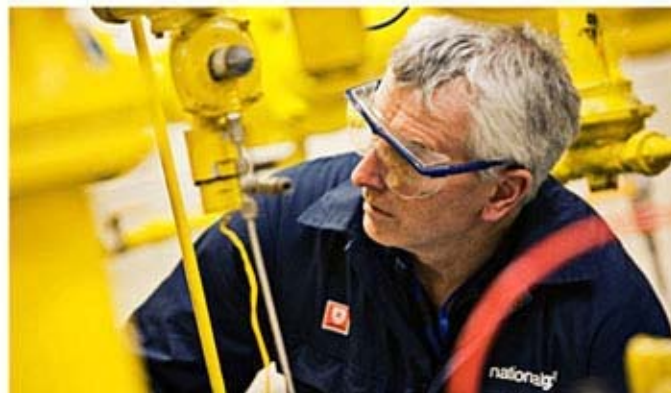


The Role of Energy Efficiency within ESCOs

Ed White, Vice President, Energy Products

June 9, 2010



nationalgrid

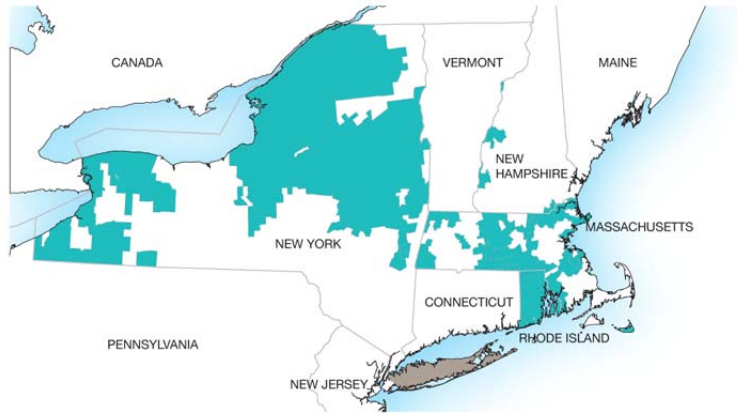
The power of action.™

Who is National Grid?

- ◆ National Grid is an international electricity and gas company primarily based in the UK and northeastern US. We play a vital role in delivering gas and electricity to millions of people in a safe, efficient and reliable manner.
- ◆ One of the largest investor-owned utilities in the world. It is the largest utility in the UK and the second largest utility in the US.*
 - ◆ Almost 18 million customers
 - ◆ 50% UK, 50% US
 - ◆ 50% Electricity, 50% Gas
 - ◆ 50% Transmission, 50% Distribution
 - ◆ 27,000 -plus employees

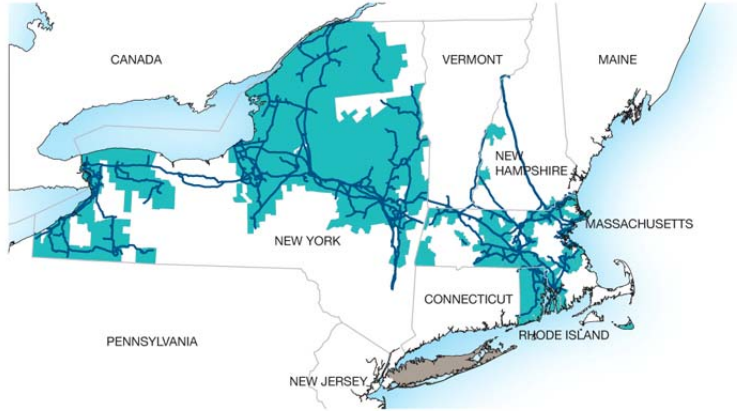
**Based on customer numbers; includes the servicing of LIPA's 1.1 million customers*

National Grid: an international electricity and gas company



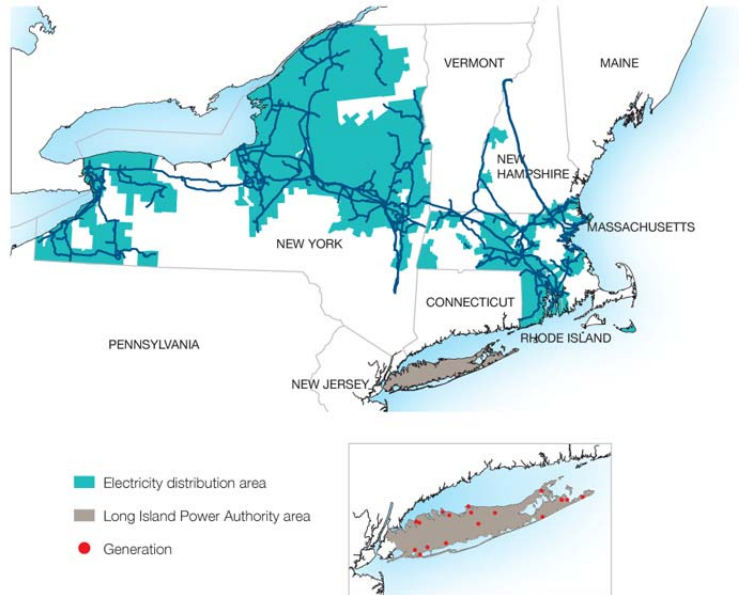
- ◆ Provides natural gas to 3.5 million customers

National Grid: an international electricity and gas company



- ◆ Provides natural gas to 3.5 million customers
- ◆ Distributes electricity to 3.3 million customers

National Grid: an international electricity and gas company



- ◆ Provides natural gas to 3.5 million customers
- ◆ Distributes electricity to 3.3 million customers
- ◆ Services 1.1 million customers of Long Island Power Authority (LIPA)
- ◆ Currently owns over 4,000MW of generation

Efficiency as our First Fuel

- ◆ Making energy efficiency our “first fuel” puts the least cost, lowest impact option in the forefront and poised to meet our needs
- ◆ Projected energy efficiency savings for 2010 - 2012 will put us on track to meet around 30% of our anticipated energy needs through energy efficiency by 2020

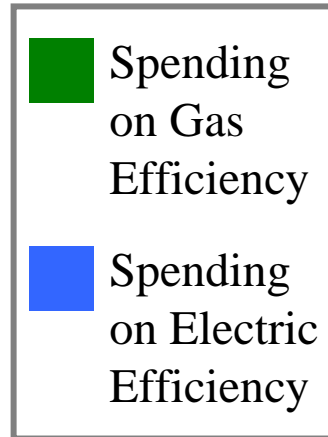
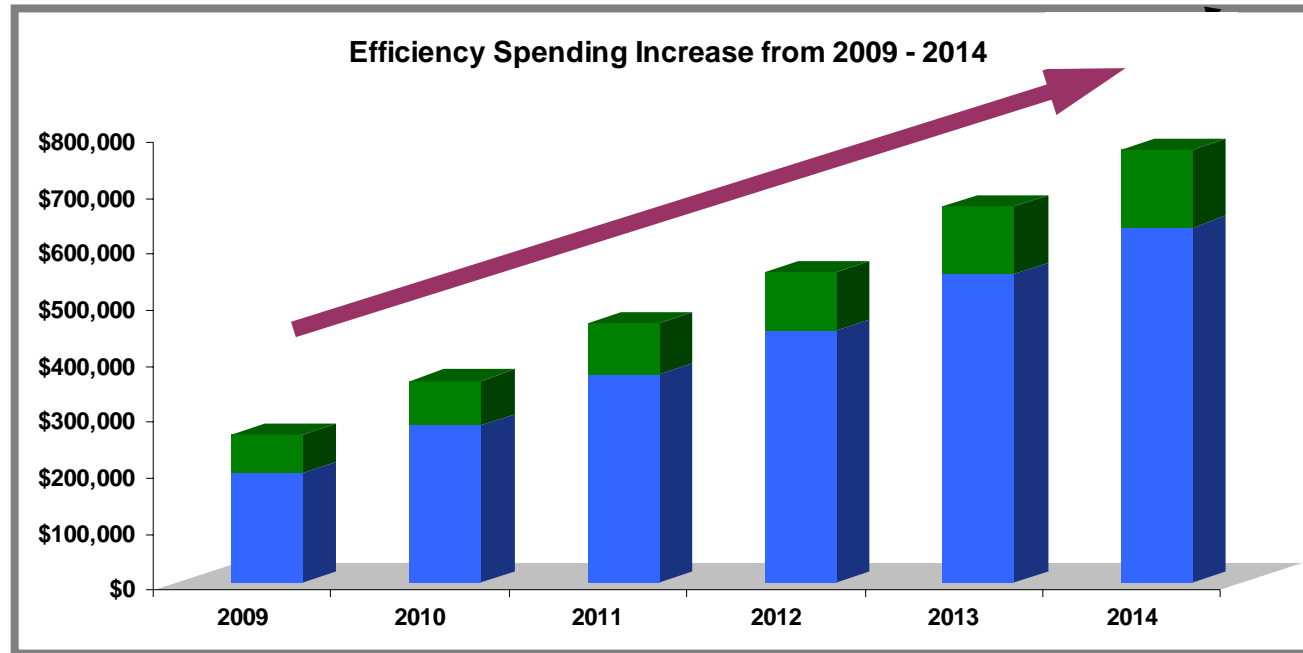
Three-Year Plan: Green Communities Act

- ◆ Green Communities Act signed into law on July 2, 2008 to promote enhanced gas and electric energy efficiency throughout the Commonwealth
 - Program Administrators to develop state-wide Three-Year Plan providing for acquisition of all available cost effective energy efficiency
- ◆ The Three-Year Plan reflects:
 - Aggressive – unprecedented – savings goals
 - A construct for gas/electric program integration and seamless delivery across Program Administrators
 - A commitment to go both “deeper” (more comprehensive) in buildings and “broader” (more customers participating)

Three-Year Plan: MA - Energy Efficiency

- ◆ Goal to establish programs and targets that will achieve a significant increase in energy savings over the next 3 years
- ◆ Highlights include ramping up to 2.4% of sales in energy efficiency savings for electric programs and 1.15% of sales in energy efficiency savings for gas programs by 2012
- ◆ Massachusetts savings goals have increased
- ◆ State-wide Marketing Initiative
 - Participating in state-wide marketing effort to promote benefits of energy efficiency and programs to business customers

National Grid Budget Increasing



- Overall budget in 2014: Projected **\$700 million +**
- Electric program budgets up **~226%** over 5 years
- Gas program budgets up **~97%** over 5 years

Three-Year Plan: Challenges

- ◆ Reach **more** electric and gas customers
- ◆ Achieve more extensive **savings**
 - It goes beyond lighting and appliances
- ◆ Create willingness of customers to **invest**
- ◆ Secure outside **funding** sources
- ◆ Near-term **bill impacts**
- ◆ Note the backdrop of a tough **economy**

New Program Benefits

- ◆ Under Green Communities Act, efficiency program administrators are now able to provide incentives for Combined Heat and Power (CHP) projects \$750/kW
- ◆ Due to increased goals, National Grid has been working with ESCOs to develop incentives for energy conservation measures that have historically been challenged
- ◆ Performance contracts help customers and program administrators achieve the deeper and broader efficiency projects

New of Mutual Program Benefits

- ◆ Achieving deeper savings requires spending to increase
 - ◆ Increased incentives for retrofit projects to 50% of total project cost, currently 45%
 - ◆ Increased incentives for greater comprehensiveness:
 - ◆ Prescriptive 10% kicker on non-lighting measures when customers do three or more prescriptive applications together.

- ◆ Custom

Percent Electric Savings	Retrofit: Incentive	New Construction: Incentive	Payback Cap
15%	55%	80%	1 year
20%	60%	85%	1 year
25%	65%	90%	1 year

- ◆ Gas savings are now included screening Custom projects to determine if eligible for incentives

Mutual Program Benefits

- ◆ Currently working on a number of projects with ESCOs in across New England
 - Includes cities, towns, colleges and universities, and housing authorities
 - Limited involvement in NH, RI and NY
- ◆ Provide incentives to help reduce cost of performance contract to customers
- ◆ Steep increase in the number of performance contracts in MA because of potential Federal stimulus funding available

Enhancing Relationships between ESCOs and PAs

- ◆ ESCOs should contact efficiency program administrators as early as possible when developing a project with customers
- ◆ PAs need to understand project scope and savings verification protocols to obtain maximum benefits and incentives for customers
- ◆ ESCOs typically provide customers with more comprehensive energy efficiency projects, which help PAs achieve our savings goals

MA Program Administrators



National Grid
Tel: 1-800-787-1706/1-800-843-3636
efficiency@us.ngrid.com



New England Gas Company
Tel: 1-508-324-7811
efficiency@sug.com.com



Bay State Gas
Tel: 1-800-232-0120
efficiency@baystategas.com



NSTAR
Tel: 1-781-441-8592
efficiency@nstar.com



Berkshire Gas
Tel: 1-800-944-3212
efficiency@berkshiregas.com



Unitil
Tel: 1-888-301-7700
efficiency@unitil.com



Cape Light Compact
Tel: 1-800-797-6699
efficiency@capelightcompact.org



Western Massachusetts Electric Company
Tel: 1-800-835-2707
efficiency@wmeco.com

Ed White

Vice President, Energy Products

National Grid

40 Sylvan Road, Waltham, MA

(781) 907-1614

edward.white@us.ngrid.com

