



Joel deJesus
Counsel

February 9, 2004

VIA ELECTRONIC FILING

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Docket Nos. TS04-_____ ; RM01-10-000

Dear Secretary Salas:

Please find enclosed for electronic filing in Docket Nos. TS04-_____ ; RM01-10-000, the "Informational Filing of National Grid USA".

A copy of this filing will be posted on the OASIS sites under which the National Grid USA companies operate and will be served upon the regulatory commissions in the states in which those companies operate.

Please do not hesitate to contact me if you have any questions or concerns.

Respectfully submitted,

Joel deJesus

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I. DESCRIPTION OF NATIONAL GRID

National Grid has gone further in implementing the Commission's Standards of Conduct under *both* Order Nos. 889 and 2004 – by unbundling its formerly integrated operations -- than the vast majority of jurisdictional companies. As the Commission is aware, National Grid has divested virtually all of its generating assets to unaffiliated companies; and it has also completely exited the energy marketing business. On the electric side, the bulk of National Grid's operations relate to the ownership, operation, and control of transmission and distribution delivery assets, with limited supply procurement activity associated with the “provider of last resort” (“POLR”) retail electric service in compliance with obligations under state restructuring laws and settlements. National Grid has taken steps to eliminate any residual economic or commercial interests it may have in connection with this supply procurement function and the provision of these last resort commodity services. On the gas side, National Grid's operations relate to state-jurisdictional local gas distribution services provided in New York.

A. Corporate Overview

National Grid is a registered public utility holding company system with electric utility subsidiaries operating in Massachusetts, New Hampshire, Rhode Island, and Vermont; an electric and gas utility subsidiary operating in New York; and an independent transmission company subsidiary operating in the Midwest. Attached as Appendix A is a corporate organization chart that identifies the relevant affiliates. National Grid has prepared this chart in compliance with 18 C.F.R. § 358.4(b)(i).¹

¹ In addition to the energy companies, holding companies, and service company described herein, there are currently 40 other subsidiaries held directly or indirectly by National Grid. However, these entities are either inactive or do not fall within the definition of Energy Affiliate, and they will not be described in this filing or in the corporate organization chart.

National Grid is held through a number of intermediate holding companies by its ultimate parent company, National Grid Transco plc (NGT). NGT is an international energy delivery business, whose principal activities are in the regulated electricity and gas industries. In the UK, NGT owns and operates the high-voltage electric transmission network in England and Wales, and Britain's natural gas delivery system.

In New England, National Grid's operating companies include its transmission subsidiary, New England Power Company ("NEP"), and four electric distribution companies: Massachusetts Electric Company ("Mass. Electric"), Nantucket Electric Company ("Nantucket"), The Narragansett Electric Company ("Narragansett"), and Granite State Electric Company ("Granite State"). Although NEP provides transmission services over its own transmission assets, NEP also provides transmission over assets owned by Mass. Electric and Narragansett pursuant to Commission-approved integrated facilities agreements. The facilities of NEP and the four distribution companies serve approximately 1.7 million end-use customers in Massachusetts, Rhode Island, and New Hampshire, and are interconnected directly with other utilities in New England and New York. NEP, Mass. Electric, Narragansett, and Granite State are all Participants in the New England Power Pool ("NEPOOL"). National Grid has divested substantially all of the generation assets formerly owned by NEP and has also sold its power marketing affiliates. Retail customers in the states served by National Grid's distribution companies have the right to choose among competitive suppliers, and no subsidiary of National Grid competes to supply them. Rather, the distribution companies are obligated by state law to supply "standard offer" or "default" electric service, as POLRs, to customers who have not chosen to obtain supplies from a competitive supplier or who cannot do so, and National Grid contracts out the load service responsibilities for such POLR services to third party suppliers.

Also in New England, National Grid has three other special-purpose operating subsidiaries. New England Electric Transmission Corporation (“NEET”), New England Hydro-Transmission Corporation (“NEHTC”), and New England Hydro-Transmission Electric Company, Inc. (“NEHTEC”) are companies that were specifically created to own, operate, and facilitate the financing for a portion of a single transmission asset, the Hydro-Quebec HVDC Intertie (“Phase I/II”), which is a project-funded high-voltage DC facility connecting New England and the Province of Quebec.²

National Grid owns its principal New York subsidiary, Niagara Mohawk Power Corporation (“NMPC”), through an intermediate holding company, Niagara Mohawk Holdings, Inc. NMPC provides both electric transmission and electric distribution service to customers in New York. NMPC has divested its generation and power marketing assets, and supplies electricity to approximately 1.5 million customers in New York solely as a POLR in accordance with state law. NMPC also provides local gas distribution services (including POLR gas services) to approximately 550,000 retail customers in upstate New York.

In the Midwest, National Grid owns an independent transmission company, GridAmerica, LLC (“GridAmerica”), through an intermediate holding company, GridAmerica Holdings Inc. Although the ownership structure and operations may change over time, GridAmerica presently is a wholly-owned, indirect subsidiary of National Grid, which currently manages day ahead (and further out) reservation scheduling and provides input on long term investment planning and mid-term and long term outage planning for various transmission

² National Grid owns approximately 54% of the equity of both NEHTC and NEHTEC.

systems in the Midwest Independent System Operator territory.³ GridAmerica's operations cover approximately 4 million customers, 14,000 miles of transmission lines, and a 46,000 square-mile service territory spanning five states.

In addition to the foregoing operating companies, National Grid has a service company subsidiary, National Grid USA Service Company, Inc. ("the Service Company"). The Service Company has been authorized by the Securities and Exchange Commission ("SEC") to provide services to National Grid and all of its affiliates. The Service Company agreement approved by the SEC outlines 21 broad categories of such services, which are primarily administrative and general shared services but which also include certain operational functions, as discussed more fully below. The Service Company is precluded from offering services directly to the public.

B. Functional Overview

As is apparent from the foregoing, the National Grid utility companies are mainly organized as separate corporate entities. Nevertheless, the corporate distinctions alone do not specifically demarcate the various groups of employees that are covered by Order No. 2004. In analyzing Order No. 2004 and preparing for compliance, National Grid has undertaken extensive review of its various business units and activities to identify specifically those Transmission Function Employees (as that term is defined in 18 C.F.R. § 358.3 (j)); those employees engaged

³ On October 1, 2003, GridAmerica commenced operations for two of its three participant companies, members American Transmission Systems Incorporated (ATSI), a subsidiary of FirstEnergy Corp., and Northern Indiana Public Service Co., a subsidiary of NiSource. Ameren Services Company, as agent for its electric utility affiliates Union Electric Company d/b/a Ameren UE and Central Illinois Public Service Company d/b/a Ameren CIPs, the third transmission-owning participant in GridAmerica, will be integrated into Midwest ISO's regional operations pending approval from state regulatory officials.

The Commission has approved the GridAmerica ITC in a series of orders. *Ameren Services Company, et al.*, 100 FERC ¶ 61,135 (2002); 101 FERC ¶ 61,320 (2002); 103 FERC ¶ 61,178 (2003).

in wholesale Marketing, Sales or Brokering (as that term is defined in 18 C.F.R. § 358.3 (e)); and those employees that perform shared services functions.

1. Transmission Function

National Grid's Transmission Function Employees primarily comprise a single business unit within the Service Company. The "US Transmission" group is headed by the Chief Operating Officer – US Transmission, who is based in the US but reports to NGT's Group Director for UK and US Transmission in the UK. Although virtually all of the US Transmission group is employed by the Service Company,⁴ the US Transmission group provides the commercial, technical, and operational oversight for the transmission businesses of all of National Grid's Transmission Providers.

Beyond the US Transmission group, National Grid is currently identifying other employees who have an active role in transmission operations, control, and planning. The US Transmission group and those other employees who are actively involved in transmission operations, control and planning will be clearly identified in National Grid's organization charts as Transmission Function Employees.

2. Marketing, Sales or Brokering Activities

National Grid's preliminary determination is that wholesale Marketing, Sales or Brokering activities are spread over three discrete business units, but the overall scope of these activities is fairly limited. As noted above, the National Grid companies have undergone significant restructuring of their formerly vertically integrated utility businesses, and now largely focus on regulated delivery services as opposed to market activities.

⁴ Various employees in the US transmission group are actually employed by NGT and are on assignment to the US.

In New England, the “Energy Supply – NE” business unit primarily administers contracts for the procurement of energy supply for retail POLR services provided by Mass. Electric, Nantucket, Narragansett, and Granite State. Nevertheless, the Energy Supply – NE group also administers NEP’s very limited remaining undivested generation interests and wholesale contracts.

In New York, there is a similar business unit, “Energy Supply – NY”, which administers supply procurement for NMPC’s POLR services. While NMPC had concluded before the issuance of Order No. 2004 that this group was not a “wholesale merchant function” because its primary purpose was to procure supply for NMPC’s POLR services and while this group does not engage in active marketing in the wholesale markets,⁵ National Grid believes that the balancing of sales and load that occurs automatically in the NYISO settlement process could be interpreted by the Commission as off-system sale activity under Order No. 2004.⁶

Finally, the Gas Supply group within NMPC’s local gas distribution company business unit has been identified as a wholesale Marketing, Sales or Brokering activity. Although this business unit provides primarily state-regulated retail services and has no affiliated interstate pipeline, the Gas Supply group does engage in off-system sales of gas purchases.

National Grid is continuing its review to ensure that there are no other groups that perform activities that fall within the definition of Marketing, Sales or Brokering activities.

⁵ See *Open Access Open Access Same-Time Information System and Standards of Conduct*, Order No. 889-B, 81 FERC ¶ 61,253, 1997 FERC LEXIS 2542 at 21-22 (1997) (“Order No. 889-B”).

⁶ Settlements occur automatically within the NYISO markets and do not reflect any actual decisions by Energy Supply-NY or NMPC to make wholesale sales. Nevertheless, in Order No. 2004 at ¶ 44, the Commission stated that: “An off-system sale would include a situation in which the affiliated LDC had contractually committed for more gas than it needed to serve its on-system customers and sold that gas off its system, e.g., at a hub or on the spot market.” National Grid believes that while Order No. 2004 does not explicitly reference incidental electric purchases or sales for retail electric customers, similar balancing activities in the wholesale electric market would also apply to Energy Supply NY.

3. Shared Services

The overwhelming majority of the Service Company employees are dedicated to shared service functions. These include: Finance and Accounting, Legal and External Relations, Human Resources, Information Technology, Technical Services (including Engineering, Training, Environmental, Meter and Data, Process and System, Fleet Management, Supply Chain, and Facilities Asset Management Services) Business & Regulatory Services, Public Affairs, Safety & Health Services, Customer Service, Construction and Maintenance Services. Consistent with Order No. 2004, clerical employees, field and maintenance personnel, and senior management may also be shared by Transmission and Marketing, Sales or Brokering. Such shared service employees, clerical employees, field and maintenance personnel, senior management will refrain from acting as conduits of information between Transmission and Marketing, Sales or Brokering.

II. INDEPENDENT FUNCTIONING

The primary substantive requirement of Order No. 2004 is the independent functioning of Transmission Function Employees of Transmission Providers, on the one hand, and employees of Energy Affiliates or employees engaged in Marketing, Sales or Brokering, on the other hand. 18 C.F.R. § 358.4. National Grid believes that implementing this requirement for all of its operating companies will not require major reorganization of its corporate structure or business processes.

A. Energy Affiliates

With two qualifications discussed below, each of the National Grid companies either fall outside of the definition of Energy Affiliate or come under an exemption to that definition. As

discussed above, most of the National Grid operating companies are affiliated Transmission Providers under 18 C.F.R. §358.3 (d)(5)(ii). NEP and NMPC own, operate, and control transmission facilities in New England and New York, respectively, in conjunction with their respective ISOs. Moreover, Mass. Electric, Narragansett, NEET, NEHTC, and NEHTEC each own transmission assets, and qualify as affiliated Transmission Providers, even though these entities rely on NEP and other third party utilities to provide transmission service over those assets. Likewise, GridAmerica manages certain transmission functions for its participating companies, and qualifies as an affiliated Transmission Provider, even though it does not actually own any of its own transmission assets.

Beyond these affiliated Transmission Providers, other National Grid companies are similarly exempt from the definition of Energy Affiliate. The Service Company qualifies as a “service company that does not engage in energy or natural gas commodity markets or is not involved in transmission transactions in US energy markets.” 18 C.F.R. §358.3(d)(5)(iii). Although the Service Company employs many of the National Grid Transmission Function Employees and some employees engaged in Marketing, Sales or Brokering activities, those employees undertake business on behalf of the various operating companies they serve and not in the Service Company’s own name. Similarly, Nantucket is a “state-regulated local electric distribution company that does not make any off-system sales.” 18 C.F.R. §358.3(d)(5)(v).

National Grid, however, has presented to the Commission requests for clarification on two aspects of Order No. 2004, the resolution of which may or may not require National Grid to undergo significant organizational or structural changes depending on how the Commission resolves them. First, on December 22, 2003, National Grid filed a motion for clarification with respect to a statement made in Paragraph 61 of Order No. 2004, and how this statement relates to

the foreign affiliate and parent company exemptions in 18 C.F.R. §358.3(d)(5)(i) and (iii).⁷ In that discussion, the Commission stated: “where a foreign affiliate has an ownership interest in a jurisdictional Transmission Provider, that affiliate is, by virtue of its ownership interest, participating in the U.S. energy or transmission markets.” Order No. 2004 at P. 61. Taken to its logical extreme, this sentence would suggest that no holding company whether foreign or domestic would be exempt under 18 C.F.R. §358.3(d)(5)(i) and (iii) because its “ownership interests” would be construed as “participation” in the US energy or transmission markets. Because the statement in Paragraph 61 would eviscerate key provisions of the regulatory text of Order No. 2004, we have respectfully requested clarification from the Commission, and in anticipation of such clarification, National Grid proposes to treat itself, NGT, the various intermediate holding companies between NGT and National Grid, and intermediate holding companies within National Grid (*i.e.*, GridAmerica Holdings Inc. and Niagara Mohawk Holdings Inc.) as exempt under 18 C.F.R. §358.3(d)(5)(i) and (iii) since their only dealings in the US relate to their direct or indirect ownership of one or more Transmission Providers.

Second, concurrently with this filing, National Grid is submitting a request for waiver of Energy Affiliate status on behalf of one of its distribution company affiliates, Granite State. Granite State is a state-regulated local distribution company that should qualify for an exemption under 18 C.F.R. §358.3(d)(5)(v) but for limited off-system sales it is compelled to make associated with a mandatory power purchase contract with a 0.068 MW qualifying facility (“QF”) under the Public Utilities Regulatory Policy Act (“PURPA”). Given that Granite State’s financial interest in such sales and the underlying QF contract are both *de minimis* and that significant reorganization and duplication would be required (especially in the area of

⁷ See Motion For Clarification And Alternative Request For Rehearing of National Grid USA, filed in (cont’d)

distribution dispatch) if National Grid were required to treat Granite State as an Energy Affiliate, there is good cause to grant this limited waiver, and in anticipation of such waiver, National Grid proposes to treat Granite State as an exempt local distribution company under 18 C.F.R. §358.3(d)(5)(v).

B. Marketing, Sales or Brokering Activities and Shared Services

As with independent functioning of Transmission Function Employees from employees of Energy Affiliates, the independent functioning of Transmission Function Employees from employees engaged in Marketing, Sales or Brokering activities will require limited changes. This aspect of the independent functioning requirement is largely the same as requirements outlined in Order No. 889. Consistent with Order No. 889 Standards of Conduct, National Grid has taken and will continue to take steps to ensure that employees engaged in Marketing, Sales or Brokering activities have no greater access to transmission reliability and operational functions or to non-public transmission system information than unaffiliated entities engaged in the same activities. As outlined in Part III, those steps include the adoption of a new Affiliate Standards of Conduct, the posting of information on shared facilities, and training. Also, consistent with 18 C.F.R. §358.5(b)(7), no employee, especially shared service employees, will be allowed to act as a conduit for sharing non-public transmission system information.

One area that will likely require some limited changes to preserve independent functioning is further limiting access to electronic facilities that include information about National Grid's transmission system. For example, we have made the preliminary determination that the Energy Supply – NY business unit now falls within the definition of a wholesale Marketing, Sales or Brokering business unit. As noted above, that business unit was not

previously designated as a wholesale merchant function under Order No. 889 because its sole purpose is to procure supplies for NMPC's retail POLR services, but because Energy Supply – NY's balancing of purchases in the NYISO settlement process could be viewed as off-system sales under Order No. 2004, that business unit will likely be redesignated. This means that employees in Energy Supply – NY would no longer be permitted to access transmission system information, except through the OASIS. National Grid plans to segregate information on computer systems that are shared by Transmission and Energy Supply – NY so that employees in Energy Supply – NY do not have preferential access to transmission system information, but consistent with the Commission's past precedent under Order No. 889, employees in Energy Supply – NY will continue to have access to load information necessary to carry out their supply procurement responsibilities in a manner that does not raise standards of conduct issues.⁸

As with Energy Supply – NY, NMPC's Gas Supply group was not previously subject to the Commission's Standards of Conduct before Order No. 2004, but because the local gas distribution business unit operates independently from National Grid's electric operations, ensuring independent functioning of the Gas Supply group from National Grid's Transmission Function Employees is not expected to require major revamping of corporate structure or business practices.

As discussed in Part III of this Informational Filing, below, National Grid is still working toward complete compliance by June 1, 2004, and it is investigating on an ongoing basis what additional steps, if any, will be necessary to satisfy the independent functioning requirement.

⁸ *BG&E. et al.*, 89 F.E.R.C. ¶ 61,013 at 61,052 (1999).

III. IMPLEMENTATION

With respect to other implementation issues, National Grid is diligently working to bring all of its companies into compliance with Order No. 2004 by June 1, 2004. To achieve this goal, National Grid has formed a multi-disciplinary steering committee of representatives from the various National Grid companies and business units. This committee has been assigned to identify compliance issues, to recommend action items to management, and then to manage the implementation effort so as to meet the Commission's deadline. Below is the plan and schedule for key implementation tasks.

A. New Standards of Conduct

As part of its compliance plan for Order No. 2004, National Grid has undertaken to update and consolidate its various Order No. 889 standards and codes of conduct into a single Affiliate Standards of Conduct document. Under Order No. 889, National Grid's operating companies had separate affiliate standards and codes of conduct for New York and New England. Moreover, because it only recently commenced its activities, GridAmerica had not yet adopted standards of conduct consistent with Order No. 889, and NEET, NEHTC, and NEHTEC were previously exempted from the requirements of Order No. 889.⁹

National Grid is developing a new "FERC Affiliate Standards of Conduct," which would cover all of the National Grid operating companies and the Service Company and would supersede the Order No. 889 standards and codes of conduct previously filed by various National Grid operating companies. It is intended to provide guidance to employees of the various National Grid affiliates in meeting the requirements of Order No. 2004, especially the non-discrimination requirements in 18 C.F.R. § 358.5. Adopting uniform standards of conduct to

cover the entire corporate family will allow for more consistent application of Order No. 2004 and for better compliance monitoring. Ultimately, this approach will further the goals of the Commission in Order No 2004.

B. Training

Much of the effort and cost of implementing Order No. 2004 will be in satisfying the training requirement in 18 C.F.R. § 358.4(e)(5). Although this rule seems to be targeted to only employees of Transmission Providers, National Grid is also considering whether to extend this training to employees of the Service Company since nearly all of National Grid's Transmission Function Employees, some employees engaged in Marketing, Sales or Brokering functions, and several shared service employees are actually employed by the Service Company. In addition, National Grid is considering whether to include within the scope of the training program non-employee contractors that fall within the definition of Transmission Function Employee in 18 C.F.R. § 358.3(j). Depending on its scope, National Grid's training program could encompass approximately 9500 union and non-union employees and transmission function contractors across each of the National Grid operating companies and the Service Company.

To ensure that all employees have undergone the training before the June 1, 2004 deadline, National Grid anticipates utilizing a combination of computer based training and live presentations for employees who do not have computer access.

C. OASIS Postings

Another significant compliance step for National Grid will be to satisfy the posting requirements under 18 C.F.R. § 358.4(b). National Grid is making arrangements to post and/or

⁹ See *Black Creek Hydro, Inc., et al.*, 76 FERC ¶ 61,250 at 62,296 (1996), *order on reh'g*, 77 FERC ¶ 61,232 at 61,943 (1996).

to include a link to this filing on the relevant OASIS sites of ISO-NE/NEPOOL, MISO, and NYISO. National Grid also intends to work with those OASIS managers to ensure prompt posting/linking of and updates to all Order No. 2004-related postings.

In terms of developing the materials to be posted, other than the corporate structure organization chart (18 C.F.R. §358.4 (b)(3)(i)), a preliminary version of which as noted above is appended to this Informational Filing as Appendix A, National Grid believes that significant time and resources will be required to develop the remaining Order No. 2004-related postings.

1. Organizational Charts and Job Descriptions

National Grid has concluded that compliance with the organizational chart and job description requirement in 18 C.F.R. § 358.4 (b)(3)(ii) will require significant time and resources. Although an organizational chart and job description requirement was developed in the course of the Commission's implementation of Order No. 889, the new requirements in 18 C.F.R. § 358.4 (b)(3)(ii) appear to be a significant expansion of the past practice. Previously, the organization charts and job descriptions were required only to "indicate which employees are engaged in transmission system operations and which are engaged in wholesale merchant functions."¹⁰ Under Order No. 2004, however, National Grid understands the requirement to extend to **all** positions in each of the National Grid Transmission Providers (except for clerical and maintenance and field positions) **and** their chains of commands throughout the organization. The new requirements also appear to require the organization charts and job descriptions to include Transmission Function Employees and Marketing, Sales or Brokering employees of the Service Company. This would include a large number of shared service positions and positions

¹⁰ *American Electric Power Service Corporation*, 81 FERC P61,332 (1997), *order on reh'g*, 82 FERC P61,131 (1998); *order on reh'g*, 83 FERC P61,357 (1998).

within the Service Company that were previously not included in any of National Grid's prior organizational charts under Order No. 889.

In order to meet the requirements of 18 C.F.R. § 358.4 (b)(3)(ii), National Grid anticipates developing organizational charts and job descriptions for each of its eight Transmission Provider subsidiaries (except for clerical and maintenance and field employees) and for Transmission Function Employees or Marketing, Sales or Brokering employees of the Service Company.¹¹ Because there is no uniform job description format covering this broad a range of employees, National Grid will be identify existing job descriptions, editing them to a uniform format, and drafting job descriptions for those positions for which no job descriptions currently exist. Management will then review the organization charts and job descriptions to ensure that they accurately and completely reflect the positions in each business unit. In effect, the development of multi-company-wide job organization charts and descriptions will require a significant undertaking.

2. Shared Facilities

Pursuant to 18 C.F.R. § 358.4(b)(2), National Grid is in the process of reviewing the facilities of each of its transmission providers that are shared with units that have been tentatively identified as Marketing, Sales or Brokering units. In terms of physical locations, National Grid has on a preliminary basis identified two specific building complexes that may

¹¹ Although 18 C.F.R. § 358.4 (b)(3)(ii) does not by its terms appear to cover Transmission Function Employees or employees engaged in Marketing, Sales, or Brokering activity of entities other than Transmission Providers, National Grid believes that inclusion of such employees within the Service Company is required to present a true picture of the chains of command for the employees of each Transmission Provider as well as to satisfy the Commission's intent in providing a fair picture of the transmission and sales and marketing functions. Cf. Order No. 2004 at P.57 ("The Commission clarifies that if a Transmission Provider utilizes a service corporation or other subsidiary as the mechanism for employment, all the employees assigned, dedicated or working on behalf of a particular entity, e.g., a Transmission Provider or Energy Affiliate, are subject to the standards of conduct requirements as if they were directly employed by the Transmission Provider or Energy Affiliate.").

house Transmission Function Employees and Marketing, Sales or Brokering employees.

Currently, National Grid is assessing what procedures, if any, should be instituted to ensure that these Marketing, Sales or Brokering functions will not obtain access to non-public transmission information as a result of their location within these two building complexes.

In the Commission's January 16th Guidance at P. 6, the Commission clarified that the requirements of 18 C.F.R. § 358.4(b)(2) extend to shared electronic facilities as well as physical facilities. National Grid is in the process of reviewing all of its computer systems, shared directories, and databases to identify whether the employees that have tentatively been identified as within Marketing, Sales or Brokering functions have access to systems and databases that contain information about National Grid's transmission system. National Grid plans to segregate information on its computer systems, shared directories, and databases so that employees engaged in Marketing, Sales or Brokering functions do not have access to non-public transmission system information through such shared electronic facilities and only have access to that information through the OASIS or to other load information that may be shared with employees engaged in Marketing, Sales or Brokering functions without raising standards of conduct concerns.

Between now and June 1, 2004, National Grid will complete its identification of all shared facilities (physical and electronic) as well as protocols, if any are required, to ensure that such sharing of facilities does not present compliance issues. National Grid plans to incorporate such protocols in its Affiliate Standards of Conduct.

C. Implementation Costs

Pursuant to 18 C.F.R. § 358.4 (e)(1), Order No. 2004 at P. 137, and the January 16th Guidance at P. 4, National Grid has developed an outline of the major compliance tasks posed

by Order No. 2004 and a preliminary estimate of the costs to complete these tasks by June 1, 2004.

Tasks	Cost
February 9 Compliance Filing (including revised standards) and Waiver	\$20,000
Develop Corporate Chart	\$500
Develop Organization Charts and Job Descriptions	\$250,000
Print and distribute documents	\$7,500
Develop training content	\$2,000
Develop training delivery and tracking method	\$20,000
Deliver/Participate in training	\$250,000
Modify system access	\$50,000
Ongoing Compliance Monitoring	\$500,000

In developing the foregoing cost estimates, National Grid based specific components on a combination of estimated in-house person-hours needed to complete each task as well as actual and estimated outside legal and other vendor costs. The in-house labor costs were not estimated based on salaries of actual employees assigned or likely to be assigned to each task, but rather were premised on an average annual salary of \$65,000 (exclusive of benefits), which translates to \$50/hour (including benefits).

The cost estimates identified in the table above are necessarily rough and may vary from the actual costs. They assume that the resolution of the issues discussed in Part II.A of this informational filing will not require significant reorganization of corporate structures or business practices. They also assume that, as National Grid proceeds with its compliance plan, no new issues requiring significant expenditures will arise. For example, National Grid does not anticipate that its review of shared facilities will require major office relocations or software reprogramming, and the costs estimates do not build in amounts based on such contingencies.

National Grid has set up a project code within its accounting to track actual compliance costs as it implements Order No. 2004.

D. Correspondence and Communications

Correspondence and communications with respect to this proceeding should be addressed to the following individuals, whose names should be entered on the official service list maintained by the Secretary for this proceeding:

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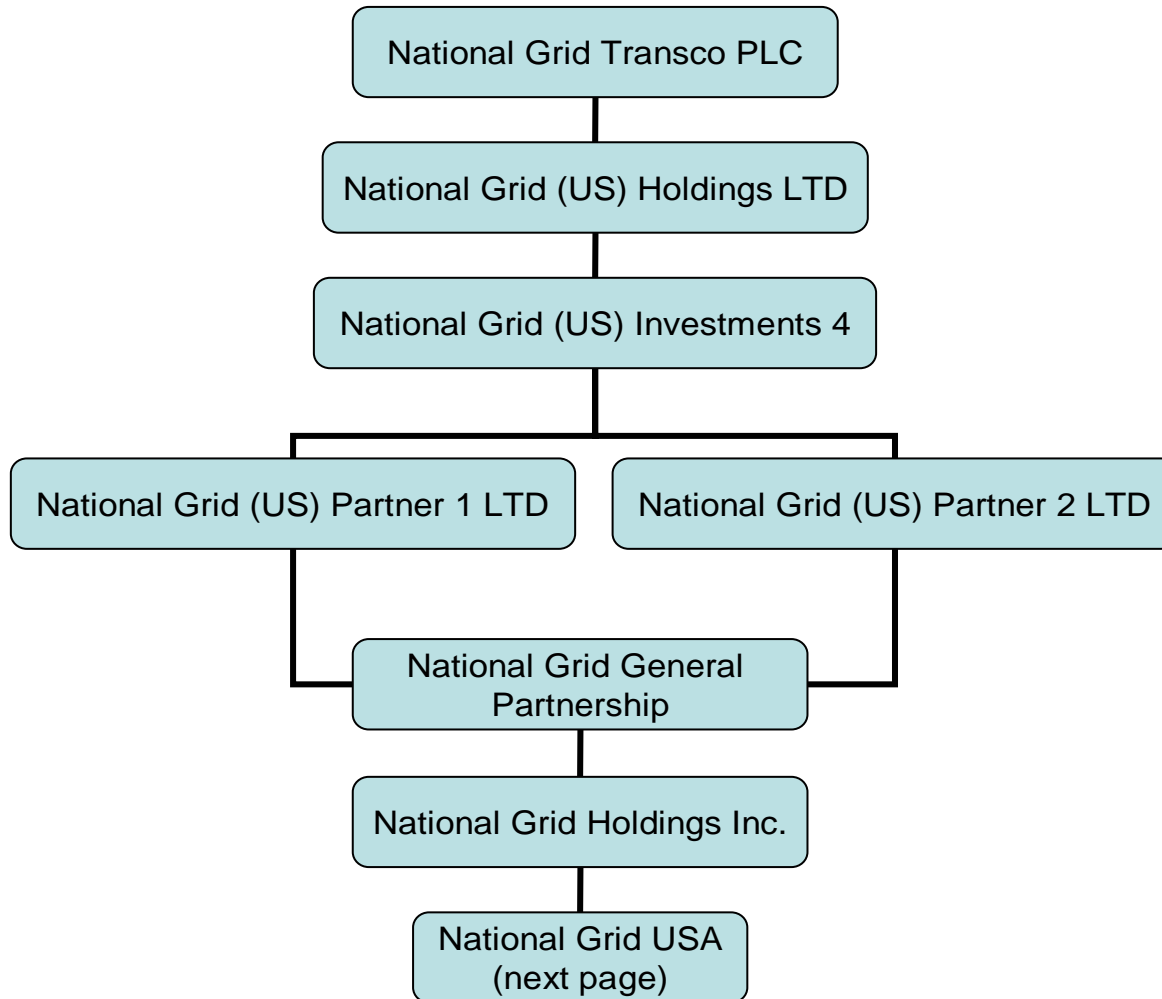
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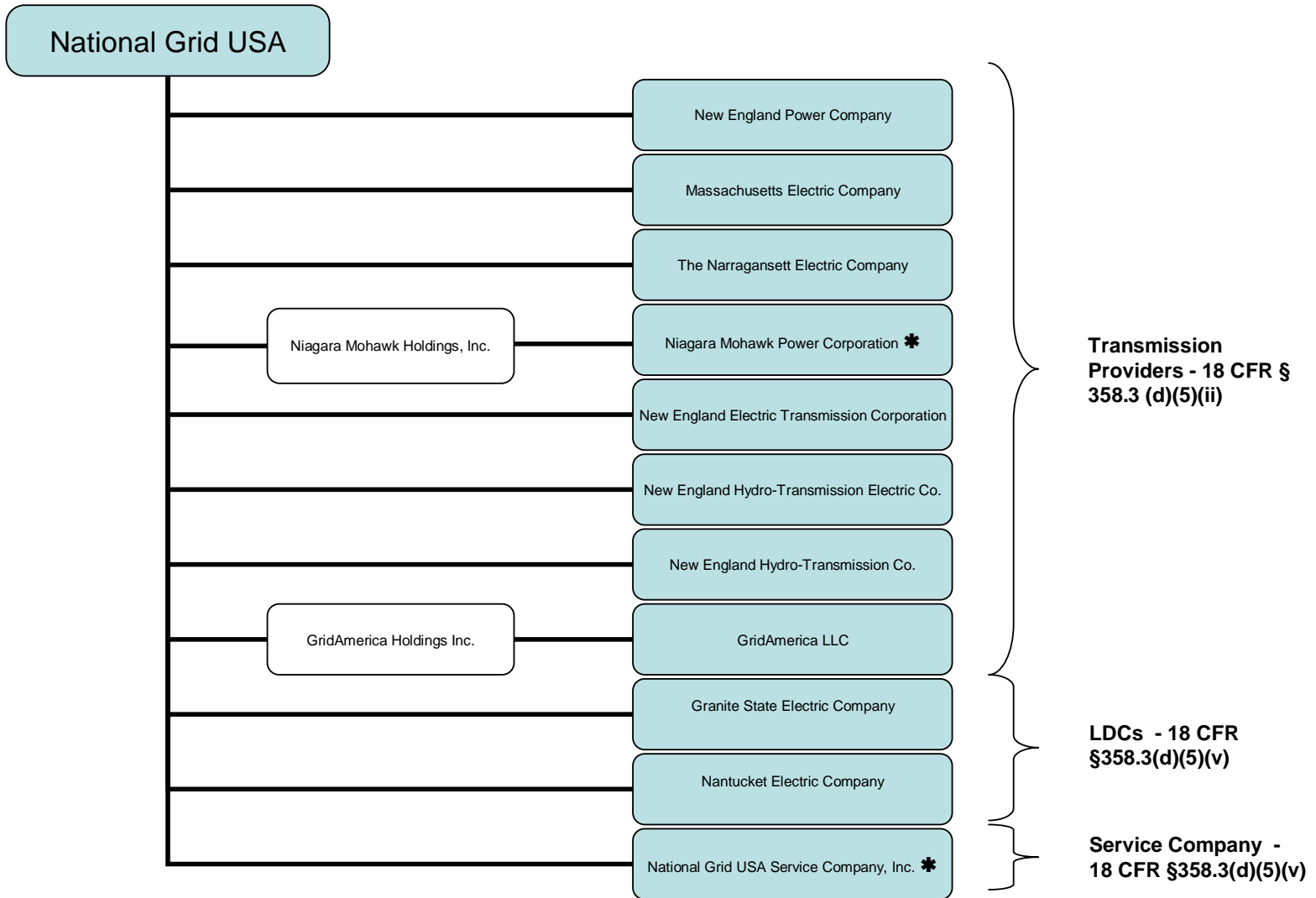
/s/ _____
Joel deJesus
Counsel for National Grid USA

Dated: February 9, 2004

Appendix A

Preliminary Corporate Organization Chart
Pursuant to 18 C.F.R. § 358.4(b)(i)





* Includes Transmission and Sales/Marketing functions

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the state regulatory commissions in which the National Grid USA companies operate as identified in the list below.

Dated at Westborough, MA, this 9th day of February, 2004.

Susan Costa

Service List

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