

Final Terms dated 26 June 2006

NATIONAL GRID GAS PLC

Issue of GBP 115,000,000 1.7298 per cent. RPI-Linked Instruments due 2046
 (the "Instruments")
 under the EUR 10,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 24 February 2006 and the Supplemental Prospectuses dated 6 March 2006 and 22 May 2006 which together constitute a base prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive"). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus as so supplemented. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus and the Supplemental Prospectus are available for viewing and copies may be obtained from the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at Trinity Tower, 9 Thomas Moore Street, London E1W 1YT and on the website of the regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/partners/marketnews.

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| 1. (i) Issuer: | National Grid Gas plc. |
| 2. (i) Series Number: | 40 |
| (ii) Tranche Number: | 1 |
| 3. Specified Currency or Currencies: | Sterling (" GBP "). |
| 4. Aggregate Nominal Amount: | |
| (i) Series: | GBP 115,000,000. |
| (ii) Tranche: | GBP 115,000,000. |
| 5. Issue Price: | 100 per cent. of the Aggregate Nominal Amount. |
| 6. Specified Denominations: | GBP 50,000.
(please see paragraph on Tradeable Amounts in Part B) |
| 7. (i) Issue Date: | 28 June 2006. |
| (ii) Interest Commencement Date | 28 June 2006. |
| 8. Maturity Date: | 28 June 2046. |
| 9. Interest Basis: | Index-Linked Interest. |

(further particulars specified below)

- 10. Redemption/Payment Basis: Index-Linked Redemption.
- 11. Change of Interest or Redemption/Payment Basis: Not Applicable.
- 12. Put/Call Options: Not Applicable.
- 13. Status of the Instruments: Senior.
- 14. Method of distribution: Non-syndicated.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15. **Fixed Rate Instrument Provisions** Not Applicable.
- 16. **Floating Rate Instrument Provisions** Not Applicable.
- 17. **Zero Coupon Instrument Provisions** Not Applicable.
- 18. **Index-Linked Interest Instrument** Applicable.
 - (i) Index/Formula: The Index as defined in Condition 4.1.
 - (ii) Interest Rate: Each Instrument shall bear interest on its outstanding nominal amount from the Interest Commencement Date at 1.7298 per cent. per annum, payable in arrear semi-annually on each Interest Payment Date and adjusted in accordance with Condition 4.2.
 - (iii) Party Responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent): Not Applicable.
 - (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: Conditions 4.3 to 4.5 apply.
 - (v) Specified Interest Payment Dates: 28 June and 28 December in each year up to and including the Maturity Date.
 - (vi) First Interest Payment Date: 28 December 2006.

- (vii) Interest Period(s): The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date, and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.
- (viii) Business Day Convention: Following Business Day.
- (ix) Minimum Indexation Factor: Not Applicable.
- (x) Business Centre(s)
(Condition 3.2.4(i)): London.
- (xi) Maximum Indexation Factor: Not Applicable.
- (xii) Limited Indexation Month(s) or
Period for calculation of Limited
Indexation Factor: Not Applicable.
- (xiii) Base Index Figure (Condition
4.1): 193.30 (October 2005).
- (xiv) Day Count Fraction (Condition
3.2.4(i)) Actual/Actual-ICMA.
- (xv) "Index" or "Index Figure"
(Condition 4.1): Sub-paragraph (i) of the definition of "Index" or "Index Figure" as set out in Condition 4.1 shall apply.
- (xvi) Reference Gilt: The Reference Gilt is 2 per cent. Index-Linked Treasury Stock 2035.

19. **Dual Currency Instrument Provisions** Not Applicable.

PROVISIONS RELATING TO REDEMPTION

20. **Call Option** Not Applicable.

21. **Put Option** Not Applicable.

22. Final Redemption Amount of each Instrument

In cases where the Final Redemption Amount is Index-Linked

- (i) Index/Formula: The Index as defined in Condition 4.1.
- (ii) Calculation Agent responsible for
calculating the Final Redemption
Amount: Barclays Bank PLC.

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|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| (iii) | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: | The Final Redemption Amount per Instrument shall be its nominal amount adjusted in accordance with Condition 4.2. |
| (iv) | Determination Date(s): | Not Applicable. |
| (v) | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | Conditions 4.3 to 4.5 shall apply. |
| (vi) | Payment Date | The Maturity Date. |
| (vii) | Minimum Final Redemption Amount | Not Applicable. |
| (viii) | Maximum Final Redemption Amount | Not Applicable. |

23. Early Redemption Amount

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| (i) | Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9) or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | The Early Redemption Amount per Instrument shall be its nominal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 4.2). |
| (ii) | Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5.2) | Yes. |
| (iii) | Unmatured Coupons to become void upon early redemption (Condition 6.5) | Yes. |

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

24. Form of Instruments:

Bearer Instruments:

temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable

- for Definitive Instruments on 60 days' notice in the limited circumstances specified in the permanent Global Instrument.
25. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.6): London.
26. Applicable TEFRA exemption: D Rules.
27. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature): Yes, maturing after the first 25 Interest Payment Dates.
28. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment: Not Applicable.
29. Details relating to Instalment Instruments: Not Applicable.
30. Redenomination, renominatisation and reconventioning provisions: Not Applicable.
31. Consolidation provisions: Not Applicable.
32. Other final terms: Not Applicable.

DISTRIBUTION

33. If syndicated, names of Managers: Not Applicable.
34. If non-syndicated, name of Dealer: Barclays Bank PLC.
35. Additional selling restrictions: Not Applicable.

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Instruments described herein pursuant to the Euro Medium Term Note Programme of National Grid Gas Holdings plc and National Grid Gas plc.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: *M. C. Cooy*
Duly authorised

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing: London
- (ii) Admission to trading Application has been made for the Instruments to be admitted to trading on the London Stock Exchange plc's Gilt-Edged and Fixed Interest Market with effect from 28 June 2006.
- (iii) Estimate of total expenses related to admission to trading: GBP 4,300.

2. RATINGS

Not Applicable.

3. NOTIFICATION

Not applicable.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

General corporate purposes.

6. YIELD

Not Applicable.

7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Information on the UK Retail Price Index can be found on Bloomberg page UKRPI.

8. PERFORMANCE OF RATES OF EXCHANGE

Not Applicable.

9. OPERATIONAL INFORMATION

ISIN Code: XS0258589646.

Common Code: 025858964.

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Not Applicable.

Clearstream Banking, *société anonyme* and the relevant identification number(s):

Delivery: Delivery against payment.

Names and addresses of additional Paying Agent(s) (if any): Not Applicable.

10. **GENERAL**

Tradeable Amount: So long as the Instruments are represented by a Global Instrument and Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* so permit, the Instruments shall be tradeable in minimum principal amounts of GBP 50,000 and integral multiples of GBP 1,000 (the "**Tradeable Amount**") in addition thereto.

The aggregate principal amount of Instruments issued has been translated into Euro at the rate of EUR 1 = GBP 0.6835, producing a sum of (for Instruments not denominated in Euro): EUR 168,251,645.94.

Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 11.1: Not Applicable.