

NATIONAL GRID PLC
Form 424B2
July 14, 2006

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated July 14, 2006

Preliminary Prospectus Supplement
(To Prospectus dated June 28, 2006)

Filed pursuant to Rule 424(b)(2)
Registration No. 333-135407

National Grid plc

\$

% Notes Due

The \$ notes due (the Notes) will bear interest at % per year. Interest on the Notes will be payable on and of each year, beginning on . The Notes will mature at 100% of their principal amount on .

The Notes will be senior and unsecured obligations and will rank equally in right of payment with our existing and future unsecured, unsubordinated indebtedness.

Application will be made for the Notes described in this prospectus supplement to be listed on the New York Stock Exchange (the NYSE).

Investing in the Notes involves risks. See Risk Factors beginning on page 2 of the accompanying prospectus and the documents incorporated by reference herein.

For a more detailed description of the Notes, see Description of the Notes beginning on page S-7.

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Underwriting Discounts	Proceeds, before expenses, to National Grid plc
	\$	\$	\$
Per Note	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest, if any, from the date of issuance.

The underwriters expect to deliver the Notes to purchasers in registered book-entry form through The Depository Trust Company (DTC) on or about July , 2006. Beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants including Euroclear and Clearstream.

Joint Book-Running Managers

Citigroup

JPMorgan

Merrill Lynch & Co.

Dated July , 2006.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the Notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus which gives more general information, some of which does not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

In this prospectus supplement and any other prospectus supplements, all references to National Grid, NG, our company, we, us or our mean National Grid plc, unless we state otherwise or as the context requires. In addition, the term IFRS means international financial reporting standards as adopted by the European Union and the term U.S. GAAP means generally accepted accounting principles in the United States.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This prospectus supplement incorporates by reference certain of the reports and other information that we have filed with the SEC under the Securities Exchange Act of 1934, as amended (the **Exchange Act**). This means that we are disclosing important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement. Information filed with the SEC after the date of this prospectus supplement will update and supersede this information. We incorporate by reference in this prospectus supplement the documents listed below:

Our Annual Report on Form 20-F for the year ended March 31, 2006;

Our report on Form 6-K dated July 14, 2006; and

Any future reports that we may file that indicate that they are incorporated by reference into the Registration Statement to which this prospectus supplement relates.

Information in this prospectus may be modified by information included in subsequent Exchange Act filings that we incorporate by reference, the result of which is that only the information as modified will be part of this prospectus. All other information in the prospectus will be unaffected by the replacement of this superseded information.

Table of Contents**RECENT EVENTS**

The proposed acquisition of KeySpan Corporation (**KeySpan**) cleared two regulatory reviews in July 2006, by the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act and by the Committee on Foreign Investment in the United States. Remaining approvals for the acquisition include authorization by the Federal Energy Regulatory Commission and by state public utility regulatory commissions, including from the New York Public Service Commission and the New Hampshire Public Utilities Commission, as well as approval by both KeySpan and National Grid shareholders. For additional information on the proposed KeySpan acquisition, please see our Annual Report on Form 20-F for the year ended March 31, 2006 and our Report on Form 6-K dated July 14, 2006, each incorporated by reference to this prospectus supplement.

THE OFFERING

For a more detailed description of the Notes, see Description of the Notes in this prospectus supplement and, for a more detailed description of the provisions governing the Notes and the indenture under which the Notes will be issued, see Description of the Debt Securities in the accompanying prospectus.

Issuer	National Grid plc.
Indenture Trustee and Paying Agent	The Bank of New York.
Notes Offered	\$ aggregate principal amount of notes due .
Interest Payable on the Notes	The Notes will bear interest at % per year, payable on each and of each year, beginning on , to and including .
Redemption at the Option of NG	The Notes will be redeemable, in whole or in part, at our option at any time at a redemption price equal to the greater of 100% of the principal amount of the Notes and a make-whole amount plus, in each case, accrued interest thereon to the date of redemption. See Description of the Notes Redemption at the Option of NG .
Redemption at the Option of the Holders	<p>Holder of the Notes will have the option to require us to redeem the Notes at 100% of their principal amount, together with accrued interest to the date of redemption, if a restructuring event (as defined in the indenture and described in the accompanying prospectus) shall be deemed to have occurred.</p> <p>See Description of the Debt Securities Redemption at the Option of Debt Security Holders in the accompanying prospectus.</p>
Payment of Additional Amounts	We will make all payments of principal and premium, if any, interest and any other amounts on, or in respect of, the Notes without withholding or deduction at source for, or on account of, any present or future taxes, fees, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any other jurisdiction in which we are resident for tax purposes (each, a Relevant Jurisdiction), or any political subdivision of any Relevant Jurisdiction or any authority in or of any Relevant Jurisdiction having the power to tax, unless such taxes, fees, duties, assessments or

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governmental charges are required to be withheld or deducted. If a withholding or deduction at source is required, we will, subject to certain limitations and exceptions, pay to the holder of the Notes, as additional interest, such additional amounts as may be necessary so that every net payment of principal, premium, if any, interest or any other amount made to such holder, after the withholding or deduction, will not be less than the amount provided for in the Notes or in the indenture to be then due and payable.

See Description of the Debt Securities Payment of Additional Amounts in the accompanying prospectus.

Early Redemption for Taxation Reasons

We may redeem the Notes in whole, but not in part, at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest and additional amounts, if any, to the date fixed for redemption, if as a result of any change in or amendment to the laws or treaties (or any regulations or rulings promulgated under these laws or treaties) of the Relevant Jurisdiction or any taxing authority in the Relevant Jurisdiction (or any political subdivision) or any change in the application or official interpretation of such laws, regulations or rulings occurring, in the case of a redemption by us, on or after the date of issuance of the Notes or, in the case of a redemption by our successor, on or after the date on which the successor corporation assumes the obligation under the Notes, we will be required as of the next interest payment date to pay additional amounts with respect to the Notes as provided in Description of the Debt Securities Payment of Additional Amounts in the accompanying prospectus and such requirements cannot be avoided by the use of reasonable measures (such measures not involving any material additional payments or expense by us) then available. If we elect to redeem the Notes, we will give written notice of such election to the trustee and the holders of the Notes. Interest on the Notes will cease to accrue unless we default in the payment of the redemption price.

See Description of the Debt Securities Redemption of Debt Securities for Tax Reasons in the accompanying prospectus.

Ranking

The Notes will rank equally with all of our existing and future unsecured, unsubordinated indebtedness and will be effectively subordinated to any secured indebtedness that we may incur in the future or the indebtedness of any of our subsidiaries. See Description of the Notes Ranking in this prospectus supplement and Risk Factors in the accompanying prospectus.

Denomination and Form of Notes

The Notes will be offered and sold in minimum denominations of \$1,000 and integral multiples of \$1,000. The Notes will be represented by one or more global notes deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee for DTC. You will not receive certificated Notes unless one of the events described under the heading Description of

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the Debt Securities Securities in Definitive Form in the accompanying prospectus occurs.

You may hold securities entitlements in respect of the Notes directly through DTC, if you are a participant in DTC, or indirectly through Euroclear and Clearstream, as participants in DTC.

See Description of the Notes Denomination, Form and Registration in this prospectus supplement and Description of the Debt Securities Denominations, Registration and Transfer and Global Securities in the accompanying prospectus.

Defeasance The Notes will be subject to the defeasance and covenant defeasance provisions in the indenture described under Description of the Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying prospectus.

Listing Application will be made to list the Notes on the NYSE, as agreed by the underwriters and us.

Governing Law The Notes and the indenture under which they are issued will be governed by the laws of the State of New York.

Use of Proceeds We expect that the net proceeds from this offering, after deducting the Underwriters discounts but before expenses, will be approximately \$. We intend to use the proceeds of the sale of the Notes initially for general corporate purposes, with the remaining portion used to finance in part our proposed acquisition of KeySpan subject to consummation of the acquisition.

Risk Factors ***Investing in the Notes involves risks.***

You should carefully consider the risk factors in the section Risk Factors beginning on page 2 in the accompanying prospectus, as well as in Item 3 in our Annual Report on Form 20-F for the year ended March 31, 2006 and in our Report on Form 6-K dated July 14, 2006, each incorporated by reference herein.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The following tables present certain summary historical consolidated financial information of National Grid plc. You should read these tables in conjunction with *Operating and Financial Review and Prospects* and the consolidated financial statements included in our Annual Report on Form 20-F for the year ended March 31, 2006. We adopted IAS 32 *Financial Instruments: Presentation and Disclosure* and IAS 39 *Financial Instruments: Recognition and Measurement* with effect from April, 1 2005 and changed our method of accounting for financial instruments accordingly. As permitted by IFRS 1 *First-time Adoption of International Reporting Standards*, prior periods have not been restated. The consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, which differ in certain respects from U.S. GAAP. For a summary of the material differences between IFRS and U.S. GAAP, please see Notes 37 and 38 to our consolidated financial statements.

The information in these tables is qualified in its entirety by reference to our consolidated financial statements included in our Annual Report on Form 20-F for the year ended March 31, 2006. You should not solely rely on the summarized information in this section of this prospectus supplement.

IFRS

	Year Ended March 31,	
	2006	2005
	(£ millions)	
Turnover	9,193	7,382
Total operating profit	2,439	2,142
Profit for the year from continuing operations	1,217	1,120
Profit for the year	3,850	1,424
Total assets	25,924	27,560
Net assets	3,493	2,121
Total parent company shareholders' equity(1)	3,482	2,111

U.S. GAAP

	Year Ended March 31,				
	2006	2005	2004	2003	2002
	(£ millions)				
Turnover	9,216	7,424	7,761	6,741	4,004
Operating profit	1,810	1,804	1,523	1,386	889
Net income from continuing operations	711	1,037	696	562	(166)
Net income/(loss)	1,307	1,304	998	751	(167)
Total assets	32,287	37,274	35,347	36,947	17,727
Net assets	9,788	10,629	9,875	9,515	3,862
Equity shareholders' funds(1)	9,747	10,591	9,821	9,426	3,759

(1) Excludes minority shareholders' instruments.

Table of Contents**USE OF PROCEEDS**

We expect that the net proceeds from this offering, after deducting the underwriters' discounts but before expenses, will be approximately \$. We intend to use the proceeds of the sale of the Notes initially for general corporate purposes, with the remaining portion used to finance in part our proposed acquisition of KeySpan subject to consummation of the acquisition. For additional information on the proposed KeySpan acquisition, please see our Annual Report on Form 20-F for the year ended March 31, 2006 and our Report on Form 6-K dated July 14, 2006, each incorporated by reference to this prospectus supplement.

The net proceeds of \$ will be less than the amount required to finance the acquisition of all outstanding shares of KeySpan for \$7.3 billion in cash. The acquisition is expected to close in early 2007, and we expect that our additional financing may include the issuance of additional debt securities and the establishment of committed medium term bank facilities and shorter term committed bank facilities.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization on an actual basis, using financial information compiled in accordance with IFRS, as of March 31, 2006. IFRS differs in some respects from U.S. GAAP. For a summary of the material differences between IFRS and U.S. GAAP, please see Notes 37 and 38 to our consolidated financial statements included in our Annual Report on Form 20-F for the year ended March 31, 2006. You should read this table in conjunction with our consolidated financial statements and notes.

	As of March 31, 2006
	(£ million)
Bank loans and overdrafts	550
Other bonds	9,598
Finance leases	115
Other loans	24
Total long-term debt(1)	10,287
Total short-term debt(1)	2,842
Total Debt(2)	13,129
Shareholders' Equity	
Called up share capital	310
Share premium account	1,316
Retained earnings	6,817
Translation reserve	127
Cash flow hedges reserve	37
Available-for-sale investment reserve	6
Other reserves	(5,131)
Total Shareholders' Equity(3)	3,482
Total Capitalization	16,611

(1) Between March 31, 2006, and June 30, 2006, new bonds were issued totaling £1,425 million. This increase in total borrowings was offset by bonds maturing totaling £505 million.

(2) Net of issuance costs and premiums or discounts. As of March 31, 2006, we had net debt related derivative assets of £443 million.

Account has been taken of liabilities and guarantees between undertakings within the same group.

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Charges over our property, plant and other assets were provided as collateral over borrowings as at March 31, 2006 totaling £607 million.

The value of our contingencies at March 31, 2006 amounted to £334 million including guarantees amounting to £149 million.

Details of the guarantees entered into by the company at March 31, 2006 are shown below:

- i) Performance guarantees of £20 million relating to certain property obligations of one of our undertakings. The bulk of these expire by December 2025;
- ii) A guarantee of £50 million of the obligations of one of our undertakings to make payments of any liabilities under a meter operating contract that runs until May 2008;
- iii) A performance guarantee relating to the construction of the Victoria to Tasmania interconnector of 48 million Australian Dollars (£20 million). This halved on commissioning in April 2006 and expires in November 2006;
- iv) A guarantee of the payment obligations of one of our undertakings in respect of a power connection agreement amounting to an annual maximum of 7 million Australian Dollars, reducing over the term of the contract. This runs until June 2051, but the maximum potential payout is estimated as £5 million;
- v) A guarantee of the payment obligations of one of our undertakings in respect of a nitrogen supply agreement amounting to a maximum potential payout of £14 million subject to a cap of £1 million per annum. This runs until November 2019;
- vi) A guarantee of the payment obligations of one of our undertakings in respect of a power connection agreement amounting to a maximum potential payout of £14 million subject to a cap of £7 million per annum. This runs until December 2024;
- vii) Guarantees in respect of a former associate amounting to £14 million, the bulk of which relates to its obligations to supply telecommunications services. This is open-ended; and
- viii) Other guarantees amounting to £12 million arising in the normal course of business and entered into on normal commercial terms. These guarantees run for varying lengths of time.

NG has guaranteed the repayment of principal sum, any associated premium and interest on specific loans due from certain of our undertakings to third parties. At March 31, 2006, the sterling equivalent amounted to £2,082 million. The guarantees are for varying terms between one month and twelve years.

At March 31, 2006, NG has also guaranteed the lease obligations of a former associate to our undertakings, amounting to £31 million.

No group indebtedness is guaranteed in favor of the group by an outside party.

As at March 31, 2006, we had cash and short-term investments of £1,836 million.

The information contained in the Capitalization Table is extracted without material adjustment from NG's audited consolidated financial statements as at March 31, 2006.

There has been no material change in the contingent liabilities or guarantees of NG since March 31, 2006.

(3) On May 18, 2006, our Directors announced a proposed final dividend of 15.9 pence per share that will absorb £433 million of shareholders' equity. If approved by our shareholders at the Annual General Meeting on July 31, 2006, the year-end dividend will be paid on August 23, 2006.

Table of Contents**DESCRIPTION OF THE NOTES**

The following description of the particular terms of the Notes supplements the description of the general terms and provisions of the debt securities set forth under Description of the Debt Securities beginning on page 18 of the accompanying prospectus. The accompanying prospectus contains a more detailed summary of additional provisions of the Notes and of the indenture, dated as of July 3, 2006 between us and The Bank of New York, as trustee, under which the Notes will be issued, as supplemented by a first supplemental indenture between us and The Bank of New York, as trustee and paying agent. The following description amends and replaces the description of the debt securities in the accompanying prospectus, to the extent of any inconsistencies. Terms used in this prospectus supplement that are otherwise undefined will have the meanings given to them in the accompanying prospectus. As used in this section, we, us and our means NG and does not include any of its subsidiaries.

General

The Notes are a series of debt securities described in the accompanying prospectus, and are senior debt securities. The Notes will be issued in an initial aggregate amount of \$ _____ and will mature at 100% of their principal amount on _____. We will issue the Notes under the indenture dated as of July 3, 2006 between us and The Bank of New York, as trustee, as supplemented by a First Supplemental Indenture to be dated as of July _____, 2006 between us and the trustee. There is no limit on the aggregate principal amount of Notes of this series that we may issue under the indenture. We intend to make an application to list the Notes on the NYSE. The Notes will not be entitled to any sinking fund.

Additional Issuances

We may, without the consent of holders of the Notes, issue additional notes of the same series having the same ranking and the same interest rate, maturity and other terms as the Notes offered by this prospectus supplement, except for the issue price and issue date and, in some cases, the initial interest payment date. Any additional notes having such similar terms will, together with the Notes, constitute a single series of notes under the indenture. We do not intend to issue additional notes intended to form a single series with the Notes unless such securities are issued with no more than a *de minimus* original issue discount for U.S. federal income tax purposes or such additional issuance is a qualified reopening as such term is defined by Treasury Regulations Section 1.1275-2(k)(3) under the Internal Revenue Code of 1986, as amended.

Payment of Interest

The Notes will bear interest at the rate of _____ % per year. Interest will accrue from _____. Interest on the Notes will be payable semi-annually on each _____ and _____ of each year, commencing _____, to the persons in whose name the Notes are registered at the close of business on the preceding _____ or _____, as the case may be. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which interest is payable on the Notes is not a business day, then a payment of the interest payable on such date will be made on the next succeeding business day. No interest will accrue for the amount so payable for the period from and after such interest payment date to the date the payment is made. For the purposes of this section, business day means a day other than a Saturday or Sunday or any other day on which banking institutions in New York, New York or the city of London, England are authorized or required by law or executive order to close.

Ranking

The Notes will be senior unsecured obligations of NG and will rank equally in right of payment with all of our existing and future unsecured, unsubordinated indebtedness and will be effectively subordinated to any secured indebtedness that we may incur in the future or the indebtedness of any of our subsidiaries. The Notes will rank senior to any subordinated indebtedness.

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The Notes will be redeemable, in whole or in part, at our option at any time at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes, and (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the Notes (not including any portion of such payments of interest accrued as of the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate (as defined below) plus basis points plus, in each case, accrued interest thereon to the date of redemption.

Adjusted Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

Comparable Treasury Price means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Quotation Agent means the Reference Treasury Dealer appointed by us.

Reference Treasury Dealer means (i) each of Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or their affiliates and their respective successors; provided, however, that if the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in New York, New York (a **Primary Treasury Dealer**), we shall substitute therefor another Primary Treasury Dealer; and (ii) two other Primary Treasury Dealers selected by us.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m., New York time, on the third business day preceding such redemption date.

If less than all of the Notes are to be redeemed, the trustee will select the Notes or portions of the Notes to be redeemed by such method as the trustee deems fair and appropriate.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption.

Redemption at the Option of the Holders

Holders of the Notes will have the option to require us to redeem the Notes at 100% of their principal amount, together with accrued interest to the date of redemption, if a restructuring event (as defined in the indenture and described in the accompanying prospectus) shall be deemed to have occurred.

See Description of the Debt Securities Redemption at the Option of Debt Security Holders in the accompanying prospectus.

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Denomination, Form and Registration

The Notes will be offered and sold in minimum denominations of \$1,000 and in integral multiples of \$1,000. The Notes will be represented by one or more global securities registered in the name of Cede & Co., as nominee of DTC. You will hold beneficial interests in the Notes through DTC and its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. Settlement of the Notes will occur through DTC in same day funds. For additional information, see Description of the Debt Securities Global Securities ,

Securities in Definitive Form and Clearance and Settlement in the accompanying prospectus.

Corporate Trust Office

The principal of, premium, if any, and interest on the Notes will be payable at the corporate trust office of the trustee, located at One Canada Square, London E14 5AL, United Kingdom, or at 101 Barclay Street, New York, NY 10286, United States. In addition, the Notes may be presented for transfer or exchange, and notices may be served upon us, at such corporate trust office or at the trustee s office in New York.

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Subject to the terms and conditions set forth in the underwriting agreement dated July , 2006, each of the underwriters has severally agreed to purchase, and we have agreed to sell to each underwriter, the principal amount of Notes set forth opposite the name of each underwriter.

Underwriter	Principal Amount of Notes
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Total	

Citigroup Global Markets Inc., J.P. Morgan Securities Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated are the joint book-running managers for this offering of Notes.

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions and that the underwriters will purchase all of the Notes offered by this prospectus supplement if any of these Notes are purchased.

The underwriters will initially offer to sell the Notes to the public at the initial public offering prices set forth on the cover of this prospectus supplement. The underwriters may sell Notes to securities dealers at a discount from the initial public offering price of up to % of the principal amount of the Notes. These securities dealers may resell any Notes purchased from the underwriters to other brokers or dealers at a discount from the initial public offering price of up to % of the principal amount of the Notes. If the underwriters cannot sell all the Notes at the initial offering price, they may change the offering price and the other selling terms.

The Notes are a new issue of securities with no established trading market. Application will be made to list the Notes on the New York Stock Exchange. The underwriters have advised National Grid that they intend to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. Therefore the liquidity of the trading market of the Notes may be low.

Furthermore, the underwriters may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions that any short sales have created. Short sales are the sale by the underwriters of a greater amount of Notes than they are required to purchase in the offering. Stabilizing transactions are bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. These transactions may be effected in the over-the-counter market or otherwise.

In the ordinary course of their respective businesses, the underwriters and their affiliates have engaged, and may in the future engage, in various banking and financial services for and commercial transactions with us and our affiliates for which they have received, and will receive in the future, customary fees.

We estimate that expenses, excluding underwriting discounts, will be approximately \$. The underwriters have agreed to contribute to our expenses.

We have agreed to indemnify the several underwriters against various liabilities, including liabilities under the Securities Act of 1933, as amended.

Each underwriter has represented and agreed that, in connection with the distribution of the Notes, it has only communicated or caused to be communicated and will only communicate or cause to be

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communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA) of the United Kingdom) received by it in connection with the issue or sale of such Notes or any investments representing the Notes in circumstances in which section 21(1) of the FSMA does not apply to National Grid and that it has complied and will comply with all the applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Each underwriter has represented and agreed that in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Member State, it has not made and will not make an offer of the Notes to the public in that Member State, except that it may, with effect from and including such date, make an offer of the Notes to the public in that Member State:

- (i) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (ii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or
- (iii) at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of the Notes to the public in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/ EC and includes any relevant implementing measure in that Member State.

Table of Contents**VALIDITY OF THE NOTES**

The validity of the Notes will be passed upon for us by LeBoeuf, Lamb, Greene & MacRae LLP as to matters of New York law, and by LeBoeuf, Lamb, Greene & MacRae, London, England as to matters of English law. Certain matters will be passed upon for the underwriters by Davis Polk & Wardwell as to matters of New York law.

EXCHANGE RATE INFORMATION

The following table sets forth the history of the exchange rates of one pound sterling to U.S. dollars for the periods indicated. Please see our Annual Report on Form 20-F for the fiscal year ended March 31, 2006 for additional exchange rate information which is incorporated by reference.

Pound Sterling/U.S. Dollar Exchange Rate History(1)

	July 2006(4)	June 2006	May 2006	April 2006	March 2006	February 2006	January 2006
Last(2)	1.8347	1.8491	1.8732	1.8220	1.7393	1.7539	1.7820
Average(3)	1.8406	1.8435	1.8687	1.7680	1.7442	1.7480	1.7686
High	1.8513	1.8817	1.8911	1.8220	1.7567	1.7807	1.7885
Low	1.8342	1.8108	1.8286	1.7389	1.7256	1.7343	1.7404

(1) Data obtained from Bloomberg Professional® Services, Bloomberg L.P.

(2) Last is the closing exchange rate on the last business day of each of the periods indicated.

(3) Average is the average daily exchange rate during the periods indicated.

(4) Through July 12.

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PROSPECTUS

**National Grid plc
Debt Securities**

We may from time to time offer and sell unsecured debt securities in one or more separate series. We will describe in one or more prospectus supplements, which must accompany this prospectus, the type and amount of a series of debt securities we are offering and selling, as well as the specific terms of these securities. Such prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and the prospectus supplements carefully, together with the information described under the heading **Where You Can Find More Information** before you invest in these securities.

We may offer debt securities in amounts, at prices and on terms to be determined at the time of offering. We may sell these securities directly to you, through agents we select, or through underwriters and dealers we select. If we use agents, underwriters or dealers to sell these securities, we will name them and describe their compensation in the applicable prospectus supplement.

The mailing address of our principal executive office is 1-3 Strand, London, WC2N 5EH, England and our telephone number is 011-44-207-004-3000.

Investing in these securities involves risks. See Risk Factors beginning on page 2 of this prospectus and Risk Factors in our most recent Annual Report on Form 20-F, as well as any contained in the applicable prospectus supplement.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of debt securities unless accompanied by a prospectus supplement.

The date of this prospectus is June 28, 2006.

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