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Incoming Letter:

Mr. Brian V. Breheny
Chief, Office of Mergers and Acquisitions
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
United States of America

Mr. James A. Brigagliano
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
United States of America

June 4, 2005

Our Ref LAYV/TBS

Dear Messrs. Breheny and Brigagliano,

NATIONAL GRID TRANSCO PLC RETURN OF CASH

We are writing on behalf of our client, National Grid Transco plc, a public limited company organized under the laws of England and Wales ("**National Grid Transco**" or the "**Company**") and its financial adviser and corporate broker, JPMorgan Cazenove Limited, in connection with the Company's proposal to return cash to the holders of its existing ordinary shares, par value 10 pence each (the "**Existing Ordinary Shares**"), and the holders of its existing American Depositary Receipts, each evidencing five Existing Ordinary Shares ("**Existing ADRs**" and, together with the Existing Ordinary Shares, the "**Securities**"). The Company proposes to return the cash in a similar manner to a dividend by issuing non-cumulative preference shares, par value 10 pence each (the "**B Shares**"), on a pro rata basis to existing Security holders. The B Shares will entitle the holders thereof to receive 65 pence per Existing Ordinary Share and Security holders will be able to choose between three alternatives to receive their cash: (i) an initial dividend of 65 pence per B Share in respect of all B Shares held by the Security holder, following which the B Shares would convert by their terms into "deferred shares," which would be of negligible

value, have extremely limited rights, including no voting rights, and which would subsequently be repurchased by the Company in accordance with their terms (the “**Deferred Shares**”) (the “**Single B Share Dividend**”); (ii) an initial repurchase offer (the “**Initial Repurchase Offer**”) whereby JPMorgan Cazenove Limited and its U.S. registered broker-dealer affiliate (together, “**Cazenove**”), acting as principal for U.K. tax reasons, would make an offer to purchase the B Shares on behalf of the Company and would pay 65 pence per B Share tendered; and (iii) retention of the B Shares, with the possibility of future purchases of the B Shares on August 8, 2006 and August 8, 2007 (the “**Future Repurchase Offers**”) (collectively with the Single B Share Dividend and the Initial Repurchase Offer, the “**B Share Alternatives**”). The Company would have the right, but not the obligation, to convert any outstanding B Shares into New Ordinary Shares (as defined below) at any time after August 8, 2007.

In conjunction with the issuance of the B Shares and the presentation of the B Share Alternatives, the Company proposes to engage in a consolidation of its share capital (i.e., a reverse stock split) (the “**Share Capital Consolidation**”). The issuance of the B Shares and the Share Capital Consolidation are collectively referred to as the “**Capital Reorganization**” and, together, the Capital Reorganization and the B Share Alternatives are referred to as the “**Return of Cash**”. The Share Capital Consolidation is designed to reduce the number of ordinary shares in issue in line with the cash to be returned to Security holders by way of the B Share Alternatives so as to make the market price and other Company data, such as earnings and dividends per share, comparable before and after the B Share Alternatives.¹

Since we believe that the Initial Repurchase Offer will constitute a tender offer, within the meaning of the Securities Exchange Act 1934 (the “**Exchange Act**”), for a class of equity securities (i.e., the B Shares) by or on behalf of an issuer with a class of equity securities registered under Section 12 of the Exchange Act (i.e., National Grid Transco’s Existing Ordinary Shares and Existing ADRs in respect thereof), and an analysis of the U.S. beneficial ownership of the Company’s Securities as set forth below in Section 1 suggests that as of April 30, 2005, between 19.8 percent and 34.1 percent (assuming all unidentified Security holders are in the United States) of the Company’s Issued Share Capital (as defined below) is held in the United States, subject to the request herein, the Company proposes to conduct the Initial Repurchase Offer in accordance with Rule 13e-4(i) under the Exchange Act (“**Tier II**”).

Notwithstanding the foregoing, on behalf of the Company and Cazenove, we hereby respectfully request that the staff (the “**Staff**”) of the Division of Corporation Finance of the Securities and Exchange Commission (the “**Commission**”) confirm that, for the purposes of Rule 13e-4(f)(1)(i) and Rule 14e-1(a) under the Exchange Act, the Initial Repurchase Offer will be deemed to be open for not less than 20 U.S. business days between the date the Shareholder Circular, the U.S. Supplemental Memorandum, the Election Forms and the Schedule TO (each as defined below) are mailed to Security holders and the end of the Election Period (as defined below) or, in the alternative, that the Staff will not recommend any enforcement action to the Commission under Rule 13e-4(f)(1)(i) or Rule 14e-1(a) if the Initial Repurchase Offer is implemented in the manner described herein.

Further, on behalf of the Company and Cazenove, we hereby respectfully request that the Staff of the Division of Market Regulation of the Commission grant exemptive relief from the provisions of Rule 14e-5 under the Exchange Act to permit (a) the Company, Cazenove and any adviser, broker or financial institution acting on behalf of them (collectively, the “**Prospective Purchasers**”) to make purchases of B

¹ The Staff (as defined above) has confirmed on numerous occasions over the years that there is no “sale” (as defined in Section 2(a)(3) under the Securities Act) when a company declares and pays a share dividend or engages in a share split similar to the one contemplated herein. See, e.g., Letter of General Counsel Discussing the Question of Whether a Sale of a Security is Involved in the Payment of a Dividend, Securities Act Release No. 33-929 [11 F.R. 10957], Fed. Sec. L. Rep. (CCH) ¶1121 (July 29, 1936) and JDN Realty Corporation (October 26, 1999), including the Staff no-action letters cited therein.

Shares and engage in other transactions that may otherwise be prohibited by Rule 14e-5 outside the Initial Repurchase Offer, and (b) Cazenove to conduct market making activities during the Initial Repurchase Offer, in each case, in the manner described herein and subject to the conditions described below.

1 National Grid Transco plc

National Grid Transco is an international network utility company with electricity and gas transmission and distribution interests in the United Kingdom and the United States. The Company also has interests in related markets in the United Kingdom and the United States, including communications infrastructure, metering and liquefied natural gas, and has interests in electricity interconnectors in the United Kingdom, United States and Australia.

The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act. The principal trading market for the Existing Ordinary Shares is the London Stock Exchange (“LSE”). The Company’s Existing ADRs evidencing American Depositary Shares (“ADSs”) issued by The Bank of New York, as depositary (the “**Depository**”), trade on the New York Stock Exchange (symbol: “NGG”). The ADRs have been issued by the Depository pursuant to the terms of a deposit agreement (the “**Deposit Agreement**”), dated as of November 21, 1995, as amended and restated as of October 6, 1999, as further amended and restated as of January 31, 2002, among New National Grid plc (which has been renamed National Grid Transco plc), National Grid Group plc (which has been renamed National Grid Holdings One plc), the Depository and owners and beneficial owners of ADRs issued thereunder. The only classes of the Company’s securities registered pursuant to Section 12(b) of the Exchange Act are the Existing Ordinary Shares and the existing ADSs. The Company is subject to the reporting requirements of Sections 13 and 15 of the Exchange Act and files annual reports on Form 20-F and furnishes interim reports on Form 6-K.

Based on information provided by National Grid Transco, as of April 30, 2005, National Grid Transco had approximately 3.2 billion Existing Ordinary Shares issued and outstanding (including those represented by Existing ADRs) (the “**Issued Share Capital**”). As at such date, National Grid Transco believes that approximately 626.7 million Existing Ordinary Shares (in the form of shares or Existing ADRs) were beneficially held in the United States. According to the information available at such date, no holders of the Existing Ordinary Shares, whether in the form of shares or Existing ADRs, holds 10 percent or more of the Issued Share Capital. Based on the foregoing and calculated in a manner consistent with Instruction 2 to Rule 13e-4(i), as at April 30, 2005, National Grid Transco estimates that between 19.8 percent and 34.1 percent (assuming all unidentified Security holders are in the United States) of its Issued Share Capital were beneficially held in the United States and, as a result, it intends to rely on the Tier II exemption afforded by Rule 13e-4(i) under the Exchange Act in the context of the Initial Repurchase Offer.

2 The Return of Cash

2.1 Overview

On August 31, 2004, National Grid Transco announced that it had reached agreement on the sale of four of its U.K. gas distribution networks for a total cash consideration of £5.8 billion and its intention to return £2 billion to Security holders.² The Company subsequently announced that the return of £2 billion to Security holders would be through the B Share Alternatives and Capital

² The sales of these gas distribution networks were completed on June 1, 2005.

Reorganization. The Return of Cash by way of the B Share Alternatives and Capital Reorganization is, in essence, a fairly common mechanism under English law designed to permit the holders of the ordinary shares of an English company to have cash returned to them but to elect the timing of the receipt of "income" for U.K. tax purposes.³ In order to effect the Return of Cash, the Company is required under English law to have shareholders approve the B Share Alternatives and the Capital Reorganization, since the Company must amend its Articles of Association in order to create and issue the B Shares as part of the Capital Reorganization and the new ordinary shares (the "**New Ordinary Shares**") to be issued upon cancellation of the Existing Ordinary Shares. The Company will seek shareholder approval (by at least 75 percent of the Existing Ordinary Shares voting in person or by proxy) for the B Share Alternatives and the Capital Reorganization at an Extraordinary General Meeting (the "**EGM**") to be held on July 25, 2005. Under English law and the Company's Articles of Association, a notice convening the EGM and materials relating thereto must be given to shareholders at least 21 full calendar days in advance of the EGM (but excluding the mailing date, the date after the mailing and the date of the EGM); in fact, such notice and materials will be sent to Security holders on June 15, 2005, which is 41 calendar days and 27 U.S. business days prior to the EGM. The only conditions to the Return of Cash are the approval of the B Share Alternatives and the Capital Reorganization by Security holders and the admission of the New Ordinary Shares and the B Shares to the Official List of the U.K. Listing Authority ("**UKLA**") and admission to trading on the LSE. These conditions are expected to be waived or satisfied by August 1, 2005 (unless the Election Period (as defined below) is extended).

The materials initially sent to Security holders on June 15, 2005 will be (i) a shareholder circular (the "**Shareholder Circular**") consisting of a description of the Capital Reorganization, the terms and conditions of the B Share Alternatives and the proposed resolutions to be approved by Security holders in connection therewith; (ii) a proxy form or an ADR voting instruction card for the EGM; (iii) a description of the rights and restrictions attached to the B Shares and the Deferred Shares; and (iv) an election form or a letter of election and transmittal (each an "**Election Form**"). U.S. Security holders will also receive a supplemental memorandum (the "**U.S. Supplemental Memorandum**"), a Tender Offer Statement on Schedule TO (the "**Schedule TO**") and certain other relevant information, which collectively will contain such additional information as is required by Rule 13e-4. The Shareholder Circular and the U.S. Supplemental Memorandum will be filed with the Commission as exhibits to the Schedule TO prior to or as soon as practicable on the date such materials are sent to the Company's Security holders.

The Election Form may be used by Security holders to make elections under the B Share Alternatives, including the Initial Repurchase Offer, until August 5, 2005. To the extent that Security holders elect the Initial Repurchase Offer, they will have their B Shares purchased by Cazenove and the Company on or around August 8, 2005. The period from June 15, 2005, the date the materials are sent to Security holders, until August 5, 2005, the last date for receipt of Election Forms (pursuant to which Security holders may elect to tender their B Shares under the Initial Repurchase Offer), is referred to herein as the "**Election Period.**" During this Election Period, which comprises 37 U.S. business days, any tenders made pursuant to the Initial Repurchase Offer are revocable and may be withdrawn. Payment for the purchase of the B Shares will be mailed to tendering U.S. Security holders on August 22, 2005, approximately the

³ See, e.g., Elementis plc (October 5, 2000); Elementis plc (March 20, 2000); Anglian Water Plc (August 21, 1998); Bass plc (January 8, 1998); Diageo plc (December 19, 1997); and Thorn PLC (June 18, 1997).

eleventh U.S. business day subsequent to the end of the Election Period and to tendering ADR holders on August 25, 2005, approximately the fourteenth U.S. business day subsequent to the end of the Election Period. The material components of the proposed schedule for the Return of Cash, the terms of which are described in greater detail in Section 2.2 below, is as follows:

Expected Timetable of Key Events	2005
Shareholder Circular and Election Form or Letter of Election and Transmittal mailed to Security holders; U.S. resident Security holders will also be sent the U.S. Supplemental Memorandum and Schedule TO	June 15
Election Period	June 15 until August 5
Latest date for receipt of ADR voting instruction cards	July 18
Annual General Meeting and EGM	July 25
Record Date for the Capital Reorganization	July 29
New ADRs listed on the New York Stock Exchange and begin trading on a "when-issued" basis	August 1
New Ordinary Shares and B Shares admitted to the Official List and admitted to trading on the London Stock Exchange's market for listed securities; Dealings in the New Ordinary Shares and B Shares commence and enablement in CREST; New Ordinary Shares and B Shares entered into CREST	August 1
Latest time for receipt of Election Forms in relation to the B Share Alternatives and B Share record date and latest date to receive withdrawal notices	August 5
Single B Share Dividend declared and B Shares in respect of which the Single B Share Dividend is payable convert into Deferred Shares	August 8
Cazenove to purchase B Shares from Security holders who have elected to accept the Initial Repurchase Offer	August 8

Expected Timetable of Key Events

2005

New ADRs begin trading on the NYSE on a "regular way" basis	August 8
Dispatch of share sale advices and checks in respect of B Shares purchased under the Initial Repurchase Offer and Single B Share Dividend as appropriate; Depositary receives funds in respect of the ADRs for the Single B Share Dividend and Initial Repurchase Offer	August 22
Date share certificates representing New Ordinary Shares and New ADRs are sent to Security holders	August 22
Tender Agent mails checks for Single B Share Dividend or Initial Repurchase Offer payments	August 25

The foregoing schedule depends on a number of factors, including the timing of shareholder approval. Although the dates may change, any change should cause the entire proposed schedule to adjust accordingly, with intervals between each of the elements of the Return of Cash remaining substantially the same.

2.2 Terms of the B Share Alternatives and Share Capital Consolidation

Pursuant to the Capital Reorganization, the Company proposes to create and issue B Shares and New Ordinary Shares, and the Depositary will issue new ADRs (the "New ADRs") representing New Ordinary Shares to Security holders of record on July 29, 2005 in order to replace their cancelled existing Securities. The Share Capital Consolidation will be effected as follows:

- (i) following the close of business on July 29, 2005, the Company will issue one B Share for each Existing Ordinary Share. The issue of B Shares will result in an increase of the Company's issued share capital; and
- (ii) each Existing Ordinary Share will be sub-divided and consolidated so that Security holders will receive fewer New Ordinary Shares than Existing Ordinary Shares owned prior to the consolidation.

Following the Share Capital Consolidation, the New Ordinary Shares (and New ADRs to be issued) will represent the same proportionate interest in the equity of the Company as the Existing Ordinary Shares (and Existing ADRs), subject only to rounding for fractions, and will be equivalent in all material respects to the Existing Ordinary Shares, with the exception of the difference in par value and subject to the rights of the B Shares. The Depositary will file an amendment to the existing registration statement on Form F-6 in respect of the New ADRs with the SEC reflecting the new CUSIP for the New ADRs and the adjusted par value of the New Ordinary Shares and New ADRs, and will issue New ADRs, whether in book-entry or certificated form. Share certificates evidencing Existing Ordinary Shares and Existing ADRs will cease to evidence such

shares and ADRs, respectively. Application shall be made to have the New ADRs listed on The New York Stock Exchange with a new CUSIP, with dealings, subject to approvals, expected to commence on July 29, 2005 on a "when-issued" basis. Application will be made for the New Ordinary Shares to be admitted to the Official List of the UKLA and admitted to trading on the LSE, with dealings expected to commence on August 1, 2005. The Company will mail, during the week of August 22, 2005, to each holder of Existing Ordinary Shares new share certificates evidencing the number of New Ordinary Shares held by such shareholder.

The B Shares will have limited voting rights, and will carry a net non-cumulative preferential dividend equal to 75 percent of 12-month LIBOR⁴ on a notional value of 65 pence per B Share, payable by the Company annually in arrears in pounds sterling on July 31 of each year. The first dividend period will commence on August 8, 2005 (or such later dates as the Board of Directors of the Company may determine), and the first dividend will be due and payable in arrears on or around August 8 in each year. The Company's Articles of Association will be amended to reflect the rights and restrictions attached to the New Ordinary Shares and the B Shares. Each B Share will be entitled to a repayment of 65 pence and accrued but unpaid dividends for the then current dividend payment period in priority to New Ordinary Shares upon a winding-up or liquidation, but will have no other rights of participation in the assets of the Company.

Subject to the grant of exemptive relief herein, the Company and Cazenove will be able to purchase, without the need to obtain the sanction of an extraordinary resolution of the holders of the B Shares, B Shares (i) in the market outside of the United States or (ii) by means of an issuer tender offer to all holders of B Shares or (iii) in privately negotiated transactions, in each case at a price and upon such other terms and conditions as the Board of Directors of the Company may deem necessary or appropriate.

For U.K. tax reasons, the B Shares must be in issue before the end of the Election Period. Application will be made for the B Shares to be admitted to the Official List of the UKLA and admitted to trading on the LSE, with dealings expected to commence on August 1, 2005 (the first business day after the record date for the Capital Reorganization). Although the B Shares will be listed on the LSE, it is not expected that an active trading market for such shares will develop. Unless subsequently required, the B Shares will not be registered under the Exchange Act. The B Shares will not be listed on any securities exchange or quoted on an inter-dealer quotation system in the United States and no market for the B Shares is expected to develop in the United States. The B Shares will not be eligible for deposit under the Deposit Agreement.

Pursuant to the Initial Repurchase Offer, holders of the B Shares, during the Election Period, may elect to have some or all of their B Shares purchased for cash at 65 pence per B Share by duly completing and returning an Election Form at or prior to 11:30 a.m. (New York City time) on August 5, 2005. Pursuant to the terms of the Initial Repurchase Offer, Security holders may cause to be withdrawn any such tender of B Shares at any time prior to 11:30 a.m. (New York City time) on August 5, 2005.

If the conditions to the Return of Cash have been satisfied, on August 8, 2005 Cazenove will accept for purchase B Shares validly tendered at or prior to 11:30 a.m. (New York City time) on August 5, 2005. Payment for such B Shares will be sent to tendering U.S. Security holders on

⁴ "LIBOR" will equal the rate at which leading banks in the London inter-bank market offer to take pounds sterling deposits as displayed on page ISDA on Reuters (formerly known as the Telerate Monitor) or such other page or service as may replace it for the purposes of displaying London inter-bank offered rates of leading banks for pounds sterling deposits.

August 22, 2005, approximately the eleventh U.S. business day subsequent to the end of the Election Period and to tendering ADR holders on August 25, 2005, approximately the fourteenth U.S. business day subsequent to the end of the Election Period. All B Shares which are purchased will be cancelled and will not be reissued.

Security holders who do not properly complete an Election Form, or who do not return the Election Form by August 5, 2005, will be deemed to have elected the Single B Share Dividend of 65 pence per B Share, in which case they will receive such dividend and their B Shares will convert into Deferred Shares. The Deferred Shares will have negligible value and carry extremely limited rights, including no voting rights nor any rights to the B Share Continuing Dividend. The Company may purchase all Deferred Shares in issue at any time for an aggregate consideration of one penny (£0.01), or will otherwise subsequently repurchase such Deferred Shares in accordance with their terms. No share certificates will be delivered in respect of the Deferred Shares and it is not anticipated that a market for the Deferred Shares will develop. Following completion of the Election Period, for those Security holders who elect the Future Repurchase Offers in respect of some or all of their B Shares, it is currently expected that Cazenove and the Company will make further offers to purchase those B Shares on August 8, 2006 and August 8, 2007, in which event further exemptive relief may be requested to the extent determined necessary at such time. Under the terms and conditions of the B Shares, the Company has the right, but not the obligation, to convert any outstanding B Shares into New Ordinary Shares at any time after August 8, 2007.

Since the Share Capital Consolidation may give rise to fractional entitlements to New Ordinary Shares or New ADRs, such fractional entitlements will be aggregated and sold outside the United States by Cazenove and the Depository and Security holders who would otherwise have been entitled to receive fractional entitlements to New Ordinary Shares or New ADRs, as applicable, will receive their pro rata share of the sale proceeds. Should the cash consideration for the fractional entitlement be less than £1.00 in respect of New Ordinary Shares and \$2.00 in respect of New ADRs, the proceeds will be retained by the Company and donated to a charity of the Company's choice.

2.3 Application of Rule 13e-4(f)(1)(i) and Rule 14e-1(a) to the Initial Repurchase Offer

Essentially, Rule 13e-4(f)(1)(i) and Rule 14e-1(a) require that any issuer tender offer by a company that has a class of equity securities registered under Section 12 of the Exchange Act for any class of its equity securities must remain open for acceptances for a period of not less than 20 U.S. business days from the date the tender offer is first published or sent to the relevant security holders ("**Commencement**").⁵ Subject to the confirmation requested herein, in the interest of treating all Security holders equally, National Grid Transco intends to extend the benefit of the B Share Alternatives, including the Initial Repurchase Offer, to Security holders in the United States by enabling such holders to make an election with respect to the B Share Alternatives, including the Initial Repurchase Offer, during the period commencing on June 15, 2005 (the anticipated mailing date for the Shareholder Circular, the U.S. Supplemental Memorandum, the Election Forms and the Schedule TO) and ending on August 5, 2005 (the anticipated end of the Election

⁵ Rule 13e-4(f)(1)(i) provides, in relevant part, that an "issuer tender offer, unless withdrawn, shall remain open until the expiration of ... 20 business days from its commencement" Rule 14e-1(a) provides, in relevant part, that no person who makes a tender offer shall hold "such tender offer open for less than twenty business days from the date such tender offer is first published or sent to security holders."

Period), which is a period of 37 U.S. business days. As noted earlier, the Shareholder Circular and the U.S. Supplemental Memorandum will together provide Security holders with the information required to be included therein by English law, the UKLA Listing Rules (as defined below), the LSE and the applicable US tender offer rules.

On a number of occasions in the past, the Staff has granted no-action relief in connection with transactions substantially similar to the Initial Repurchase Offer.⁶ In each of the circumstances noted herein, the tender offer period remained open for at least 20 U.S. business days after Commencement and the respective offerors were offering to purchase the “B shares” tendered as of a specified date at least 20 U.S. business days after Commencement and the purchases of securities in those transactions were only (i) a few business days after the applicable record date and (ii) the same day as or one day after the “B Shares” were listed on the LSE.⁷ In each of the prior no-action letters, the Staff has determined that it would not recommend enforcement action under the applicable rule requiring that a tender offer remain open for 20 U.S. business days (i.e., Rule 14e-1(a) or Rule 13e-4(f)(1)(i) under the Exchange Act, as applicable). In addition, most recently, the Staff has granted no-action relief to Anglian Water Plc (“**Anglian**”) and Elementis plc (“**Elementis**”) in circumstances, such as is the case under the Initial Repurchase Offer, where the offer consisted of one continuous Election Period.

The Initial Repurchase Offer will consist initially of only one continuous purchase period and is similar in effect to the no-action requests by Anglian and Elementis, which had one repurchase or redemption period. As discussed by Anglian and Elementis in their respective no-action requests, the absence of a second repurchase or redemption period should not be significant. While there may be new Security holders that may become holders immediately before the record date for the Capital Reorganization and, hence, have a shorter time period to consider the Initial Repurchase Offer, the Company believes that investors would not be harmed. Those who acquire Securities near the end of the Election Period should not be prejudiced given that the London market has become familiar with repurchase and redemption schemes similar to the one discussed herein, including those having only one repurchase or redemption period. Ultimately, the Company’s overriding concern is to treat all Security holders equally and include U.S. Security holders in the transactions contemplated.

The U.K. and U.S. markets will be put on notice concerning the record date by way of the mailing of the Shareholder Circular and the U.S. Supplemental Memorandum and by a general press release in the United Kingdom and the United States concerning the Return of Cash, including the Initial Repurchase Offer. In accordance with customary practice in the United Kingdom, the Company has requested that new Security holders have the Shareholder Circular, the U.S. Supplemental Memorandum, the Election Forms and any other relevant accompanying materials forwarded to them promptly to the extent that they have purchased Securities after the mailing date and Capita IRG Plc, as receiving and information agent in the United Kingdom, The Bank of New York, as tender agent in the United States, and Mellon Investor Services LLC, as information agent in the United States, will otherwise be informing Security holders in the United Kingdom and the United States of the Initial Repurchase Offer.

⁶ See, Elementis plc (October 5, 2000); Elementis plc, (March 20, 2000); Anglian Water Plc, (August 21, 1998); Williams PLC, (June 25, 1998); Thames Water Plc, (June 18, 1998); WH Smith Group plc, (April 23, 1998); BTR plc, (April 9, 1998); Bass plc, (January 8, 1998); Diageo plc, (December 19, 1997); Thorn PLC, (June 18, 1997); and EMI Group plc, (July 17, 1997).

⁷ The brevity of the period between the record date and the repurchase date in transactions of these types is principally driven by U.K. tax considerations.

On the basis of the structure of the Initial Repurchase Offer and previous guidance of the Staff, we believe that the Initial Repurchase Offer satisfies the requirement under the Exchange Act to keep a tender offer open for acceptances for a period of at least 20 business days from the date of Commencement.

2.4 Purchases Outside the Initial Repurchase Offer and Rule 14e-5

2.4.1 Applicability of Rule 14e-5

Subject to certain exceptions, Rule 14e-5 prohibits a covered person from directly or indirectly purchasing or arranging to purchase any securities to be acquired in a tender offer for equity securities or any securities immediately convertible into, exchangeable for or exercisable for such securities, except as part of the tender offer. This prohibition applies from the time the offer is publicly announced until it expires. Rule 14e-5 defines a covered person as (i) the offeror and its affiliates, (ii) the offeror's dealer-managers and any of their respective affiliates, (iii) any advisers to the parties described in (i) and (ii) above whose compensation is dependent on the completion of the offer and (iv) any person acting in concert either directly or indirectly with any of the foregoing in connection with any purchase or arrangement to purchase any subject securities or any related securities.

Please note that, in our view, there are serious doubts as to whether the jurisdictional predicate for the application of the Exchange Act, namely that there be a purchase of a security "by use of the mails or by any means or instrumentality of interstate commerce or of any facility of a national securities exchange," would be satisfied if any of the Company, Cazenove or the other Prospective Purchasers made purchases of, or arrangements to purchase, B Shares outside the United States. We nonetheless apply, on behalf of such persons, for exemptive relief for such purchases from the provisions of Rule 14e-5, on the conditions set forth below. We have been requested by the Company and Cazenove to emphasize that this letter does not reflect an admission that Rule 14e-5 would apply to such purchases of B Shares outside the United States in the absence of such exemptive relief.

2.4.2 Purchases by Prospective Purchasers Outside the Initial Repurchase Offer

Purchases of B Shares by the Company, Cazenove or other covered persons acting for the account or benefit of the Company outside the Initial Repurchase Offer would not fall within any of the excepted activities specifically outlined in Rule 14e-5. Accordingly, in the absence of exemptive relief, such purchases would be prohibited after the public announcement of the Initial Repurchase Offer.

Under English law, including the U.K. Listing Authority Listing Rules (the "**UKLA Listing Rules**") and the U.K. City Code on Takeovers and Mergers (the "**City Code**"), National Grid Transco and its advisers and brokers (including Cazenove) are permitted to purchase B Shares in the open market or otherwise prior to and during the conduct of, but outside, the Initial Repurchase Offer, subject to certain limitations, including those relating to price.

The UKLA Listing Rules provide protections similar to those provided by Rule 14e-5, making exemptive relief appropriate in the circumstances of the Initial Repurchase Offer, by requiring that the Initial Repurchase Offer price be increased to the level of any higher purchase price outside the Initial Repurchase Offer. In addition, under the UKLA Listing Rules and the City Code (if it applied to the Initial Repurchase Offer), any purchases outside the Initial Repurchase Offer by any

party to the transaction (including the offeror and any adviser, broker or other financial institution acting as its agent) would be required to be disclosed on a next-day basis to a “Regulatory Information Service,” as set out in Schedule 12 of the UKLA Listing Rules and Rule 8.1 of the City Code, respectively. Disclosures of these purchases attract significant publicity by their very nature and they are disseminated on dealers’ trading screens throughout the London market. In addition, the Company and Cazenove believe that in light of the nature of the B Share Alternatives, which is effectively a way to return cash to Security holders in a tax efficient way, it is unlikely that there will be significant purchases outside of the Initial Repurchase Offer, and that even if such purchases do occur, as a commercial matter, they are not likely to be on the basis of a price other than 65 pence per B Share.

2.4.3 Market Making Activities by Cazenove

Cazenove is regulated in the United Kingdom by the Financial Services Authority (the “**FSA**”). Cazenove would make the purchase offer to holders of B Shares in connection with the Initial Repurchase Offer option under the B Share Alternatives. Cazenove is also acting as financial advisor and corporate broker to the Company in connection with the Return of Cash. However, the market-making activities described herein relate to Cazenove’s brokerage services with respect to the B Shares. The Initial Repurchase Offer is not technically subject to the City Code issued by the U.K. Panel on Takeovers and Mergers (the “**Panel**”) because the Initial Repurchase Offer is an issuer tender offer that will not result in a change of control, and because the City Code does not apply to transactions involving the issuance of non-voting shares. Cazenove would be considered a “Connected Exempt Market Maker” for purposes of the City Code if the City Code were applicable to the Initial Repurchase Offer. A “Connected Exempt Market Maker” is defined under the provisions of the City Code as a person who is registered as a market maker with the LSE in relation to the relevant securities, or is accepted by the Panel as a market maker or a principal trader in those securities, and, in either case, is recognized by the Panel as an Exempt Market Maker for the purposes of the City Code. A market maker that is controlled by, controls or is under common control with, among other things, the financial or other professional advisers (including stockbrokers) to an offeror or offeree company in a third-party tender offer is defined as a “connected” market maker.

Connected Exempt Market Makers are subject to “Chinese/Ethical Wall” requirements to ensure that their activities as market makers are not affected by the knowledge and tactical activities of any affiliated company advisers.⁸ Although these requirements only apply in the context of third-party tender offers, we have been informed by Cazenove that it complies with such provisions at all times to preserve its status as a Connected Exempt Market Maker should its corporate finance arm be advising a party to, or participating in, such a tender offer. Cazenove will comply, during the Initial Repurchase Offer, with the “Chinese/Ethical Wall” requirements applicable in the context of third-party tender offers, notwithstanding the fact that this transaction is not specifically subject to the City Code. In addition, we are advised that, to prevent the flow of confidential information between the trading and advisory arms of Cazenove so as to permit unrestricted dealings in securities of clients of the advisory arm, Cazenove maintains and enforces written policies and procedures providing for “Chinese/Ethical Wall” arrangements designed to prevent the flow of

⁸ A connected exempt market maker “must not carry out any dealings with the purpose of assisting the offeror or the offeree company, as the case may be.” Rule 38.1 of the City Code.

information to or from its affiliates that might result in a violation of the United States federal securities laws and regulations.

Rule 14e-5(b) provides certain exceptions to the general rule prohibiting a covered person from purchasing or arranging to purchase the subject security outside the terms of an offer. Rule 14e-5(b)(9) exempts purchases or arrangements to purchase from the general rule if: (i) the issuer of the subject security is a foreign private issuer; (ii) the tender offer is subject to the City Code; (iii) the purchase or arrangement to purchase is effected by a connected exempt market maker or a connected exempt principal trader, as those terms are used in the City Code; (iv) the connected exempt market maker or the connected exempt principal trader complies with the applicable provisions of the City Code; and (v) the tender offer documents disclose the identity of the connected exempt market maker or the connected exempt principal trader and disclose, or describe how U.S. security holders can obtain, information regarding market-making or principal purchases by such market maker or principal trader to the extent that this information is required to be made public in the United Kingdom.

As explained above, even though Cazenove will comply with the “Chinese/Ethical Wall” requirements applicable to a Connected Exempt Market Maker during the Initial Repurchase Offer, and in fact maintains “Chinese/Ethical Wall” arrangements at all times, Cazenove will not be a Connected Exempt Market Maker for purposes of this particular transaction because the Initial Repurchase Offer is not subject to the City Code. Therefore, an issue arises as to whether Rule 14e-5 restricts the continued conduct of market-making activities in the B Shares by Cazenove during the Initial Repurchase Offer.

It is our view that an exemption from the application of Rule 14e-5 with respect to market-making activities of Cazenove is appropriate under the circumstances described herein and is consistent with express policy statements of the Commission in connection with the adoption of Rule 14e-5 in January 2000 as well as relief granted in numerous no-action letters for ordinary course market-making transactions outside the applicable tender offer by brokers that complied with the City Code, including in connection with transactions (like the Initial Repurchase Offer) which were not directly subject to the City Code.

Rule 14e-5 is designed to protect the investors by “preventing an offeror from extending greater or different consideration to some security holders by offering to purchase their shares outside the offer, while other security holders are limited to the offer’s terms.”⁹ The Commission has recognized that a strict application of Rule 14e-5 could disadvantage U.S. security holders in some situations. In this context, the Commission has noted that “flexible application of Rule 14e-5 is necessary and appropriate to encourage offerors for the securities of foreign private issuers to extend their offers to U.S. security holders.”¹⁰

In the context of this transaction, the Initial Repurchase Offer directly satisfies the requirements under Rule 14e-5(b)(9) that are unrelated to the City Code: (i) the Company is a “foreign private issuer” as defined in Rule 3b-4(c) of the Exchange Act; and (ii) each of the Shareholder Circular and the U.S. Supplemental Memorandum will provide the disclosure specified in Rule 14e-5(b)(9)(v), including Cazenove’s role as a market maker. Moreover, since Cazenove will conduct

⁹ Cross-Border Tender and Exchange Offers, Business Combinations and Rights Offerings, Release No. 34-42054, International Series Release No. 1208 (October 26, 1999), Section II.C.1.

¹⁰ *Id.*

itself as if it were a Connected Exempt Market Maker during the Initial Repurchase Offer and comply with the “Chinese/Ethical Wall” requirements of the City Code, the interests of Security holders, which Rule 14e-5 seeks to safeguard, should not be prejudiced by Cazenove acting as a market maker in B Shares during the Initial Repurchase Offer. The brokerage services provided by Cazenove will be effected in the ordinary course of business and will voluntarily comply with U.K. rules that limit the potential that such market-making transactions will promote the Initial Repurchase Offer, including the “Chinese/Ethical Wall” requirements under the City Code and the FSA rules. In addition, each of the Shareholder Circular and the U.S. Supplemental Memorandum will disclose Cazenove’s role as a market maker. Therefore, Security holders will be fully aware that such market-making transactions may take place before they tender their B Shares in the Initial Repurchase Offer.¹¹

Rule 14e-5, and its predecessor Rule 10b-13, were designed to accomplish the goal of safeguarding “the interests of persons who have tendered their securities in response to a cash tender offer or exchange offer” by prohibiting a person who makes a cash tender offer or exchange offer from purchasing equity securities of the same class during the tender offer period other than pursuant to the offer itself.¹² In particular, we note that the relief requested hereby is materially the same as in the exemptive relief request letters sent on behalf of other institutions to which the Commission issued no-action letters granting exemptive relief from Rule 14e-5.¹³

Historically the Staff also granted exemptive relief from Rule 10b-13 that permitted market-making activities in connection with return of capital and capital reorganization transactions of English public limited companies that, like the Initial Repurchase Offer, were not otherwise subject to the City Code.¹⁴ In granting exemptive relief from Rule 10b-13, the Commission relied in part on the fact that during the transaction, the market maker would comply with the “Chinese/Ethical Wall” requirements of the City Code, notwithstanding the fact that the City Code did not apply to the transaction at hand.¹⁵

In addition, since the adoption of Rule 14e-5, the Commission has granted exemptive relief from Rule 14e-5 for transactions like these in a letter to the Panel (the “**Panel Letter**”).¹⁶ The underlying principle behind granting a blanket exemption for these transactions appears to be that strict application of Rule 14e-5 is not justified in the context of a transaction where market makers who are generally subject to regulation under the City Code “voluntarily comply” with the requirements of the City Code applicable to Connected Exempt Market Makers. Consistent with the

¹¹ The relief requested is materially consistent with the relief granted in a number of prior letters. In UBS AG, London Branch and J.P. Morgan Securities Limited (February 21, 2003), UBS AG and UBS Warburg (February 22, 2002) and J.P. Morgan Securities Limited (February 27, 2002), UBS AG and UBS Warburg (August 3, 2000), UBS AG and UBS Warburg (November 22, 2000) and Allied Zurich PLC (September 13, 2000), the Staff granted exemptive relief from Rule 14e-5 to permit the financial advisors to the offeror in an issuer tender offer, to engage in market-making activities during a purchase of ordinary shares. Similarly, in Tomkins PLC (March 12, 1999), the Staff granted similar exemptive relief from Rule 10b-13, the predecessor to Rule 14e-5.

¹² Notice of Revision of Proposed Rule 10b-13 Under the Securities Exchange Act of 1934, Securities Exchange Act Release No. 34-8595, [1969-1970 Transfer Binder] Fed. Sec. L. Rep. (CCH) ¶ 77,706, 83,616 (May 5, 1969).

¹³ See *infra* Note 11.

¹⁴ See, e.g., General Electric (July 31, 1998); BTR plc (April 9, 1998); Bass plc (January 8, 1998); EMI Group plc (July 17, 1997); and Thorn PLC (June 18, 1997).

¹⁵ *Id.*

¹⁶ Letter dated February 14, 2000, addressed to T. Peter Lee of the U.K. Panel on Takeovers and Mergers. The Panel Letter extended the blanket exemption from Rule 10b-13, issued by the Commission in a letter dated July 22, 1998 to the Panel, to Rule 14e-5.

Commission's express intentions in adopting Rule 14e-5(b)(9) and the Staff's position in the letters requesting exemptive relief referenced above and the Panel Letter, this principle should apply with equal force to this transaction where Cazenove, as a market maker in the B Shares, will voluntarily undertake to comply with the requirements of the City Code during the Initial Repurchase Offer. This is a transaction in which the flexible application of Rule 14e-5 is necessary and appropriate in order to encourage a foreign private issuer, such as the Company, interested in conducting an issuer tender offer to extend the offer to Security holders in the United States.

3 Relief Requested

3.1 Request for No-Action Relief with respect to Rule 13e-4(f)(1)(i) and Rule 14e-1(a)

Based on the foregoing, we respectfully request that the Staff of the Division of Corporation Finance confirm that, for the purposes of Rule 13e-4(f)(1)(i) and Rule 14e-1(a) under the Exchange Act, the Initial Repurchase Offer will be deemed to be open for not less than 20 U.S. business days between the date the Shareholder Circular, the U.S. Supplemental Memorandum, the Election Forms and the Schedule TO are mailed to Security holders and the end of the Election Period or, in the alternative, that the Staff will not recommend any enforcement action to the Commission under Rule 13e-4(f)(1)(i) or Rule 14e-1(a) if the Initial Repurchase Offer is implemented in the manner described above.

3.2 Exemption for Market Making Activities

Based on the foregoing, we respectfully request that the Staff of the Division of Market Regulation grant exemptive relief to the Company, Cazenove and the other Prospective Purchasers from the provisions of Rule 14e-5 to the limited extent necessary to (i) permit the Prospective Purchasers to make purchases of B Shares outside the Initial Repurchase Offer that would otherwise be prohibited by Rule 14e-5, subject to the conditions (a) through (h) and (l) below;¹⁷ and (ii) permit Cazenove to engage in market-making activities in the B Shares on the LSE during the Initial Repurchase Offer, subject to conditions (a) through (l) below:

- (a) no purchases or arrangements to purchase B Shares, except as part of the Initial Repurchase Offer, will be made in the United States;
- (b) each of the Shareholder Circular and the U.S. Supplemental Memorandum will disclose the possibility that the Prospective Purchasers may make purchases outside of the Initial Repurchase Offer and that Cazenove will be a market maker for the B Shares during the Initial Repurchase Offer;
- (c) the Prospective Purchasers and Cazenove shall disclose in the United States information regarding such purchases to the extent such information is required to be made public in the United Kingdom pursuant to English law;
- (d) upon request of the Division of Market Regulation, the Prospective Purchasers and Cazenove will provide to it a daily time-sequenced schedule of all purchases of B Shares

¹⁷ The relief requested is materially consistent with relief granted by the Commission to permit purchases by offerors and persons acting on behalf of offerors. We believe the exemptive relief requested herein under Rule 14e-5 is consistent with that granted by the Commission in other tender offers not governed by the City Code, including SABMiller PLC (May 10, 2004); Anheuser-Busch Companies, Inc. (May 7, 2004); GmbH for P & I Personal & Informatik Aktiengesellschaft (June 24, 2004); Kingfisher Plc Offer for Castorama Dubois Investissements SCA (June 4, 2002); and Vodafone Group Plc (March 3, 2003).

made during the Initial Repurchase Offer, including (i) a description of the size, broker (if any), time of execution, and price of purchase; and (ii) if not executed on the LSE, the exchange, quotation system or other facility through which the purchase occurred;

- (e) upon request of the Division of Market Regulation, the Prospective Purchasers and Cazenove will transmit the information specified in paragraph (d) to it at its offices in Washington, D.C. within 30 days of its request;
- (f) the Prospective Purchasers and Cazenove shall retain all documents and other information regarding purchases of B Shares made pursuant to this exemption for a period of not less than two years from the date of the termination of the Initial Repurchase Offer;
- (g) representatives of the Prospective Purchasers and Cazenove will be made available (in person at the offices of the Division of Market Regulation or by telephone) to respond to inquiries of the Division of Market Regulation relating to their records;
- (h) except as otherwise specifically provided in this letter, the Prospective Purchasers and Cazenove will comply with Rule 14e-5;
- (i) in connection with all purchases of B Shares by Cazenove outside the Initial Repurchase Offer, Cazenove will comply with the provisions of the City Code and the "Chinese/Ethical Wall" requirements of the FSA rules that would be applicable to a Connected Exempt Market Maker in connection with an offer for the shares of a company incorporated in England and Wales that would result in a change of control;
- (j) all purchases of B Shares by Cazenove outside the Initial Repurchase Offer will be effected in the ordinary course of business and in compliance with any U.K. laws and rules applicable to such purchases, and will not be undertaken for the purposes of promoting the Initial Repurchase Offer or for the purpose of creating actual or apparent active trading in, maintaining or raising the price of the B Shares;
- (k) each of the Shareholder Circular and the U.S. Supplemental Memorandum will disclose prominently that during the Initial Repurchase Offer, all market-making transactions effected by Cazenove will be made pursuant to an exemption from Rule 14e-5; and
- (l) the Prospective Purchasers shall comply with any applicable rules in the United Kingdom, including the rules and regulations of the UKLA, the LSE and the City Code.

4 Conclusion

For the foregoing reasons, we respectfully request, in reliance on our opinions set forth above, that (i) the Staff of the Division of Corporation Finance either grant the relief requested under Rule 13e-4(f)(1)(i) and Rule 14e-1(a) or confirm that it will not recommend any enforcement action to the Commission pursuant to Rule 13e-4(f)(1)(i) or Rule 14e-1(a) with respect to the transactions contemplated herein and (ii) the Staff of the Division of Market Regulation either grant the relief requested under Rule 14e-5 or confirm that it will not recommend any enforcement action to the Commission pursuant to Rule 14e-5 with respect to the transactions contemplated herein.

If you wish to receive further information or to discuss any of the above matters further, please do not hesitate to call the undersigned on 011 44 20 7456 3481 or Thomas B. Shropshire, Jr. at 011 44 20 7456

3223. For your convenience, we may be contacted via e-mail at larry.vranka@linklaters.com and tom.shropshire@linklaters.com, respectively.

Very truly yours,

Lawrence Vranka, Jr.

cc: Paul Dudek, *Chief, Office of International Corporate Finance,
Securities and Exchange Commission*

Mara L. Ransom, *Special Counsel, Office of Mergers and Acquisitions,
Securities and Exchange Commission*

John McAlister, *Group Deputy General Counsel, National Grid Transco plc*