

Joseph M. Kwasnik
Vice President - Environment
National Grid

November 4, 2005

NAME
ADDRESS
(List of Recipients Attached)

Dear Sir/Madam:

National Grid USA is a wholly owned subsidiary of National Grid plc and is focused on delivering energy safely, reliably and efficiently. In the United States, we are a major electricity and natural gas delivery company with approximately 3.2 million electricity and 550,000 natural gas customers in New York and New England. As one of the world's largest utilities, we believe that a responsible approach to doing business is fundamental. We strive to act in a sustainable manner as a business, in our social role, and in how we interact with the environment.

National Grid strongly supports policymakers who are acting to enact effective policies to control the emission of greenhouse gases and allow future generations of Americans to enjoy a healthy and productive environment. Although a National greenhouse gas control program would make the most sense, we applaud the efforts of the states in the Northeast to begin to address this issue through the Regional Greenhouse Gas Initiative (RGGI) proposal. A regional approach does, however, highlight a host of complex public policy issues. In particular, a regional approach highlights the trade-offs between the environment and regional economic development issues that would not be as stark under a National program.

The Northeast is not rich in indigenous energy resources and businesses located here already experience costs (of energy and other goods and services they consume) that are higher than the national average. For these reasons, National Grid urges the public officials designing the specifics of RGGI to minimize the financial impact of the program on end use consumers to the fullest extent possible. With this objective in mind, National Grid suggests that the RGGI program should be structured to:

- Require that CO2 emission allowances are auctioned to emitters and that all auction proceeds are distributed to end use customers in the form of direct rebates and/or expanded energy efficiency programs that will reduce bill impacts from the program;

- Allow the liberal creation of offsets both in the categories of offsets including electric and gas infrastructure efficiency improvements and the geographic area in which the offsets can be created (continental US); and
- Allow the siting of new energy generating sources within the RGGI region without restriction but subject to existing siting rules.

As we see it, the critical public policy challenge will be to craft a final RGGI proposal that carefully balances the need to address the carbon issue against the practical issues associated with protecting the vitality of our regional economy. In our view, continued dialog among all interested stakeholders with open exchange of information regarding the costs and benefits of the RGGI program is the best way to move forward and identify the program that we need and can also afford.

Very truly yours,

s/Joseph M. Kwasnik

Joseph M. Kwasnik
Vice President – Environment

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