c) all (if any) further National Grid Shares which may be in issue immediately prior to the confirmation by the Court of the reduction of capital provided for under the Scheme in respect of

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which the original or any subsequent holders shall be bound or shall have agreed in writing to be bound by the Scheme

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"SDRT"	stamp duty reserve tax
"SEC"	US Securities and Exchange Commission
"Secretary of State"	the UK Secretary of State for Trade and Industry
"Special Shareholder"	the holder of the National Grid Special Share or the New National Grid Special Share, as the context so requires, being currently the Secretary of State
"Statutes"	the provisions of every statute for the time being in force concerning companies and affecting New National Grid
"Sterling" or "(L)"	the lawful currency for the time being in the UK
"Treaty"	the US-UK Income Tax Convention
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the United Kingdom Listing Authority
"UK Trust"	the Rules and Trust Deed of the National Grid Employee Share Ownership Plan 2002 (UK Plan)
"uncertificated" or "in uncertificated form"	recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Undertaking"	the consent to the Scheme and the undertaking to be bound by its terms executed by New National Grid in favour of National Grid and dated 10 December 2001
"US"	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia, and all other areas

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	subject to its jurisdiction
"US dollars" or "\$"	the lawful currency for the time being in the US
"US person"	a US person, as defined in Regulation S under the US Securities Act of 1933, as amended

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PART I

[LOGO] NATIONAL GRID

National Grid Group plc
15 Marylebone Road
London
NW1 5JD

10 December 2001

To National Grid Shareholders, holders of National Grid ADSs, the Special Shareholder and, for information only, to participants in the National Grid Share Schemes

Dear Shareholder,

Introduction of a new holding company to be effected
by means of a scheme of arrangement

1. Introduction

You will recall that I wrote to you on 2 January 2001 to inform you of National Grid's proposed acquisition of Niagara Mohawk and to seek your approval of the Acquisition. Shareholders of both National Grid and Niagara Mohawk subsequently approved the Acquisition in January 2001 and I am pleased to be able to inform you that the Scheme and the Acquisition are on course for completion in early 2002.

As I explained to you in my earlier letter, the Acquisition will involve the formation of a new holding company for the Group, New National Grid, which will be introduced by means of a Court sanctioned scheme of arrangement. The Scheme is an important step towards completing the Acquisition and cannot be implemented without your support as it is subject to your approval at the Court Meeting and at the Scheme EGM, both of which will be held at Warwick Arts Centre, Coventry on 7 January 2002. In addition to requiring the approval of National Grid Shareholders, the Scheme is subject to the approval of the Court.

I am writing to you now to give you further details of the Scheme and to recommend that you vote in favour of the Scheme and the other resolutions being proposed at these shareholder meetings.

2. Effect of the Scheme

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Upon the Scheme becoming effective, New National Grid will be the holding company of the Group, and all existing National Grid Shares will be cancelled and replaced with the same number of shares in New National Grid.

As a result, if you hold National Grid Shares you will receive the same number of shares, with the same economic and voting rights, in New National Grid as you previously held. If you are a holder of National Grid ADSs you will continue to hold the same number of ADSs, with the same economic rights in New National Grid, as you previously held. We are also taking this opportunity to bring the voting rights of the New National Grid ADSs into line with those of the New National Grid Shares by giving holders of New National Grid ADSs rights to attend, speak and vote at general meetings.

The National Grid Special Share, which is held by the UK Secretary of State for Trade and Industry, will also be cancelled as a result of the Scheme and replaced with the New National Grid Special Share, which has equivalent rights.

The Scheme has no impact on the management of your company and all of the existing Directors of National Grid, including myself, will continue as the Directors of New National Grid. Additionally, as I indicated in

Registered Office:
15 Marylebone Road
London
NW1 5JD

Registered in
England and Wales
No 2367004

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January 2001, following completion of the Acquisition, William E. Davis, chairman and chief executive officer of Niagara Mohawk, will be appointed as an Executive Director of New National Grid and Dr Bonnie G. Hill, a non-executive director of Niagara Mohawk, will join the New National Grid Board as a Non-executive Director.

Immediately upon the Scheme becoming effective, New National Grid will change its name to National Grid Group plc and the current holding company, National Grid, will be renamed National Grid Holdings One plc.

3. Reasons for the Scheme

The terms of the Acquisition allow Niagara Mohawk Shareholders to elect to receive cash, New National Grid ADSs, or a mixture of both, in exchange for their Niagara Mohawk Shares. Under US tax legislation, Niagara Mohawk Shareholders would normally be liable to US tax in respect of the cash they receive. In addition, depending on their circumstances, they may be liable to US tax in respect of ADSs received because the cash portion of the purchase price will exceed, in aggregate, 20 per cent. of the total purchase price.

At the time the Acquisition was announced, National Grid agreed to pay approximately one-third in aggregate of the purchase price in cash and reserved the right to increase the aggregate cash portion of the purchase price if cash elections were received in excess of this amount. On 20 November 2001, National Grid announced that it will increase the aggregate cash portion of the price paid to 50 per cent., assuming receipt of sufficient cash elections. You should note that any increase in the aggregate cash portion of the purchase price will not affect the total purchase price paid to Niagara Mohawk Shareholders.

The Scheme allows National Grid the flexibility to set the aggregate cash

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portion of the purchase price at any level above 20 per cent. of the total purchase price as, under US tax legislation, the introduction of New National Grid as the new holding company of National Grid shortly before completion of the Acquisition should ensure that Niagara Mohawk Shareholders receive New National Grid ADSs in exchange for their Niagara Mohawk Shares on a tax-free basis.

4. Acquisition of Niagara Mohawk

The Acquisition is subject to a number of conditions, including regulatory and other consents and approvals in the US, the majority of which we have received. The only material regulatory approval outstanding is that of the SEC. As noted above, the Acquisition is expected to complete in early 2002.

Under the terms of the Merger Agreement, if the Scheme does not become effective, the Acquisition can proceed using an alternative structure, to be agreed between National Grid and Niagara Mohawk, which substantially preserves the economic and tax benefits of the Acquisition for both parties and Niagara Mohawk Shareholders.

5. Action to be taken

Two meetings of National Grid Shareholders, the Court Meeting and the Scheme EGM, will be held on 7 January 2002 to seek approval of the Scheme and its implementation. Notices of the Court Meeting and the Scheme EGM are contained in Part V of this document. A summary of the resolutions to be proposed at the Court Meeting and the Scheme EGM is set out in section 13 of Part II of this document.

It is important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of National Grid Shareholder opinion. You are therefore urged, whether or not you propose to attend the meetings, to sign and return the enclosed Forms of Proxy, Card A for the Court Meeting and Card B for the Scheme EGM, as soon as possible.

Instructions on how to complete the Forms of Proxy and how to appoint a proxy using the internet are set out in section 16 of Part II of this document and on pages 63 and 64. If you would like any further help completing the Forms of Proxy please contact the National Grid Shareholder Enquiry Unit, National Grid House, Kirby Corner Road, Coventry CV4 8JY (telephone: 024 7642 3940, fax: 024 7642 3651, e-mail: shareholder.enquiries@uk.ngrid.com). Please note that this service will only provide procedural advice and not personal financial advice.

If you hold National Grid ADSs, you should complete the voting instruction card you have received in accordance with the instructions set out in section 16 of Part II of this document. For answers to any further questions you may have relating to the completion of the voting instruction card, you should contact The Bank of New York (telephone: 1-888-BNY-ADRs toll-free for calls inside the US).

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6. Recommendation

The Board, which has been advised by Rothschild, considers the Scheme to be in the best interests of National Grid and its shareholders as a whole. In giving its advice, Rothschild has relied upon the Board's views of the commercial merits of the proposals. The Board also considers the resolutions to be proposed at the Scheme EGM to be in the best interests of National Grid and its shareholders as a whole.

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The Board therefore unanimously recommends that holders of National Grid Shares vote, and that holders of National Grid ADSs instruct the Depositary to vote, in favour of the Scheme at the Court Meeting and in favour of each of the resolutions to be proposed at the Scheme EGM, as the Directors intend to do in respect of their own beneficial shareholdings which amount to 211,783 National Grid Shares in aggregate.

Yours sincerely,

/s/ JAMES ROSS

James Ross
Chairman

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PART II

EXPLANATION OF THE SCHEME AND ITS EFFECTS
(IN COMPLIANCE WITH SECTION 426 OF THE COMPANIES ACT 1985)

[LOGO]
N M ROTHSCHILD & SONS

10 December 2001

To National Grid Shareholders, holders of National Grid ADSs, the Special Shareholder and, for information only, to participants in the National Grid Share Schemes

Dear Shareholder,

Introduction of a new holding company to be effected
by means of a scheme of arrangement

1. Introduction

On 5 September 2000, National Grid announced that it had signed a merger agreement under which National Grid would acquire Niagara Mohawk through the introduction of a new holding company for the Group, New National Grid, by means of a scheme of arrangement under section 425 of the Act. The Acquisition was approved by Niagara Mohawk Shareholders on 19 January 2001 and by National Grid Shareholders on 29 January 2001. We are writing to you on behalf of National Grid to explain the Scheme and its effects.

Implementation of the Scheme requires the approval of National Grid Shareholders at the Court Meeting and a special resolution to be passed at the Scheme EGM. Further explanation of the Court Meeting and the Scheme EGM is given in section 13 below. A description of the action you are recommended to take in relation to the two meetings is set out in section 16 below.

The reasons for introducing the new holding company are set out in the letter from the Chairman of National Grid in Part I of this document, which should be read together with this Part II. That letter contains the unanimous recommendation by the Board to vote in favour of the resolutions to be proposed at the Court Meeting and the Scheme EGM.

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Once National Grid Shareholders have approved the Scheme at the Court Meeting and the Scheme EGM, the Scheme must be sanctioned by the Court. The effect of the Court's sanction of the Scheme is that, when the Court Order is delivered to the Registrar of Companies and registered by him, all National Grid Shareholders are bound by the terms of the Scheme. The Special Shareholder has already consented to the Scheme and New National Grid has given its consent to the Scheme and an undertaking to be bound by the terms of the Scheme.

It is expected that the Scheme Effective Date will be in early 2002. Immediately upon the Scheme becoming effective, New National Grid will change its name to National Grid Group plc and National Grid Group plc will be renamed National Grid Holdings One plc. It is expected that trading in the New National Grid Shares and the New National Grid ADSs arising from the Scheme will commence on the Scheme Effective Date.

The full text of the Scheme is set out in Part III of this document. The full text of each of the resolutions to be proposed at the Court Meeting and the Scheme EGM is set out in Part

2. Summary of the Scheme

Under the Scheme, all the Scheme Shares and the National Grid Special Share will be cancelled on the Scheme Effective Date. Following this cancellation, the issued share capital of National Grid will be restored to its former nominal amount by applying the reserve arising in the books of National Grid, as a result of the cancellation of the Scheme Shares and the National Grid Special Share, to pay up the Capitalisation Shares and the New B Share in full. These shares will be issued to New National Grid (and/or its nominees) and will be created by the passing

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New Court, St. Swithin's Lane
London EC4P 4DU

Registered number 925279 England
Registered office as shown
Regulated by FSA

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of Resolution 1 at the Scheme EGM. The New B Share will rank pari passu in all respects with the Capitalisation Shares.

In consideration of the cancellation of the Scheme Shares, Scheme Shareholders will receive:

For each Scheme Share cancelled One New National Grid Share

In consideration of the cancellation of the National Grid Special Share, the Special Shareholder will have issued to her the New National Grid Special Share. No fractions of New National Grid Shares will arise under the Scheme.

While the National Grid Shares underlying the National Grid ADSs will be cancelled and replaced by New National Grid Shares under the Scheme, existing National Grid ADSs will automatically represent New National Grid ADSs. Accordingly, from the Scheme Effective Date, holders of Scheme ADSs will instead hold:

For each Scheme ADS
(representing the right to
receive five National Grid Shares)

One New National Grid ADS
(representing the right to receive
five New National Grid Shares)

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Immediately after the Scheme Effective Date, National Grid Shareholders will hold the same number of New National Grid Shares and holders of National Grid ADSs will hold the same number of New National Grid ADSs as they held immediately prior to the Scheme Effective Date, in each case with the same economic rights.

The other rights attaching to the New National Grid Shares are substantially the same as those attaching to the existing National Grid Shares save for minor modifications which have been made to the National Grid Articles to reflect current practice. Similarly, the other rights attaching to the New National Grid ADSs are the same as those attaching to the existing National Grid ADSs save that the holders of New National Grid ADSs will be given similar voting rights to those of New National Grid Shareholders. The rights attaching to the New National Grid Special Share are substantially the same as those attaching to the existing National Grid Special Share save for amendments to reflect recent changes in the structure of the electricity supply industry in England and Wales. A summary of the principal differences between the New National Grid Articles and the National Grid Articles is set out in section 5 of Part IV of this document.

3. Reduction of the share capital of New National Grid

In order to obtain the desired tax treatment for National Grid Shareholders, the issued share capital of New National Grid immediately after the Scheme Effective Date must be the same as the issued share capital of National Grid immediately prior to the Scheme Effective Date. Accordingly, it is proposed that the shareholders of New National Grid (currently National Grid Nominees Limited and Fiona Smith, Group General Counsel and Company Secretary of National Grid) pass a special resolution approving the reduction of the entire issued share capital of New National Grid to nil. This reduction will also require confirmation by the Court. This confirmation will be sought at the same time as the Court is requested to sanction the Scheme. The reduction is intended to become effective immediately prior to the Scheme becoming effective.

4. Implementation of the Scheme

4.1 The Scheme will not become effective and binding unless:

- (a) the Scheme is approved by National Grid Shareholders at the Court Meeting;
- (b) Resolution 1 set out in the notice of Scheme EGM contained in Part V of this document is passed by National Grid Shareholders;
- (c) the Special Shareholder consents to the Scheme at the Court Hearing;
- (d) the Court confirms the reduction of the issued share capital of New National Grid to nil;
- (e) the Scheme is sanctioned (with or without modification) and the cancellation of the Scheme Shares and the National Grid Special Share as part of the Scheme is confirmed by the Court at the Court Hearing;
- (f) an office copy of the order of the Court confirming the reduction of New National Grid's share capital to nil is delivered to the Registrar of Companies and is registered by him;

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- (g) an office copy of the Court Order sanctioning the Scheme and confirming the reduction of National Grid's share capital to nil is delivered to the Registrar of Companies and is registered by him;
- (h) the UK Listing Authority agrees to admit the New National Grid Shares issued pursuant to the Scheme to the Official List (subject only to allotment) and its agreement is not withdrawn prior to the Scheme Effective Date;
- (i) the London Stock Exchange agrees to admit the New National Grid Shares issued pursuant to the Scheme to trading on its market for listed securities (subject only to allotment) and its agreement is not withdrawn prior to the Scheme Effective Date; and
- (j) the NYSE indicates that it intends to authorise the listing of the New National Grid ADSs arising from the Scheme (upon official notice of issuance).

4.2 In addition, the Directors will not take the steps necessary to enable the Scheme to become effective unless, at the relevant time, they consider that the Scheme continues to be in the best interests of National Grid Shareholders as a whole and that the following conditions have been satisfied or waived:

- (a) the Scheme is approved in writing by any regulatory body whose consent is required, or is considered by National Grid to be necessary;
- (b) no regulatory body seeks, as a result of the transactions to be effected by the Scheme, any revocation of or modification to any licence, appointment or other authorisation held by any member of the National Grid Group, except on satisfactory terms; and
- (c) no regulatory body seeks, as a result of the transactions to be effected by the Scheme, undertakings or assurances from any member of the National Grid Group, except on satisfactory terms.

In this section 4, "on satisfactory terms" means on terms which are satisfactory to National Grid and New National Grid and which would not, or would not reasonably be expected to, have, individually or in aggregate, a material adverse effect on the National Grid Group taken as a whole.

New National Grid has given its consent to the Scheme and an undertaking to be bound by the terms of the Scheme. The Court Hearing is expected to be held in early 2002. National Grid Shareholders will have the opportunity to attend the Court Hearing to support or oppose the Scheme and to appear in person or be represented by Counsel.

If the Scheme is sanctioned by the Court and the conditions to the Scheme are satisfied or waived, it is expected that the Scheme will become effective, and dealings in the New National Grid Shares to be issued pursuant to the Scheme and in New National Grid ADSs arising from the Scheme will commence, in early 2002. If the Scheme has not become effective by 31 August 2002 (or such later date as the Court may allow), it will lapse, in which event the position of National Grid Shareholders, holders of National Grid ADSs and the Special Shareholder will remain unchanged.

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The Scheme contains a provision for National Grid and New National Grid jointly to consent on behalf of all persons concerned to any modification of or addition to the Scheme, or to any condition which the Court may think fit to approve or impose. National Grid has been advised that the Court would be unlikely to approve or impose any such amendment to the Scheme which might be material to the interests of Scheme Shareholders and/or the Special Shareholder unless National Grid Shareholders and/or the Special Shareholder (as appropriate) were informed of any such amendment. It will be a matter for the Court to decide, in its discretion, whether or not a further meeting of National Grid Shareholders should be held or the further consent of the Special Shareholder should be sought. If the Court does approve or impose any amendment to the Scheme which, in the opinion of the Directors, is such as to require the consent of the National Grid Shareholders and/or the Special Shareholder (as appropriate), the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

5. Effect of the Scheme

The effect of the Scheme will be that Scheme Shareholders and holders of Scheme ADSs will have their respective interests in National Grid replaced by an equivalent proportionate interest in New National Grid (of which National Grid will be a wholly-owned subsidiary). Subject to the dilutive effect of the New National Grid ADSs subsequently issued to Niagara Mohawk Shareholders in connection with the Acquisition, any subsequent

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exercise of options granted under the National Grid Share Schemes (see section 11 below) and the exchange of any Exchangeable Bonds, their proportionate interests in the profits, net assets and dividends of the National Grid Group will not be affected.

6. Changes to the National Grid Articles

Subject to the passing of Resolution 1 at the Scheme EGM, the National Grid Articles will be amended to ensure that any holders of National Grid Shares issued after the passing of Resolution 1, and prior to the confirmation by the Court of the reduction of capital of National Grid provided for under the Scheme, are issued subject to the terms of the Scheme. In addition, the amendment to the National Grid Articles provides that any National Grid Shares issued after the Scheme Effective Date, for example, upon exercise of options under the National Grid Share Schemes, will be transferred to New National Grid in consideration of the issue or transfer to such holder by New National Grid of New National Grid Shares on a one for one basis.

7. Directors

All of the Directors of National Grid have been appointed directors of New National Grid. The service agreement or letter of appointment (as appropriate) of each of the Directors will be novated from National Grid to New National Grid, with effect from the Scheme Effective Date. The effect of the Scheme on the interests of the Directors (details of which are set out in section 7 of Part IV of this document) is the same as its effect on the interests of other Scheme Shareholders.

8. Taxation

Clearances have been obtained from the Inland Revenue for the Scheme under

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section 138 of the Taxation of Chargeable Gains Act 1992 and section 707 of the Income and Corporation Taxes Act 1988. Accordingly, UK resident National Grid Shareholders who hold their National Grid Shares beneficially and as an investment should not be treated as making a disposal of their National Grid Shares, or as receiving taxable income, under the Scheme. Further details of the tax position of UK resident shareholders is set out in section 12 of Part IV of this document. Further details of the tax position of US resident shareholders and holders of National Grid ADSs is set out in section 13 of Part IV of this document.

9. Listing, dealings, share certificates, ADS certificates and settlement

Applications have been made to the UK Listing Authority for the New National Grid Shares to be admitted to the Official List and to the London Stock Exchange for the New National Grid Shares to be admitted to trading on the London Stock Exchange's market for listed securities. The last day of dealings in National Grid Shares will be the Scheme Record Date, which is expected to be in early 2002. The last time for registration of transfers of National Grid Shares will be 5.30 p.m. on the Scheme Record Date. It is expected that Admission will become effective and that dealings in the New National Grid Shares to be issued pursuant to the Scheme will commence at 8.00 a.m. on the Scheme Effective Date, the business day after the Scheme Record Date. Following receipt of the SEC approval of the Acquisition, the expected timetable will be finalised and National Grid Shareholders will be notified by announcement to the Regulatory News Service of the London Stock Exchange.

Application has been made to list the New National Grid ADSs arising from the Scheme on the NYSE under the symbol "NGG", the symbol currently used for National Grid ADSs. The last time for registration of transfers of National Grid ADSs is expected to be 4.00 p.m. (New York time) on the Scheme Record Date. It is expected that dealings will commence on the NYSE in the New National Grid ADSs arising from the Scheme at 9.30 a.m. (New York time) on the Scheme Effective Date.

On the Scheme Effective Date, share certificates for the Scheme Shares and the National Grid Special Share will cease to be valid. For Scheme Shareholders who hold their National Grid Shares in a CREST account, New National Grid Shares are expected to be credited to the relevant CREST accounts at 8.00 a.m. on the Scheme Effective Date. For those holding shares in certificated form, definitive certificates for the New National Grid Shares are expected to be despatched within ten business days after the Scheme Effective Date. Pending despatch of share certificates, transfers of New National Grid Shares will be certified by Lloyds TSB Registrars against the share register.

Existing National Grid ADSs will automatically represent New National Grid ADSs, and existing National Grid ADRs will automatically represent New National Grid ADRs, in each case on the Scheme Effective Date.

All mandates in force at 5.30 p.m. on the Scheme Record Date relating to payment of dividends on National Grid Shares and all instructions given relating to notices and other communications will, unless and until varied or revoked, be deemed from the Scheme Effective Date to be valid and effective mandates or instructions to New National Grid in relation to the corresponding holdings of New National Grid Shares.

10. Memorandum and Articles of Association of New National Grid

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The Memorandum and Articles of Association of New National Grid are substantially the same as the existing Memorandum and Articles of Association of National Grid. Accordingly, the rights attaching to New National Grid Shares will, after the Scheme becomes effective, be substantially the same as the rights attaching to National Grid Shares.

It is proposed that those who hold an interest in New National Grid through New National Grid ADSs and who are registered in the books of the Depositary should have rights to attend, speak and vote at general meetings. Accordingly, the New National Grid Articles will enable the Depositary to appoint holders of New National Grid ADSs as proxies, and these proxies will have the right to attend, speak and vote at general meetings. Such proxies will be able, in turn, to appoint proxies to attend, speak and vote at a general meeting instead of them. To ensure that holders of New National Grid ADSs will be able to vote on special and extraordinary resolutions, the New National Grid Articles will require such resolutions to be decided on a poll. All ordinary resolutions will continue to be decided on a show of hands or, if a poll is demanded in accordance with the New National Grid Articles, on a poll.

The New National Grid Articles also give effect to the Electronic Communications Order, which allows for communication between companies and their shareholders by electronic means.

A summary of the principal differences between the New National Grid Articles and the existing National Grid Articles is set out in section 5 of Part IV of this document.

11. Employee share schemes

The sanction of the Scheme by the Court will have an effect on most awards made under the existing National Grid Share Schemes. In most cases, the employees holding such awards will have the choice of buying the National Grid Shares subject to their option during a prescribed period of time following the sanction of the Scheme by the Court, or exchanging their option for an equivalent option over New National Grid Shares. This is explained in further detail in section 9 of Part IV of this document.

As part of the implementation of the Scheme, National Grid Shareholders will be asked to approve an amendment to the National Grid Articles at the Scheme EGM which will ensure that employees who choose to exercise their options to acquire National Grid Shares after the Scheme Effective Date will receive the same number of New National Grid Shares.

Except as explained in section 9 of Part IV of this document, no further awards will be made under the existing National Grid Share Schemes after the Scheme Effective Date.

To provide incentives to executives and employees, and to align their interests with those of the shareholders, it is proposed that New National Grid adopts the New National Grid Share Plans that will operate over New National Grid Shares. The approval of National Grid Shareholders to the New National Grid Share Plans is being sought at the Scheme EGM to comply with best practice.

The proposed New National Grid Share Plans, the key features of which are summarised in section 10 of Part IV of this document, broadly replicate the existing National Grid Share Schemes. The Remuneration Committee has reviewed total remuneration arrangements and developments in both market practice and best practice (for example, the revision of the Association of British Insurers' guidelines), which are reflected in the New National Grid Share Plans. The most significant changes are:

- (a) under the proposed Executive Share Option Plan 2002, in response to

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market practice, particularly in the US, the limit on the maximum size of an award which may be granted to an individual in any twelve-month period has been increased from 1.5 times salary to 3 times salary (or more if the Remuneration Committee concludes that it is necessary to make larger grants, for example, in the case of new executives and employees). However, in determining the size of any grants, the Remuneration Committee will continue to have regard to grant levels in comparable companies and to evolving best practice. It has no current intention to exceed the 1.5 times salary limit contained in the existing Executive Share Option Plan 2000 in respect of grants for UK-based executives;

- (b) the proposed Executive Share Option Plan 2002 includes flexibility to grant options subject to pre-grant performance conditions rather than pre-exercise conditions, as recently endorsed by the Association of British Insurers. While the Remuneration Committee has no current intention of utilising this flexibility, it will monitor evolving best practice in this regard in deciding whether it becomes appropriate to do so and will liaise with the Association of British Insurers before utilising such flexibility; and

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- (c) while the main features of the proposed Share Matching Plan 2002 remain the same as the existing Share Matching Scheme (1996), the detailed drafting of the plan has been revised to permit the more efficient operation of the plan and also to permit the Incentive Compensation Plan, which is currently operated as a separate plan for US executives, to be integrated into the Share Matching Plan 2002.

12. Overseas shareholders

The implications of the Scheme for persons resident in, or citizens or nationals of, jurisdictions outside the UK ("overseas shareholders") may be affected by the laws of the relevant jurisdictions. Such overseas shareholders should inform themselves about and observe all applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

If New National Grid is advised that the issue of New National Grid Shares in respect of any overseas shareholder would infringe the laws of any jurisdiction outside the UK, or would require New National Grid to observe any governmental or other consent or any registration, filing or other formality, the Scheme provides that New National Grid may determine that the New National Grid Shares to which such overseas shareholder would otherwise be entitled shall be issued to a nominee appointed by New National Grid and then sold, with the net proceeds of sale being remitted to the overseas shareholder.

Overseas shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme. For additional information relating to the UK tax consequences of the Scheme, see section 8 above. For summaries of the UK and US taxation consequences of a holding of New National Grid Shares or New National Grid ADSs, see sections 12 and 13 respectively, of Part IV of this document.

13. Consents and meetings

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13.1 Special Shareholder consent

The Special Shareholder has consented to the establishment of a new holding company of National Grid to be effected by way of the Scheme. The consent of the Special Shareholder to the Scheme is required at the Court Hearing. She has agreed to provide her consent at the Court Hearing and to undertake to be bound by the terms of the Scheme.

13.2 Court Meeting

The Court Meeting has been convened for 11.00 a.m. on 7 January 2002, pursuant to an order of the Court, at which meeting, or at any adjournment thereof, National Grid Shareholders will consider and, if thought fit, approve the Scheme.

Your attention is drawn to the notice of Court Meeting contained in Part V of this document, which includes a note explaining the resolution.

At the Court Meeting voting will be by poll and each National Grid Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each National Grid Share held. The statutory majority required to approve the Scheme at the Court Meeting is a simple majority in number of the National Grid Shareholders present and voting (either in person or by proxy) at the Court Meeting representing not less than 75 per cent. of the number of National Grid Shares held by such National Grid Shareholders.

It is important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of National Grid Shareholder opinion. National Grid Shareholders are therefore urged to return the completed Forms of Proxy as soon as possible. Details of the action you should take and instructions on completing the Forms of Proxy are given in section 16 below and on pages 63 and 64.

If the Scheme becomes effective, it will be binding on all Scheme Shareholders irrespective of whether they attended the Court Meeting and irrespective of the manner in which they voted.

13.3 Scheme EGM

The Scheme EGM has also been convened for 7 January 2002 (the same date as the Court Meeting) at 11.15 a.m. (or, if later, immediately following the conclusion or adjournment of the Court Meeting), at which meeting, or at

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any adjournment thereof, National Grid Shareholders will consider and, if thought fit, pass the resolutions set out in the notice of Scheme EGM.

Your attention is drawn to the notice of Scheme EGM contained in Part V of this document, which includes notes explaining each of the resolutions.

The resolutions to be proposed at the Scheme EGM are for the following business:

Resolution 1:

To approve:

- (a) the Scheme;
- (b) the cancellation of the Scheme Shares and the National Grid Special

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Share;

- (c) the increase in the share capital of National Grid to its former amount by the creation of the New B Share and the Capitalisation Shares to be issued to New National Grid;
- (d) the allotment of the New B Share and the Capitalisation Shares by the Directors; and
- (e) alterations to the National Grid Articles to ensure that:
 - (i) any National Grid Shares issued after the passing of Resolution 1 and prior to the confirmation by the Court of the reduction of capital of National Grid provided for under the Scheme are issued subject to the Scheme; and
 - (ii) any National Grid Shares issued after the Scheme Effective Date are transferred to New National Grid in consideration for the issue or transfer to such holders by New National Grid of New National Grid Shares on a one for one basis.

Subject to the resolution being passed, these alterations to the National Grid Articles will take effect whether or not the Scheme becomes effective. The authority to allot National Grid Shares granted to the Directors by this resolution will lapse on the date of the Annual General Meeting of the Company in 2002.

Resolution 2:

To change the name of National Grid to "National Grid Holdings One plc", conditional on the Scheme becoming effective.

In order to pass each of Resolutions 1 and 2 not less than 75 per cent. of the votes cast by National Grid Shareholders must be in favour. On a show of hands each National Grid Shareholder present in person (but not by proxy) will have one vote and on a poll each National Grid Shareholder present in person or by proxy will have one vote for each National Grid Share held.

Resolutions 3 - 10:

To approve the New National Grid Share Plans and to authorise the Directors of New National Grid to do all acts and things as may be necessary to bring them into effect.

Resolution 11:

To authorise each of National Grid and National Grid Company to make donations and incur expenditure which would otherwise be prohibited by the Political Parties, Elections and Referendum Act 2000, which came into force earlier this year.

National Grid does not currently make donations to political parties, nor will New National Grid do so without the specific approval of its shareholders. For an explanation of the background to, and reasons for, this Resolution, you are referred to the explanatory note to Resolution 11 set out on pages 61 and 62 of this document.

In order to pass each of Resolutions 3 to 11 more than 50 per cent. of the votes cast by National Grid Shareholders must be in favour. On a show of hands each National Grid Shareholder present in person (but not by proxy) will have one vote and on a poll each National Grid Shareholder present in person or by proxy will have one vote for each National Grid Share held.

14. Authorities relating to New National Grid

By resolutions of New National Grid passed on 7 December 2001, the authorised share capital of New National Grid was increased by (L)1 by the creation of the New National Grid Special Share and, conditional on the Scheme becoming effective, the Directors of New National Grid were authorised to issue and allot the New National Grid Special Share and New National Grid Shares, and to make purchases of New National Grid's own ordinary shares.

Following completion of the Scheme and the Acquisition, the Directors of New National Grid will have authority to issue and allot up to approximately one-third of the nominal amount of the then issued share capital. The Directors of New National Grid have no present intention of issuing shares except pursuant to the Scheme, the Acquisition, on the exercise of options under the National Grid Share Schemes and the New National Grid Share Plans and in connection with the Exchangeable Bonds.

For additional information on the authorities relating to New National Grid's share capital which have been granted, see section 3 of Part IV of this document.

The resolutions passed on 7 December 2001 also approved the adoption of the New National Grid Articles and conferred an authority to the same effect as Resolution 11 to be proposed at the Scheme EGM.

15. Listing Particulars

A copy of the Listing Particulars relating to New National Grid prepared in accordance with the Listing Rules has been delivered to the Registrar of Companies in England and Wales for registration as required by section 83 of the Financial Services and Markets Act 2000. The Listing Particulars are available on the National Grid website at www.nationalgrid.com/uk/investors/niagaramohawkLP.pdf and copies are available, free of charge, by application to the National Grid Shareholder Enquiry Unit, National Grid House, Kirby Corner Road, Coventry CV4 8JY (telephone: 024 7642 3940, fax: 024 7642 3651, e-mail: shareholder.enquiries@uk.ngrid.com) at any time prior to Completion. A copy of the Listing Particulars may also be obtained from the offices of N M Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU and may be inspected at the offices of CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London EC1A 4DD and at the Document Viewing Facility, UK Listing Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until Completion. A copy will also be available for inspection at the Court Meeting and the Scheme EGM.

16. Action to be taken

National Grid Shareholders will find enclosed with this document two Forms of Proxy as follows:

- (a) Card A which is to be used for the Court Meeting; and
- (b) Card B which is to be used for the Scheme EGM.

It is important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of National Grid Shareholder opinion. National Grid Shareholders are therefore urged to return the completed Forms of Proxy as soon as possible. Further instructions on

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completing the Forms of Proxy are given on pages 63 and 64.

Therefore, whether or not you propose to attend the meetings in person, you are requested, if you hold National Grid Shares, to complete and return both Forms of Proxy. Completed Forms of Proxy should be returned to the Registrars, Lloyds TSB Registrars, The Causeway, Worthing BN99 6BY as soon as possible and in any case so as to be received by Lloyds TSB Registrars no later than 11.00 a.m. on 5 January 2002 for the Court Meeting and 11.15 a.m. on 5 January 2002 for the Scheme EGM. The return of the Forms of Proxy will not prevent you from attending either of the meetings and voting in person if you wish. In each case, the Forms of Proxy should be completed in accordance with the instructions set out at the end of this document.

The Form of Proxy in respect of the Court Meeting (Card A) may also be handed to the Chairman at the Court Meeting before the start of the meeting. However, in the case of the Scheme EGM, the relevant Form of Proxy (Card B) will be invalid unless it is lodged so as to be received no later than 11.00 a.m. on 5 January 2002.

The Forms of Proxy can be revoked or amended at any time up to 11.15 a.m. on 5 January 2002 (in the case of Card B for the Scheme EGM) or the start of the meeting (in the case of Card A for the Court Meeting).

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If you wish to amend or revoke your Form(s) of Proxy after you have returned them to Lloyds TSB Registrars, you should contact Lloyds TSB Registrars at the address given above.

You may, if you wish, register the appointment of a proxy for the Court Meeting and/or the Scheme EGM electronically, by logging on to the website at www.sharevote.co.uk. Alternatively, if you have registered for a Shareview portfolio, you may appoint a proxy by logging on to the website at www.shareview.co.uk and clicking on "Company Meetings". In each case, you will need your Voting Reference Numbers (the three 8-digit numbers printed on the Forms of Proxy). To register the appointment of a proxy for the Court Meeting, you will need to use the Voting Reference Numbers on the Form of Proxy for the Court Meeting (Card A). To register the appointment of a proxy for the Scheme EGM, you will need to use the Voting Reference Numbers on the Form of Proxy for the Scheme EGM (Card B). In order to register the appointment of a proxy for both meetings, you must log on separately using each set of Voting Reference Numbers. Full details of the procedures are given on the websites. If you wish to use the internet, the proxy appointments and voting instructions must be received by Lloyds TSB Registrars not later than 11.00 a.m. on 5 January 2002 for the Court Meeting and 11.15 a.m. on 5 January 2002 for the Scheme EGM. Please note that any electronic communication that is found to contain a computer virus will not be accepted.

The use of Lloyds TSB Registrars' internet proxy appointment and voting instruction service (the "Internet Service") in connection with the Court Meeting and the Scheme EGM, is governed by Lloyds TSB Registrars' conditions of use of this service. These conditions are legally binding.

When the Voting Reference Number is entered and the icon "GO" is clicked the user will be deemed to confirm that he:

- (a) is registering to use the Internet Service;
- (b) has the right to vote his National Grid Shares; and
- (c) has read, understood and agreed to be bound by the conditions of use.

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Material particulars of the conditions governing the use of the Internet Service are set out in section 14 of Part IV of this document. The conditions are set out in full on the website at www.sharevote.co.uk, and may be read by logging on to that site and entering the Voting Reference Numbers printed on either Form of Proxy.

A holder of National Grid ADSs should complete the voting instruction card in relation to the voting rights attached to the National Grid Shares represented by its National Grid ADSs and return the voting instruction card to The Bank of New York, Proxy Department, New York, NY 10203-0399, USA as soon as possible and in any event to be received by no later than 5.00 p.m. (New York time) on 3 January 2002. If you hold your National Grid ADSs through a bank, broker or other financial institution, you should consult with that institution to determine the deadline by which your voting instructions must be returned.

The voting instruction card can be revoked or amended at any time up to 5.00 p.m. (New York time) on 3 January 2002. If you wish to revoke or amend your voting instruction card after you have returned it to The Bank of New York, you should contact The Bank of New York at the address given above.

17. Further information

Your attention is drawn to the letter from your Chairman on pages 9 to 11 of this document and the additional information set out in Part IV of this document, all of which form part of this Explanatory Statement. Your attention is also drawn to the Scheme which is set out in full in Part III of this document.

Yours very truly,
for and on behalf of
N M Rothschild & Sons Limited

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PART III

SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 7240 of 2001

IN THE MATTER OF NATIONAL GRID GROUP PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT
(UNDER SECTION 425 OF THE COMPANIES ACT 1985)

BETWEEN

NATIONAL GRID GROUP PLC

AND

THE HOLDERS OF THE SCHEME SHARES (as hereinafter defined)

AND

THE HOLDER OF THE NATIONAL GRID SPECIAL SHARE (as hereinafter defined)

1. Preliminary

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- 1.1 In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:
- | | |
|-----------------------------------|---|
| "Act" | means the Companies Act 1985, as amended; |
| "business day" | means any day other than a Saturday or Sunday on which banks are generally open for business in England and Wales; |
| "Court" | means the High Court of Justice of England and Wales; |
| "Court Hearing" | means the hearing of the Petition by the Court; |
| "Court Meeting" | means the meeting of holders of National Grid Shares convened by direction of the Court pursuant to section 425 of the Act for 11.00 a.m. on 7 January 2002, to consider and, if thought fit, approve this Scheme, including any adjournment thereof; |
| "CREST" | means a relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations); |
| "CRESTCo" | means CRESTCo Limited; |
| "CREST Regulations" | means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as from time to time amended; |
| "holder" | includes any person entitled by transmission; |
| "National Grid" | means National Grid Group plc; |
| "National Grid Shares" | means ordinary shares of 11 13/17 pence each in the capital of National Grid; |
| "National Grid Special Share" | means the special rights non-voting redeemable preference share of (L)1 in the capital of National Grid held by the Special Shareholder; |
| "New National Grid" | means New National Grid plc; |
| "New National Grid Shares" | means ordinary shares of 10 pence each in the capital of New National Grid; |
| "New National Grid Special Share" | means the special rights non-voting redeemable preference share of (L)1 in the capital of New National Grid to be held by the Special Shareholder; |

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- "Petition" means the petition to the Court to sanction the Scheme;
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- "Scheme Effective Date" means the date and time on which this Scheme becomes effective in accordance with clause 8 of this Scheme;
- "Scheme Record Date" means the business day immediately preceding the Scheme Effective Date;
- "Scheme Shareholder" means a holder of Scheme Shares;
- "Scheme Shares" means:
- (a) all National Grid Shares in issue at the date of this Scheme;
 - (b) all (if any) additional National Grid Shares in issue 48 hours prior to the Court Meeting; and
 - (c) all (if any) further National Grid Shares which may be in issue immediately prior to the confirmation by the Court of the reduction of capital provided for under this Scheme in respect of which the original or any subsequent holders shall be bound or shall have agreed in writing to be bound by this Scheme;
- "Special Shareholder" means the Secretary of State for Trade and Industry, the holder of the National Grid Special Share;
- "this Scheme" means this scheme of arrangement in its present form or with or subject to any modification thereof or addition thereto or condition approved or imposed by the Court; and
- "uncertificated" or "in uncertificated form" means recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.
- 1.2 The authorised share capital of National Grid as at the date of this Scheme is (L)250,000,001 divided into 2,500,000,000 National Grid Shares, of which 1,486,906,935 have been issued and are fully paid up (and the remainder are unissued), and one National Grid Special Share which has been issued and is fully paid up.
- 1.3 New National Grid was incorporated as a private limited company on 11 July 2000 under the name Intercede 1610 Limited. Its name was changed on 30 August 2000 to New National Grid Limited and it was re-registered as

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a public limited company on 29 November 2000. The authorised share capital of New National Grid at the date of this Scheme is (L)250,000,001 divided into 2,500,000,000 New National Grid Shares, of which 500,000 have been issued and are paid up as to one-quarter (and the remainder are unissued) and the New National Grid Special Share which has not been issued.

- 1.4 The purpose of this Scheme is to provide for the cancellation of the Scheme Shares and the National Grid Special Share and the issue of new National Grid Shares and one new B share of (L)1 to New National Grid in consideration of the allotment by New National Grid of New National Grid Shares to the Scheme Shareholders and of the New National Grid Special Share to the Special Shareholder.
- 1.5 New National Grid has given its written consent to this Scheme and has given a written undertaking to be bound by its terms. The Special Shareholder has agreed to appear by Counsel at the Court Hearing to consent to this Scheme and to undertake to be bound by its terms.

2. Cancellation of National Grid share capital

- 2.1 The share capital of National Grid shall be reduced to nil by cancelling the Scheme Shares and the National Grid Special Share.
- 2.2 Forthwith and contingently upon the reduction of the share capital of New National Grid in issue immediately prior to the Scheme Effective Date and the reduction of share capital pursuant to sub-clause 2.1 taking effect:
 - 2.2.1 the authorised share capital of National Grid shall be increased to its former amount by the creation of one new B share of (L)1 and such number of new National Grid Shares as shall together be of an aggregate nominal amount equal to the aggregate nominal amount of the shares cancelled in accordance with sub-clause 2.1; and
 - 2.2.2 National Grid shall apply the credit arising in its books of account on the reduction of capital pursuant to sub-clause 2.1, in paying up, in full at par, the new B share of (L)1 and the new National Grid Shares created pursuant to sub-clause 2.2.1 and shall allot and issue the same, credited as fully paid, to New National Grid and/or its nominee(s).
- 2.3 The new B share of (L)1 in the capital of National Grid to be created pursuant to sub-clause 2.2.1 shall rank pari passu with the new National Grid Shares to be created pursuant to sub-clause 2.2.1.

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3. New National Grid Shares and the New National Grid Special Share

- 3.1 In consideration of the cancellation of the Scheme Shares and the National Grid Special Share and the issue of the new B share of (L)1 and the new National Grid Shares to New National Grid and/or its nominee(s) pursuant to clause 2 of this Scheme, New National Grid shall (subject to the provisions of sub-clause 3.3):
 - 3.1.1 allot and issue (credited as fully paid) New National Grid Shares to the Scheme Shareholders on the basis of one New National Grid Share for each Scheme Share held at 5.30 p.m. on the Scheme Record Date; and

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- 3.1.2 allot and issue (credited as fully paid) the New National Grid Special Share to the Special Shareholder.
- 3.2 The New National Grid Shares to be issued pursuant to sub-clause 3.1.1 shall rank in full for all dividends or distributions made, paid or declared after the Scheme Effective Date on the ordinary share capital of New National Grid.
- 3.3 The provisions of sub-clause 3.1 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the UK ("overseas shareholder"), New National Grid is advised that the allotment and issue of New National Grid Shares pursuant to this clause 3 may infringe the laws of any jurisdiction outside the UK or may require New National Grid to observe any governmental or other consent or any registration, filing or other formality, then New National Grid may determine that no New National Grid Shares shall be allotted or issued to such overseas shareholder under this clause 3, but shall instead be allotted to a nominee appointed by New National Grid, as a trustee for such overseas shareholder, on terms that the nominee shall, as soon as practicable following the Scheme Effective Date, sell the New National Grid Shares so allotted at the best price which can reasonably be obtained and shall account for the net proceeds of such sale (after the deduction of all expenses and commissions, including value added tax, payable thereon) by sending a cheque or warrant to such overseas shareholder in accordance with the provisions of clause 4 below. None of National Grid, New National Grid, any nominee referred to in this sub-clause 3.3 or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.
4. Certificates and payment
- 4.1 Not later than ten (10) business days after the Scheme Effective Date, New National Grid shall send by post to the allottees of the New National Grid Shares and to the allottee of the New National Grid Special Share allotted and issued pursuant to clause 3 of this Scheme certificates in respect of such shares. Where Scheme Shares are held in uncertificated form, New National Grid will procure that CRESTCo is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock account in CREST of each such Scheme Shareholder his entitlement to New National Grid Shares.
- 4.2 Not later than ten (10) business days following the sale of any relevant New National Grid Shares pursuant to sub-clause 3.3, New National Grid shall procure that the nominee shall account for the cash payable by despatching to the persons respectively entitled thereto cheques and/or warrants by post.
- 4.3 All certificates required to be sent by New National Grid pursuant to sub-clause 4.1 and all cheques or warrants required to be sent pursuant to sub-clause 4.2 shall be sent through the post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of National Grid at 5.30 p.m. on the Scheme Record Date (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of National Grid prior to 5.30 p.m. on the Scheme Record Date.

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- 4.4 None of National Grid, New National Grid, any nominee referred to in sub-clause 3.3 or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this clause 4.
- 4.5 The preceding sub-clauses of this clause 4 shall take effect subject to any prohibition or condition imposed by law.
5. Certificates representing Scheme Shares and the National Grid Special Share

With effect from and including the Scheme Effective Date, all certificates representing holdings of Scheme Shares and the National Grid Special Share shall cease to be valid in respect of such holdings.

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6. Mandates

Each mandate in force at 5.30 p.m. on the Scheme Record Date relating to the payment of dividends on Scheme Shares and each instruction then in force as to notices and other communications from National Grid shall, unless and until varied or revoked, be deemed as from the Scheme Effective Date to be a valid and effective mandate or instruction to New National Grid in relation to the corresponding New National Grid Shares to be allotted and issued pursuant to this Scheme.

7. Professional Fees

National Grid shall pay and discharge all of the debts and liabilities of National Grid and of New National Grid to their professional advisers which have been incurred or will be incurred in connection with this Scheme and with the reduction of capital of New National Grid.

8. Scheme Effective Date

This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under section 425 of the Act and confirming the reduction of capital proposed under this Scheme under section 137 of the Act shall have been duly delivered to the Registrar of Companies for registration and registered by him.

9. Lapse

Unless this Scheme shall have become effective on or before 31 August 2002 or such later date, if any, as the Court may allow, it shall lapse.

10. Modification

National Grid and New National Grid may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

Dated the 10th day of December 2001

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PART IV

ADDITIONAL INFORMATION

1. Introduction

1.1 Overview of National Grid Group

National Grid Group is an international network business. Its principal activities are the ownership and operation of the high-voltage transmission network in England and Wales and electricity transmission and distribution networks serving approximately 1.7 million customers in the north-eastern US. The Group also operates interconnectors between England and Wales and each of France and Scotland and between the US and Canada. It is developing an interconnector in Australia. It has interests in transmission networks in Argentina and Zambia with joint venture partners.

The Group's telecommunications interests comprise its 32.6 per cent. economic interest in Energis plc, wholly-owned infrastructure businesses in the UK and US and joint ventures in Poland and Latin America.

1.2 Acquisition of Niagara Mohawk and the Scheme

The Group is currently in the process of completing the acquisition of Niagara Mohawk, the principal activities of which are the delivery of electricity and natural gas in New York State. Its electricity customer base, at more than 1.5 million customers, is similar in size to that of National Grid USA. It also has over 0.5 million retail gas customers in the residential and business sectors and offers transportation of gas purchased by customers directly from suppliers. Niagara Mohawk's electricity system is interconnected with that of National Grid USA and consists of over 9,000 miles of transmission lines and 41,000 miles of distribution lines. Shareholders of both National Grid and Niagara Mohawk approved the Acquisition in January 2001.

The Acquisition is subject to a number of conditions, including regulatory and other consents and approvals in the US, the majority of which have been received. The only material regulatory approval outstanding is that of the SEC. The Acquisition is expected to complete in early 2002, prior to which National Grid will carry out a corporate reorganisation by way of the Scheme. Under the Scheme, New National Grid will become the holding company of National Grid.

2. Incorporation and activity of New National Grid

2.1 New National Grid was originally incorporated and registered in England and Wales under the Act as a private limited company under the name Intercede 1610 Limited with registered number 4031152 on 11 July 2000. Its name was changed to New National Grid Limited on 30 August 2000 and it was re-registered as a public limited company, New National Grid plc, on 29 November 2000. The principal legislation under which New National Grid operates is the Act and the regulations made thereunder.

2.2 The registered office of New National Grid is at 15 Marylebone Road, London NW1 5JD.

2.3 New National Grid has entered into the Merger Agreement, the Financing Documents, the Exchangeable Bonds Trust Deed, the Undertaking, the service agreement with William E. Davis described in section 6.5 below and an agreement dated 10 December 2001 between New National Grid, National Grid and Rothschild, whereby New National Grid has appointed Rothschild to act as its sponsor in connection with Admission. New National Grid has established a wholly-owned subsidiary, Grid Delaware, Inc. A copy of the audited accounts for New National Grid for the period

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from incorporation to 31 March 2001 has been filed with the Registrar of Companies.

3. Share capital

3.1 The authorised, issued and fully paid share capital of New National Grid as at the date of this document is as follows:

Authorised Number	Authorised Amount	
2,500,000,000	(L)250,000,000	New National Grid Shares
1	(L)1	New National Grid Special Share

Note:

(1) The 500,000 New National Grid Shares have been issued and are paid up as to one-quarter. National Grid Nominees Limited holds 499,990 New National Grid Shares and Fiona Smith, Group General Counsel and Company Secretary of National Grid, holds 10 New National Grid Shares as nominee for National Grid Nominees Limited. Subject to the sanction of the Court, these New National Grid Shares will be cancelled immediately prior to the Scheme becoming effective.

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3.2 On incorporation, New National Grid had an authorised share capital of (L)100 divided into 100 ordinary shares of (L)1 each, of which one ordinary share of (L)1 was issued. By a resolution of New National Grid passed on 28 November 2000: (i) the authorised share capital comprising ordinary shares of (L)1 was sub-divided into ordinary shares of 10 pence each; and (ii) the authorised share capital was increased to (L)250,000,000 by the creation of 2,499,999,000 new ordinary shares of 10 pence each. On 28 November 2000, 499,990 New National Grid Shares were issued to National Grid Nominees Limited.

3.3 By resolutions of New National Grid passed on 7 December 2001:

3.3.1 the authorised share capital of New National Grid was increased from (L)250,000,000 to (L)250,000,001 by the creation of the New National Grid Special Share;

3.3.2 the directors of New National Grid were generally and unconditionally authorised, pursuant to section 80 of the Act, to allot relevant securities (as defined in the said section 80) up to an aggregate nominal value of (L)200,000,000 in respect of allotments of relevant securities in connection with: (a) the Scheme; (b) the Acquisition; and (c) the exchange of any of the Exchangeable Bonds, such authority to expire on the conclusion of the first Annual General Meeting of New National Grid to be held following the Scheme Effective Date, provided that New National

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Grid may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of New National Grid may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;

- 3.3.3 conditional on the Scheme becoming effective, the directors of New National Grid were generally authorised, pursuant to section 80 of the Act, to allot relevant securities (as defined in the said section 80) up to an aggregate nominal amount of (L)66,666,666 provided always that following implementation of the Scheme, the authority conferred by this section 3.3.3 shall be limited to the allotment of relevant securities up to an aggregate nominal amount of one-third of the ordinary share capital of New National Grid in issue immediately following implementation of the Scheme or, if the Acquisition completes, Completion, such authority to expire on the conclusion of the first Annual General Meeting of New National Grid to be held following the Scheme Effective Date, provided that New National Grid may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of New National Grid may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired;
- 3.3.4 conditional on the Scheme becoming effective and pursuant to the general authority granted to the directors of New National Grid by the resolution referred to in section 3.3.3 above, the directors of New National Grid were empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply to such allotment provided that such power shall be limited to:
- (i) the allotment of equity securities in connection with a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of ordinary shareholders on a fixed record date are proportionate (as nearly as may be) to the respective numbers of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors of New National Grid may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares represented by depositary receipts, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
 - (ii) the allotment, otherwise than pursuant to section 3.3.4 (i) above, of equity securities for cash up to an aggregate nominal value of (L)10,000,000 provided always that the authority conferred by this section 3.3.4(ii) shall be limited to the allotment of equity securities for cash as if section 89(1) of the Act did not apply to such allotment up to an aggregate nominal amount of 5 per cent. of the ordinary share capital of New National Grid in issue immediately following implementation of the Scheme or, if the Acquisition completes, Completion.

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This power shall expire on the conclusion of the first Annual General Meeting of New National Grid to be held following the Scheme Effective Date except that the directors of New National Grid shall be entitled, at any time prior to the expiry of this power, to make any offer or agreement which would or might require equity securities to be allotted after such expiry and to allot equity securities in accordance with such offer or agreement as if the power conferred hereby had not expired; and

- 3.3.5 conditional on the Scheme becoming effective, the directors of New National Grid were generally authorised to make market purchases (as defined in section 163(3) of the Act) of up to 200,000,000 New National Grid Shares provided always that the authority conferred by this section 3.3.5 shall be limited to the market purchase of such number of New National Grid Shares as shall be equal to or less than 10 per cent. of the number of New National Grid Shares in issue immediately following implementation of the Scheme or, if the Acquisition completes, Completion, at a price not less than 10 pence per New National Grid Share nor more than a price per New National Grid Share of 105 per cent. of the average of the middle market quotation for a New National Grid Share according to the Daily Official List for the five business days before the purchase is made, such authority to expire on the conclusion of the first Annual General Meeting of New National Grid to be held following the Scheme Effective Date, except that New National Grid may enter into a contract to purchase such New National Grid Shares which would or might be completed wholly or partly after such expiry.
- 3.4 Under the Scheme, New National Grid will issue New National Grid Shares, credited as fully paid, to the Scheme Shareholders on the basis of one New National Grid Share for each Scheme Share held and will issue the New National Grid Special Share to the Special Shareholder. Accordingly, the proposed authorised, issued and fully paid share capital of New National Grid immediately before completion of the Acquisition will be as follows:

Authorised Number	Authorised Amount		I
2,500,000,000	(L)250,000,000	New National Grid Shares	1
1	(L)1	New National Grid Special Share	

Note: The table set out above assumes no issues of shares by New National Grid or National Grid after 7 December 2001 (being the latest practicable date prior to the publication of this document), whether pursuant to the exercise of options or otherwise, other than in connection with the Scheme.

- 3.5 Under the terms of the Merger Agreement, Niagara Mohawk Shareholders will receive consideration of \$19.00 per Niagara Mohawk Share, subject to adjustment. This adjustment will be made by reference to the closing price of a National Grid Share and the prevailing (L):\$ exchange rate on 20 trading days selected at random from 40 consecutive trading days

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ending on the tenth trading day prior to the deadline for Niagara Mohawk
Shareholders to ma