Delivering efficiently for all

Our financial frame

Andy Agg
Chief Financial Officer

As you've heard so far, it's a very exciting time to be part of National Grid, given the opportunities we see ahead of us to deliver sustainable 6-8% asset growth per annum over the next five years.

My priority, as CFO, is to give you confidence in our ability to deliver our commitments, and that:

- We can fund this growth with a strong balance sheet, and stable leverage;
- We can grow our EPS by 5-7% per annum, alongside our asset growth, and
- We can continue our impressive track record of delivering a progressive dividend

It's a very exciting time to be part of National Grid, given the opportunities we see ahead of us to deliver sustainable 6-8% asset growth per annum over the next five years.

Good afternoon or good morning everyone.

It is no exaggeration to say that the opportunities ahead of us are enormous and I believe we can deliver on our commitments because:

- Following our acquisition of WPD and our pivot towards electricity, we're a bigger player at the heart of the energy transition which gives us much more certainty of growth for many years to come;
- We have a strong track record of delivering efficiently, and our new operating model will deliver a step-change in productivity improvements;
- And we've made excellent progress to update our rate plans to better align growth in assets, and growth in earnings.

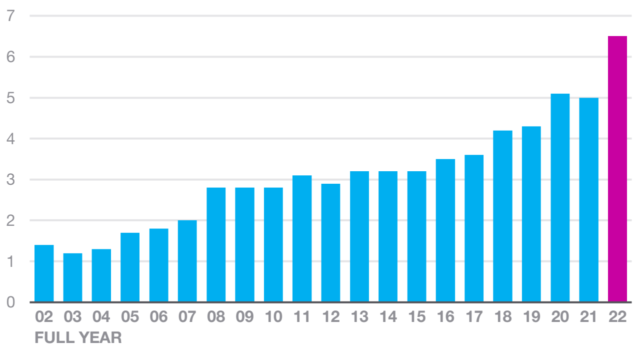
Today, I will set out the building blocks of earnings growth, to demonstrate the confidence that we have in delivering our targets.

Turning first then to asset growth.

As we laid out 6 months ago, we expect to deliver a 6-8% asset growth rate across the group over the coming five years, driven by our enhanced capital investment program.

This chart illustrates the growth in group capex we've seen over the last two decades. It shows that investment levels have steadily increased, and that the step up to our new five year program should continue to sustain strong group asset growth.

National Grid Investment
£ billion



Across the group, we have a higher level of regulatory certainty than we've seen in many years.

And as we look further out towards 2030, New York, Massachusetts, and the UK, all have ambitious medium-term climate targets which will require:

- Infrastructure to connect the offshore and onshore wind capacity as we look towards these clean electricity goals,
- Infrastructure strengthening and upgrades to maintain reliability and resilience,
- And infrastructure to enable the sharp uptake in EVs, and to enable the adoption of hydrogen and renewable natural gas in time.

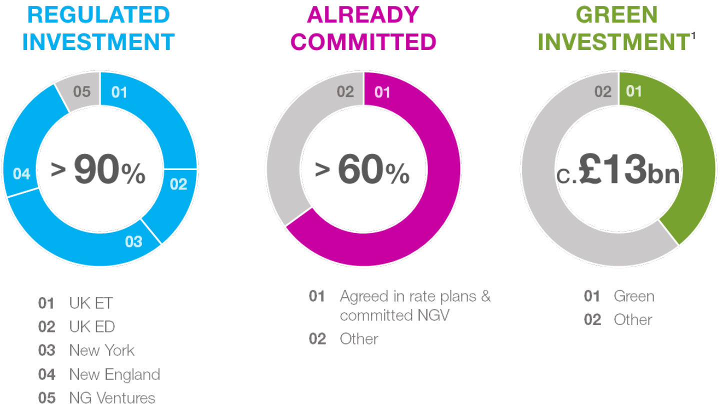
All these targets create opportunities for National Grid in the longer term, and give us confidence and visibility around sustainable, attractive growth into the late 2020s and beyond.

I want to spend a few minutes, in particular, talking through our 5-year plan, where:

- Our forecast investment of £30-35 billion is a direct result of governments, regulators and customers calling for bolder steps towards net zero
- Over 90% of our investment will come in our regulated networks,
- Over two thirds of this investment is already committed and visible through rate settlements and in our non-regulated business,
- And based on our own conservative assumptions, and not including our clean gas investments, we are investing around £13 billion in green infrastructure, facilitating decarbonisation and net zero across our jurisdictions.

I believe we're in a unique position being the scale, low risk, green infrastructure player.

£30-35bn
Capex
FY22-26



1. Aligned to Green Financing Framework, and excludes other clean investment such as nuclear connections and leak prone pipe replacement

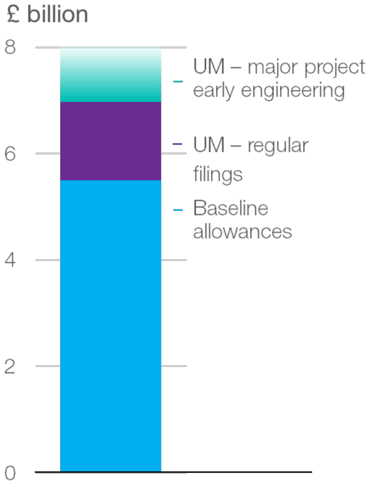
So, looking firstly at the UK in a little more detail, starting with electricity transmission.

Between now and 2026 we expect to spend around £8bn. Within this, our baseline allowances of around £5.5 billion will be invested in asset management and sanctioned major growth projects, such as London Power Tunnels. The remaining £2.5 billion of investment falls under uncertainty mechanisms, which can be thought of in two ways:

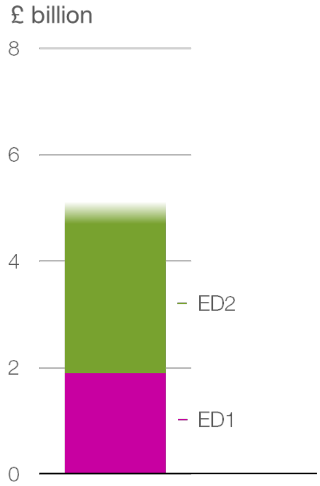
- Firstly, £1.5 billion of well-defined investment in areas such as network reinforcement, reducing our reliance on the greenhouse gas SF6, and cyber resilience. These are filed for, and agreed, on an ongoing basis with Ofgem, and we've already filed 3 projects since the start of RIIO-T2.
- Secondly, £1.0 billion for early engineering and pre-construction work on future major projects, such as Eastern Link, which you will hear about in the UK breakout.

Across WPD, our UK electricity distribution business, we expect to invest £4 to £5 billion over the next 5 years, including our expectation of higher investment levels from the start of the next price control, ED2, in 2023.

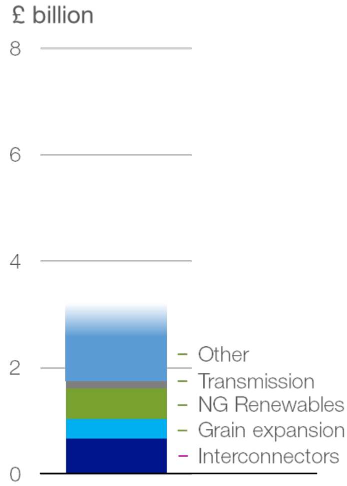
Five years to **FY26**



ELECTRICITY TRANSMISSION



WPD



NG Ventures

NOTE: UM – uncertainty mechanisms

Broadly half will be on asset maintenance to ensure continued world class reliability and availability, with the latter at an impressive 99.995%. There will also be further investment to accelerate energy transition, with:

- A four-fold increase in electric vehicles expected across its regions by 2028,
- A three-fold increase in heat pumps, as well as
- The continuing rise of distributed generation connections.

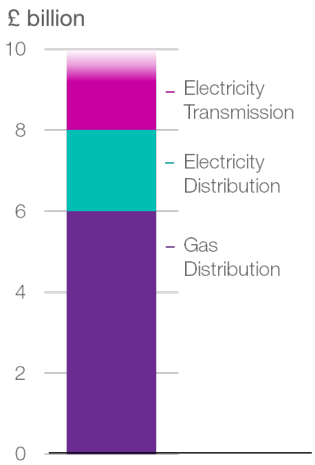
Finally in the UK, we also have over £1 billion pounds of committed investment in our NG Ventures business, driven by our interconnector program as well as investment at our Grain LNG facility.

Looking now at the other side of the Atlantic, where we expect to spend around half of the group's £30-35 billion investment in the next five years in New York and New England.

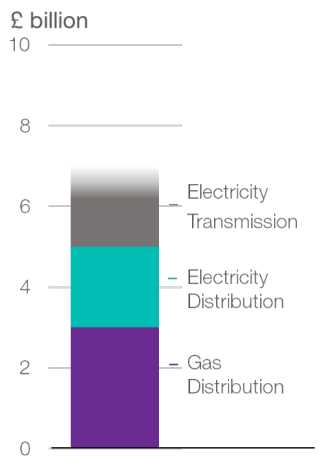
In New York we expect to invest around £10 billion within our regulated businesses made up of:

- Around £6 billion in gas safety and reliability and our leak prone pipe projects;
- Over £2 billion in strengthening our electricity distribution networks, as well as connecting and expanding the network to enable the expected 3GW of clean energy coming on over the next 5 years across our upstate region; and
- Around £1.5 billion on electricity transmission projects to unlock renewable generation capacity in Upstate New York

Half of the Group's
£30 – 35 billion
will be in the US



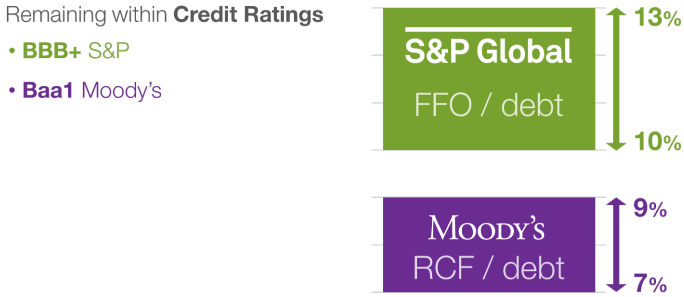
NEW YORK



NEW ENGLAND

In New England, we expect to invest around £7 billion across our regulated businesses. Just over £3 billion is expected to be invested in our gas pipeline replacement programme in addition to ongoing safety and reliability spend. And over £2 billion will be invested in electricity distribution on storm hardening and innovative grid modernization projects in Massachusetts, such as advanced metering infrastructure, to ready the network for a net zero future. The remaining £2 billion is in our FERC regulated companies on projects such as rebuilding 130 miles of transmission lines for resiliency and network capacity to further accommodate the regions clean energy goals.

Such a high level of visibility in our investment plans, gives me confidence around delivering this growth whilst maintaining our strong balance sheet, and remaining comfortably within our current BBB+ and Baa1 group credit ratings at S&P and Moody's.



I've said previously that our net debt to RAV is expected to remain stable, above 70%, once we have completed our announced portfolio repositioning, and that this level keeps us comfortably within the metric ranges required by our credit rating agencies to maintain our existing ratings.

As a reminder, our target ranges are 7% to 9% for Moody's RCF to debt ratio and 10% to 13% for S&P's FFO to debt ratio, and to reiterate, we expect to remain at a stable level within these bands over that time frame, and we see this as an efficient level to fund the group on an ongoing basis.

Given the essential role we play at the centre of energy systems, we understand the careful balancing act required to ensure energy security; maintain customer affordability; and deliver the decarbonisation of energy systems at pace.

The growth plans we've laid out are vital to keeping our networks reliable and resilient, whilst also progressing the energy transition.

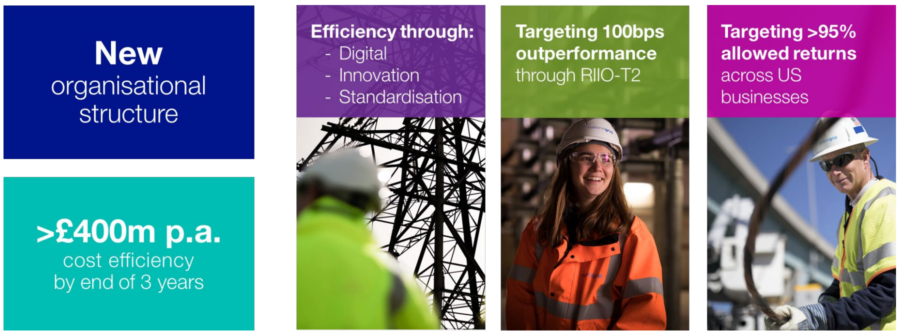
And we'll do this whilst being mindful of the impact on affordability for our customers.

We therefore need to continue being nimble and efficient.

This morning with our first half results, we've provided more detail around our realigned organisational structure, that moves us closer to our customers.

These organisational changes will drive efficiencies across our businesses, which will deliver benefits to our consumers.

We are therefore today announcing a new target to deliver over £400 million pounds of efficiency savings across the group in 3 years, which equates to a flat controllable cost base, even whilst our regulated assets are expected to grow more than 20% over that timeframe.



We expect our US businesses to deliver over £300 million pounds of the cost efficiency programme, with the remainder across our UK electricity transmission and National Grid Ventures businesses.

These efficiencies will come through a number of areas, such as

- Increasing use of technology and digital solutions, that will deliver
- Greater working practice productivity, as well as
- Standardising our working practices, and retaining more of this knowledge within the business

Our strong track record of achieving efficiencies in both our UK and US businesses gives me the confidence that we can meet this challenge.

The target that we've announced today does not include WPD, but as Phil touched on a moment ago, we're already working together to find more efficient ways to deliver for our customers, whether that's support in developing the best possible plan for ED2 with the knowledge we've gained through the RIIO-T2 process, or starting to take learnings from WPD's incredible focus on customer service as you heard from Phil earlier, through to sharing engineering expertise across the group, looking for ways to better deliver our large projects across our wider portfolio.

On top of this opex focus, we're also driving ways to deliver our capital programmes in the most efficient way as we transform our businesses under the new operating model.

For example, our strong track record of delivery throughout RIIO-T1 gives me confidence that we will continue to innovate and deliver efficiencies in our UK electricity transmission business, and today we've announced that we are targeting operating outperformance of around 100 basis points on average through RIIO-T2, with much of this driven through totex examples such as:

- Working with our contractors earlier in the project planning process to design efficiencies and
- Reappraising our consenting approach reducing the time to achieve consent by up to a year

In the US, this focus on both opex and capex efficiency is key to enable the infrastructure investment needed to fulfil climate goals, whilst maintaining bill affordability, and delivering appropriate returns, where our goal remains of achieving at least 95% of our allowed level of ROE going forward.

You'll hear more detail around some of these initiatives in the UK and US breakouts later.

This new operating model, and the benefits it brings, will play an important role in helping to deliver EPS growth, as we continue to grow our asset base.

Our objective is to establish a stronger link between asset growth and earnings growth going forward.

All the hard work the teams have put in over the past couple of years gives us the confidence to set out a five year programme for the first time, and we now have the building blocks in place to deliver our annual 5-7% EPS growth alongside our 6-8% asset growth.

Building blocks to deliver **5-7% EPS** CAGR[1]

US	UK ET	NG Ventures	Efficiencies	WPD
• Agreed bill increases • Inflation protection • Better storm cost recovery • Regulatory settlements outside of rate cases	• Aligned capitalisation rate • Move from RPI to CPIH inflation • 100bps outperformance target	• Major projects completing • NSL and Viking interconnectors • Isle of Grain expansion • US onshore renewable projects	• >£400m cost efficiency programme • Controllable costs flat as assets grow >20%	• Strong asset and earnings growth • Greater certainty of growth

The business has been transformed in four fundamental areas.

Firstly, through our work to update and change our new regulatory settlements.

In the US this includes:

- Agreed rate increases;
- Inflation protection, including inflation indexed rates in our Massachusetts electricity and gas businesses, and forward-looking inflation embedded into our New York rates;
- Changes to the way we account for storm costs, to more closely match the expenditure we are making as storms become stronger and more frequent; and
- Additional regulatory settlements outside of our base filings, such as for Grid Modernisation in Massachusetts where we will recover revenues as we invest

And in the UK under RIIO T2 you will see this in

- A revised capitalisation rate that better aligns to our natural opex and capex split;
- Alongside the move from RPI to CPIH indexation; and
- Our outperformance targets

Secondly, in our non-regulated business, National Grid Ventures, where earnings growth will come through as new projects come online, including:

- The North Sea Link and Vikings interconnectors,
- Isle of Grain train 4, and
- Our US onshore renewable projects

Thirdly, through the efficiencies we've created historically, and through our new efficiency programme being launched today, which will help us to maintain a flat controllable cost base across our regulated businesses, even as our assets grow by over 20%.

And lastly, our pivot towards higher growth electricity. The integration of WPD into our portfolio will deliver higher asset and earnings growth over the coming period than Gas Transmission, as well as greater certainty of asset growth into the longer term.

Our five year financial framework has come together through a lot of hard work, across all our businesses, over the past couple of years. Which gives me the confidence that we will successfully deliver it.

Pulling all this together, I want to spend a moment on how we think about our financial framework, and the commitments we've made.

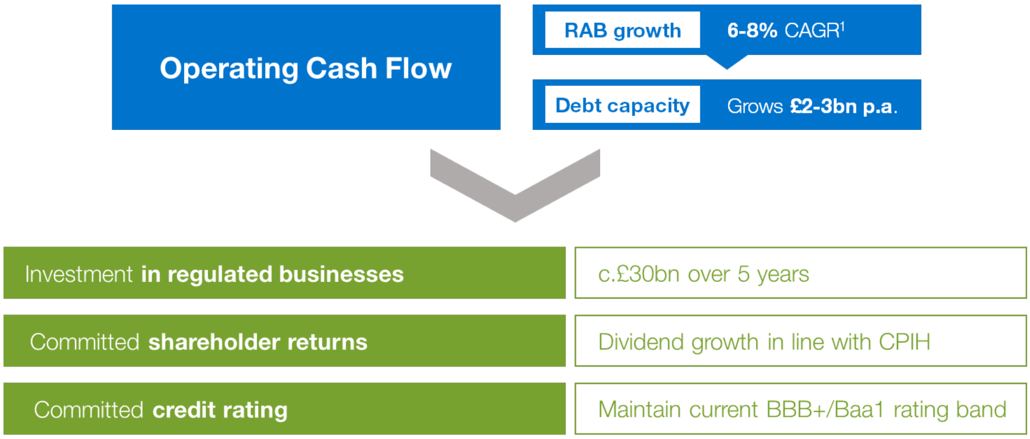
Looking at the sources of capital, they're primarily from:

- Our strong operating cash flow, which we expect to grow broadly in line with our EPS growth; and
- Growing balance sheet capacity.

As a regulated business, our debt capacity grows as our regulated asset base, or RAB, grows. Over the next 5 years we expect senior debt capacity to increase by around £2-3 billion pounds annually.

Beyond this, we will have proceeds from divestments, such as the sale of our Rhode Island business, and a majority stake in our UK Gas Transmission business, as well as through our scrip dividend.

In utilising our capital, our first priority is making the investments agreed in the rate plans in our UK and US regulated businesses, along with any committed capital in our non-regulated business, and delivering a growing dividend in line with CPIH, while maintaining our balance sheet strength.



1. Compound annual growth rate FY21-26

Beyond this, we have potential for additional capital investment opportunities. These include

- Further investment in our regulated businesses, such as large onshore transmission investment approved through the RIIO-2 control, and
- Descretionary investments in our non-regulated business, National Grid Ventures, such as our sub-sea interconnector portfolio, where returns are in excess of our regulated business.

Our choices will always be guided by our responsible business ethos, and the opportunities to accelerate the energy transition, whilst maintaining our investor proposition to deliver a sustainable, growing dividend, and attractive total shareholder returns.

The breakouts will shortly take you into our businesses, showcase some of the great people we have working to deliver our projects, and the passion we all have to enable the energy transition.

As I said at the start, this is a very exciting time for National Grid. We have a multi-decade growth story in-front of us, with history showing that we have the capabilities and experience to manage the pace of this growth successfully.

We have a vital role to play in the energy transition and we are doing it right now

Thank you.