

# National Grid Ventures and other activities

Investor Relations | May 2019

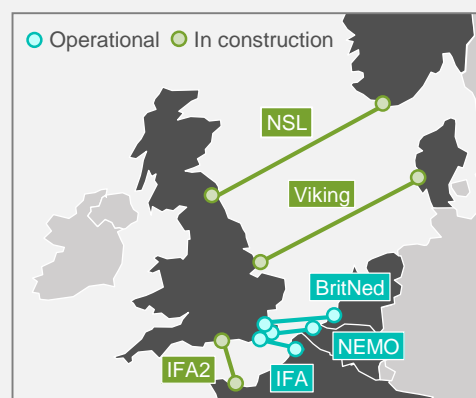


National Grid Ventures is a diverse portfolio of commercial energy businesses operating in competitive markets in the UK and the US. The portfolio comprises of long-term assets with a low risk profile and strong cash flows.

## Interconnectors

Interconnectors deliver secure and affordable electricity between two markets and will play a critical role in the cleaner and smarter energy systems of the future. They are recognised by the UK Government as a vital tool to manage energy security, costs to consumers and provide long term sustainability.

As an interconnector owner and operator, we sell capacity on the interconnector to energy traders and provide services for transmission system operators in the UK and mainland Europe. The main interconnection capacity is sold by auctioning capacity based on the price differentials between markets at each end of the link. This represents roughly 80-90% of revenues, with the remaining 10-20% derived from ancillary services.



## Overview of National Grid Interconnectors

	IFA	BritNed	Nemo Link	IFA 2	NSL	Viking Link
Capacity	2GW	1GW	1GW	1GW	1.4GW	1.4GW
Total length	70km	260km	140km	240km	720km	760km
Converter stations	UK: Sellindge France: Les Mandarins	UK: Isle of Grain Netherlands: Maasvlakte	UK: Richborough Belgium: Herdersbrug	UK: Chilling France: Tourbe	UK: Blyth Norway: Kvilldal	UK: Bicker Fen Denmark: Revsing
Commissioned	1986	2011	2019	FY21 est	FY22 est	FY24 est
Ownership	Partnership with RTE	Joint venture NG & TenneT	Joint venture NG & Elia	Partnership with RTE	Partnership with Statnett	Partnership with Energinet
Exp. Capex <sup>1</sup>				c.£340m	c.£660m	c.£850m
Regulatory construct	Phased sharing of profits with customers	Subject to a cap	Cap and floor	Cap and floor	Cap and floor	Cap and floor

1. NG share of investment, excluding development expenditure and expressed in nominal terms

## Potential interconnection capacity

There are currently 5 interconnectors (5GW) between the UK and the European market. National Grid Ventures currently co-owns and operates three of these (4GW) and is constructing another three (3.8GW). A number of studies have suggested that between 15 to 20GW of total interconnection could beneficially exist between the UK and the European market.

## Partnerships

£m	Operating profit*		Capital investment*	
	2019	2018	2019	2018
IFA	64	65	19	21
IFA2			128	58
North Sea Link			100	47
Viking			5	-

## Joint ventures

£m	Share of post-tax results*		Capital investment*	
	2019	2018	2019	2018
BritNed	27	36	-	-
Nemo Link	2	(1)	52	113

\*12 months ended 31 March at actual exchange rates

## Metering

We provide installation and maintenance services to energy suppliers in the regulated market in Great Britain. We maintain an asset base of over 9m industrial, commercial and domestic gas meters.

The prices National Grid can charge for certain metering services are currently capped by Ofgem. In 2020 the business will move to a full commercial arrangement.

### Key financials

£m	2018/19	2017/18
EBITDA	193	215
Depreciation	(40)	(60)
Operating profit	153	155
Meter No.	9.9	11.0



## Grain LNG

Capable of meeting at least 20% of UK gas demand, Grain LNG is the largest importation terminal in Europe, playing a key role in UK energy security of supply.

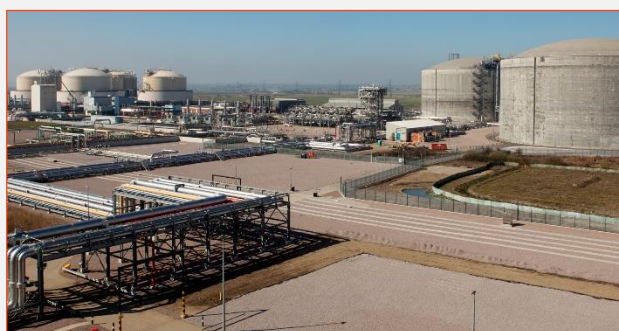
LNG (Liquefied Natural Gas) is stored as liquid at minus 161°C in heavily insulated tanks at low pressures (0.2 barg), reducing its volume by 600 times. This enables large volumes of gas to be transported long distances safely and efficiently.

### How we make our revenue

- Grain LNG provides importation services of ship berthing, temporary storage, ship reloading and re-gasification into the NTS
- All importation capacity is sold under long-term take or pay contracts
- All contracts have an inflationary index linked to RPI
- Current customers include BP, Iberdrola, Sonatrach, Centrica, Uniper and Engie
- Customers decide the level and timing of LNG imports and the amount sent out into the NTS

### Key financials

£m	2018/19	2017/18
EBITDA	142	142
Depreciation	(68)	(66)
Operating profit	74	76



### Growth opportunities at Grain

- Open season – out to market for up to 350 GWh/d of redelivery capacity, 390,000m<sup>3</sup> of associated storage and over 100 berthing slots. This is being made available via a combination of existing build (Phase 1) and new build (Phase 4).
- Grain LNG is looking to develop a marine break-bulk service for onward distribution of LNG via small scale ships
- Providing the infrastructure to support LNG powered heavy goods vehicles

## Large Scale Renewables - US

- The evolving energy landscape is creating new opportunities for National Grid in the US. Our current ventures include:
- Two 5MW/40MWh battery storage energy systems under a power purchase agreement with LIPA (Long Island Power Authority)
- Through a joint venture with NextEra we have won the right to develop 23MW of utility scale solar projects at Calverton on Long Island, for which we are negotiating a power purchase agreement with LIPA
- To date we have connected 204MW of rooftop solar for 27,000 customers through our partnership with Sunrun
- Revolution Wind, a joint proposal with Deepwater Wind, has been selected to construct and operate 700MW of offshore farms for Connecticut and Rhode Island. NGV has the option to acquire the transmission facilities connecting the project to shore upon commercial operation.



## Other Activities

### National Grid Property

National Grid Property manages the company's surplus land across the UK. With a diverse portfolio of former industrial or "brownfield" sites, our aim is to return this land back to beneficial use and make a continued contribution to the regeneration of UK towns and cities. We achieve this by working with communities, local authorities, regulatory bodies and leading developers. This includes the joint-venture partnership, St. William, with the Berkeley Group.

#### Existing property portfolio

- 264 sites
- Approx. 2,000 acres, with 260 in London and the South-East
- Sites of varying sizes and potential values across the UK

£m	2018/19	2017/18
EBITDA	183	85
Depreciation & amortisation	(2)	(1)
Operating profit	181	84



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NG Property portfolio

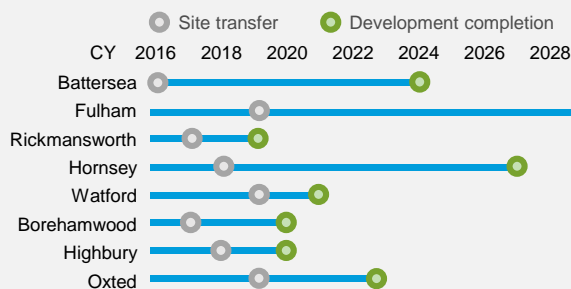
**St William**  
Designed for life

Sites transferred or under consideration for St. William JV

#### St. William joint venture (JV)

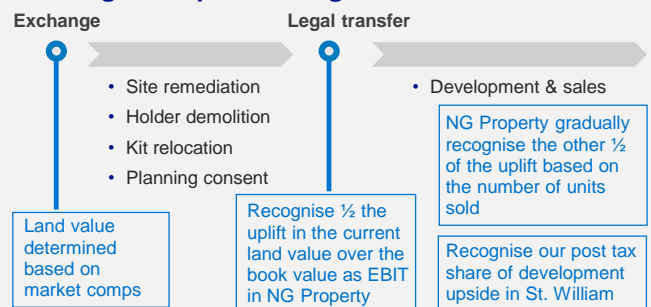
- National Grid supplies the land into the JV, and manages site remediation, holder demolition, and plant relocation activities
- Berkeley Group contributes the day-to-day development expertise, from initially securing planning consent, through to on-site construction, marketing and sales.
- The JV provides an opportunity to leverage value from the residential development land, and access to downstream profits
- A potential for 30 sites under consideration for the JV, with scope for 20,000 new homes
- At 31 March 2019, 17 sites had been transferred into the JV, with 8 completed and 9 exchanged

#### Forecast for the first 8 St. William sites



- Fulham: potential for 1,843 homes and 100,000 feet of commercial floor space. First homes expect to be completed 2022
- Battersea: potential for 950 new homes

#### Phasing of JV profit recognition



## NG Partners

- NG Partners is a venture capital fund established to invest in innovative emerging technology start-ups which will provide benefits to our core businesses in the future.
- Invested £58m in 14 portfolio companies to date

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#### Important notice

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