



nationalgrid
the local **electric revolution**

“There’s never been a more exciting time to be leading the UK’s largest electricity distribution business than right now. I am hugely confident in our ability to deliver and seize the opportunities in front of us with both hands.”

Cordi O’Hara,
President, National Grid Electricity Distribution

Electricity
Distribution



National Grid Electricity Distribution

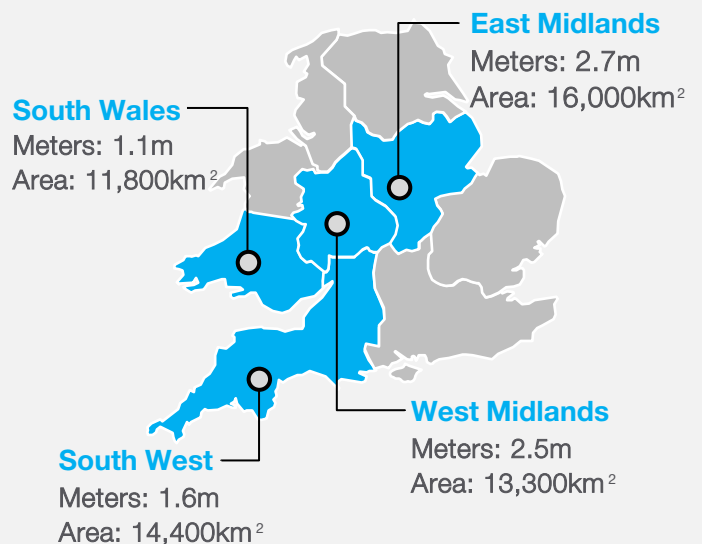
The UK’s largest electricity distribution network operator (DNO)

~**25m** customers
8m meter connections

55,500 km² service area
225,000 km of overhead lines and underground cables

6,700 employees
70% field

£10.8bn
RAV
at 31 March 2023



Operational Highlights

Strong track record of performance over RIIO-ED1

- Industry leading customer satisfaction score of **8.99** out of 10 in FY23
- World class safety with a Lost Time Injury Frequency Rate of **0.076** in FY23
- Strong reliability performance with **99.995%** network reliability
- Excellent return on equity (ROE) outperformance

RIIO-ED2 price control (FY23/24 – FY27/28)

Totex Allowances

- **£8bn¹** baseline allowances in nominal prices
- **30%** higher than ED1
- Totex efficiency now has a bigger emphasis than incentives

Incentives

- New DNO and Customer Vulnerability incentives
- Extends Customer and Reliability incentives from ED1

Financial Framework

- Allowed equity return ~**5.3%** indexed to risk free rates
- Debt mechanism tracks prevailing interest rates
- Real return linked to CPIH rather than RPI

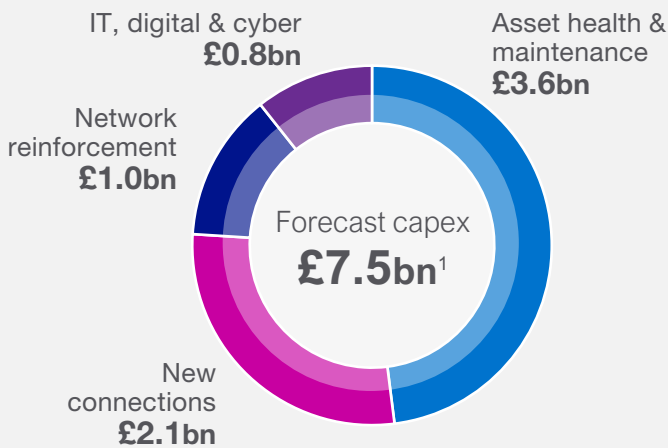
Uncertainty Mechanisms (UM’s)

- **38** UM’s
- **>50%** automatically adjust to reflect changes in external factors/outputs delivered
- Remainder are re-openers for additional funding

1. Baseline allowance for RIIO-ED2 is £5.9bn in 2020/21 prices

Outperforming RIIO-ED2

Capital Investment 2023-28

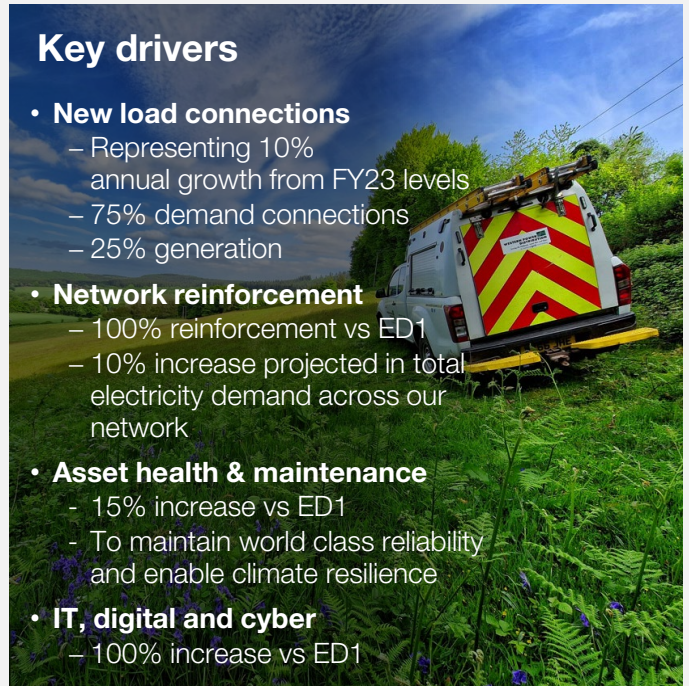


£7.5bn¹ Green capex aligned to EU Taxonomy

95% agreed within ED2 baseline funding | **>30%** annual increase in investment vs ED1

Key drivers

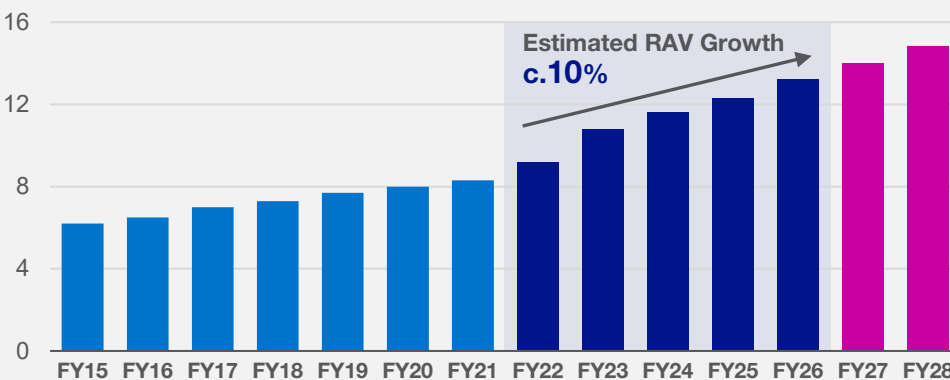
- **New load connections**
 - Representing 10% annual growth from FY23 levels
 - 75% demand connections
 - 25% generation
- **Network reinforcement**
 - 100% reinforcement vs ED1
 - 10% increase projected in total electricity demand across our network
- **Asset health & maintenance**
 - 15% increase vs ED1
 - To maintain world class reliability and enable climate resilience
- **IT, digital and cyber**
 - 100% increase vs ED1



Strong RAV growth

Growth in line with Group outlook

UK Electricity Distribution RAV (£bn)



ED investment growth underpins the Group's **8-10% nominal RAV growth to FY26** as part of the five-year frame

With Electricity Distribution figures at the top end of this range, reflecting strong progress since the acquisition

Delivering Outperformance

Targeting £100m
Group synergies over 3 years

- 1/3 from UK Electricity Distribution
- 2/3 from across the Group

Holding customer bills flat through cost efficiencies²

Targeted ROE operational outperformance
100 – 125bps

Totex efficiency | **Synergy benefits** | **Incentive performance**

- **~70% of outperformance** expected to be delivered via totex efficiencies
 - Supported by synergies
- **~30% of outperformance target** expected to be delivered via incentive performance

1. Nominal capital expenditure, including capex funded by contributions and uncertainty mechanisms
2. In real terms

Future Electricity Systems

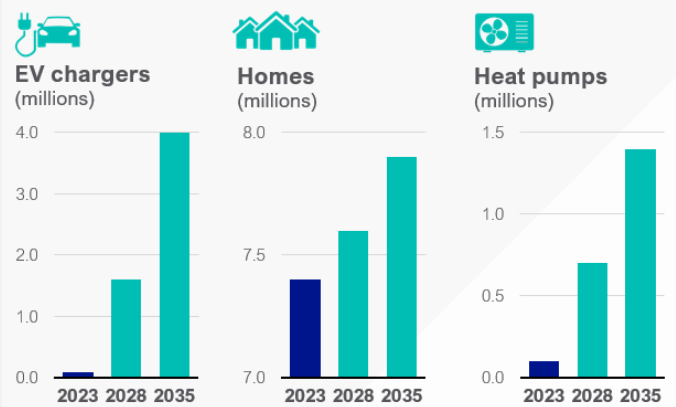
Distribution networks, which have remained relatively static over the last 50 years will undergo significant change over the next two decades - becoming smarter, multidirectional and flexible. We have a clear mandate to deliver effective Distribution System Operator functions to enable this throughout ED2, and Ofgem have set out significant incentives.



Innovating for Growth

One way we can make sure we're ready for the scale of growth and investment ahead of us is through **innovation**.

- Strong track record and **award winning** approach to innovation
- Work with key stakeholders and regulators to drive innovation into the business
 - Invested £34m in 34 Ofgem Green Recovery Schemes to enable EV charging



Case Study: Equinox

- The number of heat pumps is forecast to increase significantly out to 2035
- We need an agile network to deliver the reinforcement required for this growth - unlocking flexibility from residential heat pumps will be key to this agility
- Solution: Equinox Programme
- Funded through Ofgem's Network Innovation Competition, led by National Grid in partnership with our stakeholders
- Trialling multiple methods to incentivise households to be more agile with their heat, such as temporarily reducing electricity usage
 - Promising results - 99% customer satisfaction from participants
 - Now preparing for winter 2023/24 trials to further increase participation

Case Study: Take Charge

- The demand for EV charging is increasing rapidly.
- Service stations are often based in remote locations, and/or with little space for traditional infrastructure solutions.
- Solution: 'Take Charge' - New, modular substation infrastructure
- After securing the right partners and innovation funding, a new, super compact solution was designed and is now up and running, providing a 10x increase in available rapid chargers for customers at Essex Services.
- The modular design means it can be easily bolstered as demand grows further.
- We are working with stakeholders to further remove costs and speed up the roll out

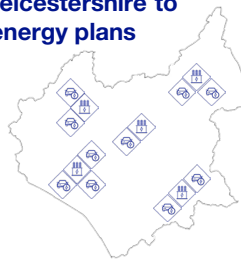
Transforming our Region

Local Authority Engagement

- Working with **124 planning authorities** across the region
- We're involved in helping them develop Local Area Energy Plans
- Giving greater clarity and confidence on network growth and investment required

Collaborating with local authorities in Leicestershire to build detailed energy plans

Original forecast using historic data and top down projections
76,000 EVs



Improved forecast after collaboration and support from NGED

112,000 EVs

a **47% increase**

Supporting the case for **£5 million** investment in RIIO-ED2

Connecting our Customers

- Exponential growth in connections requests
- Digital solutions and self serve are the future
 - Improved customer experience
 - faster connection times
 - reduces cost in the business
 - scalable



EV Charger Online Tool

Allows customers to apply for, and receive, an instant response to their application.



Low Voltage Online Tool

Allows customers to obtain an instant quotation for low voltage connections (e.g. domestic solar, new housing connections).



Customer Portal

Allows customers with accepted offers to create an account and manage and accept quotations, make payments, and track job progress

Investing in Communities

- Building relationships with our communities is as important to transforming our regions and enabling net zero
- Through a shareholder funded programme, we are working in partnership with schools and community stakeholders to directly invest in the net zero transition for our communities

Pilot scheme at Rednock School

- 19kW solar array generating ~17,000kWh per year
- 120 students engaged on STEM careers
- The development of an innovative 'citizen science' model for quantifying biodiversity net gain
- A social return on investment (SROI) of £3.74 over and above every £1 spent, over 10 years



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