

November 2016

Dear Member

Earlier this year, your Trustee Board wrote to you regarding the agreement that we had reached with National Grid to create three separate and independent sections within the National Grid UK Pension Scheme ('the Scheme'). This agreement will protect your benefits whilst facilitating the planned sale of a majority stake in the Gas Distribution business. We are now able to confirm which section you have been allocated to.

You do not need to take any action in relation to this letter.

Section confirmation

You have been allocated to **Section C**. This section will be sponsored by the new Gas Distribution business. Its funding and security package takes into account the fact that this section benefits from the ring-fenced regulated assets of the Gas Distribution business and its Ofgem license. It is also supported by the Gas Distribution business's strong and significant cash flows. It is important to note the following for Section C:

- The Gas Distribution business is a strong standalone business with a regulated asset base of £8.7bn as at 31 March 2016
- The Trustees and National Grid have agreed a robust funding and security plan for this section in light of its regulated cash flows and strong asset base
- Security arrangements have been agreed that will provide additional support for the section under certain circumstances

We have included a booklet with details about the section you have been allocated to, including information on the allocation process and funding of the section. This also contains a number of Q&As to help answer any questions that you may have as a result of this communication.

In addition to this, we have created a video explaining the approach that we used to assign members of the Scheme across the three sections. This is available on the Scheme website: www.nationalgridpensions.com/542/scheme-changes. If you do not have access to the website, please contact the number included at the end of this letter to request a summary of the allocation video.

There will be no change to your pension benefits

Please be reassured that the funding and security plan we have agreed for this section means that your pension benefits remain just as safe, secure and well supported.

There will be no change to your pension benefits as a result of the sectionalisation of the Scheme. This includes no change to spouse benefits, death benefits or the way your pension increases.

If you are already in receipt of a pension, it will continue to be paid in the same way and on the same date that it always has been. If you are not yet receiving your pension, all the same terms apply and there are no changes to the age at which you can start collecting your pension.

The Trustee Board will remain responsible for the Scheme as a whole and your pension will continue to be administered by the same team, UK Pensions Operations.

Our promise to you

We will continue to communicate fully with you as these changes progress. We will write to you to confirm once the sectionalisation process has been completed. We expect this to be in early 2017. In the meantime, we will update the Scheme website as and when information is available. Please use the following link to access this information: www.nationalgridpensions.com/542/scheme-changes.

We appreciate that you may have questions as a result of this communication. If you have any questions that are not covered in the enclosed booklet or on the Scheme's website, please call 08457 585 247 or email GDpensions@nationalgrid.com.

Sincerely



Nigel Stapleton
Chairman
National Grid UK Pension Scheme Trustee Board

