

NATIONAL GRID TRANSCO PLC

Form 6-K

August 31, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Date: 31 August 2004

NATIONAL GRID TRANSCO plc

(Registrant's Name)

1-3 Strand
London
WC2N 5EH

(Registrant's Address)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

NATIONAL GRID TRANSCO plc
s/Richard A. Eves

By: _____
Name: Richard A. Eves
Title: Assistant Secretary

Date: August 31, 2004

ANNEX 1 - Summary

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a 16 or 15d 16 of

The Securities Exchange Act of 1934

Announcement sent to the London Stock Exchange

on 31 August 2004

National Grid Transco plc
1-3 Strand
London
WC2N 5EH
United Kingdom

Announcement to The London Stock Exchange:

DATE DETAILS

31.8.04 Sale of four gas distribution networks and proposed £ billion one off return of capital to
shareholders

ANNEX 2 - Copy Announcement as sent

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SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Issuer

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Pursuant to Rule 13a 16 or 15d 16 of

The Securities Exchange Act of 1934

Announcement sent to the London Stock Exchange

on 31 August 2004.

National Grid Transco plc ('NGT')
1-3 Strand
London
WC2N 5EH
United Kingdom

Embargoed until 0700

31 August

SALE OF FOUR GAS DISTRIBUTION NETWORKS AND
PROPOSED 2 BILLION POUNDS ONE OFF RETURN OF CAPITAL TO SHAREHOLDERS

- o Four gas distribution networks sold for 5.8 billion pounds in cash plus c. 130m pounds of debt
 - o 20 % premium to March 2004 Ofgem RAV *
 - o 14 % premium to NGT's estimated March 2005 RAV
 - o 2 billion pounds one off return of capital, equivalent to 65p / share
- 20% increase in ordinary dividend for the current year - thereafter targeting growth of 7% per annum

National Grid Transco plc ("NGT") today announces that it has reached agreement on the sale of four gas distribution networks ("distribution networks") (the "Transactions"). The total cash consideration is 5.8 billion pounds, plus a 20% premium to the March 2004 regulatory asset value of the distribution networks being sold and a 14% premium to the estimated March 2005 regulatory asset value of the distribution networks being sold and a 14% premium to the March 2005 regulatory asset value as at 31 March 2005.

Sir John Parker, Chairman of National Grid Transco, said:

"We are delighted with the outcome of our sales process. Having secured premium values, the Board is pleased to deliver a substantial return of capital and a further increase in the dividend. The fact that these sales are completed makes this a positive outcome for all parties."

Roger Urwin, Chief Executive of National Grid Transco, said:

"These sales represent a further major step in the process of value creation from the National Grid Transco. We have already delivered operational and financial out-performance in our gas distribution networks and these sales are worth a substantial premium. We will remain by far the largest UK gas distributor and this will enable us to achieve the targeted reduction in controllable costs more effectively. Today National Grid Transco delivers its growth strategy and superior value."

* Ofgem's Regulatory Asset Value as at 31 March 2004 as derived from the assumptions within "Ofgem's Regulatory Asset Value Distribution Price Controls" published on 16 March 2004 and Ofgem's June 2003 "Separation of Transmission Final Proposals", and inflated to nominal prices

The North of England distribution network is to be sold to a consortium led by Cheung Kong Infrastructure including United Utilities PLC for a cash consideration of 1.4 billion pounds; the Wales and the West of England distribution network is to be sold to a consortium led by the Macquarie European Infrastructure Fund (a wholesale fund managed by a member of the Macquarie Group) for a cash consideration of 1.2 billion pounds; and the South of England and Scotland distribution network is to be sold to a consortium comprising Scottish and Southern Energy plc, Borealis Infrastructure Management Inc and Ontario Power Generation for a cash consideration of 3.2 billion pounds.

In addition to West Midlands, London and East of England, NGT will retain the North West distribution network.

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million business and home consumers, NGT will have by far the largest gas distribution business in the world. On a proforma basis, have a combined estimated regulatory asset value of 5.6 billion pounds at March 2004. NGT will effectively achieve the 35% real reduction in controllable costs targeted by 2006/07.

Subject to completion of the Transactions, NGT will:

- o deliver a one-off return of capital to shareholders of 2.0 billion pounds (with associated tax credits) representing approximately 14% of NGT's current market capitalisation and equivalent to 65p per share
- o recommend a 20% increase in the ordinary dividend for the current year, to 23.7p per share, and to meet its target of increasing ordinary dividends per share by 7% per year until 31 March 2008
- o retire or repay around 2.3 billion pounds of Transco's indebtedness giving a project savings of 2.3 billion pounds of debt to regulatory asset value.

It is estimated that NGT's earnings per share will be enhanced immediately following completion of the Transactions and the raising of capital.

The Transactions are subject to certain regulatory consents and approvals including from the Gas Regulator, the Department for Trade and Industry and the Health and Safety Executive. Ofgem has issued a decision on the consent and approvals process and NGT is targeting completion of the Transactions in April 2005. The Transactions are also subject to termination rights, exercisable by each of NGT and the purchasers, in the event of a change of control which would have a material adverse impact on the distribution networks being sold. In certain circumstances, a payment would be payable by either NGT or the purchasers.

The purchasers of the distribution networks have confirmed that all existing employee rights including pension rights will be safeguarded.

Rothschild and Morgan Stanley acted as joint financial advisers to NGT on the Transactions. In addition, they have provided advice to the Board in relation to the Transactions.

Contact details

National Grid Transco:

Investors

Alexandra Lewis	+44 (0)20 7004 3170	
Terry McCormick	+44 (0)20 7004 3171	+44 (0)7768 0455
Louise Clamp	+44 (0)20 7004 3172	+44 (0)7768 5555

Media

Clive Hawkins	+44 (0)20 7004 3147	+44 (0) 7836 3535
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Citigate Dewe Rogerson

Anthony Carlisle	+44 (0)20 7638 9571	+44 (0)7973 6111
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An analyst presentation will be held at 8.45am for 9am (UK time) at JP Morgan, 10 Aldermanbury, London EC3N 1AU. A copy of the presentation will be available at www.ngtgroup.com. Alternatively, interested parties can contact the company by telephone by dialling +44 (0)20 8322 3162.

A recording will be available for one week by dialling +44 (0)20 7081 9440 followed by the PIN number 7994205.

Additional INFORMATION

UK Gas Distribution Networks

National Grid Transco's eight UK gas distribution networks take gas from NGT's high pressure National Transmission System and transport it through 275,000 kilometres of pipelines to some 21 million business and home consumers. The networks are very largely discrete networks which are connected to the National Transmission System, and have no direct connections between the individual distribution networks.

For the year ended 31 March 2004, the four distribution networks to be sold generated operating profits of £1.1 billion.

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revenues of 1,052 million pounds and as at 31 March 2004 had total assets of 2,747 million pounds

This is broken down according to the separate purchasers as shown below:

Networks	Operating Profit (1)	Total assets(2)
Scotland and South of England	185 million pounds	1,369 million
North of England	94 million pounds	537 million
Wales and the West	67 million pounds	841 millio

Note 1 Operating profit before interest and tax

Note 2 Total assets is fixed assets plus current assets, but excluding cash

The distribution networks being sold comprise the current Transco pipeline network downstream of land, property and fleet assets, together with the distribution networks' management teams and replacement and emergency workforces. Contracts, intellectual property, policies, procedures and sale.

Transition Process

To facilitate the smooth and safe transfer of ownership and separation of the distribution network service agreements being provided by National Grid Transco to the new owners, covering key business Operation, and Front Office Systems. Other corporate centre activities, such as Human Resources, the distribution networks being sold.

Regulatory Process

The Transactions are subject to certain regulatory consents and approvals from the Gas and Electricity Secretary of State for Trade and Industry and the Health and Safety Executive. The Gas and Electricity Authority"), as the regulator for Britain's gas and electricity industries, in its role of promoting customers, will take its decision on whether distribution network sales should proceed in November whether the sale of the distribution networks will protect the interests of customers.

The development of the new licences and changes to Transco's existing licence will be the subject of a document that the Authority intends to release in early September, followed by a formal 28 days of consultation. The Authority will meet to determine whether it wishes to consent to the disposal by Transco of distribution network companies that are wholly owned by NGT. The Authority will then issue direct modifications to Transco's existing licence and the new distribution network licences, after which the distribution network licences to be transferred to the distribution network Companies that are wholly owned by this application, expected by the Authority to be in December 2004 there will then be a two-month period of consultation under the Act relating to the transfer, which will allow the consultation and subsequent transfer to be completed in light of the responses received to the consultation process.

Cautionary statement

This announcement contains certain statements that are neither reported financial results nor other financial statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Because these forward-looking statements contain assumptions and uncertainties, actual future results may differ materially from those expressed in or implied by these statements. Assumptions, risks and uncertainties relate to factors that are beyond National Grid Transco's ability to control, such as delays in obtaining or adverse conditions contained in regulatory approvals, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in prices, changes in historical weather patterns, changes in laws, regulations or regulatory policies.

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policy doctrines, technological developments, the failure to retain key management, the availability or the timing and success of future acquisition opportunities. Other factors that could cause acts from those described in this announcement include the ability to integrate the US and UK businesses of National Grid Transco or to continue to realise the expected synergies from such integrations, the ability to achieve reductions in costs or to achieve operational efficiencies, unseasonable weather impacting on demand, the behaviour of UK electricity market participants on system balancing, the timing of amendments in the UK electricity market, the performance of National Grid Transco's pension schemes and the regulatory treatment of any potential separation and disposal by National Grid Transco of any UK gas distribution network(s) or the impact of outages on or otherwise affecting energy networks owned and/or operated by National Grid Transco. For a full description of these assumptions, risks and uncertainties, together with any other risk factors, see the disclosures in the filings with the United States Securities and Exchange Commission (and in particular the Director's Statement section filed with its most recent Annual Report on Form 20-F). Recipients are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this announcement. National Grid Transco has an obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this announcement.