# Full Year Results
2022/23

London, 18 May 2023

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This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's (the Company) financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. 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For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 253 to 256 of National Grid's most recent Annual Report and Accounts, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2022 published on 10 November 2022. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this presentation.

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# Highlights

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# Delivering as a Responsible Business
## **Significant** progress

Record
**capital investment**


**Portfolio**
positioned for growth

**Continued support**
to our customers and communities

### Accelerating the energy transition

- 17 major transmission projects awarded by Ofgem
- $3.8bn approved in the US outside of rate cases

# Record capital investment
# £7.7bn

**World's first**
T-Pylons energised

**1.4 GW**
**Viking Link interconnector**
75% cable laid

**>4,200 miles**
of gas pipeline replaced to date

avoiding
**134,000mt $CO_2e$**

Broke ground on $600m
**NY Smart Path Connect**
project

**Twice as many EV connections**
in the past two years than all other years combined, in UK Electricity Distribution

**Rewiring London**
at London Power Tunnels

**>90%**
**tunnel boring complete**

# Repositioned for growth

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## Strategic pivot complete

- WPD, now National Grid Electricity Distribution, acquired June 2021
- Rhode Island business sale completed May 2022
- UK Gas Transmission and Metering
  - 60% sale completed January 2023
  - Consortium option on remaining 40%

## Business Units positioned for delivery

- Progressing Electricity System Operator separation
- New Strategic Infrastructure business unit

## Portfolio

c.70% Electricity | c.30% Gas

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# Supporting our customers and communities

## Helping our Customers and Communities

- Early return of £100m of interconnector revenues
  - In addition to the £200m already committed
- £24m of our UK Energy Support fund allocated
- $6m Customer Assistance Programme launched in US
- Project C day of service – 11,000 hours of volunteered

# Financial performance highlights

## Good delivery in 2023

### Underlying operating profit

**£4,582m ⬆10%**

FY22: **£4,171m**

### Underlying EPS

**69.7p ⬆7%**

FY22: **65.3p**

### Return on Equity

**11.0% ⬇40bps**

FY22: **11.4%**

### Capital investment

**£7,740m ⬆8%**

FY22: **£7,188m**

### Asset growth

**11.4% ⬆270 bps**

FY22: **8.7%**

### Dividend growth in line with policy

**55.44p ⬆8.77%**

FY22: **50.97p**

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than $100m), timing and the contribution from UK Gas Transmission and Metering, which are classified as a discontinued operation for accounting purposes

Capital investment includes investment in NECO, JVs and NG Partners Investments

Asset growth excludes impact of disposal of NECO and UK Gas Transmission and Metering

Return on Equity includes NECO and Gas Transmission and Metering for the period owned in 2022/23

Operating profit and capital investment calculated at constant currency

# Safety and reliability


## Safety

- Lost Time Injury Frequency rate: 0.11 vs 0.13 in FY22

## Reliability

- Over 99.9% availability across regulated networks
- Excellent performance across UK and US
  - Winter storm Elliott in the US
  - Hottest temperatures on record in the UK
  - ESO comprehensive winter preparedness plans

# Progress on operational priorities


## Underlying operational delivery

- Achieved RoE 8.6%
  - 96% of allowed return
- $3.0bn capital expenditure
  - Rate base growth of 9.9%

## Policy and regulatory progress

- $2.8bn approved for Transmission investment to enable >2GW renewable generation
- Climate Action Council scoping plan
  - Importance of decarbonised gas networks
  - Continued leak prone pipe replacement investment

# Progress on operational priorities

## Underlying operational delivery

- Achieved RoE 8.3%
  - 30bps improvement[1]
- $2.0bn capital expenditure
  - Rate base growth[2] of 6.3%

## Regulatory progress

Funding approved for:

- $336m Grid Modernisation
- $487m Advanced Metering Infrastructure
- $206m approved for >30,000 EV charge points

1 Excluding Rhode Island (NECO) business
2 Rate base growth excludes the impact of the Rhode Island (NECO) disposal

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# Progress on operational priorities

### Second year of RIIO-T2

- Achieved RoE 7.5%
    - 120bps outperformance
- £1.3bn capital expenditure

### Regulatory and policy progress

- 17 major transmission projects awarded by Ofgem
- UK Government's 'Powering up Britain' package
    - Networks as key enabler of the energy transition
    - Planning processes to be streamlined
    - Community benefits consultation

# Progress on operational priorities

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## Strong final year of RIIO-ED1

- Achieved RoE: 13.2%
  - 360bps above allowed level
  - 8.99/10 Customer Satisfaction Score
- £1.2bn capital expenditure

## RIIO-ED2 price control

- Average allowed return of 5.23% real
- c.£5.9bn totex allowance

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# Progress on operational priorities

Capital investment

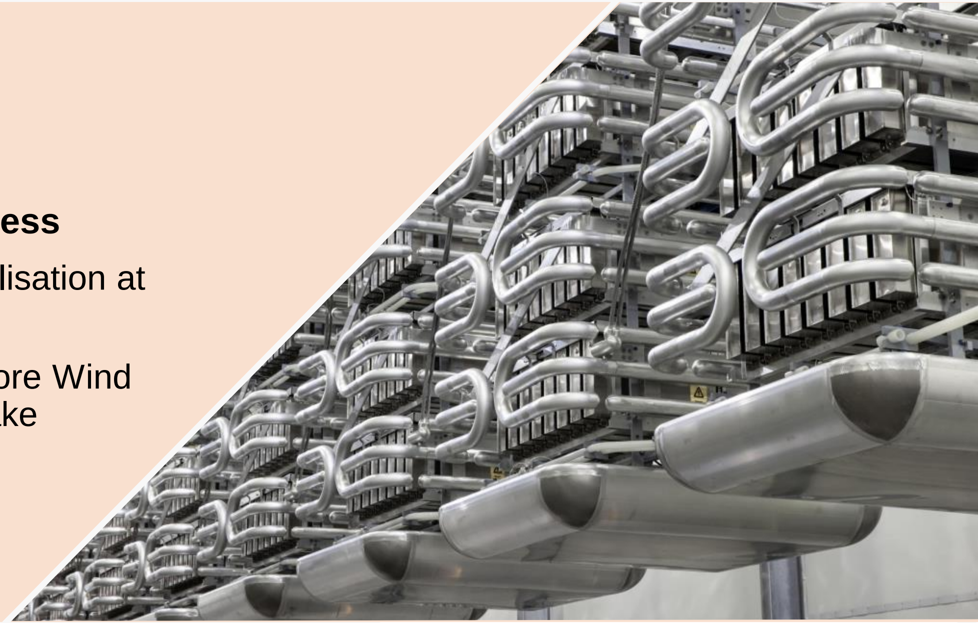
**£906m**

### Interconnectors

- Viking Link: 75% cable laid, commissioning December 2023
- North Sea Link first full year of operations
- IFA returned to full service

### Operational progress

- Record year of utilisation at Isle of Grain LNG
- Community Offshore Wind JV submitted offtake proposals



# Interest, tax and earnings

## Finance costs

**£1.5bn**

**33% higher** than FY22

- Higher impact from inflation on index linked debt
- Refinancing of the underlying portfolio
- Partly offset by higher non-treasury income

## Underlying effective tax rate[1]

**23.1%**

Underlying tax charge**: £709m**

- 120 bps lower than prior year
- Lower US state deferred tax remeasurement due to Rhode Island sale
- Larger proportion of UK property sales with a lower effective tax rate

## Underlying earnings[2]

**£2,549m**

FY22 : **£2,350m**

- 69.7p/share – up 7%
- In line with guidance

1. Excluding joint ventures and associates.
2. Underlying results attributable to equity shareholders.

Finance costs presented at constant currency; underlying earnings presented at actual currency

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than $100m) and timing

# Cash flow and net debt

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## Cash generated from operations[1]

**£6.4bn**

FY22: **£5.8bn**

## Net cash outflow[2]

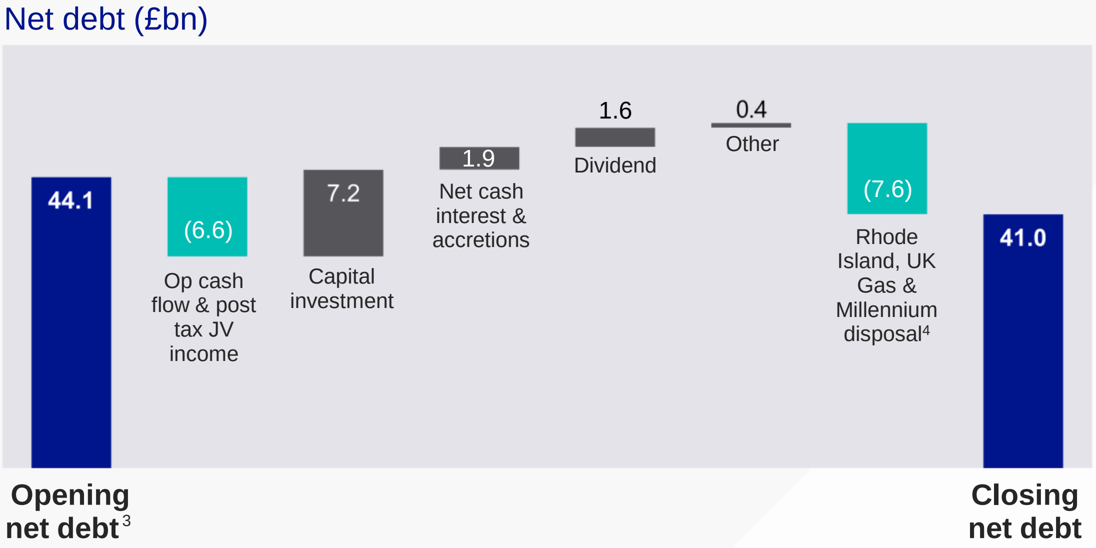
**£3.1bn**

FY22: **£1.6bn**

## Net Debt[3]

**£41.0bn**

FY22: **£44.1bn**



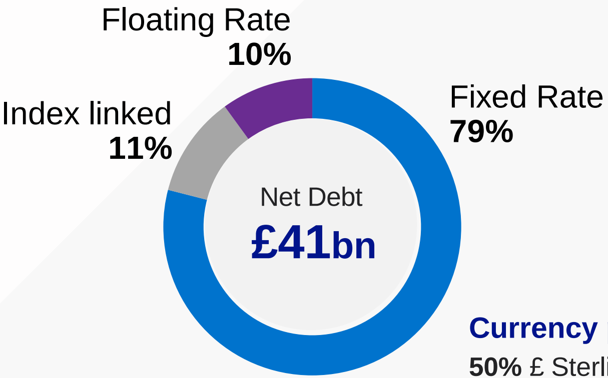

RCF / Net debt

**9.3%**

1. From continuing operations
2. Net cashflow from continuing operations, excluding acquisition of WPD, disposal proceeds from NECO and GT and other investing and financing transactions with nil impact on net debt
3. FY22 net debt presented at constant currency

# Debt structure

## Net debt profile at 31 March 2023 (£bn)




**Currency profile**

**50%** £ Sterling

**50%** US dollar

Note: Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

- Around 70% of our debt sits in the regulated operating companies
  - High degree of regulatory protection
  - Debt book average maturity of 11 years
- Strong access to debt capital markets
  - £7bn bond issuances in FY23
  - Expect to issue £5-6bn in FY24

# FY24 Guidance

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## Full Year 2024 expectations…

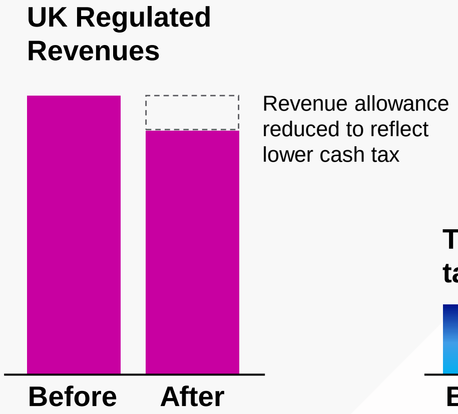
- Another good year of expected earnings growth within our 5 year 6-8% CAGR

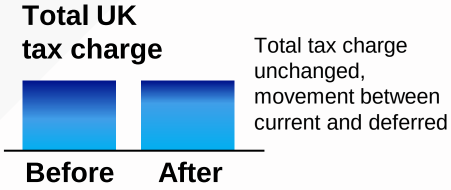
## …offset by Capital Allowances impact

- Now expect underlying EPS to be modestly lower year-on-year
- 6 to 7 pence per share impact on underlying EPS for FY24
  - would be removed from FY27 if legislation ends in March 2026

## **Capital allowances impact** is economically neutral

### Capital allowances impact (illustrative)



# 5 Year Outlook reconfirmed

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## FY2022 - 2026

| | |
|---|---|
| **Capital investment** | **Up to £40bn** – **c.£29bn green**[1]**,** aligning to EU taxonomy<br>**c.£9bn** UK Electricity Transmission<br>**c.£12bn** New York Regulated<br>**c.£6bn** UK Electricity Distribution<br>**c.£9bn** New England Regulated<br>**c.£3-4bn** NG Ventures |
| **Group asset growth** | **8-10% CAGR**[2] |
| **Credit metrics** | Credit metrics maintained within current rating thresholds<br>Net debt to RAV in low **70%** range |
| **Underlying EPS** | **6-8% CAGR**[2] |
| **Dividend** | Aim to **grow dividend per share** in line with CPIH |

## FY24

- Underlying EPS expected to be modestly lower[3] than our reported underlying FY23 EPS

1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.
2. Compound annual growth rate FY2022-26 from a FY21 baseline. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions and scrip uptake of 25%. Reflects sale of Rhode Island (NECO) and UK Gas Transmission & Metering (UK GT&M). Assumes 40% equity interest of UK GT&M treated as held for sale from 1 February 2023.
3. For 2023/24, we expect underlying EPS to be modestly below 2022/23 levels following the UK Government's change to the capital allowances regime from 1 April 2023. We expect this to change to have a 6-7p per share impact on EPS, albeit no economic impact over the long-term. Without this change, underlying EPS was forecast to grow within our 6-8% CAGR range between 2022/23 and 2023/24, assuming an exchange rate of £1:$1.20.

# Financing National Grid’s Operations

### Debt issuance

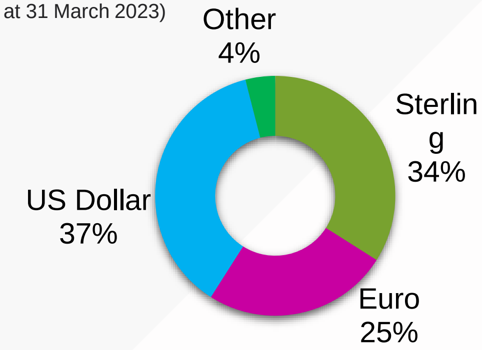
- External debt is raised by our operating companies, intermediate holding companies and by the group parent company, National Grid plc
- With the vast majority of our debt being raised in the capital markets, NG plc, NGNA, NGET and NGED have access to various funding programmes.
- Derivatives are used to manage any mismatch between currency of issuance and funding requirement.
- As at the year end, the Group had access to £6.5bn of revolving credit facilities (RCFs). Earlier this month, the Group completed the refinancing of its facilities, which now stand at £8.0bn. We also maintain some long-term bank borrowings.
- The UK Electricity System Operator also maintains a £550m RCF.

### Issuance programmes

| | National Grid plc (NG) | National Grid North America (NGNA) | National Grid Electricity Transmission (NGET) | National Grid Electricity Distribution (NGED) |
|---|---|---|---|---|
| EMTN | EUR 20bn[1] | EUR 8bn | EUR 20bn[1] | GBP 6bn |
| SEC Shelf | Yes | | | |
| ECP | USD 4bn | EUR 4bn | USD 2.5bn | |
| US CP | USD 4bn | USD 4bn | USD 2.5bn | |

### Currency profile of issuance[2]

(as at 31 March 2023)




1: This is a joint EMTN programme for NG and NGET
2: Gross borrowings excluding associated derivatives and cash and investments

# Green Financing Approach

Green Bonds issued to date:

**£2.9bn**

across NG plc, NGET and NIMO[1]

- **Green Financing Framework** – updated July 2021. The framework is aligned with the ICMA Green Bond Principles (2021) and Green Loan Principles (2021). Projects are also expected to be aligned as closely as possible with the EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation
- **ISS-ESG** provided a second party opinion on our updated framework
- Our latest **Green Financing Report** (GFR) was published in June 2022 as part of our Responsible Business Report
- In September 2022 S&P Global Ratings assigned National Grid plc an **ESG evaluation score of 83/100**

*Source: https://www.nationalgrid.com/investors/debt-investors/green-financing*
*1: Niagara Mohawk Power Corporation (NIMO)*

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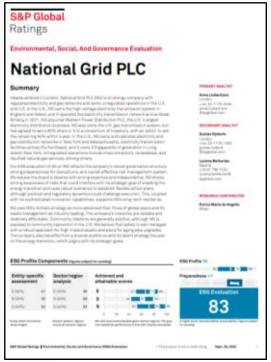
## Green Financing Reference


July 2021 Framework


Second Party Opinion




Sept 2022 ESG Evaluation



June 2022 Green Financing Report

pwc ***provided Limited Assurance on allocation and select impact metrics on the GFRs***

# Priorities & Outlook

# UK Priorities

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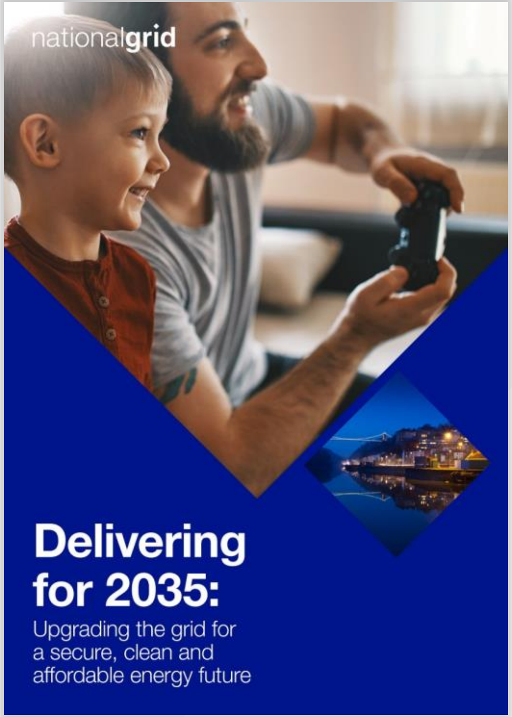
## Advocating for regulatory and policy change

1. Streamline planning and consenting
2. New regulatory and governance frameworks
   - Expand Ofgem's mandate to include net zero
   - Enable anticipatory investment at scale
   - Competition legislation
   - Create the Future System Operator
3. Transform the grid connections process
4. Community benefits framework
5. Regulatory support for supply chain capacity and green skills investment



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# UK Priorities

## Strategic Infrastructure Business Unit

- Programmatic approach to ASTI major projects
- Develop new contractual framework with supply chain

## Reduce connection wait times

- UK Electricity Transmission optimising connection offer process
- ESO initiatives for pipeline management

## UK Electricity Distribution delivering value

- Strong start to RIIO-ED2
- Investor Event 6th July 2023

# US Priorities

## Policy

- Clean Energy Vision advocacy
- Working with policymakers on pathways to decarbonisation
- Federal and state permitting and siting reform

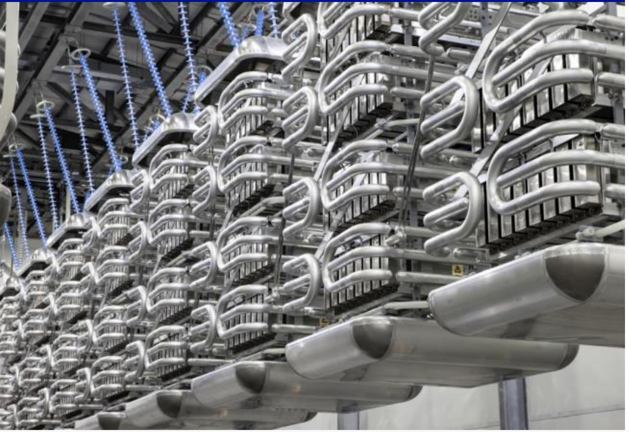
## Regulatory

- Transmission projects
  - CLCPA Phase 1 & 2 transmission projects
  - NY Propel Project
  - Twin States Clean Energy Link
- New rates filed for KEDNY-KEDLI in Downstate NY
- Preparing to file Massachusetts Electric rate case in October


**Delivering hybrid clean energy solutions**

- Pipeline replacement for decarbonised gas
- $2.1bn in energy efficiency measures
- Northeast Hydrogen Hub

# Summary

| Record **capital investment** | **Strategic pivot** complete | **Strong visibility** of growth |
| --- | --- | --- |
|  | ✓ WPD acquisition complete<br>✓ Sale of Rhode Island complete<br>✓ Sale of majority stake in UK Gas Transmission complete |  |

**Delivering a clean, fair, and affordable**
energy transition for all

# Q & A